



معاً نتمو

We Grow Together

مصرف الجنوب الإسلامي
للإستثمار والتمويل

Annual Report
Financial Statements

A close-up photograph of a person's hand holding a black and gold ballpoint pen, poised to write on a document. The document features a colorful bar chart and some handwritten text. In the background, a computer keyboard is visible, slightly out of focus. The overall scene suggests a professional or business setting.

Chairman Message



In the name of Merciful God

Peace be upon you, and the mercy of God and his blessings
Ladies and Gentlemen members of the esteemed general committee;

We, the board of directors of Al Janoob Islamic Bank, are very pleased to welcome you today and we would like to thank you for accepting our invitation to attend the general committee meeting to discuss the annual report and the final financial report of the fiscal year ended as in 31/12/2017.

Brothers and Sisters;

Our bank has been able to withstand all the circumstances and ramifications that the country has been through that effected on the economic situation and banking activity in one way or another, and although the Bank was recently founded it has been able to pass all those difficulties and made serious and fast steps to compete with other banks that have been in the business for years, The bank has been able to put a bright footprint in its business process, increasing the paid up capital to 250 billion dinars, and laying down clear rules and methodologies on all levels in order to improve the performance, especially in the fields of control, auditing and risk management, Anti money laundry, expanding the circle of compliance, activating financial and administrative procedures, enhancing the role of human resources, and introducing the latest technological methods and techniques in the field of banking.

The Bank also worked to take effective measures in opening branches in the southern governorates. We obtained the approval of the Central Bank to open a branch in Nineveh province to provide the best banking services necessary for our people in this struggling province.

Among the achievements in keeping pace with the evolution of banking, we have installed ATMs and issued electronic cards in a number of ministries and Malls in order to facilitate cash withdrawals for citizens wherever they may be.

In conclusion, we must give our thanks and appreciation to all parties that have contributed to the development of the march of our bank, led by the Central Bank of Iraq and its departments, as well as the department of Registration of Companies, the Iraqi market for Financial Securities, and our dear brothers at legal accounting, thanks to all of you for attending today. Thanks to all the customers of the bank and we hope that everyone contributes to the promotion and development of our career.

May God bless you all

Ali Falih Alzaidy
Chairman of Board of Directors



Board Report

**Al-Janoob Islamic Bank for Investment and Finance (Private Shareholding Company)-Baghdad Report of the Board of Directors
On the activities of the bank for the ended fiscal year as in 31st of December 2016**

Ladies and Gentlemen/Dear Shareholders...
Peace be upon you, and the mercy of God and his blessings:

Al-Janoob Bank Board of Directors has the pleasure of presenting the annual comprehensive report of the performance of the bank, attached with the Financial statement of the ended fiscal year as in 31/12/2017, with accordance to articles (117,134) of the Corporate Law No. 21, 1997(amended) and the instructions of the unified accounting system for banks, insurance companies and accounting base No. 10 issued by the Board of Accounting and Auditing Standards in the republic of Iraq and the International Accounting Standards and the provisions of the Banking Law No.94 of 2004 and the Islamic Banks Law No. 43, 2015 and the instructions of the Iraqi Central Bank.

First: General Information:-
1-About the Bank:-

A-The Establishment of the Bank

The bank was founded after the conversion of (Al-Janoob Company for Money Transfer) -private contribution- which was founded as per the Certificate of Incorporation, issued by the Directorate of Corporates registration No.(M-SH/1-68848) dated 11/06/2009- into (Al-Janoob Islamic Bank for Investment and Finance) as per the letter of the Directorate of Corporates registration No. 807 dated 13/01/2016 concerning the finalization of procedures of increasing the capital of the company from (45) forty-five billions IQD to (100) one-hundred billions IQD, and as per the letter of the Iraqi Central Bank/the General Directorate of Exchange and Credit Control No.9/3/1791 dated 02/02/2016 concerning the final approval to practice banking.

B-The Main Goals of the Bank:

The bank engages in banking and investment activities in accordance with the Islamic Shari'a under the supervision of the Iraqi Central Bank and with accordance the Law of the Iraqi Central Bank No. (56) 2004, Iraqi Banks Law No. (96) 2004, Corporation Law No. (21) 1997, and the amended Law of the Islamic Banks No. (43) 2015.

C-The Nature of Activities Carried out by the Bank:

The bank preforms all types of banking business, which includes opening checking accounts, saving accounts, accepting deposits, and granting credits facilities-with accordance to the Islamic Shari'a, such as (MUDHARABAH, MURABAHA, MUSHARAKA, IJARA, ISTISSNA'A, and ISTIZRA'A)- also, short-term and long-term investment activities, by keeping up with the developments occurring on the style of performing the services, depending on an electronic system designed for the Islamic Banking business. The work of the bank is essentially to provide these services swiftly and accurately, throughout a comprehensive plan that covers all of Iraq from north to south.

2-Progress of the Paid- up Capital of the Bank:

The bank increased its capital from (100,000,000,000) one hundred Billion IQD into (250,000,000,000) two hundred fifty billion IQD during 2016.

The Plan of the Bank in 2017 depended on:-

- 1-Diversify the revenues of the bank and stabilizing the benefits and their growth by seizing the opportunities of the open market.
- 2-Strengthening the infrastructure of the Bank by finishing the construction of the General administration building and establishing branches in Baghdad and raising the standards of performance and services provided by equipping the bank with most recent systems and techniques.
- 3-Continue with the branch opening plan, inside Baghdad and outside it, and preparing qualified staff to administrate those branches.
- 4-Strengthening the relations with the local banks and opening new horizons with the international banks.
- 5-Contributing in investment projects and in main feasible financing projects in a way that benefits the economic and social development.
- 6-Prepare a plan to train the bank staff by engaging in training courses inside and outside Iraq, also preparing workshops at our bank.
- 7-Providing Islamic financing to our customers (individuals and companies) with accordance to the cash flow, in addition to what they offer as banks guarantees.
- 8-Devoting a work methodology which is incompliance with risk control.

Board of Directors:-

A-Tasks and Duties: -

The Board of Directors works on building a vast and prudent institution that is based on strong foundations and sound banking base. The Board makes sure to apply practical banking policies based on the strong and prudent banking business principles, by implementing all the laws and regulations to achieve building a sound economic entity, and to face all of the economic and security challenges and avoid risks to elevate the bank to the level of the Arab and Regional banks, and the board is in charge of the following:

- Preparing strategic policies and goals of the bank and peruse their implementation.
- Periodic review for all the procedures and policies and make sure they are properly implemented, and to make necessary amendment if needed.
- Periodic preview for the reports of Risk, Compliance, Auditing, and Money Laundering Departments and study them and recommending taking necessary decisions regarding them.
- Previewing the planning budget presented to them by the executive Administration and approving it.
- Previewing the financial statements and discussing them with the executive administration to rectify them.
- Reviewing quarterly and final financial statements of the bank and presenting them to the General Authority in their annual meeting.

B-Structure of the Board of Directors: -

The Board of Directors consists of five original members and 5 reserve members, all with banking, financial, and commercial experience, to be elected by the General Authority, below is the names of members and their shares:

S	NAMES	NUMBER OF SHARES	POSITION
1	ALI FALIH KADHIM	24,750,000,000	Chairman of the Board
2	RAED HASAN ABBAS	24,750,000,000	Deputy Chairman of the Board
3	ALI ABBAS HASAN	5,000,000	Member
4	ALI NADIR MOHAMMED	250,000	Member
5	AHMED ZAKI	1,500,000	Member / Managing Director

C-The Chairman and the members of the Board did not receive any bonus during 2017 and they had no relation whatsoever in signing any contract and they did not receive any monetary or moral privileges nor any loans.

D-The Board of Directors has held (13) meetings during 2017, discussing various topics concerning the policy of the bank.

E-Shareholders who have more than 5% of the bank's capital, and the number of their shares as follows:

S	SHAREHOLDER'S NAME	NUMBER OF SHARES
1	ALI FALIH KADHIM	24,750,000,000
2	RAED HASAN ABBAS	24,750,000,000
3	HASAN FALIH KADHIM	24,750,000,000
4	RASHA ALI HASSON	24,180,000,000
5	HUDA SHGHATI KADHIM	23,400,000,000
6	SUNDUS SHGHATI KADHIM	23,400,000,000
7	YOUSIF HASAN FALIH	15,425,000,000

G:- Committees formed by the Board of Directors

1- The Social Responsibility Committee consists of:

ALI FALIH KADHIM	CHAIRMAN OF THE BOARD	CHAIRMAN OF COMMITTEE
RAED HASAN ABBAS	VICE-PRESIDENT OF COUNCIL	VICE-CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Dr. IBTIHAL QASID AL-ZAIDI	ADVISED	MEMBER
Ali Abbas Hasan	Member of the Board of Directors	MEMBER

2- The investment committee and treasury consists of: -

ALI FALIH KADHIM	CHAIRMAN OF THE BOARD	CHAIRMAN OF COMMITTEE
RAED HASAN ABBAS	VICE-PRESIDENT OF COUNCIL	VICE-CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Alyaa Meri Mirdan	FINANCIAL MANAGER	MEMBER
SARAB ABED NAJI	CREDIT GER	MEMBER
RITA GEORGE ROMAN	RISK MANAGER	MEMBER

3- The Audit Committee consists of:-

RAED HASAN ABBAS HASAN	VICE-PRESIDENT OF COUNCIL	CHAIRMAN OF COMMITTEE
ALI ABBAS HASAN	MEMBER OF THE BOARD OF DIRECTORATE	MEMBER
ALI NADIR MOHAMMED	MEMBER OF THE BOARD OF DIRECTORATE	MEMBER
AYUOB AL-URAIBI	ADVISED	MEMBER
Hisham Abdullateef Al-Shimaly	Compliance	MEMBER

4- Higher Credit Committee consists of:-

RAED HASAN ABBAS HASAN	VICE-PRESIDENT OF COUNCIL	CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
AMEEN ABDULSATAR AMEEN	ASSISTANT MANAGING DIRECTOR	MEMBER
SARAB ABED NAJI	CREDIT MANAGER	Member
Ali Abbas Hassan	Member Of the board	MEMBER

5- Nomination and Rewards Committee Consists Of:-

RAED HASAN ABBAS HASAN	VICE-PRESIDENT OF COUNCIL	CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Ali Abbas Hassan	Member Of the board	MEMBER
Ali Nadir Mohammed	Member Of the board	MEMBER
Thair Abdul Salam	HUMAN RESOURCES Manager	MEMBER

6- Risk Management Committee :

RAED HASAN ABBAS	VICE-PRESIDENT OF COUNCIL	CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Ameen Abdulsattar Ameen	Deputy Director Manager	MEMBER
Ali Abbas Hasan	Member of the Board of Directors	MEMBER
Rita George Roman	Risk Manager	Committee Rapporteur

7- Corporate Governance Committee: -

ALI FALIH KADHIM	CHAIRMAN OF THE BOARD	CHAIRMAN OF COMMITTEE
RAED HASAN ABBAS	VICE-PRESIDENT OF COUNCIL	VICE-CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Hisham Abdullatef Alshymali	Head of Compliance	MEMBER
RITA GEORGE ROMAN	RISK MANAGER	MEMBER

8- Assets and Liabilities:-

Dr. Ahmed Zeki Younis	Director Manager/BOD member	Chairman of the committee
Ameen Abdulsattar Ameen	Deputy Director Manager	Member
Zuhair Abdulkareem Jabbar	Deputy Director Manager	Member
Alyaa Meri Mrdan	Financial Manager	Member
Eman Sabah Mustafa	Acting Operations Manager	Member
Rita George Roman	Risk Manager	Member
Hisham Abdullateef Al-Shimaly	Head Of compliance	Member

9- Information Technology Committee

RAED HASAN ABBAS HASAN	VICE-PRESIDENT OF COUNCIL	CHAIRMAN OF COMMITTEE
Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER	MEMBER
Ali Abbas Hassan	Member Of the board	MEMBER
Ayoub Al-Uraibi	Advisor	Member
Mohammed Ahmed Abdullah	Information Technology Manager	MEMBER

3-The Executive Administration of Al-Janoob Islamic Bank:-

The Executive Administration of the bank- chaired by the Director Manager- is responsible for executing the policies and plans set to it by the Board of Directors, and following- up their progress. The Executive Administration works very hard to achieve the goals set to it by its Board of Directors, within the frame of the applicable rules and regulations, especially the regulations of the Iraqi Central Bank, the regulations of the Commercial Banks, the regulations of the Islamic Banks, and the regulations of Anti-Money Laundering and Terrorism Financing.

Below are the names and occupations of the Higher Executive Administration throughout 2017:

S	NAME	POSITION JOB TITLE
1-	Dr. Dr. AHMED ZAKI YOUNUS	DIRECTOR MANAGER
2-	AMEEN ABDULSATAR AMEEN	ASSIATANT MANAGING DIRECTOR
3-	ZUHAIR ABDULKAREEM JABAR	ASSISTANT DIRECTOR -GENERAL FOR REGULATORY AFFAIRS
4-	AHMED IMAD HAMEED	FINANCIAL MANAGER
5-	HISHAM ABDULATIF AL-SHIMALY	COMPLIANCE MONITOR
6-	QASIM LATIF KHAMEES	MONEY LAUNDERING MANAGER
7-	RITA GEORGE ROMAN	RISK MANAGER

4-About the Employees of the Bank:

A-The total number of the staff at the end of 2017 was (138) persons (permanent staff) distributed between the General Administration and the Main Branch as follows:-

S	JOB POSITION	NUMBER
1-	DIRECTOR MANAGER	1
2-	ASSIANT MANAGER DIRECTOR	2
3-	DIRECTOR OF DEPARTMENT	11
4-	BRANCH MANAGER	3
5-	DeputyManager	4
6-	Administrators	98
8-	Guards&Services	19
8-	TOTAL	138

B- The bank achieved a good hiring percentage for those who have academic certifications in different majors over (74.6%) as below

S	SCIENTIFIC CERTIFICATE	NUMBER
1-	Ph.D.	1
2-	LEGAL ACCOUNTANT	1
3-	M.A.	1
4-	BACHELOR	100
5-	DIPLOMA	3
6-	JUNIAR HIG. INTERMEDIAT SCHOOL	32
7-	TOTAL:	138

C-Network of Security:-

In order to promote the levels of security, the bank is currently using a new security system for surveillance cameras in all of our branches with accordance to most recent international standers, along with a qualified security staff equipped with the best security equipment.

G-The total amount of salaries, wages, and bounces for the employees of the bank throughout 2017 (1,713,842,270) one billion seven hundred thirteen million eight hundred forty-two thousand and one thousand two hundred-seventy IQD.

An amount of (108,339,608 IQD) (one hundred eight million three hundred nine thousand and six hundred eight IQD) for the purpose of training and qualifying, and an amount of 145,986,676 IQD (one hundred and forty- five million nine hundred eighty-six thousand and six hundred seventy-six IQD) for the purposes of traveling and delegations, and an amount of 2,818,523,869 IQD (two billion, eight hundred eighteen million, five hundred twenty-three thousand, eight hundred sixty-nine) IQD. For the purposes of advertisements

Below is the most important training session held throughout 2017:

Type of training sessions	No. of Sessions
Inside the bank	9
Outside the bank	10
Outside the country	12

5-The Organizational structure of the Bank: -

|A- the Board of Directors: consist of 5 original members and 5 reserve members and they oversight the following Departments:

- Anti-Money Laundry and Counter Terrorism Financing
- Compliance Department
- Risk Management
- Auditing department
- Internal auditing department
- The Legitimate Committee

B- The Director Manager: oversights the following departments: -

- Deputy Director General of operations and branches
- Deputy Director Manager of Auditing
- Banking Operations Department
- Financial Department
- Human Recourses and Administration Department
- Legal Affairs Department
- Information Technology Department

1-The Legitimate Committee: -

The Legitimate Committee is linked directly to the Board of Directors, independent in its work from the executive administration.

- The goals of the Legitimate Committee:

1-To make sure that the bank is preforming its work with accordance to the Islamic Shari'a in its banking transactions.

2-Too make sure that every product or service is within the frame of the Islamic Shari'a.

3-Coordination with all auditing departments to achieve building an active auditing base.

- The Duties of the legitimate auditing:

1-Review the regulations and procedures of work and the credit decisions issue by the administration and ratify them.

2-Responding to all clarifications and questioned asked by the executive administration.

3-Preview all contracts signed by the bank and ratify them with accordance to the Islamic Shari'a.

4-Participating in awareness campaigns for the Islamic Financial Establishments.

- The Legitimate Committee in our bank consist of the following members:

1-Dr. Adil Abdulalsattar Abdulhassan

2-Dr. Nasif Muhsin Suaasiaa

3-Dr. Maha Amir Mansour

4-Khadhim Juda Alwan

5-Duraïd Dawood Salman

7-Correspondent Banks:

In an effort from our bank to strength the international relations and to build a prudent relation with several Arab, regional and international banks, accounts were opened with the below correspondent banks:

Arab-African Bank
Bank of Jordan
Aktif Bank
UBAF France
Abu Dhabi Islamic Bank
Credit Bank
Ares Bank

8-Our Branches and their Locations:

our bank has a main branch opened at the first semester of 2016 and we have another branch called (Al-Rasheed Branch), which was prepared to practice its work as below:

Code	Name of the Branch	Building belonging	Address
621	Main	Owned	Baghdad/Alwahda
622	Al-Rasheed	Rented	Al-Rasheed St.

9-Credit Policy of the Bank:

The bank made sure to create a balanced credit policy based upon scientific standers and as per the Islamic Shari'a, taking into consideration the regulations and las issued by the Iraqi Central Bank, also adopting the policy of granting credits and Islamic financing based on dealing with low-risk credits and appropriate guarantees within the regulations of the bank. The credit portfolio has an amount of MUSHARKAT over (50,777,000,000) IQD for 36 MUSHARAKA during 2017.

10-The Investment Policy of The Bank:

As for the banking investment, our bank has distributed its investment portfolio on several long-term investment projects, by making flexible investment and avoiding high-risk investments. The step stones of Al-Bawaba Al-Watanya project was established, also the project of the general company of glass plant, and funds were monitored with amount 30 billion IQD during 2017. The establishing procedures were completed for those 2 companies during 2018 and a percentage of 50% was reached in those projects in addition to other projects planned to be executed throughout 2018.

11-Anti-Money Laundry Department:

The administration of the bank is seeking to make sure of the compliance of the bank and its internal policy and the work procedures for all of the services offered by the bank, along with the laws and regulations of Islamic Banking issued by the control and guidance departments on local, regional, and international levels, this way the bank would have completed its responsibility as a part of the local and international system which is making efforts in the field of Money Laundry and Terrorism Financing, as it has a great importance to protect the bank from risks in case it did not use its services in such operations. The bank is abiding to this context by adopting clear working procedures to know its clients that contains all required information to promote the base of Know Your Client (KYC).

12- Privacy Policy of the Bank: -

The bank applies a strict policy and follows strict procedures to maintain the information of the customer classified and secured and assures to follow precautions and procedures that can guarantee the secrecy of the personal information of the clients and protect them from loss or random access by unauthorized log in or misused by anyone or disclose them to an external part. The procedures followed by our bank to protect the personal information of its clients:

- 1-State-of- art electronic systems used by our bank to prevent hacking and unauthorized access to the systems.
- 2-Our personnel is trained and qualified and abides to the Islamic banking work governed by the Islamic Shari'a .
- 3-The information delivered to the bank is not allowed to be shared with any other part or organization before taking the improvement of the clients or by a legal text or a rule issued by Iraqi Courts.

13-Know Your Client Policy (KYC): -

Articles of this Policy:

- 1-Al-Janoob Bank forbids any transactions with unidentified individuals or individuals with aliases with accordance to the rules and regulations.
- 2-The bank makes sure not to deal with the persons who are dealing in the production or trading of legally forbidden goods.
- 3-The bank checks the identity of its clients to open a bank account and verify their personal information and their economic activities and the source of their funds.
- 4-The bank must view the data of it clients and updated them accordingly.

13-The Policy of Communication with the Shareholders: -

The banks is always interested in keeping a clear and swift mechanism of communication with the shareholders and providing the required information for the decision makers on both General Committee and Executive Administration levels, or the Board of Directors, depending on advanced communication methods in addition to publishing articles the local newspapers and website of the bank in a way that guarantees the messages are being delivered to all shareholders or to receive clarifications from the shareholders regarding the status of the bank and its activities and their future plan and to be able to answer it in due time.

14-Disclosure and Transparency: -

Al-Janoob Islamic Bank practice disclosure as per the local and international Standers, the regulations of the Iraqi Central Bank issued with accordance to the law of banks and all related legislations, the bank is obligated to disclose high importance information as soon as they occur and as per the regulations of the Iraqi Market and Securities Commission.

The bank prepares all information for the shareholders and addressing all their inquiries throughout the Annual Financial Reports.

15-Internal Control System: -

The Board of Directors is responsible for setting and applying Internal Control Systems by overseeing the implementation of active Policies and Procedures to protect the funds of the depositors and the shareholders. The Board of Directors sought that only qualified personnel are to be hired at the Department of Auditing and Internal Control, also the Executive Administration make sure to sign contracts with only international auditing companies, which is Ernst & Young to audit the work of those departments.

13-Compliance Department: -

this department is responsible for previewing all banking work and activities practiced by the bank to make sure that all the departments and divisions are complaining to the laws and regulations of the Islamic Banks, law of Banks and the law of the Iraqi Central Bank, corporation law and Anti-Money Laundry and Counter Terrorism Financing and other international laws including the law of tax compliance. In addition to reassuring the abidance to the law of sound behavior and banks standards issued by the related parties and to avoid mistakes and irregularities by cooperating with the head of the departments, divisions and branches of the bank. This department is independently working and has wide range of privileges, as it oversees, preview, audit and sends periodical and quarterly reports to the Board of Directors and the Central Bank and these departments has set policies and procedures for the head of Compliance and has been by Board of the Directors during 2017.

18- The Social Responsibility: -

Out of our responsibility towards the society, our bank decided to form a committee called the committee of Social Responsibility, which consists of members of the Board of Directors and officials from the executive administration of the bank. The policy of this committee is based on the interactive relation between the bank and the Iraqi Society, and the faith of the bank in its role in spreading the spirit of cooperation. by offering financial support and voluntary work, and strengthening the bonds of relations of the society, by supporting the internally displaced families, offering medication services for the sick and establishing a project to support orphans. The bank has allocated 20% of its annual profit for supporting the following sectors: -

Percentage	Description
45%	Charity foundations that care for orphans, poor, and people with special needs, by offering monthly salaries for them
15%	Education sector
20%	Urgent relief (helping IDPs, damaged areas from liberation battels)
20%	Medication services inside and outside Iraq and other services to be determined by the committee

The contribution of the bank was not limited to only on that, it included other aspects, such as the cultural aspect, by supporting ALAK BAGHDAD Project, and building ALSALAM Monument in Al-Rasheed St. and organizing fairs. Additionally, supporting science fairs, like the International Scientific Conference of the Genetic Studies, and supporting the International Peace Conference, which was organized by the Iraqi Private Banks League, in addition to other donations for relief organizations and developing the infrastructure, and many other social activities.

19- Electronic Systems and Advanced techniques: -

On this level, the, the strategy of the bank is based on investing in advanced available technology, and to offer more choices to meet the needs of the customers, in addition to offering new products swiftly.

The bank has adopted the following systems: -

- 1-CORE BANK SYSTEM
- 2-INTERFACE ATM (DEBIT-/CREDIT-/PRE-PAID CARDS)
- 3-DOMAIN AND 365 MICROSOFT
- 4-SWIFT SANCTION SCREEN
- 5-QUEUE SYSTEM
- 6-PRINT CHEQUES MICR
- 7-DATACENTER (MAIN SIDE)

20- Filed Lawsuits: -

- 1-The filed a lawsuit against Al-Zad Company for money exchange
- 2-No lawsuits filed against the bank

21-Accounting Policies: -

The bank has applied, since its establishment, the consolidated accounting system for banks and insurance companies, as a primary in recording the accounting data with accordance to the regulations of the Central Bank of Iraq. The Central Bank of Iraq has issued regulations in 04/01/2016 that obligate all banks to switch from the consolidated accounting system to the International standards, our bank has committed to that by presenting its financial reports as per the International Standards. One of the most important policies adopted by the bank, when preparing the financial report, is the principle of revenue realization from Islamic activities, such as: Murabaha, Mudharaba Musharaka, and Ijara , and the principle of admitting expenses as follows:

1-Revenue Realization: -

- Al-Murabaha: the profit is listed from the revenue of Al-Murabaha within a certain time frame and the time of the contract and based upon the remaining amount of the cost of Al-Murabaha.
- Al-Musharaka: income is accounted based on decreasing the amount of the Al-Musharaka within a certain time frame based on the remaining amount of it.
- Al-Ijara: the revenue is listed within a certain time frame and the time of the contract.
- Al-Mudharba: the profit and losses are listed base upon claiming, if it was possible to measure the income and losses with high accuracy, otherwise the income is listed when it will be distributed by the beneficiary and the losses will be recorded in the income statement of the bank when it is announced.

2-Revenues of fees commissions:

Revenues is listed when related services are executed.

-Admitting expenses: -

The admitting of the expenses based on the principle of claiming.

- The principle of continuity: -

The administration made an assessment to its ability to continue and it showed relief for having sufficient resources, in addition the bank does not believe that it has financial doubts that may cause the bank to be unable to continue, hence the bank proceeded in preparing the financial statements based on the continuity.

22- The Analysis of the Financial Center and the Important Financial Indicators for 2017: -

- Profitability: the bank achieved net annual profit during 2017 (3,127,490,343) three billion, one hundred twenty-seven million, four hundred ninety thousand, three hundred forty-three IQD.

- Liquidity: - our cash amount balance in safe and in banks as in 31/12/2017 (140,286,752,847) one hundred forty billion, two hundred eighty-six million, seven hundred fifty-two thousand, eight hundred forty-seven IQD. The bank makes sure to provide liquidity to face the financial obligations and the economic circumstances, in way that keeps the standards of the financial status.

Banking facilities: -

- Cash Credit: the net credit facilities (Islamic cash financing) has reached (49,883,448,000) forty-nine billion, eight hundred eighty-three million, four hundred forty-eight thousand IQD

- Contractual Credit: the net profit of the Contractual Credit has reached, during 2017, as follows:

- Letter of Credits: (1,017,451,552) one billion, seventeen million, four hundred fifty-one thousand, five hundred fifty-two IQD

- Letters of Guarantee: (77,609,910,000) seventy-seven billion, six hundred nine million, nine hundred ten thousand IQD as per statement No.19

Capital Adequacy Ratio: Basel Committee for rules, regulations, financial indicators and accounting of the banking system has set a minimum Capital Adequacy of 8%, also the regulations of the of the Central Bank of Iraq, which considered the Minimum required ratio to be 12%, however the Capital Adequacy Ratio of the bank has reached 156%as per the Risk Scale of the articles of the general balance sheet.

Pricing on the Bank: -

the bank prepares quotations lists of the banking operations and they will be discussed and revised every now and then with accordance to the circumstances and banking developments in Iraq within the regulations of the Central Bank of Iraq and the local market.

- Reserve Balances and their usage: -

The balance of the reserve has reached as in 31/12/2017 (830,052,197) eight hundred thirty million, fifty-two thousand, one hundred ninety-seven IQD as per statement No.18

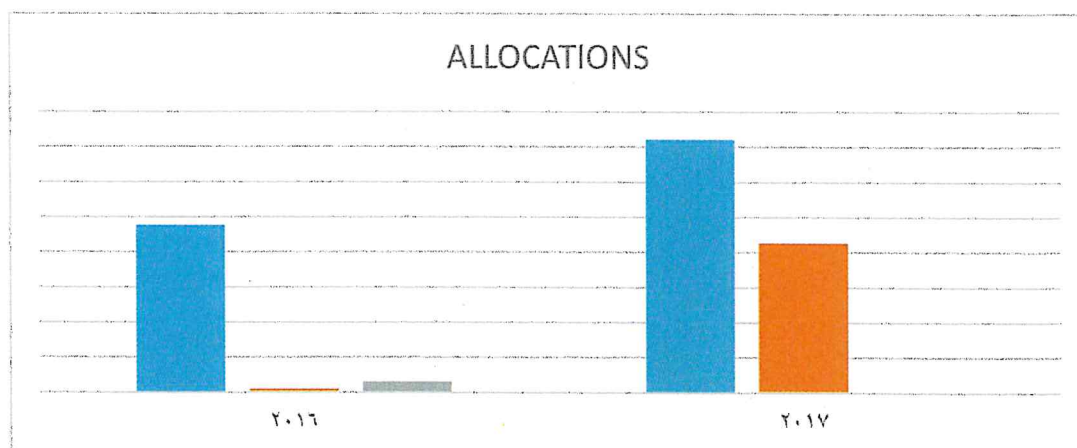
Account Name	31/12/2017
mandatory reserve	167,829,032
Social responsibility reserve	594,223,165
Expansion Reserve	68,000,000

- Retained Allocations and their types:

- Below table illustrates the Retained Allocations as in 31/12/2017:

Account name	31/12/2016	31/12/2017
Contractual Credit Allocations	953,748,000	1,443,085,511
Income taxes allocations	17,702,450	851,911,000
Allocations of bank price swings	60,910,000	-

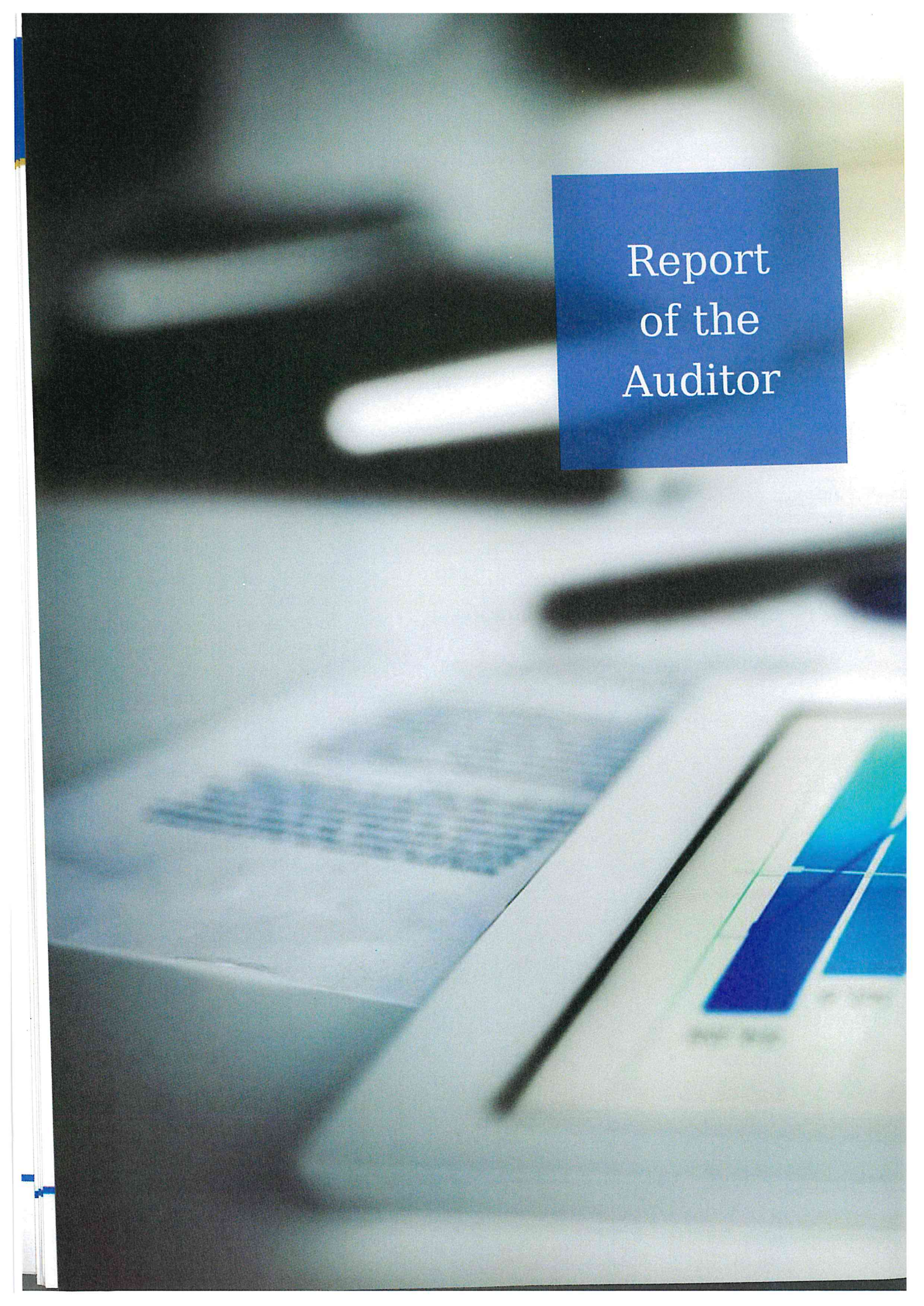
Income taxes is accounted as per the determined taxes rates as per the current laws and regulations in Iraq.



- Substantial changes occurred after the date of the balance sheet: -

No substantial changes or events has occurred, that may affect the bank from the date of preparing the Balance Sheet till the above date.

Chairman of Board of Directory
Ali Falih Kadhim Al-Zaidi

The background of the page is a blurred photograph of a desk. In the foreground, there are several sheets of paper. One paper on the right shows a blue and green line graph. Another paper in the center has some faint, illegible text. A dark pen or pencil is visible in the background, resting on the desk. The overall lighting is soft, and the colors are muted, with a focus on blues and greys.

Report of the Auditor



To/ the shareholders of the South Islamic Bank for Investment and Finance
Report of the Auditor on the accounts of the Bank for the fiscal year ended 31/12/2017

Greetings,

We are pleased to inform you that we have reviewed the financial position of Al-Janoob Islamic Bank for Investment and Finance as of 31/12/2017 and the annual report of the bank prepared under the provisions of the amended Companies Law No. (21) In 1997 and the regulations and instructions issued thereunder and the Banking Law No. (94) In 2004 and the Islamic Banks Law No. (43) For the year 2015 in accordance with recognized national and international auditing standards.

We obtained the information and clarifications that were, in our opinion, necessary to perform our mission in accordance with the applicable legislation and in accordance with the generally accepted auditing procedures which included the necessary tests for the activities of the Bank within our jurisdiction.

Management Responsibility

Management is responsible for preparing and disclosing such data in accordance with International Accounting Standards, as well as its responsibility in the preparation and implementation of the internal control system, especially with respect to the preparation and fair disclosure of financial statements that are free from material misstatement and may result from making errors and from tampering. It also includes the activation of appropriate accounting policies and the use of reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express an impartial opinion about the financial statements presented to us in accordance with local and international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the data is free of material misstatement. The audit includes our examination on a test basis for the original data and documents and disclosure of amounts disclosed in the statement of financial position and other accounts for the financial year ended 31 December 2017. It also includes a summary of the accepted accounting principles adopted by the management and we believe that our audit provides a reasonable basis for the opinion that we share, and regarding that, we have the following clarifications and observations:

First: - Clarifications:

According to the bank records and explanations given to us:

- 1- The computerized system used by the Bank is in accordance with the bookkeeping system. We have included in our estimation the recording of all the assets, liabilities, uses and resources of the Bank in a manner commensurate with the size of the activity.
2. The inventory of fixed assets is properly agreed and the cash inventory was under our control.
3. The financial statements have been prepared in accordance with International Accounting Standards and applicable legislation and are consistent with what the records show and are organized according to the Islamic Banks Law and the regulations and instructions in force thereunder.
4. The Bank has taken adequate measures to prevent money laundering and the financing of terrorism, based on the Anti-Money Laundering and Terrorism Financing Law No. (39) For the year 2015 and according to the reports sent to the Central Bank of Iraq.
5. Al Janoob Islamic Bank continues to apply the International Accounting Standards for the second year and has adopted the principle of recording historical cost in the valuation of property (land, buildings, means of transport, equipment and other assets). Instead of re-evaluation based on the document of the Central Bank of Iraq No. 9/2/116 dated 15/03/2017, which recommended waiting before the evaluation process.
- 6- Acquiring the approval of the Central Bank of Iraq / Banking Supervision Department / Islamic Banks Department issued on 9/3/2888 on 02/03/2017 to open a branch of the bank in the name of (Al Rasheed Branch) and appointing a director for the branch and practicing the activity from this date.
7. The amounts of the financial statements in foreign currency were evaluated at the budget date at (1190) dinars per dollar, which is the price of the currency auction with the Central Bank of Iraq on 31 December 2017.
8. Cash in the Fund and at banks:
 - A - Cash in the Fund amounted to IQD (6,612,834,316) as at 31/12/2017 and is identical to the results of the General Administration Fund and branches inventory.
 - B - The balance of cash with the Central Bank of Iraq current account and legal cover and currency auction (86.804.312) thousand dinars and (690.612) dollars as at 31/12/2017 and according to the details below in the disclosure of the bank:

Details	Thousand dinars	Dollar
Free account at the Central Bank	27.817.657	564.982
Legal reserve	1.957.654	125.639
Insurance letter guarantee reserve	3.091.954	_____
Currency auction	53.937.047	_____
The balances of the Central Bank of Iraq with the Bank (Total)	86.804.312	690.621
noticing debtor visible in the bank disclosure	(4.998.016)	_____
Add: Notice of credit not shown in the bank statement	_____	4.200.000
Balance under Central Bank statements	81.806.296	4.890.621

C - Cash balances in foreign banks have been approved on Swift. The total amount of their balances as of 31 December 2017 was (40.816.810) thousand dinars.

II. Observations

1- Contractual Credit Letters of Guarantee:

The confiscation of two letters of guarantee because of misuse of the permit, which made the bank responsible of bearing the burden of this violation, which amounted to (250.000.000) IQD has been paid to the Central Bank of Iraq and was obtained the full amount from a company during the year 2018 and the details below:

Company	Amount	Insurance 10%	Amounts the company has to pay	Notes
Tour Sinaa company (sale and purchase of the foreign currency)	125.000.000	12.500.000	112.500.000	All amount was paid in 2018
Alzaad company (sale and purchase of the foreign currency)	125.000.000	12.500.000	112.500.000	A lawsuit has been filed against the complainant in the Karrada Investigation Court under the Bank's book no. (620 / ق / 357) on 11/02/2018
Total	250.000.000		225.000.000	

2-Annual inventories:

The annual inventory of the fixed assets of the General Administration and Branches as at 31 December 2017, does not include the balances under the records for purposes of conformity and is under construction at our request.

3 - The capital adequacy ratio by the bank (156%) as at 31 December 2017, which is greater than the upper limit stipulated by the Banking Law No. (94) For the year 2014, amounting to (12%).

4 - The presence of a number of vehicles not registered in the name of the bank at the traffic departments. The request of the bank confirmed in the letter of the Ministry of Interior / Office of the Minister (١٥٨٦ / د.ب.ع) was reviewed on 10/06/2018 to obtain approval of the registration.

In our opinion and taking into account the above and based on the information and explanations available to us, the financial statements are consistent with the records and meet the legal requirements and are as far as the performance indicators that clearly and fairly reflect the financial position of the Company as of 31 December 2017 and the results of its activity and its flows Cash for the year ended on that date.

Best Regards

Shahla Hikmat Al-Bazzaz
Chartered accountant and auditor
Member of the Iraqi Association
of Certified Public Accountants

Taha Jawad Abdurassoul Abu Shaer
Chartered Accountant and Auditor
Member of the Iraqi Association
of Certified Public Accountants
from Eiz Eldeen company
Nouri Ismael Alkhashab and
partners for Auditing and observing accounts



Financial Statements

Statement of Financial position
As in 31 of December 2017

Statement assets	Clarifications	31/12/2017 Dinar	31/12/2016 dinar
Existing			
Cash and balances with the Central Bank of Iraq	5	94.238.985.284	46.435.619.358
Balances with banks and other financial institutions	6	46.047.767.563	17.442.291.935
Direct credit facilities (net)	7	49.883.448.000	150.992.285.513
Financial investments (net)	6	—	27.500.000.000
Property and equipment (net)	10	73.194.459.674	60.945.910.460
Intangible assets	11	6.746.691.123	—
Total assets		276.227.313.102	303.425.500.653
Liabilities and property owning			
Liabilities			
Customer deposits	13	8.956.234.603	6.551.751.314
Cash insurance	14	11.364.386.000	4.636.777.500
Income tax provision	15	851.911.000	17.702.450
Other customization	16	1.443.085.511	953.748.000
Other liabilities	17	325.577.813	41.056.893.557
Total liabilities		22.941.194.927	53.216.872.821
Property owning			
Paid capital		250.000.000.000	250.000.000.000
Mandatory reserve	18	167.829.032	11.454.515
Other reserve	18	662.223.165	—
Retained losses	18	—	(17.507.483)
Retained earnings	18	2.456.065.978	214.680.800
Total property owning		253.286.118.175	250.208.627.832
Total liabilities and property rights		276.227.313.102	303.425.500.653
Commitments net	19	72.154.275.608	141.705.359.306

Financial director
ALEAA MERY

Shahla Hikmat Al-Bazzaz
Chartered accountant and auditor
Member of the Iraqi Association
of Certified Public Accountants

CEO
DR. AHMED ZAKI YOUNIS

Chairman of board of directors
ALI FALIH KHADHIM

Taha Jawad Abdurassoul Abu Shaer
Chartered Accountant and Auditor
Member of the Iraqi Association
of Certified Public Accountants

Unified Income Statement
For the year ended in 31 of December 2017

Statement assets	Clarifications	31/12/2017 Dinar	31/12/2016 dinar
Income from contracts		3.449.000.000	---
commission income (Net)	20	584.795.987	1.806.222.014
Income from currency sale and purchase auction		9.814.231.696	---
Interest and commission income (Net)		13.848.027.683	1.806.222.014
Profits (losses) of foreign currency	21	2.929.105.721	993.187.010
Total income		16.777.133.404	2.799.409.024
Expenses			
Employees' expenses	22	1.791.086.353	1.027.910.715
Provision for impairment of cash and contractual credit		1.567.399.511	---
Consumption and amortization	10	2.234.956.961	387.892.341
Other operating expenses	23	6.453.026.569	1.277.475.703
Compensation and fines		47.499.781	-----
Taxes and fees		1.003.762.886	-----
Total operating expenses		13.097.732.061	2.693.278.759
Yearly net profit before tax		3.679.401.343	106.130.265
Income tax		(551.911.000)	(15.919.540)
Net profit after tax		3.127.490.343	90.210.725
Net profit after tax is distributed as follows:			
Mandatory reserve		156.374.517	4.510.536
Excessive surplus		2.971.115.826	85.700.189
Total		3.127.490.343	90.210.725

Unified Income Statement
For the year ended in 31 of December 2017

Statement	31/12/2017 Dinar
Operating activities	
Yearly income before tax	3.679.401.343
<u>Non-monetary item adjustments</u>	
Consumption	2.234.956.961
Loss of credit facilities	----
Increase in reserves and allocations	739.337.511
income before changes in assets and liabilities	2.974.294.472
<u>Change in assets and liabilities</u>	
Increase in direct credit facilities	101.108.837.513
Decrease in other assets	(6.006.568.071)
Increase in customer deposits	2.404.483.289
Increase in cash deposits	6.727.608.500
Increase in other liabilities	(40.731.315.744)
Net cash flow from operations before tax	63.503.045.487
Income tax payments	(17.702.450)
Net cash flow from operations after tax	63.485.343.037
Net cash flow from operating operations	70.139.038.852
Investment activities	
<u>Financial activities</u>	
Financial investment	27.500.000.000
Purchase of property and equipment	(14.483.506.175)
Intangible assets	(6.746.691.123)
Net cash flow (used in) of investment operations	6.269.802.702
<u>Financing activities</u>	
Capital increase	—
Net cash flow from financing operations	—
Net cash and cash equivalents	76.408.841.554
Cash and cash equivalents in the first period	63.877.911.293
Cash and cash equivalents at the end of the period	140.286.752.847

Statement of changes in property ownership
As in 31 of December 2017

Statement Dinar	Paid capital Dinar	Mandatory reserve Dinar	Other reserves Dinar	Value reserve Dinar	Retained earnings Dinar	Retained losses Dinar	Total equity Dinar
31/12/2017							
Balance as of 1/1/2017	250.000.000.000	11.454.515			214.680.800	(17.507.483)	250.208.627.832
Exclusions during the year					(17.507.483)	17.507.483	
Additions during the year			68.000.000		(368.000.000)		(300.000.000)
Profit of the year					3.127.490.343		3.127.490.343
Total comprehensive income items				250.000.000			250.000.000
Total comprehensive income				250.000.000	2.827.490.343		3.077.490.343
Profit on sale of financial assets recognized directly in retained earnings				(250.000.000)	250.000.000		
Transfers to reserves (note 17)		156.374.517	594.223.165		(750.597.682)		
Balance as of 31/12/2017	250.000.000.000	167.829.032	662.223.165		2.456.065.978		253.286.118.175
31/12/2016							
Balance as of 12/01/2016	45.000.000.000	6.943.979			128.980.611	(17.507.483)	45.118.417.107
Additions during the year	205.000.000.000	4.510.536			85.700.189		205.090.210.725
Balance as of 31/12/2016	250.000.000.000	11.454.515			214.680.800	(17.507.483)	250.208.627.832

**Clarifications on financial statements
For the year ending in 31 of December 2017**

Statement	Clarification	31/12/2017 Dinar	31/12/2016 dinar
Yearly income after tax (Net)		2.878.831.142	90.210.725
Change in the fair value of financial assets through other overall income	8	250.000.000	—
Total other overall income			
Total overall income		3.128.831.142	90.210.725