

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 2013 – 2014



Corporate Outline

Bank Keshavarzi
(Agriculture Bank of Iran)

Date of Establishment:
June 11, 1933

Number of Branches:
1,907

Number of Forex Branches:
41

Number of Staff:
17,399 (By March 20, 2015)

Chairman and Managing Director:
Dr. Morteza Shahidzadeh

Board Members:
Mr. Rouhollah Khodarahmi;
Mr. Heshmatollah Nazari;
Mr. Davar Mahikar;
Mr. Mohammad Hasan Foroughifar;

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Financial Highlights

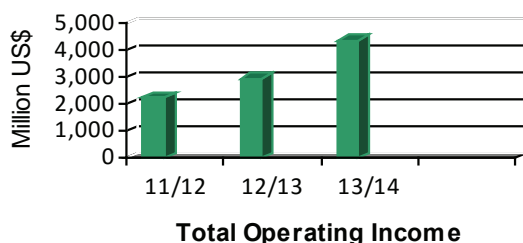
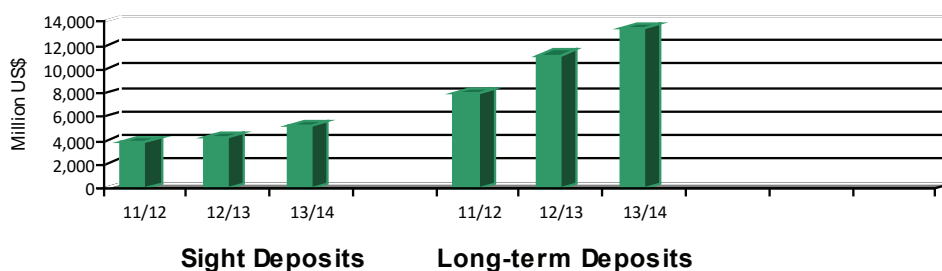
For more than 80 years, Bank Keshavarzi (Agriculture Bank of Iran) has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded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

Balance Sheet Highlights (Million US Dollars¹)

Item	2013/14 ¹	2012/13	2011/12
Assets	41,560	30,449	25,362
Liabilities	40,053	29,207	24,182
Sight Deposits	5,277	4,217	3,917
Term Investment Deposits²	13,489	11,168	7,993
Shareholders' Equity	1,507	1,242	1,180

Income Statement Highlights (Million US Dollars)

Item	2013/14	2012/13	2011/12
Interest Income³	3,025	2,424	1,855
Non-interest Income	1,352	574	393
Total Operating Income	4,377	2,973	2,248
Total Operating Expenses	4,370	2,589	1,731
Pretax Net Profit	7	3	- 16



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 Rls. 12,260.

2. BK's financial year (1392 Persian Calendar) corresponds to the period of March 20, 2013 to March 20, 2014.

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

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Board of Directors



Dr. Morteza Shahidzadeh
Chairman and CEO



Mr. R. Khodarahmi
Board Member



Mr. H. Nazari
Board Member



Mr. D. Mahikar
Board Member



Mr. M. H. Foroughifar
Board Member



Chairman's Message

I am greatly honored to submit Bank Keshavarzi 2013-14 annual report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during the aforementioned period.

The naming of the year 2013-2014 by the Supreme Leader of I. R Iran as the year of “Political and Economic Triumph” highlighted one of the great responsibilities of authorities, including those of Bank Keshavarzi. In such conditions, movement towards economic achievements requires knowing the indicators of “Resistance Economy” which calls for devotion and diligence from economic policy makers, planners, executives and authorities including the authorities in Bank Keshavarzi, as one of the important pillars of the national economy in general and the agriculture sector, in particular.

In general, promotion of productivity, knowledge-based economy, value chain management, entrepreneurship development, and optimal use of available facilities and opportunities are some of the indicators of resistance economy. In the agriculture sector, the resistance economy includes indicators such as water resources management, proper implementation of mechanization, production increase, maximum use of production capacities, improvement of cultivation models, integrated management in cultivation and horticulture, and improvement of risk management models.

In 2013-14, playing an effective role in financing the agriculture sector, BK granted credit facilities amounting to more than RIs. 210 trillion, with a 27 percent growth as compared with those of the preceding



year. The collection also had a 42 percent growth highlighting the proper performance of the bank.

From financial perspective, we have also made some initiatives including the design of a new model of resources and uses, implementation of the Liquidity Management Project, launch of the Financial Records and Transactions Control System and execution of reconstruction and improvement project. The legal performance of the bank has been highly organized and versatile. From customers' affairs point of view, there have been remarkable achievements such as POSs Management and launch of a CRM system.

Within the report year, the bank has taken some noticeable steps, chief among which are the development of a Staff Excellence Project, planning to promote living standards of BK staff, organizing some training courses, review of staff promotion process and conduct of a staff satisfaction survey.

Bank Keshavarzi has also been successful in designing and offering new E-banking services and products through internet, SMS, and mobile banking systems. There have also been initiatives in promoting the information security level and establishing an information system.

Comprehensive and remote supervision on BK branches, creating a dynamic network of supervision, risks reporting, and successful activities in international banking, public relations, international cooperation, security affairs, anti-money laundering, agricultural insurance, and personnel screening have been among the innovations of BK staff in other banking areas.

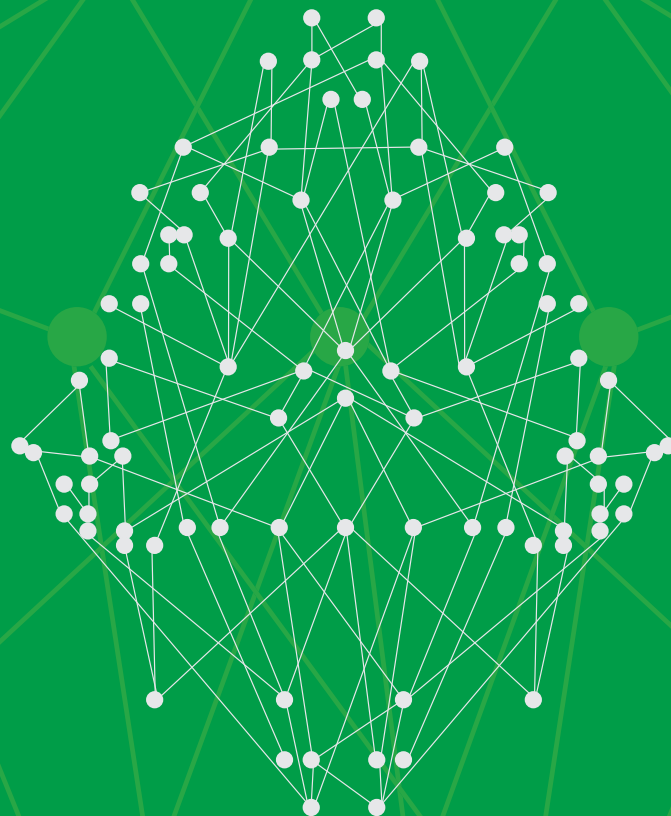
As a final word, I would like to reiterate that all my colleagues are proud to have offered a diverse collection of banking services and products in the aforementioned fiscal year. I am quite certain that our colleagues in Bank Keshavarzi, making the best use of their specialties and experiences, will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

Morteza Shahidzadeh
Chairman and CEO

Section 1

The Islamic Republic of Iran

Iran's Banking System
Iran's Agriculture Sector
Islamic Banking





Iran's Banking System¹

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

- Maintain the value of national currency;
- Maintain the equilibrium in the balance of payments
- Facilitate trade-related transactions;
- Improve the growth potential of the country;

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

1. Source: CBI Annual Report 1392 (2013/14)



- 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 MBAI as amended; Usury-free Banking Act of 1983 (Islamic Banking Law); Banks Nationalization Act of 1979; and 1979 Banks Administration Act.

Liquidity

Liquidity grew by 29.1 percent in 2013-14 and reached RIs. 5,947.9 trillion in March 2014. The comparison of 2013-14 liquidity growth rate with that of the preceding year is indicative of 0.9 percentage point decrease. Claims on non-public sector (excluding the profit and revenue receivables), with 21.8 percent increase compared with the year before, was the main factor behind the liquidity growth of 2013-14.

Deposits and Credit Facilities

The total deposit balance with the banking network in 2013-14 equaled RIs. 6,372 trillion, displaying a 28 percent growth as compared with that of 2012-13. The statistics issued by the Central Bank of I.R. Iran also display that the total balance of credit facilities granted in end of the third quarter of 2013-2014 had a 21.3 percent growth, in comparison with that of the preceding year.

Comparison of the credit facilities and deposits growth with that of the year before indicates that deposits grow more in 2013-2014, leading to improvement of liquidity ratio, i.e. Loans to Deposits Ratio (LTD).

Electronic Payment Instruments

Electronic payment instruments, equipment, and systems in banks network expanded with an admissible growth in the report year. The number of cards issued in the banking system grew by 22.7 percent to 277.0 million in 2013-14, including 188.3 million debit cards (68.0 percent), 86.5 million prepaid or gift cards (31.2 percent), and merely 2.2 million credit cards (0.8 percent). In addition, some 1.9 million e-money cards were issued by March 2014, indicating 24.9 percent increase compared with those issued in the respective period of the preceding year.



The number of ATMs went up by 11.9 percent to 33,773 in 2013-14. The number of PIN pads and POSs grew by 5.7 and 15.6 percent, respectively. Thus, the number of POSs increased to 3.1 million in March 2014, indicating the adoption of an appropriate approach by the banking system towards further expansion of electronic payments.

Electronic Payment Instruments and Machinery

No. of Instruments and Machinery	Year-end		Change %
	2013-2014	2012-2013	
Bank cards (thousand)	276,982	225,764	22.7
ATMs	33,773	30,173	11.9
POSs	3,109,507	2,689,253	15.6
Pin Pads	56,142	53,117	5.7

Electronic Transactions

Electronic transactions processed through the banking system increased by 41.2 and 34.3 percent, in terms of number and value, respectively. In 2013-14, a total of 4,094 million transactions, worth Rs. 7,681 trillion, were processed through ATMs. Besides, the number of transactions processed through POSs grew by 66.1 percent from 2,355 million in 2012-13 to 3,910 million in 2013-14. PIN pads Transactions also rose by 7.1 percent in terms of number and 38.0 percent in terms of value. In the year under study, a total of 1,544 million transactions, valued at Rs. 526 trillion, were processed through cell phones, landlines, kiosks, and Internet.

The share of ATMs in total transactions was reduced by 16.1 percentage points in terms of number while the share of POSs was raised by 6.0 percentage points and that of cell phones, landlines, kiosks, and Internet rose 10.7 percentage points in terms of number. These trends reveal an upsurge in the use of new electronic instruments and reductions in cash payments in daily transactions by the public.

Number and Value of Electronic Transactions Processed through the Banking System

	Number (million)		Growth (%)	Value (trillion Rs.)		Growth (%)
	2013-14	2012-13		2013-14	2012-13	
Total Electronic Transactions	9,741	6,900	41.2	18,281	13,616	34.3
ATMs	4,094	4,010	2.1	7,681	4,924	56.0
POSs	3,910	2,355	66.1	6,177	5,673	8.9
PIN Pads	193	180	7.1	3,896	2,824	38.0
Cell Phones, Landlines, and Internet	1,544	356	333.7	526	195	170.4



Iran's Agriculture Sector

Wide range of temperature fluctuation in different parts of Iran and the multiplicity of climatic zones make it possible to cultivate a diverse variety of crops, including cereals (wheat, barley, rice, and maize), fruits (dates, figs, pomegranates, melons, grapes...), vegetables, cotton, sugar beets, sugarcane and pistachios (World's largest producer), nuts, olives, spices such as saffron¹ (World's largest producer), raisin (world's third largest producer & second largest exporter), tea, tobacco, berries (world's largest producer) and medicinal herbs. More than 2,000 plant species are grown in Iran, 100 of which are being used in pharmaceutical industries. The land covered by Iran's natural flora is four times that of Europe. Wheat, rice, and barley are the country's major crops.

1. Saffron is cultivated in many regions of the country. The provinces of North Khorasan, Khorasan Razavi and South Khorasan in the northeast have the highest production share. Iran's saffron is exported to many countries such as the UAE, Spain, Japan, Turkmenistan, France, Italy and US. The high price of saffron comes from the exhaustive process of extracting the stamens from the flower and the amount of flowers necessary to produce small amounts of spice.



The Iranian grain sector is highly regulated. Producers receive subsidized access to input costs such as fertilizer and pesticides, as well as a guaranteed support price for their crops.

Agricultural Products

Based on the preliminary estimates of the Ministry of Jihad-e-Agriculture, total farming, horticultural, livestock, and fishery products were approximately 96.7 million tons in 2013-14, indicating 4.3 percent growth compared with the previous year. In this year, farming and horticultural products grew by 3.9 and 4.0 percent, respectively. According to the preliminary data, the value-added of the agriculture sector rose 4.7 percent in 2013-14, at constant prices.

Agricultural Products (Thousand Tons)

Agricultural Products	2013-14	2012-13	Growth (%)
Cultivation	68,075	65,506	3.9
Horticulture	15,502	14,903	4.0
Livestock	12,292	11,554	6.4
Fishery	814	744	9.4
Total	96,683	92,707	4.3

Source: Ministry of Jihad-e-Agriculture

The Iranian government supports the agricultural sector in a number of ways. Like many other countries, the agricultural sector is heavily subsidized by the Iranian government. Each year, the government guarantees the purchase of wheat from the farmers by Bank Keshavarzi as the agent bank, to protect them from seasonality in the market prices. The government also pays a wide range of subsidies for improvements in production methods, the use of fertilizers and pesticides, and agricultural research. Nonetheless, there still exist considerable opportunities to improve efficiency in the agriculture sector.

Focus areas

The focus areas for agriculture are:

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



- Provision of agricultural machinery and equipment with emphasis on local production by making transfer of technology a required clause in foreign contracts;
- Allocation of government loans and financing for agro-industrial projects;

Bank Keshavarzi's Contribution to Agriculture Sector

The support of agriculture and agricultural self-sufficiency has 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 sector. Within the report year, the bank granted RIs. 210, 231 billion of credit facilities to 1,787,471 applications in different agriculture sub-sectors.¹

Break-down of Bank Keshavarzi Credit Facilities Granted to Agriculture Sub-sectors in 2013-14

	Sub-sector	Credit Value (Billion RIs)	No.	Share (%)
1	Cultivation	54,829	678,897	26.1
2	Horticulture	15,117	194,401	7.2
3	Livestock and Poultry	50,240	353,971	23.9
4	Fishery and Aquaculture	3,773	6,161	1.8
5	Associated Industries and Services	60,158	347,936	28.6
6	Handicrafts and Carpet-weaving	1,485	37,165	0.7
7	Other Agricultural Activities	24,629	168,940	11.7
	Total	210,231	1,787,471	100

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 project completion) and with the bank's supervision as a partner in the respective affairs³. The most significant forms of Islamic contracts

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 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.



used to furnish customers with required facilities are as follows:

Partnership Contracts

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

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



period (one year or until its fruition time) for a share of the profit.

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 2013-14.

Financial Facilities Extended by BK through Islamic Contracts (Billion RIs) in 2013-14

Contract	2013-2014		2012- 2013	
	Value	No.	Value	No.
1 Civil Partnership	102,496	630,988	79,193	695,976
2 Forward	6,177	114,098	7,013	164,859
3 Installment Sale	86,219	874,821	61,195	704,961
4 Jo'aleh	2,833	37,134	809	17,245
5 Hire Purchase	714	2,025	757	1,451
6 Mudharabah	9,086	50,523	11,518	59,191
7 Qard-al-Hassanah	2,705	77,882	5,071	218,264
Total	210,231	1,787,471	1,655,560	1,861,977

Section 2

Bank Keshavarzi (Agriculture Bank of Iran)

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





Corporate Profile

Bank Keshavarzi (Agriculture Bank of Iran), initially named “Agricultural and Industrial Bank of Iran”, was established in June 1933. BK, as the only specialized financial institution to finance the agriculture sector, is now a pioneer bank in offering variety of banking services through 1,907 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.

Vision Statement

Distinctive Services for all those who are associated with us

Purpose

The best income and living standards for all our customers, especially the farmers

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.

BK has always been 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

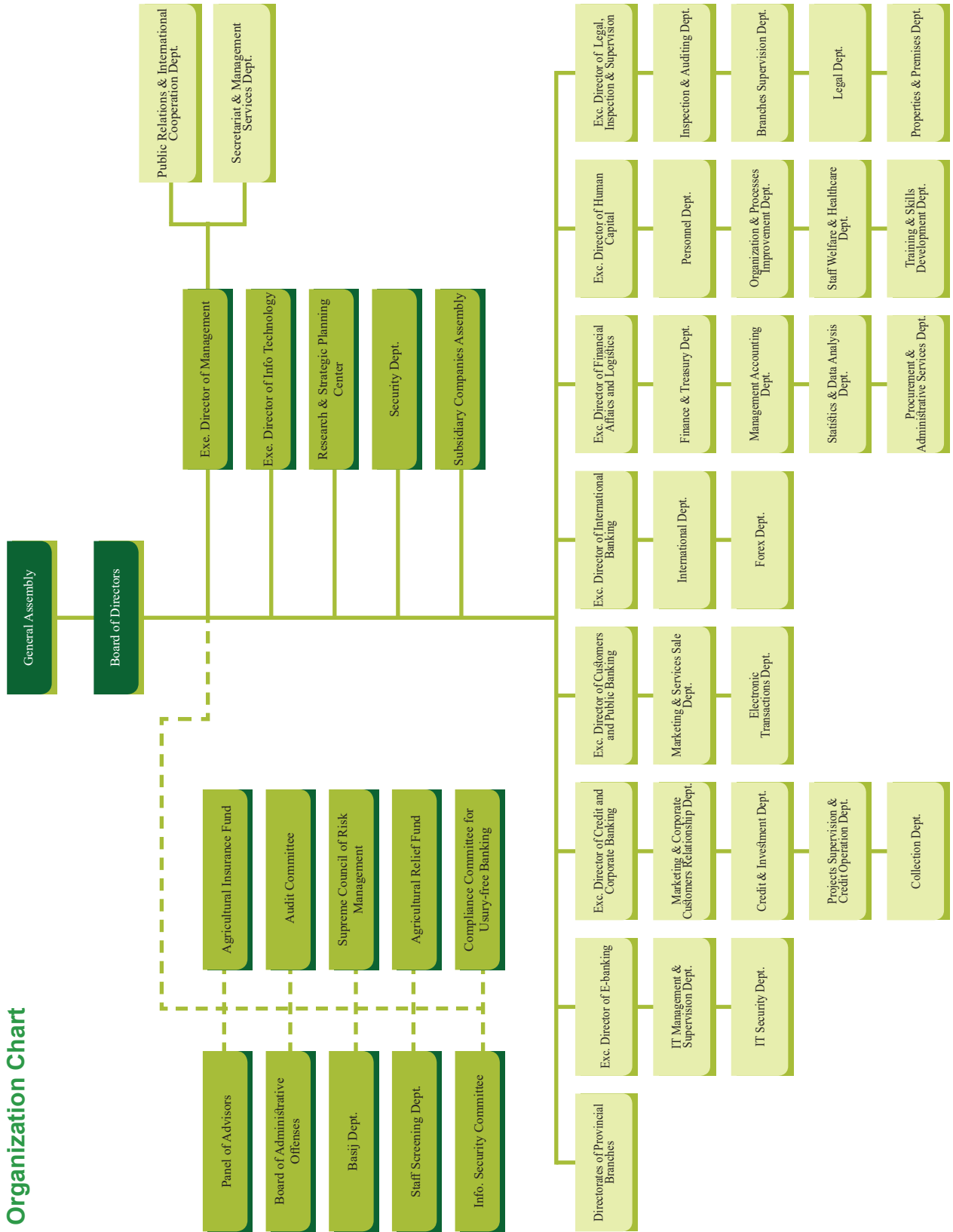


- to professional ethics, within international and modern banking sector;
- Pioneer in utilizing up-to-date technologies, and capable to offer new E-banking services in national and international arenas;
 - Have integrated, coordinated, harmonized, recognized, and fluent systems implemented and developed 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



Section 2



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:

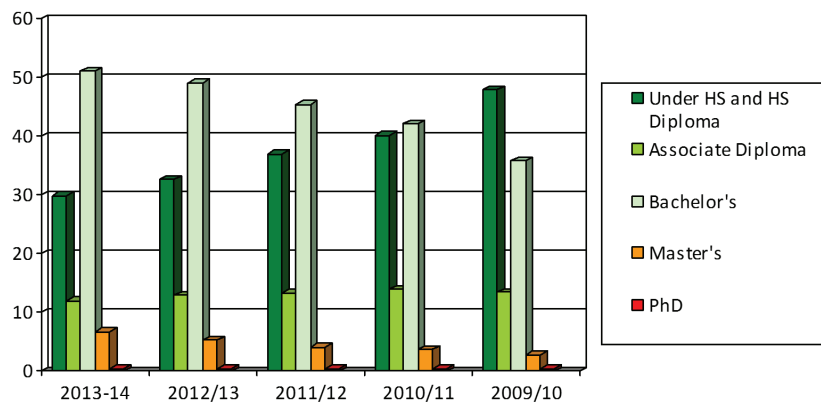
- Employ highly educated man power matching the needs of the bank;
- Identify and develop talented man power capabilities;
- Establish a training system based on jobs specification and staff qualification;
- Update the staff's knowledge regularly;
- Develop special programs for branches to promote the 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	2013/14		2012/13		2011/12		2010/11		2009/10	
	No.	%	No.	%	No.	%	No.	%	No.	%
High School and Under-HS Diplomas	4,866	29.9	5,539	32.6	6,242	37	6,787	40.1	7,908	47.9
Associate Degrees	1,944	11.9	2,125	12.8	2,237	13.3	2,359	13.9	2,206	13.4
Bachelor's Degrees	8,315	51.1	8,118	49.1	7,658	45.4	7,139	42.1	5,915	35.8
Master's Degrees	1,091	6.7	856	5.2	683	4	609	3.6	444	2.7
PhD Degrees	54	0.3	52	0.3	49	0.3	52	0.3	51	0.3
Total	16,270	100	16,543	100	16,869	100	16,946	100	16,524	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-Al-Hassanah Checking Accounts:
 - Qard-Al-Hassanah checking accounts for natural persons;
 - Corporate Qard-Al-Hassanah checking accounts;
 - State Qard-Al-Hassanah checking accounts;
 - Iran Qard-Al-Hassanah checking accounts (designed in various forms for women);
 - Some other types of Qard-Al-Hassanah checking accounts
- Short-term Deposits:
 - Regular investment deposit accounts;
 - Special short-term investment deposit accounts (Three-month Deposit);
 - Special short-term investment deposit accounts (Six-month Deposit);
 - Special short-term investment deposit accounts (Nine-month Deposit);
 - Civil servants investment deposit accounts;
 - Atiye¹ short-term deposit accounts (designed for kids);
- Long-term Deposits:
 - Time investment deposit accounts (One to five Year deposits);
 - Atiye investment deposit accounts;
 - Divisible time deposit accounts;
 - Transferable time deposit accounts;
 - Long-term deposit accounts (Profit Payable on Maturity Date);
- Qard-Al-Hassanah Savings Accounts:
 - Regular Qard-Al-Hassanah savings accounts;
 - Children Qard-Al-Hassanah savings accounts;
 - Iran Qard-Al-Hassanah savings accounts (designed for women);
- Foreign Currency Accounts:
 - Foreign currency savings accounts for natural persons;
 - Foreign currency checking accounts for real persons;
 - Corporate foreign currency savings accounts;
 - Corporate foreign currency checking accounts;
- E-Cards:

1. Atiye means "Future" in Farsi.



- 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-AI-Hassanah facilities for rural household-headed women;
 - Qard-AI-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 Phone 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:
 - Commissions-free money orders;

1. See E-banking Section



- 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 Goštar), in which the overall operations of depositing (checking, savings, time deposits,...), branch accounts (debits, credits, etc.), securities (partnership bonds, etc.) clearing, money orders, credit facilities, and the like are performed in branches.

Managing the above operations, the system has the ability to manage Customer Information System (CIS), parameters, lodger, liquidity, FOREX markets, documentary credits, ATMs channels, POSs, Pinpads, SMS banking, etc. The system includes variety of functions and specifications, few of which are: Banking transactions 24/7 through communications channels such as internet, telephone banking, mobile, etc.); Foreign currency services in all FX branches; Internet banking; Telephone banking and Mobile banking.



Customer Relationship Management Software (CRM)

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

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

Decision Support System (DSS) – DASHBOARD Management

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

Computer Management Software for Credit Facilities

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

Online Registration of Credit Application

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

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.

2013-2014 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 2013-2014, the volume of Import Letters of Credit amounted to USD 1,036 mln, and the amount of issued foreign currency guarantees reached around USD 4 mln. FX-Deals (buy and sell against IRR) done during the same period have been reported as USD 1,945 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 2013-2014, total amount of which is calculated to be USD 413 mln.

Since the establishment of Oil Stabilization 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, 224 of which (USD 998 mln) have come to productivity stage.



Anti-Money Laundering in Bank Keshavarzi

Iran's AML law created the "High Council for Combating Money Laundering," composed of Iran's economic minister, the head of Iran's central bank, and various ministers of commerce, intelligence and interior and granted it the authority to approve and enforce necessary money laundering regulations. The law requires all legal entities (including Iran's central bank, commercial and specialized banks, credit and financial institutions, insurance companies, foundations, charities and municipalities) to adhere to higher standards of record keeping, client identification and reporting of suspicious transactions.

Under the AML law, Bank Keshavarzi has been maintaining an effective AML program Focusing on the basic elements of knowing your risks, knowing your customer, and monitoring accordingly for suspicious activities, all under the framework of a good compliance governance system. The bank's initiatives have been aimed at making the necessary arrangements for the implementation of the country's monetary and banking laws and the law to combat money laundering. Chief among the initiatives and policies taken by the bank to manage the ever-changing money laundering risks are as follows:

- Modification and customization of BK core banking system with anti money laundering requirements;
- Holding of training courses on AML;
- Launch of an AML portal according to standards set by CBI and IRFIU;
- Development of AML brochures and a set of STR guidelines;



- Implementation of a policy on acceptance of customers, the use of customer identification procedures, continuous monitoring of customer accounts, keeping of customer records and transactions, and risk management;
- Providing branches with the access to AML Watch List;
- Continuous revision and refinement of customers data;
- Review all forms used by the bank's departments to be assured of their compliance with AML rules and regulations;
- On-time reply to all enquiries of IRFIU;
- Start of an AML Chat Room, designed for the staff, on the bank's website;
- Establish an "AML Central Committee" at BK Headquarters and similar committees in provincial directorates;
- Define an AML job position in related departments to improve real time control and supervision procedures;
- Adherence to anti-money-laundering regulations in brokerage relationships;
- Observance of anti-money-laundering regulations in the area of electronic banking;
- Stress on the need to keep customer information up to date;
- Observation of by-laws on the terms and manner of keeping records of the banks' commercial securities and documents;
- Create a centralized and automated means of maintaining customer information;
- Obtain a view of a customer's total relationship with the bank;
- Monitor and update information using a risk-based approach;
- Preparation for potential new regulations;



International Cooperation

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 decided to invest on raising Bank's knowledge base and its role in equity development. With such general objectives, compatible with the Fifth Development Plan, BK and the United Nations Development Program (UNDP) agreed to implement a joint project, i.e. "Green Banking for Inclusive Growth and Sustainable Development", whose achievements are briefly outlined as follows:

Economic Achievements

- Comprehensive appraisal of economic projects, proposed to the bank, to assure economic, social, and environmental justification;
- Enhancement of projects' return probability of capital and profitability as well as the mitigation of credit risk;
- Establishment of positive externality for credit customers and their family members to enjoy economic-social welfare;



- Protection of natural resources and environment;
- Promotion of productivity in economic activities;
- Improvement of sustainable employment;
- Inclusion of natural resources value in national accounts calculations;

Social Achievements

- Promotion of social status of individuals because of employment increase;
- Decline of capability poverty;
- Empowerment of rural women and farmers;
- Reduction of emigration from rural to urban areas;

Environmental Achievements

- Better use of natural resources;
- Protection of natural resources and environment while financing of investment projects which are approved by the bank;
- Calculation of natural resources economic value such as water value;

Corporate Achievements

- Coordination among the banking activities with those of other governmental organizations such the Presidential Office; Ministry of Economic Affairs and Finance; Department of Environment; ...
- Having a common perspective and insight for services offering as well as the correspondence which is needed between the bank's rules and regulations and those of the above-mentioned organizations;

United Nations Industrial Development Organization (UNIDO)

Aimed at improving saffron production (Kg/Ha), enhancing processing and packaging technology, and increasing direct share of Iranian SMEs in the saffron global market, Bank Keshavarzi reached an agreement with the United Nations Industrial Development Organization (UNIDO) upon cooperation to implement "Saffron Value Chain Improvement Project". The program, totally funded by Bank Keshavarzi, is being implemented through diagnostic studies to analyze the main pressure points and weak areas of saffron production, improving the existing capacity for market development and branding, and providing the saffron producers with training and technical supports. The overall system of raw material supply, processing and packaging standards, certification, quality control and traceability is also under review by the project team.

International Shareholding

Bank Keshavarzi, 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)



BK's Main Subsidiary 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 2013-14 have been demonstrated in the following table:



AIF's performance in 2013-14

Items	Cultivation	Horticulture	Livestock	Poultry	Aquaculture	Natural Resources	Total
No. of the Insurees	842,641	548,293	185,248	52,816	949	4,875	1,634,732
Indemnities Paid (billion Rls.)	2,966	4,840	638	2,266	15	3	10,720

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 2013-14

Project Type	No. of Projects	Areas Allocated (ha)
Development and Land Rehabilitation Projects	26	26,759.3
Greenhouses Projects	2	51.4
Livestock Farms Projects	5	42.45
Total	33	26,853.15

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.



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 2013-14, 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.

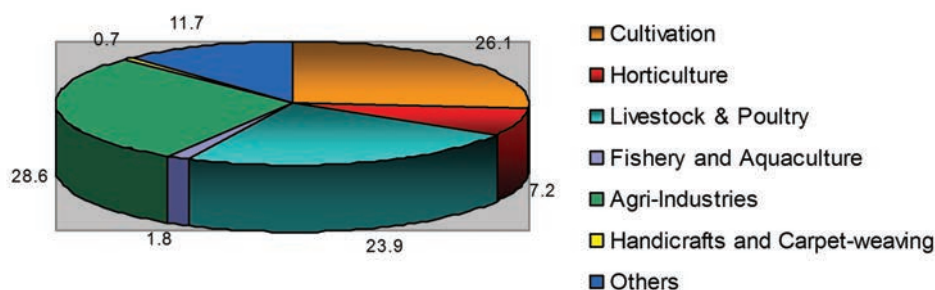
Bank Keshavarzi's Resources Mobilization (in Rials or Foreign Currencies) in 2013-14 (Billion Rls.)

Sub-sector	2013/14	2012/13	Growth (%)
Qard-al-Hassanah Savings Accounts	27,526	28,093	-2
Qard-al-Hassanah Checking Accounts	37,905	33,802	12
Short-term Deposits	70,395	53,777	31
Long-term Deposits	80,023	65,403	22

In the year under report, the total amount of facilities extended by the bank to public and non-public agriculture sub-sectors equaled Rls. 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 2013-14

Item	2013-14			2012-13		
	No.	Value (billion Rls.)	Share (%)	No.	Value (billion Rls.)	Share (%)
Cultivation	678,897	54,829	26.1	556,345	40,392	24.4
Horticulture	194,401	15,117	7.2	180,926	11,357.5	6.9
Livestock and Poultry	353,971	50,240	23.9	349,912	43,106.8	26
Fishery and Aquaculture	6,161	3,773	1.8	8,043	3,514.8	2.1
Agri-Industries and Services	347,936	60,158	28.6	539,704	50,798.2	30.7
Handicrafts and Carpet-weaving	37,165	1,485	0.7	37,657	1,127.7	0.7
Other Agricultural Activities	168,940	24,629	11.7	189,390	152,590	9.2
Total	1,787,471	210,231	100	1,861,977	165,556	100

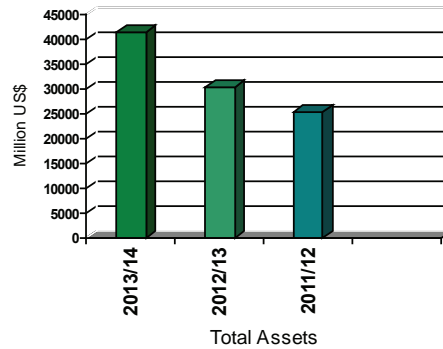




Financial Performance

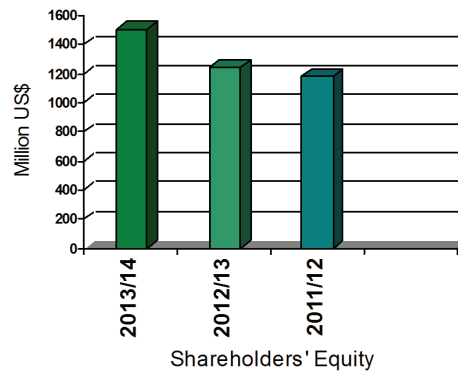
Total Assets¹

By the end of 2013-14, BK's total assets rose from Rls 373,310 billion (USD 30,449 million) in 2012-13 to Rls 508,189 billion (USD 41,450 million),² showing a 36 percent growth.



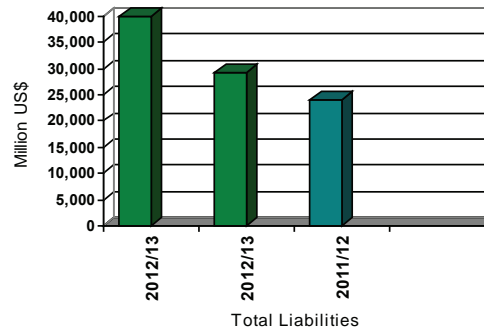
Shareholders' Equity

Shareholders' equity of the bank, with a 21 percent rise, amounted to Rls 18,477 billion (USD 1,507 million) by the end of 2013-14 from Rls 15,225 billion (USD 1,242 million) in the preceding year.



Total Liabilities

BK's liabilities increased by 36.7 percent from Rls 358,084 billion (USD 29,207 million) in 2012-13 to Rls 489,711 billion (USD 39,944 million) by the end of 2013-14.



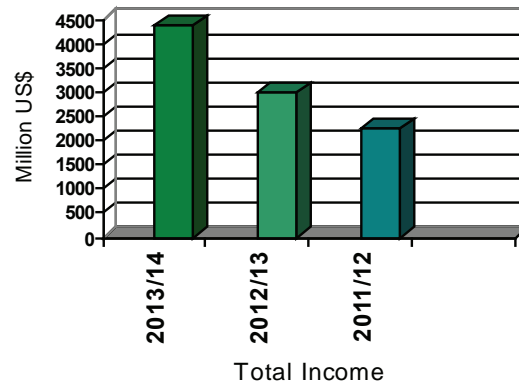
1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2010/11).

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



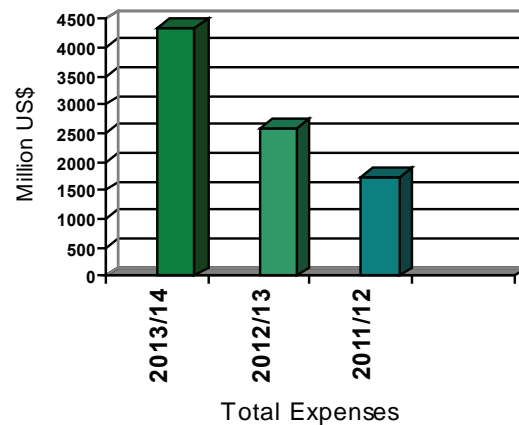
Total Income

BK's total income grew from RIs 36,753 billion (USD 2,998 million) in 2012-13 to RIs 53,663 billion (USD 4,377 million) in 2013-14, indicating a 46 percent growth.



Total Expenses

BK's total expenses rose by 46 percent increasing from RIs 36,722 billion (USD 2,973 million) in 2012-13 to RIs 53,581 billion (USD 4,370 million) in 2013-14.



As regards the above-mentioned improvements, the key ratios represent BK's financial health and strength. The Return on Investment ratio (9.26 percent) does display higher efficiency in utilizing resources and assets. Moreover, the 3.64 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.



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;



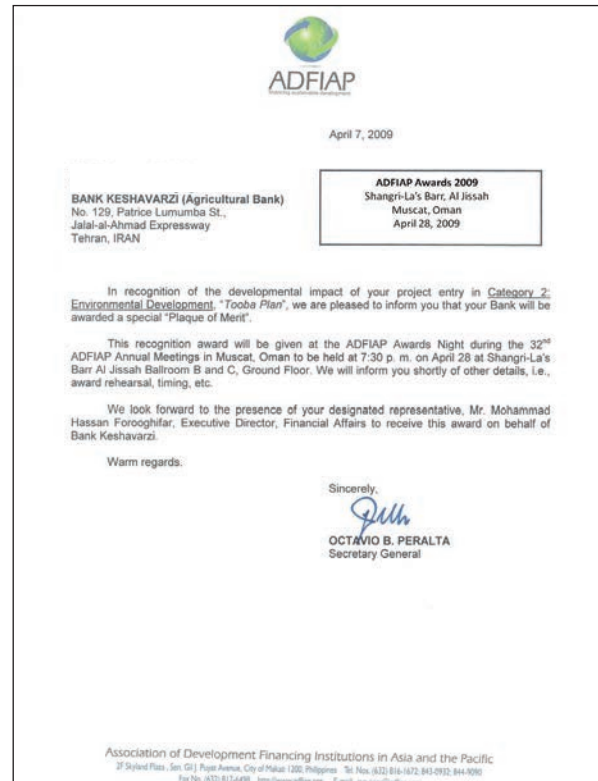
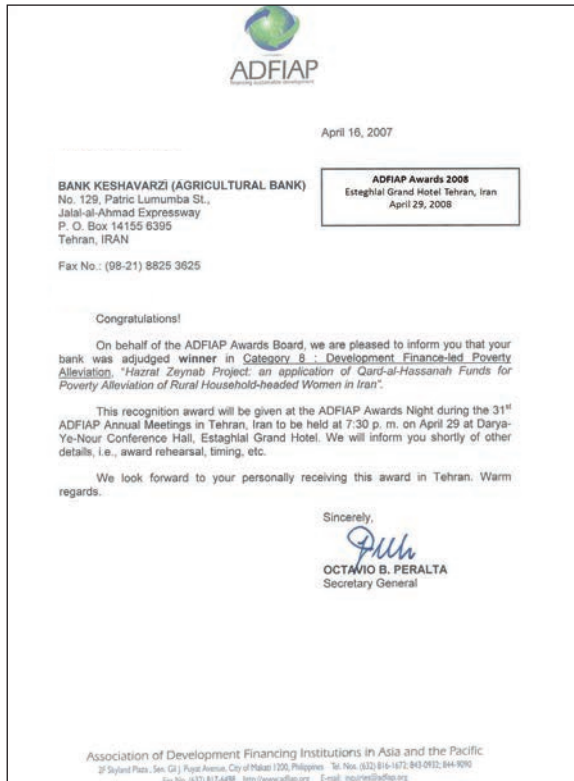
- awarded ISO 9001:2000 for implementing the Quality Management System in some of the bank’s branches;



- 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 Rajae 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;



CERTIFICATE OF APPRECIATION

APRACA Members and Secretariat wish to record their deep appreciation of the support and devotion of Bank Keshavarzi of Iran, in developing the draft Strategic Plan presented to and adopted by the 61st Executive Committee and 18th General Assembly as the basis for the finalization of the APRACA Strategic Plan.

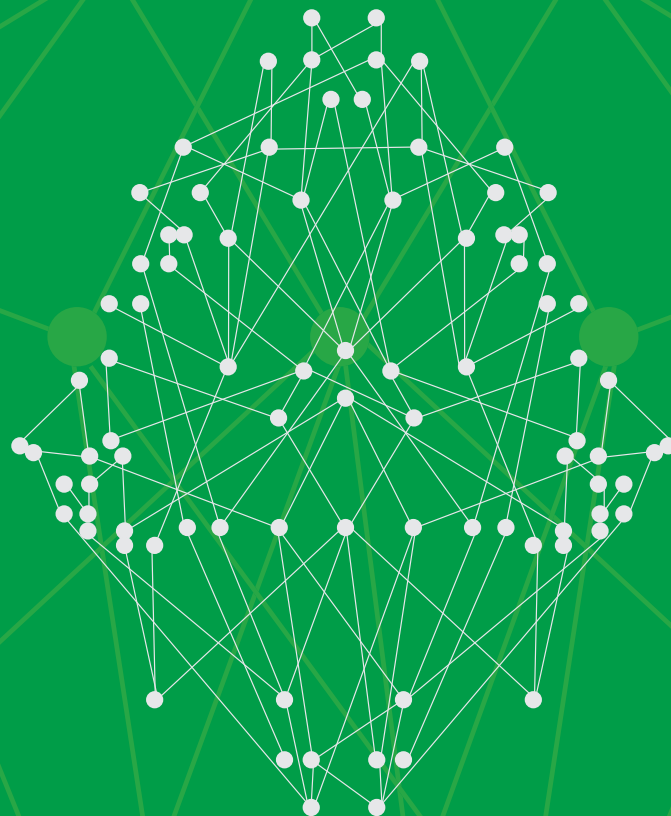


Won Sik Noh
Secretary General
8 June 2012

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 financial statements including balance sheet, Cash Flow and Income statements for the financial year ending March 20, 2014 as well as the explanatory notes have been audited by State Audit Organization (SAO).

Board of Directors' Responsibility

Subject to the accounting policies, laws and standards set out therein and requirements of related rules and regulations, the bank's Board of Directors shall be responsible for preparation, fair presentation and internal control of the financial statements so that the statements would be free of any material distortion due to fraud or errors.

Auditors' Responsibility

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 report does not contain any material misstatement that would render the financials misleading.
- The Financial Statements fairly present in all material respects the financial condition and results of operations, 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.
- Bank Keshavarzi AML program has been found to be in compliance with the national and international AML laws, regulations and standards.

The assistance provided by BK's staff and management during the conduct of our audit is highly appreciated.

August 11, 2014

State Audit Organization



Bank Keshavarzi Balance Sheet

	Note	March 20, 2014 mil. IRR	March 19, 2013 ¹⁷ mil. IRR
ASSETS			
Cash and Banks	5	3,187,645	1,900,556
Due From CBI	6	21,439,706	17,662,616
Due From Banks and Credit Institutions	7	40,434,014	27,329,573
Due From Government	8	54,596,557	42,992,130
Credit Granted and Due from Public Sector	9	987,076	1,089,908
Credit Granted and Due from Non-public Sector	10	315,831,945	238,598,226
Debtors for Deferred DCs	11	3,372,931	1,292,825
Partnership Bonds and the Like	12	29	240
Investments and Partnerships	13	1,128,359	1,062,933
Fixed Assets	14	10,569,876	9,838,861
Other Assets	15	41,236,126	32,862,208
Cash in Transit ¹⁸	16	16,739,744	2,900,097
Total Assets		509,524,007	377,530,173
LIABILITIES & SHAREHOLDERS' EQUITY			
Due to CBI	17	148,953,147	84,853,054
Due to Banks and Credit Institutions	18	36,649,568	24,163,561
Sight Deposits	19	64,695,174	51,703,368
Savings Deposits	20	27,452,416	28,248,402
Term Investment Deposits	21	165,372,190	136,920,069
Other Deposits	22	6,970,313	2,448,979
Partnerships Bonds of In-progress Projects	23	76	76
Other Liabilities and Provisions	24	37,290,455	29,553,593
Due to Foreign Banks	25	3,663,284	1,298,435
Total Liabilities		491,046,624	359,169,536
SHAREHOLDERS' EQUITY			
Capital	26	8,021,118	8,021,118
Reserves	26	10,740,611	10,660,489
Retained Earnings		(284,346)	(320,971)
Total Shareholders' Equity		18,477,383	18,360,636
Total Liabilities & Shareholders' Equity		509,524,007	377,530,173

17. 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 (2012/13).

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



Income Statement

	Note	March 20, 2014 mil. IRR	March 19, 2013 mil. IRR
Income from Joint Investment:			
Profit ¹⁹ and Penalties	27	36,849,364	29,523,021
Other Incomes	28	236,082	197,317
Sub-total		37,085,446	29,720,338
Minus:			
Depositors' Shares Profit	29	(17,459,751)	(11,406,913)
Surplus Profit Paid to Depositors	29	(7,432,374)	(6,815,466)
Net Profit Paid to Depositors		24,892,125	18,222,379
Bank's Profit Share		12,193,321	11,497,959
Income from Own Investment:			
Profit and Penalties	30	557,391	316,469
Fees and Commissions	31	11,032,470	7,726,323
Other Income	32	4,987,270	302,935
Sub-total		16,577,131	8,345,727
Total Operating Income		28,770,451	19,834,686
Expenses			
Profit Paid (excluding Depositors')	33	(8,510,898)	(5,006,524)
Fees & Commissions Paid	34	(1,404,577)	(974,372)
Total Expenses	35	(18,237,701)	(12,055,668)
Other Expenses	36	(535,887)	(501,593)
Total Operating Expenses		(28,689,063)	(18,538,157)
Pretax Profit		81,388	(1,305,529)
Tax		-	(68,128)
Net Profit		81,388	(1,237,401)

Retained Earnings Statement

	Note	March 20, 2014 mil. IRR	March 19, 2013 mil. IRR
Net Profit		81,388	(1,237,401)
Beginning Year Retained Earnings		(3,456,140)	(803,661)
Prior Year Adjustments	37	(3,135,169)	(2,344,807)
Beginning Earnings after Adjustments		(320,971)	(1,541,146)
Allocable Profit		(239,583)	(303,745)
Minus:			
Required Reserve		(12,208)	(4,698)
Profit Payable to Government		(32,555)	(12,528)
Declared Profit, 0.5 Percent(Housing Act)		-	-
End-year Closing Retained Earnings		(284,346)	(320,971)

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



Cash Flow Statement

		March 20, 2014	March 19, 2013
	Note	mil. IRR	mil. IRR
Net Cash Flow from Operating Activities	38	14,498,993	2,836,810
<u>Investments Return and Profit Paid for Financing Activities</u>			
Dividend Received	27	104,455	24,426
Partnership Bonds Profit	27	3,630	12,333
Profit Paid for Facilities Received from Banks	33	(8,060)	223,993
40 % Profit Re. Budget Act		(12,528)	28,296
Net Cash Flow from Investments and Profit Paid for Financing Activities		87,497	232,455
<u>Income Tax</u>			
Income Tax Paid		(1,036,954)	(2,070,425)
<u>Investment Activities</u>			
Purchase of Direct Investments and Legal Partnerships	13	(69,982)	(178,745)
Purchase of Tangible Fixed Assets	14	(1,151,748)	(666,200)
Disposal of Tangible Fixed Assets	32	(13,524)	(12,335)
Net Cash Inflow from Investment Activities		(1,208,206)	(832,611)
Net Cash Inflow before Financing Activities		12,341,330	166,230
<u>Financing Activities</u>			
Facilities Received from Banks		-	11,713,500
Repayment of Principal of Facilities Received		(828,000)	(7,400,000)
Net Cash Inflow from Financing Activities		(828,000)	4,313,500
Net Cash Inflow		11,513,330	4,479,729
Profit from Revaluation of FC Cash		4,664,385	(9,999)
Net Cash Increase	39	16,177,715	4,469,731
Beginning Cash Balance		23,936,478	19,466,747
End-year Closing Cash Balance		40,114,193	23,936,478
<hr/>			
Non-cash Transactions		350,933	29



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 2013-14, BK conducts its banking operations through 1907 branches nationwide.

1.4. Employment

The number of all employees (permanent and temporary) working for the bank in 2013-14 totaled 17,399 (By March 20, 2015).

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
Machinery	10-15%	Straight and Declining
Fixtures & Computer Hardware	10 years	Straight
P.C Hardware	3 years	Straight
P.C Software	5 years	Straight

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: 20 to 50%
- 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, 2014	March 19, 2013
Cash	2,311,048	1,360,659
CBI's Iran Checks	658,949	460,983
FC Cash	217,649	78,914
Total	3,187,646	1,900,556

6. Due from CBI

mil. RIs	March 20, 2014	March 19, 2013
Required Reserve	109,370	276,510
Demand Deposit with CBI (in FC)	22,042,875	18,101,534
Minus:		
Required Reserves of Free-trade Zones' Branches	(712,539)	(715,428)
Total	21,439,706	17,662,616

7. Due from Banks and Credit Institutions

mil. IRR	March 20, 2014	March 19, 2013
Sight and Term Deposits with Domestic Banks (in FC)	1,854,889	1,098,513
Sight Deposits with Foreign Banks	35,028,676	20,827,777
Qard-al-Hassanah Loans to Other Banks	1,806	-
Clearing of Checks Issued by other Banks	3,507,360	4,037,947
Nostro Account after Clearing	41,305	109,157
Inter-banks Account	-	1,256,179
Sub-total	40,434,036	27,329,573
Exchange of Clearinghouse Notes	(22)	-
Total	40,434,014	27,329,572

**8. Due from Government**

mil. IRR	March 20, 2014	March 19, 2013
Due from Government	58,532,687	43,447,682
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(3,053,997)	(107,309)
Deferred Profit of Statutory Facilities Undertaken by Government	(302)	(896)
Profit Subsidy by Government – Profit Rate Harmonization	(50,412)	(146,673)
1.5 Percent General Reserves	(831,420)	(200,674)
Total	54,596,557	42,992,130

9. Granted Facilities and Due from Public Sector

mil. IRR	March 20, 2014	March 19, 2013
Statutory Facilities, Qard-al-Hassanah	108	397
Non-statutory Facilities, Qard-al-Hassanah	-	0.008
Statutory Facilities, Mudharabah	20,176	17,689
Non-statutory Facilities, Forward ⁷	9,163	5,471
Non-statutory Facilities, Hire Purchase ⁸	3,014	625
Statutory Facilities, Hire Purchase	132	6,250
Statutory Facilities, Civil Partnership ⁹	6,994	7,948
Non-statutory Facilities, Civil Partnership	43,583	55,941
Statutory Facilities, Installment Sale	1,323	335
Non-statutory Facilities, Installment Sale	27,847	6,670
Sub-total Current Facilities	112,339	101,327
Overdue Debts on Statutory Facilities	35	197
Overdue Debts on Non-statutory Facilities	1,223	1,168
Sub-total Overdue Debts	1,258	1,365
Arrears on Non-statutory Deposits	3,797	7,220
Arrears on Statutory Deposits	11	1,000,668
Sub-total Arrears Debts	3,808	1,007,887
Doubtful Debts on Statutory Facilities	837,491	14,830
Doubtful Debts on Non-statutory Facilities	19,485	11,456
Sub-total Doubtful Debts	892,976	26,286
Total	1,010,380	1,136,866
Minus:		
1.5 Percent General Provision for Doubtful Debts	(15,032)	(16,598)
Future-year Profit of Facilities	(8,265)	(3,137)
Deferred Profit of Facilities	(7)	(27,223)
Total	987,076	1,089,908



10. Granted Facilities and Due from Non-public Sector

mil. IRR	March 20, 2014	March 19, 2013
Statutory Facilities, Qard-al-Hassanah	1,361,255	2,780,738
Non-statutory Facilities, Qard-al-Hassanah	16,156,295	15,652,956
Statutory Facilities, Mudharabah	308	2,342
Non-statutory Facilities, Mudharabah	5,640,960	5,085,050
Statutory Facilities, Forward	9,347	12,044
Non-statutory Facilities, Forward	5,979,772	6,996,311
Statutory Facilities, Civil Partnership	423,109	870,372
Non-statutory Facilities, Civil Partnership	94,958,010	72,936,129
Statutory Facilities, Jo'aleh	1,185	1,965
Non-statutory Facilities, Jo'aleh	4,694,201	1,885,431
Statutory Facilities, Installment Sale	1,270,844	1,614,553
Non-statutory Facilities, Installment Sale	167,703,883	127,403,167
Statutory Facilities, Hire Purchase	480,049	480,153
Non-statutory Facilities, Hire Purchase	1,247,348	990,574
Housing Facilities	27,437,089	15,674,805
Short-term Facilities (in FC)	-	1,180
Medium-term Facilities (in FC)	7,215,324	7,198,837
Granted Facilities (in FC)	4,543	2,056
Debtors for D/Cs Paid	51,535	317,001
Debtors for L/Gs Paid	38,815	3,130
Advance Payment for Transactions Properties	1,748	2,220
Work in Progress, Jo'aleh	24	24
Purchased Properties for Installment Sale	1,731	305
Facilities Funded by Bonds of In-progress Projects	15,678	15,678
Sub-total Current Facilities	334,693,055	259,927,022
Overdue Debts on Statutory Facilities	135,813	238,880
Overdue Debts on non-statutory Facilities	5,510,541	6,551,137
Overdue Debts on Facilities (in FC)	771,498	169,666
Sub-total Overdue Debts	6,417,853	6,959,683
Arrears on Statutory Facilities	168,762	288,156
Arrears on Non-statutory Facilities	4,822,310	4,538,835
Previous Arrears	-	54
Arrears on Facilities (in FC)	2,159,488	355,770
Sub-total Arrears	7,150,560	5,182,816
Doubtful Debts on Facilities Granted	1,184,956	1,550,384
Doubtful Debts on Internal Facilities Granted	21,263	21,549
Doubtful Debts on Facilities Granted (in FC)	3,502,825	1,719,365
Doubtful Debts on L/Gs Paid	100,635	118,815
Doubtful Debts on Statutory Facilities	764,845	1,606,608
Doubtful Debts on Non-statutory Facilities	14,555,276	13,678,501
Doubtful Debts on Facilities (in FC)	24,241,452	8,902,000
Sub-total Doubtful Debts	44,371,251	27,597,222
Total	392,632,718	299,666,743
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(48,790,548)	(34,742,296)
Deferred Profit of Facilities	(38,570)	(407,478)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(857,262)	(564,357)
Joint Account for Civil Partnership	(9,925,068)	(11,347,941)
Provisions for Doubtful Accounts (Public)	(4,859,928)	(3,672,703)
Provisions for Doubtful Accounts (Non-public)	(11,819,802)	(9,771,664)
On-account Collections of Facilities	(509,595)	(562,076)
Total	315,831,945	238,598,226

**11. Debtors for Deferred DCs (in FC)**

mil. IRR	March 20, 2014	March 19, 2013
Debtors for Deferred DCs in FC	3,372,931	1,292,825
Total	3,372,931	1,292,825

12. Partnership Bonds and the Like

mil. IRR	March 20, 2014	March 19, 2013
Purchased Balance of Government Bonds	29	240
Total	29	240

13. Investments and Partnerships

mil. IRR	March 20, 2014	March 19, 2013
Legal Partnership ²⁰ of Non-public Sector	1,141,293	1,071,311
Investment in Stock Exchange	33,323	33,323
Direct Investment	94,491	94,491
Sub-total	1,269,107	1,199,126
Minus:		
Provision for Shares Depreciation	(140,748)	(136,193)
Total	1,128,359	1,062,933

14. Fixed Assets

mil. IRR	March 20, 2014	March 19, 2013
Movable Assets		
Immovable Assets	3,061,665	2,683,446
Intangible Assets	8,975,351	8,610,397
Immovable Assets under Construction	412,879	385,537
Renovation & Reconstruction Costs of Leased Buildings	997,278	663,270
Capital Advance Payments	43,096	30,214
Sub-total	49,416	46,771
Minus:		
Depreciation Reserve for Movable Assets		
Depreciation Reserve for Immovable Assets	(1,678,073)	(1,456,723)
Depreciation Reserve for Intangible Assets	(1,291,737)	(1,123,824)
Total Depreciation Reserves	-	(227)
Net Book Value	(2,969,810)	(2,580,774)
	10,569,876	9,838,861

20. Equity Partnership



15. Other Assets

mil. IRR	March 20, 2014	March 19, 2013
Tax Stamp	17,268	20,546
Gold and Silver	1,677	475
Inventory	148,234	120,492
Repossessed Collaterals	6,087,570	4,740,738
Temporary Debtors Account ²¹ (CBI Nullified Iran Checks)	38	85
Temporary Debtors Account (in RIs)	7,602,907	7,576,315
Temporary Debtors Account (in FC)	146,553	27,097
Receivable Profit from Granted Facilities	27,231,880	20,376,460
Total	41,236,126	32,862,208

16. Others

mil. IRR	March 20, 2014	March 19, 2013
Branches		
Internal Debtors (in RIs)	78,413,992	79,267,270
Internal Debtors (in FC)	5,260,116	3,362,407
Current Account with Central Branch	2,354,232	19,670
Branches Account (in FC)	3,231,934	1,825,919
Forex Transactions Value (in RIs)	82,159,355	40,694,169
	83,167,747	35,949,346
Sub-total Debtors	254,587,136	161,118,780
Inter-branch Account	71,686,018	79,047,799
Inter-branch Account (in FC)	78,219,414	41,202,668
Internal Creditors (In RIs)	2,332,797	1,842,697
Internal Creditors (in FC)	2,441,416	176,173
FC Position	83,167,747	35,949,346
Sub-total Creditors	237,847,392	158,218,683
Minus:		
Total Creditors	(237,847,392)	(158,218,683)
Final Balance	16,739,744	2,900,097

21. Nominal Account

**17. Due to CBI**

mil. IRR	March 20, 2014	March 19, 2013
Due to CBI as Checking Account Credit	77,098,378	29,655,549
Facilities Received from CBI	21,583,865	21,041,283
National Development Fund	30,096,902	26,632,000
Facilities Received from SWF	27,174,002	14,524,221
Minus:		
Settlement of AIF's Debt to BK	(7,000,000)	(7,000,000)
Total	148,953,147	84,853,053

18. Due to Banks and Credit Institutions

mil. IRR	March 20, 2014	March 19, 2013
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	14,879	15,759
Free Zones Qard-al-Hassanah Checking Account	3,134,843	1,672,971
Facilities Received from Banks	-	828,500
Due to Foreign Banks for Loans in FC	71,355	88,022
Interbank Funds - Unused	772,461	651,961
Sight Deposits of Iranian Banks (in FC)	30,993,393	20,405,142
Sight Deposits of Foreign Banks (in FC)	24,806	501,206
Inter-Banks Account	1,637,832	-
Total	36,649,568	24,163,561

19. Sight Deposits

mil. IRR	March 20, 2014	March 19, 2013
Qard-al-Hassanah Checking Accounts (in RIs)	40,376,192	34,407,072
Qard-al-Hassanah Checking Accounts (in FC)	3,306	1,731
Directed Funds ²² - Unused	1,039,007	2,486,624
Bank Checks Sold	4,116,995	5,193,758
Money Orders to the debit of our Account (in RIs)	23	1,359
Money Orders to the debit of our Account (in FC)	-	85,653
Balances Not Claimed	56,746	56,721
Employees' Savings	956,322	636,949
Temporary Debtors Account and Payables (in RIs)	4,662,292	3,072,617
Temporary Debtors Account (in FC)	13,484,358	5,763,413
Sub-total	64,695,239	51,705,897
Minus:		
Payment for Bank Checks Sold (Not-settled)	65	2,529
Total	64,695,174	51,703,368

22. 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, 2014	March 19, 2013
Qard-al-Hassanah Savings Deposit (In Rls)	25,970,081	26,117,975
Qard-al-Hassanah Savings Deposit (in FC)	1,482,137	2,129,747
Special Qard-al-Hassanah Savings Deposit - Unused	197	680
Total	27,452,415	28,248,402

21. Term Investment Deposits

mil. IRR	March 20, 2014	March 19, 2013
Long-term Deposits	80,023,062	65,402,296
CDs (Public Investment)	19,563,799	20,253,869
Short-term Deposits	64,775,350	50,986,275
Special Short-term Deposits	5,017,662	1,919,999
Term Deposits with Iranian Banks (in FC)	1,872,711	949,020
Term Deposits with Foreign Banks (in FC)	1,352,410	140,771
CDs Unsold and Redemption before Due Date	(7,232,803)	(2,732,162)
Total	165,372,190	136,920,069

22. Other Deposits

mil. IRR	March 20, 2014	March 19, 2013
Term Deposits (in FC)	607,067	977,228
Cash Advance Received for DCs - Public	-	82,214
Cash Advance Received for DCs - Private	139,681	2,136
Cash Advance Received for DCs (In FC) - Nonpublic	6,038,325	1,218,483
Cash Advance Received for Internal DCs - Nonpublic	640	-
Cash Deposits for Guarantees - Private (In Rls)	183,047	166,284
Cash Deposits for Guarantees (In Rls)	71	-
Cash Deposits for Guarantees - Public (In Rls)	1,143	1,542
Cash Advance Received for other Credit Facilities – Private	339	1,092
Total	6,970,313	2,448,979

23. Partnership Bonds of Projects In-progress

mil. IRR	March 20, 2014	March 19, 2013
Partnership Bonds Issued	1,000,000	1,000,000
Minus:		
Redemption for Partnership Bonds	(999,924)	(999,924)
Net Partnership Bonds Held by Public	76	76

24. Reserves and Other Liabilities

mil. IRR	March 20, 2014	March 19, 2013
Money Orders on Branch (In Rls)	300,551	278,510
Profit Payable to Government	32,555	12,528
Other Reserves	36,957,349	28,192,516
Tax Reserve	-	1,050,040
Total	37,290,455	29,533,593

**25. Dues to Foreign Banks**

mil. IRR	March 20, 2014	March 19, 2013
Credit Lines from Foreign Banks	-	606,428
Acceptance of DCs	3,663,284	692,007
Total	3,663,284	1,298,435

26. Shareholders' Equity

mil. IRR	March 20, 2014	March 19, 2013
Capital	8,021,118	8,021,118
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	10,001,381	9,933,467
Required Reserve	684,455	672,247
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	(284,346)	(320,971)
Sub-total		
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
Total	18,477,383	18,360,636

27. Profit and Penalties on Facilities

mil. IRR	March 20, 2014	March 19, 2013
Installment Sale	17,492,208	13,374,729
Mudharabah	1,220,126	1,962,705
Civil Partnership	13,239,217	8,987,329
Salaf	1,096,129	1,106,506
Hire Purchase	224,070	133,418
Jo'aleh	327,189	195,220
Factoring	22,596	12,012
Gain on Facilities Granted (in FC)	392,947	178,054
Sub-total	34,014,482	25,949,974
Commission of Credit Facilities Renewal	18,958	28,543
Sub-total	34,033,440	25,978,517
Penalties Received on Credit Facilities	2,436,095	3,165,096
Penalties on Credit Facilities Received in Non-public FC	271,744	11,480
Commission of Commitments Default	-	3,575
Sub-total	36,741,279	29,158,668
Profit on Investment & Partnership:		
Dividend of Direct Investment and Legal Partnership	104,455	24,426
Gain on Disposal of Partnership Equity Shares	-	327,594
Income from Purchased Partnership Bonds (Provinces)	3,630	12,333
Sub-total	108,085	364,353
Total	36,849,364	29,523,021

28. Other Income

mil. IRR	March 20, 2014	March 19, 2013
Profit on Required Reserve	195,603	158,457
Profit on Public Deposits	40,479	38,860
Total	236,082	197,317



29. Net Depositors' Profit

mil. IRR	March 20, 2014	March 19, 2013
Depositors' Profit Share	17,459,751	11,406,913
Surplus Profit Paid to Depositors	7,432,374	6,815,466
Total	24,892,125	18,222,379

30. Profit & Penalties Received

mil. IRR	March 20, 2014	March 19, 2013
Penalties Received on other Claims	477,445	292,685
Profit Received from Deposits	79,946	23,785
Total	557,391	316,469

31. Fees & Commissions Received

mil. IRR	March 20, 2014	March 19, 2013
Commission on Qard-al-Hassanah	528,689	472,595
Commission on Directed Funds	463	297
Commission on Facilities Paid to Employees	80,920	55,948
Other Commissions	14,996	16,283
Commission on Banking Services	1,039,272	849,150
Commission Received by Branches	1,469,432	1,243,263
Commission on Banking Services in AIF	1,964,028	1,313,000
Commission of Commitments out of Non-public FC Facilities	5,934,669	3,775,786
Total	11,032,470	7,726,323

32. Other Non-interest Income

mil. IRR	March 20, 2014	March 19, 2013
Forex Transactions	4,664,385	(9,999)
Gain on Disposal of Properties Repossessed	150,374	151,186
Rent of Branch Managers' Residential Units	3,047	3,131
Gain on Disposal of Properties	13,524	12,335
Others	155,941	146,283
Total	4,987,270	302,935

33. Profit Paid

mil. IRR	March 20, 2014	March 19, 2013
Profit Paid on Credit Facilities Received from other Banks	8,510,898	5,006,524
Profit Paid to Free-trade Zones' Branches	1,458,982	1,443,586
Sub-total	9,969,880	6,450,111
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,458,982)	(1,443,586)
Total	8,510,898	5,006,524

34. Fees & Commissions Paid

mil. IRR	March 20, 2014	March 19, 2013
Miscellaneous Commissions and Fees	1,404,577	974,372
Total	1,404,577	974,372

**35. General Expenses**

mil. IRR	March 20, 2014	March 19, 2013
General and Administrative Costs	4,613,149	3,996,239
Personnel Costs	8,242,296	6,059,901
Other Costs	5,382,257	1,999,528
Total	18,237,701	12,055,668

36. Other Expenses

mil. IRR	March 20, 2014	March 19, 2013
Cost of Prizes on Qard-al-Hassanah Savings Deposits	535,887	501,593
Total	535,887	501,593

37. Prior Years' Adjustments

Adjustments - mil. IRR	Amount
Adjustment of Prior Years' Profit and Loss Reserve on Previous	3,135,169
Total	3,135,169

38. Net Cash Flow from Operating Activities

mil. IRR	March 20, 2014	March 19, 2013
Profit before Income Tax	81,388	1,305,529
Depreciation Cost	420,733	379,381
Cost of Bad Debts	3,876,348	1,047,711
Profit Paid for Received Facilities	8,510,898	5,006,524
Provision for Shares Depreciation	4,556	227
Dividend from Investments and Legal Partnerships	(104,455)	(24,426)
Gain on Disposal of Fixed Assets	(13,524)	(12,335)
Profit on Partnership Duration	(3,630)	(12,333)
Cost of Performance Tax	-	68,128
Net Profit from Cash FC Revaluation	(4,664,385)	(9,999)
Subtotal	8,107,929	7,768,406
Net Increase / Decrease of Operating Liabilities		
Sight Deposits	12,991,806	3,686,291
Savings Deposits	(795,986)	(4,739,491)
Term Investment Deposits	28,452,122	38,930,419
Due to CBI and other Banks	68,911,262	2,449,257
Operational Share of other Liabilities	15,673,058	4,287,713
Reserve Transferable to Capital	67,914	741,683
Subtotal	125,300,176	54,834,854
Net Increase/Decrease in Operating Assets		
Due from CBI	(3,777,090)	(4,694,418)
Partnership Bonds	211	227,857
Payment of Other-banks-issued Checks	1,784,982	(2,300,352)
Facilities Granted under Islamic Contracts	(94,691,766)	(40,081,625)
Repossessed Collaterals and Operational Share of Other Assets	(8,372,717)	(13,762,848)
Cash in Transit – After Advance Payment for Tax	(13,852,733)	844,936
Subtotal	(118,909,112)	(59,766,450)
Net Cash Flow from Operating Activities	14,498,993	2,836,810



39. Net Cash Increase (Stated in Income Statement)

	Note	March 20, 2014	March 19, 2013	Net Cash Increase
Notes and Coins	5	2,311,048	1,360,659	950,389
CBI Iran Checks	5	658,949	460,983	197,966
Gold & Silver	15	1,677	475	1,202
Balance with Banks after Clearing	7	41,305	109,157	(67,852)
FC Deposits with Domestic Banks	7	1,854,889	1,098,513	756,376
Balance with Foreign Banks	7	35,028,676	20,827,777	14,200,899
Foreign Currencies (Cash)	5	217,649	78,914	138,735
Total		40,114,193	23,936,478	16,177,715

40. Customers' Obligations for DCs

mil. IRR	March 20, 2014	March 19, 2013
Customers' Commitments Re. DCs	32,123,555	22,946,783
Total	32,123,555	22,946,783

41. Customers' Obligations for L/Gs

mil. IRR	March 20, 2014	March 19, 2013
Customers' Commitments Re. Guarantees and Acceptance (In RIs)	1,733,093	1,332,395
Customers' Commitments Re. Issued Counter L/Gs (in FC)	1,170,308	561,422
Customers' Commitments Re. Issued L/Gs and Acceptance (in FC)	105,117	48,776
Total	3,008,518	1,942,593

42. Other Obligations

mil. IRR	March 20, 2014	March 19, 2013
Customers' Commitments Re. Transactions Contracts (Private)	17,588,779	22,535,383
Customers' Commitments Re. Non-statutory Qard-al-Hassanah (Public)	311	817
Customers' Other Commitments	14,883,663	8,789,928
Total	32,472,442	31,325,312

43. Directed Funds

mil. IRR	March 20, 2014	March 19, 2013
Special Qard-al-Hassanah Deposits - Unused	40	40
Directed Funds	19,896,847	20,419,053
Total	19,896,887	20,419,093



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

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: Modiriāt Rāyānei E'tāye Tashilāt (Computerized Management of Financial Facilities)
mil.: million
NENARACA: Near East and North Africa Regional Agricultural Credit Association
SWF: Sovereign Wealth Fund (named in Iran as Foreign Currency Reservation Fund)
PAYA: Payānaeh Pāyāpāye Electronic (Electronic Clearing System)
POS: Point of Sale
R & D: Research and Development
RIs: Rials
RTGS: Real Time Gross Settlement System
SAO: State Audit Organization
SATNA: Sāmaneh Tasvieh Nākhāles Aāni (Real Time Gross Settlement System)
SHETAB: Shabakeh Tabādol Etelā'āt Bain Bānki (Inter-bank Information Transfer Network)
SME: Small and Medium Enterprises
SMS: Short Message System
STR: Suspicious Transaction Reports
TABA: Tasvieh Orāgh Bahādār Electronic (Electronic Securities Settlement System)
USD: United States Dollar

