

**CIHAN Bank for Islamic Investment and Finance**

**Private Joint Stock Company**

**Financial Statements & Audit Report**

**For The Fiscal Year Ended December 31, 2020**

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**To: Shareholders of CIHAN International Bank for Islamic Investment and Finance**

**Subject: Audit Report on the Financial Statements of CIHAN Bank for Islamic Investment and Finance for the Fiscal Year ended December 31, 2020**

**Opinion:**

We have audited the financial statements of CIHAN Bank for Islamic Investment and Finance (the Bank), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects the financial position of the Bank as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Islamic Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI).

**Basis for Opinion:**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters:**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**a. Impairment of Islamic financing and investing activities:**

Refer to note 6 and 7 of the financial statements.

The Bank estimated the anticipated credit losses on defaulted debts. The risk is that the carrying value of Islamic financing and investing activities held at amortized cost may be misstated. Impairment is a subjective area due to the level of judgment applied by management in determining the impairment allowance. Due to the significance of Islamic financing and investing activities and the related estimation uncertainty, this is considered a key audit matter. Judgment is applied to determine appropriate stage to classify the debt or finance into anticipated credit loss.

We used our local knowledge to assess the trends in the local credit environment and considered the likely impact on the Bank's exposures to focus our testing on key risk areas.

**b. Operational risks:**

Operational risks come from potential losses due to the failure of the Bank's internal operations, systems or management, or because of internal and external events and fraud. The Basel II / Pillar I and CBI instructions require the Bank to establish a framework that ensures control and management of these risks to the extent of risk appetite, as well as monitoring, recording and processing related events. It is also necessary for the Bank to measure these risks (the method adopted is the basic indicator method which means taking the rate of 15% of the average operational profit for the previous three years) and adding it to the capital adequacy ratio. This was done in accordance with table (t) in paragraph (31) which includes a statement of how capital is calculated to cover operational risk.

**c. Cash with foreign banks:**

The balance with foreign banks amounted IQD 70,331,271,000 as at December 31, 2020 (note 5) represents the balances with correspondent banks and other financial institutions. The risk related to this account come from non-performing the reconciliations and adjustments in certain dates which lead to the loss of Bank rights in case of charging the Bank with incorrect entries. Our efforts contain ascertaining the making of reconciliations and corrections in certain dates.

**d. The balance of position account difference** amounted IQD 113,526 million (debit), which is exceeding the same of previous year in IQD 110 million. That requires efforts to reconcile and adjust this amount as it affects the financial position of the Bank. Please refer to paragraph h of this report.

**e. IFRSs:** The Bank applies IFRSs. In this year the Bank applies IFRS 9 considering the Islamic banking environment, throughout the recognition analysis of the quantitative impact. The provision of impairment was determined by IQD 1,992,866,000, while the Bank made a provision for credit impairment for 2020 in amount of IQD 1,443,292,000. The difference was IQD 549,574,000 that needs the treatment in 2021. In current year, the Bank raises the balance of the provision in amount of IQD 23,907,416,000 which came from:

IQD 12,850,096,000 transferred from expansion reserve.

IQD 5,000,000,000 charged on P&L account.

IQD 6,057,320,000 transferred from price fluctuation provision.

The total to be IQD 23,907,416,000.

**f. The Bank ability to meet its commitments to depositors:**

1. The Bank has cash liquidity in national and foreign currencies that enable it to meet its commitments against the depositors during next year, especially in national currency where its cash assets amounted to IQD 464,049,953,000 while the balance of its depositors equal to IQD 380,603,829,000 as at the end of the fiscal year.

2. The cash assets in foreign currencies amounted to USD 158,443,000 (equal to IQD 231,326,780,000) are representing 50% of total cash assets.
  3. The balance of foreign cash assets (USD 158,443,000) does not enable the Bank to meet its immediate commitments (amounted to USD 194,584,000) against its depositors in the same currency. The Bank needs to support its liquidity in foreign currency.
  4. The ratio of foreign currency position to the Bank's capital and sound reserves amounted IQD 277,986,168,000 was 83%.
- g. **Expansion reserve:** The balance of this reserve (amounted to IQD 12,850,096,000) was transferred to the provision of credit impairment because the Bank did not apply this reserve up to December 31, 2019. This treatment was conducted in compliance with CBI's instructions in its letter No. 9/3/12703 dated September 27, 2020 and the General assembly of the Bank's approval in its meeting held on October 24, 2020.
- h. **Events after the date of balance sheet:** According to the CBI instructions in its letter No. 9/3/16994 dated November 18, 2020 containing the approval to acquire CIHAN University which is owned by the Bank's major shareholders in order to adjust the balance of position account (evaluation of foreign currencies) which amounted to IQD 113,415,938,000 as at December 31, 2019. The Bank's BOD approved this treatment on November 26, 2020 and the procedures were taken to appraise the value of the assets of the university (Erbil and Duhok branches) at USD 421,009,935 (equal to IQD 614,674,505,000). The appraisal was made by a committee formed from CBI representatives, legal expert from presidency of court of appeal in Erbil and two real-estate assessors in coordination with Bank's administration. The procedures are still ongoing to amend the articles of incorporation and to get the approval of the General assembly of the Bank.

#### **Other information:**

The management is responsible for other information. The other information contains the information included in the annual report other than financial statements and audit report. Our opinion on financial statements does not cover the other information and we do not give any assurance or conclusion on the same.

With regard to the auditing of the financial statements, our responsibility is to read the other information when it is available to us, considering whether the other information is not corresponding materially with the financial statements or with knowledge concluded by our audit or whether the other information materially misstated.

#### **Responsibilities of Management and Those in Charge of Governance for the Financial Statements:**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and Islamic Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those in charge of governance are responsible for overseeing the Bank's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements:**

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

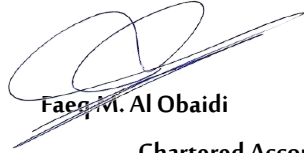
#### **Report on other regulatory requirements:**

In addition to the above mentioned, we express the following notes in accordance with legal requirements adopted in Iraq:

1. The accounting books used by the Bank agreed with the requirements of Bookkeeping Regulation. In our opinion, they are containing all assets, liabilities, revenues and expenditures of the Bank, and the Bank's financial statements are consistent with its books and with the CBI instructions. The Bank keeps its accounting records in a safe and approachable place.
2. In compliance with The Islamic Banking Law No. 43 of 2015 and CBI resolutions which require preparing and presenting financial statements in accordance with IFRSs and AAOIFI standards, the Bank continued to prepare its accounts in accordance with Uniform Accounting System during 2020 as the core banking system programmed with that system. The Bank translated its financial statements to IFRSs at the end of the year.
3. The ad hoc committee on anti-money laundry continued its work during the year in accordance with CBI directions and relating laws.
4. The internal audit sections in the main branch performed their audit tasks and provided periodical reports. We believe that these reports were generally acceptable. But the majority of other branches lack to audit section, we recommend establishing audit sections in these branches and supporting them with qualified auditors to enable them to cover all Bank operations effectively.
5. The Bank's management conducted a physical verification of the fixed and cash assets in a proper manner under our supervision. The results came in conformity with the Bank's books. The evaluation of those assets made in accordance with adopted accounting principles and standards.

6. The annual report, including the financial and accounting information, reflects the view of Bank's Management.

Erbil- Iraq



**Faeg M. Al Obaidi**



**Faeq H. Newroz**

**Chartered Accountants & Auditors**

Statement of Financial Position as at Dec.31, 2020

	Notes	31/12/2020	31/12/2019
		IQD 1000	IQD 1000
<b>ASSETS</b>			
Cash and balances with Central Bank of Iraq	4	393,095,489	237,151,329
Balances with other banks	5	70,954,464	68,831,444
Islamic financing assets (net)	6	55,926,471	58,872,795
Qardh Hasn ( Non-interest loans)	7	14,800	53,285
Investments (net)	8	37,615,131	36,700,000
Assets held as a result of debt settlement (net)	9	969,633	272,711
Other assets (net)	10	130,661,985	212,953,162
Intangibles	11	810,332	7,227,242
Property, plants and Equipment (net)	12	8,094,125	2,882,367
Project in progress	13	11,487,154	7,537,004
<b>Total assets</b>		<b>709,629,584</b>	<b>632,481,339</b>
<b>LIABILITIES &amp; OWNERS EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	14	380,603,829	303,328,593
Deposits on banking operations	15	42,378,775	32,503,924
Other liabilities	16	1,833,902	1,640,781
CBI Financing	17	500,000	700,000
Provisions	18	6,326,910	2,805,745
<b>Total liabilities</b>		<b>431,643,416</b>	<b>340,979,043</b>
<b>EQUITY</b>			
Capital		255,000,000	255,000,000
Reserves		19,524,848	32,041,548
Retained earnings		3,461,320	4,460,748
<b>Total equity</b>		<b>277,986,168</b>	<b>291,502,296</b>
<b>Total liabilities &amp; equity</b>		<b>709,629,584</b>	<b>632,481,339</b>

Saad B. Abdulahad

FCO

Ahmed A. Ismael

CEO

Azad V.S. Bajger

Chairman

Subject to our report No. C/1/31 on 28/06/2021

Faiq M Al Obaidi

Faiq H. Nawrooz

Chartered Accountants & Auditors

The accompanying notes from 1 to 31 form an integral part of the financial statements



Statement of Profit or Loss and Other Comprehensive Income for the Fiscal year ended Dec. 31, 2020

	Notes	2020 IQD 1000	2019 IQD 1000
<b>Operating income</b>			
<i>Islamic finance income</i>	19	3,112,508	5,079,581
<i>Fees &amp; commissions income (net)</i>	20	10,290,426	6,239,349
<i>Investment income</i>	21	0	616,498
<i>Income from trade of foreign exchange</i>	22	7,684,030	4,577,030
<i>Misc. banking income</i>	23	4,095,324	1,819,728
<b>Total operating income</b>		<b>25,182,288</b>	<b>18,332,186</b>
<b>Operating expenses</b>			
<i>Salaries and related charges</i>	24	4,341,940	4,863,064
<i>Administrative &amp; general expenses</i>	25	4,974,437	9,867,378
<i>Depreciation &amp; amortization</i>	9/11/12	2,028,735	857,875
<i>Taxes &amp; duties</i>	26	2,560	4,630
<i>Credit risk allowance</i>	6	5,000,000	
<i>Investment impairment</i>	8	250,000	
<i>Other expenses</i>	27	2,659,654	1,896,545
<b>Total expenses</b>		<b>19,257,326</b>	<b>17,489,492</b>
<b>Net operating income</b>		<b>5,924,962</b>	<b>842,694</b>
<i>Other comprehensive income</i>		<b>0</b>	<b>0</b>
<b>Comprehensive income for the year</b>		<b>5,924,962</b>	<b>842,694</b>
<i>Minus: distributions to depositors</i>		(2,000,000)	(250,000)
<b>Net Profit before tax</b>		<b>3,924,962</b>	<b>592,694</b>
<i>Minus: Income tax</i>	18	(590,994)	(88,904)
<b>Profit after tax</b>		<b>3,333,968</b>	<b>503,790</b>

The accompanying notes from 1 to 31 form an integral part of the financial statements

Comprehensive income distributed as follows:

	2020 IQD 1000	2019 IQD 1000
<i>Capital reserve</i>	166,698	29,635
<i>Legal reserve</i>	166,698	29,635
<i>Expansion reserve</i>	0	59,270
<i>Retained Earnings</i>	3,000,572	385,250
<b>Total</b>	<b>3,333,968</b>	<b>503,790</b>

**CIHAN Bank for Islamic Investment and Finance**

**Statement of Changes in Equity**

For the fiscal year ended December 31, 2020

	Capital IQD 1000	Capital reserve IQD 1000	Expansion Reserve IQD 1000	Legal reserve IQD 1000	Retained earnings IQD 1000	Total IQD 1000
<b>Balance at beginning of fiscal year</b>	255,000,000	8,638,242	12,850,096	10,553,210	4,460,748	291,502,296
<i>Fiscal year Dividend</i>	0	166,698	0	166,698	3,000,572	<b>3,333,968</b>
<i>Dividend Deduction</i>	0				(4,000,000)	<b>(4,000,000)</b>
			(12,850,096)			<b>(12,850,096)</b>
<b>Balance as at Dec. 31, 2020</b>	<b>255,000,000</b>	<b>8,804,940</b>	<b>0</b>	<b>10,719,908</b>	<b>3,461,320</b>	<b>277,986,168</b>

**Statement of Changes in Equity**

For the year ended December 31, 2019

	Capital IQD 1000	Capital reserve IQD 1000	Expansion Reserve IQD 1000	Legal reserve IQD 1000	Retained earnings IQD 1000	Total IQD 1000
<b>Balance at beginning of fiscal year</b>	255,000,000	8,608,607	12,790,826	10,523,575	4,075,498	<b>290,998,506</b>
<i>Fiscal year Dividend</i>	0	29,635	59,270	29,635	385,250	<b>503,790</b>
<i>Deductions</i>	0	0	0	0	0	<b>0</b>
<b>Balance at Dec. 31, 2019</b>	<b>255,000,000</b>	<b>8,638,242</b>	<b>12,850,096</b>	<b>10,553,210</b>	<b>4,460,748</b>	<b>291,502,296</b>

The accompanying notes from 1 to 31 form an integral part of the financial statements

**CIHAN Bank for Islamic Investment and Finance**

**Statement of Cash Flows for the year ended Dec.31, 2020**

	Notes	2020 IQD 1000	2019 IQD 1000
<b><i>Cash flows from operating activities</i></b>			
<b><i>Net Profit for the year</i></b>		<b>3,333,968</b>	503,790
<b><i>Adjustment for Non-cash items:</i></b>			
<i>Depreciation &amp; amortization for the current year</i>	9/11/12	2,028,735	857,875
<i>Minus: depreciation of disposals</i>		(69,387)	(99,745)
<i>Net impairment of credit facilities</i>	6	25,350,708	11,695,210
<i>Income tax provision</i>	18	590,994	88,904
<i>Other provisions</i>	18	3,269,075	(6,954,478)
<b><i>Total</i></b>		<b>34,504,093</b>	<b>6,091,556</b>
<b><i>Changes in operating assets &amp; liabilities</i></b>			
<i>Islamic financing</i>	6	(22,404,384)	41,609,937
<i>Other assets</i>	9/10	81,521,681	(80,898,281)
<i>Customer's deposits</i>	14	77,275,236	(25,436,559)
<i>Deposits on banking operations</i>	15	9,874,851	6,599,765
<i>Other liabilities</i>	16	193,121	(1,679,116)
<i>Qardh Hasan</i>	7	38,485	218,668
<b><i>Sub- total</i></b>		<b>146,498,990</b>	<b>(59,585,586)</b>
<b><i>Total Cash flows from operating activities</i></b>		<b>181,003,083</b>	<b>(53,494,030)</b>
<b><i>Minus: Income tax paid</i></b>		<b>(88,904)</b>	<b>0</b>
<b><i>Net cash flows from operating activities</i></b>		<b>180,914,179</b>	<b>(53,494,030)</b>
<b><i>Cash flows from investing activities</i></b>			
<i>Acquisition/ disposal of fixed assets</i>	12	(6,540,321)	(2,304,764)
<i>Investments</i>	8	(1,165,131)	(36,450,000)
<i>Intangibles</i>	11	5,858,699	(137,671)
<i>Projects in progress</i>	13	(3,950,150)	232,478
<b><i>Net cash flow from investing activities</i></b>		<b>(5,796,903)</b>	<b>(38,659,957)</b>
<b><i>Cash flows from financing activities</i></b>			
<i>Finance received from CBI</i>	17	(200,000)	(400,000)
<i>Cancelation of expansion reserve</i>		(12,850,096)	
<i>Dividend</i>		(4,000,000)	
<b><i>Net cash flow from financing activities</i></b>		<b>(17,050,096)</b>	<b>(400,000)</b>
<b><i>Net cash flows</i></b>		<b>158,067,180</b>	<b>(92,553,987)</b>
<b><i>Cash and its equivalent at Jan. 1</i></b>	4 5 <sub>9</sub>	<b>305,982,773</b>	<b>398,536,760</b>
<b><i>Cash and its equivalent at Dec. 31</i></b>	4/5	<b>464,049,953</b>	<b>305,982,773</b>

The accompanying notes from 1 to 31 form an integral part of the financial statements

**Notes Statements**

**For the fiscal year ended December 31, 2019**

**1. General Information:**

CIHAN Bank for Islamic Investment and Finance, Private Joint Stock Company (the Bank) was incorporated in June 2008 and commenced its activities as an Islamic Bank on April 1, 2009 which provides all banking and financial activities and services in accordance with Islamic principles and provisions throughout 11 branches: two of them in Erbil, two in each of Sulaymaniyah and Duhok and one branch in each of Baghdad, Basra, Najaf, Kirkuk and Mosul, and the bank head office is located in Erbil.

The Bank is subject to Iraqi companies' law No. 21 of 1997 as amended, Central Bank of Iraq law No. 94 of 2004, Islamic banking law No. 43 of 2015 and anti-money laundry and combating terrorism financing law no. 39 of 2015.

The Governing Board of Iraq Stock Exchange Market approved the listing of the Bank stock by its resolution No. mm/9 on January 9, 2017.

**2. Accounting Policies:**

a. The financial statements of the Bank were prepared in accordance with Financial Accounting Standards (FASs) issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) and in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) in all aspects not covered by FASs, as well, in accordance with local laws and instructions issued by CBI.

b. **New and revised IFRSs:** The following revised IFRSs have been enforced in 2020, and the status of its application by KIB.

- Amendment to International Financial Reporting Standard No. (3) - Business Combination, related to the definition of a business.
- Amendments to International Accounting Standard No. (1) - Presentation of Financial Statements, and International Accounting Standard No. (8) - Accounting policies, changes in accounting estimates and errors related to the definition of materiality.
- International Financial Reporting Standard Amendment No. (16) - Lease Contracts, with regard to rental exemptions resulting from the outbreak of the Covid-19 pandemic.

c. **New and revised standards that have not been effective yet:** the following new and revised standard have not been applied by the bank:

- Standard IFRS17 (Insurance Contracts) (date of application 1/1/2022), which was amended in 2020 to start application on 1/1/2023: This standard concerns insurance companies and insurance activities.
- Amendments to International Financial Reporting Standards No. (9), No. (7) and No. (4) and International Accounting Standard No. (16) related to the second phase of interest rate reforms

- (date of application 1/1/2021): note that these amendments do not affect the work of the Bank because the Bank does not adopt the principle of interest in the first place.
  - Amendment to International Accounting Standard No. (16) - Property, plant and equipment, related to returns before intended use: (application date 1/1/2022).
  - Amendment to International Accounting Standard No. (37) - Provisions, Contingent Liabilities and Contingent Assets Related to Onerous Contracts: (Application date 1/1/2022).
  - Amendments to International Accounting Standard No. (1) - Presentation of Financial Statements, related to the classification of liabilities into current and non-current: (date of application 1/1/2023).
- d. **Basis of preparation:** The Bank adopted the principle of historical cost in the preparation of its financial statements, except of properties investments and equity instruments stated in fair value throughout equity items or profit or loss items, which are measured by fair value.
- e. **Reporting Currency:** The financial statements of the Bank were presented in Iraqi Dinar (IQD). All values were approximated to the nearest IQD 1000 unless otherwise stated.
- f. **Foreign Currencies:** In preparing the financial statements of the Bank, transactions in currencies other than functional currency are recognized at the rate of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date of financial position statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non- monetary items that are measured in historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. The Bank adopted the following exchange rates:

	At 31,2020	Dec. 31,2019
<i>Exchange rate of 1USD against IQD</i>	1,460	1,190
<i>Exchange rate of 1Euro against IQD</i>	1,792	1,380

- g. **Islamic Financing Assets:** Islamic financing assets comprise Sharia compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Mudharaba, Musharaka, Ijarah, Istisna and Salam. Islamic financing assets are recognized on the date at which they are originated and carried at their amortized cost less impairment allowance, if any, and less any deferred profits.

Murabaha financing consists mainly of credit sales transactions, where the Bank purchases the commodity and then resell it to the customer after adding profit margin to the cost. The Customer should settle the sale price in installments within agreed upon period.

Musharaka financing are a form of capital partnership. Musharaka financing are stated at the fair value of consideration given less impairment, if any. Musharaka financing capital provided by the Bank at the inception in assets (other than cash) is measured at the fair value of the assets. If the

valuation of the assets results in a difference between fair value and book value, such difference is recognized as profit or loss to the Bank.

Assets acquired for the purpose of lease-to-own (Ijarah Muntahia Biltamleek) are stated at cost less accumulated depreciation and any impairment in value under the terms of lease. The legal title of assets passes to the lessee at the end of lease term, provided that all lease instalments are settled. Depreciation is calculated on the straight-line basis at the rate that systematically reduce the cost of the leased assets over the period of the lease.

In case of Mudharaba, financing assets are represented by amounts submitted by the Bank to customers (Mudharaba capital) less any losses occurred during the period unless incurred by the customer as a result of his/her negligence in executing the terms of contract.

Salam financing assets are amounts provided by the Bank in advance against well described commodities received later. Salam receivable assets are measured at accrued amounts less the provision of doubtful debts, if any.

Finally, Financing Istisna assets are the amounts submitted by the Bank to build/ manufacture agreed upon things less any payments settled by the customers and less the provision of doubtful debts, if any.

- h. **Investment securities:** Investment securities comprise debt type instruments carried at amortized cost; equity type instruments carried at fair value through equity. All investment securities are initially recognized at fair value, being the value of considerations given including transaction costs directly attributable to the acquisition, except in the case of the investments carried at fair value through income statement, where transaction costs are expensed in the income statement.

- i. **Financial Instruments:** The Bank applied the International Financial Reporting Standard No. 9 which includes three aspects: classification and measurement, impairment and hedge accounting. About classification and measurement, the standard reclassified the financial instruments into three categories: at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

About hedge accounting, the standard introduced new rules that intend to align hedge accounting with the risk management practices. IFRS9 included an accounting policy choice to defer the adoption of hedge accounting and continue applying the rules stipulated in IAS 39.

About the impairment, the standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 replaces the current "incurred loss" model of IAS 39 to a forward-looking expected credit loss model.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank will develop methodologies and models taking into account the relative size, quality and complexity of the portfolios.

The Expected Credit Loss (ECL) model contains a three-stage approach, which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present

value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

#### **Assessment of significant increase in credit risk**

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increase significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

#### **Macroeconomic factors, forward looking information and multiple scenarios**

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporate forecasts of future economic conditions. Macroeconomic factors and forward looking information is required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **Experienced credit judgment**

The IFRS9 ECL allowance methodology requires the use of experienced credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Bank consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options.

- j. **Fair value measurement of financial instruments:** For investments traded in organized financial markets, Fair value is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no quoted price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows, the cash equivalent values are determined by the Bank at current profit rates for contracts with similar terms and risk

characteristic. Investments classified at fair value through equity where there is no quoted prices or the Bank unable to determine a reliable measure of fair value on a continuing basis, such investments are stated at cost less impairment allowance.

- k. **Impairment of financial assets:** At each reporting date, the Bank assesses the financial assets, other than those classified at fair value through profit or loss, whether there is any reliable evidence that the financial instruments are impaired. Financial assets are impaired where there is reliable evidence that as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset. Impairment losses on assets carried at amortized cost as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts.
- l. **Property, plant and equipment:** Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation is recognized by using straight line method in accordance with regulation prevailing in Iraq, over their estimated useful lives, as follows:

<i>Class of assets</i>	<b>Useful life</b>
<i>Equipment</i>	5 years
<i>Vehicles &amp; Automobiles</i>	5 years
<i>Furniture &amp; office equipment</i>	5 years

Gain or loss arising on the disposal of an asset is recognized in the profit or loss. Knowing that the real estates acquired by the bank as debt settlement, which have to be liquefied within two years according to CBI regulations, are not considered as fixed assets but as other assets thus do not subject to depreciations.

- m. **Impairment of tangible and intangible assets:** At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indicator that those assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.
- n. **Provisions:** Provision is recognized if, a result of a past event, has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
- o. **Current deposits:** The Bank do not pay any interests or profits to the holders of current deposits. At the date of transaction, the Bank measures the transactions at the cash value it expects to realize and receive. At the end of reporting period, those deposits are measured at their book value.
- p. **The rights of the holders of investment accounts:** The investment accounts comprise restricted and unrestricted investments received from customers in modes of Mudharaba or Wikala, including



saving accounts. All those accounts are reported at cost plus accrued profit and related reserves. The reserves comprise the investment risk reserve and profit smoothing reserve. The investment risk reserve is the amounts appropriated by the Bank out of the income of investment accounts holders, after allocating the Mudharib share in order to hedge against future expected losses. The profit smoothing (equalization) reserve is the amounts appropriated by the Bank out of the Mudharaba income before allocating the Mudharib share in order to maintain a certain level of return to investors.

- q. **Revenue recognition:** The Bank adopts the following policies for revenue recognition:
- Income from Murabaha contracts is recognized on a time appropriated-basis over the period of the contract using the effective profit rate method. The income accrued on accounts delayed for 90 days or more is not recognized.
  - Income from Mudharaba and Musharaka contracts is recognized in the profit or loss when the right established to receive payment or on distribution by Mudharib or partner. The income accrued on accounts delayed for 90 days or more is not recognized.
  - Income from Ijarah Muntahia Biltamleek is recognized proportionately over the time of lease after deducting the depreciation expense.
  - Income from Istisna and Salam contracts is recognized proportionately over the time of the contract when it is determinable.
  - Income from commissions and fees is recognized when earned.
  - Other comprehensive income is recognized when the right established to receive payment.
- r. **Earnings prohibited by Sharia:** The Bank committed to avoid recognizing any income generated from non-compliant sources. Accordingly, all non-compliant income is credited to charity fund where the Bank use this fund for charity and social activities.
- s. **Zakat:** Zakat is calculated on Zakat base of the Bank in accordance with FAS 9 issued by AAOIFI using the net investing fund method. Zakat is paid by the shareholders and the holders' investment accounts themselves.
- t. **Income tax:** The Bank calculates the tax provision in accordance with Iraqi Income Tax Law No. 113 of 1982 and its amendments, which determines the tax rate at 15% of the net taxable profit.
- u. **Going concern assumption:** The Bank's management has assessed the Bank's ability to continue as a going concern and satisfied that the Bank has the sufficient resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.
- v. **Cash and cash equivalents:** Cash and cash equivalents comprise balances with original maturity of a period of three months or less. They include cash in vaults of the Bank, cash and balances with central bank and balances with other banks and financial institutions after deducting deposits of other banks and financial institutions (with original maturity of 3 months or less) and restricted balances.

### 3. Critical Accounting Estimations:

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the par values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates include:

- Provisions for impairment of credit facilities.
- Determination of fair values of financial instruments that are not quoted in active markets.
- Provision for income tax.
- The estimated useful lives of fixed assets.
- Impairment of tangible and intangible assets.

### 4. Cash and Balances with CBI:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31,2020 IQD 1000	As at Dec. 31,2019 IQD 1000
<i>Cash in treasury (IQD)</i>	39,915,046	71,286,341
<i>Cash in treasury (Foreign Currencies)</i>	152,255,489	62,286,127
<i>Cash balance with CBI/ Baghdad</i>	176,512,087	82,227,105
<i>Cash balance with CBI/ Erbil</i>	1,881,715	3,183,685
<i>Cash balance with CBI/ Sulaymaniyah</i>	29,618	49,965
<i>Cash balance with CBI/ Basra</i>	3,012,131	265,238
<i>Cash balance with CBI/ Mosul</i>	10,215	14,999
<i>Legal deposit with CBI</i>	14,230,642	17,837,869
<i>LG deposits with CBI</i>	1,723,922	
<i>Cheques at clearance</i>	3,345,749	
<i>Gold medals</i>	178,875	
<b><i>Total</i></b>	<b>393,095,489</b>	<b>237,151,329</b>

## 5. Balances with Banks:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31,2020	As at Dec. 31,2019
	IQD 1000	IQD 1000
<i>Cash with local banks</i>	623,193	1,311,699
<i>Cash with foreign banks:</i>		
<i>current accounts</i>	49,515,235	55,517,324
<i>L/C cash margins</i>	20,816,036	12,002,421
<i>Total cash with foreign banks</i>	<b>70,331,271</b>	<b>67,519,745</b>
<b><i>Total</i></b>	<b>70,954,464</b>	<b>68,831,444</b>

## 6. Islamic Financing:

This caption comprises the following:

<i>Ledger</i>	As at	As at
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<b><i>a. Financing Assets:</i></b>		
<i>Short term Murabaha: Automobiles</i>	22,089,240	17,448,557
<i>Murabaha: DC</i>		0
<i>Credit facilities: companies</i>		41,708,861
<i>Credit Facilities: individuals</i>		10,440,678
<i>Musharaka (joint ventures)</i>		0
<i>Advances</i>		9,933
<i>Mudharaba</i>	21,596,800	6,545,000
<i>Defaulted loans</i>	48,390,589	
<b><i>Sub-total</i></b>	<b>92,076,629</b>	<b>76,153,029</b>
<i>Add: Accrued revenues</i>	17,855,250	14,797,942
<i>Minus: Revenues received in advance</i>	(2,371,604)	(5,793,838)
<i>Minus: Deposits received</i>	0	(1,242)
<b><i>Total before impairment</i></b>	<b>107,560,275</b>	<b>85,155,891</b>
<i>Net impairment of direct credit facilities (performing)</i>	(129,483)	(1,708,555)
<i>Net impairment of direct credit facilities (non-performing)</i>	(51.504.321)	(24,574,541)
<b><i>Total of impairment</i></b>	<b>(51.633.804)</b>	<b>(26,283,096)</b>
<b><i>Net direct credit facilities</i></b>	<b>55.926.471</b>	<b>58,872,795</b>
<b><i>b. Statement of financial position</i></b>		
<i>(1) Provision for impairment (performing credit facilities)</i>		

<i>Balance at the beginning of period</i>	1,708,555	3,659,972
<i>Additions/ deductions during the period</i>	(1,579,072)	(1,951,417)
<b><i>Balance at the end of period</i></b>	<b>129,483</b>	<b>1,708,555</b>
<i>(2) Provision for impairment (non-performing credit facilities)</i>		
<i>Balance at the beginning of period</i>	24,574,541	10,927,914
<i>Additions/ deductions during the period</i>	26,929,780	13,646,627
<b><i>Balance at the end of period</i></b>	<b>51,504,321</b>	<b>24,574,541</b>
<b><i>Total</i></b>	<b>51,633,804</b>	<b>26,283,096</b>
<b><i>c. Statement of profit or loss and other comprehensive income</i></b>		
<i>Provision for impairment of direct credit facilities (retrieved and settled) during the period:</i>		
<i>(1) Performing</i>	(1,579,072)	(1,951,417)
<i>(2) Non-Performing</i>	26,929,780	13,646,627
<i>Net impairment of direct credit facilities</i>	25,350,708	11,695,210

#### 7. Qardh Hasan (No interest loans):

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31,2020 IQD 1000	As at Dec. 31,2019 IQD 1000
<i>Qardh Hasan</i>	14,800	53,685
<b><i>Total</i></b>	<b>14,800</b>	<b>53,685</b>

#### 8. Investments:

This caption comprises the follows:

<i>Ledger</i>	As at Dec. 31, 2020 IQD 1000	As at Dec. 31, 2019 IQD 1000
<i>Investments held to maturity date:</i>	1,000,000	1,000,000
<i>Real estate investments</i>	36,865,131	35,700,000
<b><i>Total</i></b>	<b>37,865,131</b>	<b>36,700,000</b>
<i>Minus: Allowance for impairment</i>	(250,000)	0
<b><i>Net</i></b>	<b>37,615,131</b>	<b>36,700,000</b>

9. Assets held as a result of debt settlement:

<i>Ledger</i>	As at Dec. 31, 2020	As at Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Buildings held as a result of debt settlement (original value) as at 1/1</i>	272,711	
<i>Additions during the year</i>	769,496	
<b><i>Original value as at 31/12</i></b>	<b>1,042,207</b>	<b>272,711</b>
<i>Minus: depreciation for the year</i>	72,574	
<i>Accumulated depreciation 31/12</i>	(72,574)	
<b><i>Book value as at 31/12</i></b>	<b>969,633</b>	<b>272,711</b>

10. Other Assets:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020	As at Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Cash discrepancies (evaluation of foreign currencies)</i>	113,525,678	113,415,938
<i>Cash advances</i>	154,641	863,253
<i>Misc. receivables</i>	11,235,677	14,986,323
<i>Mutual debit accounts</i>	297,149	67,675
<i>Bank transfers in transit</i>	0	82,783,540
<i>Deposits with others</i>	61,700	36,700
<i>Gold bars</i>	0	146,484
<i>Legal Expenses</i>	148,049	0
<i>Inter-branch accounts</i>	55,562	0
<i>Pre-paid expenses</i>	598,445	653,249
<i>ATM shortage</i>	1,955	0
<i>Outstanding custom penalties</i>	4,579,967	0
<i>Pending transfers</i>	3,162	
<b><i>Total</i></b>	<b>130,661,985</b>	<b>212,953,162</b>

### 11. Intangible assets:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020	As at Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Balance as at the beginning of the year</i>	7,227,242	7,155,195
<i>Additions during the year</i>	196,518	137,671
<i>Amortization for the year</i>	(558,211)	(65,624)
<b><i>Balance as at the end of the year</i></b>	6,865,549	7,227,242
<b><i>Total</i></b>	6,865,549	7,227,242
<i>Minus: transferred to Bldg. a/c</i>	(5,776,368)	0
<i>Minus; transferred to Furniture a/c</i>	(278,849)	0
<b><i>Net</i></b>	<b>810,332</b>	<b>7,227,242</b>

### 12. Fixed assets:

The following table shows the breakdown of the tangible fixed assets and its depreciation:

As at December 31, 2020

	Buildings IQD 1000	Machines & Equipment IQD 1000	Vehicles IQD 1000	Tools IQD 1000	Furniture & Appliances IQD 1000	Total IQD 1000
<i>Historical cost</i>						
<i>Balance as at 1/1/2020</i>		1,461,266	306,262	1,166	8,724,691	10,493,385
<i>Additions</i>	9,832,286	0	0	0	784,890	10,617,176
<i>Disposals</i>		(20,937)				(20,937)
<b><i>Balance as at 31/12/2020</i></b>	9,832,286	1,440,329	306,262	1,166	9,509,581	21,089,624
<i>Accumulated depreciation</i>						
<i>Balance as at 1/1/2020</i>		824,709	278,115	675	6,507,519	7,611,018
<i>Depreciation for the year</i>	926,541	188,338	11,654		271,417	1,397,950
- <i>Depreciation of Transferred assets</i>	4,055,918					4,055,918
- <i>Depreciation of disposed assets</i>		(5,210)				(5,210)
- <i>Settlements</i>		31,105	(17,964)	491	(77,809)	(64,177)
- <b><i>Balance as at 31/12/2020</i></b>	4,982,459	1,038,942	271,805	1,166	6,701,127	12,995,499
<b><i>Book value as at 31/12/2020</i></b>	4,849,827	401,387	34,457	0	2,808,454	8,094,125

As at December 31,2019

	Machines Equipment IQD 1000	& Vehicles IQD 1000	Tools IQD 1000	Furniture & Appliances IQD 1000	Total IQD 1000
<i>Historical cost</i>					
<i>Balance as at 1/1/2019</i>	1,017,930	268,258	1,166	6,901,267	8,188,621
<i>Additions</i>	443,336	38,004	0	1,923,169	2,404,509
<i>Disposals</i>				(99,745)	(99,745)
<i>Balance as at 31/12/2019</i>	1,461,266	306,262	1,166	8,724,691	10,493,385
<i>Accumulated depreciation</i>					
<i>Balance as at 1/1/2019</i>	632,330	268,253	675	6,017,254	6,918,512
<i>Depreciation for the year</i>	192,379	9,862	0	590,010	792,251
<i>- Depreciation of disposed assets</i>				(99,745)	(99,745)
<i>- Balance as at 31/12/2019</i>	824,709	278,115	675	6,507,519	7,611,018
<i>Book value as at 31/12/2019</i>	636,557	28,147	491	2,217,172	2,882,367

### 13. Projects in Progress:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020 IQD 1000	As at Dec. 31, 2019 IQD 1000
<i>Balance at the beginning of the year</i>	7.537.004	7,769,482
<i>Additions</i>	3,950,150	513,156
<i>Less: transfers to fixed assets</i>	0	(745,634)
<i>Balance at the end of the year</i>	11.487.154	7,537,004

#### 14. Customers' Deposits:

The following table shows the breakdown of the customer's deposits:

<i>Ledger</i>	As at Dec. 31, 2020 IQD 1000	As at Dec. 31, 2019 IQD 1000
<i>Current accounts/ companies</i>	162,197,406	116,497,229
<i>Current accounts/ individuals</i>	74,873,421	86,820,320
<i>Clearance cheques</i>	0	(3,331,517)
<i>Dormant accounts</i>	119,689	122,649
<i>Saving accounts</i>	141,421,205	102,090,105
<i>Banking cards</i>	1,992,108	1,129,807
<b>Total</b>	<b>380,603,829</b>	<b>303,328,593</b>

#### 15. Cash Margin Deposits:

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020 IQD 1000	As at Dec. 31, 2019 IQD 1000
<i>Letters of credit</i>	20,639,023	7,886,754
<i>Letters of guarantee</i>	15,159,522	15,924,519
<i>Companies' registration</i>	605,790	626,465
<i>Cheques drawn on the Bank</i>	5,104	52,423
<i>Safe deposits</i>	1,529	0
<i>Drafts drawn on the Bank</i>	4,057,306	5,194,780
<i>Certified cheques</i>	1,715,784	332,399
<i>Currency auction Deposits</i>	126,783	120,071
<i>Outward foreign transfers</i>	67,934	2,366,514
<b>Total</b>	<b>42,378,775</b>	<b>32,503,924</b>



**16. Other liabilities:**

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020	As at Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Closed accounts' Creditors</i>	5,235	4,888
<i>Current activity creditors</i>	528,625	1,003,168
<i>Other credit accounts</i>	1,634	0
<i>Accrued salaries</i>	11,904	0
<i>Accrued expenses</i>	344,175	203,259
<i>Retentions for others</i>	12,752	235,937
<i>Stamp duty</i>	719,509	0
<i>Charity account</i>	6,248	0
<i>Misc. liabilities</i>	203,820	193,529
<b><i>Total</i></b>	<b>1,833,902</b>	<b>1,640,781</b>

**17. Funds received from CBI:**

This caption comprises the following:

<i>Ledger</i>	As of Dec. 31, 2020	As of Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Finance received from CBI/SME initiative</i>	500,000	700,000
<b><i>Total</i></b>	<b>500,000</b>	<b>700,000</b>

**18. Provisions:**

This caption comprises the following:

<i>Ledger</i>	As at Dec. 31, 2020	As at Dec. 31, 2019
	IQD 1000	IQD 1000
<i>Income tax provision</i>	590,994	88,904
<i>Foreign exchange fluctuation provision</i>	2,887,089	1,638,879
<i>Provision for deposits profits</i>	2,000,000	1,077,962
<i>Provision for contractual credit</i>	848,827	0
<b><i>Total</i></b>	<b>6,326,910</b>	<b>2,805,745</b>

#### 19. Islamic Financing Income:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Income on Islamic facilities: Murabaha</i>	1,678,162	5,079,581
<i>Income on Islamic facilities: Mudharaba</i>	1,434,346	
<b><i>Total</i></b>	<b>3,112,508</b>	<b>5,079,581</b>

#### 20. Fees and Commissions Income:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Money transfers commissions</i>	5,267,854	2,963,480
<i>Letters of credit commissions</i>	3,357,213	634,071
<i>Letters of guarantee commissions</i>	1,146,677	1,092,594
<i>Other banking commissions</i>	1,018,114	1,948,902
<i>Cheques Authentication commissions</i>	32,099	0
<i>Rent of safe deposit</i>	3,256	0
<b><i>Total</i></b>	<b>10,825,213</b>	<b>6,639,047</b>
<i>Minus: paid banking commissions</i>	(534,787)	(399,698)
<b><i>Net</i></b>	<b>10,290,426</b>	<b>6,239,349</b>

#### 21. Investment Income:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Saving profits from other banks</i>	0	616,498
<b><i>Total</i></b>	<b>0</b>	<b>616,498</b>

## 22. Income on foreign exchange trading:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Income on foreign exchange trading</i>	7,717,893	4,959,594
<i>Minus: allowance for FE changes</i>	(33,863)	(382,564)
<b>Net</b>	<b>7,684,030</b>	<b>4,577,030</b>

## 23. Miscellaneous Banking Revenues:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Reimbursement of charges</i>	2,115,609	911,267
<i>Non-operational revenues</i>	7,359	878
<i>Misc. revenues</i>	467,269	164,043
<i>Previous years' revenues</i>	21,742	743,540
<i>Capital gains</i>	1,483,345	0
<b>Total</b>	<b>4,095,324</b>	<b>1,819,728</b>

## 24. Salaries and Related Charges:

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Salaries</i>	879,438	836,656
<i>Social allowances</i>	233,901	244,307
<i>Over time wages</i>	3,200	3,440
<i>Professional allowances</i>	180,396	183,312
<i>Compensation allowances</i>	179,948	183,312
<i>Other allowances</i>	1,351,103	1,659,233
<i>Incentives</i>	474,787	419,771
<i>Social security contributions</i>	151,412	134,598
<b>Sub total</b>	<b>3,454,185</b>	<b>3,664,629</b>
<b>Add: other employees' charges</b>		
<i>Transportation costs</i>	467,527	477,814
<i>Services</i>	407,014	525,581
<i>Training</i>	13,214	195,040
<b>Total</b>	<b>4,341,940</b>	<b>4,863,064</b>

**25. Administrative & General Expenses:**

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Fuel, oil &amp; lubricants</i>	52,574	63,035
<i>Office supplies</i>	31,682	128,490
<i>Stationery</i>	31,398	0
<i>Printing &amp; Publication</i>	40,322	0
<i>Water &amp; electricity</i>	70,334	74,047
<i>Maintenance</i>	321,811	254,378
<i>Researches &amp; consultations</i>	250,999	0
<i>Buildings' rent</i>	790,896	671,206
<i>Advertisement</i>	15,473	108,930
<i>Hospitality</i>	56,355	67,516
<i>Money transportation</i>	109,939	264,071
<i>Travel, delegation &amp; communication</i>	246,875	368,704
<i>Subscriptions &amp; conferences</i>	1,347,358	1,099,842
<i>Remunerations for non-employees</i>	919,701	140,292
<i>Legal services</i>	125,344	326,005
<i>Banking services</i>	3,519	10
<i>Audit fees</i>	92,490	86,560
<i>Other services expenses</i>	467,367	288,894
<b>Total</b>	<b>4,974,437</b>	<b>3,941,980</b>

**26. Taxes and Duties:**

This caption comprises the following:

<i>Ledger</i>	For the year ended	For the year ended
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Taxes and duties</i>	2,560	4,630
<b>Total</b>	<b>2,560</b>	<b>4,630</b>

## 27. Other Expenses:

This caption comprises the following:

<i>Ledger</i>	For the year ended	
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Donations</i>	451,145	748,829
<i>Penalties &amp; compensations</i>	38,135	187,778
<i>Internal loaning interests</i>	0	4,900
<i>Previous years expenses</i>	2,154,647	466,715
<i>Non-operational expenses</i>	0	1
<i>Capital losses</i>	15,727	488,322
<b><i>Total</i></b>	<b>2,659,654</b>	<b>1,896,545</b>

## 28. Related Parties Transactions:

There are no transactions occurred with related parties during the period.

## 29. Off- Balance Sheet Operations:

The following table contains the off- balance sheet obligation for the Bank:

	For the year ended	
	Dec. 31,2020	Dec. 31,2019
	IQD 1000	IQD 1000
<i>Obligations on letters of guarantee</i>	51,357,912	74,291,928
<i>Less: Cash margins</i>	)15,159,522(	(15,924,519)
<i>Net</i>	36,198,390	58,367,409
<i>Obligation on letters of credit</i>	102,075,396	24,937,796
<i>Less: Cash margins</i>	(20,639,023)	(7,886,754)
<i>Net</i>	81,436,373	17,051,042
<b><i>Net obligations</i></b>	<b>117,634,763</b>	<b>75,418,451</b>

## 30. The Fair Value of Financial Assets & Liabilities:

- There are no indicators of impairment of assets and liabilities less than their book values, except of credit facilities, which the Bank formed the provision for their impairment (see paragraph 6 above). Thus, the book values match the fair values.
- The bank also formed provision for off-balance sheet obligations' impairment (Non-cash credit) (see paragraph 18 above).
- The bank also formed provision for investment impairment (see paragraph 8 above).

- d. Methods and assumptions used in evaluating fair values: The fair values of the financial assets and liabilities are determined using the following evaluation levels:

Level one: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level two: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level three: assets that are not based on market data.

- e. Financial instruments which fair value approximates its book value: These are monetary financial assets and liabilities or those with maturity less than a year.
- f. Financial instruments with fixed interest rate: The fair value of the financial assets and liabilities measured at amortized cost is determined using a comparison between the discounted cash flows using market interest rate comparing to real market prices for comparable instruments.

### 31. Risk Management:

- a. Exposures to credit risk after impairment provision and before collaterals and other risk mitigation factors:

	As at dec.31, 2020 IQD 1000	As at dec.31, 2019 IQD 1000
<b><i>On- balance sheet items:</i></b>		
<i>Balances with CBI</i>	200,746,079	103,578,861
<i>Balances with banks</i>	70,954,464	68,831,444
<i>Credit facilities</i>	107,560,275	85,155,891
<i>Investments</i>	37,865,131	36,700,000
<i>Other assets</i>	131,631,618	213,225,873
<b><i>Sub total</i></b>	<b>548,757,567</b>	<b>507,492,069</b>
<b><i>Off- balance sheet items</i></b>		
<i>Letters of guarantee</i>	36,198,390	74,291,928
<i>Letters of credit</i>	81,436,373	24,937,796
<b><i>Sub total</i></b>	<b>117,634,763</b>	<b>99,229,724</b>
<b><i>Total</i></b>	<b>666,392,330</b>	<b>606,721,793</b>

- b. Categorization of direct credit facilities according to risk degrees:

	As at dec.31, 2020 IQD 1000	As at dec.31, 2019 IQD 1000
<b><i>Performing debts:</i></b>		
<i>Good credit</i>	6,474,130	29,452,820
<i>Standard credit</i>	4,006,234	7,163,419
<b><i>Non-performing debts:</i></b>		
<i>Sub-standard credit</i>	1,017,857	27,485,231
<i>Bad credit</i>	47,671,465	12,652,943

<i>Loss credit</i>	48,390,589	8,401,478
<b>Total</b>	<b>107,560,275</b>	<b>85,155,891</b>
<b>Less:</b>		
<i>Suspended profits</i>		
<i>Provision for impairment</i>	(51.633.804)	26,283,096
<b>Net</b>	<b>55,926,471</b>	<b>58,872,795</b>

c. The fair value of collaterals against facilities:

	For the year ended Dec. 31,2020 IQD 1000	For the year ended Dec. 31,2019 IQD 1000
<i>Fair value of collaterals: performing credit</i>	15,875	
<i>Fair value of collaterals: non-performing credit</i>	219,408	
<b>Net</b>	<b>235,283</b>	

d. Geographic concentration:

The table below shows the geographic concentration of credit risks:

As at Dec. 31, 2020:

	Erbil IQD 1000	Baghdad IQD 1000	Mosul IQD 1000	Sulaymaniya h IQD 1000	Basra IQD 1000	Outside Iraq IQD 1000	Total IQD 1000
<b>Balances with CBI</b>	1,881,715	195,812,400	10,215	29,618	3,012,131		200,746,079
<b>Balances with banks</b>	623,193					70,331,271	70,954,464
<b>Direct credit facilities</b>	101,644,460	<b>3,947,000</b>	935,774	860,481	172,560		107,560,275
<b>Investments</b>	37,115,131	750,000					37,865,131
<b>Other assets</b>	131,631,618						131,631,618
<b>Total</b>	<b>272,896,117</b>	<b>200,509,400</b>	<b>945,989</b>	<b>890,099</b>	<b>3,184,691</b>	<b>70,331,271</b>	<b>548,757,567</b>

As at Dec. 31, 2019:

	Erbil IQD 1000	Baghdad IQD 1000	Mosul IQD 1000	Sulaimania IQD 1000	Basra IQD 1000	Kirkuk IQD 1000	Total IQD 1000
<i>Balances with CBI</i>	3,183,685	82,227,105	14,999	49,965	265,238		85,740,992
<i>Balances with banks</i>	762,186	180,343	2,738	366,431			1,311,698
<i>Direct credit facilities</i>	40,016,179	2,269,661	946,471	2,166,883		9,473,601	58,872,795
<i>Investments</i>	2,920,000	750,000					36,700,000
<i>Other assets</i>	213,225,873						213,225,873
<b>Total</b>	<b>260,107,923</b>	<b>85,427,109</b>	<b>964,208</b>	<b>2,583,279</b>	<b>265,238</b>	<b>9,473,601</b>	<b>362,821,358</b>

e. Concentration by the economic sector

As at Dec. 21, 2018:

	Financial IQD 1000	industrial IQD 1000	Real-estate IQD 1000	Service IQD 100	Total IQD 1000
<i>Balance with CBI</i>	200,746,079				200,746,079
<i>Balances with banks</i>	70,954,464				70,954,464
<i>Investments</i>	1,000,000		36,865,131		37,865,131
<i>Credit facilities</i>				107,560,275	107,560,275
<i>Other assets</i>	130,661,985		969,633		131,631,618
<b>Total</b>	<b>403,362,528</b>		<b>37,834,764</b>	<b>107,560,275</b>	<b>548,757,567</b>

As at Dec. 31, 2019:

	Financial IQD 1000	industrial IQD 1000	Real estate IQD 1000	Service IQD 100	Total IQD 1000
<i>Balance with CBI</i>	85,740,992				85,740,992
<i>Balances with banks</i>	1,311,698				1,311,698
<i>Direct credit facilities</i>				58,872,795	58,872,795
<i>Investments</i>	250,000		36,450,000		36,700,000
<i>Other assets</i>	213,225,873				213,225,873
<b>Total</b>	<b>300,528,563</b>		<b>36,450,000</b>	<b>58,872,795</b>	<b>362,821,358</b>



f. **Foreign currency risks:**

The currency risks represent the changes in financial instrument values caused by the change in the foreign currencies exchange rates. The Bank prepares the sensitivity analysis to monitor the currency risks:

**Scenario one: Increase in exchange rate of 2%:**

<i>Currency</i>	<i>As at Dec. 31, 2020</i>		<i>As at Dec. 31, 2019</i>	
	<b>Foreign Exchange position</b>	<b>Impact on P&amp;L</b>	<b>Foreign Exchange position</b>	<b>Impact on P&amp;L</b>
<i>USD</i>	152,255,489	3,045,109	62,286,128	1,245,723
<i>EUR</i>	0		0	0
<b>Total</b>	152,255,489	3,045,109	<b>62,286,128</b>	<b>1,245,723</b>

**Scenario two: Decrease in exchange rate of 2%:**

<i>Currency</i>	<i>As at Dec. 31, 2020</i>		<i>As at Dec. 31, 2019</i>	
	<b>Foreign Exchange position</b>	<b>Impact on P&amp;L</b>	<b>Foreign Exchange position</b>	<b>Impact on P&amp;L</b>
<i>USD</i>	152,255,489	(3,045,109)	62,286,128	(1,245,723)
<i>EUR</i>	0		0	0
<b>Total</b>	152,255,489	(3,045,109)	<b>62,286,128</b>	<b>(1,245,723)</b>

g. **Equity price risk:**

Equity risk is the result of changes in the prices of shares of the investee companies, which may cause losses to the Bank. The Bank performs sensitivity analysis to monitor the impact of changes in profit or loss. Details of the sensitivity analysis as of 31/12/2020 and 31/12/2019 are as follows:

**Scenario one: Increase in prices of 7%:**

<i>Investee</i>	<i>As at Dec. 31, 2020</i>		<i>As at Dec. 31, 2019</i>	
	<b>Investment value 1000 IQD</b>	<b>Impact on P&amp;L 1000 IQD</b>	<b>Investment value 1000 IQD</b>	<b>Impact on P&amp;L 1000 IQD</b>
<i>Erbil Stock Exchange Market</i>	250,000	17,500	250,000	17,500
<i>Deposit Insurance Company</i>	750,000	52,500	750,000	52,500
<b>Total</b>	<b>1,000,000</b>	<b>70,000</b>	<b>1,000,000</b>	<b>70,000</b>

Scenario two: Decrease in prices of 7%:

<i>Investment</i>	As at Dec. 31, 2020		As at Dec. 31, 2019	
	Investment value 1000 IQD	Impact on P&L 1000 IQD	Investment value 1000 IQD	Impact on P&L 1000 IQD
<i>Erbil Stock Exchange Market</i>	250,000	(17,500)	250,000	(17,500)
<i>Deposit insurance company</i>	750,000	(52,500)	750,000	(52,500)
<b>Total</b>	<b>1,000,000</b>	<b>(70,000)</b>	<b>36,700,000</b>	<b>(70,000)</b>

**h. Capital adequacy**

	As at Dec. 31, 2020 IQD 1000	As at Dec. 31, 2019 IQD 1000
<b>Basic capital items:</b>		
<i>Paid-in capital</i>	255,000,000	255,000,000
<i>Reserves</i>	19,524,848	32,041,548
<i>Retained earnings</i>	3,461,320	4,460,748
<b>Supporting capital:</b>		
<i>Provisions</i>	58,210,714	2,805,745
<b>Total</b>	<b>336,196,882</b>	<b>291,502,296</b>
<b>Less:</b>		
<i>Net intangible assets</i>	(810,332)	(10,109,609)
<b>Net</b>	<b>335,386,550</b>	<b>281,392,687</b>
<i>Assets risk weighted</i>	272,036,346	343,972,095
<i>Off-balance sheet accounts risk weighted</i>	48,251,664	61,777,617
<b>Total</b>	<b>320,288,010</b>	<b>405,749,712</b>
<b>Capital adequacy ratio</b>	<b>%104,71</b>	<b>69,35%</b>

**i. Assets & liabilities maturity analysis:**

The following table shows the analysis of assets and liabilities according to the expected period for recovery or settlement:

As at Dec. 31, 2020:

	Up to one year 1000 IQD	More than one year 1000 IQD	Total 1000 IQD
<b>Assets:</b>			
<i>Cash and balances with CBI</i>	393,095,489		393,095,489
<i>Balances with other banks</i>	70,954,464		70,954,464
<i>Direct credit facilities</i>	57,240,145	50,320,130	107,560,275

<i>Qardh Hasan</i>	14,800	0	14,800
<i>Investments</i>	0	37,865,131	37,865,131
<i>Fixed assets</i>	0	8,094,125	8,094,125
<i>Other assets</i>	130,661,985	810,332	131,472,317
<i>Project in progress</i>	0	11,487,154	11,487,154
<b>Total assets</b>	<b>651,966,883</b>	<b>108,576,872</b>	<b>760,543,755</b>
<b>Liabilities:</b>			
<i>Customers' deposits</i>	380,603,829		380,603,829
<i>Cash margins</i>	42,378,775		42,378,775
<i>Fund from CBI</i>	500,000		500,000
<i>Provisions</i>	58,210,714		58,210,714
<i>Other liabilities</i>	1,833,902		1,833,902
<b>Total liabilities</b>	<b>483,527,220</b>	<b>0</b>	<b>483,527,220</b>
<b>Net</b>	<b>168,439,663</b>	<b>108,576,872</b>	<b>277,016,535</b>

As at Dec. 31, 2019:

	Up to one year 1000 IQD	More than one year 1000 IQD	Total 1000 IQD
<b>Assets:</b>			
<i>Cash and balances with CBI</i>	237,151,329		237,151,329
<i>Balances with other banks</i>	68,831,444		68,831,444
<i>Direct credit facilities</i>	58,872,795		58,872,795
<i>Qardh Hasan</i>	53,285		53,285
<i>Investments</i>		36,700,000	36,700,000
<i>Fixed assets</i>		10,109,609	10,109,609
<i>Other assets</i>	213,225,873		213,225,873
<i>Project in progress</i>		7,537,004	7,537,004
<b>Total assets</b>	<b>578,134,726</b>	<b>54,346,613</b>	<b>632,481,339</b>
<b>Liabilities:</b>			
<i>Customers' deposits</i>	303,328,593		303,328,593
<i>Cash margins</i>	32,503,924		32,503,924
<i>Fund from CBI</i>	700,000		700,000
<i>Provisions</i>	2,805,745		2,805,745
<i>Other liabilities</i>	1,640,781		1,640,781
<b>Total liabilities</b>	<b>340,979,043</b>	<b>0</b>	<b>340,979,043</b>
<b>Net</b>	<b>237,155,683</b>	<b>54,346,613</b>	<b>291,502,296</b>

**j. Operational Risks:**

The Bank uses the basic indicator method to measure the capital required to cover the operational risks, in a ratio of 15% of the average profits of the past three years, as shown below:

	<b>IQD 1000</b>
<i>Profit for 2018</i>	5,084,188
<i>Profit for 2019</i>	592,694
<i>Profit for 2020</i>	3,924,962
<b><i>Total for three years</i></b>	<b>9,601,844</b>
<b><i>Average for three years</i></b>	<b>3,200,615</b>
<b><i>Capital required to cover OR</i></b>	<b>480,092</b>

The Bank also adopts many measures to mitigate the operational risks, such as:

- Selecting and recruiting competent, skillful and candid personnel.
- Backing up the financial and non-financial data.
- Setting policies and procedures and ensuring binding to them.
- External and internal auditing of the financial statements.
- Compliance Auditing to ensure compliance with regulatory and legal requirements and CBI regulations.
- Setting and implementing rigid procedures for anti-money laundering and combating terrorism.
- Applying risk management procedures and securing the commitment with capital adequacy ratio.
- Securing safety procedures and fire extinguishment.
- Continuous monitoring and performance evaluation.
- Determining authorities and responsibilities.
- Managing business continuity.
- Adopting the system of succession of functions.
- Continuous learning and training.
- Adopting effective documentation procedures.
- Securing sufficient protection for Bank's buildings and assets.
- Insuring the Bank's assets and employees.



**CIHAN BANK FOR ISLAMIC  
INVESTMENT AND FINANCE: PRIVATE  
JOINT-STOCK COMPANY  
Annual Report-2020**



# CIHAN BANK

ISLAMIC INVESTMENT AND FINANCE P.S.C  
مصرف جيهان للاستثمار والتمويل الاسلامي ش.م.ع

## ABOUT US

CIHAN Bank for Islamic Investment and Finance is an Iraqi private joint stock company exercising banking, investment and specialized activities, under supervision and control of the Central Bank of Iraq. All its activities are subject to the provisions of the Banks Law No. 94 for 2004, Islamic Banking Law No. 43 for 2015, the Companies Law No. 21 for 1997, as amended, the Anti-Money Laundering Law No. 93 for 2015, and the regulations, principles, instructions and orders issued by the Central Bank of Iraq. The Bank complies in all its business and operations with the provisions and principles of the Islamic Sharia.

**Date of Incorporation:** 03/02/2008

**Date Listed in the Iraqi Stock Exchange:** 09/01/2017

**Paid capital:** 255 billion Iraqi dinars

**Address:** Golan Street – Erbil

**PO Box:** 0116-17

**Email:** [info@cihanbank.com.iq](mailto:info@cihanbank.com.iq)

**Website:** [cihanbank.com.iq](http://cihanbank.com.iq)

**SWIFT:** CIHBIQBAXXX

**Telephones:** 00964 751 474 4102

**(Corporate)** 00964 750 758 7833



**CIHAN BANK**

ISLAMIC INVESTMENT AND FINANCE P.S.C  
مصرف جيهان للاستثمار والتمويل الاسلامي ش.م.ع

## OUR BRANCHES

### Head Office and Main branch - Erbil

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- SWIFT: CIHBIQBAXXX

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- 00964 772 147 3131
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**CIHAN BANK**

ISLAMIC INVESTMENT AND FINANCE P.S.C  
مصرف جيهان للاستثمار والتمويل الاسلامي ش.م.ع

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- 00964 750 745 0095
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- P.O.Box 0116-17

### **Sulaymaniyah Branch**

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- br.suly@cihanbank.com.iq
- Sulaymaniyah, Chwarbakh Sq., Kasoo Medical Complex, Next Old Sulaymaniyah Hospital.

### **Duhok Branch**

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- 00964 750 704 9109
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- Duhok, Zakho Road, Next Mazi Market.

### **Zakho Branch**

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- br.zakho@cihanbank.com.iq

### **Basra Branch**

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- 00964 750 990 0390
- 00964 773 215 5255
- br.basra@cihanbank.com.iq
- Basra, Jazaer Street, Jazaer Sq.

### **Kalar Branch**

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- 00964 770 049 1547
- br.kalar@cihanbank.com.iq
- P.O. Box 46021





**Board of Directors**

Serial number	Name	Position
1	Azad Y. S. Bajger	Chairman
2	Saman Burhan Siddiq	Vice-chairman
3	Ahmad A.K. Ismael	Member/ CEO
4	Salih M. Mahmood	Member
5	Taban A. K. Gharib	Member
6	Ali Jamal Amin	Member
7	Mariwan Tahsin Ahmad	Member
8	Nawzad Y. S. Bajger	Reserve Member
9	Lara Burhan Sabir	Reserve Member
10	Khalid Wali Salih	Reserve Member
11	Bzar Shakir Muhammed	Reserve Member
12	Muzda Bakir Ismael	Reserve Member
13	Mahmood Latif Saleem	Reserve Member

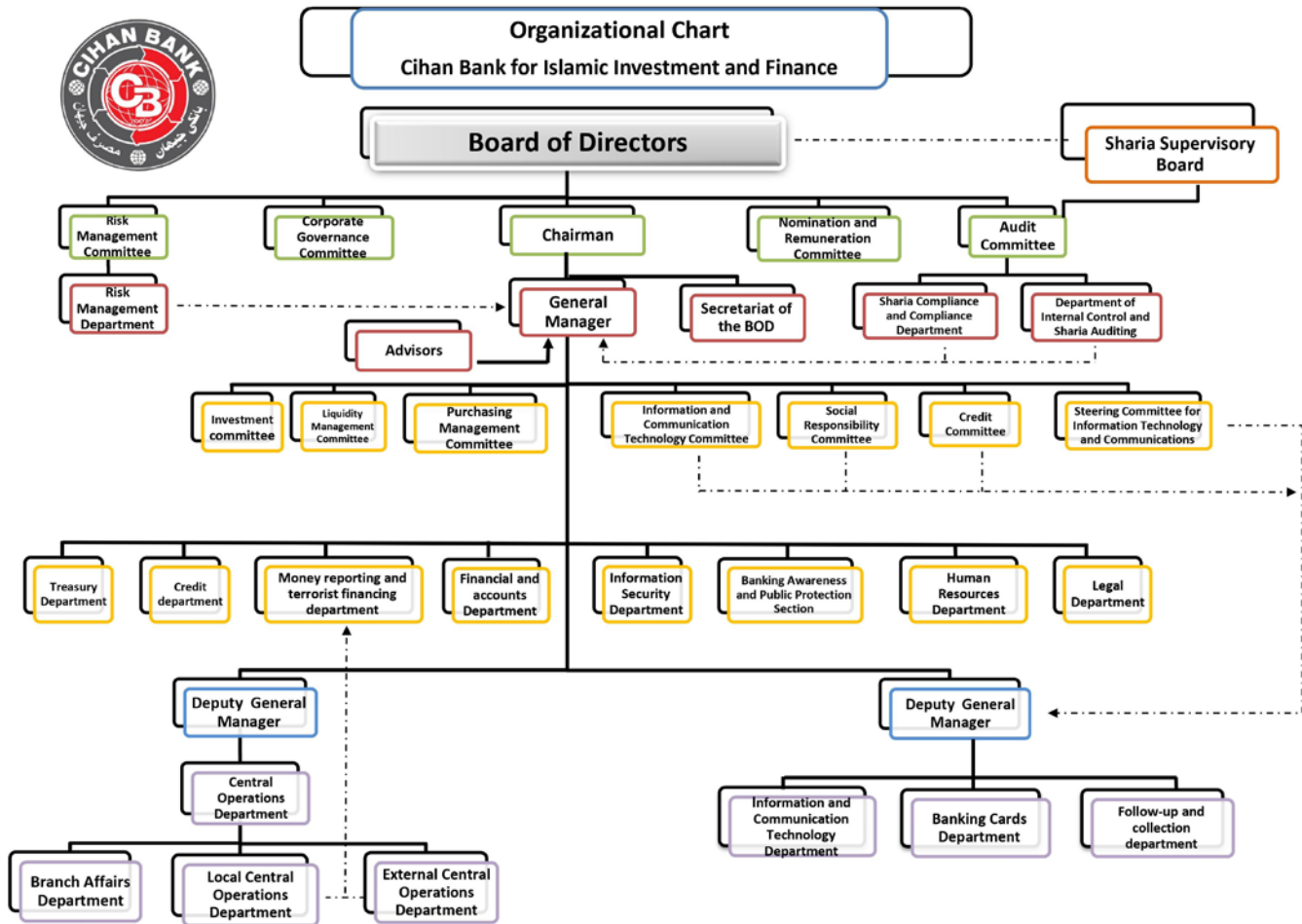


**Executive Management**

Serial number	Name	Position
1	Ahmad A.K. Ismael	CEO
2	Ahmad Khalaf Shihab	Deputy CEO
3	Naz Nawzad Yahya	Deputy CEO
4	Dina Hameed	Audit Manager
5	Yousif Ismael Ahmad	Risk Manager
6	Husham Isa Alwan	Compliance Manager
7	Ahmad Muhammad Mahmood	AML Manager
8	Saad Barsoom Abdulahad	CFO
9	Nawzad Muhsin	Central Operations Division Manager
10	Alia Hamid Ali	Credit Manager
11	Gokhan Sagme	FI Manager
12	Saadi Farman Noori	Regional Manager
13	Zeyad Khalid Abdulla	Branches' Affair Manager
14	Saya Omar Haji	Main Branch Manager



## CIHAN BANK ORGANIZAION CHART





## Chairman Speech

Dear Ladies and Gentlemen, Shareholders

Al Salamualaikum

It is my pleasure to welcome you on behalf of my colleagues, the members of the Board of Directors of CIHAN Bank for Islamic Investment and Finance, in the General Assembly of the Bank in its 2021 ordinary session, and to review with you the 2020 BOD report.

I am pleased to present to you the achievements that the Bank reached during the year 2020, despite the known circumstances, foremost of which is the Coronavirus pandemic, which ravaged the global economy, and had a big impact on the Iraqi economy, and on the banking sector in particular.

The total revenues of the Bank for the current year amounted to IQD (25,750,939,000), which is 40% more than the revenues of the previous year. The final result of the Bank's business for the current year was to achieve a profit before tax and before distributions to depositors in the amount of IQD (5,924,962,000), which represents 23% of revenues, and the net profit for the current year has increased from the previous year by 562%. At the same time, administrative and general expenses decreased by IQD 5,414,064,000, or 36.75%, and these are good indicators of the efficient performance of the Bank's management. The current accounts and deposits with the bank increased by IQD (86,544,296,000) over the previous year, at a percentage of 25.8%, which indicates the improvement of the Bank's performance in this field. The Bank's cash liquidity increased by IQD (75,283,640,000) from the previous year, at a percentage of 19.36 %, which indicates the improvement in the level of liquidity and its ability to meet its obligations. During the year, the Bank distributed dividend to its shareholders in the amount of IQD (4) billion.

On the other hand, the Bank achieved another target by obtaining the ISO 9001:2015 certificate, and the Bank continued to make great efforts in developing policies and procedures and training and developing its human resources.

Ladies and Gentlemen



**CIHAN BANK**

ISLAMIC INVESTMENT AND FINANCE P.S.C  
مصرف جيهان للاستثمار والتمويل الاسلامي ش.م.ج

Your Bank, CIHAN Bank for Islamic Investment and Finance, will continue its efforts for improvement and development in various fields, guided by the international standards that govern the banking industry and by the best global practices. The bank is still recording success after success.

Dear Ladies and Gentlemen

I conclude, on behalf of the Board of Directors and the Executive Management Team, I would like to thank all our valued shareholders, customers and employees for their support and commitment to this pioneering Bank. I wish you all and CIHAN BANK to continue to excellence and success.

With best regards.

**Azad Y. S. Bajger**

**Chairman**



## BOD Report

### 1. Introduction:

CIHAN Bank for Islamic Investment and Finance has been incorporated on 03/02/2008, with a capital of IQD 25 billion, as a private joint stock company according to the provisions of the Companies Law No. 21 for 1997, as amended, and the Banks Law No. 94 for 2004, to exercise comprehensive banking business. The Bank was listed in the Iraqi Stock Exchange Market on 09/01/2017. The Bank complies in all of its transactions and operations with the Law of Islamic Banking No. 43 of 2015 and the principles and provisions of the Islamic Sharia. The Bank takes the advantages of the Law of Investment of Kurdistan Region No. 4 for 2006.

As of 31/12/2020, the Bank's capital was around IQD (255 billion). The Bank currently has 11 branches.

### 2. Board of Directors:

Cihan Bank's board of directors consists of the chairman of the board and members who manage its affairs, supervise its business, and set the necessary plans and strategies for its conduct, and what is dictated to them by the laws in force (the Banking Law, the Islamic Banking Law, the Central Bank of Iraq Law, the Companies Law and the provisions of the Islamic Sharia) and the directives and instructions issued by the relevant financial and monetary authorities.

The Directors continued to perform their duties with diligence and commitment. During the year 2020, the Board of Directors held eight meetings, in addition to the meetings of its committees.

#### ➤ The most important duties and responsibilities adopted by BOD:

- Setting vision, mission, objectives and the strategic plans.
- Ensure the availability of plans, policies and procedures that include all activities of the bank and are in line with the relevant legislation.
- Take responsibility for the integrity of all the bank's business, including the bank's financial conditions.
- Implementing the requirements of the central bank, supervisory authorities and owners related to the bank's work.
- Taking into account the stakeholders within the framework of legislation and internal policies, and ensuring that effective oversight over the bank's business is continuously available.
- Ensure compliance with international standards in all activities and operations of the bank, and adopt a clear policy to ensure the bank's compliance with all relevant regulatory frameworks and instructions.



- Adopting the risk management strategy and monitoring its implementation that includes the level of acceptable risks, ensuring that the bank is not exposed to high risks, and ensuring the continuous alignment between the liquidity risk management strategy and the financing strategy.
- Protecting the rights and interests of shareholders.
- Forming board committees and selecting their members from board members or others.
- Follow up the implementation of directives and instructions issued by the Central Bank of Iraq.
- Follow up the implementation of the resolutions of the General Assembly.
- The board is primarily responsible for the effectiveness of policies, procedures, regulations and controls for combating money laundering and terrorist financing.
- Ensure that the bank applies the principles of corporate governance contained in Instructions No. for the year 2010.
- The board is responsible for the bank's reputation and its compliance to all related internal rules, regulations, instruction and policies.
- Monitor the bank's management and the extent of its compliance with the regulations and instructions issued by the Central Bank of Iraq and the internal policies of the bank.
- Adopting the methodology for the internal capital adequacy assessment of the bank in line with the standards issued by Islamic international organizations and the Basel Committee.
- Spreading the culture of corporate governance in the bank, and encouraging all employees and the management of the bank to practice it.
- Discussing and approving the annual plans and budgets related to the bank's activities, and following up on their implementation.
- Supervising the quality of disclosure and transparency of information about the bank's business.

#### **Limits of responsibility and accountability of BOD:**

The BOD is responsible for the integrity of all the Bank's operations, including its financial positions, and the responsibility to comply with all laws, instructions and controls issued by the Central Bank of Iraq, the standards issued by international organizations, the decisions of the Basel Committee on Banking Supervision, as well as the requirements of other supervisory and regulatory authorities related to its work and taking into account the stakeholders' interests and corporate governance practices. Ensuring that the bank is committed to the latest international financial reporting standards, that the Bank is managed within the framework of the Bank's internal bylaws and policies, and that effective oversight is constantly available on the Bank's activities, including the outsourced activities.

Hereunder is the list of the original and reserve members of Board of Directors and the number of capital shares for each of them:



Ser.	Name	Position	No. of shares	Ownership percentage
1	Azad Y. S. Bajger	Chairman	24,990,000,000	%9.8
2	Saman Burhan Siddiq	Vice-chairman	420,000	%0.00016
3	Ahmad A. K. Ismael	Member	6,860,000	%0.00269
4	Ali Jamal Amin	Member	420,000	%0.00016
5	Mariwan T. Ahmad	Member	2,000,000	%0.00078
6	Salih M. Mahmood	Member	20,000	%0.0000078
7	Taban A. K. Ghareeb	Member	420,000	%0.00016
8	Nawzad Y. S. Bajger	Reserve Member	24,990,000,000	%9.8
9	Lara Burhan Sabir	Reserve Member	1,000,000	%0.00039
10	Khalid Wali Salih	Reserve Member	2,000,000	%0.00078
11	Bzar Shakir Muhammed	Reserve Member	1,000,000	%0.00039
12	Muzda Bakir Ismael	Reserve Member	420,000	%0.00016
13	Mahmood L. Salem	Reserve Member	420,000	%0.00016

No BOD directors have obtained any credit facilities from the Bank during the year.





**CVs of board members:**

No.	1
Azad Y. S. Bajger	Chairman
No. of shares in the capital of the Bank	24,990,000,000
Date of admission in the board	Approved by the letter of CBI No. 30219 on 31/12/2018.
Qualification & Expertise	<ul style="list-style-type: none"> <li>- Honorary Consul General of Japan in the Kurdistan Region for the period 2008-2016.</li> <li>- Vice-President of the Federation of Iraqi Chambers of Commerce for the period 1989-2006.</li> <li>- Chairman of the Board of Directors of the Erbil Chamber of Commerce and Industry 1989-2006.</li> <li>- President of the Federation of Industries, Erbil branch for the period 1995-2006.</li> <li>- Chairman of CIHAN Group for International Trade since 2002.</li> </ul>
Membership in the Board committees	Chairperson of the corporate governance committee and nomination and remuneration committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	2
Saman Burhan Siddiq	Vice Chairman
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 9/3/3272 on 18/2/2020.
Qualification	BA. Law. BSc. Accounting.
Expertise	Legal advisor.
Membership in the Board committees	Member of the audit committee and member of risk management committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing



No.	3
Ahmed A. K. Ismael	Member & CEO
No. of shares in the capital of the Bank	6,860,000
Date of admission in the board	Approved by the letter of CBI No. 4477 on 25/3/2017.
Qualification	BSc. statistics.
Expertise	Finance & accounting.
Membership in the Board committees	Member of corporate governance committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	4
Salih M. Mahmood	Member
No. of shares in the capital of the Bank	20,000
Date of admission in the board	Approved by the letter of CBI No. 9/3/3272 on 18/2/2020.
Qualification	BA. Business administration.
Expertise	Finance & Banking.
Membership in the Board committees	Chairperson of risk committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	5
Taban A. K. Ghareeb	Member
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 9/3/3272 on 18/2/2020.
Qualification	Master of Science in computational engineering. BSc. In civil engineering.
Expertise	Banking & engineering.
Membership in the Board committees	Member of the corporate governance committee, nomination and remuneration committee and



	risk committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing
No.	6
Ali Jamal Amin	Member
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 9/3/3272 on 18/2/2020.
Qualification	Diploma in computer science. BA. Business administration. BA. Law.
Expertise	Portfolio management. Investment in stock market.
Membership in the Board committees	Member of nomination and remuneration committee and audit committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	7
Mariwan T. Ahmad	Member
No. of shares in the capital of the Bank	2,000,000
Date of admission in the board	Approved by the letter of CBI No. 9/3/3272 on 18/2/2020.
Qualification	BSc. Civil engineering. Ba. Islamic science.
Expertise	Engineering advisor.
Membership in the Board committees	Chairperson of audit committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing



**3. BOD Committees :**

**a. Corporate governance committee:**

This committee monitors the implementation of the Corporate Governance Manual issued by the Central Bank of Iraq to ensure the availability of the elements of corporate governance, supervision and preparation of the governance report for inclusion in the annual report of the bank. As well as supervising the preparation and updating of the bank's corporate governance manual and monitoring its implementation.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Azad Y. S. Bajger	Chairperson	None
Ahmed A.K. Ismael	member	None
Taban A. K. Ghareeb	member	None

Number of meetings held during 2020: Six.

**b. Audit committee:**

The committee's tasks are to assist the board of directors to fulfill its supervisory responsibilities related to financial reports, to ensure that the bank adheres to the disclosures specified by the International Financial Reporting Standards and the instructions of the Central Bank of Iraq and relevant regulations, to ensure the adequacy of internal control systems, review the reports of the supervisory authorities, and to supervise the work of internal and Sharia auditing, and approval of the necessary plans for this, discussing internal audit reports and following up the implementation of the recommendations contained therein, ensuring the independence and objectivity of internal auditing, ensuring that the bank complies with instructions and laws, following up on the anti-money laundering and terrorist financing function, and ensuring that there is a function to combat money laundering and terrorist financing related to the Board, and it implements special operations policies and due diligence, and ensures compliance with international standards in all bank operations, and accounting issues that have a material impact on the bank's financial statements.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Mariwan T. Ahmad	Chairperson	None
Saman Burhan Siddiq	member	None
Ali Jamal Amin	member	None

Number of meetings held during 2020: Six.

**c. Risk management committee:**

The committee's tasks are to assist the board of directors to fulfill its responsibilities in supervising risk management, identifying and analyzing all risks to which the bank is exposed, reviewing and evaluating these risks, submitting its recommendations to the board, dealing with those risks efficiently for the purpose of mitigating their effects on the bank, and ensuring consistency between the risk management strategy and strategy of the bank, and maintaining the growth of the bank within the approved risk management framework.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Salih M. Mahmood	Chairperson	None
Saman Burhan Siddiq	member	None
Taban A. K. Ghareeb	member	None

Number of meetings held during 2020: Eleven.

**d. Nomination & remuneration committee:**

The tasks of this committee are to determine the persons qualified to join the board of directors, evaluate the effectiveness of the performance of the board and its members and its committees, in addition to nominating qualified persons to occupy executive management positions, and to ensure that there are clear policies for salaries, benefits, bonuses and incentives in the bank, and to verify that this policy is in line with good corporate governance principles and practices, and ensuring appropriate awareness and training for employees and senior management.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Azad Y. S. Bajger	Chairperson	None
Taban A. K. Ghareeb	member	None
Ali Jamal Amin	member	None

Number of meetings held during 2020: Six.



#### 4. Major Shareholders:

Hereunder is the list of shareholders who own 1% percentage and more of bank capital as at 31/12/2020:

Ser.	Name	Occupation	No of shares	Ownership percentage
1	Azad Y. S. Bajger	Businessman	24,990,000,000	%9.8
2	Nawzad Y. S. Bajger	Businessman	24,990,000,000	%9.8
3	Talat Y. S. Bajger	Businessman	24,988,000,000	%9.8
4	Sabah Y. S. Bajger	Businessman	24,988,000,000	%9.8
5	Newroz S. D. Al Khayat	Businesswoman	19,884,850,000	%7.8
6	Suzan Sharif Muhammad	Businesswoman	17,268,000,000	%6.8
7	Nawal Jamal Abdulla	Businesswoman	14,094,500,000	%5.5
8	Mustafa T. Yahya	Businessman	13,400,000,000	%5.2
9	Shermin M. Abdelnaby	Businesswoman	13,330,000,000	%5.2
10	Talar T. Yahya	Businesswoman	9,200,000,000	%3.6
11	Meran Nawzad Yahya	Businessman	8,895,000,000	%3.4
12	Othman Sabah Yahya	Businessman	8,265,450,000	%3.2
13	Media Nawzad Yahya	Businesswoman	6,273,000,000	%2.4
14	Naz Nawzad Yahya	Businesswoman	6,273,000,000	%2.4
15	Muhammad Azad Yahya	Businessman	6,051,000,000	%2.3

16	Rebin Azad Yahya	Businessman	6,051,000,000	%2.3
17	Mahmood Sabah Yahya	Businessman	5,551,200,000	%2.1
18	Ibrahim Sabah Yahya	Businessman	3,001,000,000	%1.1
19	Hamza Azad Yahya	Businessman	3,001,000,000	%1.1
20	Belar Azad Yahya	Businessman	2,772,150,000	%1
21	Laylan Azad Yahya	Businessman	2,770,150,000	%1
22	Lana Azad Yahya	Businesswoman	2,742,200,000	%1

**5. Global Economic Developments:**

At a time when Iraq in 2019 was slowly recovering from the ISIS crisis and its aftermath, signs of a new global economic and financial crisis began at the end of 2019 that was accompanied by the COVID-19 pandemic that swept the world from end to end, and Iraq was not immune from it, with a more severe crisis, a crisis sharp drop in oil prices, the main resource for the Iraqi economy. These crises have had negative and harmful effects on the Iraqi economy. The state's general budget deficit has worsened, and the state is no longer even able to pay the salaries of state employees, and the wheel of construction and investment has stopped. The closures and quarantines that followed the COVID-19 pandemic for several months had devastating effects on many sectors of the economy, and on the livelihood of families and society. This crisis and its effects are still escalating and there is no foreseeable term to end, with global warnings of the emergence of more deadly epidemics.

In the financial and banking sector, the impact of those crises was noticeable enough. These crises have affected the sharp decline in credit flows with an almost complete halt in the credit and investment wheels, and a sharp drop in demand for banking services and products, and even increased withdrawals of bank deposits significantly.



## 6. Financial Results:

The Bank's net profit for the fiscal year 2020 amounted to IQD (3,333,968,000) (three billion, three hundred thirty-three million, nine hundred sixty-eight thousand dinars), which is more than the net profit achieved for the year 2019 of IQD (503,790,000) (five hundred and three million seven hundred and ninety thousand dinars).

The following are some other important indicators for evaluating the financial results achieved for the current year:

- a. The total revenue for the current year has increased over the previous year by (40%).
- b. The ratio of net profit to total revenues was (23%).
- c. The net profit for the current year increased over the previous year by (562%).
- d. Administrative & general expenses for the current year decreased from the previous year by (36,75%).
- e. Current accounts and deposits increased for the current year over the previous year by (25.8%).
- f. Cash flow increased by 19.36% over the previous year.

These indicators indicate the efficiency of managing the Bank's operations to achieve its objectives.

## 7. Risk Management:

In line with the directives of the Central Bank of Iraq and guided by international standards, in particular by the Basel Accords, the Bank continued in 2020 with its efforts to implement risk management requirements, as follows:

- a. To continue to implement the risk management requirements and prepare related reports.
- b. Preparing risk management reports, monthly and quarterly, including stress tests reports and risk profile.
- c. The Bank adopts policies and procedures aimed at mitigating the overall risks through:
  - ❖ Adopting a conservative credit policy, maintaining a reasonable ratio of total credit to total deposits, as well as sectoral and geographic diversification to reduce risks arising from the external environment, diversifying credit activities to avoid concentration and reduce related risks, and follow clear credit policies and procedures.
  - ❖ For operational risk, the overall risk management framework is based on identifying relevant events, identifying early warning indicators, and developing a strategy for the development and updating of IT systems to reduce the operational risks that may result from the failure of these systems. In addition, the Bank applies strict procedures to reduce the risk of money laundering and fraud risks. The Bank



also identifies and describes responsibilities for all administrative levels, and enhances internal control by providing oversight roles to both the Internal Audit Department and the Risk Management Department.

- ❖ With regard to market risk, the Bank focuses on developing the overall framework for risk analysis, interaction with early warning indicators, exposure monitoring and adherence to approved limits and ceilings.
- ❖ With regard to liquidity risk, the Bank adopts strict procedures and policies to monitor and manage liquidity to ensure that the Bank is able to effectively finance its operations and meet its current and future obligations, including unforeseen withdrawals on deposits. The Treasury Department, in cooperation with the relevant departments, is responsible for managing the liquidity on a daily basis and adhering to the approved limits and ceilings.
- ❖ The Bank is committed to capital adequacy ratio to meet various risk requirements.
- ❖ Paragraph (31) in the notes statement attached with the financial statements includes analytical data on risk management.

## 8. Compliance & AML:

The Money Laundering and Terrorism Reporting Section in the Bank monitors all banking operations that take place in the Bank on a daily basis, in order to avoid the risks of suspicious and illegal operations, in order to ensure the reputation of the Bank and the interests of its customers, and to stop any operations that may be related to money laundering and terrorist financing operations.

In this context, the core banking system has been developed and linked with the Capital Compliance System for the purpose of providing the Compliance Department and the Money Laundering and Terrorist Financing Reporting Section with the information and reports required to monitor movements and operations that take place in the bank's branches and divisions up-to-date.

For this purpose, the Bank has purchased and implemented a special electronic system that helps in the operations of combating money laundering and terrorist financing, and it has been linked with the banking system to strengthen control over all operations that take place in the bank, allowing the detection of any suspicious or unusual operations on clients' accounts, by issuing Alerts for any operation.

The bank also purchased World Check platform from Refinitiv Financial Solutions which contain over 500 international black lists in addition to PEPS list.



Simulate with that, all SWIFT messages pass before they are launched from the Safe Watch system, to ensure that the name of the sender and the beneficiary is not included in the global blacklists such as BOE, EU, UN and OFAC.

The department manager obtained a certified specialist in combating financial crimes CFCS, and a certified specialist in combating money laundering and terrorist financing CAMS.

**9. Human resources:**

According to the Bank’s belief in the human resources as the most valuable asset, it was continuing the initiations to make a qualitative leap in the performance of such resources and realize the higher levels of job satisfaction and loyalty to the bank, inter alia:

- a. Providing training opportunities, inside and outside the Bank, as shown below:

No.	Course Name	Organized by/ in	No. of days	No. of participants
1	Local Operations	CIHAN Bank	1	17
2	Certified Compliance Officer	Iraqi Banks League	5	1
3	IFRS	CBI	3	2
4	Local Operations (deposits)	CIHAN BANK	1	12
5	Developing the skills of Branch managers	CBI	5	1
6	Application of corporate governance standards in banks	CIHAN BANK	1	8
7	AML & CFT	CIHAN BANK	1	21
8	Local Operations (deposits)	CIHAN BANK	1	9



9	Banking awareness strategy & service quality	CBI	5	1
10	Organization structure & job description	CIHAN BANK	1	16
11	Local Operations	CIHAN BANK	1	1
12	IFRS 9 Practice	CBI	3	3
13	Banking awareness & customer protection	CBI	1	10
14	Quality Auditing Manager	CIHAN BANK	1	2
15	Sharia Auditor & Advisor	ABC company	12	1
16	Treasury Management	Online Platform	5	1
17	ISO 22301,20000 & 27001	IQDC company	2	22
18	Internal Quality Auditor	CIHAN BANK	3	1
19	Auditing Documentary Credits	CBI	4	1
20	Fundamental Analysis	CBI	5	1
21	The Laws Govern Banking	CBI	5	1
22	Employee Ethics in Islamic Bank	CIHAN BANK	1	8
23	Electronic Payment System	CIHAN BANK	2	9

24	HR Digital Evolution	CBI	1	1
25	Banking awareness & customer protection	CBI	1	2
26	Preparing Budgets	CBI	4	1
27	Attracting Banking Deposits	CBI	4	1
28	International Professional Framework for Internal Audit Practice	Iraqi Banks League	1	3
29	RTGS	CBI	1	5
30	FATF Recommendations	CBI	4	1
31	Opening Banking Account	CBI	1	5
32	Banking Corporate Governance Balanced Scorecard	CBI	2	2
33	Banking Corporate Governance Practice	CBI	1	9
34	Sharia Goals in Islamic Finance	CIBAFI	2	2
35	Certified Internal Auditor: Part 1	OPTIMAL	11	1

36	Suspicion Indicators analysis	CBI	3	2
37	Due Diligence Procedures in Credit Institutions	CBI	3	2
38	Application of Banking Quality Standards	CBI	2	1
39	Financial Inclusion & FinTech	CBI	1	1
40	Cyber Security & Combating Attacks	CBI	1	4
41	IT Governance Framework	CBI	5	1
42	Banking in Economic and Financial Context	CBI	4	1
43	Certified Banking Branch Manager	GAFM	6	1
44	Enterprise risk Management	CBI	3	2
45	Comprehensive Banking Risk Management	CBI	3	2
46	Banking Law No. 94 for 2004	CBI	1	2
47	Fundamentals of Islamic Banking	CBI	3	4
48	Fraud Detection Methods	CBI	1	2

49	Agents Record	CBI	1	2
50	Developing Banking Products	Iraqi Banks League	5	1
51	Financial Management & Cumulated Fund Transferring	CBI	1	2
52	Credit Analysis	CBI	1	2
53	IT Governance	CBI	3	1
54	Compliance & Compliance Risk	CBI	4	2
55	Advanced AML	CBI	4	2
56	Portfolio Creation & Management Methods	CBI	5	1
57	Express Transfers	CBI	2	2
58	HR leadership for making excellence	OPTIMAL	1	3
59	New and Revised IFRS	CBI	4	2
60	English Language	Iraqi Banks League	8	2
61	Defaulted Debts Management	CBI	5	1
62	Annual Performance assessment Methods	Iraqi Banks League	5	1

63	Information Risk Management & Cyber Security	CBI	2	2
64	E Compliance	CBI	3	1
65	Methods for detecting of documents	CBI	2	2
66	Certified Information Security Officer	Al Salam Company	5	1
67	Banking Credit rating	Iraqi Banks League	1	2
68	Analyzing & Measuring Banking Risks	CBI	5	2
69	Islamic Banking	CIHAN Bank	1	11
70	Analyzing & Measuring Banking Risks	CBI	5	1
71	The importance of Islamic banks applying Shariah standards to reduce banking crises	Iraqi Banks League	1	3
72	Competency Matrix Design	Combined Efforts Group	1	3
73	Application of Corporate Governance Standards	CIHAN Bank	1	10

74	Certified Internal Auditor: Part 2	OPTIMAL	24	1
75	Accounting for changes in foreign exchange rates	Iraqi Banks League	1	2

- b. Attracting and employing the best-qualified persons and experts in different fields. The following table shows the classification of Bank employees according to academic and professional qualifications:

Qualification	No.	Percentage
Master	8	%3
Bachelor	164	%61.42
Diploma	36	%13.48
Secondary and less	59	%22.1
Total	267	%100

- c. Hereunder is a comparison list of average number of employees and totals salaries, wages, allowances, and bonus paid during the three previous years:

Year	No. of Employees	Amount of salaries and allowances (IQD 1m)	Average of employee's monthly salary IQD
2018	296	3,751	1,056,025
2019	274	3,664	1,114,355
2020	267	3,4545	1,078,027



d. Hereunder is the list of top ten employees who earned the highest salaries during the year 2020:

Ser.	Name of employee	Position
1	Ahmad A. K. Ismael	CEO
2	Ahmad Khalaf Shihab	Deputy Vice General Manager
3	Naz Nawzad Yahya	Vice General Manager
4	Saya Omar Haji	Main Branch Manager
5	Nawzad Muhsin Qarni	Operations Manager
6	Yousif Ismael Ahmad	Risk Manager
7	Gokhan Sagme	FI & Trade Finance Manager
8	Adnan Abdulrahman Haider	Kirkuk Branch Manager

**10. Code of ethics:**

Based on the Bank’s keenness to control the performance of its employees within the framework of a set of ethical values and principles that govern professional behavior to control the movement and rhythm of banking performance, a professional code of conduct has been prepared and approved that includes basic job values in addition to ethical principles.

The code of ethics enjoys the support of the Board of Directors and the Executive Management, as one of the basic elements that helps spread the principles of governance and the principles of sound professional conduct. The code of ethics was drawn from the core values of the Bank.

The basic values of the principles of professional conduct focus on honesty, transparency, objectivity, impartiality, leadership, innovation, intimation and loyalty to the Bank. These ethical values are an integral part of the bank’s unwavering commitment to preserving the Bank’s image and customer’s confidence.

**11. Investment Portfolio:**

The Bank owns an investment portfolio consisting of the following:

	Investment Type	Amount IQD 1000	The Nature of Investment	Impairment allowance IQD 1000
1	Financial Securities	250,000	Stock of Erbil Stock Market	250,000
2	Financial Securities	750,000	Stock of Iraqi Company for Deposit Insurance	0
3	Real-Estate	36,865,131	Invest in CIHAN City Properties	0

**12. International Banking Relations:**

The bank acts to strengthen its foreign relations and the network of its correspondents to expand its business and services. The following is the statement of correspondents:

1.	FRANSABANK S.A.L	BEIRUT – LEBANON
2.	FIRST NATIONAL BANK S.A.L	BEIRUT – LEBANON
3.	BANK OF BEIRUT S.A.L	BEIRUT – LEBANON
4.	CREDIT LIBANAIS S.A.L	BEIRUT – LEBANON
5.	BYBLOS BANK S.A.L	BEIRUT – LEBANON
6.	BANK OF BEIRUT & ARAB COUNTRIES S.A.L	BEIRUT – LEBANON
7.	IBL BANK S.A.L	BEIRUT – LEBANON
8.	BANQUE LIBANO FRANCAISES S.A.L	BEIRUT – LEBANON
9.	KUVEYT TURK KATILIM BANKASI A.S	ISTANBUL – TURKEY
10.	TURKEY IS BANKASI A.S	ISTANBUL – TURKEY
11.	TURKEY HALK BANKASI A.S	ISTANBUL – TURKEY
12.	TURKEY VAKIF BANKASI TAO	ISTANBUL – TURKEY



13. AL BARAKA TURK KATILIM BANKASI A.S	ISTANBUL – TURKEY
14. AKTIF YATIRIM BANKASI A.S	ISTANBUL – TURKEY
15. T.C ZIRAAT BANKASI A.S	ISTANBUL – TURKEY
16. ZIRAAT KATILIM BANKASI A.S	ISTANBUL – TURKEY
17. AK BANK TAS	ISTANBUL – TURKEY
18. TURKEY FINANS BANK	ISTANBUL – TURKEY
19. HOUSING BANK OF TRADE & FINANCE	AMMAN – JORDAN
20. BANK AL ETIHAD	AMMAN – JORDAN
21. UNION DE BANQUES ARABES ET FRANCAISES	PARIS – FRANCE
22. FRANSABANK SA	PARIS – FRANCE
23. ABU DHABI ISLAMIC BANK	ABU DHABI -U.A. E
24. BANQHE MISR	DUBAI - U.A. E
25. AL BARAKA ISLAMIC BANK BSC	MANAMA - BAHRAIN

### 13. Deposits, Saving and current accounts:

The following table shows the balances of these accounts at the end of the current year as compared with the end of the previous year and the percentage of change:

Account	2020 IQD 1perthousand	2019 IQD 1per thousand	Change percentage
Current accounts / Companies	162,197,406	116,497,229	39,22%
Current accounts / individuals	74,873,421	86,820,320	(13,76%)
Current accounts/ Banking Cards	1,992,108	1,129,807	76,32%
Saving accounts	141,421,205	102,090,105	38,53%
Total	380,484,140	306,537,461	24,12%

#### 14. Letter of credits & guarantees issued and transfers:

a. The number of letters of credit issued was (47), according to each currency, as follows:

Currency	Number	Amount
USD	45	128,621,850.54
EUR	1	48,159.30
JPY	1	986,212,760

b. The number of external letters of guarantee issued amounted to (1) letter, as follows:

Currency	Number	Amount
USD	1	1,500,000

c. The number of external letters of guarantee received amounted to (1) letter, as follows:

Currency	Number	Amount
USD	1	272,250

d. The number of outward transfers issued amounted to (1229), according to each currency, as follows:

Currency	Number	Amount
USD	1065	1,430,776,468.86
EUR	81	2,090,747.57
EAD	63	29,374,040.99
TLR	17	3,332,139.95
JPY	3	33,756,610

e. The number of inward transfers issued amounted to (5709), according to each currency, as follows:

Currency	Number	Amount
USD	4749	284,075,424.94
EUR	906	22,440,055.75
EAD	1	873.80
GBP	53	4,444,980.50

### 15. IT developments:

The management of the Bank has taken care to use all modern methods, systems and techniques in banking operations, which reflects on the accuracy of work and the speed of completion. The Bank put in use iMAL system as a core banking system, started to use IBAN, SMS service, mobile banking and internet banking. The Bank activates the MasterCard service through establishing a center inside the Bank for issuing and managing the cards directly, in addition to applying the international standards for the infrastructure of data center and SWIFT, including information security. The Bank still working in this context by introducing modern techniques used by international banks. In addition to continuous monitoring and awareness of about the best international practices of applying institutional governance for IT and communication in compliance with the bank strategy.

The bank is in continuous development of devices and equipment related to the infrastructure of operating systems and applications while using the principle of virtualization to ensure availability, continuity and simulation in the work of the systems and providing an alternative location for disaster recovery.

### 16. Credit Facilities & Banking Cards:

- a. The Bank contributed to the implementation of the initiative of the Cabinet of Ministers to provide SME loans. The credit amount is more than IQD 2 billion.
- b. The size of the Bank's cash credit portfolio amounted to IQD (107,560,275,000), which is more than the size of the previous year's portfolio by (26.3%).
- c. The bank continued its efforts to spread electronic cards as widely as possible.
- d. The bank continued to provide Qard Hasan to its employees,
- e. ATM machines are deployed within a distribution plan for the purpose of serving the largest number of customers to contribute to access to customers' accounts 24 hours a day, 7 days a week.
- f. Provide 24/7 customer service to answer all inquiries or report card theft and loss where we are notified by customer service phones or by email to take action or stop the card.
- g. The bank delivers its services through mobile banking application, internet banking and ATM and delivers sms services for all kind of transactions to its customers.



#### **17. Post Balance Sheet Events and Business Continuity:**

- a. The impact of the COVID-19 pandemic, has continued, and this pandemic certainly has a significant impact on the Bank's operations for the coming year and on achieving profits, but it does not have a direct impact on the financial and monetary position of the Bank.
- b. In light of the budget and activity plans for 2021 and according to the best information available to us, we have full confidence in the Bank's continuity in the foreseeable future at an accelerated pace as a continuous enterprise.

#### **18. BOD Responsibility about the Financial Statements and Internal Control:**

Based on the provisions of Article 23/2 and Article 3 of the Corporate Governance Guide for Banks issued by Central Bank of Iraq, the Board acknowledges the following:

- a. It is responsible for the accuracy and adequacy of the Bank's financial statements, the information contained in the annual report, and the adequacy of internal control systems.
- b. The Bank's compliance with the disclosures set by the International Financial Reporting Standards, all laws and regulations of the Central Bank of Iraq and other relevant legislation and instructions.

#### **19. Contracts concluded during the year:**

The following are the details of the contracts concluded during the year 2020:

- A. Contract with Amando Company on 01/01/2020.
- B. Employment service contract with SHULL on 04/11/2020.
- C. Internet service provision agreement dated 25/10/2020.
- D. IRS System Contract Supplement dated 04/11/2020.
- E. Contract for supplying and operating customer waiting system devices on 06/02/2020.



## 20. Amounts spent on Promotion, advertising, travel and Delegation:

The following is a statement showing the amounts spent for the purposes of promotion, advertising, travel, delegation, hospitality and bonuses for non-employees for the past three years.

Ledger	2018 IQD 1000	2019 IQD 1000	2020 IQD 1000
Promotion and Advertisement	130,163	108,930	15,473
Transportation, Travel & Delegation	235,276	368,704	246,875
Hospitality	46,309	67,516	56,355
Nonemployee remuneration for services rendered	114,570	140,292	919,701

## 21. Social Responsibility & Financial Inclusion:

As part of its efforts for social contributions, the Bank concluded a Memorandum of Understanding agreement with the International Labour Organization to finance small and medium-sized projects supported by the Central Bank of Iraq. The agreement included training the displaced and indigents to prepare them to manage their projects, which is reflected in serving a wide segment of society and people with limited income, as well as donating to the COVID-19 Virus Confrontation Fund with the Central Bank, as well as the agreement with Hasar Organization and contributing to the project of planting 100,000 oak trees throughout the Kurdistan Region.

## 22. Sustainability:

In line with its strategy, the Bank continues to focus on taking advantage of available opportunities and trying to reduce social impacts, aligning financing, investment and its policies to meet social challenges and help our customers achieve their aspirations and contribute to economic development through the sustainable value of our financial products and banking services.

In addition, the bank invests a lot of money in developing digital banking systems, applications and innovative banking services, which helps us to raise the level of our efficiency, reduce costs and make banking operations safer, faster and easier for all parties.



### 23. Strategy Plan for the years 2021-2023:

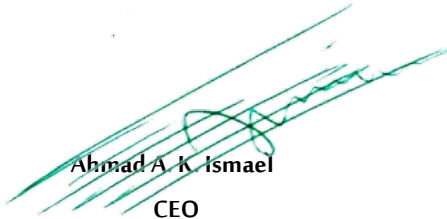
The Bank has prepared a strategic plan covering the years 2021-2023, and the following are the most prominent objectives of the plan:

- Attract more deposits.
- Increasing investment for the purpose of employing the financial resources available at the Bank.
- Expansion of credit quantitatively within the permissible limits and diversification of credit products.
- Expansion and increase the market share.
- Maintaining liquidity within the approved limits and standards.
- Increasing profitability to achieve the best returns for shareholders and depositors.
- Development of customer service.
- Managing the risks in proper way.
- Contribute to financial inclusion and provide the best services to customers.
- Ensure the overall quality of the Bank's operations in accordance with standard specifications.
- Continuing to build the Bank's organizational capabilities.
- Development of human capabilities to ensure the highest levels of quality and efficiency
- Keeping abreast of developments in information and communications technology and employing them to serve banking operations.

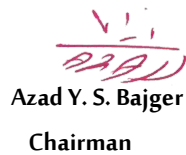
### 24. Conclusion:

In conclusion, I take this opportunity to express, on my own behalf and on behalf of my fellow Board members, my thanks and gratitude for the support and loyalty shown by the Bank's shareholders, the Executive Management team and all employees for their commitment and dedication.

And Allah is arbiter of success, with sincere thanks and respect.



Ahmad A. K. Ismael  
CEO



Azad Y. S. Bajger  
Chairman





CIHAN BANK

ISLAMIC INVESTMENT AND FINANCE P.S.C  
مصرف جيهان للاستثمار والتمويل الاسلامي ش.م.ج

## REPORT OF SHARIA ADVISORY BOARD

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد واله وصحبه أجمعين

To: The General Assembly of CIHAN Bank for Islamic Investment and Finance

السلام عليكم ورحمه الله وبركاته ..

In accordance with the letter of engagement issued by CIHAN Bank for Islamic Investment and Finance, we are pleased to present to you the following report:

We have monitored the principles used and contracts relating to the transactions and applications put forward by the Bank for the fiscal year ended 31/12/2020. We have done the necessary monitoring to express whether the Bank has complied with the provisions and principles of Islamic Sharia in its transactions and banking services. Our responsibility is restricted to monitor the Bank's operations and to prepare a report for you.

We conducted our audit, which included examining the documentation and procedures of the Bank based on testing each type of operation.

We have planned and implemented our monitoring in order to obtain all the information and explanations that we deemed necessary to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic Sharia.

In our opinion:

- 1- The contracts concluded by CIHAN Bank for Islamic Investment and Finance during FY 2020, that we had access to, were made according to the provisions and principles of the Islamic Sharia.
- 2- The distribution of profit on the investment accounts accords with the basis we have adopted as per the Sharia principles.
- 3- All revenues or gains obtained from sources or in a manner prohibited by the Bank for violating the provisions and principles of Islamic Sharia have been spent in charitable actions.

Dr. Abdulsattar Karim Saeed

Head, Sharia Advisory Board



### AUDIT COMMITTEE REPORT

Based on the Article (12) of the Corporate Governance Guide for Banks issued by the Central Bank of Iraq and Administrative Order No. (3592) dated 18/12/2017 and Administrative Order No. (4629) dated 18/05/2020 regarding the formation of the Audit Committee, and in accordance with the tasks and powers assigned to the Audit Committee mentioned in Paragraph (3) of Article (12) of the Guide.

We present to you the overall work of the committee during the year 2020, where the committee held six meetings, and being guided by what was mentioned in paragraph (3) referred to above, we show you the following:

1. The committee reviewed and evaluated the results of the reports issued by the Internal Sharia Control and Audit Department (office audit) in accordance with the audit plan prepared by the Internal Sharia Control and Audit Department.
2. The committee reviewed the implementation plan of the Internal Sharia Audit and Control Department, and ensured that the internal audit plan included testing the internal controls.
3. The Committee reviewed and evaluated the results of the reports issued by the Shariah Compliance and Compliance Monitoring Section, and ensured compliance with the internal control regulations.
4. The Committee reviewed reports on the activities of the Money Laundering and Terrorist Financing Reporting Section, and ensured compliance with anti-money laundering and combating terrorism financing laws.
5. The Committee reviewed and evaluated the results of the reports issued by the Risk Management Department.
6. The committee held discussions and recommendations regarding the nominations for the position of director of the treasury department, the position of director of the credit department, the position of director of the international department, the position of director of the branches department, and the position of director of the investment department.

Mariwan T. Ahmad

Head, Audit Committee

Saman Burhan Siddiq

Member

Ali Jamal Amin

Member



## CORPORATE GOVERNANCE REPORT

Based on the Article (12) of the Corporate Governance Guidelines for Banks issued by the Central Bank of Iraq and Administrative Order No. (4628) dated 18/05/2020 regarding the formation of the Corporate Governance Committee, and in accordance with the tasks and powers assigned to the Corporate Governance Committee, contained in Paragraph (6) of Article (12) of the guide.

Below is a summary of the work of the committee during the year 2020, where the committee held (6) meetings, and being guided by what was mentioned in paragraph (6) referred to above, we show you the following:

1. The committee reviewed the policies, charters, and evidence related to the design of corporate governance requirements in coordination with the executive management in three meetings. Discussions were made about the required notes and amendments according to the relevant instructions of the Central Bank of Iraq and to ensure that the Bank applies the principles of corporate governance and sound practices.
2. In preparation for the process of implementing the corporate governance scorecard for banks, the committee met with the team that was formed which is specialized in exchanging information and data process related to the corporate governance guide, and discussed the developments and achievements during virtual workshop held by the Open Courses Department/ Banking Studies Center/ Central Bank of Iraq in which a member of the team participated.
3. The committee reviewed the documents related to the application of IFRS 9 in coordination with the senior executive management: reviewing the business model in accordance with IFRS 9 for financial instruments, reviewing the policy for calculating expected credit losses for IFRS 9 for financial instruments, and reviewing the credit rating policy in accordance with IFRS 9 - financial instruments.
4. The committee reviewed the activities that occur to spread the strategy within the Bank and the activities that occur to support the spread of knowledge of the corporate governance manual in 2020.

Cihan Bank has always been interested in corporate governance practices in determining behaviors that are in the best interest of work. Our review of the training programs (courses, workshops and certificates) showed the urging of the executive management to apply governance standards and controls, legislation and regulations to improve procedures, reduce conflict of interests and keep pace with the requirements of growth, development and excellence in the fields of computing and digital automation and applying the principles of governance to reduce risks and achieve the effectiveness of the bank's performance.

Azad Yahya Saeed  
Head of Committee

Ahmed A.K. Ismael  
Member

Taban A. K. Ghareeb  
Member




## RISK MANAGEMENT COMMITTEE REPORT


Based on the Article (12) of the Corporate Governance Guide for Banks issued by the Central Bank of Iraq and Administrative Order No. (3630) dated 02/02/2018 and Administrative Order No. (4631) dated 18/05/2020 regarding the formation of the Risk Management Committee, and in accordance with the tasks and powers Assigned to the Risk Management Committee, mentioned in Paragraph (4) of Article (12) of the Guide.

We present to you in summary the work of the risk management committee during the year 2020, where the committee held (11) meetings, and being guided by what was mentioned in paragraph (4) referred to above, we show you the following:

1. The Committee reviewed the policies, documents and evidence related to the design of corporate governance requirements for the Money Laundering and Terrorism Financing Reporting Section, the Sharia Compliance and Compliance Control Section, the Risk Management Section in coordination with the Executive Management, and the discussion was made about the notes and amendments required in accordance with the relevant Central Bank of Iraq regulations and to ensure that the Bank applies the principles of Corporate Governance and its sound practices.
2. The committee reviewed the quarterly risk management reports and the quarterly stress test reports.
3. The Committee reviewed the monthly audit reports of the Monitoring and Internal Sharia Audit Department and reviewed the audit plan for the year 2020 and approved it.
4. The Committee reviewed the monthly and quarterly reports of the Sharia Compliance and Compliance Monitoring Section.
5. The Committee reviewed the semi-annual report of the Money Laundering and Terrorism Financing Reporting Section.
6. The committee reviewed the executive management reports on the analysis of the consolidated trial balance accounts, the report on the existing operational risks, and the liquidity report.

  
Salih M. Mahmood  
Head of Committee

  
Saman Burhan Siddiq  
Member

  
Taban A. K. Ghareeb  
Member



## NOMINATION & REMUNERATION COMMITTEE REPORT

Based on the Article (12) of the Corporate Governance Guide for Banks issued by the Central Bank of Iraq and Administrative Order No. (3593) dated 18/12/2017 and Administrative Order No. (4633) dated 18/05/2020 regarding the formation of the Nomination and Remuneration Committee, and according to the tasks and powers assigned to the Committee mentioned in Paragraph (5) of Article (12) of the Guide.

We present to you in summary the work of the committee during the year 2020, where the committee held (6) meetings, and being guided by what was mentioned in paragraph (5) referred to above, we show you the following:

1. The committee reviewed the most important events that took place in human resources and related to the turnover rate, such as resignations, appointments, or transfers.
2. The committee reviewed the job replacement plan prepared by the senior executive management based on the organizational structure approved by the Bank and in line with the requirements of corporate governance regarding the job succession plan.
3. The Committee reviewed the approved training plan for the year 2020 and evaluated the extent of implementation of the plan by reviewing the training programs implemented within the Bank and online training programs that were participated in and implemented by the Central Bank of Iraq and the League of Iraqi Private Banks and specialized training institutions.
4. The committee supervised the performance evaluation process for the members of BOD and its committees in accordance with the evaluation policies approved by the Bank.
5. The committee held discussions and submitted recommendations regarding the nominations for the position of Manager of the Treasury Department, the position of Manager of the Credit Department, the position of Manager of the International Department, the position of Manager of Branches Department, and the position of Manager of the Investment Department.

Azad Y. Saeed

Head of Committee

Taban A. K. Ghareeb

Member

Ali Jamal Amin

Member



### ANTI-MONEY LAUNDERING REPORT

The Bank applies an effective policy aimed at reporting money laundering and terrorism financing, and to ensure compliance with laws, regulations, instructions, rules of sound behavior, and sound banking standards and practices issued by local and international agencies, in particular:

1. Follow up compliance with the laws, regulations, instructions, and directives of the Central Bank of Iraq by all departments and employees within the bank, and develop a database for that, and submit periodic reports to the Central Bank.
2. Commitment to implement AML/CFT instructions by checking and signing all transactions by officials of AML units in branches for amounts in excess of the legally prescribed, in addition to providing CBI with all data and tables on scheduled dates.
3. The Bank shall complete all documents related to identifying the customer in a clear manner when opening current accounts and checking company documents by the branches to ensure that the legal conditions and authorizations are met. The Bank will also request any additional documents that are needed, follow up personal and professional reputation, follow up the names of customers in the blacklists, and update the data of customers who have continuous movement of balances with the Bank
4. There is official framework that links the Bank with the correspondent banks to follow up incoming and outgoing remittances to ensure their validity and their compliance with international and legal controls.
5. Control operations carried out by the Bank subject to continuous monitoring by CBI, directly or indirectly, through continuous inspection visits.

Ahmad Muhammed Mahmood

AMLRO



## COMPLIANCE OFFICER REPORT

In accordance with Compliance Instructions issued by CBI by letter No. 9/3/217 dated 30/05/2018, and in accordance with paragraph 71 of the instruction 4 for 2010, which determines the roles and duties of the compliance officer.

The following are the main activities undertaken by the Compliance Officer during 2020:

- Four quarterly reports were submitted to CBI according to the forms approved by them.
- Monthly reports were submitted to the Board of Directors, including the most important observations monitored by the Compliance Officer on the Bank's activities and the recommendations to address them.
- Attending the periodical meetings of CBI with private banks. Reports of these meetings were submitted to the senior executive management.
- Following-up correspondence and resolutions of CBI, where the senior management have been approached, on overcoming the observations contained therein.
- Coordination with the Compliance Officers in the branches on the matters related to their compliance functions in those branches.
- Coordination with the senior executive management regarding the implementation of the regulation of (the Sharia Supervisory Board and Sharia Compliance in Islamic Banks) issued by CBI.
- Responding all inquiries received by other departments.



Husham Essa Alwan  
Compliance Officer