

Ref#: 683\165/19

Date: 15 July 2019

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 2017, 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 (27) 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 2017. 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:

The bank has been adopted the International Accounting Standards for the second year respectively.

2- Capital:

Whole legal procedures were concluded regarding the capital increasing from (100) Billion IQD to (250) Billion IQD through offering new (150) Billion stock with a value of 1 IQD per stock for subscription, according to the official letter No. H/15360 on 23/5/2017 issued by Companies Registrar Directorate.

3- 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 (180,223) Million IQD as on 31/12/2017, comparing with (7,196) Million IQD as on 31/12/2016.

4- Balances and Deposits at banks and other financial institutions:

The cash at local banks and other financial institutions balance amounting (82,977) thousand IQD as on 31/12/2017, comparing with (38,078) Million IQD as on 31/12/2016.

5- Islamic Financing:

A- The balance of Islamic Financing amounting (70) Billion IQD as on 31/12/2017, comparing with (Zero) as on 31/12/2016, as detailed below:

Description	Amount Million IQD
Financing partnerships \ companies	53,280
Financing Murabaha \ companies	16,720
Total	70,000

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.

6- Property, Plant and Equipment:

We noticed that a building was bought to use it as a headquarter and main branch for the bank with a value of (25) Billion IQD, the legal registration procedures of the building still in progress as on 31/12/2017, knowing that the said amount supposed to be recorded as a prepaid balance until whole registration procedures being concluded and move the ownership to the bank.

7- Cash Insurances:

The balance of Cash Insurances amounting (18,445) Million IQD as on 31/12/2017 comparing with (Zero) as on 31/12/2016, this balance represent the cash received and hold by the bank from the participants in USD auction window.

8- Long-Term Loans:

The balance of Long-Term Loans amounting (3,439) Million IQD as on 31/12/2017 represent the borrowed amounts from the stockholders in order to cover the operational expenses of the bank, we recommend to finalize this amount.

9- Provisions:

The bank's management determined an amount of (1,400) Million IQD 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.

10- Results of the Bank's activity:

A loss of (3,984) Million IQD was incurred as on 31/12/2017 comparing with a **net income** of (1,205) Thousand IQD as on 31/12/2016.

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 (979%) as on 31/12/2017 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, 2017 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 2017**

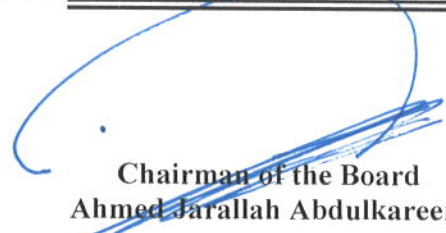
	Note No.	2017 IQD	2016 IQD
Cash and cash at Central Bank of Iraq	5	180,222,203,802	7,196,089,674
Balances and deposits at banks and other financial institutions	6	82,977,709	38,078,500,156
Islamic Financing	7	68,600,000,000	-
Property, Plant and Equipment	8	25,447,062,441	2
Projects in progress	8	-	15,750,000,000
Other assets	9	6,714,500	55,025,000,000
Total Assets		274,358,958,452	116,049,589,832
Liabilities			
Depositors balances	10	6,023,437,000	-
Cash insurances	11	18,445,000,000	-
Income tax provision	12	-	29,232,840
Long-Term Loans	13	3,439,287,000	-
Other Liabilities	14	195,547,500	15,780,250,000
Total Liabilities		28,103,271,500	15,809,482,840
Owners' Equity			
Capital	15	250,000,000,000	100,000,000,000
Statutory reserve	16	16,019,101	16,019,101
Other reserves	16	40,976,461	40,976,461
(accumulated losses) retained earnings		(3,801,308,610)	183,111,430
Deficit in owners' equity		246,255,686,952	100,240,106,992
Total Liabilities and owners' equity		274,358,958,452	116,049,589,832



CFO
Suhad Hasan Sulaiman



CEO
Ali Ibrahim Abdulrazzaq



Chairman of the Board
Ahmed Jarallah Abdulkareem

Subject to our Report No. 683\165\19 on 15\07\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 2017

	Note No.	2017 IQD	9 Oct. to 31 Dec. 2016 IQD
Operating Revenues			
Net fees and commissions revenues	17	(69,040,191)	-
Difference in foreign currencies exchange revenues		698,850,000	-
Other revenues		1,550,000	53,388,000
		631,359,809	53,388,000
Operating Expenses			
Employees costs	18	628,883,750	1,650,000
Administrative expenses	19	1,988,079,188	50,320,094
Depreciations	8	598,816,911	-
Provision of Islamic Financing Risks		1,400,000,000	-
		4,615,779,849	51,970,094
(loss) income before income tax		(3,984,420,040)	1,417,906
Income tax		-	212,686
(loss) income after income tax		(3,984,420,040)	1,205,220
Other comprehensive income		-	0
Total comprehensive income		(3,984,420,040)	1,205,220

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

Cash Flows Statement

For the year ended on 31 December 2017

	Note No.	2017 IQD	9 Oct. to 31 Dec. 2016 IQD
<u>Operational Activities</u>			
(loss) income before income tax		(3,984,420,040)	1,417,906
Non-cash items:			
Depreciations		598,816,911	-
Cash flow (used in) from operational activities before change in operational assets and liabilities		(3,385,603,129)	1,417,906
<u>Change in assets and liabilities:</u>			
Islamic financing		(68,600,000,000)	-
Statutory deposits		(1,131,002,000)	-
Other assets		55,018,285,500	-
Depositors balances		6,023,437,000	-
Cash insurances		18,445,000,000	-
Other liabilities		165,297,500	(54,978,750,000)
Cash flow used in operational activities before income tax		6,535,414,871	(54,977,332,094)
Paid income tax		(29,232,840)	-
Cash flow used in operational activities		6,506,182,031	(54,977,332,094)
<u>investment Activities</u>			
Property and equipment purchases		(26,045,879,350)	-
Intangible assets		-	-
Cash flow used in investment activities		(26,045,879,350)	-
<u>Financing Activities</u>			
Long-Term Loans		3,439,287,000	-
Increasing in capital		150,000,000,000	55,000,000,000
Cash flow from financing activities		153,439,287,000	55,000,000,000
Increasing in cash and cash equivalent		133,899,589,681	22,667,906
cash and cash equivalent at beginning of the year		45,274,589,830	45,251,921,924
cash and cash equivalent at end of the year	20	179,174,179,511	45,274,589,830

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

**Changes in Owners' Equity Statement
As on 31 December 2017**

	Capital IQD	Statutory reserve IQD	Other reserves IQD	Retained earnings IQD	Total IQD
2017					
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	(3,801,308,610)	246,255,686,952
2016					
Balance as on 9 October	45,000,000,000	15,958,840	40,976,461	181,966,471	45,238,901,772
Comprehensive income	-	-	-	1,205,220	1,205,220
Converted from statutory reserve	-	60,261	-	(60,261)	-
Capital increase (note 15)	55,000,000,000	-	-	-	55,000,000,000
Balance as on 31 December	100,000,000,000	16,019,101	40,976,461	183,111,430	100,240,106,992