



National Islamic Bank

**Annual Report of Board of Directors,
Auditor's Report and Financial Statements
for the fiscal year ended as on 31.12.2020**

Annual Report And accounts

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Chartered Accountant
Member of Iraqi Accountants
Association**

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Chartered Accountant
Member of Iraqi Accountants
Association**

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In the Name of Allah, the Most Gracious, the Most Merciful

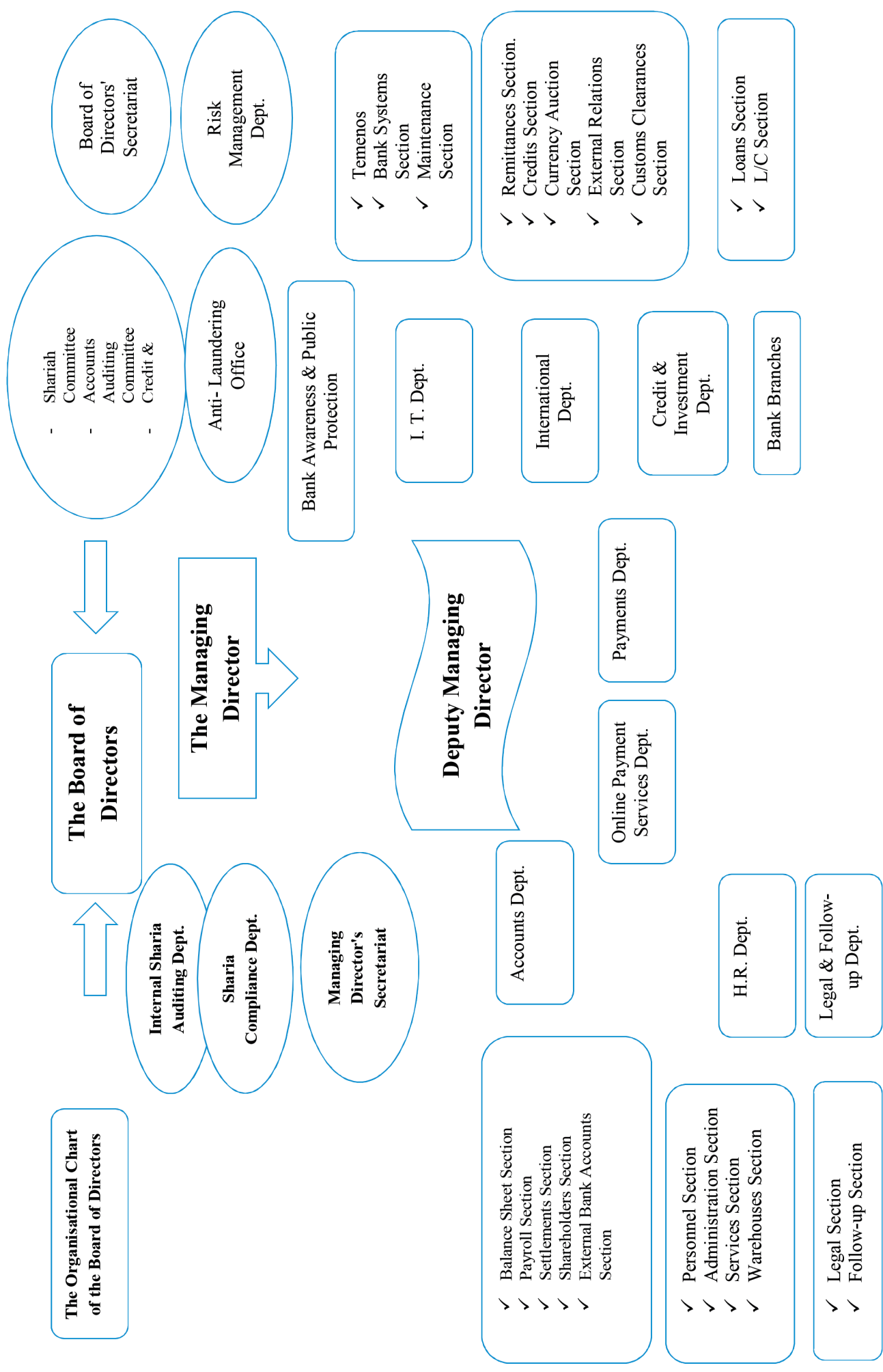
Esteemed Ladies and Gentlemen, the shareholders of National Islamic Bank (Private Joint Stock Company)

Subject/ An Invitation to Hold a General Commission Meeting

Greetings...

By virtue of rules of article (87/ second) of Companies` law under No. (21) for 1997 as amended, we are honored to invite you to attend the meeting of general commission of the National Islamic Bank, to be held at 10:00 AM on Thursday / /2019 at the company`s registered office which is located in Baghdad, Arsat Street, Quarter 929, Str. 30, House 1/74 in order to negotiate the following agenda:

1. Discuss the report of board of directors regarding the bank`s activity throughout the fiscal year ended as on 31.12.2020 and take suitable decisions in the said regard and legalize them.
2. Access to auditor`s report regarding balance sheet and financial statements for the fiscal year ended as on 31.12.2020 and approve on them.
3. Discuss a report of the auditing committee about the fiscal year ended as on 31.12.2020 and legalize it.
4. Discuss the final accounts for the fiscal year ended as on 31.12.2020 and approve it.
5. Discuss a report of legitimate committee regarding the fiscal year ended on 31.12.2020 and legalize it.
6. Discuss the distribution of profits raised from the company`s activity in the fiscal year ended as on 31.12.2020
7. Appoint auditors for the fiscal year 2021 and decide their wages according to instructions of profession control and auditing council.
8. Discuss the appointment of an auditing committee for the fiscal year 2021.
9. Negotiate appointment of a chairman and legitimate control committee for the fiscal year 2021.





Addresses of the management board

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

**Esteemed members of the general commission...
Esteemed guests...**

Assalamo Alaikom Warhmatullah Wabrkataho...

I have the honor to welcome you and present thankful and appreciation in my name and behalf of my colleagues members of National Islamic Bank's Board of Directors as you respond to the invitation and attend the meeting of the bank's general commission in order to access to works' results, bank's activities and negotiate the final accounts for the fiscal year ended as on 31.12.2020 as well as agenda of the meeting, your opinions are highly appreciated as they support the bank's course of work and its development.

despite of the new challenge facing the international economy through COVID 19 pandemic which defer from former crises faced the international economy in terms of its impact severity, the speed of infection's transmission, and the inability to limit its spread all over the world, since it threatens the whole world thus it create an entirely stoppage in all state's facilities consequently effects on growth average of the local production, Inflation rate and high unemployment rate but in spite of an extraordinary conditions in the country, recession which Iraqi Economy faced in 2020, stoppage of most investment and service activities but the Bank continuous in perform all its activities and operations.

We would like to emphasis that, we shall continue in our approach in updating and developing all our fields of activity in order to improve the banking business and performance, especially through continuous in the project of update and re-organizing the bank's operations, technical work styles, develop its workforces to achieve the intended goals according to most modern styles and prevail practices in a top quality standards. The continuous developing in performance and achieve more success at the core of our vision and we shall go on with determination based on persistence and interaction between the board of directors and distinguished competences available in our bank in all fields and specializations which represent the key in progress and success our bank.



Finally, I avail this opportunity to show my thanks and appreciation for visitors and guests from Central Bank of Iraq, Registrar of Companies, Securities Commission, Iraq Stock Market and auditors for their attendance and participation in this meeting. As well as I thank and appreciate an extraordinary efforts exerted by the executive boards and all workers in the Bank for their performance and loyalty in achieving greet results throughout 2019.

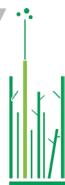
I declare in the name of the Bank`s management and executive board to exert more efforts to develop the bank`s performance and achieve all its goals. We beg Allah for more progress and success and to help all in whatsoever serve our country and people welfare.

Assalamo Alaikom Warhmatullah Wabrkataho...

**Sgd.
Board of Directors**



Board of Directors



Annual Report of Board of Directors Regarding the Bank's Activity For the Fiscal Year 2020

Ladies and gentlemen shareholders...

Assalamo Alaikom Warhmatullah Wabrkataho...

The National Islamic Bank's Management has a pleasure to present you the annual report regarding the audited final accounts and balance sheet of the bank for the fiscal year ended as on 31.12.2020 which is prepared according to Companies' Act No. (21) for 1997 (as amended), international criteria, Banks' Act No. (94) for 2004 and Islamic Banks' Act No. (43) for 2015.

Banking businesses in the light of Islamic Sharia:

Our Bank performed all businesses that the contemporary Islamic Banks did putting into consideration applying the Islamic rules in all fields in respect to open investment accounts, saving accounts, transfers, exchange works regarding sale and buy foreign currencies in addition to his works in responding to its clients' orders, including contractors, industrials and other sectors via open documentary credits, external transfer operations in order to cover the private sector's importations through the Central Bank of Iraq Auction by using the most modern technological styles and connect all the Bank's branches with a banking net providing all types of facilitates via using SWIFT, electronic clearance system ACH and RTGS system to increase the performance speed and provide best and fastest services within indicators related to anti money laundry and terrorism finance according to the notifying system in respect to money laundry and terrorism finance, pursuant to Law No. (39) for 2015, as well as rules of Islamic Banks' Law No. (43) for 2015 as a legal organizational frame for the Bank's contracts and activity in its banking transactions and providing services to his clients.

First: Background of the Bank:

1 - Foundation:

The Bank was founded as a (private joint stock company) according to Incorporation Certificate No. C.R./26073 dated 05.05.2005 with paid up capital of (25) Billion Iraqi Dinar, an approval of the Central Bank of Iraq was awarded to practice its comprehensive exchange works and the bank was allowed to practice works of sale and buy foreign currencies pursuant to license No. (2641/3/9) dated 26.09.2005 but the security conditions prevent the Bank from practicing its activity up to April 2010 after its owners being changed in addition to improve the security situation in the country.

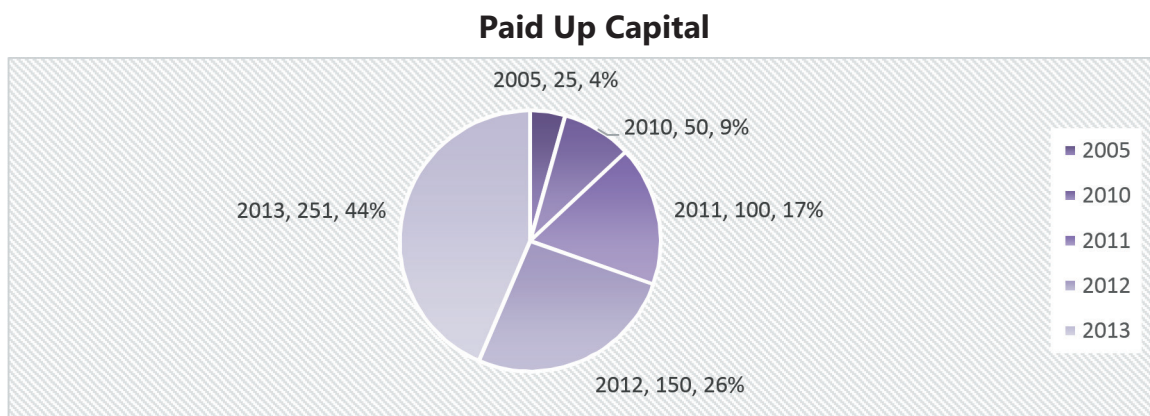


2 - Developments occurred in its paid up capital:

The Bank's paid up capital was increased from (25) twenty five Billion Iraqi Dinar into (50) fifty Billion Iraqi Dinar as on 19.03.2010 and to (100) one hundred Billion Iraqi Dinar on 14.08.2011 then increased to (150) one hundred fifty Billion Iraqi Dinar on 22.10.2012, the Bank has finalized increasing its capital into (251 billion) two hundred fifty one Billion Iraqi Dinar as on 29.08.2013 according to time limits stipulated in the instructions of Central Bank of Iraq.

Year	2005	2010	2011	2012	2013
Paid up capital in Iraqi Dinar	25	50	100	150	251

((Diagram of the above mentioned capital))





3 - The Bank`s Management:

a-The board of directors handles the process of draw and form the general policy of the bank and supervise on executing it, herein below are names of board of directors:

Board of Directors

No	Nominee name	Title
1	AQEEL MAHMOOD DAWOOD	Chairman
2	JABBAR HUSSEIN HASAN	Vice Chairman
3	ABBAS FADHIL RAHEEM	Member of board of directors (original) Managing Director
4	MAHMOOD SHAKIR JABOURI	Member of board of directors (original)
5	LUAY MAHDI JABBAR	Member of board of directors (original)
6	MAHMOOD HUSSEIN LUAIBI	Member of board of directors (original)
7	SADIQ JUMAA ALSHEIKH ALI	Member of board of directors (original)
8	MOHAMMED ABDULSHAHEED ALI	Member of board of directors (reserve)
9	AHMED JABBAR HUSSEIN	Member of board of directors (reserve)
10	JAAFAR AQEEL MAHMOOD	Member of board of directors (reserve)
11	HAITHAM ALI MOHAMMED	Member of board of directors (reserve)
12	JAAFAR ABDULKAREEM HADI	Member of board of directors (reserve)
13	ALI LAITH HASAN	Member of board of directors (reserve)
14	ALI TALIB GHANI	Member of board of directors (reserve)

b- Legitimate Board of the Bank:

- > RASHEED ABDULHAMEED ABDULRIDHA - Head of Legitimate Control Board
- > ALI KADHIM OUDA KHUDHAIR - Secretary and executive member
- > BASIM QASIM HUSSEIN - Member
- > ADIL ZAMIL HLIHAL - Member
- > MOHAMMED MOHSIN ISMAIL - Member



c- Executive Management: The Executive Management is chaired by the managing director in assistance of the assistant and directors of departments and branches whose names are stated herein below:

No	Name	Job Title
1	Dr. ABBAS FADHIL RAHEEM	Managing Director
2	RASHA JAMAL MAHMOOD	Assistant of Managing Director- 1st
3	ALI SHAKIR KHALAF	Assistant of Managing Director- 2nd
4	LUAY HATEM NSAIF	Inspector on compliance
5	AHMED HADI MAHMOOD GUTEB	Head of Accounts Department
6	FARAH YAQOUB MAHDI	Head of Credit Department
7	MUSTAFA IBRAHIM	Head of International Department
8	JABBAR NASER ISSA	Head of Risk Management
9	IMAN ABDULRAZZAQ IBRAHIM	Head of Follow Up and Notifying about Money Laundry
10	SUHAD HMOOD ZGHAIR	Head of Legitimate Auditing Department
11	SARAH TAREQ AZEEZ	Head of Banking Awareness Department
12	OMAR HAQI ISMAIL	Head of Information Technology Department
13	SHYMAA MAYOOF MUTTER	Head of Main Branch
14	HADI SADIQ ATI	Head of Basrah Branch
15	SHATHA ABDULRAHEEM FARHAN	Head of Jamilah Branch
16	ZAHORI ABDULJABAR HABIB	Head of Holy Najaf Branch
17	MOHAMMED ALI HILLO	Head of Misan Branch
18	HAIDER JAAFAR MAJEED	Head of Holy Karbala Branch

d-Number of meetings of board of directors:

The Board of Directors held (2) meetings throughout 2020



4 -Highlights on the Bank`s achievements in 2020:

The Bank achieved a very good success in build its reputation and enhance attendance in Iraqi Banking Market in 2020 including:

- a- Support the departments of risk management, anti-money laundry and terrorism finance with banking staffs who enjoy a high professionalism contributing in establish an active control over all banking transactions.
- b- Achieve a general reserve amounting to (9.226) Billion Iraqi Dinar.
- c- The Expansions reserve reaches (1.650) Billion Iraqi Dinar.
- d- Provision of Credit Risk is compliance with the required standards pursuant to Instructions No. (4) for 2010.
- e- Provision of legal claims is amounting to (1.008) Billion Iraqi Dinar.
- f- Development of bank`s structure in respect to human resources, training the bank`s staff in all field of exchange and computer systems via involving the bank`s employees in training courses in external exchange and international standards.
- g- Support security systems procedures in all branches.
- h- Develop the bank`s communications system structure between the general management and branches.
- i- Continue and extend in build banking relations with foreign banks.
- j- Work on updating the applied systems especially TEMENOS System.
- k- Update policies and procedures to harmony with the international banking standards.

Second: Administrative Activity (Human Resources)

1 - Salaries and wages:

The Bank`s Management offered work opportunities for a wide segments in the society whereas workers` number in the Banks at the end of 2020 reached (205) while their salaries were (2,772) Billion Iraqi Dinar and the Bank`s contribution in the social insurance was (119) Million Iraqi Dinar; herein below are tables and classification statistics of human resources:

Names and job titles of the bank`s staff who received the highest annual income in 2020

No.	Name	Job Title
1	Dr. ABBAS FADHIL RAHEEM	Managing director
2	RASHA JAMAL MAHMOOD	Assistant Director General- 1st
3	ALI SHAKIR KHALAF	Assistant Director General- 2nd
4	IMAN ABDULRAZZAQ IBRAHIM	Head of Follow Up and Notifying about Money Laundry
5	FARAH YAQOUB MAHDI	Head of Credit Department
6	AHMED HADI MAHMOOD	Head of Accounts Department

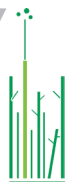
**2 - Human Resources and Workers` Classification:**

Classification Tables of Bank`s Workers According to their Academic Qualification and Occupations` Nature

Qualification	Ph.D.	M.A.	High	B.A.	Diploma	High School	Intermediate	Primary	Total	Rate
Job										
Banking Employees	1	2	1	101	25	7	2	0	139	67.80%
Treasurers	-	-	-	9	0	5	0	0	14	6.83%
Employees	-	-	-	-	-	4	5	18	27	13.17%
Guards	-	-	-	-	-	5	5	15	25	12.20%
Total	1	2	1	110	25	21	12	33	205	100%

Herein below the workers` classification table according to their job degree:

No.	Job Title	Number
1	Managing Director	1
2	Assistant of Managing Director	2
3	Consultant	1
4	Banking Expert	1
5	Legitimate Compliance Observer	1
6	Head of a Department	18
7	Head of a Branch	6
8	Another degrees	175
Total		205

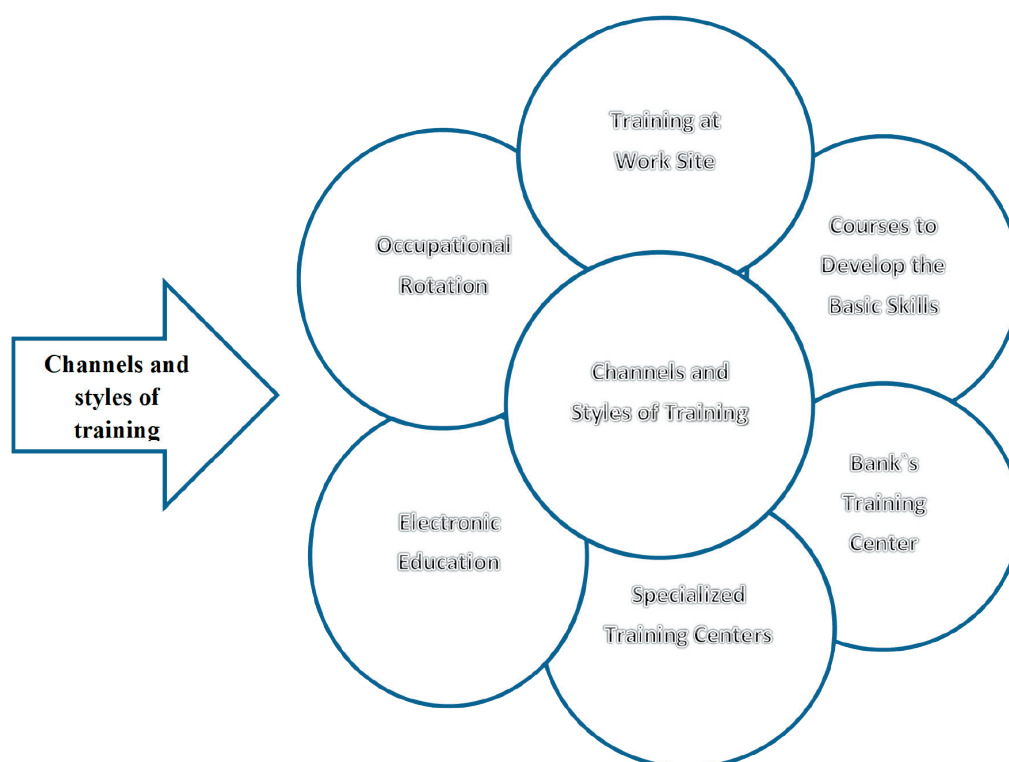


b- The Bank aims at attracting a good banking staffs that have an academic qualification and focuses on computer use qualification as the Bank's system is under progress by an experts (held a training courses for the Bank's employees), the following table shows the staff's distribution in view of their academic qualification:

No.	Academic qualification	Male	Female	Total
1	Ph.D.	1	-	1
2	Master Degree	1	1	2
3	High Diploma	1	-	1
4	Bachelor Degree	39	71	110
5	Diploma	15	10	25
6	High School	12	9	21
7	Intermediate	10	2	12
8	Primary	23	10	33
Total		111	90	205

Training Activity:

The Bank is keen to follow several programs and styles (as stated in the herein below drawing), these training channels are considered an integrated program to prepare and develop the employees' skills and provide them with a comprehensive information about the banking work with its modern technologies in order to support their specialized skills and acquire new accumulated experiences lead to increase and develop their vocational qualification and facilitate their job and enhance their occupational performance as well.





The Bank's Management send its employees to participate in banking courses inside and abroad Iraq in order to develop their performance quality upon costs amounting to (25) Million Iraqi Dinar.

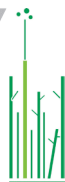
Third: Social and Humanitarian Responsibilities of the Bank:

- a- Financial contribution in Initiative to support community and humanitarian activities which is organized by Central Bank of Iraq.
- b- The Bank was contributed in training undergraduates of Iraqi Universities, as well as Master Degree candidates at the Higher Institute for Financial and Accounting Studies, in addition to provide all necessary data and facilitates aiming at increase their applied experiences; the Bank has awarded financial and in-rem bounces for the distinguished students at these universities who got top ranking categories in the academic qualification in order to encourage them for more progress and success to serve their beloved country.
- c- Contributing in donations to Initiative of Noor Baghdad regarding penetrating keratoplasty for blinds and partially sighted individuals.
- d- Financial contribution in initiative of Tamkeen project organized by the Central Bank of Iraq.
- e- Financial contribution to rebuild and rehabilitate Alrasheed Theater.

Fourth: Detailed and Analysis Data of Contracts:

- a- Concluded services contracts

No.	Contractor's name	Contract's subject	Contract's amount
1	Dr. Mohammed H. Allawi	Financial and accounting consultations	2000 \$
2	Infotech Business Solutions Co. Ltd./ Off-Shore	Supply banks with ATM Machines	284,010,000 \$
3	Infotech Business Solutions Co. Ltd./ Off-Shore	Contract to renew licenses support VMWARE	11,200 \$
4	Lawyer (Ahmed J. Ridha)	Provide legal consultations	2,500,000 IQD
5	Soor Alwatan for Security Services and Special Protection Co. Ltd.	Provide security services	50,000,000 IQD
6	Earth Link for Internet Services Co. Ltd.	Contract to provide internet service	1,715,060 \$
7	Alqalaa Co. for Technical Services	Follow the website performance	500 \$
8	Ofooq Almada Co. for Communications	Supply Internet Services to connect AMT machines	700 \$
9	Iraq Electronic Gate for Financial Services	Contract of issuing electronic pay cards and managing ATM	40,000 \$


b- Contract of Branches` Premises:

No.	Branch`s name	Lessor`s name	Amount of rent	Rent period
1	Basrah Branch	Mohammed Abdulshaheed	36.000.000 IQD	Annual
2	Najaf Branch	Noor Kadhim Asad Shareef Baqir Shareef	42,500,000 IQD	Annual
3	Misan Branch	Jaafar Aqeel Mahmood	50.000.000 IQD	Annual
4	Karbala Branch	Alridha Group for Invetsment	50.000.000 IQD	Annual

d- Contract of renting garage for bank`s vehicles and employees` cars:

No.	Branch`s name	Lessor`s name	Amount of rent	Rent period
1	Bank`s garage	Saad Mohammed Salih	35.000.000 IQD	Annual

e- Real Estates owned by the Bank:

Real estate type	Real Estate No.	Area	Location	Purpose	Amount of Purchase	Approve on purchase	Notices
Building	670/671/332 Albu Jumaa	678 m ²	Karrada/ Arsat	Banking works & employees housing	1.799.595 \$	Letter of exchange &Credit Control No. 13986/3/9 on 10.11.2013	Registered in the Bank`s name
Building	671 /332 Albu Jumaa	603 m ²	Karrada/ Arsat	Banking works & employees housing	1.917.871 \$	Letter of exchange &Credit Control No. 13986/3/9 on 10.11.2013	Registered in the Bank`s name
Building	46/56	235 m ²	Basrah/ Gzara	Headquarter of Basrah Branch	1,403,222,400 IQD	Letter of exchange &Credit Control No. 9/3/17000 on 18.11.202	Registered in the Bank`s name
Building	110/1103 Misan/ Qahira District	455 m ²	Misan/ Qahira District	Headquarter of Misan Branch	1.456,000,000 \$	Letter of exchange &Credit Control No. 9/3/12446 on 22.09.2020	Registered in the Bank`s name



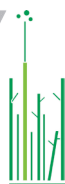
f- Machines and cars the Bank is possess:

No.	Type	Registration plat No.	Year of purchasing	Price
1	Type Nissan Nevara Pick Up – Model 2014	33740 / Baghdad	2013	29,400 \$
2	Toyota Prado – Model 2014	68158 W/ Baghdad	2015	59,000 \$

Fifth: Legal claims:

a- Claims held by the Bank:

No.	Claim No.	Defendant	Claim`s subject	Amount	Procedures
1	1372/F/2020	Free Projects Co.	Paying an amount	177,480 Euro	Under executive procedures
2	1492/F/2020	Al-Isclander Scientific Bureau	Paying an amount	45,657,000 IQD	It was revoked in order to be settled
3	2100/F/2020	Anwar Sura Co.	Paying an amount	522,031,404 IQD	Under executive procedures
4	2513/F/2020	Hayfaa Hiawi Sikhi	Paying an amount	15,897,500 IQD	Under executive procedures
5	66/F/2020	Omar Ap Co.	Paying an amount	839,970,000 IQD	Under executive procedures
6	65/F/2020	Omar Ap Co.	Paying an amount	198,690,000 IQD	The claim was revoked as the company paid the amount


b- Lawsuits held by others against the Bank:

No.	Claim No.	Plaintiff	Claim subject	Claim amount	Rate of win
1	758/S/2020	Qanj Turkish Co.	Paying an amount	1,272,638,000 IQD	The verdict is issued in favor of the bank
2	758/F/2020	Zain Alsharq Co.	Paying an amount	2,754,600 \$	The claim was revoked
3	1594/F/2020	Charity Fund Association	Paying an amount	3,000.000.000 IQD	The verdict is issued in favor of the bank
4	2209/F/2020	Omar Farooq Almifraji	Paying an amount	1,000,000,000 IQD	The station was assigned to submit the concluded agreement of legal consultations

Sixth: The significant characteristics of the balance sheet and the bank's activities:
> Assets

> The total assets value (financial position list) pursuant to the general balance sheet as on 31.12.2020 is (491) Billion Iraqi Dinar, the following table shows that:

(Millions IQD)

Account's title	Balance on 31.12.2020	Balance on 31.12.2019
Assets		
Cash	75,489	73,086
Investments	106	106
Cash credit	316,674	371,644
Debtors	87,270	69,010
Fixed assets	11,846	7,299
Total assets	491,385	521,145
Liabilities		
Current accounts and deposits	90,067	92,800
Provisions	16,201	16,643
Creditors	22,341	13,112
Paid up capital	251,000	251,000
Insurances	87,701	119,404
Reserves	24,075	28,186
Total liabilities	491,385	521,145



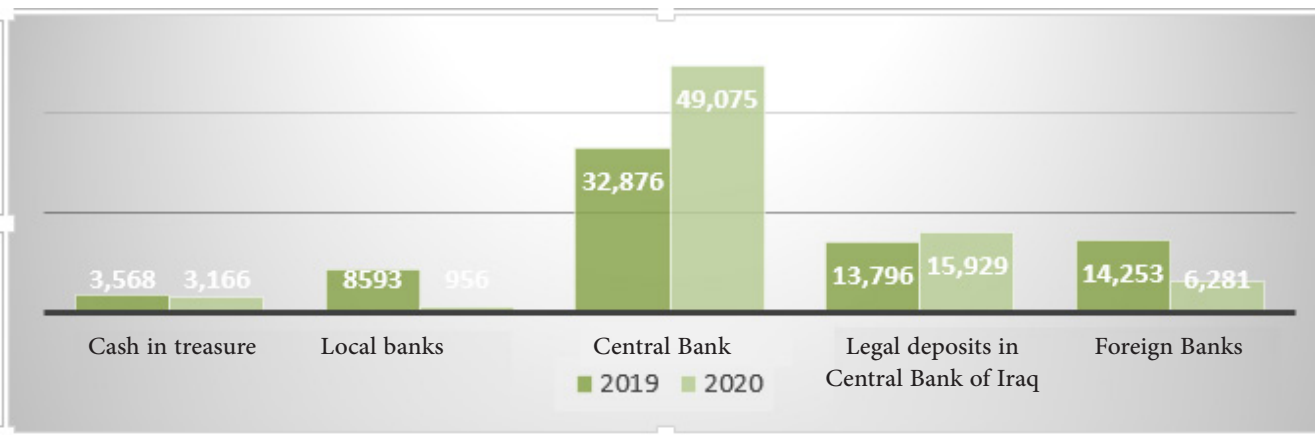
> Cash Flow

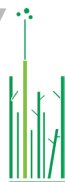
The annual cash flow up to the date of preparing the balance sheet regarding 2020 reached (17.40 %) of gross assets of the Bank in comparison with the last year 2019 which was (%8), this reflects a recognizable progress amounting to (%11) which shows an increase of the bank's assets quality against its liabilities.

Cash: The cash balance in treasure and in Banks at the end of 2020 reached (75) Billion Iraqi Dinar, as shown in the following table of cash flow which includes (Cash Account) cash flow of the Bank including balances in both local and foreign currencies in treasure and those deposited in local and foreign banks under current accounts to cover the bank's international transactions in operations of open documentary credits and transfers raised from Dollar Auction before being listed in beneficiaries' accounts and for purpose of legal deposits in Central Bank of Iraq:

(Millions IQD)

No.	Statement	2020	2019
1	Cash in treasure (Local & Foreign Currency)	3,166	3,568
2	Cash in local banks	956	8,593
3	Cash in Central Bank of Iraq	49,075	32,876
4	Legal deposits in Central Bank of Iraq	15,929	13,796
5	Cash in foreign banks	6,281	14,253
Total		75,407	73,086





Cash Credit:

The Bank practices partnerships and transactions activity according to regulations of Islamic legitimate and its cash credit size awarded in 2020 reaches (316) Billion Iraqi Dinar.

> Credit Pledge:

1 - The gross amount of credit pledge on 31.12.2020 was (425) Billion Iraqi Dinar.

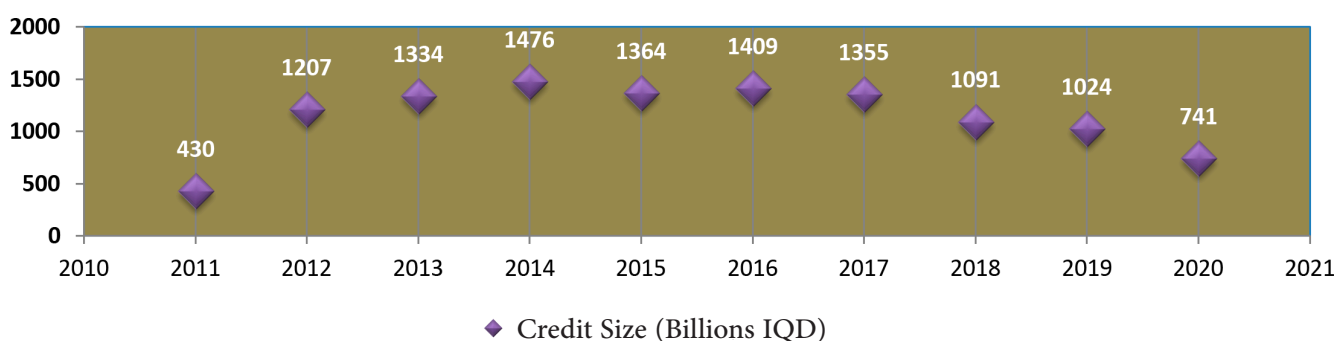
2 - The documentary credit issued as on 31.12.2020 was (86) Billion Iraqi Dinar.

Table shows the cash and pledge credit awarded by the Bank:

(Billion IQD)

year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sub										
Cash credit	104	255	361	331	459	455	527	443	407	316
Credit pledge	326	952	973	1,145	905	954	828	648	617	425
Total	430	1,207	1,334	1,476	1,364	1,409	1355	1,091	1,024	741

Development stages of cash and pledge credit (Billions IQD) throughout ten years



> Investments:

The investments account's balance reached amount of (106) Million Iraqi Dinar up to 31.12.2020, herein below is a detailed statement of those investments, historical and market cost regarding shares:

Company's name	Shares	Share's	Value	Closing price		Market fair value for shares
Light Industries Company	20,129,891	0,967	19,469,843	0,310		6,240,266
Banks' Union Co.	100,000,000	1	100,000,000	1		100,000,000
Total			119,469,843			106,240,266



> Debtors

Debtors` balance as on 31.12.2020 was (87) Billion Iraqi Dinar.

> Projects under executing:

Balance of under progress projects as on 31.12.2020 reached (229) Million Iraqi Dinar

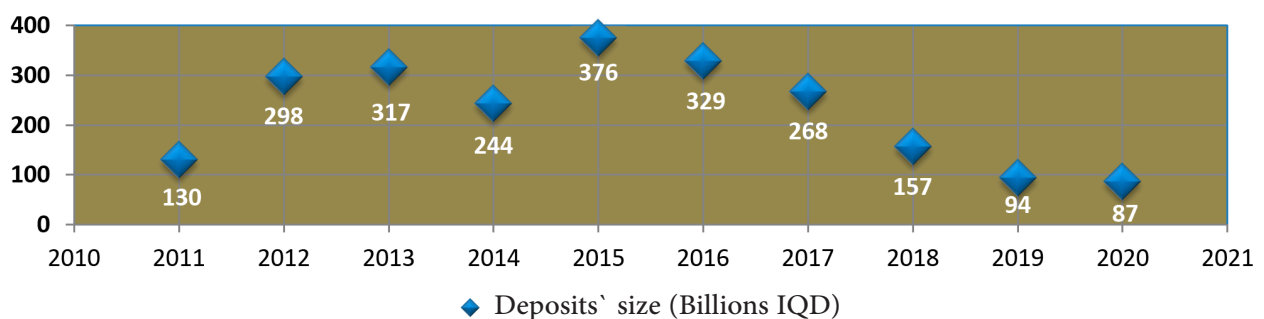
3 - Liabilities

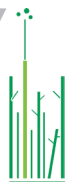
- Current and Deposits` Accounts

The deposits` balance at the end of 2020 was (94) Billion Iraqi Dinar as appears in the following table:

Statement	2020	2019
Credit current accounts	49,258	66,150
Saving deposits	25,750	26,650
Investing deposits	12,093	-
Current accounts	-	2,026
Total	87,101	94,826

Development of deposits for years from (2020-2011)



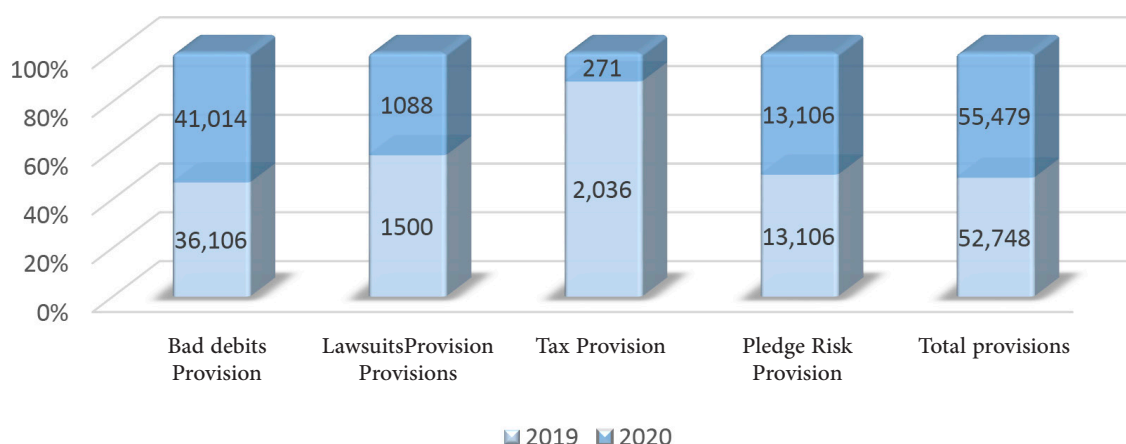


> Provisions and their usages:

Our Bank depends a policy supporting its financial position and protects him from effects of financial risks that may occur for the bank via maintaining an adequate provisions amounting to (52) Billion Iraqi Dinar up to 31.12.2020 which was (52) Billion Iraqi Dinar in 2019 whereas all provision of cash and pledge credit risk was covered according to instructions No. (4) for 2010.

Index No.	Account`s title	2019 (Thousands IQD)	2019 (Thousands IQD)
222	Bad debits` provision	41,013,771	36,106,291
2221	Lawsuits` provision	1,088,000	1,500,000
224	Tax provision	271,257	2,036,765
2254	Pledge obligations risk provision	13,106,460	13,106,460
	Total	55,479,488	52,749,516

Provisions



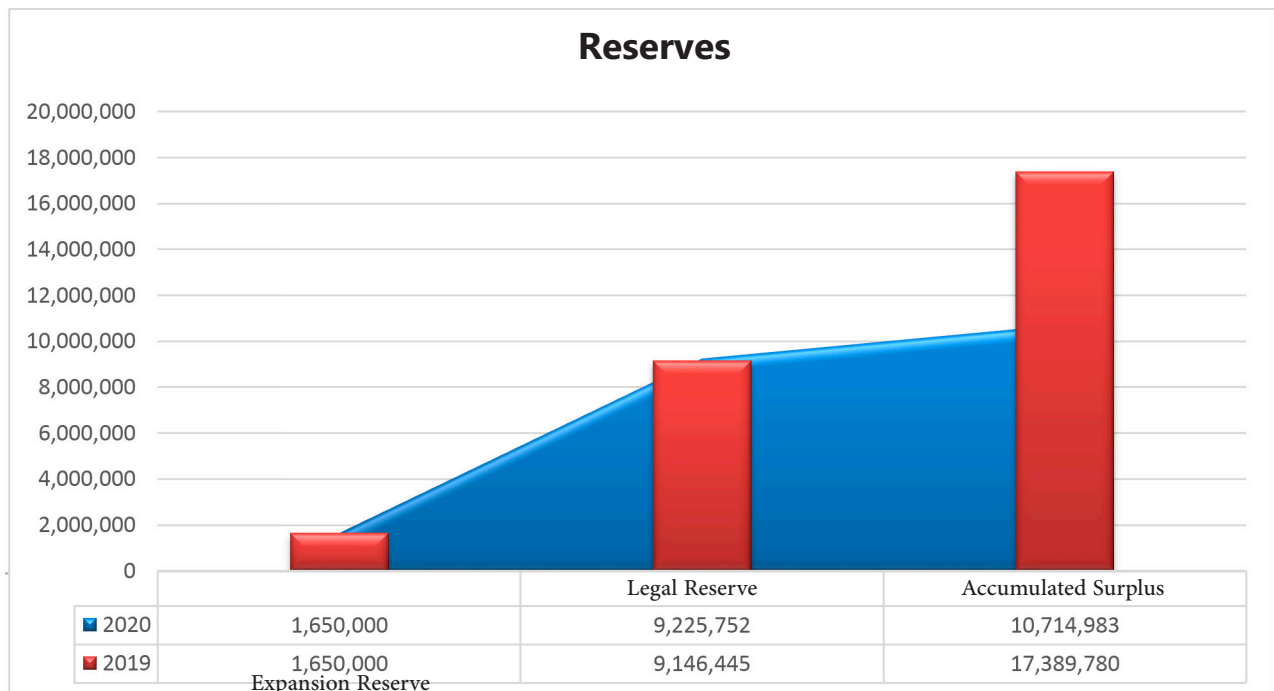


> Reserves and their usages:

The total reserves` balance as on 31.12.2020 reaches (24) Billion Iraqi Dinar as shown in the following table:

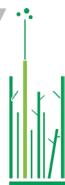
((in thousands IQD))

Account`s No.	Account`s title	Balance 2020	Balance 2019
214	Extensions` reserve	1,650,000	1,650,000
213	Legal reserve	9,225,752	9,146,445
2131	Another reserves	2,484,578	
217	Accumulated surplus	10,714,983	17,389,780
21	Total reserves	24,075,313	28,186,225



> Creditors

Creditors account`s balance was (22) Billion Iraqi Dinar at the end of 2020 compared with (11) Billion Iraqi Dinar at the end of 2019.



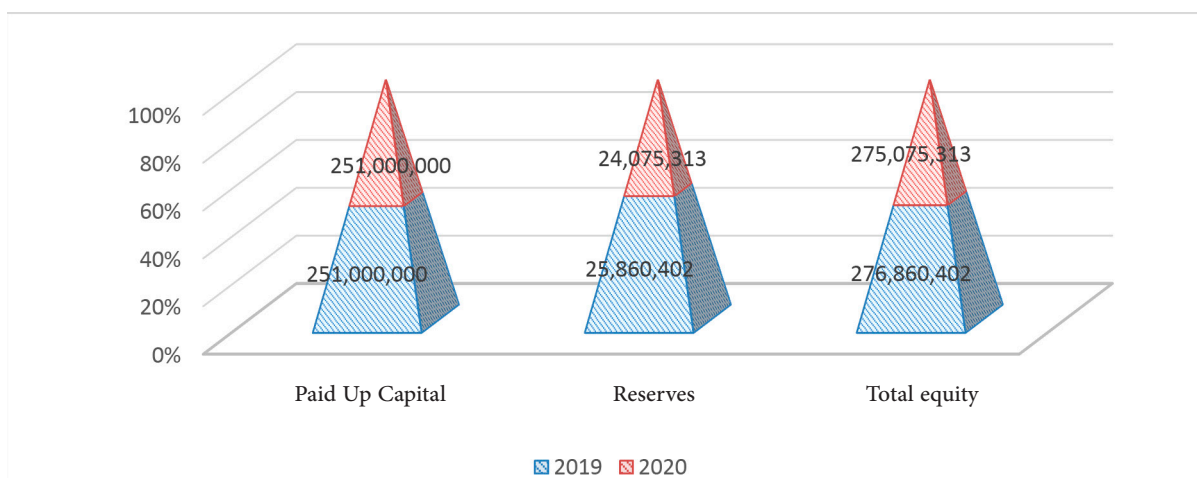
> Equity:

a- Paid Up Capital:

The equity total amount was (paid up capital and its reserves) at the end of 274) 2020) Billion Iraqi Dinar comprises of (251) Billion Iraqi Dinar as paid up capital in addition to (24) Billion Iraqi Dinar as reserves, the following table shows the total reserves:

Details	31.12.2020 (thousands IQD)	2019 (thousands IQD)
Paid up capital	251,000,000	251,000,000
Reserves	24,075,313	28,186,226
Total equity	275,075,313	279,186,226

Paid up capital and (reserves)

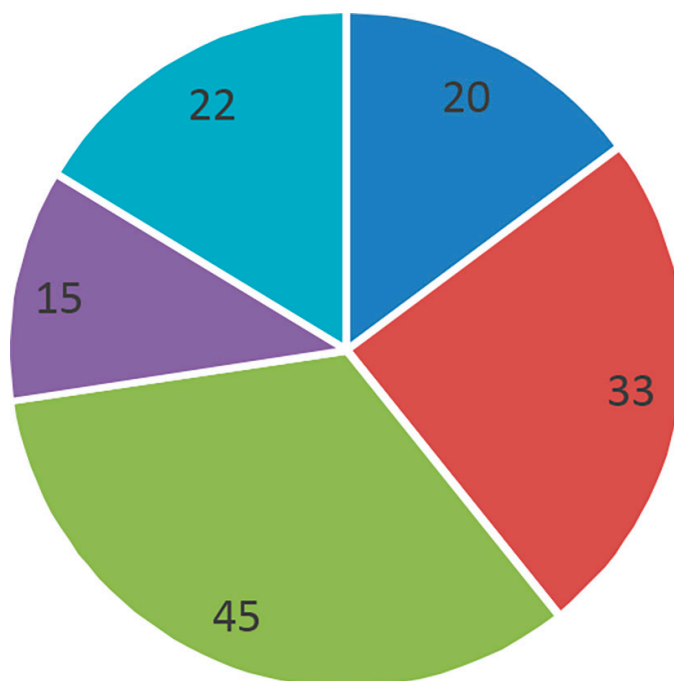


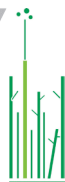


Shareholders` classification according to their contribution rate in the capital throughout the year 2020:

Classification	Shareholders	Shares	Percentage
From one share - 100.000	20	1.022.552	
From 1.000.000 -100.001	33	18.812.544	
From 10.000.000 -1.000.001	45	165.228.642	0.0729%
From 10.000.001 - Billion IQD	15	1.681.017.616	0.6749%
More than one Billion IQD	22	249.133.918.646	99.2479%
Total	122	251,000,000,000	100 %

Shareholders` Classification





Statement of the biggest shareholders according to their contribution's value and rate in the paid up capital in 2020:

No.	Shareholder	Shares	Contribution's rate
1	LAITH HASAN JAWAD AL-RUFIAE	25,099,999,999	10.00%
2	AQEEL MAHMOOD DAWOOD AL-JUMAILI	25,099,999,749	10.00%
3	JABBAR HUSSEIN HASAN AL-SHIMARI	25,090,047,977	10.00%
4	AYSR LAITH HASAN	25,062,000,001	9.98%
5	ALI HUSSEIN BAQIR HAMMOODI	25,050,000,000	9.98%
6	ALI HUSSEIN ABDULQADIR	24,362,000,000	9.71%
7	SABAH SHAKIR JABOURI AL-NUAIMI	23,088,255,596	9.20%
8	MAHMOOD AQEEL MAHMOOD	12,837,598,310	5.11%
9	JAAFAR AQEEL MAHMOOD	12,686,525,000	5.05%
10	ALI ABBAS ABDULHUSSEIN	10,000,485,000	3.98%
11	AHMED JABBAR HUSSEIN AL-SHIMARI	9,188,241,658	3.66%
12	MUSHTAQ ZUHAIR MOHSIN SHIBEEB	6,500,000,000	2.59%
13	SAMIYA THAMIR KHUDHAIR	4,520,815,400	1.80%
14	REEM AHMED SADIQ RAHEEM	4,319,250,000	1.72%
15	JUMAA BADR SHALASH AL-SRAJI	3,781,240,000	1.51%
16	MOHAMMED ALI SADIQ AL-MASHATT	2,510,000,000	1.00%
17	ASIA KADHIM BAQIR AL-MASHATT	2,510,000,000	1.00%
18	MAIS AHMED SADIQ RAHEEM	2,399,550,000	0.96%
19	NOOR BAQIR KADHIM AL-MASHATT	1,255,000,000	0.50%
20	IKHLAS HUSSEIN ABBAS	1,255,000,000	0.50%
21	MARWA ABDULKAREEM KADHIM AL-MASHATT	1,255,000,000	0.50%
22	SAFA ABDULKAREEM KADHIM AL-MASHATT	1,255,000,000	0.50%
	TOTAL	249,126,008,690	

**> Account of profits and losses****a-Revenues and expenditures:**

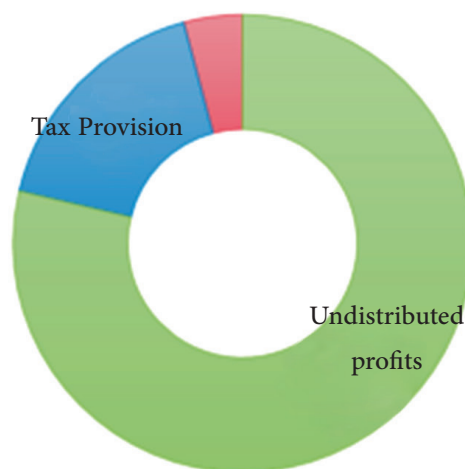
The Statement of profits and losses in the fiscal year 2020 shows a gross revenues amounting to (7) Billion Iraqi Dinar, while the gross expenditures amount was (6) Billion Iraqi Dinar at same period, thus the surplus before tax was (1) Billion Iraqi Dinar upon a revenue average of equity of (%0.40).

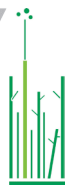
b-Achieved profits:

The accumulated achieved in 2020 was (1) Billion Iraqi Dinar, distributed as following:

Details	Amount/ Iraqi Dinar
Tax Provision	271,256,805
Legal reserve of the capital	50,721,999
Extension reserve	-
Undistributed profits (accumulated surplus)	963,717,978
Total	1,285,696,782

The net profits after the tax reached (2) Billion Iraqi Dinar which represents the profits average of equity with (%2.9) percentage.

Achieved profits



4 - Drastic changes after the balance sheet date:
None

5 - Department of banking awareness and community protection:

Based on the instructions of Central Bank of Iraq, a Department of banking awareness and community protection was founded and suitable staffs were appointed in addition to draw its plan of work, define its duties, tasks and provide all requirements in a way achieving goals for which the department is established.

Executive procedures of the department:

1 - Follow up the community's complaints and raise the banking awareness among community and create a positive status between them and the bank's employees to support their trust and satisfy of the bank through these procedures, the notification means being defined via the following channels:

- Direct personal contact with head of the department.
- E-mail of the bank: (info@nibiq.iq)
- Locate a direct contact with the awareness department (009647709688873).
- Complaints box (to be opened every day by a head of the legal department to verify the compliance existing).

2 - The Bank receives complaints through a pre-prepared form near the complaints' box.

3 - The department shall maintain a special record which includes: (complaint's name, date, compliance's details, procedures and other information regarding the compliance) in addition to archive a special file including all papers work and documents regarding the said claims.

4 - The department shall follow the compliances and present them to the managing director, follow and analysis compliance to reach solutions for them.

5 - The respond base shall be extended in all Bank's branches.

Seventh: Capital adequacy

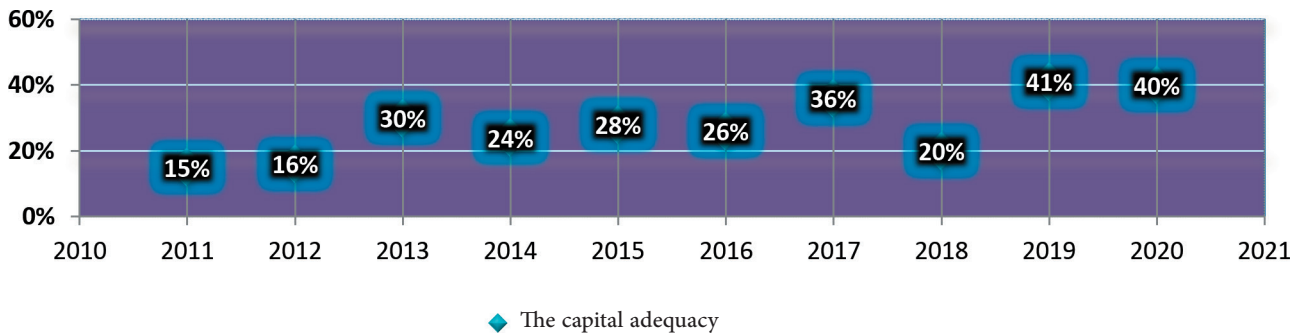
Basil's committee for banking observation which is considered one of the most distinguished international forums in the field of banking control, did put a minimum level for the capital adequacy of (%8) from the gross assets, recognized based on risks scale which were defined via standards of capital adequacy, as well as instructions of Central Bank of Iraq and Banks Law under No. (94) for 2004 was decide a percentage of (%12). The Bank's capital adequacy in the end of the fiscal year 2020 reached (%41) compared to 2018 which was (%20) representing a suitable percentage pursuant to valid international criteria, the Bank's management successes in managing the cash flow, assets and liabilities in a high awareness and wisdom lead to achieve a satisfactory results with a low risks via depending policy of caution because of the extraordinary circumstances the country faces.



The capital adequacy percentage:

Year										
Ideal percentage not less than 12%	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	15%	16%	30%	24%	28%	26%	36%	20%	41%	40%

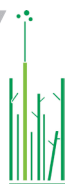
The capital adequacy



Eightieth: The Bank's activity in the field of international banking relations:

In view of the bank policy in extending its foreign activities, establish an international banking relations further to the bank's other activities therefore, an international banking relations net with banks abroad Iraq is founded.

No.	Bank Name	Country
1	Al Ubaf Arab International Bank	Bahrain
2	AKTIF BANK (Turkey)	Turkey
3	Union Bank	Jordan
4	Banque Libano Francaise	Lebanon
5	Abu Dhabi Islamic Bank	UAE
6	AK BANK (Turkey)	Turkey
7	Bank of Beirut	Lebanon
8	Fransbank	Lebanon
9	Union De Banques Arabes Et	France
10	Bank of Misr	Egypt
11	Bank Capital	Jordan
12	Bank of Jordan	Jordan



Indicators of performance efficiency

No.	Performance indicators	2020	2019
1	Capital adequacy	40%	41%
2	Cash follow percentage: Cash account/ current and deposits	17%	8%
3	Percentage of financial leverage: a- Gross deposits/ capital and reserves b- Capital and reserves/ gross liabilities	32% 56%	35% 108%
4	Profitability: a- Gross Profitability achieved before tax/ paid up capital b- Net distributable profit/ capital & reserves	0.51% 0.38%	1,2% 1,0%
5	Operating rates (money employment polices) a- Cash credit/ gross deposit b- (investments+ cash credit)/ gross deposits c- Cash credit/ capital and reserve	364% 364% 120%	439% 439% 156%
6	Activity cost rates: a- Total expenditures of banking operations/ gross deposits b- Total expenditures of banking operations/ gross expenditures c- Total expenditures of banking operations/ gross revenues d- Total expenditures/ total revenues	2.92% 41,89% 35.50% 85%	0.16% 2.32% 1.59% 68%

Ninth :**Internal Sharia Audit:**

The primary purpose of the duties of the oversight and audit department in the internal department is to assist Board of Directors of Audit Committee and Technical Management of the Islamic National Bank to fully carry out its responsibilities.

Moreover, one of the tasks of the department is to present confirmation to Sharia Supervisory Board on the extent of the bank's commitment to board's fatwas and compliance with the Sharia standards issued by the International and Auditing Organization for Islamic Financial Institutions AAOIFI .

During 2020, The department did Monitoring and auditing the bank's various activities and submitting the results of those activities 'actions to the bank's management and its follow-up work with the departments and branches concerned with the reports.



The bank's board of directors provided all forms of support to the department in the aforementioned year through technical and administrative support related to the independence of the department and its staff, and granting them complete freedom in practicing their work and enrolling them in specialized and development courses.

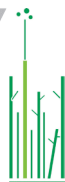
In doing its tasks, the department depends on the following set of laws, regulations, instructions, standards, and regulations in force:

- 1 - The Central Bank of Iraq Law No. 36 of 2004.
- 2 - Iraqi Banking Law No. 94 of 2004.
- 3 - Islamic Banking Law No. 43 of 2015.
- 4 - Iraqi Trade Law No. 30 of 1984 as amended.
- 5 - Private Companies Law No. 21 of 1997 as amended.
- 6 - Anti-money laundering and terrorist financing law No. 39 of 2015.
- 7 - Instructions to facilitate the execution of Banking Law No. 4 of 2010.
- 8 - Local regulatory rules and guides and the unified accounting system.
- 9 - Internal Sharia audit controls in the Islamic Bank issued by the Central Bank of Iraq in 2018.
- 10 - The rules, the local digital machine, the public order at the time in force.
- 11 - Ethics.
- 12 - International Standards for the Professional Practice of Internal Auditing issued by IIA
- 13 - Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI.
- 14 - Standards and guidelines issued by the General Council for Islamic Banks and Financial Institutions CIBAFI .
- 15 - Standards issued by the Islamic Financial Services Board IFSB.

Tenth: Significant Accounting Policies:

The accounting policy relied on the generally accepted accounting of assets, accounting standards and custom prevailing in the Banking sector and its commitment to the unified accounting system of banks and insurance companies ,as a way to organize accounting records in accordance with the requirements of the provisions of the Companies Law No. 21 of 1997as amended ,and the instructions of the Central Bank ,the Iraqi Regulations and Banking Law No. 94 of 2004 and in compliance with all the information and clarifications required by Disclosure Rule No. (10) Issued by the financial and accounting standards, and the following are the most important accounting policies that the bank followed during the year ended on December ,31 2020:

- 1 - The bank applies the unified standard for the accounting system for banks and insurance companies in recording its financial transactions and in the method of presenting financial statements, including the adoption of the principle of entitlement in fixing revenues and expenditures, and the historical cost of fixing the value of security and real estate has also been approved.
- 2 - Calculating depreciations on fixed assets on a fixed installment basis in accordance with the provisions of the depreciation and amortization system No. 9 of 1994.



3 - Calculating the provisions arising from cash and pledge credit risks based on the percentages determined in the instructions of the Central Bank of Iraq No. 4 of 2010.

4 - Valuation of foreign currencies of the bank assets according to the exchange rate of the basic US dollar against the Iraqi dinar of (1460) Iraqi dinars per dollar and according to the historical cost, according to the letter No. 9/2/382 dated 21.12.2020 issued by the Iraqi Central Bank / Directorate General Banking and Credit

5 - Based on letter No. 12/9 on 2017/4/1, issued by the Central Bank of Iraq / General Directorate of Issuance and Treasury / Department of Issuances and Accounts, the final accounts of the bank have been prepared and organized Until December 2020, 31, in accordance with international accounting standards.

Eleven - Anti-money laundering policy:

The bank adopts in its anti-money laundering policy by strict adherence to the application of the provisions of the Anti-Money Laundering and Terrorism Financing Law No. (39) of 2015 and all the executive instructions issued by the Central Bank of Iraq through auditing and monitoring all financial transactions and strengthening the Anti-Laundering Department Funds by providing the necessary administrative cadres to cover the department's tasks, where all due diligence procedures are adhered to in order to verify the nature of the work, activity and sources of clients' funds when opening accounts in our bank (individuals - companies - charities - humanitarian organizations) in accordance with the principle of Know Your Client (K.Y.C) while making sure that they are not covered with the local and international blacklisting procedures and prohibitions (BLACK List) with the fulfillment of all the forms and documents required from the clients and verification of their validity from the official authorities issuing these documents, and the Integrated Money Laundering System (COMPLIANC SUITE) (AML) that helps to discover different types of suspicious transactions. It issues and reports that classify customers according to their risks (high, medium, low). The system also updates international ban lists of all kinds Automatically (OFAC-EU-UN). As for the CBI lists, they are updated manually according to the letters of the Central Bank. Disclosure is also made by providing the Central Bank of Iraq / Anti-Money Laundering Office and financing terrorism with periodic statements on a monthly basis in addition to the quarterly reports that include the department's work, as well as a detailed list of the amounts of remittances issued and received into the country, while providing the General Tax Authority with monthly statements about the money transfers issued by our bank, the size of their amounts and their purpose. The department also monitors updating information about the bank's customers periodically or when a sudden change in the activity of a customer is noticed for the purpose of ensuring the safety of his financial dealings, and the bank seeks to develop and update its technical and technical methods by keeping pace with global and local developments in this field by contracting to purchase a technical system for combating money laundering that is linked directly with the banking system used with the participation of the department's employees in the development courses and activities related to the work of the department and raising the efficiency of their performance and their professional skills.



Twelfth: Banking risk management:

The risk management department takes care of studying the risks and potential risks to which the bank is exposed as a result of practicing its activities, by measuring them and developing strategies to manage them and taking appropriate measures to mitigate them and reduce their effects such as liquidity risks, risks arising from currency exchange fluctuations, risks of financial failure and risks Credit, interest rate fluctuation risks and market risks.

The risk management enables understanding of the various positive and negative aspects of all banking services that affect the institution through periodic review of policies and fees and following them up and working to amend them whenever required and in proportion to the bank's work and risks. It helps increase the likelihood of success in achieving.

The objectives of the bank and reducing the possibilities of failure by submitting periodic reports to the Board of Directors on the ratios of capital adequacy, liquidity and credit portfolio and preparing reports periodically to the Central Bank of Iraq by providing adequate clarifications on the management of these risks and the associated banking operations and the means of control that will make of these data Clearer.

The risk matrix, stress tests, and stressful situations are also being worked on. The department also spreads cultural awareness of risks among employees and there is a risk advisory committee from the bank's advanced staff that studies the suggestions and recommendations submitted by the risk management department and presents them with recommendations that are supported to the risk committee formed by members of the board of directors and linked to the board of directors of the bank for the purpose of supervising this committee and verifying risk treatment.

Thirteenth - Institutional Control:

The bank is keen to apply the principles related to corporate governance in all its banking activities and business with the highest degree of clarity, transparency and financial and administrative disclosure to achieve the best degrees of cooperation and harmony between all banking parties Board of Directors - Executive Management - Depositors and Investors) and according to Instructions No. (4) of 2010 related to facilitating the implementation of the Banking Law No. (94) of 2004 in force. Exercising effective institutional control in banks is the basis for developing its operations and contributes to increasing confidence with the public of dealers, preserving its banking reputation, enhancing its competitiveness and increasing its presence and activity in the banking business market. While presenting a set of standard and guiding standards to improve banking practices, develop and improve performance and facilitate effective oversight, in a manner that makes each of the executive management in a position of accountability before the bank's board of directors and the board before shareholders, investors and other bodies related to banking work in a way that achieves the principle of avoiding conflict of interest and contributes to raising the capabilities of The bank is to utilize its human and material resources with high efficiency and puts the mechanisms that clarify the responsibilities, duties, and executive steps of all parties to the banking relationship, in order to ensure the effective participation of all to achieve the objectives of the bank, monitor its operations and maintain the integrity of its performance.

**Fourteenth: Other matters:**

A- The bank's share price: The bank's share price in the Iraq Stock Exchange has maintained a distinct level among the share prices of other Iraqi banks. The average market value of the bank's share price was at the end of its last trading session during 2020, which was on 24/ December/ 2020, at a value of (0.800 Fils) per share.

B- Feasibility of investing in the bank's shares: Cash dividends were distributed to shareholders in 2015 (%10) 2014 - (%12) 2013 at a rate of (%10) of the bank's capital, and in 2016 at a rate of (%8.5). The profits will also be distributed in 2017 at a rate of %4, the bank followed a period of caution and caution in distributing profits to shareholders for 2018 and 2019 in light of the financial results achieved in the 2018 budget in view of the circumstances that our country is going through and to enhance the credit risk provision .

C- Selling cars in installments: within the framework of the SME affiliation program What the bank adopts has been cooperation and coordination with the two companies (AlYaman and Ibn AlBalad for Car Trade) so that the bank manages the sale of cars to citizens with the aim of finding a source of livelihood for them and their families and collecting them in installments for various periods of up to four years, and up to (20) cars of various types were sold via the bank window during 2020.

D- Investment projects: based on the policy of our bank's board of directors to change the method of financing in accordance with the investment policy and diversify the investment portfolio by financing housing projects to contribute to achieving economic and social development in line with the Islamic Banking Law No. (43) of 2015.

Fifteenth: - Management Board recommendations:

The profits of the current year on 31st of December 2020 before distribution amounted to (1,285,696,782) billion dinars, and the profits were distributed according to the following manner:

(271,256,805) million Iraqi Dinar, Income tax provision

(50,721,999) million Iraqi Dinars Legal reserve %5

(463,717,978) billion Iraqi Dinars appropriated bad debts

(400,000,000) million Iraqi Dinars, the amount allocated for the purpose of a reserve to face potential crises.

(100,000,000) million Iraqi Dinars as Accumulated surplus

The Board of Directors recommends not to distribute the annual dividends to shareholders for the year 2020 after being approved by the General Assembly on the above mentioned distribution.



Conclusion

In conclusion to what have been mentioned above, we pledge everyone to proceed with the approach of banking professionalism, raising the pace of work and developing performance in a way that achieves the bank's objectives in expanding the base of banking activities and preserving the bank's reputation at all levels. We extend and repeat our appreciation to all the shareholders and the bank's customers for their support and entrustment of the bank's endeavors and to the employees and all efforts and endeavors that have been made to provide outstanding effort and tender service to develop and improve the bank's work and consolidate its banking position and to rise to advanced and prestigious positions in the banking market.

Signed

Dr. Abbas Fadhil Raheem
Managing Director

Signed

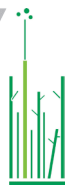
Dr. Aqeel Mahmood Dawood
Board of Directors

Seal of Sameer Mohammed Hussein - Legal Audit and accountant

Seal of Haseeb Kadhim Juwaid - Certified Public Accountants

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Reports of Committees and Boards



Reports of Committees and Boards

Audit committee Report

Ladies and gentlemen, honorable shareholders,

Based on the provisions of Article (2) of the Banking Law No. 9 of 2004 and Article (133) of the Companies law No. (21) of 1997 as amended and the approval of the General Authority of the Bank to form the Audit Committee, we are pleased to inform you that we examined the financial statements and the annual report of the bank for the period ending on December 31st, 2020 in accordance with the accounting controls and international standards, and our work has passed alongside Iraqi accounts throughout its work in the bank, and it has combined all the information and reforms that were necessary to protect shareholders, and to perform our mission in accordance with for the legislation in force, which included the necessary tests for aspects of the activity, with our full support for the clarifications contained in the report of the accounts reviewer, and according to the information and clarifications available in the reports of the certified audits , the following is being notified :

- 1 - The book group used in agreement with the brokers of a system of ledgers, and it included, according to our estimation, the recording of all assets, liabilities, uses, and resources
- 2 - We supervised the inventory of fixed, stock and technical assets that was done properly and that the results of the jar matched the auxiliary records, and these assets were presented according to the principles, principles and fields approved
- 3 - The annual report and the financial and accounting information it contained reflects a comprehensive picture of the bank's financial process for the year subject to auditing, and that this information does not violate the provisions of the financial laws and legislation.
- 4 - That the financial statements have been organized in accordance with international accounting standards and are completely consistent with what the records show and that they are organized according to the applicable regulations and instructions in force and that they are based on the financial indicators that they have included that clearly and fairly express the financial position of the bank and the results of its activities and cash flows for the year ended on December 2020 ,31.
- 5 - The procedures and procedures for determining the necessary precautions and allocations against debts and investments, as well as the method and methodology for calculating and distributing profits to investors and shareholders, were in accordance with the provisions and Sharia principles .

Based on the Banking Law No. 94 of 2004, the review and audit was carried out according to the accounting procedures and controls, and we also reviewed the accounts auditor's reports on the statements the bank's financial statements, in addition to the reports that the bank submits to the Central Bank of Iraq and we got ensured that the bank has implemented the indicative regulations of the Central Bank of Iraq.

In conclusion, may God grant everyone the righteousness to the service of this bank and its shareholders, and the service of our country.

Signed
BOD Member
Ahmed JABBAR Hussein

Signed
BOD Member
Sadiq Jumaa Alshekh

Signed
BOD Member
Luay Mehdi Jabbar



Sharia Compliance Monitoring and Compliance Department

Under the provisions of Paragraph 3 of Article (18) of the Banking Law No. 94 of 2004 and Article (71) of regulations No. 4 of 2010 regarding facilitating the implementation of the above Banking Law and the Islamic Banking Law No. (43) of 2015 and the Central Bank of Iraq's special instructions that the risk of compliance with the risks emanating from the legal and regulatory risks in being exposed to financial losses and fines that harm the bank's reputation resulting from failure to adhere to laws, regulations, rules, regulations and legal decisions.

The responsibility of Sharia Compliance Monitoring and Compliance Department is to verify the extent of the bank and its regulatory urges to adhere to all compliance rules required of the bank and the extent of compatibility of policies and implementation procedures and decisions with the laws and instructions in force that exemplifies the rules of conduct, standards and sound banking practices issued by the relevant authorities, the most important of which are the Central Bank Law, Banking Law, Islamic Banking Law, Companies Law and Trade Law and anti-money laundering and terrorist financing law, as well as the governing international legislation that organize the banking work such as the decisions of the Basel Committee on Banking Disclosure and the American Tax Compliance Act) and the recommendations of the Financial Action Task Force (FATF) and the Council for Islamic Financial Services (IFS8) and the General Council of Banks and Islamic Financial Institutions (CIBAFI) and the standards of the Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI). In view of the rapid development that has accompanied banking work, as there must be institutional governance that controls and manages the banking business, and upon it there must be frameworks, mechanisms and tools that will preserve the rights of shareholders and the rights and obligations of depositors by adhering to the values and sound documents at Bank work. The compliance function is an essential pillar of that governance, that is, it aims to investigate the bank's compliance and its internal policies with all laws, regulations, instructions, orders, codes of conduct and sound practices issued by regulatory, local and international bodies. Thus, the compliance function (Sharia compliance and compliance monitoring) represents one of the bases and factors of the bank's success as it plays a fundamental and important role in fortifying the bank's operations, preserving the reputation and credibility, and ensuring the interests and funds of all shareholders, depositors and customers. Sharia compliance has a contribution to building sound foundations to ensure the achievement of rational and sound management, and thus to guarantee the interests and rights of all parties in achieving fair treatment of shareholders, given the role of stakeholders, giving a greater and effective role to the Board of Directors and ensuring transparency and disclosure in providing data and not delaying any information as it is a vital function essential to the bank's success as it plays a Fundamental and important role in the structure of the bank.

Signed

Sharia Compliance Monitoring and Compliance

Luay Hatem Nsaif

2020/12/31

Seal of National Islamic Bank



Sharia Supervisory Board

National Islamic Bank
Sharia Supervisory Board

Internal Memorandum

Ref.: 26

Date: 03.08.2021

To/ Financial Department

Subject/ Report of Sharia Supervisory Board for the year ended as on 31.12.2020

Greetings...

In reference to your memorandum No. 159 dated 11.07.2021, upon accessing to final accounts of fiscal year ended as on 31.12.2020, please find herewith an annual report of Sharia Supervisory Board for 2020, we request you kindly to receive.

Regards...

Signature of
Hussein Hameed Hasan
03.08.2021



**National Islamic Bank
Sharia Supervisory Board**

Internal Memorandum

Ref.: 24

Date :29.07.2021

Sharia Supervisory Board Report for the year ended December 31,2020

In the Name of Allah, Most Gracious, Most Merciful

Praise be to God, Lord of the worlds, and prayers and peace be upon our master Mohammad and upon his family and companions

Peace be Upon You ...

According to the letter of assignment from the General Authority, which stipulates the appointment of the Sharia Supervisory Board of the National Islamic Bank, and based on the provisions of Chapter Five of the Islamic Banking Law No. 43 of 2015, the Sharia Supervisory Board supervised the activities, transactions and contracts of the bank for 2020 and viewed the bank system , records and documents and got the data, information and explanations that we considered necessary to perform the task of monitoring and legal audit, and sufficient to express our opinion and give reasonable assurance as to whether the bank has complied with the provisions and principles of Islamic law, as well as fatwas issued by jurists, and specific decisions and guidelines that were issued by us.

In our opinion:

- 1 - The contracts that have been approved by the Sharia Board in its periodic meetings concluded by the bank and which we have reviewed and related to the work of the Islamic National Bank for the fiscal year ended on December 31st, 2020, were executed in accordance with the provisions and principles of Islamic law.
- 2We have accessed to the financial position, the balance sheet and the income and expenditure account for the financial year in question of the bank.
- 2 - Sharia Supervisory Board's work plan for the calendar year 1442-1441 AH of 2021 has been approved based on the provisions of Article 3-11-1 of Sharia Supervisory Board regulations issued by the Central Bank of Iraq.
- 4 - Sharia Supervisory Board expressed its opinion on a group of the bank's business, including:
 - Answer the notes of the risk management department on the issues of the procrastinating client, exit regulations, code of conduct for employees in the bank, goods and services that do not comply with the provisions of Sharia law, and other topics.
 - Answer the memorandum of the International Department, Sharia Credit Department, Sharia Compliance Monitor, Compliance Monitor and Legal Department on issues of leasing contracts, lease-to-own contracts, documentary credit contract, current account, investment savings account, housing units sale contract, credit limit contract clauses, etc.
 - It was approved on several contracts, include «open a documentary credit», contract of a license ends with an acquisition» and a contract of «letter of credit» after being studied and amended pursuant to Islamic Sharia Rules.



5 - The bank's policy of calculating and how to distribute profits and charging losses among shareholders has been made on investment accounts for 2020 and in relation to contracts and above transactions mentioned in paragraph 1, it is consistent with the principles and provisions of Islamic law and the general principles of Islamic investment.

We ask God the Almighty to bring us righteousness.
Peace Be upon You

Signed
Mohammed Mohsin Ismael
Member

Signed
Dr. Adil Zamil Hleihil
Member

Signed
Basim Qasim Hussein
Member

Signed
Ali Kadhim Ouda
Secretary and Executive
Member

Signed
Dr. Rasheed Abdulhameed Abdulridha
Head of Sharia Supervisory Board

Seal of Sharia Supervisory Board of National Islamic Bank

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Auditor's Report



No. 53/21/154
Date: 03.08.2021

Subject/ Auditor's Report

Greetings

We are pleased to inform you that we have audited the financial position of National Islamic Bank (PJSC) as it was on December 2020 ,31, income statement, statement of changes in the rights of owners and cash flow statement for the year ended on the same date and the clarifications under sequence from (1) to (24) and the annual report of the bank management prepared under provisions of the companies law No. (21) of 1997, as amended , and the regulations and instructions issued thereof , and banking law No. (94) of 2004 and Islamic Banking Law No. 43 of 2015 according to Locally and internationally recognized auditing standards.

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

The management responsibility:

The Bank management is responsible for preparing and disclosing these data in accordance with international accounting standards and the standards of the Accounting and Auditing Organization for Islamic Institutions, in addition to its responsibility in preparing and implementing the internal control system, especially with regard to the preparation and disclosure of the financial statements in a fair and free from material errors that may result. This responsibility also includes testing the application of appropriate accounting policies and the use of reasonable accounting estimates.

Auditor's responsibility:

Our responsibility is to express our the neutral technical opinion about the financial environments submitted to us in accordance with the evidence and standards of local and international audit .These standards require us to conduct planning and achieving auditing to obtain reasonable assurance whether they are free of any essential error .

The audit also includes a test based on data and documents supporting the financial position and other final accounts of the fiscal year ending on December 2020 ,31, and its disclosure, and it also includes a fair evaluation of the accounting principles adopted by the management. We believe that the audit provides a reasonable basis for our opinion.

We have the following clarifications and notes:

First: - Applying international accounting standards and the standards of Accounting and Auditing Organization for Islamic Institutions.

1 - Islamic National Bank has applied international accounting standards for the third year in a row and still adopts the principle of historical cost registration in evaluating property, equipment and other assets instead of re-evaluation.



2 - With regard to Islamic financing instruments, the controls related to this or standards of the Accounting and Auditing Organization for Islamic Institutions contained in the Central Bank of Iraq letter No. 9/3/289 dated 2018/8/1.

3 - The bank did not take measures to apply the International Accounting Standard (36). The value of the buildings' assets (where the real estate belonging to the bank was evaluated according to the Central Bank of Iraq letter No. 1107/3/9 dated 2018/1/18 and the bank requested the Central Bank of Iraq to reconsider the valuation of the real estate as it is unfair and to re-evaluate the plot and building separately according to the bank's letter No. 1109 on 2018/2/27, the answer from the Central Bank of Iraq was not received.

4 - The bank did not take the necessary measures to implement the International Financial Reporting Standard (IFRS) No. 9. The Central Bank of Iraq stressed the need to provide it with a comprehensive methodology for implementing the standard and calculating the quantitative impact on the financial statements according to its letter No. 9441/6/9 on 2020/7/29.

Second : Subsequent events :

There are no subsequent events at the date of the budget that materially affect the financial statements nor have a negative impact of Corona virus until the date of preparation of this report.

Third: Gold

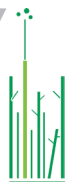
The balance of gold bullion on the date of the financial statements reached (80) million Iraqi Dinars reserve compared to (145) million Iraqi Dinars for the previous year.

Fourth. Cash:

1. The balance of cash with foreign banks on the date of the budget, is as below:
Cash in foreign banks (6,280,440,931 Iraqi Dinar), which represents %2.4 of the capital and sound reserves.
2. The bank relied on the swifts issued by foreign banks for the purposes of conformity on 2019/12/31 as we didn't receive confirmation letter regarding the balances in these banks.
3. The monetary assets in foreign currency was assessed on December 2019 ,31 based on the price of (1460) Iraqi Dinars per dollar
4. It was noticed that the insurance contract of the fortified room of the bank against theft, embezzlement, fire, and money spoilage due to moisture and water leakage was not renewed, as the insurance contracts ended on 2019/3/28, as well as the absence of insurance contracts with treasurers.

Fifth: - Financial assets at fair value

Investments in financial assets have been valued at fair value at the balance sheet date.

**Sixth - Cash credit**

- 1) The balance of Islamic financing at the budget date was (316,674) billion Iraqi Dinars compared to (371,644) billion dinars for the previous year after deducting provision for doubtful debts.
- 2) The guarantees obtained against granting Islamic financing is weak, as it is a check and a bill of exchange for most of the granted Islamic financing. We recommend the bank to obtain sufficient guarantees against the amounts granted, in order to preserve the integrity of the bank's assets.
- 3) The balance of delayed debts according to the financial statements amounted to (22,832) billion dinars, compared to (23,177) billion dinars for the previous year and according to the bank's records.

Seventh: - Commitment credit

1. The Commitment credit at the date of the budget reached (424,830) billion dinars compared to (501,993) billion dinars for the previous year after the deduction of insurances
 2. The ratio of letters of credit (L/C) to the total issued L/Cs reached %7.6, which is a small percentage
 3. The ratio of documentary credits guarantees to the total issued credits is %70.
 4. Most of the guarantees obtained against the issuance of letters of guarantee, which are a deed and a bill, which are weak guarantees:
- A. Credit concentrations: Some companies were granted commitment credit that exceeded %10 of the capital and reserves.
- B - L/Cs were issued to some foreign companies without obtaining %100 of guarantees.

We did review on credit files for the biggest (20) borrowers.

- We recommend the extending the credit base and varying in periods of credit to avoid risks.
- Not to award credits to relatives but those on previous dates which are going to be canceled according to instruction of Central Bank of Iraq under No. 2019/6/9 dated 23.02.2020
- The bank did finance via Central Bank of Iraq in order to finance small and medium projects whereas they reach (3,965 IQD) up to 31.12.2020 .

Eighth: Investments

The bank did investments pursuant to the following disclosure:

Company`s name	Shares	Booking value	Marketing value
Light Industries Co.	6240266	19469843	20129891
Banks Union Co.	100000000	100000000	100000000
		119469843	106240266



Ninth: Provisions

- 1 - The bank calculated the provision for Islamic financing (provisions for bad debts) on the date of the financial statements to be (39,825) billion Iraqi Dinars.
- 2 - An amount of (13,106) billion dinars was calculated as a provision to meet the risks of commitment obligations at the date of the budget and it is in line with the requirements of Instructions No. (4) of 2010.
- 3 - The provision for lawsuits was calculated at the amount of (1,088) billion dinars during the year subject to audit in order to face the potential risks of legal lawsuits filed against the bank by others.
- 4 - Due to a letter of Central Bank of Iraq under No. 401/2/9 dated 28.12.2020, the bank has established a provision in the same achieved revenue due to the change in exchange rate whereas it reached (1735446158 Iraqi Dinar).

Tenth: Creditors

The balance of the creditor's account amounted to fiscal stamp fees at the balance sheet date of (1,105) billion Iraqi Dinars. We recommend that this balance should be liquidated and paid to the Ministry of Finance monthly .

Eleventh: Income statement (profits and losses)

- 1) The bank made a net profit after the tax on the budget date at (1,014) billion dinars compared to (2,505) billion dinars for the last year .
- 2) The total returns of the granted profiting were (319) million Iraqi dinars during the year subject to auditing and no profiting were granted during the year .

Twelfth: Internal Control (Sharia Supervision -audit)

The reports of the internal Sharia audit department were comprehensive for the bank's activities. The control system includes the necessary procedures through which this section can perform control and audit procedures.

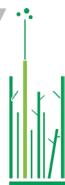
Thirteenth: Risk Management

All reports of risk management did met instructions and regulations of risk management issued by Central Bank of Iraq for 2018 and we got the following:

- 1 - The covering of cash flow LCR reached %18 with a difference amounting to %82 contrary to instructions of Central Bank of Iraq which must be %100.
- 2 - The real cash flow reaches %17,4 while the required rate is %30 according to instructions of Central Bank of Iraq.

Fourteenth: Revenue of sale and purchase foreign currencies

The bank provided us with a statement of US Dollars which was purchased in 2020 from the Central Bank of Iraq/ Windows of Foreign Currencies Sale, the amount of said transaction was 99750000 \$ whereas the Bank achieved a profit amounting to 3948771736) %27 IQD) from the gross revenue of the bank, thus we recommend to develop miscellaneous banking products and vary incomes in future.



Fifteenth: Compliance Monitor's reports

Through our review and study of the compliance monitor's reports that were submitted during the year, the audit was prepared according to the requirements of the Central Bank of Iraq and in accordance with the standard rates.

Sixteenth: Money laundering

The bank has taken adequate measures to prevent money laundering or terrorist financing and that these measures are being implemented in accordance with the regulations, directives and guidelines issued by the Central Bank of Iraq and in accordance with the provisions of Anti-Money Laundering and Terrorism Financing Law No. 39 of 2015. We have studied the reports of the Money Laundering Department and they met all the required conditions, whereas the bank applied the (FCM) system pursuant to instructions issued by Central Bank of Iraq according to the bank's ambition to extend this field where the bank has contracted with the company who supplied the (TEMNOUS) system, the department follow the processing of the system with department of filtering information.

Seventeenth: - Legal cases

1. Number of legal cases filed by the bank against others were (6) lawsuits, the sum of which amounts to (1,622,445,904) billion Iraqi Dinars and (177,480 Euro).
2. Number of legal cases brought by others against the bank are (4) cases, the total amounts of which is (5,272,638,000) billion Iraqi Dinars/ (2,754,600 \$).
3. The bank calculated a provision for legal claims at amount of (1.088) billion Iraqi Dinars referred to in paragraph eightieth (3rd) after deducting amount of 412000000 IQD in favor of the creditor according to the verdict.

Eighteenth: - Capital adequacy

Through an examination of accounting records and statements prepared for the purpose of calculating capital adequacy, the ratio was %40, which exceeds the percentage specified by the Central Bank of Iraq, which is not less than %12.

Nineteenth: Other Notices

- 1 - Applied of instructions regarding institutional governance:

We have accessed to results of experimental test of performance card regarding the guide of institutional governance of the bank, and we believe that the bank is complied with quantitative and qualitative requirements pursuant to the sample of Parallel performance Card, the board of directors and executive administration of the bank work very hard to commit with instructions of institutional governance in respect to practice the disclosure and transparency policy.

- 2 - Result of office auditing performed by the Central Bank of Iraq:

We have accessed to correspondences of the Central Bank of Iraq regarding results of quarterly balance sheets which are send by Central Bank of Iraq at the end of each seasons in the year, the procedures stated in the auditing results were followed by us pursuant to instructions issued by Central Bank of Iraq such as reports of department of internal Sharia compliance and auditing.



3 - According to our study of the correspondences of the bank with the Central Bank of Iraq in respect to quarterly and monthly reports, there were no significant matters that may effect on the information adequacy sent by the Central Bank of Iraq.

According to what is recorded in the bank's records and the explanations given to us:

1. The book group used by the bank was in accordance with the requirements of the bookkeeping system. At our discretion, the recording of all assets, liabilities, expenditures and revenues of the bank are included in the records.
2. The annual report of the bank's management and the included financial and accounting information comprehensively reflects the bank's progress during the year, and that it is prepared in accordance with the requirements of the amended Companies Law No. 21 of 1997 as amended and it does not contain anything that contravenes the provisions of laws and legislations
3. The financial statements have been organized in accordance with international accounting standards , and as for instruments Islamic finance , it has been guided by the standards of Accounting and Auditing Organization for Islamic Institutions contained in the Central Bank of Iraq's letter No. 2019/3/9 dated 2018/8/1.

The Opinion

Taking into consideration the above notes and explanations and their impact on the bank's financial position, in our opinion , based on the information we obtained, the Financial data and financial management report are in agreement with the records and meet the legal requirements and that they , according to the performance indicators , clearly and fairly express the financial position of the bank as on December 2018 ,31 and the results of its activities and cash flows for the fiscal year ended on that date.

Best regards

Signed by Muneeb Mustafa Hussein
Chartered accountant and auditor
Member of Iraqi
Association of Certified Public Accountants

Signed by

Sameer Mohammed Hasan
Chartered accountant and auditor
Member of Iraqi
Association of Certified Public Accountants