

Ref#: 117\369\2020

Date: 23 Aug. 2020

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 2019, 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 (34) 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 2019. 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 Fourth 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 implemented the IFRS 9, as a required provision has been determined to cope the changes in foreseen losses in credit (cash Islamic financing, and Guarantee credit) according to the instructions issued by Central Bank of Iraq in its official letter No. 3/6/466 on 26/12/2018, all implementation results were compliant with the requirements of said IFRS:

Description	Cash Islamic financing IQD	Guarantee credit IQD
Required provision according to IFRS 9	8,741,862,647	937,224
Provision as on 01/01/2019	2,600,314,267	-
Quantitative impact of implementation	6,141,548,380	937,224

The amount of Quantitative impact resulted by implementing the IFRS 9 which represent the provision for Cash Islamic Financing has been allocated to the next five years according to the official letter No. 6\6\98 on 02/03/2020 issued by Central Bank of Iraq, the first premium (for the first year) amounting (1,228,309,676) IQD reflected in Comprehensive Income Statement of this year, and the rest of (4,913,238,704) IQD will be allocated to the next Four years, for that, the balance of foreseen cash Islamic financing provision as on 31/12/2019 would be (3,828,623,943) IQD, on the other hand, the Quantitative Impact for the guarantee Credit amounting (937,224) IQD has been reflected in one go in the Comprehensive Income Statement, for that, the balance of said provision will as on 31/12/2019 would be (937,224) IQD.

2- Cash:

- A- Cash on hand at the Bank's save, as well as the cash at the Central Bank of Iraq amounting (85,413) Million IQD as on 31/12/2019, comparing with (137,802) Million IQD as on 31/12/2018.
- B- The cash at local banks and other financial institutions balance amounting (21,452) thousand IQD as on 31/12/2019, comparing with (56,095) thousand IQD as on 31/12/2018.

3- Islamic Financing:

- A- The balance of Islamic Financing amounting (169,215) Million IQD after deduction of Islamic Financing Provision as on 31/12/2019, comparing with (127,415) Million IQD as on 31/12/2018, as detailed below:

Description	Amount Million IQD \ 2019	Amount Million IQD \ 2018
Mudaraba financing \ Companies	16,720,000,000	16,720,000,000
partnerships Financing \ Companies	87,502,200,000	112,784,500,000
Murabaha Financing \ companies	663,555,787	51,121,339
Partnerships financing \ Individuals	68,158,774,300	-
Total	173,044,530,087	129,555,621,339
Deduct: Islamic Financing Provision	(3,828,623,943)	(2,600,314,267)
Net Islamic Financing	169,215,906,144	127,415,399,072

- 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.

4- Cash Insurances:

The balance of Cash Insurances amounting (39) Million IQD as on 31/12/2019 comparing with (7) Million IQD as on 31/12/2018, this balance represent the cash received and hold by the bank from the participants in USD auction window.

5- Long-Term Loans:

The balance of Long-Term Loans amounting (623,000) Million IQD as on 31/12/2019 comparing with (421,500) Million IQD as on 31/12/2018, which represent the Central Bank of Iraq initiative \ National Fund for small and medium businesses financing.

6- Foreign currency Auction:

A- The foreign currency purchased from the Auction amounting (2,331,980,000) USD, detailed as follows:

Description	Amount \$
Remittance	2,325,000,000
Cash (USD)	6,980,000
Total	2,331,980,000

B- We have sent an official letter No. 147/H on 26/01/2020 to the Central Bank of Iraq to inquire about the amount of USD purchased from the Auction, we didn't receive any reply till the date of this report.

C- The following table showing the revenues of exchange the foreign currency:

Description	USD Purchased \$	USD sold \$	Revenue IQD
Remittance	2,303,800,000	2,303,800,000	2,303,800,000
Cash (USD)	6,380,000	6,380,000	19,140,000
Foreign remittance commissions	-	-	33,082,000
Other	-	-	13,090
			2,356,035,090

- The USD purchased for a purpose of remittance amounting (2,325,000,000) USD (accepted amounts) for the period from 01/01/2019 till 31/12/2019 less (21,200,000) USD for the days 30 & 31/12/2019 which its revenues incurred at 2020.
- The USD purchased for a purpose of cash (USD received) amounting (6,980,000) USD for the period from 01/01/2019 till 26/12/2019, the revenues were recorded for the period from 01/01/2019 till 21/11/2019 while the revenues incurred for the period from 22/11/2019 till 26/12/2019 amounting (600,000) USD recorded during 2020.

7- Results of the Bank's activity:

A loss of (996) Million IQD was incurred as on 31/12/2019 comparing with (1,839) Million IQD as on 31/12/2018.

8- Comparment figures of the financial statements:

Description	2019 Million IQD	2018 Million IQD	<u>Amount</u> Increase (Decrease)	<u>Percentage</u> Increase (Decrease)
Cash and cash at Central Bank of Iraq	85,413	137,802	(52,389)	(38%)
Balances and deposits at banks and other financial institutions	21	56	(35)	(62%)
Islamic Financing	169,215	130,015	39,200	30%
Property, Plant and Equipment	292	348	(40)	(12%)
Depositors balances	11,190	20,552	(9,362)	(45%)
Cash insurances	39,620	7	32,207	434%
Long-Term Loans	623	421	202	48%
Provision of Islamic Financing Risks	3,828	2,600	1,228	47%
Net fees and commissions revenues	(39)	873	(912)	(104%)
Difference in foreign currencies exchange revenues	2,356	875	1,481	169%
Other revenues	-	-	-	-
Employees costs	957	993	(36)	(3%)
Activity's result	(996)	(1,839)	843Decrease	46%decrease

9- 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.

10- Money Laundering:

A- 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.

B- The management prepared a guidance for policies and procedures related to Money Laundering and Anti-Terrorism Financing division including the following points:

- Due diligence for customers (KYC).
- The relationship between board of directors and the division of informing the money laundering and anti-terrorism financing.
- Various types of fraudulence.
- The responsibilities of money laundering and anti-terrorism financing division.
- The customer's procedures regarding the due diligence

11- Capital Adequacy percentage:

The percentage of capital adequacy amounting (291%) as on 31/12/2019 which is higher than the percentage determined by the Bank's Law in Iraq which is (12%).

12- 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.

13- 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.

14- Events after the reporting period:

During March 2020 the World Health Organization (WHO) announced that COVID-19 has recognized as a global pandemic, which considered as an event after the reporting period not required for adjustment on the financial statements according to the IAS 10 that require a disclosure of that events impact within next 12 months period about the financial position, the bank's management disclosed the foreseen negative impact on the financial position within the notes of the financial statements, as well as the management has clarified that adopted the continuity principle in preparing the financial statements (within the notes attached in financial statements).

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, 2019 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 2019

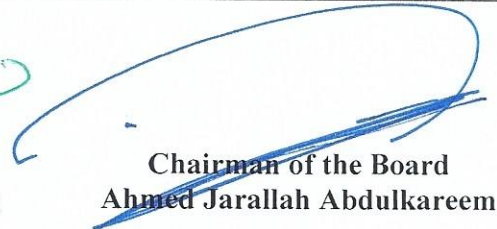
	Note No.	2019 IQD	2018 IQD
Cash and cash at Central Bank of Iraq	7	85,413,976,852	137,802,994,261
Balances and deposits at banks and other financial institutions	8	21,452,189	56,095,529
Financial assets (fair value) from comprehensive income statement	10	750,000,000	-
Islamic Financing (net)	9	169,215,906,144	127,415,399,072
Property, Plant and Equipment (net)	11	292,517,803	348,370,940
Other assets	12	8,888,278	10,780,700
Total Assets		255,702,741,266	265,633,640,502
Liabilities			
Depositors balances	13	11,190,562,311	20,552,454,953
Cash insurances	14	39,620,000	7,413,000
Income tax provision	15	64,912,948	-
Various provisions	16	937,224	-
Long-Term Loans	17	623,000,000	421,500,000
Other Liabilities	18	364,603,626	236,437,782
Total Liabilities		12,283,636,109	21,217,805,735
Owners' Equity			
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		(6,821,001,835)	(5,824,272,225)
Deficit in owners' equity		243,419,105,157	244,415,834,767
Total Liabilities and owners' equity		255,702,741,266	265,633,640,502
Other Obligations (Off-financial position balances)		46,500,000	-



CFO
Suhad Hasan Sulaiman



CEO
Ali Ibrahim Abdulrazzaq



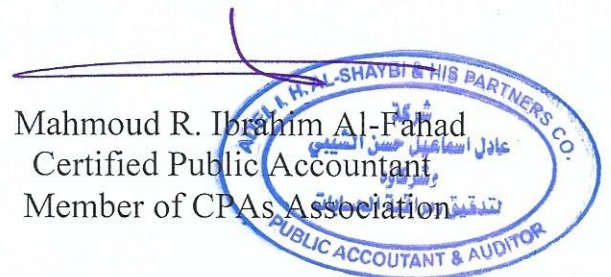
Chairman of the Board
Ahmed Jarallah Abdulkareem

Subject to our Report No. 117\369\2020 on 23\August\2020

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 2019

	Note No.	2019 IQD	2018 IQD
Operating Revenues			
Net fees and commissions revenues	19	(39,209,717)	873,258,949
foreign currencies exchange revenues	20	2,356,035,090	875,800,006
Other revenues		-	510,346,713
		2,316,825,373	2,259,405,668
Operating Expenses			
Employees costs	21	957,313,850	993,225,502
Administrative expenses	22	950,064,898	1,802,102,422
Depreciations	11	112,016,387	103,615,662
Provision of Islamic Financing Risks		1,229,246,900	1,200,314,267
		3,248,642,035	4,099,257,853
(loss) income before income tax		(931,816,662)	(1,839,852,185)
Income tax		64,912,948	-
(loss) income after income tax		(996,729,610)	(1,839,852,185)
Other comprehensive income		-	-
Total comprehensive income		(996,729,610)	(1,839,852,185)

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

Cash Flows Statement
For the year ended on 31 December 2019

	Note No.	2019 IQD	2018 IQD
Operational Activities			
(loss) income before income tax		(931,816,662)	(1,839,852,185)
Non-cash items:			
Depreciations		112,016,387	103,615,662
Guarantee credit provision		937,224	-
Cash flow (used in) from operational activities before change in operational assets and liabilities		(818,863,051)	(1,736,236,523)
Change in assets and liabilities:			
Islamic financing (net)		(41,800,507,072)	(58,815,399,072)
Other assets		1,892,422	(4,066,200)
Depositors balances		(9,361,892,642)	14,529,017,953
Cash insurances		32,207,000	(18,437,587,000)
Other liabilities		128,165,844	40,890,282
Cash flow used in operational activities before income tax		(51,818,997,499)	(64,423,380,560)
Paid income tax		-	-
Cash flow used in operational activities		(51,818,997,499)	(64,423,380,560)
investment Activities			
Property and equipment purchases		(56,018,750)	25,536,372,550
Accumulated depreciation adjustment		(144,500)	(541,296,711)
Financial assets (fair value)		(750,000,000)	-
Intangible assets		-	-
Cash flow used in investment activities		(806,163,250)	24,995,075,839
Financing Activities			
Long-Term Loans		201,500,000	(3,017,787,000)
Increasing in capital		-	-
Cash flow from financing activities		201,500,000	(3,017,787,000)
Increasing in cash and cash equivalent		(52,423,660,749)	(42,446,091,721)
cash and cash equivalent at beginning of the year		137,859,089,790	180,305,181,511
cash and cash equivalent at end of the year		85,435,429,041	137,859,089,790

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

**Changes in Owners' Equity Statement
As on 31 December 2019**

	Capital IQD	Statutory reserve IQD	Other reserves IQD	Retained earnings IQD	Accumulated Losses IQD	Total IQD
2019						
Balance as on 1 January	250,000,000,000	16,019,101	40,976,461	183,111,430	(5,824,272,225)	244,415,834,767
Comprehensive income	-	-	-	-	(996,729,610)	(996,729,610)
Adjustments	-	-	-	-	-	-
Balance as on 31 December	250,000,000,000	16,019,101	40,976,461	183,111,430	(6,821,001,835)	243,419,105,157
2018						
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)
Adjustments	-	-	-	-	-	-
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