

In the Name of God  
Most Merciful Most Gracious

Basrah International Bank for Investment  
S.P.A.

Fifteenth Annual Report  
For the Bank's Activity as of  
01/01/2007 to 31/12/2007

Introduction

Hussein Ghalib Kubba

Chairman of the Board of Directors

Dear Sirs

Greetings

For myself and on behalf of my colleagues in the Board of Directors I welcome you warmly and extend my appreciation for your presence to view our bank's accounts for the fiscal year 2007. I hope that your discussions and comments will concentrate on developing the bank's activity and the activation of its role as an active economic entity which contribute in the enhancement of the banking sector in our country's economy.

Dear colleagues:

The bank's accounts are presently within your reach and you will be able to see what information it discloses and which our Board of Directors was adamant to submit to your goodselves together with ideas and proposals that we hope you will find acceptable .

It is well known that your bank has aimed to develop its financial resources and to utilize them in its various activities in accordance with the designated plans of its administration since its establishment until the present time and which were always based on mutual respect with its clients' dealings and in compliance with the Bank's Charter . However , due to imposed contemporary circumstances failures resulted in the sector of monetary credit .As the Central Bank of Iraq (CBI) is the sole authority to regulate the banking activity in Iraq and the exclusive implementer of international rules , regulations and accounting standards , it persistently requests the implementation of these regulations . However , in the light of the past negative accumulations relating to monetary credit we shall , through you deliberations , try to accomplish

what is reasonable and practically possible and come up with the required enlightening proposals . We thank the CBI for its practical patronage and guidance as well as all our esteemed staff who have effectively contributed with their skills , efforts and patience .

May God Bless You All

Hussein Ghalib Kubba

Chairman of the Board of Directors

## The Board of Directors Report

In accordance with articles (117 and 134) of the Amended Companies' Law No. (21) for the year (1997) we hereby declare the Fifteenth Annual Report of the Bank for the period 01/01/2007 to 31/12/2007.

### **First : The Bank and its activities**

**1-The Basrah Bank** (S.P.A.) was established by its Certificate of Incorporation No.(5230) in 10/7/1993 (later renamed to be The Basrah International Bank for Investment) issued by the Ministry of Trade / Companies Registration Bureau with a capital of ID(200) million .

Each share was nominally priced at ID 1 , of which 25% was paid at the date of establishment. The Bank's capital successively increased to reach a sum of ID (55) billion in 31/12/2006 . Its main branch was established at the time of the Bank's inauguration in the Iraqi southern city of Basrah (currently Alwatan branch).

**2-Branches :** Banking activity continued with the establishment of eleven branches (up to 31/12/2007) inside Iraq (in addition to Alzufarnia branch which was frozen due to the security circumstances). There are two regional administrations one in Baghdad while the other is designated for the southern part of Iraq.

The Bank became internationally recognized with the inauguration of the Damascus branch in 1/1/2006 (in the Syrian Arab Republic) which was initiated by the CBI's decree no. (9/3/188) in (9/1/2006) . The Bank also manages a stock exchange office which expanded to be a company (named Alawaal company for stocks and shares) and four tills for foreign exchange . The Bank's policy intends to expand yet even more in the domain of branch establishment .

**3-Head Office and its departments:** Due to the importance and widespread activity of the Bank it was decided to establish the following departments :

**a-Financial management :** This department is dedicated to the collection from all active branches monthly accounts and the declaration of monthly , quarterly and annual financial statements in addition to monthly statistics related to legal reserves and the implementing of the CBI's directives in the financial and accounting fields and the directing of the bank's branches activities .

**b-Credit management :** This department is concerned with the supervision and follow up of the Bank's credit facilities in all its forms and the preparation of the necessary reports to the CBI and the Bank's General Administration .

**c- International department:** This department was established in 1/7/2005 . Its activities concerns the implementation of letters of credit and external transfers . It gained during the year 2007 a revenue of US\$(783,215.57) and ID(9,260,035.662).

**d-Internal supervision and control :** This department is considered to be of special importance , it forms the monitoring tool of the Bank's activity and its is equipped with highly skilled technicians and administrators in all of the Bank's branches . Moreover , the Bank's Administration's plan embodies visions for this departments expansion and increased efficiency.

Other departments include :

- Legal department.
- Banking research and studies department.
- Programming department.
- Investments department.
- Administration department.

## **Secondly: The Bank's Activity during the year 2007 :**

**1-Financial resources:** Despite the circumstances which Iraq has witnessed and with presences of many obstacles which has reflected negatively on the countries economy in general , and the banking sector in particular , the Bank has spared no effort to obtain as many customers as is possible with legitimate competition in order to mobilize hoarded financial resources to benefit investors and depositors alike :

Deposits recorded an increase by ID(44150) million from the previous year.

### **2-Resource utilization :**

Provision of finance entails the necessity to utilize such resources in such a manner as to offer services to benefit a wide range of the Bank's clients in accordance with the objectives stated in its charter . Stated , hereunder , are some of the major fields of the Bank's resource utilization :

**1-Monetary credit:** Despite facing the usual contemporary problems , this field cannot be ignored , as it constitutes the prime earner of the Bank's revenue. Its present balance stands at ID(88900) million an increase of ID(2093) million from last year (standing at ID(86807) million ).

**2-Non-monetary credit :**This activity provides useful revenues in the form of down payments in addition to the acquired collaterals covering possible losses .Its balance stands at ID(40802) million for this year in comparison with ID(24156) million for the past year . This revenue source is naturally influenced by the ability of the private and state sectors to materlize their designated activities.

**3-The Investment portfolio:** Investment activity is practiced by the Economic Unit in the Bank through participating in the buying of shares from other companies or from the Iraq Stock Exchange. The Bank has become involved in this type of investment for a number of reasons relating to the wish to increase capital profits , the element of easy liquidation of such assets and the need to invest financial surplus to maximize profits.

The slow improvement in the security state has encouraged the Bank to maintain its last year allocation for the possible value depreciation of its investment portfolio (comprising the retainment of equities in 24 companies).

**Fourthly :Achievements of the Bank's activities for the year 2007:**

The Bank aims to offer services to wide range of sectors which would result in an overall revenue (profit or loss) at the end of the fiscal year . The result for this year was a profit of ID(9640) million . Revenues were ID(21075) million , while expenditures stood at ID(11434) million , making the rate of realized profit (pre income tax and reserves) 17% of capital . Percentage increase of profits for this year was 33% as compared with the preceding year . This rise was the result of increases in :

- 1-Revenues of banking activity by ID(1903) million.
- 2-Revenues of financial investment by ID(1124) million.
- 3-Other revenues by ID(21) million .
- 4-Revenues of services activity by ID(2189) million.

Expenditures , on the other hand , decreased by 27% to become ID(11434) million at 2007 compared with ID (15836) million in 2006 which was the outcome of :

- 1-Wages and salaries increase by an ID(37) million .
- 2-Acquisition of commodities and services decrease by ID(122) million .
- 3-Amortization and depreciation increase by ID(43) million .

4-Divide of banking operation expenditures by ID(4085) million .

5-Divide of transfer and other expenditures by ID(359) million .

Creditors balance decreased by ID(312,740) million (constituting a decline of 92% from its previous year level) which is considered to be a good indicator of the Bank's personnel's efforts in this field.

**Miscellaneous matters:**

**1-The Board of Directors:**

	Member name	Position
1	Mr.Hussein G. Kubba.	Chairman
2	Mr.Yousef M. Al-shanqity.	Member
3	Mr.Hassan G. Kubba .	Member, Managing Director
4	Mr.Abdulghany H. Alsamer .	Member
5	Mr.Abduljabar Sh.F. Alaty .	Member
6	Mr.Emad Y. Almula .	Member
7	Mr.Nassar A. Almanasery	Member

1-No wages , bonuses or fees were allocated , during the year 2007 , to the Chairman or any member of the Board of Directors except that which was allocated by the General Assembly at its meeting (on 27/11/2007). Mr. Hassan GHalib Kubba by merit of his post as Managing Director has received his usual salary .

**2-The Board of Directors Sessions (in 2007) were:**

Session	Date held
1	25/3/2007
2	29/4/2007
3	16/8/2007
4	14/10/2007
5	27/11/2007



**3-The names of shareholders who hold more than 5%:**

Shareholder	Shares
Mr.Hussein G. Kubba	4,126,265,827
Mr.Hassan G. Kubba	4,345,575,250
Mrs.Suha Ahmed Dh. Shareef	2,750,000,000
Mr.Ala'a Hussein G. Kubba	2,750,000,000
Mr.Muhammed Hussein G. Kubba	2,750,000,000

**4-Special expenditures:**

Account No.	Amount(ID)	Account name
3331	1388204	Advertising & media
33432	230759976	Travel & delegations
3333	1806750	Hosting
3367	565000	Training & preparation
385	54437000	Contributions to staff and non-staff

**5-Staff wages and salaries :**

The Bank is run and managed by a number of employees aiming to achieve a certain standard of services as well as the provision of work opportunities in the Iraqi labour market . The number of employees were (383) . All employees are Iraqis . Their total wage bill amounted during 2007 to ID(1939) million compared with ID(1901) million in 2006.(see table below):

Annual income(ID)	Iraqis	Non-Iraqis
3500000(up to)	189	-
3500000(more than)	194	-
total	383	-

#### **6-Highest paid employees (except for the Managing Director)**

	Name	Post	Annual income
1	Mr. Abbas Fadil Abbas	Deputy Managing Director	48825000
2	Mr.Kais Saleh Albadri	Damascus Branch Manager	56497500
3	Mr.Ali Saleh Hussein	Deputy Managing Director	46267500
4	Mr.Ali Keif Meruad	Main Branch Manager	27512500
5	Mr. Satar Abdulradha	Financial Department Manager	18313250

#### **7-Capital :**

The Bank's Capital is considered to be of paramount significance in enhancing the Bank's ability to offer financial services to its clients and investors alike . In this context the Bank's administration earnestly sought to provide the necessary finance through successive capital enhancement. Below is a table of the growth of the Bank's capital (all values are in ID million ):

Year	Initial capital	capitalization	Final capital
2000	400	400	800
2001	800	200	1000
2004	1000	9500	10500
2005	10500	39500	50000
2006	50000	5000	55000

### **9-Development of banking operations:**

The Basrah Bank is considered to be an active element in the Iraqi banking system . It exerts outstanding efforts in the provision of excellent services to all sectors of the economy . Below is a table of some budget items with significant impact:

Year	2003	2004	2005	2006	2007
Capital	1750	10500	50000	55000	55000
Reserves	552	996	7251	8480	10320
Deposits	11873	26568	52796	66699	110850
Investments	1868	1870	11185	12001	25476
Monetary credit	11130	28111	66249	86807	88900
Revenues	684	3855	13375	15836	21075
Expenditures	93	1303	5912	7472	11434
Net profit or loss	591	2552	7463	8416	9640

## **10-Law suites**

The Bank is exposed sometimes to legal action as a result of its different activities , particularly in the field of monetary and non-monetary credit. Clients failure to fulfill their commitments towards the Bank constitute a major reason for litigations which our legal department follow up with a high degree of diligence.

Law suites initiated against the Bank during 2007

Law suite ref	Client	Suite for	balance	Result
864/b/2007	State co. for batteries manuf	L/G	2875\$	Case was won by the Bank
2328/b/2006	St co. for Agr. Supplies	L/G	ID2,063,000,000	Case was won by the Bank

**11-Pricing and Interests :** The Bank offers and charges interests and commissions on its various banking operations in compliance with the list issued by the Board of Directors in the light of the CBI regulations.

**12-Real Estate ownership:** The Bank owns buildings and land (totaling 9) in both Baghdad and Basrah of various sizes which is authenticated by the official Real Estate Registrar's Bureau upto 31/12/2007. Cost value of these holdings stood in the end of 2007 at (ID 6104722822) while their actual market value exceeds that by manifolds .

**12-The Accounting System and Standards:** The Bank adopts the Unified Accounting Standards System for Banks and Insurance Companies and the criterion of actual maturity in recording returns in the preparation of its financial accounts . Depreciation of fixed assets is calculated on the basis of by-laws annexed to the Unified Accounting Standards System.

**4- Results of branches activities (ID)**

	Branch	Revenues	Expenditures	Loss	Profit
1	Gen admn./Bagh	2289674006	1769185329		520488677
2	Gen admn /South	1369939	371156625	369786686	
3	Main Branch	13620545526	6487298960		7133246566
4	Damascus	391373491	205961940		185411551
5	Stck exchnng off	41155696	5355526		35800170
6	Jamila	562160102	469204196		92955906
7	Technology	274727319	141375670		133351649
8	Mustasriya	619463573	267846549		351617024
9	Ur	92443882	133222880	40778998	
10	Frahiedy	378420046	95465657		282954389
11	Zufarania		20573702	20573702	
12	Najaf	192603172	134804113		57799059
13	Alwatan	448341105	373533801		74807304
14	Aljazar	2155036286	751208868		1403827418
15	Alzubiar	92837994	206711646	113873652	
16	Alibla	3046536	90261109	87214573	
	Total	21163198673	11523166571	632227611	10272259713

Total profit of bank's branches ID 10272259713

Total loss of bank's branches ID 632227611

Net profit ID 9640032102

### **Sixth : The requirements of the CBI's and bank's and related laws:**

Below are clarifications on the requirements of the following laws:

- The CBI'S Law(56) for the year 2004.
- The Banks' Law (94) for the year 2004.
- Money Laundry Law (93) for the year 2004.
- Amended Companies Law (21) for the year 1997.

1-In implementation of article(24) of the Banks' law , The General Assembly on its meeting on 19/11/2006 , set up a committee comprising members of the Board of Directors for the Revision of the Bank's Accounts.

2-Money Laundry: Our Bank's activity is carried out and monitored in the light of well defined rules , regulations and an internal auditing system . Our clients' deposits and withdrawals are under close scrutiny and we have issued directives , regulations and recommendations to our Bank's branches and managements for the abidance to the provisions of the Money Laundry Law (93) for the year 2004 . Departing from our belief of the urgency of this matter we have contacted the competent officials in the CBI to supply us with all the necessary directives to combat this danger to our country's economy . We have set up an office to counter money laundry in all our dealings in 2007.

3-Compliance Supervision : The Bank is adamant to complete the arrangements for the speedy appointment of the Compliance Supervisor .

4-Bank's Capital Adequacy : Our staff maintain a precise knowledge of the concept of capital adequacy and earnestly apply them in accordance with the required basis . The Bank's capital adequacy for 2007 was 29% which is regarded as a healthy indicator reflecting the sound and efficient utilization of capital .

5-Indictive list : The Bank seeks to implement all articles of this list in compliance with the condition of the bank and market.

Finally , we offer you our thanks and gratitude hoping that we have shed enough light on you Bank's activities thanking all who have cooperated with us . We also thank the CBI for its role and hope that it will look with favour to what we stated regarding the indicative list .

Hussein Ghalib Kubba  
Chairman of the Board of Directors

Hassan Ghalib Kubba  
Managing Director

Ahmed Abdulrasool  
Auditor General  
Auditor and Chartered Accountant

In The Name of God  
Most Merciful Most Gracious

Report of  
Committee for Accounts Review  
2007



## Accounts Review Committee's Report

This committee's task includes the survey of the Bank's branches activities and audits their accounts on monthly basis in cooperation with the Financial Department at the head office and Internal Affairs Department. Reviewing this committee's report (which includes the annual budget and the profit and loss account and all the financial attachments and all the relevant analysis) , we record the following observations :

**1-Money** : Total money balance amounted to ID(41322) million comprising money in local and foreign currencies at local , private and foreign banks . It should be stated that money in foreign banks was valued in accordance with official rate of exchange . However , using commercial exchange rate , money balances in foreign banks balances would rise to ID / 91805 million / raising the balance of total money at the Bank to ID/ 52930 million / .

The committee has abandoned the official exchange rate as a base for similar calculation as from 1/1/2008.

We have had confirmations from local banks concerning our accounts balances for local and foreign currencies which verified actual vault assets in accordance with the control checks dispatched to the Bank's financial department.

**2-Investments** : Investment proportion to capital is 42% as against the legal limit of 20% . The Bank has laid down a plan to harmonize the actual and legal limits of this parameter . This plan was put into action in 2008 .

**3-Monetary Credit :** This account did not exceed the level reached in the previous year by a great deal due to the circumstances the country is going through .

However , This activity can not be ignored as it constitutes a primary monetary revenue earning source for the bank. During 2007 some monetary credit was retrieved while for other credit confiscations of property or shares were effected .

**4-Debitors :** The branches reciprocal collective account showed an amount of ID(38341) million including amounts resulting from billings variations account amounting to ID(37602) million . This amount was included into the reciprocal account so as not to distort the accuracy of other accounts. However , this procedure was abandoned as from 1/1/2008.

The increase recorded in debtors of letters of guarantee was the result of channeling a main branch letter of guarantee to this account awaiting the settlement of its legal case. As to the amount recorded in delayed loans accounts , it concerns unsettled promissory notes issued by (al-Jazair branch).

**5-Fixed assets :** The Bank owns lots of land and buildings which are now valued at current prices many folds their original cost values when purchased or confiscated as collaterals for delayed credits . Depreciation was calculated by the Bank's accountants in accordance with the legally defined rates .

**6-Reciprocal Accounts :** The Bank issued in 2007 letters of guarantee in both local and foreign currencies (valued at official rates of exchange) as well as letters of credit against the necessary collaterals (this method of valuation was suspended starting from 1/1/2008).

**7-Current Accounts and Deposits** : Among the objectives of our Bank as a large financial institution , is the contribution in the activation of our economy and the attraction of hoarded financial resources and rechannling them into savings which the Bank utilize to benefit as many clients as possible in compliance with the CBI's directives .

Deposits during 2007 increased by ID(44150) million and when adding the foreign currency deposits valued at official exchange rate the deposits grand total during 2007 becomes ID(113950) million as against ID(110850) million during last year.

**8-Creditors** : This account decreased by ID (312740) million due to the return of down payments received by the Bank from founders and shareholders of private companies and especially The Company For Agricultural Supplies .

**9-Capital:** There was no capitalization during 2007 . However , the capital adequacy was calculated to be 29% on 31/12/2007 (by the bank accountants) which is an optimum indicator.

**10- Reserves** : This year witnessed the calculation of new reserves amounting to ID(1616) million as legal reserve , ID(491) million reserves for expansion purposes , and ID(5974) million as capital reserve.

**11-Revenues** : The Bank achieved during a revenue of ID(21075) million. Banking operations and administrative expenditures , on the other hand , amounted to ID(11434) million the result was a net profit of ID(9640) million .

**12-Income Tax** : Income tax was calculated according to legal standards to be ID(1557) million for the year 2007.

**13-Miscellaneous subjects:** In our opinion the Bank has issued its annual accounts with the highest level of accuracy and in compliance with its financial state accounts .

The Bank has a money laundry department (run by internal affairs) which is performing as efficiently as possible and it issues the relevant directives and lectures to its concerned staff .

The Bank has not yet appointed Compliance Supervisor and is seeking to employ one in accordance with the CBI's directives

Our accounting staff is working in accordance with CBI's directives and the Unified Accounting Standards System . This staff is subject to development through participating in special seminars and courses .

The Bank is keen to open new branches in Iraq's governorates targeting the provision of banking services to as many clients as possible and to provide job opportunities at the same time . The number of employees in The Basrah International Bank for Investment reached a total of (383) in 31/12/2007.

The Bank has issued five legal suites to collect outstanding debts with no verdict passed so far . Two legal suites were raised against the Bank . Both of them were won by the Bank .

As for the Indicative List issued by the CBI we are continuing on with its implementation.

Auditors General  
Report

The Basrah International Bank  
For Investment  
General Assembly

Financial Data for the year  
2007

Greetings:

I am happy to inform you that I have studied the annual budget of the Bank , the profit and loss account as on 31/12/2007 , the Bank's monetary flow chart for the same period , the analytical attachments for the period mentioned and the Annual Report of the Board of Directors prepared in compliance with Amended Companies law (21) for the year 1997 , the Banks' law (94) for 2004 , the CBI's law (56) for 2004 and the rules and regulations issued by these laws in accordance with the internationally and nationally recognized auditing criteria .

I obtained the information and data necessary for my work which I carried out in accordance with the legitimate methods set up for us to perform our reporting.

These accounts and its supporting data were prepared by the Board of Directors and imply its opinion and view . My task was confined to auditing these data in compliance with accounting standards and clear financial disclosure and the presentation of a technical opinion on them. Below are some of the more important observations and clarifications stated in my report ( see also our internal report no. 18 in 9/7/2008)

**First: Annual Budget:**

**1-Money :**

**1-1:** There exist in the Money balance a sum of ID 2,342,351.00 representing external banks balances on which we have not received confirmation statements . I recommend the use of monthly statements in order to control the flow of this account.

**1-2:** In 2007 the Bank's balances of foreign currencies valued in the official exchange rate ( 0.3 ID to the US\$ ) .

In 2008 the commercial exchange rate was adopted .

**2-Investment :** The Bank's Investment balance stands at

ID 25,464,416,769 in comparison with ID 12,011,318,329 at the end of the previous year recording an increase of

ID 13,474,098,440 a rise of (53%) . Regarding the Bank's investment balance we would like to state the following :

**2-1:** These investment comprise the Bank's holdings in other joint stock companies shares especially those of private banks.

**2-2:** Revenues of the Bank's above holdings amounted in 2007 to ID 550,227,192 which constitutes 37% of the total investment revenue of the Bank standing at ID 1,421,778,834 . Overnight investment attained a revenue of ID 871,561,642 constituting 63% of total investment revenue .

**2-3:** Calculation of the designated allocation for investment value depreciation was not made in accordance to the administration's conviction that an improvement was imminent (in the beginning of the year ) especially in the light of improved security state of the country . The accumulated balance allocated to compensate for this depreciation amounted to ID 1,911,660,097 . Should calculation of the total decline was made relative to the selling prices in the Iraq Stock Exchange during the first quarter of this year , this would have necessitated an increase in the allocation made for this purpose .

I recommend a realistic study of the investment components and its improvement in the light of the actual criteria of the projects it represents.

### **3-Monetary and Non-monetary credit:**

Monetary credit balance was ID(79.7) billion , non-monetary credit balance was ID(40) billion . We have the following to state:

**3-1:** credit is issued without proportional guarantees compatible with the indicative list issued by the CBI.

**3-2:** Doubtful debts allocation was calculated to be ID(921,964,781) .

The allocation balance for doubtful debts became ID(9,132,327,819).

I recommend the calculation of such allocation to be preformed according to the indicative list provided by the CBI.

In this context I have the following recommendations :

**a:** Performance improvement , starting from the documentation process and ending with collection procedures and the data base systems . There exist a necessity for constant monitoring , the follow-up and the establishment of credit policy which constitute the basis for appropriate decision making .

**b:** It is necessary to define the purpose for which credit is granted . The process also requires a clear definition of the administration levels which are entrusted with the decision making competences for credit granting .

**c:** We believe that credit issued should not exceed certain limits and not to be concentrated on personal entities .The adherence to the CBI's law (94) for 2004 is necessary.

**d:** Though the Bank has not exceeded the limit of credit allowed in the light of its capital (ID 55 billion ),as total (monetary and non-monetary)credit was (ID 110 billion ) , (when credit in foreign currency is calculated with the commercial exchange rate the credit balance becomes much more) , we recommend better credit collection procedures .

#### **4 Debtors:**

**4-1:** Within debtors balance a sum of ID(2.6) billion was carried over from previous years . I recommend the Bank to exert more efforts for its collection.

Moreover , balances of delayed loans stood at ID(4.5) billion in comparison with ID(0.5) billion for the previous year . I believe that the Bank's Administration should look carefully into this observation , in an effort to define the reasons behind this accumulation.



**4-2:** We received no written verification of the debtors balances .

## **5 Fixed assets:**

The Bank added to its fixed assets items valued at ID(428,747,588) and it has written – off assets to the value of ID(119,746,672) . We would like to state the following :

**5-1:** No details were presented regarding the written-off assets or by what administrative levels these operations were decided upon.

**5-2:** There was no analysis concerning the balance for projects under execution (amounting to ID(2.4) million ).

**5-3:** No statement was issued concerning delayed capital expenditure similar to that of the fixed assets in order to disclose all information and clarify the accumulated annual costs . We recommend that such an account be organized next year.

## **6-Creditors:**

**6-1:** Creditors balance recorded ID(26) billion for 2007 , a decrease of ID(312) million resulting from paid back collaterals.

**6-2:** The balance of accounts under settlement amounting to ID(2,556,966,539) is due to one of the Bank's client's debts which has persisted until 2008.

## **7-Capital:**

No change has taken place on the Bank's paid up capital of ID(55) billion . We recommend that the Bank's capital be increased to ID(75) billion to reaffirm its financial status and to be in harmony with the minimum levels of capital defined by the CBI for Iraqi banks . The counter liability accounts for bank operations statement includes a sum of ID(1654924) not added to the balance of the counter accounts in the annual budget.

**Second: Profit and loss accounts:**

The Bank achieved this year a net profit of ID(9.640) billion in comparison with a net profit of ID(8.416) billion during 2006 . This surplus was distributed , in accordance with effective laws , to allocations to Income Tax and legal reserve . The remainder was considered to be the Bank's distributable profit amounting to ID(5,974,732,606.00) and was transferred to capital reserve by CBI's directives.

**Other matters :**

1)We affirm the recommendations of the previous auditors reports , especially those relating to the development of the internal supervision and control to ensure high degree of monitoring of all the Bank's branches operations and activities which necessitate in turn the employment

of highly skilled and experienced staff especially of the male gender.

2)It is necessary that an Compliance Supervisor be appointed in the Bank in compliance with existing laws.

3) We recommend the implementation of the best methods of documentation and their keeping in error – free and instant access orders.

4) The Bank implements The Unified Accounts Standards System for Banks and Insurance Companies prepared by the competent sources.

5) We stress the need for the establishment of Money Laundry Department with updated working principles independent of the Internal Supervision Department to which it is affiliated presently.

In the light of our statements our conclusions are :

**A:** The book-keeping set used by the Bank is compatible with the book keeping bylaws and consisted , in our opinion , the recording of all of the Bank's assets , liabilities , resources and Bank utilizations.

**B:** The survies of monetary and fixed inventories assets were preformed in a manner according to the Bank Administration's statements and documents.

**C:** The Bank's annual report (with its financial and monetary data ) comprehensively reflects its financial path during the year under auditing and was in compliance with all current rules , regulations and laws .

**D:** The financial data was prepared on the basis of and in harmony with the international accounting standards and national legislations. The data comply with the bank entries records contents and is constructed in accordance with the laws governing the banks' operations and the directives issued in their accord. These financial indicators clearly reflect the Bank's financial position as in 31/12/2007. It also discloses the Bank's activities and monetary flows at the end of the said year.

Sincerely Yours

Ahmed Abdulrasoul ALoubaedy

Audited Annual Financial Data 2007  
Compared with the year 2006

Annual Balance  
Profit and Loss Account  
Financial Bank Statements

Basrah International Bank for  
Investment

