



(Translation from Arabic to English)

Logo – TIB

**Al Taif Islamic Bank for Investment and Finance
(JSC) - Baghdad**
Financial statements for fiscal year ending 31/ December/ 2023

*Adel Ismail Hassan Al-Shaybi and His Partners Co.,
Public Accountant & Auditor / joint liability company - Baghdad*

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24 JUN 2024

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والثيق هندو
مترجم قانوني مجاز
رقم الهوية ٨١/خ/٤ من وزارة العدل
عضو جمعية المترجمين العراقيين
رقم الهوية ١٩٢ في ١٩٧٩/١/٢٩
المطابق: مكتب نادر للترجمة - المسيح
بغداد - هاتف : ٧٩٠١٤٥٠٤٩٣

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The Translator is competent,
Legal & Licensed to translate

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I, the undersigned, authorized translator, hereby certify that the above is an accurate translation of the attached photocopied Document, and that I am competent in both Arabic and English to render such translation.

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اني الموقع اذناه ، مترجم مخول ، اشهد بهذا بان المذكور اعلاه هي ترجمة صحيحة للوثيقة المترجمة المصورة و المرفقة طياً واني متمكن في كلا اللغتين العربية و الانكليزية لتقديم مثل هذه الترجمة .
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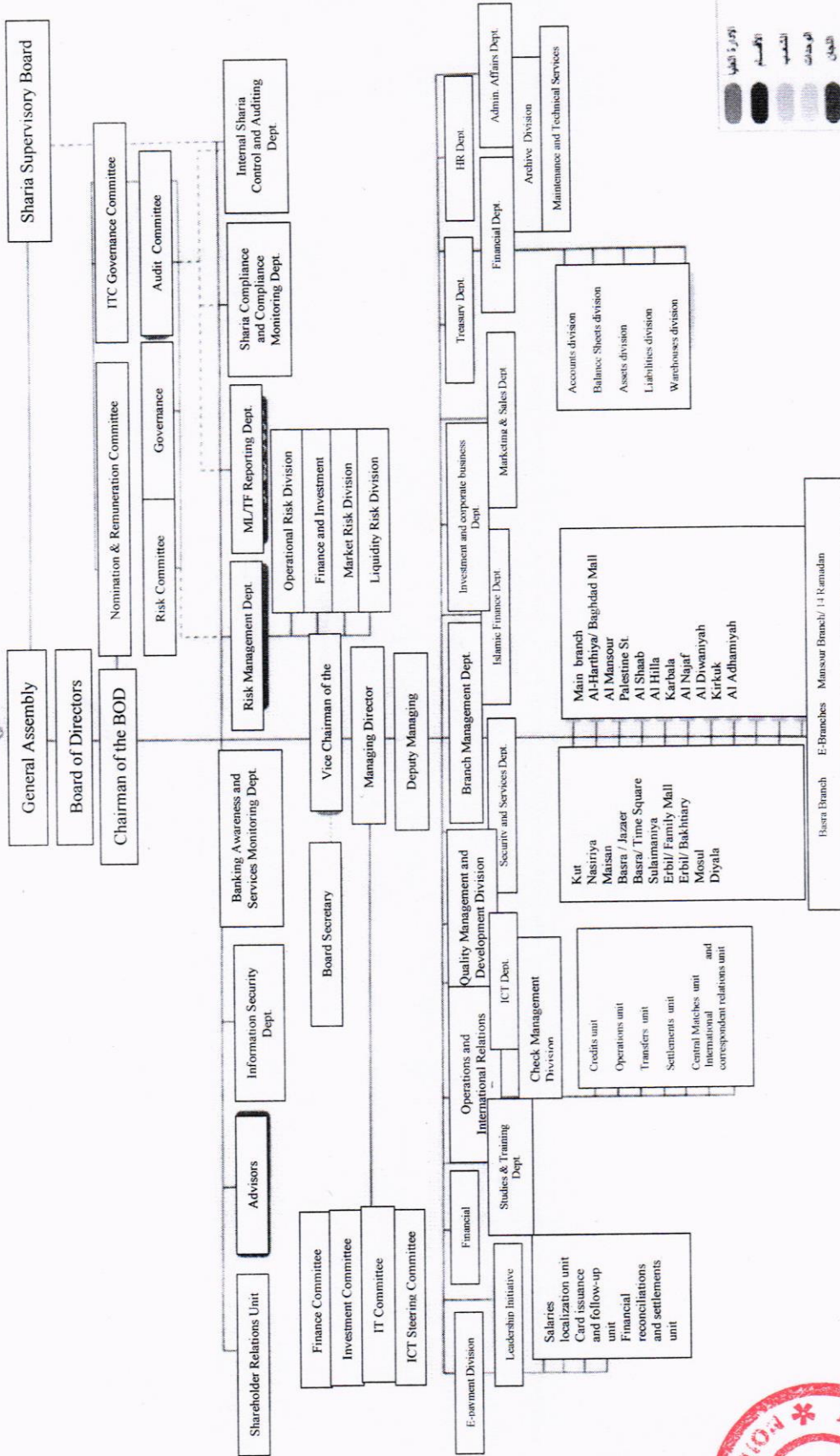
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The transistor is composed
of three layers of material.
The top layer is called the
emitter, the middle layer is
the base, and the bottom
layer is the collector.

Al Taif Islamic Bank for Investment and Finance (JSC) – Baghdad
Report of the Board of Directors, the Auditor and the financial Statements of fiscal year ended 31/December/2023

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Al Taif Islamic Bank for Investment and Finance (JSC) – Baghdad
Board of Directors Report
On Bank's Activity for fiscal year ended 31/December/2023

shareholders,

May God's peace, mercy, and blessings be upon you:

We present to you the report of the Board of Directors of your bank (Al Taif Islamic Bank for Investment and Finance) regarding the audited final accounts for the fiscal year ending on 31/ December/ 2023, including data and information about the bank's business and the results of implementing the annual plan, which was prepared in accordance with the provisions of Articles (117) and (134) of the Companies Law No. (21) of 1997, as amended, the instructions of the unified accounting system for banks and insurance companies, Accounting Rule No. (10) issued by the Accounting and Regulatory Standards Board in the Republic of Iraq, the provisions of the Banking Law No. (94) of 2004, the Islamic Banks Law No. (43) of 2015 and instructions of the Central Bank of Iraq.

First: About the Bank

- a. To begin with: Al-Taif Money Transfer Company (a private shareholding company) with a capital of (100) million dinars was established in the name of (Bait Al-Mal Money Transfer Co. Ltd.), pursuant to the certificate of incorporation issued by the Department of Companies Registration/ National Companies, No. CR/2392 dated 8/1/2006.
- b. According to the letter of the Department of Companies Registration/ National Companies No. 10461 dated 19/7/2006, the capital was increased to (500) million dinars.
- c. According to the decision of the Department of Companies Registration/ National Companies dated 2/8/2007, the company's name and type were changed to become (Al-Taif Financial Transfer Company / Private Joint Stock Company).
- d. The company began its work on 19/9/2007 after it was granted a license to practice financial transfer business issued by the Central Bank of Iraq / General Directorate of Banking and Credit Control, No. 96/3/2637 dated 19/9/2007.
- e. The company's capital was increased several times, so that the company's capital in mid-2013 became (25) billion dinars, according to the letter of the Department of Companies Registration/ National Companies No. 18918 dated 23/7/2013.
- f. According to the letter of the Department of Companies Registration/ National Companies No. 3328 dated 5/2/2014, all necessary legal procedures were completed to increase the company's capital to become (38) billion dinars.
- g. According to the letter of the Department of Companies Registration/ National Companies No. 3883 dated 11/2/2015, all necessary legal procedures were completed to increase the company's capital to become (45) billion dinars.
- h. According to the letter of the Department of Companies Registration/ National Companies No. 5487 dated 19/2/2018, all necessary legal procedures were completed to change the company's activity from money transfer to become and Islamic Bank by the name (Al Taif Islamic Bank for Investment and Finance) and to increase capital to become (100) billion dinars.
- i. The bank was granted a license to practice banking business according to the letter of the Central Bank of Iraq / Islamic Banking Control Department No. 9/3/30217, dated 31/12/2018.
- j. According to the letter of the Department of Companies Registration/ National Companies No. 23517 dated 7/12/2020, all necessary legal procedures were completed to increase the Bank's capital to become (153) billion dinars.



- k. According to the letter of the Companies Registration Department No. C/5/24036 on 18/8/2021, all the necessary legal requirements to increase the bank's capital to become (203) billion dinars.
- l. According to the letter of the Companies Registration Department No. C/5/11186 on 24/3/2022, all necessary legal procedures were completed to increase the bank's capital to become (250) billion dinars.

Second: The ownership rights in the shares of Al Taif Islamic Bank for Investment and Finance

1. The bank's shares are listed on the Iraq Stock Exchange, and the share price in the last session of the Iraq Stock Exchange for the year 2023 amounted to 0.850 dinars. The following table shows the development of ownership rights since 2019 until 2023.

Details	31/12/2023 One thousand dinars	31/12/2022 One thousand dinars	31/12/2021 One thousand dinars	31/12/2020 One thousand dinars	31/12/2019 One thousand dinars
Nominal capital	250000000	250000000	203000000	153000000	100000000
Paid-up capital	250000000	250000000	203000000	153000000	100000000
Mandatory reserve	935258	371219	266677	243126	142267
Expansion reserves	1000000	1000000	000	000	000
Exchange price fluctuation provisions	89762	89762	89762	89851	89851
Carried forward profits	13804676	3087935	2101642	2514806	1848562
Total equity	265829696	254548916	205458081	155847694	102080679
Number of shares	250000000	250000000	203000000	153000000	100000000
Share/dinar	1,0	1,018	1,012	1,019	1,021

2- following the statistics of shares distribution on the shareholders as on 31/12/2023

seq	Segment	No. of shareholders	No. of shares	Percentage importance
1)	From 1 To 1,000,000	146	45,500,286	%0.02
2)	From 1,000,001 To 10,000,000	56	196,380,390	%0.08
3)	From 1,000,001 To 1000,000,000	178	20,681,262,477	%8.27
4)	more than 1,000,000,000	22	229,076,856,847	%91.63
	Total	402	250,000,000,000	%100

3-the shareholders who own 5% of the bank's capital and more

seq	Name	Share volume
1)	Farhan Saddam Rahma Al-Mousawi	61,526,730,000
2)	Shaat Al-Arab company for Insurance	19,782,340,806
3)	Muhaimen Farhan Saddam	14,917,544,327
4)	Mohammed Farhan Saddam	14,839,044,327
5	Hayder Farhan Saddam	14,753,736,635
6)	Alhasan Farhan Saddam	14,156,044,327
	Total	139,975,440,422



4. the shareholders who owns 1% of bank's capital until 4.9%

seq	Name	Shareholding volume
1)	Ammar Mudhafar Salih	8,535,103,500
2)	Ahmed Suker Rahmah	8,050,000,000
3)	Sarh Albina company for Real estate Investment and Development	7,179,790,000
4)	Al Ahliya company for Insurance	7,000,000,000
5)	Tawsil Albarib Alsarie Company	6,967,387,373
6)	Taif Lid company for general trade L.L.C.	6,954,250,000
7)	Luay Farman Talib d. Aldieini	6,230,974,077
8)	Uday Khaleel Ibrahim	6,091,003,500
9)	Altkafil company for Insurance Mediation L.L.C.	5,957,450,000
10)	Al-Taif company for Shipment, customs Clearance and Marine Time Services Ltd.	5,903,792,908
11)	Al-Taif Company for Technical solutions (Ltd.)	4,999,516,667
12)	Ziyad Abdulqader Qasim	4,210,000,000
13)	Dar Uruk company for Trade	4,000,000,000
14)	Mohammed Oraibi Shahaf Allami	3,582,152,000
	Total	85,661,416,425

Third: Subsidiary companies of the bank

The bank has 100% contributions to the capital of the Al-Bait Al-Abiadh Real Estate Investment Company, Al-Kookh Al-Dhahabi General Trading Company, and Al-Taif Company for Translation. Thus, these companies are fully owned by Al Taif Islamic Bank for Investment and Finance (JSC), and are classified as affiliated companies to it.

Fourth: Strategy, vision, and goals for the year 2024

Our message

- Our bank to be the first and leading choice in Iraqi banking.
- We are committed to the principles of Islamic Sharia morally and in behavior, which is a way of life and a method of work.
- We work to develop banking performance through innovative and unique banking services, products and solutions.
- Deepening work activity and effective contribution in the field of social responsibility.
- Developing the performance of human resources to advance the national economy to achieve future development.
- Building a continuous and developing relationship with customers.
- Studying customer needs according to the nature of activity and geographical location to provide appropriate banking services and their needs.
- Contributing to providing environmentally friendly services and activities.

Our vision

- Commitment to providing the highest standards of banking services in accordance with the tolerant legislation, laws and provisions of Islamic Sharia and using the best and latest technologies in all Transactions.
- Manage investments carefully with the aim of achieving the best returns for the common benefit of customers.



- Adherence to cooperation, coordination and integration with institutions and other financial bodies that are committed to providing the best in all their dealings with the aim of strengthening the base and foundations of the financial investment system.
- Adherence to developing communities in all economic fields through investment in the industrial, agricultural, commercial, real estate, services, and other sectors, which in turn provides more job opportunities in the community.
- Encouraging the promotion of banking culture and urging the public to adopt a culture of saving money and correct and accurate investment in accordance with sound investment principles, through investment and financial services and products that are compatible with the requirements of customers in accordance with the provisions of Islamic Sharia.

Our Core Values

- Adherence to quality standards in accordance with Sharia provisions to provide customers' rights with the best levels of institutional governance issued by the Central Bank of Iraq.
- Working in accordance with the principle of transparency and clarity in providing products in accordance with Islamic law.
- Achieving sustainable development by relying on programs and plans of a scientific nature to keep pace with electronic development in achieving goals and programs in accordance with the directives of the Central Bank of Iraq.
- Maintaining confidentiality, information and data of customers in accordance with the laws and instructions in this regard.
- Striving to contribute to the development of society by consolidating Islamic banking awareness and contributing to social and environmental activities to reach financial inclusion and sustainability.

Our Overall Strategic Objectives

- 1- Spreading throughout all regions of Iraq, providing all Islamic banking services to all segments of society, and continuing the plan to open branches and offices inside and outside Iraq.
- 2- Achieving diversified revenues and returns and permanent growth in banking revenues generated from legitimate financing and investment operations.
- 3- Strengthening the bank's infrastructure and completing the modernization of its electronic systems.
- 4- Enhancing the bank's competitive ability with the aim of increasing its market share in various banking activities.
- 5- Strengthening cooperation with local banks and openness to foreign banks.
- 6- Financing economically viable projects to contribute to the economic growth of the country.
- 7- Continue to promote all types of electronic cards to achieve financial inclusion.
- 8- Working to increase customer satisfaction by improving and diversifying services and shortening procedures to speed up their granting.
- 9- Paying attention and encouraging innovation in Islamic banking services to diversify services and include all segments of society.
- 10- Effective contribution to enhancing financial inclusion by spreading across all regions to target low-income groups that are far from banking services.
- 11- Expanding the provision of various banking products in Murabaha, Ijarah Muntahia Bittamleek (Closed-end leasing) for financing cars, purchasing real estate, financing customers for religious tourism purposes, and financing for education and treatment purposes.
- 12- Automating the processes of measuring credit and operational risks, customer classification, and measuring profitability based on the data and information available in the database.
- 13- Reviewing contracts and amending them to suit the needs of the bank and customers on a regular basis in accordance with the controls and observations of the Central Bank and Sharia standards, and reviewing and updating the banking services contract, in addition to the procedures and policies for granting financing.
- 14- Expanding the provision of ATMs in all regions and governorates.



- 15- Reconsidering the organizational structure annually and reconsidering the scale of salaries and rewards according to the nature of work and productivity according to new foundations.
- 16- Strengthening the procedures for localizing salaries for government and private institutions and paying attention to marketing procedures in accordance with scientific procedures.
- 17- Effective contribution in providing and granting products that support social responsibility.
- 18- Effective contribution to providing and granting products that reduce heat emissions and are environmentally friendly.
- 19- Effective contribution to services that lead to improving human well-being, achieving social justice, reducing environmental risks, and achieving a green economy by encouraging initiatives to develop clean, renewable energy.
- 20- Providing financial services by taking advantage of software, modern technology, and digital transformation with the aim of reaching remote areas at a lower and more secure cost.
- 21- Providing financial products and services that integrate environmental, social, and governance standards to achieve sustainable, long-term economic development that is economically feasible and relevant to the needs of society in general.
- 22- Paying attention and expanding the training of members of the Board of Directors, executive management, and the bank's staff to develop their expertise and qualify them to manage the bank, its systems, and its activities.
- 23- Continuing to build and own buildings that are compatible with the needs and comfort of customers and workers as headquarters for our branches in Baghdad and the governorates.
- 24- Purchasing land and building it as a new headquarters for the general administration and main branch to suit the bank's role in the banking arena, because the current building does not accommodate the bank's activities and reputation and taking into account the bank's current location and its reputation among customers.
- 25- Developing and updating the annual assessment form according to clear, measurable standards and adopt the rewards method to improve performance.
- 26- Increasing the number and amounts of current accounts, deposits, and savings, and seeking to localize the salaries of employees of government departments and private sector companies.
- 27- Increasing the bank's share of revenues generated from cash and pledged credit provided by the bank.
- 28- Enhancing teamwork and developing incentive and reward systems in line with performance.
- 29- Striving to reduce the use of paper in correspondence and reduce waste in electrical energy consumption by enhancing reliance on modern technological systems.
- 30- Increasing testing of business continuity and recovery from disasters or public events, and develop plans, programs and alternatives for that.
- 31- Strengthening the values and standards of corporate governance in the bank by constantly and periodically reviewing the approved policies and procedures to develop them so that they are compatible with international standards and the controls of the Central Bank of Iraq in order to achieve optimal performance, develop additional value, and achieve the best return for stakeholders, shareholders, investors, customers, employees, and society.
- 32- Strengthening the control environment and risk management by appointing experienced people, cooperating with reputable local or international companies, paying attention to stress tests for risks, and improving control and follow-up procedures for the bank's work by developing plans and programs for internal auditing related to risks.
- 33- Striving for digital technical transformation and developing the system and infrastructure to maintain information technology security in accordance with the most appropriate international standards and best practices to maintain the quality of information and services by keeping up with



Technical developments and capacity development to achieve the bank's objectives and strive to develop information systems and programs by investing in technology that reduces risks.

34. Full compliance with information security regulatory rules to enhance business security in accordance with the controls and guidelines of the Corporate Governance Guide issued by the Central Bank of Iraq.

Fifth: Board of Directors

1. According to the General Assembly meeting held on 25/7/2023, the following names were elected for the bank's Board of Directors:

A- The original members of the Board of Directors and the number of shares they own as on 31/12/2023:

Name	No. of shares
Ammar Mudhafar Salih Aboud Mubaraka	8,535,103,50
Qahtan Mohammed Merzah Hajim Al-Gburi	10,000
Ridha Hamzah Abdulridha Abbood Al-Khayyat	677,450,000
Hussein Hadi Saleh Mahdi Al-Rubaye	50,000
Hayder Musaab Abdullah Taha Al-Mnaseer	185,580,500
Mehasin Abdulhussein Saeed Al-Naddaf	14,500
Qahtan Ahmed Ayoob Mohammed	14,500

B: Reserve members of the Board of Directors and the number of shares they own as on 31/12/2023:

Name	No. of shares
Kadhim Dakheel Jubair Muaidi Alburebeh	50,000
Najed Hammoodi Majeed Ahmed Al-Najjar	50,000
Hasan Ahmed Farhan Ghairi	14,500
Salih Rasheed Hameed Al-Rikabi	14,500
Mohammed Shakir Ridha Al-Naqqash.	14,500
Khulood Faeq Abdulrahman Qasim	14,500
Lubna Zaki Mohammed Aldadah	14,500

Information regarding the (original and reserve members) of the Board of Directors for the financial year ending on 31/12/2023.

1. Ammar Mudhafar Salih Abbood Mubaraka

- Bachelor's degree in Fine Education (1997-1998).
- Financial experience for more than (10) years in Al Taif Money Transfer Company (Al Taif Islamic Bank) currently.
- More than (4) years of experience in the insurance field at Shatt Al-Arab Company for the period from (2005 - 2009).
- Member of the Board of Directors of Al-Ahlia Insurance Company from 4/10/2021 and continuing until now.
- Chairman of the ICT Governance Committee emanated from the Board.
- Chairman of the Risk Management Committee emanated from the Board.
- Member of the Governance Committee emanated from the Board.



2. Qahtan Mohammed Marzah Hajim Al-Gburi

- Bachelor Degree in Law (1974 - 1975).
- Legal experience spanning more than (47) years.
- Legal consultant for all types of (financial - legal – contracting) companies and a registration attorney licensed by the Ministry of Trade.
- A legal expert in estimating real estate values and estimating alimony at the Baghdad Court of Appeal.
- Administrative experience as he worked as managing director of Shatt Al-Arab Insurance Company (PJSC) for the period from 11/9/2007 until 1/4/2009 and from 6/12/2014 until 9/6/2015.
- Vice Chairman of the Board of Directors of Al Taif Islamic Bank in its first session for the period from 31/12/2018 until 16/10/2023.
- Chairman of the Nomination and Remuneration Committee emanated from the Board.
- Member of the Risk Management Committee emanated from the Board.
- Member of the Governance Committee emanated from the Board.

3. Ridha Hamzah Abdulridha Abbood Al-Khayyat

- Bachelor Degree in English Literature (1993-1994).
- Financial experience in the field of buying and selling foreign currencies.
- Managing Director of Al-Taif Company for mediation in buying and selling foreign currencies for the period from 2004 to 2009.
- Practical experience in managing financial and banking operations for more than 20 years.
- Experience in the field of electronic payments.
- Member of the Board of Directors of Al Taif Money Transfer Company (formerly) and Al Taif Islamic Bank (currently) for three terms from 2009 until 22/9/2018.
- Member of the Board of Directors of Al Taif Islamic Bank in its first session for the period from 31/12/2018 until 16/10/2023.
- Managing Director of the Al-Taif Islamic Bank for Investment and Finance, according to the letter of the Central Bank of Iraq No. 9/3/30216 on 31/12/2018 and is still continuing.
- Chairman of the bank's executive committees (Investment Committee, Credit Committee, Information and Communications Technology Committee, Information and Communications Technology Steering Committee).

4. Hussein Hadi Saleh Mahdi Al-Rubaye

- Bachelor of Political Science (1976-1977).
- Banking experience for more than 38 years in the Real Estate Bank, including (Director of the Financial Department, Director of the Credit Department, Director of the Banking Department, Director of the Statistics Department, and Deputy Director General of the Real Estate Bank.)
- Member of the Board of Directors of the Real Estate Bank for the period from 2010 to 2015.
- Member of the Board of Directors of Al Taif Islamic Bank for its first session, for the period from 31/12/2018 until 16/10/2023.
- Chairman of the Audit Committee emanated from the Board.



5. Hayder Musaab Abdullah Taha Al-Mnaseer
 - Diploma in Accounting (1993-1994).
 - Manager of the main branch at Al Taif Financial Transfer Company for the period from 15/8/2014 until 22/9/2018.
 - Chairman of the Governance Committee emanated from the Board of Directors.
 - Member of the Audit Committee emanated from the Board of Directors.
 - Member of the Nomination and Remuneration Committee emanated from the Board of Directors.
6. Mehasin Abdulhussein Saeed Al-Naddaf
 - Bachelor's degree in Management and Economics (1980-1981).
 - Banking experience extending for more than 37 years in the Real Estate Bank, including Assistant Director of Administrative Development, Assistant Director of the Statistics Department, Director of the Credit and Collection Department, Compliance Controller, Director of the Banking Credit Department, Director of the Financial Department, Assistant Director General of the Real Estate Bank).
 - Member of the Information and Communications Technology Committee emanating from the Board of Directors.
 - Member of the Risk Management Committee emanated from the Board of Directors.
 - Member of the Nomination and Remuneration Committee emanated from the Board of Directors.
7. Qahtan Ahmed Ayoob Mohammed Al-Ayoobi
 - Master's degree in Urban and Regional Planning (1987-1988).
 - Banking experience for more than 40 years in the Real Estate Bank, including (Director of Accounts, Director of the Financial Department).
 - Member of the Board of Directors of the Real Estate Bank from 2002 until 2009.
 - Member of the audit committee emanated from the Board of Directors.
 - Member of the Information and Communications Technology Governance Committee emanated from the Board of Directors.
 - Member of the Nomination and Remuneration Committee emanated from the Board of Directors.
8. Kadhim Dakheel Jubair Muaidi Alburebeh
 - Bachelor Degree in Accounting Sciences (1973-1974).
 - Banking service for more than 43 years in Al-Rafidain and Al-Rashid Banks.
 - He served as branch manager of Al-Rasheed Bank in Al-Diwaniyah Governorate/16 - Ghamas and Afak Al-Furat 515.
 - Experience in the field of external transfer and documentary credits.
 - Member (reserve) of the Board of Directors of Al Taif Islamic Bank in the first session of the Board for the period from 31/12/2018 until 16/10/2023.
9. Najed Hammoodi Majeed Ahmed Al-Najjar
 - Bachelor Degree in Administration and Economics (1979-1980).
 - Budget Matters Advisor - Leading the Budget Team.
 - Budget advisor at Chemonex International.
 - Senior budget matters specialist.
 - Senior financial policy advisor.
 - Senior National Advisor for Financial Policy in the Third Local Governance Program.



- Senior Regional Financial Advisor for the Central and Southern Region - Local Governance Program II (LGP3) for the International Development Agency (RTI) and the International Research Triangle Organization in Iraq for the period from May 2005 - February 2009.
 - He has written books, studies, and contributions in many financial, legal, administrative, and supervisory fields.
10. Hasan Ahmed Farhan Al-Ghrai
- Higher Diploma in Banking Management - University of Baghdad (1998-1999)
 - Banking experience for more than 20 years in the Ministry of Finance/ the Agricultural Cooperative Bank (a general company), in which he held several job titles and positions, the last of which was director of the financial department in the bank.
11. Salih Rasheed Hameed Al-Rikabi
- Bachelor Degree in Administration and Economics in Management (1978-1979).
 - More than 40 years of service in Al-Rafidain Bank, during which he held several job titles and positions, the most recent of which was the position of Director of Al-Rafidain Bank/ Sana'a Branch - Yemen.
 - Experience in the areas of savings, deposits, current accounts, banking and accounting facilities.
12. Mohammed Shakir Ridha Al-Naqqash.
- Bachelor Degree in Management and Economics - Department of Economics (1975-1976).
- Banking service for more than 37 years in the industrial and real estate banks.
13. Khulood Faeq Abdulrahman Qasim Agha
- Bachelor Degree in Administration and Economics - Business Administration (1983-1984).
 - 36 years of service at Rafidain Bank, during which he held several positions, including Assistant Director of the Current Department, Deputy Director of the Baquoba Branch, Senior Manager, and Senior Manager of the Savings Division.
14. Lubna Zaki Mohammed Aldadah
- Diploma in Accounting - College of Administration and Economics - Al-Mustansiriya University (1977 - 1978).
 - Bachelor of Business Economics - Al-Nahrain University (2012 - 2013).
 - 29 years of service at the National Center for Engineering Consultations, represented as (Director of Control at the Al-Idrissi Center for Engineering Consultations, Senior Accounts Manager in the Internal Control Department, Director of the Control Department, Financial Expert, Consultant Expert).

c. **During the year 2023, the Board of Directors held (18) meetings in which all original members attended, to discuss various matters. Issues of concern to the bank's policy and directives.**

Committees emanating from the bank's board of directors

The Board includes five committees emanating from it, which were formed in accordance with the Bank's Board of Directors' Resolution No. 50/11, 27/7/2023. They work in accordance with the directives of the Central Bank of Iraq contained in Article (12) of the Corporate Governance Guide for Banks, and work in accordance with the work charters and tasks of these committees after appointing them. Their chairmen and members, and these committees played an important role in supporting the Board of Directors during the decision-making process, through their reports, results, and hat issue of recommendations through its periodic meetings.



- **Corporate Governance Committee:**

The committee consists of three independent, non-executive members, headed by Mr. (Hayder Musaab Abdullah) and the membership of the Chairman of the Board of Directors, Mr. (Ammar Mudhafar Salih) and Mr. (Qahtan Mohammed Merzah). The committee works to review the application of the corporate governance guide for banks and supervises the preparation of the bank's corporate governance guide, according to the requirements and volume of the bank's operations and the multiplicity and diversity of its activities, updating and monitoring its application, in addition to preparing a governance report and including it in the bank's annual report.

- **ITC Governance Committee:**

The committee consists of three independent members, headed by the Chairman of the Board of Directors, Mr. (Ammar Mudhafar Salih), and the membership of Mr. (Qahtan Ahmed Ayoob) and Mrs. (Mehasin Abdulhussein Saeed), in addition to the external expert representing Al Ibtikar Company, Mr. (Ali Anwar Issa). The committee carries out its work according to the tasks and duties mentioned in Paragraph (A) of Article (5) of the Governance and Institutional Management Controls for Information and Communications Technology in the Banking Sector.

- **Audit Committee:**

The committee consists of three independent members of the Board of Directors, and they were appointed by the General Assembly of the Bank at its meeting held on 25/7/2023 with the approval of the Central Bank of Iraq. It is headed by Mr. (Hussein Hadi Saleh) and the membership of Mr. (Qahtan Ahmed Ayoob) and Mr. (Hayder Musaab Abdullah) and it shall perform the following tasks:

- a. Determining the scope, results, and adequacy of internal audit, follow up with the external auditor, and discuss his reports.
- b. Reviewing accounting issues and financial statements that have a material impact on the bank's financial position.
- c. Reviewing the bank's internal control and control systems.
- d. Ensuring compliance with international and anti-money laundering standards in all bank activities and operations.
- e. The committee has the right to investigate, research and audit any operations, procedures or regulations that it deems affect the strength and safety of the bank.
- f. Recommending to the Board the adoption of the bylaws and organizational structure of the bank, proposing the creation, merging or cancellation of organizational formations, and defining the tasks and competencies of these formations and amending them.
- g. Reviewing the annual training and development plan and following up on its implementation, in addition to reviewing executive management reports on the status of human resources.
- h. Reviewing the policies and instructions related to the appointment, promotion, resignation, and termination of service of the bank's employees, including the executive management, considering the provisions of the applicable laws.
- i. Developing a quarterly report on the committee's work and submitting it to the Board of Directors.
- j. Checking and approving accounting procedures, the annual audit plan, and accounting controls.
- k. Ensuring that the bank adheres to the disclosures specified by the International Financial Reporting Standards (IFRS), the instructions of the Central Bank of Iraq, and other relevant legislation and instructions, and to ensure that the executive management is aware of the changes that occur in the International Financial Reporting Standards and other related standards.
- l. Include in the bank's annual report a report on the adequacy of the internal control and monitoring systems about financial reporting, so that the report shall include, as a minimum, the following:
 - 1- A paragraph explaining the responsibility of the internal auditor, in conjunction with the executive departments, to establish internal control and monitoring systems regarding financial reporting in the bank and to maintain those systems.
 - 2- A paragraph about the framework that the internal auditor used and evaluated to determine the effectiveness of the internal control and monitoring systems.
 - 3- Ensure compliance with international standards in all bank activities and operations.



- 4- Ensure that a Money Laundering and Terrorist Financing Reporting Department is in place and that it reports to the Board, which is responsible for implementing the Know Your Customer (KYC) policies and the tasks and duties resulting therefrom, including preparing periodic reports on its activity.
 - 5- Monitoring US Foreign Account Tax Compliance Act.
 - 6- Disclosing the weaknesses in the internal control and monitoring systems that lead to the possibility of not being able to prevent or detect an incorrect statement of a material impact.
 - 7- Report from external auditor stating his opinion on the systems and internal control effectiveness.
- m. Committee's liaisons:
- 1) Committee's relation with the external auditor, the committee shall be directly responsible for the following:
 - o Recommending the selection or dismissal of external auditors, providing means of direct communication and agreeing on an audit scope with them after obtaining the approval of the Central Bank of Iraq and the General Authority of the Bank.
 - o Receiving audit reports and ensuring that the bank's management takes the necessary corrective measures in a timely manner regarding the problems diagnosed by the external auditor.
 - 2) The committee's relationship with the Internal Sharia Oversight and Audit Department: The committee shall be responsible for the following:
 - o Appointing the internal auditor or recommending his dismissal, promotion or transfer after obtaining the approval of the Central Bank.
 - o Study and approve the internal audit plan and request reports from the Internal Audit Director.
 - o Verifying the availability of sufficient financial resources and enough qualified human resources to manage internal audit and training them.
 - o Verifying that internal audit employees are not assigned any executive tasks and ensuring their independence.
 - n. Monitoring compliance and combating money laundering and terrorist financing with the laws, regulations and controls applied to the bank and submitting a report thereon to the Board.
 - o. Reviewing the reports submitted by the bank to the Central Bank of Iraq.
 - p. Submitting the annual report to the Council to disclose the bank's activities and operations.
 - q. It has the authority to obtain any information from the executive management and has the right to summon any manager to attend its meetings without having membership status, if this is stipulated in the internal audit charter.
 - r. The committee meets with the external auditor, the director of internal Sharia supervision and audit, the director of Sharia compliance and compliance monitoring, and the director of money laundering and terrorist financing reporting at least (4) four times a year, without the presence of any member of the executive management.
 - s. Reviewing and monitoring the procedures that enable the employee to confidentially report any error in the financial reports or any other matters, ensure that arrangements are in place for independent investigation and employee protection, and follow up on the results of the investigation and address them objectively.
 - t. Reviewing the reports of the Anti-Money Laundering and Combating Terrorism of Financing Department.
 - u. Following up on the implementation of business continuity and disaster and crisis recovery programs in coordination with the Information Technology and Communications Committee.

• **Nomination and Remuneration Committee:**

The committee consists of three independent members, headed by Mr. (Qahtan Mohammed Merzah) and the membership of Mr. (Hayder Musaab Abdullah) and Mrs. (Mehasin Abdulhussein Saeed). It shall undertake the following tasks:

- a. Identifying the persons qualified to join the membership of the Board or the Executive Management of the Bank.
- b. B. Preparing the remuneration policy and submitting it to the Council for approval, and supervising its implementation, considering the following:



- 1- To be consistent with sound governance principles and practices.
- 2- The extent to which the bank achieves its long-term goals according to the approved strategic plan
- 3- Ensure that the remuneration granting policy considers all types of risks to which the bank is exposed.
- 4- The remuneration, salaries and incentives policy cover all levels and categories of the bank's employees, and it conducts a periodic review of that policy or when the Board recommends it, and makes recommendations to amend or update this policy and its adequacy and effectiveness.
- 5- Establish a replacement policy to secure the positions of the bank's executive management.
- 6- Ensure that plans are prepared, and programs are provided to train and qualify board members on an ongoing basis.
- 7- Supervising the process of evaluating the performance of human resources in the bank, especially the executive management, reviewing reports related to this and submitting recommendations thereon to the Board.

• **Risk Management Committee:**

The committee consists of three independent members who have experience in risk management, practices and issues related thereto. It is chaired by the Chairman of the Board of Directors, Mr. (Ammar Mudhafar Salih), and the membership of Mr. (Qahtan Mohammad Merzah) and Mrs. (Mehasin Abdulhussein Saeed). The committee undertakes the following tasks:

- a. Reviewing the risk management strategy before it is approved by the Board.
- b. Reviewing the credit policy and submitting recommendations thereon to the Board for the purpose of approval, in addition to supervising the implementation of that policy.
- c. Monitoring the credit risks borne by the bank, whether related to the standard approach or the approach based on internal classification, operational risks, market risks, supervisory review, and market discipline contained in the decisions issued by the Basel Committee on Banking Supervision.
- d. Determining credit ceilings that exceed the authority of the authorized manager. C. Monitoring the bank's ability to avoid liquidity risks, in accordance with Basel III decisions, including liquidity standards.
- e. Recommending abandoning activities that cause risks to the bank and which it does not have the ability to direct.
- f. Ensuring the bank's compliance with regulations, instructions and policies related to risk management.
- g. The committee shall meet at least four times a year, and any member of the executive management may be invited to attend its meetings to clarify some of the issues and topics that the committee deems important to clarify.
- h. Periodically reviewing the risk management policy proposed by the bank's executive management and submitting recommendations thereon to the Board for approval and approval.
- i. Supervising the executive management's procedures and its commitment to the bank's multiple risk policies.
- j. Ongoing communication with the Director of the Risk Department to obtain periodic reports, including the status of risks in the bank, the limits and ceilings set, any violations thereof, and risk avoidance plans.
- k. Supervising capital strategies, liquidity management and risk management strategies, to ensure their compliance with the bank's approved risk framework.
- l. Receiving periodic reports from the committees emanating from the executive departments of Credit, Investment, Information Technology.
- m. Reviewing the investment policy and submitting recommendations thereon to the Board, for the purpose of approval, in addition to supervising the implementation of that policy.
- n. Evaluating the performance of the investment portfolio in terms of return and risk regarding the bank's internal and external investments, and continuously monitoring the indicators and movement of local and external capital markets.



Sharia Board of the Bank

The Sharia Board of our bank consists of the following eminent persons, whose names are:

1. Inas Noori Taha / Doctor of Philosophy in Islamic Sharia
2. Hayder Mousa Mohammed Al-Shammari / Bachelor Degree in Law
3. Raja Hashem Mohammed / Bachelor Degree in Business Administration
4. Mohammed Zidan Nayef / Doctorate in the Fundamentals of Religion
5. Sajida Allawi Dawood / Doctor of Philosophy in Islamic Sharia

Internal Audit Department

The Internal Audit Department has a written control program that includes all aspects of banking work. It is implemented through field inspection tours and visits to the branches, preparing reports with observations and deficiencies, confirming the necessary recommendations, and following up on their implementation through reports sent to the branches, in addition to submitting those reports to the Board of Directors. Among the bank's plans is to develop the department through provided staff specialized in banking work to raise the efficiency of the department's supervisory performance. The Department also undertakes the task of following up on clearing the observations of the supervisory committees affiliated with the Central Bank of Iraq that visit the bank's branches. The department was also able to achieve more than one field visit to all branches, according to timetables, to cover the audit of the activity of the bank's branches inside and outside Baghdad.

Sixth: The bank's branches and their locations:

The bank has twenty-one branches, including the main branch. Including six branches in Baghdad and fifteen branches in the governorates, and the following table shows the names of the bank's branches and the results of their activity for the year ending 31/12/2023.

seq	Name of branch	Net activity Thousand Dinars	Address
1	Main	16,571,541	Baghdad / Al-Karrada Dakhel / Near Kahramana Square
2	Al-Harithiya / Baghdad Mall	(260,359)	Baghdad / Al-Harithiya / Baghdad Mall / Ground floor
3	Al-Mansour Branch	(1,419,194)	Baghdad / Al-Mansour / 14 Ramadhan St.
4	Palestine St. Branch	685,744	Baghdad / Palestine St. / Near Al-Nakhla crossroads
5	Al-Hilla Branch	(1,600,533)	Al-Jamaiya / Building No. 7/17/K
6	Holy Karbala Branch	(595,375)	Hay Ramadhan / Khadami St. / Building 5
7	Al-Nasiriya Branch	(1,035,441)	Al-Nasiriya / Al-Shamiya / Near Al-Shebani Statue
8	Al-Najaf Branch	(1,010,626)	Al-Muthana St. / Near Al-Najaf Municipality Workshop
9	Al-Diwaniya Branch	(271,941)	Al-Diwaniya / Al-Mawakib St.
10	Al-Basra Branch / Al-Jazaer	(2,429,903)	Al-Jazaer / Near Abu Shair crossroads opposite to Al-Khalij Bank
11	Erbil Branch / Family Mall	438,957	Family Mall / first floor / near Carrefour
12	Al-Kut Branch	(591,061)	Al-Kut / Al-Haura opposite to Tiba Health Center
13	Al-Sulaimaniya Branch	6,882	Majdi Mall / ground floor
14	Maisan Branch	(459,472)	Al-Amara / Neama Main St.
15	Times Square Branch	1,166,011	Al-Basra / Jubaila / Times Square
16	Al-Mosul Branch	1,506,982	Al-Zuhoor / Golden Mall Building / ground floor
17	Al-Shaab Branch	813,713	Baghdad / Al-Shaab / Ishtar mall
18	Erbil Bekhtiari Branch	223,503	Erbil / Bekhtiari / due side / opposite to compaies registerar
19	Kirkuk Branch	781,196	Kirkuk / Mall Kirkuk
20	Al-Adhamiya Branch	799,435	Baghdad / Al-Adhamiya / Omar Bin Abdulazeez St.
21	Diyala Branch	658,936	Baqouba / Al-Tabu St.
	Total	13,978,995	



Seventh: The bank's correspondents abroad:

The bank maintains Arab and international banking relationships to cover the work of opening credits, issuing external letters of guarantee, external transfers, and issuing credit cards. It has obtained facilities from correspondent banks in the field of documentary credits and issuing letters of guarantee. Below are some of the banks he deals with

Serial	Bank Name	Country
1	Active Bank	Istanbul – Turkey
2	Arabic-African International Bank	Dubai – UAE
3	Bank Al Etihad Jordan	Amman – Jordan
4	NUROL BANK	Istanbul – Republic of Turkey
5	BANK BIA	France
6	Housing Bank	Amman – Jordan
7	Capital Bank	Amman – Jordan
8	ARAB MONETARY (BUNA)	UAE
9	Abu Dhabi Bank	UAE
10	Zhejiang Chouzhou Commercial Bank	China

Eighth: Detailed and analytical data**1. The result of the bank's activity**

- The activity surplus for the year 2023 amounted to (13,978,995) thousand dinars before calculating income tax.
- The income tax charged on the bank's profits amounted to (2,698,215) thousand dinars.
- The distributable profit after income tax amounted to (11,280,780) thousand dinars.
- An amount of (564,039) thousand dinars, which represents 5% of the profit after tax, has been reserved as a mandatory reserve in accordance with the Companies Law, and the remaining (10,716,741) thousand dinars represents the shareholders' share of the profits and the General Assembly may take the appropriate decision regarding it.

2. Reserve balances and uses:

The total bank reserve balances as they stand at the end of the year 2023 amounted to 15,829,696 thousand dinars, as shown in the table below.

Account Name	31/12/2023 One thousand dinars	31/12/2022 One thousand dinars
Mandatory reserve (legal)	935,258	371,219
Expansions reserve	1,000,000	1,000,000
Exchange price fluctuation provisions	89,762	89,762
Accumulated surplus	13,804,676	3,087,935
Total	15,829,696	4,548,916



3. Withheld allocations balances and their reasons.

The total provisions of the bank as of January 31, 2023 amounted to (9,930,961) thousand dinars, after being at the end of 2022 (6,751,478) thousand dinars.

4. The Equity

The total paid-up capital and its reserves amount to (265,829,696) thousand dinars, which represents the paid-up capital (250,000,000) thousand dinars and the total reserves amounting to (15,829,696) thousand dinars.

Ninth: Real estate owned by the bank

The bank owns nine real estate properties at a cost of (30,033 million dinars) as follows:

Ser.	Real Estate	Cost Thousand dinars	Area	Location	Type of usage
1	326/376 Bataween	6,167,362	399,62 m ²	Baghdad / Kahramana Square	General administration of the bank
2	146/328 Al-Fursi	4,631,014	223 m ²	Al-Basra / Al-Jazaer	Al-Jazair Branch building
3	118/72 Al-Sufiya	348,000	300 m ²	Al-Ramadi	Al-Ramadi Branch building
4	688/6 Bataween	1,114,375	160,75 m ²	Al-Karrada / Garaj Alamana	Archive building
5	326/404 Karrada	1,291,012	240,23 m ²	Al-Karrada / Al-Bataween	New building for the bank
6	30/1/10 Al-Manaseer	1,012,500	30 Dunam	Baghdad / Abu Ghraib	Agricultural land owned by the government
7	15/1081 Al-Diwaniya	707,764	400 m ²	Al-Diwaniya / Um Al-Nakhil	Al-Diwaniya Branch building
8	377/109 Bataween	13,170,699	1315,50 m ²	Al-Karrada / Al-Arasat	New headquarters of Bank's administration
9	80/4/1 Al-Basra	1,500,000	30400 m ²	Al-Basra / Abu Al-Khasib	Orchard owned by the government
	Total	30,032,726	Thirty billion, Thirty-Two Million, and Seven Hundred and Twenty-Six Thousand Dinars		

Tenth: Financial indicators and precautionary ratios about the bank's performance

- The liquidity ratio reached (48%), which reflects the bank's ability to provide the necessary liquidity in cases of sudden withdrawals.
- The capital adequacy ratio reached (82%), noting that the ratio accepted by the Central Bank of Iraq is (12%).
- The percentage of foreign exchange positions reached (6%) debit cash position, which is within the ceiling allowed for holding foreign currencies by the Central Bank of Iraq.
- The ratio of non-performing debts to total cash credit reached (1.39%) and is a good indicator of the quality of selecting borrower clients and the absence of repayment defaults.
- The liquidity coverage ratio (LCR) reached 152%, which is a good ratio that reflects the strength of the financial position represented by its high-quality liquid assets compared to net cash outflows. While the net stable financing ratio (NSFR) for the same period reached 85%, which is a good indicator for the ended financial year analysis of available stable funding over required stable funding

Eleven: Human Resources

- The number of the employees at the end of the year 2023 reached (626) members, and the salaries and wages paid to them, including bonuses, allocations and the like, and contributions to social security amounted to (5.395 million dinars).



2.The following are the names and senior administration titles of the bank for the year 202

Seq.	Name	Job title
1	Ridha Hamzah Abdulridha	Managing Director
2	Atheer Yahya Hadi	Deputy Managing Director
3	Abdullah Thaer Noori	Financial Manager
4	Mustafa Abbas Abd Ali	Shaira compliance Manager and Compliance Controller
5	Ahmed Naser Abbas	Banking Operations Manager

3.The following are the names and addresses five members of the bank who earns the highest income during year 2023

Name	Job title
Ridha Hamzah Abdulridha	Managing Director
Atheer Yahya Hadi	Deputy Managing Director
Mustafa Abbas Abd Ali	Compliance Manager
Ali Sabih Saleh	Branch Manager

4.The bank's efforts continued to attract good banking cadres, focusing on those holding university degrees and those who have competence in banking work. The following table shows the cadre according to their level of academic achievement.

seq	Study qualification	Number
1	Master degree	2
2	High Diploma degree	1
3	Bachelor degree	488
4	Diploma degree	46
5	Secondary school and above	89
	Total	626

a. the courses and workshops held by the bank and number of the participants:

seq	Course/ workshop	No. of the participants
1	Banking Services Marketing	32
2	Bank Credit	20
3	Tasks of Liaison employees and risks classifications	17
4	Istisna and parallel istisna	10
5	Credits, letters of guarantee, banking services marketing and credit analysis	16
6	Reviewing procedures of opening accounts and inputting data, research and investigation	13
7	Mechanism of issuing letters of guarantee and documentary credits.	51
8	Improving banking skills	71
9	Speculation (Murabaha) Standard No. 13 of the AAOIFI International Sharia Standards	17
10	Compliance procedures and Anti-Money Laundering and Terrorism Financing regulations	67
	Total	314



d. Courses held outside the bank in which the bank's employees participated:

seq	Subject of course/ workshop	No. of participants	Organizing body
1	Documentary credits in accordance with international norms and auditing of credit documents	4	Central Bank of Iraq
2	A workshop on the mechanism of buying and selling real estate	2	
3	Banking Supervision Reporting System (BSRS)	1	
4	Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)	1	
5	Cybersecurity risks, fraud and corruption, and banking awareness controls	6	
6	Training and development of newly appointed cadres	6	
7	Understand and apply the key requirements of the Financial Accounting Standards (AAOIFI)	1	
8	Digital transformation in the banking sector and the electronic secured documents system	8	
9	Basel decisions (3)	4	
10	Developing leadership skills for the Certified Branch Manager Certificate Course	8	
11	Electronic clearing system (ACH) course	2	
12	Islamic financing formulas and Islamic banking instructions and their differences from traditional banking	3	
13	Suspicious transaction reporting requirements	2	
14	Certified specialist in international embargoes and sanctions	1	
15	Spread sufficient understanding of the banking sector and provide it with information	2	
16	Advanced tools for analyzing and measuring banking risk management Comprehensive control of cash and inventory management	5	
17	International Accounting Standards No. (1), (7), IFRS 9 Implementation Workshop	1	
18	Preparing and analyzing estimated budgets	4	
19	Bank financing methods (asset protection and cash flow)	1	
21	Auditing anti-money laundering and terrorist financing (AML) systems	1	
22	Legal basis in banking transactions	4	
23	Sharia supervision in auditing and analyzing risks in Islamic banks	1	
24	Due diligence procedures and indicators of suspicion	1	
25	Best practices in drafting and auditing contracts and reasons for their invalidation	1	
26	The advanced program for preparing leaders in the banking sector	1	
27	Scorecard for environmental, social and governance standards	3	
28	Workshop platform for selling gold bullion and coins to banks.	4	
29	Developing leadership skills for the Certified Specialist in International	2	
30	Embargoes and Sanctions	1	
32	negotiation skills	7	
33	The importance of strategic planning in the banking sector	5	
34	Issuing letters of guarantee through the electronic platform of the Central Bank	3	
35	Compliance with international sanctions	2	League of Iraqi Private Banks
36	Certified Information Security Manager Certificate	1	Bait Al-Hikmat for Training and Management Consultations
37	Money laundering and terrorist financing in light of the results of the national risk assessment	1	Reporting Office and Compliance Monitor Office
the total		100	Total



Twelve: The volume of imports and exports during 2023

No goods or services were imported or exported for the benefit of the bank during the year 2023

Thirteen: Service contracts concluded by the bank during 2023

seq	Contract	Entity	Amount
1	Laserfish contract for electronic archiving system	Iraq Technology Company	8,775,000 Dinar
2	Publicity and advertising services	Promomedia Company	90,000 Dollars
3	Accident, cash, cars, and guarding insurance	Shatt Al-Arab Insurance Company	450,402,411 Dinar
4	Contract for supplying and installing protection devices		414,240 Dollars
5	supplying automatic teller machines (ATMs)	Digital Wall	2,000,000 Dollars
6	Purchase of thermal printers	FINTEC	95,000 Euro

Fourteen: The accounting policy applied by the bank

The bank relies on local and international accounting principles and standards and in accordance with the foundations of the unified accounting system for banks and insurance companies in maintaining accounts and classifying and preparing financial statements, and in accordance with the provisions of the effective Companies Law No. (21) of 1997 as amended, the Banking Law No. (94) of 2004, and the Islamic Banking Law No. (43) For the year 2015, and the instructions of the Central Bank and following the accrual principle in calculating revenues and expenses, the accounting policy also recorded the application of international accounting standards IFRS in preparing Financial statements.

Fifteen: Amounts spent for the purposes of advertising, hospitality and travel

Below is the amount spent on this item during the year 2023 compared to: Year 2022.

Account Name	2023 One thousand dinars	2022 One thousand dinars
Publicity and Advertising	2,635,535	1,154,765
Hospitality	130,240	68,021
Travel and delegation	225,716	198,487

Sixteen: Lawsuits:

There is one lawsuit filed against the bank in the Al-Rissafa Labor Court to claim the cumulative leave.

-Sgd.- Abdullah Thaer Noori Financial Manager L/26050 22/4/2024	-sgd.- Ridha Hamzah Abdulridha Managing Director	-sgd.- Ammar Mudhafar Salih Chairman of BOD
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Seal of the Bank
-Sgd.- & seal
Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor
Member of the Iraqi Society of Certified Public Accountants



Report of the Corporate Governance Committee of the Bank's Board of Directors

Al-Taif Islamic Bank seeks and is keen to apply the principles of corporate governance issued by the Central Bank of Iraq in all its business and banking activities with clarity and transparency to achieve the best levels of performance through financial and administrative disclosure to all parties (Board of Directors - Executive Management - Depositors - Investors) in accordance with Banking Law No. 94 of 2004, Islamic Banking Law No. 43 of 2015, special instructions to facilitate the implementation of this law, and the Corporate Governance Guide.

The Bank's Board of Directors issued a Governance Guide in accordance with the Guide issued by the Central Bank of Iraq for the purpose of assisting and guiding members of the Board of Directors and Executive Management in supervising and following up on the Bank's activities and operations to ensure the rights of shareholders and common stakeholders in accordance with the best international Sharia practices. It was published on the Bank's official website to be guidance for stakeholders and followers of the bank's activities.

The exercise of duties, tasks and responsibilities in accordance with the Corporate Governance Guide issued by the Central Bank of Iraq is considered a basis for developing the bank's operations and aims to increase confidence among the stakeholders of the bank and leads, as a result, to increasing the area of the bank's presence and its entry into the competitive market to expand its financial position. The Board has also strengthened the role of the supervisory departments. And their independence, such as the Sharia Supervision and Auditing Department, the Risk Management Department, the Sharia Compliance Department, the Money Laundering and Terrorist Financing Reporting Department, and the continuous verification that these departments are subject to the direct supervision of the Board and granting them the powers of direct communication with the Chairman of the Board, the Audit Committee, the Governance Committee, and the external auditor.

The Board of Directors, out of its keenness to achieve the principles of sound governance, has supervised the formation of the committees emanating from the Board, developed a guide for their work, and follows up on the results of their work by discussing their quarterly or annual reports and taking appropriate decisions with their recommendations to ensure effective participation by everyone to achieve the bank's objectives, monitor its operations, and maintain At the level of its performance according to the prepared plans.

The Governance Committee tasks are limited to monitoring the implementation of the performance of the governance guide in the bank to ensure business continuity and provide the necessary cadres to perform the work according to the prepared plan. The committee carried out its activities during the year 2023 in accordance with the tasks and duties specified for it in its work charter to achieve the best results for developing the bank's performance. The committee presented its recommendations regarding various activities to the Board of Directors, the most prominent of which were:

- 1- Directing the relevant authorities to follow up and implement disclosure and transparency procedures by publishing all reports and data in a timely manner to the public.
- 2- Spreading Islamic banking awareness through social media, flyers or advertisements.
- 3- Implementing the procedures required and specified by the Central Bank and contained in the Scorecard.
- 4- The Board of Directors keenness to implement the Islamic Sharia standards and controls issued in this regard by strengthening the role of the Sharia Supervisory Board and implementing the Sharia fatwas issued by it with transparency and accuracy, out of the belief of the bank and its management that Islamic Sharia is the goal of achieving development, justice and progress.

In conclusion, the Board of Directors confirms that it bears responsibility for the soundness of all the bank's procedures, financial conditions, and reputation, and the responsibility for implementing the requirements of the Central Bank of Iraq, and the requirements of the supervisory and regulatory authorities related to its work, taking into account stakeholders, shareholders, depositors, and investors working in accordance with the framework of legislation and within the bank's internal policies, and providing continuous effective oversight of its activities.

(Signed)
Chairman of the Governance Committee
Hayder Musaab Abdullah



Report of the Audit Committee

Honorable members of the General Assembly
Best regards...

Based on the provisions of Article (24) of the Banking Law No. 94 of 2004, the charter of the Audit Committee and the tasks and duties assigned to it in accordance with the corporate governance system issued by the Central Bank of Iraq. The Audit Committee examined and audited the bank's financial statements for the year ending 31/12/2023 and reviewed the Board of Directors' report prepared in accordance with the requirements of applicable laws and the instructions of the Central Bank of Iraq, as shown below:

- 1- The financial statements have been organized in accordance with accounting controls and international standards, and they are consistent with what the records show and organized in accordance with the applicable regulations and instructions, which clearly express the financial position of the bank, its activities, and its cash flows, and are consistent with the bookkeeping system and recording all assets, liabilities, and resources for the year ending on 31/12/2023.
- 2- The procedures for settlements and treatments, determining the necessary reserves and allocations, as well as the methodology for calculating the distribution of returns (profits) to investors and shareholders, were in accordance with the provisions and principles of Sharia law.
- 3- Reviewing bank's multiple and diverse activities that confirm the bank's compliance with the laws and regulations related to money laundering, in accordance with the Money Laundering and Terrorist Financing Law No. (39) of 2015, as amended, international accounting standards, regulations, instructions of the Central Bank of Iraq, and relevant legislation and instructions.
- 4- The Committee was assured of the adequacy of the internal control and oversight systems about financial reporting and the internal auditor's participation with the executive departments in developing internal control and oversight systems and maintaining those systems. We point out that the framework used for the control systems carried out by the internal auditor was effective.
- 5- The committee reviewed the work and procedures of the Money Laundering and Terrorist Financing Reporting Department, which is responsible for implementing the processes related to the Know Your Customer (KYC) form, as well as the periodic reports of its activity.
- 6- The Committee reviewed the procedures and policies for monitoring Foreign Account Tax Compliance Act (FATCA). The Committee also reviewed the files and forms issued by the US Internal Revenue Service (IRS) and ensured compliance with updating the required information and procedures.
- 7- The committee reviewed all the reports of the external auditor, the reports of the Central Bank and its inspection committees, and the bank's responses to them, and they were correct and reflected the reality of the bank's activity.
- 8- Business continuity, disaster and crisis recovery procedures and programs were followed up in coordination with the Information Technology and Communications Committee.

In conclusion, may God grant everyone success in serving this bank, its shareholders, and serving our country.

(Signed)
Member
Qahtan Ahmed Ayoob

(Signed)
Member
Hayder Musaab Abdullah

(Signed)
Committee's Chairman
Hussein Hadi Saleh



Report of the Sharia Supervisory Board

In The Name of Allah Most Gracious Most Merciful

Praise be to Allah, Lord of the Worlds, and prayers and peace be upon our Master Muhammad and his family and companions

Honorable shareholders of Al-Taif Islamic Bank for Investment and Finance,
May the peace, blessings, and mercy of Allah be upon you....

In accordance with the letter of assignment from the General Assembly appointing the Sharia Supervisory Board of the bank and based on the provisions of Chapter Five of the Islamic Banking Law No. (43) of 2015, the Supervisory Board supervised the activities, transactions and contracts of the bank during the year 2023 and reviewed the bank's records and documents and obtained the data, information and clarifications provided to us from the bank's management, which we considered necessary to perform the task of Sharia supervision and auditing, and sufficient to express our opinion and give reasonable confirmation as to whether the bank has adhered to the provisions and principles of Islamic Sharia, as well as the fatwas issued by jurists and the specific guidance decisions that have been issued by us and in our opinion:

- 1- The contracts that were approved by the Sharia Board in its periodic meetings and concluded by the bank and related to the work of the Islamic Spectrum Bank for the fiscal year ending on December 31, 2023, were made in accordance with the provisions and principles of Islamic Sharia.
- 2- We reviewed the bank's financial position, balance sheet, and revenues and expenses account for the financial year in question.
- 3- The bank's policy of calculating and distributing profits among investors on the above investment accounts is consistent with the provisions and principles of Sharia law and the general foundations of Islamic investment.

We ask Allah Almighty to grant us guidance and Success
Peace, mercy and blessings of Allah

(Signed)
Member
Dr. Inas Noori Taha

(Signed)
Member
Hayder Mousa Mohammed

(Signed)
Member
Dr. Sajedah Alawi Dawood

(Signed)
Member/ Secretary
Rajaa Hashim Mohammed

(Signed)
Chairman of the Supervisory Board
Dr. Mohammed Zaidan Naif



Report of the Money Laundering and Financing of Terrorism of Reporting Department

The following is the work that was completed for the year 2023, to serve as a work method from which the department will start for the coming year:

- 1- Quarterly reports were sent to the Central Bank of Iraq, the Anti-Money Laundering and Combating the Financing of Terrorism Office, and monthly reports to the Board of Directors, which include recommendations, observations, and procedures through which performance was corrected and evaluated.
- 2- The Board of Directors approved the policies and procedures of the Money Laundering and Financing of Terrorism Reporting Department, as the policies are compatible with the work and products of Islamic banks.
- 3- Follow up on the effectiveness of systems work, monitor failures, and attempt to address them in coordination with the concerned departments and in line with the instructions of the Central Bank of Iraq.
- 4- Daily access to the Anti-Money Laundering and Combating the Financing of Terrorism Office's website and follow up on the decisions of the Committee for Freezing Terrorists' Assets and updates to the lists.
- 5- The department participates in some banking committees, (the Corporate Financial Statement Oversight Committee, and the US FATCA Committee.
- 6- Working to receive unusual transactions (suspicious cases), analyzing and following up on those transactions, and deciding in terms of upgrading the transaction so that it is submitted to the Anti-Money Laundering and Terrorist Financing Office, or saving the transaction and eliminating it as it does not qualify, or continuing the follow-up.
- 7- Preparing special external communications (letters) requesting information or inquiries issued by the Central Bank of Iraq, the AML/CTF Office, or judicial authorities, and the answer is directly from the reporting department to the Anti-Money Laundering and Combating the Financing of Terrorism Office without the intervention of senior management.
- 8- Electronic archiving of all evidence related to accounts, transfers, correspondence, and suspicious transactions.
- 9- Following up and checking companies participating in the currency auction, updating the data in coordination with the regulatory departments, take due diligence measures, and conduct field visits to ensure their actual presence.
- 10- Emphasis is placed on updating customer data annually, and when any change occurs, coordination is made with the branches to update their data.
- 11- Involving the department's employees in specialized courses in the field of anti-money laundering and the Pict system and holding training workshops for employees specialized in opening accounts and liaison employees.
- 12- The department continues to perform its supervisory role in following up and monitoring banking services daily, opening accounts, sending recommendations and indicative internal communications and circulating them to the relevant branches and departments, preparing and submitting monthly reports on the department's work to the Board of Directors, and preparing quarterly reports and sending them to the Central Bank of Iraq and the AML/CFT Office.
- 13- Submitting reports to the Goaml system (daily reports and reports on suspicious operations)
- 14- Implementing the requirements of regulatory and supervisory bodies.
- 15- Following up on the procedures followed by the branches regarding AML/CTF compliance procedures.
- 16- Implementing due diligence procedures and real beneficiary verification procedures.

(Signed) Deputy Director of Reporting Department Israa Qassem

For/ Shahd Saad Saleh

Director of the Money Laundering and Financing of Terrorism Reporting Department

- Seal: AML & TF Reporting Dept. of Al Taif Islamic Bank for Investment and Finance



Report of the Sharia Compliance and Compliance Monitoring

The extent of the bank's compliance with the Central Bank Law No. (56) of 2004 and the Anti-Money Laundering and Combating Financing of Terrorism Law No. (39) of (2015) and the regulatory and guidance regulations and instructions issued pursuant thereto.

One of our duties is to point out and diagnose errors and violations to avoid risks in cooperation with the bank's various departments. Below is a summary of the most important activities for the year ending December 31, 2023:

The Compliance Department provides guidance consistent with the objectives that ensure the bank's work in accordance with regulatory requirements and best practices in the labor market and provides proactive support to carry out business within a legal framework.

- 1- Providing assistance in strengthening front-office work plans, including assistance and providing advice to implement new laws or regulations within existing policies and procedures, periodically training employees on compliance tasks, combating money laundering and terrorist financing, and by auditing the know-your-customer form.
- 2- Documenting general responsibilities in the areas of work, products and services provided by the bank, and the compliance department must be involved in the procedures for new products and activities to determine the regulatory impacts of these products.
- 3- The Compliance Department and the Internal Sharia Audit Department verify the effectiveness of implementing the framework for reducing operational risks and include in the reports the most important observations made by the Sharia Audit Department to submit them to the Council for the purpose of correction.
- 4- Sending quarterly reports to the Central Bank of Iraq, including observations and corrective actions followed by the bank's departments and branches. It is also provided to the Board of Directors and the Audit Committee for the purpose of reviewing and giving comments.
- 5- Providing the bank's Board of Directors with monthly compliance activity reports, the Risk Management Department, and the Internal Sharia Control and Audit Department.
- 6- Reviewing the reports of the supervisory committees of the Central Bank of Iraq, studying their observations and recommendations, and following up on the treatments and actions taken by the bank in their regard.
- 7- All letters sent by the Central Bank of Iraq are reviewed, and circulars are sent to those responsible for their implementation, in addition to sending recommendations to the Board of Directors and Executive Management.
- 8- Reviewing the quarterly reports submitted by the Money Laundering and Terrorist Financing Reporting Department to the Central Bank of Iraq, which were in accordance with the Supervisory Controls Instructions No. 306/4/1/9 and the Anti-Money Laundering and Combating Financing of Terrorism Law No. (39) of (2015) as well as reviewing the department's quarterly evaluation form, which is sent to the Anti-Money Laundering and Combating Financing of Terrorism Office.
- 9- We reviewed the procedures for opening accounts at the bank and found that they met the instructions and controls, and it was confirmed not to deal with those listed on the local and international banned lists.
- 10- A test was conducted for the scorecard for the corporate governance guide for banks. The results were sent to the Central Bank of Iraq, and we were part of the work team.
- 11- The (FATCA) was complied with, a declaration was made to the US Tax Authority, and the Central Bank of Iraq was informed of this procedure.
- 12- Participating in the Board of Directors meetings as a compliance Officer.
- 13- Establishing a database of laws and instructions received from supervisory and regulatory authorities.



- 14- Reviewing the bank's policies and procedures and their compliance with the instructions and laws of the Central Bank of Iraq.
- 15- Monitoring the Board of Directors' commitment to the bank's internal regulations, employee training plans, and applying governance standards in non-Islamic banks by monitoring the Sharia regulatory environment.
- 16- Preparing a list of the tasks carried out by the Sharia Compliance Monitor as an annual plan and monitoring completion rates.
- 17- Providing advice regarding special procedures and instructions to deal with any deficiencies in the bank's obligations in accordance with instructions issued by supervisory and regulatory authorities.
- 18- Establishing a guide to the rules of Sharia compliance and compliance monitoring and sent to the Central Bank of Iraq.
- 19- The Sharia Compliance and Compliance Monitoring Department verifies the integrity of the data and information submitted to the Central Bank of Iraq.
- 20- Implementing the requirements of regulatory and supervisory bodies.
- 21- Providing senior management with reports and notes on work systems and software.

(Signed)
Compliance Officer
Mustafa Abbas Abd Ali



No.: 177/18/13A/2024
Baghdad on 20 March 2024

To /the shareholders of Al Taif Islamic Bank for Investment and Finance (Private Joint Stock Company)

Sub./ The Report of the Auditor

Greetings,

We have audited the statement of financial position of Al Taif Islamic Bank for Investment and Finance (PSC)/ Baghdad as on 31/12/ 2023, the statement of income and other comprehensive income, the statement of changes in owners' equity, the statement of cash flows for the year ending on the same date, the clarifications bearing the sequences from (1 to 32), and the annual report of the bank's management prepared in accordance with the provisions of Companies Law No. (21) for the year 1997 amended, and the regulations and instructions issued accordingly, and the Islamic Banking Law No. (43) for the year 2015, and in accordance with approved accounting auditing standards.

We obtained the information and clarifications that, in our opinion, were necessary to perform our mission, which we carried out in accordance with the prevailing legislation, and in accordance with approved auditing procedures, which included the necessary tests for the aspects the bank's activity that fall within our jurisdiction.

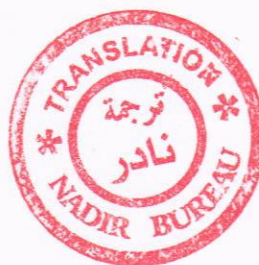
Management responsibility:

Management is responsible for preparing and disclosing these statements in accordance with the international accounting standards, in addition to its responsibility for preparing an internal control system, especially with regard to the preparation and disclosure of financial statements that are fair and free of fundamental errors that may result from mistakes and manipulation. This responsibility also includes choosing and implementing appropriate accounting policies and using reasonable accounting estimates.

Responsibility of the Auditor

Our responsibilities is to express neutral technical opinion regarding the financial statements submitted to us, according to the international and local auditing standards, which require the planning and accomplishment of the auditing mission to obtain a reasonable confirmation whether these financial statements were free from any fundamental errors and the audit also includes a test on optional bases for the statements and documents confirming the amounts appearing in the balance sheet and financial statements for the year ending on 31/12/2023 and their disclosure, it includes also an evaluation of the accounting principles, and in our opinion, our audit provides a reasonable bases for the opinion that we express and we have the following clarifications and notes:

- a. The implementation of the international accounting standards



Al Taif Islamic Bank for Investment and Finance has applied the international accounting standards IFRS, including Standard No. (9) in the presentation of financial statements, which requires re-presenting the financial statements for the year comparing consistently with this year.

- b. Basis for valuing foreign currency:
In implementation of the Central Bank of Iraq letter No. 5/11/868 on 8/2/2023, assets and liabilities were valued in foreign currency as on the balance sheet date at a rate of (1310) dinars per dollar.
- c. The amount of cash purchased from the currency auction window:
In implementation of the two letters of the Central Bank of Iraq No. 184 and 9/T/23448, dated 18/5/2019 and 10/10/2019 respectively, the bank stated that the total amounts of cash it purchased from the currency auction window during the year 2023 amounted to (36,450,000) dollars for the purposes of the cash auction, in addition to the equivalent of (1,549,794 thousand dinars) for the purposes of Remittances. The revenues realized from all the activities of buying and selling foreign currencies amounted to (1,914,293) thousand dinars.
- d. The cash balance with foreign banks amounted to (3,953,425 thousand) dinars, and an allowance for the probability of default was taken (53,305 thousand) dinars.
- e. SWIFT balances have been approved to confirm the validity of foreign bank balances with the bank's accounts as of December 31, 2023.
- f. We did not obtain confirmations from local banks regarding the validity of their balances as of 31/12/ 2023, and the balances of the statements submitted by them were approved to verify the accuracy of their balances with the bank's accounts.
- g. Direct credit facilities, net:
- The net direct credit facilities after exclusion amounted to (45,401,511 thousand) dinars in exchange for banking facilities initiated by the Central Bank of Iraq amounting to (270,066,615) to capital and reserves (102%). And to the current accounts and deposits (99%).
 - As a result of calculating the quantitative impact on cash credit in accordance with Accounting Standard No. (9), the calculated credit loss amounted to (6,586,468 thousand dinars), a decrease of (1,009,861 thousand dinars) from the allocation required under the guidelines amounting to (7,596,329 thousand) dinars.
 - The total cash credit granted to the twenty largest customers as of 31/12/ 2023 amounted to (217.650,145 thousand dinars), and it represents 61% of the total cash credit granted amounting to (358,201,943thousand) dinars.
- h. Lawsuits filed by the bank and against it:
The bank's management stated that there are no lawsuits filed by the bank against others, and there is one lawsuit Established by others at the bank.



Taking into consideration the above, and in accordance with what is recorded in the bank's records, information and clarifications given to us:

1. The accounting system used by the bank was in agreement with the bookkeeping system, and included, at our discretion, the recording of all assets, liabilities, uses and resources of the bank, and the internal control system and the tasks of the internal control department included the necessary procedures that ensure the validity and accuracy of this data.
2. The inventory taking process of the cash assets was carried out appropriately and under our supervision, while the process of inventorying fixed assets was carried out by the bank's management and was identical to the auxiliary records. These assets were evaluated in accordance with the approved foundations, principles and bases that were followed in the previous year.
3. The financial statements have been prepared in accordance with international accounting rules and applicable legislation, which are: It is fully consistent with what the records show and it is organized in accordance with both the amended Companies Law and the Islamic Banking Law and the regulations, instructions and directives related to that.
4. The Compliance Monitor's reports for the year subject to audit and the correspondence with the Central Bank of Iraq regarding them were reviewed and it was found that they were prepared in accordance with the instructions of the Central Bank of Iraq.
5. The bank has taken adequate measures to prevent money laundering or terrorism financing, and these measures are being implemented in accordance with the Anti-Money Laundering and Terrorism Financing Law No. (39) for the year 2015, and the instructions issued by the Central Bank of Iraq.

Taking into account the above clarifications and observations, in our opinion and based on the information and clarifications available to us, the financial statements are consistent with the records and meet the legal requirements, and to the extent of the performance indicators they contain, they clearly and fairly express the financial position of the bank as of 31/12/ 2023. The results of its activity and cash flows for the financial year ending on that date.

With appreciation

-sgd.- & seal

Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor
Member of the Iraqi Society of Certified Public Accountants



Al Taif Islamic Bank for Investment and Finance (PSC) – Baghdad

Clarifications About Separate Financial Statement for Financial Year Ending on 31/12/2023

Statement of Financial Position

As on 31/12/2023

	Clarifications	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Assets</u>			
Cash & Balances with the Central Bank	6	146,928,593	188,932,975
Balances of Banks & Other Financial Institutions	7	4,639,382	7,174,901
Net Direct Credit Facilitations	8	315,468,123	225,327,416
Financial assets at the fair value	9	81,349,379	84,988,688
Net Properties and Equipment	10	44,200,793	23,780,457
Other Assets	11	24,745,344	37,256,223
Total Assets		617,331,614	567,460,660
<u>Liabilities and Shareholders' Equity</u>			
<u>Liabilities</u>			
Loan of the Central Bank	12	53,483,974	35,773,932
Current and Deposit Accounts	13	273,680,160	220,225,206
Cash deposits	14	9,847,608	25,046,837
Income Tax Allocation	15	2,698,215	791,660
Provisions of Contractual Credit risks	16	162,721,	350,375
Other Liabilities	17	11,629,240	12,723,734
Total Liabilities		351,501,918	312,911,744
<u>Shareholders' Equity</u>			
Capital	18	250,000,000	250,000,000
Mandatory Reserve	19	935,258	371,219
Expansions Reserve	20	1,000,000	1,000,000
Exchange Prices fluctuation Provisions	21	89,762	89,219
Carried Forward Profits	22	13,804,676	3,087,935
Total Shareholders' Equity		265,829,696	254,548,916
Total Liabilities and Shareholders' Equity		617,331,614	567,640,660
Contra Regular Accounts	23	28,025,173	34,923,588

Subject to our report no. 177/18/13A on 20/3/2024

-Sgd.-

Financial Manager
Abdullah Thaer Noori
License No. / 26050
29/4/2024

-Sgd.-

Managing Director
Ridha Hamzah Abdulridha

-Sgd.-

Chairman of the Board of Directors
Ammar Mudhafar Salih

-Sgd.- & seal

Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor

Member of the Iraqi Society of Certified Public Accountants

(Seal of the Bank)

Seal: Republic of Iraq/ the Union of Accountants and Auditors
We certify the correctness of the membership of the accountant
Name: Suhaib Mohmoud 4/5/2024

-Sgd.-



Al Taif Islamic Bank for Investment and Finance (PSC) – Baghdad
Clarifications About Separate Financial Statement for Financial Year Ending on 31/12/2023
Statement of the Income for Financial Year Ending on
31/12/2023

	Clarifications	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Net Cash Credit Revenues	24	14,137,814	14,074,819
Investment Returns	25	3,691,727	1,412,395
Net Paid Returns of Deposits Investment	26	(16,743,747)	(12,069,626)
Net Banking Operations Revenues	27	42,735,553	17,929,335
Net Other Operations Revenues	28	63,781	204,627
Net Operational Revenues		<u>43,885,128</u>	<u>21,551,550</u>
<u>Deduct:</u>			
Employees' Salaries and the like	29	9,905,706	5,395,073
Operational Expenses and Others	30	14,834,814	8,743,910
Impairment Risks in Cash and Banks	7	63,409	000
Credit Risks	8	1,578,012	2,735,429
Impairment Risks in Financial Assets	9	858,579	000
Impairment in Real Estate Values	10	678,899	18,000
Consumables and Amortizations	10	1,986,714	1,776,643
Gross Expenses		<u>29,906,133</u>	<u>18,669,055</u>
Net Income before Calculating Income Tax		13,978,995	2,882,495
Income Tax	15	(2,698,215)	(791,660)
Net Income of the Year before Tax		<u>11,280,780</u>	<u>2,090,835</u>
To be distributed as follows:			
Mandatory Reserves according to Companies Law	19	564,039	104,542
Expansion Reserve	20	000	1,000,000
Carried Forward Profits	22	10,716,741	986,293
Total		<u>11,280,780</u>	<u>2,090,835</u>

Statement of Comprehensive Income for the
Financial Year Ending on 31/12/2023

	2023 One thousand Iraqi dinars	2022 One thousand Iraqi dinars
Net Income of the Year	13,978,995	2,882,495
Cross Comprehensive Income Profit for the Year	<u>13,978,995</u>	<u>2,882,495</u>

-Sgd.-
Financial Manager
Abdullah Thaer Noori
License No. / 26050
29/4/2024

-Sgd.-
Managing Director
Ridha Hamzah Abdulridha

Seal: for the year 2024G.

Republic of Iraq / Council of Accounting & Auditing Profession Control / the Secretariat We certify the correctness of the seal and signature of the auditor and that he practices the Accounting & Auditing Profession for the year 2024 G, without any responsibility for the contents of these financial statements

Name: Uday Taha Dawood
Receipt No.: 4840

Signature: -Sgd.-
Its Date: 4/5



Al Taif Islamic Bank for Investment and Finance (PSC) – Baghdad
Clarifications About Separate Financial Statement for Financial Year Ending on 31/12/2023
Statement of Changes in Shareholders' Equity as on 31/12/2023

Details	Capital IQ Thousand	Mandatory Reserve IQ Thousand	Expansions Reserve IQ Thousand	Exchange Price Fluctuation Provisions IQ Thousand	Carried Forward Profits IQ Thousand	Total Shareholders' Equity IQ Thousand
Balance as on 1/1/2023	250,000,000	371,219	1,000,000	89,762	3,087,935	254,548,916
Comprehensive Income for the Year	000	564,039	000	000	10,716,741	11,280,780
Balance on 31/12/2023	250,000,000	935,258	1,000,000	89,762	13,804,676	265,829,696

Statement of Shareholders' Equity Changes as on 31/12/2022

Details	Capital IQ Thousand	Mandatory Reserve IQ Thousand	Expansions Reserve IQ Thousand	Exchange Price Fluctuation Provisions IQ Thousand	Carried Forward Profits IQ Thousand	Total Shareholders' Equity IQ Thousand
Balance as on 1/1/2022	203,000,000	266,677	000	89,762	2,101,642	205,458,081
Increase in the Capital	47,000,000	000	000	000	000	47,000,000
Comprehensive Income for the Year	000	104,542	1,000,000	000	986,293	2,090,835
Balance on 31/12/2022	250,000,000	371,219	1,000,000	89,762	3,087,935	254,548,916

Clarifications: According to the instructions of the Central Bank of Iraq in its letter No. 9/3/32680 on 19/12/2022, it is necessary to have efficient balance in the expansion reserve within the shareholders' equity, the amount of one billion dinars has been deducted from the profits of the year 2022 after tax as expansion reserve.

Clarifications: According to the instructions of the Central Bank of Iraq in its letter No. 9/3/2654 on 19/5/2011: the exchange price fluctuation provisions in exchange companies are calculated with (2%) percentage of the profit after tax. This was stopped after the company was converted to a bank.



Al Taif Islamic Bank for Investment and Finance (PSC) – Baghdad

Clarifications About Separate Financial Statement for Financial Year Ending on 31/12/2023

Statement of Cash Flow for the Financial Year Ending on 31/12/2023

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Cash Flows from Operational Activities</u>		
Profit before tax	13,978,995	2,882,495
Amendments of Non-Cash Items		
Credit Impairment Risks	1,578,012	2,735,429
Financial Assets Impairment Risks	858,579	000
Impairment in Real Estate Value	678,899	18,000
Consumable	1,986,714	1,776,643
Other Provisions	000	109,946
Operational Activities Cash Flow	19,081,199	7,522,513
<u>Change in Assets and Liabilities</u>		
(Increase) in direct Credit Facilitation	(91,718,719)	(119,048,406)
Decrease (Increase) in financial Assets	2,780,730	(48,823,119)
(Increase) in Other Assets	12,510,879	(9,334,212)
(Decrease) Increase at Current Accounts and Deposits	53,454,954	41,427,362
Increase in Letters of Guarantee	(15,199,229)	20,813,548
Settlement of Income Tax	(791,660)	(387,900)
(Decrease) in Letters of Guarantee Provisions	(187,654)	000
(Decrease) Increase in Other Liabilities	(1,094,494)	2,296,427
Net Cash Flow in Assets and Liabilities	(40,254,243)	(113,056,300)
Net Cash Flow used in Operational Activities	(21,163,994)	(105,533,787)
<u>Cash Flow from Investment Activities</u>		
(Additions) on Properties and equipment	(23,085,949)	(5,899,938)
Net Cash Flow from Investment Activities	(23,085,949)	(5,899,938)
<u>Cash flows from financing operations</u>		
Loan of Central Bank	(289,958)	38,954,272
Capital Increase	000	47,000,000
Cash Flow from Financing Operations	(289,958)	85,954,272
Net Cash Flow from Investment and financing Activities	(23,375,907)	80,054,334
Net increase in Cash and the Like	(44,539,901)	(25,479,453)
Cash and the Like at the Beginning of the Year	196,107,876	221,587,329
Cash and the Like at the End of the Year	151,567,975	196,107,876



Al Taif Islamic Bank for Investment and Finance (JSC) – Baghdad
Notes to the separate financial statements for the fiscal year ended 31/December/2023

1- Definitions: The following terms are used with their specific meanings in the financial statements of Islamic banks.

1-1 Al-Murabaha

It is a contract where the (the seller) sells an asset to one of his clients (the buyer) based on deferred payments after the seller purchases, receives and owns the asset based on the buyer's promise to buy the asset immediately after the seller owns that asset, under certain Murabaha terms and conditions. The Murabaha selling price consists of the cost of the asset and a pre-agreed profit margin. The Murabaha sale price is paid by the buyer to the seller in installments during the period stipulated in the Murabaha contract.

1-2 Al Salam financing

It is a contract under which the seller purchases a specific quantity of certain goods and pays their full price in advance, while the customer delivers the quantities of goods according to the agreed upon delivery schedule. A seller makes profits from Salam transactions when a Salam item is received from a Salam customer and later sold to another party for a profit. Salam profit is calculated internally on a time basis over the period of the Salam contract based on the value of the Salam commodity being paid.

1-3 Istisna

It is a sales contract between the two parties to the contract, in which the (manufacturer or seller) undertakes to create a specific manufactured asset for one of the customers (the manufacturer to or the buyer) according to previously agreed upon specifications, if delivery is made within an agreed upon period in exchange for a predetermined price, provided that the price includes: cost Construction and profit margin. Completion of the promised work is not limited to the manufacturer alone, but it is possible to carry out the entire work or any part of it by a third party under the supervision and responsibility of the manufacturer. The Istisna profit is calculated as the difference between the selling price of the manufactured product and the total Istisna cost incurred by the manufacturer internally on a time basis over the contract period for the original financing amount being paid.

1-4 Qard hassan

It is the process of the Islamic bank providing a sum of money (a loan) to one of its customers without adding any profits or any increase to this amount, and the bank is satisfied with recovering the loan amount.

1-5 Ijarah

It is an agreement under which the (lessor) leases an asset to one of its clients (the lessee) (after purchasing/possessing the specific asset, either from another seller or from the dealer himself in accordance with the client's request and based on his promise to rent), in exchange for specific rental payments for a specified period/periods of rent, on Payment must be made on the basis of a fixed or variable fee. The Ijarah Agreement specifies the leased asset, the Ijarah period, the basis for calculating the rent, and the dates for making rental payments. The lessee also undertakes under that agreement to renew the rental periods and pay the relevant rental payment amounts in accordance with the specified schedule and the applicable formula throughout the Ijarah period.

The lessor retains ownership of the asset throughout the lease term. At the end of the lease period, after the lessee fulfills all his obligations under the lease agreement, the lessor sells the leased asset to the lessee based on a pledge to sell provided by the lessor.

Ijara payments are due immediately upon commencement of Ijarah contract and continue throughout Ijarah period based on the fixed rental payments being made (which often represent the cost of the leased asset).

1-6 The deferred Ijarah (Ijarah described as Dhimmah)

It is an agreement whereby (the lessor) agrees to provide, on a specific date in the future, an asset of certain characteristics to be rented by him (to the lessee) upon its completion and receipt by the developer, contractor, or dealer from whom he purchased that asset through Istisna. The forward lease agreement specifies the details of the leased asset and stipulates the lease period, the basis for calculating the rent, and the dates for paying the rent.



Al Taif Islamic Bank for Investment and Finance (JSC) – Baghdad
Notes to the separate financial statements for the fiscal year ended 31/December/2023

During the construction period, the lessor pays the developer / contractor in one payment or multiple payments, provided that the profit of the deferred Ijarah (deferred lease) is calculated during the construction period on a time basis divided by the construction period and at the expense of the rent payments. The profit amounts are received either during the construction period as an advance payment of the rent or with the first rent payment after the start of the lease. The rent in a deferred lease is not due until the lessee receives the asset from the lessor, and the lessee undertakes under the deferred lease agreement to renew the lease periods and pay the amounts of rent payments related to each period in accordance with the agreed-upon schedule and the applicable formula during the lease period. The lessor retains ownership of the asset throughout the lease period, and at its end if the lessee fulfills all his obligations under the forward lease agreement, the lessor sells the leased asset to the lessee for a nominal value based on the sale pledge provided by the lessor.

1-7 Al Musharaka

It is an agreement between the bank and one of its clients, whereby both parties contribute to the partnership capital. The contribution may be in cash or in kind according to the value determined at the time of concluding the partnership contract. The subject of the participation may be a specific existing or new investment project, or ownership of a specific property, either on a permanent or decreasing basis, ending with the customer's ownership of the entire participation area. Profits are divided according to the agreed upon profit distribution ratio as stipulated in the participation contract. Musharaka profit is often distributed when its distribution is announced by the partner (manager). However, since the Musharaka profit is always estimated reliably, the Musharaka profit is calculated internally on a time basis during the Musharaka period based on the unpaid Musharaka capital. The loss, if any, is divided according to the percentage of each partner's contribution to the capital.

1-8 Al Mudharaba

It is a contract between two parties, one of which is the financier (rabb al-mal), which is the party that provides certain sums of money (mudharaba capital) to the other party (mudhareb), which is the party that subsequently invests the mudharaba capital in a commercial project or activity based on its experience in exchange for a specified (pre-agreed) share of the resulting profit, provided that the financier does not interfere in the management of the mudharaba activity. The original principle is that the Mudharaba profit is distributed when its distribution is announced by the mudhareb. However, since the Mudharaba profit is always estimated reliably, the Mudharaba profit is calculated internally on a time basis during the Mudharaba period according to the unpaid Mudharaba capital. The mudhareb shall bear the loss in the event of default, negligence or violation of the terms and conditions of the Mudharaba contract. Otherwise, the financier shall bear the loss, if he receives convincing evidence that this loss occurred due to forces majeure, and that the speculator could not have predicted such force majeure or avoid its negative consequences on Mudharaba. Under the Mudharaba contract, the bank may be a mudhareb or a financier, as the case.

1-9 Al Wakala (Agency)

An agency is an agreement between two parties, one of the parties is the financier (the principal, Al-Mowakel), who provides a specific sum of money (the agency's capital), and the agent (Al-Wakeel), who invests the agency's capital in a manner consistent with Islamic Sharia in accordance with the investment plan that the agent presents to the principal. The agent is entitled to a specific fee (agency "Al-Wakala" fee) as a lump sum or a percentage of the agency's capital, and the agent may be granted any additional amounts in excess of the agreed upon percentage of profit or returns as an incentive for good performance. Agency profit is often distributed when declared/distributed by the agent. However, since the agency profit is always estimated reliably, the agency profit is calculated internally on a time basis during the agency period based on the agency's outstanding capital and the agent bears the loss in the event of default, negligence or violation of the terms and conditions of the agency agreement. Otherwise, the principal is the one who bears the loss, provided that the principal obtains convincing evidence that this loss occurred due to force majeure, and that the agent was unable to predict that force majeure or avoid its negative consequences on the agency "Al-Wakala".



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2- Basis of preparing financial statements

2-1 Statement of compatibility

The bank's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board (IASB) and in accordance with the historical cost basis.

2-2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, with the exception of some financial instruments that are measured at fair value as indicated in the accounting policies below.

2-3 Official currency

These consolidated financial statements are presented in Iraqi Dinars and all values are rounded to the nearest thousand.

3- Application of International Financial Reporting Standards

International Financial Reporting Standards were applied and did not have any material impact on the declared amounts, except for what was disclosed in the relevant notes as follows:

- Amendments to International Accounting Standard No. 40 "Investment Properties" relating to the timing of their transfer into or from investment properties.
- The amended version of Standard No. 9 of the International Financial Reporting Standards related to the recognition of expected credit losses, based on a model that includes 3 stages for measuring impairment.

4- Important accounting policies

4-1 Financial Instruments

4-1-1 Initial Recognition

Financial assets and liabilities are recognized when one of the bank companies becomes a party to the contractual provisions of the instrument.

4-1-2 Initial measurement

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of assets or the issuance of financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, where appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of profit or loss.

4-1-3 Financial Assets

Regular way purchases or sales of financial assets are recognized and derecognised on the trade date. The usual methods of buying or selling are purchases or sales of financial assets that require delivery of the assets within a time frame determined by market agreements or regulations. All financial assets recognized subsequently are measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

4-1-4 Classification of Financial Assists

Balances with central banks, due from banks and financial institutions, Islamic financing and investment assets, investments in Islamic instruments, specific items of receivables and other assets



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that meet the following conditions are measured at amortized cost less impairment losses and deferred revenues, if any, (excluding those assets designated as FVTPL on initial recognition):

- The assets must be held within a business model that aims to retain assets in order to collect contractual cash flows.
- The contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and earnings on the principal amount outstanding.
- All other financial assets are subsequently measured at fair value.

4-1-5 Business model evaluation

The Bank makes an objective assessment of the business model within which the asset is held at portfolio level as this best describes the way in which the business is managed, and information is provided to management. Information taken into consideration includes the following:

- How to evaluate the portfolio's performance and submit reports thereon to the bank's management.
- The risks that affect the performance of the business model and the financial assets held within the business model) and how those risks are managed.
- How business managers are compensated - for example: whether compensation is based on the fair value of the assets being managed, or the contractual cash flows collected.
- The frequency, value and timing of sales are important matters to be taken into consideration during the evaluation of the bank.

The business model evaluation is based on reasonably expected scenarios without considering critical scenarios, if cash flows after initial recognition are achieved in a different way. From the Bank's original expectations, the Bank does not change the classification of assets held in the business model, but that information is included when evaluating newly created or purchased financial assets from then on.

In relation to financial assets held for sale or for management whose performance is assessed on a fair value basis, they are measured at fair value through other comprehensive income as they are not held to collect contractual cash flows nor are they held to collect contractual cash flows or to sell the financial assets.

4-1-6 Cash flow characteristics model evaluation

Contractual cash flow characteristics include Evaluating the contractual features of an instrument to determine whether it may generate cash flows that are consistent with the underlying financing arrangement. Contractual cash flows are consistent with the basic financing arrangement if they represent cash flows relating only to payments of principal and profit on the principal amount outstanding.

For the purposes of this evaluation, "principal amount" is defined as the fair value of a financial asset on initial recognition, while "profits" is defined as the consideration of the time value of money and the credit risk relating to the principal amount outstanding over a specified period of time and against costs and other basic financing risks such as (liquidity risk and administrative costs), in addition to the profit rate margin.

When evaluating whether contractual cash flows represent solely payments of principal and profit, the Bank considers the contractual terms of the instrument. This includes evaluating whether the financial asset contains a contractual term that would change the timing or amount of contractual cash flows such that the asset would not meet that condition.



4-1-7 Amortized cost and effective profit rate method

The effective profit rate method is a method of calculating the amortized cost of financial instruments and distributing income over the relevant period. The effective profit rate is the rate used to calculate the estimated present value of future cash resources (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs, and other premiums or discounts) over the expected life of the investment and financing instruments, or over a shorter period to determine the net book value upon initial recognition. Revenues are recognized in the statement of profit or loss based on the effective profit rate for financing and investment instruments that are subsequently measured at amortized cost.

4-1-8 Financial assets at fair value through other comprehensive income

Upon initial recognition, the bank may finally choose, on an instrument-by-instrument basis, to classify investments in equity instruments that comply with the provisions of Islamic Sharia at fair value through other comprehensive income. It is not permissible to classify it at fair value through other comprehensive income if the equity investment is held for the purpose of trading. A financial asset is held for trading if:

- Purchased principally for the purpose of selling soon, or upon initial recognition, was part of a portfolio of identified financial instruments managed by the Group and has a recent actual nature of generating short-term profits.
- Or it is an Islamic derivative instrument that is not classified and effective as an Islamic hedging instrument or a financial guarantee.

Assets are initially measured at fair value through other comprehensive income at fair value plus transaction costs. It is subsequently measured at fair value and gains and losses resulting from the change in fair value are recognized in other comprehensive income. Accumulated gains or losses will not be reclassified to profit or loss on disposal.

4-1-9 Debt instruments at fair value through other comprehensive income

The bank applies the new category under Standard No. 9 of International Financial Reporting Standards for debt instruments measured at fair value through other comprehensive income if the following two conditions are met:

- If the instrument is kept within a business model? Its goal is achieved through collecting contractual cash flows as well as selling financial assets:
- If the contractual terms of the financial asset meet the requirements for the principal and interest payments test? Debt instruments at fair value through other comprehensive income shall be subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income.
- Profit income and foreign exchange gains and losses are recognized in profit or loss. When derecognition is made, the accumulated profits or losses that were previously recognized in other comprehensive income are reclassified to profits or losses.

4-1-10 Financial assets at fair value through profit or loss

Investments in equity instruments are classified to comply with the provisions of Islamic Sharia as financial assets at FVTPL, unless the bank classifies the investment at fair value through other comprehensive income upon initial recognition.

Financial assets other than equity instruments that do not meet the amortized cost measurement criteria are measured at fair value through profit or loss. Moreover: Financial assets (other than equity instruments that meet the amortized cost measurement criteria but are not classified as FVTPL are measured at FVTPL as well.



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Financial assets (other than equity instruments) may be classified as at FVTPL on initial recognition if such designation eliminates or significantly reduces measurement or recognition inconsistencies that would arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis.

Financial assets are reclassified from amortized cost to FVTPL when the business model changes such that they no longer meet the amortized cost measurement criteria. Financial assets other than equity instruments designated at FVTPL are not permitted to be reclassified upon initial recognition. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gain or loss arising from re-measurement recognized in the consolidated statement of profit or loss. The net recognized gain or loss is included in the consolidated statement of profit or loss.

4-1-11 Foreign exchange gains and losses

The fair value of financial assets is determined in a foreign currency and is translated at spot exchange rates at the end of each reporting period

The foreign exchange components constitute part of the fair value gain or loss. Accordingly, the following is noted:

- With respect to financial assets designated at FVTPL, the foreign exchange component is recognized in the consolidated statement of profit or loss.
- With respect to financial assets designated at fair value through other comprehensive income, any foreign exchange component is recognized in other comprehensive income.
- Financial instruments denominated in foreign currencies are measured at amortized cost at the end of each period, so foreign exchange gains and losses are determined and recognized in the consolidated statement of profit or loss.

4-1-12 Impairment of financial assets

Financial assets that are measured at amortized cost are evaluated to verify their exposure to impairment at each reporting date. The bank applies a methodology based on three stages to measure the allowance for credit losses using the expected credit loss methodology in accordance with the requirements of IFRS 9, for the following categories of financial instruments measured at amortized cost.

- Islamic financing and investment assets that represent financial instruments and investments in sukuk.
- Instruments issued outside the balance sheet.
- Issued financial guarantee contracts.
- Due from banks and financial institutions.
- Balances with central banks.
- Other financial assets.

Financial assets go through three stages based on the change in credit risk since initial recognition. Impairment losses on equity investments are not recognized.

Expected credit loss impairment model

The expected credit loss model includes a three-stage approach based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of cash shortfalls related to defaults either (1) over the next twelve-month period or (2) over the expected life of the financial instrument based on the credit downturn from inception.



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The first stage: If there is no significant increase in credit risk since initial recognition, an amount equivalent to expected credit losses for a period of 12 months will be recorded. 12-month expected credit losses are calculated as the portion of expected credit losses over the life of the financial instrument that represents the expected credit losses resulting from potential default events for a financial instrument within 12 months after the reporting date. The bank calculates the allowance for expected credit losses for a period of 12 months based on the expectation that a default will occur during the 12-month period following the reporting date. The probabilities of expected default within 12 months are applied to the forecast of the exposure at default and are multiplied by the potential loss at default and it is reduced at the approximate original effective profit rate.

The second stage: If there is a significant increase in credit risk since initial recognition, but the financial instruments are not considered to have suffered a credit impairment, an amount equivalent to expected credit losses will be recorded based on the likely duration of the probability of exposure to default. The probability of default and the potential loss upon default are estimated over the life of the instrument, and the expected cash deficit is reduced by the approximate original effective profit rate.

The third stage: If there is objective evidence of impairment at the reporting date, these financial instruments will be classified as credit-impaired instruments and an amount equivalent to expected credit losses over the life of the financial assets will be recorded, assuming that the probability of default is 100% when estimating losses. Expected credit for undrawn liabilities. The bank estimates the expected portion of the obligation that will be withdrawn over its expected life. Thus, expected credit losses are based on the present value of the expected deficit in cash flows in the event of withdrawal of financing, the expected cash deficit is reduced by the approximate expected effective profit rate on financing. The bank's obligation under each guarantee is measured by the amount initially recognized less the accumulated amortization recognized in the income statement, or the allowance for expected credit losses, whichever is higher. For this purpose, the bank estimates expected credit losses based on the present value of the expected payments to compensate the security holder for the credit losses it incurs. The deficit has been reduced at a risk-adjusted discount rate appropriate to the exposure. The expected credit loss model is forward-looking and requires reliance on reasonable, evidence-based expectations of future economic conditions when identifying significant increases in credit risk and measuring expected credit losses.

Measuring expected credit losses (ECLs)

The Bank calculates expected credit losses (ECLs) based on probability-based scenarios to measure the expected cash shortfall discounted at the approximate effective profit rate. The cash deficit is the difference between the cash flows due to the bank under the contract and the cash flows that the bank expects to receive. IFRS 9 considers the calculation of expected credit losses (ECLs) as the product of the probability of default, the probable loss given default and the exposure at default. The Bank has developed methodologies and models considering the relative size, quality and complexity of portfolios.

These standards are generally based on internally developed statistical models and other statistical data and are subject to adjustment to clarify forward-looking information.

Details of these standards/statistical inputs are as follows:

- Probability of default: It is an estimate of the probability over a certain period
- Exposure at Default: This represents an estimate of the exposure at default at a future date, considering expected changes in exposure after the reporting date.
- Potential loss at default - is an estimate of the loss resulting from the occurrence of a default event at a certain time.



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The exposure at default is based on the difference between the contractual cash flows due and the cash flows that the lender was expecting to receive, including cash flows from the forfeiture of the collateral. It is usually expressed as a percentage of exposure at default.

General economic factors, forward-looking information and multiple scenarios

IFRS 9 requires a fair and weighted estimation of credit losses based on probability by evaluating the range of possible outcomes that includes forecasts of future economic conditions.

When estimating expected credit losses (ECLs), the bank considers three scenarios (basic scenario: positive scenario, negative scenario). Each of these scenarios is associated with different degrees of probability of default, exposure at default and potential loss at default. The multi-scenario evaluation process also includes the probability of recovery of non-performing loans as well as the value of the collateral or the amount that will be received in exchange for the sale of the asset. In its expected credit loss models, the bank relies on wide-ranging forward-looking information as economic inputs, such as: average oil prices, the composite economic index for non-oil activities, the economic index for real estate prices, and hotel room occupancy.

General economic factors and forward-looking information should be included in the process of measuring expected credit losses and determining whether there has been a material increase in credit risk since credit was extended. The measuring process of expected credit losses in each reporting period must show appropriate and substantiated information at the reporting date about past events, current conditions, and forecasts of future economic conditions. The inputs and models used to calculate expected credit losses may not always capture all market characteristics at the date of the financial statements to indicate those characteristics. Qualitative adjustments or adjustments are sometimes made as temporary adjustments when these differences are material in a significant way.

Assessing the significant increase in credit risk

An assessment of the significant increase in credit risk is performed on a proportional basis to assess whether the credit risk of a financial asset has increased significantly since the inception of the financial asset. The bank compares the risk of default occurring over the expected life of the financial asset at the reporting date with the risk of default at the inception of the financial asset using key risk indicators that are used in the risk management processes currently followed by the bank. The change in credit risk will be assessed at each reporting date for each asset deemed significant individually and at the sector level for individual exposures.

An asset group is transferred from Stage 1 to Stage 2 when:

- The probability of default changes to a degree that exceeds the limit set by the bank regarding initial recognition.
- The instrument is overdue for more than 30 days.
- The credit risk associated with the instrument is considered high based on the qualitative criteria set by the bank.

Instruments transferred to Stage 2 from Stage 1 remain in the same stage until they meet established criteria over a specified period in accordance with the bank's policy. The transfer process from Stage 2 to Stage 3 is based on whether the financial assets have experienced a downgrade in credit rating at the reporting date. The determination of credit impairment remains unchanged under IFRS 9 in accordance with IAS 39.



Experience-based credit judgment

The Bank's methodology for establishing the expected credit losses (ECLs) allowance requires the Bank to use its experienced credit judgment to include the estimated impact of unobserved factors in the ECL model results across all reporting periods.

While measuring expected credit losses (ECLs), the bank must consider as the maximum contractual period during which the bank is exposed to credit risk and must consider all contractual terms when determining the expected period, including advance payment options and extension and renewal options. The definition of default that the Bank follows to assess impairment remains consistent with the guidance of IFRS 9, without resorting to assumptions and is consistent with regulatory requirements. The policy regarding writing off financing transactions has remained unchanged, and the definition of default that the bank follows to assess impairment remains consistent with the guidance of IFRS 9.

Expected Life

When measuring expected credit losses, the bank takes as the maximum contractual period during which the bank is exposed to credit risk. All contractual terms must also be considered when determining the expected period, including advance payment options and extension and renewal options.

The bank considers a financial asset to be in default when: It is unlikely, for financial or non-financial reasons, that the borrower will fully fulfill its credit obligations to the bank without the bank resorting to measures: Such as confiscation of the guarantee, if any, or the borrower's inability to fulfill any of his material credit obligations to the bank for a period exceeding 90 days.

When assessing whether a borrower has defaulted, the bank considers the following indicators:

1. Qualitative indicators - such as material breach of commitment
2. Quantitative indicators - such as late payment or non-payment of another obligation by the same customer
3. Based on data prepared internally and obtained from external sources, the inputs used in assessing whether a financial instrument is in default and their significance may change over time to reflect changes in circumstances.

Islamic investment and financing assets that are evaluated individually

Individually evaluated Islamic financing and investing assets mainly represent institutional and commercial assets, which are evaluated individually to determine whether there is any objective evidence that the Islamic financing and investing assets are impaired.

Islamic financing and investment assets are classified as impaired assets as soon as there are doubts about the customer's ability to fulfill payment obligations. These doubts generally arise when:

- The principal amount or profit due is not paid according to the contractual terms.
- When there is a severe deterioration in the client's financial position and when it is not likely that the value expected to be achieved from the exclusion of guarantees, if any, will cover the current book value of Islamic investment and financing assets.

Islamic financing and investment assets that have been subject to impairment are measured based on the present value of expected future cash flows calculated based on the original effective profit rate of the Islamic financing and investment asset.



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Or, as a practical alternative, based on the observable market value of the Islamic financing and investing asset or the fair value of the collateral if the Islamic financing and investing asset is subject to a guarantee. Impairment losses are calculated based on the difference between the carrying value of the Islamic financing and investment asset and its present impaired value.

4-1-13 Derecognition of financial assets

The Bank derecognizes a financial asset when the contractual rights to receive cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group does not transfer or retain substantially all the risks and rewards of ownership and continues to control the transferred asset.

The bank recognizes the share it holds in the asset as well as the liability associated with the amounts it may be obligated to pay. If the bank retains substantially all the risks and rewards of ownership of the transferred financial asset, the bank continues to recognize the financial asset and recognizes Islamic financing subject to a guarantee of the returns received. When a financial asset measured at amortized cost is derecognised, the difference between the carrying amount of the asset and the value of the total amount received and receivable is recognized in the consolidated statement of profit or loss. When a financial asset designated as FVTOCI is derecognised, the aggregate gain or loss previously accumulated in the equity investment revaluation reserve is not reclassified to the consolidated statement of profit or loss but is transferred to retained earnings in equity.

4-1-14 Financial guarantees, documentary credits, and undrawn financing obligations

The bank issues financial guarantees, documentary credits and financing commitments in the normal course of its business. Financial guarantees were initially recognized in the financial statements at fair value equal to the premiums received. Subsequent to initial recognition, the bank's obligation under each guarantee is measured at the amount initially recognized less the accumulated amortization in the income statement or the allowance for expected credit losses, whichever is greater. The installments received are recognized in the income statement within the net revenues from fees and commissions on a straight-line basis over the duration of the guarantee. Undrawn financing obligations and documentary credits represent obligations under which the bank undertakes, over the period of the commitment, to provide financing to the customer based on predetermined conditions. These contracts are signed. Within the scope of expected credit loss requirements.

4-2 Offset

Financial assets and liabilities are offset, and the net amount is stated in the consolidated statement of financial position, only when the bank has a legally enforceable right to offset the recognized amounts and has a desire to settle based on the net amount or collect assets and settle liabilities simultaneously. Income and expenses are presented on a net basis when permitted by accounting standards, or in relation to gains and losses arising from a group of similar transactions such as group trading activity. The Bank is a party to several arrangements, including master settlement agreements, which give it the right to offset financial assets and liabilities but where it is not willing to settle the amounts on a net amount basis or simultaneously the relevant assets and liabilities are presented on a gross amount basis.

4-3 Classification of financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the contractual agreement and the definition of financial liabilities and equity instruments.



4-4 Equity Instruments

The equity instrument is any contract that proves the existence of remaining shares in the assets of any facility after deducting all its liabilities. Equity instruments issued by the Group are recognized at the net amount raised, after deducting direct issuance costs.

The bank's equity instruments acquired by itself or through any of its subsidiaries are recognized as treasury shares and deducted directly from equity. No profits or losses are recognized in the consolidated statement of profit or loss from the purchase, sale, issuance or cancellation of the Bank's equity instruments. The first-tier Sukuk are perpetual Mudharaba Sukuks that are not redeemable by the Sukuk holders and are entitled to non-cumulative dividends based on the approval of the Board of Directors. Accordingly, Tier 1 Sukuks are presented as a component of equity instruments issued by the Group in equity.

Dividends from ordinary shares and dividends from Tier 1 Sukuk are recognized as liabilities and deducted from equity when approved by the Group's shareholders and the Board of Directors, respectively. Dividends for the year approved after the reporting date are disclosed as a non-adjusting event after the reporting date.

4-5 Financial Liabilities

All financial liabilities are subsequently measured at amortized cost using the effective profit rate method or at fair value through profit and loss. However, financial liabilities that arise when the transfer of a financial asset does not qualify for de-recognition or when the continuing commitment method is applied, and financial guarantees issued by Commitments accepted by the Group and commitments issued by the Group to provide facilities at a profit rate below the market rate are measured in accordance with the specific accounting policies set out below.

4-5-1 Financial liabilities that are subsequently measured at amortized cost

Financial liabilities that are not held for trading and are not designated at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying values of financial liabilities that are subsequently measured at amortized cost are determined on the basis of the effective profit rate method.

The effective profit rate method is the method by which the amortized cost of a financial liability is calculated, and the depositors' share of profits is distributed over the relevant period. The effective profit rate is the rate used to calculate the present value of estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate and transaction costs) over the estimated life of the financial liability, if appropriate, over a shorter period to determine the net book value upon initial recognition. Financial liabilities measured at amortized cost include what is due to banks and financial institutions, customer deposits, sukuk instruments, some payables and other liabilities.

4-5-2 Financial guarantee

A financial guarantee represents a commitment from the issuer to make specific payments to compensate the guaranteed holder for any loss incurred as a result of the inability of a specific party to fulfill its obligations when they fall due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair value, and are subsequently measured, if they are not identified as a financial instrument at fair value through profit and loss, at the higher value of any of:

- The value of the obligation under the financial guarantee, in accordance with IAS 37, provisions, contingent liabilities and contingent assets.
- The initially recognized value less the accumulated amortization recognized in accordance with revenue recognition policies.



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4-5-3 Derecognizing financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are settled or when they are canceled or expire. The difference between the carrying amount of financial liabilities that have been derecognised and the amount paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss.

4-6 Islamic derivative financial instruments

An Islamic derivative financial instrument is a financial instrument whose value changes depending on variable considerations, requires a limited initial investment or may not require any initial investment and is repaid at a future date. The Bank enters various transactions for Islamic derivative financial instruments to manage risk exposure at profit rates and foreign exchange rates and includes unilateral pledges (and one-sided to sell).

Islamic derivative financial instruments are initially measured at cost, which represents the fair value as of the contract date and are subsequently re-measured at fair value. All Islamic derivative instruments are recorded at their fair values as assets when the fair values are positive or as liabilities when their fair values are negative. Islamic derivative assets and liabilities arising from different transactions are offset if the transactions are with the same counterparty, when there is a legal right to set off, and the parties intend to settle the cash flows on a net amount basis. The fair values of Islamic derivatives are determined from quoted prices in active markets where available. When there is no active market for an instrument, the fair value is derived from prices of Islamic derivative components using appropriate pricing or valuation models. The method of recognizing fair value gains and losses depends on whether Islamic derivatives are held for trading or are classified as hedging instruments, and if for hedging, it depends on the nature of the risks being hedged. All gains and losses arising from changes in the fair value of Islamic derivatives held for trading are recognized in the consolidated statement of profit or loss.

4-7 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances with central banks, deposits and balances due from banks, items receivable from or transferred to other banks, and liquid assets with maturities of less than three months from the date of acquisition that are subject to insignificant risks because of changes in their fair value. , which the Group uses to manage its short-term liabilities. Cash and cash equivalents are recorded at amortized cost in the consolidated statement of financial position.

4-8 Investments in associate companies and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the ability to participate in making decisions related to the financial and operating policies of the investee company, but this influence is not considered control or joint control over those policies.

A joint venture is a joint arrangement that gives the parties that jointly control the arrangement rights to the net assets of the joint arrangement. Joint control is sharing control of the arrangement as contractually agreed. This occurs when decisions about relevant activities require unanimous approval by the parties sharing control.

On acquisition of an investment in an associate or joint venture, any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities of the associates and joint ventures recognized at the acquisition date is recognized as goodwill and included in the carrying amount of the investment.



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Any excess of the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after revaluation, is recognized directly in the consolidated statement of profit or loss in the period in which the investment is acquired. The outcomes of the assets and liabilities of associates and joint ventures are included in these consolidated financial statements using the equity accounting method. According to the equity method, investments in associates and joint ventures are initially recognized in the consolidated statement of financial position at cost and are subsequently adjusted to recognize the group's share of profits or losses and other comprehensive income of associates. When the Bank's share of losses in associates and joint ventures exceeds its share in such associates and joint ventures (which includes any long-term interests that, in substance, form part of the Bank's net investment in associates and joint ventures), the Bank ceases to recognize its share in subsequent losses. Additional losses are recognized only to the extent that the Bank incurs legal obligations or makes payments on behalf of associates and joint ventures. IFRS requirements are applied to determine whether it is necessary to recognize any impairment loss in relation to the Group's investment in the associate and joint venture.

Where necessary, the entire carrying amount of the investment (including goodwill) is presented for impairment testing as a single asset by comparing its recoverable amount (value in use) and fair value less costs to sell, whichever is higher, with its carrying amount, and the recognized impairment losses form part of the carrying amount for investment. Impairment losses are recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank ceases to use the equity method effective from the date on which the investment ceases to be an associate or joint venture. When the Group retains its interest in any associate or former joint venture and that retained interest is a financial asset, the Group measures the retained interest at its fair value at that date, with the fair value being considered the fair value of that interest upon initial recognition. The difference between the book value of the associate or joint venture on the date the equity method was discontinued and the fair value of any retained interest, and any proceeds resulting from the disposal of part of the interests in the associate or joint venture are included when determining the gains or losses from the disposal of the associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or when an investment in a joint venture becomes an investment in an associate. Fair value is not remeasured following these changes in equity interests.

When any of the associate companies and joint ventures are excluded and that exclusion results in the Bank losing its significant influence over those associate companies and joint ventures, any retained investment shall be measured at fair value on that date, and the fair value shall be its fair value upon initial recognition as a financial asset. The difference between the previous book value of the associates and joint ventures attributable to the retained interest and their fair value is included in determining the profits or losses resulting from the disposal of those associates and joint ventures. Moreover, the Group accounts for all amounts previously recognized in other comprehensive income in respect of these associates and joint ventures on the same basis as would be required if the associates and joint ventures had directly disposed of the related assets or liabilities. Accordingly, if any gains or losses previously recognized in other comprehensive income by associates and joint ventures are reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss. (As an adjustment based on a reclassification when it loses significant influence over those associates and joint ventures.



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When any of the group entities deals with an associate or a subsidiary of the group, profits or losses arising from transactions with that associate or joint venture are recognized in the consolidated financial statements with the group only to the extent of the interests in the associate or joint venture that are not related to the group.

4-9 Properties held for sale

Properties acquired or constructed for the purpose of sale are classified as properties held for sale. Properties held for sale are stated at cost or net realizable value, whichever is lower. Net realizable value represents the estimated selling price of the properties less the estimated costs of completion and the costs necessary to complete the sale. Costs include the cost of land, infrastructure, construction and other related expenses such as professional fees and engineering costs related to the project, which are capitalized when activities necessary to prepare the assets for their intended use are in progress.

4-10 Investment Properties

Investment properties represent properties held either to generate rental income or to raise capital (including properties under construction for these purposes). Investment properties are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation for investment in buildings is calculated on a straight-line basis over 40 years.

It is expected to obtain any future economic benefits from disposal. Any gains or losses resulting from the derecognition of the investment property are included when it is disposed of or when it is permanently withdrawn from use, and the derecognition of the property (calculated as the difference between the net proceeds from disposal and the book value of the asset) is not Included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to investment properties take place only when there is a change in use evidenced by the end of owner-occupation of the property, the commencement of another party's operating lease or the completion of construction or development work. While transfers of investment properties only take place when there is a change in use evidenced by owner occupancy of the property or the commencement of development for the purpose of sale.

4-11 Acceptances

Acceptances are recognized as a financial liability in the consolidated statement of financial position, while the contractual right to payment from the customer is recognized as a financial asset. Therefore, the related obligations are accounted for as financial assets and financial liabilities.

4-12 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenses directly attributable to the acquisition of assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss in the period in which they are incurred. Depreciation is calculated to write off the cost or valuation of assets over their estimated useful lives using the straight-line method as follows:



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	<u>Useful life</u>
Buildings	50 years
Equipment, appliances and furniture	5 years
Transportation	5 years
Electronic systems	5 years

Freehold land depreciation is not calculated. Estimated useful lives, residual values and depreciation are reviewed at the end of each year, and the effect of any changes in estimates is accounted for from then on.

Any item of property, plant and equipment is derecognised when it is disposed of or when no future economic benefits are expected to flow from the continued use of the asset. The gain or loss resulting from the disposal or withdrawal of an item of property, plant and equipment is determined as the difference between the proceeds of sale and the book value of the asset is recognized in the consolidated statement of profit or loss.

Real estate or assets in the construction phase for the purpose of production, supply, administrative purposes, or purposes not yet determined are recorded at cost less any recognized impairment losses, if any. Cost includes all direct costs attributable to the design and construction of the properties, including labor costs. For qualifying assets, finance costs are capitalized in accordance with the Group's accounting policy. When the assets are ready for their intended use, capital work in progress is transferred to the appropriate category of property, plant and equipment. Consumption is calculated according to the bank's policies.

4-13 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have incurred losses because of impairment. If such indications exist, the recoverable amount of the assets is estimated to determine impairment losses (if any). If it is not possible to estimate the recoverable value of the asset, the Group shall estimate the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value is the fair value less the cost to sell or the value in use, whichever is greater. When assessing value in use, the present value of estimated future cash flows is calculated using a profit rate that reflects current market assessments of the risks associated with the asset.

If the estimated recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced until it reaches its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

If the impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased until it reaches the revised estimated recoverable amount such that the revised carrying amount does not exceed the carrying amount that would have been determined had the impairment not been recognized. of the asset's (cash-generating unit) in previous years. Impairment losses that are reversed are recognized in the consolidated statement of profit or loss.

4-14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation because of a past event, it is probable that the Group will be obligated to settle the obligation and the amount of the obligation can be estimated reliably. The amount recognized as a provision is the best estimate of the amount required to settle the current obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. If a provision is measured using the cash flows estimated to settle that obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from another party, the amount receivable is recognized as an asset if it becomes reasonably certain that compensation will be received and the amount receivable can be measured reliably.



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Current liabilities arising from onerous contracts are recognized and measured as provisions. A contract is onerous when the Group has a contract in which the unavoidable costs of fulfilling contractual obligations exceed the economic benefits expected to be obtained from the contract.

4-15 Taxes

Provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries in accordance with financial legislation applicable in the countries in which the subsidiaries operate.

4-16 Revenue recognition

Revenue is measured at the fair value of amounts received or receivable.

4-17 Revenues from financial assets measured at amortized cost

Revenue from a financial asset measured at amortized cost is recognized when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably.

Revenues from a financial asset measured at amortized cost is accrued/amortized on a time accrual basis, based on the principal amount under payment and the applicable effective profit rate, which is the rate used to discount the present value of expected future net cash receipts through the expected life of the financial asset to calculate the net book value. of the original upon initial recognition.

4-18 Fee and commission revenues

Fee and commission revenues are recognized when the relevant services are performed.

4-19 Dividends

Dividend revenues from other investments are recognized at fair value in equity when the right to receive dividends is established.

4-20 Net revenues from selling real estate

Revenue is recognized at an amount that reflects the amount owed to the Group in exchange for transferring goods or services to a customer when (or as soon as) the Group satisfies a performance obligation. The performance obligation may be fulfilled at a specified time, usually relating to undertakings to transfer goods to a customer, or over a period of time, usually relating to undertakings to transfer Services to a customer) With regard to implementation obligations that are fulfilled over a period of time, the Group recognizes revenue over a period of time by choosing an appropriate method to measure the stage of fulfillment of the implementation obligation.

4-21 Excluded revenues

According to the interpretation of the Bank's Fatwa and Sharia Supervisory Board, any revenues generated from unacceptable sources must be identified according to Islamic Sharia principles and this amount must be kept in a separate account to be used for charitable purposes.

4-22 Calculating depositors' share of dividends

Dividends distributed to depositors and shareholders are calculated in accordance with the standard procedures followed by the bank and are approved by the Fatwa and Sharia Supervision Board.

4-23 Ijarah contracts

4-23-1 the Banks as a lessor

Operating lease revenues are recognized on a straight-line basis over the term of the related lease. Initial direct costs incurred during negotiations and arrangements related to operating leases are added to the carrying amount of the leased asset and are recognized on a straight-line basis over the term of the Ijarah contract. The leased asset is recorded at cost, and depreciation is calculated over its useful life using a straight line.



4-23-2 the Bank as a Lessee

Amounts paid under operating Ijarah contracts are recognized as expenses on a straight-line basis over the Ijarah period, unless there is another systematic basis that is more appropriate to the time pattern in which economic benefits are derived from the leased asset. The rental installments agreed upon under the Operating Ijarah contracts are recognized as expenses in the period during which it is incurred.

If rental incentives are received to enter operating leases, these incentives are recognized as liabilities. Total incentive benefits are recognized as a reduction in rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more appropriate to the time pattern in which economic benefits are derived from the leased asset.

4-24 The impact on the components of the statement of financial position balances when converting from IAS 39 to IFRS 9

There are no fundamental changes that coincided with the transition to applying International Standard No. 9, as since the bank's founding in early 2019, the bank has applied new and updated international accounting standards, including IFRS 9, as the bank carried out financing operations after the second quarter, and those financings were classified as high quality, as they did not delay in payment of installments occurs for borrowers until the date of preparing the report.

5- Material emergency events after 1/1/2024

There are no material events worth mentioning after 1/1/2024



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6. Cash and Balances at the Central Bank

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Cold Bars in the Vault Carat 24 (24780gm)</u>	2,571,607	2,332,566
<u>Cold Bars in the Vault Carat 22(834) (1)</u>	623,167	
	3,194,774	2,332,566
<u>Cash in Vault</u>		
Local Currency	37,959,490	67,184,546
Foreign Cash Instruments	2,618,032	41,915,166
	40,577,522	109,099,71
<u>Cash in ATM</u>	8,382,880	11,855,580
<u>Balances with Central Bank of Iraq</u>		
Current Accounts (2)	60,568,737	28,599,747
Legal Reserve	33,164,418	16,821,304
Reserve of Letters of Guarantee	179,502	224,066
Clearance Room	860,760	000
Islamic Deposit Certificates	000	20,000,000
	94,773,417	65,645,117
<u>Total Cash and Balances with the Central Bank</u>	146,928,593	188,932,975

(1) The amount of the gold bar is (3,194,773,733) dinars and it is more than marketing value an amount of (51,934,412) dinars as a result of pricing the bar of 22 carats as the price of bars carat 24.

(2) Within the current accounts is the amount (1,067,400 thousand) dinars for registration deposits and subscription of companies that did not appear in the statement of Balances of the Bank with the central Bank.

7. Balances with banks and other Financial Institutions

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Current accounts in Demand:</u>		
Local Banks and financial Institutions (1)	749,366	2,263,178
Foreign Banks and Financial Institutions	3,953,425	4,911,723
<u>Total</u>	4,702,791	7,174,901
<u>Deduct: Probability of default according to accounting standard No. (9) including the amount of (53,305) thousand dinars for foreign banks</u>	(63,409)	000
	4,639,382	7,174,901

(1) Within the cash amount with banks and local banking institutions is the amount (741,989 thousand) dinars which represents the amount in the liability of Al Ataa Islamic Bank, which is collected by monthly installments.



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8. Direct credit Facilities, Net

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Cash Credit		
Profitability (Murabahat)	269,638,047	153,938,594
Manufacturing (Istisna)	14,165,006	15,692,607
Net Rental ended with owning *	22,996,372	23,035,013
Credit facilities of Central Bank Initiative	45,401,511	50,543,117
Easy Loans	1,036,848	000
Non-Productive Debits	4,964,159	434,450
Total Cash Credit	358,201,943	243,643,781
Add: Un-received Due Returns	61,837	1,370,505
Deduct: Prepaid Murabahat Revenues	(36,209,186)	(14,866,065)
Cash Credit After Deducting Deferred Revenues	322,054,594	230,148,221
Deduct: credit Provisions	(6,586,471)	(4,820,805)
Net Credit Facilities	315,468,123	225,327,416

* The net rent ending with ownership represents (22,996,372 thousand) dinars represent net rental ended by owning, the balance of the rent ending with ownership amounting to (26,946,303 thousand) dinars deducted from it the accumulated depreciation provisions for the rent ending with ownership amounting to (3,888,094 thousand dinars) and the amount of (61,837 thousand) dinars unreceived due returns.



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9. Financial Assets with fair value from Consolidated Income

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Investments in Shares and Contributions</u>		
<u>Companies owned by the bank</u>		
Al-Masarat Company for Oil Services (L.L.C.)	000	5,000,000
Al-Bait Al-Abiadh Real Estate Investment (L.L.C.)	5,000,000	5,000,000
Al-Koukh Al-Dhahabi General Trading (L.L.C.)	2,000,000	2,000,000
Al-Taif Company for Translation (L.L.C.)	10,000	10,000
Total Companies Owned by the Bank	7,010,000	12,010,000
Altakafel National Company	550,000	000
Iraqi Company for Securities	750,000	750,000
Total Investments in Shares and Contributions	8,310,000	12,760,000
Gable in Al-Zafaraniya area in Baghdad (1)	3,167,276	3,191,144
Cows Farming Project in Al-Mahmoodiya (2)	36,030,439	38,432,779
Total Investments	47,507,715	54,383,923
<u>Investment in Progress</u>		
Residential Complexes for Sale	2,346,880	000
Mall in the center of Karbala City	29,692,578	27,958,143
Abu Ghraib Poultry Project (3)	1,179,518	1,165,355
Investment Land in Al-Basrah for Cows farming Project	1,481,267	1,481,267
Total Real Estate in Progress Investment	34,700,243	30,604,765
Total financial Assets	82,207,958	84,988,688
Deduct: Probability of default according to accounting standard	(858,579)	000
No. (9) including the amount of (53,305) thousand dinars for foreign banks		
Total Financial Assets with Fair Value	81,349,379	48,988,688

- (1) The revenues realized from investments in gables in Al-Zafaraniya area is (243,200 thousand) dinars, (which its percentage amounted to 7,6% to the investment cost as on 31/12/2023), it appears within current operational revenue account.
- (2) The revenues realized from investments in Cows farming in Al-Mahmoodiya (1,056,411 thousand) dinars (which its percentage amounted to 3% to the investment cost as on 31/12/2023), it appears within contributions Profits Account.
- (3) The Investment land was evaluated for Abu Ghrib Poultry project by the Central Bank of Iraq with amount of (575 million) dinars, While the bank stated that it was about to sell it 51



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Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

10. A. Properties and Equipment, Net

Details	Lands IQ thousand Dinar	Buildings IQ thousand Dinar	Machinery and Equipment IQ thousand Dinar	Transport Means IQ thousand Dinar	Tools and Molds IQ thousand Dinar	Furniture IQ thousand Dinar	Systems IQ thousand Dinar	Improvements IQ thousand Dinar	Total IQ thousand Dinar
<u>Cost</u>									
Balance on 1/1/2023	1,729,012	11,912,751	373,745	1,013,299	244,328	5,654,310	4,149,684	1,458,186	26,535,315
Additions	13,878,463	000	63,117	000	000	1,597,652	131,984	2,192,954	17,864,170
Exclusions	000	000	000	000	(21,980)	000	000	(461,095)	(483,075)
Balance on 31/12/2023	15,607,475	11,912,751	436,862	1,013,299	222,348	7,201,962	4,281,668	3,190,045	43,916,410
Consumption percentage	000	%2	%20	%20	%20	%20	%20	%20	
<u>Accumulated consumption</u>									
Balance on 1/1/2023	000	1,156,833	165,542	719,914	222,989	1,684,432	1,116,027	000	5,065,737
Carried forward of the year	000	162,070	49,083	91,360	10,380	716,093	496,633	461,095	1,986,714
Settlements and Exclusions	000	95,377	2,538	(199,866)	(100,950)	586,396	(422,501)	(461,095)	(500,101)
Balance on 31/12/2023	000	1,414,280	217,163	611,408	132,419	2,986,921	1,190,159	6,552,350	6,552,350
Net Book Value	15,607,475	10,498,471	219,699	401,891	89,929	4,265,041	3,091,509	3,190,045	37,364,060
Deduct: Losses real estate impairment	(225,764)	(2,034,017)	000	000	000	000	000	000	(2,259,781)
Advance payments	000	700,000	000	000	000	787,572	199,445	860,098	2,547,115
Projects in progress	000	000	000	000	000	000	000	6,549,399	6,549,399
Net book value	15,381,711	9,164,454	219,699	401,891	89,929	5,052,613	3,290,954	10,599,542	44,200,793

- The amount (6,549,399 thousand) dinars appears as projects in progress: the amount spent on construction of general administration building and opening branches.
- The amount (225,464 thousand) represents impairment loss in the Al-Anbar Governorate land which is (18,000 thousand), added to it the impairment loss in Al-Diwaniya land County Umm Alkhail amounted to (207,764 thousand) dinars.
- During the year 2021, the bank building in the Aljazire neighborhood was evaluated by the Central Bank of Iraq at less than its book value at an amount of 3,125,764 thousand dinars. The difference was distributed over four years and the annual installment amounting to 781,441 thousand dinars was recorded in the account of the allowance for impairment of fair value, and the addition of the installment was stopped. The third is the impairment loss for the year 2022 as a result of the revaluation of the property by the Real Estate Registration Department in the amount of 3,010,500 dinars. Thus, the amount, or 2,622,822 thousand dinars, represents the impairment loss for the building for the years 2020 and 2021 only, in addition to the impairment loss in Karrada, opposite the bank building, amounting to 302,631 thousand dinars.



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10. B. Properties and Equipment, Net

Details	Lands IQ thousand Dinar	Buildings IQ thousand Dinar	Machinery and Equipment IQ thousand Dinar	Transport Means IQ thousand Dinar	Tools and Molds IQ thousand Dinar	Furniture IQ thousand Dinar	Systems IQ thousand Dinar	Improvements IQ thousand Dinar	Total IQ thousand Dinar
Cost									
Balance on 1/1/2022	438,000	10,798,376	263,203	829,471	242,442	4,617,576	2,478,078	1,541,937	21,209,083
Additions	1,291,012	1,114,375	151,996	225,749	8,355	1,055,705	1,671,606	338,230	5,857,028
Exclusions	000	000	(41,454)	(41,921)	(6,469)	(18,971)	000	(421,981)	(530,796)
Balance on 31/12/2022	1,729,012	11,912,751	373,745	1,013,299	244,328	5,654,310	4,149,684	1,458,186	26,535,315
Consumption percentage	000	%2	%20	%20	%20	%20	%20	%20	
Accumulated consumption									
Balance on 1/1/2022	000	949,049	125,125	626,087	178,801	1,284,847	630,948	000	3,794,857
Carried forward of the year		207,784	40,417	141,141	40,447	439,794	485,079	421,981	1,776,643
Settlements and Exclusions		000	000	(47,314)	3,741	(40,209)	000	(421,981)	(505,763)
Balance on 31/12/2022	000	1,156,833	165,542	719,914	222,989	1,684,432	1,116,027	000	55,065,737
Net Book Value	1,729,012	10,755,918	208,203	293,385	21,339	3,969,878	3,033,657	1,458,186	21,469,578
Deduct: Losses real estate impairment	(18,000)	(1,562,882)	000	000	000	000	000	000	(1,580,882)
Projects in progress	000	2,622,822	000	000	000	000	000	1,268,939	3,891,761
Net book value	1,711,012	11,815,858	208,203	293,385	21,339	3,969,878	3,033,657	2,727,125	23,780,457



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11. Other assets

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Balance of Electronic Payment with Others	52,396	000
External World Debtors	7,591,941	8,029,006
Deposits with Others	10,010,549	21,751,196
Advance payments	000	2,591,761
Pre-paid expenses*	2,977,830	2,242,824
Revenues Due	3,544,267	2,371,405
Loans for Activity Purposes	561,540	265,535
Cash differences	4,590	4,229
Other Debtor Accounts	2,231	267
Total	<u>24,745,344</u>	<u>37,256,223</u>

- Within prepaid expenses is the amount of (450,646 thousand) dinars, inventory properties of fixed assets, stationary, and bank work requirements.

12. Loan of the Central Bank of Iraq:

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
The remaining from Financing loans for the year 2020	1,871,326	2,152,662
The remaining from Financing loans for the year 2021	9,986,539	11,548,430
The remaining from Financing loans for the year 2022	33,416,809	40,072,840
The remaining from Financing loans for the year 2023	8,209,300	000
Total	<u>*53,483,974</u>	<u>53,773,932</u>

- The account balance with the Central Bank of Iraq amounted to (53,480,964,888) dinars

13. Current and Deposits accounts:

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Current Accounts/ Private Sector -Companies	30,009,440	27,695,423
Current Accounts/ Private Sector -Individuals	50,007,087	49,982,838
Savings Accounts	79,018,286	66,657,625
Investment Deposits	114,645,347	75,889,320
Total current and Deposit Accounts	<u>273,680,160</u>	<u>220,225,206</u>



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14. Cash Deposits

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Received Deposits	1,111,105	4,290,073
Deposits contra Letters of Guarantee	1,310,000	5,459,610
Deposits Documentary Credits	7,426,503	15,297,154
Total	9,847,608	25,046,837

15. Income Tax Provisions

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Balance at the Beginning of the Year	387,900	791,660
Settled during the Year	(791,660)	(387,900)
Realized current Year	2,698,215	791,660
Balance at the End of the Year	2,698,215	791,660

***Summary of Income Tax Calculation**

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Accounting Profit	13,978,995	2,882,495
Add: Unaccepted Tax Expenses		
Cash Impairment Risks at Banks	63,409	000
Increase in Credit Risks Provisions	1,578,012	2,625,483
Increase in financial Assets Risks	858,579	000
Impairment in Real estate Values	678,599	000
Compensation and Fines	496,572	236,908
Taxes and Fees	1,156,917	173,670
Capital losses	5,819	265
	4,838,207	3,036,326
Deduct: Non-Taxable Revenues		
Capital Revenues	20,643	69,690
Profit of Subsidiary Companies	808,462	571,395
	(829,105)	(641,085)
Tax Bracket	17,988,097	5,277,736
Income Tax due with 15%	2,698,215	791,660

16. Other Provisions

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Contractual Credit Provisions	162,721	350,375
Cash Credit Provision	6,586,471	4,820,221
Investment Value Decline Provision	858,579	000
Properties and Equipment Impairment Provision	2,259,781	1,580,882
Default Probability of Local Banks	10,104	000
Default Probability of foreign Banks	53,305	000
Total Other Provisions	9,930,961	6,751,478



Al Taif Islamic Bank for Investment and Finance (PSC) – Baghdad

Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

17. Other Liabilities

The details of this item are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Amounts Received for Companies Subscriptions	2,575,000	494,750
Cahier Cheques Withdrawn on the Bank	217,956	1,253,408
Endorsed Checks	120,374	85,470
Investment Accounts Profit below Distribution	5,940,542	4,564,502
Various Creditors	1,404,003	879,585
Expenses Due	210,241	216,115
Increase in Cash	198,736	143,360
Vault – stamp Fee	154,697	87,342
Pension and Social Security	131,994	41,469
Deductions from Employees for Other Account/ Tax	19,432	10,891
Charity Fund	145,522	31,249
Deferred Profits	000	21,259
Pending Financial Confiscation (1)	6,970	4,829,600
Incoming Remittances	398,314	1,150
Others	105,449	63,584
Total Other Liabilities	11,629,240	12,723,734

(1) The amount appear in the pending financial confiscations represents the remaining of Currency auction Deposits.

18. Capital

A. Al Taif Company For Currency Exchange was established in the year (2006) and practiced its activity at that year, in the beginning of the year 2018 it converted to a bank and the following schedule shows the improvements occurred in the capital during the last five years.

Year	Capital/ Billion dinars
2018	100
2019	100
2020	153
2021	203
2022	250

B. the share interest from the surplus of the year after tax:

The surplus that befell the basic shareholder for the year was calculated by dividing the net surplus after tax for the current year by the weighted average number of shares outstanding as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Profit after Tax for Current Year	11,280,780	2,090,835
Weighted Average Number of Shares (in thousands)	250,000,000	250,000,000
Basic share interest from the year profit	0,045	0,008



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19. Mandatory reserve:

According to Companies Law no. 21 for the year 1997 amended, 5% to be deduct (as minimum) from income of the year after taxes as mandatory reserve and the amounts accumulated for this account may not exceed 50% of the bank's capital, and the mandatory reserve or any returns resulting from it may not be distributed to shareholders. The deduction may continue with the approval of the bank's general assembly, provided that it does not exceed 100% of the capital.

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Balance at beginning of the period	371,219	266,677
Additions	564,039	104,542
Balance at the end of the period	935,258	371,219

20. Expansion reserves:

According to the instructions of the Central Bank of Iraq in its letter No. 9/3/32680 on 19/12/2022, it is necessary to have efficient balance in the expansion reserve within the shareholders' equity, the amount of (1,000,000 thousand) dinars has been deducted from the profits of the year 2022 after tax as expansion reserve.

21. Exchange Price Fluctuation reserve:

According to the instructions of the Central Bank of Iraq in its letter No. 9/3/2654 on 19/5/2011: the exchange price fluctuation provisions are calculated with (2%) of the profit after calculating income tax of exchange companies, the bank stopped calculating this provision as of financial year 2020 and its balance amounted to (89,762 thousand) dinars as on 31/12/2023.

22. Carried forward profits:

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Balance at the beginning of the year	3,087,935	2,101,642
Distributed during the year	000	000
Additions	10,716,741	986,293
Balance at the end of the year	13,804,676	3,087,935



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Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

23. Contra Regular Accounts

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Obligations of the Issued Letters of Guarantee</u>		
Letters of Guarantee	7,617,298	5,707,623
Deduct: Letters of Guarantee Deposits	(7,426,503)	(5,459,644)
Net Obligations of the Issued Letters of Guarantee	190,795	247,983
<u>Obligations of Documentary Credits</u>		
Documentary Credits	6,440,000	26,227,592
Deduct: Documentary credits Deposits	(1,310,000)	(15,297,154)
Net Obligations of Documentary Credits	5,130,000	10,930,438
<u>Obligations of Lease Contracts</u>		
Implemented Lease Contracts	22,704,362	23,745,167
Imported Documents in the Custody of the Bank	16	000
Total (1)	28,025,173	34,923,588

(1) The probability of default of contractual credit according to the International Standards No. (9) amounted to (162,721 thousand) dinars.

24. Net Cash Credit Revenues

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Murabaha Revenue	11,142,826	9,764,560
Net Financing Lease Revenue	1,806,130	2,603,300
Istisna Operation Revenue	431,211	323,974
Financing Operation Execution Revenue	757,647	1,064,825
Good Loan Execution Revenue	000	318,160
Net Cash credit Revenues	14,137,814	14,074,819

25. Investments Returns

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Investment Returns of Subsidiary Companies</u>	808,462	571,395
<u>Investment Projects Returns</u>		
Net Gable Returns in Al-Zafaraniya	243,200	41,000
Bank's share from the Profit of Cows farming Project	1,056,411	800,000
Net Investment Projects Returns	1,299,611	841,000
Islamic Deposits Certificate Revenues	1,583,654	000
Total Investment Returns	3,691,727	1,412,395



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Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

26. Net Returns of Paid Investment Deposits

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Distribution of Savings Accounts Returns	6,328,644	5,307,318
Distribution of Fixed Deposits Returns	12,087,524	7,308,486
Deduct: Income From Fractional Deposits and Depositors' Entitlements	(1,672,421)	(546,178)
Net Returns of Paid Investment Deposits	16,743,747	12,069,626

27. Net Banking Operations Revenues

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Foreign Currencies Revenues		
Net Revenue of Foreign Currencies Selling and Buying	4,912,437	3,275,552
Currency Auction Window Revenue	1,914,293	1,264,086
Deduct: Exchange Rate Differences	(2,149,667)	(1,384,245)
Net Foreign Currencies Revenues	4,677,063	3,155,393
Commission Revenues		
Net Internal Remittances Commissions	1,870,646	7,351,601
Net External Remittances Commissions	23,670,263	5,456,181
Net Credit Card Commissions	1,041,462	1,080,258
Documentary Credit Commissions	19,350	698,701
Internal Letters of credit Commission	88,982	73,285
Total commissions Revenues	26,690,703	14,660,026
Banking Services Revenues	13,255,601	1,237,039
Paid Banking Services	(1,887,814)	(1,123,123)
Total Net Banking Operation Revenues	42,735,553	17,929,335

28. Net Other Operational Revenues

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Revenues		
Capital Revenues	20,643	69,690
Accidental Revenues	48,967	135,461
Total Revenues	69,610	205,151
Expenses		
Capital Losses	5,819	265
Accidental Expenses	10	258
Total Expenses	(5,829)	(523)
Net Other Operational Revenues	63,781	204,627



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Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

29. Salaries of the Employees and the Like

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
Nominal Wages	3,915,237	1,978,838
Additional Workers' Wages	747,924	510,778
Incentive bounces	420,488	27,544
Other Provisions	3,675,420	2,020,388
Supplying workers	22,934	34,395
Transport of workers	714,283	514,530
Training and Rehabilitation	33,566	36,284
Bank's Contribution in Social Security	375,854	272,316
Total Employees' Salaries and the Like	9,905,706	5,395,073



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Clarifications about the Separate Financial Statement for Financial Year Ending on 31/12/2023

30. Operational and Other Expenses

The details of this account are as follows:

	31/12/2023 One thousand Iraqi dinars	31/12/2022 One thousand Iraqi dinars
<u>Commodity Requirements</u>		
Fuel and Oils	196,600	178,924
Necessities and Accessories	333,292	148,579
Stationary	116,360	64,144
Water and Electricity	261,901	163,633
Total commodity Requirements	908,153	555,280
<u>Service Requirements</u>		
Maintenance Services	716,301	286,469
Systems and Programs Services	2,404,680	633,562
Research and Consultancy Services	172,925	306,720
Publicity and Advertisement	2,635,535	1,154,765
Publication and Printing	133,382	107,320
Hospitality	130,240	68,021
Goods and Commodity Transport	106,576	70,962
Travel and Delegation	225,716	198,487
General Communications	649,349	330,490
Renting Buildings	2,528,289	1,985,800
Subscriptions and Affiliations	43,000	43,623
Insurance	935,976	1,238,987
Bounces for Non-Workers for Services Done	892,804	269,250
Legal Services	167,444	151,764
Accounts Preparation Fees	13,300	12,085
Accounts Auditing Fees	82,000	74,000
Other Services Expenses	341,156	325,854
Total Services Requirements	12,178,673	6,958,159
Total Operational Expenses	13,086,826	7,513,439
<u>Transferable and Other Expenses</u>		
Miscellaneous Taxes and Fees	1,245,416	671,010
Compensations and Fines	496,572	236,908
Other Donations	6,000	322,553
Total Transferable and Other Expenses	1,747,988	1,230,471
Total Operational and Other Expenses	14,834,814	8,743,910

Clarification: The paid banking services was shown within net banking operational revenues



31- Financial Risk Management

31-1 Introduction

Risks reside in the Bank's activities and are managed through a process of continuous identification, measurement and monitoring subject to risk limits and other controls. The risk management process is important for the bank to continue achieving profitable profits, and every individual within the bank is responsible for exposure to risks related to his responsibilities.

The bank is exposed to various risks, including:

- Credit risk
- Liquidity risk
- Market risk
- Operational risks

The risk control process does not include risks arising from changes in the environment, technology and business sector, as they are monitored through the bank's strategic planning process.

32-1-1 Risk management structure

The Board of Directors is supported by the Board Risk Management Committee and the Risk Management Department, which is primarily responsible for identifying and monitoring risks; However, there are independent and separate bodies and departments responsible for managing and monitoring risks, as follows:

- Board of Directors: The Board of Directors is responsible for developing a general approach to managing all risks and for approving risk management strategies and policies.
- The Risk Management Committee of the Board of Directors: The Risk Management Committee of the Board of Directors is generally responsible for developing risk management strategies, mechanisms, policies and limits, as well as providing recommendations to the Board of Directors regarding the implementation of those strategies and policies. It is also responsible for basic risk management as well as managing and monitoring risk-related decisions.
- Risk Management Committee: The daily risk management work has been delegated to the Risk Management Committee. It is generally responsible for supporting the Risk Management Committee emanating from the Board of Directors, to develop and establish risk management strategy, policies, mechanisms and limits. The committee is also responsible for ensuring compliance with all established risk limits, monitoring risk exposure, and implementing directives issued by the regulatory authorities, i.e. (the Central Bank of Iraq).
- Risk Management Department: The Risk Management Department is responsible for applying and following procedures related to risk management in order to ensure that risks remain within acceptable limits in accordance with what is authorized by the Board of the Risk Management Committee emanating from the Board of Directors and the Board of Directors. The Department is responsible for approving credit facilities, portfolio management, and risk management. Credit, market risks, operational risks, and monitoring all risks in general.



31-2 Risk measurement and reporting systems

The Bank measures risks using qualitative and quantitative methods for credit risk, liquidity risk, market risk and operational risk. Moreover, the Bank uses quantitative methods and analysis to support business reviews and risk strategies when needed. These analyzes and methods reflect both losses expected to occur in the normal course of business or unexpected losses as a result of an unforeseen event based on simple statistical methods and probabilities derived from past experience.

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The bank also applies scenarios related to the worst-case situations that may arise under unusual circumstances, which are unlikely to occur but in fact do happen. Risks are monitored and followed up mainly based on the limits set by the Board of Directors, and the bank's management reflects the business strategy and the market environment in which the exchange operates. It also reflects the level of risks that the bank can accept, in addition to focusing more on selected sectors.

Information collected from all businesses is reviewed and processed to analyze risk aspects and identify potential risks. This information is provided and explained to management, management committees, the Risk Management Committee and the Risk Management Committee of the Board of Directors. Specialized reports are submitted to department heads and are presented on a regular basis commensurate with the volatility of these risks. The report includes total exposure to credit risk, exceptions to limits, liquidity risk, operating loss events and changes in other risks. A monthly report is prepared on the business sector, clients and geographical risks that occur. Senior management evaluates the adequacy of the provision for impairment losses on a quarterly basis.

31-3 Model risk management

The Bank uses a set of quantitative models in many of its financial and commercial activities, from providing credit facilities to preparing expected credit loss reports under IFRS 9, to manage model risks. The bank has also developed and implemented a model governance framework that includes developing and implementing the approval of policies and practices in accordance with this framework. All models developed internally or externally must be approved to determine the extent of risks that directly affect financial reports on expected credit losses on a periodic basis internally or externally. A risk management committee is responsible for supervising the development and application of the governance framework related to the models.

This framework applies a structured methodology to manage the process of model development, implementation, adoption, validation, and ongoing use. This framework also establishes an effective governance and management structure and clearly defines tasks, responsibilities, policies and controls related to model risk management. This framework is reviewed regularly to ensure that it meets international regulatory standards and practices. The Risk Management Committee approves any fundamental changes to the framework based on the recommendation of the Model Risk Management Committee. The bank has an independent approval department that approves the models independently. This Department submits its recommendations on the suitability or unsuitability of the models or gives conditional approval thereon to the Model Risk Management Committee to approve the use of the new models in risk identification/assessment. In addition to the new model validation process, the Validation Department also evaluates the performance of existing models through an annual validation process.

32-4 Risk reduction

Within the general risk management framework, the bank uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, and market risks, including profit rate risks, foreign currency risks, stock price risks, and operational risks. The bank is keen on a tool to avoid its exposure to credit risks through diversification of financing and investment activities and to avoid unnecessary concentrations of risks related to individuals and groups of customers in specific locations or business sectors. The group uses guarantees effectively to reduce the credit risks it is exposed to to protect against liquidity risks. The management has diversified funding sources in addition to managing assets through available liquidity, considering maintaining a sufficient balance of liquid assets (i.e. cash and its equivalents).



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Market risk is managed based on advance allocation of assets to different asset classes and continuous assessment of market conditions regarding the movement and forecasts of foreign exchange rates, benchmark profit rates and stock markets. To manage all other risks, the Bank has developed a detailed risk management framework with the aim of identifying and applying resources to mitigate risks. Risks

31-5 Risk concentration

Concentrations arise when a number of counterparties are engaged in similar activities, or activities in the same geographical area, or have similar economic characteristics that cause their ability to meet their contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to Developments that affect a particular business sector or a specific geographical area.

31-6 Credit Risk

To avoid excessive concentration of risks, the Bank's policies and procedures include specific guidelines that focus on maintaining diversified portfolios. Identified concentrations of credit risk are monitored and managed accordingly.

Credit risk measurement:

The Bank estimates the probability of default of each counterparty using internal rating tools prepared for the different categories of counterparties. Some models were prepared internally to evaluate real estate projects, while other models related to companies, contractors and SMEs were obtained from Moody's and modified in accordance with the group's internal rating standards. The models are used with Moody's risk classification and analysis tool. Rating tools are reviewed and updated as necessary. The Group regularly verifies the effectiveness of rating performance and its ability to predict defaults.

Guarantees:

The bank uses a set of policies and procedures to reduce credit risks. The most commonly used traditional method is obtaining guarantees against the facilities granted, which is a well-known method. The Bank applies guidelines to accept certain categories of collateral or limit credit risk.

The following are the main types of collateral for Islamic financing and investment assets:

- Residential and commercial real estate mortgage
- Commercial guarantees
- A mortgage on an organization's assets such as real estate, equipment, vehicles, and inventory
- A mortgage on financial instruments such as deposits and investments in equity.

31-7 Maximum exposure to credit risk without taking into account any guarantees or credit enhancements

The following table shows the maximum exposure to credit risk by category of financial assets, including Islamic derivatives. The total value of the maximum exposure is shown before the effect of risk mitigation through the use of master settlement agreements and guarantee agreements.

	Total maximum exposure 2023/ thousand dinar	Total maximum exposure 2022/ thousand dinar
Balances with the Central Bank	94,773,417	65,645,117
Balances with banks and other financial institutions	4,702,791	7,174,902
Direct credit facilities	362,151,156	246,705,233
Financial assets at FVOCI	82,207,958	84,988,688
	543,835,322	404,513,940



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32-8 Credit quality analysis

Details	Balances with the Central Bank, banks and financial institutions (thousand dinar)	Direct credit facilities (thousand dinar)	Financial assets at FVOCI
Individual impairment exposures	000	000	000
Exposures without impairment	000	000	000
Not late payment and no impairment	99,476,208	357,125,879	82,207,858
Late payment for less than 30 days	000	000	000
Late payment for more than 30 days and less than 90 days	000	000	000
Late payment for more than 90 days	000	5,025,995	000
Total value	99,476,208	362,151,874	82,207,958

31-9 Liquidity Risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations when they fall due under normal and critical circumstances. To reduce these risks, the Group has provided various financing sources in addition to its basic deposit base and manages assets taking liquidity into account and monitors future cash flows and the level of liquidity on a daily basis. This includes an assessment of expected cash flows and the presence of high-quality collateral that may be used to secure additional financing when needed. The Group maintains a portfolio of highly volatile and diversified assets that can be easily liquidated in the event of an unexpected interruption of cash flow. The Group also has committed credit facility limits that can be used to meet its liquidity needs. Furthermore, the Group maintains mandatory deposits with central banks. The liquidity position is evaluated and managed according to different scenarios taking into account the focus on exceptional factors related to the market in general and the Group's situation specifically.

The high quality of the asset portfolio ensures the availability of liquidity, in addition to the Group's own funds and fixed customer deposits, which help in forming a stable source of financing. Even in difficult situations, the Group can obtain the necessary funds to cover customers' needs and meet its financing requirements. The main tool (over and above other tools used in monitoring liquidity) is maturity analysis, which is monitored over successive time periods and through the currencies used. Guidance is provided regarding negative cash flow accumulated over successive time periods.

31-10 Market Risk

Market risk arises from changes in market prices such as dividend rates, foreign exchange rates and stock prices and the associated fluctuations. The aim of market risk management is to limit the value of potential losses in relation to open positions that could result from unexpected changes in profit rates, foreign exchange rates or stock prices. The Group is exposed to risks as a result of its use of various financial instruments, including securities, foreign currencies, stocks and commodities. The Group shows keen interest in market risks. The Group uses appropriate models, according to prevailing practices in the market, in order to evaluate its conditions and obtain periodic information about the market to regulate market risks. The trading market risk management framework includes the following elements:



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- Setting limits to ensure that acceptable risks do not exceed the total value of risks and concentration standards set by senior management.
- Conduct an independent assessment based on market prices, settle positions, and follow up on reducing losses related to trading positions in a timely manner.

31-11 Foreign exchange rate risk

The bank uses some important periodic policies in order to limit the risks of fluctuations in foreign currency exchange rates, through periodic review of foreign currency positions and an attempt to reduce the difference between assets and liabilities in foreign currency to a limit that does not exceed 10% of their net value.

31-12 Assets and liabilities in foreign currency

Details	USD (Thousand dinar)	Euro (thousand dinar)	Other currencies (thousand dinar)	Total (thousand dinar)
<u>Assets in foreign currency</u>				
Cash and Balances with the Central Banks	11,626,372	1,590		11,627,962
Balances with Banks and Other Financial Institutions	2,646,122	484,275	577,067	3,707,463
Direct credit facilities, net	22,728,008		10,592,714	33,320,722
Other assets	25,489,650			25,489,650
Total assets in foreign currency	62,490,152	485,865	11,169,781	74,145,797
<u>Liabilities in foreign currency</u>				
Central bank loan				
Current accounts and deposits	48,223,528	135,930	1,299,605	49,659,063
Cash deposits	1,800,849	615,438		2,416,287
Other liabilities	7,556,270			7,556,270
Total liabilities in foreign currency	57,580,647	751,368	1,299,605	59,631,620

31-13 Currency positions

During the year 2020, the Central Bank issued instructions regarding currency positions, which specified that the exposure rate for currency positions should not exceed 20%. The ratio of cash positions to the bank's peaceful capital and reserves reached 6%, as:

Net cash positions = 14,326,396 thousand dinars

Sound capital and reserves = 284,851,162 thousand dinars.

31-14 Currency exchange

For the purposes of preparing the financial statements for the current year 2023, the following exchange rates for foreign currencies to the Iraqi dinar were approved:

Se.	Type of foreign currency	Exchange rate Dinar
1	US dollar	1310
2	UAE Dirham	411
3	Turkish lire	59
4	EURO	1675
5	Jordanian dinar	2129
6	Chinese Yuan	184.9
7	Sterling pound	1935



In The Name of Allah Most Gracious Most Merciful

Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor /
Member of the Iraqi Society of Certified Public Accountants

To / Messrs. shareholders of Al-Taif Islamic Bank for Investment and Finance (private joint stock company)
Subject/ Consolidated Financial Statements

Greetings,

We have examined the consolidated financial statements of Al-Taif Islamic Bank for Investment and Finance (a private joint stock company) for the year ending 31/12/2023, and they include the following:

1. Financial statements of Al Taif Islamic Bank for Investment and Finance in its capacity as the holding company
2. Financial statements of the Al-Bait Al-Akhdar Real Estate Investments Limited Liability Company, of which Al-Taif Islamic Bank for Investment and Finance owns 100% of its capital as a subsidiary.
3. Financial statements of Al-Kookh Al-Dhahabi General Trading Company Limited, of which Al-Taif Islamic Bank for Investment and Finance owns 100% of its capital as a subsidiary.
4. Financial statements of Al-Taif Translation Limited Liability Company, of which Al-Taif Islamic Bank for Investment and Finance owns 100% of its capital as a subsidiary.
5. The consolidated financial statements did not include the financial statements of Al Masarat Oil Services Limited Liability Company due to its sale by the bank in 2023.

Notes on the consolidation processes:

1. The balance of cash deposited with Al-Taif Islamic Bank for Investment and Finance, for each of Al-Bait Al-Akhdar Real Estate Investments Limited Liability Company, Al-Kookh Al-Dhahabi General Trading Company, and Al-Taif Translation Company deposited in Al-Taif Islamic Bank for Investment and Finance, amounting to (542,388 thousand dinars) from the current credit accounts and deposits of Al-Taif Islamic Bank for Investment and Finance was excluded.
2. The Al Masarat Oil Services Company loan received from Al Taif Bank was excluded from the volume of cash credit to Al Taif Islamic Bank for Investment and Finance.
3. Al-Taif Islamic Bank for Investment and Finance's 100% investments in each of Al-Bait Al-Akhdar Real Estate Investments Limited Liability Company, Al-Kookh Al-Dhahabi General Trading Company, and Al-Taif Translation Company, amounting to a total of (7,010,000) thousand dinars, were excluded and deducted from the total capital.

With appreciation

(Signed)

Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor
Member of the Iraqi Society of Certified Public Accountants

- **Seal:** Adel Ismail Hassan Al-Shaybi and His Partners Co., Public Accountant & Auditor



Statement of Unified Financial Position as on 31/12/2023

	31/12/2023 IQ thousand dinars	31/12/2022 IQ thousand dinars
<u>Assets</u>		
Cash on Hand and with the Central Bank	147,211,447	190,510,336
Balances with Banks and Other Financial Establishments	4,639,382	7,174,901
Net Direct Credit Facilities	315,495,208	230,176,485
Financial Assets at Fair Value through Unified Income Statement	78,539,379	81,378,688
Net Properties and Equipment	44,555,264	24,981,589
Documentary credits/ commodity for Shipment	2,733,065	2,780,178
Inventory of Commodities Bought for Sale Purposes	787,884	500,945
Other Assets	24,475,344	37,256,223
Total Assets	618,706,973	574,759,345
<u>Liabilities and Shareholders' Equity</u>		
<u>Liabilities</u>		
Long-Term loans financial Sector	53,483,974	53,773,932
Current Accounts and Clients Deposits	273,137,772	219,560,560
Cash Deposits	9,847,608	25,046,837
Income Tax Provision	2,735,403	953,095
Other Provisions	162,721	350,375
Other Liabilities	12,185,710	18,597,207
Total liabilities	351,553,188	318,282,006
<u>Shareholders' Equity</u>		
Capital	250,000,000	250,000,000
Mandatory Reserve	1,013,331	497,049
Exchange Rate Fluctuation Provisions	89,762	89,762
Expansion Reserve	1,000,000	1,000,000
Carried Forward Profits (Accumulated Surplus)	15,051,104	4,891,146
Accumulated Deficit	(412)	(618)
Total Shareholders' Equity	267,153,785	256,477,339
Total Liabilities and Shareholder's Equity	618,706,973	574,759,345
Net Regular Accounts	28,025,173	34,923,588

Seal: Al Taif Bank for Investment and Finance –PSC

-Sgd.-
Abdullah Thaer Nouri
Financial Manager
L./ 26050
29/4/2024

-sgd.-
Ridha Hamza Abdulridha
Managing Director

-sgd.-
Ammar Mudhafar Salih
Chairman of BOD

-Sgd.- & seal
Adel Ismail Hassan Al-Shaybi
Public Accountant & Auditor
Member of the Iraqi Society of Certified Public Accountants



Statement of Unified Income for the Financial Year Ending on 31/12/2023

	2023 One thousand Iraqi dinars	2022 One thousand Iraqi dinars
Revenues		
Investment Returns of Subsidiary Companies	3,701,727	1,567,019
Net Cash credit Revenues	14,137,814	14,074,819
Net Commissions Revenues	(16,743,747)	000
Net current Activity Revenues	42,735,553	23,056,128
Net Other Operational Revenues	800,047	500,521
Total Revenues	44,631,394	39,198,487
Salaries and Wages and the Like	10,065,425	5,521,029
Commodity Requirements	25,683	15,372
Other Operational Expenses	14,972,183	10,045,389
Cash Impairment risks with Banks	63,409	
Carried forward Credit Losses Risks	1,578,012	2,735,429
Financial Assets Impairment Risks	858,579	
Net Paid Investment Returns	000	12,069,626
Commodity Purchases for Sale Purpose	84,862	2,887,902
Debit Interest	000	148,684
Consumptions and Amortization	2,067,789	1,852,772
Impairment in Real estate Value	678,899	18,000
Taxes and Fees	9,423	19,066
Gross Operational Expenses	(30,404,264)	(35,313,269)
Net Profit distributed as follows:	14,227,130	3,885,218
Income Tax	2,735,403	943,152
Mandatory Reserve According to Companies Law	574,586	147,105
Expansion Reserve	000	1,000,000
Accumulated Surplus	10,916,935	1,794,755
Amortization of Previous Years Loss	206	206
Total Distributions	14,227,130	3,885,218



Statement of Unified Ownership Rights as on 31/12/2023

Details	Capital IQ thousand Dinars	Exchange Rate Fluctuation Provisions IQ thousand Dinars	Mandatory Reserve IQ thousand Dinars	Expansion Reserve IQ thousand Dinars	Carried Forward Profits IQ thousand Dinars	Accumulated Deficit IQ thousand Dinars	Total Shareholders' Equity IQ thousand Dinars
Balance on 1/1/2023	250,000,000	89,762	497,049	1,000,000	4,891,146	(618)	256,477,339
Deduct: rights of Almasarat Company for Oil	000	000	(58,304)	000	(756,977)	000	(815,281)
Additions During the Year	000	000	574,586	000	10,916,935	206	11,491,727
Balance on 31/12/2023	250,000,000	89,762	1,013,331	1,000,000	(15,051,104)	(412)	267,153,785

Statement of Unified Ownership Rights as on 31/12/2023

Details	Capital IQ thousand Dinars	Exchange Rate Fluctuation Provisions IQ thousand Dinars	Mandatory Reserve IQ thousand Dinars	Expansion Reserve IQ thousand Dinars	Carried Forward Profits IQ thousand Dinars	Accumulated Deficit IQ thousand Dinars	Total Shareholders' Equity IQ thousand Dinars
Balance on 1/1/2022	203,000,000	89,762	349,946	000	3,096,391	(824)	206,535,275
Deduct: rights of Almasarat Company for Oil	000	000	000	000	000	000	000
Additions During the Year	47,000,000	000	147,103	1,000,000	1,794,755	206	49,942,064
Balance on 31/12/2022	250,000,000	89,762	497,049	1,000,000	4,891,146	(618)	256,477,339



Statement of Unified Cash Flow for the Financial Year Ending on 31/12/2023

	2023 One thousand Iraqi dinars	2022 One thousand Iraqi dinars
<u>Cash Flow from Operational Activity</u>		
Cash paid for Operational Process		
Net profit of the Year before tax	14,227,130	3,885,218
Amendment of Non-Cash Items:		
Risks of Carried Credit Losses	1,578,012	2,735,429
Financial Assets of Impairment Risks	858,579	000
Consumptions and Amortization	2,067,789	1,852,772
Impairment of Real Estate Value	678,899	18,000
Total Non-Cash Items Amendments	5,183,279	4,606,201
Total Cash resulted from Operational activity:	19,410,409	8,491,419
Cash Flow from Other Operational Process:		
Direct Credit Facilities	(86,896,735)	(122,478,972)
Financial Assets	1,980,730	(48,823,119)
Documentary Credits/ commodity for Shipment	47,113,	(2,780,178)
Inventory Commodities Bought for Sale	(286,939)	50,838
Other Assets	12,510,879	(9,334,212)
Income Tax	(953,095)	(525,278)
Other Provisions	(187,654)	109,946
Current and Deposits Accounts	53,577,212	38,043,811
Cash Deposits	(15,199,229)	20,813,548
Other Liabilities	(6,411,479)	11,424,410
Cash Flow Used in Other Operational Process	(41,819,215)	(113,499,206)
Net Cash Flow Outcome of Operational Activity	(22,408,806)	(105,007,787)
<u>Cash Flows Form Financial and Investment Activities</u>		
Cash (Paid) received for:		
Long Term Loans- Financial Sector	(289,958)	38,954,272
Additions in Capital Expenses	(22,320,363)	(6,042,086)
Exclusion Almasarat Company for Oils	(815,281)	000
Increase in Capital	000	47,000,000
Net Cash Flow from Financial and Investment Activity	(23,425,602)	79,912,186
Net increase (Decrease) in Cash and the Like	(45,834,408)	(25,095,601)
Cash Balance and the Like as at the Beginning of the Year	197,685,237	222,780,838
Cash Balance and the Like as at the End of the Year	151,850,829	197,685,237

