

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

**Financial Statements for the year ended
31, December, 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**

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 annual report for the year ending on 31/12/2021 and the auditors' report. We will also address the most important achievements that the bank has been able to achieve through implementing its strategic plan and evaluating the performance of the board of directors and its committees and members in accordance with the requirements of governance, especially with regard to the control, internal audit and compliance departments. The Bank continued its endeavor to expand its services and products in line with Islamic Sharia, the Financial Reporting Standard (9) IFRS was applied for the third year in a row.

Our bank is keen to provide cash liquidity to meet its financial obligations compared to the conditions the world is witnessing and any other exposures that may affect the bank, in addition to our bank's participation in financing humanitarian, cultural and environmental activities through the (Tamkeen) initiative. The bank has been keen on development by continuing to contract with sober companies to develop the 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 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, wishing them continued progress and success in serving our country and its honorable people.

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 ended on December 31, 2021

Shareholders of Al-Qabidh Islamic Bank for Finance and Investment

Dear Sirs

The Board of Directors would like to present its sixth annual report for the year 2021, including information about the bank's activities and the financial results achieved by the bank within 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, 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 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: Members of the 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
Tariq Ibrahim Ismail	Deputy Chairman of the Board of Directors	30,000	0.000012	8/2/2017	Bachelor's degree in Administration and Economics	*Chairman of the Audit Committee
Hayder Kadhem Al-Ansari	Member (CEO)	930,000	0.00037	8/2/2017	Bachelor of Computer Science	-----
Nourhan Juma Matar	Member	25,000	0.00001	4/8/2021	Bachelor of Business Administration	* Chairman of the Risk Management Committee * member of the Audit Committee * member of the Nomination and Remuneration Committee
Atta Emad Redha	Member	25,000	0.00001	4/8/2021	middle school	* member of the Corporate Governance Committee * member of the Nomination and Remuneration Committee
Hajar Faisal Ghazi	Member	25,000	0.00001	4/8/2021	Bachelor of Business Administration	* member of the Risk Management Committee
Zeina hussam Ezzat	Member	25,000	0.00001	4/8/2021	Bachelor of Statistics	*Chairman of the Nomination and Remuneration Committee *member of the Corporate Governance 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	0.0003	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	-----
Tania Ali Mahmoud	Member	30,000	0.00001	4/8/2021	Technical Diploma Accounting	-----
Hind Khamis Majid	Member	25,000	0.00001	4/8/2021	Bachelor of Software Engineering	-----

C. The Chairman and members of the Board of Directors did not receive any remuneration during the year 2021, and they had no interest in signing any of the contracts, nor did they obtain loans and privileges, and that all Board members are committed to attending the Board of Directors' meetings.

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

No	Names	No. of Shares	Shareholding percentage to capital
1.	Ahmed Hatwan Rhaima Alhaidari	12,510,165,000	5%
2.	Mustafa Qasim Mohammed Sabagh	15,453,385,000	6%
3.	Zena Mhana Khairy Al sadi	24,100,000,000	9.6%
4.	Namariq Mhana Khairy Al sadi	24,700,000,000	9.8%
5.	Raed Mohammed Ghulam Hussein	24,800,000,000	9.9%
6.	Ali Mohammed Ghulam Hussein	24,900,000,000	9.9%
7.	Hussein Hadi Ahmed Al Ahrami	24,900,000,000	9.9%
8.	Mustafa Yousif Ghulam Hussein	24,900,000,000	9.9%
9.	Ahmad Ali Hassan Al-Dujaili	24,900,000,000	9.9%
Total		201,163,550,000	80.46%

E. Statistics of the distribution of the shares on the shareholders on 31/12/2021

Classification	No. of shareholders	No. of Shares
From 1 to 1,000,000	19	3,790,000
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	35	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, 2021.
- 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, determining 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 (2021), The Board of Directors held (46) 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 2021 amounted to (3,402,420) thousand dinars, the expenses amounted to (3,235,442) thousand dinars, and thus a profit of (166,978) thousand dinars was achieved, and after adding the tax, it becomes (42,571) thousand dinars.
2. The accumulated deficit at the beginning of the year amounted (7,593,632) thousand dinars, and the accumulated surplus amounted to (2,226,776) thousand dinars.
3. Reserves balances and their uses: The total balances of the bank's reserves as they were at the end of 2021 reached (308,250,219) thousand dinars.

Account Name	31/12/2021	31/12/2020
Required (legal) reserved	214,030,598	214,030,598
Others reserved	94,219,621	94,219,621
Total	308,250,219	308,250,219

4. Balances of retained allocations and their reasons:

The total allocations of the bank amounted in the end of the year (2021) (8,942,061) thousand dinars, as shown in the table below:

Account Name	31/12/2021	31/12/2020
Tax income dedications	758,564,654	779,864,752
Miscellaneous dedications	8,162,196,860	146,704,401
Total dedications	8,920,761,514	926,569,153

5. The equity: The total paid-up capital and its reserves amount (244,941,393) thousand dinars, which represents the paid-up capital (250,000,000) thousand dinars, and The total of sound reserves amounted (2,500,951) thousand dinars, and the accumulated deficit reached (7,593,632-) thousand dinars.

B. Banking activity:

1. **Deposits:** The total bank deposits amounted (712,859) thousand dinars as on 31/12/2021.
2. **Banking facilities:**
Cash and pledge credit (Islamic financing): the bank granted credit in the form of (Murabahah), whereby the Islamic financing as on 31/12/2021 reached (389,810) thousand dinars.
3. **Investments:** The bank invested in shares, the total investments as on 31/12/2021 (174,977,500) thousand dinars.

C. Cash liquidity: The balance of cash in the fund and at banks in the end of 2021 reached (130,358,664) 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	2021		2020	
	Thousand Dinar	Relative Importance	Thousand Dinar	Relative Importance
Money in the fund	4,517,742	0.03	82,075,972	0.98
Cash with foreign banks	16,114,308	0.13	9,148	0.0001
Cash with local banks	992	0	-----	-----
CBI	106,711,774	0.82	1,051,898	0.012
Legal deposits in the CBI	3,013,848	0.02	292,907	0.003
Total	130,358,664	100%	83,429,925	100%

D. Administrative activity:

1. The number of employees at the end of 2021 reached (74), and the salaries and wages spent to them, including the remunerations, allowances and the contribution in the social security amounted (1,041,178) thousand dinars.
2. The following table shows the names and titles of senior administration of the bank for the year 2021:

	Name	Title
1	Hayder Khadim Al Ansari	Managing director
2	Suzan Dawoodb Namdar	Assistant managing director
3	Mohammad Rafeeq Qasim	Department director, Islamic compliance and compliance control
4	Hayder Mahdi Naseer	Department director, reporting money laundering and terrorism financing
5	Ali Zaki Ali	Department director, risks management dept.

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	13
3	High school and below	16
Total		74

4. The following are the names and job titles of five affiliates of the bank who received the highest annual income during the year 2021:

	Name	Title
1	Hayder Khadim Al Ansari	Managing director
2	Suzan Dawood Namdar	Assistant managing director
3	Mohammad Rafeeq Qasim	Department director, Islamic compliance and compliance control
4	Ali Zaki Ali	Department director, risks management dept.
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 employees during 2021 and the following statement explain that:

	Course name	The place where the course held	No. of participants
1	ACH-RTGS	Inside the bank	9
2	Business Language	Inside the bank	7
3	Microsoft sql server	Online	1
4	Swift	Inside the bank	12
5	Stress Testing	Online	1
6	Finance & Investment management	Online	3
7	Managing bad debts in corona pandemic	Online	2
8	Banking Operations Management	Online	1
9	Banking risk management & setting precaution controls	Online	2
10	Cash management & treasury and investment operations	Online	2
11	Risk management of Information security and intrusion assessment (cyber security)	Online	1
12	Liquidity Management Tools in Banks Islamic	Online	1
13	Islamic banking Basics	Online	2
14	Banking service strategy and development of Customer service management skills	Online	1
15	KYC form	Inside the bank	10
16	Framework of Institutional Information Technology Governance & its management	Online	1
17	Preparing the annual plan for risk based review and audit	Inside the bank	12
18	Preparing quarterly budgets according to International Islamic standards	Online	2
19	Best practices in preparing policy & procedures	Online	1
20	Accounting errors and ways to detect and correct them according to International accounting standards	Online	1
21	Modern methods of auditing, financial control and internal audit in accordance with international standards	Online	1
22	e-compliance	Online	1
23	Sharia Compliance and compliance monitoring, bribery and banking corruption	Inside the bank	11
24	cyber security	Online	2
25	universal bank credit	Inside the bank	13
26	Banking credit and credit default management	Online	1
27	International correspondent banks and their facilities	Online	2
28	Strategic planning at banking business	Online	1
29	Training to use Orion system	Online	3
30	AML Training	Online	4
31	Credit rating for Islamic Finance	Online	6
32	Practical application of risk management report	Online	1

33	best techniques and practices in drafting and auditing and analyzing contracts	Online	1
34	Banking awareness and excellence in Service customers	Online	1
35	e-governance	Online	2
36	Corporate Governance of Banks	Inside the bank	18
37	Sharia Controls for Islamic Financial Banking	Inside the bank	15
38	The mechanism of BUNA platform	Online	1
39	Types of electronic crimes and ways to combat them	Inside the bank	6
40	Basel and self-assessment capital adequacy ICCAP	Online	1
41	The role of Sharia supervision in controlling Islamic banks business	Online	2
42	Anti-money laundering and terrorist financing course	Online	1
43	SWIFT letters for LC , LG and collection policies	Online	1
44	Methods of discovery and forgery the documents	Online	1
45	US tax compliance act for foreign accounts (FATCA)	Online	1
46	Certified Letter of Credits Manager CLCM	Online	1
47	Workshop on Scorecard Requirements for Corporate Governance Manual	Online	2
48	US tax compliance act workshop (FATCA)	Online	1
49	International correspondent banks and their facilities	Online	2
50	Prepared for emergency and managing crisis and business continuity	Online	1

6. Services contracts concluded by the bank during 2021:

	Contract's details	The company contracted with	Amount
1	Assessment of the framework for combating money laundering and terrorist financing	Mostafa Fouad Abbas & Partner Company (Member of Ernst & Young International)	\$45,000
2	Providing requirements development services related to scorecard instructions	KPMG Corporation	\$60,000
3	contract for issuing electronic payment cards and managing ATMs	Ishtar Gateway Company for Systems and Electronic Payment Services for Money	-----
4	Evaluation and implementation of an information security management system ISO27001:2013)	Mostafa Fouad Abbas & Partner Company (Member of Ernst & Young International)	\$50,000
5	supply contract Service Desk Plus	Acadia Information Technology co.	\$11,850
6	supply contract Event log Analyzer	Acadia Information Technology co.	\$17,450
7	supply contract Op Manager	Acadia Information Technology co.	\$18,400
8	Bank rating report	Moody's, Inc.	\$35,000
9	Supplying Internet service	Rabet Al-Ardh co.	\$18,140

Ninth: Sharia Commission:

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

S/N	Name	Job Title
1	Mustafa Khalil Ibrahim	Chairman of the commission
2	Karar Radhi Sultan	Member
3	Ali Ahmed Nema	Executive member
4	Fayruz Taymoor Ali	Member
5	Nibras Khalel Ibraheim	Member

Tenth: volume of Imports and Exports during 2021

No goods or services has been imported or exported in favor of the Bank during 2021.

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.
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:

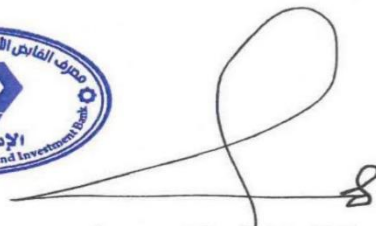
- A. There is no governmental protection or privileges enjoyed by the bank or any of its products or services under the authority of laws, regulations, and others.
- B. There are no decisions issued by the government or international organizations or others that have a material impact on the business 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

Sharia supervisory Board report of Al-Qabidh Islamic Bank for Finance & Investment for the fiscal year ended on 31, December, 2021

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

Dear Sirs,

In accordance with the regulatory rules of Islamic banks work no. (9/3/217 on 30/5/2018) of the Sharia Supervisory Board, paragraph (1-14-5), we present the following report:

What Allah has legislated in worship must be taken in transactions by allowing what he has permitted and forbidding what he has forbidden and adopting Islamic Sharia as the basis for all its transactions and services provided by the bank that are in accordance with the provisions and principles of Islamic Sharia in order to contribute to the development of the national economy and the practice of Islamic banking in accordance with Islamic accounting standards, Sharia standards and laws of Central Bank of Iraq and that the basis upon which the contemporary Islamic banks are based is to present the legal alternative to the illegitimate usurious banks, and it is no secret that Sharia supervision is a necessity for Islamic banks, as it is the body that monitors and supervise progress of Islamic banks, their commitment and their application of legal provisions in their transactions.

The Bank's Sharia Supervisory Board has reviewed and studied all Islamic banking products and services. where our Board includes in its membership specialist who are known by deep knowledge of Islamic law and jurisprudence of transactions in particular and experience in the field of issuing Fatwas and legal rulings based on Islamic jurisprudence and no money belonging to Al-Qabidh Islamic bank is invested in transactions that do not comply with the provisions of Islamic Sharia or obtaining funds from any illegal source, and on this basis the bank has provided its customers with peace of mind through every product or service it provides to them, through the Fatwa provided by the board for each product.

The Sharia Supervisory Board contributed to spreading reassurance among shareholders and depositors, whose confidence is undoubtedly one of the most important factors for success in the Bank.

We show you the areas of board's work in the bank for the year ending (2021):

First: Scientific aspects:

1. The Board approved the legal aspects of products, services, agreements, contracts and documents related to products provided by the bank and the policies used by it.
2. The Board has monitored the operations and activities of the Bank and ensured that the transactions, activities and investments carried out by the bank fall within the approved products intended by the Board.
3. The Board has developed legitimate alternatives and sound solutions in line with the provisions and principles of Islamic Sharia, in case of occurrence of problems.
4. The Board reviewed the reports of the Internal Sharia Supervision and Audit Department regarding the audit of all the bank's transactions and the extent of its compliance with the Sharia rulings, fatwas and decisions issued by the Sharia Board.
5. The Board has unified Islamic jurisprudence in the field of banking financial transactions, expressing a Sharia opinion in the investment activities of the bank, and applying the provisions of Islamic Sharia on these activities and other banking activities.
6. The Board has raised awareness and educates the bank's employees, as the Islamic bank needs employees who understand the provisions of Sharia, especially since Islamic banks are newly established. And we find that many of the employees of Islamic banks were brought in from non-Islamic banks that do not comply with the Sharia rulings. Hence the board worked to improve these employees, educating them, and guiding them in: The Sharia transactions provisions, the foundations and rules of Islamic banking, the provisions of contemporary financial transactions, the etiquette that a bank employee should have). The board held courses and workshops for the bank's employees for the year ended on 31/12/2021

As follow:

- A course entitled (Introduction to Islamic Finance services) presented by the lecturer (Ali Ahmed Nehme / Member of the Board of Directors). Shariah supervision).
- Course entitled (Shariah Controls for Islamic Financial Banking), which was presented by the lecturer Sheikh (Karar Radi Sultan/ Member of the Sharia Supervisory Board).

The members of our board of directors have obtained a certificate of external courses and workshops related to all work and sharia provisions in supervision of Islamic banks activities by the Central Bank of Iraq, including:

- Islamic Accounting Standards (Ionic) attended by (Mr. Ali Ahmed Nehme/ Member of the Sharia Supervisory Board) and. (Mrs. Nibras Khalil Ibrahim/ Member of the Sharia Supervisory Board).

- The role of Sharia supervision in controlling the business of Islamic banks, attended by Sheikh (Karar Radi Sultan/ Member of the Sharia Supervisory Board).

Second: The executive areas: the board in the bank assure that the banking operations were legal or not and it gave directives to correct mistakes if occur, as the board worked to implement the provisions of Sharia in three ways: (preventive control/ before implementation, corrective control/ during implementation, and supplementary control / after implementation). We have observed the principles used and the contracts related to the transactions and requests submitted by the bank for the financial year ended 31/12/2021 and we also monitor and express an opinion on whether the bank has complied with the provisions and principles of Islamic banking in its transactions and services, our responsibility is limited to expressing an independent opinion based on our monitoring of operations of the bank and when prepares a report for you. We have carried out our monitoring, which included examining the documents and procedures followed by the bank on the basis of testing each type of transaction, as well as obtaining all the information and interpretations that seems necessary to provide us with sufficient evidence to provide reasonable assurance that the bank has not violated the provisions and principles of Islamic Sharia.

In our opinion:

1. The contracts, operations and transactions entered by the bank for the fiscal year ending on (31/12/2021) that we reviewed were made in accordance with the provisions and principles of Islamic Sharia 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 Sharia law.
3. The closing accounts and the annual budget of the bank were properly audited and in conformity with the provisions of Islamic Sharia law.

Sharia Supervisory commission works:

1. The Sharia Supervisory commission held (15) meeting during 2021.
2. The Sharia Supervisory commission issued during 2021 (34) decision and Fatwa.
3. The Board has prepared a manual that includes the method for submitting a request to executive management for a fatwa, the conduct of the Board's meetings, and the mechanism for ensuring this actual compliance with any decision issued by it, and an annual plan to ensure that the Sharia Supervisory Board is the one that legally directs the bank's business and monitors its compliance with the Board's decisions and not violating it and approved by the Board of Directors

4. The board has prepared training courses for bank's employees on the banking operations and principles and jurisprudence of transactions approved by the board of directors and provide guidance to them.
5. Preparing reports to investigate the reality and previous procedures report on the design and development of banking product or service provided to the managing director.
6. The quarterly reports were prepared and sent to the Central Bank of Iraq.
7. The annual plan of the Sharia Supervisory Board was prepared
8. The Sharia Supervisory Board of the bank was formed from
 - Mr. Mustafa Khalil Ibrahim - Chairman of the Sharia Supervisory Board – chairman.
 - Sheikh Karar Radi Sultan - Member of the Sharia Supervisory Board – member.
 - Mr. Ali Ahmed Nema - Member of the Sharia Supervisory Board - member.
9. Electing Mr. Ali Ahmed Nehme as an executive member of the Sharia Supervisory Board, and establishing a secretariat for the Sharia Supervisory Board that includes
 - Mr. Ali Ahmed Nehme - executive member - head of the secretariat.
 - Ms. Firouz Taymour Ali and Ms. Nibras Khalil Ibrahim - members of the Sharia Supervisory Board Secretariat.

The independency of the Sharia Supervisory Board:

We confirm the independency of the Sharia Supervisory Board 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 two 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 Sharia supervisory board at any other Islamic bank inside Iraq.

In conclusion, we thank the officials in the bank for their cooperation with us in accomplishing our tasks, and we thank 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 Highest, and the Almighty, to bring us the right and the straight path.

Peace be upon you.



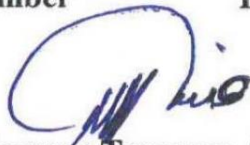
Karar Radi Sultan
Member



Ali Ahmed Nimah
Executive Member



Mustafa Khalil Ibrahim
Chairman of Board



Fayrooz Taymoor Ali
Member



Nibras Khaleel Ibrahim
Member

The governance report of the bank for the year (2021)

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

Dear Sirs,

Al Qabidh Islamic Bank applies the principles of corporate governance by introducing structural, legislative and supervisory developments to the banking system, which aim to reduce the risks that the bank may be exposed to, as the customers and the investors in particular tend to deal with banks that have the sound governance structures which aims to determine the nature of the relationship between the bank's board of directors and the executive management, which leads to the protection of the funds of depositors, shareholders and stakeholders, as well as focusing on disclosure and transparency. the responsibility of building and developing the governance framework and reviewing the application of the corporate governance manual issued by the Central Bank of Iraq is upon the corporative governance committee emanating from the board of directors, and through that, the bank's strategy and management of the bank's risk system, disclosure and transparency practices are determined, and the bank complies with the effective laws, instructions and controls, and as well as take responsibility towards shareholders and protects the depositors and other stakeholders.

Scope and responsibility:

The Governance Committee monitors the implementation of the corporate governance system, verifies the soundness of the procedures taken, and evaluates any deviations that may arise upon implementation. The Committee submits its recommendation to the Bank's Board of Directors for the purpose of taking the necessary decisions when required.

The bank vision of the corporate governance:

The bank is keen to protect the rights of shareholders and provide additional value to their ownership, and it will always remain a priority, through the application of high professional banking practices. The bank will not only be committed to applying the laws of the Central Bank of Iraq and the regulatory authorities, but will also care about standards of corporate governance. The bank will also work permanently to achieve the best return for the related parties, which include shareholders, customers, employees, and society in general. The endeavors to implement corporate governance rests directly with the Bank's Board of Directors and is in compliance with regulations and legal requirements in Iraq.

Compliance with regulatory requirements for corporate governance:

The Bank is keen to comply with the Corporate Governance Manual and the requirements of the Central Bank of Iraq in this regard, which focused on the governance concepts and instructions which are: a set of relationships between the bank's management, the board of directors, shareholders and other stakeholders which explains the mechanism through which goals are set and the means to achieve those goals and monitor performance, and governance defines the powers and the decision-making process, and the governance system in our bank in general, is concerned with ensuring the preservation of shareholders' rights and equal treatment for them and protection of the interests of small shareholders, with an emphasis on the requirements for disclosure of information and ensuring its transparency. In addition to the responsibilities and duties assigned to the Board of Directors, this includes the systems, policies and procedures that ensure accountability, integrity and transparency when the bank conducts its business and activities, as well as the responsibilities of the board of directors, the role of stakeholders in governance, disclosure and transparency, accounting and auditing, and the control environment.

The Bank's initiatives for the year (2021) to implement the corporate governance strategy:

We would like to inform you that the bank has contracted with (KPMG) company (Laila Mohamed Abdel Abbas Al-Amili office) one of the members of KPMG International Network for the purpose of developing the scorecard project for environmental, social and governance standards in the bank, which is one of the four largest accounting and auditing firms in the world for keeping pace with international developments, strengthening the corporate governance system, applying international standards and best practices in the bank and the principles of corporate governance and strengthening the general frameworks for governance and wise management that affect the identification of the bank's strategy, managing the bank's risk system, the bank's business and activities, The balance between commitment to responsibility towards shareholders and protecting the interests of depositors, the bank's compliance with laws, instructions, and disclosure and transparency practices.

Here we list for you the policies and procedures related to the requirements of the scorecard for environmental, social and governance standards which prepared in cooperation with KPMG:

1. Policy of guaranteeing human rights and encouraging women.
2. Policies and procedures Guide for protecting financiers and depositors.
3. Policy of hiring and selecting members of the Board of Directors.
4. Policy of defining the roles and responsibilities of members of the board of directors and the policy that enhances the role of women in the board.

5. Environmental governance and social responsibility policy (sustainability policy).
6. Violation reporting policy (the policy of sounding the alarm).
7. Disclosure report form for shareholders with essential financial and non-financial information.
8. Governance Report Form.
9. Job replacement plan at the level of the board of directors and executive management.
10. Rewards and incentives policy and criteria used to measure performance of the executive management.
11. Conflict of interest policy.
12. Disclosure and transparency policy (balanced disclosure policy).
13. Policy for maintaining confidentiality and security of information.
14. Related party transactions management policy.
15. Complaints mechanism.
16. The annual evaluation mechanism for the members of the board of directors.
17. The quarterly banking operations reports form.
18. Risk framework of the Risk Management Department.
19. Report of the review and improvement of the risk management policy.
20. The powers of the risk management department matrix.

Board of directors' information:

- **Formation of the board of directors**

The bank's board of directors consists of (7) members who are appointed and elected in accordance with the provisions of the articles of association and primary system. The board of directors consists of members with a high professional background and experience. The members of the board's committees are also selected according to their professional experiences, and the requirements of corporate governance. And it periodically reviews its formation, the participation of members, and the work of the committees belong to it. The appointment of the members of the Board is subject to the prior approval of the Central Bank of Iraq, and they are elected/appointed by the shareholders at the annual general assembly meeting. The election or re-election of the member during the general assembly shall be with the blessing of the board and upon the recommendation of the committee on appointment, benefits and governance so that it is supported by specific information such as qualifications, curriculum vitae, professionalism and membership in the other boards.

- **Charter of work for members of the Board of Directors:**

The Board of Directors approved the charter of work for each of its members, as well as charters for all of the bank's committees. These charters clarify areas of conflict of interest, confidentiality requirements, and responsibilities of authorized

signatories to comply with best practices. The ultimate responsibility for monitoring of the charter rests with the board of directors.

- **Duties and Responsibilities of the Board of Directors:**

The main task of the Board of Directors is to follow up the implementation of the strategic objectives of the bank and to monitor its operations in accordance with the legal system and the supervisory framework in general. The board must ensure the adequacy of the financial and operational system and the internal control systems, as well as the field application of the institutional rules of conduct and the work charter. Supervising the senior executive management, following up on its performance and ensuring the soundness of the financial conditions and solvency of the bank, and it must adopt appropriate policies and procedures to supervise and periodically monitor the bank's performance. In addition, the board must ensure that the senior executive management carries out its responsibilities related to managing the daily operations of the bank, that it contributes to the application of corporate governance and delegates powers to employees and establishes an effective administrative structure that enhances accountability, and implements tasks in the various fields and activities of the business in consistent with The bank's strategy and with the policies and procedures approved by the Board, as well as defining the core values of the bank, drawing clear lines of responsibility and accountability for all the bank's activities, and establishing a high culture of ethical standards, integrity and professional behavior for the bank's administrators.

- **Annual disclosures at the meeting of the Board of Directors:**

The bank submits a report on corporate governance to the bank's Board of Directors annually, covering the status of compliance with relevant regulatory requirements and international best practices. At the Board of Directors meeting, the bank discloses the details and submits reports for shareholders.

- **Conflict of interest:**

The Bank has clear policies based on local laws and regulations and international best practices to deal with issues related to conflict of interest and during the meeting of the board or its affiliated committees and during the discussion of subjects related to banking or investment transactions or any other operations in which there may be a conflict of interest, the member is asked to leave the meeting room and do not send him/ her any correspondence or documents related to the request. Decisions are taken by the Board of Directors or its affiliated committees without the presence of the concerned member, and such transactions are recorded in this sense in the minutes of the meeting of the Board or its committees. In addition, it is the responsibility of the board member and he must immediately disclose to the board

the existence of a conflict of interest related to his activities and obligations with other parties and not to participate in discussion and voting. These disclosures include documents related to contracts or transactions related to the relevant member.

- **Training programs organized for members of the Board of Directors during the year (2021)**

For the purpose of developing their expertise and getting to know the bank's activities and modern technologies, and that the number of training hours attended by the members of the Board of Directors, whether by attending the training courses organized by the bank or by attending other training courses, they are as shown below:

Name	Courses and Workshops
Nourhan Juma Matar	<ul style="list-style-type: none"> • Anti-money laundering and terrorist financing • Universal bank credit • Advanced Anti-Money Laundering Course • Sharia controls and Islamic financial banking • Awareness workshop on user security controls (CSP-SWIFT) • Finance and investment management • AML system training
Tania Ali Mahmoud	<ul style="list-style-type: none"> • Corporate Governance Course • Islamic finance types and Islamic banking instructions • Thinking and Strategic Planning Workshop • Combating Money Laundering and Terrorist Financing
Hajar Faisal Ghazi	<ul style="list-style-type: none"> • Islamic finance types and Islamic banking instructions • Thinking and Strategic Planning Workshop • E-Governance • Sharia compliance and compliance control, banking bribery and corruption • SWIFT
Hind Khamees Majid	<ul style="list-style-type: none"> • Anti-money laundering and terrorist financing • Sharia compliance and compliance control, banking bribery and corruption • SWIFT
Zeina Hussam Ezzat	<ul style="list-style-type: none"> • IT risks • Sharia Controls for Islamic Financial Banking • AML system training • Awareness workshop on user security controls (CSP-SWIFT) • SWIFT

<p>Atta Emad Rida</p>	<ul style="list-style-type: none"> • Corporate Governance Course • Islamic finance types and Islamic banking instructions • Thinking and Strategic Planning Workshop • Anti-money laundering and terrorist financing • Risks of Islamic financing types • Preparing the annual plan for review and audit based on risk • Universal bank credit • An advanced course in combating money laundering • Electronic archiving system + electronic portal system • E-governance • Credit classification for Islamic finance • Sharia compliance and compliance control, banking bribery and corruption
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- **New nominations for board members:**

The following new members were nominated during the year (2021) by the Nominations and Remunerations Committee in order to complete the formation of the Board of Directors according to what was stated in the Corporate Governance Manual issued by the Central Bank of Iraq, (Section Two - Article 3 - Paragraph 2) as follows:

1. Nourhan Juma Matar.
2. Atta Imad Rida.
3. Tania Ali Mahmoud.
4. Hajar Faisal Ghazi.
5. Hind Khamis Majid.
6. Zeina Hussam Ezzat

- **Contracts and financing for members of the board of directors:**

There are no contracts and financing granted to members of the board of directors.

- **Board of Directors meetings:** The total of the Board of Directors meetings during the year (2021) reached (46) meetings.

- **The committees emanating from the Board of Director:** 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 (cooperate governance guide) issued by Central Bank of Iraq and supervises the implementation of the bank's cooperate governance guide and action charters of its committees and updating it and monitoring its implementation.
- Publishing the cooperate governance guide on the website, and informing the board of directors and the bank employees
- Reviewing the applying of cooperate governance guide in accordance with bank's operations and the variety of its activities and monitoring the 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 Cooperate 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	Ataa Emad Ridha	Member of BOD	Member
3	Zeena Husam Ezzet	Member of BOD	Member
4	Teba Kamel Shakir	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 Sharia Control and Audit department, and the bank's external audit and it reviews the external auditor's report of 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 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 Sharia 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 Sharia 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	Norhan Jumaa Matr	Member of BOD	Member
3	Zeena Husam Ezzet	Member of BOD	Member
4	Susan Aziz Husain	Assistant manager Sharia Compliance & Compliance Control	Minute-taker

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

- The committee undertakes nominating of qualified 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	Zeena Husam Ezzet	Member of BOD	Chairman of the commission
2	Norhan Jumaa Matr	Member of BOD	Member
3	Ataa Emad Ridha	Member of BOD	Member
4	Teba Kamel Shakir	Private Secretary of BOD	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 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.
- Ensuring the bank compliance with the regulation, instruction and policies related to risk management dept. and banking risk management controls in Islamic banks.
- 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 (2021).
- 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	Norhan Jumaa Matr	Chairman of Board of Directors	Chairman
2	Hajer Faisal Gazi	Member of BOD	Member
3	Zeena Husam Ezzet	Member of BOD	Member
4	Zainab Khairy Mahdi	Assistant manager (Risk management dept.)	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 creditworthiness 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.

It consists of:

	Name	Position	Membership in committee
1	Suzan Dawod Namdar	Assistant managing director	Chairman of the commission
2	Nihad Hassan Najam	Manager of Finance & Investment Dept.	Member
3	Anas Haithem Majed	Assistant manager of Accounting and Finance 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 foreign instruments of portfolio components, 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	Raghad Khalid Kadhum	Manager of Accounting and Finance Dept.	Chairman of the commission
2	Jamal Saeed Jamal	Assistant Manager of Treasury & Investment Dept.	Member
3	Karar Abdul Kareem Abass	Finance & Investment 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 policies and procedures manual of information technology department and ensuring the preparation of ICT policies and procedures to implement the ICT Governance Manual issued by the Central Bank of Iraq.
- 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.
- Reviewing SWIFT policies including (swift network protection policy, remote access policy, information security policy and cyber security policies and procedures)
- Reviewing and updating the policies and procedures of IT department.
- Studying the contracts from companies applying to contract with bank and submitting recommendations to the risk management committee emanating from the board of directors.
- 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	Suzan Dawod Namdar	Assistant managing director	Chairman of the commission
2	Ahmed Shukur Kareem	Assistant Manager of IT dept.	Member
3	Aws Haithem Majed	Assistant Manager of payments dept.	Member

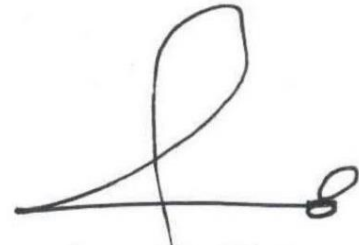
With kindness regard



Ataa Emad Ridha
Member of BOD
(Member)



Zeena Husam Ezzet
Member of BOD
(Member)



Ameer Yasir Fadhil
Chairman of BOD
(Chairman)

Report of investigation (Accounts Audit Committee) for the year (2021)

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 corporate governance of Banks (Chapter four - Article 12 - Paragraph 3.3.11), the committee presents its annual report on the adequacy of the control and monitoring 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/ external chartered accountant and auditor) and Mr. Mahmud Rashid Ibrahim Al-Fahad/ external chartered accountant and auditor), and for the important of communication between the external auditors and the audit committee and enhance the role of external auditor to ensure that the financial statements reflect the bank's performance in all important aspects and clarify its true financial position and take appropriate measures to achieve this. Addressing weakness points in internal control and monitor systems and any notes appointed by the external auditor. 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 (31/12/2021) 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, the reports of the supervisory departments of the bank have been reviewed.
2. Applying the International Financial Reporting Standard (IFRS9) to calculate the expected credit loss for financial instruments 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 of paying, 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 (EAD).

3. The annual report and its 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 enforce.
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 (2020).
7. Prepare mechanism to ensure regular change of external auditor in the bank every five years as a maximum from the date of election and under the supervision of the audit committee.

Second: The Sharia 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 Sharia 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 Sharia 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 in addition to the job description of the department.
7. Updating the 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 (2021) and the application of governance standards and the activity of Sharia compliance in the field of combating money laundering and terrorist financing.
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 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 foreign bank transfers in addition to the website of the committee for freezing terrorist funds.
11. Preparing a quarterly report, in coordination with the Internal Sharia 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 (2021).
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 (2021) was confirmed.

17. Preparing a schedule of the implementation stages of the strategic plan for the years (2021, 2022, and 2023).
18. Preparing an annual report on the BOD's minutes of meetings for the year (2021), in which the number and all the details of the meetings during the year are explained in detail as follow: (number and date of meetings, subject and contents, the recommendations of the committees and the board of directors and the procedures followed)
19. Suggesting training courses on policies and procedures that should be followed and emphasizing the necessity of adhering to them by the staff in general and new staff in particular.
20. Preparing a list of banking products, services and areas of work, which helps in identifying all areas of work that were not covered previously, in cooperation with the departments of the bank.
21. Regulating banking activities and services with legal requirements and related instructions.
22. Review the updated accounts and their percentage of the total accounts.
23. It was ensured that the Sharia Compliance Monitor was granted full access to all information, records and documents.
24. Coordinating with the legal department to ascertain the level of the bank's commitment through its banking and administrative contracts.
25. Ensure that the department's employees participate in internal and external training courses to develop and enhance their skills.
26. FATCA department's commitment to monitor (US tax compliance) through the report submitted by the unit to the US Tax Authority (IRS) on the specified dates.
27. Preparing a report on a quarterly basis by the FATCA department, including checking the FATCA form for the bank's customers.
28. Preparing the policy of the Foreign Account Tax Compliance Law (FATCA Law) and the Bank's Quality Assurance and Compliance Policy.

Third: The Money Laundering and Terrorist Financing Reporting department:

It has been verified that:

1. Submitting the quarterly and annual report and evaluation form 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 Terrorist 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 Terrorism 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 (2021).
6. View the periodic reports from the Money Laundering and Terrorism 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 (BOELIST, EU LIST, OFAC LIST, UN LIST) for bank transfers external, in addition to the website of the committee for freezing terrorist funds.
10. The department has the right to obtain all information and access all records or documents that it seems necessary to carry out its duties in examining the reports of unusual and suspicious operations submitted to it and to contact the bank employees necessary to do these tasks.
11. Follow up the websites (local and international list) and apply all decisions and circulars and apply international standards and procedures to confront the

phenomenon of money laundering and terrorist financing to ensure the effectiveness of the control procedures and remove the risk from these funds and local banks and to avoid international sanctions taken against countries that do not cooperate with the international community through the establishment of effective control systems, the selection of good clients, the exchange of banking information, and the adoption of international reports policy on banking activity, analysis them, and take immediate actions in the event of an illegal act being discovered and referred to the competent authorities.

12. List the banned persons or remove them from the black list through the letters received from the Central Bank of Iraq, the Ministry of Finance and other official bodies.
13. The work of the liaison officer in the bank's branches is related to the Money Laundering and Terrorist Financing Reporting department, and his job is compliance monitor and Follow-up of Anti-Money Laundering and Terrorist Financing measures and doesn't take any executive procedures. His power was expanded by increasing his use of the (AML) system within the limits of the compliance and follow-up functions of the compliance monitor and doesn't perform executive actions

Fourth: The Internal Sharia Audit and Control Department:

1. The Internal Sharia Control and Audit department is responsible for setting up internal control and monitor 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 Sharia 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 monitoring 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 Sharia 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 Sharia Control and Audit Department and their training, as well as verifying that the internal Sharia 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 Sharia Control and Audit Department is subject to the direct supervision of the Sharia 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.
10. Submitting a semi-annual report in coordination with the Sharia Compliance and Control Department to verify the effectiveness of the implementation of reducing operational risks and adherence to it, and make assessment for each department and submit to the Audit Committee.
11. An annual report in coordination with the Sharia Compliance and control Department, which includes the evaluation of the executive management based on (the key performance indicators) prepared by the Board of Directors.
12. The annual report in coordination with the Sharia Compliance and Compliance Control Department and to monitor the implementation of the liquidity risk management strategy.
13. Annual report in coordination with the Sharia Compliance and Compliance Control Department to monitor the implementation of the general strategy for risk management.
14. Quarterly report on the model approved by the Central Bank of Iraq for the Internal Sharia Supervision and Audit Department for Islamic banks.
15. Preparing an appendix to the work plan of the Internal Sharia Supervision and Audit Department and preparing a quarterly report, which includes a work mechanism to follow up the performance of affiliated companies
16. Preparing a monthly report to monitor the movement of cash balances inside and outside the bank.
17. Preparing an annual report on the bank's operating expenses.
18. Preparing a report on the financial statements for the year ended (2020)

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

1. All accounting issues that have an essential impact on the bank's financial statements.
2. Preparing the list of calculating the liquidity coverage ratio (LCR) and the net stable financing ratio. (NSFR)
3. Preparing a list of transferring cash liquidity between banks.
4. Calculating the Accrual scale on a quarterly basis.
5. Preparing statements of account balances.
6. 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 cash 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).
7. Preparing the fixed assets record periodically and then calculating the annual depreciation at the end of the fiscal year.
8. Preparing the report on the structural and Prudential Financial statements (PSIFI).
9. Matching the account type (216) for the window selling and purchasing the foreign currency on a monthly basis.
10. Preparing a list of mandatory reserves (dinars, dollars) according to the schedule reserves allocated of the Central Bank, which is in the last week of the month.
11. Preparing a monthly schedule for calculating the guarantee amounts on deposits.
12. Prepare monthly and quarterly budgets in line with the requirements of the Central Bank of Iraq and all relevant international standards such as Basel standards for financial statements, as well as Islamic monthly budgets.

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 window of foreign currency sale and purchase.
3. The transfer mechanism of the bank transfers unit inside the window of
4. The user security controls (CSP) for the year (2021) were implemented in coordination with (AEG) company and compliance with these controls by submitting an electronic report (Self-Attestation) to Swift Company in Belgium.
5. The bank management contracted with (Fitch Rating) company for obtaining credit rating for the bank.

6. Follow up the foreign currency balances of the bank with adherence to all the rates decided by the Central Bank of Iraq.
7. Subscribe to the updated (Signiturenet.org) service to be able to issue and receive signature bulletins of all authorized Iraqi banks and circulate all the powers to the authorized persons electronically.
8. Follow up on the services of the Arab Monetary Fund and the provided updates, especially with regard to the BUNA platform (the Arab Regional Payments Clearing and Settlement Platform) that provides clearing, transfer and settlement services in Arab and international currencies, noting that: The International department (External Bank Transfers Section) participates in the platform and aims to expand the scope of transactions and transfers in different currencies.

Seventh: - International Standards:

1. Submit periodic reports by the committee formed according to administrative order no. (613/4/10000) dated 6/10/2021 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 3/2/2021 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.

Eighth: - Training and Development Unit:

1. Viewing the annual report of the Sharia Compliance and Control Department on the extent to which the bank's the training plan for the year (2021) has been completed, where (25) sessions were held within the bank with the participation of managers and employees of all departments and branches of the bank. The training plan was completed with all its details, and the members of the board of directors participated in several courses related to banking and corporate governance to train and qualify continuously to keep pace with all important developments in term of the banking and financial services.
2. Viewing the training plan for the year (2022) prepared by Training and Development Unit.

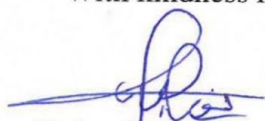
Ninth: - Other works:

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 (26) meetings held during the year (2021).
4. Discussing the updating of the internal system (the organizational structure) of the bank and or 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 corporate 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 updating of bank fraud policy.
10. Follow up the implementation of business continuity and disaster and crisis recovery programs in coordination with the Information and Communication technical committee.
11. Discussing cash flow reports.
12. Submit periodic reports from the committee formed under Administrative Order No. (297/4/10000 on 14/3/2019) to audit the financial statements of the bank's customers. Its members consist of the supervisory departments (Sharia Compliance and Control Department, Money Laundering and Terrorist Financing Reporting Department, Internal Sharia Control and Audit Department, Risk Management Department), to express an opinion on the financial statements and final accounts of the bank's customer.

With kindness regard



Zeena Hussam Ezit
Member of BOD
(Member)



Norhan Jumaa Motar
Member of BOD
(Member)



Tariq Ibrahim Ismael
Vice Chairman, BOD
(Chairman)

Sustainability Report 2021

Introduction

The Sustainability Report of 2021 is the introductory report. It is our first independent report that reviews our Bank's adoption of environmental, social and governance standards and forms the basis of our future steps and the evolving versions of our sustainability reports which will be release later.

This report was prepared according to what came in the financial sustainability procedure issued by the Iraqi Central Bank based on Article (22) of the institution of the corporate governance of the banks and in line with our efforts to follow the best preference for sustainability in our work field, the report reflects our commitment to sustainable development goals and standards and local initiatives. This report contains financial information related to sustainability activities that take into account environmental, social and governance standards, and information on the bank's economic, financial, social and environmental performance in implementing sustainable business, and this report represents an organizational tool for setting goals, monitoring performance and evaluating in order to make the bank's operations more sustainable.

Reporting period:

This report includes the bank's performance in the field of sustainability for the period from 1/1/2021 to 31/12/2021, and the biggest part of the quantitative information, data from the last three years (2019, 2020, and 2021) will be presented to make comparisons and accurate analysis.

Sustainability performance overview:

The bank is keen to adopt a sustainability approach that take into account environmental and social standards trough the products and services it provides, in addition to the initiatives of the central bank of Iraq to finance small and medium projects that serve a large segment of citizen and contribute to achieve balance in light of economic conditions and technological development, where projects related to empowering society and supporting people business were adopted by the bank and credit facilities were granted to help low-income women through sewing projects in addition to several credit facilities for all segments of society, as well as taxis that were financed for citizens with limited income to help them lead a decent life and integrate into society, in addition to our bank works hard on the effective

use of paper and plastic through electronic automation and the efficient use of energy (electricity and water) to reduce environmental pollution and carbon emissions, as the bank is keen in the near future, to adopt projects that take into account the principle of sustainability and environmental and social standards and specifying a percentage of the funds allocated only to sustainable financing..

The economic aspects of the bank's work

An overview of the performance of the economic side

Description / year	2019	2020	2021
The bank's operating income	2,643,191,498	8,329,909,133	3,314,096,096
Net profit	(4,042,373,008)	4,628,577,764	42,571,740

Profile

Who we are:

Al Qabidh Islamic bank for finance & investment is established in 2017, our main headquarter is located in Baghdad - Sheikh Omar, and we also work in other areas of Baghdad, specifically our branch in Karrada / AlWathiq Square. The bank adherence of the Iraqi laws and the rules and regulations of central bank of Iraq, the bank works for five years and provides its services in the field of finance and investment through services and products that will be mentioned later in this report. Our bank specializes in Islamic finance and investment, which reinforces our important position in the banking sector in Iraq, thanks to the technological techniques that we adopt, has become the banking business highly developed and demonstrated operational excellence, exceptional quality and good experience of our employees and work. Our team works in an excellent electronically equipped headquarters, and the work includes holding of workshops, training courses in different specialties and administrative departments that have full support. Our bank is providing distinguished services through the business principles that we adopt, which form the basis of our commitment to be a key partner in the development of the economy of our country, Iraq, and to go much further.

Our mission

- We provide the best services and products to our clients and customers and maintain the principle of excellence and respect in all areas.

- We seek to create a positive work environment for our employees, as their development is the basis of the bank's success.
- We are committed to environmental health and safety and seek to provide a healthy, clean and safe environment for the community.
- We play an active role in our society and contribute to its well-being through a responsible and ethical approach.
- We work constantly according to the best global practices, and we strive to develop our country's economy in a way competitive and sustainable.

Our vision:

To be the best option wherever we work through provide the best financial products and services for customers, and try to adopt the green economic approach to limit the environmental risks and the pollution.

Rate us

- Commitment.
- Integrity.
- Excellence.
- Teamwork.
- The responsibility.

Total assets and total liabilities in the bank in Iraqi Dinar

Statement	2019	2020	2021
total assets	256,085,457,103	249,618,855,584	305,956,450,557
total liabilities	256,085,457,103	249,618,855,584	305,956,450,557

Our staff

In our competitive operating environment, we commit that our strategic decisions always take into account our human resources so that our team works in all circumstances, and our working hours often involve dealing with complex issues, and it is our duty to provide a work environment that promotes diversity and inclusion, encourages talent development, and puts the employee's welfare above top priority.

Valuable Recruitment

The focus of our HR department is to ensure consistent and rewarding recruitment, we constantly seek to enhance our capabilities to ensure that we attract and retain

the best employees, while constantly improving our value proposition to establish ourselves as a bank that provides competitive employment opportunities. In 2021 our staff comprised a total of (74) employees, divided between temporary and permanent contract workers, all working full time:

Number of employees classified by gender for 2021	
43 males (58%)	31 female (42%)

Number of employees classified by occupation /education and certification for the year 2021			
Job title	50 employees	10 manager assistant	14 manage
Degree	45 Bachelor's degree	13 Diploma	16 high school and below

Sustainability Governance:

The chairman and members of the board of directors of the Al-Qabidh Islamic Bank are responsible for ensuring that the bank's governance and standard operating procedures have covered the principles of sustainable financing, and it is the responsibility of the executive management with the assistance of the employees of the departments concerned with financing and investment setting up a program for sustainable financing by allocating a percentage of the funds amount to sustainable projects and sustainable environmental activities, while the responsibility for measuring risks and determining negative effects if the project may result in negative effects that affects the environment and the health and safety of society rests with the employees of the risk management department in the bank through their possession of unified policies, strategies, procedures and mechanisms to manage risks related to environmental and social aspects and how to reduce the negative effects of reaching them within the acceptable limits of risks, as follows:

A brief summary of the risk management procedures in identifying, measuring, following up and controlling risks within the policies and strategies of the risk management department

- The Bank's risk management department assesses the extent to which the objectives that support the implementation of sustainable credit/financing are being achieved, and the results are followed up by the relevant officials.
- Provide the bank's management with a future assessment of the risks in general and the environmental and social risks in particular, that the bank may be exposed to.
- Assisting the bank's management in proper capital and liquidity planning procedures in all fields.

- Assisting the bank's management in setting acceptable limits for risks and trying not to exceed the impact of the risks for these limits.
- Assisting the bank's management in developing methodologies to mitigate risks, developing emergency plans to face negative circumstances.
- Submitting periodic reports on the result of planning, implementation risks and credit goal/ financing sustainable to the board of directors through risk management committee.
- Conduct pressure tests (stress tests) the bank is exposed, and demonstrating the extent of the bank's ability to withstand such shocks,
- Preparing periodic reports that clarify the levels of risks in the bank, deviation from the limits and standards set by the risk management department and approved by the board of directors and send them to the Central Bank of Iraq after being submitted to the Risk Management Committee and then approved by the Board of Directors.
- Documenting all Sharia Supervisory Board fatwas and decisions and examining samples of financing contracts to discover the risks of non-compliance with Sharia.

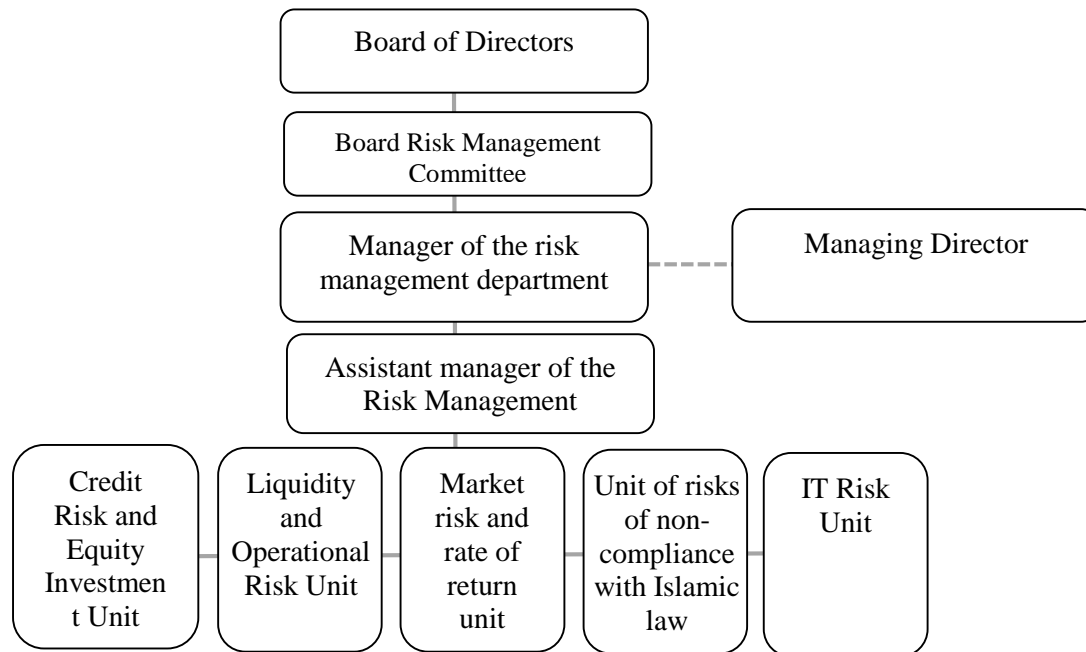
The Risk Management Department also has an integrated list of acceptable risks (Risk Appetite) related to environmental and social risks similar to the list of accepted risks for the general risks of the bank in the risk management strategy, which is as shown below:

Risk Appetite for Environmental and Social Risks

risk type	very low	low	Average	high	very high
Financial	An effect that leads to a financial loss of (0.00001) of the bank's capital and its sound reserves, in the amount of (1,000,000) dinars, up to (2,499,000) dinars.	Effect that leads to a financial loss of (0.00001) of the bank's capital and its sound reserves, in the amount of (2,500,000) dinars up to (24,999,000) dinars.	An effect that leads to a financial loss of (0.001) of the bank's capital and its sound reserves, in an amount of (25,000.000) dinars up to (249,999,000) dinars.	An effect that leads to a financial loss of (0.01) of the bank's capital and its sound reserves, in the amount of (250,000,000) dinars, up to (2,499,999,000) dinars.	An effect that leads to financial loss of (0.1) of the bank's capital and its sound reserves, in the amount of (2,500,000,000) dinars up to (25,000,000,000) dinars.
operational	The effect does not lead to any change	The effect does not lead to any change	The effect does not lead to any change in the	The effect does not lead to any change in the	The effect does not lead to any change in the

	in the procedures. Malfunction of one working unit without stopping it. Continuous loss of the system for a period of (one hour).	in the procedures. Malfunction of one working unit without stopping it. Continuous loss of the system for a period of (two hours).	procedures. Malfunction of one working unit without stopping it. Continuous loss of the system for a period of (6 hours).	procedures. Malfunction of one working unit without stopping it. Continuous loss of the system for a period of (three days)	procedures. Malfunction of one working unit without stopping it. Continuous loss of the system for a period of (a week or more).
Health and safety	Without a minor personal injury or injury, the necessary first aid is required, but there is no waste of time	Minor wound, medical treatment and wasted some days	Injury, hospitalization, and many days wasted	Single death or long-term illness and multiple serious injuries	Cases of death or permanent disability
Reputation	Events that do not shake the confidence of any internal or external party	Events that lead to a limited vibration of confidence on the part of one of the relevant local parties (government, public, banking system)	Events that shake the confidence of two relevant local parties (government, public, banking system)	Events that shake the confidence of three relevant local parties (government, public, banking system)	Events that lead to a complete loss of confidence in one of the relevant local parties (government, public, banking system)
The strategy	Deviation from achieving strategic goals by (1% to 5%)	Deviation from achieving strategic goals by (6% to 10%)	Deviation from achieving strategic goals by (11% to 15%)	Deviation from achieving strategic goals by (16% to 20%)	Deviation from achieving strategic goals by (21 percent or more)

The structure of the risk management department in the bank



General framework for risk management:

It is a set of steps arranged, coordinated and based on international practices and to ensure the safety and proper performance of the risk management process in the bank and according to the international standard (COSO) (Committee of Sponsoring Organizations of the Tredway Committee) as follow: -

Contact and consultation

- The Bank's Strategic Objectives (indoor and outdoor environment)
- Risks identification
- Risk analysis
- Risk measurement
- Risk assessment
- Dealing with risks

Monitoring and review

Developing competencies, courses and training workshops that were conducted for members of the Board of Directors and employees

	Statement	The number of training hours		
		2019	2020	2021
1	Chairman and members of the board of directors	(10) hours	(14) hours	(235) hours
2	Bank managers, assistants and employees	(4,813) hours	(1,704) hours	(1,339) hours

The Bank is keen on developing the job performance of the Bank's employees and members of the Board of Directors in all areas of banking business, and raising them to professional levels that enable them to play the role of competition and outstanding performance in accomplishing the daily work, and we will make sure to include training courses for credit activities that take into account sustainable financing in the Bank's future training plan to engage the Bank's employees in relation to sustainable financing courses.

The reason for the decrease in training hours for previous years with regard to managers, assistants and bank employees is due to the global epidemiological conditions of the Corona pandemic, which greatly affected the conduct of the training courses in attendance and it was limited only to electronic training.

Managing the coronavirus (COVID-19) pandemic:

The World Health Organization has classified the Corona virus (Covid-19) as a global pandemic, and this virus has spread rapidly throughout the world, posing unprecedented challenges to countries and international companies. In this regard our main focus here is our employees and customers. We have taken the appropriate preventive measures to ensure the health of our workforce and customers, in addition to our relentless pursuit to build a safe workplace, and the flexibility of our employees, in turn, allowed us to advance in our projects and ensure the continuity of our business. The risk management department in our bank has placed the highest priority on reducing the negative impact of Corona Virus, and as an important initial step, the Risk Management Department has developed an emergency plan to prevent corona virus and taken rapid measures in line with government directives and

dedicated to controlling the spread of the virus among our workforce, and strict preventive measures such as social distancing, wearing masks and regular sterilization of all buildings have been implemented, including offices for employees, as well as distributing awareness on preventive measures to all employees and customers.

The care and protection of our employees was our primary focus in all the decisions we made, nearly 95% of our employees were fully vaccinated, we made immediate changes and introduced temporary policies to effectively manage employees in our rotation programs and ensure no layoffs associated with the pandemic during this period.

Today, the extent and impact of the coronavirus pandemic remains uncertain, and we continue to monitor and effectively manage the situation with a greater focus on the welfare of our human resources.

Stakeholder participation to build a culture of sustainability

Stakeholder engagement is a key factor in our long-term success, and we believe that building open and trusting relationships is essential to understanding stakeholders' priorities and expectations and implementing a corporate sustainability strategy focused on creating value and positive impact.

Our inaugural report of sustainability is based on the engagement methods adopted by our bank and knowledge of the interests of our stakeholders and determine their priorities according to the criteria set out below:

- The extent to which we need the support of the stakeholders to achieve our strategic objectives.
- Extent to which a stakeholder has an impact on our operational performance.
- Extent of a stakeholder's influence on or affected by our operations.

We will review and continually seek to improve our stakeholder engagement strategy, which will allow us to update our key focus areas where appropriate, relay on the 2021 results as a basis for the coming years.

Below are the key stakeholders:

- Clients and customers.
- Shareholders.
- Board of Directors.
- Staff.
- Governmental entities.
- Related people

Economic performance

Describe in this aspect the economic performance of the bank, which includes comparing the target performance, portfolio, financing or investment objective, revenues, profits and losses. In the coming years, the bank will seek to develop a targeted economic plan that includes all economic aspects.

Description / year	2020	2021	2022
Total assets	249,618,855,584	305,956,450,557	-----
produced assets	8,008,746,181	389,810,102	-----
Credit /cash financing	8,008,746,181	389,810,102	-----
Revenues	8,329,909,131	3,314,096,096	-----
Expenses	3,701,331,369	3,147,117,890	-----
Net profit	4,628,577,764	42,571,740	-----

Performance by indicators (%)			
Minimum Capital Adequacy Ratio	12%	12%	12%
Unproduced assets to total productive assets and unproductive assets	0	0	0
Non-Producing Assets to Total Produced Assets	0	0	0
Depreciation of financial assets against productive assets	0	0	0
Total non-performing loans	0	0	0
Net non-performing loans	0	0	0
Return on assets	-----	-----	-----
Return on equity	-----	-----	-----
Net profit margin	-----	-----	-----
Efficiency Ratio	-----	-----	-----
loan to deposit ratio	-----	-----	-----

Comparison between the objective and the performance of the portfolio in the financial instruments or projects that are in line with the implementation of sustainable financing ((Products that meet Standards business activities sustainable))			
Fundraising	-----	-----	-----
Distribution of money	-----	-----	-----
Total assets produced for sustainable business activities			
Total credit/ finance for sustainable business activities	-----	-----	-----
Total non-credit /unsustainable financing activities	-----	-----	-----

The bank will be keen to include all activities that target financial instruments or projects that are in line with the implementation of sustainable financing by allocating a certain percentage of the credit amount to be determined in the financing policy for the purpose of granting credit facilities to sustainable projects in addition to developing a plan for providing the products that meet the standards of sustainable business activities in the coming years.

Relative importance approach:

In order to determine which of the business and services is most important to the success of our bank, we looked at the internal and external factors and conducted an assessment of the relative importance that clarifies the importance of the various topics of sustainability based on our business impact.

Business Impact:

In order to understand our influence in the field of sustainability, we conducted a study of global and local trends in the topics that concern the business of the banking sector and its orientations to adhere to environmental, social and governance standards, and in this regard, topics of relative importance to public business related to (sustainable finance, efficient use of energy, environment and society) priorities have been identified for topics of relative importance and applicable to the list below, based on our practical experience and in line with the strategic focus of our bank, its operations and its internal and external impact in addition to the global and local trends.

Topics of relative importance to the business of Al-Qabidh Islamic Bank

Most important:

- Sustainable project finance.
- Strong governance and business ethics.
- Environmental and professional health and safety.
- Efficient use of energy, paper and plastic.
- Training and development for employees.

Very important:

- Economic performance.
- Diversity and inclusion in providing products and services.
- Trash management.

Important:

- Recruitment.

Towards a sustainable future

Our impact on sustainability

The whole world faces major challenges, and although some global problems have reached the point of no return, we can still build a prosperous and equitable future for the next generation, but we must immediately start working and strive for change. We are providing necessary services for society and environment. We are also fully aware of the potential impact of our activities on people and the ecosystem, our responsibility to mitigate the resulting risks and the need to find better and more sustainable solutions, and as we move to a new stage in our journey towards sustainability, we consider our sustainability performance as one of our main priorities and an integral part of our overall strategy. In subsequent reports and key performance indicators, we will develop a sustainability framework and strategy that includes goals to monitor performance and progress. The inaugural materiality assessment has helped us understand the key current impacts associated with our operations and prioritize focus areas for our sustainability program.

In line with our corporate strategy and work ethic, we have established three main pillars that will form the basis of our sustainability strategy in the next stage:

Caring for people and society:

- Providing services.
- Diversity and inclusion.
- Health and safety.
- Education and Training.
- Recruitment.

Environment protection:

- Efficient use of energy.
- Sustainable financing.
- Trash management.

Growth business:

- Strong Governance.
- Work ethics.
- Economic performance.
- Competition in the field.

Social performance:

The banking services that our bank provides to customers:

1. **Savings accounts:** It is a contract between two parties (the bank - the customer) provided that an amount is credited to the account in return for a certain profit to be paid by the bank and the customers can move it at any time, whether depositing or withdrawing, and usually not for a specific period of time.
2. **Fixed Deposit Account (investment):** It is a fixed-term deposit that the bank receives from the customer and authorizes the bank to invest it in a legitimate manner and with an Islamic contract free of usury.
3. **Current accounts:** It is a contract between two parties (the bank - the customer) provided that an amount is recorded in the mutual accounts between them, and the bank issues a check book delivered to the customer. It is a demand account. The customer is free to withdraw and deposit.
4. **Approved check and issuance of bills:**
 - Approved check: It is a commercial paper approved by the bank. The drawer (the account holder) certifies the check with the drawee (the bank) with a balance in his account.
 - A bill of exchange: It is a commercial paper issued by the bank by order of the customer (the recipient) who does not have an account with the bank, and according to which the bank is obligated to pay its value in cash or by clearing, and it is for the order of a department or person and in return for a specific commission.
5. **Deposit of clearing checks in the ACH system:** This system allows the exchange of payments between persons and institutions through bank accounts, or in other words, the transfer of funds between banks. This method of bank transfer considers to be safe and low in costs, as it is by which long and tedious transactions within banking institutions are bypassed.
6. **CT Internal Transfers:** These are incoming and outgoing internal transfers in which transfers are made to and from the bank's customers' account balances inside Iraq in dinar and dollar currencies.
7. **Transferring funds using the RTGS system:** It is the real-time gross settlement system that allows the transfer of funds between customer accounts of banks located in Iraq (dinar and dollar) within minutes. The sender and recipient must have open accounts in their banks.
8. **Foreign bank transfers:** Transferring funds between banks outside Iraq (dinars/dollars), and it is also required that the client deposits the amount to be transferred and have a current account to cover the transfer, and the bank charges a commission for the transaction.
9. **Documentary credits:** It is a request submitted by the customer in order to pay for purchases of goods from abroad, as it is one of the most important banking services

provided by the banks and is the basis of the commercial movement (import/ export) which conduct through corresponded banks around the world.

10. Islamic financial services in accordance with Sharia, for limited purposes and within a specific period of time, in which cooperation with the customer is carried out to develop the social and economic sectors and include:

- A. **Murabaha financing**: It is the sale of something for the same price (its original price) in addition to a known increase for the buyer that represents the profit margin of the seller. It is a type of trust sale in which the seller and the buyer agree on the price of the commodity, taking into account the original price of the commodity.
- B. **Mudaraba financing**: It is a type provided by the bank in what is known as the Mudaraba capital to the customer, who makes effort to invest it in an absolute or restricted manner. The profit is distributed between the bank and the client according to the common ratio agreed on in contract in case of loss, the bank shall bear it as usury of money and shall not be the result of a violation, default, or breach of the conditions by the customer.
- C. **Musharaka Financing**: It is a contract between two or more parties to participate in the capital to carry out specific and defined works and activities with the aim of achieving the profit that must be shared between them and it is not required that the profit rates be equal between the partners. As for the loss, it is according to the share of each partner in the capital.
- D. **Farming financing**: It is the payment of land from its owner to the one who cultivates it or works on it and they divide planting.
- E. **Al-Musaqat Financing**: It is the type of company that is based on the effort of worker in the care of the fruitful trees and his pledge to water and care on the basis that the output of the fruits is distributed among them in an agreed ratio.
- F. **Salam financing**: It is the sale of money for money in which the price is received quickly and the goods are delivered deferred, as it is an immediate price for a deferred price, the mortgage or guarantor may be taken to ensure that the seller fulfills his obligation.
- G. **Istisnaa financing**: It is a demand for craftsmanship, i.e. a request to manufacture something while it is restricted to an industrial field.
- H. **Ijarah financing (leasing)**: It means owning permissible benefits for a specific period in return for a known material compensation. It is the price of the benefit or its alternative arising from the use or benefit of a fixed asset. It is not aiming to own the leased asset to the lessee, whether it is operational or owned, i.e. the lessee owns the property after a period of rent time.
- I. **Al-Qardh Al-Hasan financing**: It is a loan that does not have any interest.
- J. **Internal and external letters of guarantee**: It is a guarantee issued by the bank to the beneficiary, in which it guarantees the customer to pay the value of this guarantee in case of breaching the obligations, if the beneficiary is inside or outside Iraq.

11. **Banking Awareness and Public Protection:** It is to aware and educate the public about banking and financial services and improve the relationship between the consumer (the customer) and the banking sector for the purpose of achieving financial inclusion and economic stability and protecting customers from the risks of fraud which he may be exposed to when using these services and based in his work on instructions, controls and consumer protection guide.
12. **Automated teller machine (ATM) services:** It provides instant payment service and financial transactions in public places as an alternative to the need for an employee to perform any operation and the customer must enter a coded plastic card containing some security information for the customer.
13. **Buying and selling foreign currency:** It is a way to ensure the stability of the dinar exchange rate by meeting the requirements of the Iraqi economy by providing foreign currency to cover the private sector imports of goods and services in addition to the needs of employees for travel and treatment purposes.
14. **BUNA platform:** The platform effectively contributes to promoting the use of Arab currencies in settling inter-transactions, which reduces the need to go to financial and international centers (correspondent banks) and contributes to reducing the time and cost imposed on commercial banks and money transfer companies.
15. **Salary domiciliation:** It is the process of employees in the public and private sectors receiving their salaries from banks through the electronic payment card, through a special account opened for employees in the bank instead of receiving it manually from their departments.
16. **Mobile Banking:** is an application through which customers can inquire about the balance, request an account statement, and know all of its accounts via the Internet from anywhere and at any time by subscribing to this service.

Activities related to empowering the community and supporting the core business of the bank

The bank gives priority to the goals that must be achieved with regard to the bank's basic activities and business that are related to empowering the community according to its business activities strategy as explained below:

s/n	Types of activities related to community empowerment	Sustainable Development Goal
1	Granting medium and small funds to people with limited income that take into account the principle of sustainability, clean energy, community health and environmental safety	Goal no. (1) of the sustainable development goals to eradicate poverty, goal no. (3) Good health and welfare, and sustainable development goal no. (7) clean energy
2	Technical assistance to small and medium projects for woman	Goal No. (5) of the sustainable development goals equality for both genders
3	Providing employment opportunities for both genders and good training on leadership in all banking businesses, including environmentally friendly businesses	Goal No. (8) For decent work and economic growth, and Goal No. (10) of the Sustainable Development Goals to reduce inequities

The bank will work to allocate a certain percentage of the amounts allocated to credit facilities to grant financing that takes into account the principle of sustainability and the achievement of sustainable development goals related to empowerment community, in addition to providing job opportunities for both genders and training them according to international and regional standards in activities related to banking business.

The Bank's Environmental Performance:

The bank is keen on the efficient use of energy (electricity and water), and has directed to replace the traditional electrical appliances with low-capacity devices such as air conditioners and lights, in terms of bank's activities, in order to support the goals of sustainable development to save energy and costs certain percentage.

Regarding the effective use of paper and plastic, the bank internally worked to provide electronic programs for correspondence and electronic archiving programs that effectively contributed to reducing the use of paper and reducing waste, in addition to the bank's attempt to contract with recycling factories for paper and plastic to reduce waste pile up and providing a clean work environment in addition to saving a certain percentage of costs for the bank.

Shareholders:

The shareholders in our bank are mainly Iraqi nationals (individuals), and 100% of our bank is owned by local individuals. Major shareholders own 69.28% of the total shares,

The shareholder is the person or the bank who owns a share or several shares of the bank's capital. The main shareholder, it means any shareholder who owns 10% of the bank's capital, either directly or indirectly through groups and related parties, as the bank has major shareholders own the following percentages:

s/n	Name	Balance	The ratio
1	Hussein Hadi Ahmed Al-Ahramy	24,900,000,000	9.96%
2	Ali Mohammad Ghulam Hussain	24,900,000,000	9.96%
3	Mustafa Yusuf Ghulam Al-Ansari	24,900,000,000	9.96%
4	Ahmed Ali Hassan Al-Dujaili	24,900,000,000	9.96%
5	Raed Mohammad Ghulam Hussain	24,800,000,000	9.92%
6	Namarq Mhana Khairy Abbas	24,700,000,000	9.88%
7	Zeina Mhana Khairy Al-Saadi	24,100,000,000	9.64%

Strong Governance and Business Ethics

Building trust between Al-Qabidh Islamic Bank and its stakeholders is the basis of successful and long-term relationships, and we are committed to being a reliable partner that operates with integrity and responsibility towards our business, our employees and our activities. These principles are considered fundamental to the value of our bank and are fulfilled in accordance with applicable international and national laws in addition to our bank's code of conduct which reflect our core business principles and the bank's overall culture and defines the correct behaviors and way of working on a daily basis. All employees, including directors, officers, permanent and temporary employees, are required to comply with this Code, as it enhances corporate compliance and guides decision-Making process. The Code of Conduct and its core policies are reviewed regularly to ensure that the content is comprehensive and up-to-date with the latest practices and regulations.

Anti-corruption principles:

The principles of anti-fraud and corruption are explained in our bank's anti-fraud policy and procedures, and we are aware that any fraud case may cause financial damage, in addition to damaging our bank's reputation, and we are committed to having no tolerance for any kind of dishonesty, as well as we believe that Al-Qabidh Islamic Bank for finance & investment has strong internal controls to prevent and monitor fraud and misconduct, and this policy has been developed to provide procedural guidance to our employees and ensure that everyone understands and

adheres to its principles. The Risk Management Department has developed a regulation and a regulatory framework for all operational risks, including assessing the risks related to corruption and setting appropriate control procedures to reduce the effects in the event of any accident. In 2021, our bank hasn't recorded and corruption cases.

Governance Structure:

The Bank's Board is committed to implementing strong corporate governance practices that are in line with international guidelines and thus reflect the Bank's core values, therefore our directors and employees must act with integrity and honesty, and structures are continually designed and improved to ensure that our values are integrated into our business and operations.

The Board of Directors is accountable to stakeholders for providing strategic direction and delivering long-term sustainable value for our Bank, and it is ultimately the responsibility of the Board of Directors to ensure compliance with the Bank's legal and regulatory obligations as a pivotal representative in the corporate governance framework, and until now the Board of Directors receives assistance from various committees emanating from the Board, in addition to the executive managers and the external and internal auditors.

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

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

No.: 331/139/2022

Baghdad, May, 31, 2022

To/ Messrs. Shareholders of Al-Qabidh Islamic Bank for Finance &Investment
(private shareholder company)
Auditors' Report

Dear Sirs,

We are pleased to inform you that we have examined the financial position statement of Al-Qabidh Islamic Bank for Finance and Investment (a private joint incorporated company - Baghdad) as on December 31, 2021, 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 auditing 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, 2021, 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 notes:

First: Applying International Accounting Standards:

Al- 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 third 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. 9/6/466 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, and balances with institutions and pledging credit amounted (420,925,947) dinars, while in the previous year it was (8,348,486,506) dinars, where the amounts required to be allocated from the various allocations account was reversed (341,988,380) 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 have not been applied for not owning any real estate by the bank during the financial year subject to the audit.

Second: Total Assets:

The total revenues have been increased to (298,120,150,557) dinars, while it was (249,618,855,584) dinars in the previous year, an increase of (48,501,294,973) dinar by (19.4%), and this increase was concentrated in the investment item with an increase amount of (9,277,500,000) dinar and percentage of (6%) and an increase in

cash item amounted (46,606,634,073) dinars and percentage of (56%) and decrease in Islamic finance item amounted (7,697,690,671) dinars and percentage of (96%).

Third: Cash:

The balance of cash reached (130,036,378,246) dinars as in 31/12/2021, while it was (83,429,744,173) dinars in 31/12/2020 and we have the following:

1. The balance of Cash in the bank treasury reached (4,517,742,540) dinars according to records as in 31/12/2021, while it was (82,075,972,330) dinars on 31/12/2020, where the inventory was carried out under our supervision on 30/12/2021 and it was identical to the records.
2. The balance of cash at the Central Bank of Iraq reached (109,725,621,632) dinars in 31/12/2021, while it was (1,344,806,082) dinars on 31/12/2020, which is identical to the statements of the CBI as follows:
 - A. Current accounts reached (106,711,773,692) dinars on 31/12/2021, while they were (1,051,898,982) dinars on 31/12/2020, which include amount of (20,007,086,570) dinars suspended at the bank related to transfer and LC and was settled on 3/1/2022.
 - B. Mandatory deposits amounted to (3,013,847,940) dinars on 31/12/2021.
3. The balance of current accounts in local banks and institutions amounted to (992,496) dinars on 31/12/2021, while there were no balances in the local banks on 31/12/2020, and the balance of current accounts in foreign banks and institutions amounted to (16,114,307,733) dinars on 31/12/2021 while it was (9,148,736) dinars on 31/12/2020, an expected credit losses allowance was taken for this account, according to international standards, amounted to (322,286,155) dinars, thus the net balance of deposits in banks and other financial institutions is (15,793,014,074) dinars.
4. The bank relied on SWIFT to match its current assets with foreign banks mentioned in paragraph (3).
5. The legal liquidity ration reached (263%) on 31/12/2021, which is considered a good percentage that enable the bank to fulfill its obligations towards depositors in the short term and the bank has emergency plan for face any potential circumstances that may be face in the future.

Fourth: Islamic Financing

1. The balance of Islamic financing amounted (389,810,102) dinars as on 31/12/2021, while its balance was (8,520,749,712) dinars for the previous year, a decrease of (95%) from the previous year, because of the customers have been paying the amounts granted to them
2. The allowance for expected credit losses calculated for Islamic finance as in 31/12/2021 is (78,754,592) dinars, and it was calculated based on the instructions

issued by the Central Bank of Iraq by the letter no. 9/6/466 on 26/12/20218, and the results were in accordance with the requirements of Financial Reporting Standard (IFRS 9) noting that the allowance calculated according to the instructions no. 4 amounted to (36,900,200) dinars.

3. The ratio of Islamic finances (Murabaha) to deposits balance reached (54.7%).

Fifth: Investments:

1. The balance of investments in 31/12/2021 amounted to (167,141,200,000) dinars, while it was (157,863,700,000) in the previous year with an increase amount of (9,277,500,000) dinars, and we have the following:
 - A. During the year 2021, the bank purchased (64,325,000,000) shares in the Iraqi Middle East Investment Bank at a total cost of (173,677,500,000) dinars. The approval of the Central Bank of Iraq for the purchase was obtained according to the letter No. 9/3/16110 dated 18/8/2021 which included not receiving any profits from loan profit or any income resulting from usurious commercial banking operations achieved by the investee bank, but only profits derived from the provisions of Islamic Sharia.
 - B. The market value of the investments purchased in the Iraqi Middle East Investment Bank at the end of the year amounted to (12,865,000,000) dinars.
 - C. The bank made a provision for investments in the amount of (7,836,300,000) dinars on 31/12/2021. We recommend the bank to increase this provision
 - D. During the year, shares in the National Takaful Company-under establishment were purchased for an amount of (550,000,000) dinars.
 - E. The investment balance in Musharaka decreased by (100%). All these investments were liquidated during the year 2021, after their balance in the previous year amounted to (164,950,000,000) dinars.
2. The investments ratio in capital and sound reserves was (68%) on 31/12/2021, exceeding the bank's ratio of 20%.

Sixth: The Pledge Credit:

- A. The balance of the pledge credit as on 31/12/2021 amounted to (49,713,000,000) dinars, representing the issued LC granted during the year 2021 and the insurances received (49,713,000,000) dinars by (100%).
- B. The balance of the pledge credit provision on 31/12/2021 amounted to (19,885,200) dinars which calculated in accordance with International Financial Reporting Standard No. IFRS9, while it amounted to (zero) dinars according to instructions no. (4).
- C. We recommend the necessity for the bank to expand and work in the field of LG to ensure variety for bank's products and not focus on limited products and because of it has great role in increasing the bank's activity.

Seventh: Customer deposits and savings deposits:

The balance of customer deposits account amounted to (712,859,668) dinars as on 31/12/2021, while it was (2,165,800,128) dinars in the previous year, with decrease of (1,452,940,460) dinars, which required the management of the bank to follow a policy of attracting customers and increasing their savings, since the subject of customer deposits is the main activity on which banking operations are based.

Eighth: Cash Margin:

The cash margin balance on 31/12/2021 amounted to (49,713,000,000) dinars, which represents the credit margin for LC issued during the year 2021.

Ninth: Long-term loans: The balance of long-term loans on 31/12/2021 amounted to (475,000,000) dinars, while in the previous year it amounted to (675,000,000) dinars, which represents the balance imposed by the Central Bank of Iraq / for the purpose of financing and supporting small and medium projects.

Tenth: Currency Auction revenues:

1. The balance of the bank's purchases from the foreign currency sale and purchase window until 31/12/2021 amounted to (1,620,610,000) dollars, detailed as follows:

Details	Amount (in dollars)
Remittance purchases	1,536,500,000
LC purchases	74,460,000
Cash auction purchases	9,650,000
Total purchases (dollars)	1,620,610,000

2. The bank's realized profits from the foreign currency sale and purchase window until 31/12/2021 amounted to (2,963,180,000) dinars, as shown below:

Details	Amount
Remittance revenues from 2020	Zero
Remittance revenues for 2021	2,720,500,000
LC revenues	223,380,000
Revenue from sales dollar/bank's cash auction	19,300,000
Total revenues	2,963,180,000

3. The revenue resulting from the foreign currency sale and purchase window amounted (2,963,180,000) dinars represent (87%) of total revenue realized during the year (2021) amounted (3,402,420,025) dinars.

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	252,000,000	1,460	367,920,000,000	252,000,000	1,462	368,424,000,000	504,000,000
	818,500,000	1,460	1,195,010,000,000	818,500,000	1,461	1,195,828,500,000	818,500,000
	466,000,000	1,460	680,360,000,000	466,000,000	1,463	681,758,000,000	1,398,000,000
LC	74,460,000	1,460	108,711,600,000	74,460,000	1,463	108,934,980,000	223,380,000
Banking companies	-	-	-	-	-	-	-
The share of the bank	9,650,000	1460	14,089,000,000	9,650,000	1462	14,108,300,000	19,300,000
Total	1,620,610,000		2,366,090,600,000	1,620,610,000		2,369,053,780,000	2,963,180,000

Eleventh: Bank's Activity results:

The results of the bank's activity during the year ending 31/12/2021 amounted to a profit before income tax of (166,978,206) dinars, compared to the profit of the previous year of (4,628,577,764) dinars. Below are the following explanations:

1. The bank's total revenues amounted to (3,402,420,025) dinars during the year 2021, while it was (8,329,909,133) dinars in the previous year, with a decrease of (60%), and most of them represent foreign currency auction commissions, as the balance of this account amounted to (2,973,518,000) dinars on 31/12/2021, which is (87%) of the total revenues for the fiscal year 2021.
2. Total expenses during the year 2021 amounted to (3,235,441,819) dinars, while in the previous year it was (3,701,331,369) dinars, with a decrease of (15%).

Twelfth: Compliance Monitor:

- A. The Compliance Monitor's reports were reviewed for the year to be audited and were prepared in accordance with the instructions of the Central Bank of Iraq and included:
 - The most important indicators of the bank's financial position.
 - Indicators on the calculated percentages such as the capital adequacy ratio, the liquidity ratio, and the cash credit ratio to deposits in addition to other financial ratios.
 - Aspects related to the work of the bank's board of directors.
 - Legal requirements.
- B. The aforementioned department will follow up on the observations of the Central Bank of Iraq related to business control and the results of the audit of the bank and work to liquidate them.
- C. The bank updates customer data through a KYC form in cooperation with the Money Laundering Reporting Department in the bank in order to determine the extent of the bank's compliance with the Money Laundering Law No. 39 of 2015 as well as the application of due diligence as the bank's policy has been adopted the approval of the KYC for opening current account by the compliance department.

Thirteenth: Risk Management:

- A. The risk department affirm us that there is no information that would lead to the fundamental distortion that causes fraud and mistake. Fraud cases were not indicated in the bank's departments and branches, but cases of unintentional mistakes were recorded and they were addressed immediately, and the measures taken were evaluated and the root causes were identified to eliminate these mistakes, no unfamiliar transactions or events occurred by following up on the operational event reporting forms that are prepared by the aforementioned department.

B. The internal audit, information systems and compliance department have informed us there are no cases of fraud and essential mistakes in all department and branches of the bank that would affect the financial reports of the bank.

Fourteenth: Combating Money Laundering and Terrorism Financing:

1. The bank has taken adequate measures to prevent money laundering and terrorist financing and these measures are being implemented in accordance with the provisions of the money laundering and terrorist financing law no. 39 of 2015 and the regulations and instructions issued by the Central Bank of Iraq. We have reviewed the reports of the money laundering and terrorist financing reporting department sent to the Central Bank of Iraq and prepared in accordance with the law and instructions issued by the Central Bank of Iraq, and upon inquiry from aforementioned department regarding the nature of work by our letter dated 7/3/2022, the department answers by the letter no. 185/7/10000 dated 10/3/2022 as follows:

- The bank owns the anti-money laundering and terrorist financing (AML) system, which is provided by (Capital Bank Solutions).
- Banking system (Orion) supplied by (Capital Bank Solutions).
- The electronic system has been linked to the bank's accounting system to directly monitoring the banking system.
- The electronic system includes the minimum scenarios required by the Central Bank of Iraq which are 25 scenarios.
- The blacklist data is updated periodically and automatically.
- The bank classifies customers according to their risks categorized into (low, medium, high, very high).

2. The policies and procedures of the Money Laundering and Terrorism Financing Department was updated, including the following:

- Stages of money laundering process.
- The importance of combating money laundry and terrorist financing
- The responsibility of the Money Laundering and Terrorism Financing Reporting officer.
- Responsibility of the Money Laundering and Terrorism Financing Reporting Department in the bank.
- Penalties incurred by the bank
- Know your customer principle.
- Due diligence procedures.

Fifteenth: 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. 266/11/10000 dated 7/4/2022.

Sixteenth: Capital sufficient:

The capital sufficient ratio reached (1213.5 %) as on December 31, 2021, which is higher than the percentage mentioned under the Banking Law of (12%).

Seventeenth: Internal Control:

- A. The internal control system consists of the necessary procedures that are commensurate with the size and nature of the bank's activity.
- B. The reports of the Internal Control Department were reviewed, as they were comprehensive, detailed and specific to the observations received through the audit process.
- C. The activity of the Internal Control Department included a review of the work of the whole bank.
- D. We reviewed the annual plan of the Internal Audit Department and the reports prepared by the department and submitted to us during the year and we have the following:
 - We believe that the plan and implementation results were appropriate and covered all of the bank's operations.
 - The number of employees work in the Internal Audit Department reached only three employees in 2021.
 - The number of training courses for the Internal Audit Department employees for the year 2021 reached (35) courses.

Eighteenth: Corporate Governance:

- A. The bank contracted with KBMG for the purpose of developing project of scorecard for environmental, social and governance standards in the bank and preparing all policies and procedures for corporate governance.
- B. That the executive management and the board of directors are committed to implementing the instructions of corporate governance by disclosing annual and governance reports.
- C. The bank is committed to the qualitative requirements contained in Article 23 of the corporate governance guide issued by the Central Bank of Iraq. The annual reports included disclosure of the results of operations and the financial position of the bank.

Nineteen: The Continuity Hypothesis:

The continuity hypothesis was adopted by the bank's management when preparing the financial statements for the year to be audited.

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 as mentioned in Note 3 – item (Cash), 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 enforce, 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, 2021 and the results of its activity and cash flows for the fiscal year ending on the same date.

Appreciation...

**Dr .HaseebKazimJaweedAl-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/2021 Statement (A)

Details	Note no.	2021	2020
		Iraqi dinars	Iraqi dinars
Assets			
Cash and balance at the Central Bank of Iraq	5	114,243,364,172	83,420,778,412
Balances and deposits at banks and other financial institutions	6	15,793,014,074	8,965,761
financial investment in fair value (not listed n stock market)	7	1,300,000,000	750,000,000
Investment in associate companies	7	165,841,200,000	-
Financing/ participations	7	-	157,113,700,000
Total of financing	7	167,141,200,000	157,863,700,000
Islamic financing	8	311,055,510	8,008,746,181
Properties and equipment	9	139,837,942	79,396,118
Intangible assets	10	342,317,748	78,280,000
Other assets	11	149,361,111	158,989,112
Total Assets		298,120,150,557	249,618,855,584
Liabilities and owner's equity			
Customer's deposits	12	712,859,668	2,165,800,128
Monetary credits	13	49,713,000,000	-
Various allocations	14	345,782,060	146,704,401
Income tax provision	15	758,564,654	779,864,752
The CBI loan	16	475,000,000	675,000,000
Other liabilities	17	1,130,978,675	944,167,292
Total liabilities		53,136,185,057	4,711,536,573
Owner's Equity			
Paid in capital	18	250,000,000,000	250,000,000,000
Mandatory Reserves	19	216,159,185	214,030,598
Other reserves	19	94,219,621	94,219,621
Retained earning	19	2,267,219,485	4,091,109,781
Retained loss	19	(7,593,632,791)	(9,492,040,989)
Net owner's equity		244,983,965,500	244,907,319,011
Total liabilities and equity		298,120,150,557	249,618,855,584
Obligations under the bank's pledge (off – sheet balance)	28	2,563,459,979	44,603,954,017



CFO
Raghad Khalid Khadum



CEO
HayderKadhum Al Ansary


Chairman of BOD
Ameer YasirFadhil

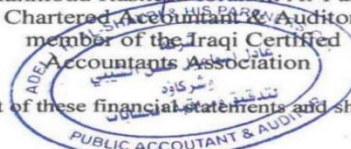
According to our report no. 331/139/2022 dated 31/May/2022




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

The accompanying notes from (1) to (36) constitute an integral part of these financial statements and should be read with them



Income statement for the year ended 31/December/2021 Statement (B-1)

Details	Note no.	2021	2020
		Iraqi dinars	Iraqi dinars
Operational revenues			
Income of (Murabaha, Mudharaba)	20	31,655,694	48,371,289
Fees & commission net income	21	292,753,191	435,748,638
Net income of variance of foreign currency exchange	22-A	13,116,887	(419,599,425)
Revenues of window buying & selling foreign currency	22-B	2,973,518,000	8,265,221,000
Other banking operational revenues	23	3,052,324	167,631
Total operational revenues		3,314,096,096	8,329,909,133
Operational expenditures			
Salaries	24	(1,041,178,206)	(938,021,060)
General & administrative expenditures	25	(1,925,505,407)	(1,301,615,530)
Banking operations expenditures	26	(87,931,900)	(1,379,643,687)
Depreciation and amortization	27	(92,502,377)	(82,051,092)
Total operational expenditures		(3,147,117,890)	(3,701,331,369)
Profit (Loss) of the year before tax		166,978,206	4,628,577,764
Income tax	2, 15	(124,406,466)	(634,158,188)
Profit (Loss) of the year after tax		42,571,740	3,994,419,576

CFO
Raghad Khalid Khadum

CEO
Hayder Kadhum Al Ansary

The accompanying notes from (1) to (36) constitute an integral part of these financial statements and should be read with it

**Other comprehensive income statement for the year ended 31/December/2021
Statement (B-2)**

	31, December, 2021	31, December, 2020
	IQD	IQD
Net income of the year	42,571,740	3,994,419,576
Other comprehensive income that may be reclassified in the income statement in subsequent periods		
Net loss (write off) in financial assets at fair value through other comprehensive income	-	-
The change in the fair value of the financial assets through comprehensive income	-	-
Other comprehensive revenues of the year listed in the owner's equity	-	-
Total comprehensive income (loss) profit for the year	42,571,740	3,994,419,576

The accompanying notes from (1) to (36) constitute an integral part of these financial statements and should be read with it

Statement of changing in equity for the year ending on December, 31, 2021 Statement (C)

2021	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,2021	250,000,000,000	214,030,598	94,219,621	4,091,109,781	(9,492,040,989)	244,907,319,011
Total comprehensive income for the year	-	2,128,587	-	40,443,153	-	42,571,740
Adjustments through the year	-	-	-	34,074,749	-	34,074,749
Reductions through the year	-	-	-	(1,898,408,198)	1,898,408,198	-
Balance as in 31,December, 2021	250,000,000,000	216,159,185	94,219,621	2,267,219,485	(7,593,632,791)	244,983,965,500

The adjustments amounting (34,074,749) IQD represent an error in calculating the accumulated depreciation provision for previous years.

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
Reductions through the year	-	-	-	-	-	-
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

The accompanying notes from (1) to (36) constitute an integral part of these financial statements and should be read with it

Cash flow statement for the year ending on 31/12/2021 Statement (D)

Detail	Note.	2021 IQ dinar	2020 IQ dinar
Operational activities			
Profit of the year before Tax	Statement b	166,978,206	4,628,577,764
Amendments for non-cash items			
Depreciations & amortizations	27	92,502,377	82,051,092
Impairment allowance for Islamic financing	2, 8	-	1,352,467,627
Various allocations	14	-	-
Allowance for pledging obligations	14	-	-
Expected loss allowance/ external cash	7	-	-
Allowance for operational risks		87,931,900	27,176,060
Cash flow used in operational activities prior to change in operational assets & liabilities		347,412,483	6,090,272,543
Change in assets & liabilities			
Islamic finances	8	8,130,939,610	271,965,569
Mandatory deposits	5	-	381,020,610
Other assets	11	9,628,001	29,328,836
Clients deposits	12	(1,452,940,460)	(8,933,644,445)
Cash margin	13	49,713,000,000	(5,317,950)
Other liabilities	17	186,811,383	427,857,345
Net cash flow from (used in) operational activities before tax		56,587,438,534	(7,828,790,035)
Paid tax		(145,706,564)	-
Net cash flow of operational activities		56,441,731,970	(7,828,790,035)
Investment activities			
Investments	7	(9,277,500,000)	-
Purchase of property & equipment	9	(87,957,940)	(13,041,880)
Sale of property & equipment	9	-	-
Project under construction	-	-	-
Intangible assets	10	(294,949,260)	(38,080,000)
Net cash flow from (used in) investment activities		(9,660,407,200)	(51,121,880)
Financing activities			
Central bank of Iraq loan	16	(200,000,000)	(100,000,000)
Net cash flow investment activities		(200,000,000)	(100,000,000)
Increase in cash & cash equivalent		46,928,737,253	(1,889,639,372)
cash & cash equivalent in the beginning of the year		83,429,927,148	85,319,566,520
Cash & cash equivalent in the end of the year	29	130,358,664,401	(83,429,927,148)

The accompanying notes from (1) to (36) constitute an integral part of these financial statements and should be read with it

**Clarifications on the Financial Statements
December 31, 2021**

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 incorporation agreement and change it 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 Sharia 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 in accordance with 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 Anti-Money Laundering and Combating Terrorism Law No. 39 of 2015.

**Clarifications on the Financial Statements
December 31, 2021**

2. The definitions:

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

Musharakah (joint-venture): 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.

Istisna'a 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 Istisna'a 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 by an independent contract to transfer of ownership.

The interest-free loan (Qardh- UIHasan): 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 Party (the speculator) invests it in a specific project or activity and distributes

**Clarifications on the Financial Statements
December 31, 2021**

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, and 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 right resulting from the sale of an existing asset after it is owned by holders of the sukuk or in ownership of owed commodity or in ownership of projects managed on the basis of Mudaraba or Musharakah, and in all these cases the Sukuk holders are owners of their common share of the leased assets or the owed commodity or rights or assets of Mudaraba or Musharakah projects.

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 of international financial reporting standards emanating from the International Accounting Standards Board in accordance with the effective local laws, the instructions of the Central Bank of Iraq, the provisions and rules of Islamic Sharia as determined by the Fatwa and Sharia 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.

**Clarifications on the Financial Statements
December 31, 2021**

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 followed in preparing the financial statements are in agreement with 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 amendments, 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 have 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.

**Clarifications on the Financial Statements
December 31, 2021**

- Interpretation of the Reporting Standards Committee (18) Transfers of assets from clients.
- Interpretation (31) revenue - barter operations that involve advertising services.

The standard must be applied for periods beginning on or after January 1, 2020 with early application permitted

Apply Financial Reporting Standard No. (9) “Financial instruments”

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 Musharaka/ dinar	Allowance required for pledge credit/ dinar	allowance required for balances in financial institutions/ dinar	Total/ dinar
78,754,592	000	19,885,200	322,286,155	420,925,947

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

	Monetary Islamic finances (Murabaha)/ dinar	Investment in Musharaka/ dinar	Pledge credit/ dinar	Balances in financial institutions/ dinar
Allowance to be calculated in 31/12/2021	78,754,592	-	19,885,200	322,286,155
Minus: the balance of allowance in 1/1/2021	512,003,531	7,836,300,000	000	182,975
The quantitative impact for apply the standard in 31/12/2021	(433,248,939)	(7,836,300,000)	19,885,200	322,103,180

An amount of (341,988,380) dinars has been transferred to from various allocations to be added to the pledge credit allowance and balanced allowance with financial institutions.

**Clarifications on the Financial Statements
December 31, 2021**

Change in Islamic financing/Murabahah	(433,248,939)
Change in investments/Musharaka	(7,836,300,000)
Change in pledge credit	19,885,000
Change in balances with financial institutions	322,103,180
Net change	(7,927,560,759)

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, 2020 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, 2021, 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

**Clarifications on the Financial Statements
December 31, 2021**

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.

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.

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.

**Clarifications on the Financial Statements
December 31, 2021**

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

Musharaka

The income from Musharaka is calculated on the basis of reducing the Musharaka 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, Ijara, 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 impairment provision 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 provisions.

The Ijara 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 for assets for certain

**Clarifications on the Financial Statements
December 31, 2021**

periods that either reach 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 impairment provisions.

(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 the recognized amounts clearing 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 value impairment provisions, 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 made, 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:

**Clarifications on the Financial Statements
December 31, 2021**

- A main market for the assets and liabilities.
- Or in the absence of the main market, in more favorable market for 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 interests. 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 trading prices, but it can be directly or indirectly observed,

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.

**Clarifications on the Financial Statements
December 31, 2021**

- 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.

The renegotiated credit finances:

The bank seeks to restructure the financial facilities when possible rather than the acquisition of guarantees, 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:

**Clarifications on the Financial Statements
December 31, 2021**

Asset productive life (years)

Furniture and office equipment	5
Machinery and equipment	5
Intangible assets	5

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 there are financial obligations for the bank (legal or judgmental) arises from previous events and there is a possibility of repayment the obligation and the cost of paying it can be measured accurately. Any allowance

**Clarifications on the Financial Statements
December 31, 2021**

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.

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 is 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

**Clarifications on the Financial Statements
December 31, 2021**

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).

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

Clarifications on the Financial Statements
December 31, 2021

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

Offsetting:

The financial assets and liabilities are offset and showing the net amount in the balance sheet only when the legally enforceable conditions are met, as well as when they are paid on the basis of offsetting or the realization of the assets and settle of liabilities simultaneously.

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.

**Clarifications on the Financial Statements
December 31, 2021**

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.

5. Cash and balances of the CBI

statement	2021 IQ Dinar	2020 IQ Dinar
Cash in the treasury		
Cash on hand*	4,154,459,500	81,977,096,750
Cash on hand foreign currency	363,283,040	98,875,580
Total	4,517,742,540	82,075,972,330
Balances and in the CBI		
Current accounts *	106,711,773,692	1,051,898,982
Mandatory deposit**	3,013,847,940	292,907,100
Total	109,725,621,632	1,344,806,082
	114,243,364,172	83,420,778,412

* 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	2021 IQ Dinar	2020 IQ Dinar
Current accounts – local bank & institutions	992,496,	-
Current accounts – foreign bank & institutions	16,114,307,733	9,148,736
Expected credit loss allowance	(322,286,155)	(182,975)
Total	15,793,014,074	8,965,761

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

Clarifications on the Financial Statements
December 31, 2021

7. Investments:

statement	2021 IQ Dinar	2020 IQ Dinar
Commercial participations/ companies	-	70,880,000,000
Commercial participations/ individuals	-	94,070,000,000
	-	164,950,000,000
Minus: allowance of participations risks		
The balance as in 1/1/2021	7,836,300,000	4,241,000,000
Additions during the year	-	3,595,300,000
Write back during the year	(7,836,300,000)	-
The balance as in 31/12/2021	-	7,836,300,000
Net participations	-	157,113,700,000
Long-term financial assets:		
Investment in association company	173,677,500,000	-
Minus: investments allowance/ financial sector		
The balance as in 1/1/2021	-	-
Additions during the year	7,836,300,000	-
Write back during the year	-	-
The balance as in 31/12/2021	7,836,300,000	-
Net of long-term financial assets:	165,841,200,000	-
Financial asset in fair value/ not listed in the market		
The Iraqi company for deposit insurance	750,000,000	750,000,000
National Takaful company	550,000,000	-
Total of financial asset in fair value/ not listed in the market	1,300,000,000	750,000,000
Total	167,141,200,000	157,863,700,000

* The bank purchased shares of Iraqi Middle East Investment Bank amounted (64,325,000,000) shares (25.73%) of the capital at a total cost of (173,677,500,000) dinars, noting that the market value of the shares (12,865,000,000) dinars, knowing that this investment is not negotiable, selling, buying, Murabaha or Mudharaba rather, it is a special deal with the bank's major shareholders and a long-term investment aimed at benefiting from the returns and profits of the bank in compliance with the provisions of Islamic Sharia referred to letter of the Central Bank of Iraq No. (9/3/16110 dated 18/8/2021), the bank has allocated an amount of (7,836,300,000) dinars.

**Clarifications on the Financial Statements
December 31, 2021**

8.1. Islamic finances:

statement	2021 IQ Dinar	2020 IQ Dinar
Murabaha		
Murabaha – companies	-	8,000,000,000
Murabaha – individual	225,264,033	520,749,712
Murabaha – employees	164,546,069	-
Total	389,810,102	8,520,749,712
Decline allowance in Islamic finance	(78,754,592)	(512,003,531)
Islamic finance net	311,055,510	8,008,746,181

*** 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	2021 IQ Dinar	2020 IQ Dinar
Balance as on January, 1 st	(512,003,531)	(4,484,113,784)
Minus: clearing during the year	433,248,939	4,241,000,000
	(78,754,592)	(243,113,784)
Additions during the year	-	(268,889,747)
Balance as on December, 31 th	(78,754,592)	(512,003,531)

**Clarifications on the Financial Statements
December 31, 2021**

9.1. Properties & equipment

2021	Machinery & equipment	Transportation means	Furniture	Total Iraqi dinar
Cost				
Balance as on January, 1 st , 2021	39,000,000	-	225,893,870	264,893,870
Additions during the year	-	10,220,000	77,737,940	87,957,940
Exclusions	-	-	-	-
Balance as on December, 31 th , 2021	39,000,000	10,220,000	303,631,810	352,851,810
Accumulated depreciation				
Balance as on January, 1 st , 2021	34,006,499	-	151,491,253	185,497,752
	(8,006,449)	-	(26,068,250)	(34,074,749)
Depreciation during the year	7,800,000	511,000	53,279,868	61,590,865
Balance as on December, 31 th , 2021	33,800,000	511,000	178,702,868	213,013,868
Net book value as in 31/December/2021	5,200,000	9,709,000	124,928,942	139,837,942

*the deductions from accumulated depreciation amounted (34,074,749) dinars represented an error in calculation in previous years.

9.2. Properties & equipment

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

**Clarifications on the Financial Statements
December 31, 2021**

10. Intangible assets

statement	2021 IQ Dinar	2020 IQ Dinar
cost		
Balance as on January, 1 st	195,080,000	157,000,000
Additions during the year	294,949,260	38,080,000
Balance as on December, 31 th	490,029,260	195,080,000
Accumulated amortization		
Balance as on January, 1 st	116,800,000	85,400,000
amortization during the year	30,911,512	31,400,000
Balance as on December, 31 th	147,711,512	116,800,000
Net book value	342,317,748	78,280,000

11. Other assets

statement	2021 IQ Dinar	2020 IQ Dinar
Deposits with others	58,400,000	58,400,000
Advance expenses	70,751,111	71,111,112
Cash differences	20,210,000	29,478,000
Total	149,361,111	158,989,112

12. Client deposits

statement	2021 IQ Dinar	2020 IQ Dinar
Current accounts - companies	517,432,190	2,027,983,810
Current accounts – individuals	153,392,138	124,926,538
Saving accounts	42,035,340	7,775,840
The bills drawn on the bank	-	5,113,940
Total	712,859,668	2,165,800,128

13. Cash margins

statement	2020 IQ Dinar	2020 IQ Dinar
LC margin	49,713,000,000	000
Total	49,713,000,000	000

**Clarifications on the Financial Statements
December 31, 2021**

14. Sundry provisions

A.

statement	2021 IQ Dinar	2020 IQ Dinar
Balance as on January, 1 st	472,795	2,511,722,120
Additions during the year	8,269,548,939	-
deductions during the year	(8,178,288,380)	(2,511,249,325)
Balance as on December, 31th	91,733,354	472,795

*the additions represent the transfer of amount (433,248,939) dinars from the account of expected credit loss allowance and amount (7,836,300,000) dinars from the account of Musharakah allowance

**the deductions represent the transfer of amount (19,885,200) dinars to the account of credit obligation allowance and amount of (322,103,180) dinars to calculate the external cash allowance as a result of the increase of allocation during the year 2021 and amount of (7,836,300,000) dinars was transferred to the investment allowance account.

B.

statement	2021 IQ Dinar	2020 IQ Dinar
Operational risks allowance		
Balance as on January, 1 st	146,231,606	119,055,546
Additions during the year	87,931,900	27,176,060
Balance as on December, 31th	234,163,506	146,231,606

C.

statement	2021 IQ Dinar	2020 IQ Dinar
Credit obligation allowance		
Balance as on January, 1 st	000	968
Additions during the year	19,885,200	(968)
Balance as on December, 31th	19,885,200	000
Total (A+B+C)	345,782,060	146,704,401

**Clarifications on the financial statements
December 31, 2021**

15.1. Income tax allowance

statement	2021 IQ Dinar	2020 IQ Dinar
Balance as on January, 1 st	779,864,752	145,706,564
Income tax paid during the year	(145,706,564)	-
Income tax payable for the year	124,406,466	634,158,188
Balance as on December, 31th	758,564,654	779,864,752

15.2. Income tax allowance

statement	IQ Dinar	IQ Dinar
Net profit (loss) under the income statement (B)		166,978,206
Adding: net non-taxable expenses:		
Compensation & fines	211,876,270	
Expenses of previous years	446,078,166	
Operating risk allowance	87,932,900	
Total non-taxable expenses:		745,887,336
Deduction: non-taxable items:		
Deduction of the accumulated deficit for previous years not exceeding 50% of the profit of current year		(83,489,103)
Taxable profit		829,376,439
Tax rate (15%)		
Tax realized		124,406,466

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, 2021 will be paid in 2022.

Clarifications on the financial statements
December 31, 2021

16. CBI loan:

statement	2021 IQ Dinar	2020 IQ Dinar
CBI loan	475,000,000	675,000,000
	475,000,000	675,000,000

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

17. Other liabilities:

statement	2021 IQ Dinar	2020 IQ Dinar
Received margins	11,910,000	12,371,000
Advanced received revenues	31,489,280	43,995,815
Accrued expenses	48,000,000	62,000,000
Financial stamps fees	566,295,188	348,551,988
Advances for buying & selling dollar	-	474,278,889
Dollar exchange rate fluctuations	470,668,757	-
Various receivables	630,000	-
Balances and compensations for deceased clients	401,500	-
Deductions for the other/ employee	1,583,950	2,969,600
Total	1,130,978,675	944,167,292

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.

Clarifications on the financial statements
December 31, 2021

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 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	2020 IQ Dinar
Murabaha revenue of cars	1,055,992	2,636,240
Murabaha revenue of goods	29,320,607	45,735,049
Murabaha revenues of advances granted to employees	1,279,095	-
Total	31,655,694	48,371,289

21. Net commission and fees revenues:

statement	2021 IQ Dinar	2020 IQ Dinar
LG commission	-	150,000
Banking stationary sales	1,816,886	490,450
Other banking commission	153,885,472	469,969,430
Recovered communication expenses	1,043,900	420,000
Commission of outgoing LC	217,423,200	-
Commission for issuing bills	66,000	-
Total of commission and fee revenues	374,235,458	471,029,880
Minus : debit paid commission	(81,482,267)	(35,281,242)
Total	292,753,191	435,748,638

Clarifications on the financial statements
December 31, 2021

22.1. Net revenues from differences of foreign currency exchange:

statement	2021 IQ Dinar	2020 IQ Dinar
Revenues of sale & purchase foreign currencies	19,958,549	8,400,192
Differences of foreign currencies rating	(6,841,662)	(427,999,617)
Total	13,116,887	(419,599,425)

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

statement	2021 IQ Dinar	2020 IQ Dinar
Commission from window of purchase & sale foreign currency	2,973,518,000	8,265,221,000
Total	2,973,518,000	8,265,221,000

*the amount (2,963,180,000) dinar represented the revenue of currency auction and the amount of (10,338,000) dinar represented the commission for issuing LC.

Clarifications on the financial statements
December 31, 2021

Note about revenue of purchase & sale foreign currencies

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	252,000,000	1,460	367,920,000,000	252,000,000	1,462	368,424,000,000	504,000,000
	818,500,000	1,460	1,195,010,000,000	818,500,000	1,461	1,195,828,500,000	818,500,000
	466,000,000	1,460	680,360,000,000	466,000,000	1,463	681,758,000,000	1,398,000,000
LC	74,460,000	1,460	108,711,600,000	74,460,000	1,463	108,934,980,000	223,380,000
Banking companies	-	-	-	-	-	-	-
The share of the bank	9,650,000	1460	14,089,000,000	9,650,000	1462	14,108,300,000	19,300,000
Total	1,620,610,000		2,366,090,600,000	1,620,610,000		2,369,053,780,000	2,963,180,000

**Clarifications on the financial statements
December 31, 2021**

23. Other banking operation revenues:

statement	2021 IQ Dinar	2020 IQ Dinar
Various services revenue	111,900	166,400
ATM revenue	6,529	-
Other customers revenue (CBI)	2,000	-
Contingent revenue	2,931,895	1,231
Total	3,052,324	167,631

24. Employees expenses:

statement	2021 IQ Dinar	2020 IQ Dinar
Salaries expenses	661,237,666	586,516,850
Bonus	27,700,000	30,000,000
Professional & technical allowance	302,226,514	278,653,410
Social warranty	50,014,026	42,850,80
Total	1,041,178,206	938,021,060

**Clarifications on the financial statements
December 31, 2021**

25. Administration & general expenses:

statement	2021 IQ Dinar	2020 IQ Dinar
fuel & Oil	12,150,250	9,322,000
Supplies & stationeries expenses	12,677,850	14,833,300
Water & electricity	8,323,760	12,305,890
Maintenance expenses	11,198,500	5,888,000
Research & consultant services	157,840,000	52,390,000
Advertisement expenses	8,516,550	2,000,000
Transport expenses	16,530,000	15,265,000
Travel expenses	7,774,540	-
Telecommunication expenses	123,978,892	718,963,420
Rent expenses	71,024,000	67,136,000
Contribution expenses	425,907,091	92,999,495
Training employees	28,943,000	6,948,750
Audit fees CPA	48,000,000	62,000,000
Subventions to others	222,000,000	77,000,000
Compensation & fines	211,876,270	115,978,000
Tax & fees	28,359,000	1,930,000
Other operational expenses	84,327,538	46,655,675
Expenses of previous years	446,078,166	-
Total	1,925,505,407	1,301,615,530

26. Banking operations expenses:

statement	2021 IQ Dinar	2020 IQ Dinar
Allowance for credit impairment	-	1,352,467,627
Sundry provisions	-	-
Pledge obligations allowance	-	-
Operational risk allowance	87,931,900	27,176,060
Expected loss allowance cash/foreign	-	
Total	87,931,900	1,379,643,687

27. Depreciations

statement	2021 IQ Dinar	2020 IQ Dinar
Machinery and equipment depreciation	7,800,000	7,800,000
Transport depreciation	511,000	-
Furniture depreciation	53,279,865	42,851,092
Intangible assets amortization	30,911,512	31,400,000
Total	92,502,377	82,051,092

December 31, 2021

28. Pledging obligations and advances received against each other:

statement	2021 IQ Dinar	2020 IQ Dinar
Letter of credit	49,713,000,000	-
Minus: LC advances	(49,713,000,000)	-
	000	-
LG obligation obligations		-
Minus: LG advances/ dinar		-
Plus: other in kind deposits held by the bank	2,563,459,9979	44,603,954,017
Total of net pledging obligations move to financial statement	2,563,459,9979	44,603,954,017

29. Cash and its equivalent:

Which appear in the cash flow statement consist of the following:

statement	2021 IQ Dinar	2020 IQ Dinar
Cash & balances in the CBI	114,243,364,172	83,420,778,412
Balances in other banks & financial institutions	16,115,300,229	9,148,736
Total	130,358,664,401	83,137,020,048

30. Transactions with related parties:

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

statement	Relationship nature	2021 IQ Dinar	2020 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.

**Clarifications on the financial statements
December 31, 2021**

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

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

31, December, 2021	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 & certificates of deposit in the CBI	-	114,243,364,172	-	114,243,364,172	114,243,364,172
Balances & deposits in other banks & financial institution	-	15,793,014,074	-	15,793,014,074	15,793,014,074
Investments		14,165,000,000		14,165,000,000	14,165,000,000
Islamic finances	-	311,055,510	-	311,055,510	311,055,510
Other assets	-	149,361,111	-	149,361,111	149,361,111
Total assets	-	144,661,794,867	-	144,661,794,867	144,661,794,867
Liabilities					
Client deposits	-	712,859,668	-	712,859,668	712,859,668
Advances received	-	49,713,000,000	-	49,713,000,000	49,713,000,000
Income tax allowance	-	758,564,654	-	758,564,654	758,564,654
The CBI loan	-	475,000,000	-	475,000,000	475,000,000
Other liabilities	-	1,130,978,675	-	1,130,978,675	1,130,978,675
Total	-	52,790,402,997	-	52,790,402,997	52,790,402,997

**Clarifications on the financial statements
December 31, 2021**

32. The fair value for financial instruments:

31, December, 2020	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 & certificates of deposit in the CBI	-	83,420,778,412	-	83,420,778,412	83,420,778,412
Balances & deposits in other banks & financial institutions	-	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

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

**Clarifications on the financial statements
December 31, 2021**

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's committees.

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 achieving these 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

Clarifications on the financial statements
December 31, 2021

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 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	2021 IQ Dinar	2020 IQ Dinar
Items inside the statement of financial position		
Cash & balances in the CBI	114,243,364,172	83,420,778,412
Deposits with banks and other financial institutions	15,793,014,074	8,965,761
Islamic financing	311,055,510	165,122,446,181
Other assets	149,361,111	158,989,112
Total	130,496,794,867	248,711,179,466

The above table represents the maximum credit risk for the bank as of December 31, 2020 and 2021, 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.

Clarifications on the financial statements
December 31, 2021

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

2021	Individual IQ Dinar	Big companies IQ Dinar	Banks & other institutions IQ Dinar	Total IQ Dinar
Low risk	389,810,102	-	130,036,378,246	130,426,188,348
Acceptable risk	-	-	-	-
Due to 30 days	-	-	-	-
From 31 to 60 days	-	-	-	-
Under probation	-	-	-	-
Non-performing				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Amortized	-	-	-	-
Total	389,810,102	-	130,036,378,246	130,426,188,348
Minus: outstanding interest	-	-	-	-
Minus: impairment allowance for Islamic financing	(78,754,592)	-	(322,286,155)	(401,040,747)
Total	(78,754,592)	-	(322,286,155)	(401,040,747)
Net.	311,055,510	-	129,714,092,091	130,025,147,601

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

**Clarifications on the financial statements
December 31, 2021**

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	114,243,364,172	-	-	114,243,364,172
Deposits with banks and other financial institutions	992,4496	16,114,307,733	-	16,115,300,229
Islamic financing	311,055,510	-	-	311,055,510
Other assets	149,361,111	-	-	149,361,111
Total for 2021	114,704,773,289	16,114,307,733		130,819,081,022
Total for 2020	248,702,213,705	8,965,761	-	248,711,179,466

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 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.

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.

2021	Change in the exchange rate	Impact on Profits and Losses
Currency		Iraqi Dinar
US Dollar	10%	-----
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	114,243,364,172	-	-	-	-	114,243,364,172
Deposits with banks and other financial institutions	16,115,300,229	-	-	-	-	16,115,300,229
Islamic financing	311,055,510	-	-	-	-	311,055,510
Other assets	149,361,111	-	-	-	-	149,361,111
Total for 2021	130,819,081,022					130,819,081,022
Total for 2020	248,711,179,466					

**Clarifications on the financial statements
December 31, 2021**

34. gap of re-pricing interest:

Classification is made on the basis of interest reprising or accrual intervals, whichever is closer.

2021	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 at the CBI	111,229,516,232	-	-	-	3,013,847,940	114,243,364,172
Deposits at banks and other financial institutions	-	-	-	-	16,115,300,229	16,115,300,229
Islamic financing	-	-	-	311,055,510	-	311,055,510
Property and equipment	-	-	-	-	139,837,942	139,837,942
Intangible assets	-	-	-	-	342,317,748	342,317,748
Other assets	-	-	-	-	149,361,111	149,361,111
Total assets	111,229,516,232	-	-	311,055,510	19,760,664,970	131,301,236,712
Liabilities						
Customer deposits	-	-	-	42,035,340	670,824,328	712,859,668
Cash credit	-	-	-	-	49,713,000,000	49,713,000,000
Income tax allowance	-	-	-	-	758,564,654	758,564,654
Loan of CBI	-	-	-	-	475,000,000	475,000,000
Other liabilities	-	-	-	-	1,130,978,675	1,130,978,675
Total liabilities	-	-	-	42,035,340	52,748,367,657	52,790,402,997
Gap of re-pricing interest	111,229,516,232	-	-	269,020,170	(32,987,702,687)	78,510,833,715
2020						
Total assets		-	-	165,122,446,181	1,670,437,073	248,868,855,584
Liabilities		-	-	7,775,840	4,506,768,013	4,514,543,853
Gap of re-pricing interest		-	-	165,114,670,341	(2,836,330,940)	244,354,311,731

**Clarifications on the financial statements
December 31, 2021**

34.3.5. Concentration of foreign currency risks:

2021			
Statement	US Dollar	AED	Total
Assets			
Cash & balances in the CBI	403,958,246	-	403,958,246
Deposits with banks and other financial institutions	16,113,043,420	1,264,313	16,114,307,733
Islamic financing	-	-	-
Other assets	58,400,000	-	58,400,000
Total assets	16,575,401,666	1,264,313	16,576,665,979
Liabilities			
Customers deposits	64,359,720	-	64,359,720
Cash credit	49,713,000,000	-	49,713,000,000
Total liabilities	49,777,359,720	-	49,777,359,720
Net concentration in the statement of financial position	(33,201,958,054)	1,264,313	(33,200,693,741)
Contingent liabilities outside the statement of financial position	-	-	-

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

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:

Clarifications on the financial statements
December 31, 2021

	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
2021							
Liabilities							
Customer deposits	670,824,328	-	-	42,035,340	-	-	712,859,668
Cash credit	49,713,000,000	-	-	-	-	-	49,713,000,000
Loan of CBI	-	-	-	-	-	475,000,000	475,000,000
Other liabilities	1,130,978,675	-	-	-	-	-	1,130,978,675
Total liabilities	1,130,978,675	-	-	42,035,340	-	475,000,000	52,031,838,343

2020							
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	944,167,292	-	-	-	-	-	944,167,292
Total liabilities	944,167,304,353	5,317,950	-	8,993,760	-	775,000,000	944,168,085,383

Clarifications on the financial statements
December 31, 2021

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:

2021	Up to 1 year	More than 1 year	Total
IQ dinar	IQ dinar	IQ dinar	IQ dinar
Assets			
Cash & balances in the CBI	111,229,516,232	3,013,847,940	114,243,364,172
Deposits with banks and other financial institutions	15,793,014,074	-	15,793,014,074
Islamic financing	-	311,055,510	311,055,510
Property and equipment	-	139,837,942	139,837,942
Intangible assets	-	342,317,748	342,317,748
Other assets	149,361,111	-	149,361,111
Total assets	127,171,891,417	3,807,059,140	130,978,950,557
Liabilities			
Customer deposits	670,824,328	42,035,340	2,165,800,128
Cash credit	49,713,000,000	-	49,713,000,000
Income tax allowance	758,564,654	-	758,564,654
Loan of CBI	-	475,000,000	475,000,000
Other liabilities	1,130,978,675	-	1,130,978,675
Total liabilities	52,273,367,657	517,035,340	54,243,343,457
Net. Total	74,898,523,760	3,290,023,800	76,735,607,100

**Clarifications on the financial statements
December 31, 2021**

35.2. Maturity analysis of Assets and Liabilities:

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

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, 2021 and in the estimation of the bank's management and its legal advisor, the bank will not have any obligations for these cases.