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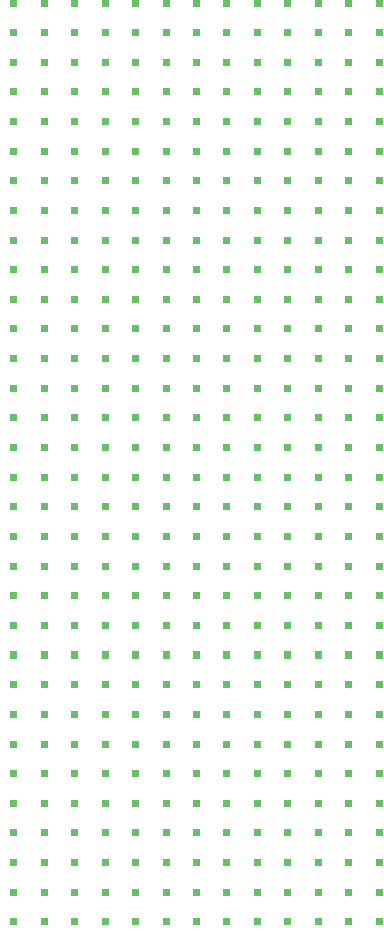
ANNUAL REPORT

2010

2011

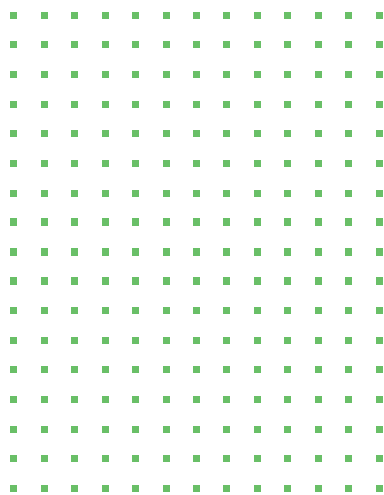
Agriculture Bank of Iran





# In the Name of God

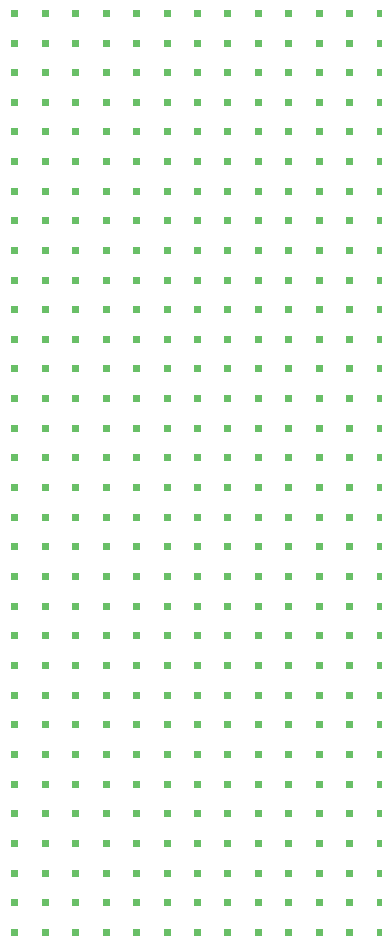
The Financial statements have been translated from the statutory financial statements prepared in accordance with generally accepted accounting principles applicable to enterprises established in the Islamic Republic of Iran. In the event of any difference in interpreting the financial statements, the Farsi version shall prevail.







**Agriculture Bank of Iran  
Annual Report  
2010-2011**





## Corporate Outline

**Agriculture Bank of Iran (ABI)  
(Bank Keshavarzi Iran)**

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

**Number of Branches:**  
1,914\*

**Number of Forex Branches:**  
36

**Number of Staff:**  
16,943

**President:**  
Dr. Mohammad Talebi

**Board Members:**  
Mr. Heshmatollah Nazari ;  
Mr. Davar Mahikar ;  
Mr. Mohammad H. Foroughifar ;  
Dr. Mohammad Reza Farzin

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\* Including 476 rural and 1,182 urban branches, as well as 72 branches based in other organizations





## Financial Highlights

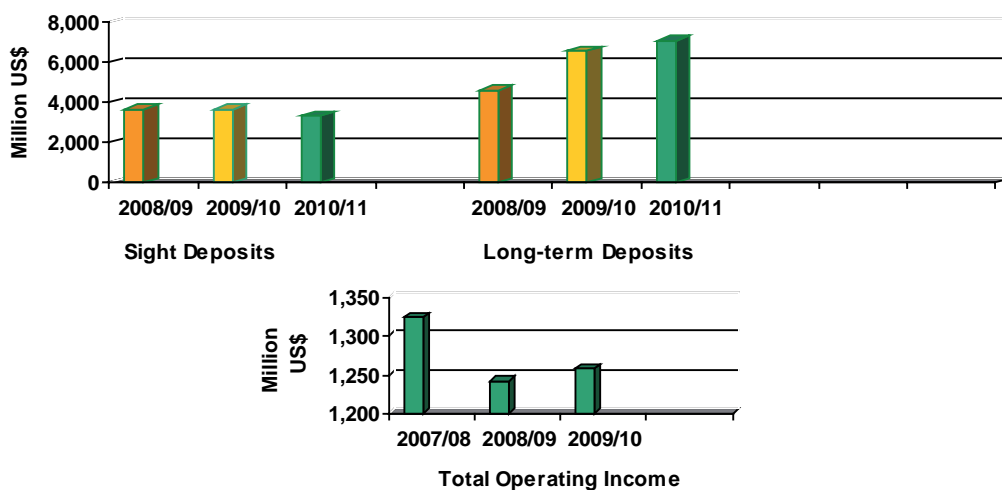
For more than 80 years, Agriculture Bank of Iran has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded in the sector.

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

Item	2010/11 <sup>2</sup>	2009/10	2008/09
<b>Assets</b>	24,223	21,363	18,837
<b>Liabilities</b>	22,771	20,470	17,748
<b>Sight Deposits</b>	3,341	3,653	3,654
<b>Term Investment Deposits<sup>3</sup></b>	7,091	6,598	4,633
<b>Shareholders' Equity</b>	1,452	893	901

**Income Statement Highlights (Million US Dollars)**

Item	2010/11	2009/10	2008/09
<b>Interest Income<sup>4</sup></b>	1,093	854	966
<b>Non-interest Income</b>	435	404	311
<b>Total Operating Income</b>	1,527	1,258	1,242
<b>Total Operating Expenses</b>	1,523	1,262	1,222
<b>Net Profit Before Taxation</b>	5	6	4



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 Rls. 10,364 (March 20, 2011), Rls. 9,834 (March 19, 2010) and Rls. 9,717 (March 19, 2009).

2. ABI's financial year (1389 Persian Calendar) corresponds to the period of March 20, 2010 to March 20, 2011.

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

4. In Islamic Banking, the perception held about interest is based on Profit-Loss-Sharing Scheme (PLS). For more information, see Section 1, Islamic Banking.

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## Board of Directors



Dr. Mohammad Talebi  
President



Mr. Heshmatollah Nazari



Mr. Davar Mahikar



Mr. Mohammad H. Forooghifar



Dr. Mohammad Reza Farzin



## President's Message

I am greatly honored to submit Agriculture Bank of Iran's 2010-2011 annual report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during the aforementioned period. In this given year, ABI, as the only specialized development bank proudly surpassing its seventy-seventh year of operation in the agriculture sector, has been supporting all those individuals and corporations involved in agricultural activities.

In 2010-2011, by the grace of the Almighty and the untiring endeavors of my dear colleagues, there have been impressive steps taken, proving to be the turning points in the evolutionary history of the bank. Within the period, ABI has been in positive interaction with the government, the parliament, and many state organizations, leading to the enactment of the law to increase the capital of the bank up to Rls.30,000 billion and receiving Rls.7,000 billion, which promoted the bank's potential to grant more credit services and facilities.

The bank has also made some remarkable accomplishments including the establishment of Staff Evaluation Center to highlight meritocracy; initiation of a Computerized Management of Financial Facilities; diversification and improvement of international banking services; expansion of a Mechanized Management of Projects Supervision; involvement in conduct of Public Subsidies Reformation Plan; installation of electronic banking terminals; provision of agricultural insurance coverage; implementation of the CRM strategy; and execution of Customers Credit Scoring System;...

Moreover, the plan of "Online Branches", and the new fully mechanized system of information transfer in form of "Integrated Core-banking" were successfully implemented in 2010-2011. The assignment of authority to provincial directorates and branches has also been one of the innovations of ABI to giving identity to provinces, promoting decentralized decision-making and, as a result, making the bank as agile as possible in performing banking tasks and operations.



In 2010-2011, ABI's seven-year-strategic plan entered the third year of execution to have a conscious understanding of the basis of its operation and customer needs. ABI has gone through its development route successfully so that today it is one of the Iranian top banks. Thus, to keep its pace during 2010-2011, more than 32 research projects were performed at provincial and national levels, the result of which could be utilized in decision-making and decision-taking processes.

The available statistics and indexes in the present report demonstrate the uprising success of the bank in 2010-2011. In the reported year, the bank managed to disburse Rls. 94, 000 billion to 1,553,000 individuals, depicting a 39 percent growth as compared with credit facilities granted in the preceding year. ABI has also been able to increase the balance of disbursed facilities to Rls. 181,000 billion. In the domain of resources mobilization (fund-raising), the bank's deposits mounted to Rls. 137,000 billion, displaying a 10 percent growth and enhancing the financial potentiality of the bank, as compared with those in the previous year.

As a final word, I would like to reiterate that the support of the sympathetic members of the Parliament, members of the administration cabinet, and all those serving the public in different ministries, accompanied by undeniable endeavors of my qualified and honest colleagues in ABI have all played significant roles in realizing the bank's achievements. I am quite certain that my colleagues have made appreciable stride toward elevating the bank's excellence and upgrading the bank to a supreme position it deserves. We are all making our best to realize ABI's mission, which is serving farmers, customers, and beneficiaries, and gaining their satisfaction.

**Mohammad Talebi (Ph.D.)**



## Section 1

# The Islamic Republic of Iran

Iran's Banking System

Iran's Agriculture Sector

Islamic Banking

## Iran's Banking System

The Iranian Banking System consists of commercial and specialized banks with the Central Bank of I.R. Iran (CBI), meeting the following objectives:

- Maintain the value of national currency;
- Maintain the equilibrium in the balance of payments
- Facilitate trade-related transactions;
- Improve the growth potential of the country;
- fulfill functions such as issuance of notes and coins, supervision of banks and credit institutions, formulation of foreign exchange policies and transactions, regulation of gold transactions, and regulation on transactions and inflow/outflow of national currency ;

### Liquidity

In 2010-2011, liquidity amounted to Rls. 2,948.9 billion, displaying a 25.2 percent growth as compared with that of the preceding year. Within the report period, the share of foreign assets net growth dropped to – 2.2, while the share of domestic assets net growth had an increasing trend and amounted to 27.3 percent. The increase is largely due to the 37.8 percent rise in the non-public sector's indebtedness and the falling trend of dues from government within recent years.

### Banking System Deposits

The deposit balance with banks and non-banking credit institutions in 2010/11 equaled Rls. 3147.4 trillion, displaying a 27 percent growth as compared with the balance amounting to 2,163 trillion in the end of 2009/10. The share of non-public banks and non-banking credit institutions out of total deposits reached 24.21 percent by end-2010/11, up by 9.59 percentage points as compared with that of the preceding year. In addition, the deposit share of all non-public and public banks decreased to 40.89 percent.

### Disbursed Credit Facilities

In 2010/11, the balance of credit facilities granted by the banking system amounted to Rls. 2352 trillion, having a 28.19 percent rise relative to that of the preceding year. The share of specialized banks in granted facilities equaled 22.67 percent while the share of public banks, public/non-public banks (non-public banks recently taken over by the private sector), and non-public commercial banks amounted to 24.88, 24.11 and 28.32 percent respectively. Moreover, the ratio of disbursed facilities balance to banking deposits (Loan-to-Deposit Ratio) equaled 74.73 percent with public banks having the biggest share and public/non-public commercial banks the least.

### Payment Systems

The number of transactions through the Inter-bank Data Transfer Network (known as SHETAB in Iran) reached 1,350,555,606 in the given year, showing a 66 percent growth as compared with that of the year before. The number and value of RTGS transactions also reached 8,967,897 and Rls. 5,926,517 billion, representing a 92 and 40 percent rise respectively.



The automated Clearing House System (Known as PAYA in Iran and launched in 2010), as the main infrastructure for inter-bank monetary clearing and money orders processing via internet, reached the completion stage in 2011. In addition, the Electronic Securities Settlement System (TABA) was put into operation in 2010/11.

### Electronic Payment Instruments

The number of instruments and machinery for electronic payments within the national inter-bank network increased remarkably in 2010/11. Representing a 48.98 percent growth, the number of banking cards rose to 124,264,058. The number of ATMs, with a 27.97 growth, reached 22,057 machines as well. Moreover, the banking network experienced a 37.6 and 32.08 percent growth in the number of POSs and Pin Pads respectively. In other words, the number of POSs installed all over the country rose to 1,516,815 points, which implies the adoption of appropriate approaches and policies aimed at expansion of electronic payments in the country.

Electronic Payment Instruments and Machinery

Instruments and Machinery	Year-end			Change % (2011 2010)
	2011	2010	2009	
Bank cards (thousand)	124,264,058	83,406,559	58,559,053	48.98
ATMs	22,057	17,236	12,750	27.97
POSs	1,516,815	1,148,432	645,484	32.08
Pin Pads	43,766	31,823	27,334	37.6

Within the year under report, along with the expansion of electronic payment technologies and instruments, the banking electronic transactions increased remarkably. The volume and value of interbank electronic transactions processed by the banking network grew by 74.47 and 98.39 percent respectively. Despite the significant growth in the number of transactions processed through POSs, the highest share in total electronic transactions (72.61 percent) belongs to ATM-processed transactions. Yet, the share of Pin Pads' transactions in total 2010/11 transactions, was 12.8 percent, representing a 66.21 percent surge as compared with the percentage in the preceding year. With regard to the ascending trend in the use of credit cards, prepaid cards and POSs, it is expected that the share of POS transactions would increase and the use of cash money, as a medium of exchange, would decline in the coming years.



## Iran's Agriculture Sector

Iran, called Persia in ancient time and home to one of the world's oldest civilizations, is a regional power holding an important position in international energy security and world economy because of its large reserves of petroleum and natural gas. Iran, with a population of around 79 million (2011 est.), has the second largest proven natural gas reserves in the world and the fourth largest proven petroleum reserves.

Over half of Iran, the 18<sup>th</sup> largest country in the world in terms of area at 1,648,195 km<sup>2</sup> (636,372 sq mi), is made up of desert and semi desert. About one third of the country is mountainous and a small portion of the nation, including the southern plain of Caspian Sea and that of Khuzestan region, is made up of fertile plain.

The average precipitation in Iran is 250 ml, which makes up one third of the same amount in the world. However, the average evaporation level of water supplies in Iran is three times more than that of the world. In general, the water resources are compared with those of the world as follows:

- Average precipitation in Iran: 250 mm
- Average precipitation in the world: 865 mm
- Average evaporation in Iran: 2,100 mm
- Average evaporation in the world: 700 mm
- Share of water used for agriculture: 70% worldwide, 92% nationwide.

The area of natural resources covers 135.2 million hectares, constituting 83.3% of the whole nation, classified as follows:

- 14.2 million hectares of forest (10.5 percent)
- 2.5 million hectares of woodland and shrubs (1.9 percent)
- 86 million hectares of pasture (63.6 percent)
- 32.5 million hectares of desert lands (24 percent)



Other parts of the country (about 27 million hectares), which makes up 16.7 % of the total area of the nation, are lands under cultivation plus dwelling places, roads, lakes, etc.

The climatic conditions in Iran are the most exclusive ones in the world. The temperature difference in winter between the warmest and the coldest spots sometimes amounts to 50 degrees. Such temperature fluctuation in different parts of the country and the diverse climatic zones make it possible to cultivate a diverse variety of crops, including cereals, fruits, vegetables, cotton, sugar beets and sugar cane, pistachios (world's largest producer), nuts, olives, spices e.g. saffron (world's largest producer)<sup>1</sup>, raisin (world's third largest producer), tea, tobacco, barberries (world's largest producer) and medicinal herbs. Iran is a major world provider source of caviar, along with pistachio nuts, a significant non-oil export for Iran. In recent years, there has also been a rise in agriculture-related manufacturing, such as rice milling and manufacturing of canned food and concentrates, fruit juices, and confectionary.

The agriculture sector encompasses 20.8% of total employees of the nation. Although the absolute level of employees in the agriculture sector has gradually increased in recent decades, the sector's share in the national employment has decreased. The share of industrial employees is 31.8% and that of the service sector is 47.4 percent. The focus areas for agriculture are:

- Financing and attractive loans for investment in agriculture and agro-industrial projects;
- Ensuring self-sufficiency in the provision of national food requirements;
- Providing budgets for agro-industrial projects in the food processing, packaging and irrigation sectors;
- Providing agricultural machinery and equipment with emphasis on local production;

1. Iran's saffron is exported to many countries of the world such as the United Arab Emirates, Spain, Japan, Turkmenistan, France, and Italy. The northeastern Khorasan Razavi province exported 57 tons of saffron worth \$156.5 million to 41 countries in 2010.





#### ABI's Contribution to Agriculture Sector

ABI, as the only specialized bank involved with the agriculture sector, is the major source of financial services and credit facilities for the agriculture sector. Within the report year, the bank has been granting credit facilities to different agriculture sub-sectors, presented in the following table:

Breakdown of ABI's Credit Facilities Granted to Agriculture Sub-sectors in 2010/11

No	Sub-sector	2010-2011		2009-2010	
		Credit (Billion RIs)	Share (%)	Credit (Billion RIs)	Share (%)
1	Farming and Horticulture	33,667	35.7	21,230	31.4
2	Livestock and Poultry	19,688	21	13,478	19.9
3	Fishery and Aquaculture	1,599	1.7	1,112	1.6
4	Agricultural Industries and Services	23,024	24.4	21,765	32.2
5	Handicrafts and Carpet-weaving	689	7	441	0.7
6	Other Agricultural Activities	15,571	16.5	9,607	14.2
Total		94,238	100	67,633	100



## Islamic Banking

Islamic banking has the same purpose as conventional banking except that it operates on a principle of equity and fairness in accordance with the rules of Sha'ria. The perception held about interest and profit, i.e. Profit-Loss-Sharing Scheme (PLS), constitutes the basic element defining Islamic banking and finance, in which profit or financial gain is acceptable as long as an effort is made or (partial) liability is accepted for the financial result of a business venture.

Iran, in contrast to other countries with both conventional and Islamic banking, has completely transformed its banking activities to comply with Islamic principles. Based on Islamic banking laws and CBI policies, Iranian banks' financial resources are mainly raised through Sha'ria-compliant services and products such as Qard-al-Hassanah accounts<sup>1</sup> and term deposits, which do not entail Riba<sup>2</sup>. On the lending side, the banks adopt several modes of financing through Islamic contracts, mostly in form of civil partnership, without a preset lending rate (settlement is based on the real rate of return after implementation of project) and with the bank's supervision as a partner in the respective affairs<sup>3</sup>. The most significant forms of Islamic contracts used to furnish customers with required facilities are as follows:

### Partnership Contracts

Under these types of contracts, the bank provides the whole or a part of the funding required by its customer for a specific economic activity. The arising profit is shared between the bank and customer as to the terms of related contract. Partnership contracts consist of:

1. Qard-al-Hassanah accounts include checking and savings accounts, as in the conventional banking system, except that they earn no interest. Savings accounts offer incentives to account-holders such as non-fixed prizes and bonuses in cash or in kind (usually in the form of a lottery) and an exemption or discount in the payment of commissions and fees.
2. An increase over principal in a loan transaction accrued to the owner (lender) without giving an equivalent counter-value or recompense in return to the other party.
3. CBI Monetary and Credit policies in 2008/09.



- a. **Civil Partnership:** The bank provides funds for the customer (legal or natural person), who co-invests in cash or kind, for a specific economic activity, mostly in fields of construction, manufacturing, commerce and service industry. Related profit is shared between the two parties.
- b. **Legal Partnership:** The bank provides part of a new company's capital, or buys the company's shares. Companies are eligible to receive legal partnership facilities if operative in fields of construction, manufacturing, commerce, and service industry.
- c. **Mudharabah:** A form of partnership where one party (the bank) provides the funds while the other provides expertise and management. Any profit accrued is shared between the two parties.
- d. **Muzarra'a:** Subject to a Muzarra'a contract, the bank furnishes the customer with pieces of farmland for a specified duration and related proceeds are shared.
- e. **Musaqat:** The bank (as the owner of fruit-bearing trees) may provide an orchard to a farmer for a period (one year or until its fruition time) for a share of the profit.

### Constant-Profit Contracts

Based on the contracts, the bank supplies the whole or a part of the funding required by the customer for a specific economic activity. As opposed to partnership contracts, the bank's profit is shared on a pre-agreed basis. Chief among constant-profit contracts are as follows:

- a. **Installment Sale:** The bank delivers goods to the customer at a set price, which is amortized, totally or partially, on pre-determined maturity dates, through equal or unequal installments.
- b. **Hire Purchase:** The contract allows the bank to buy and then lease buildings, machinery, and equipment. At the end of the leasing period, the lessor (the bank) transfers the property (movable or immovable) ownership to the lessee if complying with the terms of the contract.
- c. **Forward Sale (Salaf):** A form of contract whereby the bank purchases goods produced by the customer, pays the price in cash, and receives the goods in future.
- d. **Jo'aleh:** Under Jo'aleh contract, one party (Ja'el) purchases another party's (agent or contractor) services for a specified commission. The bank may function as either Ja'el or contractor depending on the situation and the customers' needs.

The following table displays credit distribution based on Islamic contracts, mostly installment sale with a 61.2 percent share in 2008/09.

**Financial Facilities Extended by BK through Islamic Contracts (Billion RIs)**

Year Contract	2010-2011		2009-2010	
	Amount	Share (%)	Amount	Share (%)
Civil Partnership	41,147	43.7	21,573	31.9
Installment Sale	29,700	31.5	27,511	7.40
Mudharabah	10,662	11.3	6708	9.9
Forward	6,661	7.1	6,685	9.9
Qard-al-Hassanah	5,459	5.8	4741	7
Jo'aleh	386	0.4	287	0.4
Hire Purchase	223	0.2	128	0.2
<b>Total</b>	<b>94,238</b>	<b>100</b>	<b>67,633</b>	<b>100</b>



## Section 2

# Agriculture Bank of Iran

### (Bank Keshavarzi 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

Agriculture Bank of Iran (Bank Keshavarzi Iran), initially named “Agricultural and Industrial Bank of Iran”, was established in June 1933, following the merging of two specialized banks, i.e. “Agricultural Development Bank”, and “Iran Agricultural Cooperative Bank”. ABI, as the only specialized financial institution to finance the agriculture sector, is now 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:**

- Grant credit facilities to improve rural living standards;
- Develop small industries in rural areas;
- Enhance rural income levels and elevate the standards of living in rural areas ;
- Promote agricultural production;
- Strengthen the agriculture sector to reach self-sufficiency in production of agricultural crops and livestock products; and
- Escalate 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.



The First General Assembly (1933)



## Mission Statement

The Agriculture Bank of Iran's mission encompasses creating and offering distinctive and sustainable 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.

**ABI's fundamental values are, but not limited to, the following:**

1. Respect all customers as the main stakeholders of ABI;
2. Dignify the bank's staff as professional, motivated and enthusiastic bankers;
3. Avail itself of new technologies to offer distinctive services;
4. Comply with laws, rules and regulations of the banking system, based on Islamic Sha'ria Principles;
5. Rely on knowledge-orientation and knowledge-based management;
6. Achieve scientific and specialized credibility in the agriculture areas;
7. Gain credibility in international arena.





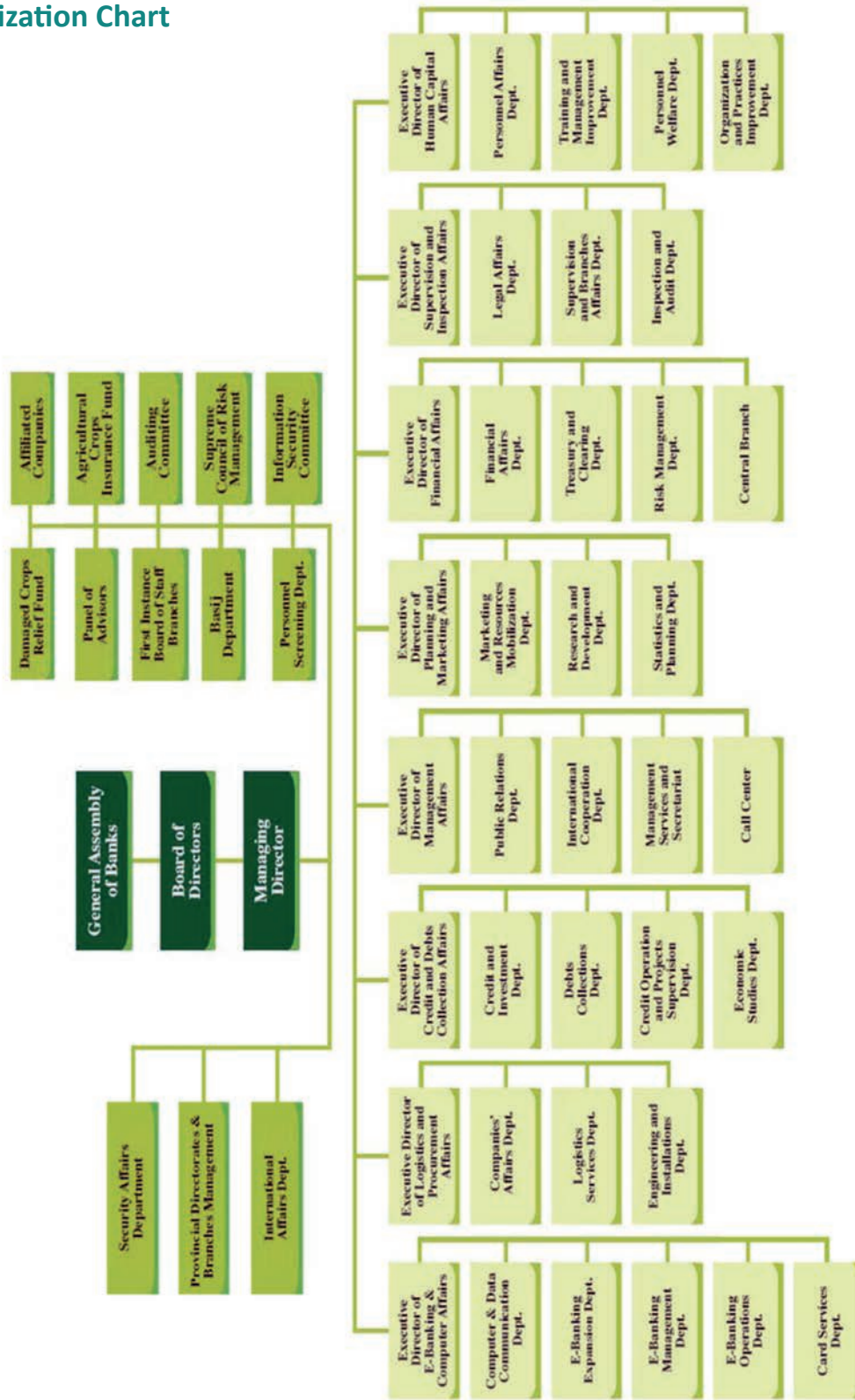
## Vision Statement

Agriculture Bank of Iran 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, ABI is determined to:

- Facilitate the flow of internal and external financial resources into the agriculture sector having identified and institutionalized the needs and investment opportunities in the sector;
- Avail 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;
- Have integrated, coordinated, harmonized, recognized, and fluent systems implemented and developed for the benefit of all stakeholders at required and internationally acceptable standards;
- Hold the largest market and customers shares among the specialized banks, ranked among the first four-top Iranian banks;
- Make constructive and effective interactions with international institutions and banks operative in overseas financial and monetary markets;
- Comply with Islamic Sha'ria in banking operations and use novel Islamic banking instruments;



## Organization Chart







## Human Resources

Promotion of organizational productivity and performance cannot be achieved without being endowed with efficient and professional staff. Thus, the selection of qualified employees is always prioritized in ABI's policies. The bank, aimed at realizing its mission and meeting customers' expectations, has been endeavoring to improve the procedures of human resources management including employment, training, remunerations and human relationships. In 2010-2011, the number of the permanent staff of the bank, with a 2.5 percent growth, amounted to 16,943 employees, 57.4 percent of whom hold academic degrees majoring in related fields of activities.

### **Some of the human resources strategies, adopted in ABI, are as follows:**

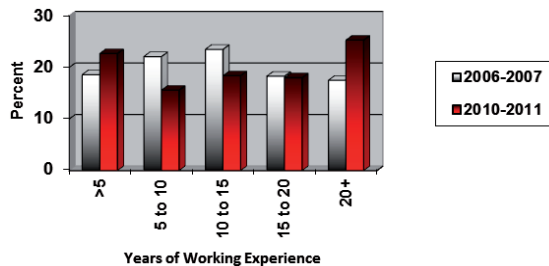
- Employ highly educated man power matching the needs of the bank;
- Identify and develop talented man power capabilities;
- Establish a training system based on jobs specification and staff qualification;
- Update the staff's knowledge regularly;
- Develop special programs for branches to promote the staff's skills and knowledge;
- Launch a job rotation system for the branch staff;
- Establish an incentive system based on performance to provide the staff with required motivation;
- Improve physical and mental health of the staff;



The staff's working experiences, in addition to specialized knowledge and sense of devotion, have always been appreciated in ABI approaches and programs. By 2011 year-end, some 4,294 employees, around 25.3 percent, had more than 20 years of experience.

Frequency of BK Staff's Years of Working Experience

Report Year Experience	2010/11		2009/10		2008/09		2007/08		2006/07	
	No.	%	No.	%	No.	%	No.	%	No.	%
Working Experience										
Less than 5	3,851	22.7	3,350	20.3	3,770	23.3	3,620	23.1	3,223	18.6
5 to 10	2,641	15.6	3,371	20.4	3,334	20.5	3,432	21.9	3,554	22.1
10 to 15	3,112	18.4	2,839	17.2	3,901	24.4	3,380	21	3,689	23.5
15 to 20	3,045	18	2,775	16.8	2,730	17.1	2,635	16.4	2,872	18.3
20 and above	4,294	25.3	4,189	25.3	2,350	14.7	2,845	17.6	2,742	17.5
Total	16,943	100	16,524	100	16,085	100	15,912	100	16,080	100



## Corporate Social Responsibility

Among the major components of the bank's social responsibilities and attainments, the following Scheme and programs are presented as illustrations of community mobilization, women's economic empowerment, application of new technology for environmental protection, efficiency in production, improving the economic activities of rural population and poverty-alleviation:

- Hadhrat Zainab<sup>1</sup> Scheme to support women-headed households;
- Kowsar (Hadhrat Fatima)<sup>2</sup> Scheme to create employment opportunities aimed at supporting rural girls empowerment, preventing their emigration from rural areas to cities, and promoting their social positions.;
- Iran Scheme, developed exclusively for Iranian women, providing them with accessibility to required banking services;
- Rural Job-creation Fund for all those individuals and entrepreneurs involved with activities in rural areas;
- The Fund for Newly-released Prisoners to provide them with new jobs opportunities;
- Children and Youth Bank, aimed at promoting banking and savings attitude among Children and teenagers and familiarizing them with modern banking services and operations;
- University Graduates Employment Scheme to furnished agriculture graduates with special credit facilities aimed at creating employment opportunities;
- Financing green projects to achieve sustainable development and environment protection, including water resources, soil, air, forests, rangelands, and other natural resources;
- Holding and Sponsoring Sporting Activities Sporting Activities aimed at realization of agricultural objectives dissemination of sporting culture among the young generation in general and young population in rural areas.



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



## Code of Ethics

ABI's Code of Ethics represents the guiding values of the organization and applies to everyone who is employed by the bank because the bank aspires to the highest standards of ethical behavior in the conduct of its business. The code is to bring discipline and professionalism to the bank's long-term and sustainable performance and to instill ethically sound behavior and accountability among its employees who all believe that they are judged by their conducts and the bank's reputation is fundamental to the bank's success.

The code, based on the bank's core values and long followed by ABI, is as follows:

1. Treat the public and customers with courtesy, respect their dignity, and acquire their satisfaction as the foremost capital of the bank.;
2. Observe discipline and carry out instructions received from supervisors within the framework of the regulations, rules, standards, and internal policies.
3. Avoid discrimination towards customers and partners, who receive fair and equal treatment, equal access to banking services, unprejudiced information, clear explanations and understandable advice.
4. Promote the culture of accountability as one of the core values of the bank and hire employees with professional qualities such as intelligence, knowledge, organization, problem-solving and perseverance;
5. Protect customers' privacy, confidentiality and security of their information and avoid accessing customers' information except for appropriate business purposes.
6. Avoid excessive bureaucracy and promote operational promptness;
7. Encourage organized teamwork, collaborative working, knowledge-sharing, exchange of experience, and high-commitment to enhance precision, accuracy, and quality for the good of the customers and the entire organization;
8. Offer new and innovative banking services and products compliant with the highest standards, especially through e-banking channels and advanced technologies;
9. Use the public and customers' inputs, i.e. comments, complaints, and proposals as a key opportunity for the bank to make customers feel valued, to identify potential problems in advance, and to provide indications of emerging needs or trends for use in future product development;
10. Endeavor to meet needs and expectations of the stakeholders and customers as a strategic opportunity to realize the bank's objectives;
11. Display patience, honesty, helpfulness, trust and due care to establish an attractive environment and atmosphere in which the customers should feel peace, tranquility, easiness, and affection;
12. Recognize customers' demanded values and attempt to fulfill their requirements;

## 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, Agriculture Bank of Iran has endeavored extensively, in recent years, to expand and promote national and international banking services and gain customers' satisfaction. The bank, as of now, furnishes the bank's customers as well as those of other banks with diverse banking services and products.

### Some of the diverse services of ABI are as follows:

- Rial Deposit Services
  - Qard-Al-Hassanah savings accounts
    - Regular Qard-Al-Hassanah savings accounts
    - Special Qard-Al-Hassanah savings Accounts
  - Special agricultural Qard-Al-Hassanah savings accounts
  - Iran Qard-Al-Hassanah savings accounts
  - Children Qard-Al-Hassanah savings accounts
  - Qard-Al-Hassanah checking accounts
  - Corporate Qard-Al-Hassanah accounts
    - Corporate savings accounts (Public and Non-public)
    - Corporate checking accounts (Public and Non-public)
  - Special Qard-Al-Hassanah checking accounts for disabled & illiterate customers
  - Time investment deposits (one to five deposit accounts)
  - Certificates of deposits
- Foreign Currency Accounts
  - Foreign currency savings accounts
  - Foreign currency checking accounts
  - Foreign currency corporate accounts
  - Foreign currency corporate savings accounts
  - Foreign currency corporate checking accounts
- Numerous types of Credit facilities
  - Facilities funded by government and internal resources;
  - Facilities for privileged customers;
  - Qard-Al-Hassanah facilities for rural women-headed households;
  - Qard-Al-Hassanah facilities for victims of natural disasters;
  - Facilities in foreign currency;
  - Facilities for agriculture graduates;
  - Facilities for unemployed Individuals;
  - Facilities for rural employment (individual or corporate):
- Diverse E-banking services through the Core-banking System such as<sup>1</sup>:
  - Internet banking

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1. See E-banking Section



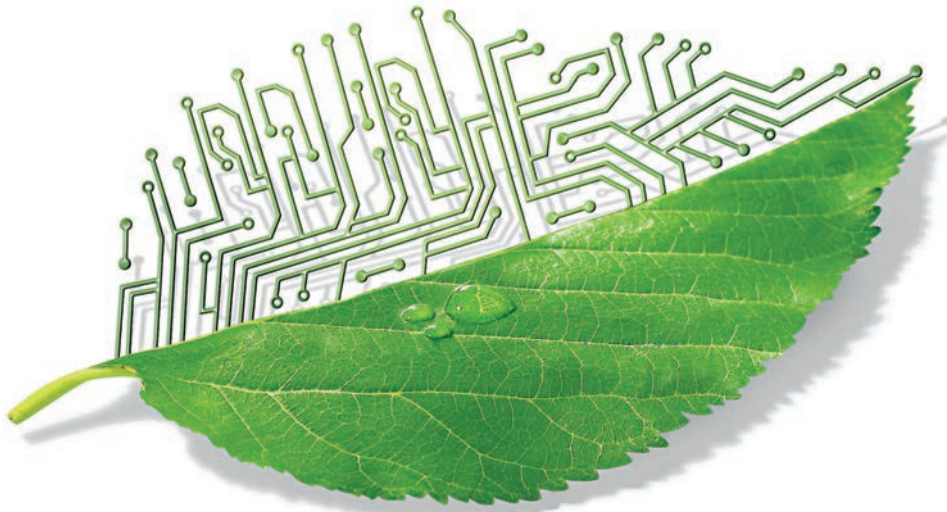
- Mobile Banking in rural areas;
- Tele-banking system
- SMS banking
- Money Orders, inter-bank checks, certified checks, e-checks,...
- Overdraft facilities for checking accounts holders;
- Multi-purpose banking cards (ATM/POS/Debit cards, all in one), multi-function cards such as Farmer's Card, Iran Card, National Youth Card, etc. and credit cards with different credit ceilings;
  
- International banking and forex services;
- Stock Brokerage Services;
- Insurance coverage and supporting contributions by Agricultural Relief Fund and Agricultural Insurance Fund;
- Consultation, projects appraisal, and supervision services;
- Special services and facilities for top customers such as:
  - Commissions-free money orders;
  - Courier Plan: banking services at customers' work places;
  - Priority in receiving credit facilities;
  - Golden Credit Cards;
  - Vaults services;
  - Direct deposit services;
  - Special facilities such as home appliances loans and car loans for employees of corporate customers;





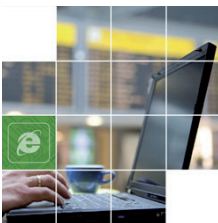
## E-banking

In recent years, the accelerated growth of information technology and development of communication network have opened a new horizon before financial markets and sectors. The emergence of new channels and methods of processing and data transfer as well as establishing great information bases have promoted the efficiency and productivity, facilitated communication and reduced operational costs in financial institutions, and as a major cause of gaining superiority in the arena of competitive and financial markets has evolved the overview of financial sector. Therefore, a strategic focus on electronic banking is not only a choice but also a necessity, which leads to a distinction in the quality of banking services, in addition to reducing operational costs. In short, electronic banking is the use of advanced technologies in software and hardware based on telecommunication network to exchange financial data electronically aimed at offering services without the need for clients' physical presence at branches.



Accordingly, ABI, by taking the lead, did make a grand revolution in the banking system and has run an integrated core banking entirely (named Mehr Gostar), in which the overall operations of depositing (current, saving, long term deposits,...), branch accounts (debits, credits, etc.), securities (partnership bonds, etc.) clearing, money orders, credit facilities, and the like are performed in branches.

Managing the above operations, the system has the ability to manage Customer Information System (CIS), parameters, lodger, liquidity, FOREX markets, documentary credits, ATMs channels, POSs, Pinpads, SMS banking, etc.



### The Core Banking System

ABI's core banking system includes variety of functions and specifications, few of which are: Banking transactions 24/7 through communications channels such as internet, telephone banking, mobile, etc.); Foreign currency services in all FX branches; Internet banking; Telephone banking; and Mobile banking.



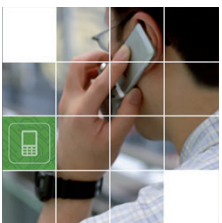
### **Customer Relationship Management Software (CRM)**

Nowadays, many businesses, including banks and financial institutions, realize the importance of Customer Relationship Management (CRM) to help them acquire new customers, retain existing ones, anticipate and manage the needs of current and potential customers, and maximize their lifetime value. CRM is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers.

The CRM software has been implemented in ABI to realize many purposes such as: gain insights into the behavior of customers, create value for customers; provide better services and products; increase customer satisfaction; make the call center more efficient; identify staff's strengths and weak points; simplify marketing processes; discover new customers; and increase customer revenues;...

### **Decision Support System (DSS) – DASHBOARD Management**

Due to the role and importance of out-of-sight knowledge in data and information exclusively in banks, and in order to promote management system and decision making, ABI's managers' dashboard system or integrated system of supporting management decisions was implemented. Some exclusive features of the software include reduce information access time, increase accuracy of results, improve personal efficiency, speed up decision-making and problem-solving processes, increase organizational control, facilitate inter-personal communication, generate new evidence in support of a decision...



### **Computer Management Software for Credit Facilities**

The software has been implemented aimed at mechanizing the process of credit application and filing, and managing credit disbursement stages. The system includes a recognized set of states and commands so that the state of each credit application file is updated and tagged based on predefined measures and the latest developments of the case. Thus, the authorized officers can easily trace and monitor any changes and development regarding the credit application.

#### **Online Registration of Credit Application**

In order to accelerate offering services to clients and reduce clients' physical presence at branches and headquarters departments, ABI has provided the credit applicants with online registration services. Such a service enables customers to send their application to the related branch, to know about credit application procedures, to be informed of the appointment date, to find out the required documents to be presented to branches, to trace the application states, etc.

### **Projects Supervision Mechanized Software**

Because of its mission as a specialized bank nationwide, ABI disburses credits on a civil partnership basis to the organizers of projects in a wide range of activities focusing on agri-sector. Projects Supervision Mechanized Software has been designed to establish projects databank, to have online timesaving supervision on micro and macro projects, to share supervisory files with related departments, etc.



## International Banking

In order to diversify banking services and to meet the foreign currency needs of entities and individuals involved in both commercial and agricultural sector, ABI has put enormous efforts into developing international banking services. The bank is among leading Iranian banks, which provide their customers with all different international banking services including Import- Export letters of credit, payment orders, collections, guarantees, etc. ABI has presently expanded its branches all over the country up to 36 to offer diverse international banking services.

Some foreign currency services and facilities of the bank include:

1. Finance production and entrepreneurship projects;
2. Finance reconstruction and renovation projects of the textiles industries in collaboration with the Ministry of Mines and Industries.
3. Finance tourism industry and other investment projects in the service sector.
4. Promote Iranian agricultural and other non-oil exports.
5. Support trade centers in export markets of central Asia and Caucasia.
6. Execute investment projects in free trade industrial zones and special economic zones.

ABI Forex branches are prepared to buy and sell commercial and non-commercial currencies under instructions and regulations set forth by the Central Bank of Iran. ABI's International Division also issues Rial letter of guarantee against foreign currency guarantees in favor of its customers. In addition, it is geared up to issue performance bonds, advance payment guarantee, retention money guarantee, guarantee for international tender ( lender bond ) and counter- guarantee for services and commodities exporters. It is noted that in order to provide International-banking services in line with KYC and AML rules and regulations, ABI proceeds to update international knowledge of our staff through holding seminars and educational courses.



### 2010-2011 Operational Figures

In 2010-2011, the volume of Import Letters of Credit issued towards 58 countries amounted to USD 3,292 million, 22 of which amounted to USD 49 million funded by refinance lines, and the amount of 56 issued foreign currency Guarantees reached around USD 20 million. FX-Deals done during the same period equaled USD 4,414 million under purchase category and USD 4,415 million under the sell title. Time Deposit interest amounted to USD 1.63 million as for borrowing and USD 2.26 million as for placement.

The bank's branches were active in opening hard currency accounts namely Interest-Free Savings, Short-Term Deposit and Checking Accounts in 2010-2011, total amount of which reached USD 40.55 million. During the year 2010-2011, some USD 1.359 million of new credit facilities was ratified to be paid from the SWF to 262 projects. The amount of USD 1.276.6 million was also allocated and disbursed to 255 projects, 252 of which (USD 1267.6 mil.) came to productivity stage.

The operational income of the International Division in 2010-2011 amounted to USD 48.4 million while their operational costs, totaled USD 2.4 million. In general, operational gross profit in International section in the year 2010-2011 was estimated as for USD 46 million.



## 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 ABI'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 Reinsurers (FAIR) (Membership by Agricultural Insurance Fund)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) (Honorary Membership)
- General Council for Islamic Banks and Financial Institutions (GCIBFI) (Honorary Membership)

Moreover, 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)

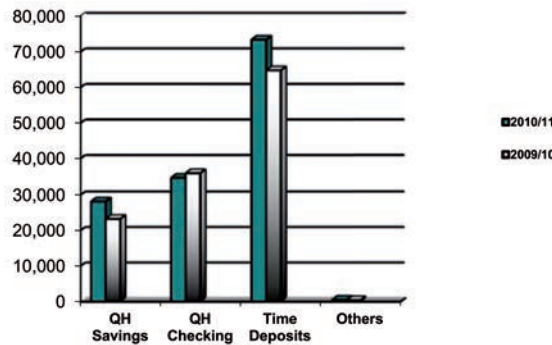


## Operational Performance

Making the best use of communication and information technologies, human resources' skills, diversity in banking services and products, hard-working staff with organizational commitment and optimal management, ABI was successful in resources mobilization as compared with the bank's performance in the preceding year. The bank managed to raise required funds to meet the customers' financial and credit. In 2010/11, ABI 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.

ABI's Resources Mobilization in 2010/11 (Billion Rls.)

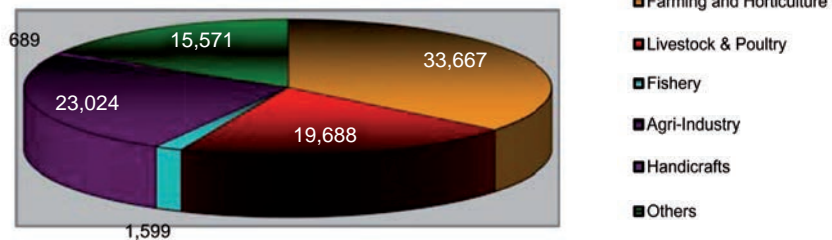
Resources	2010/11	2009/10	Growth (%)
Qard-al-Hassanah Savings Account	28,236	23,321	21
Qard-al-Hassanah Checking Account	34,625	35,927	(4)
Time Deposits	73,495	64,881	13
Other Deposits	547	407	34
<b>Total</b>	<b>136,904</b>	<b>124,536</b>	<b>10</b>



In the year under report, the total amount of facilities extended by the bank to public and non-public agriculture sectors equaled Rls. 94,238 billion, indicating a 39.3 percent growth as compared with that of the previous year. Of total credit supplied, some Rls. 80,948 billion (85.9 percent) was funded from non-statutory resources and some Rls. 8,992 billion from administered funds, showing a 58.7 percent increase and a 3.1 percent decline respectively, relative to those of the preceding year. The following table displays ABI's facilities granted to different sub-sectors:

Breakdown of Facilities Granted to Agricultural Sub-sectors in 2010/11

Sub-sector	Total Facilities (Bln Rls)	Share (%)
Farming and Horticulture	33,667	35.7
Livestock and Poultry	19,688	21
Fishery and Aquaculture	1,599	1.7
Agricultural Industries and Services	23,024	24.4
Handicrafts and Carpet-weaving	689	7
Other Agricultural Activities	15,571	16.5
<b>Total</b>	<b>94,238</b>	<b>100</b>

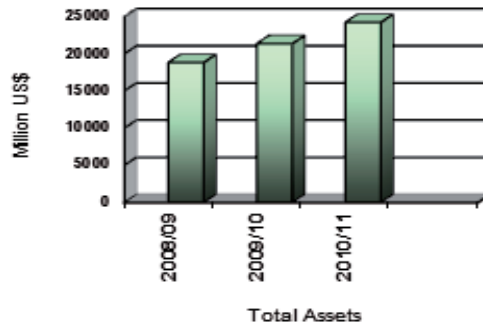




## Financial Performance

### Total Assets<sup>1</sup>

By the end of 2010/11, ABI's total assets rose from Rs 209,817 billion (USD 21,363 million) in 2009/10 to Rs 251,047 billion (USD 24,223 million), showing a 19.6 percent growth, mostly due to an increase in financial facilities granted to the private sector and new investment.



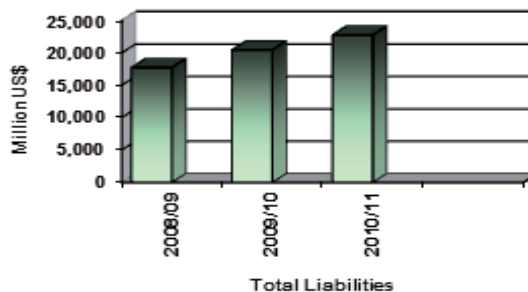
### Shareholders' Equity

Shareholders' equity of the bank, with a 87.6 percent rise, amounted to Rs 15,046 billion (USD 1,451 million) by the end of 2010/11 from Rs 8,018 billion (USD 893 million) in the preceding year, mainly as a result of ABI's capital increase.



### Total Liabilities

ABI's liabilities increased by 16.9 percent from Rs 201,799 billion (USD 20,470 million) in 2009/10 to Rs 236,001 billion (USD 22,771 million) by the end of 2010/11, largely because of growth in due to CBI as well as the rise in savings and term deposits with the bank.

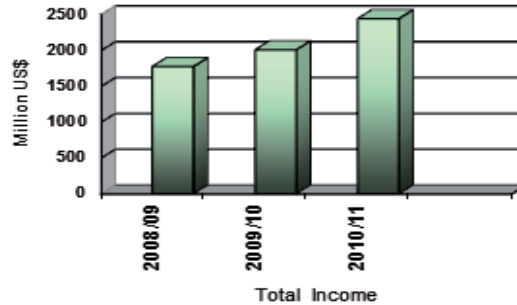


1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2009/10).



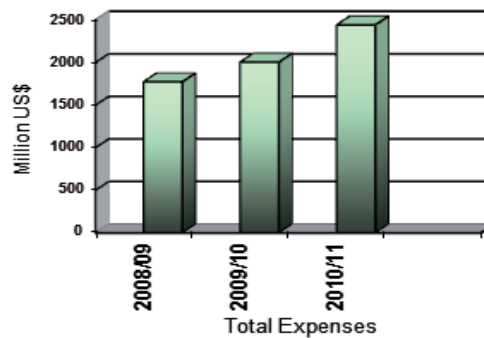
### Total Income

ABI's total income grew from RIs 19,497 billion (USD 2,010 million) in 2009/10 to RIs 25,353 billion (USD 2,446 million) in 2010/11, indicating a 30 percent growth, mostly because of an uplift in interest income earned out of granted financial facilities during the given year.



### Total Expenses

ABI's total expenses rose by 26 percent increasing from RIs 20,079 billion (USD 2,004 million) in 2009/10 to RIs 25,306 billion (USD 2,441 million) in 2010/11. Such an increase in expenses is believed to be largely due to the rise of profit paid to depositors and the profit paid for credit facilities received.



As regards the above-mentioned improvements, the key ratios represent ABI's financial health and strength. The Return on Investment ratio (0.02 percent) not only does display higher profitability, but higher efficiency in utilizing resources and assets. Moreover, the 6 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.



## ABI's Main Affiliated Companies

### Agricultural Insurance Fund (AIF)

The Agricultural Insurance Fund was established in 1984 to protect farmers and livestock breeders against natural disasters such as draught, earthquakes, frosts, flooding, hailstorms, torrential rain, and landslides, and to enhance agricultural products and production yields in order to reach self-sufficiency in one of the vital sectors of economy. AIF provides insurance coverage, as a sustainability tool to help mitigate the effects of negative events with impacts on agricultural production and revenues. It encourages farmers to adopt progressive farming practices, high value in-puts and higher technology in agriculture to help stabilize farm incomes, particularly in disaster years.

AIF is administered through a head office in Tehran, 32 provincial directorates and 1914 ABI's branches nationwide. Some of the agricultural products insured by the fund are as follows:

Some Agricultural Products under AIF Insurance Coverage

Activities	Insured Agricultural Products
<b>Annual Crops</b>	Wheat (Irrigated/rain-fed), Barely, Rice, Peas, Lentils, Beans, Sugar Beet, Potatoes, Corn, Sunflower, Soy beans, Onions, Tobacco, Cantaloupe, Melon, Watermelon, Peanuts, Sesame, Strawberries, ...
<b>Perennial Crops</b>	Saffron, Tea, Figs, Pistachio, Almond, Walnuts, Tangerines, Lemons, Apples, Grapes, Oranges, Pears, , Dates, Ornamental Flowers, ...
<b>Livestock</b>	Dairy Cattle, Honey Bees, Silkworms, Camels, Buffalos, ...
<b>Poultry</b>	Broiler and Layer Chickens, Ostriches, Turkeys, ...
<b>Aquaculture</b>	Cold/Warm-water Fish, Shrimps,...
<b>Pastures and Forestry</b>	Lands Improvement Projects, Watersheds Construction, Spruce Trees, ...

AIF's performance and its contribution to different agricultural sub-sectors in 2010/11 have been demonstrated in the following table:

AIF's performance in 2010/11

Items	Cultivation (ha)	Horticulture (ha)	Livestock (Heads)	Poultry (Pieces)	Aquaculture (m <sup>2</sup> )	Natural Resources (ha)	Total
No. of the Insured	952,373	513,754	228,852	37,808	460	4,919	1,738,166
No. of Contracts	948,589	513,754	227,717	37,808	461	4,682	1,733,011
Areas Under Insurance Coverage	4,167,100	426,618	9,980,102	593,962,872	39,481,929	3,079,864	-
Premium received (Million Rls.)	1,208,907	1,575,511	433,444	907,556	14,016	8,116	4,147,549
No. Damage-incurring Farmers	215,700	129,412	114,973	8,426	132	670	469,313
Damaged Areas	883,524	104,924	462,907	35,375,042	772,427	386,646	-
Indemnities Paid (Million Rls.)	922,272	549,772	202,511	517,841	4,796	639	2,197,830



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

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

#### 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.

Summary of Land Bank's Performance

Projects	Lands Ceded		Lands under Study	
	No.	Area (Ha)	No.	Area (Ha)
Lands Rehabilitation	21	18,163.1	5	28,599
Green Houses	10	207.12	2	180
Livestock Farms	7	54.95	1	16
Aquaculture Centers	1	1.93	-	-
<b>Total</b>	<b>39</b>	<b>18,427.1</b>	<b>8</b>	<b>28,795</b>

#### Stock Brokerage Firm

ABI's Stock Brokerage Firm helps its clients, investors, get the maximum return from their investments in the stock market. The main activities of ABI's Stock Brokerage Firm, registered in 1993, are as follows: Trading listed shares



and securities, subscribing securities; managing investment portfolios on behalf of individuals; offering counseling services on various financial products including investments in IPOs, mutual funds and currency derivatives; preparing specialized reports and bulletins, conducting economic and financial studies, providing online stock brokerage services; providing newly-listed companies with counseling services; helping clients apply for ABI's credit facilities; informing clients of daily shares prices and the latest development of the markets through SMS services; etc.

#### **Mehr Exchange Company**

Mehr Exchange Company officially started its operations in 2004 aimed at preventing money-laundering, valuing customers' rights and balancing the forex market. The company is engaged in foreign currencies exchange, spot transactions, bills of exchange, gold and silver coins, and any kind of foreign exchange operations under CBI monetary and credit policies and regulations.

#### **ABI's 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 Regional Cooperation Bank (IDCB)**

IDRB has been established through joint investment of ABI 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

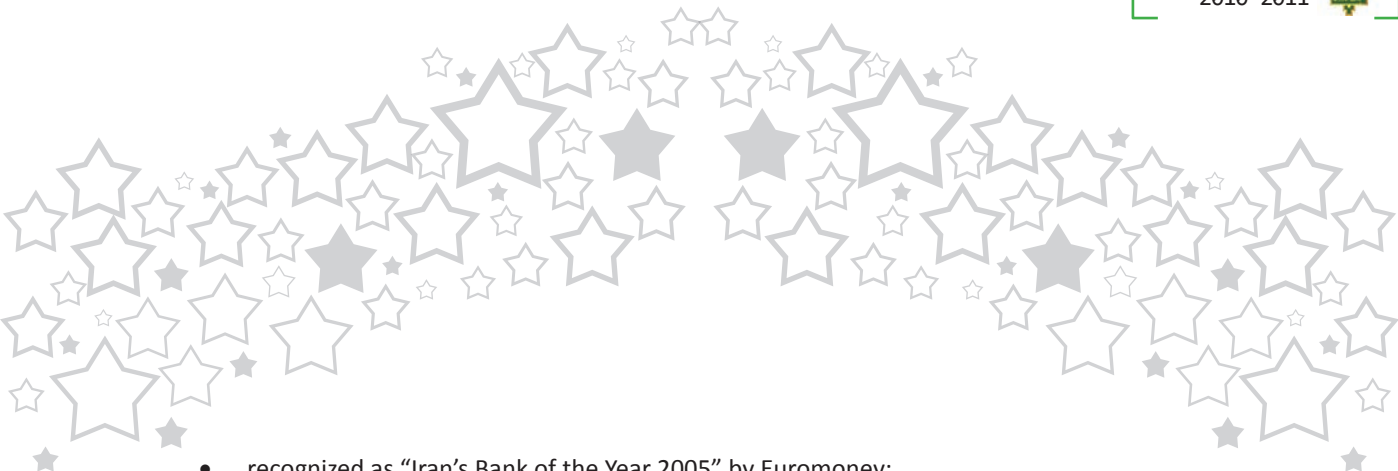
### An outline of ABI's accomplishments is as follows:

- Installation of a Core Banking System 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 in branches;
- Voice mail and communication terminal between customers and ABI's senior managers;
- Lobby Tellers Plan;
- ABI's Courier Plan
- Children and Youth Bank;
- Supervision on branches affairs via customers and the bank's staff;

### Given the foregoing developments, ABI 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 Zainab 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 Rajae 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

Excerpt of Auditors' Report  
Financial Statements

## Excerpt of Auditors' Report

### **Independent Auditors' Report to the General Assembly of Banks and ABI's Shareholders:**

ABI's Balance Sheet, Profit and Loss Statement, and Cash Flow statements as well as explanatory notes for the financial year ending March 20, 2011 have been audited by State Audit Organization (SAO). ABI'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 ABI's operations with approved budget for the year ending March 20, 2011 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 ABI's staff and management during the conduct of our audit.

**July 19, 2011**

**State Audit Organization**



## Agriculture Bank of Iran

### Balance Sheet

	Note	March 20, 2011		March 20, 2010 <sup>1</sup>	
		mil. IRR	mil. USD	mil. IRR	mil. USD
<b>ASSETS</b>					
Cash and Bank	5	2,662,060	256.86	1,564,413	159.08
Due From CBI	6	11,640,902	1,123.21	9,328,101	948.56
Due From Banks and Credit Institutions	7	11,910,131	1,149.18	8,266,566	840.61
Due From Government	8	14,081,768	1,358.72	5,323,807	541.37
Credit Granted and Due from Public Sector	9	981,495	94.70	4,064,771	413.34
Credit Granted and Due from Non-public Sector	10	161,277,181	15,561.29	132,668,082	13,490.75
Debtors for Deferred DCs	11	4,518,672	436	8,686,375	883.3
Partnership Bonds and the Like	12	115,142	11.11	497,882	50.63
Investments and Partnerships	13	807,439	77.91	689,570	70.12
Fixed Assets	14	9,064,961	874.66	8,525,944	866.99
Other Assets	15	31,428,622	3,032.48	30,472,105	3,098.65
Cash in Transit <sup>2</sup>	16	2,558,995	246.91		
<b>Total Assets</b>		<b>251,047,368</b>	<b>24,223</b>	<b>210,087,618</b>	<b>21,363.39</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
Due to CBI	17	65,409,422	6,311.21	40,073,936	4075.04
Due to Banks and Credit Institutions	18	10,500,166	1,013.14	9,967,005	1,013.53
Sight Deposits	19	34,624,827	3,340.87	35,927,487	3,653.4
Savings Deposits	20	28,235,745	2,724.41	23,321,311	2,371.5
Term Investment Deposits	21	73,495,487	7,091.42	64,881,366	6,597.66
Other Deposits	22	546,500	52.73	407,083	41.4
Partnerships Bonds of In-progress Projects	23	188	0.02	4,511	0.46
Other Liabilities and Provisions	24	18,468,963	1,782.03	15,989,004	1,625.9
Due to Foreign Banks	25	4,719,705	455.39	8,766,895	891.49
Cash in Transit	16	0	0	1,962,416	199.55
<b>Total Liabilities</b>				<b>201,301,014</b>	<b>20,469.9</b>
<b>SHAREHOLDERS' EQUITY</b>					
Capital	26	802,118	773.94	8,021,118	815.65
Reserves	26	771,238	744.15	705,090	71.7
Retained Earnings		(687,135)	-66.3	60,396	6.14
<b>Total Shareholders' Equity</b>		<b>15,046,365</b>	<b>1451.7913</b>	<b>8,886,604</b>	<b>893.49</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>251,047,368</b>	<b>24,223</b>	<b>210,087,618</b>	<b>21,363.39</b>

1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2009/10).

2. Cash funds, which have been transferred but have not practically been received by the recipient.

**Income Statement**

	Note	March 20, 2011		March 20, 2010	
		mil. IRR	mil. USD	mil. IRR	mil. USD
<b>Income from Joint Investment:</b>					
Profit <sup>1</sup> and Penalties	27	20,717,342	1,998.97	15,698,562	1,596.36
Other Incomes	28	131,910	12.73	96,265	9.79
<b>Sub-total</b>		<b>20,849,252</b>	<b>2,011.7</b>	<b>15,794,827</b>	<b>1,606.15</b>
Minus:					
Depositors' Profit Share	29	8,505,779	820.7	(6,817,115)	(693.22)
Surplus Profit Paid to Depositors	29	1,020,267	98.44	(576,959)	58.67
<b>Net Profit Paid to Depositors</b>		<b>9,526,046</b>	<b>919.15</b>	<b>(7,394,074)</b>	<b>(751.89)</b>
<b>Bank's Profit</b>		<b>11,323,207</b>	<b>1,092.55</b>	<b>8,400,753</b>	<b>854.26</b>
<b>Income from Own Investment:</b>					
Profit and Penalties	30	121,125	11.69	328,693	33.42
Fees and Commissions	31	4,169,898	402.34	3,258,290	331.33
Other Income	32	212,731	20.53	386,235	39.28
<b>Sub-total</b>		<b>4,503,753</b>	<b>434.56</b>	<b>3,973,218</b>	<b>404.03</b>
<b>Total Operating Income</b>		<b>15,826,960</b>	<b>1527.11</b>	<b>12,373,971</b>	<b>1,258.29</b>
<b>Expenses</b>					
Profit Paid (excluding Depositors')	33	(5,246,871)	-506.26	(3,446,528)	(350.47)
Fees & Commissions Paid	34	(333,800)	-32.21	(212,521)	(21.61)
General Expenses	35	(9,455,080)	-912.3	(8,006,156)	(814.13)
Other Expenses	36	(744,135)	-71.8	(649,847)	(66.08)
<b>Total Operating Expenses</b>		<b>(15,779,887)</b>	<b>-1,522.57</b>	<b>(12,315,052)</b>	<b>(1,252.29)</b>
<b>Profit before Tax</b>		<b>47,073</b>	<b>4.54</b>	<b>58,919</b>	<b>5.99</b>
Tax		-	-	-	-
<b>Net Profit</b>		<b>47,073</b>	<b>4.54</b>	<b>58,919</b>	<b>5.99</b>

**Retained Earnings Statement**

	Note	March 20, 2011		March 20, 2010	
		mil. IRR	mil. USD	mil. IRR	mil. USD
Net Profit		47,073	4.54	58,919	5.99
Beginning Year Retained Earnings		60,396	5.83	181,069	18.41
Prior Year Adjustments	35	(768,715)	-74.17	(147,186)	(14.97)
Beginning Earnings after Adjustments		(708,318)	-68.34	33,883	3.45
<b>Allocable Profit</b>		<b>(661,245)</b>	<b>63.8</b>	<b>92,802</b>	<b>9.44</b>
Minus:					
Required Reserve		(7,061)	-0.68	(8,838)	0.9
Profit Payable to Government		(18,829)	-1.82	(23,568)	2.4
<b>End-year Closing Retained Earnings</b>		<b>(687,136)</b>	<b>-66.3</b>	<b>60,396</b>	<b>6.14</b>

1. In Islamic Banking, the perception held about interest is based on Profit-Loss-Sharing Scheme (PLS). For more information, see Section 1, Islamic Banking.



## Cash Flow Statement

	Note	March 20, 2011		March 20, 2010			
		mil. IRR	mil. USD	mil. IRR	mil. USD		
<b>Net Cash Flow from Operating Activities</b>	38			<b>7,604,587</b>	733.75	<b>2,902,990</b>	<b>295.2</b>
<b><u>Investments Return and Profit Paid for Financing Activities</u></b>							
Dividend Received	27	47,588	4.59			35,701	3.63
Partnership Bonds Profit	27	53,779	5.19			100,151	10.18
Profit Paid for Facilities Received from Banks	33	(5,246,871)	<b>506.26</b>				
<b>Net Cash Flow from Investments and Profit Paid for Financing Activities</b>				<b>(5,145,504)</b>	<b>496.48</b>	<b>(3,310,676)</b>	<b>336.66</b>
<b><u>Income Tax</u></b>							
Income Tax Paid				(447,834)	43.21	(420,874)	(42.8)
40% Profit Re. Budget Act				(18,829)	1.82	(23,568)	(2.4)
<b><u>Investment Activities</u></b>							
Purchase of Direct Investments and Legal Partnerships	13	<b>(88,445)</b>	8.53				
Disposal of Investments and Legal Partnerships		8,756	0.84			28,334	(2.88)
Purchase of Tangible Fixed Assets	14	(860,843)	83.06			(588,779)	(59.87)
Disposal of Tangible Fixed Assets	32	20,950	<b>2.02</b>			21,585	(2.73)
<b>Net Cash Inflow from Investment Activities</b>				<b>(919,583)</b>	<b>88.72858</b>	<b>(538,860)</b>	<b>(54.8)</b>
<b>Net Cash Inflow before Financing Activities</b>				<b>1,072,837</b>	103.52	<b>(1,390,988)</b>	<b>141.45</b>
<b><u>Financing Activities</u></b>							
Facilities Received from Banks		3,433,000	331.24			839,599	
<b>Net Cash Inflow from Financing Activities</b>				3,433,000	331.24	839,599	
Net Cash Inflow				<b>4,505,837</b>	434.76	<b>(551,389)</b>	<b>56.07</b>
Profit from Revaluation of FC Cash				135,774	13.1	215,388	(21.9)
Net Cash Increase	39			4,641,611	<b>447.86</b>	(336,001)	34.17
Beginning Cash Balance				6,303,621	<b>608.22</b>	6,639,622	675.17
<b>End-year Closing Cash Balance</b>				<b>10,945,232</b>	<b>1056.08</b>	<b>6,303,621</b>	<b>641</b>



## Notes to the Financial Statements

### 1. History

#### 1.1. General

ABI 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 ABI's articles of association as well as national financial and monetary rules and regulations.

#### 1.3. Branches

By year-end 2010-11, ABI conducts its banking operations through 1914 branches nationwide.

#### 1.4. Employment

The number of all employees (permanent and temporary) working for the bank in 2010/11 totaled 16,943.

### 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, income, earned out of granted financial facilities, investment in stock exchange and partnership bonds, will be treated as joint earnings with depositors, whose share will be determined proportionate to utilization of their net resources in afore-said operations. Such income is recognized through the bank's accounting procedures.

### 4. Significant Accounting Policies and Procedures

#### 4.1. Investments

- Current and liquid investments, recorded in the bank's financial statements and those of the affiliated companies, would be evaluated at the least cost price. Net sale value of total investments and other current ones, represented in the bank's financial statements and those of the affiliated companies, 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 bellow:

**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

mil. IRR	March 20, 2011	March 20, 2010
Cash	1,540,903	1,033,869
CBI's Iran Checks	1,038,109	502,233
FC Cash	83,048	28,311
<b>Total</b>	<b>2,662,060</b>	<b>1,564,413</b>

#### 6. Due from CBI

mil. RIs	March 20, 2011	March 20, 2010
Required Reserve	10,726,347	9,733,232
Demand Deposit with CBI (in FC)	1,511,705	237,567
Minus:		
Required Reserves of Free-trade Zones' Branches	(597,150)	(642,698)
<b>Total</b>	<b>11,640,902</b>	<b>9,328,101</b>

#### 7. Due from Banks and Credit Institutions

mil. IRR	March 20, 2011	March 20, 2010
Sight and Term Deposits with Domestic Banks (in FC)	2,728,529	959,086
Sight Deposits with Foreign Banks	5,383,575	3,683,621
Clearing of Checks Issued by other Banks	3,031,963	2,854,788
Nostro Account after Clearing	170,330	95,869
Inter-banks Account	604,657	688,242
<b>Sub-total</b>	<b>11,919,054</b>	<b>8,281,606</b>
Exchange of Clearinghouse Notes	(8,923)	(15,040)
<b>Total</b>	<b>11,910,131</b>	<b>8,266,566</b>

#### 8. Due from Government

mil. IRR	March 20, 2011	March 20, 2010
Due from Government	14,568,632	5,861,193
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(146,885)	(181,444)
Deferred Profit of Statutory Facilities Undertaken by Government	(1,147)	(1,153)
Profit Subsidy by Government – Profit Rate Harmonization	(230,988)	(269,593)
1.5 Percent General Reserves	(107,844)	(85,196)
<b>Total</b>	<b>14,081,768</b>	<b>5,323,807</b>



### 9. Granted Facilities and Due from Public Sector

mil. IRR	March 20, 2011	March 20, 2010
Statutory Facilities, Qard-al-Hassanah	2,127	4,542
Non-statutory Facilities, Qard-al-Hassanah	18	73
Statutory Facilities, Mudharabah	-	2,340,088
Non-statutory Facilities, Mudharabah	25,992	733
Non-statutory Facilities, Forward <sup>1</sup>	7,797	135
Statutory Facilities, Forward	100	-
Non-statutory Facilities, Hire Purchase <sup>2</sup>	-	15
Statutory Facilities, Hire Purchase	-	-
Statutory Facilities, Civil Partnership <sup>3</sup>	882,987	1,727,566
Non-statutory Facilities, Civil Partnership	54,432	8,088
Statutory Facilities, Installment Sale	2,115	3,928
Non-statutory Facilities, Installment Sale	30,764	54,651
<b>Sub-total Current Facilities</b>	<b>1,006,332</b>	<b>4,139,819</b>
Overdue Debts on Statutory Facilities	288	8,996
Overdue Debts on Non-statutory Facilities	2,178	5,596
<b>Sub-total Overdue Debts</b>	<b>2,466</b>	<b>14,592</b>
Arrears on Non-statutory Deposits	2,931	3,738
Arrears on Statutory Deposits	588	3,553
<b>Sub-total Arrears Debts</b>	<b>3,519</b>	<b>7,291</b>
Bad Debts on Statutory Facilities	10,636	1,345
Bad Debts on Non-statutory Facilities	8,131	1,906
<b>Sub-total Bad Debts</b>	<b>18,767</b>	<b>3,251</b>
<b>Total</b>	<b>1,031,084</b>	<b>4,164,953</b>
Minus:		
1.5 Percent General Reserve for Bad Debts	(14,947)	(62,315)
Future-year Profit of Facilities	(7,271)	(10,601)
Deferred Profit of Facilities	27,373)	(27,266)
<b>Total</b>	<b>981,493</b>	<b>4,064,771</b>

1. Bai Muajjal or Salaf  
2. Ijara wa Iqtina  
3. Diminishing Musharakah

**10. Granted Facilities and Due from Non-public Sector**

<b>mil. IRR</b>	<b>March 20, 2011</b>	<b>March 20, 2010</b>
Statutory Facilities, Qard-al-Hassanah	1,660,412	2,238,922
Non-statutory Facilities, Qard-al-Hassanah	9,344,034	6,285,770
Statutory Facilities, Mudharabah	17,375	10,240
Non-statutory Facilities, Mudharabah	6,292,181	2,699,966
Statutory Facilities, Forward	55,546	109,374
Non-statutory Facilities, Forward	6,495,566	6,940,611
Statutory Facilities, Civil Partnership	1,842,663	1,071,117
Non-statutory Facilities, Civil Partnership	39,290,073	20,417,205
Statutory Facilities, Jo'aleh	3,291	583
Non-statutory Facilities, Jo'aleh	974,776	802,409
Statutory Facilities, Installment Sale	2,404,839	3,290,675
Non-statutory Facilities, Installment Sale	78,776,694	75,134,136
Statutory Facilities, Hire Purchase	418,601	264,763
Non-statutory Facilities, Hire Purchase	440,966	419,021
Factoring <sup>1</sup> of Notes in Rial	3,056	3,056
Housing Facilities	6,861,712	3,584,775
Short-term Facilities (in FC)	107,834	524,850
Medium-term Facilities (in FC)	5,546,427	6,572,997
Previous Housing Loans	878	11,235
Debtors for DCs Reimbursed	21,198	185,875
Debtors for DCs Reimbursed (in FC)	33,145	3,215
Debtors for Paid Credit Cards	28	65
Debtors for Paid L/Gs	5,130	14,284
Advance Payment for Transactions Properties	3,631	5,210
Work in Progress, Jo'aleh	24	24
Purchased Properties for Installment Sale	343	466
Properties Purchased for Hire Purchase	4	-
Facilities Funded by Bonds of In-progress Projects	16,088	51,027
<b>Sub-total Current Facilities</b>	<b>160,616,515</b>	<b>130,641,871</b>
Overdue Debts on Statutory Facilities	439,472	756,990
Overdue Debts on non-statutory Facilities	4,047,637	5,914,489
Overdue Debts on Facilities (in FC)	428,283	1,663,656
<b>Sub-total Overdue Debts</b>	<b>4,915,392</b>	<b>8,335,135</b>
Arrears on Statutory Facilities	417,874	614,571
Arrears on Non-statutory Facilities	4,611,480	6,171,561
Previous Arrears	70	80
Arrears on Facilities (in FC)	1,874,089	2,423,161
<b>Sub-total Arrears</b>	<b>6,903,513</b>	<b>9,209,373</b>
Bad Debts on Facilities Granted	1,547,433	1,547,312
Bad Debts on Internal Facilities Granted	22,394	21,263
Bad Debts on Facilities Granted (in FC)	1,728,571	1,653,076
Bad Debts on L/Gs Paid	257,919	248,893
Bad Debts on Statutory Facilities	1,745,597	1,399,257
Bad Debts on Non-statutory Facilities	13,843,755	11,548,822
Bad Debts on Facilities (in FC)	7,083,684	3,198,438
<b>Sub-total Bad Debts</b>	<b>26,229,353</b>	<b>19,617,061</b>
<b>Total</b>	<b>198,664,773</b>	<b>167,803,440</b>
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(20,062,113)	(17,465,239)
Deferred Profit of Facilities and Affiliated Companies	(1,510,829)	(2,194,742)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(266,285)	(559,317)
Joint Account for Civil Partnership	3,227,801	(4,383,636)
Provisions for Bad Accounts (Public)	2,346,639	(2,022,323)
Provisions for Bad Accounts (Non-public)	(9,523,276)	(8,202,598)
On-account Collections of Facilities	(450,651)	(307,503)
<b>Total</b>	<b>161,277,181</b>	<b>132,668,082</b>

1. Bai Dayn or Debt Trade



### 11. Debtors for Deferred DCs

mil. IRR	March 20, 2011	March 20, 2010
Debtors for Deferred DCs	4,518,672	8,686,375
<b>Total</b>	<b>4,518,672</b>	<b>8,686,375</b>

### 12. Partnership Bonds and the Like

mil. IRR	March 20, 2011	March 20, 2010
Purchased Balance of Government Bonds	115,142	497,882
<b>Total</b>		<b>497,882</b>

### 13. Investments and Partnerships

mil. IRR	March 20, 2011	March 20, 2010
Legal Partnership <sup>1</sup> of Non-public Sector	812,171	709,787
Investment in Stock Exchange	22,052	30,595
Direct Investment	97,346	102,741
<b>Sub-total</b>	<b>931,569</b>	<b>843,123</b>
Minus:		
Provision for Shares Depreciation	(124,130)	(141,785)
<b>Total</b>	<b>807,439</b>	<b>701,338</b>

### 14. Fixed Assets

mil. IRR	March 20, 2011	March 20, 2010
Movable Assets	2,215,636	1,965,772
Immovable Assets	7,575,153	7,214,032
Intangible Assets	382,907	384,009
Immovable Assets under Construction	618,500	499,673
Renovation & Improvements Costs of Buildings on Lease	14,969	13,400
Capital Advance Payments	200,353	106,607
<b>Sub-total</b>	<b>11,007,518</b>	<b>10,183,493</b>
Minus:		
Depreciation Reserve for Movable Assets	(1,104,710)	(949,980)
Depreciation Reserve for Immovable Assets	(837,847)	(707,569)
Depreciation Reserve for Intangible Assets	-	-
<b>Total Depreciation Reserves</b>	<b>(1,942,557)</b>	<b>(1,657,549)</b>
<b>Net Book Value</b>	<b>9,064,961</b>	<b>8,525,944</b>

1. Equity Partnership



### 15. Other Assets

mil. IRR	March 20, 2011	March 20, 2010
Tax Stamp	18,207	21,475
Gold and Silver	737	632
Inventory	116,450	139,713
Repossessed Collaterals	2,695,937	1,540,444
Temporary Debtors Account <sup>1</sup> (CBI Nullified Iran Checks)	37,060	-
Temporary Debtors Account (in RIs)	9,234,826	13,867,394
Temporary Debtors Account (in FC)	1,834,685	2,596,352
Debtors for Insurance Fund's Indemnities	3,535,559	5,153,487
Receivable Profit from Granted Facilities	14,104,697	10,735,811
Minus:		
Balance of AIF's Indemnities Part-payments	(149,537)	(3,583,203)
<b>Total</b>	<b>31,428,621</b>	<b>30,472,105</b>

### 16. Cash in Transit

mil. IRR	March 20, 2011	March 20, 2010
Branches	57,680,726	55,685,054
Internal Debtors (in RIs)	2,332,339	1,280,595
Internal Debtors (in FC)	118,926	212,715
Current Account with Central Branch	(6,423)	(3,158)
Branches Account (in FC)	22,657,981	24,300,042
Forex Transactions Value (in RIs)	2,109,220	2,449,380
<b>Sub-total Debtors</b>	<b>84,892,769</b>	<b>83,924,628</b>
Inter-branch Account	56,132,381	57,884,590
Inter-branch Account (in FC)	24,799,898	24,275,358
Internal Creditors (In RIs)	1,151,410	1,275,971
Internal Creditors (in FC)	141,606	213,174
FC Position	2,108,480	2,449,381
<b>Sub-total Creditors</b>	<b>84,333,775</b>	<b>86,098,474</b>
Minus:		
Total Creditors	(84,333,775)	(86,098,474)
<b>Final Balance</b>	<b>558,995</b>	<b>(2,173,846)</b>

1. Nominal Account



### 17. Due to CBI

mil. IRR	March 20, 2011	March 20, 2010
Due to CBI as Credit in Current Account	26,445,540	4,674,864
Facilities Received from CBI	30,356,830	21,849,999
Deposits Received from CBI	1,750,000	-
Facilities Received from SWF	13,857,053	13,549,073
Minus:		
Settlement of AIF's Debt to ABI	(7,000,000)	
<b>Total</b>	<b>65,409,423</b>	<b>40,073,936</b>

### 18. Due to Banks and Credit Institutions

mil. IRR	March 20, 2011	March 20, 2010
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	8,806	5,058
Facilities Received from Banks	1,858,812	5,954,062
Due to Foreign Banks for Loans in FC	147,653	45,707
Interbank Funds - Unused	487,193	312,193
Sight Deposits of Iranian Banks (in FC)	7,391,165	3,622,082
Sight Deposits of Foreign Banks (in FC)	606,536	27,903
<b>Total</b>	<b>10,500,165</b>	<b>9,967,005</b>

### 19. Sight Deposits

mil. IRR	March 20, 2011	March 20, 2010
Qard-al-Hassanah Checking Accounts (in RIs)	15,938,231	20,172,468
Qard-al-Hassanah Checking Accounts (in FC)	15,134	6,178
Administered Funds - Unused	6,974,608	7,111,452
Bank Checks Sold	4,017,511	2,918,290
Money Orders to the debit of our Account (in RIs)	25	(56)
Money Orders to the debit of our Account (in FC)	6,226	27,784
Balances Not Claimed	49,131	76,814
Employees' Savings	482,208	387,312
Employees' Pension	290	196
Temporary Debtors Account and Payables (in RIs)	4,317,213	2,796,147
Temporary Debtors Account (in FC)	2,825,525	2,431,057
<b>Sub-total</b>	<b>34,626,102</b>	<b>35,927,642</b>
Minus:		
Payment for Bank Checks Sold (Not-settled)	(1,276)	(156)
<b>Total</b>	<b>34,624,826</b>	<b>35,927,486</b>





## 20. Savings Deposits

mil. IRR	March 20, 2011	March 20, 2010
Qard-al-Hassanah Savings Deposit (In RIs)	27,972,666	23,188,315
Qard-al-Hassanah Savings Deposit (in FC)	262,872	132,682
Special Qard-al-Hassanah Savings Deposit - Unused	207	314
<b>Total</b>	<b>28,235,745</b>	<b>23,321,311</b>

## 21. Term Investment Deposits

mil. IRR	March 20, 2011	March 20, 2010
Long-term Deposits	32,968,099	23,372,528
CDs (Public Investment)	9,120,638	11,224,296
CDs (Private Investment)	100,000	100,000
Short-term Deposits	30,855,007	27,970,835
Special Short-term Deposits	2,884,824	4,088,538
Term Deposits with Iranian Banks (in FC)	419,167	4,866
Term Deposits with Foreign Banks (in FC)	-	405,000
CDs Unsold and Redemption before Due Date	(2,852,248)	(2,284,697)
<b>Total</b>	<b>73,495,487</b>	<b>64,881,366</b>

## 22. Other Deposits

mil. IRR	March 20, 2011	March 20, 2010
Term Deposits (in FC)	153,307	43,917
Cash Advance Received for DCs (in FC) - Public	-	-
Cash Advance Received for DCs (in FC) - Non-public	243,800	177,571
Cash Deposits for Guarantees - Private (In RIs)	147,925	178,933
Cash Deposits for Guarantees - Public (In RIs)	236	4,673
Cash Advance Received for Hire-purchase Facilities - Private	36	36
Cash Advance Received for other Facilities - Private	1,162	2,171
Cash Advance Received for other Facilities - Public	34	(218)
<b>Total</b>	<b>546,500</b>	<b>407,083</b>

## 23. Partnership Bonds of Projects In-progress

mil. IRR	March 20, 2011	March 20, 2010
Partnership Bonds Issued	1,000,000	1,000,000
Minus:		
Redemption for Partnership Bonds	(999,812)	(995,489)
Net Partnership Bonds Held by Public	188	4,511
Partnership Bonds of Projects In-progress	188	4,511



#### 24. Reserves and Other Liabilities

mil. IRR	March 20, 2011	March 20, 2010
Money Orders on Branch (In RIs)	140,623	169,717
Profit Payable to Government	18,829	23,568
Other Reserves	18,309,511	16,082,501
<b>Total</b>	<b>18,468,963</b>	<b>16,275,786</b>

#### 25. Dues to Foreign Banks

mil. IRR	March 20, 2011	March 20, 2010
Credit Lines from Foreign Banks	1,786,471	1,827,746
Acceptance of DCs	2,933,234	6,939,148
<b>Total</b>	<b>4,719,705</b>	<b>8,766,894</b>

#### 26. Shareholders' Equity

mil. IRR	March 20, 2011	March 20, 2010
Capital	8,021,118	8,021,118
Capital of Free-trade Zones› Branches	20,200	20,200
Funds Transferable to Capital	7,000,670	439
Required Reserve	656,938	649,877
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	(687,136)	(708,319)
<b>Sub-total</b>	<b>15,066,565</b>	<b>8,038,090</b>
Minus:		
Capital of Free-trade Zones› Branches	(20,200)	(20,200)
<b>Total</b>	<b>15,046,365</b>	<b>8,017,890</b>

#### 27. Profit and Penalties on Facilities

mil. IRR	March 20, 2011	March 20, 2010
Installment Sale	8,489,542	7,383,987
Mudharabah	1,356,501	829,097
Civil Partnership	4,204,799	2,204,897
Salaf	887,696	972,317
Hire Purchase	86,358	75,702
Jo'aleh	86,266	62,223
Factoring	23	21
Gain on Facilities Granted (in FC)	159,934	323,455
<b>Sub-total</b>	<b>15,271,119</b>	<b>11,851,699</b>
Commission of Facilities Renewal	89,881	101,623
<b>Sub-total</b>	<b>15,361,000</b>	<b>11,953,322</b>
Penalties Received on Facilities	5,223,785	3,571,929
Penalties on Facilities Received in Non-public FC	21,772	21,742
Commission of Undertakings Default	660	334
<b>Sub-total</b>	<b>20,607,217</b>	<b>15,547,327</b>
<b>Profit on Investments &amp; Partnerships:</b>		
Dividend of Direct Investment and Legal Partnerships	47,588	35,430
Gain on Disposal of Partnerships Equity Shares and Reimbursement from Reserves	8,756	27,113
Income from Purchased Partnership Bonds	53,779	87,238
<b>Sub-total</b>	<b>110,123</b>	<b>149,781</b>
<b>Total</b>	<b>20,717,340</b>	<b>15,697,108</b>

**28. Other Income**

mil. IRR	March 20, 2011	March 20, 2010
Profit on Required Reserve	101,101	86,204
Profit on Public Deposits	30,809	10,060
<b>Total</b>	<b>131,910</b>	<b>96,264</b>

**29. Net Depositors' Profit**

mil. IRR	March 20, 2011	March 20, 2010
Depositors' Profit Share	8,505,779	7,464,528
Surplus Profit Paid to Depositors	1,020,266	-
<b>Total</b>	<b>9,526,045</b>	<b>7,464,528</b>

**30. Profit & Penalties Received**

mil. IRR	March 20, 2011	March 20, 2010
Penalties Received on other Claims	101,289	302,807
Profit Received from Deposits	19,836	25,886
<b>Total</b>	<b>121,125</b>	<b>328,693</b>

**31. Fees & Commissions Received**

mil. IRR	March 20, 2011	March 20, 2010
Commission on Qard-al-Hassanah	396,959	277,398
Commission on Administered Funds	425	842
Commission on Facilities Paid to Employees	485,416	311,911
Other Commissions	16,344	14,642
Commission on Banking Services	397,665	238,748
Commission Received by Branches	809,161	661,157
Commission on Banking Services in AIF	2,063,748	1,484,084
Commission of Undertakings out of Non-public FC Facilities	179	3,209
<b>Total</b>	<b>4,169,897</b>	<b>2,991,991</b>

**32. Other Income**

mil. IRR	March 20, 2010	March 20, 2009
Forex Transactions	135,774	215,388
Gain on Disposal of Properties Repossessed	3,031	1,948
Rent of Branch Managers' Residential Units	1,056	1,197
Gain on Disposal of Properties	21,955	11,924
Others	50,915	152,953
<b>Total</b>	<b>212,731</b>	<b>386,410</b>

**33. Profit Paid**

mil. IRR	March 20, 2011	March 20, 2010
Profit Paid on Credit Received from other Banks	5,246,871	3,776,281
Profit Paid to Free-trade Zones' Branches	1,458,982	525,481
<b>Sub-total</b>	<b>6,705,853</b>	<b>4,301,762</b>
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,458,982)	(525,481)
<b>Total</b>	<b>5,246,871</b>	<b>3,776,281</b>

**34. Fees & Commissions Paid**

mil. IRR	March 20, 2011	March 20, 2010
Miscellaneous Commissions and Fees	333,800	212,521
<b>Total</b>	<b>333,800</b>	<b>212,521</b>

**35. General Expenses**

mil. IRR	March 20, 2011	March 20, 2010
General and Administrative Costs	2,672,966	1,972,235
Personnel Costs	4,467,560	3,779,048
Other Costs	2,314,555	2,225,436
<b>Total</b>	<b>9,455,081</b>	<b>7,976,719</b>

**36. Other Expenses**

mil. IRR	March 20, 2011	March 20, 2010
Cost of Prizes on Qard-al-Hassanah Savings Account	744,135	649,847
<b>Total</b>	<b>744,135</b>	<b>649,847</b>

**37. Prior Years' Adjustments**

mil. IRR	Balance on March 20, 2010	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 2009/10</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

mil. IRR	March 20, 2011	March 20, 2010
Profit before Income Tax	47,073	(582,428)
Depreciation Cost	322,831	275,754
Cost of Bad Debts	1,623,001	1,160,000
Profit Paid for Received Facilities	5,246,871	3,776,281
Provision for Shares Depreciation	(17,654)	(31,109)
Dividend from Investments and Legal Partnerships	(47,588)	(35,430)
Gain on Disposal of Investments and Legal Partnerships	(8,756)	(27,113)
Gain on Disposal of Fixed Assets	(21,955)	(11,924)
Profit on Partnership Duration	(53,779)	(87,238)
Net Profit from Cash FC Revaluation	(135,774)	(215,388)
<b>Subtotal</b>	<b>6,954,271</b>	<b>4,221,405</b>
<b>Net Increase / Decrease of Operating Liabilities</b>		
Sight Deposits	(1,302,660)	421,185
Savings Deposits	4,914,434	1,184,907
Term Investment Deposits	8,614,121	19,863,295
Due to CBI and other Banks	22,435,647	303,770
Operational Share of other Liabilities	(1,718,918)	6,830,156
Reserve Transferable to Capital	7,000,231	98
<b>Subtotal</b>	<b>39,942,855</b>	<b>28,603,411</b>
<b>Net Increase/Decrease in Operating Assets</b>		
Claims on CBI	(2,312,801)	(1,915,745)
Partnership Bonds	382,740	480,700
Payment of Other-banks-issued Checks	(99,706)	(170,677)
Facilities Granted under Islamic Contracts	(31,739,081)	(22,187,440)
Repossessed Collaterals and Operational Share of Other Assets	(1,238,685)	(5,988,012)
Cash in Transit – After Advance Payment for Tax	(4,285,006)	63,739
<b>Subtotal</b>	<b>(39,292,539)</b>	<b>(29,717,435)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>7,604,587</b>	<b>3,107,381</b>

### 39. Net Cash Increase

	Note	March 20, 2011	March 20, 2010	Net Cash Increase
Notes and Coins	5	1,540,903	1,033,869	507,034
CBI Iran Checks	5	1,038,109	502,233	535,877
Gold & Silver	15	737	632	105
Balance with Banks after Clearing	7	170,330	95,869	74,462
FC Deposits with Domestic Banks	7	2,728,529	959,086	1,769,443
Balance with Foreign Banks	7	5,383,575	3,683,621	1,669,954
Foreign Currencies (Cash)	5	83,048	28,311	54,737
<b>Total</b>		<b>10,945,231</b>	<b>6,303,621</b>	<b>4,641,612</b>



#### 40. Customers' Undertakings Re. DCs

mil. IRR	March 20, 2011	March 20, 2010
Customers' Undertakings Re. DCs	40,929,614	24,546,434
<b>Total</b>	<b>40,929,614</b>	<b>24,546,434</b>

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

mil. IRR	March 20, 2011	March 20, 2010
Customers' Undertakings Re. Guarantees and Acceptance (In RIs)	1,310,974	2,227,406
Customers' Undertakings Re. Issued Counter L/Gs (in FC)	510,689	561,282
Customers' Undertakings Re. Issued L/Gs and Acceptance (in FC)	52,072	50,573
<b>Total</b>	<b>1,873,735</b>	<b>2,839,261</b>

#### 42. Customers' Other Commitments

mil. IRR	March 20, 2011	March 20, 2010
Customers' Undertakings Re. Transactions Contracts (Private)	25,199,756	21,263,825
Customers' Undertakings Re. Non-statutory Qard-al-Hassanah (Public)	0.4	2
Customers' Other Undertakings	6,645,663	6,092,156
<b>Total</b>	<b>31,845,419</b>	<b>27,355,983</b>

#### 43. Administered Funds

mil. IRR	March 20, 2011	March 20, 2010
Special Qard-al-Hassanah Deposits - Unused	2,571	48,892
Administered Funds	19,410,361	18,487,422
<b>Total</b>	<b>19,412,932</b>	<b>18,536,314</b>

## Abbreviations and Acronyms

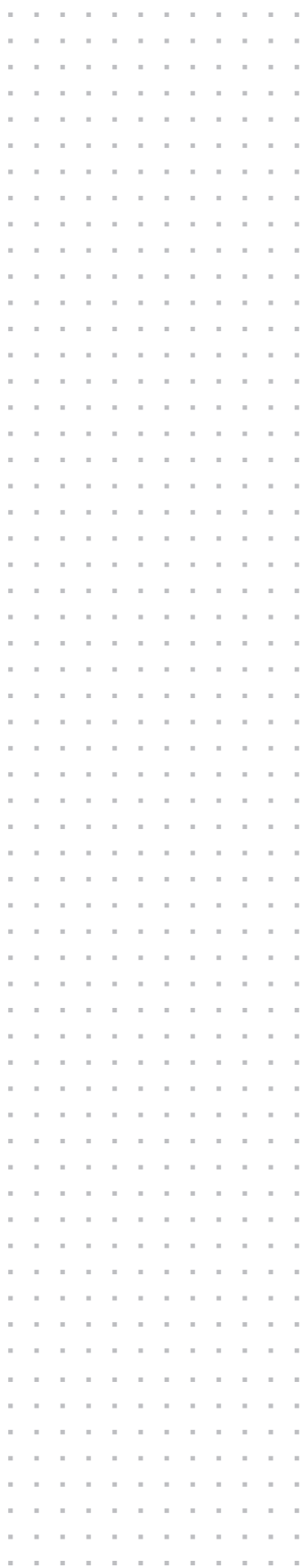
- ABI:** Agriculture Bank of Iran
- ACH:** Automated Clearing House
- ADFIAP:** Association of Development Financing Institutions in Asia and the Pacific
- ADFIMI:** Association of National Development Finance Institutions in Member Countries of IDB
- AIF:** Agricultural Products Insurance Fund
- AML:** Anti-money Laundering
- ATM:** Automated Teller Machine
- APRACA:** Asia Pacific Rural and Agricultural Credit Association
- bn:** billion
- CBI:** The Central Bank of the Islamic Republic of Iran
- CD:** Certificate of Deposit
- CICA:** Confederation Internationale Du Credit Agricole
- CIM:** Customer Information System
- CRM:** Customer Relation Management
- Dept.:** Department
- DC:** Documentary Credit
- E-banking:** Electronic Banking
- ECO:** Economic Cooperation Organization
- EUR:** Euro
- 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  
**Mer'aat:** Modiriat Râyānei E'tāye Tashilāt (Computerized Management of Financial Facilities)  
**mil.:** million  
**NENARACA:** Near East and North Africa Regional Agricultural Credit Association  
**SWF:** Sovereign Wealth Fund (named in Iran as Foreign Currency reservation Fund)  
**PAYA:** Payānaeh Pâyāpāye Electronic (Electronic Clearing System)  
**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 (Electronic Securities Settlement System)  
**USD:** United States Dollar







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