



Al-Qabidh Islamic Bank
For Finance & Investment
Private shareholding company – Baghdad



Financial Statements for the year ended 31, December, 2020

Dr .Haseeb Kazim Jaweed Al-Mayah
Chartered Accountant & Auditor
Member of the Iraqi Certified
Accountants Association

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In the name of God the most gracious, the most merciful

Messer. Shareholders of Al-Qabidh Islamic Bank for Finance and Investment
Dear Sirs,

I am delighted to welcome you on behalf of my fellow members of the Board of Directors and to present to you my thanks for your attendance the assembly meeting of our bank (Al-Qabidh Islamic Bank) to discuss the report of the Board of Directors and the financial statements and the auditors' report for the year ending on 31/12/2020.

As the Bank continued its endeavor to expand its services and products and implement the strategy of diversity and modernity in line with Islamic Sharia, the Financial Reporting Standard (9) IFRS was applied to the financial statements for the year 2020, and an update was made on the standard's methodology during the year to face the risks the world is witnessing from an economic downturn due to the Corona pandemic.

Our bank will continue to maintain the financial position and cash liquidity. The bank has been keen on development by continuing to contract with sober companies to update and develop electronic systems in addition to contributing to the development of employees through their participation in all training courses.

In conclusion, in my name and on behalf of the Board of Directors' members, we extend our sincere thanks to the bank's shareholders, clients, bodies and institutions represented by the Central Bank of Iraq, the Companies Registration Department, the Securities Commission and the Iraq Stock Exchange, and our continuous thanks to the staff of our bank, who provided an outstanding performance during this year.

May the peace, mercy and blessings of God be upon you.

Amir Yasir Fadel
Chairman of the Board
of Directors

The fifth annual report of the Board of Directors on the bank's activities for the fiscal year ending on December 31, 2020

Shareholders of Al-Qabidh Islamic Bank for Finance and Investment

Dear Sirs

The Board of Directors is pleased to present its fifth annual report for the year 2020, including information about the bank's activities and the financial results achieved by the bank in a short period, which contributes to meet the needs of the readers of this report.

First: Establishment of the Bank:

The Al-Muhaj Company for Money Transfer was established according to the certificate of incorporation numbered (66116-01 Co. Reg. on 2/12/2008) issued by the Companies Registration Office, and the company increased its capital on several phases to become (45,000,000,000) Iraqi dinar, and the legal procedures required to amend the Article One of memorandum of incorporation from the Al-Muhaj Company for Money Transfer to Al-Qabidh Islamic Bank have been completed and increasing the company's capital to (100,000,000,000) Iraqi dinars, according to the company registration office letter No. (18861) dated (17/10/2016) and the procedures of changing the activity were completed according to the provisions of the Companies Act No. 21 of the year 1997 as amended, and the capital has been increased to become (250,000,000,000) Iraqi dinar according to the company registration office letter No. (14321) dated on (15/5/2017).

Second: The activities and objectives of the bank:

The bank performs all the Islamic banking activities that are practiced by contemporary Islamic banks, taking into consideration applying of the rules of the Islamic Sharia law in all banking fields, including opening current, investment and savings accounts and granting Islamic financing such as Murabaha and participations and speculation and Istisna'a and meeting the requirements of customers from opening documentary letter of credits and external transfer operations through the window of buying and selling foreign currency in the Central Bank of Iraq and outside the window and among its main objectives is to expand Islamic finance operations by developing and improving the services and products provided by the bank and expanding its customer base by opening branches in the governorates of Iraq that meet the needs of customers and under the supervision and control of the Central Bank of Iraq, according to the Iraqi Banking Law No. 94 of 2004 and the Companies Act No.21 for the year 1997 as amended, the Islamic Banking Law No. 43 of

2015 and the Anti-Money Laundering and Terrorism Financing Law No. 39 for the year 2015.

Third: The Board of Directors of the Bank:

The Board of Directors works to build a solemn banking institution with strong foundations, and the Board is keen to apply scientific banking policies and procedures based on the solemn banking work through all the relevant laws and instructions in accordance with the provisions of the standards of the Institutional Governance Guide issued by the Central Bank of Iraq in order to build a right economic entity and avoid risks to improve the bank. The Board has the following responsibilities and tasks:

- The accuracy and adequacy of the bank's financial statements and all the information contained in the report, in addition to the adequacy of the internal control systems.
- Formulating policies, vision, goals and strategic objectives of the bank.
- Directing the executive management to implement the plans while monitoring their performance, evaluating and modifying them if necessary to ensure the implementation of those plans.
- Supervising the executive management and following up on its performance, and ensuring the safety of the bank's financial situation.
- Adopting appropriate procedures for periodic supervision and control of the bank's performance.
- Take responsibility for the integrity of all the bank's procedures, in terms of financial situation and its reputation, and the responsibility for implementing the requirements of the Central Bank, supervisory bodies and other regulatory bodies.
- Ensuring compliance with international standards in all of the bank's activities.
- Ensuring that the bank exercises its social responsibilities, including organizing social initiatives in the field of environmental protection, health and education.
- Reviewing the financial status reports and discussing them with the executive management for the purpose of correction.
- Supervising the quality of disclosure, transparency and information on all banks.
- Adopting an effective risk management strategy, and monitoring its implementation, as it includes the acceptable level of risks, and ensures that the bank is not exposed to high risks.
- Spreading the culture of corporate governance for the bank and encouraging all employees and the executive management to implement its practices and attend training courses in this regard.

Fourth: the Members of Board of Directors:

A. Original Members of the BOD:

Name	Position	Shares' amount	Amount of Contribution %	Date of Appointment	Certificate	Membership in Board Committees
Amir Yasir Fadel	Chairman of the Board of Directors	25,000	0.00001	8/2/2017	Bachelor's Degree in Engineering	* Chairman of the Corporate Governance Committee * Chairman of the Risk Management Committee * Chairman of the Nomination and Remuneration Committee
Tariq Ibrahim Ismail	Deputy Chairman of the Board of Directors	30,000	0.00012	8/2/2017	Bachelor's degree in Administration and Economics	Chairman of the Audit Committee
Haider KazemAl-Ansari	Member (CEO)	30,000	0.000012	8/2/2017	Bachelor of Computer Science	-----
Russell Amer Yahya	Member	25,000	0.00001	8/2/2017	Bachelor of Computer Science	* member of the Corporate Governance Committee * member of the Risk Management Committee * member of the Nomination and Remuneration Committee * member of the Audit Committee
Nour Muwaffaq Abdel Rahman	Member	1,000,000	0.0004	8/2/2017	Bachelor's degree in business administration	* member of the Corporate Governance Committee * member of the Risk Management Committee * member of the Nomination and Remuneration Committee * member of the Audit Committee

B. Reserve Members of the BOD:

Name	Position	Shares' amount	Amount of Contribution %	Date of Appointment	Certificate	Membership in Board Committees
Qusay Ali Hussein	Member	750,000	0.0001	8/2/2017	Bachelor's degree of Computer Technology	-----
Hussain Younis Abbas	Member	3,000,000	0.0012	8/2/2017	Bachelor's degree of science computing engineering	-----
Ali Shukr Wali	Member	500,000	0.0002	8/2/2017	Bachelor's degree of computing engineering	-----
Alaa Basil Hussein	Member	500,000	0.0002	8/2/2017	Master of Science in Electronic Engineering	-----
Noor Sabah Nouri	Member	500,000	0.0002	8/2/2017	Bachelor's degree of science engineering	-----

C. Neither The Chairman of the Board of Directors nor members of the Board had received any remuneration during the year 2020, and they did not have any interest in signing any of the contracts, and they did not obtain loans and privileges.

D. Names of the major shareholders who have more than 5% of the capital, and their number of shares and percentage:

No	Names	No. of Shares	Shareholding percentage to to capital
1.	Ahmed Hatwan Rhaima Alhaidari	12,510,165,000	5%
2.	Alaa Mohammed Jwad Wafri Mandalawi	15,300,000,000	6%
3.	Mustafa Qasim Mohammed Sabagh	15,453,385,000	6%
4.	Zena Mhana Khairy Al sadi	24,100,000,000	9.6%
5.	Namariq MhanaKhairy Al sadi	24,700,000,000	9.8%
6.	Raed Mohammed Ghulam Hussein	24,800,000,000	9.9%
7.	Ahmad Ali Hassan Al-Dujaili	24,900,000,000	9.9%
8.	Hussein Hadi Ahmed Al Ahrami	24,900,000,000	9.9%
9.	Ali Mohammed Ghulam Hussein	24,900,000,000	9.9%
10.	Mustafa Yousif Ghulam Hussein	24,900,000,000	9.9%
Total		206,863,550,000	82.7%

E. Statistics of the distribution of the shares on the shareholders on 31/12/2020

Classification	No. of shareholders	No. of Shares
From 1 to 1,000,000	12	3,615,000
From 1,000,001 to 10,000,000	1	3,000,000
From 10,000,001 to 1,000,000,000	0	0
More than 1,000,000,000	15	249,993,385,000
Total	28	250,000,000,000

Fifth: The Board's relationship with the supervisory departments:

A. Control and Internal Sharia Audit Department

The Control and Internal Sharia Audit Department is considered an essential part of the bank and it is one of the important elements of the Sharia internal control system. It is an independent and objective activity that is concerned with examining the Sharia internal control systems aiming to reach neutral technical opinion on the extent of complying with applying these systems inside the bank in accordance with the provisions and principles Islamic Sharia law, and in order to enable the department to fully carry out its responsibilities, it must be granted powers, the most important of which is the freedom of accessing any data, information or documents without restrictions or limits so that the internal Sharia auditor can express a clear and sound opinion regarding the results of the Sharia audit work as a neutral entity owning the professional skills and experience to ensure the discipline of employees and workers in the application of Sharia control systems inside the bank, taking the necessary measures to enhance the role of Sharia audit by following up on the correction of the observations of the monitoring and auditing department, and verifying that the internal Sharia department is subject to the Shariah Board and it submits its reports to the Chairman of the Sharia Board and a copy of it to the Audit

Committee as well as the board of directors must verify that the internal audit management is subject to direct supervision by the audit committee emanating from the board of directors and that it submits its reports directly to ensure its independence.

B. Sharia Compliance and Compliance Department.

The Compliance Department is considered an effective department aiming to compliance and ensuring commitment to laws and regulations and the instructions, standards and banking policies, whereas, the compliance department prepares effective policies and procedures to ensure the bank's compliance with all applicable legislation and instructions and any relevant guidelines and evidence. The Board must approve all tasks and responsibilities of the Compliance Department. The Sharia compliance and compliance control department submit all reports to the audit committee with copy of them sent to the managing director.

C. Money laundering and terrorist financing Reporting department.

The Money Laundering and Terrorism Financing Reporting department adherence the instructions issued by the Central Bank of Iraq and their compliance with the Anti-Money Laundering Law No. (35) For the year 2015, as well as verifying the customer's identity by filling out the KYC form upon opening the account.

D. Risk Management Department.

The Risk Management Department supports the Board of Directors and the Executive Management in order to be able to effectively determine the risks and reduce them based on an accurate measurement of risks. Ensure that the risk management performs periodically pressure tests to measure the bank's ability to withstand shocks and face high risks, and that the board has a major role in adopting the assumptions and scenarios used, discussing test results and adopting measures to be taken based on these results.

Sixth: Preparing the financial statements:

- A.** The financial statements were prepared in accordance with the International Accounting Standards for financial reports for all periods, including the fiscal year ending December 31, 2020.
- B.** The Iraqi dinar is the currency used of showing the consolidated financial statements, which represents the main currency of the bank.
- C.** The bank attached consolidated financial statements were prepared for the purpose of presenting them to shareholders in accordance with the laws in force in Iraq.
- D.** The bank prepares the financial statements and audited by certified accountants in accordance with the Companies Law and the instructions

of CBI and the International accounting standards for financial reporting are applied.

- E. The CBI has a regular mechanism for designing and implementing internal control systems related to the bank's business and that includes the basic elements in the internal control system in the bank, specifying the powers and responsibilities in order to achieve the effectiveness of the control.
- F. As for foreign currencies, they were evaluated according to the instructions of the CBI, at the exchange rate of US dollar against IQ dinar (1460 dinars per dollar).

Seventh: during the year (2020), The Board of Directors held (21) sessions to discuss various issues regarding the bank's policy and directives.

Eighth: Detailed and analytical data:

A. Bank's activity result:

1. The revenues for the year 2020 amounted to (8,793,189) thousand dinars, the expenses amounted to (4,164,612) thousand dinars, and thus a profit of (4,628,577) thousand dinars was achieved, and after adding the tax, it becomes (3,994,419) thousand dinars.
2. The accumulated deficit at the beginning of the year amounted (9,492,040) thousand dinars, and the accumulated surplus amounted to (4,091,091) thousand dinars.
3. Reserves balances and their uses: The total balances of the bank's reserves as they were at the end of 2020 reached (308,250,219) thousand dinars.

Account Name	31/12/2020	31/12/2019
Required (legal) reserved	214,030,598	14,309,619
Others reserved	94,219,621	94,219,621
Total	308,250,219	108,529,240

4. **Balances of retained allocations and their reasons:**

The total allocations of the bank amounted in the end of the year (2020) (926,569) thousand dinars, as shown in the table below:

Account Name	31/12/2020	31/12/2019
Tax income dedications	779,864,752	145,706,564
Miscellaneous dedications	146,704,401	2,630,778,634
Total dedications	926,569,153	2,776,485,198

5. **The equity:** The total paid-up capital and its reserves amount (244,907,319) thousand dinars, which represents the paid-up capital (250,000,000) thousand dinars, and The total of sound reserves amounted (4,399,360) thousand dinars, and the accumulated deficit reached (9,492,041-) thousand dinars.

B. Banking activity:

1. **Deposits:** The total bank deposits amounted (2,165,800) thousand dinars as on 31/12/2020.
2. **Banking facilities:**
Cash and pledge credit (Islamic financing): the bank granted credit in the form of (Murabahah), whereby the Islamic financing as on 31/12/2020 reached (8,520,749) thousand dinars.
3. **Investments:** Participations were recorded in the investment account based on the CIB letter no. (219/6/9 dated 23/8/2020) has reached (164,950,000) thousand dinars to become the total of investments until 31/12/2020 is (165,700,000) thousand dinars.

C. Cash liquidity: The balance of cash in the fund and at banks in the end of 2020 reached (83,420,778) thousand dinars, and the cash account includes cash in the fund of local and foreign currency, legal and current deposits with the Central Bank of Iraq and the amounts deposited with local and foreign banks to cover the bank's international dealings in operations of opening the documentary credits and money transfers arising from the dollar auction before they are credited for the beneficiaries accounts. The following table shows the analysis of money:

Detailed	2020		2019	
	Thousand Dinar	Relative Importance	Thousand Dinar	Relative Importance
Money in the fund	82,075,972	0.98	481,388	0.005
Cash with foreign banks	9,148	0.0001	32,740	0.0002
CBI	1,051,898	0.012	84,805,438	0.98
Legal deposits in the CBI	292,907	0.003	381,020	0.004
Total	83,429,925	100%	85,700,586	100%

D. Administrative activity:

1. The number of employees at the end of 2020 reached (77), and the salaries and wages spent to them, including the remunerations, allowances and the contribution in the social security amounted (938,021) thousand dinars.
2. The following table shows the names and titles of senior administration of the bank for the year 2020:

	Name	Title
1	Hayder Khadim Al Ansari	Managing director
2	Suzan DawoodbNamdar	Assistant managing director
3	Mohammad Rafeeq Qasim	Department director, Islamic compliance and compliance control
4	Omar Sameer Arshad	Department director, reporting money laundering and terrorism financing
5	Abdul Hakeem Abdul Wahid Abood	Department director, Banking risks management

3. The efforts continued to attract good banking staff and focus on graduates and those who have competence and the ability of banking work, and the table below shows the staff according to their academic qualification:

	University degree	Number
1	Bachelor degree	45
2	Diploma	14
3	High school and below	18
Total		77

4. The following are the names and job titles of five affiliates of the bank who received the highest annual income during the year 2020:

	Name	Title
1	Hayder Khadim Al Ansari	Managing director
2	Suzan Dawood Namdar	Assistant managing director
3	Mohammad RafeeqQasim	Department director, Islamic compliance and compliance control
4	Omar Sameer Arshad	Department director, reporting money laundering and terrorism financing
5	Ghassan AbdulRazzaq Abdul Rahman	Director of the Main Branch

5. The employees participated in training courses in the field of Islamic banking, remittances, risks, compliance, anti-money laundering and public awareness, the bank procedures continue in providing training opportunities to as larger as possible of employees during 2020 and the following statement explain that:

	Course name	The place where the course held	No. of participants
1	Banking Law No. (94) for the year 2004 And Islamic Banking Law No. (34) for the year 2004	Online	5
2	Governance Manual Scorecard Institutional banks	Online	6
3	Due diligence measures for credit institutions	Online	1
4	Measures of anti money laundering and terrorist financing	Inside the bank	8
5	Provisions and principles of Islamic Sharia	Inside the bank	11
6	Treasury Management	Online	1
7	Managing conventional and compulsory banks during crises	Online	1
8	Basics of the information technology framework	Online	6
9	Foundations of anti-corruption in the banking sector	Online	1
10	Financial management and liquidity transfer	Online	1
11	Documentary letter of credits and letters of guarantee	Online	1
12	Compliance and Non-compliance Risks	Online	1
13	Cyber Security and Countering violations	Online	1
14	Comprehensive Bank Credit	Online	11
15	Digital Transformation in Developing Governance's functions	Online	1
16	Internal audit in a time of pandemic	Online	1
17	Banking Marketing in the Light of the Corona Pandemic	Online	3
18	Electronic Financial Crimes	Online	1
19	Express Transfers	Online	1
20	Financial Inclusion and Information Technology	Online	1
21	Regional Institution and Arabic Payment Settlement (Buna)	Online	1
22	Activating Direct Debt Instruments for ACH	Online	2
23	Recommendations of the Financial Action Task Force FATF	Online	1
24	Detecting Foreign Currency Counterfeiting and Real Currency	Inside the bank	10
25	Real-time gross settlement (RTGS) and automated clearing house (ACH) systems	Online	1
26	Methodologies for managing annual performance evaluation	Online	1
27	International sanctions	Online	1
28	SWIFT letters of LC and LG and documentary bills	Online	1

6. Services contracts concluded by the bank during 2020:

	Contract's details	The company contracted with	Amount
1	Installing and activating systems in Main and auxiliary center data	Capital Banking Solutions Co.	\$108,000
2	Contract for the implementation of the requirements of the International Accounting Standard No. (9)	Legal auditor Mr. Adel Ismail Hassan Al-Shaibi	\$20,000
3	Contract for supplying the customer waiting device with its accessories for main branch and Al-Wathiq branches	Al-Shather Company for computer Trading and electronic devices	\$12,900
4	CBS controls	AEG company	€ 8,000
5	Internet service supply contract	Rabit Alardh Company	\$16,500
6	Contract for implementation of framework (COBIT 5)	Mustafa Fouad Abbas (Ernst & Young auditors)	\$40,000
7	Contract for supplying, implementing and maintaining of the electronic archive system	Electronic-file for software	\$100,461
8	Technical and commercial offer for the installation of the Digital platform	Capital Banking Solutions Co.	\$260,000
9	Contract for security and encryption for SWITE system (CSP) by linking it with the banking system	AEG company	£4,000

Ninth: Sharia Commission:

The sharia commission in our bank consists of the names listed below:

S/N	Name	Job Title
1	Dr. Oday Nomsn Thabit	Chairman of the commission
2	Anas Mohammed Mohi Aldeen	Member
3	Ali Ahmed Nema	Executive member
4	FayruzTaymoor Ali	Member
5	Nibras Khalel Ibraheim	Member

Tenth: volume of Imports and Exports during 2020

No goods or services has been imported or exported in favor of the Bank during 2020.

Eleventh: Realization of revenues and recognition of expenses:

1. The return revenues are realized by using the actual return method except commissions and returns of the non-operative Islamic funds which are not recognized as revenues and they will be registered in the outstanding commissions and returns account.
2. The expenses are recognized based on accrual principle.
3. The commissions are registered as revenues when they related to their services, and the profits of the companies' shares are recognized when realized (approved by the shareholders' general assembly).

Twelfth: Social and humanitarian activities:

The bank plays active role in serving Iraqi society through supporting and caring which provided to all social activities and events.

Thirteenth: Future plans:

The bank seeks to provide the best banking services to its customers develop its banking production and expand its work. Accordingly, the bank aspires to achieve a set of future expectations and plans, such as:

- A. Financing using Islamic formulas (Muzara'ah, Musaqah, Salam, Istisna'a, Qard al-Hasan).
- B. Granting Murabahas to citizen wishing to purchase housing units in modern residential complexes
- C. Opening documentary letter of credits to clients and government sectors
- D. Settling the salaries of state employees and private sector companies through field visits
- E. Entering as an investor in reputable companies by buying shares in large projects
- F. The Western Union service for transferring money without a bank account to all parts of the world.

Fourteen: subsequent essential changes and events of the budget history:

Where the standard stipulates the recognition of subsequent events that occurred during the previous fiscal year, either through modified events or by disclosing them only as we are committed to the instructions of the Central Bank, and that until the date of approval of the financial statements, no modified or unmodified subsequent events occurred.

Fifteen: Methods of Reducing Carbon Emissions in the Workplace:

The benefits of reducing carbon rates for each individual, through the use of many methods to save money and energy, are not limited to the positive effects on the surrounding environment and the absorption of carbon dioxide from the atmosphere to protect the environment from its destructive effects to the ecosystem and with the continuation of reducing the carbon percentage of each person becomes a habit that is reflected on those around him at work and this contributes to spreading awareness and the need to protect and preserve the environment.

Ways to reduce carbon emissions in the work environment:

1. Reducing the use of the printer, reducing printing and using both sides of the paper when doing so.
2. Turning off the light sources at the end of the day and not leaving any of them.
3. Reducing unnecessary communications and working intense hours, to save time, effort and energy.



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4. Preparing a memo board to comment orders instead of sending hard copies to each employee.
5. Using recycled printers as well as recycled papers... etc.

Sixteenth: General principles:

- A. There is no governmental protection or privileges enjoyed by the bank or any of its products or services under the authority of laws, regulations, and others.
- B. There are no decisions issued by the government or international organizations or others that have a material impact on the business of the bank or its products or its competitiveness.
- C. There is no financial impact of events of a recurring nature and they are not included in the main bank's activity.

As previously mentioned, we would like to point out to all the bank's shareholders that our main objectives are to develop Islamic services and realize the high reputation of the bank at the local and international level, by pursuing the instructions and regulations supporting the banking work and following all modern technical means to develop work and raise efficiency of staff performance and support the clients service.

Hence, I extend my sincere thanks and appreciation in my name and on behalf of my colleagues at the board of directors, for all the Shareholders and bank clients for their support to the bank's endeavors during a short period of its work and to all employees and all the good efforts and endeavors that have been made in providing the services to develop and improve the bank's work to occupy an advanced and prominent position.

Hayder Khadhim Al Ansary
General Manager

Ameer Yasir Fadhil
Chairman of Board of Directors

In the name of God, the Most Gracious, the Most Merciful

Shariah supervisory commission report of Al-Qabidh Islamic Bank for Finance & Investment for the fiscal year ended on 31, December, 2020

Messrs. Shareholders of Al-Qabidh Islamic Bank for Finance & Investment

Dear Sirs,

In accordance with the regulatory rules of Islamic banks work no. (9/3/217on30/5/2018) of the Shariah Supervisory commission, paragraph (1-14-5), we present the following report:

We have monitored the principles used and contracts related to transactions and applications the bank provided for the fiscal year ended on 31/12/2020 and we have also done due monitoring by expressing the opinion on whether the bank has adhered to the provisions and principles of Islamic law in its transactions and banking services. Our responsibility is constrained to expressing an independent opinion based on our monitoring of the bank's operations and in preparing a report for you.

We have carried out our monitoring, which included examining the documentation and procedures followed by the bank on the basis of testing each type of the operations, as well as planning and executing our control in order to obtain all the information and the explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance **that** the bank did not violate the provisions and principles of Islamic Shariah law.

In our opinion:

1. The contracts, operations and transactions entered by the bank for the fiscal year ending on (31/12/2020) that we reviewed were made in accordance with the provisions and principles of Islamic Shariah law.
2. The distribution of profits and charging of losses on financing accounts (credit) is in consistent with the basis that has been approved by us according to the provisions and principles of Islamic Shariah law.
3. The almsgiving was not calculated in accordance with the provisions of Islamic Shariah law.
4. The closing accounts and the annual budget of the bank were properly audited and in conformity with the provisions of Islamic Shariah law.

Shariah Supervisory commission works:

1. The Shariah Supervisory commission held (12) meeting during 2020 to follow up the compliance of the bank's operations, by attending the bank's officials as well as a representative of the Internal Shariah control and audit department, and attend of a representative of the Commission in BOD meetings to discuss issues of common interest.



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2. The Shariah Supervisory commission issued during 2020 (5) decision and opinion were documented and numbered.
3. Holding training courses to provide guidance to the bank's employees according to the training curriculum for employees on the principles and operations of Islamic banking.
4. The annual report on the Shariah Compliance (2019) submitted to shareholders, the public and the Iraq Stock Exchange, especially investment account holders.
5. Approval of the reports of the Internal Shariah audit and control department and the work plan that includes field visits schedule to all the bank's departments and branches.
6. Acceptance and approval of documents related to new services invested in capital, review of old documents, approval of contracts, agreements and other legal documents used in the bank's commercial transactions.
7. Responding to executive management notes during the periodic meetings of the Shariah Supervisory Commission.

Banking secrecy:

The Shariah Supervisory Commission is committed to banking secrecy, such as information related to new products and services that the bank plans to introduce or participate in, the content of draft opinions and decisions of the board of directors or the executive management, and the content or results of the deliberations of the members of the Shariah supervisory commission regarding the matters negotiated with the bank's representatives such as the managing director or the board of directors, and any subject or issue that the bank decided not to disclose, such as internal administrative practices, informal procedures and the content and results of statements and discussions.

The Secretariat of the Shariah Supervisory Board:

The Secretariat of the Shariah Supervisory Board exercises its duties through the following:

1. Determining the date of the meetings.
2. Receiving the requests to be presented to the Sharia Supervisory Board.
3. Editing the minutes of the commission's meetings and numbering the fatwas issued by and the topics that have been audited.
4. Presenting the minutes when they are requested by the Internal Sharia Control and Auditing Department.
5. Keeping the reports of the Internal Sharia Control and Auditing Department and following up on the recommendations of the Shariah Supervisory Board in their regard.

The independency of the Shariah Supervisory commission:

We confirm the independency of the Shariah Supervisory commission as all of its members do not have any connection with the bank's shareholders, members of the board of directors, executives in the bank or employees in the bank's subsidiaries during the last years from the date of appointment, or any relationship of up to the second degree with senior executives, current or former employees of the bank or its subsidiaries, and we have not held a position as a member of the Shariah supervisory commission at any other Islamic bank inside Iraq.

The general assembly shall be responsible for dissolving the commission or exempting some of its members by a reasoned decision of the bank's board of directors with a two-thirds majority of its members after giving a justified warning and determining the valid period, and after listening to the views of the Shariah Supervisory Board or some of its members to be exempted.

Prohibitions

1. There was no investment in Islamic financing instruments in Al-Qabidh Islamic Bank for Finance and Investment.
2. The Shariah Supervisory commission had no executive business or participation in the performance of bank business.
3. No fatwa or decision has been issued unless obtained approval from the Chairman and all members of the Commission.

In conclusion, we thank the officials in the bank for their cooperation with us in accomplishing our tasks, and we thanks Allah WHO guided everyone to contribute to this great Islamic work, and we ask HIM to prove those responsible for it to the right and to enable them to walk on the path of progress and success, He be the Hearer and the Responding.

We ask Allah, the Most High, and the Almighty, to bring us the right and the straight path.
Peace be upon you.

Signatures

Anas Mohammed mohiaddeen
Member

Ali Ahmed Nimah
Executive Member

Dr. Udai Noman Thabit
Commission Chief

Fayrooz Taymoor Ali
Member

Nibras Khaleel Ibrahim
Member

The governance report of the bank for the year (2020)

To Messrs. General assembly members of Al Qabidh Islamic Bank for Finance and Investment...

Dear Sirs,

In order to keep pace with international developments and strengthen the corporate governance system by introducing structural, legislative and supervisory developments to the bank system, which aim to reduce the risks that the bank may be exposed to, as customers and investors in particular tend to deal with banks that have sound governance structures, which aim to determine the nature of the relationship between the bank's board of directors and the executive management, leading to the protection of the funds of depositors, shareholders and stakeholders, as well as focusing on disclosure and transparency, The responsibility for building and developing the governance framework and reviewing the implementation of the Corporate Governance Guide issued by the Central Bank of Iraq rests with the Corporate Governance Committee emanating from the Board of Directors.

1. Board of Directors meetings: The total of the Board of Directors meetings during the year (2020) reached (21) meetings.
2. The committees emanating from the Board of Directors and the Executive Management: The committees carry out their duties according to the action charter of each committee prepared in accordance with the institutional governance guide issued by the Central Bank as follows:

A. The Institutional Governance Committee:

- This committee monitors the applying of (institutional governance guide) issued by Central Bank of Iraq and supervises the implementation of the bank's institutional governance guide and action charters of its committees and the, updating it and monitoring its implementation.
- Preparing the governance report and including it in the annual report.
- Establish of committees emanating from the Board of Directors and the executive management according to the Institutional Governance Guide issued by the Central Bank of Iraq.
- Submit periodic reports to the Board of Directors on business results.

This committee consists of:

	Name	Position	Membership in committee
1	Ameer Yasir Fadhil	Chairman of Board of Directors	Chairman of the commission
2	Nour Muwaffaq Abdel Rahman	Member of BOD	Member
3	Russell Amer Yahya	Member of BOD	Member
4	Ataa Emad Ridha	Managing director office	Minute-taker

B. Investigation (Account Audit Committee) emanating from the Board of Directors: The committee undertakes the following tasks:

- The ambit, results and adequacy of internal auditing, as it reviews the reports of the Internal Shariah Control and Audit department, and the bank's external audit and it reviews the external auditor's report on the financial statements
- Accounting issues with an essential impact.
- The internal control systems in bank.
- Ensure compliance with international standards in all activities of the bank and monitor compliance with laws and regulations applicable to the bank.
- Recommend to the Board of Directors to approve the organizational structure of the bank and create or cancel organizational formations or merge them and define the tasks and functions of these formations.
- Review the annual training and development plan and follow up on its implementation.
- Preparing a quarterly report on the committee's work after the end of each chapter to be submitted to the Board of Directors
- Auditing and approval of accounting procedures.
- Ensuring the bank's compliance with the disclosures set by the International Financial Reporting Standards (IFRS), the instructions of Central Bank of Iraq and other relevant legislation and instructions.
- Monitoring compliance and combating money laundering and terrorist financing with the laws, regulations and controls applicable to the bank.
- The Committee has the authority to obtain any information from the executive management, and it has the right to summon any manager to attend any of its meetings without having the status of membership of the committee.
- The committee will meet with the external auditor, the managers of Internal Sharia Control and Audit, Sharia Compliance and



Compliance Control, Money Laundering and Terrorist Financing Reporting).

- The Committee reviews and monitors the procedures that enable the employee to confidentially report any error in the financial reports or any other matters.
- Review the reports of the supervisory departments (departments of Internal Sharia Control and Audit, Sharia Compliance and Compliance Control, Money Laundering and Terrorist Financing Reporting).
- Review reports submitted by the bank to the Central Bank of Iraq.
- Reviewing the bank’s operations and transactions based on the plans approved by the Board of Directors.
- Submit the annual report to the General Assembly for disclosure of the bank’s activities and operations.
- Verifies the sufficient number of human resources for the Internal Shariah Control and Audit department, and that the department's employees are not assigned for any executive duties.
- Approving the internal audit charter, policies, procedures, work plan and risk-based audit programs for the Internal Shariah Control and Audit Department.
- Preparing periodic reports to the Board of Directors on business results.

The committee is composed of:

	Name	Position	Membership in committee
1	Tariq Ibrahim Ismaeel	Vice Chairman of Board of Directors	Chairman of the commission
2	Russell Amer Yahya	Member of BOD	Member
3	Nour Muwaffaq Abdel Rahman	Member of BOD	Member
4	Tiba Kamel Shaker	Secretary of BOD	Minute-taker

C. Nomination & Remuneration Committee emanating from the Board of Directors:

- The committee undertakes nominating of qualifies persons to join the membership of the Board of Directors or the senior executive management in the bank, except for identifying qualified persons to work as director and assistant director of the Internal Sharia Audit and Control Department who it will be the responsibility of the Audit Committee emanating from the Board of Directors and the supervision of the important appointments.
- Reviewing salaries, wages and remunerations granted to the board of directors and the executive management.



- Supervising the activity of the training and development unit in the bank, and ensuring that members of the board of directors attend introductory training courses.
- Preparing a job replacement plan and policy to secure the executive management of the bank so that the bank is ready to deal normally with any change that may occur to the occupants of executive management positions without affecting the performance of the exchange and the continuation of the implementation of its operations.
- Preparing the remuneration policy and supervising its implementation, which is prepared on the basis that it is:
 - In line with the principles and practices of sound governance and to ensure that the long-term interests of the bank prevail.
 - The extent to which the bank achieves its long-term goals in accordance with its approved strategic plan.
 - It takes into consideration all types of risks the bank exposed to, so that the realized profits are balanced with the degree of risks involved in banking activities and business.
 - The remuneration policy includes all levels and categories of the bank's employees, and a periodic review of the policy of granting remuneration or when the board of directors recommends it and submitting recommendations to the board to amend or update this policy.

The committee is composed of

	Name	Position	Membership in committee
1	Ameer Yasir Fadhil	Chairman of BOD	Chairman of the commission
2	Nour Muwaffaq Abdel Rahman	Member of BOD	Member
3	Russell Amer Yahya	Member of BOD	Member
4	Muhammed Essam Abdullah	Administration Department	Minute-taker

D. Risk Management Committee emanating from the Board of Directors:

This committee undertakes the following tasks:

- Update the financing strategy according to the regulations and instructions.
- Review the updated general strategy of risk management and the liquidity risk management strategy by the risk management department and supervise them to ensure their compatibility with the approved risk framework in the bank..
- Supervising the risk management to which the bank is exposed and reviewing and evaluating these risks by submitting its recommendations to the board.

- Reviewing the bank's financing and investment policy and submitting recommendations to the Board of Directors for approval.
- Monitor all kinds of risks (financial (credit, market, liquidity), operational (internal and external events), others).
- Determining the credit limits that exceed the Managing Director authority.
- Ensuring the bank's compliance with the regulations, instructions and policies related to risk management.
- Continuous communication with the Director of Risk Management and obtaining periodic reports from him on matters related to the current situation of risks in the bank and the culture of risks, in addition to reports on the limits set, any violations thereof, and risk avoidance plans.
- Verify that there is no difference between the actual risks to which the bank is exposed and the acceptable level of risks approved by the Board of Directors.
- Discussing the weekly, monthly, quarterly, and semi-annual reports of the Risk Management Department.
- Discussing the risk management department's work plan for the year (2020).
- The corrective plan for the implementation of banking risk management controls in Islamic banks.
- Discussing the minutes of the meeting of the committees emanating from the executive management (the Information and Communications Technology Committee, the Credit Committee, the Investment Committee).
- Submit periodic reports to the Board of Directors that include the work and tasks of the committee.

It consists of:

	Name	Position	Membership in committee
1	Ameer Yasir Fadhil	Chairman of Board of Directors	Chairman
2	Russell Amer Yahya	Member of BOD	Member
3	Nour Muwaffaq Abdel Rahman	Member of BOD	Member
4	Tiba Kamel Shaker	Private Secretary of BOD	Minute-taker

Third: Committees emanating from the executive management:

A. The credit committee:

1. The committee is in charge of proposing the credit policy, following up the repayment of the amounts of funds granted, analyzing the credit worthiness of customers, and following up on credit exposures according to (instructions no. 4 for the year 2010/ chapter 11- article 13), follow-up and

simplify the procedures for granting loans, and follow up on customer complaints regarding the procedures for granting loans.

2. Submitting periodic reports to the Risk Management Committee emanating from the Board of Directors on business results.
3. Discussing the mechanism of granting funds and determining the granting authorities.
4. Follow up on the financing files periodically and implementing the instructions issued by the Central Bank of Iraq regarding the funds granted by the bank.
5. Discussing the minutes of the meeting of the committee formed according to the administrative order no. (10000/4/238 on 21/2/2019), which includes a schedule for the granted financing, analysis and evaluation of each project separately, and determining profit rates according to the risk classification and to mitigate the risks related to customers.

	Name	Position	Membership in committee
1	Hayder Kadhum Al Ansary	Managing Director	Chairman
2	Raghad Khalid Kadhum	Manager of Accounting and Finance Dept.	Member
3	Sarah Alaa Hamed	Legal Dept.	Member

B. The Investment Committee:

The committee is in charge of proposing the investment policy and dividing the investment into instruments (equity) and (debt instruments), including treasury transfers and government bonds as well as portfolio components of foreign instruments, proposing sales or reserving the components of the investment portfolio and following up on their implementation. The committee consists of:

S/N	Name	Position	Membership in committee
1	Suzan Dawod Namdar	Assistant managing director	Chairman of the commission
2	Raghad Khalid Kadhum	Manager of Accounting and Finance Dept.	Member
3	Sarah Alaa Hamed	Legal Dept.	Member

C. Information Technology and Communication Committee:

The committee undertakes the following tasks:

- Developing the uses of information technology and communication at the bank and verification of information and communication security.
- Verify the information security of the systems used in the bank.
- Review the information technology department's policies and procedures manual and ensuring the preparation of ICT policies and procedures to implement the ICT Governance Manual issued by the Central Bank of Iraq.

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- Verifying the adequacy of the infrastructure, information and communication systems, and the software used in the bank.
- Verifying the adequacy of the measures taken to maintain updated backup copies of the information to face the loss of the bank's database.
- Follow up the electronic customer service.
- Review all contracts for implementing the requirements of the IT department.
- Preparing the schedule of completion percentage items and the information technology governance plan and reviewing the information technology and communication governance guide.
- Submit periodic reports to the Risk Management Committee emanating from the Board of Directors on the results of the business.

The committee is composed of:

S/N	Name	Position	Membership in committee
1	Hayder Kadhum Al-Ansary	Member of Board of Directors (Managing Director)	Chairman of the commission
2	Suzan Dawod Namdar	Assistant managing director	Member
3	Zaid Usama Ismaeel	IT Manager	Member

With kindness regard

Russell Amer Yahya
Member of BOD
(Member)

Nour Muwaffaq Abdel Rahman
Member of BOD
(Member)

Ameer Yasir Fadhil
Chairman of BOD
(Chairman)

Report of investigation (Accounts Audit Committee) for the year (2020)
Messrs. Members of Al-Qabidh Islamic Bank for Finance and Investment-
General Assembly

Dear Sirs,

According to the provisions of Article (24) of the Banking Law No. (94) for the year (2004) and based on the aforementioned in the Guide of the Institutional Governance for Banks (Chapter four - Article 12 - Paragraph 3.3.11), the committee presents its annual report on the adequacy of the control and overseeing systems and ensuring the bank's compliance with the disclosures specified by (International Financial Reporting Standards, IFRS) and instructions of The Central Bank of Iraq and other relevant legislation and instructions to provide useful information to the parties that have interests with the bank, to assist them in making their investment and credit decisions, and to estimate the uncertainty of the expected cash flows as follows:

First: The external chartered accountant (the external auditor): It has been verified:

1. Reviewing the report of the auditors of the bank, Mr. (Dr. Haseeb Kadhum Jaweed/ chartered accountant and auditor) and Mr. Mahmud Rashid Ibrahim Al-Fahad/ external chartered accountant and auditor), where all the activities of the bank were subjected to auditing and the bank's operations and transactions were reviewed on the basis of plans approved by the Board of Directors. And also the financial statements and closing accounts were audited as in (31/12/2020) and the data and tables they receive from the executive management in the bank, which include the monthly comparison tables for the balances of the cumulative trial balance of the bank accounts, tables of expenses and revenues, statements and budgets sent to the central bank of Iraq, reviewing the reports of the supervisory departments of the bank and based on what the committee obtained of data and information.
2. Applying the International Financial Reporting Standard (IFRS9) to measure and classify financial instruments and calculate the expected credit loss for each financial instrument according to the bank's methodology and a table that includes the types of risks that affect the degree of rating, and a table for classifying customers according to the degree of rating from (Aaa) to (D) according to customer's ability to pay, his risk degree, the estimated probability of default (PD) and their classification according to the first, second, and third stages, and measuring the degree of exposure at irregularity.
3. The annual report and what it contains of financial and accounting information and indicators of the bank's performance, which show that it effectively and comprehensively reflects the bank's activity during the above-mentioned year and its commitment to the provisions of the laws and legislation in force.

4. The committee reviewed the report of the external accountants, which referred to the bank's activity in terms of the integrity of all its procedures, results, and adequacy of the external audit, as well as receiving the reports of the external auditor, and ensuring that the bank took the necessary corrective measures towards the observations recognized by the external auditor.
5. Review the statement of the external auditor's opinion regarding the customers participating in the window of sale and purchase of foreign currency.
6. Review the report of the bank's external auditor on the closing accounts for the year (2019).

Second: The Shariah Compliance and Compliance Department: It was ensured that:

1. Preparation of the quarterly report sent to the Central Bank of Iraq containing the acknowledgment that the bank is committed to compliance with the application of laws, instructions and executive controls to regulate the work of Islamic banks in order to increase the effectiveness of Sharia compliance and compliance monitoring and enhance the role that it is practiced in the bank.
2. Review compliance policies and procedures for all banking operations, identify the risks of non-compliance, and propose the necessary amendments to them in the form of a report addressed to the audit committee emanating from the Board of Directors, in coordination with the Risk Management Department and the Internal Shariah Control and Audit department.
3. Preparing semi-annual reports on the risks of non-compliance, which includes the penalties and fines imposed on banks and the necessary control measures.
4. Preparing a quarterly report on the circulars issued by the Central Bank of Iraq and mentioning which have been implemented and which have not and the currently in processing and submits them to the audit committee emanating from Board of Directors.
5. Update the policy of the Shariah Compliance Department and monitor compliance according to the regulatory controls of the Islamic banks work to ensure that the policy is not outdated and to cover all the new risks.
6. Prepare a guide for the risks of non-compliance based on legal texts and Islamic financial standards and circulating it to all bank employees.
7. Preparing a plan for implementing the standards of the Accounting and Auditing Organization in Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).



8. Updating the database that includes the laws issued by the Central Bank of Iraq and international standards, a list of official websites related to laws, instructions, and controls, and circulating them to all departments and branches of the bank.
9. Monitoring the adhering of the Board of Directors and the Executive Management to the bank's internal regulation, as well as the training plan for the year (2020) and the application of governance standards.
10. Follow up the bank's systems related to combating money laundering and terrorist financing, which are the local (black list), the OFAC international lists, and the World Check list, which contains the list of politicians and high-ranking officials (PEPS) and the (AML) system through which the daily movements of customers are monitored and all alerts in the system are processed by the authorized and the (FIRCO) system to search for the names of suspects within the following four internationally prohibited lists (BOE LIST, EU LIST, OFAC LIST, UN LIST) for foreign bank transfers.
11. Preparing a quarterly report, in coordination with the Internal Shari'a Control and Audit Department, to verify the effectiveness of the implementation of the framework for reducing operational risks, and adherence to it, and conducting a special evaluation for each department that is submitted to the Board of Directors' audit committee.
12. Preparing an annual report, in coordination with the Internal Sharia Control and Audit Department, which includes the evaluation of the executive management based on the key performance indicators prepared by the bank's board of directors.
13. Preparing an annual report, in coordination with the Internal Sharia Control and Audit Department, to monitor the implementation of the liquidity risk management strategy
14. Preparing an annual report, in coordination with the Internal Sharia Control and Audit Department, to monitor the implementation of the general strategy for risk management.
15. Preparing an annual report on the percentage of completion of the annual training plan of the Bank for the year (2020).
16. The implementation of the department's work plan and the timetable for field visits to the bank's departments and branches for the year (2020) was confirmed.
17. Preparing a schedule of the implementation stages of the strategic plan for the years (2018, 2019, and 2020).
18. Review the updated accounts and their percentage of the total accounts.
19. It was ensured that the Sharia Compliance Monitor was granted full access to all information, records and documents.
20. Coordinating with the legal department to ascertain the level of the bank's commitment through its banking and administrative contracts.

21. Ensure that the department's employees participate in internal and external training courses to develop and enhance their skills.

Third: The Money Laundering and Terrorist Financing Reporting department:

It has been verified that:

1. Submitting the quarterly and annual report to the Office of Anti Money Laundering and Terrorism Financing and the Central Bank of Iraq, according to the regulation and instructions of the department.
2. The Money Laundering and Terrorism Financing Reporting department is independent and linked to the Board of Directors through its emanating audit committee and it has been ensured that the operations policies of the (KYC) form (Know Your Customer) and the procedures resulting from it are implemented and included in the periodic reports submitted to the audit committee from the Board of Directors for reviewing.
3. The bank has taken due diligence measures towards its customers in accordance with due diligence procedures and the Anti-Money Laundering and Terrorism Financing Law No. (39) For the year 2015 and the instructions issued pursuant to it.
4. Adopting programs to prevent money laundering and terrorist financing (policies and procedures, due diligence) that include:
 - Conducting an assessment of the money laundering and terrorist financing risks to which they are exposed.
 - Updating the policies, procedures, internal controls, and regulations that are appropriate for implementing the obligations imposed in the field of combating money laundering and terrorist financing and harmonizing them with the Anti-Money Laundering and Terrorist Financing Law and the executive regulations issued hereunder, and determining the necessary procedures to prevent the exploitation of electronic payment methods in money laundering operations.
 - Preparing the due diligence procedures manual and applying them in the bank.
5. Executing the department's work plan and conducting field visits to the bank's branches for the year (2020).
6. View the periodic reports from the Money Laundering and Terrorist Financing Reporting department that show the monthly position and volume of financial transactions for the bank's customers.
7. Ensure that the department's employees participate in internal and external training courses to develop and enhance their skills.
8. Establishing a database on countries with high risks in the field of money laundering and terrorist financing and updating it constantly.
9. Follow up on the bank's systems related to combating money laundering and terrorist financing, which are the local list (BLACKLIST), the



international lists of foreign assets (OFAC) and the (World Check) list, which contains the list of politicians and high-ranking officials (PEPS) and the (AML) system through which the daily movements of customers are monitored and all alerts are processed in the system by the authorized persons and the (FIRCO) system to search for the names of suspects within the following four internationally prohibited lists (BOE LIST, EU LIST, OFAC LIST, UN LIST) for bank transfers external.

Fourth: The Internal Shari'a Audit and Control Department:

1. The Internal Shariah Control and Audit department is responsible for setting up internal control and overseeing systems for financial reporting and it is done through developing the department's policies and procedures, the internal audit charter, and risk-based audit programs, where periodic reports are submitted to the audit committee emanating from the board of directors about the effectiveness of the control systems, approved internal control processes and procedures which are implemented by the bank's management.
2. Ensuring and enhancing the independence of the department and ensuring that they are qualified to carry out their duties, including the right to have access to all records and information and to contact any employee within the bank, so that they can perform the tasks assigned to them and prepare their reports without any external interference.
3. The framework of the Internal Shariah and Control and Audit Department was ascertained and the rates of completion of the audit plan and programs based on risk assessment and follow-up the updates and adhered to implement its provisions, which are based on field observation according to the timetable of field visits.
4. The structure of internal control and overseeing systems is yearly reviewed by the audit committee emanating from the Board of Directors and the Internal Shariah Control and Auditing Department to address weaknesses in these systems.
5. The committee reviewed the reports of the Shariah Control and Audit department (quarterly reports, the quarterly budget reports) and the recommendations mentioned therein and followed up on their address.
6. The committee has verified the sufficient number of qualified human resources for the Internal Shariah Control and Audit Department and their training, as well as verifying that the internal Shariah audit staff is not assigned any executive duties and ensuring their independence.
7. The independent audit by the department will test the effectiveness of all the bank's policies and procedures, and their application.
8. Verify that the Internal Shariah Control and Audit Department is subject to the direct supervision of the Shariah Supervisory Board and that the



reports are submitted to the Chairman of the Board and a copy thereof to the Audit Committee emanating from the Board of Directors.

9. Ensure that the department's employees participate in internal and external training courses to develop and enhance their skills

Fifth: - The relationship of the committee with the accounting and finance department: It has been ascertained:

1. All accounting issues that have an essential impact on the bank's financial statements.
2. Preparing the list of mandatory reserves (dinars, dollars).
3. Preparing the list of calculating the liquidity coverage ratio (LCR) and the net stable financing ratio. (NSFR)
4. Preparing a list of transferring cash liquidity between banks.
5. Calculating the Accrual scale on a quarterly basis.
6. Preparing monthly budgets (assets, liabilities, off-balance sheet accounts).
7. Preparing statements of account balances.
8. Preparing the following financial reports: (the monthly statement, the cumulative trial balance, the detailed trial balance, the list of the ten largest depositors, the list of the twenty largest borrowers, a list of the bank's shareholders, the list of monetary categories in dinars, the list of cash categories in dollars denominated in dinars, the list of cash liquidity calculation, Capital adequacy, appendix to budgets, a four-week balance, quarterly reports income statement, and quarterly reports for the Iraq Stock Exchange.
9. Preparing the fixed assets record periodically and then calculating the annual depreciation at the end of the fiscal year.
10. Preparing the report on the structural and prudential financial statements (PSIFI).

Sixth: - The international department: ensuring:

1. The policies and procedures of the International Department, which are concerned with the work of all units of the department, and according to the requirements and regulations of the Central Bank of Iraq.
2. The updated transfer mechanism of the bank transfer unit outside the foreign currency sale and purchase window.
3. The transfer mechanism of the bank transfers unit inside the foreign currency sale and purchase window.
4. The FATCA unit's commitment to monitor (US tax compliance) through the report submitted by the unit to the Internal Revenue Service (IRS) on the specified dates.



Al-Qabidh Islamic Bank for Finance & Investment

5. Preparing a report by the FATCA unit, including checking the FATCA form of the bank's customers.
6. The user security controls (CSP) for the year (2020) were implemented in coordination with (AEG) company and compliance with these controls by submitting an electronic report (Self-Attestation) to Swift Company in Belgium.
7. The bank management contracted with (Moody's Rating) company for obtaining credit rating for the bank+.

Seventh: - International Standards:

1. Submit periodic reports by the committee formed according to administrative order no. (613/4/10000) dated 6/10/2020 to the Audit Committee emanating from the Board of Directors, the Bank's Compliance Committee with International Standards by setting an implementation plan for the Accounting and Auditing Organization for Financial Institutions (AAFIOI) and the standards of International Financial Services Board (IFSB) and preparing financial statements in accordance with international standards.
2. Submit periodic reports by the committee formed under the administrative order no. (166/4/10000) dated 3/2/2020 to the Audit Committee emanating from the Board of Directors. A committee for the implementation of the International Financial Reporting Standard (IFRS9) as well as the Financial Accounting Standard for Islamic Banks (FAS25) in the bank, and the preparation of the methodology for the application of the aforementioned two standards.

Eighth: - Training and Development Unit:

1. Viewing the bank's training plan for the year (2020), where (12) sessions were held within the bank with the participation of managers and employees of all departments and branches of the bank.
2. Viewing the training plan for the year (2021) prepared by Training and Development Unit.

Ninth: - Other works:

1. The committee reviewed the reports submitted by the bank to the Central Bank of Iraq, which indicate the actual work of the bank.
2. The soundness of all measures taken by the bank to protect the rights of stakeholders, including the shareholders, and that its performance was proper and in consistence with the applicable laws and instructions.
3. There were (16) meetings held during the year (2020).

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4. Discussing the updating of service bases and the internal system (the organizational structure) of the bank and creating or abolition of the organizational formations or merging them and defining the tasks and competencies of these formations and their amendments in accordance with the institutional governance guide for banks.
5. Submit quarterly reports to the Board of Directors that include the committee's work.
6. Calling any manager to attend any of its meetings without being a member in it.
7. The committee has procedures that enable the employee to confidentially report any error in the financial reports or any other matters, and the committee ensures that the necessary arrangements are in place for the independent investigation and protection of the employee.
8. View the product evaluation form for the bank's customers, as well as the analytical table of the customer satisfaction questionnaire form
9. Discuss the bank fraud policy, and the anti-bribery and corruption policy.

With kindness regard

Russell Amer Yahya
Member of BOD
(Member)

Nour Muwaffaq Abdel Rahman
Member of BOD
(Member)

Tariq Ibrahim Ismael
Vice Chairman, BOD
(Chairman)

In the name of God the Most Gracious the Most Merciful

Dr .Haseeb Kazim JaweedAl-Mayah
Chartered Accountant & Auditor
Member of the Iraqi Certified
Accountants Association

Mahmoud Rasheed Ibrahim Al-Fahad
Chartered Accountant & Auditor
member of the Iraqi Certified
Accountants Association

No.: 112/268/2021
Baghdad, May, 10, 2021

To Messrs. Shareholders of Al-Qabidh Islamic Bank
Auditor's Report,

Dear Sirs,

We are pleased to inform you that we have examined the financial statement of Al-Qabidh Islamic Bank for Finance and Investment (a private joint incorporated company - Baghdad) as on December 31, 2020, and the combined and comprehensive income statement and the statement of changes in equities, the cash flow statement for the above fiscal year ending on the same date, the clarifications that carry the sequence (from 1 to 36) and the annual report of the bank's management prepared under the provisions of the Companies Law No. (21/1997) as amended and the regulations and instructions issued pursuant to it and the Banks Law No. 94/2004 and according to local and international recognized auditing standards.

We obtained the information and explanations that, in our opinion, were necessary to perform our mission in accordance with the legislation in effect and in accordance with the accepted auditing procedures, which included the necessary tests for the bank's activity that fall within our specialization.

Management responsibility:

The administration is responsible for preparing these data and disclosing them in accordance with international accounting standards in addition to its responsibility to prepare and implement the internal control system, especially with regard to the preparation and disclosure of financial statements in a fair and free of essential mistakes, which may be the result of manipulation, and this responsibility also includes testing and applying appropriate accounting policies and the use of reasonable accounting estimates.

Auditor's responsibility:

Our responsibility is to express a neutral technical opinion on the financial statements submitted to us in accordance with evidence and local and international audit and standards, and these standards require that we plan and

complete the audit to obtain reasonable confirmation about whether the statements are free of any essential mistakes and the audit includes our examination on basis of statements and documents tests supporting the amounts appearing in the financial statement and other closing accounts for the fiscal year ending on December 31, 2020, and disclosing them. It also includes an assessment of the accounting principles adopted by the management. We believe that our audit provides a reasonable basis for the opinion that we express. And we have the following clarifications and comments:

First: Applying International Accounting Standards:

The Qabidh Islamic Bank for finance & Investment has applied the IASs for the fifth year consecutively and in this regard we clarify the following:

1. As for the Islamic financing tools, the rules for this have been applied, guided by the standards of the Accounting and Auditing Organization for Islamic Financial Institutions contained in the Central Bank of Iraq letter No. 9/3/289 on 1/8/2018 which was applied from the date of its issuance.
2. International Financial Reporting Standard (IFRS) (9)
The bank has applied the Financial Reporting Standard No. (9) for the second year consecutively and the allocations required to meet the changes in the expected credit losses (Islamic financing and cash) have been calculated, guided by the directions of the Central Bank of Iraq received by letter No. 3/6/466 in 26/12/2018 (Instructions for preparing financial statements for banks) and the results of the application were consistent with the requirements of IFRS No. (9), where the balance of the allowance for credit losses for Islamic financing, partnerships and balances with institutions amounted (8,348,303,531) dinars, while in the previous year it was (4,484,113,784) dinars, where part of the amounts required to be allocated from the various allocations account was reversed (2,511,249,325) dinars, and the remaining part was charged for the year's expenses in the amount of (1,352,467,627) dinars, and thus the required quantitative effect was completely reversed.
3. International Accounting Standard (36) "The decrease in the value of assets". The terms of the aforementioned standard has not been applied for not owning any real estate by the bank during the financial year subject to the audit.

Second: The results of the bank's activity:

The results of the bank's activity during the year ended 31/12/2020 were profits before income tax amount of (4,628,577,764) dinars, while the previous year was a loss of (4,042,373,008) dinars, and below we show the following clarifications:

1. The bank's total revenues amounted to (8,329,909,133) dinars during the year 2020, while it was (2,643,191,498) dinars in the previous year, while

most of revenues are commissions from foreign currency auction with an increase of (317%) dinar, and most of them represent foreign currency auction commissions as the balance of this account increased from (2,339,725,804) dinars on 30/12/2019 to (8,265,221,000) dinars on 31/12/2020, which constitutes (99%) of the total revenues for the year 2020.

2. The total expenses for the year (2020) are (3,701,331,369) dinars, while they were in the previous year (6,685,564,506) dinars with a decrease of (55%) dinar. Most of them represents expected credit losses and an increase various allocations, which amounted (1,352,467,627) dinars.
3. The loss resulting from changing the dollar exchange rate from (1190) dollars per dinar to (1460) dollars per dinar amounted (394,175,939) dinars.

Third: Money:

The balance of cash reached (83,429,744,173) dinars as in 31/12/2020, while it was (85,699,932,328) dinars in 31/12/2019 and we have the following:

1. The balance of Cash in the bank treasury reached (82,075,972,330) dinars and it was identical to the inventory and records, while it was (481,388,220) dinars on 31/12/2019, where the inventory was made on 11/2/2021 and reached (388,405,530) dinars, and cash movements were matched for the period from 1/1/2021 until the inventory day to ascertain the cash balance in the bank's treasury on 31/12/2020.
2. The balance of cash at the Central Bank of Iraq reached (1,344,806,082) dinars in 31/12/2021, while it was (85,186,458,821) dinars on 31/12/2019, which is identical to the statements of the CBI as follows:
 - A. Current accounts reached (1,051,898,982) dinars on 31/12/2021, while they were (84,805,438,211) dinars on 31/12/2019, and there are no endowments from both sides.
 - B. Mandatory deposits amounted to (292,907,100) dinars on 31/12/2020.
3. The balance of current accounts in foreign banks and institutions amounted to (9,148,736) dinars on 31/12/2020, while it was (32,740,089) dinars as on 31/12/2019, and an expected credit losses allowance was taken for this account, according to international standards, amounted to (182,975) dinars, thus showing the balance appearing in the financial statements of (8,965,761) dinars.
4. The bank relied on SWIFT to match its current assets with foreign banks mentioned in paragraph (3).

Fourth: Islamic Financing

1. The balance of Islamic financing amounted (8,520,749,712) dinars as on 31/12/2020, while its balance was (173,742,715,281) dinars for the previous year, a decrease of (95%) from the previous year, for recording the balance of participations, amounting to (164,950,000) as on 12/31/20 within the investments based on the Central Bank's letter Iraqi No. 9/9/219 dated 23/8/2020.
2. All guarantees taken in return for funds are weak, we recommend the necessity of taking solid guarantees.
3. The allowance for expected credit losses was calculated based on the instructions issued by the Central Bank of Iraq, knowing that the calculated allowance is proportional to the instructions.
4. The ratio of Islamic finances to deposits balance reached (393.4%) for Murabahas.
5. Below are the details of Islamic financing granted as on 31/12/2020:

limits	Murabaha - companies		Murabaha Commodities and merchandise - cars/persons		Total		percentage
	No	Amount in million IQD	No	Amount in million IQD	No	Amount in IQD	%
Less than 100 millions	0	000	50	520,749,712	50	520,749,712	6%
From 100 million to 500 million dinar	0	000	0	000	0	000	0%
From 500 million to 1 billion dinar	0	000	0	000	0	000	0%
From 1 to 5 billion dinar	3	8,000,000,000	0	000	3	8,000,000,000	94%
From 5 billion to 10 billion dinar	0	000	0	000	0	000	0%
More than 10 billion	0	000	0	000	0	000	0%
total	3	8,000,000,000	50	520,749,712	53	8,520,749,712	100%

Fifthly: Investments:

The balance of investments in 31/12/2020 amounted to (157,863,700,000) dinars, while it was (750,000,000) in the previous year, and we have the following:

1. The balance of the participation account amounted to (164,950,000,000) dinars on 31/12/2020 and the participations were recorded within the investment account based on the letter of the Central Bank of Iraq no. 9/6/219 on 23/8/2020, which represents (66.08%) of the capital and sound reserves, which exceeds the prescribed percentage of (20%) of the capital and sound reserves mentioned in the above letter of the Central Bank of Iraq. We recommended to apply the instructions of The Central Bank of Iraq.
2. Below is a table of the details of the participations granted as of 31/12/2020:

Limits	Participation - Companies		Participations - Individuals		Total - Thousand Dinars	
From 1 to 5 billion dinar	2	8,400,000	20	57,470,000	22	65,870,000
From 5 billion to 10 billion dinar	9	62,480,000	5	36,600,000	14	99,080,000
total	11	70,880,000	25	94,070,000	36	164,950,000

It is noted from the above table that (14) customers were granted (99,080,000) thousand dinars and (22) customers granted (65,870,000) thousand dinars.

3. An impairment allowance was taken for participations (7,836,300,000) dinars.
4. The balance of investments in the Deposit Insurance Company amounted to (750,000,000) dinars as in 31/12/2020.

Sixth: pledge credit:

The balance of pledge credit amounted to (zero) dinars as in 31/12/2020 compared to (4,834,500) dinars in the previous year, with a decrease of (100%). We recommend that the bank should expand and work in the field of letters of guarantee and documentary letter of credits to ensure the multiplicity of the bank's products and the non-concentration of its currency in limited products because of its great role in increasing the result of the bank's activity.

Seventh: Customer Deposits and Savings Deposits:

The balance of the customer's deposit account amounted (2,165,800,128) dinars as on 31/12/2020, while it was (11,099,444,573) dinars in the previous year, with a decrease of (8,933,644,445) dinars for the previous year, which requires the bank's management to follow a policy of attracting customers and increasing their savings, and that the issue of customer deposits is the main activity on which banking operations focus.

Eighth: Currency Auction revenues:

- A. The balance of the bank's purchases from the foreign currency sale window for the period 2/1/2020 until 31/12/2020 amounted to (1,660,915,000) dollars, and the bank's realized profits from the foreign currency sale and purchase window until 31/12/2020 (8,239,797,514) dinars, as shown in note no. (22) of the notes attached to the financial statements, and as shown below:

statements	Purchased amounts			Sold amounts			Net revenue IQ Dinar
	Purchases volume US Dollar	Purchase price IQ Dinar	Purchases volume IQ Dinar	Sales volume US Dollar	Sale price IQ Dinar	Sales volume IQ Dinar	
Remittances	749,395,000	1.190	891,780,050,000	749,395,000	1,191	892,529,445,000	749,395,000
	320,000,000	1.190	380,800,000,000	320,000,000	1,195	382,400,000,000	1,600,000,000
	578,450,000	1.190	688,355,500,000	578,450,000	1,200	694,140,000,000	5,784,500,000
	10,500,000	1,460	15,330,000,000	10,500,000	1,470	15,435,000,000	105,000,000
LC	0		0	0		0	0
Banking company	0		0	0		0	0
The share of the bank	2,470,000	1.190	2,939,300,000	2,470,000	1,193	2,946,710,000	7,410,000
	100,000	1.460	146,000,000	100,000	1,470	146,200,000	200,000
Total	1,660,915,000		1,979,350,850,000	1,660,915,000		1,987,597,355,000	8,246,505,000

- An amount of (18,719,000) dinars is added for transfers of 2019 and that were realized in the year 2020, thus bringing the total net income to (8,265,221,000) dinars.

According to our letter no. 32 on January, 28, 2021, we asked the Central Bank of Iraq - the Department of Issuance and Treasury, to provide us with the bank's purchases from the foreign exchange buying and selling window, and the answer was not received until the date of this report.

Ninth: Compliance Observant:

The reports of the Compliance Observant for the year subject for auditing were viewed and were prepared in accordance with the instructions of the CBI and discussed by BOD.

Tenth: Anti Money Laundering and Financing Terrorism

- A. The bank took measures to combat money laundering and terrorist financing based on the provisions of the Anti-Money Laundering and Financing Terrorism Law No. (39) For the year 2015 and the instructions and directives issued by the CBI.
- B. A The policies and procedures of the Money Laundering and Terrorism Financing Department was updated, including the following:
- Customer Due Diligence (Know Your Customer).
 - The BOD's relationship with the Money Laundering and Terrorism Financing Reporting Department.
 - Different types of fraud.
 - Responsibility of the Money Laundering and Terrorism Financing Reporting Department.
 - Assignments of the Money Laundering and Terrorism Financing Reporting Department.
 - Client's due diligence procedures.

Eleventh: Legal claims:

There are no legal suits brought by the bank against others or by others against the bank during the year subject to auditing as mentioned in the bank's letter no. 25/11/10000 dated 25/1/2020.

Twelfth: Capital sufficient:

The capital sufficient ratio reached (297.3 %) as on December 31, 2020, which is higher than the percentage mentioned under the Banking Law of (12%).

Thirteenth: Internal Control:

The internal control system included the necessary procedures that are commensurate with the size and nature of the bank's activities, and the reports of the internal control department included all the bank's activities. Many important observations were identified and the notes contained in its reports were filtered by the aforementioned department and the bank's senior management in the subsequent period.

According to what is mentioned in the bank's records and the clarifications given to us:

1. The computerized accounting system used by the bank was consistent with the requirements of the bookkeeping system and it included, at our discretion, the recording of all assets, liabilities, expenses and revenues of the bank and that the internal control system included procedures that ensure the correctness and accuracy of these data in a commensurate with the size of the bank's activity.
2. The inventory of fixed and cash assets were carried out appropriately by the bank's management and under our supervision, and it was identical to the assistant records.
3. The financial statements have been organized in accordance with international accounting standards and in accordance with the legislation in force, and they are completely consistent with what the records show, and they are organized according to both the company law amended and the banking law and the regulations and instructions.
4. The management report is prepared in accordance with the provisions of the Companies Law No. (21) For the year 1997, as amended, and the instructions issued thereunder, and does not contradict the provisions of the said law.

Opinion:

Taking into consideration the above notes and explanations, in our opinion and based on the information and explanations that we obtained that the financial statements and the management report attached to them are in agreement with the records and meet the legal requirements, and that according to the performance indicators they included that clearly and fairly express the financial position of the bank as on December 31, 2020 and the results of its activity and cash flows for the fiscal year ending on the same date.

Appreciation...

**Dr .Haseeb Kazim Jaweed Al-Mayah
Chartered Accountant & Auditor
Member of the Iraqi Certified
Accountants Association**

**Mahmoud Rasheed Ibrahim Al-Fahad
Chartered Accountant & Auditor
member of the Iraqi Certified
Accountants Association**

Statement of Balance Sheet as in 31/December/2020

Statement (A)

Details	Note no.	2020 Iraqi dinars	2019 Iraqi dinars
Assets			
Cash and balance with the Central Bank of Iraq	5	83,420,778,412	85,667,847,041
Balances and deposits with banks and other financial institutions	6	8,965,761	32,085,287
financial investment in fair value	7	750,000,000	750,000,000
Financing/ participations	7	157,113,700,000	000
Total of financing	7	157,863,700,000	750,000,000
Islamic financing	8	8,008,746,181	169,258,601,497
Properties and equipment's	9	79,396,118	117,005,330
Intangible assets	10	78,280,000	71,600,000
Other assets	11	158,989,112	188,317,948
Total Assets		249,618,855,584	256,085,457,103
Liabilities and equity			
Client deposits	12	2,165,800,128	11,099,444,573
Monetary credits	13	-	5,317,950
Various allocations	14	146,704,401	2,630,778,634
Income tax allowance	15	779,864,752	145,706,564
The CBI loan	16	675,000,000	775,000,000
Other liabilities	17	944,167,292	516,309,947
Total liabilities		4,711,536,573	15,172,557,668
Equity			
Paid up capital	18	250,000,000,000	250,000,000,000
Mandatory Reserves	19	214,030,598	14,309,619
Other reserves	19	94,219,621	94,219,621
Retained earning	19	4,091,109,781	296,411,184
Retained loss	19	(9,492,040,989)	(9,492,040,989)
Net equity		244,907,319,011	240,912,899,435
Total liabilities and equity		249,618,855,584	256,085,457,103
Obligations under the bank's pledge (off –sheet balance)	28	44,603,954,017	28,725,470,577

CFO
Raghad Khalid Khadum

CEO
Hayder Kadhum Al Ansary

Chairman of BOD
Ameer YasirFadhil

To our report submission no. 112/268/2021 dated 10/May/2021

Dr .Haseeb Kazim Jaweed Al-Mayah
Chartered Accountant & Auditor
Member of the Iraqi Certified
Accountants Association

Mahmoud Rasheed Ibrahim Al-Fahad
Chartered Accountant & Auditor
member of the Iraqi Certified
Accountants Association

Income statement for the year ended 31/December

Statement (B)

Details	Note no.	2020	2019
		Iraqi dinars	Iraqi dinars
Operational revenues			
Income of (Murabaha, Mudharaba)	20	48,371,289	29,459,102
Fees & commission net income	21	435,748,638	270,818,642
Net income of variance of foreign currency exchange	22A	(419,599,425)	6,651,804
Revenues of window buying & selling foreign currency	22B	8,265,221,000	2,333,074,000
Other banking operational revenues	23	167,631	3,187,950
Total operational revenues		8,329,909,133	2,643,191,498
Operational expenditures			
Salaries	24	(938,021,060)	(1,061,393,540)
Banking operations expenditures	26	(1,379,643,687)	(4,522,947,220)
General & administrative expenditures	25	(1,301,615,530)	(1,021,783,078)
Depreciation and amortization	27	(82,051,092)	(79,440,668)
Total operational expenditures		(3,701,331,369)	6,685,564,506
Profit (Loss) of the year before tax		4,628,577,764	(4,042,373,008)
Income tax	2, 15	(634,158,188)	(91,381,564)
Profit (Loss) of the year		3,994,419,576	(4,133,754,572)
Other comprehensive income items		-	-
Total comprehensive income for the year	Statement (c)	(3,994,419,576)	(4,133,754,572)

CFO

Raghad Khalid Khadum

CEO

Hayder Kadhum Al Ansary

The attached notes no. (1 to 36) consider part of these financial statements

Statement of changing in equity for the year ending on December, 31, 2020

Statement (C)

2020	Paid up Capital IQ Dinar	Mandatory reserves IQ Dinar	Other Reserves IQ Dinar	Retained Profit IQ Dinar	Retained Loss IQ Dinar	Total IQ Dinar
Balance as in 1, January,2020	250,000,000,000	14,309,619	94,219,621	296,411,184	(9,492,040,989)	240,912,899,435
Total comprehensive income for the year	-	199,720,979	-	3,794,698,597	-	3,994,419,576
	-	-	-	-	-	-
Balance as in 31,December, 2020	250,000,000,000	214,030,598	94,219,621	4,091,109,781	(9,492,040,989)	244,907,319,011

2019	Paid up Capital IQ Dinar	Mandatory reserves IQ Dinar	Other Reserves IQ Dinar	Retained Profit IQ Dinar	Retained Loss IQ Dinar	Total IQ Dinar
Balance as in 1, January,2019	250,000,000,000	14,309,619	94,219,621	296,411,184	(5,358,286,417)	245,046,654,007
Total comprehensive income for the year	-	-	-	-	(4,133,754,572)	(4,133,754,572)
Balance as in 31,December, 2019	250,000,000,000	14,309,619	94,219,621	296,411,184	(9,492,040,989)	240,912,899,435

The attached notes no. (1 to 36) consider part of these financial statements

Cash flow statement for the year ending on 31/12/2020 Statement (D)

Detail	Note.	2020 IQ dinar	2019 IQ dinar
Operational activities			
Profit (Loss) of the year before Tax	Statement b	4,628,577,764	(4,042,373,008)
Amendments for non-cash items			
Depreciations & amortizations	27	82,051,092	79,440,668
Impairment allowance for Islamic financing	2, 8	1,352,467,627	1,891,513,784
Various allocations	14	-	2,511,722,120
Allowance for pledging obligations	14	-	968
Expected loss allowance/ external cash	14	-	654,802
Allowance for operational risks		-	119,055,546
Cash flow used in operational activities prior to change in operational assets & liabilities		6,090,272,543	560,014,880
Change in assets & liabilities			
Islamic finances	8	271,965,569	(44,134,257,423)
Mandatory deposits	5	381,020,610	(176,449,530)
Other assets	11	29,328,836	(168,207,898)
Clients deposits	12	(8,933,644,445)	(5,976,502,223)
Cash margin	13	(5,317,950)	(161,920)
Other liabilities	17	427,857,345	204,412,335
Net cash flow from (used in) operational activities before tax		(7,828,790,035)	(50,251,166,659)
Paid tax		-	-
Net cash flow of operational activities		(7,828,790,035)	(50,251,166,659)
Investment activities			
Investment in associate companies	7	-	(750,000,000)
Purchase of property & equipment	9	(13,041,880)	(39,283,490)
Sale of property & equipment	9	-	-
Project under construction	-	-	-
Intangible assets	10	(38,080,000)	(22,000,000)
Net cash flow from (used in) investment activities		(51,121,880)	(811,283,490)
Financing activities			
Central bank of Iraq loan	16	(100,000,000)	350,000,000
Net cash flow investment activities		(100,000,000)	350,000,000
Increase in cash & its equivalent		(1,889,639,372)	(50,152,435,269)
cash & its equivalent in the beginning of the year		85,319,566,520	135,472,001,789
Cash & its equivalent in the end of the year	28	(83,429,927,148)	85,319,566,520

The attached notes no. (1 to 36) consider part of these financial statements

**Clarifications on the Financial Statements
December 31, 2020**

1. Legal Status and Main Activities:

1.1 Information about the Bank:

Al Qabidh Islamic Bank for Finance and Investment was established after its transformation from Al-Muhaj Financial Transfer Company according to the Certificate of Incorporation (C.R/01-66116 in 2/12/2008) issued by the Companies Registration Department, the company increased its capital in several stages to become (45) billion dinars, and the necessary legal procedures were completed to amend Article 1 of. The establishment of the company from the Al-Muhaj financial transfer company to the Al-Qabidh Islamic Bank and the increase of the company's capital to (100) billion Iraqi dinars, according to the letter of the company registration department no. (S/5/18861 in 17/10/2016) and the procedures of transferring the activity completed in accordance with the provisions of the amended Companies Law No. 21 of the year 1997 and the bank's capital was increased to (250) billion dinars on (15/5/2017) as stated in the company registration letter.

The bank was allowed to practice banking business subject to the provisions of the Central Bank of Iraq and the banks laws and the Islamic Banking Law No. (43) For the year 2015 and the anti-money laundering and terrorism financing law no. (39) For the year 2015 that it is subject to control and supervision of the Central Bank of Iraq. As mentioned in the Central Bank of Iraq letter No. 9/8/2142 dated February 8, 2017.

The bank carries out all the Islamic banking business practiced by contemporary Islamic banks, taking into consideration the application of the provisions of the tolerant Islamic Shariah in all banking fields, such as opening current accounts, investment accounts, (investment and saving) and granting Islamic financing such as Murabahah, Participations, Mudaraba and Istisnaa and meet customers' needs of opening documentary credits and external transfer operations through the window of selling and buying foreign currency in the Central Bank of Iraq.

One of the bank's main objectives is to expand Islamic financing operations by developing and improving banking services and products provided by the bank and expanding its customer base by opening branches in the governorates of Iraq that meet the needs of customers and under the supervision and control of the Central Bank of Iraq under the Iraqi Banking Law No. 94 of 2004, the Companies Law No. 21 of 1997, the Islamic Banking Law No. 43 of 2015 and the Money Laundering and Combating Terrorism Law No. 39 of 2015.

Clarifications on the Financial Statements
December 31, 2020

2. The definitions:

The following terms are used in the financial statements and they are defined as follows:

Musharakah (Participation): is a contract between the bank and the dealer according to which they contribute to a specific investment project, existing or new, or in the ownership of a specific asset, either on a continuous basis or for a limited period during which the bank makes several arrangements with the customer to sell him parts of his share gradually in until the customer fully owns the place of musharakah (diminishing musharakah). The profits according to the contract concluded between the two parties and bear the loss in proportion to their shares in the company's capital.

Murabaha is a contract whereby the bank sells to the dealer an asset in kind or a commodity or a share owned by the bank (fact or judgment) in exchange for a sale price consisting of the purchase cost and the profit margin agreed upon.

Istisnaa A contract between the bank (the manufacturer) and the client to sell manufactured commodity made it for him so that they agree on its precise specifications, the sale price, its term and the date of delivery, and the bank provides the manufacture and the necessary materials. The bank shall manufacture the commodity subject to the Istisnaa contract or through a contractor and hand it over to the client with the same specifications and the date agreed upon.

Ijara (lease) is a contract that the bank (the lessor) leases an asset (or a service) to the client (the lessee) (owned or rented by the bank) or described in the pact, for a specific period and in return for specific rental installments, and it may expire for an in-kind asset that the lessee owns the leased asset on a contract with an independent transfer of ownership.

The interest-free loan (Hasan loan): is a non-profit financing aimed at enabling the borrower to use the funds for a certain period, provided that he pays the same amount of the loan at the time of the loan without taking any profit or any consideration for that loan.

Mudaraba: it is a contract between the bank and the client whereby one of the parties (the money owner) provides a certain amount of money and the other

Clarifications on the Financial Statements

December 31, 2020

party (the speculator) invests it in a specific project or activity and distributes the profit between the two parties according to the agreed shares in the contract, the speculator bears the loss in case of infringement, default and/ or violation of any of the terms of the Mudaraba contract, otherwise it is on the money owner.

Wakala is a contract between the bank and the dealer so that one of the parties the principal (Muwakkil) gives the other the agent (wakeel) an amount of money and assigns him to invest it according to specific terms and conditions, and the agent's commission is limited to deduction, and what exceeds a specified percentage of the expected profit may be added to it as an incentive for the agent to perform well, the agent shall bear the loss in the event of infringement, default, or violation of any of the terms and desires of the agency contract, otherwise, it is on the principal.

Sukuk are documents of equal value that represent common shares in ownership of a specific asset (leased, or will be leased, whether existing or described in the future) or in ownership of the basis of Mudaraba or Musharakah, and in all these cases the Sukuk holders are owners of their common share of the leased assets.

3. Basis of preparation and accounting policies

3.1. Basis for preparation: The financial statements of the bank have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the interpretations issued by the Interpretations Committee. The international financial reporting standards emanating from the International Accounting Standards Board in accordance with the local laws in effect, the instructions of the Central Bank of Iraq, the provisions and rules of Islamic Shariah as determined by the Fatwa and Shariah Supervisory Board of the bank and the requirements of the laws of the Republic of Iraq.

The financial statements were prepared in accordance with the historical cost principle.

The financial statements were prepared in Iraqi dinars (Dinar) which is the main currency used by the bank.

3.2. Changes in accounting policies: the accounting policies procedures followed in preparing the financial statements are in agreement with

**Clarifications on the Financial Statements
December 31, 2020**

those followed in preparing the financial statements for the year ending on December 31, 2016, except that the bank applied the following amendments, starting from January 1, 2017:

Amendments to International Accounting Standard No. (7) - Statement of cash flows – Disclosures:

The limited amendments include in relation to adding some notes about liabilities resulting from financing activities, which include monetary and non-monetary changes (such as foreign currency profits or losses). No effect resulted from the application of these amendments to the branch's financial statements.

Amendments to International Accounting Standard No. (12) Income tax: the recognition of deferred tax assets resulting from unrecognized losses:

The limited amendments include in relation to the income tax law, and if it restricts the sources of tax profit that can be used for reduction temporary differences when reversed, in addition to some other limited adjustments, no effect was produced on the application of these amendments to the financial statements of the bank.

International Financial Reporting Standard No.(15) revenue from contracts with customers:

Standard No(15) shows The accounting treatment for all types of revenue arising from contracts with customers, and this standard applies to all establishments that enter into contracts for supplying services and goods to customers, with the exception of contracts that are subject to other standards such as International Accounting Standard No.(17) leases.

This standard replaces the following standards and interpretations: -

- International Accounting Standard No. (11) Construction Contracts.
- International Accounting Standard No. (18) Revenue.
- Interpretation of the Reporting Standards Committee (13) Customer Loyalty Programs.
- Interpretation of Reporting Standards Committee (15) Real Estate Construction Agreements.
- Interpretation of the Reporting Standards Committee (18) Transfers of assets from clients.
- Interpretation (31) revenue - barter operations that involve advertising services.

**Clarifications on the Financial Statements
December 31, 2020**

The standard must be applied for periods beginning on or after January 1, 2019 with early application permitted.

International Financial Reporting Standard No.(16) Lease Contracts:

International Accounting Standards board had issued the International Financial Reporting Standard No. (16) "Lease Contract" during January 2016, which specifies the principles of recognition, measurement, presentation and disclosure of lease contracts. The requirements of the reporting standard IFRS No. (16) Is essentially similar to the accounting requirements of the lessor in International Accounting Standard No. (17), accordingly, the lessor continues to classify lease contracts as operating leases or finance leases, so that it processes these two types of contracts differently.

IFRS No. 16 requires the lessee to recognize assets and liabilities for all lease contracts with a period of more than 12 months, unless the asset is of low value and requires the lessee to recognize his right to use the asset, represented in the recognition of the leased asset and the resulting commitment with rental payments, this standard will be enforced from January 1, 2020, with early application permitted.

Amendments to Financial Reporting Standard No. (4) - Application of Financial Reporting Standard No. (9) Financial Instruments with Financial Reporting Standard No. (4) Insurance Contracts:

The International Accounting Standards Board issued amendments to Financial Reporting Standard no. (4) in September 2016 to address issues that may arise from the difference in the date of application of Financial Reporting Standard no. (9) and the new financial reporting standard insurance contracts no. (17).

The amendments provide two alternative options for establishments that issue contracts that are subject to Financial Reporting Standard No. (4): a temporary exemption from the application of Financial Reporting Standard No. (9) for years beginning before 1,January,2021 as a maximum, or allowing for the entity that applies Financial Reporting Standard No. (9) to reclassify the profit or loss resulting from these financial assets during the period from profit and loss to comprehensive income as if the establishment had applied International Accounting Standard No. (39) On these financial assets.

Apply Financial Reporting Standard No. (1) for the years beginning before January 1, 2021 as a maximum, or allow an entity that applies Financial Reporting Standard No. (9) to reclassify the profit or loss resulting from these

**Clarifications on the Financial Statements
December 31, 2020**

financial assets during the period from profit and loss to comprehensive income as well. If the entity had applied the International Accounting Standard no. (39) to these financial assets. The bank had applied the calculation of the required allocations through the applying of the Financial Reporting Standard no. (9) as mentioned in the letter of the Central Bank of Iraq no. 9/6/466 on 26/12/2018 and the result was is as follows:

allowance required to be calculated for Islamic finance (Murabaha)	allowance required to be calculated for investment in participations/ dinar	Allowance required for pledge credit/ dinar	allowance required for balances in financial institutions/ dinar	Total/ dinar
512,003,531	7,836,300,000	000	182,975	8,348,303,531

The quantitative impact was calculated to apply the above-mentioned standard as follows:

	Monetary Islamic finances (Murabaha)/ dinar	Investment in Participations/ dinar	Pledge credit/ dinar	Balances in financial institutions/ dinar
Allowance to be calculated in 31/12/2020	512,003,531	7,836,300,000	000	182,975
Minus: the balance of allowance in 1/1/2020	243,113,784	4,241,000,000	968	654,802
The quantitative impact for apply the standard in 31/12/2020	268,889,747	3,595,300,000	(968)	(471,827)

An amount of (1,352,467,627) dinars has been added to the income statement for the fiscal year ending on 31/12/2020 as an expense during the year, and an amount of (2,511,249,325) from various allocations to be added to the for Islamic finance and partnerships allowance.

Change in Islamic financing/Murabahah	268,889,747
Change in investments/participations	3,595,300,000
Change in pledge credit	(968)
Change in balances with financial institutions	(471,827)
Net change	3,863,716,952

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As will be mentioned in the notes no. (14) And (26) attached with Financial Statements.

Explanation No. (22) – IFRS interpretations committee – transaction of foreign currencies and advance payments:

This interpretation clarifies that when determining the general exchange rate that will be used upon initial recognition related to an asset, expense, income, (or part of it) or upon revoking the recognition of a non-monetary asset or obligation related to advance payments, the date of the transaction is the date on which the entity initially recognized the non-monetary asset or liability from which those advances arose. The establishments can apply these amendments retrospectively or prospectively. This interpretation is applied for the periods that beginning on or after January, 1, 2019 with early application of this interpretation allowed with the necessity to disclose it.

Interpretation No. (23) - IFRS interpretations committee – Uncertainty about the treatment of income tax:

This interpretation clarifies accounting treatment for income tax when there is a degree of uncertainty in relation to the tax that affects the application of IAS (12), the interpretation does not apply to taxes and fees that are not included in the scope of IAS (12) and do not include special requirements for fees and fines related to uncertain tax treatments, the entity must determine whether each unconfirmed tax treatment should be considered separately or considered in conjunction with other tax treatments. This interpretation applies for periods beginning on or after January, 1, 2020, with the presence of specific exemptions to apply.

3.3. Using estimates:

The preparation of financial statements and the application of accounting policies requires the bank's management to make estimates and assumptions that affect the amounts of financial assets and liabilities and disclose Contingent liabilities, as these estimates and assumptions affect revenues, expenses and allowances as well as other comprehensive income items, and in particular it requires the bank's management to issue important judgments and jurisprudences to estimate the amounts and timing of future cash flows. The aforementioned estimates are necessarily based on various assumptions and factors of varying degrees from the estimation and uncertainty and that the actual results may differ from the estimates because of changes resulting from the conditions and circumstances of those estimates in the future.

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The principle of continuity:

The bank's management conducted an assessment to determine the extent of its ability to continue and expressed its satisfaction in owning the resources to ensure that in the future, in addition to that, the bank does not believe that there are material uncertainties in a form that may result from doubt about the bank's ability to continue. Therefore, the bank has continued preparing the financial statements on the basis of the continuity principle.

Contingent liabilities:

The nature of these liabilities makes their solution dependent on the possibility of occurrence, or non-occurrence, of one or more events in the future. These liabilities involve, to a large degree, evaluative judgment and expectations of the results of future events.

Classification and measurement of financial assets:

The identification and measurement of financial assets depends on the management method of running their financial assets in addition to the characteristics of contracted cash flows for the financial asset being evaluated. The bank's investments in securities are evaluated and classified appropriately.

The fair values of financial instruments:

In the absence of active markets to determine the fair values of the financial assets and liabilities included in the statement of financial position, the fair values are determined based on evaluation methods including the method of discounting the cash flows, the data available from the financial markets are used when possible, if this is not possible, some estimates are required to determine fair values. These estimates require some data such as liquidity risk, credit risk and volatility. Changes in estimates about these factors may affect the reported fair values of financial instruments.

Productive life of property, equipment and intangible assets.

The cost of property, equipment and intangible assets is depreciated over their estimated productive life, which depends on the expected use of the asset and depreciation or amortization, which depends on operational factors.

Declining allowance for Islamic financing:

The allowance for debts is reviewed within the principles laid down by the Central Bank of Iraq and in accordance with international financial reporting standards.

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4. Significant accounting policies

The following are the important accounting policies that were adopted when preparing the financial statements:

Realized revenue and recognition of expenses

Participating

The income from participation is calculated on the basis of reducing the participation balance on the basis of time that reflects the actual return on the asset.

Murabaha

Murabaha income is included over the contract period according to a specific time basis and based on the remaining amount of murabaha's cost.

Fee and commission income

Fee and commission income is included when the related services are performed.

Recognized Expenses

Expenses are recognized on the basis of accrual principle.

Islamic financing

Financial assets include balances and deposits with other Islamic banks and financial institutions, Murabahah, leasing, Mudaraba and other Islamic financial financing with fixed or expected payments. These assets are not listed in an active market. The financial assets arise when the bank provides funds directly for a dealer with no intention to trade in the indebted amounts. The financial liabilities are the liabilities that impose on the bank contractual obligations to provide cash or other financial assets or replace financial instruments under certain conditions that may be unfavorable to the bank. Accounts and agency deposits with banks and other financial institutions are listed at cost minus any amounts written off or allocations, if any, are made. Inclusion of Murabahah and Mudaraba with financial institutions at amortized cost minus allowance for decline, if any (excluding deferred income or expected profits).

Islamic finance consists of Murabaha creditors, Mudaraba, Istisnaa, Islamic covered cards (on a Murabaha basis) and other Islamic financing.

The other Islamic financing is included at amortized cost (excluding deferred income) minus any impairment allowance.

The lease is enter as a finance lease when the bank promises to sell the leased assets to the lessee through separate contracts that transfer to the owner at the end, as a result all risks and benefits arising from the ownership of these assets are transferred to that lessee, Leased assets are representing as financing leases

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for assets for certain periods that either approach or exceed a large period of the estimated productive life of these assets, the leased assets are enrolled in a value equal to the net investment existing in the listed lease, including the carrying income minus decline allowances.

(1) Clearing financial instruments:

The financial assets and liabilities are clearing and the net amount is included in the statement of financial position when there is a legal and legitimate right that is applicable and it is consistent with the principles of Islamic law applicable by clearing the recognized amounts and there is an intention to settle on the basis of the net amount or realization of assets and settlement of liabilities at the same time.

(2) Decrease in the value of financial assets:

Customer financing

The recoverable value of funds provided to customers is calculated at the present value of expected future cash flows, discounted at the original actual profit rate of the instrument, and short-term balances are not deducted. Finances are shown net of impairment allowances, and specific allowances are formed according to the carry-over value of finances whose value is determined to have decreased based on a periodic review of the outstanding balances in order to reduce these funds to their recoverable value, and general allowances are kept to reduce the carrying value of the portfolios of similar funds to their estimated recoverable value on the date of the statement of financial position, and the change in allowances for impairment is recognized in the income statement, and when it appears that the financing is not recoverable, all necessary legal procedures have been exhausted, the final loss is determined and the financing is eliminated

In the event that in a subsequent period there is a decrease in the amount of the impairment loss and the decrease can be related objectively to an event that occurred after the reduction in the value, the reduced value or allowance is reversed through the income statement.

The fair value measurement:

Fair value is the financial consideration for selling assets or paying liabilities, through an organized process among market participants at the measurement date. The fair value measurement depends on the assumption of selling the assets or paying the liabilities either in:

- A major market for the assets and liabilities.

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- Or in the absence of the main market, in more favorable market to assets and liabilities.

The bank must have access to the main market or the most favorable market. The fair value of the assets and liabilities is measured using assumptions that the participants will use when pricing the assets and liabilities, assuming that market participants aim to achieve economic benefits. The bank use appropriate valuation techniques according to the circumstances that provide sufficient information to measure fair value, by increasing the use of relevant observable data and by minimizing the use of unobservable data. All assets and liabilities that are at fair value and disclosed in the financial statements are categorized within the fair value pyramid, as shown below.

Level 1: Using trading prices for similar financial instruments in active financial markets.

Level Two: Using data other than prices trading, but it can be observed directly or indirectly,

Level Three: Using data that are not based on market information can be observed.

At the end of each financial period, The bank determines whether there are transfers between levels in the pyramid by re-evaluating the classification (based on its lowest data level has substantive effect on the fair value measurement as a whole) for the assets and liabilities that are recognized in the financial statements on a recurring basis, for the purpose of disclosure of fair value, the bank has determined sections of the assets and liabilities according to the nature, characteristics, risks and the level of fair value of these assets and liabilities.

The decline in the value of the financial assets:

The bank reviews the values recorded in the financial assets journals on the date of the balance sheet to determine whether there were indications of a decline in its value individually or in the form of a group, and in the case of such indicators, the recoverable value in order to determine the impairment loss, the amount of the impairment is determined as follows:

- Impairment of financial assets that appear at amortized cost: represent the difference between the value recorded in the records and the current value of the expected cash flows discounted at the original price.
- The decline is recorded in the income statement and any savings in the subsequent period as a result of the previous decline in the assets of the debt financial instruments are recorded in the income statement.

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The renegotiated credit finances:

The bank seeks to restructure the financial facilities when possible rather than the acquisition of collateral; this may include extensions of payment agreements and agreement on new terms. When new terms are renegotiated, any decrease is measured using the original actual profit rate as calculated before the terms were amended and the financing facilities became undue. The management reviews the renegotiated facilities periodically with the aim of ensuring that future payments are expected to appear significantly. The financing facilities continue to be exposed to individual or collective impairment assessments, and are calculated using the original actual profit rate for these financing facilities.

Guarantees evaluation:

The bank seeks to use guarantees in order to reduce risks to financial assets when possible, the guarantees are in several forms such as cash, stocks, LG, LC, real estate, debtors, and inventory and other non-financial assets and credit improvements such as settlement agreements. The fair value for guarantees is evaluated, in general, as a minimum upon incorporation and based on reports schedule of the bank, and the bank, whenever possible, uses active market data to evaluate the financial assets held as collateral, while other financial assets that do not have a specified market value are evaluated using models, non-financial guarantees, such as real estate, are evaluated based on market transactions, rental returns and audited financial statements.

Property and equipment:

Property and equipment are listed at cost minus the allowance for accumulated depreciation and any depreciation in value. Lands are included after revaluation in the financial statement. Depreciation is calculated on a straight-line basis over the estimated productive lives of property and equipment, other than free-owned lands those that have unfixed lifetimes. The depreciation rates on the productive lives of property and equipment are as follows:

<u>Asset</u>	<u>productive life (years)</u>
Furniture and office equipment	5
Machinery and equipment	5
Intangible assets	5

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Any item of property and equipment and any essential parts of it are written off upon disposal or when there is no economic benefit expected from the use or disposal of the asset. Any gain or loss resulting from the write-off of the asset, which represents the difference between the return from disposal and the net book value of the asset, is recorded in the income statement. The remaining values of the assets, productive lives and methods of depreciation are reviewed in each financial year and adjusted later if necessary.

Intangible assets:

Intangible assets that are obtained through the merger are recorded at the fair value on the date it was acquired. As for the intangible assets that are acquired through a method other than the merger, they are recorded at cost. The intangible assets are classified on the basis of an estimate of their life for a specific or an indefinite period, and the intangible assets which have a specific time life are amortized during this life and amortization is recorded in the income statement. As for the intangible assets that have an indefinite life, the decline in their value is reviewed at the date of the financial statements and any decline in their value is recorded in the income statement. The intangible assets resulting from the bank's business are not capitalized and they are recorded in the income statement in the same period. Any indications of the decline in the value of intangible assets are reviewed at the date of the financial statements. Reviewing the estimation of the chronological life of those assets, and any adjustments are made to the subsequent periods. The intangible assets include computer systems and programs, and the bank's management estimates the chronological life for each item where the computer systems and programs are depreciated in a straight line method over a period of 5 years.

Contingent allowances and liabilities:

Allowances are made when financial obligations for the bank (legal or judgmental) arise from previous events and there is a possibility of repayment the obligation and the cost of paying it can be measured accurately. Any allowance that can be recovered is shown within the assets in the event that there is a certain expectation to recover the amount by the bank. The allowances are shown in the income statement as a separate item, net of any refunds.

Deposits:

Customer deposits and liabilities for banks and other financial institutions are included at cost.

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Exclusion of financial assets and liabilities:

Financial assets

Financial asset (or part of a financial asset or part of a group of similar financial assets where appropriate) excludes when:

- The right to receive cash flows from the asset has expired or,
- The bank reserves the right to receive cash flows from the asset but in return, it has an obligation to pay the cash flows in full without material delay to a third party under the arrangement of receipt and payment or,
- when (A) transfers all the significant risks and benefits of the asset or (B) does not transfer or retain all the significant risks and benefits of the asset but is about controlling this asset.

When the bank transfers the rights to receive cash flows from the asset and does not transfer or retain all risks and the important advantages of the asset or the transfer of control over the asset, the asset is recorded to the extent that the bank continues to control it, the continuous control that takes the form of security over the transferred asset is measured at the original book value of that asset or the maximum consideration required to be paid by the bank, whichever is less.

Financial liabilities:

The financial obligation are excluded when the obligation is exempted from the obligation related to the liabilities, canceled or expired, when a financial obligation is replaced by another from the same funding body and according to fundamentally different conditions, or in the case of a substantial amendment in the terms of the current commitment, this change or amendment is treated as an exclusion of the original obligation and the achievement of a new commitment.

Cash and its equivalents:

For the purpose of preparing a statement of cash flows, cash and cash equivalents consist of cash and balances with the central bank of Iraq and balances and deposits with the other banks and financial institutions, quasi-cash consists of short-term liquid investments that can be easily converted into cash and which mature within three months or less.

Recognition of financial assets:

The purchase and sale of financial assets is recognized on the date of the trade (the date of the bank's commitment to sell or purchase financial assets).

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Prohibited income:

According to the decisions of the Fatwa and Sharia Supervisory Board of the bank, the bank must not enter into any of the transactions and activities that are not legally acceptable, and it must also determine the income resulting from unacceptable sources in accordance with the principles and provisions of Islamic law and restrict these amounts in a separate account to be disbursed Charities under the supervision of the Sharia Board (as a purification amount).

Tax:

The bank deducts the income tax allowance in accordance with the International Accounting Standard No. (12) And according to the tax rates established in accordance with the laws, regulations and instructions in force in Iraq. The International Accounting Standard No. (12) requires to recognition of temporary time differences as on the date of statement of financial position, like deferred taxes, as a result, the bank may entail the entry of deferred tax assets or liabilities, the due tax, expenses are calculated on the basis of taxable profits, and taxable profits differ from the profits declared in the financial statements because declared profits include non-taxable revenues or non-discounted expenses in the fiscal year but rather in subsequent years or accumulated losses that are taxable or items that are not taxable.

Foreign currencies:

The financial statements of the bank are shown in Iraqi dinar, which is the currency in which the bank deals, and the Iraqi dinar is the currency that the bank uses in its main business. Transactions in foreign currencies are recorded at the prevailing exchange rates on the date of the transactions, the transfer of financial assets and liabilities recorded in foreign currencies on the statement of financial position date according to the prevailing exchange rates on that date. Any profits or losses resulting from changes in exchange rates at a later date of the transaction are recognized in the income statement. Amounts related to the non-financial assets or liabilities which are listed by their historical price and purchased in foreign currencies are transferred according to the prevailing exchange rates at the date of purchasing. The amounts related to non-financial assets or liabilities which are listed at their fair value are transferred according to the prevailing exchange rate when determining the fair value. The assets and liabilities related to foreign operations are transferred to Iraqi dinar according to prevailing exchange rate on the date of the statement of financial position, and the transactions related to the income statement are transferred according to prevailing exchange rate on the date of transactions, the differences resulting

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from the transfer process are included in the statement of comprehensive income, when excluding any of foreign operations, the amounts accumulated on the transfer differences are transferred to the income statement.

Clearing:

Clearing the financial assets and liabilities and showing the net amount in the balance sheet only when the legally binding conditions are met, as well as when they are paid on the basis of clearing or the realization of the assets and the payment of liabilities at the same time.

Financial guarantees:

The bank provides financial guarantees in the usual business context. Financial guarantees consist of documentary letter of credits, letters of guarantee and acceptance papers. the financial guarantees are included in the financial statements at fair value within other liabilities, later at the date of listing, financial guarantees are measured at initial fair value, minus, accumulated amortization calculated to include fees in the income statement within the “net fees and commissions” over the life of the guarantee, and the best estimate of expected expenses to pay any financial dues that may result from the issuance of the guarantee. Any credit amounts that may result from financial guarantees are included in the income statement under “financing losses”. Any credible financial guarantees listed to the income statement within "net fees and commissions" upon disposal or cancellation or expiration of guarantees.

Sectors information:

- The business sector represents a group of assets and operations that jointly provide products or services subject to risks and returns that differ from those related to other business sectors.
- The geographical sector is related in providing products or services in a specific economic environment subject to risks and returns that differ from those related to sectors operating in other economic environments.

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5. Cash and balances of the CBI

statement	2020 IQ Dinar	2019 IQ Dinar
Cash in the treasury		
Cash on hand*	81,977,096,750	413,542,750
Cash on hand foreign currency	98,875,580	67,845,470
Total	82,075,972,330	481,388,220
Balances and in the CBI		
Current accounts *	1,051,898,982	84,805,438,211
Mandatory deposit**	292,907,100	381,020,610
Total	1,344,806,082	85,186,458,821
	83,420,778,412	85,667,847,041

* The cash on hand and current account weren't paid any returns according to Islamic law.

**the bank must maintain mandatory deposits with the CBI and they are not available for use in the daily operations of the bank and can't be withdrawn except with the approval of the CBI.

6. Cash and deposits in other banks and financial institutions:

statement	2020 IQ Dinar	2019 IQ Dinar
Current accounts – local bank & institutions	-	-
Current accounts – foreign bank & institutions	9,148,736	32,740,089
Expected credit loss allowance	(182,975)	(654,802)
Total	8,965,761	32,085,287

* Allowance has been made for expected credit loss in accordance with international standard no. (9).

7. Investments:

statement	2020 IQ Dinar	2019 IQ Dinar
Commercial participations/ companies	7,880,000,000	000
Commercial participations/ individuals	94,070,000,000	000
	164,950,000,000	000
Minus: allowance of participations risks	4,241,000,000	000
Additions during the year	3,595,300,000	000
The balance as in 31/12/2020	7,836,300,000	000
Net participations	157,113,700,000	000
Financial assets in fair value:		
Iraqi deposit insurance company	750,000,000	750,000,000
Total	157,863,700,000	750,000,000

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* The participations were recorded in the investment account based on the letter of the Central Bank of Iraq No. 9/6/219 dated 23/8/2020. The ratio of the participations to the capital and sound reserves was (66.08%), which is more than the prescribed percentage of (20%) from the capital and sound reserves contained in the letter of the Central Bank of Iraq mentioned above.

8.1. Islamic finances:

statement	2020 IQ Dinar	2019 IQ Dinar
Murabaha		
Murabaha – companies	8,000,000,000	8,000,000,000
Murabaha – individual	520,749,712	792,715,281
Total	8,520,749,712	8,792,715,281
Participations		
Financing commercial participations- companies	000	70,880,000,000
Financing commercial participations- individuals	000	94,070,000,000
Total	000	164,950,000,000
Islamic financing total	8,520,749,712	173,742,715,281
Decline allowance in Islamic finance	(512,003,531)	(4,484,113,784)
Islamic finance net	8,008,746,181	169,258,601,497

* **Decline allowance in Islamic finance has been calculated in accordance with international standard no. (9).**

8.2. Islamic finances/ Decline allowance in Islamic finance

statement	2020 IQ Dinar	2019 IQ Dinar
Balance as on January, 1 st	(4,484,113,784)	(2,592,600,000)
Minus: clearing participations as in 1/1/2020	4,241,000,000	000
	(243,113,784)	(2,592,600,000)
Additions during the year	(268,889,747)	(1,891,513,784)
Balance as on December, 31 th	(512,003,531)	(4,484,113,784)

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9.1. Properties & equipment

2020	Furniture	Machinery & equipment	Total Iraqi dinar
Cost			
Balance as on January, 1 st , 2020	212,851,990	39,000,000	251,851,990
Additions during the year	13,041,880	000	13,041,880
Exclusions	000	000	000
Balance as on December, 31 th , 2020	225,893,870	39,000,000	264,893,870
Accumulated depreciation			
Balance as on January, 1 st , 2020	108,640,161	26,206,499	134,846,660
Depreciation during the year	42,851,092	7,800,000	50,651,092
Balance as on December, 31 th , 2020	151,491,253	34,006,499	185,497,752
Net book value as in 31/December/2020	74,402,617	4,993,501	79,396,118

9.2. Properties & equipment

2019	Furniture	Machinery & equipment	Total Iraqi dinar
Cost			
Balance as on January, 1 st , 2019	173,568,500	39,000,000	212,568,500
Additions during the year	39,283,490	-	39,283,490
Exclusions	-	-	-
Balance as on December, 31 th , 2019	212,851,990	39,000,000	251,851,990
Accumulated depreciation			
Balance as on January, 1 st , 2019	68,399,493	18,406,499	86,805,992
Depreciation during the year	40,240,668	7,800,000	48,040,668
Balance as on December, 31 th , 2019	108,640,161	26,206,499	134,846,660
Net book value as in 31/December/2019	104,211,829	12,793,501	117,005,330

10. Intangible assets (deferred revenues expenditures / systems)

statement	2020 IQ Dinar	2019 IQ Dinar
cost		
Balance as on January, 1 st	157,000,000	135,000,000
Additions during the year	38,080,000	22,000,000
Balance as on December, 31 th	195,080,000	157,000,000
Accumulated amortization		
Balance as on January, 1 st	85,400,000	54,000,000
Additions during the year	31,400,000	31,400,000
Balance as on December, 31 th	116,800,000	85,400,000
Net book value	78,280,000	71,600,000

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11. Other assets

statement	2020 IQ Dinar	2019 IQ Dinar
Advance expenses	71,111,112	121,111,112
Cash differences	29,478,000	4,180,000
Other	58,400,000	63,026,836
Total	158,989,112	188,317,948

*The amount (58,400,000) represents credit for others

12. Client deposits

statement	2020 IQ Dinar	2019 IQ Dinar
Current accounts - companies	2,027,983,810	10,982,473,590
Current accounts – individuals	124,926,538	107,977,223
Saving accounts	7,775,840	8,993,760
The bills drawn on the bank	5,113,940	
Total	2,165,800,128	11,099,444,573

13. Cash insurance

statement	2020 IQ Dinar	2019 IQ Dinar
LG insurance	000	5,317,950
Total	000	5,317,950

14. Various allocations

statement	2020 IQ Dinar	2019 IQ Dinar
Balance as on January, 1 st	2,511,722,120	-
deductions during the year	(2,511,249,325)	2,511,722,120
Balance as on December, 31th	472,795	2,511,722,120

statement	2020 IQ Dinar	2019 IQ Dinar
Operational risks allowance		
Balance as on January, 1 st	119,055,546	-
Additions during the year	27,176,060	119,055,546
Balance as on December, 31th	146,231,606	119,055,546

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statement	2020 IQ Dinar	2019 IQ Dinar
Credit obligation allowance		
Balance as on January, 1 st	968	-
Additions during the year	(968)	968
Balance as on December, 31th	000	968
Total	146,704,401	2,630,778,634

15.1. Income tax allowance

statement	2020 IQ Dinar	2019 IQ Dinar
Balance as on January, 1 st	145,706,564	54,325,000
Income tax	634,158,188	91,381,564
Balance as on December, 31th	779,864,752	145,706,564

15.2. Income tax allowance

statement	IQ Dinar	IQ Dinar
Net profit (loss) under the income statement (B)	-	4,628,577,764
Adding: net non-taxable expenses:		
Compensation & fines	115,978,000	
Tax & fees expenses	193,000	
Decline allowance for Islamic participations	1,352,467,626	
Operating risk allowance	27,176,060	
Total non-taxable expenses:		1,497,551,687
Deduction: non-taxable items:		
Deduction of 20% of the accumulated deficit for previous years		(1,898,408,198)
Taxable profit		4,227,721,253
Tax rate (15%)		
Tax realized		634,158,188

Clarification:

* The tax amount was calculated in accordance with the Iraqi Tax Law (15%) of the taxable profit according to the tax instructions.

* The tax due for the previous years and the year ending on December, 31, 2020 will be paid in 2021.

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16. CBI loan:

statement	2020 IQ Dinar	2019 IQ Dinar
CBI loan	675,000,000	750,000,000
	675,000,000	750,000,000

* This amount represents the CBI loan for the bank for lending to citizen to support small projects.

17. Other liabilities:

statement	2020 IQ Dinar	2019 IQ Dinar
Advances receive	12,371,000	12,516,000
Unearned revenue	43,995,815	92,367,105
Accrued expenses	62,000,000	60,900,000
Financial stamps fees	348,551,988	348,522,742
Account under settlement	474,278,889	-
Deductions for the other/ employee	2,969,600	2,004,100
Total	944,167,292	516,309,947

18. Paid up capital:

The paid up capital of Al-Qabidh Islamic bank was increased on two phases:

- The first phase the capital was increased and the company's incorporation contract was amended from Al-Muhaj financial transfer company/ private joint stock to Al-Qabidh Islamic bank for finance and investment and the capital had been increased from 45 billion to 100 billion by issuing 55 billion new shares with value of one dinar for each share according to the provisions of amended companies law no. (21) For the year 1997 in 17/10/2016.

- The second phase: the capital has been increased from 100 billion to 250 billion dinar by issuing 150 billion shares according to the provisions of amended Companies law no. (21) For the year 1997 and this increase was made on 15/5/2017 as in company registration letter.

19. Reserves

Mandatory reserves:

According to Iraqi Companies law, 5% (as a minimum) of the yearly income after taxes is deducted as a mandatory reserve. The sum accumulated for this account may not exceed 50% of the bank's capital, and

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the bank has no permission to distribute the mandatory reserve or any resulting income to shareholders. The deduction may continue with approval of the general assembly of the bank, provided that the mandatory reserve does not exceed 100% of the bank's capital.

Other reserves:

This item consists of the reserves of expansion in the bank's activities and the social responsibility reserve which decided by the board of directors.

20. Islamic banking revenues:

statement	2020 IQ Dinar	2019 IQ Dinar
Cars Murabaha revenue	2,636,240	2,137,853
Revenue of goods	45,735,049	27,321,249
Profit of short term granted Murabaha	-	-
Total	48,371,289	29,459,102

21. Net commission and fees revenues:

statement	2020 IQ Dinar	2019 IQ Dinar
LG commission	150,000	325,000
Banking stationary sales	490,450	5,089,930
Other banking commission	469,969,430	323,871,987
Recovered communication expenses	420,000	840,000
Total of commission and fee revenues	471,029,880	330,126,917
Minus : debit paid commission	(35,281,242)	(59,308,275)
Total	435,748,638	270,818,642

22.1. Net revenues from differences of foreign currency exchange:

statement	2020 IQ Dinar	2019 IQ Dinar
Revenues of sale & purchase foreign currencies	8,400,192	21,758,032
Differences of foreign currencies rating	(427,999,617)	(15,106,228)
Total	(419,599,425)	2,339,725,804

*within the foreign currency valuation differences account, an amount of (394,175,939) dinar represent the bank's loss as a result of the change in the dollar exchange rate from (1,195) to (1,460) dinars per dollar. And the reminder represents the foreign currency valuation differences during the year, amounting (33,823,678) dinar.

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22.2. Revenues from window of purchase & sale foreign currency :

statement	2020 IQ Dinar	2019 IQ Dinar
Commission from window of purchase & sale foreign currency	8,265,221,000	2,333,074,000
Total	8,265,221,000	2,333,074,000

Statements	Purchased amounts			Sold amounts			Net revenue IQ Dinar
	Purchases volume US Dollar	Purchase price IQ Dinar	Purchases volume IQ Dinar	Sales volume US Dollar	Sale price IQ Dinar	Sales volume IQ Dinar	
Remittances	749,395,000	1.190	891,780,050,000	749,395,000	1,191	892,529,445,000	749,395,000
	320,000,000	1.190	380,800,000,000	320,000,000	1,195	382,400,000,000	1,600,000,000
	578,450,000	1.190	688,355,500,000	578,450,000	1,200	694,140,000,000	5,784,500,000
	10,500,000	1,460	15,330,000,000	10,500,000	1,470	15,435,000,000	105,000,000
LC	0		0	0		0	0
Banking company	0		0	0		0	0
The share of the bank	2,470,000	1.190	2,939,300,000	2,470,000	1,193	2,946,710,000	7,410,000
	100,000	1.460	146,000,000	100,000	1,470	146,200,000	200,000
Total	1,660,915,000		1,979,350,850,000	1,660,915,000		1,987,597,355,000	8,246,505,000

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23. Other banking operation revenues:

statement	2020 IQ Dinar	2019 IQ Dinar
Various services revenues	166,400	3,027,850
Contingent revenues	1,231	160,100
Total	167,631	3,187,950

24. Employees expenses:

statement	2020 IQ Dinar	2019 IQ Dinar
Salaries expenses	586,516,850	680,002,900
Bonus	30,000,000	30,050,000
Professional & technical allowance	278,653,410	306,512,240
Social warranty	42,850,80	44,828,400
Total	938,021,060	1,061,393,540

25. Administration & general expenses:

statement	2020 IQ Dinar	2019 IQ Dinar
fuel & Oil	9,322,000	5,752,000
Supplies & stationeries expenses	14,833,300	23,003,580
Water & electricity	12,305,890	10,276,500
Maintenance expenses	5,888,000	63,421,000
Research & consultant services	52,390,000	83,050,000
Advertisement expenses	2,000,000	14,298,500
Conference and seminars expenses	0	0
Transport expenses	15,265,000	15,110,000
Travel expenses	0	29,580,250
Telecommunication expenses	718,963,420	221,371,678
Rent expenses	67,136,000	28,888,888
Contribution expenses	92,999,495	78,877,745
Training employees	6,948,750	18,039,250
Audit fees CPA	62,000,000	60,900,000
Subventions to others	77,000,000	72,000,000
Compensation & fines	115,978,000	114,272,467
Tax & fees	1,930,000	14,363,750
Other operational expenses	46,655,675	168,577,470
Total	1,301,615,530	1,021,783,078

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26. Banking operations expenses:

statement	2020 IQ Dinar	2019 IQ Dinar
	1,352,467,627	1,891,513,784
Various allocations	-	2,511,722.120
Pledge credit allowance	-	968
Operational risk allowance	27,176,060	119,055,546
Expected loss allowance cash/foreign	1,891,513,784	654,802
Total	1,379,643,687	

27. Depreciations

statement	2020 IQ Dinar	2019 IQ Dinar
Machinery and equipment depreciation	7,800,000	7,800,000
Furniture depreciation	42,851,092	40,240,668
Intangible assets amortization	31,400,000	31,400,000
Total	82,051,092	79,440,668

28. Pledging obligations and advances received against each other:

statement	2020 IQ Dinar	2019 IQ Dinar
Letter of credit	-	-
Minus: LC advances	-	-
LG obligation no. (1)	-	4,834,500
Minus: LG advances/ dinar	-	(5,317,950)
	-	(483,450)
Plus: other in kind deposits held by the bank	44,603,954,017	28,725,954,027
Total	44,603,954,017	28,725,470,577

29. Cash and its equivalent: which appear in the cash flow statement consist of the following:

statement	2020 IQ Dinar	2019 IQ Dinar
Cash & balances in the CBI	83,420,778,412	85,667,847,041
Balances in other banks & financial institutions	9,148,736	32,740,089
Minus: mandatory deposits	(292,907,100)	(381,020,610)
Total	83,137,020,048	85,319,566,520

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30. Transactions with related parties:

The Balances with related parties which mentioned in the financial statement included the following:

statement	Relationship nature	2020 IQ Dinar	2019 IQ Dinar
Income statement items: salaries, bounces and other benefits	Senior management	151,728,000	151,728,000

31. The fair value of financial instruments:

The bank uses the following arrangement for methods and evaluation alternatives in determining and presenting the fair value of financial instruments:

The first level: the market prices announced in effective markets for the same assets and liabilities.

The second level: other techniques where all the inputs that have a significant effect on the fair value can be directly or indirectly observed in the market information.

The third level: other techniques that use inputs with significant effect on the fair value but are not based on observable market information.

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The following is the fair value of financial assets and liabilities not designated at fair value continuously:

31, December, 2020	1st level IQ Dinar	2nd level IQ Dinar	3rd level IQ Dinar	Total fair value IQ Dinar	Total book value IQ Dinar
Assets					
Cash & balances & certificate of deposit in the CBI	-	83,420,778,412	-	83,420,778,412	83,420,778,412
Balances & deposits in other bank & financial institution	-	8,965,761	-	8,965,761	8,965,761
Islamic finances	-	165,122,446,181	-	165,122,446,181	165,122,446,181
Other assets	-	158,989,112	-	158,989,112	158,989,112
Total assets	-	248,711,179,466	-	248,711,179,466	248,711,179,466
Liabilities					
Client deposits	-	2,165,800,128	-	2,165,800,128	2,165,800,128
Advances received	-	-	-	-	-
Income tax allowance	-	1,123,752,372	-	1,123,752,372	1,123,752,372
The CBI loan	-	675,000,000	-	675,000,000	675,000,000
Other liabilities	-	549,991,353	-	549,991,353	549,991,353
Total	-	4,514,543,853	-	4,514,543,853	4,514,543,853

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32. The fair value for financial instruments:

31, December, 2019	1 st level IQ Dinar	2 nd level IQ Dinar	3 rd level IQ Dinar	Total fair value IQ Dinar	Total book value IQ Dinar
Assets					
Cash & balances & certificate of deposit in the CBI	-	85,667,847,041	-	85,667,847,041	85,667,847,041
Balances & deposits in other bank & financial institution	-	32,740,089	-	32,740,089	32,740,089
Islamic finances	-	166,746,223,607	-	166,746,223,607	166,746,223,607
Other assets	-	188,317,948	-	188,317,948	188,317,948
Total assets	-	252,635,128,685	-	252,635,128,685	252,635,128,685
Liabilities					
Client deposits	-	11,099,444,926	-	11,099,444,926	11,099,444,926
Advances received	-	5,317,950	-	5,317,950	5,317,950
Income tax allowance	-	127,848,232	-	127,848,232	127,848,232
The CBI loan	-	775,000,000	-	775,000,000	775,000,000
Other liabilities	-	516,309,947	-	516,309,947	516,309,947
Total	-	12,523,921,055	-	12,523,921,055	12,523,921,055

33. Risk management:

33.1. Introduction:

The main activities of the branch represent in risk management and provide returns to the shareholders consistent with level of acceptable risk. The risks are within the bank's activities which are managed through continuous process of definition, measurement and monitoring subject to risk limit and other control according to Board laws and requirements. The bank mainly exposed to credit risks, liquidity risks, market risks and operational risks. Other risks such as (reputational, legal and various risks defined by Basel convention) are also managed and monitored.

33.1.1. Risk management structure:

The board of directors (the Board) has overall responsibility for establishing and monitoring risk management framework for the bank and approve of the bank's total exposure to risk and to ensure the completion of the work within this framework. The board represents the supreme certification authority. During 2015, the board approved the governance framework of the companies and updated the charters of the board committees.

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Strategic committee:

The board has appointed the strategy committee, which is responsible for directing the executive management of the branch in achieving the strategic objectives of the group and implementing the bank's strategy, and making a periodic review of the extent of achieving the strategic objectives, business plans and direct corrective activities whenever required. In addition, this committee acts as a joint between the board and senior management for business issues.

Risks and Investments Approval committee:

The Risk and Investments Approval Committee has been appointed by the Board and is responsible for approvals of the bank's exposure to risks, high-value transactions and basic items in capital spending. In addition, this committee is responsible for monitoring the quality and allocations of the credit portfolio.

Auditing Committee:

The Audit Committee was formed by the Board to assist it in fulfilling the bank's control responsibilities with regard to:

- Ensuring the integrity of financial statements and the financial reporting process.
- Review of financial statements and internal control systems, quality assurance and risk management structure.
- Reviewing the performance of internal audit function.
- Review the internal control over the preparation of the financial statements and the independent annual audit of the branch's financial statements.
- Recommending the board to engage the external auditors and assessing their competencies, independence and performance.
- Ensure that the bank complies with legal and legislative requirements related to business activities.

The duties and responsibilities of the committees were managed through an approved formal charter.

Risk Management:

33.2. Credit risk and concentration of assets and liabilities:

Credit risk is the risk that may result from the failure or inability of the other party to the financial instrument to fulfill its obligations towards the bank, leading to losses. The bank works to manage credit risk by setting ceilings for the amounts of credit financing in accordance with the instructions of the Central Bank of Iraq. The bank also monitors credit risk and assesses the credit position of customers, in addition to the bank obtaining appropriate

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guarantees from clients. The bank determines the risks of concentrating assets and liabilities through the distribution of its activities over several sectors. However, the bank operates in one geographical area, which is Iraq.

33.2.1. Exposures to credit risk (after deducting impairment losses, pending profits, and before guarantees and other risk residues) are as follows:

Statement	2020 IQ Dinar	2019 IQ Dinar
Items inside the statement of financial position		
Cash & balances in the CBI	83,420,778,412	85,667,847,041
Deposits with banks and other financial institutions	8,965,761	32,740,089
Islamic financing	165,122,446,181	166,746,223,607
Other assets	158,989,112	188,317,948
Total	248,711,179,466	252,632,128,685

The above table represents the maximum credit risk for the bank as of December 31, 2019 and 2020, without taking into account guarantees or other credit risk mitigations. As for the assets listed in the statement of financial position, the above exposure is based on the balance as shown in the statement of financial position.

33.2.2. The credit exposures are distributed according to the degree of risk as in the following table:

2020	Individual IQ Dinar	Big companies IQ Dinar	Banks & other institutions IQ Dinar	Total IQ Dinar
Low risk	94,590,749,712	34,880,000,000	83,429,927,148	212,900,676,860
Acceptable risk	-	44,000,000,000	-	44,000,000,000
Due to 30 days	-	-	-	-
From 31 to 60 days	-	-	-	-
Under probation	-	-	-	-
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Amortized	-	-	-	-
Total	94,590,749,712	78,880,000,000	83,429,927,148	256,900,676,860
Minus: outstanding interest	-	-	-	-
Minus: impairment allowance for Islamic financing	(4,484,303,531)	(3,864,000,000)	-	(8,348,303,531)
Total	(4,484,303,531)	(3,864,000,000)	-	(8,348,303,531)
Net.	90,106,446,181	75,016,000,000	83,429,927,148	248,552,373,329

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2019	Individual IQ Dinar	Big companies IQ Dinar	Banks & other institutions IQ Dinar	Total IQ Dinar
Low risk	94,862,715,281	34,880,000,000	85,700,587,130	215,443,302,411
Acceptable risk	-	44,000,000,000	-	44,000,000,000
Due to 30 days	-	-	-	-
From 31 to 60 days	-	-	-	-
Under probation	-	-	-	-
Non-performing	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Amortized	-	-	-	-
Total	94,862,715,281	78,880,000,000	885,700,587,130	259,443,302,411
Minus: outstanding interest	-	-	-	-
Minus: impairment allowance for Islamic financing	(2,087,600,000)	(2,396,513,784)	-	(4,484,113,784)
Total	(2,087,600,000)	(2,396,513,784)	-	(4,484,113,784)
Net.	92,775,115,281	76,483,486,216	85,700,587,130	254,959,188,627

34.1. Credit risk & Concentration in assets & liabilities

34.1.1. Regarding the distribution of the fair value of the guarantees provided against the financing (risk mitigates), there is no sound database in the bank regarding the guarantees presented against the credit finances, noting that the bank did not register the amount of these guarantees in its banking system and did not take their effects when calculating the credit allowances.

34.1.2. Concentration of credit exposures according to the following table:

Geographical region	Inside Iraq IQ Dinar	Outside Iraq (Middle East) IQ Dinar	Europe IQ Dinar	Total IQ Dinar
Cash & balances in the CBI	83,420,778,412		-	83,420,778,412
Deposits with banks and other financial institutions	-	8,965,761	-	8,965,761
Islamic financing	165,122,446,181		-	165,122,446,181
Other assets	158,989,112		-	158,989,112
Total for 2019	248,702,213,705	8,965,761	-	248,711,179,466
Total for 2018	252,602,388,596	32,740,089	-	252,635,128,685

34.3 Market risk

Market risk arises from changes in profit rates, foreign exchange rates and stock prices. Market risk management limits potential losses on outstanding liabilities that may result from unexpected changes in profit rates, currency exchange rates or stock prices. The bank is exposed to diversification of financial instruments, including stocks, foreign currencies and commodities. The Bank accords market risks a high priority. The bank uses appropriate models as per the market practice to assess its positions and regularly receives market information to

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control market risk. The market risk management mechanism includes the following factors:

- Application of certain limits to ensure that the risk liabilities do not exceed the risk and concentration limits set by senior management.
- Independent evaluations according to the market price, matching the balances of liabilities, and following up on stop losses for trading in a timely manner. Procedures and trading limit have been established to ensure that the bank applies a market risk policy in its day-to-day transactions. These procedures are reviewed to be consistent with the Bank's risk management policy. ALCO ensures that the market risk management process is always staffed. The bank also complies with the requirements of the central bank.

34.3.1. Operational risk

Operational risk is the risk of financial, reputation, or other damage arising from inadequate or failed internal systems, human errors, systems and external events. The bank has developed and activated a detailed manual of operational risks, in accordance with Basel 2 guidelines. The aim of the guide is to clarify the tasks and responsibilities of persons, units and committees within the bank who have a role in managing the various elements of operational risk management. The operational risk management framework also aims to ensure that operational risks within the bank are identified, monitored and followed them. The main sections of the framework include risk reviews, "Risk and Control Self-Assessment", loss data management, key risk indicators, testing, management and reporting of issues and procedures followed. The framework also fully includes and integrates preventing elements of Fraud risk and quality assurance. The operating units of the bank are responsible for managing operational risks within their respective functional areas. They work within the operational risks of the bank and ensure that risks are identified, monitored, reported and proactively managed within the scope of their work. Managing daily operational risks by adopting a comprehensive system of internal control consisting of multiple layers of systems and procedures for specialized monitoring of transactions, centers and documentation processes, as well as maintaining major precautionary measures and main emergency action plan that are regularly evaluated and tested.

34.3.2. Review of Compliance Risks:

Given its commitment to best practices of governance, the Bank has appointed the Compliance Department Manager to monitor sanctions and its compliance processes in general. It is too early to predict any potential impact on the bank. The bank will share the results of its internal review with the relevant supervisory authority once they are completed.

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34.3.3 Currencies risks:

Foreign currency risk is the risk of changing the value of financial instruments as a result of changes in foreign exchange rates. The Iraqi dinar is the base currency of the branch. The board of directors sets limits for the statement of the financial position of each currency with the bank, the foreign currency position is monitored on a daily basis, and hedging strategies are followed to ensure that the foreign currency position is kept within the approved limits.

The investment policy of the branch stipulates that positions can be taken in major foreign currencies against each other, not exceeding 5% of the shareholders' equity for each currency, so that the total position of all currencies does not exceed 15% of the shareholders' equity. Foreign currency positions are monitored on a daily basis, and developed market tools can be used to hedge exchange rate risks within determinants that prevent the bank from being exposed to any additional risks.

The following table shows the effect of the possible change in the Iraqi dinar exchange rate against foreign currencies on the statement of comprehensive income, with all other influencing variables remaining constant.

2020	Change in the exchange rate	Impact on Profits and Losses
Currency		Iraqi Dinar
US Dollar	10%	49,948,322
Euro	10%	-----

In case there is a negative change in the index, the effect is equal to the above change with the opposite of the sign. There is no significant risk resulting from the change in exchange rates of other currencies due to the small volume of transactions in those currencies.

34.1.3. Concentrating of credit exposure according to economic sector as show in the following table:

Economic	Financial IQ Dinar	Trading IQ Dinar	Industrial IQ Dinar	Agricultural IQ Dinar	Servicing IQ Dinar	total IQ Dinar
Cash & balances in the CBI	83,420,778,412	-	-	-	-	
Deposits with banks and other financial institutions	8,965,761	-	-	-	-	
Islamic financing		-	-	-	-	165,122,446,181
Other assets	158,989,112	-	-	-	-	
Total for 2020	248,711,179,466					
Total for 2019	85,888,905,078	72,257,800,100	50,245,395,954	17,045,383,157	27,197,644,396	252,635,128,685

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34. Profit re-pricing gap:

Classification is made on the basis of profit reprising or maturity periods, whichever is closer:

2020	Less than 1 month	1 to 6 months	6 month to 1 year	More than one year	Item without profit	Total
IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar
Assets						
Cash & balances in the CBI	82,075,972,330	-	-	-	1,344,806,082	83,420,778,412
Deposits with banks and other financial institutions	-	-	-	-	8,965,761	8,965,761
Islamic financing	-	-	-	165,122,446,181	0	165,122,446,181
Property and equipment	-	-	-	-	79,396,118	79,396,118
Intangible assets	-	-	-	-	78,280,000	78,280,112
Other assets	-	-	-	-	158,989,112	158,989,112
Total assets	82,075,972,330	-	-	165,122,446,181	1,670,437,073	248,868,855,584
Liabilities						
Customer deposits	-	-	-	7,775,840	2,158,024,288	2,165,800,128
Cash insurances	-	-	-	-	0	0
Income tax allowance	-	-	-	-	1,123,752,372	1,123,752,372
Loan of CBI	-	-	-	-	675,000,000	675,000,000
Other liabilities	-	-	-	-	549,991,353	549,991,353
Total liabilities	-	-	-	7,775,840	4,506,768,013	4,514,543,853
Profit re-pricing gap	82,075,972,330	-	-	165,114,670,341	(2,836,330,940)	244,354,311,731
2019						
Total assets	481,388,220	-	-	166,746,223,607	85,596,122,188	252,823,734,015
Liabilities	-	-	-	8,993,760	12,514,926,942	12,523,920,702
Profit re-pricing gap	481,388,220	-	-	166,737,229,847	73,081,195,246	240,299,813,313

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34.3.5. Concentration of foreign currency risks:

2020			
Statement	US Dollar	AED	Total
Assets			
Cash & balances in the CBI	98,875,580	-	98,875,580
Deposits with banks and other financial institutions	4,658,115	4,490,621	9,148,736
Islamic financing	-	-	-
Other assets	-	-	-
Total assets	103,533,695	4,490,621	108,024,316
Liabilities			
Customers deposits	6,292,600	-	6,292,600
	-	-	-
Total liabilities	6,292,600	-	6,292,600
Net concentration in the statement of financial position	97,241,095	4,490,621	101,731,716
Contingent liabilities outside the statement of financial position	-	-	-

***the exchange ratio was calculated (1460) dinar per dollar.**

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34.4. Liquidity risk:

Liquidity risk is represented in the bank's inability to provide the necessary financing to fulfill its obligations on their due dates, and in order to protect against these risks, the management diversifies sources of financing, manages assets and liabilities, harmonizes their terms, and maintains an adequate balance of cash and its equivalents and negotiable securities.

First: the table below summarizes the distribution of liabilities (undiscounted) on the basis of the remaining contractual maturity period at the date of the financial statements:

2020	Less than 1 month	1 to 3 months	3 month to 6 month	6 month to 1 year	1 to 5 years	Without merit	Total
IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar	IQ dinar
2019							
Liabilities							
Customer deposits	11,090,450,813	-	-	8,993,760	-	-	11,099,444,573
Cash insurances	-	5,317,950	-	-	-	-	5,317,950
Loan of CBI	-	-	-	-	-	775,000,000	775,000,000
Other liabilities	516,309,947	-	-	-	-	-	516,309,947
Total liabilities	11,606,760,760	5,317,950	-	8,993,760	-	775,000,000	12,396,072,470

2019							
Liabilities							
Customer deposits	16,998,367,296	-	-	77,579,500	-	-	17,750,946,796
Cash insurances	-	5,479,870	-	-	-	-	5,479,870
Loan of CBI	-	-	-	-	-	425,000,000	425,000,000
Other liabilities	311,897,612	-	-	-	-	-	311,897,612
Total liabilities	17,310,264,908	5,479,870	-	77,579,500	-	425,000,000	27,738,781,600

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35.1. Maturity analysis of Assets and Liabilities:

The following table shows an analysis of assets and liabilities according to expected period to recover settle them:

2020	Up to 1 year	More than 1 year	Total
IQ dinar	IQ dinar	IQ dinar	IQ dinar
Assets			
Cash & balances in the CBI	83,127,871,312	292,907,100	83,420,778,412
Deposits with banks and other financial institutions	8,965,761	-	8,965,761
Islamic financing	-	165,122,446,181	165,122,446,181
Property and equipment	-	79,396,118	79,396,118
Intangible assets	-	78,280,000	78,280,000
Other assets	158,989,112	-	158,989,112
Total assets	83,295,826,185	165,573,029,399	248,868,855,584
Liabilities			
Customer deposits	2,158,024,288	7,775,840	2,165,800,128
Cash insurances	-	-	-
Income tax allowance	1,123,752,372	-	1,123,752,372
Loan of CBI	-	675,000,000	675,000,000
Other liabilities	549,991,353	-	549,991,353
Total liabilities	3,831,768,013	682,775,840	4,514,543,853
Net. Total	79,464,058,172	164,890,253,559	244,354,311,731

**Clarifications on the financial statements
December 31, 2020**

35.2. Maturity analysis of Assets and Liabilities:

2019	Up to 1 year	More than 1 year	Total
IQ dinar	IQ dinar	IQ dinar	IQ dinar
Assets			
Cash & balances in the CBI	85,286,826,431	381,020,610	85,667,847,041
Deposits with banks and other financial institutions	32,740,089	-	32,740,089
Islamic financing	-	166,746,223,607	166,746,223,607
Property and equipment	-	117,005,330	117,005,330
Intangible assets	-	71,600,000	71,600,000
Other assets	188,317,948	-	188,317,948
Total assets	85,507,884,460	167,315,849,547	252,823,734,015
Liabilities			
Customer deposits	11,090,450,813	8,993,760	11,099,444,573
Cash insurances	5,317,950	-	5,317,950
Income tax allowance	127,848,232	-	127,848,232
Loan of CBI	-	775,000,000	775,000,000
Other liabilities	516,309,947	-	516,309,947
Total liabilities	11,739,926,942	783,993,760	12,523,920,702
Net. Total	73,767,957,518	166,531,855,787	240,299,813,313

36. Cases brought against the bank:

There are no substantial cases brought against Al-Qabidh Islamic Bank for Finance and Investment as of December, 31, 2020 and in the estimation of the bank's management and its legal advisor, the bank will not have any obligations for these cases.