



Bank Keshavarzi
2011-2012 Annual Report





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Bank Keshavarzi
(Agriculture Bank of Iran)
Annual Report
2011 – 2012



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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.



Bank Keshavarzi
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Corporate Outline

Bank Keshavarzi
(Agriculture Bank of Iran)

Date of Establishment:
June 11, 1933

Number of Branches:
1,918

Number of Forex Branches:
36

Number of Staff:
16,835 (By March 20, 2012)

Chairman and Managing Director:
Dr. Mohammad Talebi

Board Members:
Mr. Heshmatollah Nazari
Mr. Davar Mahikar
Mr. Mohammad Hasan Forooghifar
Dr. Mohammad Reza Farzin

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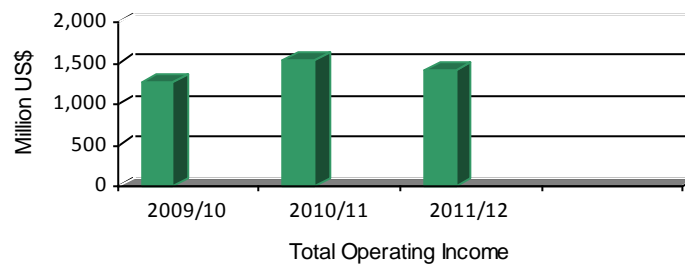
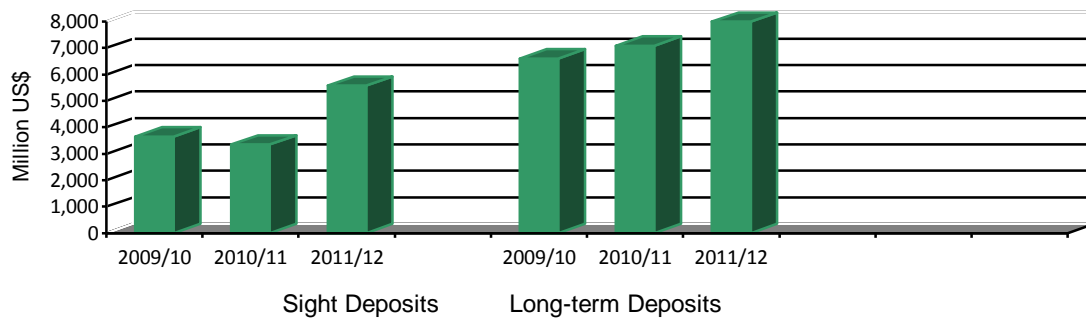


Financial Highlights

For more than 80 years, Bank Keshavarzi (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 ¹)			
Item	2011/12 ²	2010/11	2009/10
Assets	25,370	24,223	21,363
Liabilities	23,999	22,771	20,470
Sight Deposits	5,569	3,341	3,653
Term Investment Deposits³	7,993	7,091	6,598
Shareholders' Equity	1,371	1,452	893

Income Statement Highlights (Million US Dollars)			
Item	2011/12	2010/11	2009/10
Interest Income⁴	1,027	1,093	854
Non-interest Income	392	435	404
Total Operating Income	1,420	1,527	1,258
Total Operating Expenses	1,414	1,523	1,262
Pretax Net Profit	6	5	6



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. 12,260 (March 20, 2012), Rls. 10,364 (March 20, 2011), and Rls. 9,834 (March 19, 2010).

² BK's financial year (1390 Persian Calendar) corresponds to the period of March 20, 2011 to March 20, 2012.

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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Abbreviations and Acronyms



Board of Directors



Dr. Mohammad Talebi
Chairman and Managing Director



Mr. Heshmatollah Nazari



Mr. Davar Mahikar



Mr. Mohammad H. Forooghifar



Dr. Mohammad Reza Farzin



Chairman's Message

The role of agriculture sector in Iran's economy cannot be overlooked since it has always been acting as the driving force of the economy making up 13.1 percent of the GDP and 16.8 percent of the employment. The sector meets 90 percent of the people's needs and 18.5 percent of non-oil exports. Highly important in the economy and suffering from drought in many parts of the country in 2010-11, the sector has always been supported by Bank Keshavarzi through agricultural insurance and extension of overdue loans, although it has influenced the bank's financial statements.

As the only specialized development bank of the agriculture sector and responsible to finance its needs, Bank Keshavarzi granted its credit facilities, equaling Rls. 143 trillion, to nearly 2 million of the farmers and customers in 2011-12. Such a performance implies a 53 percent growth as compared with that of the year before and represents the diligence of those involved with the execution of the seven-year strategic plan of the bank within its fourth year of performance.

Successful financing of the agriculture sector and a 53 percent growth in supplying the facilities demanded by the farmers have been accomplished just through the hard work of all staff in divisions and departments, such as the E-banking Division, which has promoted the bank's performance in the competition arena or the Resources Mobilization and Collection Divisions, which played significant roles in realization of the bank's goals and objectives with 41 percent and 32 percent growth in their respected fields of activities respectively. The launch of some 11,000 production and manufacturing projects funded by Bank Keshavarzi, involvement with the implementation of National Subsidies Targeting Plan, execution of Pressurized Irrigation Project in 40 thousand hectares of agricultural lands, improvement of supervision and control on credit projects through a Mechanized Supervision System, and declining trend of credit risk in the bank are just few instances of Bank Keshavarzi's initiatives in the report year.

Accordingly, I am greatly honored to submit Bank Keshavarzi's 2011-2012 annual report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during the aforementioned period. I do hope that my colleagues all over the country, to be supported by national authorities, would make appreciable strides to offer better and diverse services to the agriculture sector and all our customers and beneficiaries.

Mohammad Talebi

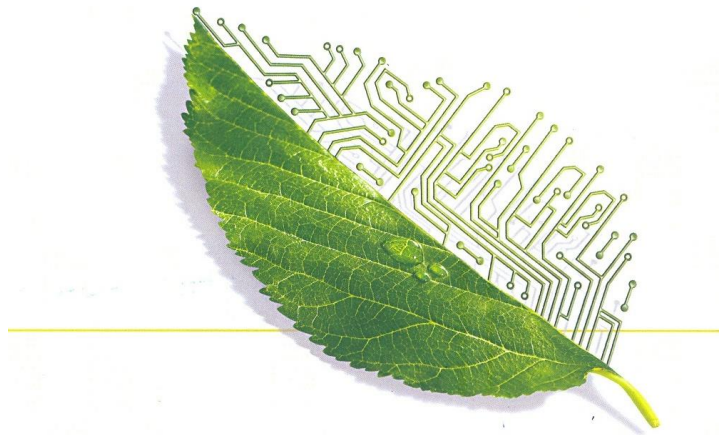


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Section 1

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;

The Bank is endowed with the responsibility of fulfilling functions, chief among which are:

- Issuance of notes and coins;
- Supervision on banks and credit institutions
- Formulation and regulation of foreign exchange policies and transactions;
- Regulation on gold transactions;
- Formulation and regulation on transactions and inflow/outflow of Domestic currency.

After the Islamic Revolution of Iran, laws and regulations pertaining to money and banking institutions as well as monetary policy design and implementation were amended to reflect the priorities and principles as set out in the Constitution of the Islamic Republic of Iran. At present, CBI is responsible for the design and conduct of monetary policy within the context of government's five-year development plans and annual budgets. In line with the articles of the constitution, the monetary and credit policies are formulated and implemented in consistent with MBI as amended; Usury-free Banking Act of 1983 (Islamic Banking Law); Banks Nationalization Act of 1979; and 1979 Banks Administration Act.

Liquidity

In 2011-2012, liquidity amounted to Rls. 3,520 trillion, displaying a 19.5 percent growth as compared with that of the preceding year. The rise is believed to be caused by the net growth of both foreign and domestic assets. Among the net domestic assets, due from non-public sector and the rise in the banks' indebtedness to CBI have largely contributed to the liquidity increase within recent years.

Banking System Deposits

The deposit balance with banks in 2011/12 equaled Rls. 3790.6 trillion, displaying a 16.06 percent growth as compared with the balance amounting to 3147.4 trillion in the end of 2010/11. The share of non-public banks and non-banking credit institutions out of total deposits reached 25 percent by end-2011/12, up by 4 percentage points as compared with that of the preceding year. In addition, the deposit share of all public-private banks amounted to 39 percent. Within the year under report, the share of specialized banks from the



total deposits had been decreasing in comparison to that of the year before. Moreover, the shares of highly-priced deposits belonging to commercial public, public-private and specialized banks decreased and the share of non-public banks' highly-priced deposits experienced a 15.82 percent increase. The share of inexpensive deposits belonging to commercial public-private, specialized and public banks increased as 23.13 percent, 29.51 percent and 26.15 percentage points respectively, while the private banks' share fell as 23.35 percentage points.

Disbursed Credit Facilities

In 2011/12, the balance of credit facilities granted by the banking system amounted to RIs. 3141 trillion, having a 33.53 percent rise relative to that of the preceding year. The share of specialized banks in granted facilities equaled 26.71 percent while the share of public banks, public-non-public banks and non-public commercial banks amounted to 21.2, 35.76 and 16.31 percent respectively, showing a 73.6 percent decline in non-public banks' share out of the total disbursed facilities. public commercial banks. Moreover, the ratio of disbursed facilities balance to banking deposits (Loan-to-Deposit Ratio) in the report year equaled 82.99 percent, including specialized banks with the biggest share as much as 176.72 percent, and non-public banks having the least share equaling 54.08 percent..

Technology and Electronic Payment Instruments

The number of instruments and machinery for electronic payments within the national inter-bank network increased remarkably in 2011/12. The number cards issued by the banking network rose to 189,505,819, representing a 52.5 percent growth as compared with 124,264,058 cards issued in the preceding year. The number of ATMs, with a 27.19 growth, reached 28,056 machines as well. Moreover, the banking network experienced a 45.73 and 56.23 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 2,210,484 points, which implies the adoption of appropriate approaches and policies by the banking network aimed at expansion of electronic payments throughout the country.

Electronic Payment Instruments and Machinery

Instruments and Machinery	Year-end				Change % (2012 to 2011)
	2012	2011	2010	2009	
Bank cards (thousand)	189,505,819	124,264,058	83,406,559	58,559,053	52.5
ATMs	28,056	22,057	17,236	12,750	27.19
POSs	2,210,484	1,516,815	1,148,432	645,484	45.73
Pin Pads	68,377	43,766	31,823	27,334	56.23

Within the year under report, along with the expansion of electronic payment technologies and instruments, the banking electronic transactions increased remarkably. The number and value of interbank electronic transactions processed by the banking network grew by 49.5 and 112.48 percent respectively, as compared with those in 2010-1011. Despite the significant growth in the number of transactions processed through



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POSS, the highest share in total electronic transactions (72.61 percent) belongs to the ATM-processed ones. Yet, the share of Pin Pads' transactions in total 2010/11 transactions, equaled 30 percent, representing a 112.13 percent surge as compared with the percentage in the year before. 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 in transactions would decline in the coming years.



Iran's Agriculture Sector

Over half of Iran, the 18th largest country in the world in terms of area at 1,648,195 km² (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)

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)¹, 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.

Iran's agriculture sector encompasses 20.8 percent of total employees. Although the absolute level of employees in the agriculture sector has gradually increased in recent decades, the sector's share in the

¹ Iran is the world's largest producer of Saffron with more than 95 percent of the world's total production, which is exported to many countries of the world. About 95 percent of Iran's Saffron comes from Khorasan Razavi and Khorasan Jonoubi provinces.



national employment has decreased. The share of industrial employees is 31.8 percent 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;



Bank Keshavarzi's Contribution to Agriculture Sector

The support of agriculture and the achievement of self-sufficiency in this sector have been placed at the top of the government's policies and it is believed that the agriculture should be the main axis of economic activities. This is why, Bank Keshavarzi, 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 BK's Credit Facilities Granted to Agriculture Sub-sectors in 2011/12

No	Sub-sector	2011-2012		2010-2011	
		Credit (Billion Rls)	Share (%)	Credit (Billion Rls)	Share (%)
1	Farming and Horticulture	44,987	31.3	33,667	35.7
2	Livestock and Poultry	33,156	23	19,688	21
3	Fishery and Aquaculture	2,764	1.9	1,599	1.7
4	Agricultural Industries and Services	35,513	24.7	23,024	24.4
5	Handicrafts and Carpet-weaving	1,183	0.8	689	7
6	Other Agricultural Activities	26,257	18.3	15,571	16.5
Total		143,861	100	94,238	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 accounts¹ and term deposits, which do not entail Riba². 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 affairs³. 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:

- 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.

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.



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)

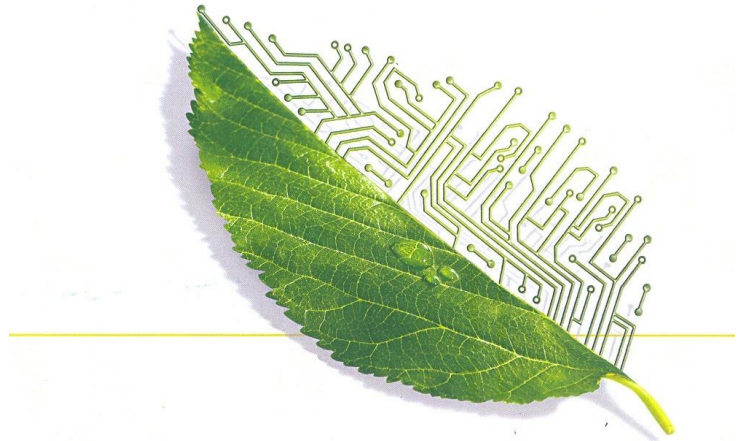
Contract \ Year	2011-2012		2010-2011	
	Amount	Share (%)	Amount	Share (%)
Civil Partnership	57,544.4	40	16,977.7	43.7
Installment Sale	51,214.5	35.6	22,950.7	31.5
Mudharabah	14,673.8	10.2	3,099.3	11.3
Forward	7,336.9	5.1	7,287	7.1
Qard-al-Hassanah	11,652.8	8.1	2,473.1	5.8
Jo'aleh	863.2	0.6	75.9	0.4
Hire Purchase	51,214.5	35.6	56	0.2
Total	143,861	100	94,238	100



Section 2

Bank Keshavarzi (Agriculture Bank of Iran)

- Corporate 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





Corporate Profile

Bank Keshavarzi (Agriculture Bank of 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". BK, 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.

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 of Bank Keshavarzi (1933)



Mission Statement

Bank Keshavarzi'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.

Bank Keshavarzi's fundamental values are, but not limited to, the following:

1. Respect all customers as the main stakeholders of the bank;
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.

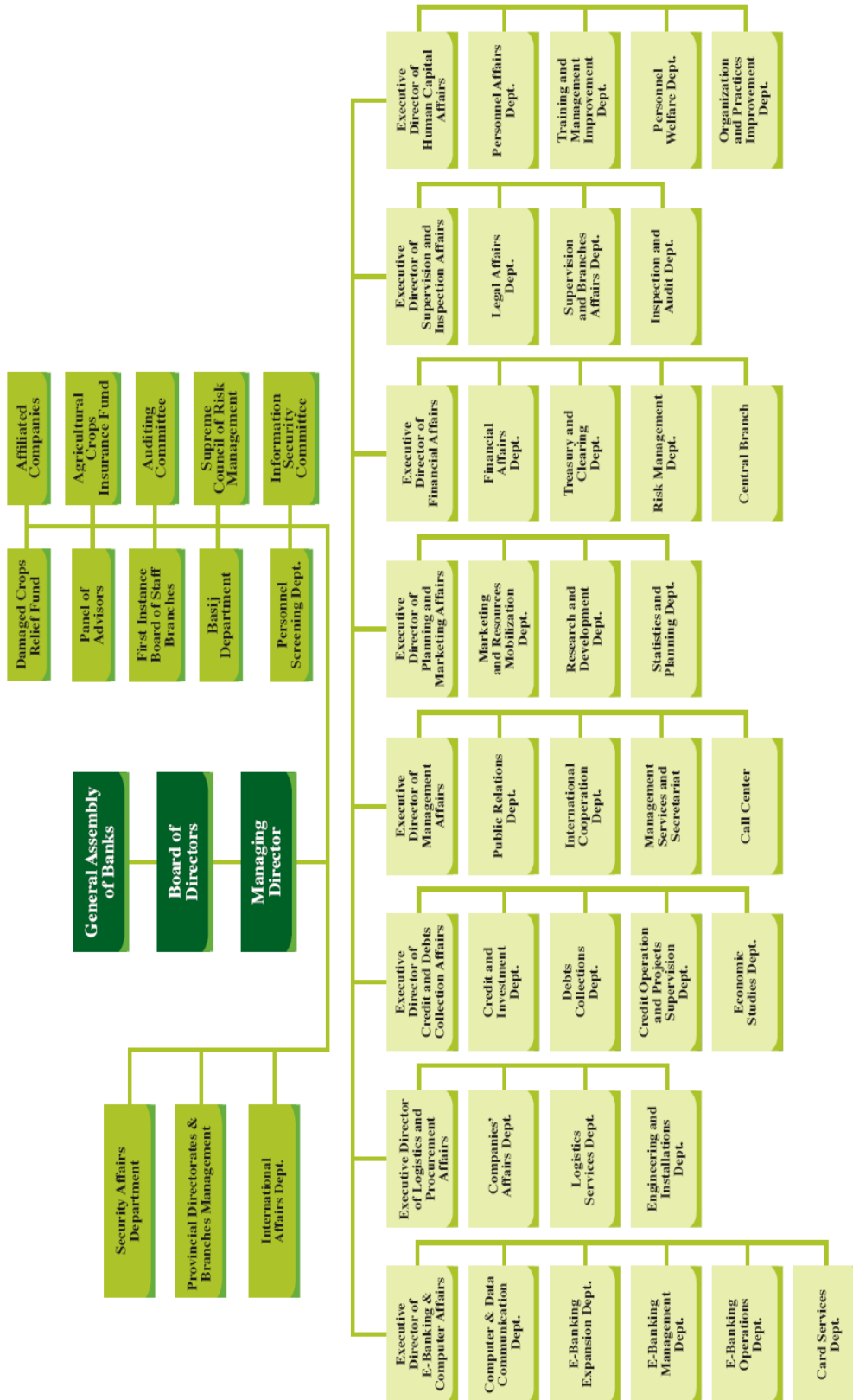
Vision Statement

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

Bank Keshavarzi, 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.

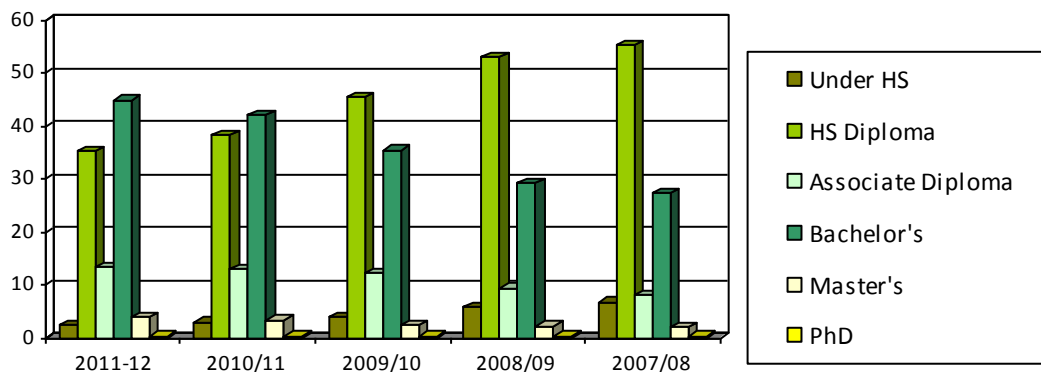
Some of the human resources strategies, adopted in BK, are as follows:

- 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 BK approaches and programs.

Breakdown of BK Staff's Educational Degrees

Year	2011/12		2010/11		2009/10		2008/09		2007/08	
	No.	%	No.	%	No.	%	No.	%	No.	%
Under-High School Diplomas	421	2.41	504	3	662	4.01	960	5.7	1,024	6.7
High School Diplomas	5,963	35.18	6,478	38.2	7,524	45.53	8,538	53.1	8,832	55.4
Associate Diplomas	2,231	13.26	2,228	13.1	2,020	12.23	1,505	9.4	1,293	8.1
Bachelor's Degrees	7,540	44.9	7,109	42	5,857	35.45	4,683	29.3	4,380	27.4
Master's Degrees	666	3.96	575	3.4	409	2.48	348	2.2	332	2.1
PhD Degrees	48	0.29	52	0.3	50	0.3	51	0.3	51	0.3
Total	16,869	100	16,946	100	16,524	100	15,985	100	15,912	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 Zainab¹ Scheme to support women-headed households;
- Kowsar (Hadhrat Fatima)² 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.



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Code of Ethics

Bank Keshavarzi'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, 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, Bank Keshavarzi has endeavored extensively, in recent years, to expand and promote national and international banking services and products to gain customers' satisfaction. The bank, as of now, furnishes the bank's customers as well as those of other banks with more than 260 types of diverse banking services and products, some of which are as follows:

- Qard-Al-Hassanah Checking Accounts:
 - Qard-Al-Hassanah checking accounts for natural persons;
 - Corporate Qard-Al-Hassanah checking accounts;
 - State Qard-Al-Hassanah checking accounts;
 - Iran Qard-Al-Hassanah checking accounts (designed in various forms for women);
 - Some other types of Qard-Al-Hassanah checking accounts
- Short-term Deposits:
 - Regular investment deposit accounts;
 - Special short-term investment deposit accounts (Three-month Deposit);
 - Special short-term investment deposit accounts (Six-month Deposit);
 - Special short-term investment deposit accounts (Nine-month Deposit);
 - Civil servants investment deposit accounts;
 - Atiye¹ short-term deposit accounts (designed for kids);
- Long-term Deposits:
 - Time investment deposit accounts (One to five Year deposits);
 - Atiye investment deposit accounts;
 - Divisible time deposit accounts;
 - Transferable time deposit accounts;
 - Long-term deposit accounts (Profit Payable on Maturity Date);
- Qard-Al-Hassanah Savings Accounts:
 - Regular Qard-Al-Hassanah savings accounts;
 - Children Qard-Al-Hassanah savings accounts;
 - Iran Qard-Al-Hassanah savings accounts (designed for women);
- Foreign Currency Accounts:
 - Foreign currency savings accounts for natural persons;
 - Foreign currency checking accounts for real persons;
 - Corporate foreign currency savings accounts;
 - Corporate foreign currency checking accounts;

¹ Atiye means "Future" in Farsi.



- E-Cards:
 - 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.;
 - Credit cards with different credit ceilings;



- Credit facilities:
 - Capital and working capital facilities under contracts such as Hire Purchase, Jo'aleh, Civil Partnership, Installment Sale, Mudharabah, Forward, Qard-al-Hassanah...;
 - Credit facilities funded by government and internal resources;
 - Credit facilities for privileged customers;
 - Qard-Al-Hassanah facilities for rural household-headed women;
 - Qard-Al-Hassanah facilities for victims of natural disasters;
 - Credit facilities in foreign currency;
 - Credit facilities for agriculture graduates;
 - Credit facilities for unemployed Individuals;
 - Credit facilities for rural employment;
 - Opening domestic documentary credit;
 - Special facilities such as Home Appliances Loans and Car Loans and Housing Loans;
- Diverse E-banking services through BK's Core-banking System such as¹:
 - Internet banking
 - Mobile Banking;
 - Tele-banking system
 - SMS banking
 - Email Banking
 - Payment Gateway
- Money Orders, inter-bank checks, certified checks, e-checks,...
- Overdraft facilities for checking accounts holders;
- Guarantee and Documentary credit services;
- Certificates of Deposit;
- International banking and forex services;

¹ See E-banking Section



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- Stock Brokerage Services;
- CRM services through Call Center, BK's websites in Farsi and English, Public Relations services...;
- Insurance services by Agricultural Relief Fund and Agricultural Insurance Fund;
- Consultation, projects appraisal, and supervision services;
- Special services and facilities for VIP 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 car loans for employees of top 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. Thus, 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.



Accordingly, BK, by taking the lead, did make a grand revolution in the banking system and has run an integrated core banking (Mehr Gostar), in which the overall operations of depositing (checking, savings, time 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 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 BK 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, BK'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, BK 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.



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Projects Supervision Mechanized Software

Because of its mission as a specialized bank nationwide, BK 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 sectors, Bank Keshavarzi 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. Other 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;
7. Finance import of food and medicine as a priority.

Bank Keshavarzi Forex branches are prepared to buy and sell commercial and non-commercial currencies at the managed floating rate under the instructions and regulations set forth by the Central Bank of Iran. Moreover, the International Division issues Rial letters of guarantee against foreign currency guarantees in favor of its customers. In addition, it is geared up to issue performance bonds, advance payment guarantee, retention money guarantee, guarantee for international tender (tender bond) and counter- guarantee for services and commodities exporters.

2011-2012 Operational Figures

Bank Keshavarzi has presently expanded its Forex branches offering International Banking Services up to 36 out of which 12 are located in Tehran, the Capital City, and 24 in the other provinces.

In order to provide International-banking services in line with KYC and AML rules and regulations, the proceeds to update international knowledge of its staff through holding seminars and educational courses.

It is worth mentioning that in the year 2011-2012, the volume of Import Letters of Credit issued towards 60 countries have amounted to USD 2,075 mln, USD 5.3 mln of which have been covered through refinance lines, and the amount of issued foreign currency guarantees reached around USD 9,730 mln. FX-Deals done during the same period have been reported as USD 4,079 mln as under purchase category and USD 4,075 mln under sell title. Time Deposit interest goes to USD 1.63 mln as for Borrowing and USD 2.26 mln as for Placement.



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The bank's branches have also been active in opening hard currency accounts namely Interest-Free Savings, Short-Term Deposit and Checking Accounts in 2011-2012, total amount of which is calculated to be USD 230 mln. Since the establishment of Sovereign Wealth Fund, USD 1,350 mln of new credit facilities was ratified to be paid out of the SWF to 259 projects. The amount of USD 1279 mln was allocated and disbursed to 256 projects, 252 of which (USD 1267.6 mln) have come to productivity stage.



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 BK'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)**



APRACA-Bank Keshavarzi Cooperation

Bank Keshavarzi actively holds membership in executive committees and management boards in some of the associations such as APRACA and NENARACA. In addition, it has close cooperation with associations and members in holding joint events including executive committee meetings, general assemblies, study visits, training courses, exchange programs, forums and seminars. The bank hosted, in collaboration with APRACA, the "International Forum on Rural and Agricultural Finance", "APRACA-IFAD FinPower CEO Policy Forum", and the 60th APRACA Excom Meetings on June 13-17, 2011.

The Bank has also formulated APRACA Strategic Plan and accordingly, has proposed establishing the APRACA Representative Office of Strategic Evaluation and Control to be based in Bank Keshavarzi's headquarters, where the bank has proposed to establish an APRACA Center of Excellence on Women Empowerment as well.



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United Nations Development Program (UNDP)

To enhance the impacts of Bank's financial resources on economic aspect of rural population's living standards, i.e. income and employment as one of the indicators of Human Development Index and distribution of resources to promote more equity within rural society, the bank's management has decided to invest on raising Bank's knowledge base and its role in equity development. With such general objectives, which are compatible with the Fifth Development Plan, the bank is benefiting from the experiences of the United Nations Development Program (UNDP) within the framework of UNDP's next five-year program in Iran to initiate a new line of cooperation in development projects.



United Nations Industrial Development Organization (UNIDO)

Bank Keshavarzi has also reached an agreement with United Nations Industrial Development Organization (UNIDO), upon cooperation aimed at improvement of value chain finance for specific crops such as saffron in some of the provinces. The outcomes of the project, with development objective such as bringing SMEs (agro-industry) closer to the end market and building the capacity of export oriented networks to better exploit international markets, are improved saffron production in agriculture section; enhanced processing and packaging technology and standards; and increased direct share of Iranian SMEs in saffron global market.

International Shareholding

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

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

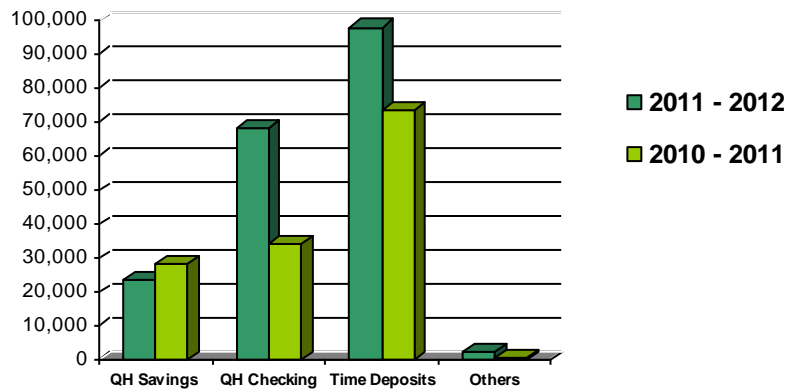


Operational Performance

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, Bank Keshavarzi has been 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 2011/12, BK 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.

Bank Keshavarzi's Resources Mobilization in 2011/12 (Billion Rls.)

Resources	2011/12	2010/11	Growth (%)
Qard-al-Hassanah Savings Account	23,509	28,236	(20)
Qard-al-Hassanah Checking Account	68,276	34,236	99
Time Deposits	97,990	73,494	33
Other Deposits	2,432	547	344
Total	192,207	136,513	41

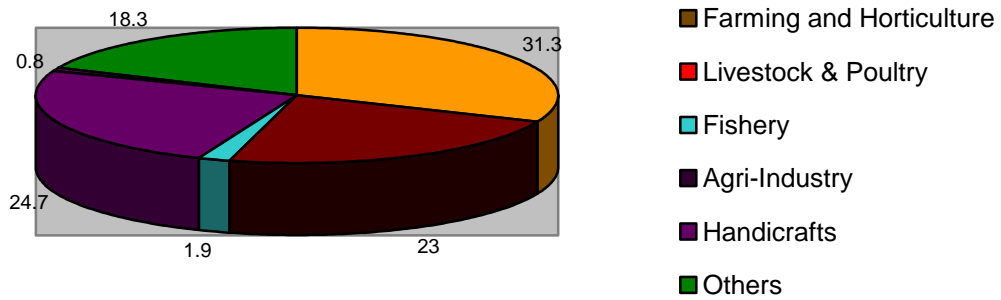


In the year under report, the total amount of facilities extended by the bank to public and non-public agriculture sectors equaled Rls. 143,861 billion, indicating a 52.7 percent growth as compared with that of the previous year. The following table displays BK's facilities granted to different sub-sectors:



Breakdown of BK's Credit Facilities Granted to Agriculture Sub-sectors in 2011/12

Sub-sector	2011-2012		
	No. of Applications	Credit (Billion Rls)	% out of amount
Farming and Horticulture	809,959	44,987	31.3
Livestock and Poultry	294,944	33,156	23
Fishery and Aquaculture	8,109	2,764	1.9
Agricultural Industries and Services	309,331	35,513	24.7
Handicrafts and Carpet-weaving	46,456	1,183	0.8
Other Agricultural Activities	467,872	26,257	18.3
Total	1,936,671	143,861	100

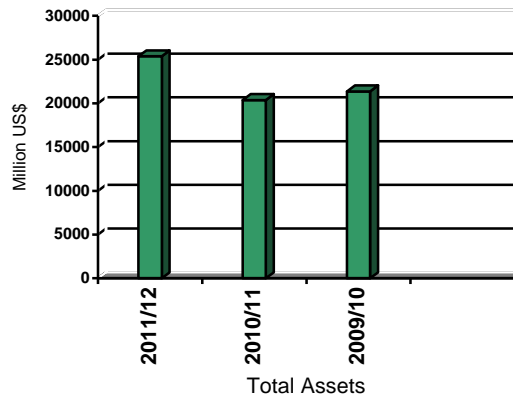




Financial Performance

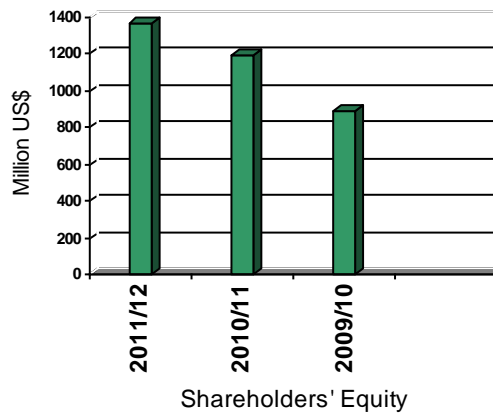
Total Assets¹

By the end of 2011/12, BK's total assets rose from Rls 249,888 billion (USD 20,382 million) in 2010/11 to Rls 311,037 billion (USD 25,370 million),² showing a 24 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 15.3 percent rise, amounted to Rls 16,810 billion (USD 1,371 million) by the end of 2011/12 from Rls 14,576 billion (USD 1,190 million) in the preceding year.



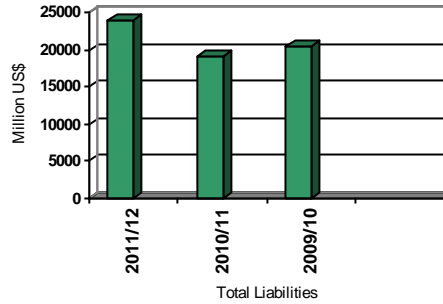
¹ All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2010/11).

² Rial amounts have been converted at CBI reference rate as USD 1 equaling Rls. 12,260.



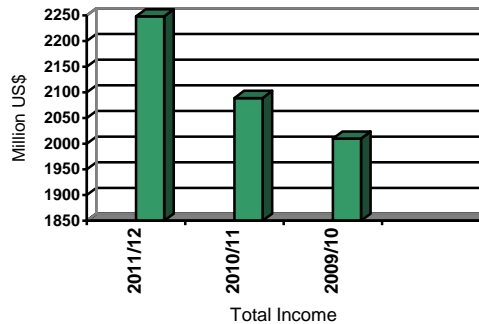
Total Liabilities

BK's liabilities increased by 25 percent from Rls 235,312 billion (USD 19,193 million) in 2010/11 to Rls 294,227 billion (USD 23,999 million) by the end of 2011/12, largely because of growth in due to CBI as well as the rise in savings and term deposits with the bank.



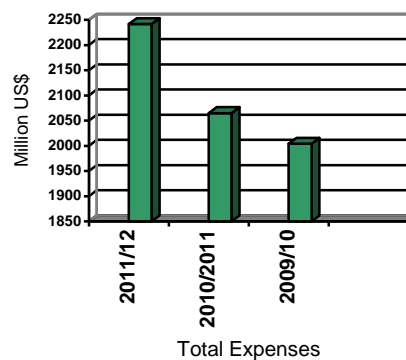
Total Income

BK's total income grew from Rls 25,609 billion (USD 2,089 million) in 2010/11 to Rls 27,559 billion (USD 2,248 million) in 2011/12, indicating a 7.6 percent growth, mostly because of an uplift in interest income earned out of granted financial facilities during the given year.



Total Expenses

BK's total expenses rose by 8.6 percent increasing from Rls 25,312 billion (USD 2,065 million) in 2010/11 to Rls 27,489 billion (USD 2,242 million) in 2011/12. 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.





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As regards the above-mentioned improvements, the key ratios represent BK's financial health and strength. The Return on Investment ratio (8.6 percent) not only does display higher profitability, but higher efficiency in utilizing resources and assets. Moreover, the 5.4 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.



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

AIF's performance and its contribution to different agricultural sub-sectors in 2011/12 have been demonstrated in the following table:

AIF's performance in 2011/12 and 2010/11

Items	Cultivation (ha)	Horticulture (ha)	Livestock (Heads)	Poultry (Pieces)	Aquaculture (m ³)	Natural Resources (ha)
Areas Under Insurance Coverage in 2010/11	4,167,100	426,618	9,980,102	593,962,872	39,481,929	3,079,864
Areas Under Insurance Coverage in 2011/12	5,452,153	469,862	11,557,643	782,177,899	54,719,808	2,887,148
Indemnities Paid in 2010/11 (Million Rls.)	2,164,652	1,797,563	457,356	1,292,944	18,739	20,413
Indemnities Paid in 2011/12 (Million Rls.)	4,328,061	2,805,573	534,898	2,428,525	46,531	13,588

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.

By the end of 2011-2012, some 11 projects, aimed at development of irrigation and drainage systems, and some 138 projects, to construct or improve greenhouses or livestock complexes, have been implemented by the company.

Stock Brokerage Firm

BK's Stock Brokerage Firm helps its clients, investors, get the maximum return from their investments in the stock market. The main activities of BK'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 BK'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.

BK'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 BK and other shareholders. Having branches in Baghdad, Najaf, and Karbala, Soleimanie, Basra, and Erbil, the bank offers almost all banking services such as



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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.





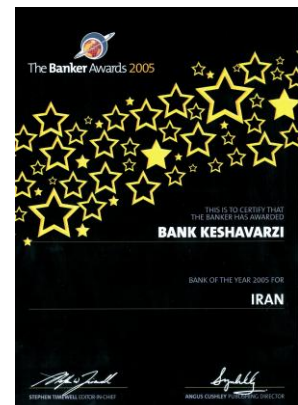
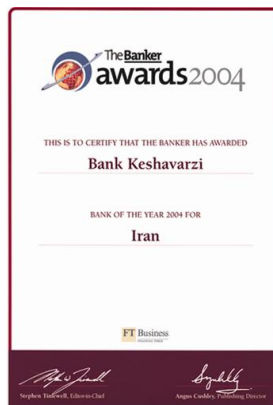
Innovations, Accomplishments and Achievements

An outline of BK'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);
- 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 BK's senior managers;
- Conduct of Lobby Tellers Plan;
- Conduct of BK's Courier Plan
- Supervision on branches affairs via customers and the bank's staff;
- Hosting the "Asian Open Forum on Rural and Agricultural Finance", "APRACA-IFAD FinPower CEO Policy Forum", and the "60th APRACA Executive Committee Meeting" on June 11 – 17, 2011, Tehran, Iran;

Given the foregoing developments, BK has been:

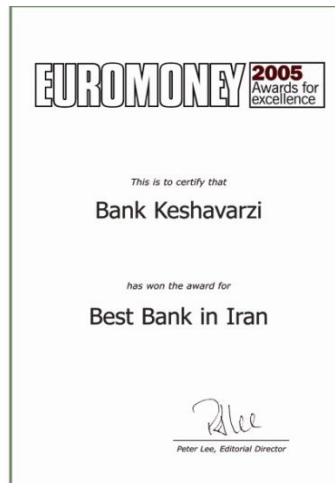
- recognized as "The Best Bank of Iran" in 2003, 2004, 2005 and 2006 for four consecutive years by "The Banker" magazine;



- recognized as "Iran's Bank of the Year 2005" by Euromoney;



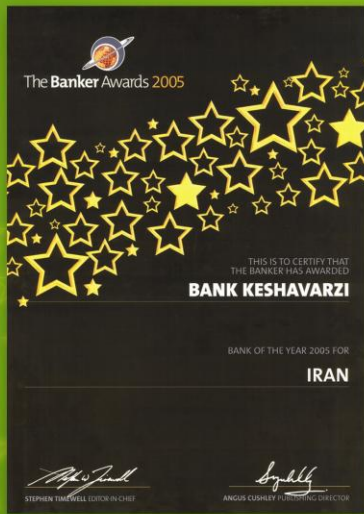
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- awarded ISO 9001:2001 for implementing the Quality Management System;
- awarded "2008 ADFIAP 1st Winner Trophy" for its Finance-led Poverty Alleviation Projects , namely "Hazrat Zainab Project: Qard-al-Hassanah Funds for Poverty Alleviation of Rural 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 Rajaei National Festival for 3 consecutive years;
- awarded the 1st prize at the 2nd Festival of Accountability and Services;



BANK
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The Banker
awards 2005

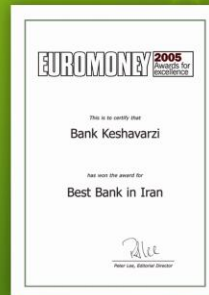
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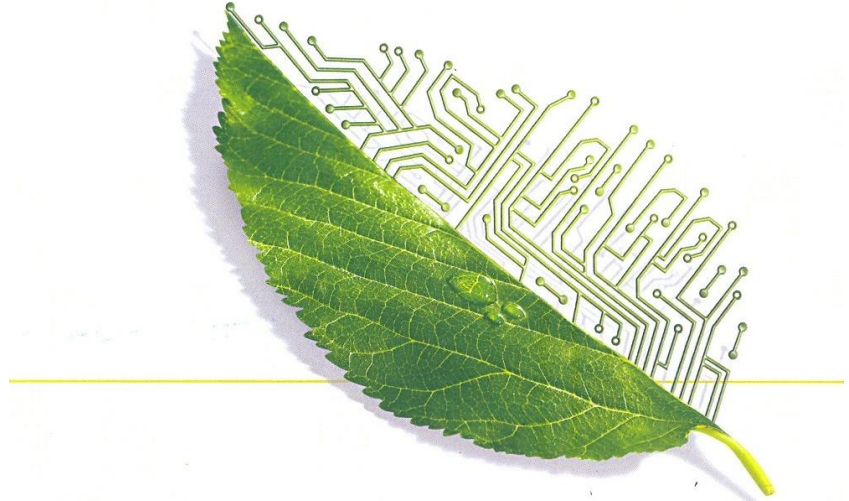
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Section 3

Financial Statements

- Excerpt of Auditors' Report
- Financial Statements





Excerpt of Auditors' Report

Independent Auditors' Report to the General Assembly of Banks and BK's Shareholders:

BK'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). BK'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.



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- 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 BK's operations with approved budget for the year ending March 20, 2012 has been audited and examined by SAO. 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 BK's staff and management during the conduct of our audit.

August 11, 2012

State Audit Organization



Bank Keshavarzi

Balance Sheet

	Note	March 20, 2012		March 20, 2011 ¹	
		mil. IRR	mil. USD	mil. IRR	mil. USD
ASSETS					
Cash and Banks	5	2,617,565	214	2,662,060	257
Due From CBI	6	12,968,197	1,058	11,640,902	1,123
Due From Banks and Credit Institutions	7	19,842,441	1,618	11,910,131	1,149
Due From Government	8	7,748,574	632	14,080,721	1,359
Credit Granted and Due from Public Sector	9	7,010,347	572	981,503	95
Credit Granted and Due from Non-public Sector	10	199,186,533	16,247	161,265,429	15,560
Debtors for Deferred DCs	11	2,492,161	203	4,518,672	436
Partnership Bonds and the Like	12	228,097	19	115,142	11
Investments and Partnerships	13	884,415	72	807,439	78
Fixed Assets	14	9,552,042	779	9,064,961	875
Other Assets	15	44,688,165	3,645	31,278,978	3,018
Cash in Transit ²	16	3,818,193	311	1,562,241	151
Total Assets		311,036,730	25,370	249,888,179	24,111
LIABILITIES & SHAREHOLDERS' EQUITY					
Due to CBI	17	63,278,995	5,161	65,538,600	6,324
Due to Banks and Credit Institutions	18	13,485,345	1,100	10,500,166	1,013
Sight Deposits	19	68,276,077	5,569	34,235,859	3,303
Savings Deposits	20	23,508,910	1,918	28,235,744	2,724
Term Investment Deposits	21	97,989,650	7,993	73,494,324	7,091
Other Deposits	22	2,432,029	198	546,500	53
Partnerships Bonds of In-progress Projects	23	80	0	188	0
Other Liabilities and Provisions	24	22,713,549	1,853	18,040,852	1,741
Due to Foreign Banks	25	2,542,296	207	4,719,706	455
Total Liabilities		294,226,931	23,999	235,311,939	22,705
SHAREHOLDERS' EQUITY					
Capital	26	8,021,118	654.25	8,021,118	774
Reserves	26	9,914,108	808.65	7,712,382	744
Retained Earnings		(1,125,427)	(91.8)	(1,157,261)	(112)
Total Shareholders' Equity		16,809,799	1371.11	14,576,240	1,406
Total Liabilities & Shareholders' Equity		311,036,730	25,370	249,888,179	24,111

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 (2010/11).

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



Income Statement

	Note	March 20, 2012		March 20, 2011	
		mil. IRR	mil. USD	mil. IRR	mil. USD
Income from Joint Investment:					
Profit ¹ and Penalties	27	22,588,201	1,842	20,974,241	2,024
Other Incomes	28	159,284	13	131,910	13
Sub-total		22,747,485	1,855	21,106,151	2,036
Minus:					
Depositors' Profit Share	29	10,150,788	828	8,584,651	828
Surplus Profit Paid to Depositors	29	(2,042,600)		1,020,266	98
Net Profit Paid to Depositors		10,150,788	828	9,604,918	926
Bank's Profit		12,596,696	1,027	11,501,233	1110
Income from Own Investment:					
Profit and Penalties	30	140,453	11	121,125	12
Fees and Commissions	31	4,669,265	381	4,169,098	402
Other Income	32	2,412	0	212,731	21
Sub-total		4,812,130	392	4,502,953	434
Total Operating Income		17,408,826	1,420	16,004,186	1,544
Expenses					
Profit Paid (excluding Depositors')	33	(6,257,136)	(510.37)	(4,911,375)	(474)
Fees & Commissions Paid	34	(597,278)	(48.72)	(333,800)	(32)
General Expenses	35	(10,039,890)	(818.91)	(9,717,537)	(938)
Other Expenses	36	(443,781)	(36.2)	(744,135)	(72)
Total Operating Expenses		(17,338,085)	(1,414.2)	(15,706,847)	(1,516)
Pretax Profit		70,741	6	297,339	29
Tax		-	-	-	-
Net Profit		70,741	6	297,339	29

Retained Earnings Statement

	Note	March 20, 2011		March 20, 2010	
		mil. IRR	mil. USD	mil. IRR	mil. USD
Net Profit		70,741	6	297,339	29
Beginning Year Retained Earnings		(687,135)	(56)	(659,994)	(64)
Prior Year Adjustments	37	(470,125)	(38)	(768,714)	(74)
Beginning Earnings after Adjustments		(1,157,260)	(94)	(1,428,709)	(138)
Allocable Profit		(1,086,519)	(89)	(1,131,370)	(109)
Minus:					
Required Reserve		(10,611)	(2)	(7,061)	(1)
Profit Payable to Government		(28,296)	(3)	(18,829)	(2)
End-year Closing Retained Earnings		(1,125,427)	(92)	(1,157,260)	(112)

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

		March 20, 2012		March 20, 2011			
	Note	mil. IRR	mil. USD	mil. IRR	mil. USD		
Net Cash Flow from Operating Activities	38			10,158,278	829	2,502,045	241
<u>Investments Return and Profit Paid for Financing Activities</u>							
Dividend Received	27	76,227	6			47,588	5
Partnership Bonds Profit	27	21,526	2			53,779	5
Profit Paid for Facilities Received from Banks	33	(264,403)	(22)			(159,297)	(15)
40% Profit Re. Budget Act		(18,829)	(2)			(23,862)	(2)
Net Cash Flow from Investments and Profit Paid for Financing Activities				(185,478)	(15)	(81,791)	(8)
<u>Income Tax</u>							
Income Tax Paid				(443,523)	(36)	(427,834)	(41)
<u>Investment Activities</u>							
Purchase of Direct Investments and Legal Partnerships	13	(88,812)	(7)			(88,446)	(9)
Disposal of Investments and Legal Partnerships		215	-			8,756	1
Purchase of Tangible Fixed Assets	14	(847,224)	(69)			(861,847)	(83)
Disposal of Tangible Fixed Assets	32	45,898	4			21,955	2
Net Cash Inflow from Investment Activities				(889,922)	(73)	(919,583)	(89)
Net Cash Inflow before Financing Activities				8,639,354	705	1,072,837	104
<u>Financing Activities</u>							
Facilities Received from Banks		4,695,858	383			3,433,000	331
Repayment of Principal of Facilities Received		(4,695,858)	(383)			-	-
Net Cash Inflow from Financing Activities				-	-	3,433,000	331
Net Cash Inflow				8,639,354	705	4,505,837	435
Profit from Revaluation of FC Cash				(117,839)	(10)	135,774	13
Net Cash Increase	39			8,521,514	695	4,641,611	448
Beginning Cash Balance				10,945,231	893	6,303,621	608
End-year Closing Cash Balance				19,466,746	1,588	10,945,232	1,056



Notes to the Financial Statements

1. History

1.1. General

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

1.3. Branches

By year-end 2011-12, BK conducts its banking operations through 1918 branches nationwide.

1.4. Employment

The number of all employees (permanent and temporary) working for the bank in 2011-12 totaled 16,835.

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 3rd 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, 2012	March 20, 2011
Cash	1,828,338	1,540,904
CBI's Iran Checks	670,718	1,038,109
FC Cash	118,509	83,048
Total	2,617,565	2,662,061

6. Due from CBI

mil. Rls	March 20, 2012	March 20, 2011
Required Reserve	13,081,878	10,726,347
Demand Deposit with CBI (in FC)	511,042	1,511,706
Minus:		
Required Reserves of Free-trade Zones' Branches	(624,722)	(597,150)
Total	12,968,198	11,640,903

7. Due from Banks and Credit Institutions

mil. IRR	March 20, 2012	March 20, 2011
Sight and Term Deposits with Domestic Banks (in FC)	2,352,204	2,728,529
Sight Deposits with Foreign Banks	14,349,904	5,383,575
Clearing of Checks Issued by other Banks	3,104,525	3,031,963
Nostro Account after Clearing	146,558	170,330
Inter-banks Account	(110,372)	604,657
Sub-total	19,842,819	11,919,054
Exchange of Clearinghouse Notes	(378)	(8,923)
Total	19,842,441	11,910,131

8. Due from Government

mil. IRR	March 20, 2012	March 20, 2011
Due from Government	8,184,414	14,568,632
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(130,138)	(147,932)
Deferred Profit of Statutory Facilities Undertaken by Government	(1,078)	(1,147)
Profit Subsidy by Government – Profit Rate Harmonization	(186,625)	(230,988)
1.5 Percent General Reserves	(117,999)	(107,844)
Total	7,748,574	14,080,721



9. Granted Facilities and Due from Public Sector

mil. IRR	March 20, 2012	March 20, 2011
Statutory Facilities, Qard-al-Hassanah	795	2,129
Non-statutory Facilities, Qard-al-Hassanah	0.4	18
Statutory Facilities, Mudharabah	6,000,000	-
Non-statutory Facilities, Mudharabah	22,894	25,992
Non-statutory Facilities, Forward ¹	8,406	7,797
Statutory Facilities, Forward	-	100
Non-statutory Facilities, Hire Purchase ²	804	-
Statutory Facilities, Hire Purchase	8,316	-
Statutory Facilities, Civil Partnership ³	1,009,048	882,987
Non-statutory Facilities, Civil Partnership	48,143	54,471
Statutory Facilities, Installment Sale	962	2,115
Non-statutory Facilities, Installment Sale	7,325	30,758
Sub-total Current Facilities	7,106,694	1,006,367
Overdue Debts on Statutory Facilities	90	292
Overdue Debts on Non-statutory Facilities	13,064	2,178
Sub-total Overdue Debts	13,154	2,470
Arrears on Non-statutory Deposits	941	2,930
Arrears on Statutory Deposits	118	595
Sub-total Arrears Debts	1,060	3,525
Bad Debts on Statutory Facilities	16,033	10,598
Bad Debts on Non-statutory Facilities	12,137	8,131
Sub-total Bad Debts	28,170	18,729
Total	7,149,079	1,031,093
Minus:		
1.5 Percent General Reserve for Bad Debts	(106,757)	(14,947)
Future-year Profit of Facilities	(4,706)	(7,271)
Deferred Profit of Facilities	(27,269)	(27,373)
Total	7,010,347	981,502

10. Granted Facilities and Due from Non-public Sector

mil. IRR	March 20, 2012	March 20, 2011
Statutory Facilities, Qard-al-Hassanah	4,296,482	1,661,656
Non-statutory Facilities, Qard-al-Hassanah	16,350,426	9,346,725
Statutory Facilities, Mudharabah	9,838	17,398
Non-statutory Facilities, Mudharabah	4,133,724	6,299,656
Statutory Facilities, Forward	50,648	55,546
Non-statutory Facilities, Forward	7,085,011	6,496,328
Statutory Facilities, Civil Partnership	1,392,770	1,847,509
Non-statutory Facilities, Civil Partnership	53,375,251	39,425,832
Statutory Facilities, Jo'aleh	3,043	3,290
Non-statutory Facilities, Jo'aleh	1,547,743	976,343
Statutory Facilities, Installment Sale	2,156,552	2,404,839
Non-statutory Facilities, Installment Sale	100,522,226	78,786,405
Statutory Facilities, Hire Purchase	432,534	418,601
Non-statutory Facilities, Hire Purchase	659,292	440,961
Factoring ⁴ of Notes in Rial	3,056	3,056

¹ Bai Muajjal or Salaf

² Ijara wa Iqtina

³ Diminishing Musharakah

⁴ Bai Dayn or Debt Trade



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Housing Facilities	9,007,930	6,862,398
Short-term Facilities (in FC)	45,943	107,834
Medium-term Facilities (in FC)	7,416,494	5,546,427
Granted Facilities (in FC)	1,742	-
Previous Housing Loans	595	881
Debtors for DCs Reimbursed	288,392	21,198
Debtors for DCs Reimbursed (in FC)	11,213	33,145
Debtors for Paid Credit Cards	188,963	28
Debtors for Paid L/Gs	20,779	5,130
Advance Payment for Transactions Properties	2,348	3,631
Work in Progress, Jo'aleh	24	24
Purchased Properties for Installment Sale	448	343
Properties Purchased for Hire Purchase	-	4
Facilities Funded by Bonds of In-progress Projects	15,678	16,088
Sub-total Current Facilities	209,019,145	160,781,277
Overdue Debts on Statutory Facilities	292,498	430,090
Overdue Debts on non-statutory Facilities	4,170,187	3,908,051
Overdue Debts on Facilities (in FC)	518,558	428,283
Sub-total Overdue Debts	4,981,243	4,766,424
Arrears on Statutory Facilities	252,339	418,072
Arrears on Non-statutory Facilities	3,460,936	4,611,750
Previous Arrears	70	70
Arrears on Facilities (in FC)	1,054,707	1,874,089
Sub-total Arrears	4,768,052	6,903,981
Bad Debts on Facilities Granted	1,428,748	1,547,433
Bad Debts on Internal Facilities Granted	22,108	22,394
Bad Debts on Facilities Granted (in FC)	1,785,264	1,728,571
Bad Debts on L/Gs Paid	254,784	257,919
Bad Debts on Statutory Facilities	1,749,735	1,744,895
Bad Debts on Non-statutory Facilities	13,749,357	13,841,921
Bad Debts on Facilities (in FC)	8,408,167	7,083,684
Sub-total Bad Debts	27,398,163	26,226,817
Total	246,166,603	198,678,499
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(26,543,603)	(20,080,251)
Deferred Profit of Facilities and Affiliated Companies	(1,141,156)	(1,512,085)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(620,540)	(266,284)
Joint Account for Civil Partnership	(4,349,071)	(3,233,883)
Provisions for Bad Accounts (Public)	(3,064,643)	(2,346,639)
Provisions for Bad Accounts (Non-public)	(9,340,915)	(9,523,276)
On-account Collections of Facilities	(1,731,184)	(450,651)
Total	199,375,491	161,265,430

11. Debtors for Deferred DCs

mil. IRR	March 20, 2012	March 20, 2011
Debtors for Deferred DCs	2,492,161	4,518,672
Total	2,492,161	4,518,672

12. Partnership Bonds and the Like

mil. IRR	March 20, 2012	March 20, 2011
Purchased Balance of Government Bonds	228,097	115,142
Total	228,097	115,142



13. Investments and Partnerships

mil. IRR	March 20, 2012	March 20, 2011
Legal Partnership ¹ of Non-public Sector	892,566	812,171
Investment in Stock Exchange	33,323	22,052
Direct Investment	94,491	97,346
Sub-total	1,020,380	931,569
Minus:		
Provision for Shares Depreciation	(135,965)	(124,130)
Total	884,415	807,439

14. Fixed Assets

mil. IRR	March 20, 2012	March 20, 2011
Movable Assets	2,481,711	2,215,636
Immovable Assets	8,119,568	7,575,152
Intangible Assets	383,573	382,907
Immovable Assets under Construction	727,163	618,500
Renovation & Improvements Costs of Buildings on Lease	21,270	14,969
Capital Advance Payments	57,318	200,353
Sub-total	11,790,603	11,007,517
Minus:		
Depreciation Reserve for Movable Assets	(1,263,020)	(1,104,710)
Depreciation Reserve for Immovable Assets	(975,543)	(837,847)
Depreciation Reserve for Intangible Assets		
Total Depreciation Reserves	(2,238,563)	(1,942,556)
Net Book Value	9,552,040	9,064,961

¹ Equity Partnership



15. Other Assets

mil. IRR	March 20, 2012	March 20, 2011
Tax Stamp	18,276	18,207
Gold and Silver	515	737
Inventory	93,822	116,450
Repossessed Collaterals	3,798,477	2,695,937
Temporary Debtors Account ¹ (CBI Nullified Iran Checks)	729	37,060
Temporary Debtors Account (in RIs)	15,340,234	9,369,659
Temporary Debtors Account (in FC)	2,178,185	1,834,685
Debtors for Insurance Fund's Indemnities	11,357,490	3,535,559
Minus:		
Advance Deposit Premium from Insurance Fund	(2,058,563)	(149,537)
Receivable Profit from Granted Facilities	13,959,001	13,820,221
Total	44,688,165	31,278,978

16. Cash in Transit

mil. IRR	March 20, 2012	March 20, 2011
Branches	69,991,512	57,680,811
Internal Debtors (in RIs)	2,910,399	1,685,006
Internal Debtors (in FC)	65,615	118,926
Current Account with Central Branch	(486,715)	(12,542)
Branches Account (in FC)	29,509,928	24,657,981
Forex Transactions Value (in RIs)	(696,905)	2,109,220
Sub-total Debtors	101,293,833	86,239,402
Inter-branch Account	67,318,381	56,132,381
Inter-branch Account (in FC)	29,499,450	24,799,898
Internal Creditors (In RIs)	1,236,970	1,494,797
Internal Creditors (in FC)	117,745	141,606
FC Position	(696,905)	2,108,480
Sub-total Creditors	97,475,641	84,677,162
Minus:		
Total Creditors	(97,475,641)	(84,677,162)
Final Balance	3,818,192	1,562,240

¹ Nominal Account



17. Due to CBI

mil. IRR	March 20, 2012	March 20, 2011
Due to CBI as Credit in Current Account	26,619,071	26,574,717
Facilities Received from CBI	28,441,283	30,356,830
Deposits Received from CBI	-	175,000
Facilities Received from SWF	15,218,640	13,857,053
Minus:		
Settlement of AIF's Debt to BK	(7,000,000)	(7,000,000)
Total	63,278,995	65,538,600

18. Due to Banks and Credit Institutions

mil. IRR	March 20, 2012	March 20, 2011
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	14,676	8,806
Free Zones Qard-al-Hassanah Checking Account	(14,706)	-
Facilities Received from Banks	828,500	1,858,813
Due to Foreign Banks for Loans in FC	130,189	147,653
Interbank Funds - Unused	569,738	487,193
Sight Deposits of Iranian Banks (in FC)	11,937,877	7,391,165
Sight Deposits of Foreign Banks (in FC)	19,070	606,536
Total	13,485,345	10,500,166

19. Sight Deposits

mil. IRR	March 20, 2012	March 20, 2011
Qard-al-Hassanah Checking Accounts (in RIs)	27,607,495	15,938,231
Qard-al-Hassanah Checking Accounts (in FC)	923	15,134
Directed Funds ¹ - Unused	4,991,065	6,587,109
Bank Checks Sold	4,196,936	4,017,511
National Development Fund	20,259,000	-
Money Orders to the debit of our Account (in RIs)	359	25
Money Orders to the debit of our Account (in FC)	847	6,226
Balances Not Claimed	48,744	49,131
Employees' Savings	598,749	481,023
Employees' Pension	0.3	(6,683)
Temporary Debtors Account and Payables (in RIs)	3,735,955	4,323,903
Temporary Debtors Account (in FC)	6,836,053	2,825,525
Sub-total	68,276,126	34,237,136
Minus:		
Payment for Bank Checks Sold (Not-settled)	(49)	(1,276)
Total	68,276,077	34,235,860

¹ Funds which are provided by the government or governmental organizations to the bank under specific contracts, to be disbursed to intended customers or groups of customers with legal or real natures.



20. Savings Deposits

mil. IRR	March 20, 2012	March 20, 2011
Qard-al-Hassanah Savings Deposit (In Rls)	23,066,758	27,972,665
Qard-al-Hassanah Savings Deposit (in FC)	441,676	262,872
Special Qard-al-Hassanah Savings Deposit - Unused	475	207
Total	23,508,909	28,235,744

21. Term Investment Deposits

mil. IRR	March 20, 2012	March 20, 2011
Long-term Deposits	41,023,595	32,968,099
CDs (Public Investment)	16,207,491	9,120,638
CDs (Private Investment)	50	100,000
Short-term Deposits	38,307,782	30,855,007
Special Short-term Deposits	1,927,431	2,883,661
Term Deposits with Iranian Banks (in FC)	1,615,200	419,167
Term Deposits with Foreign Banks (in FC)	871,898	-
CDs Unsold and Redemption before Due Date	(1,963,797)	(2,852,248)
Total	97,989,650	73,494,324

22. Other Deposits

mil. IRR	March 20, 2012	March 20, 2011
Term Deposits (in FC)	644,444	153,307
Cash Advance Received for DCs - Public	5,047	-
Cash Advance Received for DCs - Nonpublic	912	-
Cash Advance Received for DCs (In FC) - Nonpublic	1,630,148	243,800
Cash Deposits for Guarantees - Nonpublic (In Rls)	150,351	147,925
Cash Deposits for Guarantees - Public (In Rls)	358	236
Cash Advance Received for Hire Purchase Facilities - Nonpublic	36	36
Cash Advance Received for other Facilities - Nonpublic	732	1,162
Cash Advance Received for other Facilities - Public	-	34
Total	2,432,028	546,500

23. Partnership Bonds of Projects In-progress

mil. IRR	March 20, 2012	March 20, 2011
Partnership Bonds Issued	1,000,000	1,000,000
Minus:		
Redemption for Partnership Bonds	<u>(999,920)</u>	<u>(999,812)</u>
Net Partnership Bonds Held by Public	80	188
Partnership Bonds of Projects In-progress	80	188



24. Reserves and Other Liabilities

mil. IRR	March 20, 2012	March 20, 2011
Money Orders on Branch (In RIs)	213,631	140,623
Profit Payable to Government	28,297	18,829
Other Reserves	22,471,622	17,881,400
Total	22,713,550	18,040,851

25. Dues to Foreign Banks

mil. IRR	March 20, 2012	March 20, 2011
Credit Lines from Foreign Banks	1,087,169	1,786,471
Acceptance of DCs	1,455,127	2,933,234
Total	2,542,296	4,719,705

26. Shareholders' Equity

mil. IRR	March 20, 2012	March 20, 2011
Capital	8,021,118	8,021,118
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	9,191,784	7,000,670
Required Reserve	667,549	656,938
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	(1,125,427)	(1,157,261)
Sub-total	16,829,999	14,596,440
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
Total	16,809,799	14,576,240

27. Profit and Penalties on Facilities

mil. IRR	March 20, 2012	March 20, 2011
Installment Sale	9,112,338	8,473,087
Mudharabah	1,727,985	1,356,501
Civil Partnership	6,713,842	4,618,892
Salaf	825,500	749,251
Hire Purchase	79,421	86,243
Jo'aleh	123,780	84,087
Factoring	68	23
Gain on Facilities Granted (in FC)	289,061	159,934
Sub-total	18,871,995	15,528,018
Commission of Facilities Renewal	23,092	89,881
Sub-total	18,895,088	15,617,899
Penalties Received on Facilities	3,576,481	5,223,785



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Penalties on Facilities Received in Non-public FC	16,833	21,772
Commission of Commitments Default	1,830	660
Sub-total	22,490,232	20,864,116
Profit on Investments & Partnerships:		
Dividend of Direct Investment and Legal Partnerships	76,228	47,588
Gain on Disposal of Partnerships Equity Shares and Reimbursement from Reserves	215	8,756
Income from Purchased Partnership Bonds	21,526	53,779
Sub-total	97,969	110,123
Total	22,588,200	20,974,239

28. Other Income

mil. IRR	March 20, 2012	March 20, 2011
Profit on Required Reserve	114,816	101,102
Profit on Public Deposits	44,468	30,809
Total	159,284	131,911

29. Net Depositors' Profit

mil. IRR	March 20, 2012	March 20, 2011
Depositors' Profit Share	10,150,788	8,584,651
Surplus Profit Paid to Depositors	(2,042,600)	1,020,267
Total	10,150,788	9,604,918

30. Profit & Penalties Received

mil. IRR	March 20, 2012	March 20, 2011
Penalties Received on other Claims	99,584	101,289
Profit Received from Deposits	40,868	19,836
Total	140,452	121,125

31. Fees & Commissions Received

mil. IRR	March 20, 2012	March 20, 2011
Commission on Qard-al-Hassanah	140,711	396,159
Commission on Directed Funds	3,175	425
Commission on Facilities Paid to Employees	683,176	485,416
Other Commissions	43,539	16,344
Commission on Banking Services	346,068	397,665
Commission Received by Branches	1,312,603	809,161
Commission on Banking Services in AIF	2,139,976	2,063,748
Commission of Commitments out of Non-public FC Facilities	17	179
Total	4,669,265	4,169,097



32. Other Income

mil. IRR	March 20, 2012	March 20, 2011
Forex Transactions	(117,840)	135,774
Gain on Disposal of Properties Repossessed	9,559	3,031
Rent of Branch Managers' Residential Units	1,613	1,056
Gain on Disposal of Properties	49,910	21,955
Others	59,170	50,915
Total	2,412	212,731

33. Profit Paid

mil. IRR	March 20, 2012	March 20, 2011
Profit Paid on Credit Received from other Banks	6,257,136	4,911,375
Profit Paid to Free-trade Zones' Branches	1,458,982	1,458,982
Sub-total	7,716,118	6,370,357
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,458,982)	(1,458,982)
Total	6,257,136	4,911,375

34. Fees & Commissions Paid

mil. IRR	March 20, 2012	March 20, 2011
Miscellaneous Commissions and Fees	597,278	333,800
Total	597,278	333,800

35. General Expenses

mil. IRR	March 20, 2012	March 20, 2011
General and Administrative Costs	3,409,923	2,970,343
Personnel Costs	5,279,747	4,432,639
Other Costs	1,350,221	2,314,555
Total	10,039,891	9,717,537

36. Other Expenses

mil. IRR	March 20, 2012	March 20, 2011
Cost of Prizes on Qard-al-Hassanah Savings Account	443,781	744,135
Total	443,781	744,135



37. Prior Years' Adjustments

Item - mil. IRR	Note	Balance based on Previous Year's Statements	Debtor	Creditor	Adjusted Balance
Due from Government	8	146,885	-	1,047	147,932
Facilities Granted and Due from Public Sector	9	981,495	55	47	981,503
Facilities Granted and Due from Non-public Sector	10	161,277,181	173,784	185,535	161,265,430
Other Assets – Temporary Debtors (in Rls)	15	9,234,826	168,586	33,754	9,369,659
Other Assets – Received Profit	15	14,104,697	61	284,537	13,820,221
Cash in Transit – Internal Debtors	16	2,332,339	1,507	992,235	1,341,611
Cash in Transit – Branches	16	57,680,726	85	-	57,680,811
Cash in Transit – Current Account with Central Branch	16	(6,423)	38,908	45,027	(12,542)
Cash in Transit – Internal Creditors	16	1,151,410	1,311	1,303	1,151,402
Due to CBI – Credit in Current Account	17	26,445,540	-	129,177	26,574,717
Sight Deposits – Unused Directed Funds	19	6,974,608	387,499	-	6,587,108
Sight Deposits – Employees' Savings	19	482,208	1,185	-	481,023
Sight Deposits – Employees' Pension	19	290	12,205	5,232	(6,683)
Sight Deposits – Temporary Creditors	19	4,317,213	-	6,690	4,323,903
Savings Deposits and Similar Ones – Qard-al-Hassanah	20	27,972,666	-	-	27,972,665
Special Time Deposits	21	2,884,824	1,163	-	2,883,661
Short-term Deposits	21	30,855,007	-	-	30,855,007
Reserves and Other Liabilities – Deposit Profit Reserves	24	1,421,708	49,143	-	1,372,565
Reserves and Other Liabilities – Tax Reserves	24	39,665	39,665	-	-
Reserves and Other Liabilities – Payable Commission Reserves	24	13,689,804	335,496	-	13,354,308
Reserves and Other Liabilities – Staff and Administration Costs	24	2,585,704	3,807	-	2,581,897
Other Commitments – Concluded Contracts of Transactions	42	25,199,756	120	190	25,199,686
Other Commitments Party	42	25,199,756	190	120	25,199,686
Retained Earnings/Loss	26	(687,136)	1,684,896	1,214,770	(1,157,261)
			2,899,666	2,899,664	

38. Net Cash Flow from Operating Activities

mil. IRR	March 20, 2011	March 20, 2010
Profit before Income Tax	70,741	297,339
Depreciation Cost	364,154	322,831
Cost of Bad Debts	640,588	1,623,001
Profit Paid for Received Facilities	6,257,135	4,911,375
Provision for Shares Depreciation	11,835	(17,654)
Dividend from Investments and Legal Partnerships	(76,228)	(47,588)
Gain on Disposal of Investments and Legal Partnerships	(215)	(8,756)
Gain on Disposal of Fixed Assets	(49,910)	(21,955)
Profit on Partnership Duration	(21,526)	(53,779)
Net Profit from Cash FC Revaluation	117,840	(135,774)
Subtotal	7,314,414	6,869,041
Net Increase / Decrease of Operating Liabilities		
Sight Deposits	34,040,218	1,691,628



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Savings Deposits	(4,726,834)	4,914,434
Term Investment Deposits	24,495,326	8,612,958
Due to CBI and other Banks	(5,267,158)	17,812,747
Operational Share of other Liabilities	4,371,241	(2,102,331)
Reserve Transferable to Capital	2,191,114	7,000,231
Subtotal	55,103,907	37,929,667
Net Increase/Decrease in Operating Assets		
Claims on CBI	(1,327,295)	(2,312,801)
Partnership Bonds	(112,955)	382,740
Payment of Other-banks-issued Checks	633,922	(99,706)
Facilities Granted under Islamic Contracts	(36,231,878)	(31,726,291)
Repossessed Collaterals and Operational Share of Other Assets	(13,409,409)	(1,089,040)
Cash in Transit – After Advance Payment for Tax	(1,812,428)	(4,068,308)
Subtotal	(52,260,043)	(38,913,406)
Net Cash Flow from Operating Activities	10,158,278	5,885,302

39. Net Cash Increase

	Note	March 20, 2011	March 20, 2010	Net Cash Increase
Notes and Coins	5	1,828,338	1,540,904	287,435
CBI Iran Checks	5	670,718	1,038,109	(367,392)
Gold & Silver	15	515	737	(222)
Balance with Banks after Clearing	7	146,558	170,330	(23,772)
FC Deposits with Domestic Banks	7	2,352,204	2,728,529	(376,325)
Balance with Foreign Banks	7	14,349,904	5,383,575	8,966,329
Foreign Currencies (Cash)	5	118,509	83,048	35,462
Total		19,466,746	10,945,232	8,521,515

40. Customers' Commitments Re. DCs

mil. IRR	March 20, 2011	March 20, 2010
Customers' Commitments Re. DCs	33,063,585	40,929,614
Total	33,063,585	40,929,614

41. Customers' Commitments Re. L/Gs

mil. IRR	March 20, 2011	March 20, 2010
Customers' Commitments Re. Guarantees and Acceptance (In Rls)	1,288,749	1,310,974
Customers' Commitments Re. Issued Counter L/Gs (in FC)	478,743	510,689
Customers' Commitments Re. Issued L/Gs and Acceptance (in FC)	47,617	52,072
Total	1,815,109	1,873,735



42. Other Commitments

mil. IRR	March 20, 2011	March 20, 2010
Customers' Commitments Re. Transactions Contracts (Private)	25,519,132	25,199,686
Customers' Commitments Re. Non-statutory Qard-al-Hassanah (Public)	0.8	0.4
Customers' Other Commitments	8,155,352	6,645,663
Total	33,674,485.8	31,845,349.4

43. Directed Funds

mil. IRR	March 20, 2011	March 20, 2010
Special Qard-al-Hassanah Deposits - Unused	2,008	2,571
Directed Funds	22,374,684	19,410,361
Total	22,376,692	19,412,932



Abbreviations and Acronyms

ACH:	Automated Clearing House
ADFIAP:	Association of Development Financing Institutions in Asia and the Pacific
ADFIMI:	Association of National Development Finance Institutions in Member Countries of IDB
AIF:	Agricultural Products Insurance Fund
AML:	Anti-money Laundering
ATM:	Automated Teller Machine
APRACA:	Asia Pacific Rural and Agricultural Credit Association
BK:	Bank Keshavarzi
bn:	billion
CBI:	The Central Bank of the Islamic Republic of Iran
CD:	Certificate of Deposit
CICA:	Confederation Internationale Du Credit Agricole
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 Reinsurers
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 Râyänei E'täye Tashilät (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:	Payänaeh Pâyäpäye Electronic (Electronic Clearing System)
POS:	Point of Sale
R &D:	Research and Development
Rls:	Rials
RTGS:	Real Time Gross Settlement System
SAO:	State Audit Organization
SATNA:	Sämaneh Tasvieh Näkhäles Aäni (Real Time Gross Settlement System)
SHETAB:	Shabakeh Tabädol Etelä't Bain Bäni (Inter-bank Information Transfer Network)
SME:	Small and Medium Enterprises
SMS:	Short Message System
TABA:	Tasvieh Orägh Bahädär Electronic (Electronic Securities Settlement System)
USD:	United States Dollar