

(TRANSLATION FROM ARABIC TO ENGLISH)

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Union Bank of Iraq
Private Shareholding Company – Baghdad

Final Statements and Accounts for the Financial Year
Ending

On 31/December/2020

TRANSLATED BY:

Date: **29 JUL 2021**

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وائق هندو

مترجم قانوني مجاز

رقم الهوية ٨١/٤/٤٤٤ من وزارة العدل

عضو جمعية المترجمين العراقيين

رقم الهوية ١٩٢ في ١٩٧٩/١/٢٩

لعنوان: مكتب نادر للترجمة - المسيح

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**Report of the Board of Directors, Report of the Auditor and Financial Statements for the
Financial Year Ending on 31/December/2020**

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Union Bank of Iraq (Private Shareholding Company) – Baghdad

Report of the Board of Directors about the Bank Activity for the Financial Year Ending on 31/December/2020

Below is the report of the Bank's Board of Directors about its activity during the financial year ending on 31/12/2020, the report was prepared according to the provisions of Articles (117 & 134) of Companies Law No.: 21 for the year 1997 amended, and Banks Law No.: 94 for the year 2004 amended, and the Unified Accounting Code for Banks, Insurance Companies and the International Accounting Standards.

First. Summary on the Bank's Establishment

1- The Union Bank of Iraq was established as a private shareholding company with a capital of Two Billion Iraqi Dinars, according to the Establishment Certificate, issued by the Companies Registrar Department No.: 9321 on 23/9/2002, and obtained the money exchange practicing license according to the letter of the Central Bank of Iraq No.: 9/3/340 on 9/3/2004, and started its business on 19/4/2004.

2- Developments on the Bank's Paid Capital:

The below table shows the development of the Bank's capital from year 2010 to year 2020:

Year	2014	2013	2012	2011	2010
Capital / Billion Dinars	252	152	100	59.8	50

3- Bank's Objectives: The Bank aims at realizing the following:-

- a- Mobilizing and applying the national savings in different investment activities, according to the provisions of Article (27) of Banks Law No.: 94 for the year 2004, and contributing to developing the developmental progress of Iraq according to the framework of the State's general policy.
- b- Realizing higher profit for the shareholders.
- c- Maintaining the Bank's outstanding position among other local banks working inside and outside Iraq in the field of providing the best banking services.

Second. Ownership's Equity in the Shares of the Union Bank of Iraq

The Union Bank of Iraq (Private Shareholding Company) is considered to be cautious in its work; therefore, investing in its shares reassures the investor well due to the firmness of its financial position and the good reputation which it has built since its establishment until now, and the following table clarifies this development:



Statement of the Shareholders' Equity Comparison for Five Years

Details	31/12/2020 Million Dinars	31/12/2019 Million Dinars	31/12/2018 Million Dinars	31/12/2017 Million Dinars	31/12/2016 Million Dinars
Nominal Capital	252,000	252,000	252,000	252,000	252,000
Paid Capital	252,000	252,000	252,000	252,000	252,000
General Reserve	8	8	8	8	8
Compulsory Reserve	4840	4797	4716	4712	4708
Expansions Reserve	4900	4900	4900	4900	4900
Accumulated Surplus	2533	1722	175	112	14
Accumulated Deficit	(757)	(728)	(728)	(728)	(747)
Fair Value Reserve	(18)	(16)	(29)	(20)	12
Total Shareholders' Equity	263,506	262,682	261,042	260,984	260,895
Shares No.	252,000	252,000	252,000	252,000	252,000
Share Value / Dinars	1,046	1,042	1,036	1,036	1,035

Third. The Bank Branches:

The Bank has ten branches at the present time, and the following are their locations and activity results Financial Year Ending on 31/December/2020.

Ser.	Branch Name	Profit (Loss) Thousand Dinars	Ownership of the Occupied Building	Address
1	Main Branch	1,024,659	Property of the Bank	Baghdad – Al-Karrada Kharij – Al-Masbah Intersection
2	Erbil Branch	98,369	Property of the Bank	Erbil – Braity – 40 th Street
3	Al-Basrah Branch	60,369	Registration Deed in the Bank's Name	Al-Basrah – 14 Tamouz Street
4	Al-Najaf Branch	15,566	Registration Deed in the Bank's Name	Al-Najaf – Hay Al-Ulamaa
5	Karbala Branch	(40,309)	Renting	Karbala – Hay Al-Tarbiya
6	Al-Nasiriya Branch	18,900	Registration Deed in the Bank's Name	Al-Nasiriya – Al-Habboubi Street
7	Maisan Branch	(30,032)	Renting	Hay Al-Kafaat – Opposite the Agriculture Department
8	Al-Kut Branch	15,235	Renting	Al-Hora Intersection – Near Qasr Al-Nada Hotel
9	Al-Diwaniya Branch	(88,369)	Renting	Hay Al-Orouba – Refreshments Street
10	Diyala Branch	15,016	Renting	Baqouba Al-Jadida – Opposite the Municipality of the Governorate
11	Al-Anbar Branch	000	Renting	Al-Anbar – Al-Mostawdaa Street
	Total	1,089,404		



Fourth. Correspondent Banks

The Union Bank of Iraq has continued in expanding & diversifying the base of its external activities through establishing banking relations with several banks & expanding business with all its correspondents which it has banking arrangements therewith. Below are names of the correspondent banks, which bilateral banking relations were established therewith:

Ser.	Correspondent Bank	Address
1.	Fransabank	Lebanon
2.	Lebanese Credit Bank	Lebanon
3.	Intercontinental Bank	Lebanon
4.	Bank of Beirut	Lebanon
5.	Mye-Bank	Lebanon
6.	Bank of Jordan	Jordan
7.	Credit labanies	Lebanon
8.	Jordanian Investment Bank	Jordan
9.	UBAF Arab International Bank	UAE
10.	Emirates Islamic Bank	UAE
11.	Capital Bank	Jordan
12.	CSC Bank	Lebanon

Fifth. The Bank's Properties and Projects under Execution

The following are properties owned by the bank, which are 7 properties, and whose values amounted to (ID. 22,501,483) Thousand Dinar; and all the first three properties are registered in the name of the bank, while the rest of the properties are still under registration.

Ser.	Property No.	Cost Thousand Dinars	Area	Location	Exploitation Type
1	120/212 Bataween	2,440,401	572 M ²	Baghdad / Al-Masbah Square	General Management and Main Branch
2	131/45/55 Warsh	2,302,184	290 M ²	Erbil / Warsh	A Building Exploited by Erbil Branch
3	323/80 Bataween	4,480,000	951 M ²	Baghdad / Salman Faeq Street	Building under Construction
4	377/243 Bataween	7,263,822	1591M ²	Baghdad / Oqba Square	Building under Construction
5	213/16 Manawi Basha	1,197,325	240 M ²	Al-Basrah / Manawi Basha	Al-Basrah Branch
6	2/2960 Al-Ulamaa	3,120,000	458 M ²	Al-Najaf / Hay Al-Ulamaa	Al-Najaf Branch
7	58/2 Al-Sarai	1,697,750	326 M ²	Al-Nasiriya / Al-Sarai	Al-Nasiriya Branch
	Total	22,501,482			



Sixth. The Most Important Indicators Reflected by the Numbers of the Balance Sheet:

A. Assets

The bank's total assets in the year 2020, amounted to (ID. 490,226) Million Dinar against (ID. 479,654) Million Dinar in the year / 2019, with an increase of 2% from the last year, and as follows:

1- Cash on Hand and with Banks

Total cash on hand and with local and foreign banks amounted to (ID. 43,006) Million Dinar after it was (ID. 44,600) Million Dinar in the year / 2019, with a decrease of 4%, and its percentage amounting to (9%) of the bank's total assets amounting to (ID. 486,366) Million Dinar, also its percentage amounts (49%) of the total deposits and credit current accounts amounting to (ID. 88,460) Million Dinar.

2- Cash Credit:

The total cash credit, which includes the granted loans and advances, debtors of overdue debts and paid letters of guarantee amounted to (ID. 363,661) Million Dinar in the year / 2020, after it was (ID. 415,622) Million Dinar in the year / 2019, with a decrease of 13%. In addition to that, the allocation of the cash credit amounted to (ID. 3,187) Million Dinar in the year / 2020, compared to the year / 2019, amounting to (ID. 51,611) Million Dinar.

3- Contractual Credit:

The contractual credit size, represented by the letters of guarantee after deducting its relevant deposits, amounted to (ID. 116,217) Million Dinar in the year / 2020, after it was (ID. 189,516) Million Dinar in the year / 2019, with a decrease of 39%, and the following table clarifies that:

Statement	2020 Million Dinars	2019 Million Dinars	Growth Percentage %
Letters of Guarantee	168,267	241,115	(30%)
Letters of Credit	000	000	- %
Total	168,267	241,115	(30%)
Deduct Therefrom:			
Deposits of the Letters of Guarantee	52,050	51,599	0.9%
Deposits of the Letters of Credit	000	000	- %
Total	52,050	51,599	0.9%
Contractual Credit after Deducting the Deposits	116,217	189,516	(39%)

- The allocation of the contractual credit risk (against Letters of Guarantee) amounted to (ID. 4,091) Million Dinar for the year / 2020, while it was (ID. 3,860) Million Dinar last year.



4- Investments:

No significant change occurred on the size of the financial investments in the bank contributions in the private and mixed companies during the year from the previous year of cost (ID. 789) Million Dinar, and the following table shows that.

Company Name	Shares No.	Cost Dinars	Market Price Dinars	Realizable Value Dinars
Al-Hilal Industrial Company	6,870,847	6,870,847	0,48	3,298,007
Iraqi Land Transport Company	1,050,000	4,359,210	1,55	1,627,500
Al-Sadeer Hotel	4,607,180	61,163,279	10,70	49,296,826
	12,528,027	72,393,336		54,222,333
Al-Iraqia Company to guarantee deposits (under establishment)	---	789,473,680	--	789,473,680
Total	---	861,867,016		843,696,013
Reserve of Fair Value for Investments		(18,171,003)		
Net Realizable Value		843,696,013		

B. Liabilities:

1- Short-Term Financing Sources

The balances of the current accounts and deposits at the end of the year / 2020, amounted to (ID. 88,460) Million Dinar against (ID. 97,180) Million Dinar in the year / 2019, with a decrease of 9%, also the balance of the current accounts represents 63% of the capital and reserves, and as follows:

Account	2020 Million Dinars	Relative Significance	2019 Million Dinars	Relative Significance	Growth Percentage %
Credit Current Accounts	55,730	63 %	62,165	64 %	(10 %)
Savings Accounts	19,686	22 %	21,315	22 %	(8 %)
Deposit Accounts	6,731	8 %	6,245	6 %	8 %
Accounts of Current Nature	6,313	7 %	7,455	8 %	(15 %)
Total	88,460	100%	97,180	100%	(9 %)



2- Long-Term Financing Sources:

The capital amounted to (ID. 252,000) Million Dinar, and the reserves amounted to (ID. 12,263) Million Dinar, while the accumulated deficit amounted to (ID. 757) Million Dinar, therefore the shareholders' equity amounted to (ID. 263,506) Million Dinar as on 31/12/2020, after it was (ID. 262,682) Million Dinar on 31/12/2019, and as follows:

Type	2020 Million Dinars	2019 Million Dinars
Capital	252,000	252,000
General Reserve	8	8
Compulsory Reserve	4,840	4,797
Expansions Reserve	4,900	4,900
Accumulated Surplus	2,533	1,722
Accumulated Deficit	(757)	(728)
Fair Value Reserve	(18)	(16)
Total Reserves	11,506	10,683
Total Shareholders' Equity	263,506	262,683

Seventh. Revenues, Expenses, Profits and Losses

A. Revenues:

Net operating revenues amounted to (ID. 8,108) Million Dinar after it was (ID. 9,253) Million Dinar in the year 2019, with a decrease of (12%), and the following statement clarifies that:

Revenues	Amounts for the Year 2020		Amounts for the Year 2019		Growth Percentage
	Million Dinars	Relative Significance %	Million Dinars	Relative Significance %	
Net Revenues of Interests	(483)	(6 %)	(3,431)	(37%)	86 %
Net Revenues of Foreign Currencies	(1,992)	(24 %)	19	00%	
Net Revenues of Commissions	9,032	111 %	11,346	123%	(20%)
Revenue of Foreign Currencies Buying and Selling Window	1,238	15 %	685	7%	81 %
Net Revenues of Other Operations	313	4 %	634	7%	(51%)
Total	8,108	100 %	9,253	100%	(12%)



B. Expenses

The total operating expenses amounted to (ID. 7,018) Million Dinar in the year / 2020, after it was (ID. 7,363) Million Dinar in the year / 2019, with a decrease of (5%), as the salaries and wages amounted to (ID. 2,700) Million Dinar, after it was (ID. 3,757) Million Dinar, and it constitutes of 38% of the total operating expenses, while the other operating expenses amounted to (ID. 3,927) Million Dinar, after it was (ID. 3,095) Million Dinar, and the depreciations and amortizations amounted to (ID. 392) Million Dinar, after it was (ID. 512) Million Dinar.

C. Realized Surplus:

The realized surplus amounted to (ID. 167,039) Thousand Dinar, and after deducting the amount allocated for the income tax calculated during the year amounting to (ID. 100,056) Thousand Dinar, a profit of (ID. 66,983) Thousand Dinar remains after tax, it was distributed: (ID. 3,349) Thousand Dinar for the account of the compulsory reserve and an amount of (ID. 63,634) Thousand Dinar for the accumulated surplus, while no amount of the deficit carried forward from the previous year was amortized.

Eighth. Development of the Banking Activity

There was a clear change in the banking activity, and the following statement shows a comparison for the balances of the main accounts stated in the balance sheet for the period from 2016 – 2020.

Account	Million Dinars 2020	Million Dinars 2019	Million Dinars 2018	Million Dinars 2017	Million Dinars 2016
Credit Loans, Deposits and Insurances	205,173	200,673	270,625	308,723	342,599
Cash	43,006	55,600	108,409	137,881	153,929
Net Cash Credit	360,474	364,011	375,926	391,938	430,595
Distributable Profit (Deficit)	1,089	1,890	167	379	(733)
Capital	252,000	252,000	252,000	252,000	252,000



Ninth. Human Resources:

1. The number of the bank employees on 31/12/2020, amounted to (282) employees.
2. The salaries, wages and cash bonuses for the current year, amounted to (ID. 2,670) Million Dinar with a decrease of (29%) from the previous year amounting to (ID. 3,736) Million Dinar.
3. Bank Employees according the educational level:

Educational Level	No.
Master's Degree	1
Bachelor's Degree	154
Diploma	31
Secondary Study and below, which represent the guards and the service employees	96
Total	282

4. A table with the position titles for the bank employees:

Position Grade	Number
Consultant	3
Managing Director	1
Assistant Managing Director	1
Compliance Officer	1
Director of Division	20
Assistant Director of Division	26
Director of Branch	7
Accountant / Clerk	23
Assistant Accountant / Assistant Clerk	57
Programmer – Information Technology	7
Guard	69
Other	67
Total	282



5. Names & Position Titles for five of the Bank Employees who have received the highest income during the year:

Name	Position Title
Mohammed Abbas Jebur	Managing Director
Khalidah Qasim Zaaori	Assistant Managing Director
Ameera Hameed Ali	Director of the Main Branch
Fareed Salih Hama Ameen	Director of the Erbil Branch
Farah Taha Jaafar	Assistant Director of the Main Branch

Tenth. Capital Adequacy

The capital adequacy ratio at the end of 2020, according to the schedule of weighted budget items, was 50%, bearing in mind that the minimum set by the Banks Law is 12%, and that this capital adequacy reflects the extent to which the bank exploits its cash flow to ensure safety, profitability and a good return.

Eleventh. Indicators of the Banking Performance & Percentages of the Financial Analysis:

Ser.	Indicators of the Banking Performance	31/12/2020	31/12/2019
1	Cash Assets Percentage / Total Liabilities	19%	21%
2	Liquidity Percentage	31%	12%
3	Operating Percentages:		
	A- Cash Credit Percentage / Total Deposits	257%	375%
	B- Cash Credit Percentage / Paid Capital	143%	144%
	C- Cash Credit Percentage / Total Assets Inside the Balance Sheet	74%	75%
	D- Capital Adequacy Percentage	50%	42%
	E- Net Contractual Credit Percentage / Paid Capital	46%	75%
4	Financial Raise Percentages		
	A- Total Deposits and Current Accounts / Capital and Reserves	53%	56%
	B- Capital and Reserves / Total Liabilities and Shareholders' Equity	54%	55%



Twelfth. Detailed and Analytical Statements:

1. Names of the Chairman and Members of the Board of Directors and the Managing Director:

Ser.	Name	Position
1	Mr. Ali Meften Khafeef	Chairman of the Board of Directors
2	Mr. Mazin Muneam Abbas	Vice-Chairman
3	Mr. Mohammed Abbas Jebur	Member
4	Mr. Firas Sabeeh Jebur	Member
5	Mr. Mohammed Meften Khafeef	Member

2. The Board of Directors of the bank did not conclude any meeting during the year / 2020.
3. The Chairman & members of the Board of Directors did not receive any loans during the year.
4. The shareholders who own a percentage of 5% or more of the capital are:

Ser.	Name
1	<i>Mr. Aqeel Meften Khafeef</i>
2	<i>Mr. Mohammed Meften Khafeef</i>
3	<i>Mrs. Sawsan Salih Hasan</i>
4	<i>Mr. Abbas Meften Khafeef</i>
5	<i>Mr. Ali Meften Khafeef</i>
6	<i>Mr. Mustafa Abbas Meften</i>
7	<i>Mrs. Maliah Abid Salman</i>

5. Amounts spent for the purposes of Publicity, Travel & Delegation, and Hospitality are:

Account Name	2020 Thousand Dinars	2019 Thousand Dinars
Publicity and Advertisement	25,143	27,084
Travel and Delegation	33,066	41,944
Hospitality	10,004	11,997



6. Lawsuits

a. Lawsuits filed by the Bank against Others

The number of lawsuits filed by the bank against others was (19) as follows:

- The total amounts of the lawsuits filed by the bank against others amounted to (18,093,821) thousand dinars.
- The number of lawsuits issued in favor of the bank was (6) lawsuits, the total amounts of which are (11,545,248) thousand dinars.
- The number of lawsuits that are still under pleading reached (13), with a total amount of (6,548,573) thousand dinars.

b. Lawsuits filed by Others against the Bank

The number of lawsuits filed by others against the bank was (8) as follows:

- The total amounts of the lawsuits filed by others against the bank amounted to (13,901,030) thousand dinars.
- The number of lawsuits that are still under pleading reached (4), with a total amount of (612,000) thousand dinars
- The number of lawsuits issued in favor of the bank was (4) lawsuits, the total amounts of which are (13,289,030) thousand dinars.

c. The bank is continuing to collect the award amounts in which execution orders were issued in its favor during the previous years.

Thirteenth. Future Policies, Objectives and Plans:

The Bank is looking forward to expand the size of its works and realize ambitious growth rates in the various banking activities. Accordingly, the objectives of our Bank for the next-coming period are as follows:

- 1- To achieve sustained growth in the profitability to ensure good revenue for our assets and for the property rights.
- 2- Achieving increase in revenues and rationalize expenditures.
- 3- To promote and increase the growth resources through expanding in the banking business geographically and open branches in various Iraq governorates within a plan prepared for this purpose and according to the instructions of the Central Bank of Iraq.
- 4- To access the electronic banking, and working on executing MasterCard and mobile bank projects and distribute ATMs at the current and future Bank's branches.
- 5- To improve banking procedures according to the "Customer always right" principle, through continuous banking awareness.
- 6- To continue adopting state-of-the-art electronic technologies in accounting fields, printing and coding the cheques and take advantage of the programs available in the current accounting system (ICBS).



Fourteenth. Substantial Changes and Events Following to the Balance Sheet's Date:

- No material events occurred on the bank or its assets during the period from the date of the balance sheet until it was presented to the general body that had an impact on the bank's financial position
- The Bank has taken the necessary measures regarding the liquidation of the notes contained in the auditor's report.
- The financial statements have been prepared on the going concern basis.

Fifteenth. Effect of Pricing on the Bank Activity:

According to the decision of the Board of Directors, the Bank prepared a pricelist for the banking transactions, which shall be amended from time to time according to the banking conditions and developments prevailing in Iraq, and according to the instructions of the Central Bank.

Sixteenth. Import and Export Size:

The Bank did not conduct any import or export operation for any commodity or service for its benefit during the year.

Seventeenth. Requirements of the Banks Law, Law of the Central Bank and Other Laws:

Below are clarifications about the requirements of the Central Bank based on its Law No.: 56 for the year 2004, Banks Law No.: 94 for the year 2004, Anti-Money Laundering Law No.: 39 for the year 2015, and Companies Law No.: 21 for the year 1997 amended, and as follows:

- 1- Accounts Reviewing Committee was formed according to Article (24) of the Banks Law from the Board of the Directors members and according to the decision of the General Body.
- 2- The activity of the bank is executed through internal control regulations and system, and there is a division specialized in money laundering executes the provisions stated in the Anti-Money Laundering & Counter-Terrorism Financing Law mentioned above, and the regulations and instructions received from the Central Bank of Iraq.
- 3- The compliance officer works on verifying the extent to which the Bank complies with the requirements of laws and regulations issued by the Central Bank, and he forwards the reports to the Board of the Directors, in addition to the quarterly reports that he forwarded to the Central Bank.
- 4- The Internal audit department works to cover all the bank activities, whether in the general administration and main branch inside Baghdad and its branches outside Baghdad, and he forwards the reports to the Accounts Reviewing Committee.



Eighteenth. Accounting Policies:

The Bank works according to the Unified Accounting Code for the banks and insurance companies in registering, carrying forward, categorizing and classifying its accounting statements. As well, the Bank since its establishment, has applied the accrued principle as a basis for its accounting policy upon preparing the final accounts, as for the depreciations of the assets, the Bank has adopted the fixed premium method, at 20% per year, for all the fixed assets, except the buildings where the depreciations were calculated at 2% on the value of the buildings (after separating land values from real estate values), and according to what is stated in the Depreciation System No.: 9 for the year 1994, and the International Accounting Standards were also adopted in the presentation of the financial statements as on 31/December/2020.

God provide success,

-Sgd.-

**Chairman of Board of the Directors
Ali Meften Khafeef**

Seal & Signature

***Haseeb Kadhim Juwaid & Partner Company
For Accounts Auditing & Control***

Seal & Signature

***Adel Ismail Hasan Al-Shaybi & Partners
Company
For Accounts Auditing & Control***



Accounts Reviewing Committee Report

Messrs: Shareholders of the Union Bank of Iraq (Private Shareholding Company) – Baghdad / Esq.

Greetings,

According to the provisions of Article (24) of Banks Law No.: (94) for the year 2004, we are pleased to present to you our report about the results of reviewing the accounts for the year / 2020.

- 1- The Committee has developed a plan for reviewing the accounts, and accordingly the accounting procedures of the bank's various activities were reviewed along with the extent of its compliance with the instructions of the Central Bank of Iraq, especially with respect to submitting accounting statements on time, accurately and transparently as required, and the extent of its compliance with the guiding regulation of the credit and with the regulations of the money laundering, in addition to the credit and investment activities and follow-up the bad debts and its risk management, the committee confirms all the procedures taken by the Bank in this respect and we recommend approving the same.
- 2- We have practiced our work beside the chartered accountant and auditor (Adel Ismail Hasan Al-Shaybi) and the chartered accountant (Haseeb Kadhim Juwaid Al-Mayah) throughout his course of work during the year / 2020, and liquidation of all the remarks, stated in the reports of the Central Bank of Iraq (CBI) on the results of the auditing and control works carried out during the year, were followed-up.
- 3- The committee followed-up the remarks of the Internal Control Division in the bank & the method of redressing the same, as well as acquainting with the report of the compliance officer.
- 4- The annual report of the Board of the Directors, prepared according to the requirements of the provisions of Companies Law No.: (21) for the year 1997 amended, and the regulations and instructions issued accordingly, was reviewed. In addition, the committee has acquainted with the auditor's report, which referred to the Bank's activity in details and the soundness of all its procedures. In this respect, we confirm the soundness of all the procedures taken by the Bank to protect the rights of its shareholders and that its performance during the year was very credible and fruitful, and the final figures are good evidence thereof.
- 5- The great development occurred in the Bank's works and activities, the expedition and accuracy of the accounting results provided by the accounting code, efficiency of Bank employees and keeping pace with the process of reviewing the accounting works by the auditor led to the speed of the bank in preparing the accounts and submitting its final report.

God bless us all to serve our bank and shareholders, and we ask for guidance and settlement

-Sgd.-

Mohammed Meften Khafeef
Chairman of Accounts Reviewing Committee



Report of the Compliance Controller

The Bank's commitment and compliance with the Central Bank of Iraq Instructions and Law No.: (56) for the year (2004), Anti-Money Laundering & Counter-Terrorism Financing Law No.: (39) for the year (2015) and Iraqi Private Banks Law No.: (94) for the year (2004), were controlled and evaluated, and it is our duty to refer and diagnose errors and violations to avoid risks in cooperation with different bank sections, below our most important activities for the year / 2020:

- 1- We have acquainted with the reports of the supervisory committees of the Central Bank of Iraq and study its observations and recommendations and follow-up the remedies and procedures taken in its regard.
- 2- We confirm the existence of written financial & administrative powers for the Managing Director.
- 3- We got acquainted with the bimonthly reports of the anti-money laundering bureau before sending them to the Central Bank, which came matching the Anti-Money Laundering Law No.: (39) for the year (2015).
- 4- We got acquainted with the bank procedures upon opening the current and savings accounts for customers and found that they fulfill the banking instructions and it was ascertained that current and savings account holders were not included in the locally and internationally prohibited lists.
- 5- The Bank's financial final statements were acquainted with for the year ending on 31/December/2020, and compared with the planning balance sheet.
- 6- It was noted that there is a persistent need to involve the employees in courses at the Central Bank and the Iraqi Banks League to raise the efficiency of the performance in all the banking fields to provide the best banking services without additional cost, and some of the employees have already been involved in those courses.

And after acquainting with all of the Bank's different activities, the Bank's compliance with the laws, regulations and instructions, was noticed.

-Sgd.-

Compliance Officer

Hiba Qasim Abdulyema



Haseeb Kadhim Juwaid Al-Mayah
Chartered Accountant and Auditor
Member of the Iraqi Association for Certified
Accountants

Adel Ismail Hasan Al-Shaybi
Chartered Accountant and Auditor
Member of the Iraqi Association for Certified
Accountants

No.: 137/338/2021
Baghdad on 1/July/2021

To / Messrs: Shareholders of the Union Bank of Iraq (Private Shareholding Company) Esq.

Subject / Report of the Auditor

Greetings,

We are pleased to inform you that we have audited the financial position statements of the Union Bank of Iraq (Private Shareholding Company) – Baghdad as it is on 31/December/2020, and the statements of income and other comprehensive income, changes in the owners' equity and cash flows for the financial year ending on that date, and clarifications that hold the serials (from 1 to 24) and the annual report for the bank's management prepared according to the provisions of Companies Law No.: (21) for the year 1997 amended, and the regulations and instructions issued accordingly, and the Banks Law No.: 94 for the year 2004 according to the adopted auditing standards.

We have obtained the information and clarifications, which in our opinion, were necessary to accomplish our mission, which we have carried out according to the prevailing legislations, and in accordance with the adopted auditing procedures, which included the necessary tests for the aspects of the bank's activity that are within our specialization.

Management's Responsibility

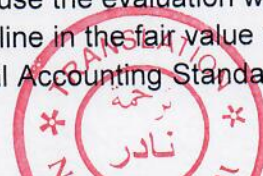
The management is responsible for preparing and disclosing these statements according to the International Accounting Standards, in addition to its responsibility in preparing an Internal Control System, especially in respect of the preparation and disclosure of the financial statements fairly and free from substantial errors, which may be resulted from the errors and manipulation, and this responsibility also includes, selecting & applying proper accounting policies and using reasonable accounting estimations.

Auditor's Responsibility

Our responsibility is expressing the technical neutral opinion about the financial statements submitted to us, in accordance with the local and international auditing evidences and standards, and these standards require planning and completing the auditing process to obtain a reasonable confirmation, whether the statements were free from any substantial error, and our audit includes an examination based on experimental basis for statements and documents supporting the amounts shown in the balance sheet and other final accounts for the financial year ending on 31/December/2020, and disclose them. It also includes an assessment for the accounting principles and bases adopted by the management, and we believe that our audit provides a reasonable basis for the opinion that we express, and we have the following clarifications and remarks:

1- Applying International Accounting Standard:-

Union Bank of Iraq has applied the International Accounting Standards for the fifth year, the bank also, adopted the principal of registration at historical cost in stating the properties, buildings, equipment by the estimation value by the Real-Estate Registration Departments for real-estate mortgages upon granting the credit, the evaluation of the real estates still adopts the historical cost because the evaluation was not carried out by the sectoral party. Thus, it was not possible to calculate the decline in the fair value of real estate owned by the bank in accordance with the requirements of International Accounting Standard No. 36, and in this regard, we have the following:



- a- The Bank has prepared a methodology for the application of International Financial Reporting Standard No. (9) "**Financial Instruments**" and it has been sent to the Central Bank of Iraq, and it has requested in its letter No. (2098) dated 28/9/2020 from the Central Bank of Iraq to postpone the application of the standard to the year 2021.
- b- The Bank has calculated the provision for expected credit losses in accordance with the requirements of the International Financial Reporting Standard No. (9) and guided by the instructions of the Central Bank contained in its letter No. (3/6/466) on 26/12/2018 "the guiding instructions for preparing financial statements for banks", and it amounted to (175,884,708) thousand dinars, and the bank management informed us that the quantitative effect was not calculated, due to the closure of the accounts for the year under audit.
- c- The bank transferred an amount of (55,000,000) thousand dinars from the debit account of overdue debts to accounts outside the budget under the account (material deposited in trust with others) as approved by the committee formed to implement Standard No. (9) in the bank, and the approval of the Board of Directors on this decision, and then an amount of (6,576,000) thousand dinars was paid by customers, so that the net amount transferred is (48,424,000) thousand dinars, bearing in mind that these debts became due only two years ago and that the decision came to continue calculating interests on these debts, and we suggest that it be under the account of debts under control instead of calculating the materials deposited in trust with others.

2- Cash:

- a- The foreign currency cash asset as of December 31, 2020 was evaluated on the basis of the following exchange rates:

Ser.	Foreign Currency	Exchange Rate
1	USD	1460 Dinar per Dollar
2	Euro	1336.60 Dinar per Euro*

- b- The bank did not adopt the new exchange rate for the euro currency, which amounted to (1789.814) dinars per euro on December 31, 2020, and continued to evaluate based on the exchange rate (1336.60) dinars per euro.
- c- **Cash in bank's safes:**

The balance of cash in the safes as on December 31, 2020 amounted to (2,322,159) thousand dinars, and the results of the inventory matched the records in dinars and dollars and for all branches, where the matching process was carried out according to the inventory received from the inventory committees formed in the general administration and branches as follows :

Currency	Balance according to Currency	Exchange Rate	Balance evaluated in Iraqi Dinar
Dinar	1,965,164,832	/	1,965,164,832
USD	243,845	1460	356,013,700
ATM / Dinar	980,000	/	980,000
Total	/	/	2,322,158,532



d- Central Bank of Iraq:

The matches of the Central Bank of Iraq were made, and they were identical with the records, and their balance on December 31, 2020 was (39,211,214) thousand dinars, distributed as follows:

Account	Dinar	USD	USD evaluated at 1460	Final Balance
Legal reserve	9,187,670,000	2,398,010	3,501,094,600	12,688,764,600
Letters of guarantee deposits	10,020,516,272	000	000	10,020,516,272
Current accounts	15,484,849,622	695,222,61	1,015,025,011	16,499,874,633
Erbil	993,700	000	000	993,700
Basra	473,054	405,40	591,884	1,064,938
Total	34,694,502,648	3,093,638,01	4,516,711,495	39,211,214,143

We have on it the following:

1. Receipts in current accounts were settled for the period from 1/1 to 21/1/2021.
2. The cash at the Central Bank of Iraq in the bank's branches in the Kurdistan region / Erbil amounted on December 31, 2020 (993,700) dinars.

e- Cash with Local Banks:

The cash balance with local banks as of December 31, 2020 amounted to (788,328) thousand dinars, and we have the following:

* The Bank of Kurdistan, Al-Rafidain Bank and Al-Rasheed Bank (account 8005) Trade Bank of Iraq (in the currencies of dinar and dollar) did not endorse the balances of the bank.

f- Foreign Banks:

1. The cash balance with foreign banks as of December 31, 2020 amounted to (684,496) thousand dinars as follows:

Currency	Balance according to Currency	Exchange Rate	Balance evaluated in Iraqi Dinar
USD	1,523,553,86	1460	2,224,388,635
Euro	(1,177,908)	1336,60	(1,574,392,394)
Dinar	34,499,499		34,499,499
Total	/	/	684,495,740

2. The matching process was carried out based on SWIFT and the statements received from external banks regarding their open balances.
3. Balances in the euro currency were evaluated on December 31, 2020 at a price of (1336.60) dinars per euro, while the price on that date was (1789.814) dinars per euro.



3- Cash Credit:

- A- Cash credit decreased by (1%) from the previous year, as the cash credit balance after deducting the provision amounted to (360,474/322) thousand dinars as on December 31, 2020, compared to (364,010,568) thousand dinars as in December 31, 2019.
- B- The guarantees provided by customers are still a personal guarantee in addition to a check and a bill of exchange. We recommend obtaining sufficient and solid guarantees.
- C- The balance of delinquent debtors decreased by (46%), as it reached on December 31, 2020 (61,378,340) thousand dinars, while on December 31, 2019 while it was (114,626,364) thousand dinars, as the bank transferred an amount of (55,000,000) thousand dinars to off-budget accounts under the account (materials deposited in trust with others) as approved by the committee formed to implement Standard No. (9) in the bank, and the approval of the Board of Directors on this decision, and then pay an amount of (6,576,000) thousand dinars by customers, so that the net amount transferred is (48,424,000) thousand dinars, bearing in mind that these debts became due only two years ago and that the decision came to continue calculating the interests on these debts, and we suggest that it be under an account of debts under control instead of calculating the materials deposited in trust with others.
- D- The provision for doubtful debts was calculated in accordance with instructions No. (4) for the year 2010, amounting to (3,186,984) thousand dinars only.
- E- The ratio of cash credit granted to the volume of deposits amounted to (207%), which is more than the percentage specified by the Central Bank of Iraq of (75%).
- F- The total cash credit granted to the largest (20) customers amounted to (168,247,060) thousand dinars, representing 47% of the amount of cash credit granted, which amounted to (290,601,352) thousand dinars on the date of the financial statements.



G- The amount of cash credit granted as on December 31, 2020 amounted to (290,601,352) thousand dinars, distributed among:

Limits	Loans		Overdraft		Employees' Advances		Total	Relative Importance
	No.	Amount (Dinar)	No.	Amount (Dinar)	No.	Amount (Dinar)		
Less than 100 million dinar	470	7,596,110,020	18	428,883,476	166	743,775,135	8,768,768,631	3%
From 100 to 500 million dinar	21	4,683,220,721	11	3,256,476,530	0	0	7,939,697,251	3%
From 500 to 1 billion dinar	6	4,394,666,300	9	5,982,226,843	0	0	10,376,893,143	3.5%
From 1 billion to 5 billion dinar	34	99,620,750,294	10	21,040,995,120	0	0	120,661,745,414	41.5%
From 5 billion to 10 billion dinar	10	71,874,536,894	1	6,799,196,807	0	0	78,673,733,701	27%
More than 10 billion dinar	4	49,302,443,450	1	14,878,070,110	0	0	64,180,513,560	22%
total	545	237,471,727,680	50	52,385,848,886	166	743,775,135	290,601,351,700	100%



4- Contractual Credit:

- A- The contractual credit balance decreased by (30%) from the previous year, reaching (168,267,322) thousand dinars on December 31, 2020, compared to (241,114,724) thousand dinars on December 31, 2019.
- B- The balance of the pledge credit provision on December 31, 2020 amounted to (4,090,792) thousand dinars, while in the previous year it was (3,859,709) thousand dinars.
- C- The ratio of the contractual credit issued to the capital and sound reserves was (64%).
- D- Represents the issued contractual credit balance on:

Type of Credit	Balance on 31/12/2020 (thousand dinar)
Obligations of letters of guarantee, tender entry	19,335,711
Obligations of letters of guarantee, good performance	128,574,794
Obligations of letters of guarantee, advance payment	20,356,817
Total	168,267,322

5- Financial Investments:

- A- The fair value of the investments on December 31, 2020 amounted to (861,868) thousand dinars, which is the same balance in the previous year.
- B- The fair value reserve for investments on December 31, 2020 amounted to (18,171) thousand dinars, while it was on December 31, 2019 (16,853) thousand dinars.
- C- The ratio of investments to capital and reserves on December 31, 2020 was (3%), and the upper limit allowed by the Central Bank of Iraq is (20%) of the capital and sound reserves.

6- Debtors and other debit balances:

The balance of debtors and other assets on December 31, 2020 amounted to (62,108,293) thousand dinars, while the balance on December 31, 2019 was (46,569,737) thousand dinars, and we have the following:

- A- The balance of the corporate sector receivable account increased to reach on December 31, 2020 (2,050,892) thousand dinars, while it was (2,047,462) thousand dinars on December 31, 2019, where the amount belongs to a part of the amounts that the central bank deducted it from the free current account, amounting to (5,127,609) thousand dinars, which pertain to the fines imposed by the Central Bank on the commercial companies involved in the foreign exchange buying and selling window, and that the bank is in the process of following-up obtaining what supports the validity of the issuance of customs permits or their collection from the concerned customers parties, note that this amount is carried forward from previous years.
- B- The balance of non-current activity debtors on December 31, 2020 amounted to (5,000,000) thousand dinars, as this amount represents the value of a check without balance for the Al-Baneen Company for Money Exchange returned from Al-Rafidain Bank in 2014, and a lawsuit was filed for this The Rafidain Bank, bearing in mind that this amount is carried forward from previous years.
- C- The balance of unreceived accrued income and interest (letters of guarantee and loans) on December 31, 2020 amounted to (43,604,556) thousand dinars, while on December 31, 2019 it was (28,593,024) thousand dinars, we recommend continuing to collect it from customers.



- D- The apparent balance in the account of manipulated / stolen amounts of (1,341,871) thousand dinars as on December 31, 2020 represents the amount of (1,338,000) thousand dinars remaining from the amount stolen during the transfer of money from Al-Basra branch in 2015, an amount of (3,870) thousand dinars remaining for shortfalls in cash deposits with the Central Bank / Al-Basra branch, bearing in mind that the amount is carried forward from previous years.
- E- We recommend taking provisions to cover losses that may occur as a result of not collecting these amounts referred to in (a, b, c, d) above.

7- Received Loans:

- A- The balance of loans received from the Central Bank of Iraq amounted to (2,939,450) thousand dinars, while in the previous year it was (3,000,000) thousand dinars.
- B- The balance of short-term loans to the financial sector on December 31, 2020 amounted to (61,723,507) thousand dinars, which represents the amount of facilities provided by the Trade Bank of Iraq for the purposes of documentary credits at an interest rate of (8%) annually, as the bank paid the amount of (595,000) thousand dinars during the year, and the interest accrued on the bank for the year 2020 amounted to (2,010,809) thousand dinars.

8- Deposits and Cash Security:

- A- Credit current accounts: The balance of credit current accounts / private sector decreased by (10.35%) from the previous year, reaching (55,730,178) thousand dinars on December 31, 2020 compared to (62,165,468) thousand dinars in December 31, 2019.
- B- Savings accounts (savings): The balance of savings accounts / private sector decreased by (7.6%), reaching (19,685,927) thousand dinars on December 13, 2020 compared to (21,315,162) thousand dinars on December 31, 2019.
- C- Fixed deposit accounts: The balance of savings accounts / private sector increased by (7.7%), reaching (6,730,535) thousand dinars on December 31, 2020, compared to (6,245,310) thousand dinars on December 31, 2019.
- D- Cash insurance: The cash insurance received increased by (0.8%) from the previous year, reaching (52,050,281) thousand dinars on December 31, 2020, compared to (51,599,222) thousand dinars on December 31, 2019.

9- Account of Profits and Losses:

The bank made a profit of (1,089,404) thousand dinars before tax for the year subject to the audit, compared to a profit of (1,889,757) thousand dinars for the previous year, where the percentage of decrease was (42%) for the following reasons:

- A- Interest income increased by (29%) over the previous year, reaching (3,906,188) thousand dinars on December 31, 2020, compared to (3,025,383) thousand dinars in the previous year.
- B- Interest expense decreased by (32%) from the previous year, reaching (4,389,709) thousand dinars on December 31, 2020, compared to (6,456,668) thousand dinars in the previous year.



- C- The net currency and commission income decreased by 38% from the previous year, reaching (7,039,762) thousand dinars on December 31, 2020, compared to (11,365,980) thousand dinars in the previous year.
- D- The revenue of the foreign exchange buying and selling window increased by (81%) from the previous year, reaching (1,238,370) thousand dinars on December 31, 2020, compared to (684,901) thousand dinars in the previous year.
- E- The net profit of other operations decreased by (51%) from the previous year, reaching (312,983) thousand dinars on December 31, 2020, compared to (634,247) thousand dinars in the previous year.
- F- Total operating expenses decreased by (5%) from the previous year, reaching (7,018,190) thousand dinars on December 31, 2020, compared to (7,364,086) thousand dinars in the previous year.
- G- The exchange rate was changed from 1190 dinars to 1460 dinars per dollar for the account of the money exchange center on 20/12/2020, according to the letter of the Central Bank of Iraq No. (1/6/382) on 20/12/2020, and a loss of (2,513,554) thousand dinars was realized from this and recorded as an expense within the foreign currency valuation differences account as stated in Note No. (19) attached to the financial statements.

10- Revenue from the currency auction window:

- A- The balance of the bank's purchases from the foreign currency sale window for the period from 2/1/2020 to 31/12/2020 amounted to (701,891,998) dollars, distributed as follows:

Details	Amount (USD)
Foreign remittance purchases	686,031,998
Purchases for the purposes of exchange companies	15,860,000
Total	701,891,998

- B- The balance of the profits realized by the bank from the window of buying and selling foreign currencies until December 31, 2020 amounted to (1,238,369,497) dinars, as detailed below:

Details	Amount (Dinar)
Foreign remittance revenue	1,206,657,996
Revenue of Dollar sale to exchange companies	31,711,501
Total	1,238,369,497

- C- The method of submitting the final beneficiary's endorsement for outgoing remittances has been adopted.
- D- According to our letter No. (26) dated 28/1/2021, we requested from the Central Bank of Iraq / Issuance and Treasury Department to provide us with a detailed statement of the bank's purchases from the foreign currency buying and selling window during the year 2020, and the answer was not received until the date of this report.



Purchases from the foreign exchange buying and selling window and the revenue generated for the period from 2/1/2020 until 31/12/2020

Statement	Purchased Amounts			Sold Amounts			Net Revenue Dinar
	Purchase Volume USD	Purchase Price Dinar	Purchase Volume Dinar	Sale Volume USD	Sale Price Dinar	Sale Volume Dinar	
Foreign emittances	164,818,000	1190	196,133,420,000	164,818,000	1191	196,298,238,000	164,818,000
	336,000	1190	399,840,000	336,000	1190.25	399,924,000	84,000
	498,686,564	1190	593,437,011,160	498,686,564	1192	594,434,384,288	997,373,128
	22,191,434	1460	32,399,493,640	22,191,434	1462	32,443,876,508	44,382,868
Total emittances 1)	686,031,998	/	822,369,764,800	686,031,998	/	823,576,422,796	1,206,657,996
Money exchange companies	15,510,000	1190	18,456,900,000	15,510,000	1192	18,487,920,000	31,020,000
	350,000	1190	416,500,000	350,000	1191.975	417,191,501	691,501
Total money exchange (2)	15,860,000	/	18,873,400,000	15,860,000	/	18,905,111,501	31,711,501
Grand Total (1+2)	701,891,998	/	841,243,164,800	701,891,998	/	842,481,534,294	1,238,369,497



11-Filed Lawsuits:

a. Lawsuits filed by the Bank against Others:

The number of lawsuits filed by the bank against others was (19) as follows:

- The total amounts of the lawsuits filed by the bank against others amounted to (18,093,821) thousand dinars.
- The number of lawsuits issued in favor of the bank was (6) lawsuits, the total amounts of which are (11,545,248) thousand dinars.
- The number of lawsuits that are still under pleading reached (13), with a total amount of (6,548,573) thousand dinars.

b. Lawsuits filed by Others against the Bank:

The number of lawsuits filed by others against the bank was (8) as follows:

- The total amounts of the lawsuits filed by others against the bank amounted to (13,901,030) thousand dinars.
- The number of lawsuits that are still under pleading reached (4), with a total amount of (612,000) thousand dinars
- The number of lawsuits issued in favor of the bank was (4) lawsuits, the total amounts of which are (13,289,030) thousand dinars.

12-Capital Adequacy:

The capital adequacy ratio reached (50%) as on December 31, 2020, as it is higher than the minimum required by the Central Bank of Iraq (12%).

13-Liquidity Ratio:

The liquidity ratio reached (31%) on December 31, 2020.

14-Compliance Officer:

The Compliance Officer's reports were reviewed for the year under audit and were prepared in accordance with the instructions of the Central Bank of Iraq and included:

- The most important indicators of the financial position of the bank.
- Indicators on the calculated percentages, such as the capital adequacy ratio, the liquidity ratio, the cash-to-deposit credit ratio, in addition to other financial ratios.
- Tables of real estate owned by the bank.
- Aspects related to the work of the bank's board of directors.
- Legal requirements.



15-Internal Audit:

- A- The internal audit system has included the necessary procedures that are commensurate with the size and nature of the bank's activity.
- B- The reports of the Internal Audit Department were reviewed, as they were comprehensive, detailed and specific to the observations received during the audit progress.
- C- The activity of the Internal Audit Department included auditing the work of the following departments:
- Risk Department
 - Financial Operations
 - Credit Department
 - Banking Awareness Department
 - Payments Department
 - Department of Information Technology
 - Bank branch business

16-Money Laundering and Terrorist Financing Reporting Department:

- A- The bank has taken adequate measures to prevent money laundering and terrorist financing, and these measures shall be implemented in accordance with the provisions of the Money Laundering and Terrorist Financing Law No. (39) for the year 2015 and the regulations and instructions issued by the Central Bank of Iraq. We have reviewed the reports of the Money Laundering and Terrorist Financing Reporting Department sent to the Central Bank of Iraq prepared in accordance with the law and instructions issued by the Central Bank of Iraq.
- B- A guide was prepared for the policies and procedures of the Money Laundering and Terrorist Financing Department, which included:
- Stages of the money laundering process
 - The importance of combating money laundering and terrorist financing
 - The responsibility of the Director of the Reporting of Money Laundering and Terrorist Financing Department
 - The responsibility of the Money Laundering and Terrorist Financing Reporting Department of the Bank
 - Penalties incurred by the bank
 - KYC Principle
 - Due diligence work procedures.

17-Our internal report No. (74/115/2021), dated July 1, 2021, is part of the components of this report.



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

1. The computerized accounting system used by the Bank was in agreement with the bookkeeping regulation, and included according to our estimation recording all the assets, liabilities, expenses and revenues of the bank, and the internal control system has included the necessary procedures that ensure the correctness and accuracy of these statements in a degree proportionate with the volume of the company's activity.
2. The inventory taking operation of the fixed and cash assets was carried out properly and with our supervision, and these assets were evaluated according to the adopted bases, rules and principles in accordance with international accounting standards, with the exception of fixed assets, as historical costs have been adopted.
3. The financial statements were prepared according to the international accounting rules and prevailing legislations, and they are in complete agreement with what the records show, and they are organized according to each of the companies' law amended, Central Bank of Iraq law, banks law and regulations and instructions in force.
4. The annual report of the bank's management is prepared in accordance with the provisions of the Companies Law No. 21 for the year 1997 amended and does not include anything that contravenes the provisions of the laws and legislation in force..

Opinion:

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

With appreciation

Seal & Signature

*Dr. Haseeb Kadhim Juwaid Al-Mayah
Chartered Accountant and Auditor*

Member of the Iraqi Association for Certified Accountants

Seal & Signature

*Adel Ismail Hasan Al-Shaybi
Chartered Accountant and Auditor*

Member of the Iraqi Association for Certified Accountants



Union Bank of Iraq (Private Shareholding Company) – Baghdad

Clarifications on the Financial Statement for the financial year ending on

31/December/2020

Financial Statement Position

As on 31/December/2020

Assets

Exp.	31/December/2020	31/December/2019	
	IQ Thousand Dinars	IQ Thousand Dinars	
Cash & Balances with the Central Bank	3	41,533,373	43,519,954
Balances of Banks & Other Financial Institutions	4	1,472,824	1,079,796
Net Direct Credit Facilitations	5	360,474,321	364,010,568
Financial Assets by Fair Value through Consolidated Income Statement	6	843,696	845,015
Net Properties and Equipments	7	23,793,070	23,628,563
Other Assets	8	62,108,293	46,569,737
Total Assets		490,225,577	479,653,633

Liabilities and Shareholders' Equity

Liabilities

Received Loans	9	64,662,957	51,893,076
Customer Deposits	10	88,460,004	97,180,822
Cash Credits	11	52,050,283	51,599,222
Miscellaneous Allocations	12	4,090,792	3,859,709
Income Tax Allocation	13	5,711,729	5,475,687
Other Liabilities	14	11,743,599	6,962,181
Total Liabilities		226,719,364	216,970,697

Shareholders' Equity

Capital	15	252,000,000	252,000,000
General Reserves	16 A	8,292	8,292
Compulsory Reserve	16 B	4,839,750	4,797,082
Expansion Reserve	16 C	4,900,000	4,900,000
Carried Forward Profits (Accumulated Surplus)	16 D	2,532,890	1,722,196
Accumulated Deficit	16 E	(756,547)	(727,781)
Fair Value Reserve	16 F	(18,172)	(16,853)
Total Shareholders' Equity		263,506,213	262,682,936
Total Liabilities and Shareholders' Equity		490,225,577	479,653,633
Static Accounts, Net (Outside the Balance Sheet)	17	307,982,678	341,492,111

-Sgd.-
Accounting Director
Salah Mahdi Anad
License No. / 20848

-Sgd.-
Managing Director
Mohammed Abbas Jebur

-Sgd.-
Chairman of the Board of Directors
Ali Meften Khafeef

Subject to our report No.: 137/338/2021 dated 1/July/2021

Seal & Signature
Dr. Haseeb Kadhim Juwaid Al-Mayah
Chartered Accountant and Auditor
Member of the Iraqi Association for Certified Accountants

Seal & Signature
Adel Ismail Hasan Al-Shaybi
Chartered Accountant and Auditor
Member of the Iraqi Association for Certified Accountants

(Seal of the Bank)



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on
31/December/2020

Consolidated Income Statement for the financial year ending on 31/December/2020

	Exp.	2020	2019
		IQ Thousand Dinars	IQ Thousand Dinars
Interests Revenues	18	3,906,188	3,025,383
Deduct: Interests Expenses	18	(4,389,709)	(6,456,668)
Net Interests Loss		(483,521)	(3,431,285)
Net Foreign Currency Revenues	19 A	(1,992,137)	19,490
Net Commissions Revenues	19 B	9,031,899	11,346,490
Total Currencies and Commissions Revenues		7,039,762	11,365,980
Foreign Currencies Buying and Selling Window Revenue	20	1,238,370	684,901
Other Operations Revenues	21	312,983	634,247
Net Operating Revenues		8,107,594	9,253,843
Salaries, Wages and their Equivalent	22	2,699,566	3,756,835
Depreciations and Amortizations	23	391,902	512,400
Other Operating Expenses	24	3,926,722	3,094,851
Total Operating Expenses		(7,018,190)	(7,364,086)
Net Profit before Income Tax Calculation		1,089,404	1,889,757
Income Tax	13	(236,042)	(261,630)
Net Profit after Tax		853,362	1,628,127
<u>Net Profit after Tax distributed as follows:</u>			
5% Compulsory Reserve according to Companies Law		42,668	81,406
Net Income of the Year transferred to the Accumulated Surplus		810,694	1,546,721
Total		853,362	1,628,127

-Sgd.-
Accounting Director
Salah Mahdi Anad
License No. / 20848

-Sgd.-
Managing Director
Mohammed Abbas Jebur

Seal:

Republic of Iraq / Council of Profession of Controlling and Auditing of Accounts / the Secretariat
We certify the correctness of signature of the auditor and he is practicing the profession of controlling and auditing the accounts for the year / 2021, without any responsibility for the contents of these financial statements.

Name: Dhiyaa Abdulkareem Khudhair
Receipt No.: 6159

Signature: -Sgd.-
Its Date: 7/7

(Seal of the Bank)



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on
31/December/2020

Comprehensive Income Statement for the Financial Year Ending on 31/December/2020

	<u>2020</u>	<u>2019</u>
	<u>IQ Thousand Dinars</u>	<u>IQ Thousand Dinars</u>
Net Income of the Year	853,362	1,546,721
Change in the Fair Value of the Financial Assets through Other	(1,319)	11,913
Comprehensive Income		
Total Comprehensive Income	<u>852,043</u>	<u>1,558,634</u>



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Statement of the Ownership's Equity as on 31/December/2020

Statement of the Ownership's Equity as on 31/December/2020

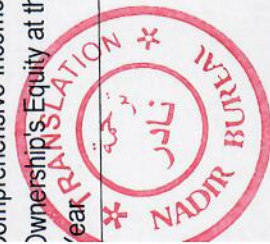
Statement	Capital IQ Thousand Dinars	General Reserve IQ Thousand Dinars	Compulsory Reserve IQ Thousand Dinars	Expansion Reserve IQ Thousand Dinars	Carried Forward Profits IQ Thousand Dinars	Accumulated Deficit IQ Thousand Dinars	Fair Value Reserves IQ Thousand Dinars	Total Shareholders' Equity IQ Thousand Dinars
Ownership's Equity at the Beginning of the Year	252,000,000	8,292	4,797,082	4,900,000	1,722,196	(727,781)	(16,853)	262,682,936
Additions during the Year	000	000	42,668	000	810,694	(28,766)	(1,319)	823,277
Comprehensive Income for the Year	000	000	000	000	000	000	000	000
Ownership's Equity at the End of the Year	252,000,000	8,292	4,839,750	4,900,000	2,532,890	(756,547)	(18,172)	263,506,213

The amount of (28,766) thousand dinars represents the additions to the account of the accumulated deficit in settling the fair value reserve account for the previous years.

Statement of the Ownership's Equity as on 31/December/2019

Statement	Capital IQ Thousand Dinars	General Reserve IQ Thousand Dinars	Compulsory Reserve IQ Thousand Dinars	Expansion Reserve IQ Thousand Dinars	Carried Forward Profits IQ Thousand Dinars	Accumulated Deficit IQ Thousand Dinars	Fair Value Reserves IQ Thousand Dinars	Total Shareholders' Equity IQ Thousand Dinars
Ownership's Equity at the Beginning of the Year	252,000,000	8,292	4,715,676	4,900,000	175,475	(727,781)	(28,766)	261,042,896
Additions during the Year	000	000	81,406	000	1,546,721	000	000	1,628,127
Comprehensive Income for the Year	000	000	000	000	000	000	11,913	11,913
Ownership's Equity at the End of the Year	252,000,000	8,292	4,797,082	4,900,000	1,722,196	(727,781)	(16,853)	262,682,936

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) -- Baghdad
Clarifications on the Financial Statement for the financial year ending on
31/December/2020

Statement of the Cash Flows for the Financial Year Ending on 31/December/2020

	2020 IQ Thousand Dinars	2019 IQ Thousand Dinars
<u>Cash Flows from Operating Activities</u>		
Cash Received for the Operating Operations:		
Profit before Tax	1,089,404	1,889,757
Amendments of the Non-Cash Items		
Depreciations and Amortizations	391,902	512,400
Allocation of Credit Losses	000	1,850
Total Amendments of the Non-Cash Items	391,902	514,250
Net Cash Received from Operating Activities	1,481,306	2,404,007
Cash Flows from Other Operating Operations		
Direct Credit Facilitations	51,960,757	11,496,792
Other Assets	(15,538,556)	(7,109,106)
Current Accounts / Financial Sector	000	3,183,510
Customers Deposits	(8,720,818)	(30,290,152)
Received Cash Deposits	451,061	(42,352,590)
Other Liabilities	4,781,418	3,061,379
Total Cash Flows from Other Operating Operations	32,933,862	(62,010,167)
Net Cash Flows from the Operating Activities	34,415,168	(59,606,160)
<u>Cash Flows from the Financing and Investment Activities</u>		
Net Additions to Fixed Assets		
Investments Buying	(148,450)	194,102
Received Loans	000	1,352
Advance Payment to open Branches	12,769,881	493,000
Paid Income Tax	(407,959)	23,800
Change in Reserves	000	3,491,139
Change in Allocations	(28,766)	000
Change in Allocations	(48,193,427)	000
Net Cash Flows from the Financing and Investment Activities	(36,008,721)	(4,203,393)
Net (Decrease) Increase in Cash and its Equivalent	(1,593,553)	(63,809,553)
Balance of Cash and its Equivalent at the Beginning of the Year	44,599,750	108,409,303
Balance of Cash and its Equivalent at the End of the Year	43,006,197	44,599,750

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

General Information

The (Union Bank of Iraq) is an Iraqi private shareholding company, established in 2002, with a nominal capital of (2) billion Iraqi dinars according to the establishment certificate issued by the Companies Registration Department No.: C.R. 9321 on 23/September/2002, and its headquarters is located in Baghdad city, several increases were carried out on the capital, the latest of which was in 2015 to become (ID. 252 Billion). The Bank provides all banking and financial works related to its activity, through its headquarters in Baghdad city (Baghdad – Al-Masbah Square) and its branches inside Iraq.

1. Significant Accounting Policies

Basis of Preparing the Financial Statements

The financial statements of the Bank were prepared in accordance with the International Financial Reporting Standards & interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board and in accordance with the historical cost principle except for financial assets at fair value through other comprehensive income and financial assets at fair value through the statement of the consolidated income, which are stated at fair value at the financial statements date. The Iraqi dinar is the currency of the presentation of the consolidated financial statements, which represents the main currency of the bank, and all the amounts were rounded to the nearest thousand Iraqi dinars.

The attached consolidated financial statements of the bank were prepared in order to present them to the shareholders according to the prevailing laws in Iraq.

Basis of Unifying the Consolidated Financial Statements

The financial statements include the financial statements of the Bank and as at 31/December/2020 the assets, liabilities and results of the Bank's operations (management and branches in Iraq because it does not have any branch outside Iraq).

Changes in the Accounting Policies

The accounting policies used in the preparation of the financial statements match those used in the preparation of the financial statements for the financial year ending on 31/December/2015, except that the bank has applied the following amendments and clarifications:

International Financial Reporting Standards, New Interpretations and Amendments issued and not Yet Effective.

New and amended standards were issued until 31/December/2015 and they are not binding until now and have not been applied by the bank.

International Financial Reporting Standard No.: (9) Financial Instruments:

The International Accounting Standards Board has issued the International Financial Reporting Standard No.: (9) "financial instruments" with all its stages during July/2014, and this standard shows the accounting process for classifying and measuring the financial assets and liabilities, and some of the contracts for selling or buying non-monetary instruments. This standard was issued to replace the International Accounting Standard No.: (39) "classification and measurement of the financial instruments". The bank applied the first stage of the International Financial Reporting Standard No.: (9) as issued during the year 2009, and the first application of the first stage was on 1/January/2011.

Equity Method in the Separate Financial Statements

(Amendments on the International Accounting Standard No.: 27 and the International Financial Reporting Standard No.: 1)

The International Accounting Standards Board has, during August/2014, amended the International Accounting Standard No.: (27) (separate financial statements) which provided the facilities the option to follow the equity method in accounting investments in affiliates and associated companies, and the companies under mutual control as shown in the International Accounting Standard No.: (28). Another amendment was conducted on the International Financial Reporting Standard No.: (1) which allows the facilities that follow equity method to apply the exception mentioned in International Financial Reporting Standard No.: (1) related to merger before the acquisition date.

The bank did not apply this standard because there were no affiliates and associated companies under control.

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

International Financial Reporting Standards, New Interpretations and Amendments Issued and not Yet Effective (continued)

International Accounting Standard No.: (1) Presentation of Financial Statements – (Amendments)

These amendments include limited improvements focused on:

- * Substantial
- * Classifications and Aggregation
- * Clarifications Structure
- * Disclosure of the Accounting Policies
- * Presentation of other comprehensive income items resulting from investments that follow the equity method.

It is not expected that these amendments will affect the financial position or financial performance of the Bank. The Bank does not expect these amendments to have a material impact on clarifications of the Bank's financial statements.

These standards were applied as of 1/January/2016.

Amendments on IFRS No.: (10) and IAS No.: (28) – Investment Facilities:

These amendments present the matters that might result from applying the exception from facilities unification requirements which the definition of investment facility applies thereon, and it present the following matters:

- The exception from the unification requirements shall apply on the mother company belonging to an investment facility, when the investment facility measures and evaluates all its investments in the affiliates based on fair value.
- The financial statements of the affiliate, which the definition of investment facility does not apply thereon, are unified and it shall provide services to the investment facility, and all investments in other affiliates are evaluated based on fair value.
- Applying the equity method by the facilities, which the definition of investment facility does not apply thereon, that own a share in an allied company or joint venture, which the definition of investment facility does not apply thereon. The amendments to IAS No.: (28) allow investing in allied companies or joint venture – by the investor upon following-up the equity method to maintain the method followed by the allied investment facilities or joint ventures upon measuring and evaluating its investments in affiliates based on fair value.

These amendments to standards are applied as from 1/January/2016.

Amendments on IAS No.: (16) and IAS No.: (38): Clarification of the accepted methods to calculate depreciations and amortizations.

These amendments clarify that revenue reflects the economic benefit of operating a business (asset is a part thereof) rather than the economic benefits consumed through the use of that asset. As a result, this method cannot be used to depreciate machinery, property and equipment and can only be used in specific circumstances to amortize the intangible assets.

International Financial Reporting Standards, New Interpretations and Amendments issued and not yet Effective (continued)

These amendments shall apply in the future as from 1/January/2016, with early application permitted. The bank does not expect these amendments to affect the financial position or performance.

IFRS No.: (16) Lease Contracts

The IAS council has issued IFRS (16) "lease contracts" in January/2016 which determines the principles of recognition, measurement presentation and disclosing lease contracts.

The requirements of IFRS (16) are substantially similar to the accounting requirements of the lessor in IAS (17), accordingly, the lessor continues to classify the lease contracts as operational lease contracts or financing lease contracts, where these types of contracts are processed differently.

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

The IFRS (16) requires from the lessee to recognize the assets and liabilities for all lease contracts of a period more than (12) months, unless that asset has a low value and requires the lessee to recognize it against using the asset represented in recognizing the leased asset, and the resulted obligation represented by rental payments.

Amendments on IFRS No.: (11): Mutual Arrangement – Shares in Joint Ventures.

These amendments to IFRS (11) require from the operator to apply IAS (3) "business integration" in the process of acquisition of the shares in mutual operations where the activity in the mutual operation represents business. These amendments show that the previous shares in joint ventures are not recalculated upon acquiring additional shares in the same joint venture and upon maintaining mutual control. Additionally, this standard includes the exceptions on these amendments where it cannot be applied when the same mother company owns the parties sharing that mutual control.

These amendments are applied to both the initial acquisition in the mutual operations and acquiring additional shares in the same mutual operations.

Realization of Revenues and Recognition of Expenses

- Interest revenues are recognized using the effective interest method except for interest and commission on non-performing credit facilities that are not recognized as revenues and are recognized in the interest and commission expense account.
- The expenses are recognized based on maturity.
- Commissions are recognized as revenues when the related services are rendered. Dividend of company's shares is recognized upon realization (approved by the General Body of the shareholders).

Estimations Usage

The preparation of the consolidated financial statements and the application of accounting policies require the accounting division to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates and judgments also affect the revenues, expenses and provisions as well as other comprehensive income. In particular, the accounting division is required to issue important judgments to estimate the amounts and timing of future cash flows. The above estimates are based on multiple hypotheses and factors, with varying degrees of estimation and uncertainty, and actual results may differ from estimates because of changes resulting from the conditions and circumstances of such estimates in the future.

The management of the Bank believes that its estimates in the consolidated financial statements are reasonable and detailed as follows:

- Credit facilities impairment provision: the debts provision is reviewed within the basis established by the Central Bank of Iraq according to the IFRS.
- Impairment loss on acquired property will be recognized based on recent real estate valuations and approved by recognized estimators for impairment loss. This reduction is reviewed periodically.
- Taxes provisions: The fiscal year is charged in accordance with the local regulations and laws applied by the financial authority and accounting standards.
- The management periodically recalculates the useful lives of the property and equipment for the purpose of calculating the annual depreciations and amortizations based on the general condition of those assets and estimated future useful lives. The impairment loss (if any) is recorded in the consolidated statement of income.



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

- The management periodically reviews the financial assets that are stated at cost to assess any impairment in value and the impairment is taken to the consolidated statement of income for the year.
- Judicial provisions: In order to cope with any judicial obligations, provisions are made for these obligations based on the opinion of the Bank's legal advisor.

Sectors Information

A business sector represents a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business sectors. The geographical sector is associated with the provision of products or services in a specific economic environment subject to different risks and rewards than those in sectors operating in other economic environments.

Cash and Cash Equivalents

Is the cash and cash balances due within a period of three months, including: cash balances with the Central Bank, balances with banks and banking institutions, and deduct the deposits of banks and banking institutions that are due within a period of three months.

Recognition of the Financial Assets

Purchasing and selling of the financial assets are recognized in the date of the Bank's commitment in selling or purchasing the financial assets.

Direct Credit Facilitations

- Credit facilitations are stated at net after deducting the provision of doubtful credit facilitations impairment and the outstanding interests and commissions.
- The provision of direct credit facilitations impairment is determined if it is not possible to collect the amounts due to the group and when there is objective evidence that an event has negatively affected the future cash flows of the direct credit facilitations, and when this decrease can be estimated, the amount of the impairment is stated as an expense in the consolidated income statement.
- The interests & commissions on the non-performing credit facilitations granted to the customers are suspended according to the instructions of the Central Bank of Iraq.
- The credit facilitations allocated to it shall be written-off in case the procedures taken to collect them are not feasible by deducting it from the provision according to the instructions of the Central Bank of Iraq, and any surplus in the provision shall be transferred to the consolidated statement of income, and the proceeds from the previous written-off debts shall be added to the revenues.

Financial Assets at Amortized Cost

Are the financial assets that the Bank's management intends to maintain in accordance with its business model, retained for the collection of contractual cash flows, which consist of payments of principal and interest on the outstanding debt balance.

These assets are recognized at cost, plus acquisition costs, and the premium shall be amortized using the effective interest method, a restriction on or for the calculation of the interest, and any impairment provisions that result in the non-recovery of the asset or part thereof, and any impairment in value is recognized in the statement of income.

The amount of the impairment in value of these assets represents the difference between the carrying amount in the records and the present value of the expected cash flows discounted at the original interest rate.

No assets from/to this item may be reclassified except in the cases specified in IFRS (If any such asset is sold before its due date, the result of the sale is recognized in the statement of income in a separate item and disclosed in accordance with International Accounting Standards).

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

Financial Assets at Fair Value through Statement of Income

Debt instruments that do not conform to the business model of financial assets at amortized cost, or those that the Bank has chosen to purchase at fair value through income statement, are measured at fair value through the consolidated statement of income.

Investments in financial instruments are classified at fair value through the consolidated statement of income, unless the bank classifies non-trading investment at fair value through other comprehensive income upon acquisition.

These are stated at fair value at the time of purchase (acquisition costs are recognized in the consolidated statement of income on acquisition) and subsequently revalued at fair value. The change in fair value is reflected in the consolidated statement of income including changes in fair value arising from translation differences, if any such asset or part thereof is sold, the resulting gain or loss is recognized in the consolidated statement of income.

Financial Assets at Fair Value through Statement of Other Comprehensive Income

The Bank may choose to finalize, on a financial instrument basis, the classification of equity instruments at fair value through other comprehensive income. This classification is not permitted if the investment is held for trading.

These assets are recognized upon purchase in fair value plus the expenses of acquisition and they are reevaluated later in fair value, and the change in fair value is recognized in the consolidated statement of comprehensive income and within the consolidated equity, including the change in the fair value resulting from the recording of exchange differences on non-monetary items in foreign currencies, in case of sale of these assets or part thereof, the resulting gains and losses are recognized in the consolidated statement of comprehensive income and are included in the consolidated equity. The balance of the sold asset valuation reserve is transferred directly to retained earnings and losses, these assets are not subject to a loss test and are recognized in the consolidated statement of income.

Fair Value

- The Bank will measure financial instruments such as financial derivatives and non-financial assets at fair value at the balance sheet date.
- Fair value represents the price to be obtained when the asset is sold or to be paid for the transfer of an obligation in an organized transaction between participants in an active market.
- In the absence of the primary market, the most appropriate market for assets and liabilities is used.
- The bank needs to have access to the main market or the most suitable market.
- The Bank measures the fair value of assets or liabilities by using the assumptions that market participants will use when pricing assets or taking the fair value measurement of non-financial assets into consideration and the ability of market participants to generate economic benefits through the use of the asset at its best use or sell it to another participant who will use the asset in its best use.
- The Bank evaluates its owned properties as appropriate to the circumstances, and provides adequate information to measure fair value.

Impairment of Financial Assets Value

The Bank reviews the carrying amounts of the financial assets at the consolidated statement of financial position date to determine whether there are indications of impairment in their value individually or in the form of a group. If such indicators exist, the recoverable amount is measured to determine the impairment loss.

The amount of impairment is determined as follows:



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

- Impairment of financial assets showing the amortized cost: represents the difference between the value recorded in the records and the present value of the expected cash flows discounted at the original price.
- The decrease is recognized in the consolidated statement of income and any provision in the subsequent period is recorded as a result of the previous impairment of the financial instrument assets in the income statement.

Clearance:

Financial assets and liabilities are cleared and the net amount is shown in the consolidated statement of financial position only when the legally binding conditions are met, and when the asset is settled based on clearance, the asset is settled and the liability is settled simultaneously.

Properties and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the cost incurred to replace any component of property, equipment and financing expenses for long-term construction projects if the recognition criteria are met. All other expenses are recognized in the consolidated statement of income as incurred. Depreciation is calculated (except for land where the land does not cease but is fully depreciated) using the straight-line method according to the expected useful life as follows:

	<u>Useful Life</u>
Buildings	50 years
Equipment, Appliances & Furniture	5 years
Means of Transportation	5 years
Electronic Systems	5 years

Any item of property and equipment and any substantial portions thereof shall be written off only upon disposal and when there is no expected economic benefit from the use or disposal of the asset. Any gain or loss arising on de-recognition of the asset, which represents the difference between the return on disposal and the net carrying amount of the asset in the consolidated statement of income.

The remaining values of the assets, the useful life and the methods of depreciation are reviewed in each financial year and adjusted later, if necessary.

Excluding the Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or part of a financial asset that is part of a group of similar financial assets where appropriate) when:

- The right to receive cash flows from the asset has expired.
- The Bank reserves the right to receive cash flows from the asset but, in return, bears an obligation to pay the cash flows in full without material delay to a third party under the order of receive and payment.
- When: A) It transfers all significant risks and benefits to the asset or B) Has not transferred or retained substantially all the risks and rewards of the asset, but control over that asset was transferred.

When the bank transfers the rights of receiving cash flows from the asset and did not transfer or maintain all types of risks and important features of the asset or changing the control over that asset, the asset is recorded as the bank continues to control this asset. The continuous control in the form of guarantee is recognized on the asset transferred by the original book value of that asset or the maximum consideration required to be paid by the bank whichever is less.



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

Financial Liabilities

A financial liability is eliminated upon exempting from an obligation to de-recognize or cancel the obligation or to terminate the obligation. When a financial liability is replaced by another from the same financing entity and in substantially different terms, or in the event of a material adjustment to the present obligation, the change or modification is treated as a de-recognition of the original obligation and a new liability is recognized.

Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the prevailing exchange rates at the date of the transaction.
- Financial assets and financial liabilities are translated into foreign currency exchange rates as at the date of the financial statements as issued by the Central Bank of Iraq.
- Non-monetary assets and liabilities denominated in foreign currencies and at fair value are translated at fair value at the date when the fair value was determined.
- Foreign exchange gains and losses are recognized in the income statement during the year.
- Exchange differences on items of assets and liabilities in foreign currencies (such as shares) are recognized as part of the change in fair value, if any.

Provisions

The provisions shall be recognized when the Bank has obligations on the statement of financial position date arising from past events and the payment of obligations is probable and can be reliably measured.

Income Tax

Taxable expenses are calculated on the basis of taxable profits. The taxable profits differ from the profits declared in the financial statements because the declared profits include non-taxable revenues or non-deductible expenses in the fiscal year but in later years or the accumulated losses which are tax-deductible or items not subject thereto or tax-deductible for tax purposes.

Income tax shall be calculated in accordance with the laws, regulations and instructions in force in Iraq.

The deferred taxes are the taxes expected to be paid or repaid as a result of temporary time differences between the value of assets or liabilities in the consolidated financial statements and the value on which the tax profit is calculated. The deferred tax is calculated by using the method of committing to the consolidated financial position statement, and the deferred tax is calculated according to the tax rates that are expected to be applied upon settling the tax obligation or achieving the deferred tax assets. The balance of deferred tax assets is reviewed at the date of the consolidated financial statements and is deducted in case of expecting non-possibility to benefit from these tax assets partly or completely.

Assets owned by the bank to pay due debts

The assets owned by the bank are shown in the statement of financial position within the item "other assets" by the value purchased by the bank or fair value whichever is less, and they are reevaluated at the date of the financial statements at fair value individually, and any impairment in its value is recorded as a loss in the consolidated statement of income and the increase is not recorded as a revenue. Later increase is recorded in the consolidated statement of income to the limit that does not exceed the value of impairment that was recorded previously.



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

2- Adopting the IFRS for the first time

The financial statements of the year ending on 31/December/2016 are prepared according to the IFRS. As for the previous years, which include the year ending on 31/December/2015, the bank has prepared the financial statements according to the Iraqi unified accounting system.

Exp.	31/December/2020 before amending	Amending Records	31/December/2019 after amending
	IQ Dinars (Thousand)	IQ Dinars (Thousand)	IQ Dinars (Thousand)
Assets			
Cash & Balances with the Central Bank	3	50,273,964	50,273,964
Balances of Banks & Other Financial Institutions	4	1,079,796	1,079,796
Net Direct Credit Facilitations *	5	364,010,568	364,010,568
Financial Assets by Fair Value through the Consolidated Income Statement	6	845,015	845,015
Net Properties and Equipments	7	23,628,563	23,628,563
Other Assets	8	39,815,727	39,815,727
Total Assets		479,653,633	479,653,633
Liabilities and Shareholders' Equity			
Liabilities			
Loan of the Central Bank	9	3,000,000	3,000,000
Current Accounts / Financial Sector	10	48,893,076	48,893,076
Customer Deposits	11	97,180,822	97,180,822
Cash Credits	12	51,599,222	51,599,222
Miscellaneous Allocations *	13	3,859,709	3,859,709
Income Tax Allocation	14	5,475,687	5,475,687
Other Liabilities	15	6,962,181	6,962,181
Total Liabilities		216,970,697	216,970,697
Shareholders' Equity			
Capital	16	252,000,000	252,000,000
General Reserves	17A	8,292	8,292
Compulsory Reserve	17B	4,797,082	4,797,082
Expansions Reserve	17C	4,900,000	4,900,000
Carried Forward Profits (Accumulated Surplus)	17D	1,722,196	1,722,196
Accumulated Deficit	17E	(727,781)	(727,781)
Fair Value Reserve **		(16,853)	(16,853)
Total Shareholders' Equity		262,682,936	262,592,936
Total Liabilities and Shareholders' Equity		479,653,633	479,653,633
Net Static Accounts	18	341,492,111	341,492,111



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

Exp.	31/December/2020 before amending	Amending Records	31/December/2019 after amending
	IQ Dinars (Thousand)	IQ Dinars (Thousand)	IQ Dinars (Thousand)
Assets			
Cash & Balances with the Central Bank	3	41,533,373	41,533,373
Balances of Banks & Other Financial Institutions	4	1,472,824	1,472,824
Net Direct Credit Facilitations *	5	360,474,321	360,474,321
Financial Assets by Fair Value through the Unified Income Statement	6	843,696	843,696
Net Properties and Equipments	7	23,793,070	23,793,070
Other Assets	8	62,108,293	62,108,293
Total Assets		490,225,577	490,225,577
Liabilities and Shareholders' Equity			
Liabilities			
Received Loans	9	64,662,957	64,662,957
Customer Deposits	10	88,460,004	88,460,004
Cash Credits	11	52,050,283	52,050,283
Miscellaneous Allocations	12	4,090,792	4,090,792
Income Tax Allocation	13	5,711,729	5,711,729
Other Liabilities	14	11,743,599	11,743,599
Total Liabilities		226,719,364	226,719,364
Shareholders' Equity			
Capital	15	252,000,000	252,000,000
General Reserves	16A	8,292	8,292
Compulsory Reserve	16B	4,839,750	4,839,750
Expansion Reserve	16C	4,900,000	4,900,000
Carried Forward Profits (Accumulated Surplus)	16D	2,532,890	2,532,890
Accumulated Deficit	16E	(756,547)	(756,547)
Fair Value Reserve **	16G	(18,172)	(18,172)
Total Shareholders' Equity		263,506,213	263,506,213
Total Liabilities and Shareholders' Equity		490,225,577	490,225,577
Static Accounts, Net	17	307,982,678	307,982,678



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

Clarifications on the Ownership's Equity Settlement as on 31/December/2020, and Total Comprehensive Income for the Year Ending on 31/December/2020

A- Establishment Expenses

Through the local accounting standards, the establishment expenses shall be capitalized as deferred revenue expenses and they are amortized as an expense on basis of fixed installment over five years. In contrast, these expenses are not capitalized under IFRS but they are recorded directly as expenses when they occur. As a result of the Bank's delay in writing off these expenses, pre-operating expenses, decorations, fixtures and partitions were retained as deferred revenue expenses

B- Fair Value Reserve

Through the local accounting standards, the bank shall recognize the change in fair value of financial assets at fair value through other comprehensive income in the income statement. This change in fair value shall be recognized in the International Financial Reporting Standards under the other comprehensive income statement.

C- Cash Credit Allocation

The bank shows the amount of the cash credit allocation as part of the net direct credit facilities to remedy credit risk in accordance with the Local Accounting Standards and International Accounting Standards.

D- Compulsory Reserve

In accordance with the Iraqi Companies Law, the rate of 5% (minimum) of the income of the year shall be deducted after taxes as an obligatory reserve (compulsory). The accumulated amounts of this account shall not exceed 50% of the Bank's capital, nor may the distribution of the obligatory reserve or any resulting revenues be distributed to the shareholders. The deduction may be continued by the approval of the General Body of the Bank provided that the compulsory reserve does not exceed 100% percent of the Bank's capital.

3- Cash and Balances with the Central Bank:

The details of this item are as follows

	<u>31/December/2020</u> Iraqi Thousand Dinars	<u>31/December/2019</u> Iraqi Thousand Dinars
<u>Cash in the Treasury</u>		
- Local Currency	1,965,165	1,675,321
- Foreign Banknotes	356,014	4,873,218
- Cash on ATM	980	19,990
Total Cash in the Treasury	2,322,159	6,568,529
<u>Balances with the Central Bank of Iraq</u>		
- Current Accounts	15,501,933	13,711,588
- Legal Reserves	12,688,765	15,084,321
- Reserve of the Letters of Guarantee	10,020,516	7,655,516
- Strengthening the Liquidity of the Central Bank	1,000,000	500,000
Total Balances of the Central Bank of Iraq	39,211,214	36,951,425
Total Cash and Balances with the Central Bank	41,533,373	43,519,954

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

4- Balances with the Banks and Other Financial Institutions

The details of this item are as follows:-	31/December/2020 IQ Thousand Dinars	31/December/2019 IQ Thousand Dinars
Local Banking Banks and Institutions	788,328	748,426
Foreign Banking Banks and Institutions	684,496	331,370
Total	1,472,824	1,079,796

5- Net Direct Credit Facilitations

The details of this item are as follows:-	31/December/2020 IQ Thousand Dinars	31/December/2019 IQ Thousand Dinars
<u>Long Term Granted Loans</u>		
Long Term Loans / Private Sector / Companies	62,662,109	16,551,484
Long Term Loans / Private Sector / Personnel	41,361,882	844,341
Financing Loans of Medium and Small Enterprises	3,756,682	3,563,345
Total Long Term Granted Loans	107,780,673	20,959,170
<u>Short Term Granted Loans</u>		
Short Term Loans Companies and Associations	55,016,315	82,330,812
Short Term Loans / Private Sector / Personnel	74,674,740	112,659,034
	129,691,055	194,989,846
<u>Debit Current Accounts</u>		
Debit Current Accounts / Private Sector / Companies	26,565,777	42,371,823
Debit Current Accounts / Private Sector / Personnel	25,820,072	29,706,467
Total Debit Current Accounts	52,385,849	72,078,290
Total Cash Credit	289,857,577	288,027,306
Employees Advances	743,775	747,791
Debtors of the Overdue Debts	61,378,339	114,626,364
Debtors of the Paid Letters of Guarantee	11,681,614	12,220,601
Total Direct Credit Facilitations	363,661,305	415,622,062
Deduct: Allocation of Impairment in the Cash Credit *	(3,186,984)	(51,611,494)
Net Credit Facilitations	360,474,321	364,010,568

* Allocation of Impairment in the Cash Credit:

The details of this item are as follows:	31/December/2020 IQ Thousand Dinars	31/December/2019 IQ Thousand Dinars
Balance at the Beginning of the Year	51,611,494	51,192,491
Additions during the Year	000	419,003
Deducts during the Year	(48,424,510)	000
Balance at the End of the Year	3,186,984	51,611,494

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

6- Financial Assets at Fair Value through Other Comprehensive Income

a. Financial Assets at Fair Value through Other Comprehensive Income

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Companies Shares – Stated in the Financial Markets	54,222	55,541
Companies Shares – Unstated in the Financial Markets	789,474	789,474
Total Fair Value for the Financial Assets	<u>843,696</u>	<u>845,015</u>

b. The activity on the Financial Assets at Fair Value through Other Comprehensive Income

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year by Cost	72,394	71,078
Additions during the year	000	1,316
Al-Iraqia Company to Guarantee Deposits (Under Establishment)	789,474	789,474
Balance at the End of the Year by Cost	<u>861,868</u>	<u>861,868</u>
Reserve of the Change in the Fair Value	(18,172)	(16,853)
Total Fair Value for the Financial Assets	<u>843,696</u>	<u>845,015</u>



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

- A) Properties and Equipment as on 31/December/2020, Net

The details of this item are as follows:-

Details	Lands	Buildings	Machines & Equipment	Transportation Means	Furniture, Appliances & Computers	Systems & Programs	Deferred Revenues Expenses	Total
	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand
at the Beginning of the Year	10,235,693	5,001,967	445,413	308,064	1,486,479	4,621,559	151,551	22,250,726
itions	000	000	120,455	000	28,621	000	350	149,426
lements and Exclusions	000	000	(975)	000	(457)	(159)	(26,338)	(27,929)
t at the End of the Year	10,235,693	5,001,967	564,893	308,064	1,514,643	4,621,400	125,563	22,372,223
umulated Depreciation:-								
ual Depreciation Percentage		2 %	20 %	20 %	20 %	20 %	20 %	
umulated Depreciation on 1/1	000	1,753,350	275,136	261,374	1,371,626	4,232,578	000	7,894,064
reciation Charged during the Year	000	116,783	63,746	10,421	60,840	113,774	26,338	391,902
lements and Exclusions	000	000	000	000	(457)	(158)	(26,338)	(26,953)
umulated Depreciation on 31/12	000	1,870,133	338,882	271,795	1,432,009	4,346,194	000	8,259,013
Book Value	10,235,693	3,131,834	226,011	36,269	82,634	275,206	125,563	14,113,210
ects under Construction	4,880,822	2,383,000	000	000	000	000	2,416,038	9,679,860
al Fixed Assets	15,116,515	5,514,834	226,011	36,269	82,634	275,206	2,541,601	23,793,070

ifications:

The value of the property 243/377 in Bataween / Uqba Bin Nafea Square - Baghdad, is still apparent, its value amounting to (7,263,822) thousand dinars in the account of projects under implementation and not being used during 2020.

The amount represents (2,416,038) thousand dinars, payments for the expenses of opening branches, including the amount of (2,008,079) thousand dinars carried forward from the previous year.



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

- B) Properties and Equipment as on 31/December/2019, Net

The details of this item are as follows:-

Details	Lands	Buildings	Machines & Equipment	Transportation Means	Furniture, Appliances & Computers	Systems & Programs	Deferred Revenues Expenses	Total
	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand	ID Thousand
at the Beginning of the Year	10,235,693	4,997,252	419,281	259,104	1,442,975	4,589,279	181,600	22,125,184
additions	000	4,715	26,132	48,960	43,504	32,280	9,364	164,955
deletions and Exclusions	000	000	000	000	000	000	(39,413)	(39,413)
at the End of the Year	10,235,693	5,001,967	445,413	308,064	1,486,479	4,621,559	151,551	22,250,726
accumulated Depreciation:-								
Annual Depreciation Percentage		2 %	20 %	20 %	20 %	20 %	20 %	
accumulated Depreciation on 1/1	000	1,583,679	219,529	244,198	1,391,884	4,010,934	000	7,450,224
Depreciation Charged during the Year	000	107,271	55,607	17,176	71,289	221,644	39,413	512,400
deletions and Exclusions	000	62,400	000	000	(91,547)	000	(39,413)	(68,560)
accumulated Depreciation on 31/12	000	1,753,350	275,136	261,374	1,371,626	4,232,578	000	7,894,064
Net Book Value	10,235,693	3,248,617	170,277	46,690	114,853	388,981	151,551	14,356,662
Projects under Construction	4,880,822	2,383,000	000	000	000	000	2,008,079	9,271,901
Total Fixed Assets	15,116,515	5,631,617	170,277	46,690	114,853	388,981	2,159,630	23,628,563

Clarifications:-

The value of the property 243/377 in Bataween / Uqba Bin Nafea Square - Baghdad, is still apparent, its value amounting to (7,263,822) thousand dinars in the account of projects under implementation and not being used during 2020.
 The amount represents (2,008,079) thousand dinars, payments for the expenses of opening branches, including the amount of (1,984,279) thousand dinars carried forward from the previous year.

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

8- Other Assets

The details of this item are as follows:-

	<u>31/December/2020</u>	<u>31/December/2019</u>
	IQ Thousand Dinars	IQ Thousand Dinars
Deposits with Others	13,584	11,169
Debtors of Private Sector / Companies *	2,050,892	2,047,462
Debtors of the Non-Current Activity *	5,000,000	5,000,000
Deducted Amount for Monetization of Cash / Erbil *	6,754,010	6,754,010
Prepaid Expenses	173,100	000
Non-Received Revenues Due *	43,604,556	28,593,024
Cash Differences / Stolen	1,341,871	1,341,871
Cash Differences / Suspended Checks	1,666,542	1,666,542
Judicial Expenses	1,503,738	1,155,659
	<u>62,108,293</u>	<u>46,569,737</u>

- * The amount appearing in the account of the debtors of private sector / companies, represents part of the amounts deducted by the Central Bank of Iraq from the free current account amounting to (ID. 5,127,609) thousand dinar, and the bank is about to follow up obtaining what confirms the issuance of the customs clearance or obtaining them from the relevant customers.
- * The amount appearing in the account of the debtors of non-current activity, represents the amount of a cheque without balance for Al-Baneen Company for Mediating in Selling & Purchasing Currency returned from Al-Rafidain Bank in the year / 2014, and a lawsuit was filed against Al-Rafidain Bank.
- * The amount of (6,754,010) thousand dinar represents the remaining amount deducted from the current account with the Central Bank / Erbil Branch amounted to (6,851,478) thousand dinar.
- * The amount appearing in the account of unreceived due revenues, due revenues of the letters of guarantee and interests calculated on interest-free credit in 2015.
- * The amount appearing in the cash differences account amounting to (ID. 1,341,870) thousand dinar represents the following:
 - (1,338,000) thousand dinar is the amount remaining from a stolen amount during cash transportation from Al-Basrah Branch in the year / 2015.
 - (3,870) thousand dinar is the amount remaining from shortfalls in cash deposits with the Central Bank / Al-Basrah Branch.

9- Received Loans *

The details of this item are as follows:-

	<u>31/December/2020</u>	<u>31/December/2019</u>
	IQ Thousand Dinars	IQ Thousand Dinars
Central Bank of Iraq for Financing Small & Medium Projects	2,939,450	3,000,000
Trade Bank of Iraq	61,723,507	48,893,076
	<u>64,662,957</u>	<u>51,893,076</u>

- * The balance of the Central Bank of Iraq represents the amounts financed by the Central Bank of Iraq to finance medium and small projects. The balance of the amounts lent to customers by the bank as of December 31, 2020 amounted to (3,756,682) thousand dinars.
- * The Trade Bank of Iraq loan represents the facilities provided by the Trade Bank of Iraq for the purposes of opening documentary credits at an interest rate of 8% annually, and the interest accrued on the bank for the year 2020 amounted to (2,010,809) thousand dinars.

The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.



Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

10- Current Accounts and Deposits

The details of this item are as follows:-

	<u>31/December/2020</u> <u>IQ Thousand Dinars</u>	<u>31/December/2019</u> <u>IQ Thousand Dinars</u>
Credit Current Accounts		
Private Sector / Companies	43,732,306	49,688,727
Private Sector / Personnel	11,997,873	12,476,741
Total	55,730,179	62,165,468
Savings Accounts / (Savings)		
Private Sector / Companies	4,386,984	4,265,160
Private Sector / Personnel	15,298,944	17,050,002
Total	19,685,928	21,315,162
Accounts of Fixed Deposits		
Private Sector / Companies	500,000	500,000
Private Sector / Personnel	6,230,535	5,745,310
Total	6,730,535	6,245,310
Certified (Adopted) Checks	2,249,143	2,710,363
Cashier Checks and Checks withdrawn on the Bank	4,064,219	4,744,519
Total	88,460,004	97,180,822

11- Cash Deposits

The details of this item are as follows:-

	<u>31/December/2020</u> <u>IQ Thousand Dinars</u>	<u>31/December/2019</u> <u>IQ Thousand Dinars</u>
Deposits Received against Letters of Guarantees	52,050,283	51,599,222
Total	52,050,283	51,599,222



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

12- Miscellaneous Allocations

The details of this item are as follows:-

	31/December/2020	31/December/2019
	IQ Thousand Dinars	IQ Thousand Dinars
Contractual Credit Risk Allocation		
Balance at the Beginning of the Year	3,859,709	4,276,862
Additions during the Year	231,083	000
(Deductions) during the Year	000	(417,153)
Balance at the End of the Year	4,090,792	3,859,709

13- Income Tax Allocation

A. The details of this item are as follows:

	31/December/2020	31/December/2019
	IQ Thousand Dinars	IQ Thousand Dinars
Balance at the Beginning of the Year	5,475,687	8,705,196
Income Tax Paid during the Year	000	(3,491,139)
Income Tax Due for the Current Year	236,042	261,630
Balance at the End of the Year	5,711,729	5,475,687

B. The following is a summary of the reconciliation of accounting profit with profit for the purposes of calculating income tax:

Statement	31/December/2020	31/December/2019
	IQ Thousand Dinars	IQ Thousand Dinars
Net profit under income statement	1,089,404	1,889,757
Add Non-taxable expenses:		
Taxes paid on employees' income	000	000
Miscellaneous taxes and fees	359,787	000
Donations to others	269,980	000
Total Additions	629,767	000
Deduct: Tax-exempt revenues:		
Deduct: 20% of the accumulated deficit	(145,556)	(145,556)
Total deductions	(145,556)	(145,556)
taxable income (tax base)	1,573,615	1,744,201
Income tax ratio	15 %	15 %
Income tax for the year	236,042	261,630



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

14- Other Liabilities:

The details of this item are as follows

	<u>31/December/2020</u>	<u>31/December/2019</u>
	IQ Thousand Dinars	IQ Thousand Dinars
Creditors of Private Sector / Companies and Associations	000	000
Creditors of Private Sector / Personnel	000	74,867
Unpaid due interest	318,793	298,979
Revenues Received in Advance	5,825,204	643,303
Expenses Due	104,300	72,153
Public Treasury / Stamp Fee	2,327,686	2,107,010
Deductions for Others	918,951	611,125
Received amounts for registration of companies	104,200	325,171
Amounts withheld at the request of official bodies	1,500,000	1,500,000
Unclaimed amounts	23,670	19,502
Balances of Deceased Customers' Compensations	3,190	3,190
Various other debit accounts	14,600	1,306,881
External transfer deposits	603,005	000
Total	11,743,599	6,962,181

15- The Capital

The details of this item are as follows:

a) The bank was established in the year (2002), with a capital of (2) billion dinar, and commenced its works on 19/4/2004, and the following developments occurred on the capital:-

- 1) During the year 2007, the capital was increased to (16) billion shares
- 2) During the year 2008, the capital was increased to (25) billion shares
- 3) During the year 2009, the capital was increased to (50) billion shares
- 4) During the year 2011, the capital was increased to (59,8) billion shares
- 5) During the year 2012, the capital was increased to (100) billion shares
- 6) During the year 2013, the capital was increased to (152) billion shares
- 7) During the year 2014, the capital was increased to (252) billion shares

b) The activity in the shares issued during the year is as follows:

	<u>2020</u>	<u>2019</u>
	Thousand Shares	Thousand Shares
Number of Shares Issued at the Beginning of the Year	252,000,000	252,000,000
Number of Shares Issued at the End of the Year	252,000,000	252,000,000



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

c) Share Value from the Profit of the Year

The profit of the basic share was calculated by dividing the net profit of the year by the weighted average of the number of existing shares, as follows:

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Accounting Profit	1,089,404	1,889,757
Deduct: Calculated Income Tax	(236,042)	(261,630)
Net Profit of the Year after Tax	853,362	1,628,127
Weighted Average for Shares Number	252,000,000	252,000,000
Basic Share Value from Profit of the Year	0,0023	0,0065

16- The Reserves:

The details of this item are as follows:

a) General Reserve

This account is used to record the value of shares of the received grant for the profit distributions in the companies in which the bank is a shareholder.

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the End of the Year	8,292	8,292

b) Compulsory Reserve

In accordance with the Iraqi Companies Law, the rate of 5% (minimum) of the income of the year shall be deducted after taxes as a compulsory reserve. The accumulated amounts of this account shall not exceed 50% of the Bank's capital, nor may the distribution of the compulsory reserve or any resulting revenues be distributed to the shareholders. The deduction may be continued by the approval of the General Body of the Bank provided that the compulsory reserve does not exceed 100% percent of the Bank's capital.

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year	4,797,082	4,715,676
Transferred from Profits and Loss Account	42,668	81,406
Total	4,839,750	4,797,082



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

c) Expansions Reserve

Part of the surplus available for distribution to shareholders is reserved by the decision of the board of directors of the bank and by the approval of the general body in order to be used for expansions specially to open new branches for the bank without prejudice to the capital or mandatory reserve mentioned in Para (b) above.

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year	4,900,000	4,900,000
Balance at the End of the Year	4,900,000	4,900,000

d) Accumulated Surplus (Carried Forward Profits)

This account shows the remaining amount from annual dividends available for distribution to shareholders.

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year	1,722,196	175,475
Transferred from the Comprehensive Income Statement	810,694	1,546,721
Balance at the End of the Year	2,532,890	1,722,196

e) Accumulated Deficit (Carried Forward Loss)

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year	(727,781)	(727,781)
Additions during the Year	(28,766)	000
Balance at the End of the Year	(756,547)	(727,781)

f) Fair Value Reserve

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Balance at the Beginning of the Year / (Debit) Credit	(16,853)	(28,766)
Impairment at Investments Value during the Year	(1,319)	11,913
Balance at the End of the Year / (Debit) Credit	(18,172)	(16,853)



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

17- Net Static Accounts:

The details of this item are as follows

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Issued Letters of Guarantee		
Issued Internal Letters of Guarantee	168,267,322	241,114,724
Deduct: Deposits of Letters of Guarantee	(52,050,283)	(51,599,222)
Total Contractual Obligations	116,217,039	189,515,502
Customers' Obligations for Provided Dues	3,633,466	3,469,936
Divided Recoveries and Decided Amounts	11,721,513	11,721,513
Mortgages against Banking Facilities	127,986,660	136,785,160
debts under surveillance	48,424,000	000
Total Contra Static Accounts	<u>307,982,678</u>	<u>341,492,111</u>

18- Net Interest Revenues:

The details of this item are as follows

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
<u>Interest Revenues:</u>		
Interests of Granted Loans	505,388	265,483
Interests of Debit Current Accounts	3,400,741	2,757,102
Interests of Foreign Current Accounts	59	2,798
Total Interest Revenues	3,906,188	3,025,383
<u>Interests Expenses</u>		
Interests of Savings Accounts	1,495,527	2,522,540
Interests on Fixed Deposits	413,488	407,434
Interests of Internal Loaning	13,650	3,526,694
Interests of Internal Loaning / Overdraft	2,467,044	000
Total Interest Expenses	4,389,709	(6,456,668)
Net Interests Deficit	<u>(483,521)</u>	<u>(3,431,285)</u>



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

19- Net Commission Revenues:

19A. Net Revenues of Selling and Buying Foreign Currencies

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Revenues of Selling and Buying Currencies	521,417	101,278
Deduct: Currency Evaluation Differences	(2,513,554)	(81,788)
Net Revenues of Selling and Buying Foreign Currencies	<u>(1,992,137)</u>	<u>19,490</u>

19B. Net Commission Revenues

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
<u>Received Commissions</u>		
Internal Transfers Commission	000	000
Foreign Transfers Commission	490,255	000
Letters of Credit Commission	000	703
Internal Letters of Guarantee Commission	8,845,665	11,303,012
Cashier Checks Issuing & Checks Adoption Commission	3,958	6,207
Other Banking Commissions	59,904	101,541
	9,399,782	11,411,463
Deduct: <u>Paid Commissions</u>	(367,883)	(64,973)
Total Net Commission Revenues	<u>9,031,899</u>	<u>11,346,490</u>

20- Foreign Currencies Selling and Buying Window Revenue:

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Foreign Currencies Selling and Buying Window Revenue	1,238,370	684,901
Total	<u>1,238,370</u>	<u>684,901</u>



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

Statement	Purchased Amounts				Sold Amounts			Net Revenue Dinar
	Purchase Volume USD	Purchase Price Dinar	Purchase Volume Dinar	Sale Volume USD	Sale Price Dinar	Sale Volume Dinar		
Foreign remittances	164,818,000	1190	196,133,420,000	164,818,000	1191	196,298,238,000	164,818,000	
	336,000	1190	399,840,000	336,000	1190.25	399,924,000	84,000	
	498,686,564	1190	593,437,011,160	498,686,564	1192	594,434,384,288	997,373,128	
	22,191,434	1460	32,399,493,640	22,191,434	1462	32,443,876,508	44,382,868	
Total remittances (1)	686,031,998	/	822,369,764,800	686,031,998	/	823,576,422,796	1,206,657,996	
Money exchange companies	15,510,000	1190	18,456,900,000	15,510,000	1192	18,487,920,000	31,020,000	
	350,000	1190	416,500,000	350,000	1191.975	417,191,501	691,501	
Total money exchange (2)	15,860,000	/	18,873,400,000	15,860,000	/	18,905,111,501	31,711,501	
Grand Total (1+2)	701,891,998	/	841,243,164,800	701,891,998	/	842,481,534,294	1,238,369,497	



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

21- Other Operations Revenues:

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
<u>Revenues</u>		
Banking publications sales	127,794	000
Miscellaneous Services Revenue	148,255	423,253
Recovered Expenses	36,934	210,994
Total	<u>312,983</u>	<u>634,247</u>

22- Employees' Salaries and their Equivalent:

The details of this item are as follows:

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Wages	1,822,296	2,193,723
Additional Works Wages	14,475	44,894
Incentive Bonuses	93,760	568,844
Professional and Technical Allocations	201,422	284,098
Compensation Allocations	277,242	494,754
Other Allocations	47,631	77,749
Workers Transportation	9,555	25,830
Training and Rehabilitation	000	4,892
Subventions for Employees	000	3,150
Contribution in the Social Security for Workers	233,185	58,901
Total Salaries and Wages and their Equivalent	<u>2,699,566</u>	<u>3,756,835</u>

23- Depreciations and Amortizations:

The details of this item are as follows:

	<u>31/December/2020</u> IQ Thousand Dinars	<u>31/December/2019</u> IQ Thousand Dinars
Depreciation of building and facilities	116,783	107,271
Depreciation of Machines and Equipment	63,746	55,607
Depreciation of Transport and Transportation Means	10,421	17,176
Depreciation of Furniture, Appliances and Computers	60,840	71,289
Depreciation of Systems and Programs	113,774	221,644
Amortization of Deferred Revenue Expenses	26,338	39,413
Grand Total of Depreciations and Amortizations	<u>391,902</u>	<u>512,400</u>



The attached clarifications from (1) to (24) are considered part of these financial statements and read with them.

Union Bank of Iraq (Private Shareholding Company) – Baghdad
Clarifications on the Financial Statement for the financial year ending on 31/December/2020

24- Other Operating Expenses:

The details of this item are as follows

	2020 IQ Thousand Dinars	2019 IQ Thousand Dinars
<u>Commodities Requirements</u>		
Fuel and Lubricants	39,586	35,666
Supplies and Necessities	46,602	52,185
Stationery	11,423	17,393
Employee Supplies	5,410	4,356
Water and Electricity	44,460	66,130
Total Commodities Requirements	147,481	175,730
<u>Services Requirements</u>		
Maintenance Services	153,846	175,334
Research and Consultations	59,400	193,868
Publicity and Advertisement	25,143	27,084
Publishing and Printing	42,735	24,664
Hospitality	10,004	11,997
Exhibition Expenses	000	25,065
Conferences and Seminars	000	25,241
Transport of Goods and Commodities	000	200
Public Communications	5,961	7,288
Travel and Delegation	33,066	41,944
Renting of Building	226,834	288,346
Renting of Transport and Transportation Means	37	399
Subscriptions and Memberships	629,445	246,927
Non-Worker Bonuses for Services Performed	40,432	41,014
Legal Services	129,016	326,279
Banking Services	73,181	118,196
Accounts Auditing Fees / Auditor	65,000	27,153
Other Audit Fees	73,650	000
Total Services Requirements	1,567,750	1,625,999
<u>Other Expenses</u>		
Subventions and Donations for Others	269,980	89,500
Miscellaneous Taxes and Fees	359,787	199,948
Compensations and Fines *	1,303,749	669,201
Incidental Expenses	4,380	000
Expenses of Previous Years	000	16,588
Others	273,595	317,885
Total Other Expenses	2,211,491	1,293,122
Total Operating Expenses and Others	3,926,722	3,094,851

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