Fourth: Sustainability of Governance

We draw a great attention to implement the principles of corporate governance, and the Board of Directors is committed to applying highest professional standards in all its activities.

CIBIQ realizes that good corporate governance forms the basis for institutional success since it provides the appropriate framework to achieve its strategic goals as well as enhancing inclusive trust in the bank and enabling the bank to contribute in developing of the Iraqi banking sector in general.

CIBIQ follows a set of guidelines of corporate governance guide issued by the Central Bank of Iraq, as well as best practices and international standards that the bank is obliged to apply in accordance with banking environment in Iraq. The bank adopts the principles of fairness, transparency, disclosure and accountability through the corporate governance framework.

Fifth: Board of Directors

The Board of Directors of the Commercial Islamic Bank of Iraq is committed to implementing best Corporate Governance practices across the Bank's operations and structures, and to ensuring that the Bank is run in accordance with appropriate and robust governance policies to support the success of the Bank and sustain its business growth.

CIBIQ is also committed to an appropriate and transparent information disclosure framework and the enabling of timely access to key information by all stakeholders. For this purpose, the Bank has put in place a comprehensive disclosure and transparency policy which reflects all aspects of disclosure requirements (both financial and non-financial disclosures including all key statements on Bank's developments, operations and financial performance in accordance with the framework of stakeholders).

Elected by the General Assembly, the Board of Directors, is fully responsible for overseeing all aspects of Bank's conduct of business as well as managing associated risk exposures. The Board of Directors carries out this responsibility through Board-delegated committees which serve as active and independent lines of communications and oversight between the Board and senior management of the Bank.

The Board of Directors relies on independent committees for the exercising of its audit and oversight roles, whether through controls such as risk management, compliance, corporate governance and regulatory disclosure functions; or post facto control such as internal audit.

Additionally, the Bank conducts its business within agreed risk parameters, as set by the Bank's rigorous policy framework and procedures and defined delegated authority limits pursuant to the Bank's risk tendency and strategy.

The Board of Directors also relies on periodic MIS reporting prepared by senior management to the Board of Directors and its committees to ensure the timely monitoring of Bank's progress and focus on the key aspects and prompt remedy to areas of risk.

The Board of Directors of the Commercial Islamic Bank of Iraq is the ultimate decision making body within the CIBIQ. It is responsible for overseeing the bank's conduct of business and ensuring the successful implementation of its strategy in delivering consistent and sustainable returns for its shareholders, employees and the society at large, taking into consideration business continuity and achieving corporate goals. As the Bank is also a subsidiary of Bahrain-based Ahli United Bank Group (AUB), its Board has a dual role in overseeing the implementation of the Group's strategy as relates to the Iraqi market and ensuring optimal synergy with the Group's broader business objectives and operations region-wide.

CIBIQ's Board of Directors is composed of 9 principal members in addition to 7 alternate members, with the composition (78%) of the Board representing an appropriate mix of professional qualifications, skills and expertise.

Sixth: Governance is a tool for achieving sustainable development to enhance the quality of financial reports

The importance of applying good corporate governance principles lies in the fact that it ensures the financial institution is managed responsibly and not subject to misuse by management, so that it is not subject to theft and burglary. Corporate governance enhances core values of the market economy in addition to being one of the primary keys to creating a favorable business environment that preserves rights of ownership. Rules and principles of governance increase the confidence of users in the authenticity of financial reports provided by the institution, through its endeavor to improve the environment of transparency and disclosure, which promotes sustainable development to prepare high-quality comprehensive reports and timely provide appropriate information. This will help the Board of Directors in setting bank's strategic plans, short or long-term, to facilitate high-quality services. Disclosure and transparency have an impact on accounting principles and standards and in creating an attractive environment for investment.

Seventh: CIBIQ's strategy in sustainability

Given the growing economic, social and environmental challenges at the local and global level, Commercial Bank of Iraq remains committed to develop its future strategy in sustainability by defining its role in the field of sustainability and the benefit derived from integrating social, environmental, economic and ethical aspects within its daily operational strategy, in a way that contributes to achieving the highest levels of harmony between managing the bank's business and the strategic approach to sustainability through:

1. Communicate with the relevant authorities

CIBIQ works to communicate with the relevant authorities, understand their needs and respond to their expectations and priorities by creating a communication channel with them that contributes to understand these needs while following up and developing a mechanism to deal with these needs. This is done through the strategic goals and initiatives implemented by the bank for this purpose to meet the aspirations of these entities and align them with sustainability strategy, with the aim of developing the bank and maximizing its environmental, economic and social impact, while providing added value to the various stakeholders. They are:

- Shareholders through (annual meetings, semi-annual and quarterly reports)
- Customers through (bank branches, website, service channels)
- Governance through (regulations and laws, reports of audit and compliance departments with legal requirements, regulatory audits by the Central Bank and the Anti-Money Laundering Unit).
- Community through (financial inclusion, social management system, annual reports).
- Environment through (compliance with environmental laws and legislations, environmental management system, responsible financing).
- Suppliers through (call for tenders, contracts and agreements, meetings)
- Employees through (regular meetings, e-mail, human resources management system, internal awareness programs, training programs and workshops).

2. Focusing on priorities

Important issues in our organization reflect environmental, social and governance impacts. CIBIQ stakeholders, therefore, initially focused on issues related to environmental affairs through the important role played by environmental and social management systems, and what it contributes to, both in preserving the environment and society and supporting of sustainable development, and what it forms as a mainstay of any human economic activity in:

- Preserving raw materials and natural resources and rationalizing its consumption.
- Fulfilling development needs through alignment economic and social needs and the ability of the environmental systems basic elements to progress.
- Sustainable development through its dimensions and components, as the major role of environmental management systems in sustainable development.
- The negative environmental impact of rapid economic development to the dimensions of sustainable development locally and globally.

Based on these priorities, CIBIQ has established working procedures and policies on social and environmental management which meets International Finance Corporation (IFC) standards since 2017. These policies are updated and approved by the bank's board of directors in its meeting No.299 on 1 Apr 2024, and this policy covers the following aspects:

- The necessary procedures to protect both society and environment.
- Organization and responsibilities due to the system of social and environment management
- Definitions and requirements for environmental assessment.
- The list of exceptions with the International Finance Corporation.
- IFC performance standards and related documents.
- Settling the necessary measures to protect society and environment

Eighth: Reports and transparency:

We are keen to adopt transparent and inclusive communication channels with the relevant parties as part of our commitment to governance practices and accountability principles. Besides financial performance reporting, we are also disclosing non-financial aspects by issuing sustainability reports annually in order to increase awareness relating to sustainability cases.

1. Sustainability Reporting

It is part of our sustainability strategy in CIBIQ to publish reports on an annual basis starting from 2019 and in compliance with the requirements of corporate governance guide issued by the Central Bank of Iraq.

2. Financial report preparation

We work on preparing quarterly financial performance reports as we aim to achieve transparency and disclosure throughout issuing such reports to assist shareholders and customers to understand our efforts, activities, financial performance, risk management approach, and other relevant aspects. Furthermore, the financial report also reflects inclusive and transparent information regarding practicing and structuring governance rules plus the completed disclosure on the financial conditions of the bank.

Yours faithfully,

Mohammed Hameed Dragh Al-Dragh
Chairman of the Board of Directors

Audit Committee Report

Messrs. Shareholders of the Commercial Islamic Bank of Iraq (P.S.C.)

With reference to the approval of the General Meeting of the Commercial Islamic Bank of Iraq held on 25 December 2006 for the formation of the Audit Committee and with reference to the corporate governance requirements issued by the Central Bank of Iraq we are pleased to inform you that the committee has reviewed the financial statements dated 31 December 2024 and the Annual Report of the Bank prepared according to the provisions of the Companies Law No.21 of the Year 1997, as amended, the Regulations and Instructions issued in accordance therewith and according to the recognized audit standards, we examined all the information and disclosures that we deemed necessary for the protection of the Shareholders and for carrying out our duty that we have undertaken according to the applicable legislation and in compliance with the prevailing audit procedures which included the necessary tests of the areas of operations while fully confirming the notes contained in the Auditor's report and in keeping therewith. In our opinion and according to the available information and disclosures, we wish to note the following:

1. The books used by the Bank conform to the bookkeeping requirements and in our opinion, they contain records of all the assets, liabilities, uses and resources.
2. The annual report and its contents of financial and accounting information reflect a full and complete picture of the Bank's financial position during the year subject to the audit and such information is not in breach of the provisions of the financial laws and legislation in force.
3. Pursuant to the Banking Law No.94 of the Year 2004, the Committee reviewed the accounting procedures, guidelines, the auditor's report of the Bank's financial statements and the reports submitted by the Bank to the Central Bank of Iraq and we ensured that the Bank has applied the guidelines of the Central Bank of Iraq and in accordance with International Financial Reporting Standards (IFRS).
4. There has not been any evidence of violation of the International Standards or Anti-money laundering operations in all the Bank operations and activities.
5. The procedures that enable the employee to report any error in the financial reports or any other matters in confidential manner are sound, and that the necessary arrangements to achieve the independence, investigation, protection of the employee and following up on the results of the investigation and processing them are done objectively.
6. The annual report prepared by the executive management includes all the basic requirements stipulated in the corporate governance

The Committee has taken measures to control and monitor the banking operations in all its branches through effective work allocation and authority segregation as necessitated by business requirements which has successfully contributed to reducing risks and to facilitate smooth banking operations.

Yours faithfully,

Jamal Tahir Yahya
Chairman of Audit Committee

No: 3/1
Date: 27 February 2025

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Commercial Islamic Bank of Iraq
Baghdad – Iraq

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Commercial Islamic Bank of Iraq and its subsidiary (the Bank) which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iraq, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements

<table>
<tr><th colspan="2">Inadequate allowances of Expected Credit Losses (ECL) for credit facilities (Note 5)</th></tr>
<tr><th>Key Audit matter</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>
This is considered as a key audit matter as the Bank exercises significant judgement to determine when and how much to record as impairment.
The provision for credit facilities at amortized cost is determined in accordance with the bank's impairment and provisioning policy, which is aligned to the requirements of IFRS 9.
There is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions.
Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit matter.
As at 31 December 2024, the Bank's gross credit facilities amounted to IQD 7,890,976 thousand and the related allowance for ECL amounted to IQD 398,144 thousand. The allowance for ECL policy is presented in the accounting policies in note (2) to the consolidated financial statements.
</td><td>
Our audit response included the following:
- We obtained an understanding of the Bank's key credit processes comprising granting, booking and tested the operating effectiveness of key controls over these processes.
- We read the Bank's impairment provisioning policy and compare it to IFRS 9 requirements.
- We assessed the Bank's expected credit loss model, focusing on its alignment of the expected credit loss model and its underlying methodology with IFRS 9 requirements.
- We examined a sample of exposures, assess on an individual basis, and perform procedures to evaluate the following:
· Appropriateness of the Bank's staging.
· Appropriateness of determination of EAD, including the cash flow from recovery.
· Appropriateness of the PD, EAD, and LGD used for different exposures at different stages.
· Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise.
· Soundness and mathematical integrity of the ECL Model.
· For exposures moved between stages we checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
· For exposures determined to be individually impaired we re-preformed the ECL calculation, we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.
· We discussed the forward-looking assumptions used by the Bank in calculating the ECL and compared them to the available information.
- We assessed the financial statements, disclosures to ensure compliance with IFRS 7.
We assessed the material accounting policies, estimates, and disclosure of credit facilities in notes (2) and (5) of the consolidated financial statements.
</td></tr>
</table>

Report on the Audit of the Consolidated Financial Statements

Other information included in the Bank's 2024 annual report

Other information consists of the information included in the Bank's 2024 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication

Report on Other Legal and Regulatory Requirements

1. During the performance of our audit procedures and to the nature of the banking transactions, nothing has come to our attention for the existence of transaction related to money laundering or financing terrorism.

2. The management report is in line with the provisions of Companies Law No. 97 of 1997 (as amended).

3. Capital adequacy stood at 179.1%.

4. The Bank has not entered any currency auction operations for the benefit of the Bank's customers during the year.

5. We reviewed the internal audit reports; we did not note any major issues.

6. The accounting records used by the Bank complied with the requirements of the bookkeeping regulations and comprised the assets, liabilities, the Bank's sources, and uses of funds for the fiscal year.

7. We observed the physical cash count with management at Main, Bawabat Al Iraq, and Basrah branches and noted no issues. The management have conducted the physical count of the fixed assets, and they have provided us with matched statements.

8. The Bank increased its capital by IQD 42.5 billion on 4 November 2024 to become IQD 292.5 billion. On 25 January 2025, the CBI, in its letter 9/4/861, granted the Bank additional time to make the required capital increase by 31 March 2025.

Mustaga Fouad Abbas
Chartered Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

ASSETS	Notes	2024 IQD (000)	2023 IQD (000)
Cash and balanceswith Central Bank	**3**	144,821,616	113,546,509
Balances with banks	**4**	27,823,860	29,452,552
Direct credit facilities, net	**5**	7,426,551	11,291,247
Financial assets at fair value through other comprehensiveincome	**6**	1,448,313	1,367,644
Financial assets at amortized cost	**7**	339,934,237	317,118,974
Property, equipment and right of use assets,net	**8**	5,940,204	6,129,009
Other assets, net	**9**	6,498,797	7,460,235
Total assets		**533,893,578**	**486,366,170**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	**10**	1,093,975	448,375
Customers'accounts	**11**	151,304,503	131,987,035
Current tax liability	**12**	2,058,857	3,149,361
Other liabilities	**13**	23,420,586	33,073,475
Total liabilities		**177,877,921**	**168,658,246**
SHAREHOLDERS' EQUITY			
Paid capital	**14**	292,500,000	250,000,000
Statutory reserve	**14**	27,030,424	23,212,737
Other reserves		159,844	159,844
Fair value reserve		241,713	161,044
Retained earnings		36,083,676	44,174,299
Total shareholders' equity		**356,015,657**	**317,707,924**
Total liabilities and shareholders'equity		**533,893,578**	**486,366,170**

For Commercial Islamic Bank of Iraq

Mahmood Madi Anaeem
Head of Finance

Bassam Jaber
Chief Executive Officer

Mohammed Hammeed Dragh Al-Dragh
Chairman of the Board of Directors

Subject to our report number 3/1 and dated on 27 February 2025

Mustafa Fouad Abbas
Chartered Public Accountant

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

ASSETS	Notes	2024 IQD (000)	2023 IQD (000)
Interest income	16	28,886,625	25,168,562
Interest expense	17	(647,589)	(445,214)
Net interest income		28,239,036	24,723,348
Net fees and commissions	18	2,400,000	3,415,867
Net gains from foreign exchange	19	17,261,126	1,231,137
Net other income	20	11,130,913	5,009,805
Total operating income		59,031,075	34,380,157
Employees' expenses	21	(5,578,540)	(4,692,153)
Depreciation of property, equipment and right of use assets	8	(1,253,484)	(1,039,408)
Net operating expenses	22	(12,533,425)	(10,378,591)
Total operating expenses		(19,365,449)	(16,110,152)
Operating profit before allowance for expected credit losses		39,665,626	18,270,005
Net recovery (charge) for expected credit losses	23	618,366	(45,953)
Profit before income tax		40,283,992	18,224,052
Income tax expense	12	(2,056,928)	(3,147,432)
Net profit for the year		38,227,064	15,076,620

		IQD/Fils	IQD/Fils
Basic and diluted earnings per share	15	0/149	0/060

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

ASSETS	Notes	2024 IQD (000)	2023 IQD (000)
Net profit for the year		38,227,064	15,076,620
Items that will not be reclassified subsequently to consolidated statement of income			
Change in fair value of financial assets at fair value through other comprehensive income	6	80,669	73,612
Other comprehensive income for the year		80,669	73,612
Total comprehensive income for the year		38,307,733	15,150,232

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

2024	Paid capital IQD (000)	Statutory reserve IQD (000)	Other reserves IQD (000)	Fair value reserve IQD (000)	Retained earnings IQD (000)	Total IQD (000)
At 1 January 2024	**250,000,000**	**23,212,737**	**159,844**	**161,044**	**44,174,299**	**317,707,924**
Capital increase (Note 14)	**42,500,000**	**-**	**-**	**-**	**(42,500,000)**	**-**
Total comprehensive income	**-**	**-**	**-**	**80,669**	**38,227,064**	**38,307,733**
Transfer to reserves	**-**	**3,817,687**	**-**	**-**	**(3,817,687)**	**-**
At 31 December2023	**292,500,000**	**27,030,424**	**159,844**	**241,713**	**36,083,676**	**356,015,657**

2023	Paid capital IQD (000)	Statutory reserve IQD (000)	Other reserves IQD (000)	Fair value reserve IQD (000)	Retained earnings IQD (000)	Total IQD (000)
At 1 January 2023	**250,000,000**	**21,700,165**	**159,844**	**87,432**	**54,110,251**	**326,057,692**
Total comprehensive income	**-**	**-**	**-**	**73,612**	**15,076,620**	**15,150,232**
Transfer to reserves	**-**	**1,512,572**	**-**	**-**	**(1,512,572)**	**-**
Dividends*	**-**	**-**	**-**	**-**	**(23,500,000)**	**(23,500,000)**
At 31 December2023	**250,000,000**	**23,212,737**	**159,844**	**161,044**	**44,174,299**	**317,707,924**

On 27 September 2022, the General Assembly approved in its ordinary meeting the distribution of the cash dividends to the shareholders amounted to IQD 23.5 billion for the years 2020 and 2021 at IQD 11.9 billion and IQD 11.6 billion respectively, subject to CBI's approval. The CBI granted its final approval on 23 January 2023.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

Operating Activities	**Notes**	**2024 IQD (000)**	**2023 IQD (000)**
Profit before income tax		**40,283,992**	**18,224,052**
Adjustments for:			
Net recovery of miscellaneous provisions	**20**	**(10,841,293)**	**(4,311,451)**
Miscellaneous accruals		**1,175,221**	**2,896,799**
Depreciation of property, equipment and right of use assets		**1,253,484**	**1,039,408**
Provision of assets seized by the bank		**704,816**	**598,800**
Finance cost on lease		**88,219**	**57,315**
Net (recovery) charge for expected credit losses		**(351,114)**	**45,953**
Gain from sale of property and equipment		**(1,299,390)**	**(7,157)**
Losses from sale of financial assets at amortized cost		**1,346,980**	**-**
(Gain) Loss from lease termination		**(2,290)**	**6,138**
Cash flow from operating activities before changes in working capital		**32,358,625**	**18,549,857**
Changes in working capital:			
Decrease in direct credit facilities, net		**4,125,773**	**1,662,244**
Decrease in other assets		**961,438**	**4,689,950**
Increase(Decrease) in customers'deposits		**19,317,468**	**(35,701,481)**
Increase(Decrease) in other liabilities		**420,366**	**(2,825,322)**
Increase(Decrease) in companiesregistration deposits		**1,000,000**	**(1,023,000)**
Decrease (increase) in statutory reserve with CBI		**5,155,771**	**(5,108,667)**
Decrease in LGs margin reservewith CBI		**34,042**	**415,699**
Net cash flows from (used in) operating activities before income tax		**63,373,483**	**(19,340,720)**
Income tax paid		**(3,147,432)**	**(578,297)**
Net cash flows (used in) from operating activities		**60,226,051**	**(19,919,017)**
Investing Activities			
Purchases of financial asset at amortized cost		**(120,000,000)**	**(134,871,204)**
Maturity of financial assets at amortized cost		**56,003,993**	**161,770,224**
Proceeds from sale financial assets at amortized cost		**39,918,020**	**-**
Proceeds from sale property		**1,625,008**	**7,860**
Purchase of property and equipment and projects in prgoress		**(2,048,886)**	**(1,712,200)**
Net cash flows (used in) from investing activities		**(24,501,865)**	**25,194,680**
Financing Activities			
Dividends paid		**(245,243)**	**(20,917,203)**
Lease paid during the year		**(288,471)**	**(275,426)**
Net cash flows used in financing activities		**(533,714)**	**(21,192,629)**
Net increase (decrease) in cash and cash equivalents		**35,190,472**	**(15,916,966)**
Cash and cash equivalents at beginning of the year	**25**	**112,309,237**	**128,226,203**
Cash and cash equivalents at end of the year	**25**	**147,499,709**	**112,309,237**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

1 CORPORATE INFORMATION

Commercial Islamic Bank of Iraq is a private shareholding company offering retail and corporate banking services in Iraq. The Bank was incorporated on 11 February 1992 and conducts its operations through 10 branches located in Baghdad, Basra and Najaf. The Bank's registered office is at Al-Sadoon Street, Baghdad, Iraq. The Bank is a subsidiary of Ahli United Bank (Bahrain) ("the Parent") which owns 85.3% of the Bank's capital (2023: 80.3%). The consolidated financial statements of the Bank are consolidated with the Parent's consolidated financial statements.

Pursuant to the acquisition of the Parent by Kuwait Finance House K.S.C.P ("KFH") on 2 October 2022, KFH has become the ultimate parent effective from the acquisition date.

Accordingly, and based on the General Assembly and the Companies Registrar approvals, the Bank's name has been changed to "Commercial Islamic Bank of Iraq" on 16 October 2023 instead of Commercial Bank of Iraq. The Central Bank of Iraq has provided the bank time up to 31 December 2024 to convert its assets and liabilities to Sharia compliant products.

Subsequently, the Bank has successfully completed the conversion to Sharia Compliant Bank. With effect from 1 January 2025, the Bank has started its operations as a fully Sharia compliant Bank and currently offers wide range of Islamic banking products and services.

The Bank has 100% (2023: 100%) ownership interest in a subsidiary, Ahli United Brokerage and Investment Company ("the Subsidiary"), which was registered in Iraq on 3 July 2008. The principal activity of the subsidiary is brokerage. The Bank and its subsidiary are collectively known as ("the Bank").

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Bank have been prepared in accordance with (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements. The consolidated financial statements are presented in Iraqi Dinars (IQD), rounded to the nearest thousand Iraqi Dinar except otherwise indicated. IQD is the functional currency of the Bank and its subsidiary.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2024 and the Subsidiary over which the Bank has the power to govern the financial and operating policies of the Subsidiary so as to obtain benefits from its activities. All balances, transactions, income, and expenses between the Bank and the Subsidiary are eliminated in full upon consolidation. The financial statements of the Subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies. The subsidiary paid-in capital is IQD 200,000 thousand (2023: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2024 (2023: 100%).

The Subsidiary's main activity is investment brokerage. The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues to be consolidated until the date that such control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.3. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2023 except for the adoption of new amendments on the standards effective as of 1 January 2024 shown below:

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
The amendments had no impact on the Bank's consolidated financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Bank's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments had no impact on the Bank's consolidated financial statements.

2.4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's consolidated financial statements are disclosed below. The Bank's intends to adopt these standards, if applicable, when they become effective.

Amendments to the Classification and Measurement of Financial Instruments–Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be as sessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Bank's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

This standard will result in new presentation of the income statement with some new required totals, in addition to the disclosure of management-defined performance measures.

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statement are set out below. These policies have been consistently applied to all year presented.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to 'Net gains from foreign exchange' in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Classification and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus, for an item not recorded at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortised on a systematic basis to maturity using the effective interest rate method and taken to interest income or interest expense as appropriate.

a) Date of recognition

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Bank receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

b) Direct credit facilities

Direct credit facilities are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial recognition, these are subsequently measured at amortised cost using the effective interest rate method, less any amounts written off, allowance for expected credit losses and interest in suspense. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "allowance for expected credit losses" and in an allowance for expected credit losses account in the consolidated statement of financial position. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "interest income" in the consolidated statement of income.

Interest and commission arising on non-performing facilities are suspended when loans become impaired according to the Central Bank of Iraq regulations.

c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consists of equity investments that are not held for sale in the near future.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings. These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of income when the Bank's right to receive the payment is established.

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Financial assets at amortized cost

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely payment of principal and interest (SPPI) on the outstanding principal amount.

Debt instruments meeting these criteria are initially measured at fair value plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.

Impairment of financial assets

The Bank's allowances for expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for expected credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

Expected credit losses are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is the expected amount of exposure at the point of default which is mainly determined by the current exposure value for funded exposures. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioral analysis and regulatory Credit Conversion Factors (CCF).

The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc. Management overlays may be applied to the model outputs if consistent with the objective of a significant increase in the credit risk.

The impairment model measures allowances for credit loss using a three-stage approach based on the extent of credit deterioration since origination as described below:

Stage 1 – Measures and recognizes allowance for expected credit loss equal to 12-month ECL for financial instruments for which credit risk has not significantly increased since initial recognition. All investment grade assets are deemed to be Stage 1 as per Bank's policy under the low credit risk presumption except in cases where there are past dues in excess of 30 days (rebuttable) or 60 days (non-rebuttable).

Stage 2 – If credit risk has increased significantly since initial recognition (whether assessed on an individual or collective basis), then measure and recognize allowance for expected credit loss at an amount equal to the lifetime ECL. The key drivers to consider an asset as Stage 2 as per Bank's policy are as follows:

- Movements in risk rating since origination where the rating movement has deteriorated by 50% or more, 'the amortized cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of IFRS 9 Bank's working committee (WC) decision; 60 days (non-rebuttable).
- Delays in credit reviews or resolving credit exceptions subject to WC decision.
- Sector or country specific weakness subject to WC decision.

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, lawsuits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc. and the WC determines that this represents a significant deterioration in credit quality, etc.

Stage 3 – Financial instruments where there is objective evidence of impairment are considered to be in credit impaired are included in this stage. Similar to Stage 2, the allowance for expected credit losses captures the lifetime expected credit losses.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Point-in-Time PD (PiT PD). The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses. The forecast economic variables are applied to established regression relationships to determine PiT PD. Macro-economic factors taken into consideration include oil related variables, gross domestic product, unemployment and real estate indices. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Definition of default

Financial assets that are subject to ECL measurement are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, indications that it is probable that the borrower will enter bankruptcy or other significant financial reorganization, the disappearance of an active market, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank. The Bank continues its policy of treating financial instruments as credit impaired under Stage 3 category when the repayment of the principal or interest is overdue for 90 days or more.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either:

  (a) the Bank has transferred substantially all the risks and rewards of the asset, or
  (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Determination of fair value

The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

Where the fair values of financial instruments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models, the inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model input such as volatility for longer dated derivative and discount rates, prepayment rates and default rates for asset backed securities.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in statement of financial position.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other liabilities', being the commissions received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income in 'Net allowance for expected credit losses'. The premium received is recognized in the consolidated statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Bank expects to recover.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Interest and similar income and expense
  For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liability. Interest that is 90 days or more overdue is excluded from income interest on impaired direct credit facilities and other financial assets is not recognized in the consolidated statement of income.

- Fees and commissions income
  Credit origination fees are treated as an integral part of the effective interest rate of financial instruments and are recognized over their lives, except when the underlying risk is sold to a third party at which time it is recognized immediately. Fees or components of fees that are linked to certain performance obligations are recognized after fulfilling those obligations. Other fees and commission income are recognized when earned.

- Dividend income
  Revenue is recognized when the Bank's right to receive the payment is established.

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash on hand, current accounts with Central Bank of Iraq and amounts Balances with banks on demand or with an original maturity of three months or less.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment in value, if any. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.
Project in progress is stated at cost, net of accumulated impairment losses.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Useful lives (Years)
Buildings	20
Equipment and machinery	5
Vehicles	5
Furniture	5
Computers / IT Software	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in 'Other operating income' or 'Other operating expenses' in the consolidated statement of income in the year the asset is derecognized.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Leases

a) Right of use assets
The Bank recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognized under 'Property, equipment and right of use assets, net' in the consolidated statement of financial position.

b) Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognized under other liabilities in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxes

Current income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities, and in accordance with IAS 12.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the for seeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Segment reporting

Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

Assets seized by the Bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "Property, equipment and right of use assets" at the lower of their carrying value or fair value. These assets should be used by the Bank in its operations or sold within two years from the date of seizure. Otherwise, the Bank is required by the CBI to book provision against these assets after the two-year period lapses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain significant accounting judgments, estimates, and assumptions that affect the reported amount of assets and liabilities, it requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events.

The most significant uses of judgement and estimates are as follows:

Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.
In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio; and
- Management's strategy in terms of earning contractual interest revenues or generating capital gains.

Measurement of the Expected Credit Loss (ECL) allowance

The measurement of the ECL for financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income (FVTOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behavior (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns Probability of Defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Defaults (EADs) and Loss Given Defaults (LGDs);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

Provisions

A provision is set for lawsuits raised against the Bank. This provision is based to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future.

Income Taxes

The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

2 ACCOUNTING POLICIES (CONTINUED)

2.5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Useful life of property and equipment
The Management periodically reassesses the economic useful life of property and equipment for the purpose of calculating annual depreciation and amortization based on the general condition of these property and equipment and assessing their expected useful life in the future.

Going concern
The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Fair value of financial instruments
Estimates are also made in determining the fair values of financial assets that are not quoted in an active market. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty and actual results may differ resulting in future changes in such estimates.

3 CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

	2024 IQD (000)	2023 IQD (000)
Cash on hand*	20,055,995	21,347,884
Balances with Central Bank of Iraq:		
Current accounts	100,711,946	61,955,137
Statutory cash reserve **	23,472,224	28,627,995
LGs margin reserve ***	558,451	592,493
Companies registration deposits and capital injection ****	23,000	1,023,000
	124,765,621	92,198,625
	144,821,616	113,546,509

* Cash on hand includes foreign currency balances amounting to IQD 11,747,287 thousand as of 31 December 2024 (2023: IQD 8,098,939 IQD thousand).

** These amounts represent statutory cash reserve held by Central Bank of Iraq (CBI) and are non-interest-bearing and not available for use in the Bank's day-to-day operations. The minimum statutory cash reserve is 18% for current accounts and 13% for saving accounts.

*** According to CBI Instructions dated 2 May 2017, a reserve against letters of guarantee was established. These amounts are held at CBI to face any deficit in covering claims against unpaid letters of guarantee and are non-interest-bearing and not available for use in the Bank's day-to-day operations.

**** These amounts represent deposits paid by companies yet to be incorporated, the Bank deposits these amounts into dedicated account with Central Bank of Iraq (CBI). These amounts are non-interest-bearing and not available for use in the Bank's day-to-day operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 BALANCES WITH BANKS, NET

	2024		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current accounts	95,600	18,560,143	18,655,743
Time deposits	-	9,170,000	9,170,000
Less: Allowance for ECL *	(1,883)	-	(1,883)
	93,717	27,730,143	27,823,860

	2023		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current accounts	96,919	2,905,515	3,002,434
Time deposits	-	26,452,157	26,452,157
Less: Allowance for ECL *	(2,039)	-	(2,039)
	94,880	29,357,672	29,452,552

Non-interest-bearing deposits amounted to IQD 18,655,743 thousand (2023: IQD 3,002,434 thousand).
Interest bearing deposits amounted to IQD 9,170,000 thousand (2023: IQD 26,452,157 thousand).

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 27,730,215 thousand as of 31 December 2024 (2023: 29,358,122 IQD thousand). The above Balances with banks do not include any past due or impaired balances as at 31 December 2024 and 2023.

	2024 IQD (000)			
Balances with banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	27,825,743	-	-	27,825,743
	27,825,743	-	-	27,825,743
Less: allowance for ECL	(1,883)	-	-	(1,883)
	27,823,860	-	-	27,823,860

	2023 IQD (000)			
Balances with banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	29,454,591	-	-	29,454,591
	29,454,591	-	-	29,454,591
Less: allowance for ECL	(2,039)	-	-	(2,039)
	29,452,552	-	-	29,452,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 BALANCES WITH BANKS, NET (CONTINUED)

* The movement of the allowance for expected credit losses of Balances with banks is as follows:

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,039	-	-	2,039
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(156)	-	-	(156)
At 31 December	1,883	-	-	1,883

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	1,866	-	-	1,866
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	173	-	-	173
At 31 December	2,039	-	-	2,039

5 DIRECT CREDIT FACILITIES, NET

	2024 IQD (000)	2023 IQD (000)
Retail *	7,890,976	12,026,009
Gross direct credit facilities	7,890,976	12,026,009
Less: allowance for ECL **	(398,144)	(659,221)
Less: suspended interest***	(66,281)	(75,541)
	7,426,551	11,291,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5 DIRECT CREDIT FACILITIES, NET (CONTINUED)

	2024 IQD (000)			
Direct credit facilities, net	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	7,246,570	337,560	-	7,530,240
Impaired (net of suspended interest)	-	-	240,565	240,565
	7,246,570	337,560	240,565	7,824,695
Less: allowance for ECL	(82,269)	(105,158)	(210,717)	(398,144)
	7,164,301	232,402	29,848	7,426,551

	2023 IQD (000)			
Direct credit facilities, net	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	10,666,364	748,344	-	11,414,708
Impaired (net of suspended interest)	-	-	535,760	535,760
	10,666,364	748,344	535,760	11,950,468
Less: allowance for ECL	(110,870)	(239,780)	(308,571)	(659,221)
	10,555,494	508,564	227,189	11,291,247

The movement of the direct credit facilities net of interest in suspended for the year ended 31 December 2024 is as follows:

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	10,666,364	748,344	535,760	11,950,468
Additions during the period	-	-	-	-
Paid-off during the period	(2,685,004)	(830,227)	(610,541)	(4,125,773)
Transfer from stage 1	(734,790)	637,686	97,104	-
Transfer from stage 2	-	(218,242)	218,242	-
At 31 December	7,246,570	337,560	240,565	7,824,695

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5 DIRECT CREDIT FACILITIES, NET (CONTINUED)

The movement of the direct credit facilities net of interest in suspense for the year ended 31 December 2023 is as follows:

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	11,784,954	1,402,775	8,904,219	22,091,948
Additions during the year	4,560,907	227,763	1,597	4,790,267
Paid-off during the year	(4,931,720)	(1,363,126)	(709,522)	(7,004,368)
Transfer from stage 1	(833,628)	702,989	130,639	-
Transfer from stage 2	85,851	(222,057)	136,206	-
Transfer to off-balance sheet *	-	-	(7,927,379)	(7,927,379)
At 31 December	10,666,364	748,344	535,760	11,950,468

* Based on the resolution of the Board of Directors in its meeting dated 15 November 2022, the Bank transferred the defaulted debts that are fully covered by provisions as well as the interest in suspense to off-balance sheet accounts with the continuation of the procedures of follow-ups, collections, and legality against these debts. The total debt transferred to off-balance sheet account amounted to IQD 7,927,379 thousand and suspended interest amounted to IQD 13,813,648 thousand, as at 31 December 2023.

** The movement of the allowance for expected credit losses of direct credit facilities is as follows:

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	110,870	239,780	308,571	659,221
Transfer from stage 1	(6,508)	6,038	470	-
Transfer from stage 2	-	(57,670)	57,670	-
Net remeasurement of ECL	(22,093)	(82,990)	(155,994)	(261,077)
At 31 December	82,269	105,158	210,717	398,144

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	99,181	276,060	8,686,869	9,062,110
Transfer from stage 1	(12,324)	10,634	1,690	-
Transfer from stage 2	66,651	(184,492)	117,841	-
Transfer to off-balance sheet	-	-	(7,927,379)	(7,927,379)
Net remeasurement of ECL	(42,638)	137,799	(18,813)	76,348
Exchange rate adjustments	-	(221)	(551,637)	(551,858)
At 31 December	110,870	239,780	308,571	659,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

5 DIRECT CREDIT FACILITIES, NET (CONTINUED)

*** The movement of the suspended interest is as follows:

	2024 IQD (000)	2023 IQD (000)
At 1 January	75,541	14,566,396
Additions	18,306	264,606
Recoveries	(27,566)	(78,738)
Transfer to off-balance sheet	-	(13,813,648)
Exchange adjustments	-	(863,075)
At 31 December	66,281	75,541

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 IQD (000)	2023 IQD (000)
Quoted equities	628,839	548,170
Unquoted equities	819,474	819,474
	1,448,313	1,367,644

The movement of financial assets at fair value through other comprehensive income:

	2024 IQD (000)	2023 IQD (000)
At 1 January	1,367,644	1,294,032
Change in fair value adjustments	80,669	73,612
At 31 December	1,448,313	1,367,644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7 FINANCIAL ASSETS AT AMORTIZED COST, NET

	2024 IQD (000)	2023 IQD (000)
Government bonds *	39,987,732	102,385,521
National bonds*	300,000,000	180,000,000
Treasury bills	-	34,871,204
	339,987,732	317,256,725
Allowance for ECL **	(53,495)	(137,751)
	339,934,237	317,118,974

2024 IQD (000)

Carrying amount of financial assets at amortized cost	Stage 1	Stage 2	Stage 3	Total
High standard grade	339,987,732	-	-	339,987,732
Standard grade	-	-	-	-
	339,987,732	-	-	339,987,732
Less: allowance for ECL	(53,495)	-	-	(53,495)
	339,934,237	-	-	339,934,237

2023 IQD (000)

Carrying amount of financial assets at amortized cost	Stage 1	Stage 2	Stage 3	Total
High standard grade	317,256,725	-	-	317,256,725
Standard grade	-	-	-	-
	317,256,725	-	-	317,256,725
Less: allowance for ECL	(137,751)	-	-	(137,751)
	317,118,974	-	-	317,118,974

* The average yield rate of Government bonds USD is 6.8% maturing in 2028. The average yield rate of National bonds IQD is 7.9% maturing between 2025 and 2028.

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7 FINANCIAL ASSETS AT AMORTIZED COST, NET (CONTINUED)

The movement of the financial assets at amortized cost for the year ended 31 December 2024 is as follows:

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	317,256,725	-	-	317,256,725
Additions during the year	120,000,000	-	-	120,000,000
Matured during the year	(56,003,993)	-	-	(56,003,993)
Sold during the year	(41,265,000)	-	-	(41,265,000)
At 31 December	339,987,732	-	-	339,987,732

The movement of the financial assets at amortized cost for the year ended 31 December 2023 is as follows:

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	344,173,271	-	-	344,173,271
Additions during the year	135,000,000	-	-	135,000,000
Matured during the year	(149,036,546)	-	-	(149,036,546)
Sold during the year	(12,880,000)	-	-	(12,880,000)
At 31 December	317,256,725	-	-	317,256,725

** The movement of the allowance for expected credit losses of financial asset at amortized cost is as follows

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	137,751	-	-	137,751
Net remeasurement of ECL	(84,256)	-	-	(84,256)
At 31 December	53,495	-	-	53,495

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	187,641	-	-	187,641
Net remeasurement of ECL	(32,364)	-	-	(32,364)
Exchange adjustments	(17,526)	-	-	(17,526)
At 31 December	137,751	-	-	137,751

8 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Assets seized by the bank *	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2024										
Cost:										
At 1 January	274,022	5,499,339	658,009	189,185	2,114,087	2,552,047	4,888,201	2,104,406	2,231,374	20,510,670
Additions	-	7,720	72,741	-	86,125	471,380	991,067	39,927	-	1,668,960
Transfers from work in progress	-	246,603	-	-	-	-	17,737	-	-	264,340
Lease modification	-	-	-	-	-	-	-	6,300	-	6,300
Disposals	(274,022)	(823,271)	(82,097)	-	(94,301)	(412,718)	-	-	(178,508)	(1,864,917)
At 31 December	-	4,930,391	648,653	189,185	2,105,911	2,610,709	5,897,005	2,150,633	2,052,866	20,585,353
Accumulated depreciation:										
At 1 January	-	4,055,241	438,520	80,462	1,151,012	1,570,326	4,455,584	1,112,827	1,526,558	14,390,530
Charge of the year	-	96,262	73,833	28,485	300,602	341,254	183,198	229,850	-	1,253,484
Provision of assets seized by the Bank	-	-	-	-	-	-	-	-	704,816	704,816
Disposals	-	(771,883)	(82,080)	-	(94,218)	(412,610)	-	-	(178,508)	(1,539,299)
At 31 December	-	3,379,620	430,273	108,947	1,357,396	1,498,970	4,638,782	1,342,677	2,052,866	14,809,531
Net book value at 31 December	-	1,550,771	218,380	80,238	748,515	1,111,739	1,258,223	807,956	-	5,775,822
Work in progress	-	164,382	-	-	-	-	-	-	-	164,382
Net book value at 31 December including Work in Progress	-	1,715,153	218,380	80,238	748,515	1,111,739	1,258,223	807,956	-	5,940,204

8 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Assets seized by the bank *	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2023										
Cost:										
At 1 January	274,022	5,199,425	631,584	128,368	1,712,644	2,036,899	4,809,888	1,468,964	2,231,336	18,493,130
Additions	-	232,883	155,683	81,686	176,290	345,893	225,737	538,690	-	1,756,862
Transfers from work in progress	-	67,031	-	-	251,283	200,430	7,861	-	-	526,605
Assets seized during the year	-	-	-	-	-	-	-	-	38	38
Lease modification	-	-	-	-	-	-	-	96,752	-	96,752
Disposals	-	-	(129,258)	(20,869)	(26,130)	(31,175)	(155,285)	-	-	(362,717)
At 31 December	274,022	5,499,339	658,009	189,185	2,114,087	2,552,047	4,888,201	2,104,406	2,231,374	20,510,670
Accumulated depreciation:										
At 1 January	-	3,961,510	509,361	74,562	929,238	1,342,223	4,483,589	886,095	927,758	13,114,336
Charge of the year	-	93,731	58,416	26,769	247,206	259,275	127,279	226,732	-	1,039,408
Provision of assets seized by the Bank	-	-	-	-	-	-	-	-	598,800	598,800
Disposals	-	-	(129,257)	(20,869)	(25,432)	(31,172)	(155,284)	-	-	(362,014)
At 31 December	-	4,055,241	438,520	80,462	1,151,012	1,570,326	4,455,584	1,112,827	1,526,558	14,390,530
Net book value at 31 December	274,022	1,444,098	219,489	108,723	963,075	981,721	432,617	991,579	704,816	6,120,140
Work in progress	-	-	-	-	-	-	8,869	-	-	8,869
Net book value at 31 December including Work in Progress	274,022	1,444,098	219,489	108,723	963,075	981,721	441,486	991,579	704,816	6,129,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 OTHER ASSETS, NET

	2024 IQD (000)	2023 IQD (000)
Suspended accounts *	8,780,294	8,780,294
Interest receivable	6,153,550	4,311,788
Prepayments and others	328,262	313,534
Prepaid taxes	16,985	2,834,913
	15,279,091	16,240,529
Allowance for suspended accounts *	(8,780,294)	(8,780,294)
	6,498,797	7,460,235

* The Bank booked an allowance against misappropriations detected in 2010 and 2021 amounted to IQD 6,999,815 thousand and 1,780,479 thousand respectively.

10 DUE TO BANKS

2024	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	402	1,093,573	1,093,975
	402	1,093,573	1,093,975

2023	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	402	447,973	448,375
	402	447,973	448,375

11 CUSTOMERS' DEPOSITS

	2024 IQD (000)	2023 IQD (000)
Current and call deposits	122,570,845	96,345,235
Saving accounts	5,212,378	9,627,538
Cash margin	23,521,280	26,014,262
	151,304,503	131,987,035

Non-interest-bearing deposits amounted to IQD 132,964,503 thousand (2023: IQD 104,019,497 thousand) including saving accounts, for which the Bank ceased interest due to the conversion to Islamic banking.

Interest-bearing accounts amounted to IQD 18,340,000 thousand (2023: IQD 27,967,538 thousand) including cash margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12 CURRENT TAX LIABILITY

Income tax liability

The movement on income tax liability was as follows:

	2024 IQD (000)	2023 IQD (000)
At January 1	3,149,361	580,226
Charge for the year	2,056,928	3,147,432
Paid during the year	(3,147,432)	(578,297)
At December 31	2,058,857	3,149,361

The reconciliation between the tax profit and the accounting profit for the years ended 2024 and 2023 is as follows:

	2024 IQD (000)	2023 IQD (000)
Accounting profit before income tax	40,283,992	18,224,052
Nontaxable income	(31,241,335)	(13,432,392)
Nondeductible expenses	4,670,199	16,191,219
Taxable profit	13,712,856	20,982,879
Current income tax at Iraqi statutory income tax rate of 15% (2023:15%)	2,056,928	3,147,432

The taxable profit subject to tax for the ended period 31 December 2024 is IQD 13,712,856 thousand (31 December 2023: 20,982,879 thousand).
Effective income tax rate for 31 December 2024 is 5.11% (31 December 2023: 17.27%).

The bank completed its latest tax settlement on 3 July 2024, for income tax related to the year ended 31 December 2023.

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13 OTHER LIABILITIES

	2024 IQD (000)	2023 IQD (000)
Miscellaneous provisions*	7,115,723	17,028,893
Management fees payable to parent bank	5,918,818	2,979,469
Dividends payable	5,321,724	5,566,967
Miscellaneous accruals	1,667,536	1,589,666
Lease liabilities **	888,988	1,051,603
Dormant accounts	334,637	186,169
Allowance for indirect credit facilities ***	24,004	29,629
Other credit balances	2,149,156	4,641,079
	23,420,586	33,073,475

* The movement of the miscellaneous provisions during the year is as follows:

	2024 IQD (000)	2023 IQD (000)
At 1 January	17,028,893	23,573,150
Additions	1,175,221	329,885
Utilized	(247,098)	(2,232,806)
Recovery (Note 20)	(10,841,293)	(4,641,336)
At 31 December	7,115,723	17,028,893

** The movement of the lease liabilities during the year as follows:

	2024 IQD (000)	2023 IQD (000)
At 1 January	1,051,603	601,854
Additions	39,927	538,690
Lease modification	(2,290)	129,170
Paid during the year	(288,471)	(275,426)
Finance cost	88,219	57,315
At 31 December	888,988	1,051,603

Maturity analysis of undiscounted lease payments to be paid as follows:

	2024 IQD (000)	2023 IQD (000)
1 year	301,958	287,818
2 years	301,958	287,818
3 years	274,958	287,818
> 3 years	179,918	434,158
	1,058,792	1,297,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13 OTHER LIABILITIES (CONTINUED)

*** The movement of the allowance for expected credit losses of indirect credit facilities is as follows:

	2024 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	29,629	-	-	29,629
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(5,625)	-	-	(5,625)
At 31 December	24,004	-	-	24,004

	2023 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	27,833	-	-	27,833
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	1,796	-	-	1,796
At 31 December	29,629	-	-	29,629

14 PAID CAPITAL AND STATUTORY RESERVE

Paid capital

Paid capital comprises of 292.5 billion shares (2023: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2023: 1 Iraqi Dinar per share).

On 2 August 2023, the CBI issued its circular No. 9/2/439, in which it mandates all Iraqi banks to rise the capital to IQD 400 billion by 31 December 2024. Pursuant to this, the Bank increased its capital by IQD 42.5 billion on 4 November 2024 to become IQD 292.5 billion. On 25 January 2025, the CBI, in its letter 9/4/861, granted the Bank additional time to make the required capital increase by 31 March 2025.

Statutory reserve

The accumulated amount in this account represents 10% of the Bank's net income and 5% of its subsidiary's net income after income tax. This transfer will continue until the balance of this reserve equals to 50% of paid in share capital. The statutory reserve is not available for distribution to shareholders.

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15 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	2024 IQD (000)	2023 IQD (000)
Profit for the year (IQD 000)	38,227,064	15,076,620
Weighted average number of shares during the year (thousand share)	256,847,222	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings per share	0/149	0/060

16 INTEREST INCOME

	2024 IQD (000)	2023 IQD (000)
National bonds	19,883,125	7,963,888
Government bonds	5,442,472	8,435,828
Islamic certificates of deposit with CBI	1,541,346	2,352,081
Direct credit facilities	987,678	1,490,488
Due from banks	905,446	1,317,466
Treasury bills	126,558	3,608,811
	28,886,625	25,168,562

17 INTEREST EXPENSE

	2024 IQD (000)	2023 IQD (000)
Cash Margin	(559,370)	(374,379)
Finance cost on lease	(88,219)	(57,315)
Saving accounts*	-	(13,520)
	(647,589)	(445,214)

* As a result of the conversion to Islamic banking, interest expense recognition and payment have been ceased by the Bank starting from 1 January 2024 after agreeing with the customers.

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18 NET FEES AND COMMISSIONS

	2024 IQD (000)	2023 IQD (000)
Fees and commissions income	2,449,793	3,873,728
Fees and commissions expense	(49,793)	(457,861)
	2,400,000	3,415,867

19 NET GAINS FROM FOREIGN EXCHANGE

	2024 IQD (000)	2023 IQD (000)
Gains from sales of foreign currencies	17,261,126	12,739,613
Loss from exchange rate revaluation*	-	(11,652,582)
Net gains from foreign currency auction operations **	-	144,106
	17,261,126	1,231,137

* On 8 February 2023, Central Bank of Iraq revised the base exchange rate against USD from 1,460 IQD/USD to 1,310 IQD/USD which resulted in foreign exchange loss amounted to IQD 11,652,582 thousand. There was no change on the exchange rate during 2024.

** The bank did not purchase USD from CBI through currency auction during 2024.

20 NET OTHER INCOME

	2024 IQD (000)	2023 IQD (000)
Recovery of miscellaneous provisions*	10,841,293	4,311,451
Gain from sale of property	1,299,390	7,157
Rental income	130,897	119,889
Other income	170,190	515,255
Dividends income	36,123	56,053
Losses from financial assets at amortized cost**	(1,346,980)	-
	11,130,913	5,009,805

* The Bank reversed part of certain obligations recorded during the previous periods and assessed to be no longer required.

** The Bank sold government bonds with total carrying value amounted to IQD 41,265,000 thousand for IQD 39,918,020 thousand resulting in losses amounted to IQD 1,346,980.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 EMPLOYEES' EXPENSES

	2024 IQD (000)	2023 IQD (000)
Basic salary	3,566,132	2,960,320
Allowances	1,036,819	909,474
Transportation	525,383	439,200
Other allowances	92,041	73,571
	5,220,375	4,382,565
Social security*	358,165	309,588
	5,578,540	4,692,153

* The bank's contribution rate to social security for employees is 12% (2023: 12%) of the total wages and allowances received by the employee, in accordance with the Retirement and Social Security Law for Workers No. 18 of 2023.

22 OTHER OPERATING EXPENSES

	2024 IQD (000)	2023 IQD (000)
General and administrative expenses	5,486,420	4,397,633
Management fees to Parent bank	4,236,310	1,682,508
Miscellaneous accruals	1,175,221	2,896,799
Provision of assets seized by the bank *	704,816	598,800
Professional fees	558,164	444,279
Insurance	309,471	292,822
Audit fees	63,023	65,750
	12,533,425	10,378,591

* The Bank booked provision of assets seized by the bank for an asset that was seized more than two years ago in accordance with the CBI requirements.

23 NET RECOVERY (CHARGE) FOR EXPECTED CREDIT LOSSES

	2024 IQD (000)	2023 IQD (000)
Recovery of written-off direct credit facilities	267,252	-
Direct Credit Facilities, net (Note 5)	261,077	(76,348)
Financial assets at amortized cost, net (Note 7)	84,256	32,364
Indirect Credit Facilities	5,625	(1,796)
Balances with banks, net (Note 4)	156	(173)
	618,366	(45,953)

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

A. Fair value of financial assets and liabilities of the Bank measured in fair value continuously:
The Bank is revaluing financial assets at fair value through other comprehensive income at the end of each reporting period and the table below shows information related to determining the fair value:

	Fair value IQD (000)		
	2024	2023	Fair value level
Financial assets at fair value through other comprehensive income	628,839	548,170	Level 1
Financial assets at fair value through other comprehensive income	819,474	819,474	Level 3

B. Fair value of financial assets and liabilities, other than those disclosed in the table below approximate their carrying values:

	2024		2023		
	Total carrying amount	Total fair value	Total carrying amount	Total fair value	Fair value level
	IQD (000)		IQD (000)		
Financial assets at amortized cost	119,987,732	120,753,444	102,385,521	95,735,581	Level 1
Financial assets at amortized cost	220,000,000	218,160,000	214,871,204	214,871,204	Level 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of cash flows consist of the following:

	2024 IQD (000)	2023 IQD (000)
Cash and balances with Central Bank	144,821,616	113,546,509
Add: Balances with banks	27,825,743	29,454,591
Less: Due to banks	(1,093,975)	(448,375)
Less: Statutory reserve with CBI	(23,472,224)	(28,627,995)
Less: LGs margin reserve	(558,451)	(592,493)
Less: Companies registration deposits	(23,000)	(1,023,000)
	147,499,709	112,309,237

26 RELATED PARTIES BALANCES AND TRANSACTIONS

The Bank enters business transactions in the ordinary course of business with the parent bank and its subsidiaries and associates at commercial interest and commission rates. There are no loans and advances to related parties.

The following related party balances and transactions took place during the year:

	Nature of relationship	2024 IQD (000)	2023 IQD (000)
Consolidated statement of financial position:			
Balances with banks	Parent Bank	13,910,028	29,349,985
Due to banks	Parent Bank	1,093,573	447,973
Other liabilities	Parent Bank	5,918,818	2,979,469
Off balance items:			
Letters of guarantee	Parent Bank	75,357,490	65,056,794
Consolidated statement of incomes items			
Interest and commission income	Parent Bank	905,446	1,317,466
Management fees	Parent Bank	4,236,310	1,682,508

Related parties' transactions are with the parent bank and its subsidiaries and associates, and no transactions are with the members of the board of directors.

Compensation of the key management personnel is as follows:

	Nature of relationship	2024 IQD (000)	2023 IQD (000)
Executive management salaries	Executive Management	795,940	784,125

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27 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the bank's strategic planning process.

A. Credit Risk

Credit risk is the risk that one party to the financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers and groups of borrowers and for geographical and industry segments in accordance with Central Bank of Iraq regulations. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, and limits the duration of exposure.

The Bank's risk management policy includes formation of a Credit Committee for reviewing the credit facilities.

This committee is responsible for the facilities control process that includes granting, classification and following up on the credit facilities.

	2024 IQD (000)	2023 IQD (000)
Balances with CBI	124,765,621	92,198,625
Balances with banks, net	27,823,860	29,452,552
Direct credit facilities, net	7,426,551	11,291,247
Financial assets at amortized cost, net	339,934,237	317,118,974
Interest receivable and other assets	6,269,237	4,412,450
Total	506,219,506	454,473,848
Contingent Liabilities and Commitments		
Letters of Credit	203,550	1,570,690
Letters of guarantee	97,352,192	88,269,634
Undrawn loan commitments	-	343,606
Total credit related commitments	97,555,742	90,183,930
Total credit risk exposure before credit risk mitigation	603,775,248	544,657,778
Credit risk mitigation		
Cash Margin	23,521,280	26,014,262
Real estates	16,181,544	25,367,608
Total Credit risk mitigation	39,702,824	51,381,870
Total credit risk exposure after credit risk mitigation	564,072,424	493,275,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

27 RISK MANAGEMENT (CONTINUED)

A. Credit Risk (continued)

- Credit quality by class of financial assets is as follows:

Financial assets neither past due nor impaired:

2024	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	124,765,621	27,825,743	152,591,364
Government - public sector	339,987,732	-	339,987,732
Retail	-	7,426,551	7,426,551
Corporate	-	-	-
	464,753,353	35,252,294	500,005,647

2023	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	92,198,625	29,454,591	121,653,216
Government - public sector	317,256,725	-	317,256,725
Retail	-	11,291,247	11,291,247
Corporate	-	-	-
	409,455,350	40,745,838	450,201,188

Impaired financial assets

2024	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	240,565	210,717	936,000
Corporate	-	-	-
	240,565	210,717	936,000

2023	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	535,760	308,571	1,795,900
Corporate	-	-	-
	535,760	308,571	1,795,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

27 RISK MANAGEMENT (CONTINUED)

B. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

C. Interest rate gap

The following analysis shows interest rate re-pricing or maturity dates; whichever is earlier:

2024	Up to 3 Months	3 months to 1 year	Over 1 year	Non-interest bearing	Carrying Amount
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets					
Cash and balances with Central Bank of Iraq	-	–	–	144,821,616	144,821,616
Balances with banks, net	9,170,000	–	–	18,653,860	27,823,860
Direct credit facilities, net	412,586	928,319	6,085,646	–	7,426,551
Financial assets at fair value through other comprehensive income	–	–	–	1,448,313	1,448,313
Financial assets at amortized cost, net	5,878,625	85,878,625	248,176,987	–	339,934,237
Property, equipment and right of use assets, net	–	–	–	5,940,204	5,940,204
Other assets, net	-	-	–	6,498,797	6,498,797
Total Assets	15,461,211	86,806,944	254,262,633	117,362,790	533,893,578
Liabilities					
Due to banks	-	-	-	1,093,975	1,093,975
Customers' deposits	-	18,340,000	-	132,964,503	151,304,503
Current tax liabilities	-	-	-	2,058,857	2,058,857
Other liabilities	-	-	-	23,420,586	23,420,586
Total liabilities	-	18,340,000	-	159,537,921	177,877,921
Interest rate gap	15,461,211	68,466,944	254,262,633	17,824,869	356,015,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 RISK MANAGEMENT (CONTINUED)

C. Interest rate gap

2023	Up to 3 Months	3 months to 1 year	Over 1 year	Non-interest bearing	Carrying Amount
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets					
Cash and balances with Central Bank of Iraq	-	–	–	113,546,509	113,546,509
Balances with banks, net	26,452,157	–	–	3,000,395	29,452,552
Direct credit facilities, net	627,291	1,411,406	9,252,550	–	11,291,247
Financial assets at fair value through other comprehensive income	–	–	–	1,367,644	1,367,644
Financial assets at amortized cost, net	58,418,454	11,773,625	246,926,895	–	317,118,974
Property, equipment and right of use assets, net	–	–	–	6,129,009	6,129,009
Other assets, net	-	-	–	7,460,235	7,460,235
Total Assets	85,497,902	13,185,031	256,179,445	131,503,792	486,366,170
Liabilities					
Due to banks	-	–	–	448,375	448,375
Customers' deposits	9,627,538	18,340,000	-	104,019,497	131,987,035
Current tax liabilities	–	–	–	3,149,361	3,149,361
Other liabilities	–	–	–	33,073,475	33,073,475
Total Liabilities	9,627,538	18,340,000	–	140,690,708	168,658,246
Interest rate gap	75,870,364	(5,154,969)	256,179,445	(9,186,916)	317,707,924

D. Currency risk

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank has significant net currency exposure towards US Dollar, based on foreign currency assets and liabilities held at 31 December 2024 and 2023. Hence, sensitivity of the Bank's consolidated statement of comprehensive income to a reasonably possible change in the exchange rate between the Iraqi Dinar and US Dollar was significant.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Bank's profit before tax due to changes in the carrying value of monetary assets and liabilities. The impact on equity is the same as the impact on profit before tax

	Effect on profit before tax for the year ended 31 December	
Increase/decrease foreign exchange rate	2024 Increase (Decrease)	2023 Increase (Decrease)
+10%	3,942,590	11,357,918
-10%	(3,942,590)	(11,357,918)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

27 RISK MANAGEMENT (CONTINUED)

E. Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. Most of the Bank's financial assets at fair value through other comprehensive income are listed on the Iraq Stock Exchange. The effect of a 10% increase or decrease in these shares will result in an IQD 62,884 thousand (2023: IQD 54,817 thousand) increase or decrease in the fair value reserve.

F. Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Bank has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of Iraq. Net liquid assets consist of cash, short term deposit and liquid debt securities available for immediate sale, less deposits due to banks mature within three months.

The table below summarizes the expected maturity profile of the Bank's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled.

2024	Up to 3 Months	3 to 6 months	6 to 12 months	More than 12 months	Undated	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets						
Cash and balances with Central Bank of Iraq	144,821,616	–	–	-	-	144,821,616
Balances with banks, net	27,823,860	–	–	-	-	27,823,860
Direct credit facilities, net	412,586	309,440	618,879	6,085,646	-	7,426,551
Financial assets at fair value through other comprehensive income	–	–	–	-	1,448,313	1,448,313
Financial assets at amortized cost, net	5,878,625	-	85,878,625	248,176,987	-	339,934,237
Property, equipment and right of use assets, net	–	–	–	5,940,204	-	5,940,204
Other assets, net	296,142	345,247	5,857,408	-	-	6,498,797
Total Assets	179,232,829	654,687	92,354,912	260,202,837	1,448,313	533,893,578
Liabilities						
Due to banks	1,093,975	-	-	-	-	1,093,975
Customers' deposits	132,290,066	125,303	18,468,758	420,376	-	151,304,503
Current tax liabilities	-	2,058,857	-	-	-	2,058,857
Other liabilities	3,482,537	1,279,311	10,630,024	8,028,714	-	23,420,586
Total liabilities	136,866,578	3,463,471	29,098,782	8,449,090	-	177,877,921
Net liquidity position	42,366,251	(2,808,784)	63,256,130	251,753,747	1,448,313	356,015,657

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27 RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk

2023	Up to 3 Months	3 to 6 months	6 to 12 months	More than 12 months	Undated	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets						
Cash and balances with Central Bank of Iraq	113,546,509	–	–	-	-	113,546,509
Balances with banks, net	29,452,552	–	–	-	-	29,452,552
Direct credit facilities, net	627,291	470,469	940,937	9,252,550	–	11,291,247
Financial assets at fair value through other comprehensive income	–	–	–	-	1,367,644	1,367,644
Financial assets at amortized cost, net	58,418,454	-	11,773,625	246,926,895	–	317,118,974
Property, equipment and right of use assets, net	–	–	–	6,129,009	-	6,129,009
Other assets, net	1,724,715	2,587,073	3,148,447	-	-	7,460,235
Total Assets	203,769,521	3,057,542	15,863,009	262,308,454	1,367,644	486,366,170
Liabilities						
Due to banks	448,375	–	–	-	-	448,375
Customers' deposits	109,691,469	1,324,141	20,878,835	92,590	-	131,987,035
Current tax liabilities	–	3,149,361	–	-	-	3,149,361
Other liabilities	3,158,524	1,121,556	12,042,454	16,750,941	-	33,073,475
Total Liabilities	113,298,368	5,595,058	32,921,289	16,843,531	-	168,658,246
Net liquidity position	90,471,153	(2,537,516)	(17,058,280)	245,464,923	1,367,644	317,707,924

G. Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited to: sovereign events such as defaults or restructuring; political events such as contested elections; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

H. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

I. Concentration of Risk in Geographical Area

The Bank carries out most of its activities in Iraq, the political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28 SEGMENT INFORMATION

For management purposes, the Bank is organized into three major business segments as following:

Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury and investments: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

These segments are the basis on which the Bank reports its primary segment information:

	Retail Banking	Corporate Banking	Treasury and investments	TOTAL	
				2024	2023
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	1,260,516	1,567,791	56,202,768	59,031,075	34,380,157
Net recovery (allowance) for expected credit losses	528,329	-	90,037	618,366	(45,953)
Segment results	1,788,845	1,567,791	56,292,805	**59,649,441**	**34,334,204**
Unallocated expenses	(1,282,022)	(388,845)	(17,694,582)	(19,365,449)	(16,110,152)
Profit before tax	506,823	1,178,946	38,598,223	**40,283,992**	**18,224,052**
Income tax	-	-	(2,056,928)	(2,056,928)	(3,147,432)
Net profit	506,823	1,178,946	36,541,295	**38,227,064**	**15,076,620**
Other information					
Segment assets	7,426,551	-	514,028,026	521,454,577	472,776,926
Unallocated assets	153,435	1,927	12,283,639	12,439,001	13,589,244
Total Assets	7,579,986	1,927	526,311,665	533,893,578	486,366,170
Segment liabilities	16,311,360	134,993,143	1,093,975	152,398,478	132,435,411
Unallocated liabilities	178,231	667,035	24,634,177	25,479,443	36,222,835
Total Liabilities	16,489,591	135,660,178	25,728,152	177,877,921	168,658,246
Capital expenditure				**2,048,886**	**1,712,200**
Depreciation				**1,253,484**	**1,039,408**

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28 SEGMENT INFORMATION

Geographical Information

The following table shows the distribution of the Bank's operating income, assets and liabilities by geographic segment.

2024	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Total Income	58,125,629	905,446	59,031,075
Total Assets	506,163,435	27,730,143	533,893,578
Total Liabilities	170,865,530	7,012,391	177,877,921

2023	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Total Income	33,062,691	1,317,466	34,380,157
Total Assets	457,008,498	29,357,672	486,366,170
Total Liabilities	165,230,804	3,427,442	168,658,246

29 CAPITAL MANAGEMENT

The Bank manages its capital on a constant basis to cover the risks associated with its activities. This process includes measuring its capital adequacy according to the percentages set by the Central Bank of Iraq.

The main purpose of managing the Bank's capital is to ensure compliance with capital adequacy regulations and therefore, protect the shareholders' interests in the Bank's assets, and to support the operations of the Bank's various segments.

At end of 31 December 2024, there were no changes in the Bank's policies and regulations, and the methods used to manage the capital.

The Bank increased its capital by IQD 42.5 billion on 4 November 2024 to become IQD 292.5 billion

	2024 IQD (000)	2023 IQD (000)
Primary capital		
Paid in capital	292,500,000	250,000,000
Statutory reserve	26,995,464	23,182,796
Other reserves	401,557	320,888
Retained earnings	35,718,253	43,904,235
Total Primary capital	355,615,274	317,407,919
Supplementary capital		
General provisions	187,427	350,650
Total Supplementary capital	187,427	350,650
Total primary and supplementary capital	355,802,701	317,758,569
Total risk weighted assets	198,650,339	228,039,722
Capital adequacy (%) *	179.1%	139.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29 CAPITAL MANAGEMENT (CONTINUED)

* The Bank's capital ratio is calculated in accordance with the capital adequacy guidelines, under Basel III, issued by the Central Bank of Iraq. The minimum capital adequacy ratio is 12.5% (2023: 12.5%). The Bank capital ratio is 179.1% as of 31 December 2024 (2023: 139.3%).

30 CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2024 IQD (000)	2023 IQD (000)
Letters of guarantee	97,352,192	88,269,634
Letter of Credit	203,550	1,570,690
Undrawn loan commitments	-	343,606
	97,555,742	90,183,930

31 LAWSUITS

There are several lawsuits raised against the Bank in the normal course of business, and as a matter of prudence the management of the Bank believes that the provisions booked against those lawsuits are sufficient.

32 DEPOSITS PROTECTION SCHEME

All customers' deposits held with the Bank (except banks, governmental and margin deposits) are covered by the Deposits Security Scheme no.3 of 2016. This scheme covers eligible customers up to 51% for amounts below IQD 100 million and 25% for every amount over IQD 100 million which will be paid by the Iraqi Company for Deposits Insurance. A monthly contribution as paid by the Bank under this scheme as mandated by Central Bank of Iraq.

33 SUBSEQUENT EVENT

The bank commenced its banking operations in accordance with Islamic Sharia as of 1 January 2025. Consequently, the subsequent financial statements will be prepared in accordance with the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

34 COMPARATIVE FIGURES

Some of the comparative figures for the year 2023 have been reclassified to correspond with those of 31 December 2024 presentation. The reclassification did not have any effect on profits or equity of 2023.