

# ANNUAL REPORT 2009-2010



## TABLE OF CONTENTS



Corporate Outline .....	2
Financial Highlights .....	4
Board of Directors .....	5
Chairman's Message .....	6

### Section 1: The Islamic Republic of Iran

Economic Outlook .....	8
Banking System .....	9
Agriculture Sector .....	11

### Section 2: Bank Keshavarzi

Profile .....	14
Mission .....	14
Vision .....	14
Organization Chart .....	15
Human Resources .....	16
Corporate Social Responsibility .....	17
Code of Ethics .....	17
Banking Services .....	18
E-banking .....	20
International Banking .....	21
International Membership .....	22
Operational Performance .....	23
Financial Performance .....	24
Main Affiliated Companies .....	25
Achievements and Accomplishments .....	26

### Section 3: Financial Statements

Excerpt of Auditors' Report .....	28
Financial Statements and Notes .....	29

Section 4: Abbreviations and Acronyms .....	44
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# CORPORATE OUTLINE

## Bank Keshavarzi

(Agriculture Bank of Iran)

**Date of Establishment:**  
June 11, 1933

**Number of Branches:**  
1,901 (By Year-end 2010)

**Number of Staff:**  
16,524 (By Year-end 2010)

**Chairman and Managing Director:**  
Dr. Mohammad Talebi

**Board Members:**  
Mr. Heshmatollah Nazari ;  
Mr. Davar Mahikar ;  
Dr. Habibollah Salami.

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The First General Assembly of Bank Keshavarzi (1933)

## Financial Highlights

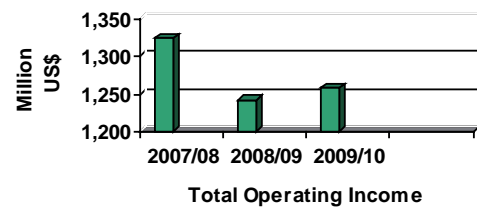
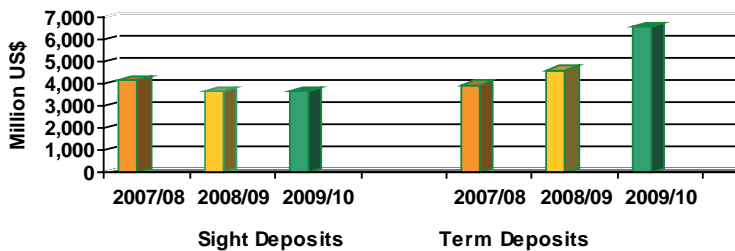
For more than 80 years, Bank Keshavarzi has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded in the sector.

### Balance Sheet Highlights (Million US Dollars<sup>1</sup>)

Item	2009/10 <sup>2</sup>	2008/09	2007/08
Assets	21,363	18,837	18,299
Liabilities	20,470	17,748	17,308
Sight Deposits	3,653	3,654	4,168
Long-term Investment Deposits <sup>3</sup>	6,598	4,633	3,949
Shareholders' Equity	893	901	991

### Income Statement Highlights (Million US Dollars)

Item	2009/10	2008/09	2007/08
Interest Income	854	966	993
Non-interest Income	404	311	331
Total Operating Income	1,258	1,242	1,324
Total Operating Expenses	1,262	1,222	1,300
Net Profit Before Taxation	6	4	24



1. Rial amounts have been converted to USD, for convenience only, at CBI reference rate used for revaluation purposes on the last day of Iranian financial year as USD1 equaling RIs. 9,834 (March 20, 2010), RIs. 9,717 (March 19, 2009) and RIs. 8,956 (March 19, 2008).

2. Financial year of Bank Keshavarzi (1388 Persian Calendar) corresponds to the period of March 20, 2009 to March 20, 2010.

3. Long-term investment deposits are equal with summation of short-term deposits (<one-year) and time deposits (one to five- year).

## Board of Directors



**Dr. Mohammad Talebi**  
President



**Mr. Heshmatollah Nazari**



**Mr. Davar Mahikar**



**Dr. Habibollah Salami**



## Chairman's Message

I am greatly honored to submit Bank Keshavarzi's 2009/10 annual report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during the aforementioned period.

Since the beginning of the new century, Bank Keshavarzi, as the only specialized entity in agriculture finance, has been focusing on development of a strategic plan aimed at promotion of the agriculture sector, creation of equal opportunities for those involved in agricultural activities, and realization of objectives anticipated in the National 20-year Development Plan.

Considering the coming outlook, relying on organizational soundness, and depending on staff's specialties and devotion, the bank is determined to elevate its role and achieve its objectives targeted in the bank's 7-year strategic plan and the staff's code of ethics. We do believe more than ever that the customers are always right, their satisfaction is the main reason of our existence and we have been honored to have the chance of offering services to them.

Expanding its interaction with entities and individuals in the agriculture sector, the bank, aiming to gain customers' satisfaction and increase the rate of service-offering in 2009/10, has been executing variety of schemes and plans such as branches' reconstruction and equipment.

An appropriate interaction between the bank and the parliament as well as government organizations has also provided the groundwork for more fund-raising and capital increase. In addition, the passage of "Productivity Promotion Act", furnished both the bank and the sector with ideal opportunities to make astonishing achievements. Within the given year, taking the initial steps required to establish an investment company, aimed at institutional development and supply of finance instruments required in the sector, is considered as one of the significant achievements of the bank.

The bank continued following the expansion of E-banking, as a strategic objective, so that it could implement and run one of the most pioneering E-banking systems in the banking industry of the country through development of services and systems such dashboard management, automated system of projects supervision, and the market terminal of agricultural products.

In regard to offering services to those involved in the agriculture sector in the reported year, Bank Keshavarzi has managed to grant credit facilities, worth RIs. 67,633 billion, to 1,349,727 individuals. It has also succeeded to raise funds, as much as RIs. 124,537 billion, indicating a 21 percent growth as compared with that of the preceding year. The increase in the financial strength of the bank will surely contribute to achieve the ultimate goal of the bank, i.e. development and expansion of agricultural activities.

In 2009/10, the bank's staff were honored to make many achievements, few of which include: being recognized as the "Superior Innovator" in Innovation Seminar, achieving the first ranking for its research projects from Scientific and Technological Department of Presidential Office, being awarded the "2009 ADFIAP Plaque of Merit" for its environmental development activities, and receiving the certificate of "Excellency in Suggestions Systems" in the 1<sup>st</sup> International Conference of Partnership Management.

As a final word, I would like to reiterate that all my colleagues are proud to have offered, making the best use of their specialties and experiences, a diverse collection of banking services and products in the aforementioned fiscal year. I am quite certain that our colleagues in Bank Keshavarzi will make appreciable stride toward upgrading the bank to the supreme position it deserves.

**Mohammad Talebi (PhD)**



# SECTION 1

## The Islamic Republic of Iran

- Economic Outlook
- Banking System
- Agriculture Sector





## Iran's Economic Outlook\*

After two and a half years from the start of the world financial crisis, unveiling its symptoms in the financial markets from mid-2007 and continuing in 2008 and early 2009, there are indications of improvement in the world economy from the end quarter of 2009. Since the early 2009, some industrially advanced economies have gradually started returning to their stable non-inflationary growth path.

In the given period, Iran was somewhat insulated from the global financial turmoil affecting the developed world and it was less affected by the first impacts of the crisis, in part because of the weak connections between Iranian institutions in capital and financial markets and their international counterparts. However, the delayed impacts of the global financial crisis gradually slowed down the trend of real sector developments.

The declines in prices of crude oil and other commodities as well as the raw materials were major transmission channels in affecting the Iranian economy in 2009/10 and affected macroeconomics performance of the country.

However, given the better climatic condition for agriculture sector and good performance of leading manufacturing sectors like petrochemical and car producing companies as well as the high growth of non-oil exports in 2009/10, it is expected that the Iranian economy has already turned around the low growth figure of 2008/09.

In 2009/10, Iran's average crude oil production, based on the production quota set by the OPEC, reached 3.6 mb/d. Average crude oil export fell to 2.1 mb/d, indicating a 13.3 percent decline. Nevertheless, oil products exports rose to 109 thousands b/d showing a 12.3 percent increase as compared with those in the previous year. The average spot price of Iran's crude oil declined by 14.2 percent, amounting to about US\$ 68.96 .

### Population and Employment

According to SCI estimates, Iran's total population reached 73.6 million persons in 2009/10, growing by 1.5 percent. Rate of urbanization in the report year increased to 71 percent in comparison with that of the previous year. In other words, 52.3 million persons dwelled in urban areas and the remainder in the rural areas.

A review of employment by the economic sector reveals that the number of employed persons amounted to 21 million persons in 2009/10, representing a 2.4 percent increase as compared with that of the preceding year. Out of the figure, the highest share belonged to services and the lowest to agriculture sectors, accounting for 47.4 and 20.8 respectively.

According to SCI, the 2009/10 unemployment rate was calculated as 11.9 percent, indicating a 1.5 percentage points rise as compared with the rate in the preceding year. The urban unemployment rate was also calculated as 13.5 percent, while the rate was estimated as 8.3 percent in rural areas, up by 1.5 and 1.1 percentage points respectively as compared with those of the year before. Male and female unemployment rates were 10.8 and 16.8 percent, representing 1.7 and 0.1 percentage points increase respectively.

In general, some important figures and indices related to Iran's economy outlook in 2009/10 are as follows:

#### Population and Labor Force (2009/10)

Population (mln)	Urban Population (mln)	Rural Population (mln)	Population Growth (%)	Population Density (per KM <sup>2</sup> )	Active Population (mln)	Unemployment Rate (%)
73.6	52.3	21.3	1.5	44.7	24.7	11.1

#### Tehran Stock Exchange (2009/10)

Share Price Index	Value of Shares Traded (Rls. bn)	Number of Shares Traded (Rls. mln)
9,258.4	18,113.4	12,613

\*. Source: CBI's Annual Report , 1388



## Value of Imports by Main Components (Million US Dollars)

			Percentage Change		Share (Percent)	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Grains	4,434	3,514	269.1	- 20.7	7.9	6.4
Gasoline and Gas Oil	4,081	5,379	3.4	31.8	7.3	9.7
Iron and Steel	9,307	8,146	5.7	- 12.5	16.6	14.8
Machinery and Transportation	19,171	17,984	16.2	- 6.2	34.2	32.6
Others	19,049	20,166	5.9	5.9	34.0	36.5
<b>Total</b>	<b>56,042</b>	<b>55,189</b>	<b>15.7</b>	<b>- 1.5</b>	<b>100.0</b>	<b>100.0</b>

## Value of Exports

			Percentage Change	
	2008/09	2009/10	2008/09	2009/10
Exports of Goods	101,289	87,534	3.7	- 13.6
Oil Exports	86,619	69,825	2.5	- 19.4
Customs	3,140	2,975	66.0	- 5.3
Non-oil Exports	14,670	17,709	11.5	20.7

## Iran's Banking System<sup>1</sup>

### Liquidity

The study of effective factors on 2009/10 liquidity, with a 23.9 percent growth (8 percentage point more than the preceding year's 15.9 percent), displays the growth of net foreign assets of the banking system as much as Rls. 121 trillion leading to a 6.4 percentage point rise in liquidity. Such an increase is believed to be caused by a Rls. 92.7 trillion rise in net foreign assets of CBI (with a 4.9 percent contribution to liquidity growth) and a Rls. 28.3 trillion increase in those of banks and credit institutions (with a 1.5 percent contribution to liquidity growth).

During the given period, the net domestic assets belonging to the banking system reached Rls. 333.6 trillion<sup>2</sup> and made the liquidity grow as much as 17.5 percentage points. The increase is largely due to: (1) the 15.9 percent rise in the non-public sector's indebtedness, and (2) the 101.6 percent claims on the government. These two factors account for 13.9 and 6 percentage points of liquidity growth respectively, representing 1.9 and 9.3 percentage points increase as compared with those in the preceding year. It is noteworthy that the net claims on the government have always been experiencing a negative growth in recent year, amounting to -22.4 and -90.7 percent in 2007/09 and 2008/09 respectively. The Rls. 57.7 trillion decline in the government's deposits with the CBI is the main reason for the increasing contribution of the net claims on the government to the liquidity growth.

### Non-public Sector Deposits

Balance of non-public sector deposits with banks and credit institutions amounted to Rls. 2,163 trillion in the end of 2009/10, representing a 24.1 percent increase relative to that of the year before. Due to changes in classification of banks resulting from privatization of four formerly state-owned banks (i.e. Bank Saderat Iran, Bank Mellat, Bank Tejarat, and Bank Refah), the share of banks and credit institutions out of the total non-public deposits reached 62.4 percent by end-2009/10, up by 38.6 percentage points as compared with that of the preceding year.

### Payment System

In 2009/10, the banking system's infrastructures needed for electronic payment and settlement went through changes and developments. Known as PAYA in Iran, the Automated Clearing House System, as the main infrastructure for inter-bank monetary clearing as well as individual and overall money orders processing, was put into operation in early 2010. Moreover, the administrative and operational arrangements were made to launch the Electronic Securities Settlement

1. Source: CBI's annual Report 1388.

2. Thousand Billion



System (named TABA in Iran), as the infrastructure needed for issuance and settlement of various electronic securities and one of the main components of National Comprehensive Payment System.

In addition, aimed at facilitating and standardizing the interbank and international transactions of Iranian banks, Iran Bank Account Number (SHEBA) was established and directed to domestic banks. Furthermore, some 107.5 million checks worth RIs. 7,852 trillion were channeled through the interbank clearinghouses in the given year.

#### Volume and Value of Transactions through Interbank Clearing House

	Volume (million)		Percentage Change	Value (Trillion Rials)		Percentage Change
	2008/09	2009/10		2008/09	2009/10	
Iran-checks Issued by Banks	305.4	0.5	-99.8	319.8	0.6	-99.8
Ordinary Checks	176.9	107.0	-39.5	8,149.4	7,851.5	-3.7
<b>Total</b>	<b>482.3</b>	<b>107.5</b>	<b>-77.7</b>	<b>8,469.2</b>	<b>7,852.0</b>	<b>-7.3</b>

Electronic payment instruments and equipment used in the banking system expanded significantly within 2009/10. Representing a 45.5 percent growth, the number of banking cards rose to 87.4 million, among which 77.4 percent (67.6 million) cards were issued as debit cards, 22.2 percent (19.4 million) as prepaid cards, and 0.5 percent (424 thousand) as credit cards. Moreover, about 12 thousand e-money cards were issued by banks by end year-2009/10.

#### Electronic Payment Instruments

	Year-end		Percentage Change
	2008/09	2009/10	
Bank cards (thousand)	60,078	87,425	45.5
ATMs	12,959	17,133	32.2
POSSs	763,938	1,147,602	50.2
Pin Pads	27,048	31,853	17.8

In 2009/10, the number of ATMs rose to 17,133, having a 32.2 percent growth. In addition, the number of Pin Pads and POSSs (more than one million) rose about 17.8 and 50.2 percent respectively, implying banks' favorable performance in expanding electronic payment devices.

#### Electronic Transactions

Within the year under report, along with the expansion of electronic payment technology and instruments, the banking transactions increased remarkably. The volume and value of interbank electronic transactions processed by the banking network grew by 78.7 and 127.9 percent respectively. Despite the high growth in the number of transactions processed through POSSs by 138.7 percent, the highest share in total electronic transactions, as much as 77.5 percent, belonged to those processed by ATMs. Pin Pads' transactions accounted for 12.8 percent, representing a surge as compared with the percentage (9.6 percent) in the year before. Due to extensive use of credit cards, prepaid cards and POSSs, it is expected that the POSSs' share would increase and the use of cash money would decline in the coming years.

The number of daily transactions through POSSs accelerated by 138.7 percent and reached 212 million in 2009/10 from 89 million in 2008/09, raising total value of POS transactions by 174.6 percent. Moreover, the number and value of Pin Pad transactions increased by 311.1 and 131.1 percent respectively relative to those in the previous year representing a rise in the use of payment instruments in daily operations conducted by the public.

#### SHETAB (Inter-bank Information Transfer Network)

The number Interbank transactions by ATMs and POSSs, accounting for a large portion of electronic transactions processed through the banking system and being executed by the Inter-bank Information Transfer Network (known as SHETAB in Iran), amounted to over 647 and 164 million in the year under study, increasing by 38.2 and 191.3 percent respectively. Further use of electronic payment instruments raised total SHETAB interbank transactions to 811.9 million, up by 128.4 percent to the net value of RIs. 73.6 trillion as compared with those of the year before.

In 2009/10, over 28.7 million transactions were settled by ATMs through Retail Funds Transfer System (known as



SAHAB in Iran), displaying a 244.5 percent growth as compared with that of the preceding year. Moreover, about 679 thousand transactions were settled via Pin Pads for interbank electronic transfer of funds through SAHAB. The number of transactions processed via the Internet for funds transfer increased 79.6 times in comparison with those in 2009/09, amounting to nearly 29.8 million interbank transactions worth Rls. 136.4 trillion. As regards the upward trend, it is expected that the retail funds transfer increases in the future and the use of interbank checks, Iran-checks and notes relatively decreases.

### SATNA

The positive trend of developing and extending customer-to-customer real time electronic payment services through RTGS by CBI and the banking network in 2009/10 created significant rise in the use of these services, in terms of volume and value, by 19.1 and 9 times respectively as compared with those in the previous year. Similar trends were experienced in bank-to-bank transactions, Inter-bank clearinghouse transactions and those processed through SHETAB, intraday liquidity facility, and transactions settled by CBI. Thus, the volume and value of total transactions reached 4.7 million and Rls. 7,701 trillion, up by 17.5 and 2.6 times respectively as compared with the figures in the preceding year.

## Iran's Agriculture Sector \*

Iran is mostly an arid and semi-arid country, with a sub-tropical climate along the Caspian coast. Thus, the country's agriculture sector is dependent on changes in rainfall, making the government endeavor to reduce such dependence through construction of dams, improvement of irrigation and drainage systems, etc. However, the sector enjoys many advantages, chief among which are wide spectrum of climatic conditions, rich resources and reserves such as renewable water, vast areas of forests and grasslands, diverse genetic reserves, low-cost labor force, and potentiality of exporting variety of agricultural products.

Today, the sector accounts for about 14 percent of the GDP, and employs nearly 23 percent of the workforce. It also provides 31 percent of total non-oil export and meets 94 percent of the food needs of the country, having significant impacts on the national economic indices.

### Farming Crops

Self-sufficiency in production of basic agricultural crops is one of the main objectives of the agriculture sector. The volume of cultivated products has been increasing in spite of decreases in the areas of lands under cultivation as well as draughts in the last few years, mostly, because the Ministry of Agriculture has been executing different programs, such as the Wheat and Rice self-sufficiency Plans, aimed at promotion of production level. Based on preliminary statistics, total cultivated products reached 47,140 thousand tones in 2009/10 from 39,161 thousand tones in 2008/09, indicating a 20 percent growth, among which the highest shares of growth go to production of barely and wheat with 122 and 69.4 percent respectively.

Production of Cultivated Crops during 2008/09 and 2009/10 (Thousand Tones)

Product	2008/09	2009/10	Growth Percentage
Wheat	7,957	13,485	69.4
Barley	1,547	3,446	122
Oil Seeds	522	442	- 15
Sugar Beet	1,829	2,041	11.5
Sugar Cane	3,097	3,035	- 2
Potatoes	4,707	4,108	- 12.7
Onions	1,849	1,521	- 17.7
Cereals	388	508	30
Fodder	15,081	16,310	8
<b>Total</b>	<b>36,977</b>	<b>44,896</b>	

\*. Source: Ministry of Agricultural Jihad



### Horticultural Crops

Following the reconstruction and reform measures to organize the domestic gardens and horticulture areas, the production of crops such as pistachio and olive has been rising in recent years. As seen in the following table, total production of main horticulture crops amounted from 8,490 thousand tones in 2008/09 to 9,359 thousand tones in 2009/10, representing a 10 percent growth. Among the horticulture crops, pistachio and olive have the highest growth percentage as 76 and 19 percent respectively.

**Production of Horticultural Crops during 2008/09 and 2009/10 (Thousand Tones)**

Product	2008/09	2009/10 Estimates	Growth Percentage
Apple	2,719	3,048	12
Citrus Fruits	4,025	4,481	11.3
Date	1,006	1,146	13
Pistachio	192	230	19
Nuts	379	233	- 38
Almond	127	146	14
Olive	42	75	76
<b>Total</b>	<b>8,490</b>	<b>9,359</b>	<b>10</b>

### Livestock and Poultry

Based on the policies and approaches adopted to realize self-sufficiency and to promote the production levels of various crops used in livestock and poultry sub-sector, the required crops, used in fodder industry, have adequately been produced. In addition, the funds, required for construction of livestock and poultry industrial complexes and purchase of machinery, have been raised. Consequently, the groundwork has been provided to escalate the sub-sector's production level. The following table displays that total livestock and poultry production, in 2009/10, mounted to 12,856 thousand tones from 11,974 thousand tones in 2008/09, indicating a 7.3 percent growth in comparison with that of the previous year.

**Livestock Products during 2008/09 and 2009/10 (Thousand Tones)**

Product	2008/09	2009/10	Growth Percentage
Red Meat	870	900	3.4
Milk	8,772	9,550	8
Poultry	1,565	1,610	2.8
Eggs	727	751	3.3
Honey	40.7	45	10.5
<b>Total</b>	<b>11,974.7</b>	<b>12,856</b>	<b>7.3</b>



## SECTION 2

### Bank Keshavarzi (Agriculture Bank of Iran)

- Profile
- Mission Statement
- Vision
- Organization Chart
- Human Resources
- Corporate Social Responsibility
- Code of Ethics
- Banking Services
- E-banking
- International Banking
- International Membership
- Operational Performance
- Financial Performance
- Main Affiliated Companies
- Achievements and Accomplishments



## Profile

Bank Keshavarzi, initially named “Agricultural and Industrial Bank of Iran” and then “Bank Keshavarzi”, was established in June 1933, following the merging of two specialized banks, i.e. “Agricultural Development Bank”, and “Iran Agricultural Cooperative Bank”. Bank Keshavarzi, as the only specialized financial institution to finance the agriculture sector, is now considered a pioneer bank in offering variety of banking services through 1866 branches nationwide. For the past decade, the bank has been successful in meeting its objectives, especially financing the agriculture sector through active participation in monetary and financial markets and relying on adequate resources mobilization.

**Chief among the fundamental and strategic objectives of the bank are as follows:**

- Granting credit facilities to improve rural living standards;
- Developing small industries in rural areas;
- Enhancing rural income levels;
- Boosting agricultural production;
- Strengthening the sector to reach self-sufficiency in production of agricultural crops and livestock products; and
- Escalating agricultural export.

The bank’s financial resources are mainly raised through equity capital; credit from CBI and other banks; variety of Qard-al-Hassanah savings accounts; state-owned, corporate, and individual checking accounts; and other sight and term deposits as well as collections.

## Mission Statement

The B.K. mission encompasses sustainably creating and offering distinctive banking services aimed at meeting customers’ needs and enhancing productivity for the public in general, and all those of organizations, economic enterprises, etc. involved in the agriculture sector and associated industries, in particular.

**The fundamental values the bank is determined to create are as follows:**

1. Respecting all customers as the main stakeholders of Bank Keshavarzi;
2. Dignifying the bank’s staff as professional, motivated and enthusiastic bankers;
3. Availing itself of new technologies to offer distinctive services;
4. Complying with the banking system based on Islamic Sha’ria Principles;
5. Relying on knowledge-orientation and knowledge-based management;
6. Achieving scientific and specialized credibility in the agriculture areas;
7. Gaining credibility in international arena.

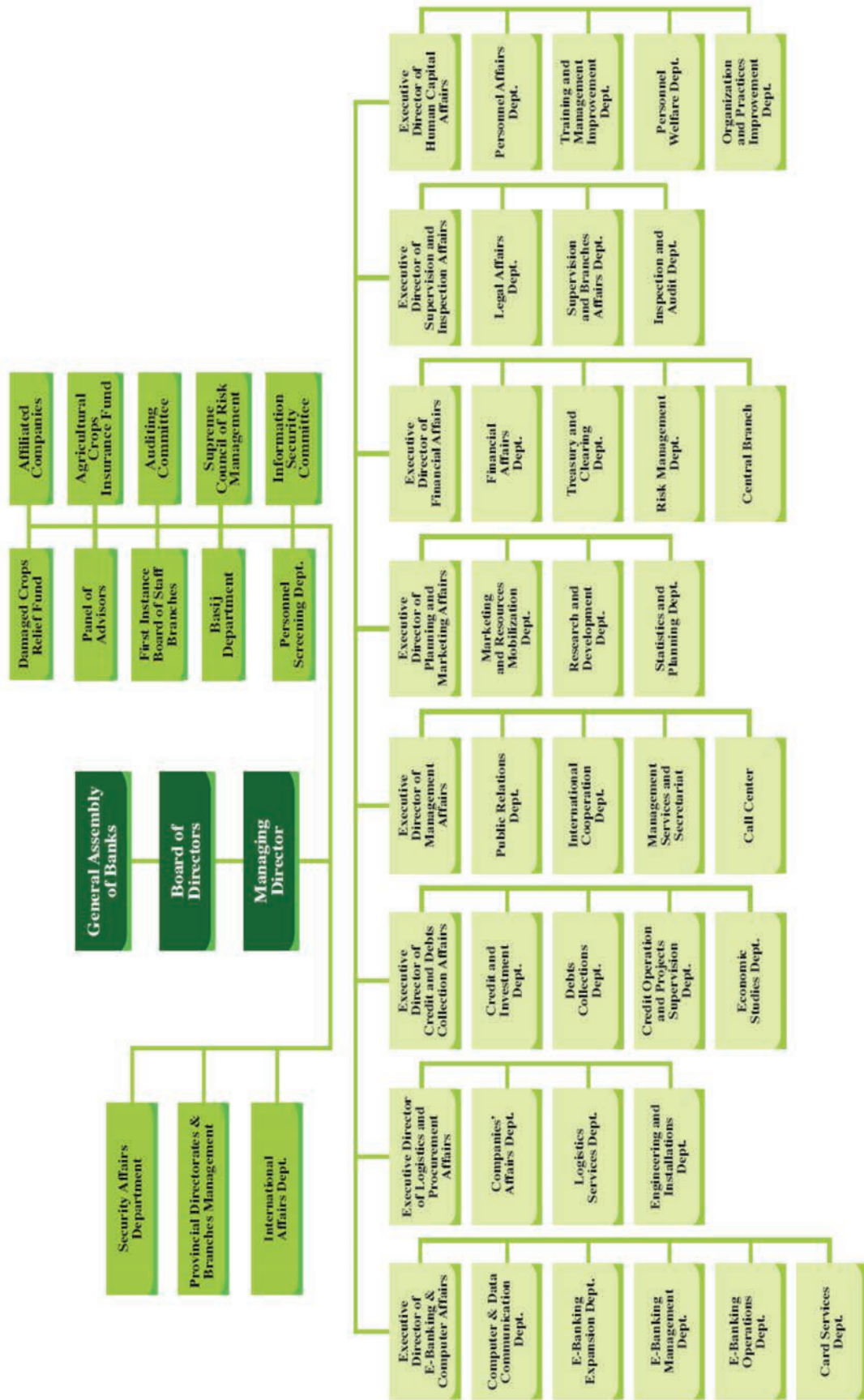
## Vision

Bank Keshavarzi is the prime specialized bank of the region, pioneer in innovation and utilization of new technologies in banking and financial services industry. Realizing its vision, Bank Keshavarzi avails itself of the following specifications:

- Facilitating the flow of internal and external financial resources into the agriculture sector having identified and institutionalized the needs and investment opportunities in the sector;
- Availing itself of diligent, motivated, highly-educated, trained, and expert staff, with good morals and bound to professional ethics, within international and modern banking sector;
- Pioneer in utilizing up-to-date technologies, and capable to offer new E-banking services in national and international arenas;
- Equipped with integrated, coordinated, harmonized, recognized, and fluent systems implemented and developed for the benefit of all stakeholders at required and internationally acceptable standards;
- Holding the largest market and customers shares among the specialized banks, ranked among the first four-top Iranian banks;
- Making constructive and effective interactions with international institutions and banks operative in overseas financial and monetary markets;
- Determined to comply with Islamic Sha’ria in banking operations and use novel Islamic banking instruments;



# Organization Chart



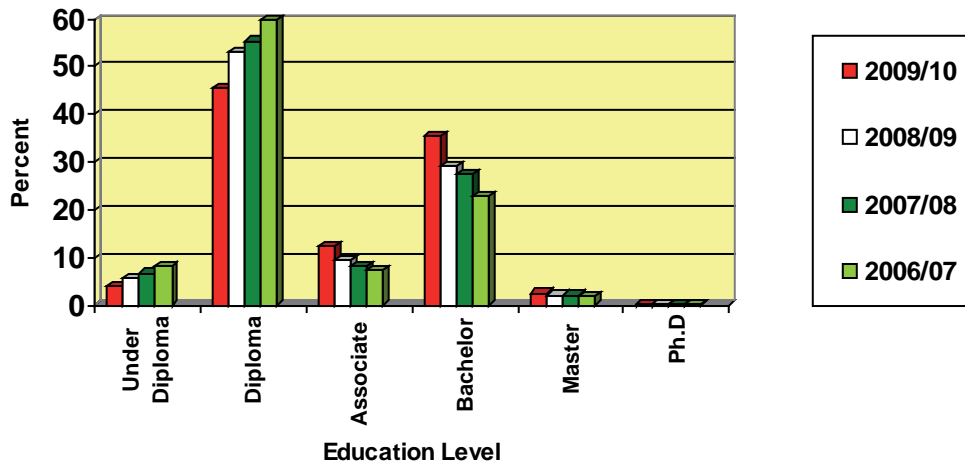
## Human Resources

Promotion of organizational productivity and prosperity cannot be assumed without being endowed with efficient staff and accurate planning. Required groundwork for the escalation of national and international status could be provided through professionalism of human resources, which would provide proportion and coordination between human resources and the management, as a process accounting for growing and maintaining the employees' motivation and boosting productivity.

Bank Keshavarzi, aimed at realizing its mission and meeting customers' expectations and needs, has been endeavoring to improve the procedures of human resources management including employment, training, remunerations and human relationships. By 2009/10 year-end, the bank was holding 17,988 approved organizational positions and 16,524 staff, indicating a 2.72 percent growth as compared with that of the year before (16,085).

Distribution of BK Staff Educational Levels

Year Level	2009/10		2008/09		2007/08		2006/07		2005/06	
	No.	%	No.	%	No.	%	No.	%	No.	%
Under-High School Diplomas	662	4.01	960	5.7	1,024	6.7	1,256	8	1,446	9.3
High School Diplomas	7,524	45.53	8538	53.1	8,832	55.4	9,388	59.8	9,720	62.5
Associate Diplomas	2,020	12.23	1,505	9.4	1,293	8.1	1,125	7.2	959	6.3
Bachelor's Degrees	5,857	35.45	4,683	29.3	4,380	27.4	3,591	22.9	3,082	19.8
Master's Degrees	409	2.48	348	2.2	332	2.1	291	1.8	281	1.8
Doctoral Degrees	50	0.3	51	0.3	51	0.3	54	0.3	52	0.3
<b>Total</b>	<b>16,524</b>	<b>100</b>	<b>15985</b>	<b>100</b>	<b>15,912</b>	<b>100</b>	<b>15,705</b>	<b>100</b>	<b>15,540</b>	<b>100</b>



Frequency of BK Staff's Years of Working Experience

Year Working Experience	2009/10		2008/09		2007/08		2006/07		2005/06	
	No.	%	No.	%	No.	%	No.	%	No.	%
Less than 5	3,350	20.3	3,770	23.3	3,620	23.1	3,223	18.6	4,895	31.5
5 to 10	3,371	20.4	3,334	20.5	3,432	21.9	3,554	22.1	3,129	20.2
10 to 15	2,839	17.2	3,901	24.4	3,380	21	3,689	23.5	2,636	17
15 to 20	2,775	16.8	2,730	17.1	2,635	16.4	2,872	18.3	3,116	20
20 and above	4,189	25.3	2,350	14.7	2,845	17.6	2,742	17.5	1,764	11.4
<b>Total</b>	<b>16,524</b>	<b>100</b>	<b>16,085</b>	<b>100</b>	<b>15,912</b>	<b>100</b>	<b>16,080</b>	<b>100</b>	<b>15,540</b>	<b>100</b>





## Corporate Social Responsibility

To perform its corporate social responsibilities and to conduct its development and poverty-alleviation schemes, the bank has implemented the following:

- Hazrat Zeynab Plan to support women-headed households;
- Iran Plan, a special program designed for Iranian women;
- Children and Youth Bank, aimed at promoting banking and savings attitude among Children and teenagers;
- Other support plans such as:
  - Financing SMEs projects;
  - Electrifying agricultural water wells aimed at reducing environment pollution;
  - Newly-released Prisoners Support Plan;
  - Iranian Women Savings Plan;
  - Rural Employment Development Fund;
  - Investment Guarantee Fund, aimed at covering collateral deficit.

## Code of Ethics

Emphasizing on observation of ethical principles at work, institutionalizing the socially anticipated working behavior and honoring the public and customers, Bank Keshavarzi's management developed the Code of Ethics. The code was communicated to all departments, units and branches of the bank as follows:

1. Respecting the public and customers and trying to meet their satisfaction as the foremost capital of the bank;
2. Observing discipline and order besides respectful treatment and courtesy toward the public and customers;
3. Avoiding discrimination and unfair treatments as for activities and affairs, aiming at sustaining esteem for people and customers;
4. Promoting the culture of endearment, accountability, and problem-solving as a dominant corporate value;
5. Observing honesty, trustfulness, and secrecy, as well as preserving customers' information;
6. Following rules of punctuality, responsibility, and decent attire as well as avoiding any excessive bureaucracy and time wasting;
7. Providing collective participation and organized teamwork to enhance precision, accuracy, and quality, and to increase operational speed;
8. Offering the best and the most up-to-date types of banking services, especially through updated



- e-banking technologies at global standard levels;
9. Utilizing the public and customers' useful comments, criticism, and proposals as a key opportunity for the bank;
  10. Endeavoring to meet customers' needs and expectations as a strategic opportunity to realize the bank's objectives;
  11. Demonstrating patience, humbleness, and good manner to keep tranquility and peace for customers in various atmospheres of the bank;
  12. Recognizing the values required by customers in all parts of the country and a comprehensive attempt to fulfill whatever required;



## Banking Services

Aimed at making further diversity in banking services and meeting the requirements of the agriculture sector and other sectors as well as the public, Bank Keshavarzi has endeavored extensively, in recent years, to expand and promote national and international banking services and gain customers' satisfaction. Furthermore, focusing on the importance of electronic banking, Bank Keshavarzi has been one of the first banks initiating the SHETAB Network, i.e. Inter-bank Information Transfer System, and ATM network of operating banks in Persian Gulf region.

The bank has also furnished a telephone operating system to provide customers with required accounts information. Bank Keshavarzi also took the initiative and established a 24/7 call center, titled Green Call Center, to answer enquiries made by customers, the public, those involved in agriculture sector and farmers, in particular. Moreover, for the first time in Iranian banking network, an electronic queuing system was installed

in Bank Keshavarzi's branches to reduce the number of people present in branches and more specifically, their irregular stance and crowding before the branches windows.

The plan to launch Youth and Children Branches is still considered as one of the successful channels of services delivery, aimed at teaching children and youngsters about banking and financial concepts, including saving attitude and financial management along with increasing the bankability of the target group.

Some of the diverse services of Bank Keshavarzi are outlined as follows:

- Variety of Qard-Al-Hassanah (interest-free) savings and checking accounts (Corporate and Individual);
- Term investment deposit accounts;
- Numerous types of financial facilities including:
  - Facilities funded by government and internal resources;
  - Facilities designed for privileged customers;
  - Qard-Al-Hassanah loans for rural women-headed households;
  - Qard-Al-Hassanah facilities for victims of natural disasters;
  - Foreign currency facilities;
  - Facilities for agriculture graduates;
  - Facilities for unemployed Individuals;
  - Financing projects aimed at elevation of rural employment;
- Distinctive banking and E-banking services through the Core-banking System (Mehr Gostar) for the first time in Iranian Banking Network;
- Internet Banking Services;
- Money Orders, inter-bank checks, certified checks, E-checks,...
- Mobile banking services in rural areas;
- Mehr Tele-banking System (Centralized Accounts Statement) and SMS System for accounts working balance;
- Overdraft facilities for checking accounts;
- Multi-purpose Mehr cards (ATM/POS/Debit cards, all in one account), multi-function cards such as Keshavarz (Farmer) Cards, Iran Cards, National Youth Cards, etc. and credit cards with different credit ceilings;
- Variety of international and forex services;
- Stock Brokerage Services;
- Kiosk Bank (ATMs installed in special kiosks, located in shopping malls, entertainment centers, etc.);
- Insurance coverage and supporting contributions by Agricultural Relief Fund and Agricultural Crops Insurance Fund;
- Consultation, projects appraisal, and supervision services;
- Special services and facilities for major customers such as:
  - Exemption from paying commissions and fees for money orders;
  - Bank Courier Plan: Offering services at customers' work places;
  - Priority in receiving credit facilities;
  - Priority in utilizing Golden Credit Cards;
  - Priority in utilizing the bank's vaults;
  - Direct Deposit services;
  - Facilities for corporate customers' employees such as underlying goods and car purchasing loans, house reconstruction loans, etc.

To name further modern plans and services, there are special plans developed, most aimed at achieving the microfinance objectives, few of which are outlined as follows:





- **Zainab<sup>1</sup> Plan**, designed for rural household-headed women in charge of managing their families' living conditions and environments. Since the outset of the plan in 2003, some 206,274 loans, to the value of RIs. 1,321,922 million, have been granted while 2008/09 Hazrat Zainab's loans amounted to RIs. 10,996 million.
- **Kowsar ( Hazrat Fatima<sup>2</sup>) Plan**, devised with the purpose of creating jobs for rural girls, orienting rural girls with banking operations, preventing their emigration from rural areas to cities, and promoting their social positions. The plan is now implemented in two provinces, namely Yazd and Zanzan, in which RIs.590 million and RIs. 1110 million has so far been disbursed to 59 and 111 applicants respectively.
- **Iran Plan**, developed exclusively for Iranian women, providing them with accessibility to required banking services, exemption from payment of fees and service charges for some services, etc. Since the outset of the plan in 2001, the bank's branches have granted RIs. 464,975 million through 126,412 applications, 3,317 of which were provided in 2009, to the value of RIs. 21,745 million.
- **Newly-released Prisoners Employment Plan**, initiated as one of the micro finance projects, in collaboration with Prisons Organization. Under the plan, financial facilities are granted at a credit ceiling up to RIs. 30 million to unemployed newly released prisoners with working potentials to prevent them from entering the poverty void cycle.
- **SMEs Plan**, fulfilled to develop and spread SMEs projects. Since the outset of the plan, the bank has loaned around RIs. 28625 billion to 174428 SMEs.



## E-banking

Development of E-commerce and provision of optimal services call for comprehensive E-banking

1. Sayyeda Zainab (s.a.), the daughter of Imam Ali (a.s.) and Sayyeda Fatima (s.a.), was an exemplary woman of great ability, intelligence, knowledge, insight, courage and perseverance. Her life was always laden with hardship, but she never feared coping with difficulties. This enhanced her endurance and elevated her soul.

2. Hadhrat Fatima<sup>(s.a)</sup>, the youngest daughter of the Blessed Prophet of Islam and Hadhrat Khadija<sup>(s.a)</sup> and Imam Ali<sup>(a.s.)</sup>'s wife. Her generosity and compassion for the poor was such that no destitute ever returned from her house unattended.

systems, which are expanding increasingly within credit and financial institutions all over the world. The system enables customers to have access to banking services and products in terms of information, communications and transactions.

To keep up with global changes in banking system, Bank Keshavarzi has been a pioneer to lay the groundwork for E-banking transactions and providing services through a core-banking system. By the end of 2008/09, the bank has taken effective initiatives such as:

- Furnishing all branches with the core-banking system (Mehr Gostar) to offer centralized and online banking services. The system provides many significant advantages such as:
  - Offering on-time, diverse and quality services to customers and the public;
  - Accessing one's account in branches all over the country;
  - Centralizing all branches' information;
  - Providing accurate information on all transactions and operations for the bank's managers and decision-makers;
  - Increasing the accuracy of reports and statistics;
  - Providing close supervision and control on branches' performance;
- Issuing various e-cards;
- Expanding and diversifying ATM services;
- Expanding POS services;
- Developing variety of Mehr Accounts: Qard-al-Hassanah, Savings, Checking, Short-term and Long-term Investment Deposit;
- Providing access to banking accounts' information through Bank Keshavarzi's website;
- Launching Telephone Banking and Mobile Banking Systems, through which the customers are provided with services and account information including real time account balance; summary of last three transactions; statement displaying the last 30 transactions (received through fax); status of issued checks; amount of profits deposited to the account; payment of bills; instant transfer of funds. etc.

**Beside the above-mentioned services, the bank has also taken the following measures to realize its E-banking objectives:**

- Installation of 1,372 ATMs;
- Establishment of eight 24-hour Information Centers
- Installation of 122,123 POSs in shopping centers, malls,...
- Issuance of 8,440,177 debit cards, credit cards, gift cards, ...

## International Banking

In order to diversify banking services and meet the foreign currency needs of entities and individuals involved in both commerce and agriculture sectors, Bank Keshavarzi, as one of the leading Iranian banks, has put enormous efforts into developing international banking services and provide its customers with all different banking services including import-export letters of credit, payment orders, collections, guarantees, etc.

**Some other foreign currency services and facilities of the bank are as follows:**

- Financing production and entrepreneurship projects, which are economically justified, out of the bank's resources or export finance facilities



including:

- Short-term and medium-term foreign currency finance funded by ECO credit line aiming at promotion of goods and services export and import among the non-member and member countries;
- Project finance funded from IDB credit line;
- Financing reconstruction and renovation projects of the textile industries offered by the Ministry of Industries and Mines.
- Foreign currency financing of hotels and tourism industry and other investment projects in the service sector;
- Promoting Iranian agricultural and other non-oil exports, with special focus on commodities, agro-industrial know-how and engineering services;
- Supporting trade centers in export markets of Central Asia and Caucasia;
- Executing investment projects in productive fields of industry in free-trade zones and special economic regions;
- Offering banking services through Mehr Card: Providing services through ATMs within Persian Gulf region;
- Providing customers with counseling services to facilitate international banking and investment operations;

The bank also issues Rial letters of guarantee against foreign currency guarantees in favor of its customers. In addition, it is geared up to issue performance bonds, advance payment guarantees, retention money guarantees, guarantees for international tender (tender bond) and counter guarantees for services and commodities exporters.

### 2009/10 Operation Figures

Bank Keshavarzi has presently expanded its branches offering International Banking Services up to 31, 12 of which are located in Tehran, the Capital city, and 19 in the other provinces. Moreover, in order to provide international banking services in line with Know-Your-Customer (KYC) and Anti-money Laundering (AML) rules and regulations, the bank proceeds to update international knowledge of its staff through holding/participating in seminars and training courses.

It is worth mentioning that in 2009/10, the volume of import letters of credit issued, involving 63 countries, amounted to USD 2,995 million, while the value of issued foreign currency guarantees reached around USD 40 million. FX-deals, done during the period under report, have been reported amounting to USD 3,362 million. Time deposits interest equaled USD 0.6 million as for borrowing, and USD 1.8 million as for placement. The bank's Forex branches have also been active in opening Qard-al-Hassanah (interest-free) savings, short-term deposits and checking accounts in 2009/10 aggregating to USD 13.5 million, USD 4.5 million and USD 0.6 million respectively.

The operational income of the international division and its 31 branches (143 employees) in the reported year amounted to USD 87.7 million in turn with an increase of 0.04 percent, while their operational costs totaled USD 1.4 million with an 82.53 percent increase.

In general, within the 2009/10 period, operational gross profit in the international section was estimated as for USD 86.4 million, indicating a 8.01 percent growth.

## International Membership

Aimed at exchanging technical expertise, keeping abreast of the latest financial and banking developments, elevating the bank's global status, and promoting its prominent presence in international events to display Bank Keshavarzi's capabilities and potentialities, the bank has been focusing on strengthening of mutual ties with international communities by obtaining official membership in the following associations:



- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Confederation Internationale Du Credit Agricole (CICA)
- Islamic Financial Services Board (IFSB)
- Association of National Development Finance Institutions in Member Countries of Islamic Development Bank (ADFIMI)
- Near East and North Africa Regional Agricultural Credit Association (NENARACA)
- Federation of Afro-Asian insurers and Reinsures (FAIR)
- International Public Relations Association (IPRA)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) (Honorary Membership)
- General Council for Islamic Banks and Financial Institutions (GCIBFI) (Honorary Membership)

In addition, the bank, owning shares of stock in some international corporations, has established close interaction and cooperation with many international organizations, such as:

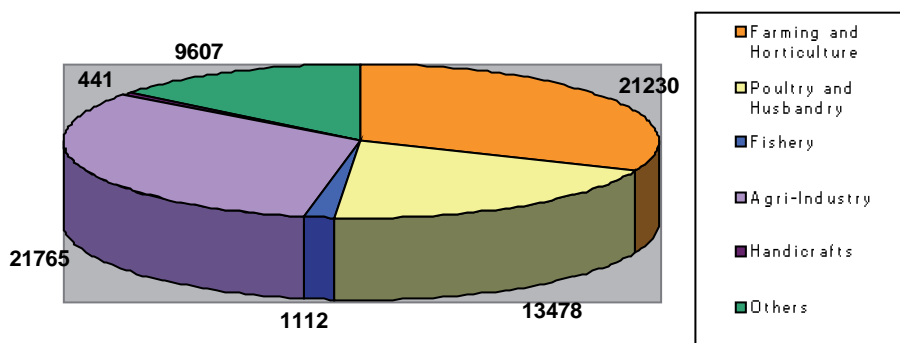
- Islamic Development Bank (IDB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- International Islamic Trade Finance Corporation (ITFC)

## Operational Performance

In 2008/09, Bank Keshavarzi managed to facilitate the growth of GDP and enrichment of the agriculture sector through creating mobility in the sector arising from granting more credit facilities to individuals and businesses. In the year under report, the total amount of facilities extended to by the bank to public and non-public agriculture sectors equaled RIs. 67.6 trillion, indicating a 9 percent decline as compared with that of the previous year. Of total credit supplied, some RIs. 51.02 trillion (75.4 percent) was funded from non-statutory resources and some RIs. 9.25 trillion from administered ones, showing a 27.4 percent decrease and a 318 percent increase respectively, relative to those of the preceding year. The average of facilities granted per individual, equaled RIs. 50 million, indicating a 21 percent growth, in comparison with that of the preceding year. The following table displays the amount of Bank Keshavarzi's facilities granted to different sub-sectors:

Breakdown of Facilities Granted to Agricultural Sub-sectors in 2009/10

Sub-sector	Total Facilities (Billion Rials)	Share (%)
Farming and Horticulture	21,230	31.4
Poultry and Animal Husbandry	13,478	19.9
Fishery and shrimp Farming	1,112	1.6
Agricultural Industries and Services	21,765	32.2
Handicrafts and Carpet-weaving	441	0.7
Other Agricultural Activities	9,607	14.2
<b>Total</b>	<b>67,633</b>	<b>100</b>



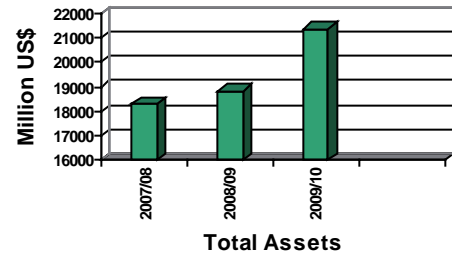
## Financial Facilities Extended by BK through Islamic Contracts (Billion Rials)

	2009/10	Share (%) 2009/10	2008/09	Share (%) 2008/09
Qard-al-Hassanah	4,741	7	2,252	3
Installment Sale	27,511	40.7	45,635	61.2
Forward Transactions	6,685	9.9	6,689	9.1
Jo'aleh	287	0.4	1,901	2.6
Mudharabah	6,708	9.9	5,938	8
Civil Partnership	21,573	31.9	11,884	16
Hire Purchase	128	0.2	94	0.1
<b>Total</b>	<b>67,633</b>	<b>100</b>	<b>74,493</b>	<b>100</b>

## Financial Performance

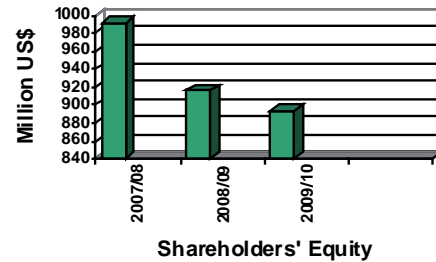
## Total Assets

By the end of 2009/10, Bank Keshavarzi's total assets rose from Rials 181,210 billion (US\$ 18,837 million) in 2008/09 to Rials 210,087 billion (US\$ 21,363 million), showing a 14.7 percent growth, mostly due to an increase in financial facilities granted to the private sector.



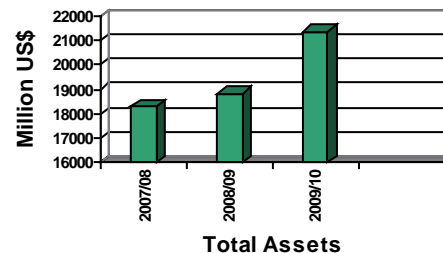
## Shareholders' Equity

Shareholders' equity of the bank, with a -1.26 percent change, amounted to Rials 8,786 billion (US\$ 893 million) by the end of 2009/10 from Rials 8,898 billion (US\$ 916 million) in the preceding year, mainly as a result of an increase in the bank's retained earnings as well as making prior year's adjustments.



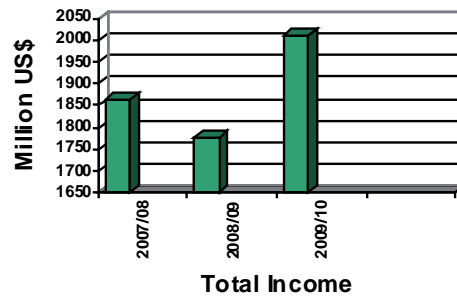
## Total Liabilities

Bank Keshavarzi's liabilities increased by 15.6 percent from Rials 172,459 billion (US\$ 17,748 million) in 2008/09 to Rials 201,301 billion (US\$ 20,470 million) by the end of 2009/10, largely because of growth in different types of deposits with the bank.



**Total Income**

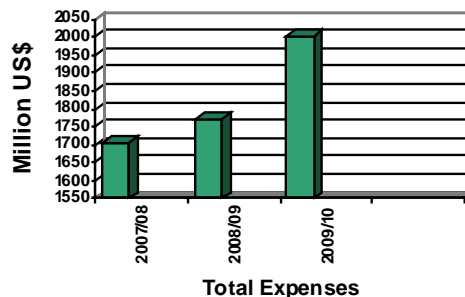
Bank Keshavarzi's total income grew from Rials 17,267 billion (US\$ 1,777 million) to Rials 19,768 billion (US\$ 2,010 million) in 2009/10, indicating a 14.5 percent growth, mostly because of an uplift in interest income earned out of granted financial facilities during the given year.



**Total Income**

**Total Expenses**

Bank Keshavarzi's total expenses rose by 14.4 percent increasing from Rials 17,230 billion (US\$ 1,773 million) in 2008/09 to Rials 19,709 billion (2,004million) in 2009/10. Such a rise in expenses is believed to be largely due to an increase in general and administrative expenses.



**Total Expenses**

As regards the above-mentioned improvements, the key ratios represent the financial health and strength of Bank Keshavarzi. The Return on Investment ratio (0.03 percent) has also increased, displaying not only higher profitability, but also higher efficiency in utilizing resources and assets. Moreover, the 4.18 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.

**Main Affiliated Companies**

**Agricultural Products Insurance Fund**

Since September 1983, the fund, aimed at enhancing production yields and promoting more qualified management of manufacturing units, has upgraded the farmers' lives and livestock breeders' level of income. The major task of the insurance fund is to advocate production of different sectors and sub-sectors including crop farming; horticulture; aquaculture; livestock raising as well as poultry, honeybees, and silk worm farming.

**Relief Fund for Damaged-incurred Agricultural Producers**

The fund was established to help livestock breeders and crops producers suffering from natural disasters and more significantly, to provide facilities for sustainability of production activities. In recent years, when agricultural sector has been exposed to loss and damage due to drought, some allocatios of the incurred loss have been compensated through the fund.

**Agricultural Lands Development Company (Land Bank)**

Land Bank was founded in 1992 to conduct a part of deposits directly to agricultural development activities. Establishment and development of land; performing detailed designs for optimum exploitation; preparing executive plans for land rehabilitation and modernization; construction of animal husbandry, fishery and shrimp farming complexes; and support of processing and complementary industries are among the main responsibilities of the bank.

**Stock Brokerage Firm**

The main activities of Bank Keshavarzi Stock Brokerage Firm, registered in 1993, are as follows:





Subscribing securities; Trading listed securities; Managing investments on behalf of individuals; Offering counseling services to investors in terms of financial management and systems, etc.

### **Mehr Exchange Company**

The company is engaged in foreign currencies exchange, spot transactions, bills of exchange, gold and silver coins, and any kind of foreign exchange operations.

### **Mehr Insurance Company**

The company furnishes the insured with all-risk insurance coverage, chief among them are life insurance, debit balance insurance, fire insurance for buildings, and insurance coverage for installations and machinery of projects.

### **Islamic Development Cooperation and Regional Investment Bank (IDRB)**

IDRB has been established through joint investment of Bank Keshavarzi and other shareholders. Having branches in Baghdad, Najaf, and Karbala, Soleimanie, Basra, and Erbil, the bank offers almost all banking services such as savings, checking, short-term and long-term accounts; granting financial facilities through Islamic contracts; Forex services; DCs and L/Gs services; etc. to the interested customers and the pilgrims.

## **Innovations, Accomplishments and Achievements**

### **An outline of Bank Keshavarzi's accomplishments is as follows:**

- Installation of a Core Banking System (Mehr Gostar) for the first time in the banking network;
- Development and expansion of Quality Management System throughout the bank;
- Constant reengineering of business practices and procedures, as well as organizational flexibility;
- Concentration on human resources (training, empowerment, and arrangement of customer-orientation workshops);
- Utilizing the latest findings and achievements in marketing;
- Implementation of Customers Relationship Management (CRM) strategy;
- The first 24/7 Call Center;
- Electronic Queuing System for branches' customers;
- Voice mail and communication terminal between customers and Bank Keshavarzi's senior administrators;
- Lobby Tellers Plan;
- Bank Keshavarzi's Courier Plan
- Children and Youth Bank;
- Supervision on branches affairs via customers and the bank's staff;

### **Given the foregoing developments, Bank Keshavarzi has been:**

- recognized as "The Best Bank of Iran" in 2003, 2004, 2005 and 2006 for four consecutive years by "The Banker" magazine;
- recognized as "Iran's Bank of the Year 2005" by Euromoney;
- awarded ISO 9001:2001 for implementing the Quality Management System;
- awarded "2008 ADFIAP 1<sup>st</sup> Winner Trophy" for its Finance-led Poverty Alleviation Projects, namely "Hazrat Zeynab Project: Qard-al-Hassanah Funds for Poverty Alleviation of Rural women-headed Households in Iran";
- awarded "2009 ADFIAP Plaque of Merit" for environmental development in recognition of the development impacts of "Tooba Plan"
- acknowledged as a commendable organization at Shahid Rajaei National Festival for 3 consecutive years;
- awarded the 1<sup>st</sup> prize at the 2<sup>nd</sup> Festival of Accountability and Services;

# SECTION 3

## Financial Statements and Notes

- Excerpt of Auditors' Report
- Financial Statements



## Excerpt of Auditors' Report

### Independent Auditors' Report to the General Assembly of Banks and Bank Keshavarzi's Shareholders:

Bank Keshavarzi Balance Sheet, Profit and Loss Statement, and Cash Flow statements as well as explanatory notes for the financial year ending March 20, 2010 have been audited by State Audit Organization (SAO). Bank Keshavarzi's Board of Directors shall be responsible for preparation and fair presentation of the financial statements under the accounting policies, laws and standards set out therein and requirements of related rules and regulations. Our responsibility is to audit the financial statements in accordance with applicable laws and auditing standards. We, the auditors, shall also be responsible to express an independent opinion on the afore-said financial statements based on the performed audit and to report cases of non-compliance with the legal requirements of the Amended Commercial Code, Banking and Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.

We hereby report our opinion as to whether the financial statements provide a true and fair view and whether the financial statements have been properly prepared in accordance with the above-mentioned legal references.

In addition, we report if, in our opinion, the bank does not keep proper accounting records, if we are not provided with all information we require to conduct the audit, or in case the information regarding any transaction is not disclosed.

We planned and performed our audit to obtain all the information and explanations, which we consider necessary in order to provide us with sufficient evidences to give reasonable assurance that the financial statements to be audited are free from any significant distortion, material misstatement, irregularity or error. The audit included random checks of evidences and documents supporting the figures in the financial statements. It also encompassed evaluation of accounting policies and conventions used, assessments made by the board of directors and inspection of the overall accounts presented. SAO believes that the performed audit produced a reasonable base of opinion on the financial statements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### In our opinion:

- The Financial Statements represent a true and fair view, in accordance with the Amended Commercial Code, Banking and Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.
- The financial statements have been properly prepared in accordance with the above-mentioned laws, regulation and standards.
- We have examined the Board of Directors' report, prepared for presentation to the General Assembly. In the course of audit, we have not noticed any material difference between the content of said report and the documents provided by the Board of Directors.
- The report on compliance of Bank Keshavarzi operations with approved budget for the year ending March 20, 2010 has been audited and examined by SAO. Although some of the auditors' information needs are not met, no significant discrepancy has been detected regarding the compliance of the Board of Directors' Report with the approved budget and the presented financial records.
- We have not found any evidence for non-compliance of the transactions with prevailing business procedures in operations of the Bank.

We appreciate the assistance provided by the staff and management of Bank Keshavarzi during the conduct of our audit.

**July 11, 2010**

**State Audit Organization**



## Bank Keshavarzi of Iran

### Balance Sheet

	Note	March 20, 2010		March 20, 2009 <sup>3</sup>	
		mIn IRR	mIn USD	mIn IRR	mIn USD
<b>ASSETS</b>					
Cash and Bank	5	1,564,413	159.08	1,859,707	191.4
Claims on CBI	6	9,328,101	948.56	7,412,356	762.82
Claims on Banks and Credit Institutions	7	8,266,566	840.61	8,136,095	837.3
Claims on Government	8	5,323,809	541.37	4,720,271	485.77
Granted Loans and Claims on Public Sector	9	4,064,771	413.34	1,134,146	116.7
Granted Loans and Claims on Non-public Sector	10	132,668,082	13,490.75	119,111,676	12,258.07
Debtors for Deferred DCs	11	8,686,375	883.3	4,749,503	488.78
Partnership Bonds	12	497,882	50.63	978,582	100.71
Investments and Partnerships	13	689,570	70.12	683,219	70.31
Fixed Assets	14	8,525,944	866.99	8,222,581	846.2
Other Assets	15	30,472,105	3,098.65	24,202,321	2,502.71
<b>Total Assets</b>		<b>210,087,618</b>	<b>21,363.39</b>	<b>181,210,457</b>	<b>18,660.77</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
Due to CBI	17	40,073,936	4075.04	41,602,416	4,281.4
Due to Banks and Credit Institutions	18	9,967,005	1,013.53	7,295,155	750.76
Sight Deposits	19	35,927,487	3,653.4	35,506,301	3,654.04
Savings Deposits	20	23,321,311	2,371.5	22,136,404	2,278.11
Term Investment Deposits	21	64,881,366	6,597.66	45,018,071	4,632.92
Other Deposits	22	407,083	41.4	335,920	34.57
Partnerships Bonds of In-progress Projects	23	4,511	0.46	10,740	1.11
Other Liabilities and Provisions	24	15,989,004	1,625.9	13,800,738	1,420.27
Due to Foreign Banks	25	8,766,895	891.49	4,848,620	498.98
Cash in Transit <sup>4</sup>	16	1,962,416	199.55	1,904,937	196.04
<b>Total Liabilities</b>		<b>201,301,014</b>	<b>20,469.9</b>	<b>172,459,302</b>	<b>17,748.20</b>
<b>SHAREHOLDERS' EQUITY</b>					
Capital	26	8,021,118	815.65	8,021,118	825.47
Reserves	26	705,090	71.7	696,154	71.64
Retained Earnings		60,396	6.14	33,883	3.49
<b>Total Shareholders' Equity</b>		<b>8,886,604</b>	<b>893.49</b>	<b>8,751,155</b>	<b>900.6</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>210,087,618</b>	<b>21,363.39</b>	<b>181,210,457</b>	<b>18,660.77</b>



## Income Statement

	Note	March 20, 2010		March 20, 2009	
		mln IRR	mln USD	mln IRR	mln USD
<b>Income from Joint Investment:</b>					
Profit <sup>6</sup> and Penalties	27	15,698,562	1,596.36	14,465,527	1,488.68
Other Incomes	28	96,265	9.79	85,242	8.77
<b>Sub-total</b>		<b>15,794,827</b>	<b>1,606.15</b>	<b>14,550,769</b>	<b>1,497.45</b>
Minus:					
Depositors' Profit Share	29	(6,817,115)	(693.22)	(4,818,429)	(495.88)
Surplus Profit Paid to Depositors	29	(576,959)	58.67	(345,285)	(35.53)
<b>Net Profit Paid to Depositors</b>		<b>(7,394,074)</b>	<b>(751.89)</b>	<b>(5,163,714)</b>	<b>(531.41)</b>
<b>Bank's Profit</b>		<b>8,400,753</b>	<b>854.26</b>	<b>9,387,055</b>	<b>863.13</b>
<b>Income from Own Investment:</b>					
Profit and Penalties	30	328,693	33.42	290,206	29.87
Fees and Commissions	31	3,258,290	331.33	2,595,193	267.08
Other Income	32	386,235	39.28	142,618	14.68
<b>Sub-total</b>		<b>3,973,218</b>	<b>404.03</b>	<b>3,028,017</b>	<b>311.62</b>
<b>Total Operating Income</b>		<b>12,373,971</b>	<b>1,258.29</b>	<b>12,415,072</b>	<b>1,277.67</b>
<b>Expenses</b>					
Profit Paid (excluding Depositors <sup>7</sup> )	33	(3,446,528)	(350.47)	(2,349,991)	(241.84)
Fees & Commissions Paid	34	(212,521)	(21.61)	(295,330)	(30.39)
General Expenses	35	(8,006,156)	(814.13)	(8,726,497)	(898.6)
Other Expenses	36	(649,847)	(66.08)	(508,249)	(52.31)
<b>Total Operating Expenses</b>		<b>(12,315,052)</b>	<b>(1,252.29)</b>	<b>(11,880,112)</b>	<b>(1,222.61)</b>
<b>Profit before Tax</b>		<b>58,919</b>	<b>5.99</b>	<b>534,960</b>	<b>55.05</b>
Tax		-	-	-	-
<b>Net Profit</b>		<b>58,919</b>	<b>5.99</b>	<b>534,960</b>	<b>55.05</b>

## Retained Earnings Statement

	Note	March 20, 2010		March 20, 2009	
		mln IRR	mln USD	mln IRR	mln USD
Net Profit		58,919	5.99	534,960	55.05
Beginning Year Retained Earnings		181,069	18.41	(450,237)	46.33
Prior Year Adjustments	35	(147,186)	(14.97)	(30,378)	(3.13)
Beginning Earnings after Adjustments		<b>33,883</b>	<b>3.45</b>	<b>(480,615)</b>	<b>(49.46)</b>
<b>Allocable Profit</b>		<b>92,802</b>	<b>9.44</b>	<b>54,345</b>	<b>5.59</b>
Minus:					
Required Reserve		(8,838)	0.9	(5,530)	0.57
Profit Payable to Government		(23,568)	2.4	(14,748)	1.52
<b>End-year Closing Retained Earnings</b>		<b>60,396</b>	<b>6.14</b>	<b>33,883</b>	<b>3.49</b>



## Cash Flow Statement

	Note	March 20, 2010				March 20, 2009	
		mln IRR	mln USD	mln IRR	mln USD	mln IRR	mln USD
<b>Net Cash Flow from Operating Activities</b>	38			<b>2,902,990</b>	<b>295.2</b>	<b>(6,698,619)</b>	<b>689.37</b>
<b>Investments Return and Profit Paid for Financing Activities</b>							
Dividend Received	27	35,701	3.63			33,364	3.43
Partnership Bonds Profit	27	100,151	10.18			267,596	27.54
<b>Net Cash Flow from Investments and Profit Paid for Financing Activities</b>				<b>(3,310,676)</b>	<b>336.66</b>	<b>(2,049,031)</b>	<b>210.87</b>
<b>Income Tax</b>							
Income Tax Paid				(420,874)	(42.8)	(667,790)	(68.72)
40% Profit Re. Budget Act				(23,568)	(2.4)	(14,932)	(1.54)
<b>Investment Activities</b>							
Purchase of Direct Investments and Legal Partnerships						55,303	5.69
Disposal of Investments and Legal Partnerships		28,334	(2.88)			(3,306)	(0.34)
Purchase of Tangible Fixed Assets	13	(588,779)	(59.87)			(656,427)	(67.55)
Disposal of Tangible Fixed Assets	30	21,585	(2.73)			26,497	(2.73)
<b>Net Cash Inflow from Investment Activities</b>				<b>(538,860)</b>	<b>(54.8)</b>	<b>(577,933)</b>	<b>(59.48)</b>
<b>Net Cash Inflow before Financing Activities</b>				<b>(1,390,988)</b>	<b>141.45</b>	<b>(10,008,305)</b>	<b>1,029.98</b>
<b>Financing Activities</b>							
Facilities Received from Banks		839,599				13,322,400	
<b>Net Cash Inflow from Financing Activities</b>				<b>839,599</b>		<b>13,322,400</b>	
<b>Net Cash Inflow</b>				<b>(551,389)</b>	<b>56.07</b>	<b>3,314,095</b>	<b>341.06</b>
Profit from Revaluation of FC Cash				215,388	(21.9)	(40,570)	(4.18)
<b>Net Cash Increase</b>	39			<b>(336,001)</b>	<b>34.17</b>	<b>3,273,525</b>	<b>336.89</b>
Beginning Cash Balance				6,639,622	675.17	3,366,097	346.41
<b>End-year Closing Cash Balance</b>				<b>6,303,621</b>	<b>641</b>	<b>6,639,622</b>	<b>683.3</b>

### Notes to the Financial Statements

#### 1. History

##### 1.1. General

Bank Keshavarzi was registered on December 20, 1979 under number 37596 in Companies Registration Organization.

##### 1.2. Scope of Business

The Bank's main field of Activity is banking which is conducted according to Bank Keshavarzi's articles of association as well as national financial and monetary rules and regulations.



## 2. Basis for Preparation

The financial statements have been prepared based on the historical cost convention in accordance with prevailing generally accepted accounting principles, along with monetary and banking regulations. If necessary, current values have also been taken into account.

## 3. Basis to set joint profit on depositors' share

Subject to '1983 Usury-Free Banking Law', supplementary regulations and instructions, as well as CBI amendment circular No. 22243, incomes earned out of granted financial facilities, investment in stock exchange and partnership bonds, to be recognized through the bank's accounting procedures, will be treated as joint earnings with depositors whose share will be determined proportionate to utilization of their net resources in afore-said operations.

## 4. Significant Accounting Policies and Procedures

### 4.1. Investments

- Current and highly-liquid investments, recorded in the bank's and affiliated companies' financial statements, would be evaluated at the least cost price. Net sale value of total investments and other current ones, represented in the bank's and affiliated companies' financial statements, would individually be evaluated at the least cost price and net sale value of each investment.
- The profit of investment in subsidiaries and affiliated companies, stated in the bank's financial statements, is recognized upon approval by the shareholders' GA of investee companies (by the time of financial statements approval).
- The profit of investments, current or long-term, is recognized upon approval by the shareholders' GA of investee companies.

### 4.2. Tangible Fixed Assets

Tangible fixed assets are recorded at the cost price in accounts. Substantial repairs and renovation expenses, which significantly increase the capacity or service life of fixed assets or improve their outcome quality, are considered as capital expenses, to be depreciated over the remaining service life. Maintenance and minor repairs expenses, incurred aimed at preservation and renovation of expected economic resources, are considered as current expenses at the time of realization and are displayed under profit and loss account. The bank's real estate properties and buildings, following the article 62 of the 3<sup>rd</sup> FYDP, have been recorded at the revaluation price.

With respect to decree 1077, issued by Money and Credit Council (MCC), depreciation of fixed assets are calculated based on depreciation schedule pursuant to article 151 of Direct Taxation Act as below:

#### Depreciation Calculation Method

Assets	Depreciation Rate	Depreciation Method
Buildings & Equipment	7%	Declining - Balance
Motor Vehicles	25%, 35%, 30%	Declining - Balance
Fixtures & Computer Hardware	10 years	Straight line
P.C Hardware	5 years	Straight line
P.C Software	5 years	Straight line

### 4.3. Income recognition

Income earned out of financial facilities, granted based on Islamic Banking Principles and subject to MCC's resolution, is recognized using cash method. Thereafter, almost all of the bank's income has been calculated and represented in financial statements based on accrual method and in accordance with accounting standards.



#### 4.4. Exchange Rate

##### 4.4.1. Foreign Currency Transactions

Foreign currency monetary items, on the balance sheet date (inter-bank reference rate announced daily by CBI) and foreign currency non-monetary items are revaluated at the market exchange rate prevailing on transaction date. The differences arising from settlement or revaluation of foreign currency monetary items are recognized as income and expense of occurrence period.

##### 4.4.2. Provision for Bad Debts

The provision for bad debts is calculated and recorded in accounts in accordance with MCC's resolutions.

Specific Provision is calculated as follows:

- Overdue Debts: 10%
- Deferred Debts: 20%
- Bad Debts: 50 to 100%
- Advances overdue for 5 years or more( including principal + interest): 100%

##### 4.5. Provision for Work Termination Benefit

Provision for employees' termination benefits is calculated and recorded based on each employee's most recent monthly base salary for each year of employment.

##### 4.6. Due from Government

Mandatory granted facilities, guaranteed by the Planning and Management Organization, are as follows:

- Granted facilities due to the inability of the borrowed to repay, insufficient collateral and the inability of the bank to collect the debts;
- Granted facilities related to execution of projects for capital assets possession;
- Granted facilities to ministries and governmental institutions;

#### 5. Cash and Balances with Banks

mIn IRR	March 20, 2010	March 20, 2009
Cash	1,033,869	1,022,670
CBI's Iran Checks	502,233	797,818
FC Cash	28,311	39,219
<b>Total</b>	<b>1,564,413</b>	<b>1,859,707</b>

#### 6. Due from CBI

mIn Rials	March 20, 2010	March 20, 2009
Required Reserve	9,733,233	7,237,220
Demand Deposit with CBI (in FC)	237,567	327,731
Minus:		
Required Reserves of Free-trade Zones' Branches	(642,698)	(152,595)
<b>Total</b>	<b>9,328,101</b>	<b>7,412,356</b>



## 7. Due from Banks and Credit Institutions

	March 20, 2009	March 20, 2008
Sight and Term Deposits with Domestic Banks (in FC)	959,086	879,076
Sight Deposits with Foreign Banks	3,683,621	3,683,665
Term Deposits with Free-trade Zones' Branches (in FC)	-	40,530
Clearing of Checks Issued by other Banks	2,854,788	2,815,063
Nostro Account after Clearing	95,869	216,041
Inter-banks Account	688,242	542,785
<b>Sub-total</b>	<b>8,281,606</b>	<b>8,177,160</b>
Term Deposits of Free-trade Zones' Branches (in FC)	-	(40,580)
Exchange of Clearinghouse Notes	(15,040)	(485)
<b>Total</b>	<b>8,266,566</b>	<b>8,136,095</b>

## 8. Due from Government

mIn IRR	March 20, 2010	March 20, 2009
Due from Government	5,861,193	5,322,087
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(181,444)	(214,295)
Deferred Profit of Statutory Facilities Undertaken by Government	(1,152)	(1,717)
Profit Subsidy by Government – Profit Rate Harmonization	(269,592)	(315,916)
1.5 Percent General Reserves	(85,196)	(69,888)
<b>Total</b>	<b>5,323,809</b>	<b>4,720,271</b>

## 9. Granted Facilities and Claims on Public Sector

mIn IRR	March 20, 2010	March 20, 2009
Statutory Facilities, Qard-al-Hassanah	4,542	3,522
Non-statutory Facilities, Qard-al-Hassanah	73	127
Statutory Facilities, Mudharabah	2,340,088	-
Non-statutory Facilities, Mudharabah	733	3,596
Non-statutory Facilities, Forward <sup>6</sup>	135	3,596
Statutory Facilities, Forward	-	627
Non-statutory Facilities, Hire Purchase <sup>7</sup>	15	57
Statutory Facilities, Hire Purchase	-	763
Statutory Facilities, Civil Partnership <sup>8</sup>	1,727,566	1,001,116
Non-statutory Facilities, Civil Partnership	8,088	6,396
Statutory Facilities, Installment Sale	3,928	11,950
Non-statutory Facilities, Installment Sale	54,651	156,984
<b>Sub-total Current Facilities</b>	<b>4,139,819</b>	<b>1,188,897</b>
Overdue Debts on Statutory Facilities	8,996	9,943
Overdue Debts on Non-statutory Facilities	5,596	4,725
<b>Sub-total Overdue Debts</b>	<b>14,592</b>	<b>14,668</b>
Arrears on Non-statutory Deposits	3,738	507
Arrears on Statutory Deposits	3,553	182
<b>Sub-total Arrears Debts</b>	<b>7,291</b>	<b>689</b>
Bad Debts on Statutory Facilities	1,345	852
Bad Debts on Non-statutory Facilities	1,906	120
<b>Sub-total Bad Debts</b>	<b>3,251</b>	<b>972</b>
<b>Total</b>	<b>4,164,953</b>	<b>1,205,226</b>
Minus:		
1.5 Percent General Reserve for Bad Debts	(62,315)	(17,684)
Future-year Profit of Facilities	(10,601)	(26,319)
Deferred Profit of Facilities	(27,266)	(27,077)
<b>Total</b>	<b>4,064,771</b>	<b>1,134,146</b>

## 10. Granted Facilities and Claims on Non-public Sector

mIn IRR	March 20, 2010	March 20, 2009
Statutory Facilities, Qard-al-Hassanah	2,238,922	1,846,636
Non-statutory Facilities, Qard-al-Hassanah	6,285,770	3,846,107
Statutory Facilities, Mudharabah	10,240	18,095
Non-statutory Facilities, Mudharabah	2,699,966	2,234,031
Statutory Facilities, Forward	109,374	142,546
Non-statutory Facilities, Forward	6,940,611	7,745,991
Statutory Facilities, Civil Partnership	1,071,117	718,042
Non-statutory Facilities, Civil Partnership	20,417,205	13,230,444
Statutory Facilities, Jo'aleh	583	530
Non-statutory Facilities, Jo'aleh	802,409	651,125
Statutory Facilities, Installment Sale	3,290,675	4,196,663
Non-statutory Facilities, Installment Sale	75,134,136	76,221,586
Statutory Facilities, Hire Purchase	264,763	218,202
Non-statutory Facilities, Hire Purchase	419,021	427,810
Factoring <sup>9</sup> of Notes in Rial	3,056	3,056
Housing Facilities	3,584,775	3,062,717
Short-term Facilities (in FC)	524,850	800,878
Medium-term Facilities (in FC)	6,572,997	6,577,329
Previous Housing Loans	11,235	12,344
Debtors for DCs Reimbursed	185,875	923,436
Debtors for DCs Reimbursed (in FC)	3,215	14,726
Debtors for Paid Credit Cards	65	93
Debtors for Paid L/Gs	14,284	14,102
Advance Payment for Transactions Properties	5,210	12,630
Work in Progress, Jo'aleh	24	24
Purchased Properties for Installment Sale	466	311
Facilities Funded by Bonds of In-progress Projects	51,027	801,891
<b>Sub-total Current Facilities</b>	<b>130,641,871</b>	<b>123,721,345</b>
Overdue Debts on Statutory Facilities	756,990	559,924
Overdue Debts on non-statutory Facilities	5,914,489	2,752,545
Overdue Debts on Facilities (in FC)	1,663,656	427,224
<b>Sub-total Overdue Debts</b>	<b>8,335,135</b>	<b>3,739,693</b>
Arrears on Statutory Facilities	614,571	421,233
Arrears on Non-statutory Facilities	6,171,561	4,170,764
Previous Arrears	80	80
Arrears on Facilities (in FC)	2,423,161	2,588,783
<b>Sub-total Arrears</b>	<b>9,209,373</b>	<b>7,180,860</b>
Bad Debts on Facilities Granted	1,547,312	1,801,457
Bad Debts on Internal Facilities Granted	21,263	21,262
Bad Debts on Facilities Granted (in FC)	1,653,076	1,636,125
Bad Debts on L/Gs Paid	248,893	216,501
Bad Debts on Statutory Facilities	1,399,257	1,276,813
Bad Debts on Non-statutory Facilities	11,548,822	9,314,223
Bad Debts on Facilities (in FC)	3,198,438	3,041,832
<b>Sub-total Bad Debts</b>	<b>19,617,061</b>	<b>17,308,213</b>
<b>Total</b>	<b>167,803,440</b>	<b>151,950,111</b>
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(17,465,239)	(17,416,098)
Deferred Profit of Facilities and Affiliated Companies	(2,194,742)	(2,051,145)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(559,317)	(367,486)
Deferred Profit of Facilities in FC – Private Sector	-	(79,936)
Joint Account for Civil Partnership	(4,383,636)	(3,573,620)
Provisions for Bad Accounts (Public)	(2,022,323)	(1,523,265)
Provisions for Bad Accounts (Non-public)	(8,202,598)	(7,616,696)
On-account Collections of Facilities	(307,503)	(210,189)
<b>Total</b>	<b>132,668,082</b>	<b>119,111,676</b>



**11. Debtors for Deferred DCs**

mIn IRR	March 20, 2010	March 20, 2009
Debtors for Deferred DCs	8,686,375	4,749,503
<b>Total</b>	<b>8,686,375</b>	<b>4,749,503</b>

**12. Partnership Bonds and the Like**

mIn IRR	March 20, 2010	March 20, 2009
Purchased Balance of Government Bonds	497,882	978,582
<b>Total</b>	<b>497,882</b>	<b>978,582</b>

**13. Investments and Partnerships**

mIn IRR	March 20, 2010	March 20, 2009
Legal Partnership <sup>10</sup> of Non-public Sector	709,787	709,787
Investment in Stock Exchange	30,595	43,585
Direct Investment	102,741	102,741
<b>Sub-total</b>	<b>856,123</b>	<b>856,113</b>
Minus:		
Provision for Shares Depreciation	(153,553)	(172,894)
<b>Total</b>	<b>689,570</b>	<b>683,219</b>

**14. Fixed Assets**

mIn IRR	March 20, 2010	March 20, 2009
Movable Assets	1,965,772	1,674,911
Immovable Assets	7,214,032	6,986,870
Intangible Assets	384,009	383,610
Immovable Assets under Construction	499,673	458,624
Renovation & Improvements Costs of Buildings on Lease	13,400	10,660
Capital Advance Payments	106,607	114,729
<b>Sub-total</b>	<b>10,183,493</b>	<b>9,629,404</b>
Minus:		
Depreciation Reserve for Movable Assets	(949,980)	(841,826)
Depreciation Reserve for Immovable Assets	(707,569)	(564,997)
Depreciation Reserve for Intangible Assets	-	-
<b>Total Depreciation Reserves</b>	<b>(1,657,549)</b>	<b>(1,406,823)</b>
<b>Net Book Value</b>	<b>8,525,944</b>	<b>8,222,581</b>

**15. Other Assets**

mIn IRR	March 20, 2010	March 20, 2009
Tax Stamp	21,475	24,241
Gold and Silver	632	1,133
Inventory	139,713	89,305
Repossessed Collaterals	1,540,444	1,004,987
Temporary Debtors Account <sup>11</sup> (CBI Nullified Iran Checks)	-	3,640
Temporary Debtors Account (in RIs)	13,867,394	9,961,829
Temporary Debtors Account (in FC)	2,596,352	1,926,171
Debtors for Insurance Fund's Indemnities	5,153,487	3,505,898
Receivable Profit from Granted Facilities	10,735,811	7,685,117
Minus:		
Balance of APIF's Indemnities Part-payments	(3,583,203)	
<b>Total</b>	<b>30,472,105</b>	<b>24,202,321</b>



## 16. Cash in Transit

mIn IRR	March 20, 2010	March 20, 2009
Branches	55,695,799	46,065,521
Internal Debtors (in RIs)	1,478,122	1,978,683
Internal Debtors (in FC)	212,715	901
Current Account with CBI	-	(1,392,138)
Branches Account (in FC)	24,300,042	23,424,632
Forex Transactions Value (in RIs)	2,449,380	3,726,543
<b>Sub-total Debtors</b>	<b>84,136,058</b>	<b>73,804,142</b>
Inter-branch Account	57,884,590	47,078,719
Inter-branch Account (in FC)	24,275,358	23,431,032
Internal Creditors (In RIs)	1,275,971	1,460,132
Internal Creditors (in FC)	213,174	12,653
FC Position	2,449,381	3,726,543
<b>Sub-total Creditors</b>	<b>(86,098,474)</b>	<b>(75,709,079)</b>
Minus:		
Total Creditors	(86,136,058)	(75,709,079)
<b>Final Balance</b>	<b>(1,962,416)</b>	<b>(1,904,937)</b>

## 17. Due to CBI

mIn IRR	March 20, 2010	March 20, 2009
Due to CBI as Credit in Current Account	4,674,864	7,830,656
Facilities Received from CBI	21,849,999	21,010,400
Facilities Received from OSF	13,549,073	12,761,360
<b>Total</b>	<b>40,073,936</b>	<b>41,602,416</b>

## 18. Due to Banks and Credit Institutions

mIn IRR	March 20, 2010	March 20, 2009
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	5,058	2,196
Qard-al-Hassanah Checking Account of Free-trade Zones	-	(1,036,356)
Facilities Received from Banks	5,954,062	5,955,062
Due to Foreign Banks for Loans in FC	45,707	-
Interbank Funds - Unused	312,193	87,193
Sight Deposits of Iranian Banks (in FC)	3,622,082	2,271,532
Sight Deposits of Foreign Banks (in FC)	27,903	15,528
<b>Total</b>	<b>9,967,005</b>	<b>7,295,155</b>

## 19. Sight Deposits

mIn IRR	March 20, 2010	March 20, 2009
Qard-al-Hassanah Checking Accounts (in RIs)	20,172,468	19,412,905
Qard-al-Hassanah Checking Accounts (in FC)	6,178	11,617
Administered Funds - Unused	7,111,452	6,638,495
Bank Checks Sold	2,918,290	4,414,175
Money Orders to the debit of our Account (in RIs)	(56)	3,099
Money Orders to the debit of our Account (in FC)	27,784	3,324
Balances Not Claimed	76,814	68,128
Employees' Savings	387,312	296,669
Employees' Pension	196	192
Temporary Debtors Account and Payables (in RIs)	2,796,147	2,834,910
Temporary Debtors Account (in FC)	2,431,057	1,834,955
<b>Sub-total</b>	<b>35,927,642</b>	<b>35,518,469</b>
Minus:		
Payment for Bank Checks Sold (Not-settled)	(155)	(12,168)
<b>Total</b>	<b>35,927,487</b>	<b>35,506,301</b>



## 20. Savings Deposits

mIn IRR	March 20, 2010	March 20, 2009
Qard-al-Hassanah Savings Deposit (In RIs)	23,188,315	22,029,068
Qard-al-Hassanah Savings Deposit (in FC)	132,682	106,906
Special Qard-al-Hassanah Savings Deposit - Unused	314	430
<b>Total</b>	<b>23,321,311</b>	<b>22,136,404</b>

## 21. Term Investment Deposits

mIn IRR	March 20, 2010	March 20, 2009
Long-term Deposits	23,372,528	12,307,885
CDs (Public Investment)	11,224,296	11,095,352
CDs (Private Investment)	100,000	100,000
Short-term Deposits	27,970,835	17,526,033
Special Short-term Deposits	4,088,538	7,250,001
Term Deposits with Iranian Banks (in FC)	4,866	107,348
Term Deposits with Foreign Banks (in FC)	405,000	316,475
CDs Unsold and Redemption before Due Date	(2,284,697)	(3,685,023)
<b>Total</b>	<b>64,881,366</b>	<b>45,018,071</b>

## 22. Other Deposits

mIn IRR	March 20, 2010	March 20, 2009
Term Deposits (in FC)	43,917	42,942
Cash Advance Received for DCs (in FC) - Public	-	659
Cash Advance Received for DCs (in FC) - Non-public	177,571	177,551
Cash Deposits for Guarantees - Private (In RIs)	178,933	110,989
Cash Deposits for Guarantees - Public (In RIs)	4,673	579
Cash Advance Received for Hire-purchase Facilities - Private	36	36
Cash Advance Received for other Facilities - Private	2,171	3,164
Cash Advance Received for other Facilities - Public	(218)	-
<b>Total</b>	<b>407,083</b>	<b>335,920</b>

## 23. Partnership Bonds of Projects In-progress

mIn IRR	March 20, 2010	March 20, 2009
Partnership Bonds Issued	1,000,000	1,000,000
Minus:		
Redemption for Partnership Bonds	(995,489)	(989,260)
Net Partnership Bonds Held by Public	4,511	10,740
Partnership Bonds of Projects In-progress	4,511	10,740

## 24. Reserves and Other Liabilities

mIn IRR	March 20, 2010	March 20, 2009
Money Orders on Branch (In RIs)	169,717	162,412
Profit Payable to Government	23,568	14,747
Other Reserves	15,795,719	13,623,579
<b>Total</b>	<b>15,989,004</b>	<b>13,800,738</b>

## 25. Due to Foreign Banks

mIn IRR	March 20, 2010	March 20, 2009
Credit Lines from Foreign Banks	1,827,747	661,099
Acceptance of DCs	6,939,148	4,187,521
<b>Total</b>	<b>8,766,895</b>	<b>4,848,620</b>

## 26. Shareholders' Equity

mIn IRR	March 20, 2010	March 20, 2009
Capital	8,021,118	8,021,118
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	439	340
Required Reserve	649,876	641,039
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	60,396	33,883
<b>Sub-total</b>	<b>8,806,804</b>	<b>8,771,355</b>
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
<b>Total</b>	<b>8,786,604</b>	<b>8,751,155</b>

## 27. Profit and Penalties on Facilities

mIn IRR	March 20, 2010	March 20, 2009
Installment Sale	7,383,991	7,138,529
Mudharabah	829,132	389,488
Civil Partnership	2,204,897	1,703,741
Salaf	972,317	792,845
Hire Purchase	75,702	55,061
Jo'aleh	62,223	46,931
Factoring	21	3,343
Gain on Facilities Granted (in FC)	323,455	262,114
<b>Sub-total</b>	<b>11,851,738</b>	<b>10,392,052</b>
Commission of Facilities Renewal	101,623	820,086
<b>Sub-total</b>	<b>11,953,361</b>	<b>11,212,138</b>
Penalties Received on Facilities	3,571,929	2,937,209
Penalties on Facilities Received in Non-public FC	21,742	17,525
Commission of Undertakings Default	334	1,001
<b>Sub-total</b>	<b>15,547,366</b>	<b>14,167,873</b>
<b>Profit on Investments &amp; Partnerships:</b>		
Dividend of Direct Investment and Legal Partnerships	35,701	33,364
Gain on Disposal of Partnerships Equity Shares and Reimbursement from Reserves	15,344	(3,306)
Income from Purchased Partnership Bonds	100,151	267,596
<b>Sub-total</b>	<b>151,196</b>	<b>293,986</b>
<b>Total</b>	<b>15,698,562</b>	<b>14,465,527</b>

## 28. Other Income

mIn IRR	March 20, 2010	March 20, 2009
Profit on Required Reserve	86,204	74,159
Profit on Public Deposits	10,061	11,083
<b>Total</b>	<b>96,265</b>	<b>85,242</b>



**29. Net Depositors' Profit**

mIn IRR	March 20, 2010	March 20, 2009
Depositors' Profit Share	6,817,115	4,818,429
Surplus Profit Paid to Depositors	576,959	345,285
<b>Total</b>	<b>7,394,074</b>	<b>5,163,714</b>

**30. Profit & Penalties Received**

mIn IRR	March 20, 2010	March 20, 2009
Penalties Received on other Claims	302,807	207,643
Profit Received from Deposits	25,886	82,563
<b>Total</b>	<b>328,693</b>	<b>290,206</b>

**31. Fees & Commissions Received**

mIn IRR	March 20, 2010	March 20, 2009
Commission on Qard-al-Hassanah	277,398	360,275
Commission on Administered Funds	842	1,974
Commission on Facilities Paid to Employees	311,911	261,382
Other Commissions	14,642	56
Commission on Banking Services	238,748	177,358
Commission Received by Branches	663,636	474,516
Commission on Banking Services in APIF	1,747,904	1,293,675
Commission of Undertakings out of Non-public FC Facilities	3,209	25,957
<b>Total</b>	<b>3,258,290</b>	<b>2,595,193</b>

**32. Other Income**

mIn IRR	March 20, 2009	March 20, 2008
Forex Transactions	215,388	(40,570)
Gain on Disposal of Properties Repossessed	1,948	29,177
Rent of Branch Managers' Residential Units	1,197	1,189
Gain on Disposal of Properties	11,924	26,497
Others	155,778	126,325
<b>Total</b>	<b>386,235</b>	<b>142,618</b>

**33. Profit Paid**

mIn IRR	March 20, 2010	March 20, 2009
Profit Paid on Credit Received from other Banks	3,446,528	2,349,991
Profit Paid to Free-trade Zones' Branches	525,481	357,738
<b>Sub-total</b>	<b>3,972,209</b>	<b>2,707,729</b>
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(525,481)	(357,738)
<b>Total</b>	<b>3,446,528</b>	<b>2,349,991</b>

**34. Fees & Commissions Paid**

mIn IRR	March 20, 2010	March 20, 2009
Miscellaneous Commissions and Fees	212,521	295,330
<b>Total</b>	<b>212,521</b>	<b>295,330</b>





### 35. General Expenses

mIn IRR	March 20, 2010	March 20, 2009
General and Administrative Costs	1,971,035	1,730,207
Personnel Costs	3,822,020	4,417,791
Other Costs	2,213,101	2,578,499
<b>Total</b>	<b>8,006,156</b>	<b>8,726,497</b>

### 36. Other Expenses

mIn IRR	March 20, 2010	March 20, 2009
Cost of Prizes on Qard-al-Hassanah Savings Account	649,847	508,294
<b>Total</b>	<b>649,847</b>	<b>508,294</b>

### 37. Prior Years' Adjustments

mIn IRR	Balance on March 20, 2009	Net Increase (Decrease)	Adjusted Balance	Effect on Profit & Loss
Temporary Creditors of Payable Funds (in RIs)	2,838,578	(3,668)	2,834,910	3,668
Due from Government	4,873,492	448,595	5,322,087	448,595
Current Account with CBI	(1,046,669)	(345,470)	(1,392,138)	(345,470)
Other Reserves	13,698,076	159,032	13,857,108	(159,032)
Temporary Debtors (in RIs)	10,078,409	(116,580)	9,961,829	(116,580)
Profit Paid for Partnership Bonds of Projects In-progress	21,634	(21,634)	-	21,633
<b>Total</b>		<b>120,277</b>		<b>(147,186)</b>
<b>Net Profit 2008/09</b>				<b>16,591</b>
<b>Beginning Year Retained Earnings</b>				<b>194,856</b>
<b>Prior Year Adjustments in 2008/09</b>				<b>(30,378)</b>
<b>End-year Closing Retained Earnings</b>				<b>33,883</b>

### 38. Net Cash Flow from Operating Activities

mIn IRR	March 20, 2010	March 20, 2009
Profit before Income Tax	58,919	534,960
Depreciation Cost	275,754	256,013
Cost of Bad Debts	1,147,666	2,148,673
Profit Paid for Received Facilities	3,446,528	2,349,991
Provision for Shares Depreciation	(19,341)	(28,548)
Dividend from Investments and Legal Partnerships	(35,701)	(33,364)
Gain on Disposal of Investments and Legal Partnerships	(15,344)	3,306
Gain on Disposal of Fixed Assets	(11,924)	(26,497)
Profit on Partnership Duration	(100,151)	(267,596)
Net Profit from Cash FC Revaluation	(215,388)	40,570
<b>Subtotal</b>	<b>4,531,018</b>	<b>4,977,508</b>
<b>Net Increase / Decrease of Operating Liabilities</b>		
Sight Deposits	(421,185)	(1,821,479)
Savings Deposits	1,184,907	2,297,216
Term Investment Deposits	19,863,295	9,651,275
Due to CBI and other Banks	303,770	(7,748,933)
Operational Share of other Liabilities	6,543,373	3,283,552
Reserve Transferable to Capital	99	23
<b>Subtotal</b>	<b>28,316,629</b>	<b>5,661,654</b>
<b>Net Increase/Decrease in Operating Assets</b>		
Claims on CBI	(1,915,745)	1,188,119
Partnership Bonds	480,700	(313,172)
Payment of Other-banks-issued Checks	(170,677)	871,389
Facilities Granted under Islamic Contracts	(22,175,106)	(15,647,548)
Repossessed Collaterals and Operational Share of Other Assets	(6,270,284)	(1,928,029)
Cash in Transit – After Advance Payment for Tax	106,455	(1,508,540)
<b>Subtotal</b>	<b>(29,944,657)</b>	<b>(17,337,781)</b>
<b>Total</b>	<b>2,902,990</b>	<b>(6,698,619)</b>



**39. Net Cash Increase**

	Note	March 20, 2010	March 20, 2009	Net Cash Increase
Notes and Coins	5	1,033,869	1,022,670	11,199
CBI Iran Checks	5	502,233	797,818	(295,585)
Gold & Silver	15	632	1,133	(500)
Balance with Banks after Clearing	7	95,869	216,041	(120,172)
FC Deposits with Domestic Banks	7	959,086	879,075	80,010
Balance with Foreign Banks	7	3,683,621	3,683,665	(44)
Foreign Currencies (Cash)	5	28,311	39,219	(10,908)
<b>Total</b>		<b>6,303,621</b>	<b>6,639,621</b>	<b>(336,000)</b>

**40. Customers' Undertakings Re. DCs**

mIn IRR	March 20, 2010	March 20, 2009
Customers' Undertakings Re. DCs	24,546,434	18,196,611
<b>Total</b>	<b>24,546,434</b>	<b>18,196,611</b>

**41. Customers' Undertakings Re. L/Gs**

mIn IRR	March 20, 2010	March 20, 2009
Customers' Undertakings Re. Guarantees and Acceptance (In RIs)	2,227,406	1,069,098
Customers' Undertakings Re. Issued Counter L/Gs (in FC)	561,282	607,036
Customers' Undertakings Re. Issued L/Gs and Acceptance (in FC)	50,573	55,202
<b>Total</b>	<b>2,839,261</b>	<b>1,731,336</b>

**42. Customers' Other Commitments**

mIn IRR	March 20, 2010	March 20, 2009
Customers' Undertakings Re. Transactions Contracts (Private)	21,263,825	16,794,587
Customers' Undertakings Re. Non-statutory Qard-al-Hassanah (Public)	2	10
Customers' Other Undertakings	6,092,156	2,373,447
<b>Total</b>	<b>27,355,983</b>	<b>19,168,044</b>

**43. Administered Funds**

mIn IRR	March 20, 2010	March 20, 2009
Special Qard-al-Hassanah Deposits - Unused	48,892	48,698
Administered Funds	18,487,422	17,976,329
<b>Total</b>	<b>18,536,314</b>	<b>18,025,027</b>



## SECTION 4

# Abbreviations and Acronyms



**ACH:** Automated Clearing House  
**ADFIAP:** Association of Development Financing Institutions in Asia and the Pacific  
**ADFIMI:** Association of National Development Finance Institutions in Member Countries of IDB  
**AML:** Anti-money Laundering  
**APIF:** Agricultural Products Insurance Fund  
**ATM:** Automated Teller Machine  
**APRACA:** Asia Pacific Rural and Agricultural Credit Association  
**BK:** Bank Keshavarzi  
**bn:** billion  
**CBI:** The Central Bank of the Islamic Republic of Iran  
**CD:** Certificate of Deposit  
**CICA:** Confederation Internationale Du Credit Agricole  
**Dept.:** Department  
**DC:** Documentary Credit  
**E-banking:** Electronic Banking  
**ECO:** Economic Cooperation Organization  
**EUR:** Euro  
**Exe. :** Executive  
**FAIR:** Federation of Afro-Asian Insurers and Reinsures  
**FAO:** Food and Agriculture Organization  
**FC:** Foreign Currency  
**Forex:** Foreign Exchange  
**FYDP:** Five-year Development Plan  
**GCIBFI:** General Council for Islamic Banks and Financial Institutions  
**GDP:** Gross Domestic Product  
**ha:** hectare  
**IAS:** Iranian Accounting System  
**ICD:** Islamic Corporation for the Development of the Private Sector  
**IDB:** Islamic Development Bank  
**IFSB:** Islamic Financial Services Board  
**Info.:** Information  
**Int'l:** International  
**IPRA:** International Public Relations Association  
**IRR:** Iran Rial  
**ITFC:** International Islamic Trade Finance Corporation  
**IWPC:** Iran Water and Power Resources Development Company  
**JPY:** Japan Yen  
**KYC:** Know Your Customer  
**L/C:** Letter of Credit  
**L/G:** Letter of Guarantee  
**mb/d:** Million Barrels per Day  
**MCC:** Money and Credit Council  
**mIn:** million  
**NENARACA:** Near East and North Africa Regional Agricultural Credit Association  
**OSF:** Oil Stabilization Fund  
**PAYA:** Payānaeh Pāyāpāye Electronic  
**POS:** Point of Sale  
**R&D:** Research and Development  
**RIs:** Rials  
**RTGS:** Real Time Gross Settlement System  
**SAO:** State Audit Organization  
**SATNA:** Sāmaneh Tasvieh Nākhāles Aāni (Real Time Gross Settlement System)  
**SHETAB:** Shabakeh Tabādol Etelā'āt Bain Bānki (Inter-bank Information Transfer Network)  
**SME:** Small and Medium Enterprises  
**SMS:** Short Message System  
**TABA:** Tasvieh Orāgh Bahādār Electronic  
**TSE:** Tehran Stock Exchange  
**USD:** United States Dollar

