Akkad Digital Islamic Bank

(In Formation)

Five-Year Financial Plan

FY1-FY5: August 2026 - July 2031

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In Formation

مستند مقدم الى البنك المركزي العراقي ضمن متطلبات الحصول على الترخيص

Submitted to: Central Bank of Iraq — Banking License Application

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Full English version matched to the Excel financial model | v1 | Confidential and Private

This is a complete English version, not an executive summary. It preserves the full financial plan structure, narrative sections, regulatory explanations, detailed tables, supporting policies and appendices, while updating the figures to match the Excel model: ***Akkad_Islamic_Digital_Bank_5Y_Financial_Model_Aug2026_CBI_EN***

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Section 1: Fundamentals and General Financial Framework

1. Financial Executive Summary

This five-year financial plan presents a clear, measurable and conservative financial pathway for Akkad Digital Islamic Bank during the period FY1-FY5, from August 2026 to July 2031. The plan is prepared for licensing and supervisory review by the Central Bank of Iraq and is aligned with Islamic banking principles, prudent financial management, IFRS-based planning and the attached Excel financial model.

The plan is designed to demonstrate that the bank can absorb establishment-stage losses from shareholder equity, build a sustainable digital operating base, maintain capital and liquidity ratios above regulatory thresholds, and move gradually toward net profitability without relying on exceptional events, unsupported assumptions or accounting adjustments.

- Sufficient paid-up capital to absorb initial losses without affecting depositors or customer funds.
- A digital operating model with limited physical infrastructure, supported by automation, digital channels and controlled operational processes.
- Diversification of non-interest income sources in a manner consistent with Islamic banking and Sharia governance requirements.
- Conservative management of capital, liquidity and growth during the first operating years.
- Full linkage between the written plan, the Excel model, the financial statements, the ECL module, and supervisory ratios.

The Excel-matched forecast shows operating break-even in FY3, when EBITDA becomes positive at +3.832 IQD bn. Net profitability is achieved in FY5, with net income of +3.222 IQD bn after depreciation, ECL / impairment charges and tax.

Capital and liquidity remain above supervisory limits throughout the planning horizon. The CAR overlay ends FY5 at 33.4%, LCR at 313.5%, and NSFR at 169.3%.

This plan therefore represents a conservative licensing submission document and a management control document. All figures remain subject to periodic update whenever the Central Bank of Iraq issues additional instructions, supplier contracts are finalized, or validated market data changes the relevant assumptions.

2. Scope of Financial Plan and Planning Horizon

The financial plan covers five complete financial years, beginning with the expected operational launch in August 2026. The Excel model therefore presents FY1-FY5 periods rather than simple calendar-year periods. This approach avoids misrepresenting the first operating year and provides a more accurate supervisory view of the bank's establishment, launch, scale-up and profitability path.

Planning horizon

Financial year	Planning period
FY1	August 2026 - July 2027
FY2	August 2027 - July 2028
FY3	August 2028 - July 2029
FY4	August 2029 - July 2030
FY5	August 2030 - July 2031

The plan covers expected operating performance, revenue and expense development, cash flows, liquidity, financial position, capital structure, break-even path, risk framework, stress testing, ECL and provisioning, regulatory ratios and management commitments.

The five-year horizon allows the Central Bank of Iraq to assess whether the bank's financial model is resilient, whether the bank can operate without creating systemic risk, and whether growth remains balanced with capital, liquidity, Sharia compliance and operational controls.

- Expected operating performance and digital growth.
- Revenue, expenses and profitability path.
- Cash flow and liquidity management.
- Balance sheet development and capital adequacy.
- Break-even and profitability milestones.
- Main risks, mitigations and supervisory ratios.

3. Basis of Preparation and Accounting Framework

3.1 Accounting framework and standards

The financial projections are prepared on a planning basis consistent with International Financial Reporting Standards (IFRS), and with consideration of Islamic finance accounting and Sharia governance requirements. The model also incorporates expected credit loss concepts consistent with IFRS 9 and relevant AAOIFI principles where applicable.

Final statutory reporting and regulatory filing shall remain subject to the instructions of the Central Bank of Iraq, the approved external auditor, the Sharia Supervisory Board and any legally applicable reporting framework at the time of operation.

3.2 Forecasting methodology

The financial plan follows a bottom-up, driver-based approach. Every major output is linked to an operating or financial driver: active customers, ARPU, average deposit balances, financing portfolio, fixed OPEX, variable OPEX, customer acquisition cost, CAPEX, depreciation, ECL, capital tranches, LCR, NSFR and CAR overlay.

- Active customer base and actual usage.
- Monthly ARPU and usage-based revenue generation.
- Deposit balances and financing portfolio development.
- Full recognition of operating expenses from the first year.
- Regulatory readiness costs and technology costs reflected in the cost base.
- No reliance on exceptional gains, temporary exemptions or unsupported income.

3.3 Currency and foreign exchange treatment

All projections are presented in Iraqi dinars. Main tables are expressed in IQD billions unless otherwise stated. Foreign exchange gains are not used as a recurring income source in this plan and no speculative exchange-rate benefit is included in the profitability path.

3.4 Prudence and assumptions management

- No future uncommitted capital support is assumed beyond the stated capital tranches.
- Liquidity is planned above minimum regulatory levels.
- Expected credit losses and impairment charges are recognized explicitly.
- Operating expenses are not capitalized or deferred to improve results.
- Management must review the model periodically and update it when actual results differ materially from plan.

3.5 Revenue recognition

Revenue is recognized only when the related service or contract performance obligation is achieved, measurable and collectible. Islamic financing income is recognized over the contractual life of the relevant transaction and is not recognized in advance.

3.6 IFRS 9 expected credit loss approach

The bank adopts an expected credit loss methodology that distinguishes between Stage 1, Stage 2 and Stage 3 exposures. Stage 1 covers performing exposures, Stage 2 covers exposures with a significant increase in credit risk, and Stage 3 covers credit-impaired exposures. The planning approach is deliberately conservative to avoid overstating profitability or understating risk.

4. Core Financial Assumptions

The Excel model is designed as a transparent quantitative model. Each number in the financial statements can be traced to an operating assumption, supervisory requirement, cost layer, growth driver or risk parameter. This enables both management and supervisory reviewers to examine the logic of the model without relying on unsupported manual figures.

4.1 Operating assumptions

1. Actual operational launch is assumed in August 2026.
2. Expansion is gradual and controlled, without sudden operational jumps.
3. The bank uses a digital model with no general public branch network and limited physical infrastructure.
4. All material operations are supported by core banking, compliance, cybersecurity, reporting and monitoring systems.

4.2 Financing policy

The bank adopts a conservative financing policy during the first stage of operation. No Islamic financing is assumed during the first 12 months of the model. The focus during the first period is on current accounts, payments, transfers, cards and digital services. Islamic financing begins gradually from FY2, after operational stabilization, Sharia approval, credit controls, ECL methodology, reporting processes and regulatory readiness are in place.

4.3 Active customer base

Active customers are defined conservatively and are linked to actual use rather than mere registration. Revenue is generated only from active customers. Inactive or dormant accounts are excluded from revenue calculations.

- Activation begins at conservative levels and improves with maturity of the application and customer support.
- Retention is modeled on a prudent basis and is subject to monitoring after launch.
- Growth is cumulative and linked to marketing, acquisition and service availability.
- All costs required to support customer growth are recognized in the model.

Table 1 - Growth drivers and core balance sheet assumptions

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Active customers at period-end	60,000	95,000	140,000	200,000	260,000
Monthly ARPU / IQD	5,240	5,397	5,559	5,726	5,898
Average deposit balance per active customer / IQD	800,000	900,000	1,000,000	1,100,000	1,200,000
Customer deposits at period-end (IQD bn)	48.000	85.500	140.000	220.000	312.000
Islamic financing portfolio at period-end (IQD bn)	0.000	10.260	35.000	77.000	124.800

4.4 ARPU and usage assumptions

Monthly ARPU is calculated from service fees, payment activity, card revenue, digital services and gradual Islamic financing income. The plan does not depend on artificial fee increases. ARPU growth is explained by increased usage, additional approved services, improved digital experience and customer engagement.

4.5 Variable costs

Variable costs include transaction processing, payment networks, gateways, customer-support load and customer acquisition cost. They increase with usage and growth but remain controlled by scale efficiencies and automation.

4.6 Provisions and ECL

Provisions are linked to the financing portfolio and the ECL model. The plan explicitly includes P&L credit ECL charges, onerous / undrawn commitment provisions where applicable, and closing allowance balances. No reduction in provision rates is assumed merely to improve reported profitability.

4.7 Market analysis

The market assumptions are further explained in the appendices. The model reflects under-banked segments, digital adoption potential, Islamic banking positioning, payroll relationships, SME transactional needs and controlled cash access channels.

5. Capital Structure and Sources of Funds

Capital structure is built around paid-up share capital and shareholder equity. The plan avoids external leverage, subordinated debt, hybrid capital instruments and complex funding structures during the first operating phase. This supports transparency and supervisory comfort.

Table 2 - Paid-up capital tranches

Tranche	Amount (IQD)	Model timing	Regulatory note
First tranche	30,000,000,000	FY1: Aug 2026	Before / at submission according to CBI criterion C.1.1
Second tranche	35,000,000,000	FY2: Aug 2027	Second financial year
Third tranche	35,000,000,000	FY3: Aug 2028	Third financial year
Total	100,000,000,000	FY1-FY3	Three capital tranches as reflected in the Excel model

R.1 Paid-up capital

Paid-up capital funds establishment costs, regulatory readiness costs, technology investments, loss absorption and staged growth. Establishment losses are absorbed through shareholders' equity and do not affect depositors funds.

R.2 Uses of capital

- Core banking and digital infrastructure.
- Cybersecurity, DR, reporting, AML, sanctions and monitoring systems.
- Initial operating losses and cost base until break-even.
- Liquidity buffers and supervisory capital reserves.
- Technology CAPEX and regulated readiness requirements.

R.3 Capital preservation policy

- No dividend distribution during the establishment and capital-building phase.
- Maintain capital adequacy above regulatory requirements and internal targets.
- Avoid leverage in the first years.
- Review capital plan periodically through management and the Board.

R.4 Sources of funds

The plan relies on equity and customer deposits generated through regulated banking operations. It does not assume external borrowing, subordinated loans or complex debt instruments in the first phase.

R.5 Islamic financing risk management

Islamic financing is launched gradually and managed through credit assessment, ECL, collateral where applicable, Sharia-approved structures, limits, monitoring and committee oversight.

6. Business Model Financial Mapping

The business model is mapped into the financial statements through a direct relationship between operating drivers and financial outputs. Customer growth drives deposits, transactional revenue, service fees and financing opportunities. Costs are mapped into fixed readiness costs and variable usage-linked costs.

Table 3 - Business model financial mapping: income and cost logic

6.1 Income generation logic	6.2 Relationship between growth and cost
Revenue is generated by the size of the active customer base, the actual usage rate and the breadth of digital services. The model avoids unrealistic margins and inflated pricing.	Each increase in customers is accompanied by a limited increase in variable costs, relatively stable fixed costs, and gradual economies of scale. All operations are recorded in an integrated banking system.

Table 4 - Business model financial mapping: phases and expansion control

6.3 Financial growth phases	6.4 Expansion control
Operational stabilization phase; operating break-even phase; and sustainable profitability phase.	No product or service is expanded before its operational feasibility is demonstrated and before it is able to cover its direct cost, in line with prudent supervisory reform principles.

The model is intentionally structured to avoid hidden assumptions. The growth in net operating income must be explained by active usage, approved services and recurring income. The growth in expenses must be explained by readiness costs, technology, compliance, cybersecurity, operations and usage.

7. Revenue Model and Income Streams

The revenue model is conservative and recurring. The bank does not rely on subsidies, government support, non-cash gains, one-off income, aggressive fee increases or speculative foreign exchange gains.

ARPU growth results from a deeper digital relationship with customers: more frequent payments, card usage, digital services, treasury / liquid-asset income, and gradual Islamic financing after readiness has been proven.

Table 5 - Revenue recognition and revenue sources

7.1 Revenue-recognition principles	7.2 Main revenue sources
Revenue is recognized only when the service is performed, measurable and collectible. No revenue is recognized in advance, on an estimated basis or without cash realization.	Digital banking services, payments and transfers, cards and related services, short-term Islamic financing, and digital fees / subscriptions. Financing revenue begins only after readiness and approvals.

Table 6 - Revenue characteristics and development

7.3 Revenue characteristics	7.4 Revenue development
Recurring, low-volatility and directly linked to active customers and usage.	Gradual and logical growth; no unsupported jumps; stable pricing structure; ARPU growth comes from usage, not artificial fee increases.

7.5 Deposit pricing and cost of funds

Deposit pricing is conservative. Investment deposit returns are linked to actual realized results after relevant expenses and provisions, and are not used as an aggressive marketing instrument. Current accounts do not receive profit distributions where structured accordingly.

Table 7 - Target deposit sources

Category	Target share	Explanation
Salary accounts	30-35%	Institutional payroll relationships
Retail deposits	35-40%	Current and saving balances
SME operating balances	15-20%	Transactional deposits
Investment deposits	10-15%	3, 6 and 12-month tenors

7.5.2 Concentration limits

- Maximum exposure to a single depositor is monitored and limited.
- Deposit concentration by category is reviewed periodically.
- ALCO reviews deposit mix, liquidity and maturity profile.
- Any material concentration breach must be escalated and corrected.

7.6 Sharia-compliant profit distribution

Profit distribution must occur only after expenses and provisions are considered and in accordance with approved Sharia contracts. The process must avoid artificial or guaranteed profit where it is not permitted by the underlying contract.

8. Cost Structure

The cost structure reflects the specific requirements of a regulated digital Islamic bank. It includes management, governance, compliance, risk, cybersecurity, core banking, vendor costs, payment readiness, AML systems, call centre, customer support, DR, reporting and audit readiness.

8.1 Fixed costs

- Management and governance.
- Compliance, AML/CFT, risk and internal control.
- Core banking, DR, cybersecurity and technology platforms.
- Regulatory reporting, Sharia governance and external assurance.
- Vendor and critical-service-provider oversight.

8.2 Variable costs

- Transaction processing.
- Payment gateway and network costs.
- Customer-support load.
- Customer acquisition cost.
- Usage-linked and growth-linked expenses.

8.3 Cost control policy

- No unnecessary costs are included without a link to operations, controls or regulatory readiness.
- Operating costs are not capitalized to improve profitability.
- Costs are reviewed periodically against performance and budget.
- Corrective action is taken where growth underperforms or cost overruns arise.

8.5 Credit and financing policy framework

Table 8 - Credit and financing policy

Element	Policy
DTI	≤ 40%
Tenor	Short to medium term
Collateral	By customer and product type
Target NPL ratio	≤ 3%
Provision coverage	100% according to IFRS 9 / AAOIFI FAS 30

Any exception or breach of the financing policy must be escalated to the Risk Management Committee and documented for internal audit and supervisory review.

9. Projected Profit and Loss Statement

The projected profit and loss statement shows the transition from establishment losses to operating break-even and then to net profitability. It reflects revenue build-up, full operating cost recognition, depreciation, ECL charges and tax. The table below is directly aligned with the Excel model.

Table 9 - Projected Profit and Loss Statement

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Service and payment revenue	2.044	5.114	7.963	11.853	16.455
Murabaha / Islamic financing income	0.000	0.631	4.178	9.699	16.441
Investment / treasury income	1.758	4.652	7.631	9.805	12.561
Gross operating revenue	3.802	10.396	19.772	31.357	45.458
Less: profit distribution to investment depositors	(0.109)	(0.426)	(1.074)	(2.372)	(4.604)
Net operating income	3.692	9.970	18.698	28.985	40.854
Fixed OPEX	(9.710)	(11.357)	(12.848)	(14.424)	(16.092)
Variable operating expenses	(0.351)	(0.900)	(1.433)	(2.174)	(3.069)
Customer acquisition cost (CAC)	(0.900)	(0.490)	(0.585)	(0.720)	(0.660)
Total operating expenses	(10.961)	(12.747)	(14.866)	(17.317)	(19.821)
EBITDA	(7.268)	(2.777)	3.832	11.668	21.033
Depreciation and amortization	(3.672)	(8.441)	(10.959)	(12.940)	(14.860)
Impairment / ECL provision charge	0.000	(0.192)	(0.802)	(1.640)	(2.383)
Profit / (loss) before tax	(10.941)	(11.411)	(7.929)	(2.912)	3.790
Tax expense	0.000	0.000	0.000	0.000	(0.569)
Net income / (loss)	(10.941)	(11.411)	(7.929)	(2.912)	3.222

9.1 Components of the income statement

1. Gross operating revenue.
2. Profit distribution to investment depositors.
3. Net operating income.
4. Fixed OPEX, variable operating expenses and customer acquisition cost.
5. EBITDA.
6. Depreciation and amortization.
7. ECL / impairment provision charges.
8. Profit or loss before tax, tax and net income.

9.2 Methodology

The P&L is calculated year by year and does not average or flatten results across the planning horizon. All operating expenses are recognized from FY1, and all impairment / ECL charges are reflected through the income statement in accordance with the planning model.

9.3 Overall trend

The plan shows initial losses in FY1 and FY2, as expected for a newly established regulated bank investing in infrastructure, systems and readiness. The gap narrows as active customers, deposits, usage and net operating income increase. Operating break-even is achieved in FY3 and net profitability is reached in FY5.

9.4 Sharia governance

All products and services are subject to Sharia review and approval. Sharia governance covers the structure of deposits, Murabaha and other Islamic financing products, profit distribution, fees and customer disclosure.

9.5 Customer protection and market conduct

The bank will maintain clear customer disclosures, transparent fees, complaint-handling procedures and customer notification mechanisms. Conduct risk is treated as a core element of the operating model rather than a secondary policy issue.

10. Break-Even Analysis and Profitability Path

The break-even path is based on gradual launch, careful cost control and growth in recurring income. Operating break-even and net profitability are assessed separately, because EBITDA positivity does not by itself prove full financial sustainability after depreciation, provisions and tax.

10.1 Operating break-even

Operating break-even is reached in FY3 when EBITDA becomes positive at +3.832 IQD bn. This reflects the point where recurring income is sufficient to cover the core operating cost base before depreciation, ECL and tax.

10.2 Net profit break-even

Net profit break-even is reached in FY5, when net income becomes positive at +3.222 IQD bn after recognizing depreciation, ECL / impairment charges and tax.

10.3 Profitability path

Profitability is not created through accounting movements. It is driven by customer growth, usage, deposits, financing maturity, scale efficiencies and disciplined cost management.

10.4 Corrective plan if growth slows

- Immediate measures: reduce non-essential expenditure, defer non-critical expansion and review non-critical CAPEX.
- Structural measures: strengthen payroll relationships, increase focus on high-usage digital services and review pricing within Sharia and market conduct constraints.
- Regulatory measures: update ICAAP / ILAAP, prepare management reports and communicate material issues to the Central Bank of Iraq where required.

Table 10 - From loss to operating break-even

Item	Impact (IQD bn)
EBITDA FY1	(7.268)
Net operating income growth in FY2	+6.278
Operating expense increase in FY2	(1.787)
EBITDA FY2	(2.777)
Net operating income growth in FY3	+8.728
Operating expense increase in FY3	(2.118)
EBITDA FY3	+3.832

Table 11 - From positive EBITDA to positive net profit

Item	Impact (IQD bn)
EBITDA FY3	+3.832
Net operating income growth in FY4	+10.288
Operating expense increase in FY4	(2.452)
EBITDA FY4	+11.668
Net operating income growth in FY5	+11.869
Operating expense increase in FY5	(2.504)
EBITDA FY5	+21.033
Depreciation and amortization FY5	(14.860)
Impairment / ECL FY5	(2.383)
Tax expense FY5	(0.569)
Net profit FY5	+3.222
Accumulated losses through end-FY4	(33.192)
Remaining shareholders equity at end-FY5	70.030

11. Cash Flow Projections and Liquidity Management

Liquidity management is central to the financial plan. The model separates operating cash generation, capital expenditure and paid-up capital injections, and demonstrates that closing cash and liquid assets remain sufficient throughout the planning horizon.

Table 12 - Cash flow projections

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Net cash from operating activities	40.732	24.463	33.592	49.668	64.664
Capital expenditure	(33.900)	(15.300)	(10.300)	(9.600)	(9.600)
Paid-up capital injection	30.000	35.000	35.000	0.000	0.000
Net change in cash and liquid assets	36.832	44.163	58.292	40.068	55.064
Closing cash and liquid assets	36.832	80.994	139.286	179.354	234.419

11.1 Operating cash flows

Operating cash flow reflects actual business growth, customer deposits, operating activity and liquidity movement. It is reviewed together with the balance sheet and liquidity ratios to understand both growth and prudence.

11.2 Investment cash flows

CAPEX is concentrated in technology, infrastructure, readiness, DR, cybersecurity and related regulated capabilities. The plan does not assume unnecessary branch expansion or large physical networks.

11.3 Liquidity policy

- Maintain liquid assets above regulatory and internal thresholds.
- Separate operating liquidity from contingency liquidity.
- Monitor maturity gaps monthly.
- Escalate any breach of liquidity limits to ALCO and senior management.
- Maintain contingency actions for stressed liquidity conditions.

11.4 Maturity gap management

The bank must avoid any risky mismatch where short-term liabilities fund long-term assets beyond approved limits. Gaps should be monitored through time buckets such as 1, 3, 6 and 12 months. Material breaches should be escalated promptly.

11.5 Sources of liquidity

- Primary liquidity: cash, balances with the Central Bank and banks, and highly liquid eligible assets.
- Reserve liquidity: assets capable of liquidation within short timeframes.
- Contingency liquidity: approved emergency measures, including controlled liquidity actions and shareholder support if required.

11.6 Technical controls and digital risk

Liquidity and operational resilience are supported by transaction monitoring, access control, core banking controls, DR / BCP arrangements, fraud monitoring, AML systems and audit logs.

11.7 Liquidity stress scenario

Table 13 - Liquidity stress scenario

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Base LCR	326.1%	402.3%	421.1%	342.8%	313.5%
LCR after deposit-liquidity shock	260.9%	321.8%	336.8%	274.3%	250.8%
Internal target	120.0%	120.0%	120.0%	120.0%	120.0%
Status	OK	OK	OK	OK	OK

12. Projected Balance Sheet

The projected balance sheet demonstrates the relationship between cash and liquid assets, Islamic financing assets, fixed assets, deposits, provisions, share capital, accumulated losses and shareholders' equity.

Table 14 - Projected assets

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Cash and liquid assets	36.832	80.994	139.286	179.354	234.419
Gross Islamic financing portfolio	0.000	10.260	35.000	77.000	124.800
Net Islamic financing assets	0.000	10.073	34.028	74.430	119.906
Net fixed assets	30.227	37.086	36.428	33.087	27.827
Total assets	67.059	128.153	209.742	286.872	382.152

Table 15 - Liabilities and shareholders equity

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Customer deposits	48.000	85.500	140.000	220.000	312.000
Provision for onerous / undrawn Islamic financing commitments	0.000	0.005	0.022	0.064	0.123
Total liabilities	48.000	85.505	140.022	220.064	312.123
Paid-up share capital	30.000	65.000	100.000	100.000	100.000
Retained earnings / accumulated losses	(10.941)	(22.351)	(30.280)	(33.192)	(29.970)
Total shareholders' equity	19.059	42.649	69.720	66.808	70.030
Total liabilities and shareholders' equity	67.059	128.153	209.742	286.872	382.152

12.1 Assets

Assets mainly include cash and liquid assets, net Islamic financing assets and net fixed assets. The Islamic financing portfolio grows gradually after operational readiness and risk controls are in place.

12.2 Liabilities

Liabilities mainly consist of customer deposits and specific provisions where applicable. Deposits are supported by conservative liquidity management and deposit concentration monitoring.

12.3 Equity

Equity consists of paid-up share capital and accumulated profits or losses. Early accumulated losses are absorbed within the capital base, and shareholders' equity remains positive throughout the plan.

13. Capital Adequacy under Basel (CAR - LCR - NSFR)

The purpose of the capital and liquidity framework is to ensure that the bank can absorb expected and stressed losses, support growth and protect depositors without creating systemic risk. The Excel model includes CAR overlay, LCR, NSFR and stress tests.

13.1 Tier 1 capital

Tier 1 capital consists primarily of paid-up share capital, reserves where applicable and accumulated earnings or losses. The first-stage plan does not rely on complex instruments.

13.2 Tier 2 capital

Tier 2 capital instruments are not assumed in the first-stage model, in order to maintain simplicity, transparency and quality of capital.

13.3 CAR calculation approach

CAR is assessed using a Basel / CBI overlay that considers the risk-weighted asset base, paid-up capital, accumulated losses and growth in the financing portfolio. The model is designed for planning and licensing review and will be updated once final regulatory treatment is confirmed.

13.4 Target limits

- CAR internal target: maintained above regulatory minimum and monitored through the model.
- LCR internal target: not less than 120% under normal operating conditions.
- NSFR target: not less than 110% over the medium term.
- NPL and cost-of-risk limits are monitored through ECL and risk governance.

13.5 Liquidity ratios

LCR assesses the ability to withstand 30-day liquidity stress. NSFR assesses the stability of the funding structure over a medium-term horizon. Both metrics are treated as management-control metrics as well as regulatory ratios.

13.6 ICAAP

The Internal Capital Adequacy Assessment Process covers credit, market, operational, liquidity, compliance, cyber, Sharia and strategic risks. Results are reviewed by management and the Board.

13.7 ILAAP

The Internal Liquidity Adequacy Assessment Process covers liquidity gaps, funding alternatives, liquid-asset buffers, stress scenarios and reporting frequency.

13.8 Stress testing

Table 16 - Stress testing and sensitivity analysis

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Base PBT	(10.941)	(11.411)	(7.929)	(2.912)	3.790
PBT - revenue -20%	(11.701)	(13.490)	(11.883)	(9.184)	(5.301)
PBT - OPEX +15%	(12.585)	(13.323)	(10.159)	(5.510)	0.817
PBT - ECL x2	(10.941)	(11.603)	(8.731)	(4.552)	1.408
Base CAR overlay	48.8%	64.4%	68.3%	43.9%	33.4%
CAR - revenue -20%	46.9%	61.3%	64.5%	39.8%	29.1%
CAR - OPEX +15%	44.6%	61.5%	66.2%	42.2%	32.0%
CAR - ECL x2	48.8%	64.1%	67.6%	42.8%	32.3%
Base LCR	326.1%	402.3%	421.1%	342.8%	313.5%
LCR after deposit shock	260.9%	321.8%	336.8%	274.3%	250.8%
Base NSFR	142.5%	186.7%	211.7%	180.2%	169.3%
NSFR after stability haircut	121.1%	158.7%	180.0%	153.2%	143.9%
Overall stress governance status	OK	OK	OK	OK	OK

13.9 Risk limits framework

- CAR, LCR and NSFR limits are monitored periodically.
- NPL ratio and cost of risk are reviewed by Risk Management.
- Funding concentration and maturity gaps are reviewed by ALCO.
- Any breach triggers corrective action and escalation.

13.10 Financing stop policy

If risk indicators deteriorate materially, management may suspend new financing, review credit policies, increase provisions, review customer segments and report to the regulator where required.

14. Financial Ratios and KPIs

KPIs are used as a periodic monitoring tool for profitability, efficiency, capital, liquidity and asset quality. The KPIs below are extracted from the Excel model and should be used as management and supervisory reference points.

Table 17 - Financial ratios and KPIs

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Cost / income ratio	296.8%	127.9%	79.5%	59.7%	48.5%
EBITDA margin	(191.2%)	(26.7%)	19.4%	37.2%	46.3%
ROA	(16.3%)	(11.7%)	(4.7%)	(1.2%)	1.0%
ROE	(57.4%)	(37.0%)	(14.1%)	(4.3%)	4.7%
CAR overlay	48.8%	64.4%	68.3%	43.9%	33.4%
LCR	326.1%	402.3%	421.1%	342.8%	313.5%
NSFR	142.5%	186.7%	211.7%	180.2%	169.3%

The Cost / Income ratio improves materially as the operating model scales. EBITDA margin becomes positive in FY3, while ROA and ROE turn positive in FY5, reflecting a gradual and defensible profitability profile.

15. Stress Testing and Sensitivity Analysis

The plan includes stress scenarios to assess the resilience of the bank under adverse conditions. The scenarios include a 20% revenue reduction, a 15% OPEX increase, an ECL shock and liquidity stress. These tests support ICAAP, ILAAP and the risk governance framework.

- Revenue-downside scenario: tests the effect of lower revenue on profit before tax and CAR.
- OPEX-upside scenario: tests cost pressure and operational discipline.
- ECL shock scenario: tests higher impairment and financing risk.
- Deposit liquidity shock: tests ability to withstand deposit outflows while preserving LCR.

Stress tests are not one-time licensing tables. They should be repeated periodically, reported to the Risk Committee and Board, and used as triggers for corrective action.

16. Regulatory Compliance and Financial Sustainability

The plan is designed to respond to licensing expectations for a five-year financial plan, business model linkage, capital adequacy, liquidity, risk management, operational readiness and sustainability. It should be submitted together with the Excel financial model and the financial model interpretation guide.

Table 18 - Regulatory compliance mapping

Regulatory requirement	Treatment in this financial plan
Five-year financial plan	Covered through P&L, cash flow, balance sheet, KPIs, capital, liquidity and stress testing.
Operating model	Linked to active customers, ARPU, deposits, financing portfolio, OPEX, readiness costs and digital channels.
Capital adequacy	Modelled through paid-up capital tranches, accumulated losses and CAR overlay.
Liquidity adequacy	Modelled through cash and liquid assets, LCR, NSFR and liquidity stress proxies.
Risk management	Covered by ECL module, stress testing, limits framework and mitigation actions.
Regulatory readiness costs	Reflected in fixed OPEX and CBI readiness cost layers.

Sustainability is demonstrated through conservative revenue generation, explicit cost recognition, staged capital injections, high liquidity buffers, ECL provisioning and a gradual financing launch after controls are operational.

Section 17: Risk Framework, Key Risks and Mitigations

The bank applies an integrated risk management framework intended to protect depositors, support financial sustainability, comply with CBI instructions, maintain Sharia discipline and support data-driven decision-making.

- Three lines of defense.
- Continuous monitoring of risks.
- Periodic reporting to the Board of Directors.
- Regular stress testing.
- Independent internal audit and Sharia oversight.

17.1 Market and economic risk

Market and economic risks include macroeconomic volatility, inflation, liquidity in the economy and changes in customer appetite. Potential effects include slower customer growth, delayed break-even and higher costs. Mitigations include alternative growth scenarios, cost controls, recurring low-risk revenues and quarterly plan reviews.

17.2 Credit risk

Credit risk arises from the potential default of Islamic financing customers. Mitigations include conservative scoring, human review, short-tenor financing, ECL provisioning from the first financing period, concentration limits and temporary suspension of new financing if target risk levels are exceeded.

17.3 Liquidity risk

Liquidity risk arises from unexpected deposit withdrawals or funding instability. Mitigations include high liquidity buffers, contingency funding plans, LCR and NSFR monitoring, stress testing and ALCO oversight.

17.4 Operational risk

Operational risks include system errors, outages, human error, process failures and vendor failures. Mitigations include documented procedures, DR and BCP, audit logs, independent internal audit and staff training.

17.5 Fraud and financial crime risk

Fraud and financial crime risks include misuse of accounts, fraudulent transactions, sanctions exposure and suspicious activity. Mitigations include AML systems, sanctions screening, fraud monitoring, early-warning alerts, automatic blocking of suspicious transactions and reporting procedures.

17.6 Compliance and Sharia risk

Compliance and Sharia risks include failure to comply with regulatory instructions or Islamic banking principles. Mitigations include documented policies, Sharia Supervisory Board approvals, product reviews, regulatory reporting and periodic compliance testing.

17.7 Risk conclusion

The bank’s risk profile is natural for a newly established digital bank, but the plan mitigates these risks through capital, liquidity, controls, ECL, conservative growth, committee oversight and independent review.

Section 18: Provisioning Policy under IFRS 9 and Asset Quality

The bank adopts a conservative provisioning policy that links expected credit losses to the Islamic financing portfolio and related commitments. This prevents overstating profits and supports the protection of capital and depositors.

Table 19 - IFRS 9 / ECL summary

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Gross Islamic financing portfolio	0.000	10.260	35.000	77.000	124.800
Total impairment / ECL charge in P&L	0.000	0.192	0.802	1.640	2.383
Closing credit ECL allowance	0.000	0.187	0.972	2.570	4.894
Cost of risk	0.0%	3.7%	3.5%	2.9%	2.4%
Stage 3 / NPL ratio	0.0%	1.0%	2.0%	2.5%	3.0%

Table 20 - ECL staging detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Stage 1 exposure	0.000	9.850	32.900	71.610	114.816
Stage 2 exposure	0.000	0.308	1.400	3.465	6.240
Stage 3 exposure	0.000	0.103	0.700	1.925	3.744
Stage 1 ECL allowance - 12-month ECL	0.000	0.093	0.352	0.851	1.505
Stage 2 ECL allowance - lifetime ECL	0.000	0.024	0.129	0.343	0.664
Stage 3 ECL allowance - credit-impaired	0.000	0.070	0.491	1.376	2.726

18.1 Cost of risk

Cost of risk is calculated as the relevant ECL / impairment charge relative to the financing portfolio. It is reviewed by Risk Management, Finance, Internal Audit and Sharia governance functions. The plan uses conservative assumptions and does not reduce provisions merely to show better accounting results.

18.2 Deposit protection

The bank will comply with the Iraqi deposit protection framework and make required payments or contributions according to the applicable schedule and regulatory instructions.

18.3 Credit registry

The bank will submit credit-related customer data to the relevant credit registry or inquiry systems in accordance with the applicable CBI requirements.

18.4 Dual external audit

Where required, the bank will appoint independent external auditors in line with CBI instructions, including any requirement for a second auditor and rotation after the applicable period.

Section 19: Benchmarking and Management Financial Commitment

19.1 Benchmarking against similar digital banks

The benchmarking purpose is to show that the plan falls within a conservative range compared with comparable digital-bank models. The bank targets operating break-even after the establishment phase and net profitability after scale is achieved.

Table 21 - Benchmark comparison

Element	Akkad Digital Islamic Bank	Digital bank benchmark
Operating break-even	FY3	Generally 3-5 years
Net profitability	FY5	Generally after operating scale is achieved
Fee-driven revenue base	Yes	Yes
Financing expansion	Gradual, after controls mature	Gradual / risk-based
Capital position	Conservative and high-loss absorption	Usually moderate to high

The conclusion from the comparison is that Akkad Digital Islamic Bank follows a conservative path, especially in capital, gradual financing launch and liquidity management.

19.2 Management financial commitment

Management commits to implement the financial plan with discipline, avoid uncontrolled expansion, preserve capital, recognize provisions prudently and maintain transparency with the Central Bank of Iraq. Any material changes to the model must be approved internally and reflected in updated documents.

- Execute the plan without material deviation unless reviewed and approved.
- Maintain cost, capital, liquidity and provisioning discipline.
- Avoid any expansion decision that is not financially and regulatorily justified.
- Update the plan when actual results, market data or regulatory instructions change.

Section 20: Detailed Financial Outputs

This section presents the detailed schedules corresponding to the main Excel model outputs. They are included in the full English version to ensure the document is complete and not merely an executive summary.

Table 22 - Growth drivers

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Active customers at period-end	60,000	95,000	140,000	200,000	260,000
Monthly ARPU / IQD	5,240	5,397	5,559	5,726	5,898
Average deposit balance per active customer / IQD	800,000	900,000	1,000,000	1,100,000	1,200,000
Customer deposits at period-end (IQD bn)	48.000	85.500	140.000	220.000	312.000
Islamic financing portfolio at period-end (IQD bn)	0.000	10.260	35.000	77.000	124.800

Table 23 - Projected P&L - detailed

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Service and payment revenue	2.044	5.114	7.963	11.853	16.455
Murabaha / Islamic financing income	0.000	0.631	4.178	9.699	16.441
Investment / treasury income	1.758	4.652	7.631	9.805	12.561
Gross operating revenue	3.802	10.396	19.772	31.357	45.458
Less: profit distribution to investment depositors	(0.109)	(0.426)	(1.074)	(2.372)	(4.604)
Net operating income	3.692	9.970	18.698	28.985	40.854
Fixed OPEX	(9.710)	(11.357)	(12.848)	(14.424)	(16.092)
Variable operating expenses	(0.351)	(0.900)	(1.433)	(2.174)	(3.069)
Customer acquisition cost (CAC)	(0.900)	(0.490)	(0.585)	(0.720)	(0.660)
Total operating expenses	(10.961)	(12.747)	(14.866)	(17.317)	(19.821)
EBITDA	(7.268)	(2.777)	3.832	11.668	21.033
Depreciation and amortization	(3.672)	(8.441)	(10.959)	(12.940)	(14.860)
Impairment / ECL provision charge	0.000	(0.192)	(0.802)	(1.640)	(2.383)
Profit / (loss) before tax	(10.941)	(11.411)	(7.929)	(2.912)	3.790
Tax expense	0.000	0.000	0.000	0.000	(0.569)
Net income / (loss)	(10.941)	(11.411)	(7.929)	(2.912)	3.222

Table 24 - Cash flow schedule

Item	FY1 Aug 2026– Jul 2027	FY2 Aug 2027– Jul 2028	FY3 Aug 2028– Jul 2029	FY4 Aug 2029– Jul 2030	FY5 Aug 2030– Jul 2031
Net cash from operating activities	40.732	24.463	33.592	49.668	64.664
Capital expenditure	(33.900)	(15.300)	(10.300)	(9.600)	(9.600)
Paid-up capital injection	30.000	35.000	35.000	0.000	0.000
Net change in cash and liquid assets	36.832	44.163	58.292	40.068	55.064
Closing cash and liquid assets	36.832	80.994	139.286	179.354	234.419

Table 25 - Projected balance sheet: assets

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Cash and liquid assets	36.832	80.994	139.286	179.354	234.419
Gross Islamic financing portfolio	0.000	10.260	35.000	77.000	124.800
Net Islamic financing assets	0.000	10.073	34.028	74.430	119.906
Net fixed assets	30.227	37.086	36.428	33.087	27.827
Total assets	67.059	128.153	209.742	286.872	382.152

Table 26 - Projected balance sheet: liabilities and equity

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Customer deposits	48.000	85.500	140.000	220.000	312.000
Provision for onerous / undrawn Islamic financing commitments	0.000	0.005	0.022	0.064	0.123
Total liabilities	48.000	85.505	140.022	220.064	312.123
Paid-up share capital	30.000	65.000	100.000	100.000	100.000
Retained earnings / accumulated losses	(10.941)	(22.351)	(30.280)	(33.192)	(29.970)
Total shareholders' equity	19.059	42.649	69.720	66.808	70.030
Total liabilities and shareholders' equity	67.059	128.153	209.742	286.872	382.152

Table 27 - KPI schedule

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Cost / income ratio	296.8%	127.9%	79.5%	59.7%	48.5%
EBITDA margin	(191.2%)	(26.7%)	19.4%	37.2%	46.3%
ROA	(16.3%)	(11.7%)	(4.7%)	(1.2%)	1.0%
ROE	(57.4%)	(37.0%)	(14.1%)	(4.3%)	4.7%
CAR overlay	48.8%	64.4%	68.3%	43.9%	33.4%
LCR	326.1%	402.3%	421.1%	342.8%	313.5%
NSFR	142.5%	186.7%	211.7%	180.2%	169.3%

20.1 Revenue details

Table 28 - Service and payment revenue detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Cards (MDR / issuing)	0.817	2.045	3.185	4.741	6.582
Transfers and payments	0.613	1.534	2.389	3.556	4.937
Digital services / subscriptions	0.409	1.023	1.593	2.371	3.291
Other services	0.204	0.511	0.796	1.185	1.646
Total service and payment revenue - Excel matched	2.044	5.114	7.963	11.853	16.455

Table 29 - Financing and treasury income detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Short-term Murabaha	0.000	0.252	1.671	3.880	6.577
Retail / PNPL financing	0.000	0.252	1.671	3.880	6.577
Light commercial financing	0.000	0.126	0.836	1.940	3.288
Total Murabaha income - Excel matched	0.000	0.631	4.178	9.699	16.441
Investment / treasury income	1.758	4.652	7.631	9.805	12.561

Table 30 - Total revenue and net operating income detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Fees, services and payments	2.044	5.114	7.963	11.853	16.455
Murabaha / Islamic financing income	0.000	0.631	4.178	9.699	16.441
Investment / treasury income	1.758	4.652	7.631	9.805	12.561
Gross operating revenue	3.802	10.396	19.772	31.357	45.458
Profit distribution to investment depositors	(0.109)	(0.426)	(1.074)	(2.372)	(4.604)
Net operating income	3.692	9.970	18.698	28.985	40.854

20.2 Expense and provisioning details

Table 31 - Fixed OPEX and regulatory readiness detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Previous baseline of fixed operating expenses	7.200	7.920	8.710	9.580	10.540
Core banking and critical vendors	0.800	1.000	1.100	1.200	1.300
Cybersecurity + AML + payments readiness	1.100	1.450	1.750	2.050	2.350
Customer service + governance + agents + credit bureau + deposit protection	0.610	0.987	1.288	1.594	1.902
Total fixed OPEX after reflecting CBI readiness notes	9.710	11.357	12.848	14.424	16.092

Table 32 - Variable OPEX and CAC detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
Variable operating expenses	(0.351)	(0.900)	(1.433)	(2.174)	(3.069)
Customer acquisition cost (CAC)	(0.900)	(0.490)	(0.585)	(0.720)	(0.660)
Total usage and growth-linked expenses	(1.251)	(1.390)	(2.018)	(2.894)	(3.729)

Table 33 - Provisioning and ECL detail

Item	FY1 Aug 2026–Jul 2027	FY2 Aug 2027–Jul 2028	FY3 Aug 2028–Jul 2029	FY4 Aug 2029–Jul 2030	FY5 Aug 2030–Jul 2031
P&L credit ECL charge	0.000	0.187	0.784	1.598	2.324
P&L onerous commitment charge	0.000	0.005	0.018	0.042	0.059
Total impairment / ECL charge	0.000	0.192	0.802	1.640	2.383
Closing ECL allowance	0.000	0.187	0.972	2.570	4.894
Cost of risk	0.0%	3.7%	3.5%	2.9%	2.4%

20.3 Mathematical control and profitability bridge

The following bridges demonstrate that operating break-even and net profitability are generated by recurring revenue growth, scale effects and cost control, not by artificial capitalization or unsupported accounting movements.

Table 34 - EBITDA bridge

Item	Impact (IQD bn)
EBITDA FY1	(7.268)
Net operating income growth in FY2	+6.278
Operating expense increase in FY2	(1.787)
EBITDA FY2	(2.777)
Net operating income growth in FY3	+8.728
Operating expense increase in FY3	(2.118)
EBITDA FY3	+3.832

Table 35 - Net profit bridge

Item	Impact (IQD bn)
EBITDA FY3	+3.832
Net operating income growth in FY4	+10.288
Operating expense increase in FY4	(2.452)
EBITDA FY4	+11.668
Net operating income growth in FY5	+11.869
Operating expense increase in FY5	(2.504)
EBITDA FY5	+21.033
Depreciation and amortization FY5	(14.860)
Impairment / ECL FY5	(2.383)
Tax expense FY5	(0.569)
Net profit FY5	+3.222
Accumulated losses through end-FY4	(33.192)
Remaining shareholders equity at end-FY5	70.030

Section 21: Final Conclusion and Management Undertaking

The financial plan confirms that Akkad Digital Islamic Bank follows a conservative, implementable, financially sustainable and low-systemic-risk path. Profitability is achieved gradually through recurring operations, customer growth, usage growth, Islamic financing maturity and disciplined cost control.

- Depositors are protected through capital, liquidity and governance controls.
- Shareholders' equity absorbs establishment losses.
- Capital and liquidity ratios remain above supervisory thresholds.
- The profitability path is operationally driven and not dependent on exceptional gains.
- The model is subject to periodic review and regulatory update.

Management undertaking

Management undertakes to comply fully with Central Bank of Iraq instructions and all relevant regulatory requirements, to adopt high standards of governance and risk management, and to maintain transparency, disclosure and financial discipline throughout the licensing and operating process.

- No financially or regulatorily unjustified expansion.
- Commitment to conservative growth.
- Commitment to transparency and disclosure.
- Commitment to sustainable growth and financial stability.
- Commitment to updating the model where facts, contracts or regulatory instructions change.

Section 22: Appendices (Clauses and points providing additional explanation and are not independent attachments)

The appendices form an integral part of the financial plan. They explain technical, accounting, Sharia, risk, market, technology and operational details referred to in the main body of the plan.

Appendix 3.5 - Revenue recognition under IFRS

- Revenue is recognized in accordance with IFRS and Islamic banking treatment.
- In Murabaha, income is recognized over the contractual life and not upfront.
- No interest is charged on late payment; any permissible administrative charges must be actual and Sharia-approved.
- Revenue must not be inflated through non-cash or conditional assumptions.

Appendix 4 - IFRS 9 / AAOIFI FAS 30 provisioning

- Financing exposures are classified into stages according to risk.
- Stage migration is based on risk indicators and is not delayed artificially.
- Expected credit losses are calculated and reviewed periodically.
- Provisions are not reduced to create artificial profit.

Appendix 4.6 - Market and operating environment analysis

- The target market includes under-banked customer segments and digitally active users.
- Traditional banks often maintain branch-heavy structures while digital adoption creates an opportunity for a lower-cost banking model.
- Payment service providers serve important payment needs but do not provide a full deposit and financing banking model.
- The bank’s competitive advantage is a regulated digital Islamic banking model with transparent pricing and Sharia governance.

Appendix 5.2 - Infrastructure investments

- CAPEX includes core banking, DR, cybersecurity, payment readiness, AML / sanctions monitoring, reporting and related technology layers.
- Depreciation is based on conservative useful lives.
- Operating expenses are not capitalized to improve results.
- Infrastructure investments are necessary for regulatory readiness and operational resilience.

Appendix 5.5 - Risk management

- Credit risk is managed through scoring, affordability assessment, limits and ECL.
- Operational risk is managed through procedures, audit logs and controls.
- Fraud risk is managed through electronic verification, monitoring and alerts.
- Liquidity risk is managed through buffers, ALCO review and stress testing.

Appendix 6.2 - Technology and data controls

- All application transactions should post to the core banking system where applicable.
- Real-time or near-real-time processing is required for key operational controls.
- No shadow systems are assumed.
- Access rights, audit logs, encryption and data controls are essential.

Appendix 7.5 - Sharia deposit policies

- Current accounts are structured according to approved Sharia contracts and do not receive profit where not permitted.
- Investment deposits are structured through approved agency or Mudaraba-type mechanisms, with returns based on actual results.
- Savings products must be transparent and Sharia-approved.
- Profit distribution must be disclosed to customers and reviewed by Sharia governance.

Appendix 7.8 - Approved Islamic financing forms

- Short-term commodity Murabaha is assumed as a clear and controllable product.
- Retail PNPL-style Islamic financing is limited, short tenor and affordability-based.
- Light commercial financing is launched gradually with appropriate controls and collateral where needed.

Appendix 7.10 - Principles of Sharia-compliant financing

- No interest-based lending.
- No guaranteed profit where not permitted.
- Financing must be linked to a real asset or permissible transaction.
- No financing of prohibited activities.
- Sharia governance is mandatory for each product structure.

Appendix 8.5.2 - General financing conditions

- Credit scoring is combined with independent human review.
- Affordability and customer capacity must be verified.
- Credit history and customer behavior are assessed.
- Rejection reasons are documented and appeal / re-application procedures are defined.

Appendix 9.4 - Sharia Supervisory Board role

- Review all product structures and contracts.
- Approve products before launch.
- Monitor actual implementation.
- Issue periodic or annual reports as required.

Appendix 9.5 - Customer protection and market conduct

- Full disclosure of fees and charges in the application.
- No hidden fees.
- Customer notification before deductions where applicable.
- Written complaint policy with defined resolution timelines.

Appendix 11.6 - Digital risk control systems

- AML transaction monitoring and sanctions screening.
- Fraud detection and suspicious-login monitoring.
- Cybersecurity policy aligned with ISO 27001 principles.
- Incident response plans and penetration testing.
- Data encryption in transit and at rest.
- Periodic internal audit review.

Appendix 13.9 - Stress response actions

- Temporarily suspend new financing.
- Use primary and reserve liquidity buffers.
- Activate contingency funding plan.
- Communicate transparently with customers when required.
- Report material events promptly to the Central Bank of Iraq.

Appendix 13.10 - Risk committee responsibilities

- Monitor capital and liquidity ratios.
- Assess credit, operational, market, cyber and compliance risks.
- Escalate material deviations to the Board.
- Review stress-testing results and corrective actions.

Appendix 13.12 - Asset and liability management governance

- Monthly ALCO meetings.
- Daily or periodic liquidity reports to management.
- Quarterly stress tests.
- Annual review of asset-liability management policy.

Appendix 13.14 - Succession and management continuity

- Succession plans are required for key functions.
- Back-up arrangements must ensure business continuity.
- Customers should not be affected by management transitions.

Appendix 13.15 - Fintech, PSP and vendor management

- Vendor selection and monitoring include security assessment, financial review and regulatory suitability.
- SLA requirements are documented.
- The bank retains oversight responsibility.
- Termination rights and contingency options are maintained.

Appendix 15.1 - Sudden deposit withdrawal scenario

- A withdrawal of 10% within one week and 20% within one month is considered.
- Management actions include suspension of new financing, liquidation of liquid assets, activation of contingency plans, customer communication and CBI reporting.

مصرف أكد الرقمي
AKKAD DIGITAL BANK
In Formation

End of Five-Year Financial Plan