

Investment Bank of Iraq

private joint stock company –

Baghdad

**financial statements for the year ended
31 December 2020**

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In the Name of Allah, the Most Beneficent, the Most Merciful

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Number:312 -597 \2021

Baghdad on: 8 June 2021

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

Auditors' Report

A report about the audit of consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of the bank of Investment (private joint stock company) which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes about consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements, in all material aspects, clearly and fairly represent the bank's consolidated financial position as at 31 December 2020, and its financial performance, consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility under these standards is described in more detail in the auditors' responsibilities for the audit of the consolidated financial statements which is included in this report. We are independent of the bank in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants; we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. We believe that the audit evidences which had been obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters, are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a

separate opinion on these matters. For each of the matters described below, details were provided on how these matters would be addressed in the auditing process in that context.

We have fulfilled our responsibilities under the auditors' responsibilities for the audit of the consolidated financial statements included in this report, In addition to all related matters. Accordingly, our audit includes performing the procedures which designed to be responsive to the risks of material misstatement of the consolidated financial statements. The results of the audit procedures that we preformed, including the procedures for addressing the matters referred to below, are basis for our opinion about the audit of consolidated financial statements.

1-Implementing of International Accounting Standards:

The bank has adopted the International Accounting Standards for the fourth year, and we have the following in this regard:

1-1: the bank has not implemented IFRS (9) which the Central Bank of Iraq has required by an official letter No. (3/6/466) on 26/12/2018 "instruction for preparing the financial statements of Banks", and the bank has formed a committee to implement IFRS9 Composed of the relevant parts referred to in the above-mentioned official letter on 2020. The bank has developed a methodology for the implementation of the standard, but the calculation of allowance has not been finalized and work continues by the Bank during 2021.

1-2: the bank has not implemented IFRS (16) "Leases", due to the fact that the bank does not have long-term leases and all of its contracts are short-term for (12) months.

2-Cash:

2-1: the foreign currency cash as at 31 December 2020 was translated at the following exchange rates:

	foreign currency	exchange rate
1	USD	1460 IQD per USD
2	EUR	1789.814 IQD per EUR
3	AED	397.65764 IQD per AED

2-2: The balance of vault cash amounted to (80,645,292) Thousand IQD, the physical verification were reconciled with the records in IQD and USD and for all branches, the cash

reconciliation process were depended on the physical verification received from the Inventory Committees formed at bank's home office and other branches, as follows:

Currency	Balance by currency	exchange rate	Balance in IQD
USD	43,279,404.91	1460	63,187,931,167
EUR	662,132	1789.814	1,185,093,123
IQD	15,942,773,175	0	15,942,773,175
ATM/IQD	329,495,000	0	329,495,000
Total	/	/	80,645,292,465

2-3: The accounts with Central Bank of Iraq were reconciling with the records and the balance was (110,886,102) Thousand IQD, broken down as follows:

account	IQD	USD	USD balance translated at 1460	final balance
Legal reserve	13,845,160,000	12,102,755	17,670,022,300	31,515,182,300
Margins against letters of guarantee	3,705,368,552	000	000	3,705,368,552
Current accounts	41,487,291,535	23,267,173.26	33,970,072,960	75,457,364,495
Basra	200,083,370	5,550	8,103,000	208,186,370
Total	59,237,903,457	35,375,478.26	51,648,198,260	110,886,101,717

2-4: Differences in amounts had shown up, while reconciling, in some accounts with the Central Bank of Iraq in 2020, as shown below:

- The current account\ foreign currency auction involves an amount of (1,450,000,000) IQD has been recorded inadvertently to selling dollars to Central bank account, which has been adjusted on 21 January 2021.
- An amount of (667,000,000) IQD in current account represents incorporation of companies; we hadn't received any details in this regard.
- An amount of (600,000) IQD represents a fine imposed on Al-Dhama a currency exchange Company.
- An amount of (5,000,000) IQD represents initiatives for community activities.

2-5: The balance of margins reserve of letters of guarantees amounted to reached (3,705,369) Thousand IQD, which represent a ratio of (3.45 %) from the balance of letters of guarantee amounted to (107,395,953) Thousand IQD on 31 December 2020, which is less than the (5%) ratio required by the Central Bank of Iraq, according to the fact that the bank belongs to the third Category (A-B-C), which required to allocate a provision for this difference.

2-6: Cash balance with Central Bank of Kurdistan Region of Iraq amounted to (44,948,350) Thousand IQD, and the table below shows the cash details:

account	IQD	USD	USD balance translated at 1460	final balance
Erbil	35,345,983,000	000	000	35,345,983,000
Sulaymaniyah	9,602,367,101	000	000	9,602,367,101
Total	44,948,350,101	000	000	44,948,350,101

The bank hadn't allocate any provision for the risks of not receiving these amounts, despite of the instructions of the Central Bank of Iraq to sets aside amounts for this purpose, distributed over 5 years.

2-7: Cash with local banks: the balance of Cash with local banks reached (833,968) Thousand IQD; the balances of these banks were reconciled with the banks statements of these banks, and there is a difference with Rafidain Bank amounted to (18,803) Thousand IQD which was paid in error from the bank account and is been following up to return of the amount.

2-8: cheques & transfers receivable: there is an amount of (360,488) Thousand IQD was paid to a customer in error on 2014, and the customer refused to return it, a criminal & civil lawsuit has been filed, and the customer has been sentenced to two years' imprisonment and pledged to pay an amount of (276000) USD to the bank.

9-2: Cash with foreign banks:

2-9-1: the balance of cash according to records amounted to (119,968,417) Thousand IQD translated at these exchange rates:

Currency	Balance by currency	exchange rate	Balance in IQD
USD	59,205,943.724	1460	86,440,677,837
EUR	1,047,109.1	1789.814	1,874,130,527
AED	79,600,159.29	397.6576	31,653,608,303
Total	/	/	119,968,416,667

2-9-2: the ratio of the cash with foreign banks at 31/12/2020 after excluding 50% of the foreign liabilities was (23.7 %), while that the maximum ratio allowed by the Central Bank of Iraq is 20% of Tier 1 & 2 Capital.

2-9-3: there are differences in the balance with the housing bank amounted to (141,293.17) USD and (100,569) USD which consisted of letters of credit and letters of guarantees.

2-9-4: liquidity: the legal liquidity ratio reached(% 88.27) on 31 December 2020, it indicates a good ratio allowed the bank to Fulfill its obligations to depositors in the short term, The Bank does not have a contingency plan to meet any potential circumstances that the Bank may face in the future, requiring the Bank to prepare such a plan in order to retain a certain percentage of liquidity to enable it to meet its obligations in contingencies.

2-9-5: the AED balance with the Arab African bank translated to IQD (15,211,738) Thousand which represent (5.73 %), while the allowed concentration ratio with one correspondent is (5%) of Tier 1&2 capital, as well as the USD balance with Arab African bank translated to IQD(70,857,282) Thousand which represent (26.71 %).

2-9-6: The bank depended on SWIFT documents and confirmation letters in order to make bank reconciliation for its balances at foreign banks abroad.

2-9-7: Foreign currency positions: on 31 December 2020, the foreign currency positions ratio reached (27%) of Tier 1&2 capital 123/3100 on 19 January 2021, which exceed of (20 %) ratio set by the Central bank of Iraq, because of the changes in the U.S. dollar exchange rate.

3- Cash Credit:

3-1: The balance of cash credit increased by(1.5 %) , the amount of which (185,254,819) Thousand IQD on 31 December 2020, compared to (182,362,533) Thousand IQD on 31 December 2019.

3-2: The collaterals provided by customers comprised of (personal guarantees, cheques, and bills of exchange), the bank should not accept cheques and bills of exchange as collaterals and should focus on the financial position of the customers when giving credit, and to collect eligible collaterals to meet the risks of non-payment.

3-3: the balance of interest of cash credit during the fiscal year/ 2020 amounted to (2,077,425) Thousand IQD, which represent (1.12%) of the total cash credit balance amounted to (185,254,819) Thousand IQD on 31 December 2020, which is low.

3-4: the provision of cash credit amounted to (46,427,635) Thousand IQD on 31 December 2020, which represent an increase from the previous year, the balance of which was (35,856,588) Thousand IQD on 31 December 2019, an amount of (10,571,047) Thousand IQD had been transferred from the account of Foreign currency translation differences

reserve resulting from profits of changes in dollar exchange rate from 1190 to 1460 IQD per U.S. dollar, The allocation was calculated in accordance with the Instructions No. 4 of 2010. In our opinion, the provision is not sufficient because of the outstanding amounts of credit reached (106,956,379) Thousand IQD on 31 December 2020, which represents (58 %) of the balance of cash credit in the year then ended.

3-5: outstanding interests and monthly & quarterly installments which are in arrears of its maturity date.

3-6: The ratio of cash credit granted to deposits is (62%), which is less than the specified ratio of (70%).

3-7: The total cash credit granted to the (12) Largest Customers amounted to (96,149,469) Thousand IQD, which represent (52%) of the total cash credit granted.

3-8: when we reviewed the file of cash credit granted to the (20) Largest borrowers, we noticed that a part of collaterals is not adequate (cheques and bills of exchange), the bank should collect eligible collaterals to cover the amounts granted. The total cash credit granted to the (20) Largest borrowers amounted to (124,838,915) Thousand IQD accounting for (67%) of the total cash credit (185,251,819) Thousand IQD.

3-9: There is Credit concentration in loans and overdrafts accounting for (88%) of the balance of cash credit as at 31/12/2020, this indicates a high credit risk on the bank, and we noticed that the collaterals provided by the customers are not adequate to cover such amounts

3 -10: The cash credit as at 31 December 2020 amounted to (185,254,819) Thousand IQD, as shown in the table below:

Limits	Loans		Overdrafts		shipping documents & Letters of credit		Discounted bills & loans against gold jewelry		Total	relative materiality %
	No	Amount(IQD)	No	Amount(IQD)	No	Amount(IQD)	No	Amount(IQD)		
Less than 100 millions	424	4,509,260,947	2	134,913,906	1	85,994,000	119	877,781,616	546	5,607,950,469
From 100 million to 500 million dinar	25	6,864,541,805	0	0	1	245,301,900	2	350,000,000	28	7,459,843,705
From 500 million to 1 billion dinar	8	5,551,773,268	0	0	2	1,267,877,140	0	0	10	6,819,650,408
From 1 to 5 billion dinar	18	55,769,428,730	1	1,615,161,548	5	11,833,315,110	0	0	24	69,217,905,388
From 5 billion to 10 billion dinar	8	58,699,432,270	2	12,267,540,505	1	5,936,133,700	0	0	11	76,903,106,475
More than 10 billion	0	0	0	0	1	19,246,362,400	0	0	1	19,246,362,400
Total	483	131,394,437,020	5	14,017,615,959	11	38,614,984,250	121	1,227,781,616	620	185,254,818,845
										100

4- Non-cash credit:

4-1: The balance of Obligation credit reached (113,405,740) Thousand IQD as at 31 December 2020, while it was (113,991,208) Thousand IQD on 31 December 2019, which represent a decrease by 5 % compared to the previous year.

4-2: The balance of the pledged credit provision was calculated in accordance with the instructions of the central bank of Iraq no. (4) Of 2010, it amounted to (1,766,030) thousand IQD on 31 December 2020, it is the same balance as the previous year, which represents (1.55%) of the non-cash credit balance as at 31\12\2020, thereon the bank is required to allocate an adequate provision.

4-3: The percentage of pledged credit to Tier 1&2 capital reached 43 %.

4-4: when we audited the file of credit granted to the (20) Largest Customers, we noticed that a part of them was without cash margins, and the collaterals provided were (cheques, bills of exchange), thereon the bank is required to get eligible collaterals in accordance with the instructions of Central Bank of Iraq.

4-5: the collaterals against non-cash credit amounted to (15,693,368) Thousand IQD, which represents a ratio of (13.41%) from the total balance of non- cash credit, which is less than the ratio set by the Central Bank of (15%) thereon the bank is required to allocate a provision to cover the difference in collaterals, or to demand the customers for more.

5- Financial investment:

5-1: The balance of investments at fair value reached (4,369,279) Thousand IQD on 31 December 2020, while it was (4,403,120) Thousand IQD on 31 December 2019, as shown in the table below:

	statement	Investment cost	Investment at fair value	Fair value reserve
1	long-term investments /private sector/companies	3,061,592,680	3,061,592,680	000
2	short-term investments / mixed sector	214,621,367	214,770,193	148,826
3	short-term investments / /private sector/companies	1,118,596,280	1,092,916,545	(25,679,735)
	Total	4,394,810,327	4,369,279,418	(25,530,909)

5-2: The investments were evaluated at fair value within the account of financial assets at fair value through other comprehensive income, as well as the subsidiary company of the bank which has a fair value of (4,369,279) Thousand IQD as at 31 December 2020.

5-3: The long-term investments/private sector/companies were not evaluated at fair value but at historical cost because they were not listed on the Iraq Stock Exchange on 31 December 2020.

5-4: The bank had no return on investment in 2020, and most of the companies invested in had a very low market price.

5-5: The report issued by the Iraq Stock Exchange was depended on to confirm the stocks of the bank in these companies. While the bank had sent a request for confirmation letters to the other companies, and no response had been received until the date of this report.

5-6: the balance of fair value reserve of investments is (1,808,934) Thousand IQD as at 31 December 2020.

5-7: The ratio of the investments to Tier 1&2 capital is (2.27%), while the maximum rate allowed by Central Bank of Iraq is 20% of Tier 1&2 capital.

6-Fixed assets:

6-1: the physical Inventory of fixed assets (except furniture & equipment) was performed by the management under our supervision, the inventory results reconcile with the records.

6-2: the account of properties acquired as a result of a debt settlement was transferred to a separate account as shown in the schedule of fixed assets with a value of (2500000) Thousand IQD, the bank wasn't able to sell it due to its low marketing value, the bank has booked an allowance for it (2100000) Thousand IQD from the account of foreign currency translation differences reserve.

7 - accounts receivable and other debit balances:

The balance of accounts receivable and other assets amounted to (102,888,763) Thousand IQD on 31 December 2020, while it amounted to (40,439,936) Thousand IQD on 31 December 2019 and we have in this regard the following:

7-1: The balance of debtors of the corporate sector amounted to (30,820,257) Thousand IQD on 31 December 2020, while it was amounted to (30,355,681)

Thousand IQD on 31 December 2019, which represent the fines imposed on the bank for the activity of foreign remittances (foreign Currency exchange window) and the bank charged these fines to these companies for subsequent acquisition.

7-2: The balance of debtors of the Individual sector increased to (1,544,786) Thousand IQD on 31 December 2020; compared to (956,604) Thousand IQD on 31 December 2019, an amount of (230) million IQD was paid in advance to buy a land no.24/285 registered under the name of (Hashim Abd Ibrahim), The land hadn't registered for the bank and the advance payment hadn't returned, the bank has already filed a lawsuit in the court of Badaa' Karbala with regards to this land, the matter is being followed up with the court.

7-3: The balance of debtors of non-operating activity amounted to (1,125,268) Thousand IQD on 31 December 2020, which hasn't changed from the previous year, the amount regarding al-athmar subsidiary of the bank.

7-4: The balance of outstanding income increased to (29,246,130) Thousand IQD on 31 December 2020, while it was (24,943,647) Thousand IQD on 31 December 2019, , we recommend following up on collecting these amounts from customers.

7-5: The balance of prepaid expenses decreased to (2,846,899) Thousand IQD on 31 December 2020, while it was (4,987,318) Thousand IQD on 31 December 2019,where the Bank amortized the amount of (4,151) million dinars, which had been paid in the previous year for the purpose of returning 20 billion from the Central Bank/Erbil to the Bank account, it had been recorded in the previous year in this account and has been amortized during the current year, a journal entry recorded on 21 January 2021 to deduct this amount from the foreign currency translation differences reserve.

7-6: The legal fees account increased to (1,547,540) Thousand IQD on 31 December 2020, while it was in the previous year (1,438,685) Thousand IQD on 31 December 2019.

7-7: The balance of interest accrued on direct credit facilities increased to (43,196,775) Thousand IQD on 31 December 2020, while it was in the previous year (29,714,895) Thousand IQD, we recommend following up on collecting these amounts from customers.

7-8: The balance of interest in suspense amounted to (55,285,058) Thousand IQD on 31 December 2020, while it was (39,278,195) Thousand IQD on 31 December 2019.

7-9: The balance of bad debt increased to (2,657,217) Thousand IQD on 31 December 2020, while it was (2,032,864) Thousand IQD on 31 December 2019, which required following up on collecting these amounts

7-10: The balance of provision for doubtful debts amounted to (3,036,798) Thousand IQD on 31 December 2019 and it is not enough, we recommend to allocate further amounts.

7-11: The balance of other assets amounted to (22,149,795) Thousand IQD on 31 December 2020, which represents a ratio of 4% of the total current assets, the balance of which is (565,061,208) Thousand IQD on 31 December 2020.

8- The profit & loss account:

8-1: The bank made a profit of (5,526,425) Thousand IQD before tax, compared to the previous year (17,216) Thousand IQD with an increase by (32000 %) and the most important causes of this increase are as follows:

Income\expense)	Current year IQD(thousand)	previous year IQD(thousand)	Increase %	Decrease %
Interest income	2,077,425	5,402,956	/	% 61.5
Commissions Income	2,316,584	2,400,479	/	% 3.5
Investment income	71,395	457,566	/	% 84.4
Revenue of banking activities	10,529,184	2,232,329	% 371.6	/
Foreign currencies income	1,446,312	1,278,000	% 13	/
Total expenses	11,017,394	1,198,065	/	% 8

8-2: Commissions income accounting for (57 %) of the total revenues in 2020, and Foreign currencies income accounting for (9 %) of the total revenues in 2020.

9-Foreign currency exchange window of the Central Bank of Iraq:

9-1: The foreign currency purchased from the foreign currency exchange window, according to the bank records, for the period 2/1/2020 until 31/12/2020, was (1,801,684,000) USD, distributed as follows:

Details	amount (USD)
Purchases for Remittances	1,464,524,000
Purchases for letters of credit	000
Purchases for foreign currency exchange companies	334,770,000
the bank's monetary auction	2,390,000
Total	1,801,684,000

9-2: The balance of revenues of the foreign currency exchange window reached (9,944,339,000) IQD until 31\12\2020 (As explained in the clarification no.18 and No.19 which attached with the financial statements), the sales price rate during the year reached (1224.72) IQD per USD, as follows:

Details	amount (IQD)
Revenue of the Remittance	9,250,899,000
Revenues of letters of credit	000
Revenue of foreign currency exchange companies	669,540,000
the bank's monetary auction	23,900,000
Total	9,944,339,000

The table on the next page shows details of these amounts:

Purchases and sales from the foreign currency exchange window of the Central Bank of Iraq for the period From 2/1/2020 until 31/12/2020

Details	Purchased amounts			Sold amounts			Net income IQD
	Purchased amounts USD	Exchange rate IQD	Purchased amounts IQD(thousand)	Sold amounts USD	Exchange rate IQD	Sold amounts IQD(thousand)	
Foreign transfers	140,225,000	1190	166,867,750	140,225,000	1192.67	167,242,151	374,401
	151,134,000	1190	179,849,460	151,134,000	1190.6	179,940,140	90,680
	123,665,000	1190	147,161,350	123,665,000	1190.5	147,223,183	61,833
	479,450,000	1190	570,545,500	479,450,000	1198.5	574,620,825	4,075,325
	281,800,000	1190	335,342,000	281,800,000	1197.2	337,370,960	2,028,960
	259,050,000	1190	308,269,500	259,050,000	1200	310,860,000	2,590,500
	29,200,000	1460	42,632,000	29,200,000	1461	42,661,200	29,200
	Total Foreign transfers	1,464,524,000	/	1,750,667,560	1,464,524,000	/	1,759,918,459
Letters of credit	000	000	000	000	000	000	000
foreign currency exchange companies	334,770,000	1190	398,376,300	334,770,000	1192	399,045,840	669,540
Bank share	2,390,000	1190	2,844,100	2,390,000	1200	2,868,000	23,900
Total	1,801,684,000	/	2,151,887,960	1,801,684,000	/	2,161,832,299	9,944,339

10- The change in U.S. dollar exchange rate:

As a result of the change in U.S. dollar exchange rate from 1190 to 1460 IQD per USD according to the Central bank of Iraq official letter no. 6/1/2440 dated 20/12/2020, the bank reevaluated its foreign currencies, and thereon a profit of (19,589,417) Thousand IQD was made, distributed as follows:

- 10-1: An amount of (10,571,047) Thousand IQD was transferred to the account of provision of the risks of personal advances.
- 10-2: An amount of (2,100,000) Thousand IQD was transferred to the account of provision of properties acquired as a result of a debt settlement.
- 10-3: An amount of (6,918,370) Thousand IQD was an adjustment to the account of prepaid expense as explained earlier.

11- Capital adequacy:

Capital adequacy ratio reached (105.06 %) as at 31/12/2020, while it was on the previous year (101.99 %), it exceeds (12%) the minimum ratio required by the Central Bank of Iraq, furthermore, it exceeds the (%8)ratio adopted by Basel committee.

12-Lawsuits:

12-1: The number of lawsuits filed by the Bank against others on 2020 (10) lawsuits amounted (2,025,163) Thousand IQD, as outlined in paragraph no. (38) of the management's report.

12-2: There are no lawsuits filed against the bank in 2020.

13-Compliance controller:

13-1: We have reviewed the bank's compliance controller's reports provided to us during the reported year, and found the same to be in compliance with the requirements and instructions of the Central Bank of Iraq.

13-2: the department followed up with the Central Bank of Iraq notes regarding monitoring operations and the results of the desk audit of the bank, and with the treatments required, according to the correspondences between the bank and the Central Bank of Iraq regarding the results of the audit.

14- Internal Control:

We have reviewed the annual plan of Internal Control Department and the reports provided to us during the reported year, and we have in this regard the following:

14-1: The implementation ratio of the annual plan is (% 34) of the plan approved by the board of directors, and we believe that the audit plan and its implementation ratio were not adequate, and it requires expanded to auditing that the credit portfolio and the collaterals provided for it.

14-2: The number of employees who work in the internal control department reached (2) employees in 2020, consisting of the head of the department and one associate only. Thereon, that number couldn't cover all the banking operations which is a wide range of operations and the bank has (16) branches.

14-3: The employees of the department hadn't participated in any training courses during the year of 2020.

15- Money Laundering and Terrorism financing Reporting Department:

15-1: The bank has adequate procedures in place to prevent money laundering and terrorism financing in accordance with the provisions of Anti-Money Laundering and Terrorism Financing Law No. (39) of 2015 and the instructions that issued by the Central Bank of Iraq. We have reviewed the Department's reports sent to the Central Bank of Iraq prepared in accordance with the law and the instructions issued by the Central Bank of Iraq; we have in this regard the following:

15-1-1: The electronic system applied the minimum scenarios required by the Central Bank of Iraq which is (65) scenarios under the money laundering department official letter no. (/) dated 5/5/2021.

15-1-2: The bank contracted with a specialized company to update the electronic system periodically and automatically.

15-1-3: The department relies on the manual classification of the clients by risk.

15-1-4: the bank hasn't announced the rate of the operations which were reviewed by the system to the total bank operations.

15-2: A manual of policies and procedures for the Money Laundering and Terrorist Financing Department has been prepared, including:

- Stages of the money-laundering process
- The importance of combating money-laundering and the financing of terrorism

- The responsibility of the Director of the Money Laundering and Terrorist Financing Reporting Department.
- The responsibility of the Bank's Money Laundering and Terrorist Financing Reporting Department.
- Penalties incurred by the bank.
- Customer Due Diligence (KYC).
- Client's due diligence procedures.

16- Corporate Governance:

16-1: the bank prepared governance manual in accordance with Central Bank instruction, Governance instructions were commitment to and the functions of the board of directors were separated from those of bank's management.

16-2: There is no manual of policies and procedures for the Bank's departments, and there is only a job description was prepared in 2015.

16-3: 16-3: The Bank is committed to the specific requirements of Article 23 of the Governance Manual Issued by the Central Bank of Iraq, where the annual reports contain disclosure of operations results and financial position of the bank.

16-4: The bank updates customers data through the KYC form in collaboration with the Money Laundering Reporting Department of the Bank to see whether the Bank has complied with the Law of Money laundering No. 39 of 2015 as well as the application of the principle of Customer due diligence which had been adopted by the bank with the approval of the Compliance Department to open the KYC form.

Other information included in the annual report of the bank for 2020

Other information included in the annual report of the bank for 2020, other than financial information, the board of directors is responsible for it. Before the date of this report, we have obtained the information included in the annual report.

Our opinion on consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibility for the Consolidated Financial Statements

Board of directors is responsible for the preparation of the consolidated financial statements and fair presentation of it in accordance with the International Financial Standards for preparing financial statements, and for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When the consolidated financial statements are prepared, the Board of directors is responsible for evaluation the ability of the bank to continue as a going concern, and disclosed, where possible, on the matters relating to the principle of consistency, including the use of the accounting consistency principle in the preparation of consolidated financial statements, unless the board of directors had an intention to liquidate the bank, suspend its operations or have no other alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the bank audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and

communicate with them all relationships and other matters that may reasonably be thought to bear on ours independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the fiscal year and are therefore the key audit matters. We describe these matters in the auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Adel Ismail Hassan Al-Shaibi
Certified Public Accountant
Member of the Iraqi CPAs Association

Adel Muhammad Abd Al-Husain Al-Hasson
Certified Public Accountant
Member of the Iraqi CPAs Association

Investment Bank of Iraq (P.S.C)
financial position as at 31 December 2020



statement	2020 IQD	2019 IQD
<u>Assets:</u>		
Cash, balances with Central Banks and Financial institutions	357,700,691,777	303,545,298,378
Credit facilities granted-Net	138,827,183,508	146,505,944,788
Investments in Subsidiaries	250,000,000	250,000,000
Available for sale investments at fair value	4,144,810,327	4,170,422,820
Accounts receivable	32,988,728,081	34,794,623,194
Other accounts receivable (Other assets)	22,149,794,610	22,277,989,350
Properties, buildings & equipment (at book value)	<u>15,418,967,057</u>	<u>18,285,227,761</u>
Total Assets	<u><u>571,480,175,360</u></u>	<u><u>529,829,506,291</u></u>
<u>Liabilities And Shareholders' equity</u>		
<u>Liabilities & Short term sources of funds:</u>		
The CBI loan\public(government)sector	5,450,000,000	1,000,000,000
Customer deposits	269,018,347,254	210,962,480,920
margins against banking activities & current accounts	27,578,814,168	55,469,951,771
Accounts payable	2,702,188,113	1,308,371,874
other accounts payable(other liabilities)	<u>1,456,376,107</u>	<u>462,223,234</u>
Total liabilities & short term sources of funds	<u><u>306,205,725,642</u></u>	<u><u>269,203,027,799</u></u>
<u>Shareholders' equity :</u>		
Capital (250 billion\ one dinar per share in 2020)	250,000,000,000	250,000,000,000
Statutory reserve	7,618,922,127	7,385,242,941
Other reserves	487,897,447	487,897,447
Changes in fair value reserve	(1,808,933,548)	(1,783,321,056)
Fair value reserve\ lands & Buildings	4,520,303,676	4,520,303,676
Retained earnings	<u>4,456,260,016</u>	<u>16,355,484</u>
Total Shareholders' equity	<u><u>265,274,449,718</u></u>	<u><u>260,626,478,492</u></u>
Total liabilities And Shareholders' equity	<u><u>571,480,175,360</u></u>	<u><u>529,829,506,291</u></u>
Obligations under the bank's pledge (off-balance sheet)net	<u>101,372,251,100</u>	<u>99,565,838,482</u>

on

Asmaa Mohamed
 Ahmed Abd Al-Ilah Muhammad
CFO
 Association number /20280

Mai
 Mai Muhammad Yas
Managing Director

Husain Salih Sharif
Chairman of BOD

In compliance with our report No. 312-597 /2021 dated 8/June/2021

Adel Ismail Hassan Al-Shaibi
 Certified Public Accountant
 Member of the Iraqi CPAs Association

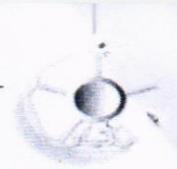
Adel Muhammad Abd Al-Husain Al-Hasson
 Certified Public Accountant
 Member of the Iraqi CPAs Association

Investment Bank of Iraq (P.S.C)
Consolidated statement of income for the year ended 31 December 2020
statement B1



statement	2020 IQD	2019 IQD
<u>Operating revenues:</u>		
Cash credit granted revenue and interest income	2,077,425,267	5,402,955,671
Non-cash credit revenue and commissions income	2,316,583,726	2,400,478,752
Investment income	71,394,633	457,565,966
Revenue of other banking activities	10,529,183,975	2,232,328,549
Foreign currencies income	1,446,312,342	1,278,000,000
Total Operating revenues	<u>16,440,899,943</u>	<u>11,771,328,938</u>
<u>Banking expenses:</u>		
Interest of banking expenses	(5,225,968,062)	(5,826,267,963)
Total banking expenses	<u>(5,225,968,062)</u>	<u>(5,826,267,963)</u>
<u>Administrative expenses:</u>		
Salaries and wages	(2,172,049,206)	(2,395,411,372)
Administrative expenses	(2,125,083,818)	(2,168,069,535)
Depreciation and amortization	(870,761,741)	(877,127,105)
Total administrative expenses & depreciation	<u>(5,167,894,765)</u>	<u>(5,440,608,012)</u>
Total Operating expenses	<u>(10,393,862,827)</u>	<u>(11,266,875,975)</u>
Net income from operating activities	<u>6,047,037,116</u>	<u>504,452,963</u>
 Add:Non-operating revenues: other revenues	102,919,980	225,953,075
Less:Non-Operating Expenses: other expenses	(623,531,219)	(713,189,739)
Net income before tax	<u>5,526,425,877</u>	<u>17,216,299</u>
Income tax	(852,842,159)	-
Net income after tax	<u>4,673,583,718</u>	<u>17,216,299</u>
 Basic and diluted earnings per share	<u>0.018</u>	<u>0.001</u>

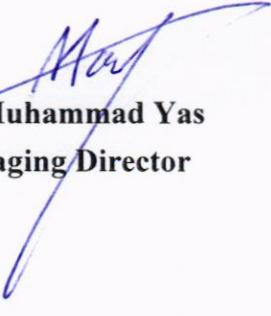
Investment Bank of Iraq (P.S.C)
consolidated statement of comprehensive income for the year
ended 31 December 2019
statement B2



statement	2020 IQD	2019 IQD
Profit for the year	4,673,583,718	17,216,299
unrealized gains and losses of available for sale investments at fair value-Net	-	57,755,456
Increase of investment due to received bonus shares/capitalization	-	-
gains and losses of revaluation of fixed assets/lands & buildings-Net	-	99,367,150
Foreign currency translation differences	-	-
gains and losses of Foreign currency hedging	-	-
Total comprehensive income	4,673,583,718	174,338,905


Asmaa Mohamed
on Ahmed Abd Al-Ilah Muhammad
CFO

Association number /20280


Mai Muhammad Yas
Managing Director

Investment Bank of Iraq (P.S.C)

Consolidated statement of Shareholders' equity for the year ended 31 December 2020

statement	General reserve	Legal reserve	(capital reserve) & received bonus shares	Fair value reserve\\ lands & Buildings & equipment	Fair value reserve \\ available for sale investments	Retained earning	Capital	Total
Balance at 1 January 2019	46,319,077	7,384,382,126	441,578,370	4,420,936,526	(1,841,076,512)	22,649,479,780	250,000,000,000	283,101,619,367
Profit for 2019	B1	860,815				16,355,484		17,216,299
Paid increase in income tax for 2018						(184,025,040)		(184,025,040)
unrealized gains of revaluation of fixed assets/lands & buildings-Net unrealized losses of available for sale investments at fair value			99,367,150				99,367,150	
Profit transferred to provision account				57,755,456			57,755,456	
Balance at 31 December 2019	46,319,077	7,385,242,941	441,578,370	4,520,303,676	(1,783,321,056)	16,355,484	250,000,000,000	260,626,478,492
Profit for the year 2020	B1	233,679,186				4,439,904,532		4,673,583,718
Unrealized losses of available for sale investments at fair value					(25,612,492)			(25,612,492)
Balance at 31 December 2020	46,319,077	7,618,922,127	441,578,370	4,520,303,676	(1,808,933,548)	4,456,260,016	250,000,000,000	265,274,449,718

Investment Bank of Iraq (P.S.C)
consolidated statement of cash flows for the year ended 31 December 2020

statement	2020	2019
<u>Cash flow from operating activities:</u>		
Profit for the year before tax	5,526,425,877	17,216,299
add: Depreciation	870,761,741	877,127,105
less: income tax paid	-	(43,681,960)
less: increase in income tax paid during the year	-	(184,025,040)
less: gains from the sale of lands & properties at fair value	-	-
less: gains & add losses from the sale of fixed assets	10,260,752	(7,486,497)
Cash flow from operating activities before changing in assets and liabilities	<u>6,407,448,370</u>	<u>659,149,907</u>
less: increase in cash credit granted	(2,892,285,576)	(29,603,611,862)
less: increase in accounts receivable	1,805,895,113	12,822,802,394
add: decrease & less increase in other accounts receivable	128,194,740	(2,712,981,749)
less: decrease & add increase in Customers' deposits	58,055,866,334	(27,621,451,320)
add: increase & less decrease in customers' margins & liabilities of banking activities	(27,891,137,603)	(25,141,178,654)
add: increase & less decrease in accounts payable	1,393,816,239	(3,024,364,806)
add: increase in other accounts payable(except accrued income tax)	141,310,714	6,779,041
Cash inflow and cash outflow of operating	<u>30,741,659,961</u>	<u>(75,274,006,956)</u>
Net Cash Inflows & Outflows of Operating activities	<u>37,149,108,331</u>	<u>(74,614,857,049)</u>
<u>Cash flows from investing activities:</u>		
less: paid cash to invest with ministry of finance & add the sale of investments	-	21,757,208,272
less: purchase of shares	-	(33,930,368)
less: increase in project under construction	(66,744,100)	(10,397,380)
less: Purchases of Properties, buildings & equipment	(52,162,690)	(171,612,680)
add: sold & written off properties, lands & buildings	4,145,002	568,054,815
less: provision of sold & written off properties	-	(42,650,235)
Net cash flows from investing activities	<u>(114,761,788)</u>	<u>22,066,672,424</u>
<u>Cash flows from financing activities:</u>		
less: dividends	-	-
add: The CBI loan	4,450,000,000	1,000,000,000
increase in provision of properties acquired as a result of a debt settlement	2,100,000,000	-
increase in personal advances risks	10,571,046,856	-
Net Cash flows from financing activities	<u>17,121,046,856</u>	<u>1,000,000,000</u>
decrease in cash & its equivalent	54,155,393,399	(51,548,184,625)
cash on 1 January 2019-2020	303,545,298,378	355,093,483,003
cash on 31 December 2019-2020	<u>357,700,691,777</u>	<u>303,545,298,378</u>