



ERBIL BANK

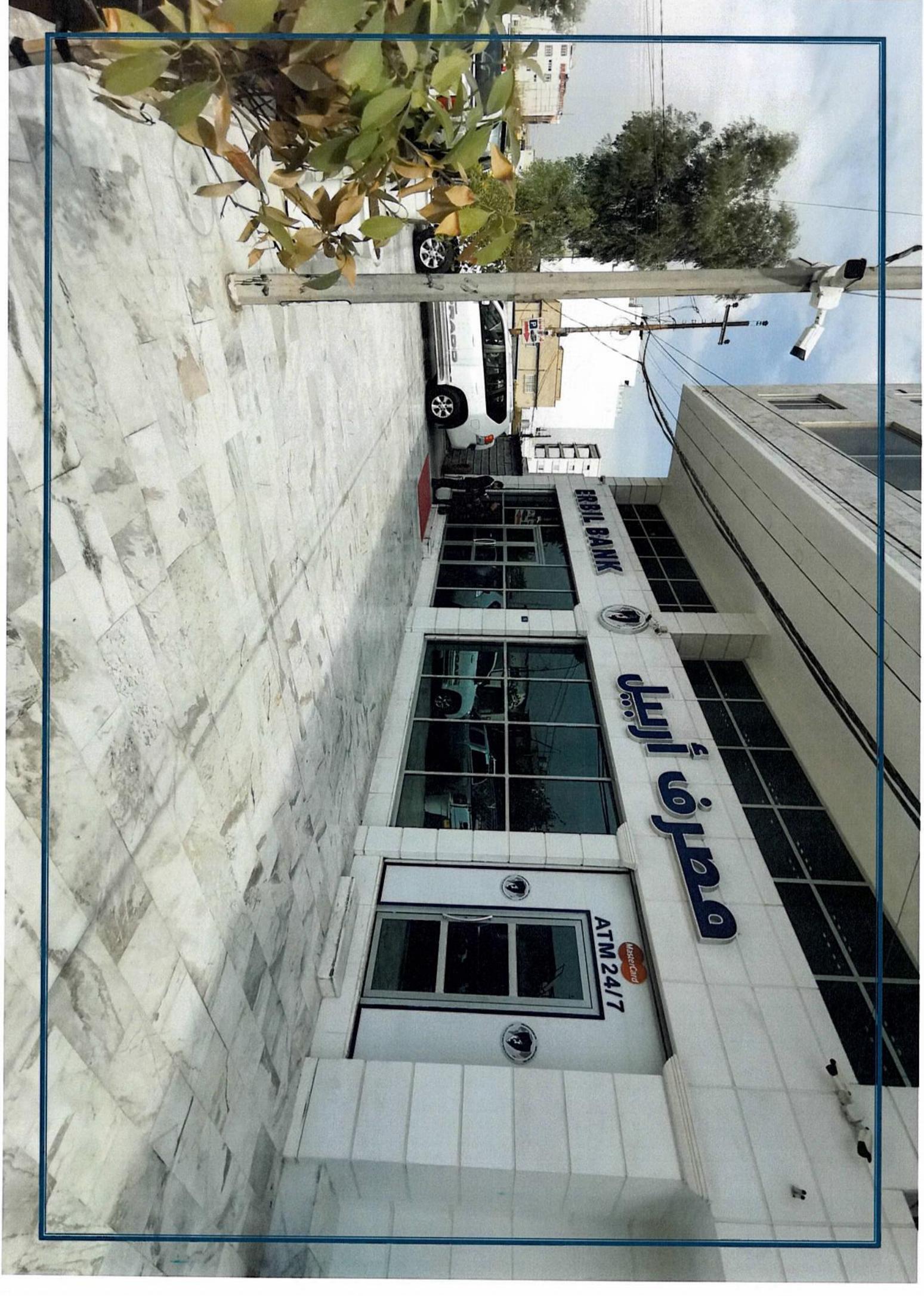
For Investment & Finance

بانکی اربیل بۆ وەبەرھێنان و پێدان

ERBIL BANK FOR INVESTMENT & FINANCE

Annual Report | 2020





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ERBIL BANK

مصرف أربيل



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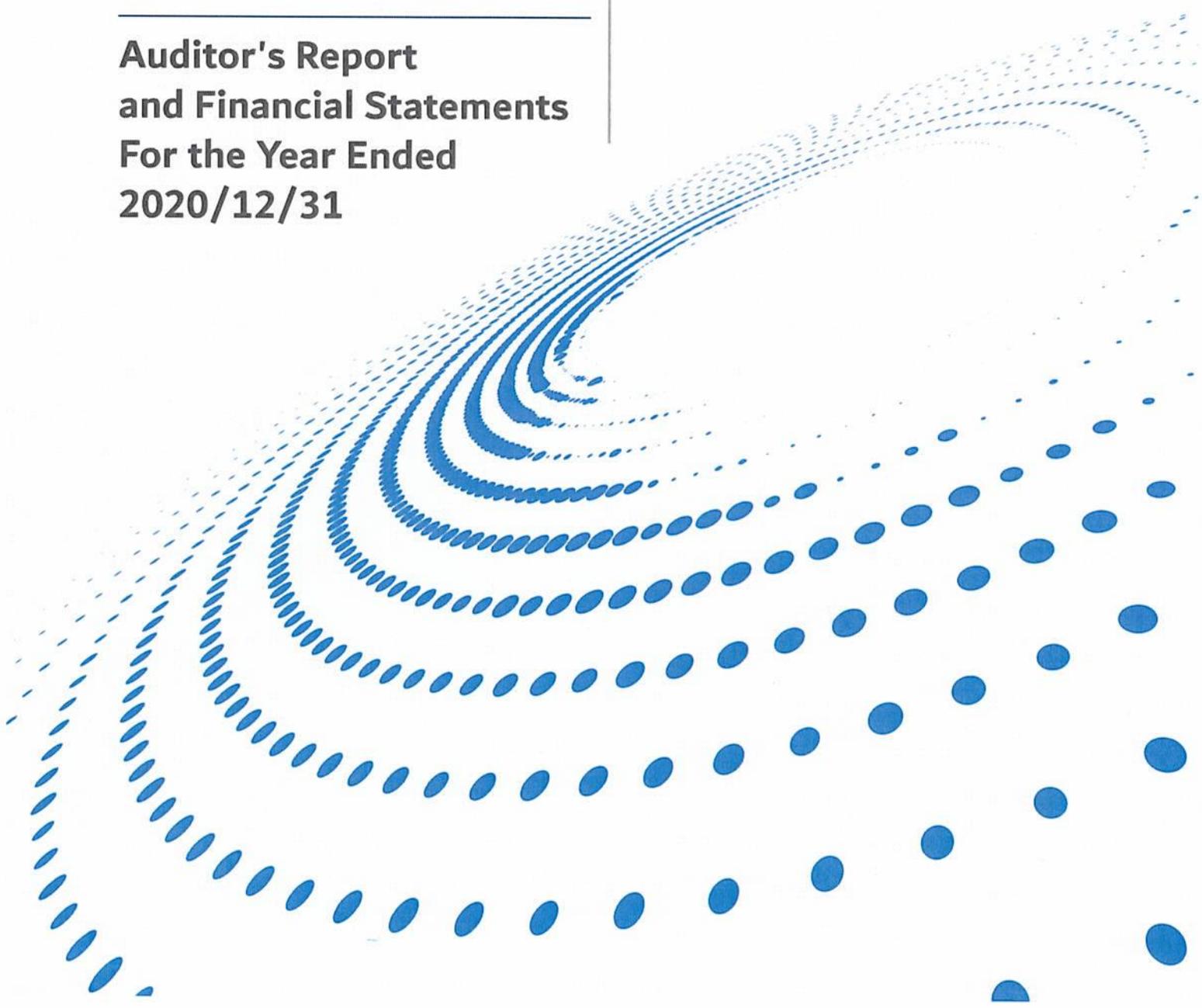
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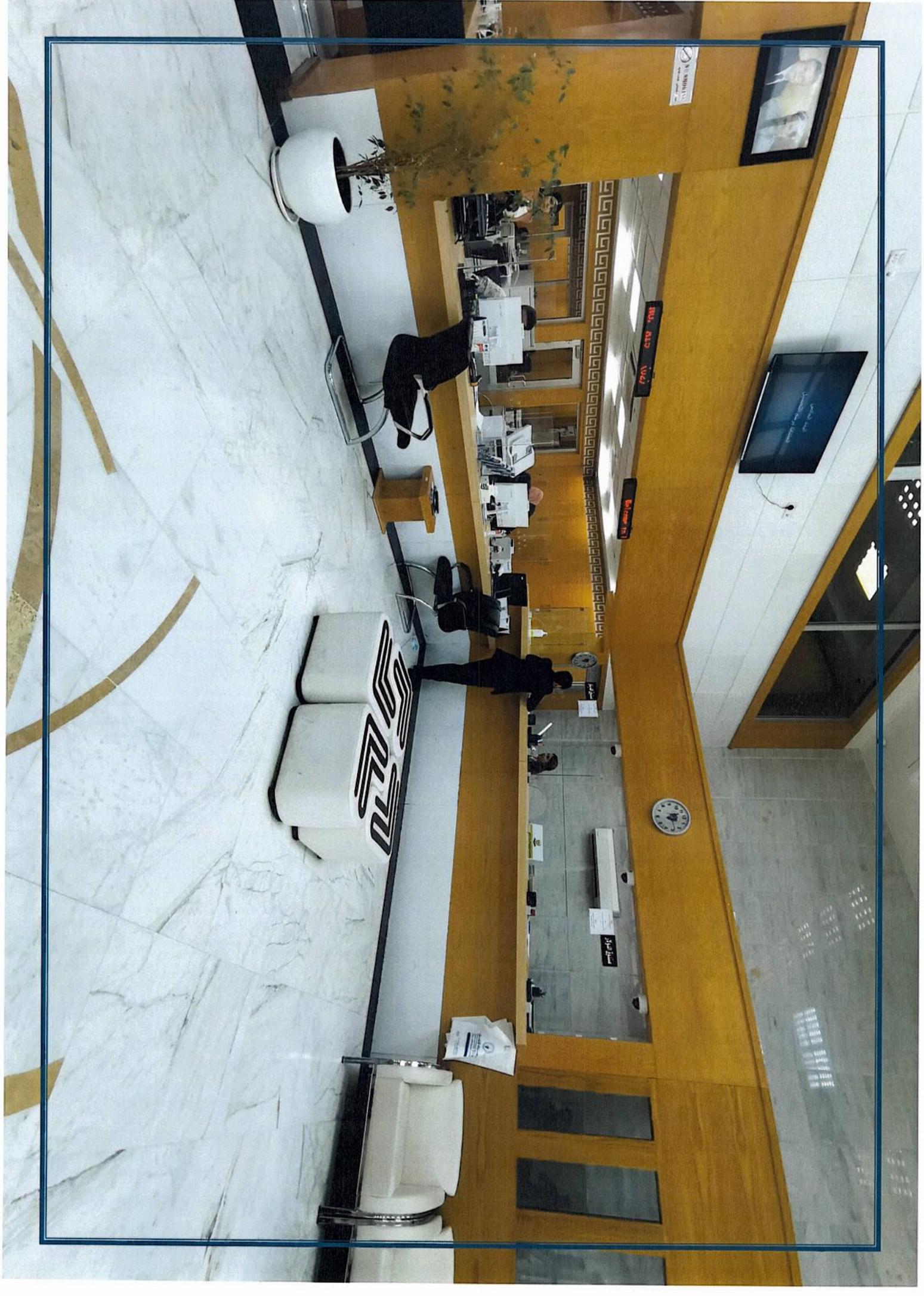
**Board of Directors
Chairmans Speech**

**Board of Directors
Report on the activity
Bank for the Year 2020**

**Auditor's Report
and Financial Statements
For the Year Ended
2020/12/31**

CONTENT





Abbas Ali Abbas
Legal Accountant and Auditor

Monib Mustafa Hussein
Legal Accountant and Auditor

Erbil bank for investment and financing/ private contribution
Financial statements for the year ended on
31/12/2020

مصرف اربيل للاستثمار والتمويل
شركة مساهمة خاصة
الادارة العامة





ERBIL BANK

For Investment & Finance

Board of Directors Chairmans Speech





In the name of God Almighty

The chairman of the board of director's word

Peace, God's mercy and blessings be upon you

Honorable ladies and gentlemen...

We are pleased with your presence, and in my name and on behalf of the members of the board of directors, I extend my sincere thanks and gratitude to the sisters and brothers, representatives of the Central Bank of Baghdad and the Companies Registration Department, the trouble of traveling to attend this general assembly meeting. On this occasion, I would like to take this opportunity to explain to you the financial results for the year 2019 which are before you. It is clear from these financial statements that the bank has achieved success by expanding the provision of banking services to its customers and serious contribution to the promotion of economic development in the Kurdistan region in particular and Iraq in general by contributing to all economic activities by providing cash and pledge credits in all sectors of the economy despite the difficult economic conditions experienced by Iraq and the area in general and the Kurdistan region in particular, as a result of an enormous drop in oil prices, a sharp drop in cash flow and the suspension of a very large number of projects in various sectors of the economy, in addition to the region's exposure to a severe and major war of terrorism, all of which directly and indirectly affected the economic movement in Iraq and the activity of operating banks.



Below are some indicators of the financial results for the year 2020:

1- The bank's net profit before tax during the year 2020 amounted to (13.382) million dinars.

2- The bank worked to diversify its revenues from banking operations by expanding its various activities and significantly improving the performance of employees, as the revenues in 2020 amounted to (16,158) million dinars (before deducting expenses).

3- During the year 2020, the number of outward transfers amounted to (626) transfers, and the incoming foreign transfers amounted to (15) transfers during the year 2020.

4- The number of letters of guarantee executed during the year 2020 is (391) letters of guarantee.

5- The number of open documentary credits during the year 2020 reached (30) documentary credits and (49) cash credits.

6- Within the bank's work plan, the opening of four other branches (Basra, Kirkuk, Rania and Halabja).

7- The bank intensified during the year 2020 multiple visits outside Iraq to meet with large international companies in the field of credit cards, and work is still continuing in this regard.

8- The number of our bank's correspondents abroad during the year 2020 with whom we have banking relations and open current accounts with them reached (18) correspondents distributed all over the world.

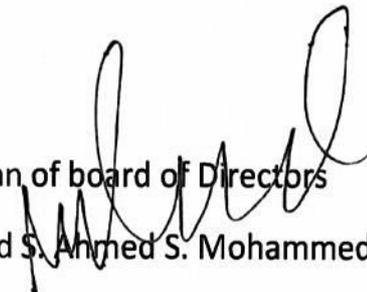
9- The bank conducts multiple correspondences with foreign banks, especially American banks, for the purpose of establishing banking relations with them and opening current accounts.

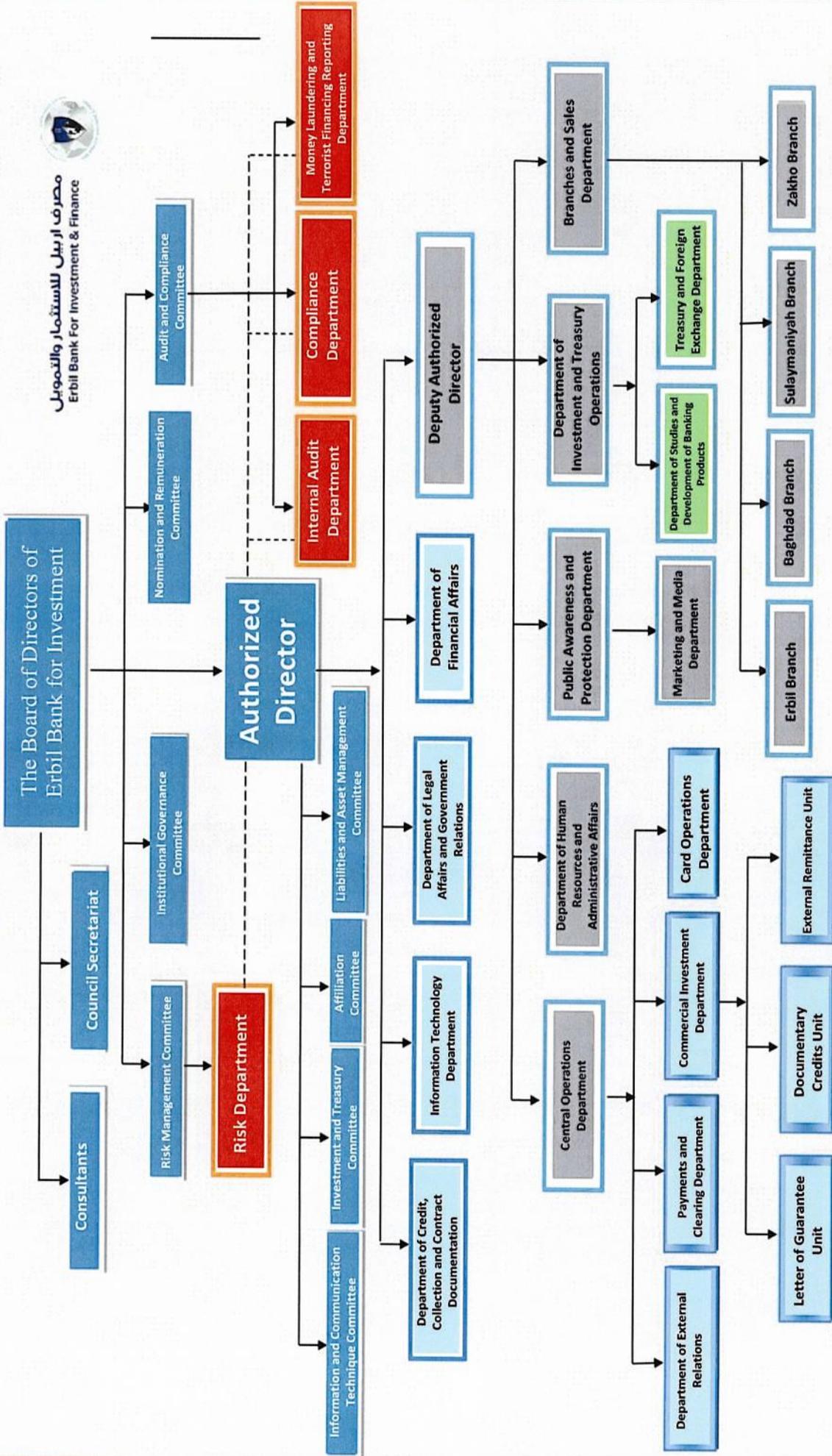
10- The bank's participation in the initiative of the Central Bank of Iraq in financing small - medium - large projects amounted to (135) loans.

Assigning a global auditing company to audit the financial statements and final accounts of the bank for the year 2019.

Once again, we thank and appreciate your presence... We wish everyone success

Sincerely


Chairman of board of Directors
Mohammed S. Ahmed S. Mohammed



- Organizational structure



ERBIL BANK

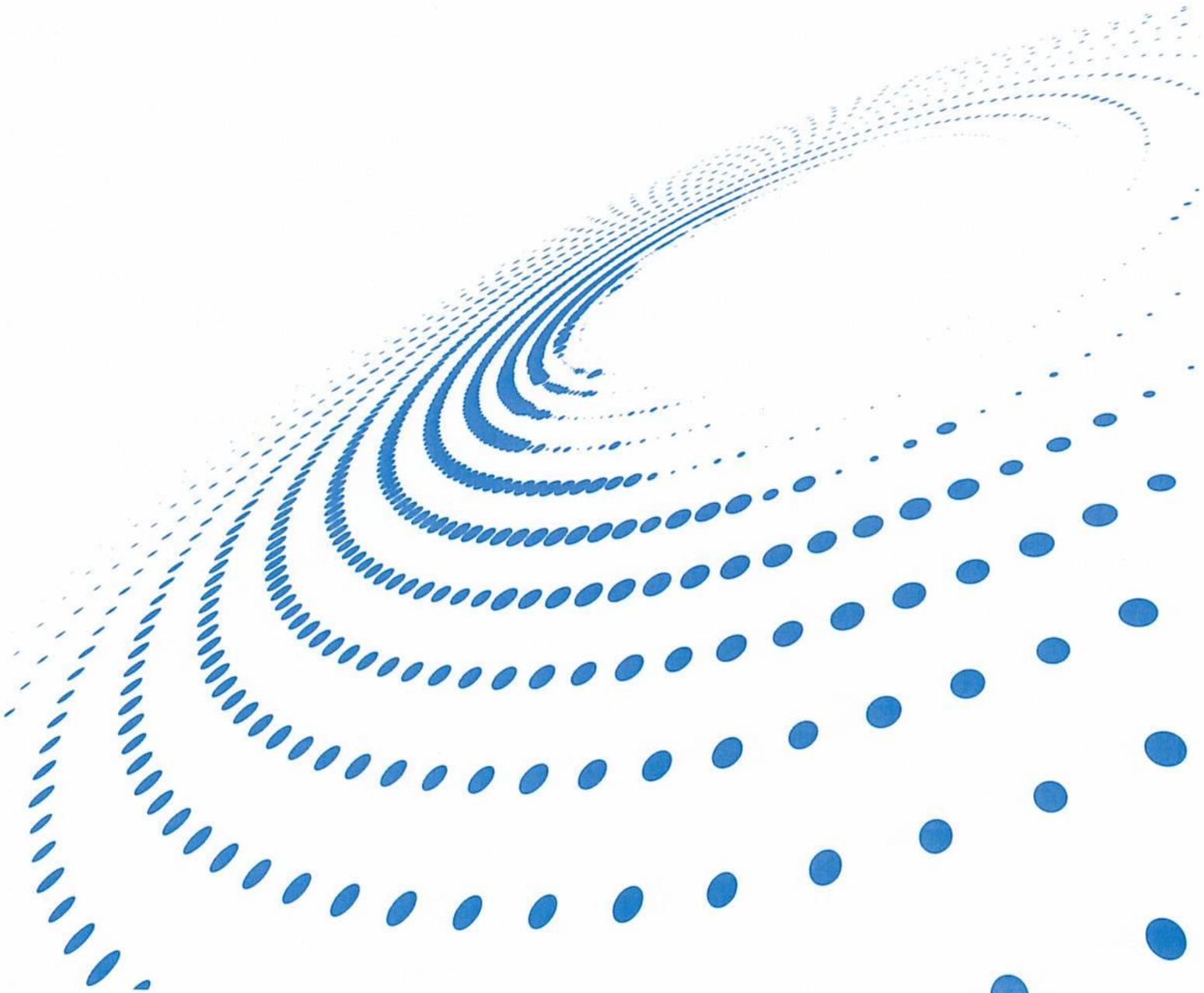
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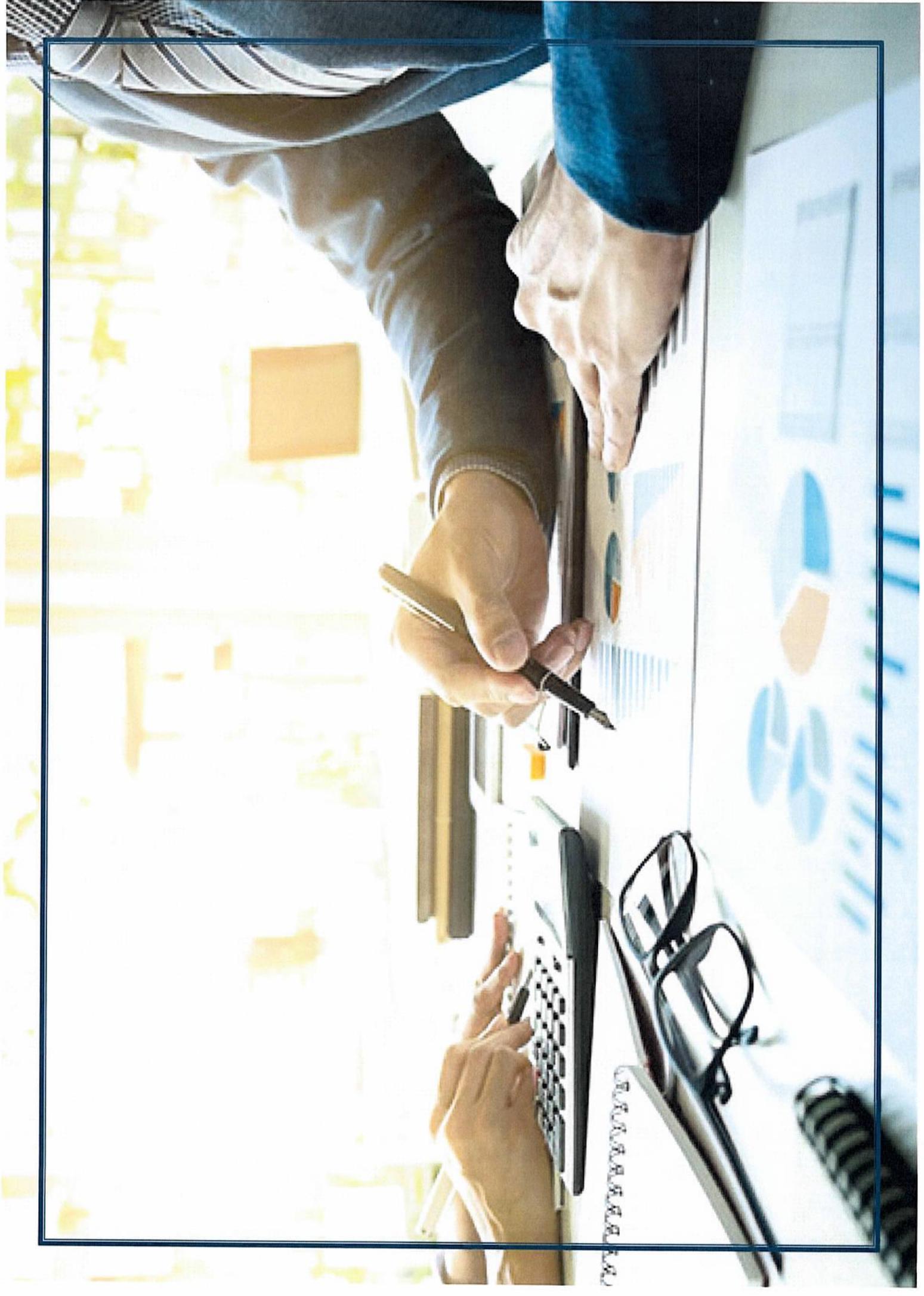


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Board of Directors Report on the activity Bank for the Year 2020





Report of the Board of Directors on the activities of the bank

For fiscal year 2020

Ladies and gentlemen, honorable attendees....

Peace, mercy and blessings of God

The Board of Directors of Erbil Bank for Investment and Finance is pleased to extend its thanks and appreciation to you for your kind attendance of this general assembly meeting, in which we will present to you the bank's activities and financial statements as they are on December 31, 2020 in accordance with the provisions of the Companies Law No. (21) Of 1997 amended and Banking Law No. (94) For the year 2004 and the instructions of the accounting system No. (1) For the year 1998.

First:- Implementation of international accounting standards: The Erbil Bank for Investment and Finance implemented international accounting standards for the third year, which required re-presenting the financial statements for the comparative years (2018-2019) in a manner consistent with this year. It also adopted the principle of recording at historical cost in evaluating property, buildings and equipment Instead of reassessing

Second: A brief overview of the bank:

1- Establishment of the bank:

The bank was officially established on 20/4/2009 with a capital of (50) billion dinars according to the certificate of incorporation numbered SH - 01-69202 on 20/4/2009 issued by the Companies Registration Department. 9/3/45 and 46 on 06/24/2010, and its capital became 265 billion dinars in 2013.

2- The bank's capital developments:

- The bank started its work with a capital of (50) billion dinars.
- The bank's capital was increased from (50) billion to (100) billion, and the procedures for the increase were completed according to the Companies Registration Department Letter No. 12912 on 9/6/2010.

- The capital of the bank was increased from (100) billion to (150) billion in accordance with the letter of the Companies Registration Department No. 18251 on 4/9/2012.
- The General Assembly of the Bank decided on 24/11/2012 to increase the capital of the Bank from (150) billion to (200) billion.
- The bank's capital was increased to (265) billion dinars during the year (2013) according to the letter of the Companies Registration Department No. (20695) on 08/18/2013.

Second: The main strategic objectives of the bank:

- The Bank worked during the period of practicing banking work to achieve its main objectives in providing the best, best and finest banking services to its customers and providing cash and pledge facilities and credits to contribute to the development of the Iraqi economy and the Kurdistan Region through effective participation in all sectors of the economy, including the industrial, agricultural, commercial, housing, construction and health sectors... ..etc.
- It also works to raise economic growth rates, so the bank keeps pace with all the developments that occur in the Iraqi and foreign banking market and works to apply the highest international standards in managing its banking business.
- Possessing the latest technologies and advanced electronic means in accordance with the highest standards of control and governance.
- Reaching the highest standards of governance and financial inclusion in the provision of banking services and products.
- Developing and innovating the marketing and financing policies necessary to achieve the highest return on equity.

Third: The activities that the bank provides to its customers:

- 1- Opening current and savings accounts.
- 2- Accepting cash deposits for a period of (three months, six months, a year).
- 3- Organizing external and internal remittances in the currency of the Iraqi dinar, the US dollar and the euro.
- 4- Acceptance of incoming foreign and domestic remittances in the currency of the Iraqi dinar, the US dollar and the euro.

5- Opening documentary credits (import, export) in the currency of the Iraqi dinar, the US dollar and the euro.

6- Granting cash credits in the Iraqi dinar and the US dollar.

7- Issuing foreign and domestic letters of guarantee of all kinds in the Iraqi dinar and US dollar currencies.

8- Issuance of bills and instruments certified in the Iraqi dinar and US dollar currencies.

9 - Buying and selling foreign currencies.

10- The bank's accounts and financial statements are subject to auditing by an international auditing company in accordance with international standards.

Fourth: Contracts concluded during the year 2020:

1- Renewing the website hosting contract with Sorouh Al Maarifa Company.

2- Renewing the supply contract of Microsoft 365 with Info Tech Company.

3- Purchasing a contract for training and equipping the governance system with Akkadia Company

4- Purchasing a DR Project- smart Datacenter Tier 4 Rack contract with Dual Cloud

5- Purchase of the Laser Fiche archiving contract submitted by Iraqna Company.

6- Purchase of the Black List- AML part with Refinitiv + Capital Solution.

7- Renewing the Maintenance of HW Infrastructure contract with Info Tech Company.

8- Purchasing a Queue System contract with Offtech Company.

9- Purchase of Infrastructure Nutanix HCI with Info Tech Company.

10- Purchase of VMware Infrastructure with Info Tech Company.

11- Renewing the Oracle Database Administration and Support contract with ISTBML Company.

12- Renewal of the Core Banking Maintenance and support contract with ISTBML Company.

13- Purchase of a Supply and Implementation of 12 Disks for IBM storage contract with

Info Tech Company.

14- Renewal of a contract with an international auditing company (Korohworth Professional Odins International) to audit the accounts and financial statements of the bank for the year 2021.

15- Contract for the application of the International Financial Reporting Standard IFRS9.

16- - Rehabilitation contract for the financial and credit department with Iraqna Company, which is currently ongoing.

17- Contract for the preparation of the institutional governance framework.

Fifth: The Bank's Correspondents Network:

The Bank has a large number of external correspondents, who in turn own a wide network with the banks of the world and provide the best and fastest services in the field of external banking transactions (documentary credits, incoming and outgoing transfers, letters of guarantee.....) and below are these banks.

1-Correspondents with whom we have current accounts and banking relations amounted to 18 correspondents:

No.	Correspondent 's name	Name of the country
1.	Al Jazeera Bank	Saudi Arabia
2.	Arab African International Bank	The United Arab Emirates
3.	Al Baraka Turkish Bank	Turkey
4.	Jordan Money Bank	Jordan
5.	Fransabank Bank	Lebanon
6.	The Housing Bank for Trade and Finance	Jordan
7.	Intercontinental Bank	Lebanon
8.	Turkish Waqflar Bank	Turkey
9.	Bank of Beirut	Beirut
10.	Golden Global Bank	Turkey

11.	Alubaf Arab International Bank B.S.C.	Libya
12.	Asia Bank	Turkey
13.	Hulk Bank	Lebanon
14.	Caspian Bank Azerbaijan	Azerbaijan
15.	Maqam bank	Azerbaijan
16.	BANQUE MISR	The United Arab Emirates
17.	Turkish Nural Bank	Turkey
18.	Turkish Aktif Bank	Turkey

2- The bank works on establishing banking relations and opening current accounts with a number of external correspondents, including American and European banks.

3- The bank and its branches have current accounts and banking relationships with multiple local banks.

First: -

A - Central Bank of Baghdad

B - Central Bank of Erbil

C- Central Bank of Sulaymaniyah

Second: -

A - For Trade Bank of Iraq Baghdad + Erbil.

B - North Erbil + Sulaymaniyah...

C- Bank of the Region Commercial Bank (RT Bank) - Erbil.

D- Al Baraka Turkish Bank - Erbil.

E- Islamic Cihan Bank - Erbil.

Sixth: Bank branches and addresses

1- General Administration and Erbil Branch:

Iraq - Erbil - Khanqa Street - opposite the Ministry of Municipalities.

Tel: 90/ 2235489 (66)00964

E-Mail: info@erbilbank.com.iq

2- Baghdad branch:

Baghdad - Arsat Al Hindiya Street . Qtr. / 929 Alley / 50 House No/31

E-Mail: infob@erbilbank.com.iq

3- Sulaymaniyah branch:

Sulaymaniyah - Salem Street - Mir Building - Building No. 59/169

Tel: 00964(533)210217/18

E-Mail: infos@erbilbank.com.iq

4- Zakho branch:

Dohuk / Zakho - Ibrahim Al-Khalil Street.

Tel: 096400627650696

E-Mail: infoz@erbilbank.com.iq

Seventh: Gentlemen employees who received the highest wages during the year 2020.

- 1- Bakhtiar Rashid Ismail
- 2- Aso Salam Mawlud
- 3- Perez Ghazi Yabeh
- 4- Mohamed Talaat Mohamed Amin
- 5- Nabil Ibrahim Ismail

Eighth: International Banking Relations

The bank worked on expanding its services by establishing banking relationships with solid international banks, and focused on investing in relationships to provide good services to customers and facilitate their transactions outside Iraq with regard to documentary credits and foreign letters of guarantee.

And to provide you with statistics on the scientific levels of the bank's employees

Academic level	Chartered Accountant	Master's degree	Bachelor's degree	Diploma	Preparatory and below	Total
NO.	2	1	80	15	10	108

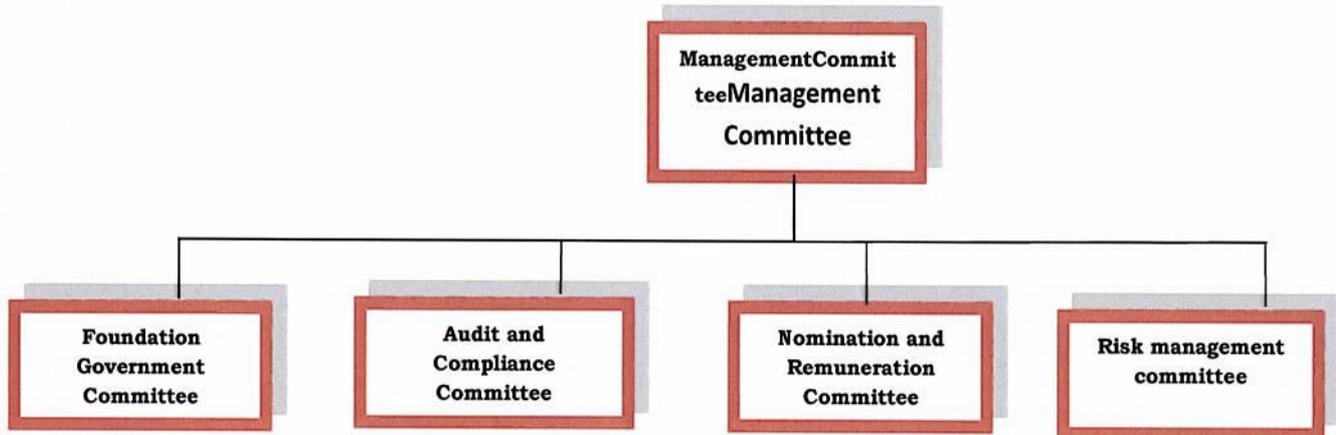
Ninth: The Board of Directors:

- 1- The number of Board of Directors meeting sessions during the year 2020 reached: (7) sessions.
- 2- The number of general assembly meetings during the year 2020 reached (1) meeting
- 3- The Chairman and Vice Chairman of the Board of Directors and members did not receive any cash reward during the year 2020.

Below are the names of the (original) chairman and members of the board of directors as on December 31, 2020:

No.	The name of the chairman and members of the board of directors from four parts of the natural person and according to the commercial register of the legal person and his nationality	Qualifications and practical experience	Amount of contribution to the capital of the bank	Membership in the committees emanating from the council	Extent of commitment to attend board meetings
1	Mohammed Saadi Ahmed Sayed Mohammed Saeed / Iraqi	Institute of Technology/Management Department	26,235,000,000	Head of the Governance Committee	Very good
2	Bakhtiar Rashid Ismail Jimbaz / Iraqi	Bachelor's degree in Accounting Department	2,000,000	Managing Director	Very good
3	Nagham Muwaffaq Ahmed Al-Saadi / Iraqi	- Master of Quality Management - Bachelor of Management and Economics - Industrial Management / Quality Management - Technical Institute / Office Management	1,000,000	Head of the Risk Committee	Very good
4	Wissam Talal Tawfiq Mustafa Al-Hayali / Iraqi	Bachelor of Management and Economics/ Accounting Department	2,000,000	Head of the audit committee	Very good
5	Rasoul Mahmoud Samad Saeed Al-Sayed / Iraqi	Industrial high school/mechanical department	102,000,000	Member of the Nomination and Remuneration Committee	Very good
6	Ibrahim Jawda Sadiq Al-Faham	Bachelor of Commerce	4,080,000	/	Very good
7	Safaa Salman Munshid Shatti Delphi	Bachelor of Law	100,000	Member of the risk committee	Very good

Committees of the Board of Directors:



First: The Audit and Compliance Committee:

1. The committee shall consist of at least three members, provided that they are independent members of the board of directors, consultants, or experts in the financial or audit field, with the approval of the Central Bank of Iraq.
2. The chairman of the committee should be an independent member of the board of directors and he may not be a member of any other committee of the board.
3. The Board must ensure that the members of the Committee have appropriate financial experience.

Committee duties and powers:

1. The scope, results, and adequacy of the internal audit, the follow-up of the external auditor, and the discussion of reports.
2. Accounting issues that have a material impact on the bank's financial statements.
3. Control and internal control systems in the bank.
4. Ensuring compliance with international standards and combating money laundering in all activities and operations of the bank. The committee has the right to investigate, research and audit any operations, procedures or regulations that it considers to affect the strength and safety of the bank.
5. Recommending to the Board of Directors the approval of the bank's organizational structure and the creation or cancellation of organizational formations or their merging, and specifying and amending the tasks and functions of these formations.
6. Reviewing the annual training and development plan and following up on its implementation, as well as reviewing executive management reports on the status of human resources.

7. Review the policies and instructions related to appointment, promotion, resignation and termination of service for all bank employees, including the senior executive management, considering the provisions of the laws in force.
8. Preparing a quarterly report on the committee's work after the end of each fiscal quarter, which is submitted to the Board of Directors.
9. Auditing and approving the accounting procedures, the annual audit plan, and the accounting controls.
10. Ensuring the bank's compliance with the disclosures set by the "International Financial Reporting Standards, IFRS) and the Central Bank's instructions and other relevant legislation and instructions.
11. The committee's relationship with the internal auditor
12. Monitor compliance and combat money laundering and terrorism financing with the laws, regulations and controls applicable to the bank and submit a report thereon to the Board.
13. Review the reports submitted by the bank to the Central Bank of Iraq.
14. Submit the annual report to the Board of Directors to disclose the activities and operations of the Bank.
15. Obtaining any information from the executive management, and it has the right to summon any manager to attend any of its meetings without having the capacity of membership of the committee, provided that this is stipulated in the internal audit charter.
16. The Committee shall meet with the External Auditor, the Internal Auditor, the Compliance Monitor, and the Money Laundering and Terrorist Financing Reporting Manager at least (4) times a year without the presence of any of the executive management members.
17. Review and monitor the procedures that enable the employee to confidentially report any error in the financial reports, or any other matters. The committee ensures that the necessary arrangements are in place for the independent investigation and protection of the employee, and ensures that the results of the investigation are followed up and addressed objectively.
18. Reviewing anti-money laundering and terrorist financing reports.
19. Follow up on the implementation of business continuity programs and recovery from disasters and crises in coordination with the Information and Communications Technology Committee.

20. Ensuring that there is no conflict of interest that may result from the bank making deals, concluding contracts or entering into projects with related parties. The committee shall review and monitor all related transactions and inform the Board of them.

Second: Risk Management Committee:

1. The committee is composed of at least three non-executive members, provided that the chairman of the committee is an independent member.
2. Committee members should have experience in risk management and the practices and issues associated with them.

Committee duties and powers:

1. The committee has the authority to obtain any information, reports or data from the executive management.
2. The committee has the right to summon any administrator or request any employee or any member of the executive management or any of the members of the board of directors to attend its meetings to obtain clarifications it deems necessary if the need arises.
3. The Committee may obtain advice and technical support from external sources, provided that this is done with the knowledge and approval of the Board of Directors.
4. The Committee shall recommend to the Board of Directors the appointment and acceptance of the resignation of the Director of the Risk Department and his deputy, after the approval of the Central Bank of Iraq and after presenting the decision to the Audit and Compliance Committee.
5. Discussing, discussing and immediately reviewing any material matters or developments that have strategic, credit, market or operational risks that may have an impact on the bank's financial conditions or its reputation, and inform the Board of Directors of any recommendations that the committee deems necessary.
6. The responsibility of the Risk Management Committee does not replace the responsibilities of the Board of Directors or the Executive Management with regard to monitoring risk management, and also does not affect the ability of the Board of Directors to communicate directly with the Executive Management or the Risk Department.
7. Ensure compliance with international standards in all activities and operations of the bank.

8. Reviewing the scope of application of risk management annually and ensuring that it includes all the risks that the bank may be exposed to. The committee also submits an annual report on the results of its work to the Board of Directors.
9. Submit periodic reports to the Board that include material information and developments that affect the bank's risk management and a statement of risks that exceed the approved acceptable risk limits.
10. Contribute to defining risk management methodologies that ensure the identification of risks and cover all activities of the bank and its departments and submit periodic reports on the results of applying these methodologies to the Board of Directors.
11. Supervising the preparation of risk management policies and ensuring their comprehensiveness.
12. Ensuring the independence of the Risk Department by submitting its reports directly to it, and ensuring that the Risk Department is given the necessary powers to enable it to obtain information from the various departments of the Bank to perform its tasks effectively, and to ensure the continuity of providing it with sufficient and trained human resources, in line with With the instructions of the Central Bank issued in this regard.
13. Review the committee's charter every 3 years and/or whenever the need arises, and submits any amendments thereto to the Board of Directors for approval.
14. Approving the annual plan for the risk department, which includes all the main tasks assigned to the department.
15. Compliance with the provisions of the Bank's Corporate Governance Manual
16. Reviewing the bank's risk management strategy before it is approved by the Board.
17. Reviewing the credit policy and making recommendations in this regard to the Board of Directors for the purpose of approval, as well as supervising the implementation of the credit policy proposed by them.
18. Monitoring the "credit risks" that the bank bears, whether with regard to the "standard approach" or the "internal rating based approach", "operational risk", "market risk", "supervisory review", and "market discipline" contained in Decisions issued by the Basel Committee on Banking Supervision.
19. Determining credit limits that exceed the authority of the delegated director or the regional director.
20. Monitoring the bank's ability to avoid liquidity risks in accordance with Basel (III) decisions, including liquidity standards.

21. Recommending the abandonment of activities that cause risks to the bank and that it does not have the ability to face.
22. Ensuring the bank's compliance with the regulations, instructions and policies related to risk management.
23. Periodically reviewing the risk management policy proposed by the bank's senior management and submitting recommendations thereon to the Board for approval and approval.
24. Supervising the procedures of senior management towards compliance with the risk policies adopted by the Bank.
25. Continuous communication with the Director of the Risk Department and obtaining periodic reports from him on matters related to the current situation of risks in the bank and the culture of risks, in addition to reports on the limits and ceilings set, any violations thereof, and risk avoidance plans.
26. Overseeing the capital strategies, liquidity management and all related risk management strategies to ensure their compatibility with the approved risk framework in the bank.
27. It receives periodic reports from the committees emanating from the executive management (credit, investment, information and communication technology, asset and liability management).
28. Reviewing the investment policy and submitting recommendations thereon to the Board of Directors for the purpose of approval, as well as supervising the implementation of the investment policy proposed by them.
29. Evaluate the performance of the investment portfolio in terms of return and risk in relation to the bank's internal and external investments, and continuous follow-up of the indicators and movement of the local and external capital markets.

Third: The Nomination and Remuneration Committee:

1. The committee shall consist of at least three members, provided that they are independent or non-executive members.
2. The chairman of the committee should be an independent member.

Committee duties and powers:

1. Determining the persons qualified to join the membership of the board of directors or senior management in the bank, except for the identification of persons qualified to

work as the director of internal audit, which is the responsibility of the Audit and Compliance Committee.

2. Preparing the remuneration policy and submitting it to the Board of Directors for approval and supervision of its implementation.

Fourth: Corporate Governance Committee:

1. The committee consists of three members, the majority of whom are independent and non-executive members.

2. The committee includes the chairman of the council.

Committee duties and powers:

1. Reviewing the implementation of the Corporate Governance Manual, supervising its preparation in the bank, according to the size of the bank's operations and the multiplicity and diversity of its activities, updating it and monitoring its implementation.

2. Preparing the corporate governance report and including it in the annual report of the bank.

3. Ensuring that the bank applies the principles of corporate governance and its sound practices.

4- Names of the shareholders in 5% or more of the bank's capital:

No.	Founder's name	Number of shares
1.	Amin Ahmed Sayed Mohammed Saeed / Iraqi	26,235,000,000
2.	Mohammed Saadi Ahmed Sayed Mohammed Saeed / Iraqi	26,235,000,000
3.	Khaled Ahmed Sayed Mohammed Saeed / Iraqi	26,235,000,000
4.	Aso Muhammad Ali / Iraqi	10,098,000,000
5.	Diamond Mohammed Rashid / Iraqi	21,509,000,000
6.	Ahmed Khaled Ahmed Sayed Mohamed Said / Iraqi	26,235,000,000
7.	Abdul Qader Khaled Ahmed Sayed Mohammed Saeed / Iraqi	26,235,000,000

8.	Ismail Muhammad Ali / Iraqi	26,235,000,000
9.	Hesho Amin Ahmed Sayed Mohammed / Iraqi	10,988,400,000

Tenth: Accounting Policy:

The bank depends in showing its accounts in accordance with the local accounting principles and standards and the instructions issued by the Central Bank of Iraq as a sector-based entity based on the principles and controls established in the system.

- 1- Calculation of depreciation by fixed installment method.
- 2- Adoption of the local prices of foreign currencies by the Central Bank of Iraq.
- 3- Adoption of the accrual principle to record revenues and expenses.

Eleven: The Bank's Anti-Money Laundering Policy:

The bank, through the committees formed in the bank and described below, conducts a daily audit of all financial and banking transactions and ensures their integrity and compliance with the instructions, communications and circulars issued by the Central Bank of Iraq, the Anti-Money Laundering Office, and the relevant government departments and organizations, taking into account the application of all regulatory and guiding regulations issued in this regard. In the event of any doubt about any transaction, it is immediately reported to the competent governmental authorities. The bank also applies the articles in the Central Bank of Iraq Law, the Banking Law and the Anti-Money Laundering Law to all banking transactions in a transparent and accurate manner.

Twelve: - The bank's risk management policy

Objectives of the risk management department

The risk department aims to create a unified reference regarding the policies and procedures related to risk management, which include laws, regulations, instructions and circulars issued by the regulatory authorities and international standards issued by international institutions approved to perform risk management tasks within the bank, and it applies to all practices related to risk management in the bank, considering the following points:

A- The Board of Directors, the executive management and all employees are obligated to work in accordance with the risk management controls for commercial banks issued by the Central Bank of Iraq.

B- The Board of Directors ensures the follow-up and supervision of the work of risk management within the bank.

C- All policies are mandatory and applied to all risk management personnel.

(Acceptable risk limits)Risk Tolerance

Limits of acceptable credit risk:

- **Credit Portfolio:**

type of loan	The border	
	Lower	Upper
Persons	%30	50%
real estate	%30	50%

- The percentage of credit concentrations for the top ten borrowers from clients should not exceed 30% of the total working (non-performing) credit granted. The Risk Department suggests that the ratio should be 25% as a maximum, so as to avoid reaching the previously mentioned Central Bank ratio.

- The percentage of credit concentrations for a person with related persons and his affiliated companies in which he has an interest should not exceed 25% of the bank's basic capital. The Risk Department suggests that the ratio should be 20% as a maximum, so as to avoid reaching the previously mentioned central bank ratio.

- **Cash credit to deposit ratio:**

The ratio that is obligatory on us and imposed by the Central Bank is 70% as a maximum. The Risk Management Department proposes that the ratio be 65% as a maximum, so as to avoid reaching the previously mentioned Central Bank percentage. And a commitment to the bank's special policies and procedures for granting credit and a commitment to the indicative regulation issued by the Bank. The central bank

and working with it to reduce the risks and to spare the bank the potential loss as a result of those risks.

- **The ratio of total credits to the bank's capital and its sound reserves:**

The ratio due to us and imposed by the Central Bank is 8% as a maximum. The Risk Management Department suggests that the ratio should be 7% as a maximum, and therefore to avoid reaching the previously mentioned Central Bank ratio.

- 1- **The limits of acceptable liquidity risk**

- **Liquidity ratio**

The ratio due to us and imposed by the Central Bank is 30% as a minimum. The Risk Management Department suggests that the ratio be 50% as a minimum.

The bank maintains a high percentage of liquidity due to the presence of non-essential deposits in the bank in a large proportion and is exposed to sudden withdrawals.

- **Liquidity Coverage Ratio (LCR):**

The ratio that is required of us and imposed by the Central Bank is 100% as a minimum. The Risk Management Department proposes that the ratio be 95% as a minimum, and therefore to avoid reaching the previously mentioned Central Bank ratio.

- **Stable Financing Ratio (NSFR) :**

The percentage due to us and imposed by the Central Bank is 100% as a minimum. The Risk Management Department suggests that the ratio be 95% as a minimum, to avoid reaching the previously mentioned central bank rate.

- **Capital Adequacy Ratio:**

According to the decisions of Basel, the percentage that is required of us is 8% as a minimum, but according to the laws of the Central Bank, the percentage is 12% as a minimum, and the bank is obligated to this percentage.

- **Adequacy of credit provisions:**

For the purpose of limiting credit losses and not being exposed to a loss by the bank as a result of bad credit (non-working), the bank must set provisions for credit losses, if any, and calculated monthly and at the rates mentioned below and according to their classification by my agencies: -

- A- Excellent credit: No provision
- B- Good credit: 2% of the total amounts of good credit
- C- Medium credit: 10% of the total medium credit.
- D- Below average credit: 25% of the total average credit
- E- Bad credit: 50% of the total bad credit.
- F- Credit losing: 100% of the total credit loss.

Excluded from classification and allocation is credit granted with in-kind guarantees that can be quickly and easily available, such as (fixed deposits - savings deposits - gold mortgages - mortgages of shares if they are salable and quickly and at a price equivalent to at least twice the credit granted and considered among the excellent credit in the classification unless they are due for payment.

- **Individual Focus**

The objective of this indicator is to identify and analyze the concentrations of deposits at the level of all the bank's customers, including individuals, companies and government agencies. The Risk Management Department suggests that the ratio should not exceed 1% as a minimum, in order to avoid reaching the aforementioned Central Bank ratio.

2- The acceptable risk limits for concentrations

- Sectorial concentration:

Sector	The border	
	The lower	The upper
Agriculture	2%	7%
Industry	5%	15%
Commercial	25%	40%
tourist	2%	10%
Serve	15%	25%

Construction	30%	40%
Transfer	1%	5%

- Geographical concentration:

According to the bank's branches spread in the governorates (Erbil - Baghdad - Sulaymaniyah - Zakho) and as follows:

Sector	The border	
	The lower	The upper
Baghdad	20%	30%
Erbil	35%	45%
Sulaymaniyah	35%	45%
Zakho	10%	20%

- **Concentration of guarantees:**

According to the type of collateral used by the bank, as follows:

type of loan	The border	
	Lower	Upper
Persons	%30	45%
real estate	%55	70%

The bank should take caution and avoid some of the things that cause problems in the process of granting credit, including:

- 1- Predominance of personal interest: Excessive granting of credit to related persons, major shareholders and high-ranking employees.
- 2- Concern about income: the revenue factor is never allowed to outweigh the safety of the bank because the credits granted carry great credit risks or that the terms of their repayment are insufficient.

3- Compromises regarding the principles of credit: - Not granting credit that violates the principles of granting for reasons of shame, friendships, or conflict of personal interest.

4- Incomplete credit information: Complete credit information is a rational way to determine the financial ability of borrowers and the lack of information leads to the existence of bad credits.

5- Failure to contract or implement payment agreements: Granting credit without a clear agreement leads to the borrower's failure to pay.

6- You should avoid granting loans that carry high credit risks, such as:

-Loans that focus more on the expectations of successful completion of the business transaction than on equity.

-Guarantees taken without a suitable margin from the front.

3- The limits of the acceptable operational risk

- The system is not allowed to be interrupted for more than 10 minutes as a maximum.
- It is not allowed for an employee to hold two jobs in the same bank.
- It is not allowed to put the customer on hold for a specific period of time not exceeding 10 minutes.
- All customer complaints are resolved on the same day with a maximum of two working days.

Objectives, procedures and objectives of the bank to reduce carbon emissions

1- Projects, activities, products and services that meet the principles of sustainable finance and are included in the criteria of sustainable projects, activities, products and services.

2- The project, activity, product or service concerned must obtain investment, financing or credit if the activities prioritize efficiency and effectiveness in the use of natural resources in a sustainable manner, and prevent, limit, reduce and correct that provide solutions to environmental damage, increase in pollution and waste, damage to the ecosystem and social injustice and inequality or people facing the effects of climate change

3- A reference to the definition of sustainable business activities. The following are the criteria for sustainable projects

A- Efficiency and effectiveness: To give priority to the efficiency and effectiveness in using natural resources in a sustainable manner, including the efficient use of input materials and alternative input materials, the efficient use of clean energy, water saving, and the use of non-conventional water sources.

B- Mitigation: to prevent, reduce, reduce and repair environmental damage, increase pollution, waste, damage to ecosystems, social inequality/inequality, including prevention and treatment of pollution/waste, not provoke and influence social conflict, and create an impact To improve the welfare of society, protect the environment and production using low-carbon processes.

C- Adaptation: To provide solutions for people facing the impacts of climate change, including the renewal of technology to save energy and lower emissions, conserve resources and recycle, and improve the well-being of affected communities. You can refer to the international experiences of institutions to define business activities.

Formed Committees Audit and Compliance Committee according to the minutes

- 1- Treasury Inventory Committee
- 2- Procurement Committee
- 3- Fixed Assets Inventory Committee
- 4- Emergency Committee
- 5- ATM Inventory Committee
- 6- Accounts Compliance Committee in the ATM Department
- 7- Formation of committees emanating from the executive management according to the corporate governance manual

First: The Information Technology Committee

Second: The Investment Committee

Third: The Asset Liability Management Committee

Fourth: The Credit Committee


رئيس مجلس الإدارة
محمد سعدي احمد سيد محمد

مصرفه اربيل للاستثمار والتطوير
شركة مساهمة خاصة
الإدارة العامة


المدير المفوض
بختيار رشيد اسماعيل جمباز


Haseeb Kadhim Jwaid & Co
شركة
حساب المحاسبين
مراجعة وتدقيق الحسابات
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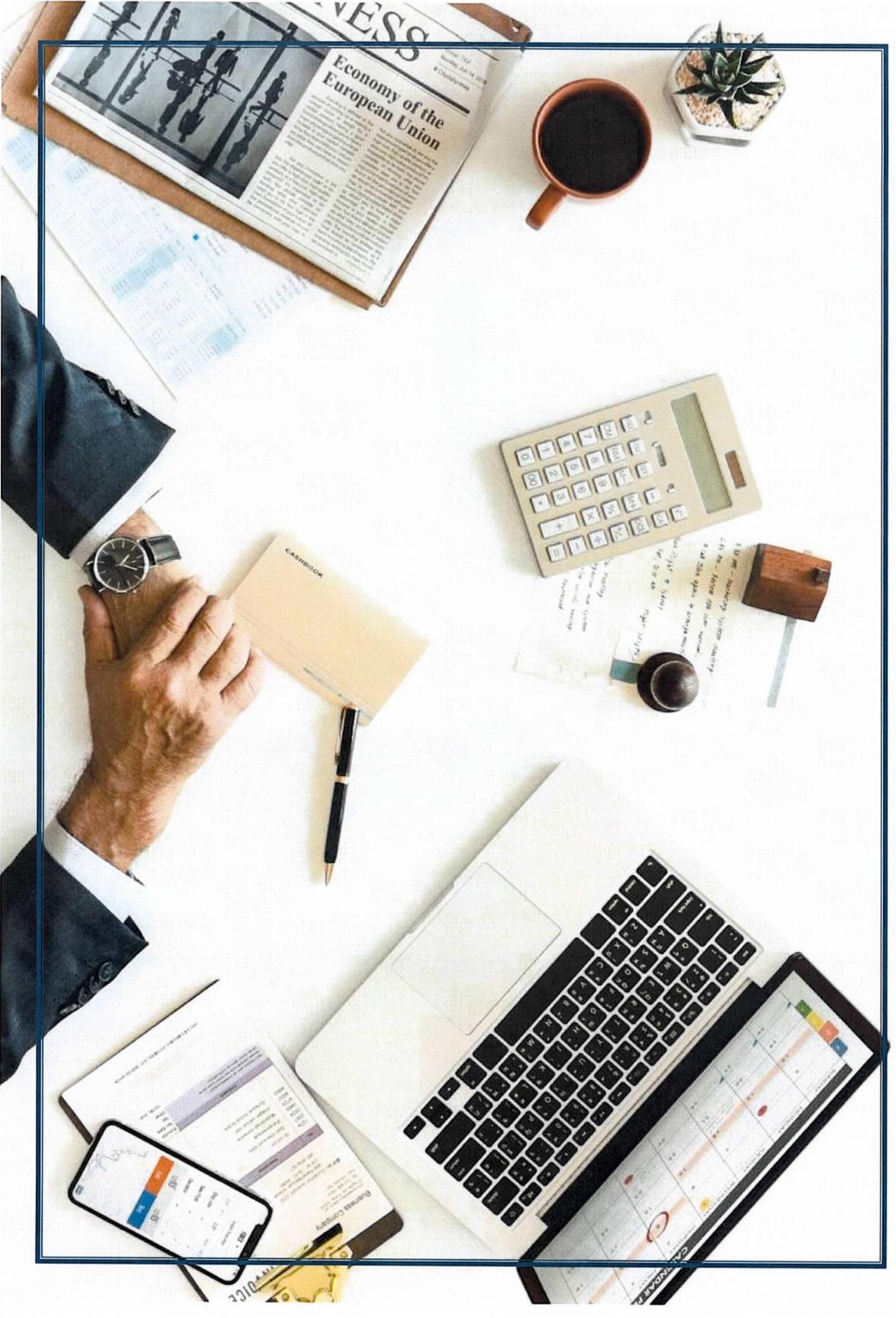


ERBIL BANK

For Investment & Finance

Auditor's Report and Financial Statements For the Year Ended 2020/12/31





BUSINESS

Economy of the European Union



No.(153/21/55)

Date: 06/09/2021

To/ **the honorable shareholders of Erbil Bank for Investment and Finance (Private Joint Stock Company)**

S/Auditor's report

After Greeting

We are pleased to inform you that we have audited the financial position of Erbil Investment and Finance Bank (SH, M,X) as it is on 31 December 2020, the income list, the statement of changes in the rights of owners, the disclosure of cash flows for the year ending the same date, the explanations bearing the sequence from (1) to (21) and the annual bank management report prepared under the provisions of the Companies Act No. 21 of 1997 amended, regulations and instructions issued under the Banking Act No. (94) of 2004 and in accordance with the provisions of the Companies Act No. 21 of 1997 amended, regulations and instructions issued under the Banking Act No. (94) of 2004 and in accordance with recognized local and international audit standards.

We have obtained the information and explanations that, in our opinion, were necessary for the performance of our mission that we have carried out in accordance with the legislation in force for the customary audit procedures, which included the necessary tests for the aspects of the bank's activity that fall within our jurisdiction.

Management responsibility

The Management is responsible for preparing and disclosing these statements in accordance with international accounting standards. In addition to its responsibility in preparing and implementing the internal control system, especially with regard to preparation and disclosure of financial statements fairly and free of fundamental errors, which may be the result of errors and manipulation, also includes the testing of the application of appropriate accounting policies and the use of reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express an impartial technical opinion on the financial statements submitted to us, in accordance with the evidence and local and international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free from any fundamental errors, and the audit includes our examination .On a test basis for data and documents supporting for the amounts shown in the balance sheet and accounts and the final financial year ended on December 31, 2020 and its disclosure. Also it includes a fair assessment of the accounting principles adopted by management, and we believe that our audit provides a reasonable basis. For our opinion, we have the following clarifications and notes:

First: Implementation of international accounting standards

The bank still relies on the principle of historical cost registration in evaluating property, Buildings, Equipment and other assets instead of revaluation and the bank has applied the international standard No. (9) in calculating expected credit losses (ECL) and the results of the application were the existence of a deficit in the value of (2910) billion dinars among the total expected credit losses, according to the methodology set for application of the standard amounting to (34924) billion dinars and the balance of the provision calculated according to the instructions of the Central Bank Iraqi No. (4) For the year 2010, amounting to (32014) billion dinars, knowing that the bank has applied Standard in cooperation with Iraqna Consulting Company.

Second: subsequent events

There are no subsequent events in the balance sheet date that materially affect the financial statements, and there is no adverse impact of the Coronavirus as of the date of this report.

Third: - money

1) The money balance amounted to (296, 8) billion dinars on December 31, 2020, compared to the previous year, which amounted to (3,326) billion dinars, with a decrease of (5.29) billion dinars.

2) The exchange rate (1460) per dollar was adopted as a basis for evaluating the foreign currency on 12/31/2020.

3) The form of cash in fortified safes on December 31, 2020 (125) billion dinars, i.e. (42%) of the total cash, which is a high percentage. Therefore, we recommend operating these funds or Deposit it in the open bank account with the Central Bank of Iraq.

4) Within the current account of the Central Bank of Iraq, an amount of (89,928) billion dinars represents its value the cheques seized in the Kurdistan Region may last for the construction of a provision for credit losses at a percentage 20% of its value, which amounted to (17985) billion dinars, according to the book of the Central Bank Al-Iraqi Issue 9/2/5532 on 16/4/2020 and the bank must review its Kurdistan Regional Government regarding the settlement of these balances, according to the directives of the Central Bank of Iraq by issue 9/2/9113 on 10/5/2021 and accordingly we recommend that the necessary measures be taken.

5) The legal liquidity ratio reached (9.63%), which is a high percentage compared to the ideal standard of (30%) and therefore we recommend operating this liquidity and in accordance with the regulations and laws issued from the Central Bank of Iraq.

6) The Liquidity Coverage Ratio (LCR) was (182%) and the Net Stable Transfer Ratio (NSFR) (166%), which is an indicator that shows the ability of the bank to face future obligations.

7) The bank relied on the SWIFTs issued by some foreign banks for the matching purposes on 12/31/2020, because letters of confirmation were received in the balances of those banks, despite the request for these endorsements and confirmation of them by the bank.

8) It was noted that there is no insurance contract for the fortified room in the bank, such as insurance against theft and fire. Money is also damaged as a result of moisture and water leakage, as well as the lack of insurance contracts for treasurers.

Fourth : - cash credit

1) The cash credit balance on December 31, 2020 amounted to (177897) billion dinars, net, that is, after downloading the expected credit losses, compared to (150772) billion dinars for the previous year.

2) The profits achieved as a result of granting cash credit on 31/12/2020 amounted to (4314) billion dinars, which represents a percentage of (28%) of the total revenues.

3) The lack of credits granted to the people concerned according to the instructions of the Central Bank of Iraq was calculated, No. 23/2/2020 on 6/9/219.

4) The bank financed through the initiative of the Central Bank of Iraq to finance short and long-term small projects, which amounted on 31/12/2020 (8310) billion dinars.

5) The bank confirmed the amount of (4796) billion dinars for the fines incurred by the bank from the customs declarations for the year 2020 on the account of debtors / private sector / companies and associations, and a provision for losses was calculated at a rate of 100% within the cash credit risk allowance account, and we recommend the bank to analyze the aforementioned account and expedite the collection of the amounts owed by the companies that entered the auction for the previous years, which amounted to a balance on (12/31/2020) (2,4267) billion dinars.

6) The necessity of increasing the effectiveness of the bank in collecting loans and calculating the interests of those loans.

7) The necessity of committing with the instructions of the Central Bank of Iraq when granting loans for interest, providing the necessary guarantees, and repaying loans on the due date in order to preserve the integrity of the bank's financial assets and shareholders' rights.

8) We recommend the necessity of addressing the concentration in the debit current accounts (exposed) in order to raise its percentage to the total cash credit.

Fifth: - Pledge Credit

1) The balance of letters of guarantee and documentary credits on December 31, 2020 amounted to (244) billion dinars, compared to (235) billion dinars for the previous year, and the cash guarantees obtained against these

credits amounted to (61) billion dinars, which represents (25%) of the reliable guarantees against these obligations.

2)The balance of the pledge to credit risk provision amounted to(5848) billion dinars, compared to (5203) billion dinars for the year 2019.

Sixth: - Current Accounts: -

1) The current account balances amounted to (134) billion dinars on 31/12/2020, compared to (176) billion dinars for the previous year, i.e. a decrease rate of (76%), and this indicator shows a Weakness in the bank's ability to attract deposits.

2) The current accounts constituted a percentage (26%) of the total liabilities and equity, which is a small percentage indicating that the bank is still dependent on its own resources.

3) We recommend working on attracting investment (saving) deposits, as it represents a percentage of (2.4%) in terms of total deposits.

4) We recommend working to raise the ratio of basic deposits against non-core deposits, as their exposure to risks is great.

Seventh: Income statement (profits and losses)

1) The profits resulting from re-evaluating the balances of assets and liabilities in foreign currency amounted from the exchange rate of (1190) dinars to (1460) dinars to the dollar, according to the letter of the Central Bank of Iraq numbered 9/2/382 on 21/12/2020, the amount of (24858) billion dinars.

2) The bank reversed the profits mentioned in paragraph (1) above on the cash credit risk allowance account on December 28, 2020 based on the letter of the Central Bank of Iraq No. 9/2/401 on December 28, 2020,

Which includes the non-distribution of profits from the evaluation of foreign assets According to the new official exchange rate, and these profits are kept as additional provisions.

3) The bank achieved net losses on the budget date of (13382) billion dinars for the year 2020 as compared to 2019, with losses of (3896) billion dinars.

Eighth: Money laundering

Sufficient measures have been taken to prevent money laundering and terrorist financing operations, and that these measures are being implemented in accordance with the regulations and directives issued by the Central Bank of

Iraq and in accordance with the provisions of the Money Laundering and Terrorist Financing Law No. 39 of 2015 and we have reviewed the reports of the Money Laundering Reporting Unit and they met the conditions What is required is that the bank has implemented the (AML) system according to the directives of the Central Bank of Iraq, and according to the bank's ambitions to expand in this field, the bank has contracted with the company that supplied the system for the purpose of linking it with the banking system (ICBS) and linking it to the international sanctions lists through the (check work) system and the work is still ongoing by the company.

Ninth: Internal control

The internal control reports were comprehensive of the bank's activity, and the internal control system included the necessary procedures through which this section could conduct internal control over the bank's activities and according to the expansion of its activities, we recommend the necessity of adopting and implementing the internal control reports.

Tenth: Legal proceedings

First: The lawsuits filed by the bank against third parties

1- Case number: **1759/B/2019.**

Plaintiff: - **Erbil Bank for Investment and Finance.**

The defendant: - **Omed Gharib Hama Co.**

Amount of the lawsuit: - **\$81185.**

2-Case No:- 2019/4B/783

Plaintiff: - **Erbil Bank for Investment and Finance.**

The defendant: - **Karnas Co.**

Amount of the lawsuit: - **\$2,000,000**

Second: - The lawsuits filed by others (third parties) against the bank

Case Number: - **999/B4/2021.**

Plaintiff: - **The North Oil Company.**

The defendant: - **Erbil Bank for Investment and Finance.**

Amount of the lawsuit: - **\$95,000**

Eleven: - Risks

All risk management reports are following the instructions and controls for risk management issued by the Central Bank of Iraq.

Twelve: - Compliance Monitor

Through our review and study of the compliance observer reports submitted during the year subject to audit, they were prepared in accordance with the requirements of the Central Bank of Iraq.

Thirteen: Revenue from buying and selling foreign currencies

1) The Central Bank of Iraq / Department of Financial Operations and Debt Management / Department of the window for buying and selling foreign currencies was approached in our book No. 11/21/55 on 30/1/2021 to indicate the amount of dollars purchased by the bank for the year 2020 through the window of buying and selling currencies. The foreign bank has also provided us with the amount of the foreign currency purchased according to the table below, in addition to the revenue generated through this window, knowing that we have not received the answer of the Central Bank of Iraq until the date of issuing the final accounts.

The table below shows the amount of money purchased from the foreign exchange sales and purchase window:

Amounts purchased through the foreign exchange buying and selling window	Amount of purchases in dollars	Amount of revenue in dinars
Cash	2230000	8390000
Foreign remittances	1453320000	2039210000
Documentary credits	5500000	000

2) Represents the percentage of profits from the sale and purchase of the dollar through the window of foreign science (26%) of the bank's total revenues of (15233) billion dinars, and therefore we recommend the development of various banking products and diversification of sources of income in the future.

Other explanations: -

- 1) We have seen the results of the testing of the performance card of the Bank's Institutional Governance Manual, and in our view that the bank is generally in compliance with quantitative and qualitative requirements and according to the model of the parallel performance card project, and that the Board of Directors and executive management of the Bank are working diligently and diligently to comply with the institutional governance instructions for disclosure and transparency practices.
- 2) The results of the office audit by the Central Bank of Iraq were seen on the central bank's correspondence on the results of the audit of the quarterly budgets sent from the bank to the Central Bank of Iraq at the end of each quarter of the year and followed up the implementation of the treatments contained in the results of the audit and any other executive measures specified by the Central Bank of Iraq for the bank, such as reports of the Department of Oversight and Internal Audit.
- 3) Through our study of the bank's correspondence file with the Central Bank of Iraq on platoon and monthly reports, it was noted that there are no substantial matters that may affect the sufficient information sent to the Central Bank of Iraq.
- 4) The bank adopts electronic systems in registration processes for financial transactions and in accordance with the banking system (ICBC) and all accounting arguments are kept electronically, but in relation to documents, they are documented paper and kept in safe places in a proper manner.

5) Balances with correspondent banks:

- A- The ratio of keeping debit balances in banks linked to capital and sound reserves is (12.6%) on 31/12/2020, which does not exceed the percentage estimated by the Central Bank of Iraq of (20%).
- B- The bank has built a dedicated building based on the methodology set for the International Standard of Financial Instruments No. 9 on the debit

Abbas Ali Abbas
Chartered accountant and auditor
Member of the Iraqi Association of
Certified Accountant

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Chartered accountant and auditor
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About Haseeb Kazem Jaweed Company and his partner, an
auditor and auditor / joint venture

balances abroad and inside, which amounted to (879393) thousand Iraqi dinars on December 31, 2020 to counter the possibility of default.

(6) Foreign exchange centers:-

The bank has calculated the foreign exchange positions based on the instructions of the Central Bank of Iraq, where the percentage reached on 31/12/2020 (77%), so we recommend reducing the percentage, which should not exceed the percentage estimated by the Central Bank of Iraq of (20%) of the capital and Proper precautions based on their book No. 9/3/180 on 30/6/2020.

According to what is recorded in the bank's records and the clarifications given to us.

1. The book group used by the bank was in accordance with the requirements of the bookkeeping system and included, at our discretion, the recording of all the assets, liabilities, expenses and revenues of the bank.
2. The process of inventorying fixed and cash assets has been carried out properly in our supervision.
3. The annual report of the bank's management and the financial and accounting information it contains comprehensively reflect the bank's progress during the year and that it is prepared in accordance with the requirements of Companies Law No. 21 of 1997, as amended, and that it does not include anything that contravenes the provisions of laws and legislation.
4. The financial statements were regulated in accordance with international accounting standards and in accordance with applicable legislation and are in accordance with the records and are regulated in accordance with the amended Companies Act, the Banking Act and the binding regulations.

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Chartered accountant and auditor
Member of the Iraqi Association of
Certified Accountant

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Opinion

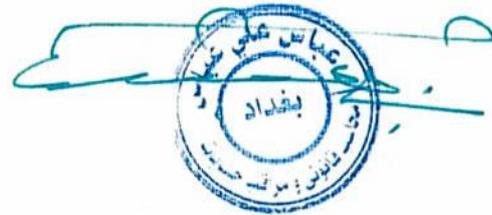
Taking into account the above observations and clarifications and their impact on the bank's financial situation, in our view, based on the information we have obtained, the financial statements and the financial management report are consistent with the records, meet the legal requirements and, as much as they contain performance indicators, clearly and fairly reflect the bank's financial position as of December 2020 ,31, the results of its activity and its cash flows for the fiscal year ending that date.


رئيس مجلس الإدارة
محمد سعدي احمد سيد محمد

With appreciation...


المدير المفوض
بختيار رشيد اسماعيل جمباز

مصرفه اربيل الاستثمار والتنمية
شركة مساهمة خاصة
الادارة العامة



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Raftarmuhsin40@gmail.com
Please do not hesitate to contact us

I certify that this text (**Auditor's report**) was translated from **Arabic** into **English** by **Mr. Raftar Muhsin Usman**) who has license in legal translation, and after taking legal oath, he testified that he translated it accurately and validly and the **English** identical to the **Arabic** one on No.2015/32.

Income list

The year ended on 31/12/2020

Declaration	Description	2020 Thousand Dinar	2019 Thousand Dinar
Credit interest	14	7,670,471	11,477,937
Debit interest	15	(745,983)	(558,171)
Net interest income		6,924,488	10,919,766
Net Commission income	16	4,314,608	4,369,065
Profits (losses) of foreign currency	17	3,948,936	4,257,878
Other revenues	18	45,229	142,957
		3,994,165	4,400,835
Total revenue		15,233,261	19,689,666
Personnel expenses	19	1,722,320	1,624,144
Depreciation and amortization		1,433,231	613,532
Operating expenses	20	2,107,147	1,109,235
Direct cash credit risk	-	22,782,641	-----
Other expenses	21	569,969	20,239,487
Total expenses		28,615,308	23,586,398
Net earnings and deficit		(13,382,047)	(3,896,732)
Income tax		-----	-----
Net earnings after tax		(13,382,047)	(3,896,732)
basic earnings per share		-----	-----
Earnings per share			
Distribution:			
Legal reserve		-----	-----
Accumulated surplus \deficit		(13,382,047)	(3,896,732)

التوزيع :
 احتياطي قانوني
 فائض/عجز المتركم
 المدير المالي
 به ريز غازي بابيه

المدير المفوض
 بختيار رشيد اسماعيل

مصرف اربيل للاستثمار والتحويل
 وشركة مساهمة خاصة
 الاذقية - الموصل

(3,896,732) (13,382,047)

تعتبر الايضاحات من تسلسل (1) - (21) المرفقة بالقوائم المالية جزء منها وتقرأ معها

تجيزه
 مجلس منسبة مراقبه وتصدق الحسابات
 امسنته السر
 نتدق على صحة خدمه وتوثيق مراقبه الحسابات وانه مزاول
 لخدمة مراقبه وتصدق الحسابات لعام 2021 رده اي مسؤوليه
 عن مستريات هذه البيانات المالية .
 (المحلل) محمد اوزن مكي
 رقم الرصيد ٦٩٨١ تاريخه ٢٧/١٢/٢٠٢٠

Erbil bank for investment and finance (private contribution Company) – Erbil

Cash flow statement for the ended year on 31\12\2020

Cash flow statement for the ended year on 31\12\2020

Declaration	2020	2019
<u>Operational activities</u>	<u>Thousand Dinar</u>	<u>Thousand Dinar</u>
The year's profit before tax	(13,382,047)	(3,896,732)
Adjustments for non-cash items		
Depreciations	1,433,232	613,532
Chargeable credit loss provision	-----	-----
Losses of selling properties and equipment		
Losses of selling financial assets at fair value through the consolidated income statement.	-----	-----
Paid income tax	-----	(1,862,787)
Varied allocations	3,131,639	-----
Unknown differences	-----	-----
	4,564,871	(1,249,255)
Cash flows from operating activities before changes in assets	(8,817,176)	(5,145,987)
Change in assets and liabilities		
Change in net direct credit facilities	(27,125,485)	7,649,452
Change in net financial assets at fair value	-----	(37)
Decrease in financial assets at fair value through the consolidated income statement	-----	-----
Change in other assets	877,869	(1,131,285)
Changes in customer deposits	(42,006,464)	(18,063,377)
Change in cash insurance	6,269,943	5,694,212
Change in other liabilities	18,190,207	(1,825,334)
Net cash flow from operating activities before taxes	(43,793,930)	(7,676,369)
Payed taxes	-----	-----
Net cash flow from operational activities	(52,611,106)	(12,822,356)
Investment activities		
Increase/Decrease Financial assets at amortized cost	-----	-----
Increase in projects in progress	(630)	(11,040,520)
Decrease in financial assets at fair value through other comprehensive income	-----	-----
Increase in financial assets at fair value held to maturity	-----	-----
Purchase of property and equipment	(227,389)	(1,852,264)
Fixed asset sales	-----	1,250
Purchase of intangible assets	-----	-----
Net cash flow from investment activities	(228,019)	(12,891,534)
Financing activities	(52,839,125)	(25,713,890)
Increase in borrowed money	3,860,000	2,805,950
Proceeds from the capital increase	-----	-----
Capital increase fee	-----	-----
Change in reserves	19,470,174	(1,411,488)
Dividends	-----	(2,473,176)
Net cash flow used in financing activities	23,330,174	(1,078,714)
Net increase in cash and cash equivalent	(29,508,951)	(26,792,604)
Cash and cash equivalent in the beginning of the period	326,335,808	353,128,412
Cash and cash equivalent in the end of the period	296,826,857	326,335,808

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

1-Cash in fund and credits in Central Bank of Iraq :

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Cash in branches vaults\ Dinar	125,383,059	45,211,032
Foreign exchange	-----	34,448,442
Cash balances and legal deposits in Central Bank Of Iraq	153,805,236	227,569,232
Total	279,188,295	307,228,706
Provision for expected and doubtful credit losses to be obtained is reduced.	18,067,821	
	261,120,474	

2- Balances in banks and financial institutions

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Cash in local banks	1,711,670	3,407,805
Cash in offshore banks	34,874,106	15,699,297
Total	36,585,776	19,107,102
Provision for expected credit losses is reduced	879,393	
	35,706,383	

Expected credit losses represents the followings:

(82154) thousand Dinar expected losses according to International Financial Reporting Standard 9

(17985667) thousand Dinar is the cheque losses in the Kurdistan region, according to the Central Bank's document No. 9\2\5531 on 16\4\2020

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

3- Direct Credit Facilities

A- Detailed statement of cash credit

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Long Term Loans\ Individuals	8,073,863	3,153,140
	63,198	-----
The expected credit loss allowance is reduced	8,010,665	3,153,140
Short term loans\private section\companies	13,095,661	22,353,913
The expected credit loss allowance is reduced	219,140	-----
	12,876,521	22,353,913
Short Term loans\ private section\ individuals	1,948,441	2,751,283
The expected credit loss allowance is reduced	479,641	-----
	1,468,800	2,751,283
Total loans	22,355,986	28,258,336

Debit current accounts

Debit current accounts\Private sector\Companies	133,695,360	106,066,343
The expected credit loss allowance is reduced	32,424,615	-----
	101,270,745	106,066,343
Debit current accounts\Private sector\individuals	34,337,222	28,359,260
The expected credit loss allowance is reduced	710,291	-----
	33,626,931	28,359,260
Staff advance	1,240,045	1,119
The expected credit loss allowance is reduced	66,236	-----
	1,173,809	1,119
Total current and advance accounts	136,071,485	134,426,722
Total loans, current accounts and advances	158,427,471	162,685,058
Balance of provision for doubtful debts		11,912,898
Debtors/Private sector\ companies \ associations	24,267,148	-----
Provision for risk receivable	4,796,974	-----
	19,470,174	-----
Total	177,897,645	150,772,160

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

4- Financial investments

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Long term investments\ government	789,474	789,437
Treasury transfers of the Republic of Iraq	-----	-----
Iraqi Central Bank transfers	-----	-----
Shares of local companies listed on the stock market	-----	-----
Shares of local companiesnot listed on the stock market	-----	-----
Fair value difference	-----	-----
Total	789,474	789,437

The table below shows the movement on financial assets at fair value through other comprehensive income statement

	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Balance at the beginning of the year	-----	-----
Additions	-----	-----
Discounts	-----	-----
Fair value change reserve	-----	-----
	-----	-----
Balance at the end of year	-----	-----

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Erbil Bank for investment and finance (private co)
List of changes in property rights
Ended year in 31\12\2020

Declaration	Capital	Dividend reserve	Emergency reserve	Legal reserve	Accumulated deficit	The retained earnings	Total
	Thousand Dinar						
Balance as on 1\1\2020	265,000,000	5,492,310	-----	3,000,495	(3,896,732)	-----	269,596,073
Discounts during the period	-----	-----	-----	-----	-----	-----	-----
Additions during the period	-----	19,470,174	-----	-----	(13,382,047)	-----	6,088,127
Balance on 31\12\2020	265,000,000	24,962,484	-----	3,000,495	(17,278,779)	-----	275,684,200

Declaration	Capital	Dividend reserve	Emergency reserve	Legal reserve	Accumulated deficit	The retained earnings	Total
	Thousand Dinar						
Balance on 1\1\2019	265,000,000	-----	6,903,798	3,000,495	-----	2,473,176	277,377,469
Discounts during the period	-----	(250,543)	(6,903,798)	-----	-----	(2,473,176)	(9,627,517)
Additions during the period	-----	5,742,853	-----	-----	(3,896,732)	-----	1,846,121
Balance on 31\12\2019	265,000,000	5,492,310	-----	3,000,495	(3,896,732)	-----	269,596,073

Clarifications:

Due to General Assembly decision numbered none and dated in 3\10\2020 and with the approval of Iraqi Central Bank by the document No. 9\2\1387 to transfer fines from previous years which reached (19470174) thousand Dinar to calculate the dividend distribution reserve, which includes the years (2012, 2013, 2014) and suspend it on the account of the debtors.

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Balance on 31\12\2020	265,000,000	24,962,484	-----	3,000,495	(17,278,779)	-----	275,684,200
Declaration	Capital	Dividend reserve	Emergency reserve	Legal reserve	Accumulated deficit	The retained earnings	Total
	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar
Balance on 1\1\2019	265,000,000	-----	6,903,798	3,000,495	-----	2,473,176	277,377,469

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

5- Fixed assets as in 31\12\2020

Fixed assets	Lands Thousand Dinar	Buildings Thousand Dinar	Tools and machines Thousand Dinar	Transportation Thousand Dinar	Tools and Templates Thousand Dinar	Equipment and furniture Thousand Dinar	Total Thousand Dinar
Cost in 1\1\2020	5962660	21200000	180900	47170	4323	3061428	30456481
Additions	000	000	2671		4380	220338	227389
Crosses out	000	000	000	000		000	000
Cost in 31\12\2020	5962660	21200000	183571	47170	8703	3281766	30683870
Depreciation rate Depreciation							
Depreciation provision in 1\1\2020		1185500	147523	47169	4322	2556857	3941371
Current year's depreciation	000	814880	18215	000	000	600137	1433232
Depreciation provision balance in 31\12\2020		2000380	165738	47169	4322	3156994	5374603
Book value as on 31/12/2020	5962660	19199620	17833	001	4381	124772	25309267
Projects under construction 1\1\2020	000	11090520	000	000	000	000	11090520
Adding projects under construction	000	000	000	000	000	630	630
Projects under construction 31\12\2020	000	11090520	000	000	000	630	11091150

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2019

5- Fixed assets in 31\12\1019

	Lands Thousand Dinar	Buildings Thousand Dinar	Tools and machines Thousand Dinar	Transportation Thousand Dinar	Tools and Templates Thousand Dinar	Furniture and equipment Thousand Dinar	Total Thousand Dinar
Cost in 1\1\2019	5300000	20620410	180778	47170	4323	2452786	28605467
Additions	662660	579590	222	-----	-----	609792	1852264
Crosses out	-----	-----	100	-----	-----	1150	1250
Cost in 31\12\1019	5962660	21200000	180900	47170	4323	3061428	30456481
Depreciation rate Depreciation							
Depreciation provision in1\1\2019	-----	761500	120034	47169	4322	2394814	3327839
Current year's depreciation	-----	424000	27489	-----	-----	162043	613532
Depreciation provision balance in 1\1\2019	-----	1185500	147523	47169	4322	2556857	3941371
Book value as on 31/12/2019	5962660	20014500	33377	1	1	504571	26515110
Projects under construction 1\1\2019	-----	-----	-----	-----	-----	-----	-----
Adding projects under construction	-----	11090520	-----	-----	-----	-----	11090520
Projects under construction 31\12\2019	-----	11090520	-----	-----	-----	-----	11090520

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

6-Other assets

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Debtors of exchange operations with Yana company	456	-----
Mutual debit accounts	-----	-----
Accrued and unearned revenue	105,663	37,867
Insurance for others	184,254	30,980
Prepaid expenses	-----	-----
Legal expenses	49,400	49,400
Advance for activity purposes	-----	-----
Affiliate advance	-----	1,095,548
Debtors with overdue debts	-----	-----
Cash differences	98	3,945
Total	339,871	1,217,740

7-Customers deposits

Declaration	2020	2019
Current accounts	Thousand Dinar	Thousand Dinar
Debit current accounts\ financial sector	6,816,283	1,054,672
Debit current accounts\private sector\ companies	71,941,995	116,162,454
Debit current accounts\individuals	29,835,381	46,373,442
Debit current accounts\private sector\ companies\ foreign currency	-----	-----
Debit current accounts\individuals	-----	-----
Debit current accounts\ individuals\ foreign currency	-----	-----
Total	108,593,659	163,590,568

Savings accounts

Savings accounts\Dinar	4,509,839	7,320,795
Savings accounts\ foreign currency	12,479,859	5,263,896
Temporary deposits	-----	-----
Fixed deposit\ individuals\ Dinar	9,020,210	468,305
Fixed deposit\ companies\ Dinar	-----	58,861
Fixed deposit with warning\private sector\companies	92,393	-----
Total	26,102,301	13,111,857
	134,695,960	176,702,425

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

8-Cash insurance

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Insurance received and receipts for banking operations	61,023,602	54,354,823
Foreign remittances sold	-----	-----
The bills drawn on the bank\ local currency	1,076,015	1,474,851
Checks drawn on the bank	-----	-----
Total	62,099,617	55,829,674

9- Other Liabilities

Declaration	31\December\2020	31\December\2019
Approved Instruments (certified)	3,507,429	1,699,687
Instruments reserved by phone	-----	-----
Debtors of teller operations with YANA company	35,563	-----
Insurance received	7,362,298	-----
Revenue received in advance	4,906,610	2,711,726
Unpaid interest accrued	13,941	8,293
Eligible administrative expenses	65,000	63,000
Fees of financial stamps	164,384	321,465
Clearing accounts	-----	-----
Amounts received for company registration	7,032,820	98,232
Deductions for others	5,614	9,334
Balances and compensation of deceased customers	-----	-----
Amounts withheld at the request of an Official party	34,474	26,448
Unclaimed amounts	-----	-----
Varied debt accounts	-----	-----
Fund increase	35	-----
Deceased accounts	1,215	991
Total	23,129,383	4,939,176

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

10- Income tax provision

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
The beginning of year balance	-----	1,862,785
Income tax adjustments	-----	(1,862,787)
Income tax due for the current year	-----	-----

11- Other customizations

The details in this article is as following:

	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Provision for commitment risk	5,848,099	5,203,464
Various customizations	-----	-----
	5,848,099	5,203,464

The following movement possessing provisions for Commitment Obligations

	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Balance at the beginning of the year	5,203,464	5,203,464
Additions during the year	644,635	-----
Transfers during the year	-----	-----
Balance at the end of the year	5,848,099	5,203,464

12-Property rights

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Legal precaution	3,000,495	3,000,495
General precaution	-----	-----
Dividend reserve	24,962,484	5,492,310
Emergency reserve	-----	-----
Fair value reserve	-----	-----
Accumulated deficit	(17,278,779)	-----
Total	10,684,200	8,492,805

A-The bank capital is (265) billion fully paid shares.

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Erbil bank for investment and finance (private contribution Company) – Erbil

B-The Total amount of capital and reserves for the year 2020 is (275684) billion.

Notes about the bank's financial statements for the ended year in 31\12\2020

13- Pledge credit

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Letters of guarantee	191,433,808	204,385,114
Credit of guarantee Letters	(50,063,240)	(47,717,966)
Net issued letters of guarantee	141,370,568	156,667,148
Documentary Credits	52,747,773	31,252,520
Credit insurances	(10,960,362)	(6,636,856)
Net debtor credits	41,787,411	24,615,664
Total net pledge credit	183,157,979	181,282,812

14- Debtholder interest

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Benefits of direct credit facilities	-----	-----
Benefits of loans granted\Dinar	97,263	139,497
Benefits of loans granted \Dollar	1,106,840	1,211,957
Benefits of current accounts receivable\Dinar	262,750	244,524
Benefits of current accounts receivable\Dollar	6,199,494	9,870,753
Interest on balances and deposits with banks and banking institutions	-----	-----
Other interests (Benefits of cash deposits with others\external)	4,124	11,206
Total	7,670,471	11,477,937

15-Debit interest

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Current account benefits	-----	-----
Savings account benefits	608,923	465,883
Term Deposit Benefits	137,060	74,788
Benefits of internal borrowing	-----	10,500
Interests on loans and foreign facilities	-----	7,000
Total	745,983	558,171

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

16-Net Commission income

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Creditor commissions	3,861,465	4,157,227
Bank transfers	325,225	210,551
Indirect facilities	-----	-----
Other	307,003	120,153
Debit commissions	(179,085)	(118,866)
Net commissions	4,314,608	4,369,065

17- Other income

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Commercial paper discount income	-----	-----
Different loan income	-----	-----
Inward Investments income	-----	-----
Other Income	45,229	142,957
Total	45,229	142,957

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
18-Buying and selling foreign currency income	3,948,936	4,257,878
	3,948,936	4,257,878

19-Career Staff expenses

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Salaries, bonuses and employee benefits	1,570,550	1,490,682
Compensatory allowances	81,998	77,928
Non-Iraqi wags	220	-----
Contribution to Social Security	69,552	55,534
Total	1,722,320	1,624,144

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Notes about the financial statements of the bank for the year ended on 31/12/2020

Clarifications about the bank's financial statements for the ended year in 31\12\2020

20- Operating expenses

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Servicing	491,068	219,626
Researches services and consulting	34,602	2,000
Advertising ,publishing, printing	83,180	97,876
Office expenses (backup tools)	-----	3,644
Communication	382,638	112,793
Staff transportation	7,624	13,393
Goods and ware transportation	1,098	885
Travelling	14,124	111,628
Training and study fees	15,373	-----
Subscriptions and credits	186,783	134,473
Unemployed bonuses	3,718	610
Legal services	51,520	37,052
Banking services	500	13,494
Varied service expenses	14,044	12,298
Fuel and oil	76,771	74,106
Stationery	28,449	52,659
Staff equipment	6,807	13,111
Water and electricity	63,999	-----
Central bank audit fees	1,800	3,050
Auditing fees	77,500	83,025
Taxes fees	212,627	82,919
Other operational expenses	30.031	9,149
External audit fees	44,530	-----
Master project expenses	278,361	-----
Total	2,107,147	1,077,790

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

Erbil bank for investment and finance (private contribution Company) – Erbil

Notes about the financial statements of the bank for the year ended on 31/12/2020

21-Other expenses

Declaration	31\December\2020 Thousand Dinar	31\December\2019 Thousand Dinar
Compensation and fines	260,649	19,713,264
Donations and subsidies for others	166,000	48,000
Varied taxes and fees	-----	458,021
Other expenses	142,291	2,267
Losses of fixed asset sales	1,029	17,935
Total	569,969	20,239,487

The notes from No. 1 to No. 21 are considered part of the financial statements and should be read with them

The report of the Audit committee the year 2020

Honorable members of the General Assembly of Erbil Bank for Investment and Finance.

Ladies and gentlemen

Peace and Allah's mercy and blessings be upon you

The audit committee has exercised the assigned tasks to examine and audit the financial statements of the bank for the period from 01\01\2020 to 31\12\2020 in accordance with to the requirements and provisions of terms (I) of article (24) of the Banking Law no. (94) year 2004, and the Central bank of Iraq instructions, the committee had reviewed all data and information that it considered necessary to protect the shareholders equity in accordance to recognized auditing procedures locally and internationally.

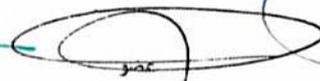
Which obligated the Audit Committee to submit an annual report on the performance of the bank's activities to you, as follows:

- 1- The bank's policy of risk management was secure and based on scientific and logical foundations.
- 2- All activities practiced by the bank are subject to distinct supervisory procedures by the supervisory body in the bank, which are based on secure foundations.
- 3- The committee followed up on the reports sent by the bank to the Central Bank of Iraq regarding the accounts and activities for the year 2020, and the committee noted that they reflect the true and comprehensive picture of the bank's activities.
- 4- The Audit Committee reviewed the report submitted by the external auditor, in which it dealt with all the activities of the bank, confirming through it the soundness of the procedures followed in it, that it is regulated in accordance with the provisions of the Companies Law No. (21) of 1997 (amended) and the Central Bank of Iraq Law (56) for the year (2004) and the Banking Law No. (94) for the year (2004), based on national and international accounting standards and rules.
- 5- The Audit Committee reviewed the reports of the Central Bank of Iraq's inspectors regarding monitoring the bank's work, following up on the liquidation of the observations contained therein, and making use of the proposals and solutions presented in this regard.
- 6- The committee reviewed the report of the compliance observer and ascertained the compliance of the bank (top management and the working sectors) with the laws, instructions and regulations issued by the competent supervisory and monitory authorities.
- 7- The Committee did not notice any money laundering, smuggling, terrorist financing, or any suspicious operations, or in violation of the Law of the Central Bank of Iraq or the Anti-Money Laundering Law, according to the instructions issued by the relevant authorities.
- 8- Reviewing the deliberate mechanism in executing foreign and internal credits and remittances, incoming and outgoing remittances, the safety and adequacy of the obtained guarantees and their compliance with the instructions of the Central Bank of Iraq and the relevant departments.

Yours sincerely....



رئيس اللجنة
بختيار رشيد اسماعيل



عضو
ابراهيم جوده صادق الفحام



عضو
رسول محمود صمد