

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
(Agriculture Bank of Iran)

Annual Report

2012 – 2013



Corporate Outline

Bank Keshavarzi
(Agriculture Bank of Iran)

Date of Establishment:
June 11, 1933

Number of Branches:
1,912

Number of Forex Branches:
36

Number of Staff:
16,549 (By March 20, 2013)

Chairman and Managing Director:
Dr. Mohammad Talebi

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

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Financial Highlights

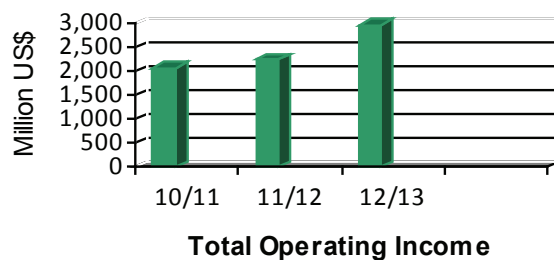
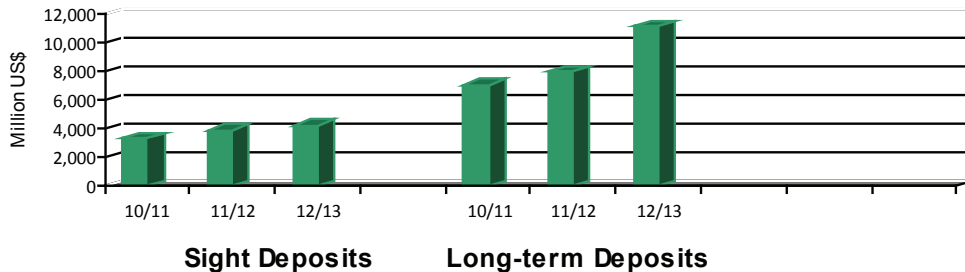
For more than 80 years, Bank Keshavarzi (Agriculture Bank of Iran) has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded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

Balance Sheet Highlights (Million US Dollars¹)

Item	2012/13 ²	2011/12	2010/11
Assets	30,449	25,362	24,223
Liabilities	29,207	24,182	22,771
Sight Deposits	4,217	3,917	3,341
Term Investment Deposits ³	11,168	7,993	7,091
Shareholders' Equity	1,242	1,180	1,452

Income Statement Highlights (Million US Dollars)

Item	2012/13	2011/12	2010/11
Interest Income ⁴	2,424	1,855	1,722
Non-interest Income	574	393	367
Total Operating Income	2,973	2,248	2,071
Total Operating Expenses	2,589	1,731	1,664
Pretax Net Profit	3	- 16	24



1. Rial amounts have been converted to USD, for convenience only, at CBI reference rate used for revaluation purposes on the last day of Iranian financial year as USD 1 equaling RIs. 12,260 (March 20, 2013), RIs. 12,260 (March 19, 2012), and RIs. 10,364 (March 20, 2011).

2. BK's financial year (1391 Persian Calendar) corresponds to the period of March 20, 2012 to March 19, 2013.

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

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

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Board of Directors



Dr. Mohammad Talebi
President



Mr. Mohammad H. Forooghifar



Mr. Heshmatollah Nazari



Mr. Davar Mahikar

Chairman's Message

The role of the agriculture sector in creation of sustainable added value and the growth macro economy indicators has obviously been highlighted in recent years and supporting the sector through employment of potential capacities can act as a moving factor for the national economic development.

The significant impacts of agricultural development on growth and sustainability of macro economy indicators specifies the need for empowerment of the sector in the national economy arenas. The sector plays a unique role in provision of food demanded by the country and realization of food security. The sector contribution to GDP, national employment and non-oil export amounts to 14, 20.8 and 20 percent respectively. While a one-percent increase in added value created by the agriculture sector results in a 0.13 percent growth in the economy, a one-percent increase of the agricultural investment in the total domestic investment is followed by a 0.15 percent increase in GDP and a one-percent rise investment in the agriculture sector help other sectors have a 0.8 percent growth.

Thus, the development of the sector through use of all existing and potential capacities deems necessary because of the sector's role in food security provision, population growth, necessity of meeting the sectors' needs to agricultural inputs and the outstanding capacity of agricultural products to promote owing to climate diversity, arable lands, forests, and pastures. Such a development is supported and financed by Bank Keshavarzi, with 80 years of experience operating as the only specialized bank involved with the agriculture sector.

The Supreme Leader of the Islamic Republic of Iran declared 1391 (2012-2013), the "Year of National Production, and Supporting Iranian Capital and Labor". His Honor's emphasis on development of knowledge-based economy and supporting strategic products needed for the public consumption or the national manufacturing sector made all the bank's authorities strive for the realization of the above objectives.



As regards, having granted credit facilities amounting to RIs. 166 trillion, 15 percent more than those granted in the preceding year, the Credit Divisions of the bank played a significant in funding the financial needs of the agriculture sector. The total collection volume equaled RIs. 142 trillion in the year under report displaying a 15 percent growth in comparison with that of the previous year. The bank also recorded a 26 percent growth in financial resources mobilization and deposits taking, totally amounting to RIs. 208 trillion.

In 2012-2013, the Agricultural Development Plan, as a significant mission, was entrusted to Bank Keshavarzi and was successfully implemented thanks to the efforts and diligence of all my colleagues in the bank so that the Honorable President was highly satisfied with the results.

Within the report year, more than 170,000 cases of micro credit facilities were all recorded and organized in an Electronic System to save the time and energy of staff. Some outstanding initiatives were also taken in other departments, chief among which are E-banking, Legal Affairs, Auditing, Premises and Maintenance, Public Relations, International Cooperation, Customers Relation, Supervision and Branches, Anti-Money Laundry, Logistics and Procurement, Repossessed Properties, Statistics and Planning, Training, Risk Management, Affiliated Companies, ...

Accordingly, I am greatly honored to submit Bank Keshavarzi's 2012-2013 annual report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during the aforementioned period. I am quite certain that Bank Keshavarzi's excellence depends on the staff endeavors. The bank is benefiting from expertise and knowledge of honest and sincere employees, who are well regarded by those in entities involved with the bank. Their abilities and capabilities are much more than the ones we witness now. The sector has also the potential to produce more. Better use of existing capacities and achievement of the potentials require continuous promotion of productivity. In the 80th anniversary of our green bank, team works, staff synergy and organizational commitment can pave the way for such achievements and accomplishments.

Mohammad Talebi

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 Central Bank is also 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 Monetary and Banking Act of Iran; Usury-free Banking Act of 1983 (Islamic Banking Law); Banks Nationalization Act of 1979; and 1979 Banks Administration Act.

Liquidity

In 2012-2013, liquidity amounted to RIs. 4,606 trillion, displaying a 30.8 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 domestics assets. Among the net domestics 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 2012/13 equaled RIs. 5,074 trillion, displaying a 16.06 percent growth as compared with the balance amounting to 3790.6 trillion in the end of 2011/12. The share of non-public banks and non-banking credit institutions out of total deposits reached 67 percent by end-2012/13, up by 31.49 percent as compared with that of the preceding year. Within the year under report, the share of specialized banks from the total deposits, equaling 12 percent, remained unchanged 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 4.21 percent increase. The share of inexpensive deposits belonging to commercial public-private, specialized and public banks increased as 36.83, 11.68 and 21.66 percent respectively, while the private banks' share fell as 22.85 percentage.

Disbursed Credit Facilities

In 2012/13, the balance of credit facilities granted by the banking system amounted to RIs. 4,503 trillion, having a 36.58 percent rise relative to that of the preceding year. The share of specialized banks in granted facilities equaled 24.38 percent while the share of public banks, public-non-public banks and non-public commercial banks amounted to 15.87, 34.39 and 25.39 percent respectively, showing a 58.72 percent increase in non-public banks' share out of the total disbursed facilities in comparison with that of the year before. Moreover, the ratio of disbursed facilities balance to banking deposits (Loan-to-Deposit Ratio) in the report year equaled 73 percent, including specialized banks holding the biggest share equaling 217 percent and non-public banks with minimum share amounting to 66 percent.



Technology and Electronic Payment Instruments

The number of instruments and machinery for electronic payments within the national inter-bank network increased remarkably in 2012/13. The number of cards issued within the banking network reached 179,243,988, representing a -5.44 percent fall as compared with 189,505,819 cards issued in the preceding year. The number of ATMs, with a 16.16 percent growth, reached 32,916 machines while the number of POSs, with a 24.23 percent increase as compared with 2,210,484 points in the previous year, rose to 2,746,122 points implying 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

No. of Instruments and Machinery	Year-end				Change % (2013 to 2012)
	2013	2012	2011	2010	
Bank cards	179,243,988	189,559,636	124,264,058	83,406,559	-5.44
ATMs	32,916	280,336	22,057	17,236	16.16
POSs	2,746,122	2,210,484	1,516,815	1,148,432	24.23
Pin Pads	56,373	69,277	43,766	31,823	-18.63

Within the year under report, given the expansion of electronic payment technologies and instruments, the banking electronic transactions increased remarkably. The number of interbank electronic transactions processed by the banking network grew by 30.32 percent, as compared with those in 2011/12. 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 role 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. Some northern and western areas support rain-fed agriculture, while others require irrigation for successful crop production.

The wide range of temperature fluctuation in different parts of the country, with a population of around 79 million (2011 est.), and the multiplicity of climatic zones make it possible to cultivate a diverse variety of crops, including cereals (wheat, barley, rice, and maize (corn)), fruits (dates, figs, pomegranates, melons, and grapes), vegetables, cotton, sugar beets and sugarcane, pistachios, nuts, olives, spices e.g. saffron, raisin(world's third largest producer & second largest exporter), tea, tobacco, Berbers(world's largest producer) and medicinal herbs. More than 2,000 plant species are grown in Iran. The land covered by Iran's natural flora is four times that of Europe. Wheat, rice, and barley are the country's major crops.



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

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

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

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

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

The climatic conditions in Iran are the most exclusive ones in the world. The temperature difference in winter between the warmest and the coldest spots sometimes amounts to 50 degrees. Such temperature fluctuation in different parts of the country and the diverse climatic zones make it possible to cultivate a diverse variety of crops, including cereals, fruits, vegetables, cotton, sugar beets and sugar cane, pistachios (world's largest producer), nuts, olives, spices e.g. saffron (world's largest producer)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.

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

- Financing and attractive loans for investment in agriculture and agro-industrial projects;
- Ensuring self-sufficiency in the provision of national food requirements;
- Providing budgets for agro-industrial projects in the food processing, packaging and irrigation sectors;

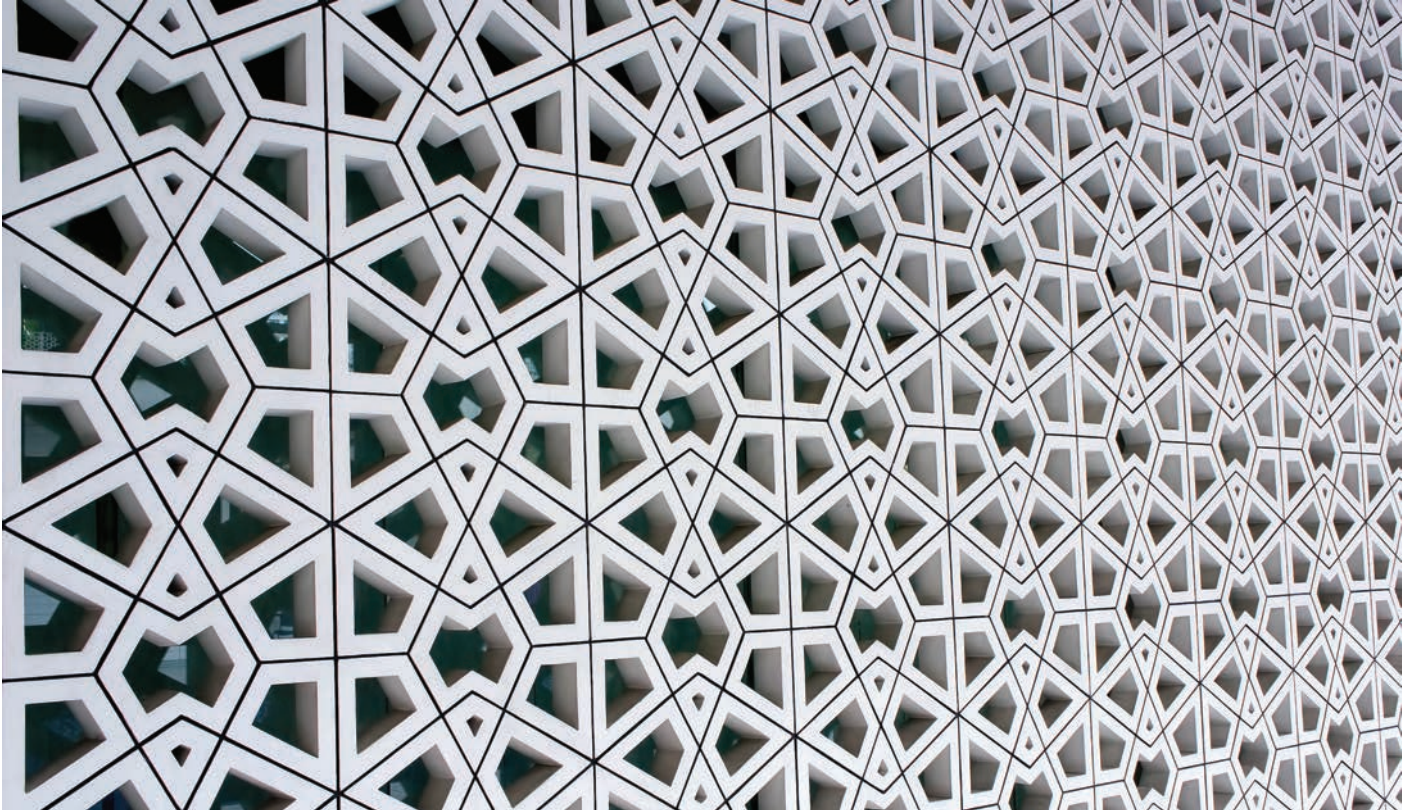
1. Iran now accounts for approximately 91 % of the world production of saffron. In 2012, Iran exported saffron worth \$ 410 million to many countries of the world such as the United Arab Emirates, Spain, China, India, Japan, Sweden, France, and Italy.

- 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 granted RIs. 165, 556 billion of credit facilities to 1,861,977 applications in different agriculture sub-sectors¹.

1. For more information, see Operational Performance



Islamic Banking

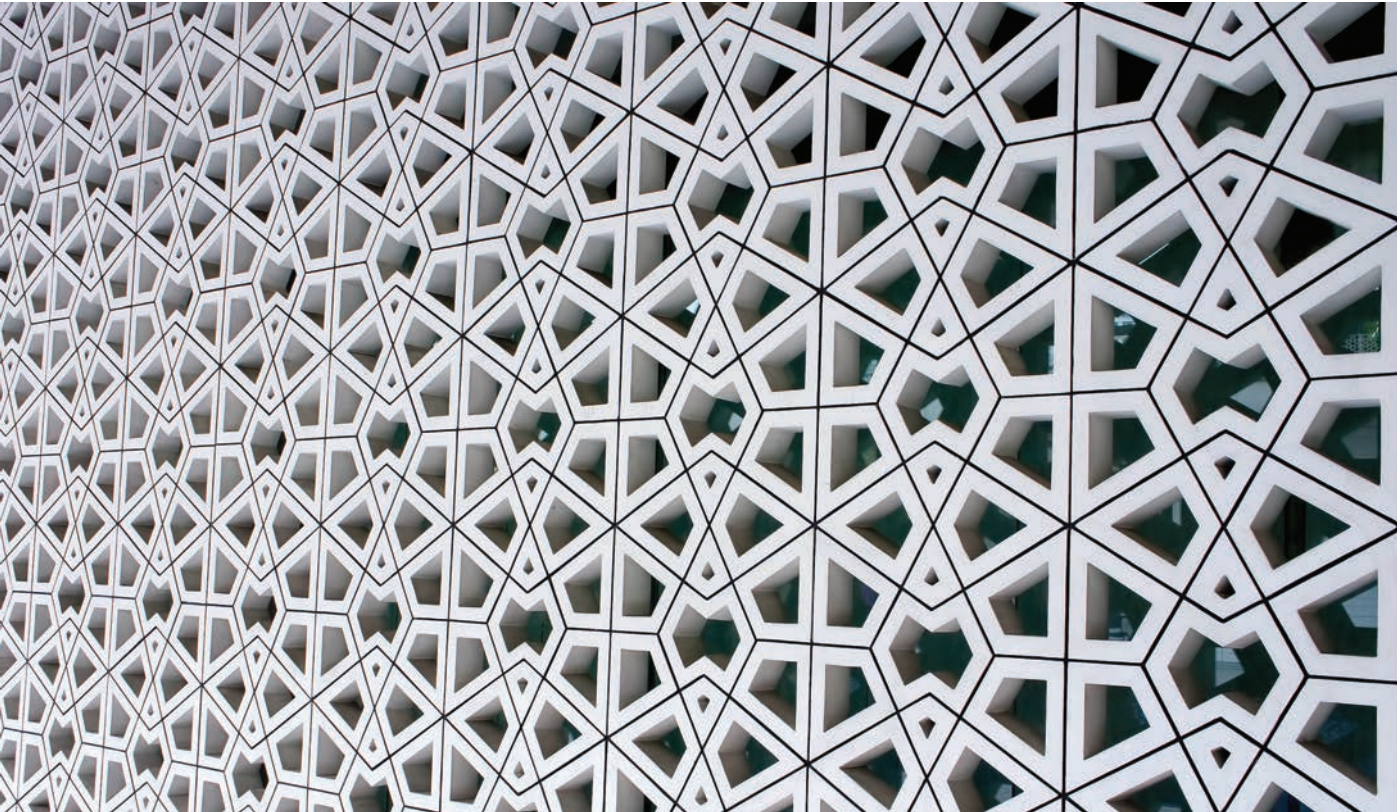
Islamic banking has the same purpose as conventional banking except that it operates on a principle of equity and fairness in accordance with the rules of Sha'ria. The perception held about interest and profit, i.e. Profit-Loss-Sharing Scheme (PLS), constitutes the basic element defining Islamic banking 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:

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.



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.

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 in 2012/13.

Financial Facilities Extended by BK through Islamic Contracts (Billion RIs) in 2012/13

	Contract	2012-2013		2011- 2012	
		Value	No.	Value	No.
1	Civil Partnership	79,193	47.8	57,509	40
2	Installment Sale	61,195	37	51,184	35.6
3	Mudharabah	11,518	7	14,704	10.2
4	Forward	7,013	4.2	7,317	5.1
5	Qard-al-Hassanah	5,071	3.1	11,839	8.2
6	Jo'aleh	809	0.5	797	0.6
7	Hire Purchase	757	0.5	510	0.4
	Total	165,556	100	143,861	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

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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

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.

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

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

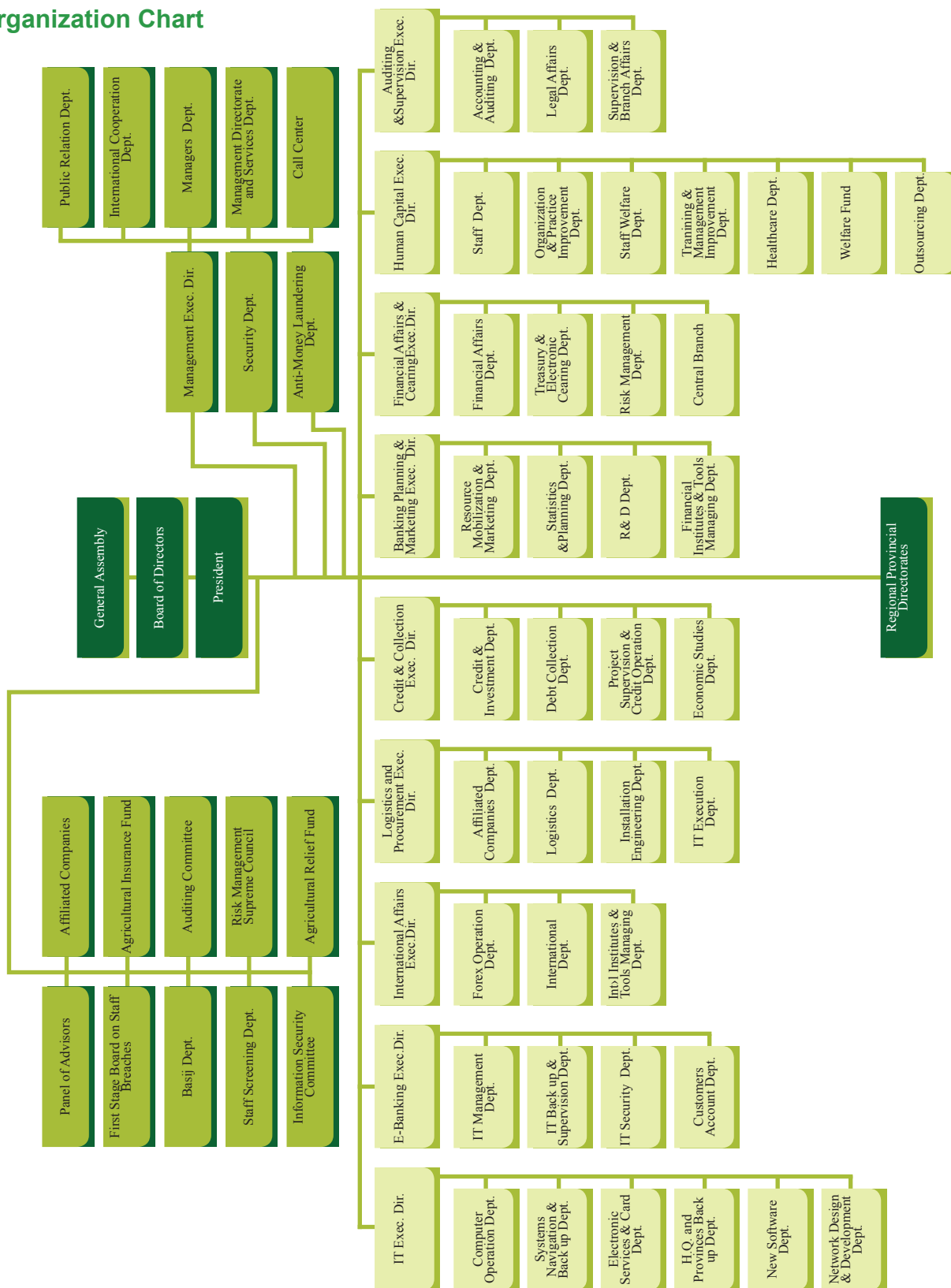
Bank Keshavarzi is the prime specialized bank of the region, pioneer in innovation and utilization of new technologies in banking and financial services industry. Realizing its vision, BK is determined to:

- 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:

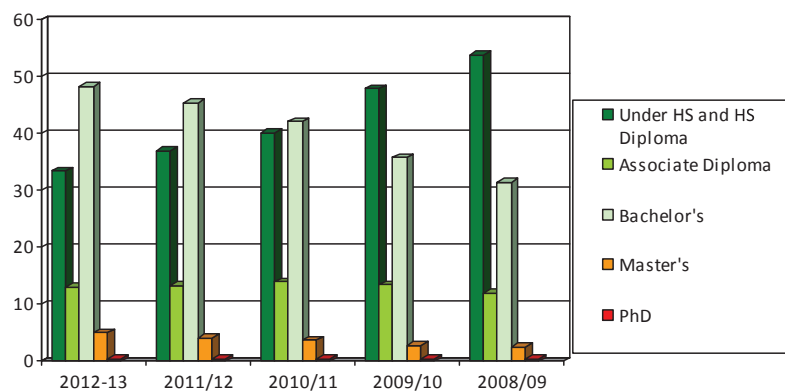
- Employ highly educated man power matching the needs of the bank;
- Identify and develop talented man power capabilities;
- Establish a training system based on jobs specification and staff qualification;
- Update the staff's knowledge regularly;
- Develop special programs for branches to promote the 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 Staff's Educational Degrees

Year Level	2012/13		2011/12		2010/11		2009/10		2008/09	
	No.	%	No.	%	No.	%	No.	%	No.	%
High School and Under-HS	5,539	33.5	6,242	37	6,787	40.1	7,908	47.9	8,809	53.9
Diplomas										
Associate Diplomas	2,152	13	2,237	13.3	2,359	13.9	2,206	13.4	1,953	11.9
Bachelor's Degrees	8,001	48.3	7,658	45.4	7,139	42.1	5,915	35.8	5,147	31.5
Master's Degrees	803	4.9	683	4	609	3.6	444	2.7	390	2.4
PhD Degrees	54	0.3	49	0.3	52	0.3	51	0.3	52	0.3
Total	16,549	100	16,869	100	16,946	100	16,524	100	16,351	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 daughter of the Blessed Prophet of Islam and Hadhrat Khadija^(s.a) and Imam Ali^(a.s.)'s wife. Her generosity and compassion for the poor was such that no destitute ever returned from her house unattended.



Code of Ethics

BK's Code of Ethics represents the guiding values of the organization and applies to everyone who is employed by the bank because the bank aspires to the highest standards of ethical behavior in the conduct of its business. The code is to bring discipline and professionalism to the bank's long-term and sustainable performance and to instill ethically sound behavior and accountability among its employees who all believe that they are judged by their conducts and the bank's reputation is fundamental to the bank's success. The code, based on the bank's core values and long followed by BK, 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-AI-Hassanah Checking Accounts:
 - Qard-AI-Hassanah checking accounts for natural persons;
 - Corporate Qard-AI-Hassanah checking accounts;
 - State Qard-AI-Hassanah checking accounts;
 - Iran Qard-AI-Hassanah checking accounts (designed in various forms for women);
 - Some other types of Qard-AI-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-AI-Hassanah Savings Accounts:
 - Regular Qard-AI-Hassanah savings accounts;
 - Children Qard-AI-Hassanah savings accounts;
 - Iran Qard-AI-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;
- 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:

1. See E-banking Section



- 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 interpersonal 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.

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.

2012-2013 Operational Figures

Bank Keshavarzi has presently expanded its Forex branches offering International Banking Services up to



36 out of which 13 branches are located in Tehran, the Capital City, and 23 in the other provinces.

In order to provide International-banking services in line with KYC and AML rules and regulations, the bank proceeds to update international knowledge of its staff through holding seminars and educational courses. It is worth mentioning that in the year 2012-2013, the volume of Import Letters of Credit amounted to USD 2,138 mln, and the amount of issued foreign currency guarantees reached around USD 22 mln. FX-Deals (buy and sell against IRR) done during the same period have been reported as USD 4,652 mln.

The bank's branches have also been active in opening hard currency accounts namely Interest-Free Savings, Short-Term Deposit and Checking Accounts in 2012-2013, total amount of which is calculated to be USD 1,033 mln.

Since the establishment of Sovereign Wealth Fund, USD 1,350 mln of new credit facilities was ratified to be paid out of the fund to 256 projects. The amount of USD 1,279 mln was allocated and disbursed to 252 projects, 223 of which (USD 996 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)



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 objective, which is 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.

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 2012/13, BK successfully facilitated 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.

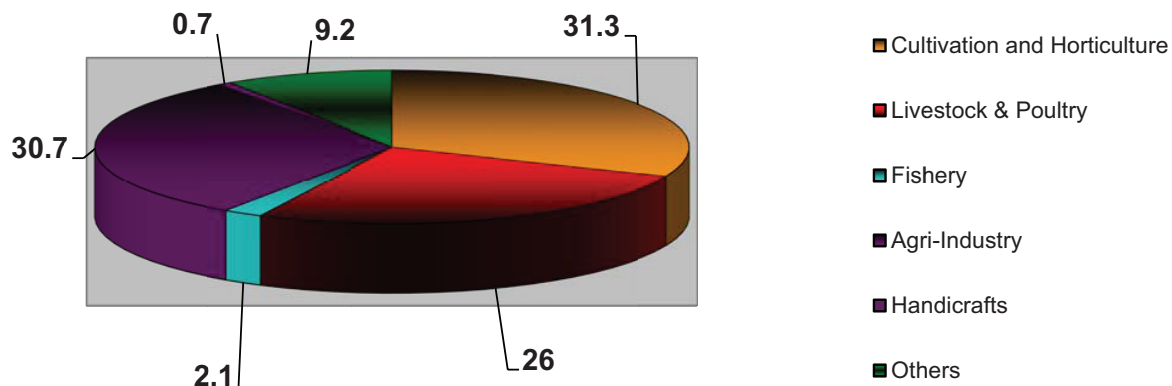
Resources Mobilization (in Rials or Foreign Currencies) in 2012/13 (Billion RIs.)

Sub-sector	2012/13	2011/12	Growth (%)
Qard-al-Hassanah Savings Accounts	28,248	23,504	20
Qard-al-Hassanah Checking Accounts	34,408	27,608	24
Time Deposits	136,920	97,990	39
Total	199,576	149,102	34

In the year under report, the total amount of facilities extended by the bank to public and non-public agriculture sub-sectors equaled RIs. 165,556.4 billion, indicating a 15 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 2012/13

	Sub-sector	Credit (Billion RIs)	No.	Share in Value (%)
1	Cultivation and Horticulture	51,750.2	737,271	31.3
2	Livestock and Poultry	43,107.1	349,912	26
3	Fishery and Aquaculture	3,515	8,043	2.1
4	Associated Industries and Services	50,799.1	539,704	30.7
5	Handicrafts and Carpet-weaving	1,128	37,657	0.7
6	Other Agricultural Activities	15,259	189,390	9.2
	Total	165,556.4	1,861,977	100

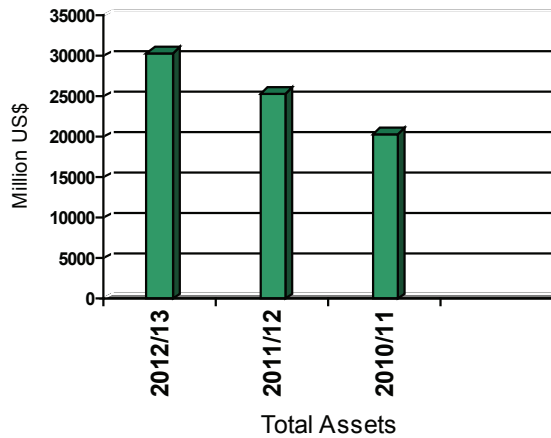




Financial Performance

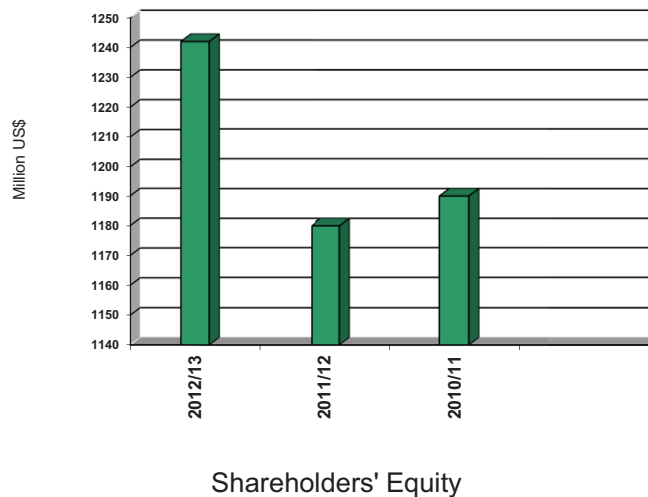
Total Assets¹

By the end of 2012/13, BK's total assets rose from Rls 310,936 billion (USD 25,362 million) in 2011/12 to Rls 373,310 billion (USD 30,449 million),² showing a 20 percent growth, mostly due to an increase in due from the government, CBI, other banks and credit institutions, as well as a rise in financial facilities granted to the private sector and increase in other types of assets.



Shareholders' Equity

Shareholders' equity of the bank, with a 5.3 percent rise, amounted to Rls 15,225 billion (USD 1,242 million) by the end of 2012/13 from Rls 14,465 billion (USD 1,180 million) in the preceding year because of increase in the required reserves.

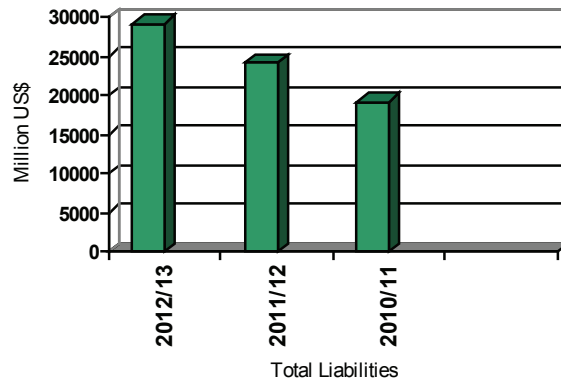


1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2010/11).

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

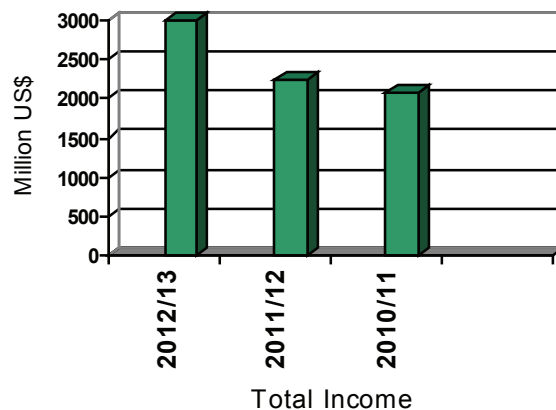
Total Liabilities

BK's liabilities increased by 21 percent from RIs 296,471 billion (USD 24,182 million) in 2011/12 to RIs 358,084 billion (USD 29,207 million) by the end of 2012/13, largely because of growth in due to CBI and the rise in savings and term deposits with the bank.



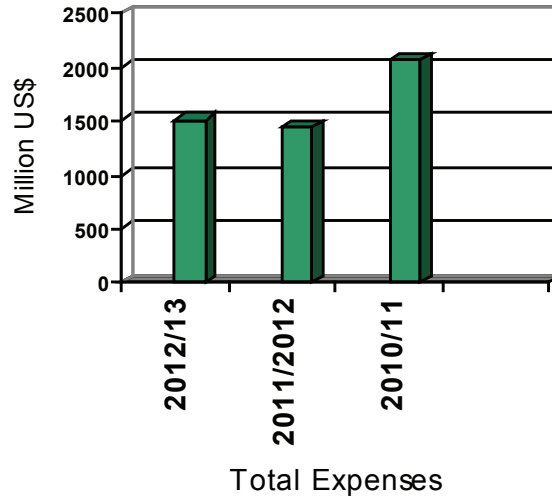
Total Income

BK's total income grew from RIs 27,560 billion (USD 2,248 million) in 2011/12 to RIs 36,753 billion (USD 2,998 million) in 2012/13, indicating a 33 percent growth, mostly because of an uplift in interest income earned out of granted financial facilities during the given year and the increase in interest received for required reserves..



Total Expenses

BK's total expenses rose by 5 percent increasing from RIs 17,608 billion (USD 1,436 million) in 2011/12 to RIs 18,499 billion (USD 1,509 million) in 2012/13. Such an increase in expenses is believed to be largely due to the increase of administration and general expenses and the staff costs.



As regards the above-mentioned improvements, the key ratios represent BK's financial health and strength. The Return on Investment ratio (2 percent) does display higher efficiency in utilizing resources and assets. Moreover, the 4 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.

BK's Main Affiliated Companies

Novin Keshavarz Hi-tech Solutions

Novin Keshavarz Hi-tech Solutions was established in 2008 aimed at offering variety of IT-based services and solutions, in compliance with Islamic Banking principles, to the Iranian banking system. Some of the Hi-tech solutions of the company include:

- Core Banking Solutions
- Customer Relationship Management
- Decision Support System (DSS)
- Online Supervision System
- Loan Process Management System
- Data Center Management
- Network Design and Development

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, frostbites, 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 2012/13 have been demonstrated in the following table:



AIF's performance in 2012/13

Items	Cultivation	Horticulture	Livestock	Poultry	Aquaculture	Natural Resources	Total
No. of the Insurees	1,147,639	607,509	198,127	53,084	929	4,345	2,011,633
Indemnities Paid (billion Rs.)	3,076	2,514	755	2,041	32	8	8,426

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 livestock farms, fishery and shrimp farming complexes; and support of processing and complementary industries are among the main responsibilities of the bank.

Since 2006 and subject to an agreement with the Ministry of Agriculture, Land Bank has been involved with locating those agriculturally potential pieces of land, which have then been leased or allocated to the bank for various purposes including development and rehabilitation of land, construction of greenhouses, and construction of livestock farms.

Land Bank's Performance in 2012/13

Project Type	No. of Projects	Areas Allocated (ha)
Development and Land Rehabilitation Projects	26	26,680
Greenhouses Projects	3	101
Livestock Farms Projects	6	51
Total	35	26,832

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.

Bank Keshavarzi 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 savings, checking, short-term and long-term accounts; granting financial facilities through Islamic contracts; Forex services; DCs and L/Gs services; etc.





Innovations, Accomplishments and Achievements

An outline of BK's accomplishments is as follows:

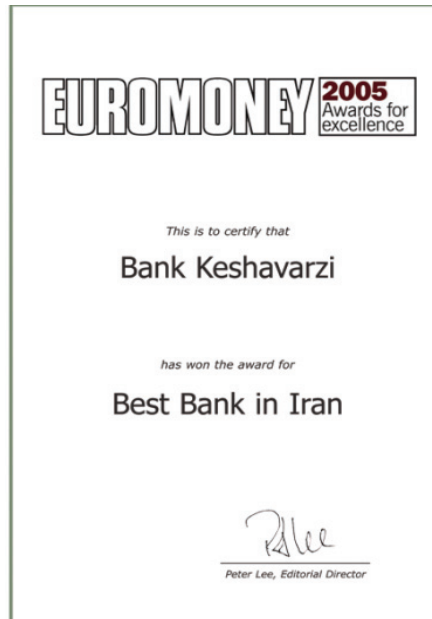
- Installation of a Core Banking System for the first time in the banking network;
- Development and expansion of Quality Management System throughout the bank;
- Constant reengineering of business practices and procedures, as well as organizational flexibility;
- Concentration on human resources (training, 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 international forums, seminars, ...

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;



- awarded ISO 9001:2000 for implementing the Quality Management System in some of the bank’s branches;



- 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”;



- 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;
- Awarded the Middle East & North Africa (MENA) Customer Delight Award 2013 by the Institute of Sales & Marketing Management (ISMM);



- appreciated by APRACA for formulation of APRACA Strategic Plan;



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:

Bank Keshavarzi's Balance Sheet, Profit and Loss Statement, and Cash Flow statements as well as explanatory notes for the financial year ending March 20, 2013 have been audited by State Audit Organization (SAO). The bank's Board of Directors shall be responsible for preparation and fair presentation of the financial statements under the accounting policies, laws and standards set out therein and requirements of related rules and regulations. Our responsibility is to audit the financial statements in accordance with applicable laws and auditing standards. We, the auditors, shall also be responsible to express an independent opinion on the afore-said financial statements based on the performed audit and to report cases of non-compliance with the legal requirements of the Amended Commercial Code, Banking and Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.

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

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

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

In our opinion:

- The Financial Statements represent a true and fair view, in accordance with the Amended Commercial Code, Banking and Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.
- The financial statements have been properly prepared in accordance with the above-mentioned laws, regulation and standards.
- We have examined the Board of Directors' report, prepared for presentation to the General Assembly. In the course of audit, we have not noticed any material difference between the content of said report and the documents provided by the Board of Directors.
- The report on compliance of 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, 2013

State Audit Organization



Bank Keshavarzi Balance Sheet

	Note	March 20, 2013		March 19, 2012 ¹	
		mil. IRR	mil. USD	mil. IRR	mil. USD
ASSETS					
Cash and Banks	5	1,900,556	155	2,617,565	214
Due From CBI	6	17,662,616	1,441	12,968,197	1,058
Due From Banks and Credit Institutions	7	27,329,573	2,229	19,842,441	1,618
Due From Government	8	13,177,570	1,075	7,748,574	632
Credit Granted and Due from Public Sector	9	1,089,908	89	7,010,347	572
Credit Granted and Due from Non-public Sector	10	238,598,226	19,462	199,186,533	16,247
Debtors for Deferred DCs	11	1,292,825	105	2,492,161	203
Partnership Bonds and the Like	12	240	0.019	228,097	19
Investments and Partnerships	13	1,062,933	87	884,415	72
Fixed Assets	14	9,838,861	803	9,552,042	779
Other Assets	15	58,452,768	4,768	44,689,960	3,645
Cash in Transit ²	16	2,903,839	237	3,715,712	303
Total Assets		373,309,915	30,449	310,936,045	25,362
LIABILITIES & SHAREHOLDERS' EQUITY					
Due to CBI	17	84,853,054	6,921	83,537,995	6,814
Due to Banks and Credit Institutions	18	24,163,561	1,971	13,485,345	1,100
Sight Deposits	19	51,703,368	4,217	48,017,077	3,917
Savings Deposits	20	28,248,402	2,304	23,508,910	1,918
Term Investment Deposits	21	136,920,069	11,168	97,989,650	7,993
Other Deposits	22	2,448,979	200	2,432,029	198
Partnerships Bonds of In-progress Projects	23	76	0.006	80	0.01
Other Liabilities and Provisions	24	28,448,504	2,320	24,957,670	2,036
Due to Foreign Banks	25	1,298,435	106	2,542,296	207
Total Liabilities		358,084,447	29,208	296,471,053	24,182
SHAREHOLDERS' EQUITY					
Capital	26	8,021,118	654	8,021,118	654
Reserves	26	10,660,489	870	9,914,108	809
Retained Earnings		(3,456,140)	(282)	(3,470,234)	(283)
Total Shareholders' Equity		15,225,468	1,242	14,464,992	1,180
Total Liabilities & Shareholders' Equity		373,309,915	30,449	310,936,045	25,362

Income Statement

	Note	March 20, 2013		March 19, 2012	
		mil. IRR	mil. USD	mil. IRR	mil. USD
Income from Joint Investment:					
Profit ³ and Penalties	27	29,523,021	2,408	22,588,821	1,842
Other Incomes	28	197,317	16	159,284	13
Sub-total		29,720,338	2,424	22,748,105	1,855
Minus:					
Depositors' Shares Profit	29	(11,406,913)	930	(8,108,188)	661
Surplus Profit Paid to Depositors	29	(6,815,466)	556	(2,042,600)	167
Net Profit Paid to Depositors		18,222,379	1,486	10,150,788	828
Bank's Profit Share		11,497,959	938	12,597,317	1,028
Income from Own Investment:					
Profit and Penalties	30	316,469	26	140,452	11
Fees and Commissions	31	6,413,323	523	4,669,265	381
Other Income	32	302,935	25	2,412	0.2
Sub-total		7,032,727	574	4,812,130	393
Total Operating Income		18,530,686	1,511	17,409,447	1,420
Expenses					
Profit Paid (excluding Depositors')	33	(4,974,104)	(406)	(6,528,281)	(532)
Fees & Commissions Paid	34	(974,372)	(79)	(597,278)	(49)
Total Expenses	35	(12,049,296)	(983)	(10,038,715)	(819)
Other Expenses	36	(501,593)	(41)	(443,781)	(36)
Total Operating Expenses		(18,499,366)	(1,509)	(17,608,055)	(1,436)
Pretax Profit		31,320	3	(198,608)	16
Tax		-	-	(160,447)	13
Net Profit		31,320	3	(359,056)	29

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 (2011/12).

2. Funds transferred but not practically received by the recipient.

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



Retained Earnings Statement

	Note	March 20, 2013		March 19, 2012	
		mil. IRR	mil. USD	mil. IRR	mil. USD
Net Profit		31,320	3	(359,056)	29
Beginning Year Retained Earnings		(1,125,427)	(92)	(2,601,791)	(212)
Prior Year Adjustments	37	(2,344,807)	(191)	(470,125)	(38)
Beginning Earnings after Adjustments		(3,470,234)	(283)	(3,071,917)	(251)
Allocable Profit		(3,438,914)	(281)	(3,430,972)	(280)
Minus:					
Required Reserve		(4,698)	(0.4)	(10,611)	(0.9)
Profit Payable to Government		(12,528)	(1)	(28,297)	(2)
Declared Profit, 0.5 Percent(Housing Act)		-	-	(354)	0.03
End-year Closing Retained Earnings		(3,456,140)	(282)	(3,470,234)	(283)

Cash Flow Statement

	Note	March 20, 2013		March 19, 2012			
		mil. IRR	mil. USD	mil. USD	mil. IRR	mil. USD	
Net Cash Flow from Operating Activities	38			9,109,262	743	10,591,400	864
Investments Return and Profit Paid for Financing Activities							
Dividend Received	27	24,426	2			76,848	6
Partnership Bonds Profit	27	12,333	1			21,526	2
Profit Paid for Facilities Received from Banks	33	(256,413)	(21)			(535,549)	(44)
40 % Profit Re. Budget Act		(28,297)	(2)			(18,829)	(2)
Net Cash Flow from Investments and Profit Paid for Financing Activities				264,876	(22)	(456,003)	(37)
Income Tax							
Income Tax Paid				(2,002,297)	(163)	(606,120)	(49)
Investment Activities							
Purchase of Direct Investments and Legal Partnerships	13	(178,745)	(15)			(88,812)	(7)
Disposal of Investments and Legal Partnerships		-	-			215	0.02
Purchase of Tangible Fixed Assets	14	(666,200)	(54)			(847,224)	(69)
Disposal of Tangible Fixed Assets	32	(12,335)	1			45,898	4
Net Cash Inflow from Investment Activities				(832,611)	(68)	(889,922)	(73)
Net Cash Inflow before Financing Activities				6,539,230	533	8,639,354	705
Financing Activities							
Facilities Received from Banks		5,340,500	436			4,695,859	383
Repayment of Principal of Facilities Received		(7,400,000)	(604)			(4,695,859)	383
Net Cash Inflow from Financing Activities				(2,059,500)	168	-	-
Net Cash Inflow				4,479,730	365	8,639,354	705
Profit from Revaluation of FC Cash				(9,999)	(0.8)	(117,840)	10
Net Cash Increase	39			4,469,731	365	8,521,515	695
Beginning Cash Balance				19,466,747	1,588	10,945,232	893
End-year Closing Cash Balance				23,936,478	1,952	19,466,747	1,588
Non-cash Transactions				350,934			

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 2010-11, BK conducts its banking operations through 1914 branches nationwide.

1.4. Employment

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

2. Basis for Preparation

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

3. Basis to set joint profit on depositors' share

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

4. Significant Accounting Policies and Procedures

4.1. Investments

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



4.2. Tangible Fixed Assets

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

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

4.3. Income recognition

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

4.4. Exchange Rate

4.4.1. Foreign Currency Transactions

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

4.4.2. Provision for Bad Debts

The provision for bad debts is calculated and recorded in accounts in accordance with MCC's resolutions. Specific Provision is calculated as follows:

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

4.5. Provision for Work Termination Benefit

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

4.6. Due from Government

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



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

5. Cash and Balances with Banks

mil. IRR	March 20, 2013	March 19, 2012
Cash	1,360,659	1,828,338
CBI's Iran Checks	460,983	670,718
FC Cash	78,914	118,509
Total	1,900,556	2,617,565

6. Due from CBI

mil. RIs	March 20, 2013	March 19, 2012
Required Reserve	18,101,534	13,081,878
Demand Deposit with CBI (in FC)	276,510	511,042
Minus:		
Required Reserves of Free-trade Zones' Branches	(715,428)	(624,722)
Total	17,662,616	12,968,197

7. Due from Banks and Credit Institutions

mil. IRR	March 20, 2013	March 19, 2012
Sight and Term Deposits with Domestic Banks (in FC)	1,098,513	2,352,204
Sight Deposits with Foreign Banks	20,827,777	14,349,904
Clearing of Checks Issued by other Banks	4,037,947	3,104,525
Nostro Account after Clearing	109,157	146,558
Inter-banks Account	(1,256,179)	(110,372)
Sub-total	27,329,573	19,842,820
Exchange of Clearinghouse Notes	(-)	(379)
Total	27,329,573	19,842,441

8. Due from Government

mil. IRR	March 20, 2013	March 19, 2012
Due from Government	13,633,122	8,184,414
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(107,309)	(130,138)
Deferred Profit of Statutory Facilities Undertaken by Government	(896)	(1,078)
Profit Subsidy by Government – Profit Rate Harmonization	(146,673)	(186,625)
1.5 Percent General Reserves	(200,674)	(117,999)
Total	13,177,570	7,748,574



9. Granted Facilities and Due from Public Sector

mil. IRR	March 20, 2013	March 19, 2012
Statutory Facilities, Qard-al-Hassanah	397	795
Non-statutory Facilities, Qard-al-Hassanah	0.008	0.04
Statutory Facilities, Mudharabah	-	6,000,000
Non-statutory Facilities, Mudharabah	17,689	22,894
Non-statutory Facilities, Forward ¹	5,471	8,406
Statutory Facilities, Forward	-	-
Non-statutory Facilities, Hire Purchase ²	625	804
Statutory Facilities, Hire Purchase	6,250	8,316
Statutory Facilities, Civil Partnership ³	7,948	1,009,048
Non-statutory Facilities, Civil Partnership	55,941	48,144
Statutory Facilities, Installment Sale	335	962
Non-statutory Facilities, Installment Sale	6,670	7,325
Sub-total Current Facilities	101,327	7,106,694
Overdue Debts on Statutory Facilities	197	90
Overdue Debts on Non-statutory Facilities	1,168	13,064
Sub-total Overdue Debts	1,365	13,154
Arrears on Non-statutory Deposits	7,220	942
Arrears on Statutory Deposits	1,000,668	118
Sub-total Arrears Debts	1,007,888	1,060
Bad Debts on Statutory Facilities	14,830	16,033
Bad Debts on Non-statutory Facilities	11,456	12,137
Sub-total Bad Debts	26,286	28,170
Total	1,136,866	7,149,079
Minus:		
1.5 Percent General Reserve for Bad Debts	(16,598)	(106,757)
Future-year Profit of Facilities	(3,137)	(4,706)
Deferred Profit of Facilities	(27,223)	(27,269)
Total	1,089,908	7,010,347

10. Granted Facilities and Due from Non-public Sector

mil. IRR	March 20, 2013	March 19, 2012
Statutory Facilities, Qard-al-Hassanah	2,780,738	4,296,482
Non-statutory Facilities, Qard-al-Hassanah	15,652,956	16,350,426
Statutory Facilities, Mudharabah	2,342	9,838
Non-statutory Facilities, Mudharabah	5,085,050	4,133,724
Statutory Facilities, Forward	12,044	50,648
Non-statutory Facilities, Forward	6,996,130	7,085,011
Statutory Facilities, Civil Partnership	870,372	1,392,770
Non-statutory Facilities, Civil Partnership	72,936,129	53,375,251
Statutory Facilities, Jo'aleh	1,965	3,043
Non-statutory Facilities, Jo'aleh	1,885,431	1,547,743
Statutory Facilities, Installment Sale	1,614,553	2,156,552
Non-statutory Facilities, Installment Sale	127,403,167	100,522,226
Statutory Facilities, Hire Purchase	480,153	432,534
Non-statutory Facilities, Hire Purchase	990,574	659,292
Factoring ⁴ of Notes in Rial	-	3,056
Housing Facilities	15,674,805	9,007,930
Short-term Facilities (in FC)	1,180	45,943
Medium-term Facilities (in FC)	7,198,837	7,416,494
Granted Facilities (in FC)	2,056	1,742
Previous Housing Loans	-	595
Debtors for DCs Reimbursed	317,001	288,392

1. Bai Muajjal or Salaf

2. Ijara wa Iqtina

3. Diminishing Musharakah

4. Bai Dayn or Debt Trade



Debtors for DCs Reimbursed (in FC)	-	11,213
Debtors for Paid Credit Cards	-	0.19
Debtors for Paid L/Gs	3,130	20,779
Advance Payment for Transactions Properties	2,220	2,348
Work in Progress, Jo'aleh	24	24
Purchased Properties for Installment Sale	305	448
Facilities Funded by Bonds of In-progress Projects	15,678	15,678
Sub-total Current Facilities	259,927,022	208,830,187
Overdue Debts on Statutory Facilities	238,880	292,498
Overdue Debts on non-statutory Facilities	6,551,137	4,170,187
Overdue Debts on Facilities (in FC)	169,666	518,558
Sub-total Overdue Debts	6,959,683	4,981,243
Arrears on Statutory Facilities	288,156	252,339
Arrears on Non-statutory Facilities	4,538,835	3,460,936
Previous Arrears	54	70
Arrears on Facilities (in FC)	355,770	1,054,707
Sub-total Arrears	5,182,816	4,768,052
Bad Debts on Facilities Granted	1,550,384	1,428,748
Bad Debts on Internal Facilities Granted	21,549	22,108
Bad Debts on Facilities Granted (in FC)	1,719,365	1,785,264
Bad Debts on L/Gs Paid	118,815	254,784
Bad Debts on Statutory Facilities	1,606,608	1,749,735
Bad Debts on Non-statutory Facilities	13,678,501	13,749,357
Bad Debts on Facilities (in FC)	8,902,000	8,408,166
Sub-total Bad Debts	27,597,222	27,398,163
Total	299,666,743	245,977,645
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(34,742,296)	(26,543,603)
Deferred Profit of Facilities and Affiliated Companies	(407,478)	(1,141,156)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(564,358)	(620,540)
Joint Account for Civil Partnership	(11,347,942)	(4,349,071)
Provisions for Bad Accounts (Public)	(3,672,704)	(3,064,643)
Provisions for Bad Accounts (Non-public)	(9,771,664)	(9,340,915)
On-account Collections of Facilities	(562,077)	(1,731,184)
Total	238,598,226	199,186,533

11. Debtors for Deferred DCs (in FC)

mil. IRR	March 20, 2013	March 19, 2012
Debtors for Deferred DCs in FC	1,292,825	2,492,161
Total	1,292,825	2,492,161

12. Partnership Bonds and the Like

mil. IRR	March 20, 2013	March 19, 2012
Purchased Balance of Government Bonds	240	228,097
Total	240	228,097

13. Investments and Partnerships

mil. IRR	March 20, 2013	March 19, 2012
Legal Partnership ¹ of Non-public Sector	1,071,311	892,566
Investment in Stock Exchange	33,323	33,323
Direct Investment	94,491	94,491
Sub-total	1,199,126	1,020,380
Minus:		
Provision for Shares Depreciation	(136,193)	(135,965)
Total	1,062,933	884,415

1. Equity Partnership



14. Fixed Assets

mil. IRR	March 20, 2013	March 19, 2012
Movable Assets	2,683,446	2,481,712
Immovable Assets	8,610,397	8,119,568
Intangible Assets	385,537	383,573
Immovable Assets under Construction	663,270	727,163
Renovation & Improvements Costs of Buildings on Lease	30,214	21,270
Capital Advance Payments	46,771	57,318
Sub-total	12,419,635	11,790,605
Minus:		
Depreciation Reserve for Movable Assets	(1,456,723)	(1,263,020)
Depreciation Reserve for Immovable Assets	(1,123,824)	(975,543)
Depreciation Reserve for Intangible Assets	(227)	-
Total Depreciation Reserves	(2,580,774)	(2,238,563)
Net Book Value	9,838,861	9,552,042

15. Other Assets

mil. IRR	March 20, 2013	March 19, 2012
Tax Stamp	20,546	18,276
Gold and Silver	475	515
Inventory	120,492	93,822
Repossessed Collaterals	4,740,738	3,798,477
Temporary Debtors Account ¹ (CBI Nullified Iran Checks)	85	729
Temporary Debtors Account (in Rls)	16,212,703	15,342,029
Temporary Debtors Account (in FC)	27,097	2,178,185
Debtors for Insurance Fund's Indemnities	16,954,172	11,357,490
Minus:		
Advance Deposit Premium from Insurance Fund	(-)	(2,058,563)
Receivable Profit from Granted Facilities	20,376,460	13,959,001
Total	58,452,768	44,689,960

16. Cash in Transit

mil. IRR	March 20, 2013	March 19, 2012
Branches	79,267,270	69,991,159
Internal Debtors (in Rls)	3,362,407	2,808,272
Internal Debtors (in FC)	19,670	65,615
Current Account with Central Branch	1,825,919	486,715
Branches Account (in FC)	40,694,169	29,509,928
Forex Transactions Value (in Rls)	35,949,346	696,905
Sub-total Debtors	161,118,780	101,191,353
Inter-branch Account	79,047,799	67,318,381
Inter-branch Account (in FC)	41,202,668	29,499,450
Internal Creditors (In Rls)	1,838,956	1,236,970
Internal Creditors (in FC)	176,173	117,745
FC Position	(35,949,346)	(696,905)
Sub-total Creditors	158,214,941	97,475,641
Minus:		
Total Creditors	(158,214,941)	(97,475,641)
Final Balance	2,903,839	3,715,712

1. Nominal Account



17. Due to CBI

mil. IRR	March 20, 2013	March 19, 2012
Due to CBI as Checking Account Credit	29,655,549	26,619,071
Facilities Received from CBI	21,041,283	28,441,283
National Development Fund	26,632,000	20,259,000
Facilities Received from SWF	14,524,221	15,218,640
Minus:		
Settlement of AIF's Debt to BK	(7,000,000)	(7,000,000)
Total	84,853,054	83,537,995

18. Due to Banks and Credit Institutions

mil. IRR	March 20, 2013	March 19, 2012
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	15,759	14,676
Free Zones Qard-al-Hassanah Checking Account	(1,672,971)	(14,706)
Facilities Received from Banks	828,500	828,500
Due to Foreign Banks for Loans in FC	88,022	130,189
Interbank Funds - Unused	651,961	569,738
Sight Deposits of Iranian Banks (in FC)	20,405,142	11,937,877
Sight Deposits of Foreign Banks (in FC)	501,206	19,070
Total	24,163,561	13,485,345

19. Sight Deposits

mil. IRR	March 20, 2013	March 19, 2012
Qard-al-Hassanah Checking Accounts (in RIs)	34,407,072	27,607,495
Qard-al-Hassanah Checking Accounts (in FC)	1,731	923
Directed Funds ¹ - Unused	2,486,624	4,991,065
Bank Checks Sold	5,193,758	4,196,936
Money Orders to the debit of our Account (in RIs)	1,359	359
Money Orders to the debit of our Account (in FC)	85,653	847
Balances Not Claimed	56,721	48,744
Employees' Savings	636,949	598,749
Employees' Pension	-	0.4
Temporary Debtors Account and Payables (in RIs)	3,072,617	3,735,955
Temporary Debtors Account (in FC)	5,763,413	6,836,053
Sub-total	51,705,897	48,017,126
Minus:		
Payment for Bank Checks Sold (Not-settled)	(2,529)	(49)
Total	51,703,368	48,017,077

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, 2013	March 19, 2012
Qard-al-Hassanah Savings Deposit (In RIs)	26,117,975	23,066,758
Qard-al-Hassanah Savings Deposit (in FC)	2,129,747	441,676
Special Qard-al-Hassanah Savings Deposit - Unused	680	475
Total	28,248,402	23,508,910

21. Term Investment Deposits

mil. IRR	March 20, 2013	March 19, 2012
Long-term Deposits	65,402,296	41,023,595
CDs (Public Investment)	20,253,869	16,207,492
CDs (Private Investment)	-	50
Short-term Deposits	50,986,275	38,307,782
Special Short-term Deposits	1,919,999	1,927,431
Term Deposits with Iranian Banks (in FC)	949,020	1,615,200
Term Deposits with Foreign Banks (in FC)	140,771	871,898
CDs Unsold and Redemption before Due Date	(2,732,162)	(1,963,797)
Total	136,920,069	97,989,650

22. Other Deposits

mil. IRR	March 20, 2013	March 19, 2012
Term Deposits (in FC)	977,228	644,444
Cash Advance Received for DCs - Public	82,214	5,047
Cash Advance Received for DCs - Nonpublic	2,136	912
Cash Advance Received for DCs (In FC) - Nonpublic	1,218,483	1,630,148
Cash Deposits for Guarantees - Nonpublic (In RIs)	166,284	150,351
Cash Deposits for Guarantees - Public (In RIs)	1,542	358
Cash Advance Received for Hire Purchase Facilities - Nonpublic	-	36
Cash Advance Received for other Facilities - Nonpublic	1,092	732
Cash Advance Received for other Facilities - Public	-	-
Total	2,448,979	2,432,029

23. Partnership Bonds of Projects In-progress

mil. IRR	March 20, 2013	March 19, 2012
Partnership Bonds Issued	1,000,000	1,000,000
Minus:		
Redemption for Partnership Bonds	(999,924)	(999,920)
Net Partnership Bonds Held by Public	76	80
Partnership Bonds of Projects In-progress	76	80

24. Reserves and Other Liabilities

mil. IRR	March 20, 2013	March 19, 2012
Money Orders on Branch (In RIs)	278,510	213,631
Profit Payable to Government	12,528	28,297
Other Reserves	28,157,466	22,742,767
Tax Reserve	-	1,972,976
Total	28,448,504	24,957,670

25. Dues to Foreign Banks

mil. IRR	March 20, 2013	March 19, 2012
Credit Lines from Foreign Banks	606,428	1,087,169
Acceptance of DCs	692,007	1,455,127
Total	1,298,435	2,542,296

26. Shareholders' Equity

mil. IRR	March 20, 2013	March 19, 2012
Capital	8,021,118	8,021,118
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	9,933,467	9,191,784
Required Reserve	672,247	667,549
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	(3,456,140)	(3,470,234)
Sub-total	15,245,667	14,485,192
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
Total	15,225,468	14,464,992

27. Profit and Penalties on Facilities

mil. IRR	March 20, 2013	March 19, 2012
Installment Sale	13,374,729	9,112,338
Mudharabah	1,962,705	1,727,985
Civil Partnership	8,987,329	6,713,842
Salaf	1,106,506	825,500
Hire Purchase	133,418	79,421
Factoring	195,220	123,780
Gain on Facilities Granted (in FC)	12,012	68
Sub-total	178,054	289,061
Commission of Facilities Renewal	28,543	23,092
Sub-total	25,978,517	18,895,088
Penalties Received on Facilities	3,165,096	3,576,481
Penalties on Facilities Received in Non-public FC	11,480	16,833



Commission of Commitments Default	3,575	1,830
Sub-total	29,158,668	22,490,232
Profit on Investments & Partnerships:		
Dividend of Direct Investment and Legal Partnerships	24,426	76,848
Gain on Disposal of Partnerships Equity Shares and Reimbursement from Reserves	327,594	215
Income from Purchased Partnership Bonds	12,333	21,526
Sub-total	364,353	98,590
Total	29,523,021	22,588,821

28. Other Income

mil. IRR	March 20, 2013	March 19, 2012
Profit on Required Reserve	158,457	114,816
Profit on Public Deposits	38,860	44,468
Total	197,317	159,284

29. Net Depositors' Profit

mil. IRR	March 20, 2013	March 19, 2012
Depositors' Profit Share	11,406,913	10,150,788
Surplus Profit Paid to Depositors	(6,815,466)	(2,042,600)
Total	18,222,379	10,150,788

30. Profit & Penalties Received

mil. IRR	March 20, 2013	March 19, 2012
Penalties Received on other Claims	292,685	99,584
Profit Received from Deposits	23,785	40,868
Total	316,469	140,452

31. Fees & Commissions Received

mil. IRR	March 20, 2013	March 19, 2012
Commission on Qard-al-Hassanah	472,595	140,711
Commission on Directed Funds	297	3,175
Commission on Facilities Paid to Employees	55,948	683,176
Other Commissions	16,283	43,539
Commission on Banking Services	849,150	346,068
Commission Received by Branches	1,243,263	1,312,603
Commission on Banking Services in AIF	3,775,786	2,139,976
Commission of Commitments out of Non-public FC Facilities	-	17
Total	6,413,323	4,669,265



32. Other Income

mil. IRR	March 20, 2013	March 19, 2012
Forex Transactions	(9,999)	(117,840)
Gain on Disposal of Properties Repossessed	151,186	9,559
Rent of Branch Managers' Residential Units	3,131	1,613
Gain on Disposal of Properties	12,335	49,910
Others	146,283	59,170
Total	302,935	2,412

33. Profit Paid

mil. IRR	March 20, 2013	March 19, 2012
Profit Paid on Credit Received from other Banks	4,974,104	6,528,281
Profit Paid to Free-trade Zones' Branches	1,443,586	1,458,982
Sub-total	6,417,690	7,987,263
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,443,586)	(1,458,982)
Total	4,974,104	6,528,281

34. Fees & Commissions Paid

mil. IRR	March 20, 2013	March 19, 2012
Miscellaneous Commissions and Fees	974,372	597,278
Total	974,372	597,278

35. General Expenses

mil. IRR	March 20, 2013	March 19, 2012
General and Administrative Costs	3,989,867	3,408,748
Personnel Costs	6,059,901	5,279,747
Other Costs	1,999,528	1,350,221
Total	12,049,296	10,038,715

36. Other Expenses

mil. IRR	March 20, 2013	March 19, 2012
Cost of Prizes on Qard-al-Hassanah Savings Account	501,593	443,781
Total	501,593	443,781

37. Prior Years' Adjustments

Item - mil. IRR	Debtor	Creditor
Correction of Tax Reserve on 2007 Performance	127,661	-
Correction of Tax Reserve on 2008 Performance	237,484	-
Correction of Tax Reserve on 2009 Performance	1,180,860	-
Correction of Tax Reserve on 2010 Performance	266,524	-
Correction of Tax Reserve on 2011 Performance	160,447	-
Correction of Commission Fee Paid to CBI	271,145	-
Others	102,481	1,795
Total	2,346,602	1,795



38. Net Cash Flow from Operating Activities

mil. IRR	March 20, 2013	March 19, 2012
Profit before Income Tax		
Depreciation Cost	31,320	359,056
Cost of Bad Debts	379,381	364,154
Profit Paid for Received Facilities	1,047,711	640,588
Provision for Shares Depreciation	4,974,104	6,528,281
Dividend from Investments and Legal Partnerships	227	11,835
Gain on Disposal of Investments and Legal Partnerships	(24,426)	(76,848)
Gain on Disposal of Fixed Assets	(-)	(215)
Profit on Partnership Duration	(12,335)	(49,910)
Cost of Performance Tax	(12,333)	(21,526)
Net Profit from Cash FC Revaluation	-	160,447
Subtotal	9,999	117,840
Net Increase / Decrease of Operating Liabilities	6,393,649	7,315,589
Sight Deposits		
Savings Deposits	3,686,291	34,040,218
Term Investment Deposits	(4,739,491)	(4,726,834)
Due to CBI and other Banks	38,930,419	24,495,326
Operational Share of other Liabilities	(8,822,257)	(5,267,158)
Reserve Transferable to Capital	4,252,663	4,642,387
Subtotal	741,683	2,191,114
Net Increase/Decrease in Operating Assets	61,172,804	55,375,053
Claims on CBI		
Partnership Bonds	(4,694,418)	(1,327,295)
Payment of Other-banks-issued Checks	(227,857)	(112,955)
Facilities Granted under Islamic Contracts	2,300,352	633,922
Repossessed Collaterals and Operational Share of Other Assets	(38,768,625)	(36,231,878)
Cash in Transit – After Advance Payment for Tax	(13,762,848)	(13,409,409)
	(841,195)	(1,651,627)
Subtotal	(58,457,191)	(52,099,242)
Net Cash Flow from Operating Activities	9,109,262	10,591,400

39. Net Cash Increase

	Note	March 20, 2013	March 19, 2012	Net Cash Increase
Notes and Coins	5	1,360,659	1,828,338	467,679
CBI Iran Checks	5	460,983	670,718	209,735
Gold & Silver	15	475	515	40
Balance with Banks after Clearing	7	109,157	146,558	37,401
FC Deposits with Domestic Banks	7	1,098,513	2,352,204	1,253,692
Balance with Foreign Banks	7	20,827,777	14,349,904	6,477,872
Foreign Currencies (Cash)	5	78,914	118,509	39,595
Total		23,936,478	19,466,747	4,469,731



40. Customers' Commitments Re. DCs

mil. IRR	March 20, 2013	March 19, 2012
Customers' Commitments Re. DCs	22,946,783	33,063,585
Total	22,946,783	33,063,585

41. Customers' Commitments Re. L/Gs

mil. IRR	March 20, 2013	March 19, 2012
Customers' Commitments Re. Guarantees and Acceptance (In Rls)	1,332,395	1,288,749
Customers' Commitments Re. Issued Counter L/Gs (in FC)	561,422	478,743
Customers' Commitments Re. Issued L/Gs and Acceptance (in FC)	48,777	47,617
Total	1,942,593	1,815,109

42. Other Commitments

mil. IRR	March 20, 2013	March 19, 2012
Customers' Commitments Re. Transactions Contracts (Private)	22,535,383	25,519,133
Customers' Commitments Re. Non-statutory Qard-al-Hassanah (Public)	0.8	0.8
Customers' Other Commitments	8,789,928	8,155,352
Total	31,325,312	33,674,486

43. Directed Funds

mil. IRR	March 20, 2013	March 19, 2012
Special Qard-al-Hassanah Deposits - Unused	40	2,008
Directed Funds	20,419,053	22,374,684
Total	20,419,093	22,376,692



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 Râyânei E'tâye Tashilât (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: Payânaeh Pâyâpäye Electronic (Electronic Clearing System)

POS: Point of Sale

R &D: Research and Development

Ris: Rials

RTGS: Real Time Gross Settlement System

SAO: State Audit Organization

SATNA: Sâmaneh Tasvieh Nâkhâles Aâni (Real Time Gross Settlement System)

SHETAB: Shabakeh Tabâdol Etelâ'ât Bain Bânki (Inter-bank Information Transfer Network)

SME: Small and Medium Enterprises

SMS: Short Message System

TABA: Tasvieh Orâgh Bahâdâr Electronic (Electronic Securities Settlement System)

USD: United States Dollar

