



مصرف جيهان للاستثمار والتمويل الاسلامي

CIHAN BANK
For Islamic Investment & Finance

Annual Report 2010

التقرير السنوي ٢٠١٠



السادة أعضاء مجلس إدارة مصرف جيهان

Board Members Of Cihan Bank



د. نوزاد يحيى سعيد باجطر
نائب رئيس مجلس الإدارة
Dr. Nawzad Yahya Saeed Bajger
CHAIRMAN



آزاد يحيى سعيد باجطر
رئيس مجلس الإدارة
Azad Yahya Saeed Bajger
CHAIRMAN



صباح يحيى سعيد باجطر
عضو مجلس الإدارة
Sabah Yahya Saeed Bajger
Board Member



طلعت يحيى سعيد باجطر
عضو مجلس الإدارة
Talet Yahya Saeed Bajger
Board Member



موفق طاهر الضلبي
المدير المفوض
Muwaffak T.AL- Chalabi
Executive Director



No. M/59/2010

Date: 6.4.2011

CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Sub: Auditor's report

Dear Sir's

We have audited The balance sheet of Cihan bank for investment & finance P.S.C as at December 31, 2010 and the related activities result of operations (income) and statements related thereto for the period ending at the same date and the Boards annual reports for the bank prepared according to the banking and companies law No. (21) For the year 1997 and the related regulations and instructions issued accordingly.

We have obtained the information and the explanations which in our opinion were necessary to perform our duty according to the legislation in force and in accordance to generally accepted auditing procedures which includes the necessary examinations on a test basis of the bank activities falling within our jurisdiction. We have the following Notes and explanations .

First : On 15 December 2010 The nominal and paid up capital was increased from ID 50 billion to ID 100 billion and the Central bank of Iraq confirm it on 17/1/2011 according to Central bank of Iraq letter .No. 9/3/107.

Second: The Anti Money Laundering and financing terrorism committee are active since its establishment on 27 September 2009.

Third: We recommend more support to the internal control system .

Fourth: The Shariaa Board (fatwa committee) are active since its establishment according to order No.38 on 1/2/2009 .

In our opinion and according to above notes which based on our examinations in addition to the bank's reports , information's and explanations given to us we confirm :

1. The accounting records used by the bank comply with Book keeping system required and properly kept containing according to our judgment all Bank's Assets, Liabilities, expenses and revenues.
2. The annual report and its contents, the financial and accounting information reflects in a comprehensive way the bank financial progress during audited period. These information contained therein do not contradict with the accounts or the provisions of the financial laws and legislations that are in force.
3. The financial statements and final accounts have been prepared according to the accounting rules and legislations currently in force and it coincides exactly with what is shown in the records which are prepared according to the companies law, the regulations and information issued accordingly and the Central Bank of Iraq law and presents fairly the financial position of the Bank as on 31 Dec. 2010 .



Delshad A. Al-Totnchi

Chartered Accounting and Auditor



CIHAN BANK FOR ISLAMIC INVESTMENT & Finance

Balance sheet as at 31.12.2010

I.D. thousands

<u>Statement No.</u>	<u>Account No.</u>	<u>Name of Account</u>	<u>2009</u>	<u>2010</u>
<u>Assets:</u>				
<u>Current Assets</u>				
1	11	Fixed Assets	489801	648889
2	118	Establishment expenses	884179	909728
	12	Projects under construction	000	1041476
	1427-1429	Murabaha & Musharka	40987608	26460265
	1443	Receivable Bonds	1157697	24025454
		Loans	443175	140735
	1533	Short time Investments	250000	250000
3	16	Debt. A/C	31481938	2959766
4	18	Cash	43307005	98243422
	19	Clearing Checks	000	2391250
5	19	Contra Accounts_	<u>16774277</u>	<u>169253573</u>
			<u>135775680</u>	<u>326324558</u>
<u>Share holders' funds</u>				
	211	Nominal & paid up Capital	50000000	50000000
6	214	Reserves	1689244	5373225
<u>Current Liabilities</u>				
7	25	Deposit & Current a/c's	67028202	92658641
8	26	Creditors	383695	6521392
9	22	Allocations	(103788)	2517772
	2663	Payable expenses	4050	000
5	29	Contra Account	<u>16774277</u>	<u>169253573</u>
			<u>135775680</u>	<u>326324558</u>

Chartered Accounting and Auditor

Delshad A. Al-Totnchi

Chairman

Azad Yehya Saeed Bagjer

Executive director

Muwafaq Al-Chalabi

Financial Manager

Hamza Hasan Hamza

Subject to our report No. 51 S on March 3rd 2010

M/23594



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

STATEMENT OF CURRENT OPERATIONS as at 31.12.2010.

I.D. thousands

<u>Statement No.</u>	<u>Account No.</u>	<u>Name of Account</u>	<u>2009</u>	<u>2010</u>
	4	<u>Current Activity Revenue</u>		
10	44-49	Current Operation Revenue	<u>3184835</u>	<u>11298289</u>
		<u>Less Expenses</u>		
11	31	Wages & Salaries	474813	1217083
12	32	Administrative Expenses	6202	48177
13	33	Service Expenses	410716	888764
1 and 2	37	Depreciations	202269	342458
14	38	Productions Expenses	30677	1553012
	3431	Banking Expenses	<u>72812</u>	<u>2149923</u>
			<u>1197489</u>	<u>6199417</u>
		Surplus of current -		
		Operations	<u>1987346</u>	<u>5098872</u>
		Tax Reserves	298102	764831
		Expansions Reserves	198735	509887
		Legal Reserves	99367	254944
		Capital Reserve	000	454083
		The Surplus for distribution	<u>1391142</u>	<u>3115127</u>
			<u>1987346</u>	<u>5098872</u>



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Cash Flow Statement for the Year Ending 31/12/2010

Thousand Iraqi Dinar

<u>Details</u>	<u>2010</u>
Cash as at 1-1-2010	43307005
<u>Plus</u>	
Increase in Debt. A/C	28522172
Income for the year 2010	11298289
Depreciations	342458
Increase in deposits & Other Movement	28679183
Total of Flows	<u>112149107</u>
<u>Less</u>	
Purchase of Assets	272446
Establishment expenses	254649
Increase in credit. A/C	6137697
Total expenses for year 2009	6199417
Projects under development	1041476
Total out flows	<u>13905685</u>
The cash Balance as on 31/12/2009	<u>98243422</u>



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

The Tables of Fixed Assets and depreciations as at 31/12/2010

No. 1

Fixed Assets	Machinery	Tools	Furniture	Total
A/C No.	113	115	116	
Cost as at 31/12/2009	107560	347	446340	554247
New purchased item	<u>52038</u>	<u>000</u>	<u>220408</u>	<u>272446</u>
T. Cost as at 31-12-2010	<u>159598</u>	<u>347</u>	<u>666748</u>	<u>826693</u>
Depreciations for 2010	14585	69	98704	113358
Depreciation From last year	5059	-----	59387	6444
T. Depreciation	19644	69	158091	177804
Book value as at 31/12/2010	139954	278	508657	648889

Statement of Establishment expenses as at 31/12/2009

No.2

A/C No.	A/C Name	Book value as at 2009	Depreciation of the year	Balance as at 2010
1811	Establishment expenses	1022002		884179
	New Fixtures + Cutters	000000		254649
378	T. Depreciation	(137823)		(229100)
	Total	884179		909728



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Debtors A/Cs Statement

No.3

Thousands ID. 2010	Thousands ID. 2009		No. in Accounting Guide
		Debtors A/C's	166
460	000	Accounts, exchanged	1631
000	30158505	Deposit at others	1661
2959306	1286433	Receivable income	1662
<u>000</u>	<u>37000</u>	Advance payment of expenses	1663
<u>2959766</u>	<u>3148193</u>	Total	

Cash Statement

No.4

Thousands ID. 2010	Thousands ID. 2009		No. in Accounting Guide
17518459	12413851	Cash at hand	181
74220028	28479511	Cash at local Banks	183
<u>6504935</u>	<u>2413643</u>	Cash at Foreign Banks	187
<u>98243422</u>	<u>43307005</u>		



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Counter Obligations

No.5

Thousands ID. 2010	Thousands ID. 2009		No. in Accounting Guide
		L/G Obligations	192 - 292
171309021	104636	Issued L/G	1921 - 2921
<u>(2055448)</u>	<u>(10464)</u>	Less Deposits	
169253573	94172		
		L/C Obligations	193 - 293
000	18078489	L/C's	1931 - 2931
<u>000</u>	<u>(14966459)</u>	Less Deposits	
000	3112030		
000		Foreign Payments	194 - 294
000	28760121	L/C's Drafts	1941 - 2941
<u>000</u>	<u>(15192046)</u>	Less Deposits	
<u>000</u>	<u>13568075</u>		
<u>169253573</u>	<u>16774277</u>		

Reserves

No.6

Thousands ID. 2009	Thousands ID. 2010		No. in Accounting Guide
198735	864400	Expansion Reserve	22
99367	254944	Legal Reserve	
<u>1391142</u>	3799798	Surplus for distributions	
	454083	Capital Reserve	
<u>1689244</u>	5373225	Total	



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Current Accounts and Time deposits

No.7

Thousands ID. 2009	Thousands ID. 2010		No. in Accounting Guide
		Current Accounts	251
29165814	18468393	Private Sectors Companies	2516
<u>1893265</u>	3948533	Individual Sector	2517
31059079	40840		
		Saving Accounts	252
5800154	11110022	Saving	2521
	57034548		
		Deposit from Banking Operations	255
30158505		Deposits from L/C's	2551
<u>10464</u>	2055448	Deposits from L/G's	2552
	857	Checks	2563
<u>30168969</u>	205305		
<u>67028202</u>	92658641		

Creditors as at 31/12

No.8

Thousands ID. 2009	Thousands ID. 2010		No. in Accounting Guide
96474	96474	Creditors of Current Operations	2616
1701	10963	Creditors of Non Current Operations	265
163981	639226	Received Deposits	2661
99045	4907317	Receivable Income	2662
21583	1910	Payable Expanses	2663
<u>911</u>	2995	Deduction from the others	2671
<u>000</u>	288630		
<u>000</u>	360870	Stamps Tax	2666
<u>000</u>	149740		2669
<u>000</u>	267	Closed current A/cs	2697
<u>383695</u>	6521392	Total	



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Reserved Statement as at 31/12

No.9

Thousands ID. 2009	Thousands ID. 2010	Name of A/c	Accounting Guide
298102	1063540	Tax reserves	224
(401890)	509887	Rate Fluctuation of Foreign Currencies Reserves	225
	944300		
(103788)	2517727	Total Reserves	

Income from Banking Operations as at 31/12

No.10

Thousands ID. 2009	Thousands ID. 2010	Name of A/c	No. in Accounting Guide
276950	4461693	Income from foreign currency	441
197942	2184340	Income from Loans	442
355	37374	Income from payment orders	443
118097	0000	Income from L/C	444
5057	1608683	Income from L/G	445
19	39562	Income from various Commissions	447
70476	31827	Receivable expenses	448
2512393	2846605	Income from Investment	463
3546	84128	Other Incomes	492
	4077	Duty and Penalty	483
3184835	11298289	Total	



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Wages and Salaries as at 31/12

No. 11

Thousands ID. 2009		Thousands ID. 2010		No. in Accounting Guide
163970		349029	Salaries	3111
32947		87126	Family allowances	3112
5129		37036	Over time	3113
133283		243003	Bonuses	3114
25850		62447	Professional allowances	3115
22669		85730	Compensatory allowances	3116
86354		336163	Other allowances	3129
<u>4611</u>		16549	Social Security	3151
<u>474813</u>		1217083	Total	

Commodity requirements statement as at 31/12

No. 12

Thousands ID. 2009	Thousands ID. 2010		No. in Accounting Guide
217	20486	Fuel	322
3386	13618	Supplies and Tasks	3251
<u>2599</u>	11461	Stationary	3252
<u>0000</u>	2612		327
<u>6202</u>	48177	Total	



CIHAN BANK FOR ISLAMIC INVESTMENT & FINANCE P.S.C.

Services requirements Statement as at 31/12/2009 No.13

Thousands ID. 2009	Thousands ID. 2010		No. in Accounting Guide
1310	5812	Maintenance	331
23496	27207	Advertising	3331
4320	9457	Publishing	3332
6685	14934	Hospitality	3333
8148	6660	Exhibition Expense	3334
80585	167079	Transportations	3341
39775	127252	Travels	3343
3998	28529	Communications	3344
83664	267800	Rents	3352
470	58019	Subscriptions	3361
1239	32039	Payment for non employees	3363
579	2456	Legal Services	3365
116611	0000	Banking Services	3366
7050	14000	Auditing Fees	3368
	117520	Other expense	3369
<u>32786</u>			
<u>410716</u>	<u>888764</u>	Total	

Production expenses statement as at 31/12/2009

Thousands ID. 2010	Thousands ID. 2009		No. in Accounting Guide
7280	2894	Donations	3831
0000	27500	Compensations & Taxes	3832
87664	<u>283</u>	Incidental expenses	392
507376	0000	Expenses of the rate of exchange changes	3441
0000	6392	Saving interest	3421
944300	0000	Duty & programs	
<u>1553012</u>	<u>30677</u>	Total	



In the Name of merciful God

**Cihan Bank for Islamic Investment and Finance (p. s. c.)
Board of Director's Annual Report of Bank Activity
from 1/1/2010 to 31/12/2010**

Gentlemen shareholders.

Al Salam Alekum Wa Rahmat Allah Wa Barakatuh

We are pleased to offer you the second annual report pursuant to company law and banking law of Bank activities for the whole period from 01/01/2010 to 31/12/2010, which reflects the evolution of the Bank's business and good results.

Brief outline of the Bank

The Bank was officially founded on 3/6/2008 and started to pursue its work on 1st of April 2009 at the headquarters in Erbil, and subsequently the bank has operate branches in Baghdad , Sulaymaniyah , Bajger branch in Erbil ,and Zakho branch in Dahuk governorate and we have an ambitious plan to open branches in other governorates (Kirkuk Mosul , Basrah, Najaf, and a branch at Cihan University in Erbil).

At 2010 the Bank has exercised the Islamic banking by using Murabaha and the bank has financed in selling (1620) Cihan car taxi (type Corolla) & (8926) Hilux pick-up truck.

The Bank correspondents had increased in both Arab and European countries and neighbors in particular Turkey and Lebanon to make use of their banks corresponding network and subsidiaries that covering most countries in the world to perform miscellaneous foreign banking operations like issuing letters of credit, Letters of Guarantee and foreign remittances.

Key events during the year.

First: The Bank has increased its capital from 50 billion dinars to 100 billion dinars before the end of the year exactly on 15/12/2010, the amount of 50 billion dinars were transferred to Central Bank of Iraq in Baghdad ,the procedures of increasing based on letter reference No. 9/3/107 dated 27/1/2011.

Second: The Bank achieved during the period ended 31/12/2010 profitability (5,098,871,840 dinars) of capital which is more than 10% of its capital fifty billion dinars (before the increase).

Third: Customizing ten prizes in kind and in cash for the balances of customer's savings account in dinar & dollar with minimum monthly balances of five million dinars, or five thousand dollars for the six months preceding the date of withdrawn.

Forth: IT Department worked to use the electronic system and preparing a staff to work on the system and prepared it to be applicable. By the supervision of the IT Department and participation of relevant sections staff accomplished the followings:

- 1- Migrate all clients' balances to the electronic system after audit and account matching.
- 2- Migrate, credit processes for sold cars and included installment and install its benefits and payments on the basis of the branches that accomplished the mentioned work through them
- 3- Creation of the final accounts and access to profits earnings from work
- 4- Develop a plan to introduce new banking system IMAL as follows:



- a. All the staff of the Bank is being trained on the use of the system.
 - b. Use of experience required for system operation through recruiting new staff for the Bank and all Branches.
 - c. creating a network linking branches to the internal network and the electronic system and telephones.
- 5- Perform the initial system boot operations involving sections, which benefit in future.
- 6- Develop future plan for the development of the Bank's work with corporate competencies in order to prepare for a contract to provide the following services:
- (a) The Bank and its branches linked with internal intranet by VSAT(which is provided by Kurd-SKY company) that provide protection and confidentiality, and provide the required items (computers, IMAL, RTGS, SWIFT systems and ATM) and phone system.
- (b). providing Internet service to Baghdad branch that will reduce expenses.
- 7- The aim of the Bank through the IT Department to implement in the future the following projects:
- A-Use coded check according to the requirements of the Central Bank of Iraq.
- B. Make use of the offer of the Turkish Bank (Aktif Bank) to link Bank network with UPT system.
- C. creating RTGS system requirements for participation and linking accounts with the Central Bank of Iraq network to use our bank account with him in settlement and deliver commitments and remittances.
- 8- Bank tries to get benefit from international expertise and obtaining the right to issue credit cards VISA CARD, MASTER CARD.
- 9- For banking development and expanding the services offered by the Bank, the Bank will work according to the possibilities to use the ATM and distributed in shops and places that need it to permit the use of credit cards issued by the Bank or any international cards obtained authorization from issuers to use through the Bank.

The Bank goals and plans.

Cihan Bank for Islamic investment and finance aims to provide the best and most sophisticated banking services and according to Islamic law for its customers honored individuals, corporations, foundations and Government departments to keep up with developments generally in Iraq and specially in Kurdistan, and Monterrey technological development as a strategic objective to continue to maintain good performance and create a balance between the volume of deposits and the Bank's capital on hand and credit granted by other hand, and projects that were successful in the region by providing jobs for thousands of people in the region is Cihan taxi which still effect through contract with Japanese Toyota to import Corolla cars model /2011 plus import Hilux pick-up truck for farmers, considering that Cihan trading company for cars is the official agent in region.

The Bank still seeking agreement with funders and offshore investors to large strategic projects in coordination with the relevant State bodies which contribute to the development processes such as housing projects for low-income people who depend on the available local raw materials, and finance the agricultural, industrial, tourist and health projects in the region and Iraq.



The bank pays great attention to improve & update the E-system also seeks to accelerate the process of the direct link between the branches for the purpose of facilitating the withdrawals and deposits by bank customers and strengthening the general administration structures and branches and expand its business.

And with all of these ambitions , the management of the bank bear in mind the cost of services provided to the customers for the purpose of reducing the cost to the least extent possible to maximize the recourses of the bank in addition to compliance with the law and regulations of AM Laundering and capital adequacy standards and compliance rates legal reserve to avoid the risks and manage liquidity efficiently which ensure the optimal distribution of its assets and maintain the quality of the assets to achieve good returns for investment account holders and shareholders.

Board of Directors recommended grants 8,5% at savings accounts and fixed deposits as at 31/12/2010 on Iraqi dinar or American dollar under authentication of General committee, and have been calculating the equivalent for the custom ROI customers Bank and Bank expenses are calculated in accordance with the instructions of the Central Bank of Iraq.

Bank building

The Bank still in light of preparing the mapping and engineering specifications for the land obtained by a bank to create a building on 3710 m, and after finishing soil tests, the permission for building a structural design will given, that site has been built with preventing fence, and the Building will start as soon as the soil investigation test complete.

The Bank's activities in the area of banking relationships.

The Bank seeks to expand its relations with foreign banks in order to achieve the capacity to deliver the best banking services to its clients, establish banking relations with correspondents listed below and have signed agreements with some of them. Banking procedures are still continuing to complete Exchange of documents, Term & Conditions and our bank's List of Authorized Signatures.

The names of correspondent banks with existing banking relations:

1. Fransa Bank - Beirut – Lebanon.
2. First National Bank (FNB) - Beirut – Lebanon.
3. Bank of Beirut and Arab Countries (BBAC) - Beirut – Lebanon.
4. Intercontinental Bank (IBL) - Beirut – Lebanon.
5. Bank of Beirut - Beirut – Lebanon.
6. Trade Bank for Trade & Finance –Amman – Jordan.
7. Commerz Bank - Frankfort – Germany .
8. UAE - Rome – Itali .
9. Kuwait Turk Bank – Turkey .
10. Aktif Bank – Turkey .
11. Albarka Turk Bank – Turkey .



12. Vakif Bank – Turkey .

13. Ethmar Bank – Bahrain .

The banks that approached to establish banking relations with, - In role of negotiation- :

1. Byblos Bank - Beirut – Lebanon.
2. Standard Charter Bank – G. Britain.
3. Lebanon & Gulf Bank - Beirut – Lebanon.
4. BLC Bank – Dubai – UAE.
5. EFG EURO RGASIAS Bank - Athens – Greece.
6. Yapi Ve Kredi Bank - Turkey .

Accounting policy:

The Bank relies on foundations and the controls in the accounting system of all banks in accordance with the requirements and provisions and laws relevant banking regulations and Principles that generally accepted accounting standards in accordance with the policies of the Central Bank and Banking Sector with banking instructions are on the following basis:

- 1- Adopting accrual principles in recording income and expenditures.
- 2- Calculate Depreciation by Fix Rate.
- 3- Adoption of prices of foreign currency that announced by the Central Bank of Iraq.

Shareholders who hold 5% of Bank Shares which is (50) billion shares

- | | |
|------------------------------|---------------|
| 1. Azad Yahya Saeed Bajger | Chairman |
| 2. Nawzad Yahya Saeed Bajger | Vice Chairman |
| 3. Talat Yahya Saeed Bajger | Member |
| 4. Sabah Yahya Saeed Bajger | Member |

With great respect and appreciation

Azad Yahya Saeed Bajger

Chairman

Muwafaq Taher Al-Chalabi

General Manager



CIHAN BANK
FOR
ISLAMIC INVESTMENT & FINANCE
P.S.C.



ANNUAL REPORT
2010