



(Translation from Arabic to English)

Ahmed Al-Juboori & Partners Company
Accounts Control and Auditing / Cooperative
Members of the Iraqi Society of Certified Public Accountants Accounts

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The Translator is competent,
Legal & Licensed to translate

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

Financial Statements for Financial Year Ending on 31/ December/ 2024

Wathiq Hindo

TRANSLATED BY:

Date: **12 OCT 2025**

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مترجم قانوني مجاز

رقم الهوية ٨١/خ/٨١ من وزارة العدل

عضو جمعية المترجمين العراقيين

رقم الهوية ١٩٢ في ١٩٧٩/١/٢٩

العنوان: مكتب نادر للترجمة - المسيح

بغداد هاتف ٠٧٩٠١٤٥٠٤٩٣



I, the above signed, authorized translator, hereby certify that the above is an accurate translation of the attached photocopied Document, and that I am competent in both Arabic and English to render such translation.
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اني الموقع اعلاه مترجم مخول ، اشهد بهذا بان المذكور اعلاه هي ترجمة صحيحة للوثيقة المترجمة المصورة و المرفقة طياً واني متمكن في كلا اللغتين العربية و الانكليزية لتقديم مثل هذه الترجمة .
مكتب نادر للترجمة القانونية المصدقة
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Al-Taif Islamic Bank for Investment and Finance (JSC) – Baghdad
Report of the the Auditor and the financial Statements and their Clarifications
For year ended 31/December/2024

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**To the Esteemed Shareholders of
Al-Taif Islamic Bank for Investment and Finance (JSC) - Baghdad**

Sub. / Report of the Independent Auditor of the financial Statement Auditing

Opinion

We have audited the financial statements of Al-Taif Islamic Bank for Investment and Finance (JSC) – Baghdad, which comprise the statement of financial position as on 31/December/ 2024, and the statements of income, other comprehensive income, changes in shareholders' equity, and cash flows for the year ended on that date, as well as the attached clarifications to the financial statements, including a summary of significant accounting policies.

In our opinion, the attached financial statements fairly present, in all material respects, the financial position of the Bank as on 31December/ 2024, and its financial performance and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards adopted by the Central Bank of Iraq and the local standards applicable in Iraq.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters. The audit procedures related to each of the matters referred to below have been described accordingly.



We have performed the tasks outlined in the section "Auditor's Responsibilities for the Audit of the Financial Statements," along with all related matters. Accordingly, our audit includes the implementation of procedures designed to respond to our assessment of the risks of material misstatement in the financial statements. The results of our audit procedures, including those related to the matters addressed below, provide a basis for our opinion on the attached financial statements.

Expected Credit Losses in Accordance with IFRS 9

This matter is considered significant in the audit process, as its calculation requires assumptions and management estimates to determine the extent and timing of recognizing expected credit losses for Islamic financing. The allocation for expected credit losses is determined in accordance with the Bank's allocations and impairment policy, which aligns with the requirements of IFRS 9. Due to the importance of the judgments used in classifying Islamic financing into different stages under IFRS 9, the audit procedures related to this matter were considered key audit matters.

The total balance of the Bank's Islamic financing amounted to IQD 475,691,892 thousand, and the allocation for expected credit losses was IQD 11,861,048 thousand as on 31/December/ 2024, as disclosed in clarification (6) to the financial statements.

The policy for expected credit loss allocation is presented in the accounting policies used in preparing these financial statements under clarification (3) – Financial Instruments.

Audit Scope to Address the Key Audit Matter

The audit procedures included the following:

- Understanding the nature of the Bank's Islamic financing portfolio, along with reviewing the internal control system used in the granting and recording process, and evaluating the effectiveness of key procedures in the granting and recording process.
- Studying and understanding the Bank's policy for calculating provisions, comparing it with the requirements of IFRS 9 and relevant regulatory guidelines.
- Evaluating the Bank's expected credit loss model, with particular focus on its alignment with the expected credit loss methodology and the core requirements of IFRS 9.
- Reviewing a sample of individual financing transactions and performing the following procedures to assess the following:



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- The adequacy of the classification stages.
 - The adequacy of the probability of default, credit exposure at the time of default and the percentage of loss by default borrowing for the different stages.
 - The adequacy of the credit exposure determination process in case of default, including consideration of cash flows resulting from repayment and the resulting calculations.
 - The accuracy and accuracy of the outputs of the system used in the process of calculating expected credit losses.
 - Assess the adequacy of the Bank's assessment of an increase in the level of credit risk and the basis for the transfer of credit exposure between levels and exposures that have moved between levels, in addition to evaluating the process in terms of the appropriate timing to determine the material increase in credit risk for credit exposures.
 - With respect to the future assumptions used by the Bank for calculating expected credit losses, we have discussed these assumptions with management and compared these assumptions with the available information.
- We have evaluated the disclosures in the financial statements to ensure their compliance with IFRS 7.
- We evaluated accounting policies, estimates and disclosure of Islamic finances.

Other information contained in the Bank's Annual Report for the year 2024

Other information consists of information contained in the Bank's Annual Report for 2024 other than the Consolidated Financial Statements and the Auditor's Report, the management is responsible for other information, it is expected that we will be provided with the Bank's Annual Report for the year 2024 later than the date of our report on the financial statements, if our opinion does not include other information and we do not make any confirmation about other information.

It is our responsibility to read other information when it is obtained, whether other information materially conflicts with the financial statements or from our knowledge during the process of auditing the financial statements.

Management and Governance Responsibilities for Financial Statements

The management is responsible for the preparation and a fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and for determining the necessary internal control system to prepare financial statements free from material errors, whether resulting from fraud or error.

The management is also responsible for assessing the Bank's ability to continue as a continuing entity and disclosing matters related to the Continuity Principle, including the use of the principle of continuity in accounting when preparing the financial statements, unless the management intends to liquidate the Bank or cease operations or there is no other realistic alternative other than to do so.



Auditor's Responsibility for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if it is reasonably expected that they, individually or collectively, could influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, and we also obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or override of internal control.
- Examine the internal control systems relevant to the audit, including the accounting systems and internal monitoring procedures, to determine appropriate audit procedures for the circumstances. Based on supporting documentation, including the policies and procedures in place at the Bank, we verified that the internal control procedures and accounting systems applied by the Bank are adequate and that the Bank is committed to implementing them. This process was carried out without expressing an opinion on the effectiveness of these controls.
- Evaluate the adequacy of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for directing, supervising, and performing the audit of the Bank and remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding several matters, including the planned scope and timing of the audit and significant audit findings, including any material deficiencies in internal control systems identified during the audit process.

We also provide those charged with governance with a statement confirming our compliance with relevant ethical requirements regarding independence, and we inform them of all relationships and other matters that may reasonably be thought to affect our independence, and other matters that we reasonably believe are likely to affect our independence, in addition to the measures taken to mitigate threats or relevant procedures applied when appropriate.

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

Report on Other Legal and Regulatory Requirements

➤ Shareholders' Equity

The balance of shareholders' equity amounted to IQD 268,217,287 thousand as of 31/December/ 2024, compared to IQD 265,829,696 thousand in the previous year, reflecting an increase of IQD 2,387,591 thousand that is 0.9%.

➤ Cash

- The balance of cash and deposits with the Central Bank of Iraq amounted to IQD 182,192,789 thousand at the end of 2024, compared to IQD 146,928,593 thousand in the previous year, representing an increase of IQD 35,264,196 thousand that is 24%, as disclosed in clarification (4) to the financial statements.
- The balance of cash held with foreign banks amounted to IQD 4,072,874 thousand, and an allocation for expected credit losses of IQD 71,305 thousand was established in accordance with the adopted accounting policies, as disclosed in clarification (5) to the financial statements.

➤ Reliance on SWIFT for Reconciliation Purposes

Due to the absence of confirmation letters for the balances of certain foreign bank accounts, the Bank was compelled to rely on SWIFT statements issued by those banks for reconciliation purposes as of December 31, 2024.

➤ Impact on Reconciliation Procedures

The lack of confirmation letters affected the reconciliation procedures, which may require additional actions in the future to ensure the accuracy of the data and formally confirm the balances.



➤ **Prudential Indicators (Liquidity and Solvency)**

We have reviewed and verified the accuracy of the ratio calculation mechanisms as on 31/December/2024, in accordance with the instructions of the Central Bank of Iraq. The results were as follows:

- The capital adequacy ratio is based on our examination of the accounting records and review of the nature of banking operations conducted by the Bank during the year, as well as the statements prepared for the purpose of calculating capital adequacy, the capital adequacy ratio reached 70%, which is significantly higher than the minimum requirement set by the Central Bank of Iraq of 12.5%.
- The legal liquidity ratio reached 31%, exceeding the minimum required by the Central Bank of Iraq of 30%.
- Net Stable Funding Ratio (NSFR)

The NSFR reached 119%, surpassing the minimum requirement of 100% set by the Central Bank of Iraq. This indicates that the Bank enjoys a stable financial position and demonstrates strong funding management capabilities.

➤ Liquidity Coverage Ratio (LCR)

The LCR reached 122%, exceeding the minimum requirement of 100% set by the Central Bank of Iraq. This reflects the Bank's ability to effectively meet its short-term financial obligations.

➤ Islamic Financing Concentration

The total Islamic financing granted to the top 20 clients (individuals and companies) amounted to IQD 309,250,746 thousand, representing approximately 56% of the total Islamic financing of IQD 555,041,607 thousand during the fiscal year 2024.

- As a result of applying International Financial Reporting Standard (IFRS) 9 to determine the expected credit loss, the calculated credit loss amounted to IQD 11,861,048 thousand, while the required provision according to the regulatory guideline was IQD 19,329,819 thousand, resulting in a shortfall in the provision of IQD 7,467,771 thousand.

➤ Assessment of the Bank's Capacity Toward Depositors

○ **Commitment to Obligations**

The Bank demonstrated a strong commitment to fulfilling all withdrawal requests from depositors without delay or hesitation. This reflects the Bank's effective liquidity management and its ability to meet depositor needs in a timely manner.

○ **Confidence Building**

By fully meeting its obligations, the Bank reinforces trust between itself and its depositors, contributing to the stability of their relationship and reflecting the Bank's adherence to applicable financial standards.



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- The ratio of investments to capital and sound reserves remains above the maximum limit set by the Central Bank of Iraq, which is 20%.
We recommend taking the necessary measures to regulate this ratio and ensure it does not exceed the maximum allowed by the Central Bank of Iraq, which is 20%.
- The cash-to-deposit ratio remains higher than the 75% limit set by the Central Bank of Iraq. We recommend taking the necessary measures to control the cash-to-deposit ratio and ensure it does not exceed the limit permitted by the Central Bank of Iraq.
- Other assets constitute 8.5% of total current assets, as explained in clarification 12 of the financial statements.
- Revenues for the financial year 2024 amounted to IQD 78,201,640 thousand, compared to IQD 43,885,128 thousand in the financial year 2023, an increase of IQD 34,316,512 thousand.
- The bank's dealings with related parties, including (Dar Uruk General Trading Company), exceeded the limits set by the Central Bank of Iraq. We recommend reviewing and amending the bank's dealings with related parties to ensure compliance with the Central Bank of Iraq's instructions.
- The credit files of the 20 largest financing facilities granted, the guarantees provided, and their suitability with the credit policy approved by the bank's Board of Directors were reviewed.
- The correspondences of the Central Bank of Iraq in regard with business monitoring, the results of the office audit, and the results of the audit of the bank's interim financial statements at the end of each quarter were reviewed. It was noted that there were no significant issues, as the bank is committed to following up on the implementation of the Central Bank of Iraq's procedures and any other executive procedures.
- **Internal Sharia Supervisory and Audit Department**
 - The department's reports and annual audit plan were reviewed, and recommendations were followed up on. Quarterly reports were also reviewed to ensure the effectiveness of internal control and performance quality, and recommendations were made to improve work procedures and protect the bank's assets.
 - The minutes of the Sharia Supervisory Board meetings, recommendations, and reports were reviewed, and the bank's compliance with the recommendations and fatwas was monitored. The Board expressed its opinion on the bank's compliance with the provisions and principles of Islamic Sharia.
- **Sharia Compliance and Compliance Monitoring Department**
 - Regulatory and Supervisory Compliance
The Sharia Compliance and Compliance Monitoring Department at the bank works to ensure that all employees comply with regulatory and regulatory requirements, in addition to compliance with internal, external, and Sharia requirements. The bank adheres to the fatwas and directives of the Sharia Supervisory Board, while ensuring the implementation of the governing policies that regulate all financial activities.



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○ **Periodic Reports and Compliance with Approved Forms**

The department prepares periodic reports regularly and submits them on time, according to the forms approved by the Central Bank of Iraq. This procedure ensures transparency and compliance with applicable regulatory standards.

○ **Compliance with Sharia Policies**

The bank adheres to the Sharia policies issued by the Sharia Supervisory Board, ensuring that all goods and services activities comply with approved Sharia guidelines. It is prohibited to deal with any prohibited goods or services, in accordance with the Sharia guidelines in force at the bank.

➤ **Anti-Money Laundering (Financial Crimes) Systems**

The bank has taken adequate measures to prevent money laundering and terrorism financing. These measures are implemented in accordance with the regulations and directives issued by the Central Bank of Iraq. The bank adopts the following procedures for combating money laundering and financing terrorism. At the organizational level, there is a dedicated anti-money laundering and terrorism financing department, the Money Laundering and Financing Terrorism Reporting Department, within the bank's organizational structure. The department is approved by the Board of Directors and enjoys complete independence, reporting directly to the Board of Directors through the Audit Committee emanated from the Board of Directors. The department's staffing is commensurate with the daily workload of the department (monitoring, reviewing daily operations, and reporting) through policies and procedures approved by the Board of Directors (which are reviewed annually and updated as necessary). Additionally, a comprehensive training program is implemented to train the bank's defense personnel. The review process also addressed the following:

- The bank implements an efficient and effective Know Your Customer (KYC) program through a digital system that ensures the availability of information to stakeholders to ensure compliance with local and international sanctions and anti-money laundering and counter financing terrorism (AML/CFT) processes.
- Approved Digital System: An approved digital system is in place to monitor operations and transactions through activated scenarios that meet national requirements for the applicable scenarios circulated by the Anti-Money Laundering and Counter Financing Terrorism of Office.
- Digital System for Compliance with International Sanctions: This system includes periodic (daily) updates of international sanctions lists, including global and local lists, the US Office of Foreign Assets Control (OFAC) lists, the United Nations lists, the European Union lists, and the Iraqi Terrorist Funds Freezing Committee lists.
- Digital System for Risk Classification of Customers: The system used classifies customers based on risk using the bank's approved customer risk matrix, ensuring the identification of high-risk customers at various levels (high, medium, low), as well as identifying and characterizing high-risk customers (political figures and those in similar positions).
- The bank relies on the digital system to monitor operations and transactions and the compliance of the bank's customers primarily in its efforts to monitor operations.



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The bank has taken adequate measures to prevent money laundering and financing terrorism and implements these measures in accordance with the regulations and directives issued by the Central Bank of Iraq, in compliance with Law No. 39 for the year 2015, which enhances confidence in its anti-money laundering and counter-terrorism financing procedures.

➤ **Risk Management Department**

➤ Compliance with supervisory Instructions:

The bank's Risk Management Department strictly implements the instructions of the Central Bank of Iraq, including the risk management controls for Islamic banks issued by the Islamic Financial Services Board. The department also adheres to the requirements of the Basel Committee to ensure the integrity of financial procedures.

➤ Stress Testing and Risk Analysis

The department conducts stress tests periodically to assess the bank's ability to meet potential financial challenges. This measure is part of maintaining the bank's stability and ensuring the integrity of financial operations.

➤ Compliance with International and Local Standards

The department is committed to implementing international and local risk management standards, which enhances the bank's ability to effectively address potential risks. This commitment is part of the ongoing efforts to achieve financial stability and ensure business continuity.

➤ Legal Department

We reviewed the department's reports, organizational structure, policies, procedures, and job titles, and participated in responding to inquiries and requests from the bank's departments and divisions regarding legislation and legal texts, as well as the cases carried forward for 2024 and the lawsuits filed during the year:

- Lawsuits filed by the bank against third parties.
- Lawsuits filed by third parties against the bank.
- Resolved lawsuits.

In light of the supporting indications provided to us by the department, it is unlikely that the bank will incur any financial obligations in connection with the above cases.

➤ The bookkeeping system used by the bank and its accounting records were recorded using an electronic accounting program and included, in our opinion, the recording of all assets, liabilities, resources, and uses of the bank. The financial statements were consistent with the accounting records and instructions of the Central Bank of Iraq. The bank maintains its accounting records and entries in secure locations.

