



مصرف بغداد  
Bank of Baghdad

**BANK OF BAGHDAD  
(PRIVATE JOINT STOCK CO.)  
BAGHDAD - IRAQ**

**Independent Auditor's Report  
&  
Financial Statements  
For the period  
December 31<sup>st</sup> 2011**

**F.H.Al-Salman & Co.**

**Cooperating Firm of Pricewaterhouse Coopers  
Public Accountants & Auditor  
Baghdad - Iraq**



مصرف بغداد  
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**BANK OF BAGHDAD**  
**(Private Joint Stock Co.)**  
**Baghdad – Iraq**

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**December 31<sup>st</sup> 2011**

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**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 2011 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 assignment which was conducted in accordance with 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 12.9 Billion, thus becoming ID 112.9 Billion instead of ID 100 Billion, that is in accordance with the Registrar of Companies resolution dated April 6th/27th 2011.

**Second - The Bank's Operations**

The surplus achieved as a result of the Bank's operation during the year under audit was ID( Million) 24,972 while the surplus attained during the previous year had amounted to ID( Million) 16,211 which was an increase of ID(Million) 8,761 thus representing a rate of growth of 54.5%, mainly due to the increase in revenues of current activities of the Bank by ID (Million)14,874 while the expenses of the current activities were increased ID(Million) 5,072 , as indicated below:-

	ID Million
<b><u>a – Increase in Revenues of Current Activities</u></b>	
Increase in banking operations' revenues	15,123
Decrease in investments' revenues	(263)
Increase in services' activities	14
	<b>14,874</b>
<b><u>b – Increase in Expenses of Current Activities</u></b>	
Increase in banking operations expenses	2,132
Increase in depreciation and amortization	1,078
Increase in administrative expenses	1,862
	<b>5,072</b>



**Current Assets**

	ID Million	%
Cash	(114,435)	(133)
Investments	55,926	65
Monetary Credit	(31,018)	(36)
Debtors and debit balances	(26)	—
	(89,553)	
<b>Non-Current Assets</b>	3,758	4
	(85,795)	(100)

**Short Term Sources of Finance****Current Liabilities**

Clients Current and deposit accounts	(105,320)	(99)
Provisions	2,973	3
Creditors and credit balances	(4,280)	(4)
	(106,627)	(100)

**Long Term Sources of Finance****Shareholders' Equity**

Share Capital - Paid up	12,900	62
Reserves	7,932	38
	20,832	100

**Total Sources of Finance**

(85,795)

**c - Non-operational and Other Revenues and Expenses**

The decrease in "Non-operational" and "Other" Revenues during the year had amounted to ID Million (953), while the increase in "Non-operational and "other" expenses had amounted to ID (Million) 88.

Subject to what had been stated above, the increase in the surplus of Bank's operation for ID (Million) 8,761 was attained due to the following:-

	ID Million
Increase in revenues of current activities	14,874
Increase in expenses of current activities	(5,072)
Net increase in revenues of current activities	9,802
Decrease in "Non-operational" and "Other" revenues	(953)
Increase in "Non-operational" and "Other" expenses	(88)
	8,761

**Third Bank's Financial Position**

The balance of assets as of December 31<sup>st</sup> 2011 had decreased in comparison to what it was as of December 31<sup>st</sup> 2010 by ID (Million) 85,795, as indicated below:-



**Fourth - Provision for Devaluation in Value of Financial Investments**

In accordance with Iraq Stock of Exchange bulletin as of the last meeting held by The Exchange during the year 2011, the market value of the shares held within the portfolio of investments 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 2011 was increased by ID (Million) 1,844 during the year, in order to become ID (Million) 17,000.

**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 2011 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 "finance 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 had amounted to 37% 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, as those procedures were appropriate with the volume of the Bank's operations.
- (2) - The physical inventory count for both "fixed assets" and "cash in hand" were carried out by the Bank, and under our supervision, as the results of such count were in agreement with the concerned subsidiary ledgers, yet those assets were valued in accordance with the generally accepted standards, which were applied in previous years.
- (3) - The annual Management Report does reveal in a comprehensive manner the activities of Bank during the year under audit, as it does not contain any violations to current laws and legislation.
- (4) - The financial statements 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.

#### OPENION

Subject to what had been indicated above, the attached balance sheet does reflect the financial position of the Bank as of December 31st 2011, and the accounts for its operational results does reveals the profit of its operations during then ended.

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

Baghdad - February 23rd 2012





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

**Balance Sheet**  
**As Of December 31st 2011**

**STATEMENT ( A )**

<u>Account Code No.</u>	<u>December 31st</u>	
	<u>2011</u>	<u>2010</u>
	<u>ID (000)</u>	<u>ID (000)</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
18 Cash	457,387,463	571,822,356
15 Investments	185,465,080	129,539,147
14 Monetary Credits		
Discounted commercial instruments	4,124,042	18,275
Credits and advances	145,657,941	180,781,791
	149,781,983	180,800,066
16 Debtors and debit balances		
Contra debit balances	—	4,097,713
Debit balances	48,619,765	44,548,468
	48,619,765	48,646,181
	841,254,291	930,807,750
<b><u>Non-Current Assets</u></b>		
11& 12 Existing - at book value (after deduction of depreciation )	34,013,045	30,254,860
	875,267,336	961,062,610
<b><u>Off-Balance Sheet Items</u></b>		
19 Client's obligations toward banking operations ( after deductions of deposits)	629,135,774	705,649,971





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

**Balance Sheet**  
**As Of December 31st 2011**

**STATEMENT ( A )**

Account Code No.		December 31st	
		2011	2010
		ID (000)	ID (000)
<b><u>SOURCES OF FINANCE</u></b>			
<b><u>Short Terms Sources</u></b>			
25	Clients' current and deposit accounts	699,368,971	804,688,378
22	Provisions	21,523,368	18,551,012
26	Creditors and credit balances	14,755,157	19,035,305
		735,647,496	842,274,695
<b><u>Long Terms Sources</u></b>			
	Share Capital -Paid up	112,900,000	100,000,000
	Reserves	26,719,840	18,787,915
	Shareholders' Equity	139,619,840	118,787,915
		875,267,336	961,062,610
<b><u>Off Balance Sheet Items</u></b>			
	Bank's obligations towards the banking operations ( after deducting deposits)	629,135,774	705,649,971

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

Accounts Manager  
Ali Muhsin Al-Assady

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 23rd 2012





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

**Profit and Loss & Appropriation Account**  
**FOR THE YEAR ENDED DECEMBER 31st 2011**

**STATEMENT(B)**

<b>Account Code No.</b>	<b>Year Ended December 31st</b>	
	<b>2011</b>	<b>2010</b>
	<b>ID (000)</b>	<b>ID (000)</b>
<b>Revenues from current operations</b>		
43 Revenues from services activities	92,504	28,202
44 Revenues from operational activities	48,229,699	33,106,853
46 Revenues from investments	7,190,058	7,453,701
	<b>55,512,261</b>	<b>40,638,756</b>
<b>Deduct : Expenses of current operations</b>		
34 Banking operations' expenses	8,535,391	6,403,479
37 Depreciation and amortization	2,822,612	1,744,818
31-33 Administrative expenses	16,335,421	14,473,475
	<b>27,693,424</b>	<b>22,621,772</b>
<b>Profit from current operations</b>	<b>27,818,837</b>	<b>18,016,984</b>
<b>Add: Non-operational and Other Income</b>		
Non-Operational income	10,378	—
Other income	105,555	1,068,434
	<b>115,933</b>	<b>1,068,434</b>
<b>Less: Non-operational and Other Expenses</b>		
38 Non-Operational expenses	2,663,726	1,133,915
39 Other expenses	298,779	1,740,294
	<b>2,962,505</b>	<b>2,874,209</b>
<b>Pre-Tax Profit For The Year</b>	<b>24,972,265</b>	<b>16,211,209</b>
<b>To Be Distributed As Follows:</b>		
Provision for " Corporation Tax "	4,014,145	
Statutory Capital Reserve	1,047,906	
Retained Earnings	19,910,214	
	<b>24,972,265</b>	



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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31st 2011**

**STATEMENT( C )**

	<u>Year Ended December 31st</u>	
	<u>2011</u>	<u>2010</u>
	<u>ID (000)</u>	<u>ID (000)</u>
<b>Profit as per attached Statement (B) -</b>		
<b><u>Cash Flow from Operational Activities</u></b>		
Depreciation and amortization	2,822,612	1,744,818
Decrease in Debtors and debit balances	26,416	18,651,511
Increase in Clients' current saving accounts	105,319,407-	143,069,851
Increase in Creditors and credit balances	4,280,148-	5,660,351
Net Cash Flow From Operatinal Activities	106,750,527-	169,126,531
	81,778,262-	185,337,740
<b><u>Cash Flow from Investment Activities</u></b>		
(Increase) / Decrease in Investment	55,925,933-	33,659,222
Decrease /(Increase) in Monetary Credit	31,018,083	101,295,206-
Net increase in Non-Current Assets	5,677,497-	18,217,073-
(Increase) / Decrease in Projects under Construction	903,300-	725,956
Net Cash Flow From Investment Activities	31,488,647-	85,127,101-
<b><u>Cash Flow from Non-Operational Activities</u></b>		
Increase in Paid Up Share Caipal	12,900,000	15,000,000
Net Decrease in Reserves	13,026,195-	19,051,077-
Net Increase in Provisions	1,500,000	793,660
Settlement of Corporation Tax	2,541,789-	2,815,497-
Net Cash Flow From Non-Operational Activities	1,167,984-	6,072,914-
Net Cash Flow	114,434,893-	94,137,725
Add: balance of cash at beginning of the year	571,822,356	477,684,631
Cash balance as of year end	<b>457,387,463</b>	<b>571,822,356</b>