



مصرف العراق
بنك العراق

ن.م.خ

رأس المال 250 مليار دينار عراقي

التقرير السنوي

الثالث والعشرون لمجلس الإدارة وتقرير مراقب الحسابات
والبيانات المالية للسنة المنتهية في

31 كانون الأول 2015



مصرف الاستثمار العراقي

INVESTMENT BANK OF IRAQ

Auditor's Report



To / Stockholder of Investment Bank of Iraq (P.S.C)

Auditors' Report

Greetings..:

We have audited the accompanying financial statements of **Investment Bank of Iraq (P.S.C)** comprise the Balance sheet as on 31 December 2015, statement of results (Profit & Loss), statement of changes in Stockholders Equity and statement of cash flows for the year ended at that date, and the statements that has numbered from (1) to (15) 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 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 2015. 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:

First: Activity results of current year and Exchange rate:

The Bank has been achieved a net profit during the financial year 2015 before income tax amounting (20,864,892) thousand IQD, while the net profit of previous year 2014 before income tax was (34,841,656) thousand IQD, the following some clarifications about revenues and expenses of current year:

- (A) The revenues of the Bank amounting (40,470,667) thousand IQD, the most important revenues incurred by foreign money transfer which represent (42%) from total revenues, and (38%) incurred by regular Banking activities.
 - (B) The expenses amounting (20,025,816) thousand IQD, the most important expenses disbursed on interest expenses of clients deposits which represent (50%) from total expenses, and (40%) disbursed on administrative expenses.
 - (C) A provision has been made for income tax amounting (3,366,197) thousand IQD, and (874,935) thousand IQD for legal reserve according to the Companies Law and implemented legislations, and the rest of (16,623,760) thousand IQD for retained earnings.
- The adopted exchange rate as on December 31st 2015 was 1187 IQD for each USD, and 1446 IQD for each EURO.

Second: Cash: The total cash balance as of December 31st, 2015 amounting (361,399,771) thousand IQD detailed as follows:

- (A) Cash in the vaults of the bank in IQD (8,777,390) thousand IQD, and USD that equal (14,280,156) thousand IQD, we acquired a cash inventory certificates of all cash accounts.
- (B) Cash with the Central Bank of Iraq, equivalent to the amount of (304,130,900) thousand IQD, included legal deposits amounting (24,684,156) thousand IQD, and balances for the purpose of entry of USD Auction amounting (128,836,980) thousand IQD, and the remaining are balances amounting (40,916,505) thousand IQD include the amount of (500,000) thousand IQD regarding deposits for capital increases of exchange company in the Bank and amount of (109,693,259) thousand IQD at the Central Bank of Iraq / Kurdistan Region, all balances in the Central Bank of Iraq has been approved according to statements supported with reconciliations of balances that disclosed in the records.
- (C) Cash at local banks amounting (619,872) thousand IQD, included amount of (18,803) thousand IQD at Rafidain Bank as debit suspended amounts since years, and amount of (25,067) thousand IQD with Rashid Bank we did not receive any confirmation letter.
- (D) Cash at foreign banks equivalent amount of (18,156,885) thousand IQD, all of it has been approved which represents current accounts with these foreign banks, as for the insurances at foreign banks it has been disclosed in (Accounts Receivable) / insurances hold by third party.
- (E) Geographical distribution of the Cash and Clients' Deposits: The cash accounts with the Central Bank of Iraq at Kurdistan Region has been increased to (109,693,259) thousands IQD, while it was (30,952,845) thousand IQD last year, and the clients deposits average over the year at Kurdistan Region amounting (17,510,907) thousand IQD note that the average of clients' deposits at the main branch and other branches of the Bank amounting (258,045,007) thousand IQD and the amount of cash (194,437,641) thousand IQD some of it amounting (128,836,980) thousand IQD represents balances in purpose of enter of USD auction.

Third: Cash Credit:

- (A) The balance of Cash Credit (135,399,749) thousand IQD, it is down comparing with the previous year by (39,799,553) thousand IQD resulted from stop granting all kinds of cash credit and collecting premiums of old loans, some of these loans has been renewed or granting new loans instead of the old loans for some biggest borrowers.

- (B) Through audit of Cash Credit, we found the guarantees were not sufficient, its represents (bails, check and bills), we recommend to take physical guarantees in order to keep the rights of the Bank.
- (C) The Promissory Credit declined comparing with last year about (80,611,387) thousand IQD reaching amount of (91,655,018) thousand IQD, the decline was offset by declining of insurance for both promissory credits amounting (8,802,199) thousand IQD reaching amount of (16,599,801) thousand IQD in spite of declining of Bank's activity, the balance still including high concentrations of credit granted with insufficient guarantees, we recommend to decreasing of these concentrations and enhancement of appropriate guarantees.
- (D) Geographical distribution of Cash Credit and deposits: The Cash Credit as on the date of the balance sheet at Kurdistan Region amounting (54,440,556) thousand IQD in exchange of deposits average over the year amounting (17,510,907) thousand IQD, while the Cash Credit of the main branch and other branches of the Bank amounting (81,073,176) thousand IQD to average of main and other branches deposits amounting (258,045,007) thousand IQD.
- (E) The balances of Cash and Promissory Credits has been decreased comparing with last year, and the management of the Bank decided to keep the balances of provisions as it is which amounting (16,485,337) thousands IQD for (Cash and Promissory Credit Risks and doubtful accounts).

Fourth: Investments: The balance of Investments amounting (38,640,946) thousand IQD with an increase from the last year by (33,991,408) thousand IQD represents investment of (20,000,000) thousand IQD in the Central Bank of Iraq, and investments in treasury transfer amounting (14,000,000) thousand IQD, when examine the market value of shares of the investment portfolio at the date of the balance sheet indicate that the market value for the cost of acquisition decreased by (849,525) thousand IQD, the bank's management has increased the provision by that amount.

Fifth: Debtors: The total balance of accounts receivable (14,757,366) thousand IQD, as follows:

- (A) The holing amounts by other parties equivalent to (2,249,718) thousand IQD represents amounts held by foreign banks for documentary credits, all its balances have been approved and we obtained the appropriate reconciliations.
- (B) Within the amount of receivables (11962584) thousand IQD represents accrued interest not received, we recommend to collect it.

Sixth: Internal Control: The Internal Control Department (Internal Audit) does not cover the activities of Kurdistan Regions' branches, also the activity of general administration, we recommend to cover all activities of the Bank and all branches and enhance it with qualified stuff.

seventh: Compliance Observer: We have examined the reports of Compliance Observer which were Four during the year, and we see that it needs to insert some necessary notes to classify the Bank's performance in terms of compliance with instructions issued by Central Bank of Iraq.

Eight: Anti-Money Laundering and foreign currency auction:

During audit we found the Bank implement the procedures to prevent money laundering and terrorism financing, these procedures executed in accordance with the law of Anti-Money Laundering and Terrorism Financing No. 39 for year 2015 and instructions issued by the Central Bank of Iraq, we recommend to follow-up obtaining some transactions of foreign remittance for the years 2013 and 2014 as well as transaction of current year.

Ninth: Rate of Capital Sufficiency: Capital Sufficiency rate as on December 31st 2015 was (152%) which is above the minimum according to the Law of Banks No. 94 for year 2004 which is (12%).

Tenth: Banking Activity:

- (A) At May 1st 2015 a new branch at Sulaimanyah Province (Salim St.) has been opened in addition of Sulaimanyah main branch to be two branches at the province.
- (B) At November 15th 2015 Karada branch has been moved to General Administration Building and practicing its activities independently until completing the new building of Karada.
- (C) Duhok branch still stop its activity for the year 2015 till the date of this report.
- (D) **Merge branches:**
 - 1- At May 21st 2015 the branch of (Kamaliah) merged with branch of (Baghdad Aljadidah) at the location of Baghdad Aljadidah.
 - 2- At December 31st 2015 the branch of (Mahmoodiah) merged with the branch of (Baya'a) at the location of Baya'a.

Eleventh: penalties: in a result of practicing money transfer and participate in USD auction there are several penalties back to 2013 and 2014 that the managements of banks informed through official letters issued by State Directorate of Credit and Exchange observation for each bank alone, and there is no any amount be deducted from the Bank until the end of the financial year, as well as no provision be calculated for it.

Twelfth: The legal position: We have viewed the legal position and found the following:

(A) Lawsuits filed by others against the bank:

There is one lawsuit issued a decision in favour of the State Company for Foodstuff Trading and there is no payment incurred for them till the date of final accounts, therefore a lawsuit filed against the demander of the letter of guarantee amounting (385) Million IQD.

(B) Lawsuits filed by the bank against others:

1- **Lawsuits of Cars loans:** The lawsuits filed by the Bank against the others (161) lawsuits all regarding the small loans for cars in a total amount of (1,741,403) thousand IQD, there is decision have been made for most of it, some of it have been executed and collected.

2- **Lawsuits of banking activities:** The lawsuits filed by the Bank against the others (9) lawsuits (4) of it filed during 2015 all of it in process, the most important lawsuit amounting (447,454) USD filed against the general manager of ALARABIA Company, while the lawsuits of previous period keep continuing which some of it reached to execution and collecting its amounts, and the most important regarding some amount of a loan still in process amounting (749,969) USD and (488,491) thousand IQD and the procedures still continue for collecting.

Thirteenth: Consequences events

- (A) At March 31st 2016 the branch of (Riyadh) have been merged with branch of (Karada).
- (B) At April 3rd 2016 the account of the Bank at Central Bank of Iraq has been cut by (6,582,064) thousand IQD (6 premiums penalty cut one time) for not submission of manifests of 6 months regarding the period from November 1st 2015 to April 30th 2016.
- (C) At March 31st 2016 a (3) lawsuits have been filed by the Bank against others regarding loans of cars amounting (17,353) thousand IQD.

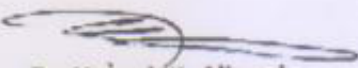
According to the bank's records and the clarifications that gave to us:


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 data prepared according to the national accounting basis, regulations and its match with records and it's organized according to the both of the amended companies' law, banks law and regulations.
4. The bank has taken sufficient procedures to prevent money laundering or financing terrorism, these procedures implementing in accordance to the systems and instructions that issued by Central Bank of Iraq.

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 2015 and it results of the activity and its cash flows for the year that ended at that date.

Best Regards


Dr. Haseeb K. Aljwaid
Certified Public Accountant
From Adel Elhasoon Audit firm


Mahmoud R. I. Alfahad
Certified Public Accountant
From Adel Alshaybi Audit firm





مصرف الاستثمار العراقي

INVESTMENT BANK OF IRAQ

Balance Sheet





مصرف العراق
Investment Bank of Iraq

Investment Bank of Iraq (P.S.C)

Statement (A)

Balance Sheet as on December 31st 2015

Statement No.	Acc. Code	Description	2015 Thousand IQD	2014 Thousand IQD
Assets				
Current Assets				
1	18	Cash Assets (on hand & at banks)	361,399,771	355,451,379
2	15	Investments (after provision)	36,932,320	3,790,438
3	14	Cash Credit (after provision)	123,741,613	165,468,683
4	16	Accounts Receivable (after provision)	13,080,216	16,593,025
		Total of Current Assets	535,153,920	541,303,525
5	11/12	Non-Current Assets (at Book Value)	16,580,431	17,351,992
		Total of Assets	551,734,351	558,655,517
Liabilities				
Current Liabilities				
7	25	Current and Deposit Accounts	260,109,892	256,735,897
8	26	Accounts Payable	6,996,075	12,206,193
Provisions				
9	224	Provision of Income tax	3,366,197	5,964,171
Stockholder Equity				
Statement C	211	Paid Capital	250,000,000	250,000,000
Statement C	212-217	Reserves	31,262,187	33,749,256
		Total Liabilities & Stockholder Equity	551,734,351	558,655,517
Off-Balance Sheet accounts				
6	29	The Bank's obligations for banking transactions	83,857,486	155,666,604
	1921/1931	and Documentary Credits		
	2921/2931			

Director of Finance Depr.

Emad Ayad Naqbi

Executive Director

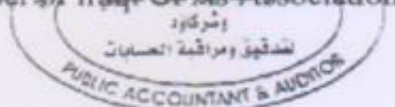
Hamza Dawood Salman

Chairman Board of Directors

Hussain Salih Sharif

Subject to our Report No. 233/649 dated on May 8th 2016

Mahmood R. Al-Jahad
Certified Public Accountant
Member of Iraqi CPAs Association



Dr. Haseeb Kadhim Juaid
Certified Public Accountant
Member of Iraqi CPAs Association



Investment Bank of Iraq (P.S.C)

Statement (B)

Statement of Profit & loss and distribution for the year ended on December 31st 2015

Statement No.	Acc. Code	Description	2015 Thousand IQD	2014 Thousand IQD
Revenues of Current Activity				
10	44	Revenues of Banking Transactions	40,470,677	59,613,437
11	46	Revenues of Investments	389,774	44,036
Total			40,860,452	59,657,473
Less: Expenses of Current Activity				
14	34	Expenses of Banking Transactions	10,019,057	10,832,125
	37	Depreciations & Amortizations	1,109,954	1,243,082
13	33-31	Administrative Expenses	7,918,174	7,878,949
Total			19,047,185	19,954,156
Net Income of Banking Transactions			21,813,267	39,703,317
12	43-49	Add: Other Revenues	30,256	297,297
15	38-39	Less: other Expenses	978,631	5,158,958
Distributable Income, distributed as follows			20,864,892	34,841,656
224		Provision of Income Tax	3,366,197	5,964,171
213		Legal Reserve (according to the Companies' Law) 5%	874,935	1,443,874
214		Retained Earnings	16,623,760	27,433,611
Total			20,864,892	34,841,656

Investment Bank of Iraq (P.S.C)

Statement (C)

Statement of Changes of Stockholder Equity for the year ended on December 31st 2015

Description Acc. Code Currency	Capital 211 Thousand IQD	Capital reserve 212 Thousand IQD	Statutory reserve 214 Thousand IQD	Various reserve 213 Thousand IQD	Retained earnings 217 Thousand IQD	Total of Reserves Thousand IQD	Total of Stockholder equity Thousand IQD
Balance 1/1/2015	250,000,000	422,299	5,783,746	46,319	27,496,892	33,749,256	283,749,256
Additions 2015	-	14,236*	-	-	-	14,236	14,236
Deductions 2015	-	-	-	-	(20,000,000)	(20,000,000)	(20,000,000)
Net Income 2015	-	-	874,935	-	16,623,760	17,498,695	17,498,695
Balance 12/31/2015	250,000,000	436,535	6,658,681	46,319	24,120,652	31,262,187	281,262,187

Statement (C)

Statement of Changes of Stockholder Equity for the year ended on December 31st 2014

Description Acc. Code Currency	Capital 211 Thousand IQD	Capital reserve 212 Thousand IQD	Statutory reserve 214 Thousand IQD	Various reserve 213 Thousand IQD	Retained earnings 217 Thousand IQD	Total of Reserves Thousand IQD	Total of Stockholder equity Thousand IQD
Balance 1/1/2014	155,000,000	194,186	4,339,872	46,319	26,776,282	31,356,659	186,356,659
Additions 2014	95,000,000	228,113	-	-	-	228,113	95,228,113
Deductions 2014	-	-	-	-	(26,713,001)	(26,713,001)	(26,713,001)
Net Income 2014	-	-	1,443,874	-	27,433,611	28,877,485	28,877,485
Balance 12/31/2014	250,000,000	422,299	5,783,746	46,319	27,496,892	33,749,256	283,749,256



Investment Bank of Iraq (P.S.C)

Statement (D)

Statement of Cash Flows For the year ended on December 31st 2015

Account Name	2015 Thousand IQD	2014 Thousand IQD
A) Cash Flow From Operating Activities:		
Net Income before Income Tax	20,864,892	34,841,656
Add: Depreciations	1,109,954	1,243,082
Less: Income Tax (paid during the year)	(6,095,172)	(4,737,678)
Add: unrealized gains from foreign currency exchange	(3,150,540)	3,150,540
Promisory obligations risks	-	1,292,861
Personal advances risks	-	2,167,155
Add: increase in Doubtful Accounts Provision	-	892,788
Down of Financial Investments Risks	849,525	674,100
Less: revenues of internal contributions / income of stock capitalization of other companies	(14,236)	(9,642)
Operating Income before changes in operating assets & liabilities	<u>13,564,423</u>	<u>39,514,862</u>
less the increase and add the decrease of Cash Credit	39,799,553	76,527,485
less the increase and add the decrease of Accounts Receivable	4,946,037	6,831,240
Add the increase and less the decrease of Clients Deposits	3,373,995	(26,551,861)
Add the increase and less the decrease of Accounts Payable	(2,971,120)	(38,739,835)
Net Cash Flows received and (paid) from Operating Activities	<u>58,712,888</u>	<u>57,581,891</u>
B) Cash Flows From Investing Activities:		
Less the increase paid and add the sale of Investments	(33,991,408)	23,245
less the increase and add the decrease of investment spending	-	539,564
Less the increase and add the decrease of Projects in process	1,094,582	3,239,912
Less: assets purchases	(840,080)	(7,692,501)
Add: assets sales	31,571	461,610
Less: provision of write-off and sold assets	29,296	(40,583)
Net Cash Flows from Investing Activites	<u>(33,676,039)</u>	<u>(3,468,753)</u>
C) Cash Flows from Financing Activities:		
Add: increase of Capital by issuing new stock	-	93,687,000
Less: dividends for recent years	(19,088,457)	(23,818,890)
Net Cash Flows from Financing Activites	<u>(19,088,457)</u>	<u>69,868,110</u>
Increase and Decrease of Cash and Cash Equivalent	5,948,392	123,981,248
Cash at January 1 st	355,451,379	231,470,130
Cash at December 31 st	<u>361,399,771</u>	<u>355,451,379</u>