



مصرف بغداد
Bank of Baghdad

BANK OF BAGHDAD
(PRIVATE JOINT STOCK CO.)
BAGHDAD – IRAQ

***Independent Auditor's Report
&
Financial Statements
For the period
December 31st 2010***

F.H.Al-Salman & Co.
Cooperating Firm of Pricewaterhouse Coopers
Public Accountants & Auditor
Baghdad - Iraq



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BANK OF BAGHDAD
(Private Joint Stock Co)
Baghdad-Iraq

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&
Financial Statements
December 31st 2010

Contents

- Independent Auditor's Report	
- Financial Statements	<u>Statement No</u>
Balance Sheet	(A)
Profit Loss & Appropriation Account	(B)
Cash flow Statement	(C)



BANK OF BAGHDAD
(PRIVATE JOINT STOCK COMPANY)
BAGHDAD – IRAQ

Auditor's Report

We have examined the balance sheet of The Bank of Baghdad)Private Joint Stock Co.(– Baghdad as of December 31st 2010 and the profit – loss and appropriation accounts for the year then ended, as well as the Bank's Management Report which was prepared in accordance with the requirements of Banking Law No.)94(for 2004 and Iraqi Companies Law No.)21(for 1997 and its related instructions and guide lines.

We had obtained the information and explanations which in our opinion were necessary for accomplishing our mission which was carried in accordance to the prevailing legislation, and the generally accepted accounting standards which had included the necessary tests for the activities of the bank that falls within our domain, as we would like to indicate the following explanatory remarks:-

First – Share Capital

The share capital of the bank was increased by ID 15 Billion, thus becoming ID 100 billion instead of ID 85 Billion, that is in accordance with the Registrar of Companies resolution dated June 27th 2010.

Second – The Bank's Operations

The surplus achieved as a result of the Bank's operation during the year under audit was ID (16,211) Million while the surplus attained during the previous year had amounted to ID 18,617 Million, which is a reduction of ID 2,406 Million thus representing a rate of 13%, mainly due to the increase in revenues of current activities of the Bank by ID 148 Million while the expenses of the current activities were increased ID 1,318 Million, as indicated below:-

<u>1- Increase in revenues of Current Activities</u>	ID Million
Increase in banking operations' revenues	13,145
Decrease in investments' revenues	(12,949)
Decrease in services' activities	(48)
	<u>148</u>
 <u>2- Increase in Expenses of Current Activities</u>	 ID Million
Decrease in banking operations' revenues	(1,420)
Increase in depreciation and amortization	1,027
Increase in administrative expenses	1,711
	<u>1,318</u>





The following can be observed from the previous comparison

(a) – Banking Operation	ID Million
Increase in revenues	13,145
Decrease in expenses	(1,420)

- (b) – Revenues from Financial Investments
Decrease in financial investments was mainly due to the decrease of balance of “Financial Investments” by 21% as it was during the previous year.

- (c) – Depreciation and amortization
The increase in the net balance of non-current during the year, which represent an increase of 10%, had its direct effect in the increase of the balance of “depreciation” during the current year.

3- “Other Income” and “Non-Operational and Other Expenses”

The increase in the item of “Other Income” in comparison with the previous year had amounted to ID 454 Million, while the increase in the item “Non-Operational and Other Expenses” within the same comparison had amounted to ID 1,690 Million.

Subject to the above, the decrease in “Pre-Tax Profit” upon comparison with the results of the previous year, had amounted to ID 2,406 Million, was mainly due to the following:-

	ID Million
The Increase in Revenues of Current Activities	148
The Increase in Expenses of Current activities	(1,318)
	(1,170)
Increase in “Other Income”	454
Increase in “Non-Operational and Other Expenses”	(1,690)
	(2,406)

Third – Bank’s Financial Position

The increase in balance of assets as of December 31st 2010 in comparison to what it was as of December 31st 2009 had amounted to ID 158,868 Million, as indicated below:-

	ID Million	%
Current Assets		
Cash	94,137	59
Investments	(33,659)	(21)
Monetary Credit	101,295	63
Debtors and debit balances	(18,651)	(11)
	143,122	
Non-Current assets	15,746	10
	158,868	100





Sources of Finance

The increase of ID 158,868 in the Source of Finance, is the same as that increase in the balance of the assets, as indicated below:-

	ID Million	%
Short Term Sources of Finance	149,250	94
Long term Sources of Finance	9,618	6
	<u>158,868</u>	<u>100</u>
<u>Short Term Source of Finance</u>		
Current Liabilities		
Clients' Current and deposit accounts	143,070	96
Provisions	520	1
Creditors and credit balances	5,660	3
	<u>149,250</u>	<u>100</u>
<u>Long term Source of Finance</u>		
Shareholders' Equity		
Share Capital-Paid up	15,000	155
Reserves	(5,382)	(55)
	<u>9,618</u>	<u>100</u>

Fourth - Provision for Devaluation of Value of Financial Investments

In accordance with Iraq Stock of Exchange bulletin as of the last meeting held by The Exchange during the year 2010, the market value of the shares held within the portfolio of shares held by the Bank and recorded as "Financial Investments" was higher than the book value, so consequently during the said year no provision was taken to that effect.

Fifth - Provision for Bad Debts

The balance of "Provision for Bad Debts" as of December 31st 2010 was increased by ID 1,156 Million during the year, in order to become ID 15,156 Million.

Sixth - Currency Exchange Rate

All transactions during the year related to foreign currencies which involves assets, liabilities, expenses, and revenues during the year ended December 31st 2010 had applied the official rate of exchange during the said year, which was ID 1,170 to the United States Dollar.

Seventh - Money Laundering and Financing of Terrorism

Through out our examination of the books and records of the Bank and the nature of the banking operations which were conducted during the year under audit, there were no indications that there were banking operations related to "money laundering" or to "financing of terrorist activities".





Eight - Capital Adequacy

Through out our inspection of the books of accounts and the records of the bank it appears that the percentage of "Capital adequacy" had amounted during the year under audit to 25%, as in accordance with Article 16 of the Banking Law No. 94 for the year 2004.

Subject to our opinion, and to the results of our examination to what has been included in the financial records of the Bank and in accordance to the information and explanations given to us:-

- (1)- The accounting books and records used by the Bank were in conformity with the requirements of the book-keeping regulations which had included, in our opinion, the recording of all assets, liabilities, revenues and expenses of the bank. Also the internal control system which was adopted during the year under audit had included the necessary procedures which would guarantee the accuracy of the financial statements, which were appropriate with the volume of the Bank's operations.
- (2)- The physical inventory count for both the fixed assets and the cash in hand were carried out by the Bank, and under our supervision, as the result were in agreement with the concerned subsidiary ledgers as those assets were valued in accordance with the generally accepted standards, which were applied in the previous year.
- (3)- The annual Management Report does reveal the activities of the Bank's during the year under audit in a comprehensive manner, as it does not contain any issue which is in violation to current laws and legislations.
- (4)- The financial statement had been prepared in accordance with the requirements of prevailing legislation and generally accepted accounting standards, and it is in agreement results shown in the books of accounts, as it was prepared within the requirements of the Iraqi Companies Law and its related instructions, as well as the requirements of the Banking Law No. 94 for 2004.

OPINION

Subject to what had been indicated above, the attached balance sheet does reflect the financial position of the Bank as of December 31st 2010, and the profit loss account reveals the profit of its operations during the year ended as at that date.

Farquad Al -Salman, B.Sc, FCCA
F.H.Al-Salman Co.
Cooperating Firm of PricewaterhouseCoopers
Public Accountants Auditors
Baghdad -Iraq

Baghdad -February 8th 2011





BANK OF BAGHDAD
(A PRIVATE JOINT STOCK COMPANY)
BAGHDAD - IRAQ

Balance Sheet
As Of December 31st 2010
STATEMENT (A)

Account Code No.		December 31st	
		2010 ID (000)	2009 ID (000)
	<u>ASSETS</u>		
	<u>Current Assets</u>		
18	Cash	571,822,356	477,684,631
15	Investments	129,539,147	163,198,369
14	Monetary Credits		
	Discounted commercial instruments	18,275	1,882,882
	Credits and advances	180,781,791	77,621,978
		180,800,066	79,504,860
16	Debtors and debit balances		
	Contra debit balances	4,097,713	29,804,025
	Debit balances	44,548,468	37,493,667
		48,646,181	67,297,692
		930,807,750	787,685,552
	<u>Non-Current Assets</u>		
11 & 12	Existing - at book value (after deduction of depreciation)	30,254,860	14,508,561
		961,062,610	802,194,113
	<u>Contra Accounts</u>		
19	Client's obligations toward banking operations (after deductions of deposits)	705,649,971	263,539,227





BANK OF BAGHDAD
(A PRIVATE JOINT STOCK COMPANY)
BAGHDAD - IRAQ

Balance Sheet
As Of December 31st 2010
STATEMENT (A)

<u>Account Code No.</u>		<u>December 31st</u>	
		<u>2010</u>	<u>2009</u>
		<u>ID (000)</u>	<u>ID (000)</u>
<u>SOURCES OF FINANCE</u>			
<u>Short Terms of Finance</u>			
25	Clients' current and deposit accounts	804,688,378	661,618,527
22	Provisions	18,551,012	18,031,060
26	Creditors and credit balances	19,035,305	13,374,954
		842,274,695	693,024,541
<u>Long Terms of Finance</u>			
	Share Capital -Paid up	100,000,000	85,000,000
	Reserves	18,787,915	24,169,572
	Shareholders' Equity	118,787,915	109,169,572
		961,062,610	802,194,113
<u>Contra Accounts</u>			
	Bank's obligations towards the banking operations (after deducting deposits)	705,649,971	263,539,227

For Bank of Baghdad (A Private Joint Stock Company) - Baghdad - Iraq

Accounts Manager
Nadia Ismail Ibrahim

Managing Director
Adnan Kanaan Chalabi

Chairman of The Board
Issam Ismail Shiereef

Subject To My Report of Even Date

Farquad Al-Salman, B.Sc, FCCA
F.H.Al-Salman & Co.
Cooperating Firm of PricewaterhouseCoopers
Public Accountants & Auditors
Baghdad - Iraq
Baghdad - February 8th 2011





BANK OF BAGHDAD
(A PRIVATE JOINT STOCK COMPANY)
BAGHDAD - IRAQ

Profit and Loss & Appropriation Account
For The Year Ended December 31st 2010
STATEMENT (B)

<u>Account Code No.</u>	<u>Year Ended December 31st</u>	
	<u>2010</u>	<u>2009</u>
	<u>ID (000)</u>	<u>ID (000)</u>
Revenues from current operations		
43 Revenues from services activities	78,202	126,284
44 Revenues from operational activities	33,106,853	19,961,781
46 Revenues from investments	7,453,701	20,403,022
	40,638,756	40,491,087
Deduct : Expenses of current operations		
34 Banking operations' expenses	6,403,479	7,823,742
37 Depreciation and amortization	1,744,818	718,140
31-33 Administrative expenses	14,473,475	12,762,178
	22,621,772	21,304,060
Profit from current operations	18,016,984	19,187,027
49 Add : Other income	1,068,434	614,430
Les :Non-Operational & Other Expenses		
38 Non-Operational expenses	1,133,915	206,130
39 Other expenses	1,740,294	977,810
	2,874,209	1,183,940
Pre-Tax Profit For The Year	16,211,209	18,617,517
<u>To Be Distributed As Follows:</u>		
Provision for "Corporation Tax"	2,541,789	
Statutory Capital Reserve	683,471	
Retained Earnings	12,985,949	
	16,211,209	



BANK OF BAGHDAD
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CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31st 2010
STATEMENT (C)

	ID (000)	ID (000)
Profit as per attached Statement (B) -		16,211,209
<u>Cash Flow from Operational Activities</u>		
Depreciation and amortization	1,744,818	
Working Capital Movement		
Decrease in Debtors and debit balances	18,651,511	
Increase in Clients' current & saving accounts	143,069,851	
Increase in Creditors and credit balances	5,660,351	
Net Cash Flow From Operational Activities		169,126,531
<u>Cash Flow from Investment Activities</u>		
Decrease in Investment	33,659,222	
Increase in Monetary Credit	101,295,206-	
Net increase in Non-Current Assets	18,217,073-	
Decrease in Projects under Construction	725,956	
Net Cash Flow From Investment Activities		85,127,101-
<u>Cash Flow from Non-Operational Activities</u>		
Increase in Paid Up Share Capital	15,000,000	
Net Decrease in Reserves	19,051,077-	
Net Increase in Provisions	793,660	
Settlement of Corporation Tax	2,815,497-	
Net Cash Flow From Non-Operational Activities		6,072,914-
Net Cash Flow		94,137,725
Add: balance of cash at beginning of the year		477,684,631
Cash balance as of December 31st 2010		571,822,356

