

**To / Stockholders of AL-ANSSARI Islamic Investment and Financing Bank (P.S.C)**  
**Auditors' Report**

Greetings,

We have audited the accompanying financial statements of **AL-ANSSARI Islamic Investment and Financing Bank (P.S.C) "the bank"**, which comprise Financial Position statement as on 31 December 2018, Income and comprehensive income statement, Changes in Stockholders Equity statement and Cash Flows statement for the year ended at that date, and the statements that has numbered from (1) to (22) and the accompanying clarification notes attached with it, and the management annual report that prepared in the accordance with articles of amended companies law No. 21 for 1997 and the instructions and regulations that issued according to the mentioned law, and according to the Banks Law No. 94 for 2004, and Islamic Banks Law No. 43 for 2015, and according to the both known national and international Auditing Standards.

We have obtained the information and clarification that were in our opinion necessary to conduct our mission that we finished according to the implementing regulations, and according to the known audit procedures which contain needed tests for the company's activities within our specialty.

**Management responsibility for the financial statements:**

Management is responsible for the preparation and disclosure of these financial statements fairly in accordance with national accounting principles and standards, in addition the management responsible to prepare and execute an internal control system especially concerning the preparation and disclosure of financial data fairly and free from material misstatement resulted by mistakes and fraudulent. Also the management responsible to determine and application the relevant accounting policies and using the relevant accounting estimations.

**Auditors' responsibility:**

Our responsibility is to express an opinion of these financial statements based on our audit according to the national standards. Those standards required that we planning and complete the audit to obtain a reasonable confirmation whether the data were free from material misstatement. The audit includes an examining on a test basis for the confirming data and documents for the amount that reflected and disclosed in the balance sheet and accompanying statements of the financial year that ended on 31 December 2018. Also include revaluation of accounting principles that applied by the management, and we assume that our audit provides a reasonable basis for our opinion, and we have the following clarifications and notes:

**1- International Accounting Standards Adoption:**

- A- The bank has been adopted the International Accounting Standards for the Third year respectively.
- B- For the Islamic Financing Instruments, the bank has implement the standards of AAOIFI, that mentioned within the official letter No. 9/3/289 on 1/08/2018 issued by the Central Bank of Iraq, which considered effective from its issuance date.
- C- For the IAS 36 (Impairment of Assets) wasn't implemented as the bank has no any real estate for the year under audit.
- D- For the IFRS 9: the bank's management has decided to implement the said IFRS from the fiscal year 2019.

**2- Cash and cash at Central Bank of Iraq:**

Cash on hand at the Bank's save, as well as the cash at the Central Bank of Iraq amounting (137,802) Million IQD as on 31/12/2018, comparing with (180,222) Million IQD as on 31/12/2017.

**3- Balances and Deposits at banks and other financial institutions:**

The cash at local banks and other financial institutions balance amounting (56,095) thousand IQD as on 31/12/2018, comparing with (82,977) thousand IQD as on 31/12/2017, a part of (4,194) thousand at a foreign bank.

**4- Islamic Financing:**

A- The balance of Islamic Financing amounting (127,415) Million IQD after deduction of Islamic Financing Provision as on 31/12/2018, comparing with (68,600) Million IQD as on 31/12/2017, as detailed below:

Description	Amount Million IQD \ 2018	Amount Million IQD \ 2017
Financing partnerships \ companies	129,504	53,280
Financing Murabaha \ companies	511	16,720
<b>Total</b>	<b>130,015</b>	<b>70,000</b>
<b>Deduct: Islamic Financing Provision</b>	<b>(2,600)</b>	<b>(1,400)</b>
<b>Net Islamic Financing</b>	<b>127,416</b>	<b>68,600</b>

B- We recommending the necessity of follow up and finalize the granted partnerships to the customers, as well as follow up the completing percentage of these partnerships.

C- We noticed that the guarantees preserved against the granted credits (Murabaha) were weak, we recommending the necessity of acquire and preserve a solid guarantee.

**5- Property, Plant and Equipment:**

The purchasing contract regarding the building of headquarter and main branch that mentioned in our report of 2017 item No. (6) has been cancelled, as it shown within note (8) attached with the financial statements.

**6- Cash Insurances:**

The balance of Cash Insurances amounting (7,413) thousand IQD as on 31/12/2018 comparing with (18,445) Million IQD as on 31/12/2017, this balance represent the cash received and hold by the bank from the participants in USD auction window.

**7- Long-Term Loans:**

The balance of Long-Term Loans amounting (421) Million IQD as on 31/12/2018 comparing with (3,439) Million IQD as on 31/12/2017, which represent the Central Bank of Iraq initiative \ National Fund for small and medium businesses financing.

**8- Provisions:**

The bank's management determined an amount of (2,600) Million IQD as on 31/12/2018 as a provision of Granted Islamic Financing Risks, which is in line with the instructions No. 4 for 2010 requirements that issued by the Central Bank of Iraq.

**9- Results of the Bank's activity:**

A loss of (1,839) Million IQD was incurred as on 31/12/2018 comparing with (3,984) Million IQD as on 31/12/2017.

**10- Comparment figures of the financial statements:**

Description	2018 Million IQD	2017 Million IQD	Amount Increase (Decrease)	Percentage Increase (Decrease)
Cash and cash at Central Bank of Iraq	137,802	180,222	(42,420)	(23%)
Balances and deposits at banks and other financial institutions	56	82	(26)	(31%)
Islamic Financing	130,015	70,000	60,01	85 %
Property, Plant and Equipment	348	25,447	(25,099)	(98) %
Depositors balances	20,552	6,023	14,529	241%
Cash insurances	7	18,445	(18,438)	(99%)
Long-Term Loans	421	3,439	(3,018)	(87%)
Provision of Islamic Financing Risks	2,600	1,400	1,200	85%
Net fees and commissions revenues	873	(69)	942	1,365%
Difference in foreign currencies exchange revenues	875	698	177	25%
Other revenues	510	1	509	
Employees costs	993	628	365	58%
Activity's result	(1,839)	(3,984)	(2,145)	(53%)

**11- Compliance officer:**

We have reviewed the compliance officer reports for the year under audit, all reports were prepared in accordance with the Central Bank of Iraq instructions.

**12- Money Laundering:**

Whole related procedures for money landing and Anti-Terrorism financing have been concluded by the Bank according to the articles of Money Laundering and Anti-Terrorism Law No. 39 for 2015.

**13- Capital Adequacy percentage:**

The percentage of capital adequacy amounting (385%) as on 31/12/2018 which is higher than the percentage determined by the Bank's Law in Iraq which is (12%).

**14- Law Suits:**

There is no any law suit filed by the bank against others, on the other hand, there is no any law suit filed by others against the bank during the year under audit.

**15- Internal Control:**

The internal control system includes the necessary procedures that fit with size and nature of the bank's activities, and the reports of internal control department covered all the bank's activities for main and other branches, and discovered several important notes, we recommend to following and solving these notes that reported by mentioned department by the management.

According to the bank's records and the clarifications that gave to us:

1. The computerized accounting system that uses by the bank was suitable with the keeping records system and included as we estimate recording all of the assets, liabilities, expenditures and revenues of the company and the internal control system included all necessary procedures to provide the accuracy and correct data with a degree that considered suitable with bank activities.
2. The counting of property, plant and equipment and the cash assets was in the right way under our observe and it was match with the sub-records and the revaluation according to the accounting basis and principles that depended in the last year.
3. The financial statements prepared according to the International Accounting Standards and adopted regulations and records, and it has been prepared according to the amended Companies Law No.21 for 1997 and Banks Law No. 94 for 2004.
4. The management report prepared according to the amended Companies Law No. 21 for 1997.

### Opinion

Taking the clarifications and notes above in consideration, our opinion and according to the information and clarifications that provided to us the financial data and the attached management report are match with the records and complied with legal requirements, and its express the financial position of the bank fairly and clearly through what include of performance indicates as on December, 31, 2018 and it results of the activity and its cash flows for the year that ended at that date.

**Best Regards**

Dr. Haseeb K. J. Almayah  
Certified Public Accountant  
Member of CPAs Association



Mahmoud R. Ibrahim Al-Fahad  
Certified Public Accountant  
Member of CPAs Association



**AL-ANSSARI Islamic Investment and Financing Bank (P.S.C)**

**Financial Position Statement  
As on 31 December 2018**

	Note No.	2018 IQD	2017 IQD
Cash and cash at Central Bank of Iraq	5	137,802,994,261	180,222,203,802
Balances and deposits at banks and other financial institutions	6	56,095,529	82,977,709
Islamic Financing	7	127,415,399,072	68,600,000,000
Property, Plant and Equipment	8	348,370,940	25,447,062,441
Projects in progress	8	-	-
Other assets	9	10,780,700	6,714,500
<b>Total Assets</b>		<b>265,633,640,502</b>	<b>274,358,958,452</b>
<b>Liabilities</b>			
Depositors balances	10	20,552,454,953	6,023,437,000
Cash insurances	11	7,413,000	18,445,000,000
Income tax provision	12	-	-
Long-Term Loans	13	421,500,000	3,439,287,000
Other Liabilities	14	236,437,782	195,547,500
<b>Total Liabilities</b>		<b>21,217,805,735</b>	<b>28,103,271,500</b>
<b>Owners' Equity</b>			
Capital	15	250,000,000,000	250,000,000,000
Statutory reserve		16,019,101	16,019,101
Other reserves		40,976,461	40,976,461
retained earnings		183,111,430	183,111,430
accumulated losses		(5,824,272,225)	(3,984,420,040)
<b>Deficit in owners' equity</b>		<b>244,415,834,767</b>	<b>246,255,686,952</b>
<b>Total Liabilities and owners' equity</b>		<b>265,633,640,502</b>	<b>274,358,958,452</b>



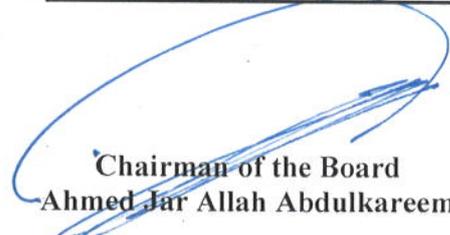
**CFO**

**Suhad Hasan Sulaiman**



**CEO**

**Ali Ibrahim Abdulrazzaq**

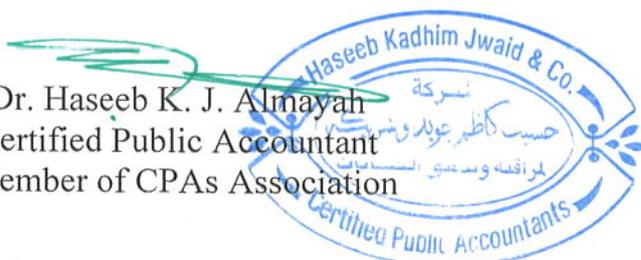


**Chairman of the Board**

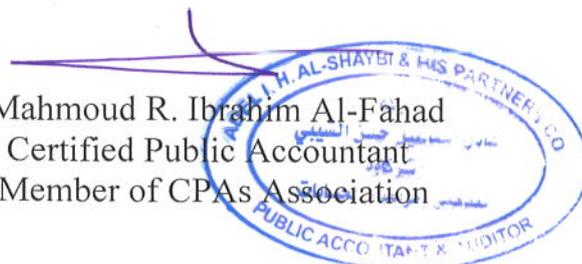
**Ahmed Jar Allah Abdulkareem**

Subject to our Report No. 747\173\19 on 03\09\2019

Dr. Haseeb K. J. Almayah  
Certified Public Accountant  
Member of CPAs Association



Mahmoud R. Ibrahim Al-Fahad  
Certified Public Accountant  
Member of CPAs Association



**AL-ANSSARI Islamic Investment and Financing Bank (P.S.C)**

**Comprehensive Income Statement**  
**For the year ended on 31 December 2018**

	Note No.	2018 IQD	2017 IQD
<b>Operating Revenues</b>			
Net fees and commissions revenues	15	873,258,949	(69,040,191)
Difference in foreign currencies exchange revenues		875,800,006	698,850,000
Other revenues		510,346,713	1,550,000
		<b>2,259,405,668</b>	<b>631,359,809</b>
<b>Operating Expenses</b>			
Employees costs	16	993,225,502	628,883,750
Administrative expenses	17	1,802,102,422	1,988,079,188
Depreciations	8	103,615,662	598,816,911
Provision of Islamic Financing Risks		1,200,314,267	1,400,000,000
		<b>4,099,257,853</b>	<b>4,615,779,849</b>
<b>(loss) income before income tax</b>		<b>(1,839,852,185)</b>	<b>(3,984,420,040)</b>
<b>Income tax</b>		-	-
<b>(loss) income after income tax</b>		<b>(1,839,852,185)</b>	<b>(3,984,420,040)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>(1,839,852,185)</b>	<b>(3,984,420,040)</b>

**AL-ANSSARI Islamic Investment and Financing Bank (P.S.C)**

**Cash Flows Statement**  
**For the year ended on 31 December 2018**

	Note No.	2018 IQD	2017 IQD
<b><u>Operational Activities</u></b>			
(loss) income before income tax		(1,839,852,185)	(3,984,420,040)
Non-cash items:			
Depreciations		103,615,662	598,816,911
<b>Cash flow (used in) from operational activities before change in operational assets and liabilities</b>		<b>(1,736,236,523)</b>	<b>(3,385,603,129)</b>
<b><u>Change in assets and liabilities:</u></b>			
Islamic financing		(58,815,399,072)	(68,600,000,000)
Other assets		(4,066,200)	55,018,285,500
Depositors balances		14,529,017,953	6,023,437,000
Cash insurances		(18,437,587,000)	18,445,000,000
Other liabilities		40,890,282	165,297,500
Cash flow used in operational activities before income tax		(64,423,380,560)	7,666,416,871
Paid income tax		-	(29,232,840)
Cash flow used in operational activities		(64,423,380,560)	7,637,184,031
<b><u>Investment Activities</u></b>			
Property and equipment purchases		25,536,372,550	(26,045,879,350)
Accumulated depreciation adjustment		(541,296,711)	-
Intangible assets		-	-
Cash flow used in investment activities		24,995,075,839	(26,045,879,350)
<b><u>Financing Activities</u></b>			
Long-Term Loans		(3,017,787,000)	3,439,287,000
Increasing in capital		-	150,000,000,000
Cash flow from financing activities		(3,017,787,000)	153,439,287,000
Increasing in cash and cash equivalent		(42,446,091,721)	135,030,591,681
cash and cash equivalent at beginning of the year		180,305,181,511	45,274,589,830
cash and cash equivalent at end of the year		<b>137,859,089,790</b>	<b>180,305,181,511</b>

**AL-ANSSARI Islamic Investment and Financing Bank (P.S.C)**

**Changes in Owners' Equity Statement  
As on 31 December 2018**

	Capital IQD	Statutory reserve IQD	Other reserves IQD	Retained earnings IQD	Accumulated Losses IQD	Total IQD
<b>2018</b>						
Balance as on 1 January	250,000,000,000	16,019,101	40,976,461	183,111,430	(3,984,420,040)	246,255,686,952
Comprehensive income	-	-	-	-	(1,839,852,185)	(1,839,852,185)
Capital increase (note 15)	-	-	-	-	-	-
Balance as on 31 December	250,000,000,000	16,019,101	40,976,461	183,111,430	(5,824,272,225)	244,415,834,767
<b>2017</b>						
Balance as on 1 January	100,000,000,000	16,019,101	40,976,461	183,111,430	-	100,240,106,992
Comprehensive income	-	-	-	-	(3,984,420,040)	(3,984,420,040)
Capital increase (note 15)	150,000,000,000	-	-	-	-	150,000,000,000
Balance as on 31 December	250,000,000,000	16,019,101	40,976,461	183,111,430	(3,984,420,040)	246,255,686,952