



## **INVESTMENT BANK OF IRAQ**

**Privatejoint - Stock Company**

**Baghdad - Iraq**

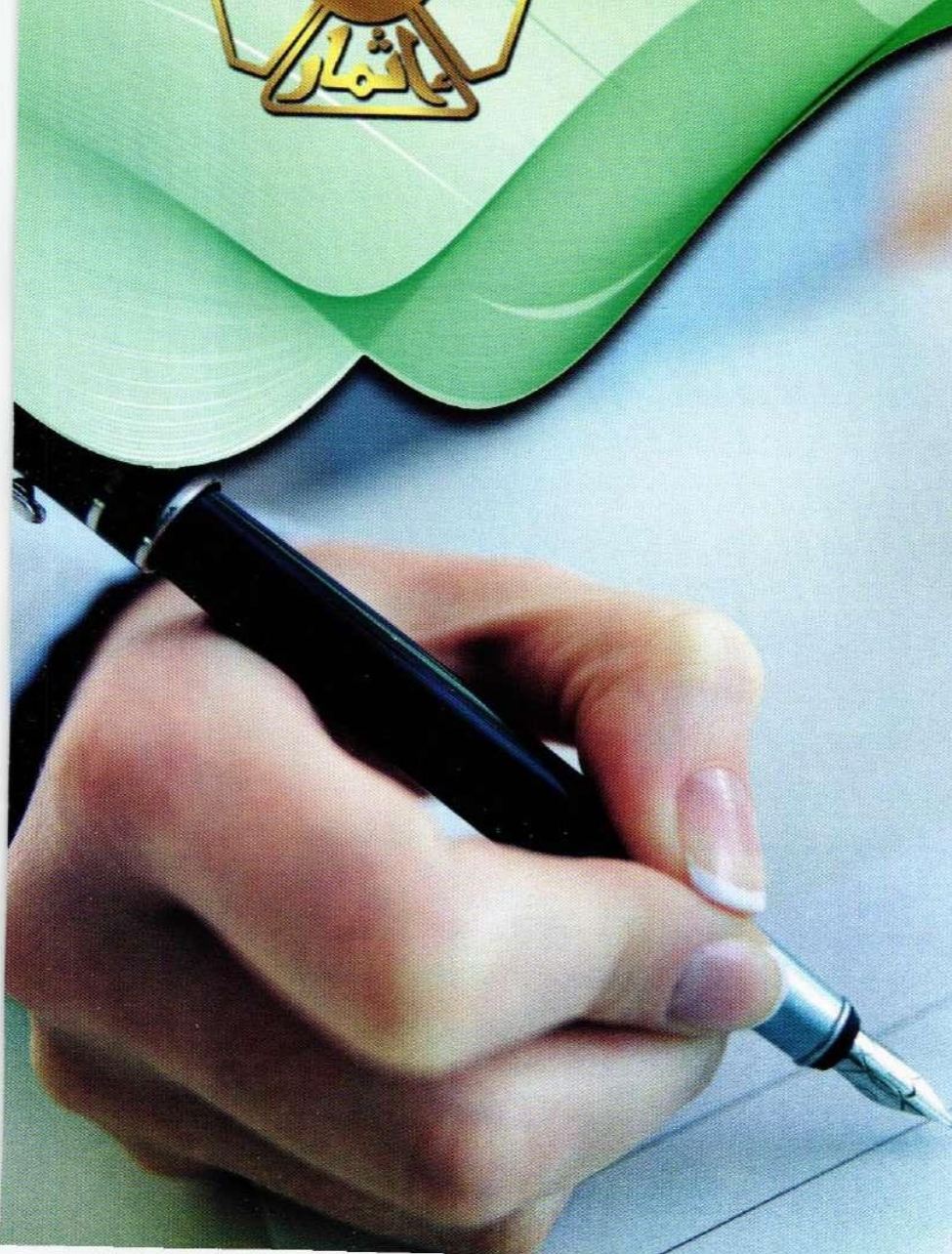
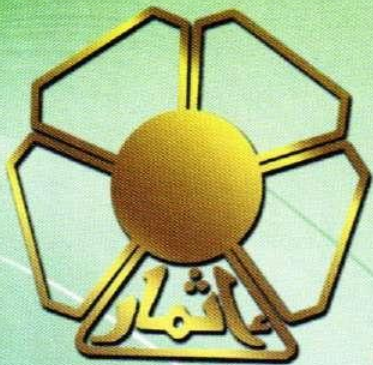
### **Annual Report**

The annual Report of Twenty - Fourth Board of Directors  
and Accounts Observer and Financial  
Statements For the ended Year

**31 december 2016**



# Chairman's Statement







Dear Ladies and Gentlemen  
Representatives of the Central Bank of Iraq,  
Representatives of the Companies Registration Department,  
Representatives of the Iraqi Securities Commission,  
Dear Guests, Greetings.

I am honored and happy for your presences thanking you for your cooperation and your responding to our invitation.

Despite our exceptional circumstances which required great efforts to overcome it, our bank kept its credibility as a result of your trust as shareholders and customers. The economic circumstances caused by the relative security and political instability had great impact on the performance of the Bank from the aspects of poor services which resulted in many consequences, the most important of which low profits and the difficulty of recovering part of the debts for the inability of the state to fulfill its obligations before debtors dues which led to some of the loaners to be unable to settle their obligations. Since while, the bank followed caution and attentiveness policy fearing customers tremble, its aim has been to preserve the depositors' funds and protect the rights of the shareholders through balancing between loaning and investment despite its weakness, its aim was not to breach loyalty to the customers and debtors, as a the result of the implementation of the policy adopted by the Board of Director. In our assessment, this year was considered a testing year in which the Bank demonstrated reservation significantly in conducting conventional banking activities which led to the reduction of commissions in order to preserve banks prestige and stability.

Despite the continuous growth in the financial standing of the Bank, the profits dropped in comparison with last year because of activity weakness as a result of security And political circumstances and the economic recession and the difficulty to perform banking products, the bank ascended as a result of the trust of the customers and the support of the Central Bank of Iraq and obtained evaluation grade (B) which is not up to the level of ambition.

Realizing profits is not the main aim of the Bank at up normal circumstances, as much as to the extent of trying to keep a stable and solid and firmly connected banking norms through performing modern and developed banking works in the light of the international laws and





standards and the Basel Resolutions and the support of the Central Bank of Iraq and other institutes which helped to pass the difficulties as it is said that bankers are the best who can master the art of investment and loaning and stimulate banking activities. The Bank seeks sincerely to recover the accumulated amounts in Kurdistan region to for the exercise of the products and whatever resulted out of it in terms of revenues. The obsession of all is that the bank realizes the level that it seeks and which is appropriate to its reputation and stand by abiding to the laws and legislations and not to violate banking instructions and regulations pursuing to submit the best services by using modern mechanism easily and securely.

In this occasion we do not forget the efforts of the employees and their continuous persistent and cooperation.

In the future, the Bank wishes to realize its ambitions through the coordination of all.  
Thank you for your presence.

Sincerely, wish you health and peace.

God bless all, Thank you.

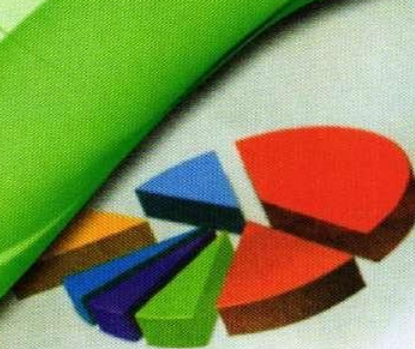
Hussein Salih Shareef  
Chairman of Board of Directors



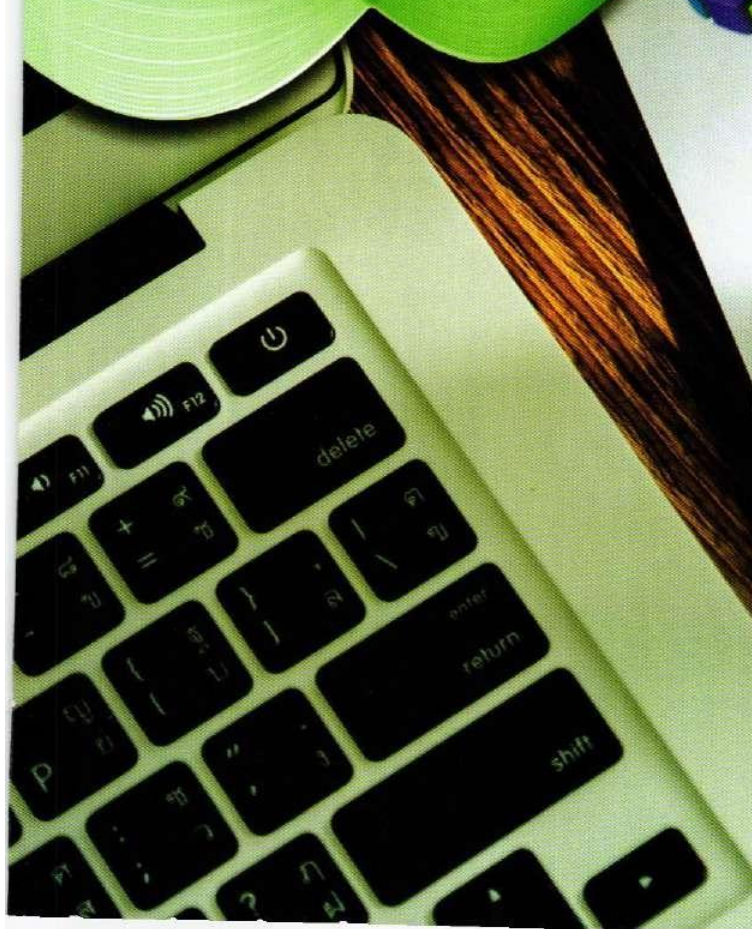
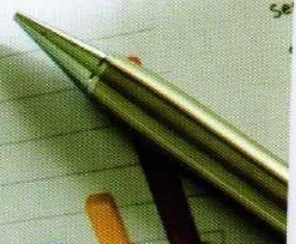
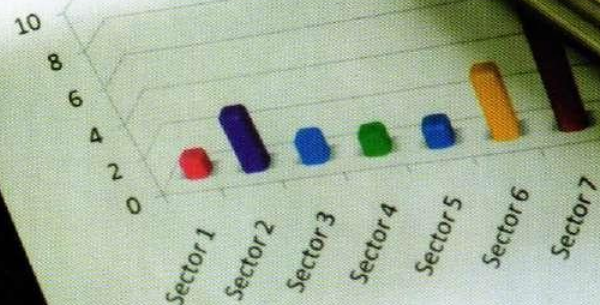
**INVESTMENT BANK OF IRAQ**



# Auditor's Report



- Sector 1
- Sector 2
- Sector 3
- Sector 4
- Sector 5
- Sector 6
- Sector 7







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INVESTMENT BANK OF IRAQ

(TRANSLATION)

Investment Bank of Iraq

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

Mahmood Rasheed Ibrahim Al-Fahad  
Chartered Accountant and Auditor

To / The Shareholders of Investment Bank of Iraq (Private Shareholding Company) Esq.

### Auditor's Report

Greetings,

We are pleased to inform you that we have examined the balance sheet of Investment Bank of Iraq – Private Shareholding Company – as on 31/December/2016, and the profit and loss account, statement of changes in equity, statement of cash flow for the financial year ending thereon, and the clarifications bearing the sequence from (1) to (26) and the notes attached thereto, and the annual report of the company's management are prepared according to the provisions of companies law no. (21) for the year 1997 amended, and the regulations and instructions issued accordingly, banks law no. (94) for the year 2004 according to the recognized local and national auditing standards.

We have obtained the information and notes that were, in our opinion, necessary to carry out our task according to the prevailing legislations and according to the recognized auditing procedures which included necessary tests for the aspects of company's activities within our specialization.

#### Responsibility of the Management

The management is responsible for preparing these statements and discloses them in a fair manner according to the international accounting standard, in addition to its responsibility to preparing and implementing the internal control system related to preparing and disclosing the financial statements in a fair manner free of material errors resulted from mistakes and fraud. This responsibility also includes selecting and applying proper accounting policies and using reasonable estimations.

#### Responsibility of the Auditor

Our responsibility is to express the technical neutral opinion regarding the financial statements submitted to us in accordance with the local and international auditing standards and evidences. These standards require us to plan and complete the audit to obtain a reasonable confirmation whether these statements are free of material errors. The audit includes conducting a check, on experimental basis, for the statements and documents confirming the amounts appearing in the balance sheet and the final accounts for the year 2016 and discloses them. It also includes an evaluation of accounting principles set by the management, and according to our opinion, our audit provides a reasonable basis for the opinion that we express, and we have the following clarifications and notes:

#### First: Applying International Accounting Standards:

The Investment Bank of Iraq has adopted the International accounting standards for the year 2016, which require re-exhibiting the financial statements for the comparison years in a manner corresponding to this year, and this is what happened in the accounts of 2015, which were prepared specifically for this purpose and not for the purpose of publishing, and were sent to the Central Bank of Iraq at that time based on its instructions, and the amortization of deferred revenue expenses was postponed to the following year, and the principle of registering at historical cost was adopted in the evaluation of properties, buildings and equipment instead of reevaluating till 31/December/2016 and according to the instructions of the recent sectoral authority.

#### Second: Results of Current Year Activity and Currencies Evaluation Prices:

The bank realized pre-tax profits for the financial year 2016 in the amount of (ID. 12,055,940) Dinars while the pre-tax profits for 2015 was in the amount of (ID. 20,864,892) Dinars, and the following are some clarifications regarding the items of revenues and expenses for the current year:





**Investment Bank of Iraq**

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

**Mahmood Rasheed Ibrahim Al-Fahad**  
Chartered Accountant and Auditor

**A-** The revenues of the bank reached (ID. 28,739,414) Dinars consisting of (24%) from documentary credits activities, (22%) external transfer activities, and the total percentage of (46%) is collected from currency auction window. While (25%) of total revenues, and interests on loans and the remaining were realized from traditional banking activities.

**B-** Total expenses reached (ID. 16,683,474) Dinars and the most important is (48%) which is derived from interests on deposit balances of customers and (46%) from administrative expenses.

**C-** An amount of (ID. 1,876,197) Dinars was allocated as income tax and the amount of (ID. 508,957) Dinars as statutory reserve according companies law and valid legislations, and the remaining is (ID. 9,670,180) Dinars as distributable profit surplus.

The US Dollar was evaluated as on 31/December/2016 in the price of (ID. 1190) Dinars per dollar, and Euro in the price of (ID. 1228) per euro.

**Second: Cash:** As on 31/December/2016, the total cash balance reached an amount of (ID. 426,463,569) Dinars, and we have the following regarding it:

**A-** The total cash in the bank's safes is in all currencies and equivalent to (ID. 57,311,640), all of which obtained cash inventory certificates supported by the inventory committees of which the amount of (ID. 34,191,703) Dinars is in the possession of the main branch and the general management was inventoried under our supervision.

**B-** Cash with the Central Bank equivalent to (ID. 261,159,458) Dinars. All balances with the Central Bank were confirmed according to the statements, and supported by the balances matches shown in the records.

**C-** Cash with local banks in the amount of (ID. 793,732) Dinars, including suspended debit amounts with Al-Rafidain Bank in the amount of (ID. 18,803) Dinars for years.

**D-** Cash with foreign banks in the amount of (ID. 84,525,662) Dinars, all of its balances have been confirmed according to SWIFT and sent statements belonging to current accounts with foreign banks. As for the insurances with the foreign banks appeared within the account of insurances with others and related to documentary credits insurances, its SWIFT statements were obtained.

**E-** The balance of money transfers in transit was amounted to (ID. 22,669,500) Dinars, and it represents amounts deducted from the Central Bank and currency auction window, and which appeared fully in the accounts of foreign banks in the first five days of the year 2017.

**Third: Cash Credit:**

**A-** The cash credit balance amounted to (ID. 115,100,709) Dinars with a reduction of (ID. 20,299,040) Dinars for the previous year which is due to the stoppage in some credit activities and collection of loans premiums granted in the previous years, and some of them were renewed.

**B-** Upon auditing the cash credit, we recommend adding in-kind guarantees in addition to other guarantees which were represented in (warranties, cheques and promissory notes).

**C-** Expanding the banking activity in contractual credit, and unlike the reduction occurring in the previous year, the increase was in the amount of (ID. 105,162,539) Dinars for full contractual credit which was mainly in the documentary credits with an increase of (ID. 113,269,143) Dinars from the previous year in order to go to the currency auction window, while the increase in the insurances of full contractual credit was in the amount of (ID. 16,133,383) Dinars.

**E-** The cash credit balances were decreased and unlike what happened in the contractual credit in a comparison with the previous year, the management of the bank decided to transfer between the allocations according to the risks, in addition to transferring the allocation of financial investment impairment in full and





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## INVESTMENT BANK OF IRAQ

### Investment Bank of Iraq

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**Mahmood Rasheed Ibrahim Al-Fahad**  
Chartered Accountant and Auditor

Pursuant to the instructions of the Central Bank of Iraq regarding the hedges in the allocations instead of reducing it, and thus the total amount of allocations reached (ID. 18,193,962) Dinars for each of (cash and contractual credit risks, doubtful debts) and it is according to what is stated in the instructions No. (4) for the year 2010.

**Fourth: Investments:** The investments balance reached (ID. 16,982,722) Dinars which was presented in fair value retroactively, and the increase and decrease was reflected in the reserve of evaluating financial assets available for sale in fair value through comprehensive income list which replaced the allocation in handling the difference between the cost of possession and fair value, while the full amount of securities investments value impairment allocation was transferred to another type of allocations according to the instruction of exchange control department by its letter no. (9/1/2/310) on 25/9/2016, which stipulates maintain the surplus from recalculating the allocation and is not converted to profits.

**Fifth: Debtors and other Accounts Receivables:** The total balances reached (ID. 15,554,097) Dinars after deducting the allocations, and we have the following regarding it:

A- Within clarification no. (4) the amount of (ID. 6,150,691) Dinars of which an amount of (ID. 5,676,180) Dinars that represents the difference between penalties deducted by the Central Bank of Iraq till 31/December/2016, and the amounts collected from customers to the same date.

B- Within clarification no. (5) the amount of (ID. 6,499,696) Dinars which represents unpaid due interests, and we recommend its collection.

**Sixth: Internal Control:** The activity of internal control (internal auditing) still does not cover the activities of the general management, and we recommend covering all the activities of the bank.

**Seventh: Compliance Supervisor:** The reports of the compliance supervisor were checked. They were four during the year and they are according to the form adopted by the supervising sectoral authority, and it needs to list some additional notes to depict the performance of the bank in terms of its compliance to the instructions of the Central Bank of Iraq. Later on, a director was appointed for the section to carry out his duties in an organized manner as well as obtaining the approval from the supervising sectoral authority regarding the appointment.

**Eighth: Anti Money Laundering and Terrorism Financing:**

Through our audit, it appeared that the bank took actions to prevent money laundering and terrorism financing, and these actions are being implemented by the anti money laundering and terrorism financing law no. (39) for the year (2015), and the regulations, instructions and directives issued by the Central Bank of Iraq.

**Ninth: Capital Adequacy Ratio:** The capital adequacy ratio reached (130%) as on 31/December/2016, which is higher than the required minimum according to banks law no. (94) for the year 2004 amounting to (12%).

**Tenth: Banking Activity:**

A- During 2016, Baghdad Al-Jadida branch was closed in addition to closing Al-Karrada and Al-Riyadh branches after being merged together back on 31/March/2016, so that the number of branches became (16) branch as on 31/December/2016.

B- Noticing what is mentioned the management's report regarding the loss of (13) branch out of (16) branch, which is resulted from not practicing the banking activity of credit granting and the work was concentrated mainly in the main branch in the foreign currency window, in addition to reducing the number of employees significantly.

**Eleventh: Penalties:** As a result of practicing the activities of remittances and entering the currencies auction window, the bank realized many penalties belonging to the years (2013) and (2014) in the amount of (ID. 19,746,1919) Dinars at that time, and the penalties of the year subject of audit were paid to the customers





**Investment Bank of Iraq**

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Chartered Accountant and Auditor

**Mahmood Rasheed Ibrahim Al-Fahad**  
Chartered Accountant and Auditor

In the amount of (ID. 9,681,969), and the bank's management is still collecting them. While other penalties that were imposed on the bank and resulted from the bank's possession of properties unused as branches reached an amount of (ID. 296,943) Dinars.

**Twelfth: Legal Position:** The legal position was reviewed and it was as follows:

Lawsuits filed by the bank against others:

The number of lawsuits filed by the bank against others reached (4) lawsuits during the year 2015 all of which are under proceeding, while the lawsuits filed in a previous period are continued till some of them reached execution and the collection of amounts in favor of the bank.

**Thirteenth: Subsequent Events:**

Regarding the penalties in para (eleventh) above and at later date, penalties premiums amounts kept being deducted to reach customer's indebtedness to banks in the amount of (ID. 10,046,495) Dinars as on 2/April/2017.

According to what is stated 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 system which included, according to our estimation, all the assets, liabilities, utilities and resources of the company, and that the internal control has included the necessary procedures that ensure the authenticity and accuracy of these statements to a degree that commensurate with the size of company's activity.
- 2- The process of cash and fixed assets inventory was carried out appropriately under our supervision, and it matches the supporting records, and the evaluation was carried out according to the adopted fundamentals, rules and principles which were followed in the previous year.
- 3- The financial statements were prepared according to the international accounting standards and based on the requirements of the supervising sectoral authority in a way that does not violate the applicable legislations and they fully agree with what the records show, and they are organized according to the amended law of companies and banks law, and the valid regulations and instructions.
- 4- The bank took actions to prevent money laundering and terrorism financing, and these actions are being implemented according to the regulations and directives issued by the Central Bank of Iraq.

**The Opinion:**

In consideration of the above remarks, in our opinion and based on the available information and clarifications, the financial statements and the report of management attached thereto are in agreement with the records and fulfilled the legal requirements, and it, as far as it contained performance indicators, express clearly and fairly the financial position of the bank as on 31/December/2016 and the results of its activity and cash flow for the financial year ended on that date.

With appreciation,

-Sgd.-

**Mahmood Rasheed Ibrahim Al-Fahad**  
Chartered Accountant & Auditor  
From Adil Al-Hasson & Partners Company

-Sgd.-

**Dr. Haseeb Kadhim Juwaid Almayah**  
Chartered Accountant & Auditor  
From Adil Al-Hasson & Partners Company



# Balance Sheet







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# INVESTMENT BANK OF IRAQ

Investment Bank Of Iraq (P. S. C)

statement(A)

## Balance Sheet for the year ended As on 31/December/2016

Description	Note No.	2016 Thousand IQD	2015 Thousand IQD
<b>Assets</b>			
Cash and balances with the Central Bank and financial institutions	1	426,463,569	381,399,772
Credit facilities granted (by Net)	3	103,401,279	123,241,613
Financial investments available for sale at fair value	2	16,982,722	16,932,319
Debtors	4	4,672,467	337,747
Other accounts receivable (other Assets)	5	10,881,630	11,533,844
Properties , Buildings and Equipments (book value)	6 - 7	15,468,580	16,580,432
<b>Total Assets</b>		<b>577,870,247</b>	<b>550,025,727</b>
<b>Liabilities and Owners Equity</b>			
<b>Liabilities and Short-Term financing sources:</b>			
Customers Deposits	9	254,003,297	250,916,499
Customers margin for banking activities and accounts of a current nature	10	29,971,811	14,531,584
Creditors	11	2,059,907	1,578,831
Other Accounts payable (Other Liabilities)	12	2,042,496	3,445,251
<b>Total of Liabilities and Short-Term financing sources</b>		<b>288,077,511</b>	<b>270,472,165</b>
<b>Owners Equity:</b>			
Capital	statement C	250,000,000	250,000,000
Legal Reserves	statement C	7,167,639	6,658,682
Other Reserves	statement C	487,897	482,854
Reserves resulting from differences at fair value	statement C	(1,653,631)	(1,708,625)
Retained earnings	statement C	33,790,831	24,120,651
<b>Total Owners Equity</b>		<b>289,792,736</b>	<b>279,553,562</b>
<b>Total Liabilities and Owners Equity</b>		<b>577,870,247</b>	<b>550,025,727</b>
<b>Off-Balance Sheet Accounts</b>			
The Banks obligations for banking Transactions and Documentary Credits	8	172,886,639	83,857,483

Executive Manager of Financial Dept.  
Imad Ayad Nazmy

Managing Director  
Hamza Dawood Salman

Chairman of the Board of Directors  
Hussain Salih Shai

Subject to our Report No.693/370 dated on 24/ April/2017

Sgd.  
Mahmood Rasheed Ibrahim Al-Fahad  
Chartered Accountant & Auditor  
From Adil Al-Hasson & Partners Company

Sgd.  
Dr.Haseeb kadhim Juwaid Almayah  
Chartered Accountant & Auditor  
From Adil Al-Hasson & Partners Company

The Notes from ( 1 -29 ) Attached with Financial Schedules are Complementing Part Thereto





Investment Bank Of Iraq (P. S. C)

Income Statement for the year ended As on 31/December/2016 statement (B1)

Description	Note No.	2016 Thousand IQD	2015 Thousand IQD
<b>Revenues of current operations :</b>			
Revenues and interest of cash credit granted	15	7,348,165	7,270,982
Revenues and commissions of credit contract	16	8,899,480	10,110,317
Investments revenues	17	933,804	389,773
Revenues from other banking activities	18	7,188,052	17,534,980
Revenues from sale and buying of foreign currencies	19	4,293,155	5,554,397
<b>Total Revenues from current operations</b>		<b>28,662,656</b>	<b>40,860,448</b>
<b>Expenses of banking operations:</b>			
Interest expense of banking operations	21	(8,002,926)	(9,169,528)
Expenses from Risk of banking operations	22	-	(849,524)
<b>Total Expenses</b>		<b>(8,002,926)</b>	<b>(10,019,052)</b>
<b>Administrative expenses:</b>			
Salaries and wages	23	(3,665,043)	(4,645,867)
Administrative expenses	24	(3,052,222)	(3,272,307)
Depreciation and amortization	25&6	(897,147)	(1,109,955)
<b>Total of Administrative expenses and depreciation</b>		<b>(7,614,412)</b>	<b>(9,028,129)</b>
<b>Total expenses of current operation</b>		<b>(15,617,338)</b>	<b>(19,047,181)</b>
<b>Net Income of banking current operations (ordinary)</b>		<b>13,045,318</b>	<b>21,813,266</b>
<b>Add Revenues from Non-current operations :Other Revenues</b>	20	<b>76,757</b>	<b>30,256</b>
<b>Less Expenses from Non-current operations:Other Expenses</b>	26	<b>(1,066,136)</b>	<b>(978,631)</b>
<b>Net Income before Tax</b>		<b>12,055,939</b>	<b>20,864,891</b>
<b>Less Income Tax</b>	13	<b>(1,876,802)</b>	<b>(3,366,197)</b>
<b>Net Profit of the year</b>		<b>10,179,136</b>	<b>17,498,694</b>
<b>Basic and diluted earnings per share (EPS)</b>	14	<b>0.039</b>	<b>0.039</b>

Statement of Distribution of profits after tax

For the Year Ended As on 31/December/2016

Description	Note No.	2016 Thousand IQD	2015 Thousand IQD
<b>Profits as Per Income Statement distributed as follows:</b>		<b>10,179,136</b>	<b>17,498,694</b>
Legal Reserve (according to the Companies Law) 5%		508,956	874,934
Retained Earnings		9,670,180	16,623,760
<b>Total Profits for Comprehensive Income</b>		<b>10,179,136</b>	<b>17,498,694</b>

The Notes from ( 1 - 29) Attached with Financial Schedules are Complementing Part Thereto





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## INVESTMENT BANK OF IRAQ

Investment Bank Of Iraq (P. S. C)

statement (B2)

### Comprehensive Income Statement for the year ended As on 31/December/2016

<u>Description</u>	<u>Note No.</u>	<b>2016</b> Thousand IQD	<b>2015</b> Thousand IQD
<b>Net Profit Of The Year</b>	B2	<b>10,179,137</b>	17,498,694
Net unrealized profit/loss of available-for-sale financial assets at fair value		<b>54,994</b>	(1,708,625)
Increase in investments resulting from the distribution of free shares (Capitalization)		<b>5,042</b>	14,236
Net Profit /Loss from revaluation of fixed assets / lands		-	-
Profit / Loss resulting from translation differences in foreign currency transactions		-	(3,150,539)
Profit/Loss resulting from hedging on foreign currency transactions		-	-
<b>Total Income</b>		<b>10,239,173</b>	12,653,766

The Notes from (1 - 29 ) Attached with Financial Schedules are Complementing Part Thereto



**Investment Bank Of Iraq (P. S. C)**  
**Statement of changes in**  
**shareholders' equity**  
**for the year ended As on 31/December/2016**

**Statement (C) Disclosure of changes in equity for the year ended As on 31/December/2016**

The balances are in thousands Dinars	Note No.	General reserve.	expansions reserve	Used expansions reserve	Legal reserve	(Capital reserve) and shares received for free	Differences Reserve Translation of balances In foreign currencies	Change reserve At fair value For financial assets Available for sale	retained earnings	Paid-in Capital	Total
Balances As on 1st January 2015		46,320	-	-	5,783,747	422,299	3,150,539	-	27,496,892	250,000,000	286,899,797
Profit for the year 2015	B1				874,935				16,623,759		17,498,694
Free Shares for investment	B2					14,236					14,236
Profit / Loss resulting from translation differences in foreign currency transactions							(3,150,539)				(3,150,539)
Unrealized losses on fair value of financial assets available for sale								(1,708,625)			(1,708,625)
Increases Paid-in Capital subscription											-
Distribution of the profit during the period									(20,000,000)		(20,000,000)
Balances As on 1st January 2016		46,320	-	-	6,658,682	436,535	-	(1,708,625)	24,120,650	250,000,000	279,553,562
Profit for the year 2016	B1				508,956				9,670,181		10,179,136
Free Shares for investment	B2					5,043					5,043
Profit / Loss resulting from translation differences in foreign currency transactions											-
Unrealized losses on fair value of financial assets available for sale								54,994			54,994
Increases Paid-in Capital subscription											-
Distribution of the profit during the period		46,320	-	-	7,167,638	441,578	-	(1,653,631)	33,790,831	250,000,000	289,792,736

The Notes from ( 1-29 ) Attached with Financial Schedules are Complementing Part Thereto

