

AL JANOOB ISLAMIC BANK FOR INVESTMENT & FINANCE

ANNUAL REPORT FOR THE YEAR 2021

Message from Chairman In the Name of Allah, the Merciful

Praise be to God, Lord of the worlds, and prayers and peace be upon the most honorable creation of God, our master Muhammad and his family.

Peace be upon you and God's mercy and blessings be upon you.....

Although a short period of no more than five years has passed since the establishment of Al Janoob Islamic Bank for Investment and Finance, it was able to extend its roots through its various activities in the Iraqi Islamic banking sector represented by Islamic banks.

The bank's strategy was entrenched through its practice of banking operations in compliance with Islamic law of all kinds, as well as its consistency with the monetary policy directions drawn by the Central Bank of Iraq.

The bank's course of its direct and indirect activities witnessed harmony and compliance with the laws, instructions and regulations that frame the work of the Iraqi banking system, which goes along with the trend of economic openness and reform.

AL Janoob Bank prepared its investment and financing strategy in accordance with the best international practices, bearing in mind the building of a base of skills, finances, investments and partnerships that are consistent with Islamic banking standards, accounting standards and control. The management of the bank represented by the board of directors and the executive management at all levels supported the directions of stimulating project financing within the initiative of the Central Bank, as well as supporting the housing sector, and the all types of Islamic Murabaha and Mudaraba. Participation in social responsibility represented a well-established approach in the bank's activities.

Therefore, the financial results and the results of social responsibility came as a positive outcome of the distinguished performance patterns of Al Janoob Islamic Bank.

At the conclusion of this brief speech, I can only express my appreciation to all employees of the bank as well as the general assembly and major shareholders for their good intentions, sincerity towards achieving the goals of the bank.

We pray to God to accept our gratitude and our constant invocation for His blessings, as we pray for acceptance and blessing for the family of our bank.

Peace, mercy and blessings of God,

Prof. Dr. Mahmoud Mohamed Dagher

Chairman of The Board of Directors

Our Message...

Commitment to establishing the values of the Islamic process in dealing with everyone In accordance with the rules and principles of the tolerant Islamic Sharia, service In the interest of the general community and in order to achieve a balance between Interests of stakeholders, investors, customers and staff.

Our Vision...

Together, we grow ... and we seek to reach everything new in the field of banking, technology and digital, and to deliver modern banking products and services to different geographical areas and segments of society.

Our Values...

- Work in the spirit of honest competition.
- Efficiency and excellence in Islamic banking.
- Justice in the distribution of Islamic banking services and products.
- Enhancing the concept of social responsibility and translating it into Islamic banking

Report of the Board of Directors of Al Janoob Islamic Bank for Investment and Finance

(Private Joint Stock Company) Baghdad

Bank's activities for the fiscal year ending on 31 / December / 2021

Ladies and gentlemen, the respected shareholders of Al Janoob Islamic Bank...

Peace, mercy and blessings of God...

The Board of Directors of Al Janoob Islamic Bank for Investment and Finance is pleased to present to the shareholders the comprehensive annual report on the bank's performance attached to the financial statements for the fiscal year ending on December 31, 2021 and in accordance with the provisions of Articles (134, 117) of the Companies Law No. 21 of 1997 (Amendment) and instructions The unified accounting system for banks and insurance companies, the accounting rule No. (10) Issued by the Accounting and Supervisory Standards Board in the Republic of Iraq and the international accounting standards and provisions of the Banking Law No. 94 of 2004 and the Islamic Banking Law No. (43) Of 2015 and the instructions of the Central Bank of Iraq.

General introduction:

The year 2021 was marked by several economic obstacles represented by COVID-19 pandemic which had an unprecedented economic shock for the world economy, Globally and internally. In addition, one of the most important achievements of our bank in 2021 is financing the food basket.

The government's current strategic priorities include giving priority to diversifying the economy, and enhancing the role of the private sector in achieving inclusive economic growth, which creates more job opportunities. In this context, the government has given priority to improving the business and investment environment.

The prospects for economic growth in Iraq are still contingent on the government's ability to stimulate economic activity and continue reconstruction efforts. In this regard, the importance of financial policies supporting growth is highlighted, which necessitates further efforts towards controlling public finances and providing more resources for investment spending, as the general budget recently witnessed a significant increase in current expenditures at the expense of investment expenditures, which is reflected in the performance of the non-oil sector. In the event

of the persistence of the structural challenges facing the state budget, the rivalry of current spending over capital spending is expected to have an unfavorable impact on economic activity.

The most prominent priorities in this regard are setting limits for current spending in the general budget starting from 2021, with reforms directed towards strengthening the capacity of the fiscal framework to support growth enhancing capital spending, and adapting to fluctuations in oil prices, by containing the large increase in public sector wages, directing more spending to improve services to support activity in the non-oil sector, and improving public money management.

The matter depends on the success of the government's efforts to confront the negative effects of the Corona pandemic and then return to the path of economic recovery.

In light of the foregoing, our bank stived to maintain its leading position within the Iraqi Islamic banks, and then, improve performance in general, in order to achieve the goals, set until 2023.

First: General information: -

1- A brief summary of the bank: -

A- Establishing the bank:

The bank was established after its transformation from a financial transfer company in the name of (Al-Janoob Financial Transfer Company) a private shareholding company that was established according to the incorporation certificate issued by the Companies Registration Department with No. (68848-1) on 11/6/2009 to (Al Janoob Islamic Bank for Investment and Finance) according to the Companies Registrar letter No. (807) on 13/1/2016 regarding the completion of the procedures and the increase of its capital from (45) billion dinars to (100) billion dinars, According to the letter of the Central Bank of Iraq, the General Directorate of Banking and Credit Monitoring issued in Number (3/9/1791) on 2/2/2016 regarding the final approval for practicing banking business, the bank began its actual activity on 7/3/2016.

B- The Bank's main objectives :

- Exercising Islamic banking and investment activities in accordance with the tolerant Islamic Sharia and under the supervision and control of the Central Bank of Iraq and under the Central Bank Law No. (56) For the year 2004 and the Iraqi Banks Law No. (96) For the year 2004 and the Companies Law No. (21) For the year 1997 as amended and the Islamic Banking Law No. (43) Of 2015.

- The continuous and serious pursuit of developing banking services through the acquisition of modern systems and increasing banking awareness among the public by making them aware of the use of modern electronic services to keep pace with the development taking place in other countries of the world.

- Developing the quality of banking and Islamic products in line with the nature of society and its various segments.

-Maintaining the bank's distinguished position among its peers' Islamic banks.

-Contributing to support the monetary policy set by the Central Bank as well as development and economic projects of the country.

C- Nature of activities carried out by the bank:

Our bank continued to work with its strategic plan of establishing a solid banking entity built on solid foundations to be able to face any challenges or emergency circumstances. Our bank continued practicing all advanced banking business in accordance with Islamic Sharia, such as:

- To open current and savings accounts and accept deposits of all kinds for individuals and companies in the main currencies (dinars and dollars).
- Granting credit facilities in accordance with Islamic finance formulas such as (mudaraba, murabaha, musharakah, leasing and istisna) in addition to trade finance services, mainly issuance of letters of guarantee and documentary credits.

- Employing funds in various short and long-term investment activities in accordance with the latest technology techniques in this field to promote economic development and to achieve the bank's goals.
- Providing advanced electronic channels specialized in providing electronic services to the customer, such as the use of electronic cards VISA and the ATM services deployed in Baghdad and the branches and Internet banking services, in addition to a call center to answer customer inquiries and provide immediate solutions to them.
- Money transfer services through the Western Union system, which is considered a fast, secure, and safe way to transfer and receive money.
- Contributing by financing SME's enterprises in a way that serves the economic development of the country and limits the phenomenon of unemployment and actively contributes to creating job opportunities for various segments of society.
- Domiciliation of employees' salaries working in the public and private sector as ministries and governmental and non-governmental institutions according to an action plan focused on covering the largest geographical area to provide banking services for this important segment of society.
- Financing the food basket for the Iraqi people, as one of our customers obtained a food basket contract from the Iraqi government. Currently, our bank is financing the import of food basket items through direct financing (Murabahat) and indirect financing (Letter of credit LC).

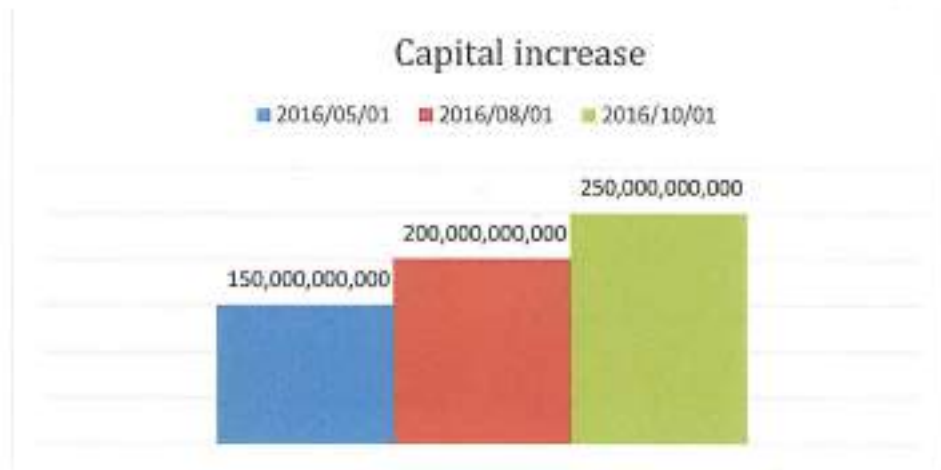
2-Developments in the banks paid-in capital: -

The bank's capital is (250) billion Iraqi dinars, representing (250) billion shares, and it was fully paid during the year 2016 according to the requirements of the Central Bank of Iraq and the relevant laws and regulations. The following are the developments in the capital increase :-

-During May/2016 the capital was increased from 100 billion Iraqi Dinars to 150 billion Iraqi Dinars .

-During August/2016 the capital was increased from 150 billion Iraqi Dinars to 200 billion Iraqi Dinars .

-During October/2016 the capital was increased from 200 billion Iraqi Dinars to 250 billion Iraqi Dinars.



3-The bank's plan for the year 2021 was based on: -

1. Continuation of the bank's policy, which includes expanding the customer base and attracting the largest number of deposits of various kinds.
- 2 .Continuing to diversify and develop banking products and introduce new products for the purpose of diversifying sources of revenue and maintaining stability and growth of profits by taking advantage of available market opportunities.
3. Continuing the bank's plan to open branches and the procedures for geographical expansion in the rest of the governorates, and to prepare qualified human cadres to manage those branches.
- 4 .Continuing to strengthen cooperation with local banks and open new horizons with foreign banks by establishing cooperative relations to serve this trend.
- 5.Participation in investment projects and major feasible financing operations in a manner that serves economic development and contributes to the socio-economic development of the country.
- 6 . Continuing the plan to develop and train the banking cadres by intensifying training courses inside and outside the country, in addition to workshops that are prepared inside the bank.
- 7 . Providing Islamic financing to individual and corporate clients based on their cash flows in addition to the bank acceptable guarantees they provide and by studying all types of risks.
8. Dedicating a work methodology committed to controlling various risks to reduce the risks that the bank may be exposed to , such as (market risk, liquidity, financing risk, exchange rate risk, and operational risk) and develop appropriate recommendations and procedures to deal with them first.
9. Develop banking procedures in accordance with the bank's long-term strategy and in line with the principles of corporate governance.

Second: Board of Directors: -

A- Duties and Responsibilities:

The Board of Directors is working to build a large and sober institution that is based on strong and solid foundations and is based on a sound banking base. The Board is keen to implement scientific banking policies based on the principles of sober and sound banking through the application of all applicable laws and instructions in accordance with the rules and standards of the Corporate Governance Guide issued by the Central Bank of Iraq in order to build a sound economic entity to face all challenges and economic and security conditions and avoid risks in order to raise the bank to the level of reputable Arab and regional banks, and it bears the following responsibilities and tasks:

- Drawing up the bank's strategic goals and following up on their implementation accurately and smoothly by the executive management.
- Periodic review of all procedures and policies in place to ensure the extent of their effectiveness and the extent of executive management's commitment to implementing them.
- Access the periodic reports of the supervisory departments through the committees formed and linked to the Board of Directors, in accordance with the stipulations of the principles of banking governance.
- Reviewing the planning budgets submitted to him by the executive management and approving them.
- Ensuring the extent of the bank's compliance with financial disclosures in accordance with AAOIFI and IFRS and relevant legislation.
- Reviewing the quarterly financial statements and final accounts of the bank and ensuring that they fulfill all the financial conditions and explanations and submitting them to the general assembly at its annual meeting for approval.
- Access the reports of the functional cadres and the prepare workers and determine their wages and remuneration according to the experiences and competencies they enjoy.
- The Board adopts the guiding standards and basic rules for banking governance due to its conviction of their importance in enhancing the bank's performance, upgrading the risk system, activating all the committees emanating from it, and taking all necessary decisions to implement them.

B- Board of directors Structure:

The Board of Directors consists of seven original and seven alternate members who have banking, financial and commercial experience, as they were elected by the General Assembly. The following is a table with the names of the board's members and the number of shares they own: -

No	Names	Shares	Positions
1	Prof. Dr. Mahmoud Mohamed Mahmoud Dagher	1,000,000	Chairman of Board of Directors
2	Zuhair Abdul Karim Jabbar	1,000,000	Deputy Chairman of the Board
3	Uday Saadi Ibrahim Khalil	1,000,000	Managing Director and Board Member
4	Dr. Ibtihal Kased Al-Zaidi	1,000,000	Member of the Board of Directors
5	Dr. Ali Abdul-Ilah Abdul- Jabbar	1,000,000	Member of the Board of Directors
6	Thaer Mohiuddin	1,000,000	Member of the Board of Directors
7	Dr. Raja Aziz Bandar Khalil	1,000,000	Member of the Board of Directors
8	Qais Zaki Younes Abdullah	100,000	Alternate member
9	Prof. Dr. Soraya Abdel Rahim Ali Kazem	1,000,000	Alternate member
10	Dr. Rahim Hassouni ziara	1,000,000	Alternate member
11	Dr. Abdul Rahman Mustafa	1,000,000	Alternate member
12	Ali Abbas Hassan	5,000,000	Alternate member
13	Qasim Abbas Hassan	5,000,000	Alternate member

C - The Chairman and members of the Board received remuneration of 162 million Iraqi dinars during year 2021.

D - The number of meetings held by the Board of Directors during the year 2021 reached (13) meetings to discuss various issues of concern to the bank's policy and directions.

E - Below is the number of shareholders who own more than (5%) of the bank's capital

No	Names	Number of Shares
1	Ali Falih Kadhim	24,750,000,000
2	Ra'ed Hassan Abbas	24,750,000,000
3	Hassan Falih Kadhim	24,749,900,000
4	Rasha Ali Hassoun	24,180,000,000
5	Huda Shaghathi Kadhim	23,400,000,000
6	Sundus Shaghathi Kadhim	23,400,000,000
7	Yousif Hassan Falih	15,425,000,000

F- Board of Directors Committees:

First-Social Responsibility Committee

Prof. Dr. Mahmoud Mohamed Mahmoud Dagher	Chairman of Board of Directors	Chairman of the Committee
Dr. Ibtihal Kased Al-Zaidi	Member of the Board of Directors	member
Hisham Abdel Latif mohamed	Compliance Manager	member

Second- Audit Committee

Zuhair Abdul Karim Jabbar	Deputy Chairman of the Board	Chairman of the Committee
Dr. Raja Aziz Bandar Khalil	Member of the Board of Directors	Member
Thaer Mohiuddin	Member of the Board of Directors	Member
Diaa Shaghathi	Legal Department Manager	Reporter of the Committee

Third- Nomination and Remuneration Committee (Human Resources)

Dr. Abdul Rahman Mustafa	Member of the Board of Directors	Chairman of the Committee
Dr. Ibtiha! Kased Al-Zaidi	Member of the Board of Directors	Member
Qasim Abbas Hassan	Member of the Board of Directors	Member
Manar Mustafa Idan	Board Secretary	Reporter of the Committee

Fourth-Risk Management Committee

Dr. Soraya Abdel Rahim Ali Kadhim	Member of the Board of Directors	Chairman of the Committee
Dr. Ali Abdul-Ilah Abdul-Jabbar	Member of the Board of Directors	Member
Qais Zaki Younes Abdullah	Member of the Board of Directors	Member
Rita George	Risk Manager	Reporter of the Committee

Fifth-Corporate Governance Committee

Prof. Dr. Mahmoud Mohamed Mahmoud Dagher	Chairman of Board of Directors	Chairman of the Committee
Dr. Rahim Hassouni Ziara	Member of the Board of Directors	Member
Dr. Ali Nader Muhammad Al-Mandalawi	Member of the Board of Directors	Member
Rita George	Risk Manager	Reporter of the Committee

G- Executive management committees:

First-Investment and Treasury Committee

Naseem Mohammed Kheir Al Hajjar	Chief Financial Officer	Chairman of the Committee
Samer Emad Mansour	Branches Department Manager	Member
Firas Fadel Ali	Deputy Investment Manager	Reporter of the Committee

Second- Credit Committee

Hadeel Taha Najm	Credit Department Manager	Chairman of the Committee
Aya Hussein Ali	Credit Control Manager	Member
Naseem Mohammed Khair Al hajjar	Chief Financial Officer	Member

Third - Steering Committee for Communication and Information Technology

Uday Saadi Ibrahim Khalil	Managing Director and Board Member	Chairman of the Committee
Bassam Diab Ahmed Al-Bitar	Operation Manager	Member
Badr Merdes Jaber	IT Department Manager	Reporter of the Committee
Rita George	Risk Manager	Member
Rafah Thamir Abed Zubayr	Internal Sharia Audit Manager	Observer Member

Third: The Executive Management of Al Janoob Islamic Bank: -

The executive management of the bank, headed by the managing director, is responsible for implementing the policies and plans set for it by the board of directors and following up on their implementation. It works with every effort and perseverance to achieve the goals set by Board in light of the applicable laws, regulations and instructions, especially the Central Bank Law, the Commercial Banks Law, the Islamic Banks Law, and the Money Laundering and Terrorist Financing Law.

The following are the names and positions of the senior management of the bank during 2021:

No.	Name	Position
1	Uday Saadi Ibrahim Khalil	Managing Director
2	Ali Shaker Khalaf	Deputy Managing Director
3	Haitham Mustafa Mohamed	Deputy Managing Director
4	Bassam Diab Ahmed Al-Bitar	Operation Manager
5	Naseem Mohammed Kheir Al Hajjar	Chief Financial Officer
6	Hisham Abdel Latif Mohamed	Compliance Manager
7	Rafah Thamir Abed Zubayr	Sharia Audit Department Manager
8	Rita George Roman	Risk Manager
9	Diaa Shaghati Kadhim	Legal Department Manager
10	Istbraq Majid Khorshid	Banking Awareness Manager
11	Adel Hattab Dasher	Engineering Department Manager
12	Rania Sami Al-Tanir	Human Resources Manager
13	Badr Merdes Jaber	IT Department Manager
14	Soheir Mohamed Khudair	Anti-Money Laundering Manager
15	Aya Hussein Ali	Credit Control Department Manager

Fourth: A brief summary of the bank's employees: -

Our bank seeks to recruit and attract specialized competencies and expertise, each according to its specialization, in addition to raising the level of employees' performance by engaging them in training courses for the purpose of qualifying manpower capable of leadership, development, and professional management of all businesses. The following is a summary of the number of employees and their scientific certificates: -

A- The number of employees in the bank (permanent) at the end of 2021 reached (208) employees distributed over the Headquarter and branches as follows: -

No.	Position	Quantity
1	Managing Director	1
2	Deputy Managing Director	2
3	Departments Managers	17
4	Branch Managers	8
5	Deputy Managers	20
6	Employees	160
	Total	208

B- Below are explanatory data regarding the academic qualifications of the bank's staff:

No.	Education / Scientific Certificate	Quantity
1	Ph. D	1
2	Chartered Accountant	2
3	Master Degree	8
4	Bachelor	153
5	Diploma	13
6	Less than a diploma	31
	Total	208

c- Security Protection Network: -

The Bank Continues to develop the security network, to provide the best levels of security protection through providing the security personnel with the newest security tools and monitoring systems in all bank branches.

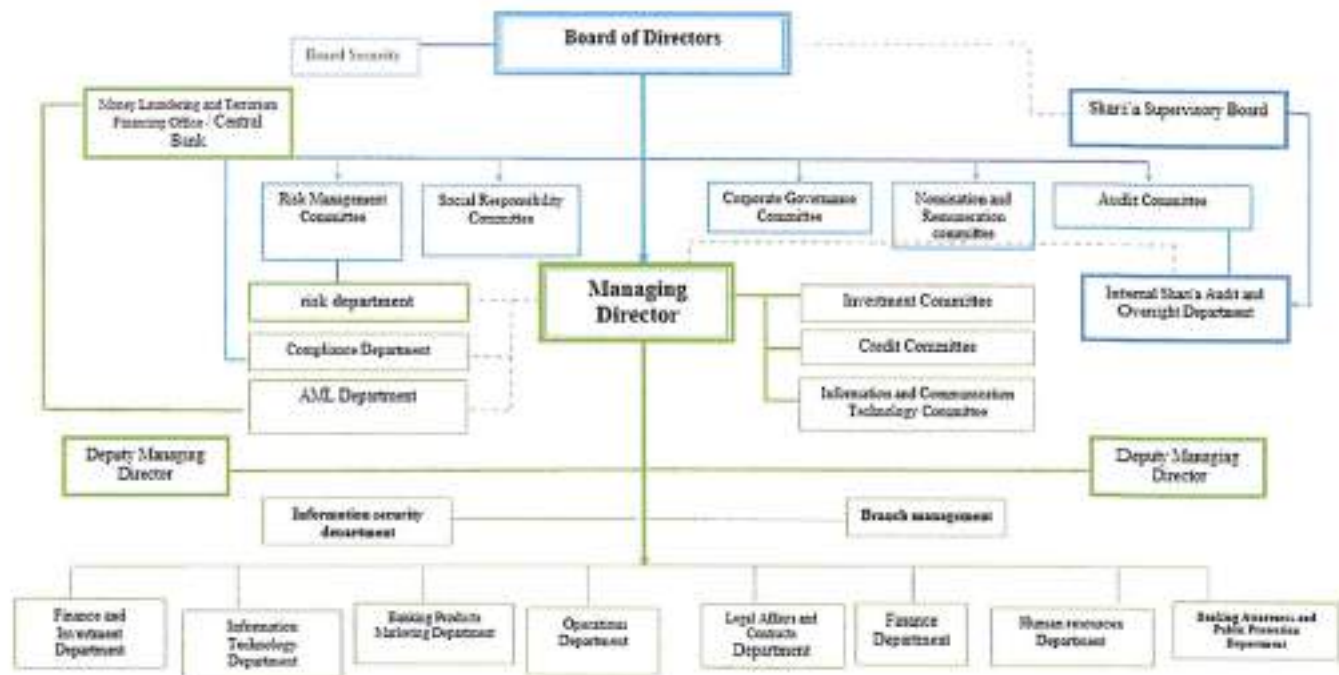
E - Below is a table of the total cadre expenditures for the year 2021:

Total salaries, wages, and employee benefits	3,359,362,075
Training and Development	6,168,200
Travel Expenses	63,980,322

f-The following are the most important training courses held during the year 2021:

Training Courses	No.
Courses inside the bank	6
Courses outside the bank	30
Courses abroad	1

Fifth: The organizational Chart of the bank:



Sixth: The Sharia Board: -

The Sharia Board is directly linked to the Board of Directors and is independent from the Executive Management in implementing its role.

-The main objectives of the Sharia supervisory board: -

1. Verify that the bank's management has fulfilled its responsibility in applying the Islamic Sharia law in its banking transactions.
2. Verify that any product, service, or activity applied by the bank is in line with Islamic Sharia.
3. Achieving an integrative supervisory role with other supervisory departments, with the aim of building an effective audit base.

Role of the Sharia Supervisory Board: -

1. Reviewing and approving instructions, work procedures and credit decisions issued by the bank's management.
2. Answer all inquiries and questions referred to it by executive management.
3. Reviewing all contracts concluded by the bank and ratifying them in a manner consistent with Islamic Sharia.
4. Participation in awareness campaigns for Islamic financial institutions.

The Sharia Board Members:

The Sharia Board in our bank consists of the gentlemen whose names are mentioned below: -

- Dr. Adel Abd Al-Sattar Abd Al-Hassan
- Duraïd Dawood Salman
- Shihab Ahmed Ali
- Ahmed Judy Mohamed
- Dr. Mohammed Helou Daoud Al- Khorassan

Seventh: Bank Correspondents: -

In pursuit of the bank's management to expand the establishment of international relations and the establishment of solid relations with a number of Arab, regional and international banks, accounts have been opened with the following correspondent banks: -

ARAB AFRICAN BANK
BANK OF JORDAN
HOUSUNG BANK
SAFWA ISLAMIC BANK
UBAF FRANCE
ABU DHABI ISLAMIC BANK
CREDIT LIBANAIS
ARES BANK
CAPITAL BANK
BANQUE MISR
INVEST BANK
ALBARAKA TURK
BIA BANQUE
JORDAN COMMERCIAL BANK
ZIRAAT BANK
JORDAN ISLAMIC BANK (ABG group)

Eighth: Bank branches and locations: -

Below is a list of the bank's branches and their locations: -

Branch	Type	Address
Main	Owned	Baghdad/ Al-Wahda district
Al-Rasheed	Leased	Baghdad / Al-Rasheed St.
Al-Mustansiriyah	Leased	Baghdad/ Filasteen St.
Samawa	Owned	Al-Muthanna Governorate/ Al-Hussain Distirct/ The four streets.
Basra	Owned	Basra Governorate / Mannawi Basha/ Istiqlal St.
Mosul	Leased	Ninawa Governorate/ Al- Jazaer District
Diwaniyah	Owned	Diwaniyah Governorate / Um Al-Khail District
Najaf	Owned	Najaf Governorate / Al-Amir District
Al-Kut	Owned	Wasit Governorate / Al- Hawra District

* All retirement outlets have been closed except for Baghdad Governorate / which is in public retirement.

Nineth: The Credit policy of the bank: -

The bank abided to establish a balanced credit policy based on international standards in accordance with the dictates of Islamic law, taking into account the decisions and instructions issued by the Central Bank of Iraq, and in this context, the bank adopted a policy of granting credit and Islamic financing on the principle of dealing with low-risk credits, good guarantees and within the controls and the banking rules, where the total funds granted during the year 2021 amounted to (166,305,311,888) (One hundred and sixty-six billion three hundred and five three hundred eleven thousand eight hundred and eighty-eight Iraqi dinars) Increased 40% over last year and distributed as follows: -

Type of Islamic financing	Balance as of December 31, 2021
Murabaha Financing	150,902,563,249
Musharakah Financing	15,012,000,000
Alqard Alhassan	390,748,639
Total Islamic financing	166,305,311,888

Tenth: The Investment policy of the bank: -

The investment activity is considered one of the main activities of our bank and it is prepared according to an investment policy based on solid investment principles and standards that are compatible with the bank's future policies, procedures and plans and within the instructions and laws in force and through the investment of cash surpluses, taking into consideration the needed liquidity to meet the withdrawals and in this context the bank abided to diversify the investment portfolio on many long-term investment projects with high flexibility and avoiding high-risk investments, as the total balance of investments amounted (19,109,636,923) Only nineteen billion, one hundred and nine million, six hundred and thirty-six thousand, nine hundred and twenty-three Iraqi dinars. The bank also has an investment in progress represented in the automation of the collection of water and sewage bills.

Eleven: Money Laundering and Terrorist Financing Reporting Section

In implementation of the instructions of the Central Bank of Iraq and in compliance with the Islamic Banking Law No. 43 of 2015 and the Anti-Money Laundering and Terrorist Financing Law No. 39 of 2015 the bank's board of directors was keen to set and adopt a clear policy and an integrated program and procedures for combating money laundering and terrorist financing. Money laundering crimes are considered one of the most dangerous crimes in the era of the digital economy, and it is the real challenge for financial and business institutions, and it is also a test of the ability of legal rules to achieve the effectiveness of confronting criminal activities and combating their patterns. Proceeds of crime, which are known as illegal dirty money to allow them to be used easily, as their crimes generate exorbitant money such as drug trafficking, arms smuggling, slaves, financial corruption and embezzlement activities. Recently, many countries in the region, the world and Iraq have increased interest, especially in confronting illegal money laundering operations, after the expansion of this phenomenon globally in light of globalization, the escalation of the information revolution and communications technology, the absence of transparency in commercial transactions, and the weakness of laws and regulations established by the state to limit them. It is clear that there is a growing concern among the countries of the world about the possibility of expanding this phenomenon, which is expressed by a series of research and studies, holding seminars and issuing regulations and instructions in this regard In addition to the strong international campaign led by the global anti-money laundering group (the International Financial Action Task Force), FATF of the Economic Cooperation Organization, the banking environment remains the most targeted site for the implementation of money laundering activities due to the fact that banks provide various banking services such as exchange and cash transfers by checks and money transfers Among others, banks are considered the spearhead for fighting money laundering and combating it to protect themselves from financial risks and legal liability.

Twelfth: The Bank's Privacy Policy: -

The bank applies a strict policy and follows strict procedures to keep customer information confidential and secure, and it emphasizes that measures and procedures are followed to ensure the confidentiality of the personal information that the bank obtains from the customers' dealings with them in a safe manner and guarantees its protection from loss, and random access to it by means of unauthorized entry or misuse of any person or its disclosure to an outside party is not permitted by law.

Among the procedures followed in Al Janoob Islamic Bank to maintain the confidentiality of information for its customers are the following: -

1. The modern and advanced electronic protection systems that the bank uses to prevent electronic piracy operations that do not allow unauthorized persons to access the systems.
2. Employees, the employees of Al Janoob Islamic Bank are qualified, trained and committed to Islamic banking and are governed by the principles of Islamic Sharia from the standpoint of trust and confidentiality.
3. The information submitted to the bank may not be disclosed to any party or organization except after obtaining the prior consent of the customer or according to a legal text or a decision issued by an Iraqi court.

Thirteenth: Customer Acceptance Policy (CAP)

The customer acceptance policy issued by Al Janoob Islamic Bank, approved and accredited by its board of directors, requires the bank to develop specific policies and work procedures to accept customers and verify their identities. Accordingly, operational work procedures have been formulated in accordance with the Customer Acceptance Policy that define the basis and general framework for the bank's acceptance of entering into any new relationship with any of the existing and/or new and/or potential clients of the bank when opening accounts, after that, they are classified according to the degree of their risks, and all their files, records, and data requested and submitted by them are kept. Where data is automated and archived, both paper and electronic on the system (BANKS).

The customer acceptance policy aims to:

1. Contribute to reducing the risks of fraud that the bank may be exposed to, creating an impenetrable environment for exploiting the bank and its reputation in achieving illegitimate goals, and contributing to the timely discovery and identification of any suspicious activities.
2. Sparing the bank from carrying out any transactions of suspicious natural or legal entities or persons.
3. Protecting the bank from exposure to financial fines or any other (local and/or international) penalties that may arise from non-compliance with the instructions and legislation issued by the competent authorities.
4. Enable the Bank to provide and submit all data and documents to official government and private agencies in cases suspected of involvement in illegal operations.

Fourteenth: Policy of Communication with Shareholders: -

The bank is always interested in maintaining a clear and fast communication mechanism with the shareholders and providing the necessary information for decision-makers, whether at the level of the General Assembly, the executive management, or the board of directors, relying on modern means of communication as well as publishing in local newspapers and the bank's website in a way that guarantees the delivery of messages to the shareholders or for the purpose of receiving Inquiries from shareholders about the status of the bank, its overall activity, and its future plan, and answering them in a timely manner.

Fifteenth: The Compliance Control and Financial Crimes Control Department:

An independent function that identifies the risks of non-compliance with laws, regulations and instructions, and sets the necessary recommendations to overcome those risks, and this function is implemented by the Sharia Compliance and Compliance Department.

The Compliance Control and Financial Crime Control Department is operationally linked (administratively and technically) to the Audit Committee emanating from the Board of Directors, and enjoys complete independence from all other activities and works of the Bank, and submits its periodic and emergency reports directly to the Audit Committee emanating from the Board with a copy of the reports sent to each of Chairman of the Board of Directors and Managing Director. The Compliance Control and Financial Crime Control Department consists of two departments that are operationally and administratively affiliated to the Head of the Compliance Control and Financial Crime Control Department.

The Head of the Compliance and Financial Crime Control Department reports directly to the Audit Committee emanating from the Board of Directors, with the exception of reporting suspicious activities, which are related to the Anti-Money Laundering and Terrorist Financing Office, as they are technically affiliated with the Office in accordance with the rules of the supervisory controls of banks and non-banking financial institutions regarding the fight against Money laundering and terrorist financing for the year 2016 issued by the Central Bank of Iraq.

One of the responsibilities of the Compliance Control Department is to monitor the extent to which departments and sections comply with the bank's compliance procedures and policies, and to coordinate with the heads of the concerned departments to address any deviations or violations. Preparing and implementing the compliance control policies, procedures and systems in the bank, preparing the department's control programs to ensure the extent to which the bank's departments, sections and branches comply with the laws in force and with the instructions and controls issued by the governmental supervisory authorities, Reviewing the regulatory statements issued by the bank's systems of compliance control and taking appropriate measures to address any violations, preparing the annual compliance control plan and submitting it to the Board for approval, Provide recommendations for all developments of laws, regulations and standards and any amendments

thereto by identifying and following up on the laws, legislation, instructions and controls of the Central Bank of Iraq that regulate the business of banks in Iraq and distributing them to the various departments to ensure that the bank is not exposed to the risks of non-compliance, Continuous follow-up on the developments of international sanctions programs and their economic and legal risks on the bank's external business and making recommendations to the board of directors and the executive management, preparing procedural and guiding manuals for monitoring Islamic banking compliance and supported by legal texts and Islamic financial standards, preparing a quarterly compliance report in accordance with the instructions of the Central Bank of Iraq in this regard, Monitoring the extent to which the Board of Directors adheres to the bank's internal system and governance standards in Islamic banks.

Sixteenth: Disclosure and Transparency: -

Al Janoob Islamic Bank discloses according to local and international standards for financial reporting and Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the instructions of the Central Bank of Iraq issued in accordance with the applicable banking law and relevant legislation and any requirements from any supervisory authority where the bank is obligated to disclose important information if it occurs in accordance with the instructions of the Iraq Market and the Securities Commission. The bank also prepares all information for shareholders and answers their inquiries through the annual reports of the financial statements.

Seventeenth: Internal Control System:

The Board of Directors is responsible for developing and implementing internal control systems as well as internal inspection by supervising the development of effective policies and procedures in order to protect depositors' funds and the ownership rights of shareholders. This administration is responsible for the extent of its consistency and compliance with the laws, regulations, and instructions, and propose appropriate recommendations regarding them, as this administration was granted independence and audit powers to be able to present its periodic reports as stated in the Institutional Governance Manual issued by the Central Bank of Iraq.

Eighteenth: Social Responsibility: -

Based on the bank's responsibility towards society, the bank has formed a committee called the Social Responsibility Committee, which is a committee consisting of members of the board of directors as well as officials in the higher executive management of the bank. The Committee policy is based on cooperation and social responsibility by providing material support and community volunteer work for the bank's family, and establishing coherence with the community through support for displaced families, providing treatment services to patients, and establishing an orphan sponsorship project, where the bank has allocated a percentage of its annual profits of (20%) to support the following sectors: -

Details	Range
Charitable institutions that take care of the affairs of orphans, the needy, and those with special disabilities by granting them monthly salaries	45%
Education sector	15%
Emergency relief (assisting the displaced and the areas affected by the liberation battles)	20%
Medical services inside and outside Iraq and others specified by the Social Responsibility Committee	20%

Whereas, the bank's contributions were not limited to that only, but also included other aspects such as the civilized aspect by supporting the Baghdad project, establishing the Peace Monument in Rasheed Street, and the cultural aspect through supporting Iraqi drama, supporting the Islamic Banking Magazine and holding exhibitions, in addition to supporting scientific and humanitarian conferences, other donations, and building infrastructure and many other social activities.

Nineteen: Electronic systems and modern technologies: -

In this regard, the bank's strategy is to invest in the available modern technologies and provide more options and flexibility in meeting the needs of customers as well as the ability to introduce new products more quickly and efficiently. In this context, the bank has introduced the following systems: -

Internet banking and mobile banking system
Anti-money laundering system
Monitoring financial movements on global lists (Sanction Screening)
Western union system
The system of linking electronic clearing and instant transfers (RTGS & ACH) with the banking system (SmartClear)
Biometric fingerprint and electronic signature system
FATCA reporting system with the IRS
HR System
Fixed asset system
Credit inquiry system
Credit facilities system
Bulk Salary System (Payment for Domiciliation)
Auto Hunting System
Administrative workflow diagram system
Electronic archiving system
Electronic card issuance system
IT ticketing system
Alternative Site (DR Site)
Q-System
IFRS System

Twenty: The Lawsuit

There is a lawsuit raised against the bank by Al Janoob Bank / Basra Branch Manager in the Labor Court - Baghdad No. 810/Work/2019 and it was settled in 2022.

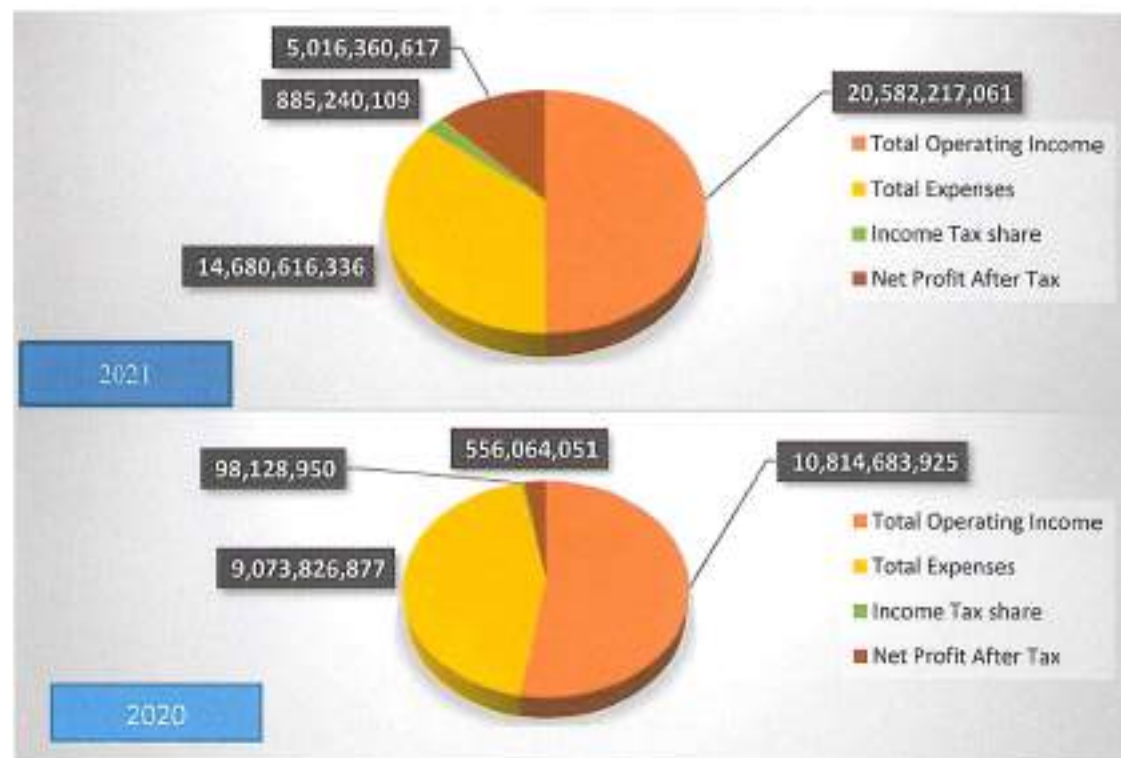
Twenty-one: Financial Position Analysis and Key Financial Indicators for year of 2021 :

The bank achieved acceptable financial results in terms of profits and the bank maintained the main financial indicators in terms of asset quality and liabilities management. The bank continued to develop its business at the level of banking operations by providing additional products and services as a tool of innovation in developing the bank's performance.

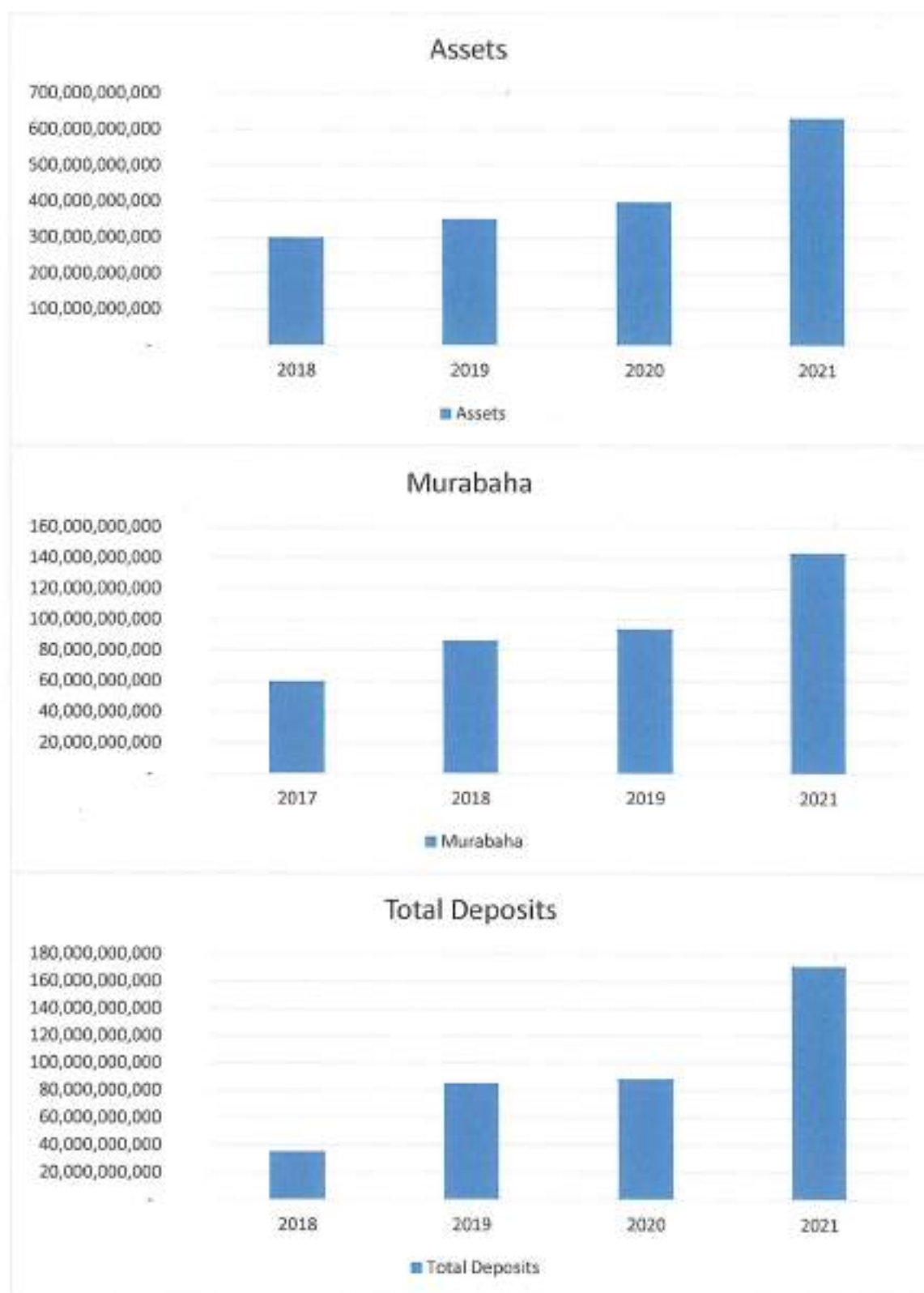
Below we list the most important financial results: -

❖ Profitability: -

	31/12/2020	31/12/2021	change %
Total Operating Income	10,814,683,925	20,582,217,061	90%
Total Expenses	9,073,826,877	14,680,616,336	62%
Income Tax Share	98,128,950	885,240,109	902%
Net Profit after Tax	556,064,051	5,016,360,617	902%



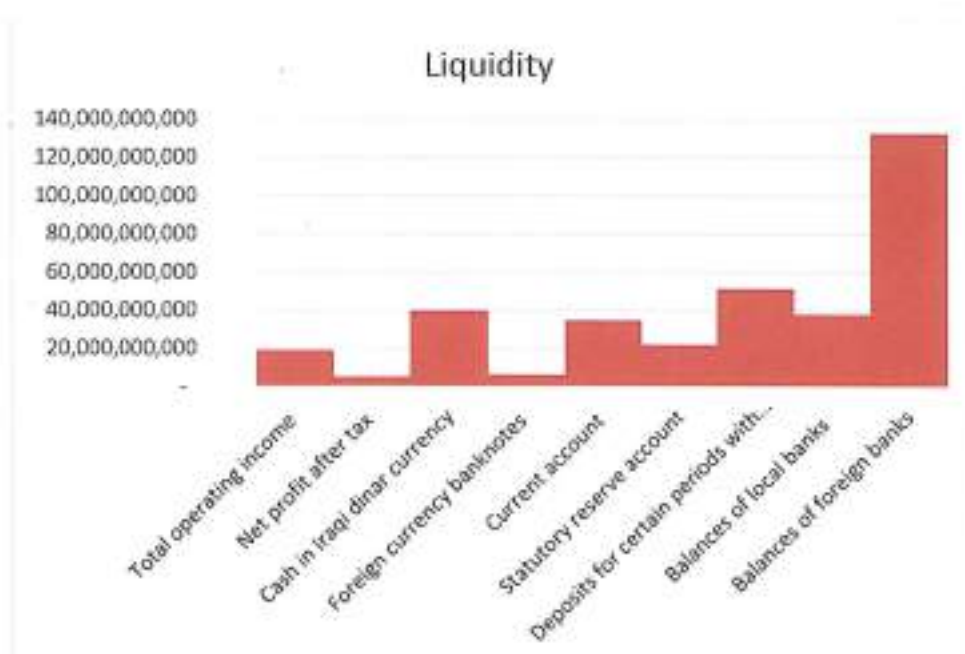
❖ Growth of the most important Balance Sheet items:



❖ Bank Liquidity:

The table below shows the cash and liquidity analysis as of December 31, 2021:

Cash	
Cash in Iraqi dinar currency	39,648,887,061
Cash in Foreign currency	6,120,201,477
Total cash	45,769,088,538
Balances at Central Bank of Iraq	
Current account	34,471,643,364
Deposits for certain periods with Central Bank of Iraq	51,236,237,105
Legal Cash Reserve	22,060,319,321
Total Balances at the Central Bank of Iraq	107,768,199,790
Balances with Banks and Financial Institutions	
Balances of local banks	37,821,847,377
Balances of foreign banks	132,478,147,626
Total balances of local and foreign banks	170,299,995,003



The bank is keen to Maintain adequate financial liquidity to meet financial obligations and economic conditions in a manner that preserves the strength of the financial position. It should be noted that the bank maintains this high liquidity (a rise of 114% over last year) in order to cover international trade through documentary credits.

The legal liquidity reached 49%, the LCR ratio was 314%, and the NSFR ratio was 183%.

* Islamic Finance:

A- Direct Islamic Finance: There is an increase of 42% in Direct Islamic Finance over previous year, as the net Islamic Direct Financing amounted to (155,446,791,651) (One hundred and fifty-five billion four hundred and forty-six million seven hundred and ninety-one thousand six hundred and fifty-one Iraqi dinars).

Statement	31/12/2021 Dinars	31/12/2020 Dinars
Musharkah financing	15,012,000,000	16,418,000,000
Murabaha financing	143,478,658,636	93,846,477,444
Qard Hassan	390,748,639	332,086,375
Total	158,881,407,275	110,596,563,819
Deduct: provision for expected credit losses	(3,434,615,624)	(1,743,696,182)
Net Islamic Financing	155,446,791,651	108,852,867,637



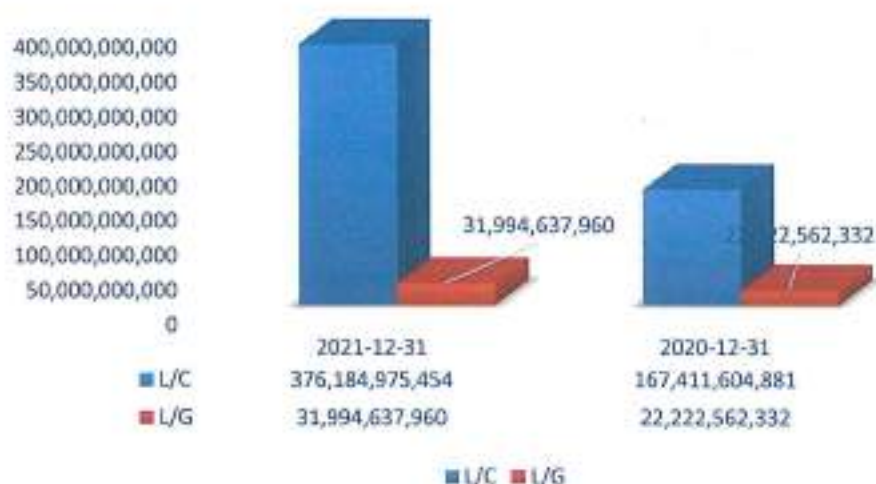
This shows the management's effort in investing available funds by launching new products and increasing Islamic Financings.

B-Indirect Financing: Net Indirect Financing as of December 31, 2021 is as follows:

- Letter of credit (212,649,222,361) (two hundred and twelve billion six hundred and forty-nine million two hundred twenty-two thousand three hundred and sixty-one dinars).
- Letters of Guarantee (20,359,600,882) (Twenty billion three hundred and fifty-nine million six hundred thousand eight hundred and eighty-two dinars only).

Statement	31/12/2021 Dinars	31/12/2020 Dinars
Net Indirect Financing :		
Letter of credit (LCs)	376.184.975.454	167.411.604.881
L/C Cash Margins	(163.535.753.093)	(40.893.242.299)
Net Letter of credit (LCs)	212.649.222.361	126.518.362.582
Letters of Guarantee	31.994.637.960	22.222.562.332
L/G Cash Margins	(11.635.037.078)	(3.418.029.090)
Net letters of Guarantee	20.359.600.882	18.804.533.242
Total Indirect Financing (Net)	233.008.823.243	145.322.895.824

Indirect financing



There is an increase in the total LCs by 125% and an increase in the total letters of guarantee by 44% compared to the previous year.

* Key performance Indicators:

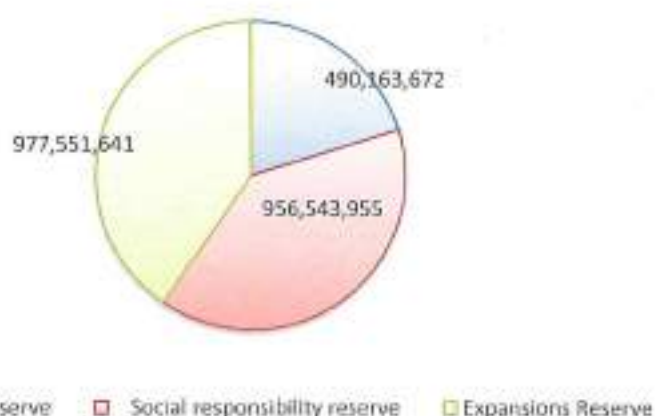
Indicator	2021	2020
Net income/loss	5,016,360,617	556,064,051
Shareholders' Equity to Assets Ratio	40.55%	63.36%
Efficiency Index (Operating Expenses / Net Operating Income)	71.33%	83.90%
Return on assets (ROA) before tax	0.93%	0.16%
Return on equity (ROE) before tax	2.30%	0.26%
Earnings Per Share (EPS)	0.02 fils	0.002 fils

*Reserves

The balance of reserves was as of December 31, 2021 (2,424,259,268) (two billion four hundred twenty-four million two hundred and fifty-nine thousand two hundred and sixty-eight dinars only), an increase of 179% compared to last year, as shown in Note No. (22) Paragraphs (b and c).

Account Name	31/12/2021
Statutory Reserve	490,163,672
Social Responsibility Reserve	956,543,955
Expansions Reserve	977,551,641

Reserves

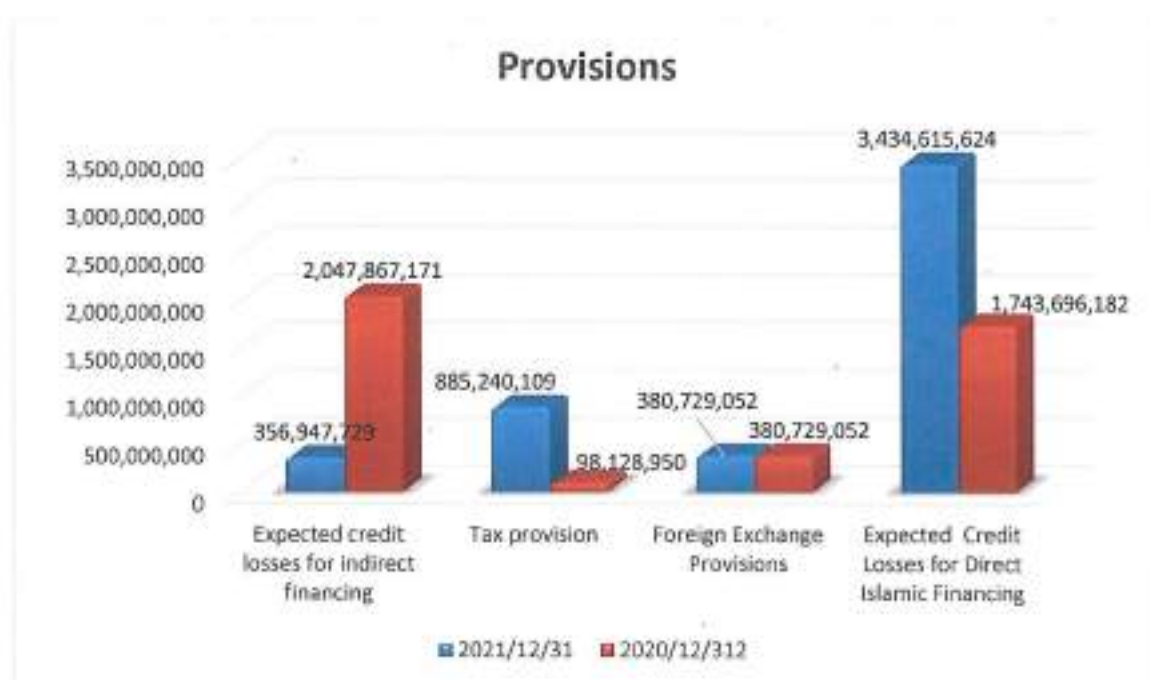


Balances of Provisions :

Below is a table of the provision amounts as on December 31, 2021:

Account Name	31/12/2021	31/12/2020
Expected Credit Losses for Indirect Financing	356,947,729	2,047,867,171
Tax Provision	885,240,109	98,128,950
Foreign Exchange Provision	380,729,052	380,729,052
Expected Credit Losses for Direct Islamic Financing	3,434,615,624	1,743,696,182
Total	5,057,532,514	4,270,421,355

Income tax is calculated according to the tax rates determined in accordance with the laws, regulations, and instructions existing in Iraq.



Capital Adequacy Ratio: -

The Basel Committee rules, regulations and financial and accounting indicators of the banking system has set a minimum capital adequacy ratio of (8%) according to Basel (3), and the instructions of the Central Bank of Iraq considered the required minimum (12%) while the bank's capital adequacy rate reached (83%) according to the risk weighted Assets weights in the Financial Position.

Commissions schedule and prices of services: -

The bank prepares a table of prices of banking operations, and it is discussed and amended from time to time according to the prevailing banking conditions and developments in Iraq and in line with the instructions of the Central Bank of Iraq and the conditions of the local market.

Material changes and events subsequent to the date of the Balance sheet: -

There have been no fundamental or recent changes affecting the bank's progress from the date of preparing this Balance sheet until the date above, except for the formation of an operational risk provision required by the Central Bank of Iraq through transferring from the provisions of IFRS9, which decreased in 2022 due to the decrease in the provision required for stage 3 as a result of Repayment of defaulted clients of their debts.

Twenty-Two: Lands and real estate:

1-The bank's real estate schedule as on 31/12/2021

No.	Description	Value at Cost		Total
		Land Value	Building value	
1	Head quarter + main branch	5,130,625,000	9,451,473,085	14,582,098,085
2	Thiqar branch	1,166,000,000	1,855,000,000	3,021,000,000
3	Maisan branch	2,067,000,000	2,782,500,000	4,849,500,000
4	Najaf branch	2,896,000,000	3,169,600,000	6,065,600,000
5	Samawah branch	800,000,000	1,768,901,720	2,568,901,720
6	Qadisiyah branch	800,000,000	1,765,752,400	2,565,752,400
7	Wasset branch	1,501,500,000	1,750,000,000	3,251,500,000
8	Karbala' branch	1,170,000,000	1,365,000,000	2,535,000,000
9	Babil branch	1,650,000,000	2,625,000,000	4,275,000,000
10	Basrah branch	2,944,500,000	1,597,494,800	4,541,994,800
11	Al Masbah	13,000,000,000		13,000,000,000
Total		20,125,625,000	28,130,722,005	61,256,347,005

2- The bank does not own any real estate as a result of debt settlement.

Twenty-three: Governance:

Governance is one of the most important corporate management systems because it establishes the principles of good management and defines the tasks and responsibilities of the board of directors, senior executive management and bank employees. The Bank has established a governance guide (approved by the Board of Directors) in line with the global requirements of governance, which established the following basic principles: 1- The principle of transparency, 2- The principle of bearing and acknowledging responsibility, and the principle of justice and equality. An annual report is prepared for governance to determine the scope of application and compliance.

Twenty-four: Information Technology Governance:

Based on the requirements of the Central Bank and international requirements, a guide for the governance of information technology was prepared and it was approved by the Corporate Governance Committee emanating from the Board of Directors on 3/12/2020. Whereas, the governance and IT management framework has been developed to ensure that IT activities are aligned with business objectives and meet stakeholder needs as optimizing risks, optimizing resources and realizing benefits (based on the leading practice COBIT 2019).

Twenty-five: Internal control , Internal Audit and Shari'a Audit:

1. The Board of Directors continued its continuous efforts and direct supervision, in cooperation with the Audit Committee in particular and other committees, to increase the efficiency and effectiveness of the internal control systems in the bank, especially the policies and procedures.
2. The Department of Internal Audit and Shari'a Audit has been restructured through the development of a three-year strategic plan to increase the effectiveness of the department's performance. The strategy was based on international internal audit standards and best professional practices in the field of control and internal auditing, in addition to the instructions of the Central Bank of Iraq and the Governance Guide. Strategic objectives focused on several areas, the most important are:

- Build an internal audit department that adheres to international internal auditing standards.
 - Creating a qualified and trained auditors according to the highest levels.
 - Activating the continuous financial and operational control roles over the bank's business.
 - Activating the role of Sharia internal audit.
 - Providing a high level of assurance to the Board of Directors and the senior executive management that the various policies and procedures adopted in the bank are effectively and actually applied on the ground.
 - Providing reasonable assurance to the Board of Directors and the senior executive management about the correctness and accuracy of the bank's financial statements.
 - Providing reasonable assurance to the Board of Directors and the senior executive management about the bank's compliance with the laws and instructions related to its various activities.
 - Providing reasonable assurance to the Board of Directors, the Sharia Board, and the Executive Management on the extent of the bank's commitment to the Islamic Sharia in all of its activities, transactions, products and contracts.
 - Supporting the Management by providing advisory services to help achieve the bank's goals.
 - Contribute to the protection of the institution's resources through periodic examination of the level of existing control systems, especially those that prevent fraud.
 - Activating the mechanisms of continuous monitoring of the operational and financial operations in the bank.
3. An annual audit plan was prepared based on risks, as all the bank's operations was analyzed in terms of risks and the activities were arranged according to priority in the audit based on the degree of risk to the bank.
 4. The department's independence and objectivity were emphasized to ensure that it carried out its work without bias or pressure. It was also given full powers to review all the bank's documents and papers at any time and in this manner, it deems appropriate. A new audit charter is prepared and approved based on international internal auditing standards and professional practices.

Twenty-six: Other Matters:

The bank obtained many letters of thanks, appreciation and efforts evaluation during 2021 from many agencies, including the following: -

❖ **University of Baghdad / College of Islamic Sciences**


A letter of thanks and appreciation for the efforts exerted by the Palestine Street Branch in supporting the scientific Journey of the students of the Islamic Banking and Financial Sciences Department.

Acknowledgment from the Board of Directors:

The Board of Directors of Al Janoob Islamic Bank acknowledges its responsibility for preparing the financial statements, and for Maintain an effective control system in the bank. It also acknowledges that there are no material matters affecting the business and continuity of the bank in the following year.




Chairman of the Board of Directors
Prof. Dr. Mahmoud Mohamed Dagher



Deputy Chairman of the Board of directors
Zuhair Abd Al- Kareem Jabbar

Acknowledgment from the Chairman of the Board of Directors, the managing Director and the chief financial officer.

We acknowledge the correctness, accuracy and completeness of the data and information contained in this report.



Chairman of the Board of Directors

Prof. Dr. Mahmoud Mohamed Dagher



Managing Director

Uday Saadi Ibrahim



Chief Financial Officer

Naseem Muhammad Kheir Al-Hajjar

Sustainability Report at Al Janoob Islamic Bank

Sustainability is the concept that refers to the adoption of long-term growth strategies in management through achieving sustainable profits for shareholders and interconnected relationships with customers and appreciating and developing the capabilities of employees in full respect of the surrounding environmental and societal considerations.

The importance of sustainability stems from being an important organizational tool for setting goals, monitoring performance and evaluation to make the bank's operations more efficient by increasing competitiveness and organizational reputation and reducing risks, especially with rapid economic, social and environmental changes.

First: introduction

This report highlights Al Janoob Islamic Bank's approach to applying sustainability in its activities by providing information on environmental and governance achievements and commitments. This report includes important aspects that have been identified by the Al Janoob Islamic Bank management.

Second: A brief overview of the bank

Al Janoob Islamic Bank for Investment and Finance was established - a private shareholding under the certificate of incorporation numbered M.S./807/1437 on 13/1/2016 issued by the Companies Registration Department and obtained a license to practice banking by the Central Bank in their letter No. 9/3/1791 on 2/ 2/2016 based on the Central Bank of Iraq Law No. 56 of 2004 and Islamic Banking Law No. 43 of 2015, the bank's capital has been increased as approved in the general assembly meeting held on August 20, 2016 to (250,000,000,000) two hundred and fifty billion dinars in accordance with Article 55/First of Companies Law, and based on the executive regulations regulating the work of Islamic banks No. 9/3/217 dated 30/5/2018 approved by the Central Bank of Iraq.

Third: Financial Reports

The financial department of the bank is committed to tracking and verifying the financial data to reflect the true financial position of the bank so that the correct administrative and organizational reports are issued. The financial department collects, manages, monitors and controls financial information through the policies and procedures used to track financial transactions and manage performance. In addition the bank abides by, Islamic and international accounting standards and instructions of the Central Bank. Finally, the financial Department relies on complete transparency of disclosures in the financial statements.

Fourth: Empowering Employees

Banks these days are facing numerous and successive circumstances and variables in their quest to achieve their goals efficiently and effectively, the competition has increased among Islamic banks, in addition to the increase in the ambitions and expectations of employees, these challenges are considered the main touchstone for testing the ability of the administrative management to adapt to these situations, which requires searching for new means to convoy with these developments, The appropriate response to these challenges takes many forms and methods, the most important of which is attention to human resources and the creation of an appropriate work environment for them, as it is the main factor on which the success and development of their behavior depends. The concept of empowerment emerges as one of the modern administrative methods, whose idea assumes that workers are given confidence and delegated powers and independence at work, which generates in them a sense of confidence to assume responsibility and unleashes their latent energy, which appears in the form of creations and suggestions that increase their motivation to move forward. The idea of empowerment is based on the direction of management by granting confidence, authority and freedom of action to subordinates in their field of work, and considering that this behavior generates in them a sense of importance and competence. Thus, it will create in the officials' a sense of "self-motivation" and a positive perception towards work. Al Janoob Islamic Bank seeks to implement the concept of functional empowerment through the participation of employees in training courses and workshops to raise and improve the level of productivity, as well as granting them the authority to attend meetings,

each according to their specialization, and giving them the freedom to express their ideas and opinions.

Fifth: Human Rights

According to the International Law of Human Rights issued by the United Nations, every state has the responsibility to respect, protect and promote human rights and fundamental freedoms without any discrimination based on gender, ethnic group, language, religion, age, political beliefs, or other special statuses and circumstances. To achieve the bank's goals and development, employees' rights must be protected, and a suitable work environment must be provided to encourage them to do their best to achieve bank's strategic goals.

Sixth: Governance

Given the importance of corporate governance, Al Janoob Islamic Bank seeks to apply all standards in all bank's activities, because of its impact on the application of international standards for bank management, achieving strategic goals and enhancing overall confidence in the bank through the framework of bank governance based on disclosure and transparency.

Seventh: The Board of Directors of Al Janoob Islamic Bank

Strengthening the control mission of the board of directors, the independence of its members, and its effective supervision over the executives in the bank is one of the most important tools that help it to activate governance, and thus increase the quality of accounting information by ensuring the correctness and integrity of financial reports, where the effective board of directors constitutes the starting point for proper application of the principles of governance, in cooperation with the committees established by the board of directors and the executive management, to preserve the interests of shareholders, borrowers, employees and others.

The Board of Directors of Al Janoob includes original and reserve members who have qualifications and experience in banking. From the board emanate committees from the executive management and the board of directors in accordance with the "Governance Guide issued by Central Bank of Iraq.

Eighth: Governance is a tool for achieving sustainable development

Corporate governance is one of the most important corporate management systems due to what it establishes as the principles of good management and defining the tasks and responsibilities of the board of directors, senior executive management and bank employees, justice and interests, productive control, risk management, transparency and disclosure, regulation of the rights of stakeholders, and community development and advancement. This leads to the improvement of the bank's performance in general, and inevitably leads to realizing the true meaning of prioritizing the public interest, and the interest of the bank and its stakeholders, and prioritizing it over any other interest.

Ninth: An overview of the performance of sustainability:

1- Economic Aspects

Table No. (1), an overview of the performance of the economic side

Description/ year	2019	2020	2021
The bank's operating income	6,603,168,062	10,814,683,925	20,582,217,061
Net profit	134,248,077	556,064,051	5,016,360,617
Sustainability-related economic performance			
Types of products that meet the criteria for sustainable businesses	Islamic Finance	Islamic Finance	Islamic Finance
Nominal products or services that meet the criteria for sustainable business activities			
Percentage of business activities out of the total portfolio (%)	82%	81%	83%

2 -Internal activities such as efficient use of energy (such as electricity and water).

3 -Aid is provided in the form of care within the social responsibility, which includes the sectors (charitable / institutions/education sector/emergency relief such as assistance to the displaced/therapeutic services inside and outside Iraq). The social responsibility provision is as follows:

- 2019 Social Responsibility reached (85,871,268)
- 2020 Social Responsibility reached (129,774,438)
- 2021 Social Responsibility reached (956,543,955)

4- Al Janoob Islamic Bank participated in empowering the community through the transformation of companies through the initiatives of Central Bank of Iraq to assist in the directing activities of small and medium companies.

5 -The vision and mission according to bank's sustainability value:

Starting from the vision, mission and values of Al Janoob Islamic Bank to be the most advanced bank in quality of digital services that provide the best services in banking transactions, and its mission to commit to consolidating the values of the Islamic approach in dealing with everyone in accordance with the rules and principles of the tolerant Islamic Sharia, serving the interest of Iraqi society and to achieve a balance between the interests of the stakeholders, including shareholders, investors, customers and employees. Our vision is "together, we grow" and our quest is to reach everything new in the field of banking, technology and digital, and to deliver modern banking products and services to different geographical areas and segments of society. Al Janoob Islamic Bank is committed to adopting the best Standards of Bank Governance Based on that, the Board of Directors acknowledges that corporate governance is a very important thing to achieve the strategic plan of the bank in order to achieve for its shareholders and other stakeholders a high degree of transparency that enables them to assess the financial and administrative status of the bank.

- Name, address, telephone number, fax number, e-mail and bank page, in addition to the branch office or bank representative office.

Name: Al Janoob Islamic Bank for Investment and Finance.

Address: Building 73, Street 14, District 609, Al-Wathiq, Karrada, Baghdad, Iraq.

Phone number: 009647700000388

Email: info@jib.iq

- The number of employees in the bank distributed among the Headquarter and branches:

NO.	Function	Number		
		2019	2020	2120
1	Managing Director	1	1	1
2	Deputy Managing Director	1	1	2
3	Department Managers	13	17	17
4	Branch Managers	7	8	8
5	Deputy Managers	16	12	20
6	Employees	140	115	160
7	Guard and Services	52	68	0
Total		230	222	208

- Academic qualifications of the bank's cadres:

NO.	Education / Scientific Certificate	Number		
		2019	2020	2120
1	PhD	1	1	1
2	Certified Accountant	1	1	2
3	Master's	3	4	8
4	Bachelor	184	161	153
5	Diploma	41	55	13
6	Middle and High School	0	0	31
Total		230	222	208

- Membership in regional / national / local associations: Whereas Al Janoob Islamic Bank is a member of:

*The Iraqi Company for Deposit Insurance.

*Union of Arab Banks.

* AAOIFL

6- Board members' bulletin: it contains the data of the members of the Board of Directors.

*The original and alternate members of the board of directors and the number of shares they own:

No	Names	Shares	Positions
1	Prof. Dr. Mahmoud Mohamed Mahmoud Dagher	1,000,000	Chairman of Board of Directors
2	Zuhair Abdul Karim Jabbar	1,000,000	Deputy Chairman of the Board
3	Uday Saadi Ibrahim Khalil	1,000,000	Managing Director and Board Member
4	Dr. Ibtihal Kased Al-Zaidi	1,000,000	Member of the Board of Directors
5	Dr. Ali Abdul-Ilah Abdul-Jabbar	1,000,000	Member of the Board of Directors
6	Thaer Mohiuddin	1,000,000	Member of the Board of Directors
7	Dr. Raja Aziz Bandar Khalil	1,000,000	Member of the Board of Directors
8	Qais Zaki Younes Abdullah	100,000	Alternate member
9	Prof. Dr. Soraya Abdel Rahim Ali Kathem	1,000,000	Alternate member
10	Dr. Rahim Hassouni Ziara	1,000,000	Alternate member
11	Dr. Abdul Rahman Mustafa	1,000,000	Alternate member
12	Ali Abbas Hassan	5,000,000	Alternate member
13	Qasim Abbas Hassan	5,000,000	Alternate member

7-Economic Performance: It includes a description of the performance through a comparison for the last three years (comparing the target performance, portfolio, financing or investment objective, revenues, and profits and losses).

Table No. (2) Comparison of the target and performance, or portfolio, or target financing, or investment, and revenues, profits, and losses

Description/ year	2020	2021
Total Assets	396,694,303,037	631,796,308,547
Performing Assets	107,331,638,202	152,032,337,641
Islamic Finance	118,649,116,847	158,881,407,273
Operating Revenues	10,814,683,925	20,582,217,061
Operating Expenses	9,073,826,877	14,680,616,336
Net profit	556,064,052	5,016,360,617

Performance by indicators(%)

Minimum Capital Adequacy Ratio	12%	12%
Non-performing assets to the total performing Assets and non- performing Assets	10%	5%
Non- performing Assets to total performing assets	11%	5%
Total non-performing loans	11,317,478,645	6,849,069,632
Net non-performing loans	9,573,782,463	3,552,974,579
Return on assets (ROA)	0.16%	0.93%
Return on equity (ROE)	0.26%	2.30%
Efficiency Ratio	83.90%	71.33%
Ratio of Net Islamic Finance to Total Deposits	122%	91%

8 -Social Performance:

- Public complaints mechanisms and the number of public complaints received and acted upon.

Table (3) Number of complaints received during the year 2021

Complaint type	number of complaints	Complaints ratio to total number of complaints	Handling complaints	The ratio of complaints handling to the total number of complaints
cards	11	0.5	9	0.4
Banking Services	9	0.4	8	0.3
Electronic services	4	0.2	3	0.1
Total	24			

* The remainder is under process

Governance Report

2021

Article (1) Governance System for Companies and Listed Legal Entities

Governance is one of the most important corporate management systems due to what it establishes from the principles of good management and defining the tasks and responsibilities of the board of directors, the senior executive management, bank employees, justice and equality, productive control and risk management. This lead to community development and advancement, and leads to improving the bank's performance in general, and inevitably ends up achieving the true meaning of the principle of prioritizing the public interest, and the interest of the bank and its stakeholders, and prioritizing it over any other interest to establish the following principles:

1.1 The Principle of Transparency:

This principle is based on good faith, honesty, and openness. Increase the values of the self-control and the integrity, and the extent of keenness, the superiority and honesty in the performance of the profession and the jobs entrusted to each official and operator of the bank as the chairman and members of the Board and Executive Management in addition to all the employees and other parties related to the bank, and the fact that it is necessary to avoid the conflict of interest and stropping it , In light of the concept of honest investment in the market.

1.2 The principle of taking responsibility and acknowledging it :

It aims at defining the rights, duties, and responsibilities of the bank, and setting up an appropriate control mechanism that works to hold each person responsible for his work and to evaluate his performance and evaluating the bank's performance in general in accordance with international best practices. It also aims to acknowledge the official's responsibility, clarify the bank's social responsibility and its role towards society, work on its development and prosperity, and preserve the environment.

1.3 The Principle of Justice and Equality:

Owners of interests, headed by shareholders, are equal in rights, and it is prohibited to discriminate between them based on race, gender, or religion, and they have all rights arising from the ownership of the share or their capacity as a banker.

Scope of application of governance and commitment to its principles

Article (2) Scope of applicability

The principles and rules of this system apply to all banks operating in Iraq since the date of its issuance, where branches of foreign banks are excluded from all articles of the board of directors and committees, and the bank discloses in the annual report the extent of its commitment to applying the principles and rules of this system.

Article (3) Commitment to the Principles of Governance

The Board of Directors reviews and updates the implementation of governance on a continuous and regular basis and is committed to applying the best principles of governance.

Article (4) Governance Report

Conditions that must be met by each member of the Board of Directors

A board member must be qualified, have sufficient knowledge of administrative matters and appropriate experience to perform his duties effectively. A board member must fulfill the following conditions:

1 -He shall not be less than thirty years of age, and shall be of full of competency (Banking Law No. 4 of 2004 Article 7 p. 15)

2 -Not have been convicted of a criminal penalty or a crime against honor or trust.

3 -To be a shareholder, and to own at his election or within thirty days from the date of his election several bank's shares determined by the articles of association, provided that it is not less than 2,000 shares in accordance with the Companies Law.

4 -Two thirds of the members of the board of directors should have qualifications, initial university degrees, and experience in banking.

5 -He shall not be a member of the board of directors of any other bank inside Iraq, or its Managing Director, or a regional manager, or an employee in it, unless the latter bank is affiliated with that bank.

6- A member of the board of directors may be a non-resident or a non-Iraqi.

Article (5) Formation of the Board

1- The members of the Board of Directors are elected at the meeting of the General Assembly for a period not exceeding four years after obtaining the approval of this bank. The member may be re-elected for a second term as a maximum.

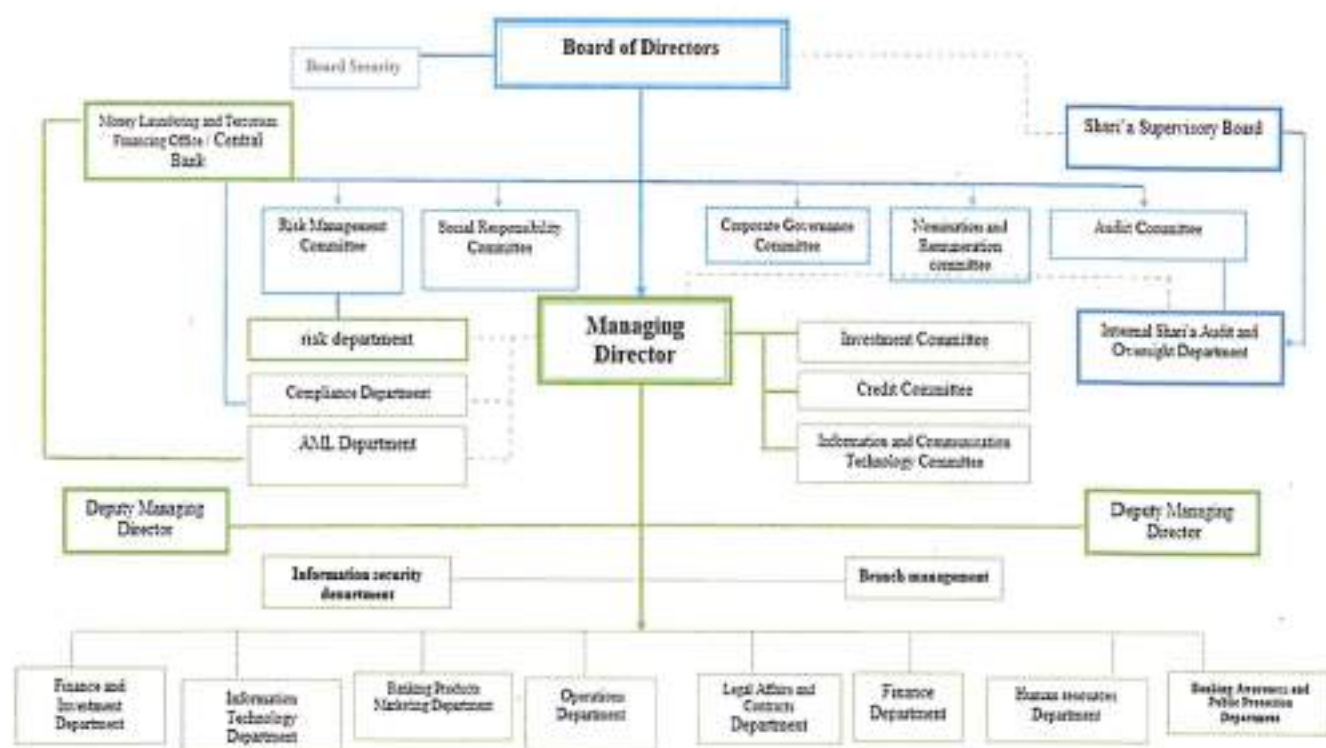
2- The number of board members must be at least (7) members who are elected in the general assembly meeting according to the cumulative voting system, provided that the number of independent members is not less than (4) members or one-third of the members of the board, with a member representing the minority of shareholders where it is permissible that this member to be among the independent members.

3- The Board elects from among its members a chairman and a vice chairman.

4- The vice-chairman of the Board assumes the duties of the president in his absence or if he is unable to lead the board meeting.

5- It is preferable that one of the board members to be a female, as a minimum.

Organizational Chart



Board of Directors

The bank's board of directors, until 31/12/2021, consists of the following names as listed below:

Original Members:

Name	Membership status	Type	Academic achievement
Prof. Dr. Mahmoud Mohamed Mahmoud Dagher	Chairman of Board of Directors	independent	Holds a doctorate degree in economics
Zuhair Abdul Karim Jabbar	Deputy Chairman of the Board	independent	Chartered Public Accountant and Accounts controller, first class
Uday Saadi Ibrahim Khalil	Member of the Board of Directors	Executive/Non-Independent	Holds a master's degree in Business Administration
Dr. Ali Abdul-Ilah	Member of the Board of Directors	independent	Holds a PhD in Physics/ College of Science, Al-Mustansiriya University
Thaer Mohiuddin Ezzat	Member of the Board of Directors	independent	Holds a master's degree in economics
Dr. Ibtihal Kased	Member of the Board of Directors	independent	Holds a PhD in Education
Dr. Raja Aziz Bandar Khalil	Member of the Board of Directors	independent	Holds a PhD in economics

Alternate Members:

Name	Membership status	Type	Academic achievement
Dr. Soraya Abdel Rahim Ali Kadhim	Member of the Board of Directors	Independent	Holds a PHD in economics
Qais Zaki Younes Abdullah	Member of the Board of Directors	independent	Holds a Higher Diploma in Finance
Dr. Rahim Hassouni ziara	Member of the Board of Directors	independent	Holds a PHD degree in economics
Dr. Abdul Rahman Mustafa Taha	Member of the Board of Directors	independent	He holds a PHD degree in banking management
Ali Abbas Hassan	Member of the Board of Directors	independent	Holds a bachelor's degree in Commercial Management
Qasim Abbas Hassan	Member of the Board of Directors	independent	Holds a bachelor's degree in Statistics

Article (6) Main Functions and Tasks of the Board

The functions of the board, and the rights, duties and responsibilities of the chairman and members, and their responsibilities were determined, in accordance with the rules of the law and the governance guide issued by the Central Bank of Iraq and was published on the bank's website.

Article (7) Board Responsibilities

The board represents all shareholders, and it must exercise the necessary care in managing the bank in an effective and productive manner in a way that achieves the interest of the bank, partners, shareholders, and stakeholders, and achieves the public benefit and the state's development and investment.

Article (8) Chairman Duties

The chairman is the head of the bank's board of directors and represents it in front of third parties and judiciary. He is primarily responsible for the proper management of the bank in an efficient and productive manner and working to achieve the bank's interest, partners, shareholders, stakeholders, and it includes the following:

- 1-Establishing a constructive relationship between the board, on one hand, and the executive management of the bank, and between the bank, shareholders, and other stakeholders, on the other hand.
- 2 -Encouraging expressing opinions on the issues discussed in general, and those where there is a difference in viewpoints among members encouraging discussion and voting on those issues.
- 3 -Ensuring that the members sign the minutes of the meetings.
- 4 -Determining and meeting the needs of the board members, related to developing their expertise and continuous learning, and allowing the new member to attend a "guidance platform" to get acquainted with the activities of the bank.
- 5 -Sending an invitation to the Central Bank to attend the meetings of the General Assembly, before a sufficient period of no less than (15) fifteen days, to be able to nominate a representative.
- 6- Ensure that the Central Bank is informed of any material information.

Article (9) Commitments of Board Members

Board members are committed to:

- 1- Commitment to attend the meetings of the Board and its committees.
- 2- Prioritize the interest of the bank, partners, shareholders, and all other stakeholders.
- 3- Expressing an opinion on the strategic issues of the bank and its policy.
- 4- Monitoring the bank's performance in achieving its objectives.
- 5- Supervising the development of governance rules and procedures.
- 6- Managing the bank in an efficient and productive manner.
- 7- Active participation in the general assemblies of the bank.
- 8- Not to provide any statements, data, or information without a prior written permission from the Chairman or his authorized representative, bearing in mind that the Managing Director is the official spokesperson for the bank.

Article (10) Invitation to the meeting

The Board meets by invitation of its Chairman, and in accordance with the rules of the Company's Articles of Association. The Chairman shall invite the Board to a meeting upon the request of at least two of the members, the invitation shall be sent to each member accompanied by the agenda at least one week before the date set for its meeting, and any member may request the addition of one or more items to the agenda.

Article (11) Board Meetings

The Board held (12) Meetings during the year.

Article (12) Board Decisions

Board decisions are issued by the majority vote of the attendees and representatives, and when the votes are equal, the side of the meeting chairman shall prevail.

Article (13) Secretary of the Board of Directors

The Board of Directors approved a resolution appointing Mr. Deyaa as Secretary of the Board of Directors (Board Secretary).

Article (14) Duties of Secretary of the Board of Directors

The Secretary assists the Chairman and all members of the Board in their tasks, and is committed to conducting all the work of the Board, including:

- 1- Editing the minutes of the Board's meetings.
- 2- Recording the decisions of the Board in the register prepared for this purpose.
- 3- Registration of meetings held by the Board.
- 4- Keeping the minutes of the Board's meetings and its decisions.
- 5- Sending the invitation to the Board members.
- 6- Full coordination between the Chairman and the Board members.
- 7- The bank's documents and records, as well as its information and data.
- 8- Maintaining the board members' declaration not to combine the positions prohibited in accordance with the law and the rules of this system.

Article (15) Board Committees

The Board of Directors formed seven specialized committees, four of them emanating from the Board of Directors and three related to the executive management, which help it to carry out its duties and submit its reports through the committees associated with it and perform tasks on its behalf to support effective management practices. These committees are:

Committees associated with the Board of Directors Duties and Responsibilities

1. The Audit Committee. The committee consists of at least three members, and should be independent members of the board of directors, consultants, or experts in the financial or audit field with the approval of the Central Bank. The chairman of the committee must be an independent member of the board of directors, and he may not be a member of other committees emanating from the board. The audit committee at Al Janoob Islamic Bank consists of:

A. Mr. Zuhair Abdul Karim Jabbar,	Chairman of the Committee
B. Dr. Raja Aziz Bandar	Member
C. Mr. Thaer Mohieldin Ezzat	Member
D. Mr. Deyaa Shaghati Kadhim,	Reporter of the Committees

Roles and responsibilities

- Scope, results and adequacy of the internal audit, follow-up of the external auditor and discuss his reports.
- Discussing accounting issues that have a material impact on the bank's financial statements.
- Ensure the adequacy and efficiency of the internal control and monitoring systems in the bank.
- Ensure compliance with international standards and anti-money laundering in all activities and operations of the bank.
- Recommending to the Board of Directors the adoption of the bank's organizational chart and the creation or cancellation of organizational formations or their merging and defining and amending the tasks and functions of these formations.
- Reviewing the annual training and development plan and following up on its implementation, as well as reviewing executive management reports on the status of human resources.
- Reviewing policies and instructions related to appointment, promotion, resignation and termination of service for all bank employees, including the executive management, considering the rules of the laws in force.

- Preparing a quarterly report on the committee's work after the end of each fiscal quarter to be submitted to the Board of Directors.
- Auditing and approving the accounting procedures, the annual audit plan, and the accounting controls.

- **Committee meetings: The Committee held (4) meetings in the presence of all members and dealt with several issues, including following up on accounting issues that have a material impact on the bank's financial statements.**

2. The Risk Management Committee, The committee is composed of at least three non-executive members, provided that the chairman of the committee is an independent member. The members of the committee must have experience in risk management and the practices and issues associated with them. The Risk Management Committee at Al Janoob Islamic Bank consists of:

A. Dr. Soraya Abdel Rahim Ali,	Chairman of the Committee
B. Dr. Ali Abdul-Ilah Abdul-Jabbar	Member
C. Mr. Qais Zaki Younes	Member
D. Ms. Rita George	Reporter of the Committee

Roles and responsibilities

- Reviewing the bank's risk management strategy before approval by Board.
- Reviewing the credit policy and making recommendations to the Board of Directors for the purpose of approval, as well as supervising the implementation of the credit policy proposed by them.
- Monitoring the "credit risks" borne by the bank, whether related to the "standard approach" or "internal rating", "operational risk", "market risk", "supervisory review" and "market discipline" contained in the decisions issued by the Basel Committee on Oversight banking.
- Determining credit limits that exceed the authority of the Managing Director or the regional director.

- Monitoring the bank's ability to avoid liquidity risks in accordance with the decisions of Basel (III), including liquidity standards.
- Recommending the abandonment of activities that cause risks to the bank and that it does not have the ability to face.
- Ensuring the bank's compliance with the regulations, instructions and policies related to risk management.
- Periodically reviewing the risk management policy proposed by the bank's senior management and submitting recommendations to the Board of Directors for approval and attestation.
- It receives periodic reports from the committees emanating from the executive management (credit, investment, information, and communication technology).

- **Committee meetings: The committee held (6) periodic meetings, and the periodic reports emanating from executive management committees were discussed.**

3. The Nomination and Remuneration Committee The committee consists of at least three members, that should be independent or non-executive members, and the head of the committee is an independent member. This committee in Al Janoob Islamic Bank consists of:

A. Dr. Abdul Rahman Mustafa Taha,	Chairman of the Committee
B. Dr. Ibtihal Kased Yasser	Member
C. Mr. Qassem Abbas Hassan,	Member
D. Ms. Manar Mustafa Idan,	Reporter of the Committee

Roles and responsibilities

- Determining the persons qualified to join the membership of the board of directors or senior management in the bank, except for identifying the persons qualified to work as Manager of (Shari'a) audit and internal control, which should be in coordination with the Audit Committee.
- Preparing the remuneration policy and submitting it to the Board of Directors for approval and supervision of its implementation.
- Reviewing the committee's work regulations annually and suggesting any amendments, if any.
- The Chairman of the Committee presents the minutes of its meeting and its recommendations to the Board of Directors.
- The Committee undertakes to submit periodic reports and an annual report on the results of its work to the Board of Directors.

- **Committee meetings: The committee held (5) periodic meetings.**

4. The Corporate Governance Committee. It is an independent committee emanating from the Bank's Board of Directors. The mission of this committee is the official representation of the communication between the board of directors and the management of the bank, in issues and matters related to governance, the committee assumes the responsibility of general supervision and observation of the principles, directives and practices of corporate governance in the bank. It also undertakes the task of supervising and following up on the application of these principles in all work and activities of the bank, including reviewing the general framework of governance and the bank's compliance with the supervisory principles.

A. Prof. Dr. Mahmoud Mohamed Mahmoud Dagher,	Chairman of the Committee
B. Dr. Rahim Hassouni Ziara	Member
C. Dr. Ali Nader Mohamed	Member
D. Miss Rita George,	Member/Reporter of the committee

Roles and responsibilities

- This committee monitors the implementation of the "Corporate Governance Guide for Banks" and supervises the preparation of it in accordance with the size of the bank's operations, the multiplicity and diversity of its activities, updating it and monitoring its implementation.
- Supervising and preparing the corporate governance report and including it in the bank's annual report.
- Confirmation of the bank's application of corporate governance principles and sound practices.

- **Committee meetings: The Committee held (6) meetings**

Article (16) Committees Exertions

Committees related to the executive management:

1 .The Executive Credit Committee. The Committee meets at least once a month or whenever the need arises. It consists of:

A- Mrs. Hadeel Taha Negm	Credit Department Manager as Chairman
B- Mrs. Aya Hussain Ali	Credit Control Manager, Member
T- Mr. Naseem Muhammad Kheir Al-Hajjar	Chief Financial Officer, Member

2 .The Investment Committee. The committee meets at least once a month or whenever the need arises. It consists of:

A- Mr. Naseem Muhammad Kheir Al-Hajjar	Chief Financial Officer as Chairman of the Committee
B- Mr. Samer Emad Mansour	Branches Department Manager, member
T- Mr. Firas Fadel	Deputy Investment Manager, member

3 .The Steering Committee for Information and Communication Technology. The committee meets at least once a month or whenever the need arises. It consists of:

- | | |
|--|---|
| A- Mr. Uday Saadi Ibrahim | Managing Director as Chairman of the Committee |
| B- Mr. Badr Jaber Merdas | Information Technology manager, Reporter |
| T- Mr. Bassam Al-Bitar | Deputy Managing Director for Operations Affairs, Member |
| W- Ms. Rita George | Risk manager, Member |
| C- Ms. Rafah Thamer | Internal Audit Manager, Observer Member |
| H- Observer member of the board of directors | |

Article (17) Disclosure

Al Janoob Islamic Bank is committed to disclosure requirements, including financial reports, the number of shares owned by the chairman and members of the board, the senior executive management, and major shareholders, as well as disclosing the information of Chairman and Board members and committees and their qualifications and expertise.

The bank has set a policy for dealing with rumors by examining them by the executive management, marketing, and the board of directors to determine how to deal with them according to the bank's interest and the protection of shareholders' rights. The bank discloses to the stock market (the Securities Commission) in addition to the Central Bank of Iraq regarding issues and developments that may affect its performance. The bank adopts the principles of transparency and full disclosure when contacting control bodies or any other stakeholders.

Article (18) Everyone's right

The Bank plays its role in the development and advancement of society, and the preservation of the environment through effective and serious participation in the Bank's system of social responsibility and health policies.

The bank's social responsibility

The Bank as a responsible national institution that believes in the principle of social responsibility towards the society within which it operates where the bank is committed to promoting the values of development on a permanent basis, protecting and preserving human life, health, and welfare, as well as the values of natural resources and environment, This includes the bank's full awareness of the importance of commitment, whether through financial or non-financial contributions, by spending in the doors of the beneficiaries, in addition to contributing by some amounts to settle the debts of the insolvent or the deceased. The bank has many other contributions which includes a wide range of beneficiaries in the sectors of education, health care and cultural activities, in addition to people with social needs, charitable societies. The bank has made many contributions in sponsoring many exhibitions in the last years.

Sustainability

Comprehensive development is one of the goals that societies seek to achieve. Within its social duties and responsibilities, Al Janoob bank seeks to promote and contribute to comprehensive development, where many strategic goals come to express the bank's role in achieving comprehensive development goals. It reflects a commitment "of our social responsibility, especially" that Iraq has signed the global agenda approved by the United Nations in 2021 to achieve comprehensive development. It is related to achieving comprehensive financial for all sectors of society, providing advanced banking services, and making them accessible to all segments of society.

Audit committee Report for the year of 2021

Ladies and gentlemen, the respected shareholders of Al Janoob Islamic Bank.
Peace, mercy and blessings of God....

Pursuant to the rules of Article (24) of the Banking Law No. (94) of 2004, the Auditing Committee began its work and examined, audited and reviewed the bank's financial statements for the period from 1/1/2021 to 31/12/2021, where the procedures, policies and monitoring programs were adopted on the bank's activities. In addition to the audit Charter and the annual report, it was found that it was prepared in accordance with the requirements and rules of the Banking Law No. 94 of 2004 and the Islamic Banking Law No. (43) Of 2015, Money Laundering and Terrorism Financing Law No. (39) Of 2015 and the instructions of the Central Bank of Iraq and international standards, and Islamic Standards (AAOIFI). We have concluded the following:

- 1- The financial statements, the board of directors' report, and the data, clarifications and accounting and financial information it contained, is identical to the reality of the banks' work for the period ending on December 31, 2021 and prepared in accordance with international accounting standards.
- 2- Approved the strategic plan, development and restructuring plans for the Sharia Audit and Internal Audit Department, which included:
 - a. The Basis and references that were used in preparing the plan.
 - b. Studying and evaluating the current status of the Internal Sharia Audit and Audit Department, on the basis of which the department will be restructured and developed to serve better control.
 - c. Strategic objectives have been set for the Internal Sharia Audit and Audit Department by analyzing the strengths, weaknesses, threats and opportunities, from which we can achieve the objectives and overcome potential weaknesses and threats.
 - d. Re-structuring the department's organizational structure by finding the control tools that help us achieve the objectives, including:
 - First - human resources with control experience.
 - Second - Monitoring programs that contribute to achieving rapid and accurate control and reducing time.

- 3- Approval of the risk-based audit plan through the analysis of the bank's business and the degree of risk analysis for each activity through a comprehensive survey of the work of the bank and the development of an audit program for each department or section through direct supervision of the audit committee, which will be done through the risk-based audit method in accordance with international auditing standards to reach the objectives of the plan.
- 4- Approval of the charter of the Shariah Audit and Internal Audit Department, which will confirm the following:
 - a- Audit objectives
 - b- Powers
 - c- Independence and objectivity
 - d- work area
 - e- Roles and responsibilities
 - f- Periodic review and audit

Where the Audit Department provides objective advisory services to the bank's board of directors through the audit committee, in addition to providing assistance to all sections of the bank independently of executive work, in addition to serving as a link between the Shariah Supervisory Board and the Board of Directors through preparing a guide for Sharia fatwas in coordination with the Shariah Supervisory Board.

5- The bank achieved a net profit of (5,016,360,617) dinars (five billion and sixteen million three hundred and sixty thousand six hundred and seventeen dinars) compared to year 2020, where the total profit was (654,193,002) dinars (six hundred and fifty-four million and one hundred and ninety three thousand and two dinars), i.e. a ratio of (766%), which means that there is a significant development in the percentage of revenues achieved by the bank as a result of the intensive efforts of the Board of Directors and the Executive Management.

6- An increase in total Equity from (251) billion dinars for the fiscal year 2020 to (256) billion dinars, with a development rate of 102%, which led to the sobriety and strength of the bank's financial position.

7- The total customer deposits amounted to 171 billion dinars, while the deposits for the year 2020 amounted to (88) billion dinars, with a development rate of 194%, which means the bank's success in attracting customers as a result of the public's confidence in Al Janoob Islamic Bank.

8- The total Indirect financing as at 31/12/2021 was as follows:

Financing type	Performing dinars	Non-performing dinars	Ratio to total
Documentary Credits	376,184,975,454		%92
Letters of Guarantee	31,994,637,960	15,076,000	%8
Total	408,179,613,414		

9- The policy of hiring and promotions was reviewed, as a new structure for the salary system was prepared, based on experience and certification, and it was approved by the Board of Directors, and this system was actually implemented.

10- The reports of the executive management submitted to the Central Bank of Iraq, whether monthly, bi-monthly or quarterly, were reviewed, and follow-up was completed.

11- The procedures of the executive management regarding the observations of the supervisory committees of the Central Bank of Iraq were followed up and answered promptly.

12- The total direct financing amounted to 143 billion dinars, where its ratio to the capital and sound reserves reached 56%, and its ratio to the total deposits reached 83%, which is higher than the percentage specified by the Central Bank of Iraq of 70%, and its profits amounted to more than (11) billion dinars.

13- By analyzing these financings on the economic sectors, the following was found:

Sector	Financing Amount / dinar	Percentage
Industrial	13,593,143,813	10%
Individual	13,181,890,602	%9
Trading	105,723,400,109	%74
Building and Construction	9,721,419,500	%7
Other	373,068,882	%0.002
Total	142,592,913,905	

* the above balance represents performing Murabaha financings.

14- The balance of the 20 largest depositors in the bank amounted to (108,205,496,523) dinars, which represents more than 75% of the total Murabaha financings amounting to (143,869,407,274) dinars, where the percentage of investment deposits reached 48% of the total deposits where there is a high risk in the event of withdrawal, especially as they are governmental.

15- The bank's total investments amounted to (34,109,636,923) dinars, as follows:

Investment type	Investment Amount/dinar	Investment Date
Nasik Islamic Bank	15,723,076,923	23/1/2019
The Iraqi Company for Deposit Insurance	750,000,000	6/8/2019
Takaful Company	550,000,000	2/4/2018
Mousharaka Macca front company	2,086,560,000	31/12/2018
Mousharka qaser al rawan	15,000,000,000	13/12/2019
Total	34,109,636,923	

16- Capital Adequacy Ratios are as follows:

Month	Standard ratios	Actual Ratio	The percentage specified by the bank	Deviation
June	12%	%55	20%	-
September		%74		
December		%83		

This indicates that the bank has high operational capabilities.

17- The liquidity ratio are as follows:

Month	Standard ratios	Actual Ratio	The percentage specified by the bank	Deviation
June	30%	%54	%40	-
September		%37		
December		%51		

18- The liquidity coverage ratio (LCR) are as follows:

Month	Standard ratios	Actual Ratio	The percentage specified by the bank	Deviation
June	100%	%218	110%	-
September		173%		
December		314%		

There is no deviation from the standard ratio.

19- Net Stable Financing ratio (NSFR) are as follows:

Month	Standard ratios	Actual Ratio	The percentage specified by the bank	Deviation
June	100%	%118	110%	-
September		155%		
December		183%		

There is no deviation from the standard ratio.

All the procedures and policies adopted by the bank are in line with the principles, rules and customs, and that the bank relies on the accounting system in line with the accounting record keeping system, and it has recorded all banking operations, assets, liabilities, expenses and revenues, and he made all the required matches and that the result of the activity and the financial position are in accordance with what the records show and in accordance with international standards (IFRS) and Islamic Accounting Standards (AAOIFI) and it is in accordance with the Banking Law No. (94) Of 2004 and the Islamic Banking Law No. 43 of 2015 and the Companies Law No. 21 of 1997 Amendment, and Money laundering and terrorist financing law (39) of 2015.

with respect...

Chartered Accountant

Zuhair Abdul Karim Jabbar

Chairman of the Audit Committee

Sharia Board committee annual Report

In the name of God, the Most Gracious, the Most Merciful. Praise be to God, Lord of the worlds, and may God bless the best of his creation our Prophet Mohammed and his family. Gentlemen, respected members of the General Assembly of the Al Janoob Islamic Bank for Investment and Finance,

Peace and mercy be upon you.

According to the requirements of banking Regulation and procedures in Islamic banks and the strengthening of supervision and Sharia Laws control in Al Janoob Islamic Bank and our assignment to do so, we present to you the annual report for the year ending on 31 / December / 2021 as follows:

First: The "Sharia Supervisory Board" of Al Janoob Islamic Bank held twelve meetings during the year ending on December 31, 2021, in which they studied a set of contracts, services and agreements concluded by the bank's management. The Sharia board gave its opinion in those issues and approved the correct ones and corrected the wrong ones in accordance with the rules of Islamic law.

Second: The Sharia Supervisory Board reviewed the reports of Sharia Internal Audit Department of the activities of the Headquarter and branches of Al Janoob Islamic Bank and made sure that these reports conform to the principles and rules of Islamic law.

Third: We in the Sharia Supervisory Board monitored and reviewed the work activities and models of contracts of Al Janoob Islamic Bank presented to us in the above-mentioned period and after reviewing and studying these transactions and contracts, the board expressed its opinion and approved it after correcting and editing some contracts and transactions and making them compatible with the rules of Islamic Sharia.

After this monitoring, review and correction, it became clear to us in the Sharia Board that all contracts, transactions and activities of the bank are in line with Islamic Sharia and international Sharia standards, and that the management of Al Janoob Islamic Bank is keen to adhere to the principles and rules of Islamic Sharia in its transactions, activities and contracts, as well as its commitment to the decisions and instructions issued by the Sharia Board.

Fourth: The management of the bank and all its branches is responsible for implementing and applying the decisions of Sharia Supervisory Board and keeping it informed of all operations and developments that require the issuance of decisions by Sharia Board regarding them. The responsibility of Sharia Supervisory Board is limited to monitoring the proper implementation of decisions from Sharia point of view and expressing opinion on them based on Sharia reports and the financial statements of the bank.

Fifth: In our opinion, the contracts, instructions, and transactions concluded by Al Janoob Islamic Bank for Investment and Finance during year 2021, which we have reviewed, were carried out in accordance with the principles and rules of Islamic law.

Sixth: In our opinion, the distribution of profits and charging of losses on investment accounts was consistent with the basis that was adopted by us in accordance with the principles and rules of Islamic law.

We, in Sharia Supervisory Board, value the efforts of the bank's management and its keenness to implement the rules of Islamic law in all its financial transactions. We pray to God Almighty to guide everyone to what he loves and is pleased with. He is the guardian of success.

Dr. Adel Abd Al-Sattar Abd Al-Hassan
Chairman of the Sharia Supervisory Board

**Summary of the bank's strategic plan
For the years (2021-2023)**

The Basis of preparing the bank's strategic plan for the years (2021-2023)

First: Planning Methodology:

In preparing its strategy, Al Janoob Islamic Bank for Investment and Finance relied on a broad participation approach with all bank employees, owners, customers, and service recipients, based on the analysis of the internal and external environment of the bank and the results of the financial and non-financial evaluation of the bank, which include the most prominent strengths and opportunities for improvement, and based on the message, vision and values of the bank. The bank's future vision and how to achieve it were discussed and documented within a framework of coordination and harmony with the general directions of the state, and this was translated into the operational work plans of the bank's organizational units emanating from its strategy. To ensure the achievement of the bank's strategic objectives, performance indicators (KPIs) were defined to measure the extent to which the implementation plans were accomplished (Operational Objectives). As periodic reviews will be conducted to measure the level of achievement of objectives through the work of the strategic planning team as a permanent working team to discover any deviations that may occur in the future and to submit the proposed treatment recommendations to the senior management in the bank.

Second: Preparing and reviewing the general strategy document for the bank:

In preparing the strategy, the strategic planning team in the bank relied on the (Plan-Do-Check-Act) methodology, to ensure continuous improvement and development. The bank also relied on the principles of management in defining strategic priorities represented by stability and efficiency in all banking, financial and non-financial operations and activities, interactive education, and knowledge transfer based on strengthening communication channels and employing the efforts of the experienced cadres in Al Janoob Islamic Bank for Investment and Finance.

In preparing the strategy, the strategic planning team relied on collecting and analyzing information using many means, including reviewing strategic planning theories, strengths and improvement points that were derived from the bank's quarterly and final financial statements for the year 2019 and considering it the base year due to global events and the effects of the Corona pandemic in the year 2020 in building the strategy for the period (2021-2024), And holding

brainstorming sessions for work teams to analyze the bank's work environment SWOT/PESTEL and Self-Assessment Programs, and distributing their results to the bank's organizational units, and obtaining the results of the Feed Back Result.

Third: The Bank's Strategic Objectives:

Based on the results that were extracted through what was mentioned in "second" above, the major strategic objectives of the bank were formulated, which represent the general long-term objectives, from which initiatives (executive plans and projects) were derived that would achieve the strategic objectives.

Clear, understandable and measurable performance indicators (KPIs) have been defined to assess the level of performance in achieving operational goals.

The strategic objectives of the bank have been summarized within three major general objectives, as follows:

The first strategic objective:

Providing and sustaining governorates and various segments of society for an integrated set of banking services, products and solutions.

The second strategic objective:

Maximizing the assets and raising the return on the Owner's Equity, while achieving the highest level of balance between the interests of the stakeholders.

The third strategic objective:

Seeking and accessing everything new in the field of banking, technology and digital.

Fourth: Executive and operational plans and projects:

A set of projects and operational plans have been approved that will work to achieve the strategic objectives of the bank, the most important of which are:

- 1- Increasing and diversifying deposits and investment accounts.
- 2- Developing electronic services and moving towards providing more digital services.
- 3- Increasing the profitability rates of the bank.
- 4- Opening new branches and increasing the number of ATMs.
- 5- Develop policies and procedures and strengthen the power of the supervisory system in the bank.
- 6- Developing new products that meet the needs of customers.

AL JANOOB ISLAMIC BANK FOR INVESTMENT AND FINANCE (PJSC)

**FINANCIAL STATEMENTS
AND AUDITORS' REPORT
FOR THE YEAR ENDING
DECEMBER 31, ,2021**

NO.(94 / 22/ 57)

April 2, 2022

**TO THE SHAREHOLDERS
AL JANOOB ISLAMIC BANK (PJSC)****INDEPENDENT AUDITORS' REPORT**

We have audited the financial position statement of "Al Janoob Islamic Bank (PJSC)" as of December 31, 2021, the statement of profit or loss and other comprehensive income, the statement of changes in owners' equity, the cash flow statement for the year then ending, the notes related thereto bearing the sequence from (1) to (31), the annual report of the bank's management prepared in accordance with the rules of the Companies Law No. (21) for the year 1997 as amended and the regulations and instructions issued according to the Banking Law No. (94) for the year 2004 and the Islamic Banking Law No. (43) for the year 2015 as a legal and regulatory framework for the contracts, the bank's activity in its banking transactions while providing services to its clients, and in accordance with recognized local and International Auditing Standards.

We have obtained the information and clarifications that, in our opinion, were necessary to perform our audit, which was carried out in accordance with the legislations in force and in accordance with the International Standards on Auditing (ISAs), which included the necessary tests to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

MANAGEMENT RESPONSIBILITY

Management is responsible for preparing and disclosing these data in accordance with International Accounting Standards and the Standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) stipulated in Article (13) of the Islamic Banking Law No. (43) of 2015 in addition to its responsibility in preparing and for applying internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility also includes testing the application of appropriate accounting policies and the use of reasonable accounting estimates.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. The audit includes our examination on a test basis of supporting data and documents of the amounts appearing in the financial statements and other final accounts for the fiscal year ending on December 31, 2021, and their disclosure. It also includes a fair assessment of the accounting principles adopted by management. We believe that our audit provides a reasonable basis for our opinion. We have the following clarifications and observations that generated from our audit:

First: The Application of International Accounting Standards

Al Janoob Islamic Bank (PSC) has applied International Accounting Standards for the fifth year and still adopts the principle of recording at historical cost for the property, buildings, equipment and other assets instead of revaluation. The bank has revaluated these according to fair value based on instructions from the sectorial authority noting that the bank has prepared the "methodology of Standard No. (9)" according to the requirements of the Central Bank of Iraq, and the impact of its application has been measured according to the circulars of the Central Bank of Iraq No. 9/6/466 on 12/26/2018.

Second: Subsequent Events

There are no subsequent events on the Financial Statement date that materially affect the Financial Statements, nor have a negative impact of the Corona virus as well, until the date of preparation of this report.

Third: Cash

- 1) The cash balance with foreign and local banks on the balance sheet date is as shown below:

Local banks - Dinars	37,821,847,377
Foreign banks - Dinars	132,478,147,626
Total - Dinar	<u>170,299,995,003</u>

Foreign banks represent more than 52% of the capital and reserves, and the percentage according to the instructions of the Central Bank of Iraq is 30%, based on the letter No. 9/2/56 on 3/2/2020.

- 2) It was noted that there is no insurance contract for the bank's fortified rooms, such as insurance against theft and burglary, fire, and money damage due to moisture, as well as the absence of insurance contracts for cashiers.
- 3) The bank relied on the SWIFTs issued by foreign banks for the purposes of matching on 31/12/2021, due to the lack of confirmations on the date of preparing the Financial Statement.

- 4) Confirmation requests were sent to local banks but some were received.
- 5) Cash in foreign currency was evaluated on December 31, 2021 on the basis of the exchange rate of 1460 Dinars per US Dollar.

OTHER FINANCIAL ASSETS

Fourth: Below is a list of the financial investments (Investments / Participations) of the bank

	<u>Type of investment</u>	<u>Contract cost / Dinars</u>	<u>Account</u>	<u>Account name</u>
1	Al-Nasik Islamic Bank	15,723,076,923	1526	Financial Investment
2	Iraqi Deposit Guarantee Co.	750,000,000	1526	Financial Investment
3	Wajihat Makkah Co.	2,086,560,000	1540	Musharaka long-term investment
4	Takaful Co.	550,000,000	1526	Investment
5	Al Rawan Palace Co.	15,000,000,000	1485	Musharaka
6	Al-Kharamal Co.	5,800,000	1489	Musharaka
7	Ard Al Raja Co.	6,200,000	1489	Musharaka
	Total	34,121,636,923		

- We did not receive some confirmations for the investment balances as on the date of preparing the financial statements.

Fifth: Islamic Financing

- 1) The balance of Islamic finance on the Financial Statement date amounted to (166,305,311,888) dinars, compared to (118,649,116,847) billion dinars for the previous year.
- 2) The collateral obtained in return for granting Islamic finance is a check or bill of exchange for some of these finances. We recommend obtaining sufficient collateral in exchange for the granted amounts in order to preserve the safety of the bank's assets.
- 3) The contingent financing balance on the financial statements date amounted to (233,008,823,300) Dinars, compared to (145,322,895,881) Dinars for the previous year after deducting the margins.
- 4) The percentage of margins for letters of guarantee and documentary credit during the year 2021 (43%), noting that the percentage based on the instructions of the Central Bank of Iraq is (25%).

Sixth: contingent financing

- 1) The guarantees obtained in return for issuing letters of guarantee are checks and bills of exchange.
- 2) Financing concentrations: Companies were not granted contingent financing that exceeded 10% of the capital and reserves.

- 3) The credit files of more than (20) borrowers were reviewed, and most of their guarantees were checks and bills of exchange.
- 4) The bank financed through the Central Bank of Iraq small and medium projects, which amounted on 31/12/2021 an amount of (22,220,427,000) Dinars.

Seventh: - Provisions

- 1) The provision for Islamic financing (expected credit loss) amounted to (3,434,615,624) Dinars, compared to the previous year in (1,743,696,182) dinars.
- 2) Provision for contingent financing, amounted to (356,947,729) million Dinars, compared to (2,047,867.171) Dinars for the year 2020.

Eighth: - Income Statement

The bank achieved a net profit after tax on the financial statements date (5,016,360,617) Dinars, compared to (556,064,052) Dinars on December 31, 2020.

Ninth: Shareholders' Equity

1 - The bank was established after an amendment from a financial transfer company (which was a private joint-stock company in the name of Al-Janoub Company for Financial Transfer according to the certificate of incorporation issued by the Companies Registration Department No.68848 and established on June 11, 2009) to Al Janoob Islamic Bank for Investing and Financing under the Companies Registration Department Letter No. 807 on January 13, 2016. The capital was increased to become (250) billion Dinars according to the letter issued by the Central Bank of Iraq and according to the General Director of Banking and Credit Control letter under the No. (9/3/1791) on February 2, 2016 the bank obtained the final approval to practice banking.

2- An amount of (250,818,031) Dinars has been allocated as a legal reserve, which represents (5%) of the profits after tax for the year 2021.

3- The balance of retained earnings from year 2020 amounted to (459,057,565) Iraqi Dinars, after adding profits of year (2021) amounting to (5,016,360,617) Dinars, the balance of the retained earnings on 31/12/2021 reached (5,475,418,182) Iraqi Dinars before the distribution of reserves.

Tenth: Money Laundering

The bank has taken adequate measures to prevent money laundering and terrorist financing and these measures are being implemented in accordance with the regulations, directives and guidelines issued by the Central Bank of Iraq and in accordance with the rules of the Anti-Money Laundering and Terrorist Financing Law No. 39 of 2015. We have noted the extent to which natural and legal persons comply with the rules of the law, and we have read the reports of the Money Laundering Department and they fulfilled all the required conditions.

Eleventh: - Internal Control

A- The reports of the Sharia Audit Department were comprehensive of the bank's activities, and the internal control system included the necessary procedures through which this department could carry out the control and audit procedures.

B - We reviewed the report of the Sharia Board, and it included all the activities of the bank and its branches.

Twelfth: - Compliance Officer

Through our review and study of the compliance auditor's report submitted during the year, the audit was prepared in accordance with the requirements of the Central Bank of Iraq.

Thirteenth: Legal Cases

There is a lawsuit filed against the bank by the Al Janoob Bank / Basra Branch in the Labor Court - Baghdad No. 810/Work/2019 and it was resolved during the year 2022.

Fourteenth: Capital Adequacy

Through our examination of the accounting records and statements prepared for the purpose of calculating the capital adequacy, the ratio was 83%, which is more than the percentage specified by the Central Bank of Iraq, which is not less than 12%.

Fifteenth: Managing Risks

All the reports of the Risk Management Department were in compliance with the instructions and risk management controls issued by the Central Bank of Iraq for the year 2018. We have noted the following:

1-The LCR liquidity coverage ratio reached 314%, with a difference of 214%, more than the instructions of the Central Bank of Iraq.

2-The liquidity ratio reached (49%), while the liquidity ratio by the Central Bank was 30%.

Sixteenth:

- 1- The Central Bank of Iraq / Department of Operations and Debt Management / Department of Foreign Currency was approached under the letter No. (62/m/0/600) on 14/2/2022 to indicate the amount of Dollars purchased by the bank in 2021 through the foreign currency sale and purchase platform. The bank provided us with a statement of the amounts of foreign currency purchased according to the table shown below, in addition to the revenue generated through this platform.

	Purchases Dollars	Revenues Dinars
Remittances	579,918,387	
Letter of Credits	104,972,299	
Cash	213,480,000	
Total	898,370,686	3,650,795,460

- 2- The percentage of profits from trading in Dollars through the foreign currency platform represents (15%) of the bank's total revenues of (24,444,262,484) Dinars.

OTHER CLARIFICATIONS

1- Applying Corporate Governance instructions:

We reviewed the results of the representative sample of the corporate governance scorecard for the guide set by the bank. In our opinion, the bank is in general complied with quantitative and qualitative requirements and according to the parallel scorecard project model. The Board of Directors and the executive management of the bank are working hard and diligently to adhere to the implementation of corporate governance instructions regarding disclosure and transparency practices.

2- Results of the desk audit of Central Bank of Iraq:

The correspondences of the Central Bank of Iraq regarding the audit results of the quarterly budgets that are sent from the bank to the Central Bank at the end of each quarter of the year were reviewed and the instructions based on the audit given were followed for implementation.

Through our study of the bank's correspondence with the Central Bank of Iraq regarding the quarterly and monthly reports, it was noted that there are no fundamental matters that could affect the adequacy of the information sent to the Central Bank of Iraq.

According to what is recorded in the bank's records and the clarifications given to us, we note the following:

1. The accounting system used by the bank was in accordance with the requirements of the bookkeeping systems, and it included, at our discretion, the recording of all the assets, liabilities, expenses and revenues of the bank.
2. The process of inventorying fixed and cash assets was carried out properly by the bank's management and under our supervision, and there are no indications of seizure or mortgage on it, and that the results of this inventory came in conformity with the records, and the assets were evaluated in accordance with the approved accounting principles and standards.
3. The annual report of the bank's management and the financial and accounting information reflect the bank's progress during the year and is prepared in accordance with the requirements of the amended Companies Law No. 21 of 1997 and does not include anything that contravenes the rules of Laws and Legislations.
4. The financial statements have been organized in accordance with the international accounting standards IFRS and AAOIFI (the standards of the Accounting and Auditing Organization for Islamic Financial Institutions) and in accordance with the legislations in force. It is consistent with what appears in the records and it is organized according to both the amended Companies Law and the Islamic Banking Law No. (43) of the year 2015 and the binding regulations and instructions.

OPINION

Taking into consideration the above notes and clarifications, in our opinion, and based on the information and clarifications that we obtained, the financial statements present fairly the financial position of the bank as at December 31, 2021 and the income statement, statement of other comprehensive income, statement of changes in equity, statement of cashflow for the year then ended, and the management report attached to is consistent with the records, meet the legal requirements, and they are in proportion to the performance indicators they contain.


Haitham Saeed Khoder

*Chartered Accountant and Accounts Controller
Member of the Iraqi Society of Certified Accountants
Haitham Saeed Khoder and his partner for Auditing*



With Respect


Munib Mustafa Hussein

*Chartered Accountant and Accounts Controller
Member of the Iraqi Society of Certified Accountants
Haseeb Kadhim Jaweed Co. for Auditing/partnership*



AL JANOUB ISLAMIC BANK FOR INVESTMENT & FINANCE (PJSC)
BAGHDAD- IRAQ
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,

	<u>Notes</u>	<u>2021</u> <u>DINAR</u>	<u>2020</u> <u>DINAR</u>
ASSETS			
Cash & Balances with Central Bank	6	153,537,288,328	85,616,963,095
Due from Banks and Financial Institutions	7	170,299,995,003	65,551,405,363
Sales Receivables - Net	8	140,153,524,455	92,102,781,263
Musharaka	9	15,012,000,000	16,418,000,000
Financial Investment at Fair Value through Comprehensive Income	11	19,109,636,923	37,434,026,923
Qard Hassan -Net	10	281,267,195	332,086,375
Property, Plant and Equipment-Net	12	77,420,814,294	88,315,686,704
Intangible Assets-Net	13	6,425,448,736	6,450,866,883
Other assets	14	49,556,333,615	4,472,486,431
Total Assets		631,796,308,549	396,694,303,037
LIABILITIES AND INVESTMENT ACCOUNT HOLDERS EQUITY & OWNER'S EQUITY			
LIABILITIES			
Customer's Current Accounts and Other Accounts	15	99,988,175,404	16,612,458,678
Due to Banks and Financial Institutions and Central Bank	16	22,220,427,000	4,697,222,000
Cash Margin	17	175,269,483,178	44,311,271,389
Other Provisions	18	737,676,781	2,428,596,223
Provision for Taxes	19	885,240,109	98,128,950
Other Liabilities	20	4,757,632,364	4,531,853,609
Total Liabilities		303,858,634,836	72,679,530,849
INVESTMENT ACCOUNT HOLDERS EQUITY	21	71,718,477,068	72,685,597,161
SHAREHOLDERS EQUITY			
Paid up Capital	22	250,000,000,000	250,000,000,000
Statutory Reserve	22	490,163,672	239,345,641
Other Reserves	22	1,934,095,596	630,771,821
Retained Earnings	22	3,794,937,375	459,057,565
Total Shareholders' Equity		256,219,196,643	251,329,175,027
Total Liabilities and Investment Account Holders Equity & Shareholders' Equity		631,796,308,548	396,694,303,037
Contingent Commitments	23	233,008,823,243	145,322,895,824

Chief Financial Officer

Nassim Mohamad Kheir Hajjar

Managing Director

Oday Saadi Ibrahim

Chairman of Board of Directors

Dr. Mahmood Mohamad Mahmood Dagher

Subject to our report No (94/22/57) dated April 2, 2022

The notes from (1) to (32) are considered part of the final financial statements and should be read therewith

Haytham Said Khodor

Chartered Accountant and Accounts Controller

Member of the Iraqi Association

of Certified Public Accountants



Mustafa Hussein

Chartered Accountant and Accounts Controller


Member of the Iraqi Association


of Certified Public Accountants



AL JANOOB ISLAMIC BANK FOR INVESTMENT & FINANCE (PJSC)
BAGHDAD - IRAQ
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31,

	<u>Notes</u>	<u>2021</u> DINAR	<u>2020</u> DINAR
Bank's share of the investment accounts revenues as Mudarib and Rab AL - Mal			
Revenues from Murabaha Financing	24	11,130,488,082	4,001,229,060
Revenue from Musharaka Financing	25	-	1,860,236,705
Income (loss) From Financial Investments	26	(1,439,688,079)	79,681,591
Revenues from Investments in Real Estate		500,000,000	-
Total Income from Investments and Financing		10,190,800,003	5,941,147,356
Share of investment account holders'		(3,228,036,162)	(1,069,469,661)
Bank's share of the investment accounts revenues as Mudarib and Rab AL - Mal		6,962,763,841	4,871,677,695
Net Revenue from Banking Operations			
Foreign exchange gain/loss		3,650,795,460	3,281,834,234
Net Commission Income	27	9,964,672,944	2,276,623,505
Other revenues	28	3,984,817	384,548,491
Net Revenue from Banking Operations		13,619,453,221	5,943,006,230
Total Operating Income		20,582,217,061	10,814,683,925
Operating Expenses			
Staff Benefits	29	(3,359,362,075)	(2,877,338,857)
Depreciation and amortization		(3,520,826,574)	(1,661,860,151)
Other Operating Expenses	30	(7,800,427,687)	(4,534,627,869)
Total Operating Expenses		(14,680,616,336)	(9,073,826,877)
Net Operating Income Before Provisions and Taxes		5,901,600,726	1,740,857,048
Provisions	31	-	(1,086,664,047)
Net Income (Loss) Before Tax		5,901,600,726	654,193,001
Tax		(885,240,109)	(98,128,950)
Net Income (Loss) After Tax		5,016,360,617	556,064,051


Chief Financial Officer
Nassim Mohamad Kheir Hajjar


Managing Director
Oday Saadi Ibrahim

Subject to our report No. (94/22/57) dated April 2, 2022
The notes from (1) to (32) are considered part of the final financial statements and should be read therewith

AL JANOOB ISLAMIC BANK FOR INVESTMENT & FINANCE (PJSC)

BAGHDAD - IRAQ

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Profit for the year	5,016,360,617	556,064,052
Other comprehensive income:		
<i>Items that are not subsequently transferable to profit and loss</i>	-	
Change in fair value of investment in securities		-
through other comprehensive income	-	-
Total comprehensive income for the year	<u>5,016,360,617</u>	<u>556,064,052</u>

The notes from (1) to (32) are considered part of the final financial statements and should be read therewith

AL JANOOB BANK FOR INVESTMENT & FINANCE (PJSC)
BAGHDAD - IRAQ
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	<u>2021</u> DINAR	<u>2020</u> DINAR
Cash flows from operating activities:		
Profit for the year	5,016,360,617	654,193,002
Adjustments for non – cash items:		
Depreciation and Amortization	3,520,826,574	1,661,860,151
Profit before changes in Assets and Liabilities	8,537,187,191	2,316,053,153
Change in Assets and Liabilities		
Change in sales receivables	(48,050,743,192)	(22,633,373,061)
Change in Musharaka	1,406,000,000	-
Change in Qard Al-Hassan	50,819,180	-
Change in Financial Assets at Fair Value	18,324,390,000	-
Change in Reserves and Allocations	(1,817,258,443)	947,729,575
Change in Other Assets	(45,083,847,184)	11,042,641,077
Change in Current and Demand Customer Accounts	83,375,716,726	22,155,808,140
Change in Cash Margins	130,958,211,789	25,152,459,693
Change in Other liabilities	225,778,755	(5,220,537,889)
Change in loans received	17,523,205,000	3,047,222,000
Net Cash Flow from Operating Activities Before Tax	156,912,272,531	34,491,949,535
Change in Tax Provision	787,111,159	74,437,950
Net cash flow from operations after tax	157,699,383,690	34,566,387,485
Net cash flow from operating operations	166,236,570,981	36,882,440,638
Cash flows from Investing Activities:		
Change in Financial Investments	(967,120,093)	30,907,473,860
Change in Property and Equipment	7,374,045,838	(3,025,664,859)
Change in Intangible Assets	25,418,147	245,822,224
Net Cash (Used in)/Generated by Investing Activities	6,432,343,892	28,127,631,225
Cash flows from Financing Activities:		
Increase in Cash Contributions to Capital	-	-
Net Cash Generated by Financing Activities	-	-
Increase in Cash and Cash Equivalents	172,668,914,873	65,010,071,863
Cash and Cash Equivalents - Beginning of year	151,168,368,458	86,158,296,595
Cash and Cash Equivalents - End of year	323,837,283,331	151,168,368,458

The notes from (1) to (32) are considered part of the final financial statements and should be read therewith

Al Janoob Islamic Bank (PJSC)
A Private Joint Stock Company-Baghdad

Statement of Shareholders for the year ending 31 December 2021

Statement	Paid Up Capital	Statutory Reserve	Other reserves	Fair Value Reserve	Retained Earnings	Total Shareholders' Equity
	dinar	dinar	Dinar	dinar	dinar	dinar
<u>31/12/2021</u>						
Balance as at 1/1/2021	250,000,000,000	239,345,641	630,771,821	—	459,057,565	251,329,175,027
Adjustments during the year	—	—	(126,339,001)	—	—	(126,339,001)
Additions during the year						
Profit of the year	—	—	—	—	5,016,360,617	5,016,360,617
The total items of comprehensive income						
total comprehensive income	—	—	—	—	5,016,360,617	5,016,360,617
Income						
Gains on sale of financial assets that are directly recognized in retained earnings	—	—	—	—	—	—
Transfers to reserves (Note 17)	—	250,818,031	1,429,662,776	—	(1,680,480,807)	—
Balance as at 31/12/2021	<u>250,000,000,000</u>	<u>490,163,672</u>	<u>1,934,095,596</u>	<u>—</u>	<u>3,794,937,375</u>	<u>256,219,196,643</u>

Al Janoob Islamic Bank (PJSC)
A Private Joint Stock Company-Baghdad

Statement of Shareholders Equity for the year ending 31 December 2020

Statement	Paid Up Capital	Statutory Reserve	Other Reserves	Fair Value Reserve	Retained Earnings	Total Shareholders' Equity
	dinar	dinar	Dinar	dinar	dinar	dinar
31/12/2020						
Balance as at 1/1/2020	250,000,000.000	211,542,438	534,042,566	—	89,274,971	250,834,859,975
Adjustments during the year	—	—	(61,749,000)	—	—	(61,749,000)
Additions during the year						
Profit of the year	—	—	—	—	556,064,052	556,064,052
The total items of comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	556,064,052	556,064,052
Income						
assets that are directly recognized in retained earnings	—	—	—	—	—	—
Transfers to reserves (Note 17)	—	27,803,203	158,478,255	—	(186,281,458)	—
Balance as at 31/12/2020	250,000,000.000	239,345,641	630,771,821	—	459,057,565	251,329,175,027

AL JANOUB ISLAMIC BANK FOR INVESTMENT & FINANCE (PJSC)

BAGHDAD - IRAQ

NOTES TO THE FINANCIAL STATEMENTS

1. BANK'S ORGANIZATION AND ACTIVITIES

The bank was established after its transformation from a financial transfer company (which was a private joint-stock company in the name of Al-Janoub Company for Financial Transfer according to the certificate of incorporation issued by the Companies Registration Department No.68848) to a bank according to the Companies Registrar's letter No. (807) on January 13, 2016 after the completion of the procedures and increase of its capital from (45) billion dinars to (100) billion dinars, and then reached a paid-up capital of (250) billion Iraqi dinars. This is certified according to the letter of the Central Bank of Iraq - the General Directorate of Banking and Credit Control- which was issued in the number (9/3/1791) on February 2, 2016 regarding the final approval to practice banking. Then the bank started its actual activity on March 7, 2016.

2. BASIS OF PREPARING FINANCIAL STATEMENTS

- The financial statements of the bank financed from its own funds and from the funds of investment account holders have been prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and in case of the absence of standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions related to certain items in the financial statements, International Financial Reporting Standards and Interpretations are applied which are in accordance with Sharia Standards until Islamic standards are issued for them.
- The bank abides by the local laws in force and the instructions of the Central Bank of Iraq.
- The financial statements have been prepared in accordance with the historical cost principle, except for financial assets at fair value through equity, financial assets at fair value through equity of investment account holders, financial assets at amortized cost and investments in real estate.
- The Iraqi Dinar is the reporting currency for the financial statements, which is the operational and main currency of the bank.
- The separation between what is related to owners equity and what is related to investment account holders was taken into account.
- Investment account holders mean the equity of investment account holders wherever they are mentioned.

3. CHANGE IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in preparing the financial statements for the year ending on December 31, 2020 except that the bank has applied the following standards:

1) Islamic Financial Accounting Standard No. 30

(Impairment of Assets, Credit Loss and High Risk Obligations)

- International Financial Reporting Standard No. (9) has been applied, as the bank has applied the requirements of the Expected Credit Losses Model (ECL) under the instructions of the Central Bank of Iraq.
- In 2021, the Bank applied the requirements of Islamic Financial Accounting Standard No. 30. This did not result in any material differences from International Financial Reporting Standard No. 9.
- This standard defines accounting principles and disclosure requirements for impairment of financial assets and expected credit losses on various credit exposures, investments, and other assets of Islamic financial institutions and their related provisions, in accordance with the best practices followed globally.

2) Islamic Financial Accounting Standard No. 33

(Investment in Sukuk, Shares and Similar Instruments)

- The Islamic Financial Accounting Standard No. 33 "Investment in Sukuk, Shares and similar Instruments" supersedes the Islamic Financial Accounting Standard No. 25, as this standard defines the main types of instruments for investments that are compatible with Islamic Sharia and defines the accounting treatments in proportion to the characteristics of the bank's business model under which investments are managed, and which aims to establish principles for the classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments.
- The bank has applied the requirements of Islamic Financial Accounting Standard No. 33 related to investments in sukuk, shares and similar instruments, and there was no material impact on the bank's financial statements from the application of this standard.

4. PRINCIPAL ACCOUNTING POLICIES

1) Segments information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns which are different from those related to other business sectors, and which are measured according to the reports that are used by the authorized decision maker and manager of the bank (Managing Director). The geographical sector is related to the types of the products or services in a specific economic environment and subject to risks and returns different from those related to sectors operating in other economic environments.

2) Revenues, Gains, Expenses and Losses In Violation of Islamic Law:

The bank records revenues, gains, expenses and losses in violation of Islamic law in a special account among other liabilities, and expenditures are made from it for charitable organizations in accordance with what the Sharia Supervisory Board decisions.

3) Sales Receivables

Murabaha sale: It is the sale of a commodity for the same price at which the seller bought it, with an increase in a known and agreed margin (at a percentage from the price) or at a lump sum, and which is one of the trusted sales in which the purchase price or cost is considered as a base.

Murabaha sale to the purchase ordered: It is the bank's sale to its customer (the purchase ordered) of a commodity with a specified increase over its price or cost after determining that increase (Murabaha profit) and is called Bank Murabaha.

- The Bank applies the "principle of obligation of promise" in Murabaha contracts to the order of the purchase, in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. Revenues from sales (which are paid in one payment and which are due after the current financial period or that paid in installments over several subsequent financial periods) are recognized by distributing them over the future financial periods of Murabaha, so allocation of profits is made to each financial period regardless of whether payment is made in cash or not.
- Sales receivables are recognized when they occur at their nominal value and are measured at the end of the financial period on the basis of the net cash value expected to be realized, i.e. the amount of debt required from customers at the end of the financial period with the deduction of any allowances for expected credit losses.
- Sales and Financed receivables from investment accounts are written off in the event that procedures taken to collect them are not feasible by recording them on the expected credit loss allowance account, and the sum of the receivables/finances received that were previously written off is added to the investment profits. Also, the sales receivables and financings financed from self-accounts are written off from allowance for expected credit losses in the event that measures taken to collect them is not feasible. The collection of the receivables / financings that were previously written off is added to the revenues, and any surplus in the total allowance - if any - is transferred to the income statement.

4) Musharaka

- It is the submission of funds equally or in varying proportions by two parties, one is the bank and the other is the customer in order to establish a new project or contribute to an existing project. Each party becomes the owner of a fixed or decreasing share in the capital and is entitled to his share of the profits as per agreement, while losses are divided according to the share of each partner in the capital, and it is not valid to stipulate otherwise. The partnership is divided into fixed partnership or diminishing partnership ending with ownership.
- The bank's share in the Musharaka capital is recorded when it is delivered to the managing partner or placed in the Musharaka account, and it is measured at the value of the amount paid in cash or at fair value if it is in kind. If there are differences in the evaluation of the asset when contracting (between the fair value and the book value) then it is recognized as a profit or a loss.
- The bank's share in the fixed Musharaka capital is measured at the end of the financial period at the historical value. In the case of diminishing Musharaka, the capital is measured at the end of the financial period at the historical value, less the historical value of the sold share at the agreed upon fair value, and the difference between the two values is recorded in profit or loss statement.
- The bank's share in the profits or losses of the Musharaka financing operations that arise and end during a financial period is recorded after its liquidation, but in the case of the continuation of the partnership for more than one financial period, then the bank's share in the profits is recorded when it is achieved by fully accounting for it or in any part of it between the bank and the partner, in the financial period in which they occurred, within the limits of the profits that are distributed, and in its share in the losses for a financial period, so it is recorded in its books during that period, within the limits of the losses by which the bank's share of the capital is reduced.
- In the event of losses due to the participant's infringement or negligence, the losses shall be borne by the participant and shall be proved as a liability against him.
- At the end of the financial period, financing assets are recorded at the cost or the expected realizable cash value, whichever is lower, and the difference is recorded as an allowance for expected credit losses.

5) Financial Assets at Fair Value through Income Statement

- They are the financial assets that the bank has purchased for the purpose of selling them in the near future and making profits from short-term market price fluctuations or trading profit margins. These assets are recorded at fair value at purchase (acquisition expenses are charged to the income statement at the time of purchase) and subsequently re-valued at fair value, and the change in fair value is recorded in the income statement, including the change in fair value resulting from differences in the conversion of non-monetary assets items in foreign currencies, and in the case of sale of these assets or part of them, the resulting profits or losses are recorded in the income statement. Dividends or realized profits are recorded in the income statement.

6) Financial Assets at Fair Value through Equity

- These assets represent investments in financial assets that are financed from the bank's own funds for purpose of holding them for long term.
- These assets are recorded upon purchase at fair value in addition to acquisition expenses, and subsequently re-evaluated at fair value, and the change in fair value appears within the fair value reserve item within the equity accounts.
- In case of selling these assets or part of them, the resulting profits or losses are recorded in retained earnings in accordance with Islamic Financial Accounting Standard No. 33.
- In case of a decline in the value of these assets, the resulting losses are recorded in the income statement.
- The impairment loss that was previously recorded in the income statement can be recovered from the fair value reserve mentioned in the equity accounts if it was objectively proved that the increase in the fair value occurred in a subsequent period to record the impairment loss.
- Profits from these financial assets are recorded in the income statement on the date of distribution publication.
- Gains and losses resulting from foreign currency translation differences for these assets are recorded in the fair value reserve.
- Financial assets whose fair value cannot be reliably determined are shown at cost. An impairment test is conducted for these assets at the end of each financial period, and any impairment in their value is recorded in the income statement, and the impairment loss for these assets cannot be recovered in subsequent periods.

7) The Fair Value of the Financial Assets

- The closing prices (purchasing assets / selling liabilities) on the date of the financial statements in active markets represent the fair value of financial instruments that have market prices. In the absence of publicized prices, the absence of active trading for some financial instruments or the inactivity of the market, the fair value is estimated by comparison at the current market value of a financial instrument that is substantially the same.
- If there are financial instruments whose fair value cannot be measured reliably, they are shown at cost after deducting any impairment in their value.

8) Assets whose Ownership has been Transferred to the Bank in Payment of Outstanding Debts

These are assets that belong to the bank in payment of debts and obligations of customers without the bank having an intention to own them, and the bank has no intention to keep them for the purpose of obtaining periodic revenue or for the purpose of anticipating an increase in their future value.

Assets whose ownership has been transferred to the bank in fulfillment of outstanding debts appear in the statement of financial position among other assets. Assets that are owned by the bank in fulfillment of owed debts are recorded at the value owed to the bank or at the fair value, whichever is lower.

These are re-valued on the date of the financial statements at fair value, and any impairment in their value is recorded in the income statement, taking into account the ownership of the funds invested in these assets. The value of the increase in its value is not recorded as revenue, but the subsequent increase is recorded in the asset (to the extent that it does not exceed the value of the impairment that was previously proven) taking into account the ownership of the funds invested in these assets.

9) Depreciation

a. Property, Plant and Equipment:

Property and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation (other than land) is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings	2%
Decorations, partitions and fire extinguishers	2%
Vehicles	20%
Furniture & Fixtures	20%
Computers	20%
Scientific books and references	20%
Firearms	20%

- The useful life of property and equipment is reviewed at the end of each year. If the expectations of the useful life differ from the estimates prepared previously, the change in the estimate for subsequent years is recorded as a change in the estimates.
- The carrying value of property and equipment is reviewed for impairment when there are events or any indications that the carrying amount may not be recoverable.
- When the recoverable amount of property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the income statement.

B. Intangible Assets:

- Intangible assets are classified on the basis of estimating their life for a definite or an indefinite period. Intangible assets with a definite life are amortized over their estimate life and amortization is recorded in the income statement. As for intangible assets with an indefinite life, impairment is reviewed for its value on the date of the financial statements. Any impairment in its value is recorded in the income statement.
- Intangible assets resulting from the bank's business are not capitalized and are recorded in the income statement in the same year.
- Any indications of impairment in the value of intangible assets are reviewed at the date of the financial statements.
- The useful life of the these assets is also reviewed and any adjustments are made to subsequent periods.

Intangible Assets

Software and Programs	10%
-----------------------	-----

10) Provisions

Provisions are recognized when the Bank has obligations at the date of the statement of financial position arising from past events, and it is probable that the obligation will be settled and its amount can be reliably measured.

11) Income Tax

- Tax expense represents the amount of tax payable.
- The Bank has taken a provision for income tax in accordance with the income tax law, at the rate of 15% of the profits.

12) The Costs of Issuing Or Purchasing Bank Shares

Any costs resulting from the issuance or purchase of bank shares are recorded in the retained earnings (net of the tax impact of these costs, if any). If the issuance or purchase process is not completed, these costs are recorded as expenses in the income statement.

13) Netting

Financial assets and financial liabilities are offsetted and the net amount is shown in the statement of financial position only when the legally enforceable rights are available and when they are either settled on a netting basis or the realization of the assets and the settlement of the liabilities are simultaneous.

14) Revenue Recognition and Expense Recognition

- Revenues and expenses are recognized on an accrual basis, with the exception of investment profits from deferred sales and non-performing financings that are not recognized as investment profits and are recorded in the Deferred profits.
- Commissions are recorded as revenue when services related to it are rendered, and dividends are recognized when earned.

15) Date of Recognition of the Financial Assets

Purchases and sales of financial assets are recognized on the trade date (the date on which the bank commits to buy or sell the financial assets).

16) Foreign Currencies

- Transactions made in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions (the exchange).
- Balances of financial assets and financial liabilities are transferred at the average foreign currency rates prevailing on the date of the statement of financial position as announced by the Central Bank of Iraq.
- Non-financial assets and non-monetary liabilities denominated in foreign currencies that are stated at fair value are transferred on the date when their fair value was determined.
- Gains and losses resulting from foreign currency conversion are recorded in the income statement.

17) Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with maturities less than three months including cash and balances with the Central Bank and deposits with banks and financial institutions.

5. USE OF ESTIMATES

The preparation of financial statements and the application of accounting policies require the management of the bank to make estimates and judgments that affect the amounts of financial assets and liabilities and the disclosure of potential liabilities, and these estimates and judgments affect revenues, expenses and provisions, as well as changes in the fair value that appear within the equity and the equity of investment account holders. In particular, it requires the management of the bank to issue important judgments to estimate the amounts and times of future cash flows. The mentioned estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation and uncertainty, and the actual results may differ from the estimates as a result of changes resulting from the conditions and circumstances that encounter those estimates in the future.

We believe that the estimates in the financial statements are reasonable, and they are detailed as follows:

- **Provision for Expected Credit Losses (ECL) for sales and financing receivables:** Determining an allowance for expected credit losses for financial assets requires the bank's management to issue important judgments to estimate the amounts and times of future cash flows, in addition to estimating any significant increase in the credit risk of financial assets after their initial recognition, in addition to take into consideration future measurement information for ECL.
- **Income tax provision:** The fiscal year is charged with its income tax expense in accordance with the regulations, laws and accounting standards.
- **Fair value levels:** The standard requires the identification and disclosure of the level in the fair value hierarchy at which fair value measures are categorized in full, and the separation of fair value measurements according to the levels specified in International Financial Reporting Standards.
- **The difference between Level 1 and Level 2 of fair value measures** means evaluating whether the information or inputs are observable and the importance of the unobservable information, which requires making judgments and careful analysis of the inputs used to measure fair value, including taking into account all factors related to asset or obligation.
- **Useful lives of property, equipment and intangible assets:** Management estimates the useful lives and residual value of property, equipment and intangible assets upon initial recognition. It also re-estimates the useful lives of property, equipment and intangible assets periodically for the purpose of calculating annual depreciation and amortization depending on the general condition of those assets and estimates of the expected productive life in the future, and the impairment loss (if any) is taken into income statement.
- **The factors that affect the estimation of the useful lives of property, equipment and intangible assets** include management's estimates of the expected period of use of these assets by the bank, technological development and obsolescence. If the useful lives of property, equipment and intangible assets differ from management's estimates, due to an event that resulted in a change in the useful life, the impact of this event will materially affect the income statement.
- **Determining the allowance for impairment of financial assets** requires the management of the bank to issue important judgments to estimate the amounts and times of future cash flows, in addition to estimating any significant increase in the credit risk of financial assets after their initial recognition, in addition to taking into consideration future measurement information for expected credit losses.

6. CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
CASH		
Cash in branches' vaults in Iraqi currency	39,648,887,061	44,138,194,288
Cash in branches' vaults in foreign currency	6,120,201,477	6,867,727,609
	<u>45,769,088,538</u>	<u>51,005,921,897</u>
BALANCES WITH CENTRAL BANK OF IRAQ		
Free Current Accounts	34,471,643,364	17,897,919,514
Deposits for certain periods with Central Bank of Iraq	51,236,237,105	9,686,988,204
Legal Cash Reserve	22,060,319,321	7,026,133,480
Total	<u>153,537,288,328</u>	<u>85,616,963,095</u>

A deposit for certain periods account represents balances in Central Bank of Iraq from the amounts of letters of guarantee issued by the bank, the currency auction, clearing and the special account for withdrawal of foreign currency.

7. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Local Banks	37,821,847,377	4,887,524,735
Foreign Banks	132,478,147,626	60,663,880,628
Total	<u>170,299,995,003</u>	<u>65,551,405,363</u>

The balance of foreign Banks includes cash margins on documentary credits amounting (112,396,629,438) Dinars, and the remaining represents nostro account.

8. SALES RECEIVABLES - NET

	<u>2021</u> DINAR	<u>2020</u> DINAR
Sales Receivables (Murabahat)	150,902,563,247	101,899,030,472
Less:		
Deferred and Suspended Profits on Sales Receivables	(7,423,904,613)	(8,052,553,027)
Expected Credit Loss	(3,325,134,179)	(1,743,696,182)
Total	140,153,524,455	92,102,781,263

B- Details of future sales receivables by sector (companies-individuals) and according to International Accounting Standard No. (9)

	<u>Stage 1</u> DINAR	<u>Stage 2</u> DINAR	<u>Stage 3</u> DINAR	<u>Total</u> DINAR
Murabaha Corporate	126,282,429,624	3,692,631,171	5,283,515,273	135,258,576,0
Deferred Profits- Corporate	(5,679,276,866)	(166,068,034)	-	(5,845,344,90
Suspended Profits- Corporate	-	-	(2,207,865)	(2,207,86
Individual Murabaha	13,130,571,541	1,113,442,439	1,399,973,199	15,643,987,1
Deferred profits- individuals	(1,402,325,255)	(118,913,975)	-	(1,521,239,23
Suspended profits - individuals	-	-	(55,112,618)	(55,112,61
Net Murabaha before deduction of the provision	132,331,399,043	4,521,091,602	6,626,167,989	143,478,658,6
Provision for Expected Credit Losses	(92,525,860)	(17,082,025)	(3,212,526,294)	(3,325,134,17
Net Sales Receivables	132,235,873,183	4,504,009,577	3,413,641,695	140,153,524,4

9. MUSHARAKA

	<u>2021</u> DINAR	<u>2020</u> DINAR
Individual Musharaka	-	1,406,000,000
Corporate Musharaka	15,012,000,000	15,012,000,000
Total	15,012,000,000	16,418,000,000

10. QARD HASSAN –NET

A- Detailed statement of Qard Hassan

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Qard Hassan	390,748,639	332,086,375
Provision For Expected Credit Loss	(109,481,445)	-
Total	281,267,195	332,086,375

B- Detailed statement according to International Accounting Standard No. (9)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	DINAR	DINAR	DINAR	DINAR
Qard Hassan	225,167,479	-	165,581,160	390,748,639
Provision for Expected Credit Loss	(25,912,686)	-	(83,568,759)	(109,481,445)
Net- Qard Hassan	199,254,739	-	82,012,401	281,267,195

11. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Companies Shares not listed in the financial markets	19,109,636,923	37,434,026,923
Total	19,109,636,923	37,434,026,923

12 – PROPERTY, PLANT AND EQUIPMENT

December 31, 2021

Item	Land Dinar	Buildings Dinar	Vehicles Dinar	Furniture & Fixtures Dinar	Equipment Dinar	Decorations and Partitions Dinar	Total Dinar
Cost – January 1	20,125,625,000	15,279,635,809	891,073,060	5,182,374,348	4,943,314,693	-	46,422,022,910
Additions	-	13,729,980	1,049,762,000	827,418,895	18,612,140	-	1,909,523,015
Disposals	-	707,643,785	-	280,000	-	-	707,923,785
Cost – December 31	20,125,625,000	14,585,722,004	1,940,835,060	6,009,513,243	4,961,926,833	-	47,623,622,140
<i>Depreciation rate</i>		%2	%20	%20	%20	%10	
Accumulated Depreciation – January 1	-	381,034,412	160,850,740	2,301,259,455	1,025,726,664	-	3,868,871,270
Disposals	-	(7,076,438)	-	7,076,438	-	-	-
Annual Depreciation	-	291,642,062	233,825,604	1,153,310,959	978,574,334	-	2,657,352,959
Accumulated depreciation – December 31	-	665,600,036	394,676,344	3,461,646,852	2,004,300,998	-	6,526,224,229
Net Book Value	20,125,625,000	13,920,121,968	1,546,158,716	2,547,866,391	2,957,625,835	-	41,097,397,910
Projects under Execution	-	26,545,000,000	781,079,425	-	-	8,997,336,957	36,323,416,382
Total	20,125,625,000	40,465,121,968	2,327,238,141	2,547,866,391	2,957,625,835	8,997,336,957	77,420,814,292

December 31, 2020

Item	Land Dinar	Buildings Dinar	Vehicles Dinar	Furniture & Fixtures Dinar	Equipment Dinar	Decorations and Partitions Dinar	Total Dinar
Cost – January 1	16,381,125,000	17,229,310,200	845,866,340	5,029,387,452	4,705,250,413	-	44,190,939,405
Additions due to Foreign exchange fluctuation	-	30,373,109	44,195,220	147,467,346	111,512,700	-	333,548,375
Additions	4,544,500,000	2,576,804,285	1,011,500	48,089,050	126,551,580	-	7,296,956,415
Disposals	800,000,000	4,556,851,785	-	42,569,500	-	-	5,399,421,285
Cost – December 31	20,125,625,000	15,279,635,809	891,073,060	5,182,374,348	4,943,314,693	-	46,422,022,910
<i>Depreciation rate</i>		%2	%20	%20	%20	%10	
Accumulated Depreciation – January 1	-	228,238,054	71,743,434	1,783,323,992	531,395,194	-	2,614,700,674
Disposals	-	-	-	-	-	-	-
Annual Depreciation	-	152,796,358	89,107,306	517,935,462	494,331,469	-	1,254,170,595
Accumulated depreciation – December 31	-	381,034,412	160,850,740	2,301,259,455	1,025,726,664	-	3,868,871,270
Net Book Value	20,125,625,000	14,898,601,397	730,222,320	2,881,114,893	3,917,588,029	-	42,553,151,639
Projects under Execution	15,500,000,000	26,545,000,000	917,689,425	-	49,308,480	2,750,537,160	45,762,535,065
Total	35,625,625,000	41,443,601,397	1,647,911,745	2,881,114,893	3,966,896,509	2,750,537,160	88,315,686,704

Note:- The increase in fixed assets, which amounted to (333,548,375) dinars, represents the change in the exchange rate of the US dollar from 1.190 to 1.460, based on the Central Bank's letter No. 2/382 on 21/12/2020 and 104 on 28/12 /2020.

13. INTANGIBLE ASSETS

	<u>2021</u> DINAR	<u>2020</u> DINAR
<u>Cost</u>		
Balance January 1,	8,153,791,115	7,991,923,783
Transferred from projects in progress	-	-
Additions through exchange rate change	-	112,421,032
Addition during the year	838,055,468	49,446,300
Balance December 31,	8,991,846,583	8,153,791,115
<u>Accumulated Amortization</u>		
Balance January 1,	1,702,924,232	1,295,234,676
Addition during the year	863,473,615	407,689,556
Balance December 31,	2,566,397,847	1,702,924,232
Net Book Value - December 31	6,425,448,736	6,450,866,883

14. OTHER ASSETS

	<u>2021</u> DINAR	<u>2020</u> DINAR
Other Receivables	48,990,644,079	3,520,518,797
Advance payments for the purpose of purchasing investments	-	-
Cash Margins paid to others	306,780,750	-
Prepaid Expenses	156,753,498	708,841,299
Cash Differences	12,036,000	154,697,500
Employees Advances	75,043,288	63,365,835
Letter of Guarantees Receivables	15,076,000	25,063,000
Total	49,556,333,615	4,472,486,431

15. Customer's Current Accounts and Other Accounts

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Current Accounts / Corporate	80,497,858,850	9,720,682,451
Current Accounts/ Individuals	15,035,484,345	5,140,654,162
Salary Domiciliation	4,009,686,767	770,239,460
Certified Cheques	439,345,442	944,851,000
Other Deposits	5,800,000	36,031,605
Total	99,988,175,404	16,612,458,678

16. DUE TO BANKS AND FINANCIAL INSTITUTIONS AND CENTRAL BANK

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Due to Banks	-	-
Funding from the Central Bank	22,220,427,000	4,697,222,000
Total	22,220,427,000	4,697,222,000

17. CASH MARGIN

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Margin for L/Cs	163,535,753,093	40,893,242,299
Margin for Letter of Guarantee	11,635,037,078	3,418,029,090
Credit Limit Margin	98,693,007	-
Total	175,269,483,178	44,311,271,389

18. OTHER PROVISIONS

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Provision for Contingent Financings / Indirect Facilities	356,947,729	2,047,867,171
Foreign Exchange Provision	380,729,052	380,729,052
Total	737,676,781	2,428,596,223

The movement in the provision for Contingent Financings is as follows:

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Beginning Balance	2,047,867,171	1,320,988,698
Additions	-	726,878,473
Deductions	(1,690,919,442)	-
Balance at the end of the year	356,947,729	2,047,867,171

This item includes provision for indirect commitments for letters of guarantee and documentary credits.

19. PROVISION FOR TAXES

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Beginning Balance	98,128,950	23,691,000
Income tax paid during the year	-	-
Settlement	(98,128,950)	(23,691,000)
Income tax due	885,240,109	98,128,950
Balance at the end of the year	885,240,109	98,128,950

The tax amount was calculated in accordance with the Income Tax Law at a rate of 15% of the tax base (adjusted profit for income tax purposes). The tax amount was calculated according to what was stated in the data and figures of the Iraqi unified accounting system.

20. OTHER LIABILITIES

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Administrative Expenses Payable	132,000,000	112,000,000
Financial Stamp Fee Payable	36,240,302	8,401,463
Deductions from beneficiaries on behalf of others	33,878,663	35,193,709
Certified Cheques	-	-
Cash Surplus	106,672,570	101,119,250
Under establishment company registration deposits	35,150,000	25,050,000
Balances and compensation for deceased clients	161,170,779	-
Other Trade Payables	149,545,610	-
Inter-Branch Accounts	-	-
External transfer deposits	3,874,636,813	4,014,028,156
Other Creditors	228,337,627	236,061,031
Total	4,757,632,364	4,531,853,609

21. INVESTMENTS ACCOUNT HOLDERS EQUITY

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Savings Accounts	1,667,168,678	471,286,033
Unrestricted investment accounts / financial institutions	5,000,000,000	-
Unrestricted Investment Accounts / Non-Financial Institutions and Individuals	54,033,770,714	66,040,000,000
Restricted Investment Accounts/Financial Institutions	10,000,000,000	5,000,000,000
Restricted Investment Accounts / Non-Financial Institutions and Individuals	-	-
Returns on Investment Accounts Under Distribution	1,017,537,677	1,174,311,128
Total	71,718,477,068	72,685,597,161

22. SHAREHOLDERS EQUITY

A- Paid Up Capital:

The bank's capital amounts to (250) billion dinars, representing (250) billion shares. The increase of its capital was achieved successively and as follows:

- 1 - During May 2016, the capital was increased to (150) billion Dinars.
- 2 - During August 2016, the capital was increased to (200) billion Dinars.
- 3 - During October 2016, the capital was increased to (250) billion Dinars.

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Number of shares issued at the beginning of the year	250,000,000,000	250,000,000,000
Number of shares issued during the year	-	-
Total	250,000,000,000	250,000,000,000

B- Statutory Reserve (Mandatory):

According to the Companies Law, 5% (minimum) of yearly net income after tax shall be deducted as a mandatory reserve, and the amounts collected for this account may not exceed 50% of the bank's capital, with the approval of the bank's General Assembly. This and any other return relating to it are not permissible for distribution. It is permissible to continue providing for this reserve upon the General Assembly approval provided that the mandatory reserve will not exceed 100% of the bank's capital.

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Beginning of the year	239,345,641	211,542,438
Transferred from profit and loss account	250,818,031	27,803,203
Balance at the end of the year	490,163,672	239,345,641

C- Other Reserves

This account shows the amounts distributed from the annual profits to the account of the "Social Responsibility Reserve" in the amount of (956,543,955) Dinars and for the "Reserve for Expansions" in the amount of (977,551,641) Dinars.

D- Retained Earnings

This account shows the residual of annual profits that can be distributed to shareholders.

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Beginning Balance	459,057,565	89,274,971
Additions	5,016,360,617	556,064,052
Dividends to Shareholders	-	-
Adjustments during the Year	-	-
Transfers to Reserves	(1,680,480,807)	(186,281,458)
Balance at end of year	3,794,937,375	459,057,565

E- Earnings Per Share

The basic earnings per share for the year has been calculated by dividing the shareholders' net share of profits for the year by the weighted average number of shares as follows:

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Net Profit for the year	<u>5,016,360,617</u>	<u>556,064,052</u>
Weighted average number of shares	<u>250,000,000,000</u>	<u>250,000,000,000</u>
	<u>Fils /Dinar</u>	<u>Fils /Dinar</u>
Earnings per share	<u>0,02</u>	<u>0,002</u>

23 .CONTINGENT COMMITMENTS (NET):

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Commitments (net)		
Documentary Credits	376,184,975,454	167,411,604,881
Less: Cash Margin on Documentary Credits	<u>(163,535,753,093)</u>	<u>(40,893,242,299)</u>
Net Documentary Credits	<u>212,649,222,361</u>	<u>126,518,362,582</u>
Letters of Guarantee	31,994,637,960	22,222,562,332
Less: Cash Margin on Guarantees	<u>(11,635,037,078)</u>	<u>(3,418,029,090)</u>
Net Issued Letters Of Guarantee	<u>20,359,600,882</u>	<u>18,804,533,242</u>
Total Contingent Commitment	<u>233,008,823,243</u>	<u>145,322,895,824</u>

24. MURABAHA REVENUE

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Revenue / Individuals Murabaha	422,362,805	130,587,269
Revenue / Corporate Murabaha	<u>10,708,125,277</u>	<u>3,870,641,791</u>
Total Revenue / Murabaha	<u>11,130,488,082</u>	<u>4,001,229,060</u>

25. REVENUES FROM MUSHARAKA FINANCING

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Revenues / Individuals Musharaka	-	1,547,000,000
Revenue / Corporate Musharaka	-	313,236,705
Total Revenues from Musharaka Financing	-	1,860,236,705

26. INCOME (LOSS) FROM FINANCIAL INVESTMENTS

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Income from Financial Investments	206,560,000	79,681,591
Profit (Loss) from the Sale of Financial Investments	(1,646,248,079)	-
Total profits (losses) of financial investments	(1,439,688,079)	79,681,591

27. NET COMMISSION INCOME

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Documentary Credits Commissions	9,178,956,025	1,057,063,655
Letters of Guarantee Commissions	1,291,002,696	634,124,514
Other Banking Commissions	5,878,506,139	809,412,361
Total Banking Commissions Received	16,348,464,860	2,500,600,530
Paid Commissions / Local Banks	1,320,125,858	57,936,237
Paid Commissions / Foreign Banks	1,694,934,398	72,199,067
Paid Commissions / Central Bank of Iraq	3,368,419,410	93,782,220
Paid Commissions / Others	312,250	59,501
Total Paid Commissions	(6,383,791,916)	(223,977,025)
Net Commission Income	9,964,672,944	2,276,623,505

28. OTHER REVENUES

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Refunds	3,984,817	2,510,439
Other Miscellaneous Income	-	1,309,000
Revaluation Gain Resulting from Exchange Rate Change	-	380,729,052
Rent income from Fixed Assets	-	-
Total Other Income	3,984,817	384,548,491

29. STAFF BENEFITS

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Salaries and Wages	3,180,923,225	2,719,467,085
Social Security Contributions	178,438,850	157,871,773
Total	3,359,362,075	2,877,338,858

30. OTHER OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Professional and consulting services	805,068,793	942,178,944
Rent and services	225,848,160	139,241,450
Maintenance and repairs	578,389,391	497,473,317
Travel expenses	63,980,322	18,698,700
Telephone, post and telecommunication	322,432,824	311,470,957
Advertising and publicity	356,513,780	34,570,000
Conferences, seminars, exhibitions, and hospitality	122,127,547	47,024,250
Stationary Expenses	90,969,580	68,342,050
Subscriptions, fees and licenses	144,041,320	49,503,730
Transportation	19,942,340	5,789,500
Transportation of goods and merchandise	4,448,500	1,223,050
Training and Development	6,168,200	21,360,500
Energy expenses	43,220,449	27,225,000
Water and electricity	237,161,561	27,762,000
Other Compensations	48,813,000	70,555,000
Remuneration of board members	162,000,000	-
Insurance	86,478,825	-
Legal Fees	42,000,000	25,000
Banking services	960,798,244	1,150,646,501
Audit fees	80,700,000	62,075,000
Central bank audit fees	-	1,300,000
Other audit fees	44,600,000	-
Other operating expenses	972,363,499	329,634,700
Donations and subsidies for affiliates and others	602,194,295	495,955,000
Compensation and fines	337,342,948	25,743,895
Miscellaneous taxes and fees	152,038,803	206,329,325
Expenses of previous years	1,290,785,306	500,000
Total Other Operating Expenses	7,800,427,687	4,534,627,869

31. PROVISIONS

	<u>2021</u>	<u>2020</u>
	DINAR	DINAR
Provision for Expected Credit Losses / Impairment	-	700,336,095
Provision for Operational Risk	-	5,598,900
Provision for Exchange Rate Revaluation	-	380,729,052
Total Provisions	-	1,086,664,047

In 2021, no additional provision for credit losses was charged to the income statement due to the adequacy of the existing provision balances. As for the provision for operational risks, it was formed in the first quarter of 2022. The provision for revaluation of the exchange rate was exceptional in 2020 due to the change in the exchange rate from 1190 to 1460.

32. Risk Management

Risk Management Objectives

- Al Janoob Islamic Bank for Investment and Finance follows a set of clear objectives in managing the risks associated with it based on a strategic framework designed to achieve those objectives through basic procedures in managing risk operations according to the instructions and controls of the Central Bank of Iraq and the bank's policy to achieve the following objectives :
- Determining the material and immaterial risks of the bank.
- Determining the limits of risks acceptable to the bank and ensuring that the bank's plans and operations comply with those limits.
- Improving risk/return decisions by communicating with business departments to ensure a robust and independent review process for their business.
- Comply with regulatory guidelines related to risk management.
- Ensuring that the Bank's strategic and business development plans are properly based on effective risk assessment procedures.
- Monitoring risks to ensure the continuity of providing the specified financial goals considering a set of adverse operational conditions, including (the Corona pandemic).

- Helping business and support departments to improve systems for controlling and coordinating risk handling processes at the bank level and contracting with insurance companies to transfer risks that cannot be managed internally.
- Information security and electronic risk management.

The framework of the organizational structure of the risk management department

The responsibility of the Risk Management Department lies with all levels of the Bank, from the Board of Directors and Executive Management down to all departmental managers. This framework has been documented through a detailed Policies and Procedures Manual that is available to all Bank employees on the intranet. The responsibility for the effective review of risks - in accordance with the rule of threesome control - rests on the burden of each department manager as the main owner of the risks associated with his management, and the risk management department works independently within the bank as well as the internal audit department for the purposes of implementing the governance framework. The Manager of the Risk Management Department provides technical support to the Risk Management Committee with the aim of directing and supervising the effective applications of the risk management process at the bank level. Also, the Risk Management Department provides technical support to the Bank's Board of Directors in the tasks required of the committees emanating from the Board of Directors. The Board is responsible for approving the maximum acceptable levels of risk, which are the levels of risks that the Bank chooses to take in pursuit of its operational objectives. Also, the Board is responsible for the framework of internal controls.

With the aim of enhancing governance and risk management applications, the following committees were established to carry out specific roles: The Nomination and Remuneration Committee, the Risk Management Committee, the Audit Committee, and the Governance Committee. The Internal Audit Department is responsible for independently reviewing the effectiveness of the operations of the Risk Management Department and the internal control environment in the Bank, and achieving its objective, which is to submit a reliable and content of high value and on time to Board of Directors and Executive Management regarding the effectiveness of internal controls and mitigating the severity of the current risks and evolving high risks and their reinforcement of the control culture within the bank.

1- Credit risk management

Credit risk is the risk of financial loss resulting in the inability or unwillingness to pay of any of the bank's customers or counterparties, in the market, to fulfill their contractual obligations to the bank. The granting of credit is considered one of the main sources of income, and it bears the most significant risks; In this regard, the bank allocates a great efforts of its resources and energy to controlling it. The credit risks facing the bank arise mainly from project financing and arise from other credit risks arising from treasury operations, including settlement balances with counterparties, where the Risk Management Department in particular reviews the concentration risks.

Credit concentration risk occurs when several customers belong to the same group or engage in similar activities and have similar economic characteristics, which may affect their ability to meet their contractual obligations, especially in cases of economic changes and business conditions. As a result the bank relies on continuous review of, geographical concentrations, maturity periods and economic sector. However, given that the bank is committed to financing strategic projects within the industrial and commercial sectors, the risk of concentration tends to rise.

The credit exposures, after deducting the provision for expected credit losses, deferred and suspended Profits, and before deducting guarantees and other risk mitigators, were as follows:

Statement of financial position On-Balance Sheet	Disclosure	2020	2021
Balances with the Central Bank	6	34,611,041,198	107,768,199,790
Balances with banks and other financial institutions	7	65,551,405,363	170,299,995,003
Direct financing (net) / Sales receivable - net	8	92,102,781,263	140,153,524,455
Mousharkat - net	9	16,418,000,000	15,012,000,000
Alqard Alhassan - net	10	332,086,375	281,267,195
Other Assets	14	4,472,486,431	49,556,333,615
Total items in the statement of financial position		213,487,800,630	483,071,320,057
Off-balance sheet financial position			
letters of guarantee	23	22,222,562,332	31,994,637,960
Letters of Credits	23	167,411,604,881	376,184,975,454
Total off-balance sheet items		189,634,167,213	408,179,613,414

The above table represents the maximum financing risk for the bank as on December 31, 2021. The credit policy ensures that these exposures are managed by taking collateral, as it accepts the usual types of collateral/mortgages on physical assets, mortgages on fixed assets, and personal/commercial guarantees. Regarding bank guarantees, an official credit line must be provided by the relevant bank as a prerequisite.

Credit risk and concentration in assets and liabilities

1.1 The credit exposures are distributed according to the degree of risk according to the following table.

2021	Individuals	Corporates	government and public sector	Banks and financial institutions	Total
Stage 1	11,953,413,765	120,603,152,758	107,768,199,790	170,299,995,003	410,624,761,315
Stage 2	994,528,464	3,526,563,138			4,521,091,602
Stage 3	1,510,441,741	5,281,307,408			6,791,749,149
Total	14,458,383,970	129,411,023,304	107,768,199,790	170,299,995,003	421,937,602,066
ECL according to IFRS 9	876,587,236	2,558,028,388			3,434,615,625

1.2 Geographical credit concentration according to the following table:

Geographical area	Disclosure	inside Iraq	outside Iraq	total
Balances with the Central Bank	6	107,768,199,790		107,768,199,790
Balances with banks and financial institutions	7	37,821,847,377	132,478,147,626	170,299,995,003
Direct credit financing (net) / Sales Receivable - net	8	140,153,524,455		140,153,524,455
Mousharakat - net	9	15,012,000,000		15,012,000,000
Alqard Alhassan - net	10	281,267,195		281,267,195
other assets	14	49,556,333,615		49,556,333,615
Total for year 2021		350,593,172,432	132,478,147,626	483,071,320,057
Total for year 2020		203,829,841,899	60,663,880,628	264,493,722,527

I.3 Concentrations outside Iraq

Geographical area	Disclosure	inside Iraq	Concentrations outside Iraq divided by continents				
			Middle East countries	Europe	USA	Africa	Total
Balances with the Central Bank	6	107,768,199,790					107,768,199,790
Balances with banks and financial institutions	7	37,821,847,377	73,949,341,343	57,712,406,821	739,777,299	76,622,163	170,299,995,003
Direct credit financing (net) / Sales receivable - net	8	140,153,524,455					140,153,524,455
Musarkat - net	9	15,012,000,000					15,012,000,000
Alqard AlHassan - net	10	281,267,195					281,267,195
Other Assets	14	49,556,333,615					49,556,333,615
Total for year 2021		350,593,172,432	73,949,341,343	57,712,406,821	739,777,299	76,622,163	483,071,320,057
Total for year 2020		203,829,841,899	1,489,446,687	58,055,839,435	1,061,992,802	56,601,703	264,493,722,526

1.4 Concentrations in credit exposures by economic sector :

Concentrations are monitored by size, economic sector, business, industry and service sectors and these concentrations are considered specific. In this regard, the Central Bank of Iraq has set a concentration of 15% of the capital base and all concentrations in the portfolio are closely monitored in anticipation of adverse financial or economic conditions.

Whereas the Risk Management Department monitors, and controls excesses at the bank level and at the portfolio level, in continuous communication with business departments so that appropriate measures can be taken regarding violations in a timely manner and to control the excesses of the Maturity date as much as possible.

The economic sector	Financial	commercial	Industrial	Others	building and Construction	Services	Total
Balances with the Central Bank	107,768,199,790						107,768,199,790
Balances with banks and financial institutions	170,299,995,003						170,299,995,003
sales receivables / musharkat / Al qard Al Hassan) - net		105,723,400,109	13,593,134,813	13,181,890,602	9,721,419,500	373,068,882	140,434,791,656
other assets	49,399,580,117					156,753,498	49,556,333,615
Total for year 2021	327,467,774,910	105,723,400,109	13,593,134,813	13,181,890,602	9,721,419,500	529,822,380	468,059,320,052
Total for year 2020	103,926,091,692	85,461,841,252	15,000,000,000	5,360,275,251		708,841,299	229,882,681,326

1.5 Provisions for expected credit losses in accordance with International Financial Reporting Standard 9 (IFRS)

According to the instructions of the Central Bank of Iraq, the calculation of provisions for credit losses is based on the International Financial Reporting Standard No. 9, where the bank is committed to keep provisions as per the International Financial Reporting Standard No. 9 for performing loans (financings stage 1). However, there are three Levels of gradual progression, where the rating at each stage depends on several factors, the most important of which are: the credit rating, the probability of default, the record of default, and other information that indicates a significant increase in credit risk.

Where the first stage of IFRS 9 covers both productive (good and with low credit risk) and regular financings that have not been due for more than 30 days, and stage 2 covers financing whose credit risk has increased substantially from the moment of granting the financing or the previous date of the financial statements, which are between 30 and 90 days past due, and stage 3 covers cases of financing that have reached the stage of default (impairment in value) and whose maturities are more than 90 days. The following table shows details of exposures and expected credit losses detailed according to the three stages.

IFRS 9 Expected Credit Loss - as at 31-12-2021		
stage	Exposure At default	Expected credit losses
stage 1	139,613,168,644	121,438,546
Stage -2	4,806,073,611	17,082,025
Stage -3	6,848,653,126	3,296,095,053
Total	151,267,895,381	3,434,615,625

2 .Operational risks

Operational risks are the risks of direct or indirect losses caused by human factors, external events, inefficiency or failure of internal processes and systems. Operational risks are considered inherent in the operations of the bank. The main sources of operational risks include systems failure, human error, fraud, customer service quality, regulatory compliance, employment, training, employee retention, social and environmental impacts, or external events when controls fail to operate effectively, where operational risks damage the bank's reputation, lead to legal or regulatory repercussions, or lead to financial loss.

Where the bank carries out the work of supervision, control, self-assessment of risks, preparation of reports, follow-up, and capital measurement. As for new products and businesses, they are subject to evaluation in terms of risks and approval of the Shariah Board and senior management before they are offered.

2.1 IT Risk Management

The Bank applies the necessary procedures to protect the confidentiality and integrity of the information and stored data, including:

- Application of firewall systems to protect the network from external interference.
- Applications to control access to systems applications
- Compliance with the principle of double control in operational procedures
- Applications of different procedures and processes in internal controls
- Apply online data replication operations to independent servers
- On-site contingency plans
- • Off-site contingency plans for business continuity purposes and disaster recovery programs

The Bank is working to enhance and raise the capabilities of its IT infrastructure, including transactions, data storage management solutions and risk management, in order to establish a base that allows for future growth opportunities.

2.2 Managing money laundering and terrorist financing risks

The bank is subject to the rules and regulations issued by the supervisory authority, i.e. the Central Bank of Iraq. In this regard, the bank is committed to the Money Laundering and Terrorist Financing Law No. 39 of 2015 and all its amendments.

The Bank applies written internal policies and procedures approved by the Board of Directors, designed to prevent, monitor, and combat money laundering operations. The Bank's anti-money laundering systems include operations, policies, personnel, training programs, documents, reports and control systems.

In order for the bank to comply with the regulatory requirements related to the necessity of obtaining copies of the commercial license and commercial register from the customer at the time of opening the account , the bank applies "know your customer (KYC)" procedures for the purposes of verifying the identity of the bank's customers since the beginning of the business relationship through documents and papers official; Customer records are kept according to the specified period after the end of the banking relationship. As for suspicious transactions, they are tracked and monitored; It also holds training and awareness programs for the Bank's employees from time to time. The Bank has implemented the latest automated systems in combating money laundering operations to monitor and analyze suspicious transactions.

In conjunction with the digital transformation project, work has been done to link all outgoing and incoming transfers from the Swift system with the Payment Safe system for the purpose of ensuring the adaption of the transfer to the money laundering system (Safe Watch Filtering).

2.3 Operational Risk Exposure

To adhere to the capital adequacy standard, Al Janoob Islamic Bank uses the basic indicator approach in calculating operational risks to calculate the internal capital needs for risks. The total cost of capital for operational risks for the financial year ended 31/12/2021 amounted to (27,145,437) dinars

Disclosure of operational risks (Basic Indicator approach) as at 31/12/2021	
Basic Indicator Approach	Total Value
Average income for the last three years	1,447,756,637
Risk Ratio 15% (Alpha Factor)	217,163,496
Total additional capital requirements	27,145,437

3 .Market risk

Market risk is the risk of loss in profits and changes in the level of market values of assets, liabilities and financial instruments, and the risk of change in foreign exchange rates and rates of return.

3.1 Currency risk

Foreign currency risk is the risk resulting from a change in foreign exchange rates.

Whereas, the Iraqi dinar is the base currency of the bank, the board of directors sets limits for the list of financial position for each currency with the bank, the position of foreign currencies is monitored daily, and the balance sheet is monitored daily.

The investment policy of the bank stipulates that it is possible to take positions in major foreign currencies against each other, not exceeding 5%, so that the total position does not exceed 20% of the capital and sound reserves. Hedging instruments can be used to hedge against foreign currency risk within specific conditions.

The table below represents the impact of the possible change in the exchange rate of foreign currencies against the Iraqi dinar on the income statement.

the currency	Change in the exchange rate	the effect on profits and losses
American dollar	%5	1,116,669,711
European Euro	%5	90,280,856
AED	%5	23,623,805

3.2 Currency concentration risk

Assets	US Dollars	Euro	UAE Dirhams	Total Concentration
Cash and balances with central bank	17,134,093,000			17,134,093,000
Balances with banks and other financial institutions	167,900,768,000	1,805,617,000	472,476,000	170,178,861,000
Direct financing (net) / sales receivable - net	71,938,882,000			71,938,882,000
Musharakt - net				
Alqard Alhassan- net				
other assets	7,637,297,259			7,637,297,259
total assets	264,611,040,259	1,805,617,000	472,476,000	266,889,133,259
Liabilities				
Customer deposit	73,801,751,000			73,801,751,000
Cash margin	168,462,535,000			168,462,535,000
Other Liabilities	13,361,000			13,361,000
Total Liabilities	242,277,647,000			242,277,647,000
Net concentration in the statement of financial position	22,333,393,259			24,611,487,000
Contingent off-balance sheet obligations	381,849,872,000			381,849,872,000

4. Liquidity risk

It is the risks to which profits or capital are exposed, resulting from the inability to provide sufficient liquidity for operating requirements or to fulfill the bank's obligations or commitments towards the customer, creditor, or investor at the time of their maturity without incurring unacceptable losses for the bank.

This type of risk arises because of the failure to monitor or address changes in market conditions that affect the ability to liquidate assets (transfer them into cash) quickly and with minimal loss in

their value, as Al Janoob Islamic Bank aims mainly to ensure sufficient liquidity to meet its obligations in normal circumstances. And in difficult times, both, without having to resort to selling assets in an emergency and without planning or having to borrow money at a high cost under any emergency circumstances.

Through the financial department / treasury department, the bank manages the liquidity risk on an ongoing basis, including high quality assets and reserves, in addition to the expected and actual cash flows during the periods.

In addition, the bank applies liquidity coverage ratios (LCR), where the short-term liquidity coverage ratio reached (314%) as at 31-12-2021, and the net stable financing ratio (NSFR) in the long-term (183%) as on 31-12- 2021 Thus, the bank is in a good position to manage any short-term financing pressures if they occur.

maturity dates disclosures as at 31-12-2021

Liabilities	Less than a month	From 1 to 3 months	From 3 to 6 months	From 6 months to one year	From 1 to 5 years	without Maturity	Total
Customer deposits	439,345,442	4,009,686,767			69,033,770,714	97,206,311,873	170,689,114,796
Cash margins			24,722,690,178	11,635,037,000	138,911,756,000		175,269,483,178
Income tax provision				885,240,109			885,240,109
Other provisions				356,947,729		380,729,052	737,676,781
Other liabilities				5,775,170,041	22,220,427,000		27,995,597,041
Total liabilities	439,345,442	4,009,686,767	24,722,690,178	18,652,394,879	230,165,953,714	97,587,040,925	375,577,111,905
Total Assets		112,521,000		8,553,502,000	128,411,635,000	494,718,650,548	631,796,308,548

4.1 Liquidity risk

Off- balance sheet items as of 31-12-2021

Commitments	up to one year	more than one year	Total
letters of guarantee	31,994,637,960		31,994,637,960
LCs	334,442,318,129	41,742,657,326	376,184,975,454
Total	366,436,956,089	41,742,657,326	408,179,613,414

5 .Business Continuity Plan (COVID-19)

With the continuation of the Corona pandemic and the emergence of the new mutant ((OMICRON VIRUS)), our bank continued to take many precautionary measures and continue to activate the crisis response teams.

Where all branches of Al Janoob Islamic Bank have been fully informed of the basic preparatory and preventive measures. These measures range from hygiene measures, including increasing cleaning and frequent sterilization, and the bank is following up on all recommendations of the Ministry of Health, the Supreme Committee in charge of the mechanism for addressing the developments of the epidemic, and all relevant authorities to ensure that the measures taken are covered.

In addition, Al Janoob Islamic Bank employees handling physical cash are equipped with disposable gloves and face masks and the safe room is frequently sanitized as a precaution.

Branches: According to the directives of the Central Bank of Iraq, and in an effort by Al Janoob Islamic Bank to provide the best services to its customers, the bank's branches continue to work for the purposes of providing banking services, in particular the salary payment service, knowing that the bank's ATMs are spread throughout Iraq.