

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
2014 – 2015

Corporate Outline

Bank Keshavarzi
(Agriculture Bank of Iran)

Date of Establishment:

June 11, 1933

Number of Branches:

1,905

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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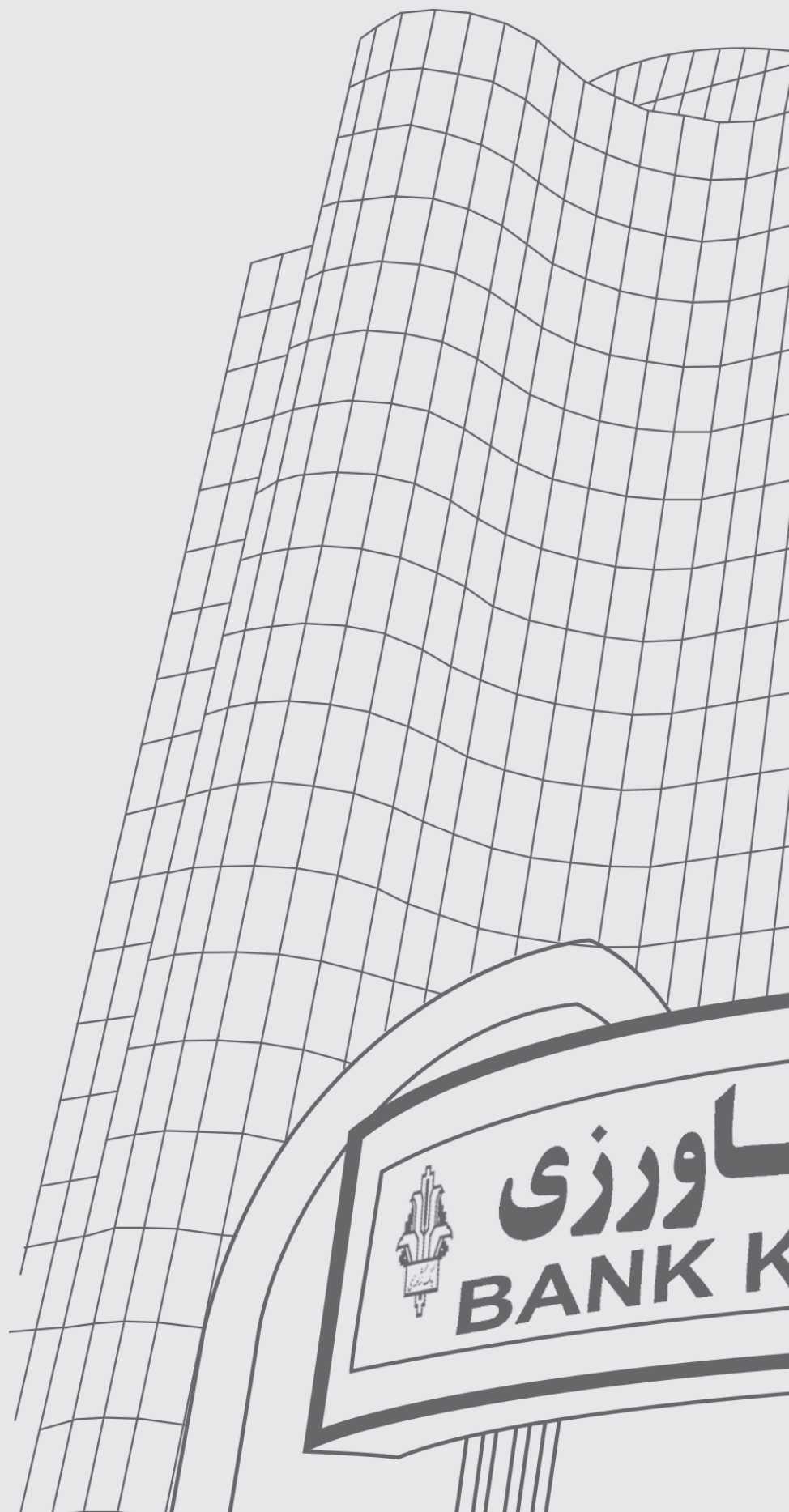
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بانک کَش
KESHAVARZI



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Financial Highlights

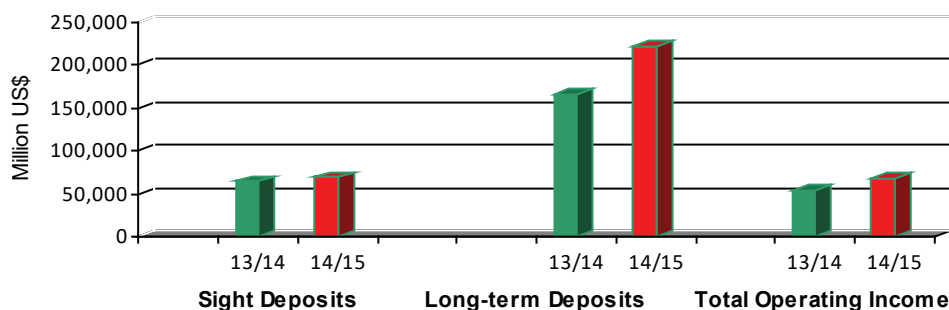
For more than 80 years, Bank Keshavarzi (Agriculture Bank of Iran) has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded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

Balance Sheet Highlights (Billion Rials)¹

Item	2014/15 ²	2013/14
Assets	603,681	505,844
Liabilities	586,475	490,388
Sight Deposits	69,081	64,695
Term Investment Deposits ³	221,190	165,372
Shareholders' Equity	17,207	15,455

Income Statement Highlights

Item	2014/15	2013/14
Interest Income ⁴	49,218	36,581
Non-interest Income	17,859	16,537
Total Operating Income	67,077	53,118
Total Operating Expenses	66,974	53,666
Pretax Net Profit	103	81



1. Rial amounts can be converted to USD at CBI reference rate (http://cbi.ir/ExRates/rates_en.aspx) on the last day of Iranian fiscal year (March 20, 2015).

2. BK's fiscal year (1393 Persian Calendar) corresponds to the period of March 20, 2014 to March 20, 2015.

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

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



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 Annual Report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during 2014-2015.

The Supreme Leader of I. R. Iran named the year 2014-2015 as the year of "Economy and Culture with National Determination and Devoted Management" based on which "Resistive Economy" was taken into consideration as an advanced roadmap for the economy in which variety of organizations are involved. I.R. Iran also experienced peace and tranquility in this period under wise management of His Excellency Dr. Hasan Rohani, whose prudence granted hope to the nation.

Bank Keshavarzi was also determined to strive for proper realization of government's programs and plans and thus, the new management of the bank, trying to move in line with the macro objectives of the government for the national economy arena, did its best to increase the reliability index to such a great organization.

After 10 years, Bank Keshavarzi was reappointed as the agent bank for "Wheat Guaranteed Purchase Program". It was a great achievement in 2014-2015. Assigning Bank Keshavarzi as the agent bank for the purchase of nationally-produced wheat and creating new capacities for the agriculture sector in the budget, the "Government of Prudence and Hope" provided the bank with the required reliability and credibility.

Such achievements have been gained by endeavors, determination and planning in a newly-established environment in the bank. However, we still believe that making more accomplishments and winning more confidence call for more diligence and unanimity.

While trying for financial self-reliance of the bank and focusing on promoting the bank's share of banking deposits in 2014, we have been planning for the reduction of the bank's debt to the Central Bank of I.R. Iran (CBI), as a governmental priority to decrease liquidity and inflation in the country. As a result, reducing the ascending trend of the bank's debt to CBI, BK managed to decrease the credit lines debts to zero by the end of 2014-2015.

Within 2014-2015, BK's financial facilities granted out of the internal resources, amounted to Rls. 225,161 billion, increasing by 31.5 percent, as compared with those in 2013-2014. In early 2014-2015, the share of agriculture sector from total financial resources of the banking system rose to 3.76 percent by the end of the year. Reaching the single-figure of credit risk, in comparison with a 13.5 percent credit risk of the banking system, is another remarkable achievement of the bank in the report year. The decline of BK's credit risk, known as an important indicator of resources sustainability and credit health, is one of the significant initiatives of the bank, by which the local credit risk amounted to 7.99, declining by 2.16 percent by the end of 2014-2015, as compared with that of the preceding year. By the end of 2014-2015, the bank's foreign and local currency credit risk, with a 4.76 decrease as compared with that of the previous period, reached 13.48.

It can be taken for granted that the decline in credit risk leads to promotion of credit strength and financial mobility of the bank. The bank's per capita deposit represents the efficiency of branches and personnel in deposit fund raising. The indicator of personnel per capita deposit in



2014-2015, with a five-unit increase, amounted to Rls. 18 billion from Rls. 13 billion in 2013-2014 and that of the branches, having a 46- unit increase, amounted from 113 billion to Rls. 159 billion.

The new organizational structure of the bank was designed aimed at promoting the bank's human capital status, increasing organizational agility, shortening the processes of offering services to customers, improving departments alignment, facilitating the agriculture sector financing, and omitting unnecessary organizational layers and processes.

The report year is considered a landmark and a determining period for Bank Keshavarzi. However, we must unanimously strive to pave the way for more success and prosperity of our impressive, well-known, noble and honest bank leading to elevation of national economic status and improvement of public food security.

The perspective displayed by the Supreme Leader in the beginning of the report year makes us obliged to fulfill our tasks. All managers and my colleagues must set such a perspective as the goal of their activities and operations and try to attract customers and people confidence and win their trust.

The bank has started a mission, which will end in glory and honor. Such achievements will only be made by relying on prudence, hope, synergy and unanimity. I am quite certain that our colleagues in Bank Keshavarzi, making the best use of their specialties and experiences, will make appreciable stride toward offering more services to the rural population, producers and esteemed people of Iran as well as upgrading the bank to the supreme position it deserves.

Morteza Shahidzadeh
Chairman and CEO

S e c t i o n 1

T h e I s l a m i c R e p u b l i c o f I r a n

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:

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

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

Liquidity

"Liquidity amounted to Rls. 7,823.8 trillion in March 2015, displaying a 22.3 percent growth as compared with that in March 2014. Comparing the liquidity growth in the year under report with the 38.8 percent growth in 2013-2014 is indicative of a 16.5 percentage point decrease".

Share of Money in Liquidity

"In March 2015, share of money in Liquidity reached 15.4 percent, showing a 3.3. percentage points decline compared with the preceding year. Moreover, share of sight deposits in liquidity decreased by 2.6 percentage points to 10.9 percent compared with March 2014".

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 19.6 percent to 333 million in 2014-15, including 223 million debit cards (66.8 percent), 109.2 million prepaid or gift cards (32.7 percent), and merely 1.7 million credit cards (0.5 percent).

1. CBI Annual Report 1393 (2014/15)



The number of ATMs went up by 19.5 percent to 40,369 in 2014-15. The number of PIN pads and POSs grew by 16.4 and 19.7 percent, respectively. Thus, the number of POSs increased to 3.7 million by the end of 2014-2015, indicating the banking system appropriate approach towards further expansion of electronic payments.

Electronic Payment Instruments and Machinery in 2014-2015

No. of Instruments and Machinery	Year-end		Change %
	2014-2015	2013-2014	
Bank cards (thousand)	333,891	279,058	19.6
ATMs	40,369	33,773	19.5
POSs	3,721,023	3,109,507	19.7
Pin Pads	65,337	56,142	16.4

Electronic Transactions

Electronic transactions processed through the banking system increased by 31.8 and 70.1 percent, in terms of number and value, respectively. In 2014-2015, some 4,908 million transactions, worth Rs. 16,499 trillion, were processed through ATMs. Besides, the number of transactions processed through POSs grew by 39.5 percent from 3,910 million in 2013-2014 to 5,453 million in 2014-2015. PIN pads Transactions also rose by 30.9 percent in terms of number and 26.4 percent in terms of value. In the year under study, some 2,167 million transactions, valued at Rs. 1,110 trillion, were processed through cell phones, landlines, kiosks, and Internet.

The share of ATMs in total transactions declined by almost 4.1 percentage points in terms of number while the share of POSs rose by 2.3 percentage points and that of cell phones, landlines, kiosks, and Internet rose 1.8 percentage points in terms of number. These trends reveal an upsurge in the use of new electronic instruments, but 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 (%)
	2014-15	2013-14		2014-15	2013-14	
Total Electronic Transactions	12,783	9,696	31.8	31,305	18,405	70.1
ATMs	4,908	4,120	19.1	16,499	7,780	112.1
POSs	5,453	3,910	39.5	8,739	6,177	41.5
PIN Pads	254	194	30.9	4,957	3,922	26.4
Cell Phones, Landlines, and Internet	2,167	1,472	47.2	1,110	526	111.0



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, 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.

Agricultural Products

Based on the data released by the Ministry of Agriculture, total farming, horticultural, livestock, and fishery products were approximately 104.2 million tons in 2014-2015, indicating 7.5 percent growth compared with that of the previous year.

Agricultural Products

Agricultural Products	2013-14		
	2014-15	2013-14	Growth (%)
Farming	74,070	68,074	8.8
Horticulture	16,520	15,956	3.5
Livestock	12,621	11,958	5.5
Fishery	947	885	7.0
Total	104,158	96,873	7.5

Source: Ministry of Agriculture

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.



Agricultural Commodity Exchange

Total value of agricultural products traded on Iran Mercantile Exchange decreased by 40.7 percent to approximately Rls. 1.6 trillion in 2014-2015. Total volume of traded agricultural products amounted to about 126 thousand tons, indicating 52.6 percent decline as compared with that of the preceding year. Within the year under report, corn had the highest volume of trading with 69.1 percent. Decline in the volume of agricultural products led to reduction in the share of agricultural products in total traded goods from 1.1 percent in 2013-2014 to 0.5 percent in 2014-2015.

Financing the Agriculture Sector

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;

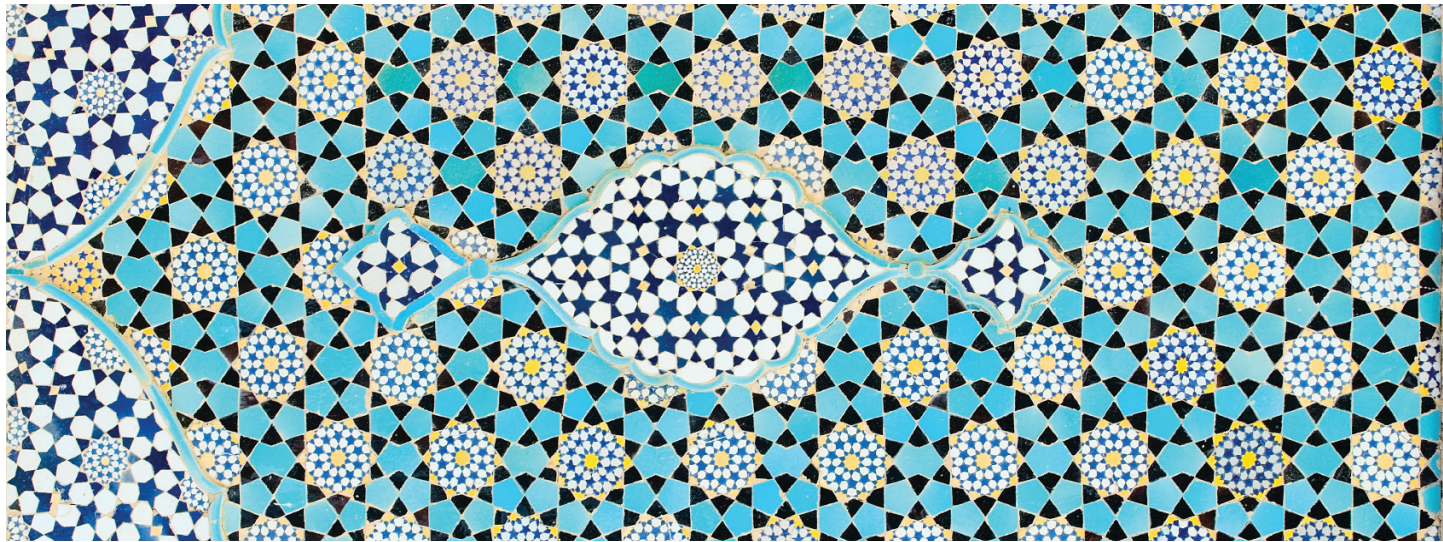
Total financial facilities extended by the banking network to the agriculture sector reached Rls. 255.8 trillion in 2014-2015, displaying a 15.1 percent increase as compared with that of the previous year. Therefore, the agriculture sector accounted for 7.5 percent of total financial facilities granted to economic sectors in the report year.

Bank Keshavarzi's Contribution to Agriculture Sector

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 Rls. 253,652 billion of credit facilities to 1,503,233 applications in different agriculture sub-sectors. In total, 89.4 percent of BK credit facilities were allocated to the agriculture sector and associated activities.

Break-down of BK Credit Facilities Granted to Agriculture Sub-sectors in 2014-15

Sub-sector	Credit Value (Billion Rls.)	No. of Applications	Share from Total Value (%)
1 Farming	65,495	485,901	25.9
2 Horticulture	17,609	164,748	7.0
3 Livestock and Poultry	56,942	242,067	22.5
4 Fishery and Aquaculture	4,578	5,440	1.8
5 Associated Industries and Agricultural Services	80,436	365,882	31.7
6 Handicrafts and Carpet-weaving	1,748	33,721	0.6
7 Others ⁴	26,843	205,474	10.5
Total	253,652	1,503,233	100



Islamic Banking

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

Iran, in contrast to other countries with both conventional and Islamic banking, has completely transformed its banking activities to comply with Islamic principles. Based on Islamic banking laws and CBI policies, Iranian banks' financial resources are mainly raised through Sha'ria-compliant services and products such as Qard-al-Hassanah accounts¹ and term deposits, which do not entail Riba². On the lending side, the banks adopt several modes of financing through Islamic contracts, mostly in form of civil partnership, without a preset lending rate (settlement is based on the real rate of return after project completion) and with the bank's supervision as a partner in the respective affairs³. The most significant forms of Islamic contracts used to furnish customers with required facilities are as follows:

Partnership Contracts

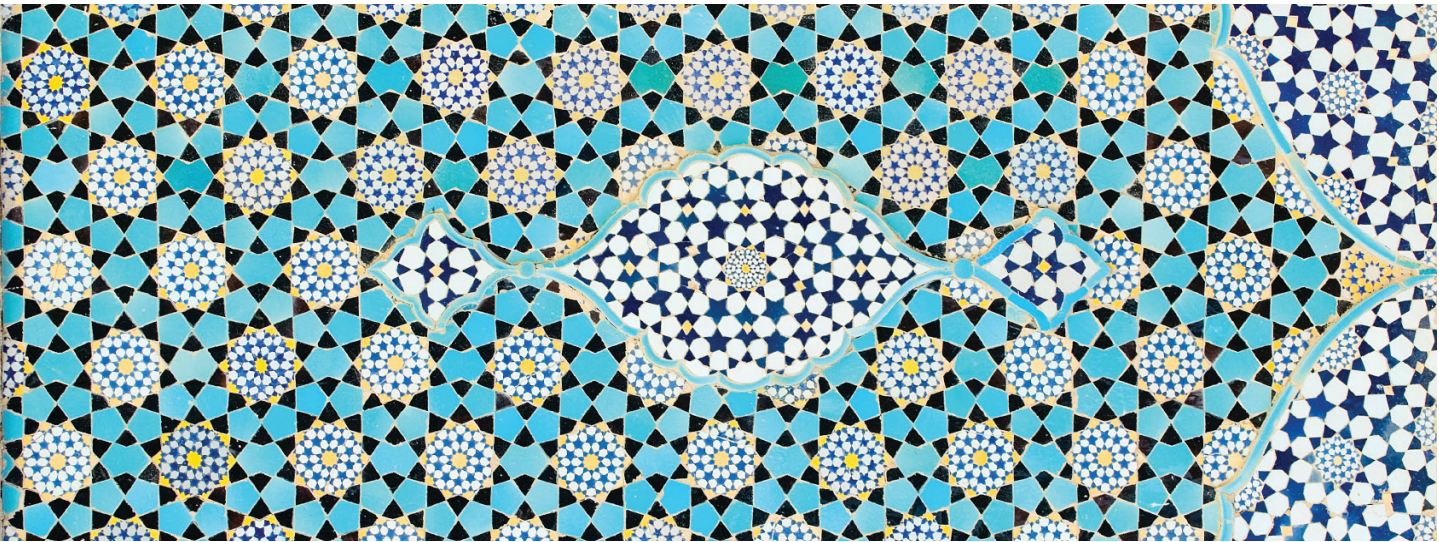
Under these types of contracts, the bank provides the whole or a part of the funding required by its customer for a specific economic activity. The arising profit is shared between the bank and customer as to the terms of related contract. Partnership contracts consist of:

- a. **Civil Partnership:** The bank provides funds for the customer (legal or natural person), who co-invests in cash or kind, for a specific economic activity, mostly in fields of construction,

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.



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 facilities break-down based on Islamic contracts in 2014-2015:

BK Financial Facilities Extended under Islamic Contracts in 2014/15 (Billion RIs)

Contract	2014-2015		2013- 2014	
	Value	No.	Value	No.
1 Qard-al-Hassanah	5,336	140,819	2,705	77,882
2 Installment Sale	90,423	476,681	86,219	874,821
3 Forward	7,398	106,295	6,177	114,098
4 Jo'aleh	4,156	46,008	2,833	37,134
5 Mudharabah	8,735	40,193	9,086	50,523
6 Civil Partnership	136,082	689,492	102,496	630,988
7 Hire Purchase	1,224	2,200	714	2,025
8 Murabaha	298	1,545	0	0
Total	253,652	1,503,233	210,231	1,787,471

S e c t i o n 2

B a n k K e s h a v a r z i
(A g r i c u l t u r e B a n k o f I r a n)

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 Subsidiary 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

We strive to provide:

The Best Income and Living Standards for all our Customers, Especially the Rural Ones.



Vision

We deliver:

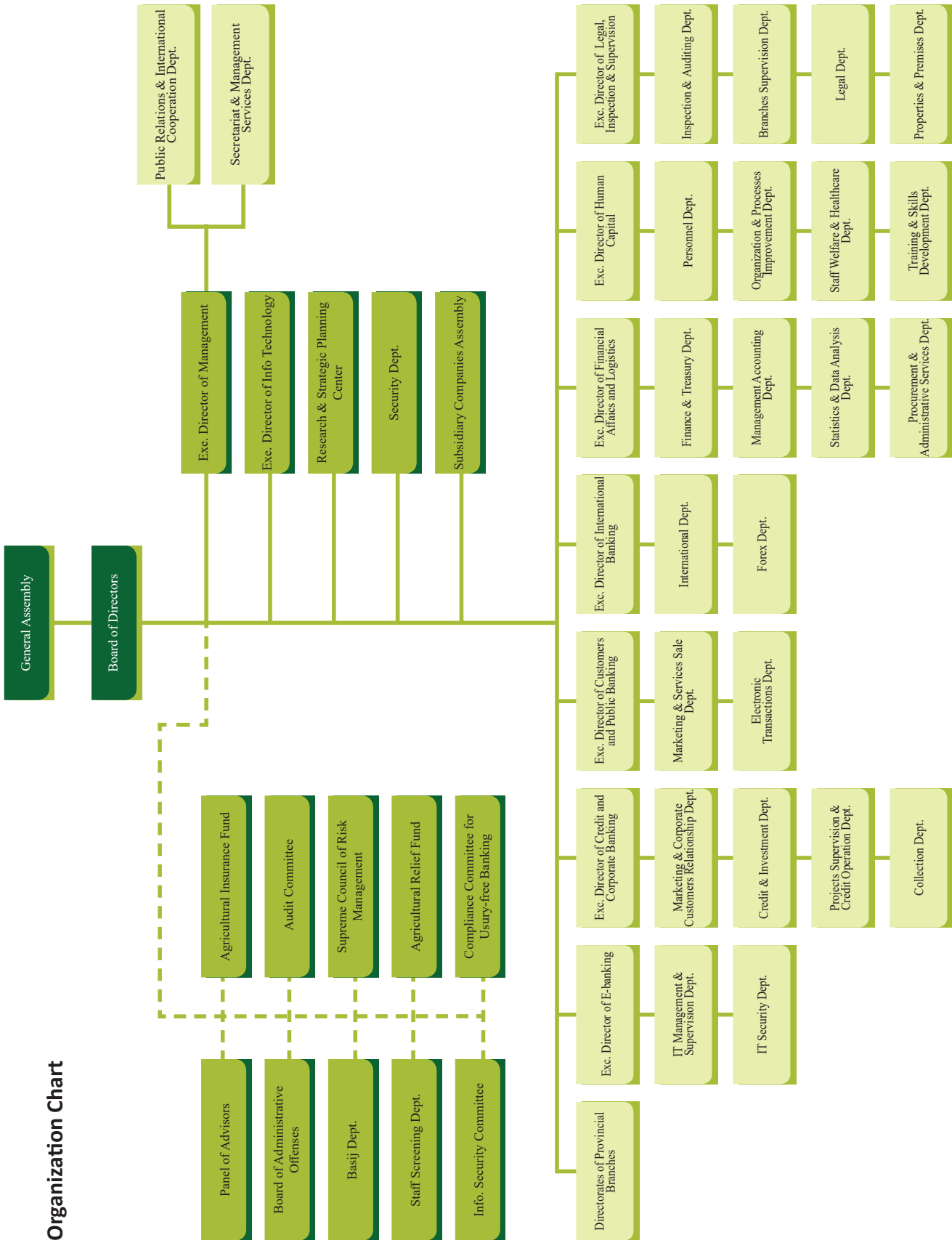
Distinctive Services to Everyone Associated with Us.

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.



Organization Chart





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;



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:

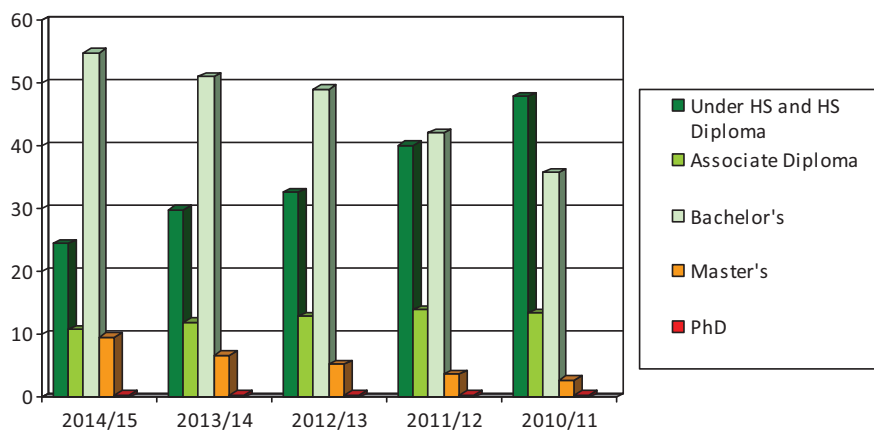
- Employ highly educated man power matching the needs of the bank;
- Identify and develop man power capabilities;
- Establish a training system based on jobs specification and staff qualification;
- Update the staff's knowledge regularly;
- Develop special programs for branches to promote the staff's 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	2014/15		2013/14		2012/13		2011/12		2010/11	
Level	No.	%	No.	%	No.	%	No.	%	No.	%
High School and Under-HS Diplomas	4,173	24.4	4,866	29.9	5,539	32.6	6,242	37	6,787	40.1
Associate Degrees	1,845	10.8	1,944	11.9	2,125	12.8	2,237	13.3	2,359	13.9
Bachelor's Degrees	9,406	54.9	8,315	51.1	8,118	49.1	7,658	45.4	7,139	42.1
Master's Degrees	1,646	9.6	1,091	6.7	856	5.2	683	4	609	3.6
PhD Degrees	55	0.3	54	0.3	52	0.3	49	0.3	52	0.3
Total	17,125	100	16,270	100	16,543	100	16,869	100	16,946	100





Corporate Social Responsibility

Among the major components of the bank's social responsibilities and attainments, the following Schemes 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:

- Schemes to support women-headed households;
- Schemes to create employment opportunities aimed at supporting rural girls empowerment, preventing their emigration from rural areas to cities, and promoting their social positions.;
- Schemes, developed exclusively for Iranian women, providing them with accessibility to required banking services;
- Schemes to create employment for all those individuals and entrepreneurs involved with activities in rural areas;
- Plans to support 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.





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:
 - 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;

1. Atiye means "Future" in Farsi.



- Credit facilities:
 - Capital and working capital facilities under contracts such as Hire Purchase, Jo'aleh, Civil Partnership, Installment Sale, Mudharabah, Forward, Qard-al-Hassanah...;
 - Credit facilities funded by government and internal resources;
 - Credit facilities for privileged customers;
 - Qard-Al-Hassanah facilities for rural household-headed women;
 - Qard-Al-Hassanah facilities for victims of natural disasters;
 - Credit facilities in foreign currency;
 - Credit facilities for agriculture graduates;
 - Credit facilities for unemployed Individuals;
 - Credit facilities for rural employment;
 - Opening domestic documentary credit;
 - Special facilities such as Home Appliances Loans and Car Loans and Housing Loans;

- Diverse E-banking services through BK's Core-banking System such as¹:
 - Internet banking
 - Mobile 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;
 - 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;

1. See E-banking Section



E-banking

In recent years, the accelerated growth of information technology and development of communication network have opened a new horizon before financial markets and sectors. The emergence of new channels and methods of processing and data transfer as well as establishing great information bases have promoted the efficiency and productivity, facilitated communication and reduced operational costs in financial institutions, and as a major cause of gaining superiority in the arena of competitive and financial markets has evolved the overview of financial sector. Thus, a strategic focus on electronic banking is not only a choice but also a necessity, which leads to a distinction in the quality of banking services, in addition to reducing operational costs.

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

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

The system includes variety of functions and specifications, few of which are: Banking transactions 24/7 through communications channels such as internet, telephone banking, mobile phone banking, etc.); Foreign currency services in all FX branches; Internet banking; Telephone banking and Mobile Phone 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 meet the international banking 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 provides its 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. Financing production and entrepreneurship projects;
2. Financing reconstruction and renovation projects of the textile industries in collaboration with the Ministry of Mines and Industries;
3. Financing tourism industry and other investment projects in the service sector;
4. Promoting Iranian agricultural and other non-oil exports;
5. Supporting trade centers in export markets of neighboring countries;
6. Executing investment projects in free trade industrial and special economic zones;



7. Financing import of food and medicine as a priority.
8. Utilizing credit lines including finance and refinance credit lines as well as employing Bank resources to start and complete development projects of the country.
9. Allocation of facility lines to foreign traders of Iranian goods to encourage export from Iran and creation of mutual goods-exchange market through the internal resources like the National Development Fund.
10. Offering technical consultancy services to customers in fields of productive investment as well as international banking operations.

Bank keshavarzi foreign currency branches are authorized to exchange CBI nominated negotiable currencies against IRR to cover the needs of Iranian importers who are eligible to import commodities under the regulations laid down 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.

Also Bank keshavarzi seeks presence in the international forums in order to upgrade its position and rank. It participates (or holds) regional (such as APRACA) as well as international meetings, conferences, seminars; enjoys membership both in the known international institutions (such as Bankers' Almanac) and also in the regional, commercial as well as specialized organizations and institutions.

2014-2015 Operational Figures

Bank Keshavarzi has presently expanded its branches offering International Banking Services up to 41 out of which 13 are located in Tehran, the Capital City, and 28 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 2014-2015, the total volume of Import operations amounted to USD 3,675,462,686 and the amount of foreign currency guarantees amounted to around USD 19,394,614. FX-Deals (buy and sell against IRR) done during the same period have been reported as USD 5,659,210,410 and the total volume and payment orders (import& export) reached USD 960,147,311. Other FX operational activities in Bank Keshavarzi including customer accounts are calculated to be USD 6,586,640,369.

Since the establishment of Oil Stabilization Fund, USD 1,350 mln of new credit facilities have been ratified to be paid out of the fund to 256 projects. The amount of USD 1,279 mln was allocated and disbursed to 256 projects, 224 of which (USD 998 mln) have come to productivity stage.



Anti-Money Laundering in Bank Keshavarzi

Iran's Anti-Money Laundering 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)



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 Affiliated Companies

Novin Keshavarz Hi-tech Solutions

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

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

Agricultural Insurance Fund (AIF)

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

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



Some Agricultural Products under AIF Insurance Coverage

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

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.

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, Erbil and Tehran, 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.

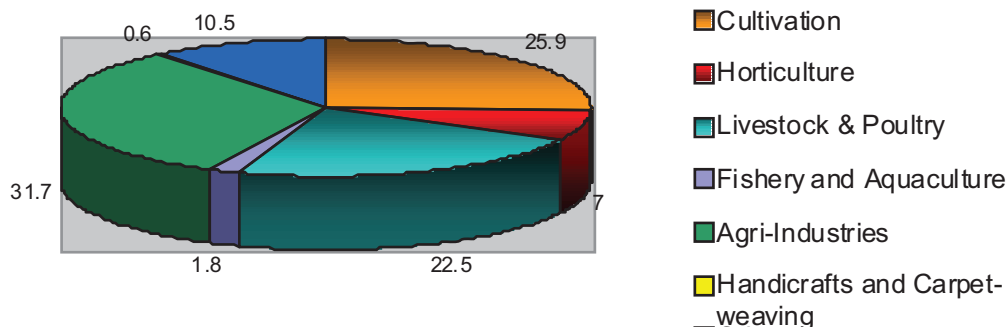
Break-down of BK Deposits in 2014-15 (Billion Rls.)

Deposit	2014/15	Share out of Total (%)	2013/14	Share out of Total (%)	Growth (%)
Long-term Deposits	150,138	52.1	92,962	40.8	61.5
Short-term Deposits	69,598	24.1	69,793	30.6	- 0.3
Qard-al-Hassanah Savings Accounts	26,706	9.3	27,452	12	-2.7
Qard-al-Hassanah Checking Accounts	41,895	14.5	37,905	16.6	10.5
Total Deposits	288,337	100	228,112	100	26.4

In the year under report, the total amount of facilities extended by the bank to public and non-public agriculture sub-sectors equaled Rls. 253,652 billion, indicating a 26.9 percent growth, as compared with that of the previous year. The following table displays BK's facilities granted to different sub-sectors:

Break-down of BK Credit Facilities Granted to Agriculture Sub-sectors in 2014-15

	Sub-sector	2014-15			2013-14		
		Credit Value (Billion Rls.)	No. of Applications	Share from Total Value (%)	Credit Value (Billion Rls.)	No. of Applications	Share from Total Value (%)
1	Farming	65,495	485,901	25.9	54,829	678,897	26.1
2	Horticulture	17,609	164,748	7.0	15,117	194,401	7.2
3	Livestock and Poultry	56,942	242,067	22.5	50,240	353,971	23.9
4	Fishery and Aquaculture	4,578	5,440	1.8	3,773	6,161	1.8
5	Associated Industries and Agricultural Services	80,436	365,882	31.7	60,158	347,936	28.6
6	Handicrafts and Carpet-weaving	1,748	33,721	0.6	1,485	37,165	0.7
7	Others ¹	26,843	205,474	10.5	24,629	168,940	11.7
	Total	253,652	1,503,233	100	210,231	1,787,471	100



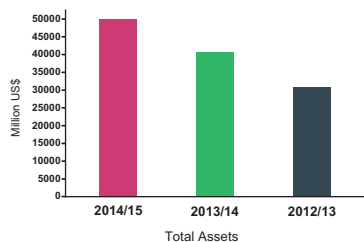
1. Including agriculture, industries and trade services



Financial Performance

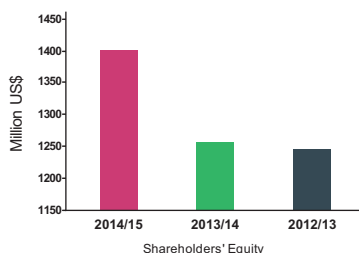
Total Assets¹

By the end of 2014-15, BK's total assets rose from Rls 505,844 billion in 2013-14 to Rls 603,681 billion,² showing a 19.34 percent growth.



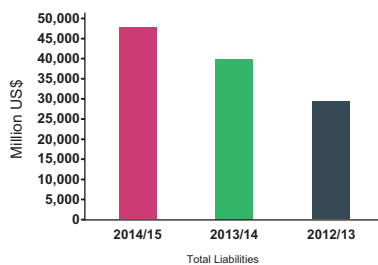
Shareholders' Equity

Shareholders' equity of the bank, with a 11.33 percent rise, amounted to Rls 17,207 billion by the end of 2014-15 from Rls 15,455 billion in the preceding year.



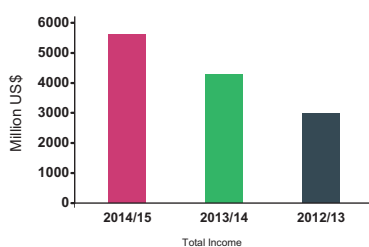
Total Liabilities

BK's liabilities increased by 19.59 percent from Rls 490,388 billion in 2013-14 to Rls 586,475 billion by the end of 2014-15.



Total Income

BK's total income grew from Rls 53,118 billion in 2013-14 to Rls 67,077 billion in 2014-15, indicating a 26.28 percent growth.



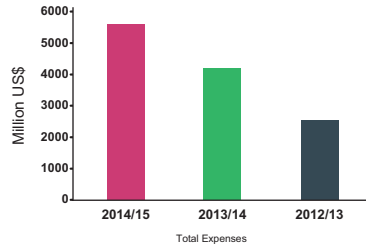
1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2013/14).

2. Rial amounts can be converted to USD at CBI reference rate (http://cbi.ir/ExRates/rates_en.aspx) on the last day of Iranian fiscal year (March 20, 2015).



Total Expenses

BK's total expenses rose by 24.8 percent increasing from RIs 53,666 billion in 2013-14 to RIs 66,974 billion in 2014-15.



As regards the above-mentioned improvements, the key ratios represent BK's financial health and strength. The Return on Investment ratio (9 percent) does display higher efficiency in utilizing resources and assets. Moreover, the 2.85 percent Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the bank.

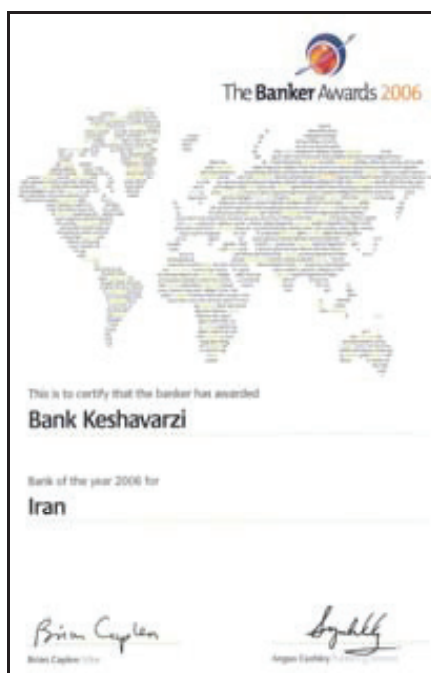
Innovations, Accomplishments and Achievements

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;
- 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, ...
- Sponsoring variety of conferences, forums, seminars, exhibitions,...
- Innovation and creativity in public relations campaigns and programs;

Given the foregoing developments, BK has been:

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

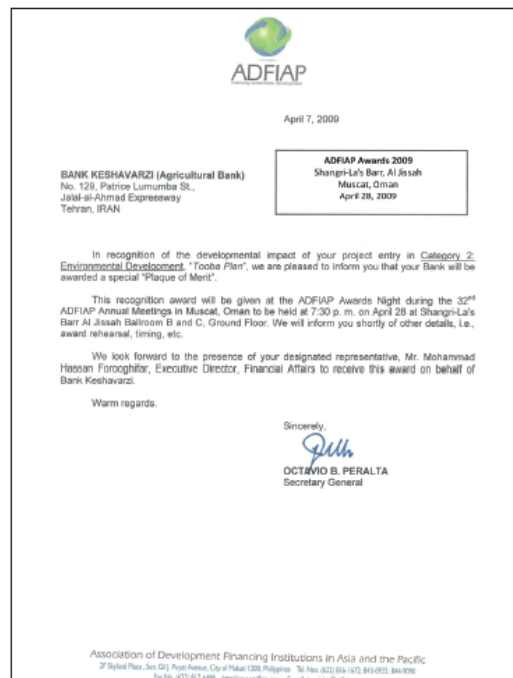
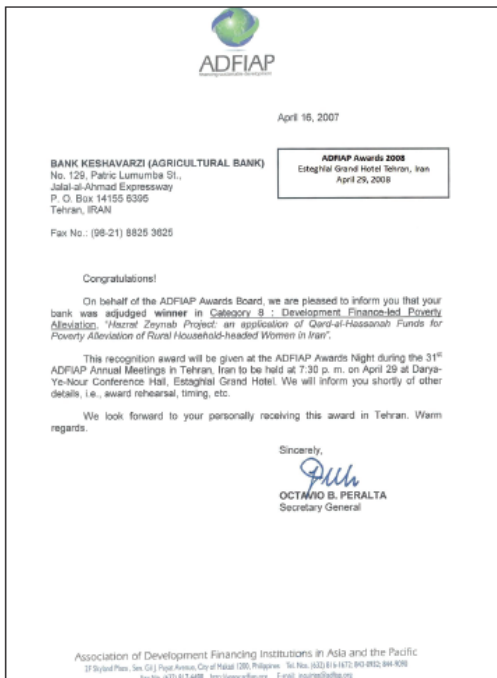




- recognized as “Iran’s Bank of the Year 2005” by Euromoney;



- awarded ISO 9001:2000 for implementing the Quality Management System in some of the bank’s branches;
- awarded “2008 ADFIAP 1st Winner Trophy” for its Finance-led Poverty Alleviation Projects , namely “Hazrat Zainab Project: Qard-al-Hassanah Funds for Poverty Alleviation of Rural women- headed”;
- awarded “2009 ADFIAP Plaque of Merit” for environmental development in recognition of the development impacts of “Tooba Plan”;





- acknowledged as a commendable organization at Shahid Rajaei National Festival for 3 consecutive years;
- awarded the 1st prize at the 2nd Festival of Accountability and Services;
- appreciated by APRACA for formulation of APRACA Strategic Plan in 2012;



Some of the other achievements of the bank from 2012 to 2015 are as follows:

- appreciated as “The Sponsor of Iran Agricultural Economy Conference”;
- awarded the Middle East & North Africa (MENA) Customer Delight 2013 Award by the Institute of Sales & Marketing Management (ISMM);





- appreciated as “The Sponsor of Iran Brand Rights 2014 Conference”;
- appreciated as “The Sponsor of Food Industry Conference”;
- awarded “The Plaque of Best Public Relations” from Iran Public Relations Symposium;
- awarded “The Plaque of Excellence in Public Relations”;
- recognized as “The Best Specialized Bank of Iran”;
- appreciated as “The Sponsor of Iran National Development Fund Forum”;
- appreciated as “The Sponsor of National Development Fund Forum”;
- awarded “The Plaque of Iran Green Bank” from Green Management Forum;
- recognized as “The Best Innovative Bank in Administration Capacity” in Innovation and Economic Justice Forum;
- appreciated as “The Sponsor of Global Management Conference”;
- recognized as “The Best Supporter of Livestock, Poultry and Aquaculture Industry”;
- recognized as “The Best Bank in Electronic Banking and Payment Systems”;

S e c t i o n 3

F i n a n c i a l S t a t e m e n t s

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, 2015 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, 2015 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.

July 21, 2015

State Audit Organization



Bank Keshavarzi Balance Sheet

	Note	March 20, 2015 mil. IRR ²	March 20, 2014 ¹ mil. IRR
ASSETS			
Cash and Banks	5	3,601,221	3,187,646
Due From CBI	6	27,042,897	21,439,706
Due From Banks and Credit Institutions	7	66,196,234	40,434,014
Due From Government	8	75,480,095	54,558,096
Credit Granted and Due from Public Sector	9	726,738	987,076
Credit Granted and Due from Non-public Sector	10	360,873,687	315,831,945
Debtors for Deferred DCs	11	0	3,372,931
Partnership Bonds and the Like	12	30	29
Investments and Partnerships	13	1,120,574	1,128,358
Fixed Assets	14	9,498,743	10,569,876
Other Assets	15	54,186,233	40,792,164
Cash in Transit ³	16	4,954,843	13,541,896
Total Assets		603,681,295	505,843,737
LIABILITIES & SHAREHOLDERS' EQUITY			
Due to CBI	17	169,128,575	148,953,148
Due to Banks and Credit Institutions	18	44,186,585	33,514,726
Sight Deposits	19	69,081,610	64,695,174
Savings Deposits	20	26,706,085	27,452,416
Term Investment Deposits	21	221,190,938	165,372,190
Other Deposits	22	2,967,023	6,970,390
Other Liabilities and Provisions	23	53,213,959	39,767,140
Due to Foreign Banks	24	0	3,663,285
Total Liabilities		586,474,775	490,388,469
SHAREHOLDERS' EQUITY			
Capital	25	15,282,519	8,021,118
Reserves	25	5,196,740	10,742,974
Retained Earnings (loss)		(3,272,739)	(3,308,824)
Total Shareholders' Equity		17,206,520	15,455,268
Total Liabilities & Shareholders' Equity		603,681,295	505,843,737

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 (2013/14).

2. Rial amounts can be converted to USD at CBI reference rate (www.cbi.ir) used for revaluation purposes on the last day of Iranian fiscal year (March 20, 2015)

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



Income Statement

	Note	March 20, 2015	March 20, 2014
		mil. IRR	mil. IRR
Income from Joint Investment:			
Profit ¹ and Penalties	26	48,985,364	36,345,076
Other Incomes	27	232,798	236,082
Sub-total		49,218,162	36,581,158
Minus:			
Depositors' Shares Profit	28	(20,881,860)	(17,459,751)
Surplus Profit Paid to Depositors	28	(12,249,269)	(7,432,374)
Net Profit Paid to Depositors		33,131,129	24,892,125
Bank's Profit Share		16,087,033	11,689,033
Income from Own Investment:			
Profit and Penalties	29	715,600	557,391
Fees and Commissions	30	16,844,534	10,994,007
Other Income	31	298,689	4,985,632
Sub-total		17,858,823	16,537,030
Total Operating Income		33,945,856	28,226,063
Expenses			
Profit Paid (excluding Depositors')	32	(13,818,994)	(8,510,898)
Fees & Commissions Paid	33	(1,640,232)	(1,404,577)
Total Expenses	34	(17,865,814)	(18,322,839)
Other Expenses	35	(517,720)	(535,887)
Total Operating Expenses		(33,842,760)	(28,774,201)
Pretax Profit		103,096	(548,138)
Tax		-	(1,912,000)
Net Profit		103,096	(2,460,138)

Retained Earnings Statement

	Note	March 20, 2015	March 20, 2014
		mil. IRR	mil. IRR
Net Profit		103,096	(2,460,138)
Beginning Year Retained Earnings (Loss)		(284,347)	(3,456,140)
Prior Year Adjustments	36	(3,024,477)	(2,660,356)
Beginning Earnings after Adjustments		(3,308,824)	(795,784)
Allocable Profit		(3,205,727)	(3,255,922)
Minus:			
Required Reserve		(15,464)	(12,208)
Profit Payable to Government		(51,548)	(40,694)
Declared Profit, 0.5 Percent(Housing Act)			
End-year Closing Retained Earnings		(3,272,739)	(3,308,824)

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



Cash Flow Statement

		March 20, 2015	March 20, 2014
Net Cash Flow from Operating Activities	Note 37	mil. IRR 40,408,770	mil. IRR 14,498,993
<u>Investments Return and Profit Paid for Financing Activities</u>			
Dividend Received	26	100,786	104,455
Partnership Bonds Profit	26	17	3,630
Profit Paid for Facilities Received from Banks	32	--	(8,060)
40 % Profit Re. Budget Act		(48,276)	(12,528)
		<hr/>	
Net Cash Flow from Investments and Profit Paid for Financing Activities		52,527	(87,497)
<u>Income Tax</u>			
Income Tax Paid		(633,896)	(1,036,954)
<u>Investment Activities</u>			
Purchase of Direct Investments and Legal Partnerships	13	(17,346)	(69,982)
Disposal of Investments and Legal Partnerships		4,469	--
Purchase of Tangible Fixed Assets	14	(1,215,129)	(1,151,748)
Disposal of Tangible Fixed Assets	32	(41,241)	13,524
		<hr/>	
Net Cash Inflow from Investment Activities		(1,186,765)	(1,208,206)
		<hr/>	
Net Cash Inflow before Financing Activities		38,640,636	12,341,331
<u>Financing Activities</u>			
Repayment of Principal of Facilities Received		(12,000,000)	(828,000)
		<hr/>	
Net Cash Inflow from Financing Activities		(12,000,000)	(828,000)
		<hr/>	
Net Cash Inflow		26,640,636	11,513,331
Profit from Revaluation of FC Cash		(190,978)	(4,664,385)
		<hr/>	
Net Cash Increase	39	26,449,658	16,177,715
Beginning Cash Balance		40,114,193	23,936,478
End-year Closing Cash Balance		66,563,851	40,114,193
<hr/>			
Non-cash Transactions		1,813,000	--
<hr/>			



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 2014-15, BK conducts its banking operations through 1914 branches nationwide.

1.4. Employment

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

2. Basis for Preparation

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

3. Basis to set joint profit on depositors' share

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

4. Significant Accounting Policies and Procedures

4.1. Investments

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



4.2. Tangible Fixed Assets

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

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

Depreciation Calculation Method

Assets	Depreciation Rate	Depreciation Method
Buildings & Installments	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: 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, 2015	March 20, 2014
Cash	2,618,757	2,311,048
CBI's Iran Checks	726,680	658,949
FC Cash	255,784	217,649
Total	3,601,221	3,187,646

6. Due from CBI

mil. RIs	March 20, 2015	March 20, 2014
Demand Deposit with CBI (in FC)	35,547	109,370
Required Reserve	27,514,870	22,042,875
Term Deposits with CBI	152,388	--
Minus:		
Required Reserves of Free-trade Zones' Branches	(659,908)	(712,539)
Total	27,042,897	21,439,706

7. Due from Banks and Credit Institutions

mil. IRR	March 20, 2015	March 20, 2014
Sight Deposits with Domestic Banks (in FC)	959,268	502,479
Term Deposits with Domestic Banks (in FC)	2,148,110	1,352,410
Sight Deposits with Foreign Banks	59,876,753	35,028,676
Qard-al-Hassanh Loans Granted to Banks	1,475	1,806
Clearing of Checks Issued by other Banks	3,234,222	3,507,360
Nostro Account after Clearing	(23,594)	41,305
Sub-total	66,196,234	40,434,036
Exchange of Clearinghouse Notes	(-)	(22)
Total	66,196,234	40,434,014



8. Due from Government

mil. IRR	March 20, 2015	March 20, 2014
Due from Government	80,352,988	58,494,228
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(3,692,345)	(3,053,997)
Deferred Profit of Statutory Facilities Undertaken by Government	--	(302)
Profit Subsidy by Government – Profit Rate Harmonization	(588)	(50,412)
1.5 Percent General Reserves	(1,179,960)	(831,420)
Total	75,480,095	54,558,096

9. Granted Facilities and Due from Public Sector

mil. IRR	March 20, 2015	March 20, 2014
Statutory Facilities, Qard-al-Hassanah	340	108
Non-Statutory Facilities, Mudharabah	12,926	20,176
Non-statutory Facilities, Forward ¹	7,549	9,163
Non-statutory Facilities, Hire Purchase ²	4,110	3,014
Statutory Facilities, Hire Purchase	--	132
Statutory Facilities, Civil Partnership ³	6,871	6,994
Non-statutory Facilities, Civil Partnership	164,164	43,583
Statutory Facilities, Installment Sale	946	1,323
Non-statutory Facilities, Installment Sale	48,220	27,847
Sub-total Current Facilities	245,126	112,340
Overdue Debts on Statutory Facilities	66	35
Overdue Debts on Non-statutory Facilities	1,902	1,223
Sub-total Overdue Debts	1,968	1,258
Arrears on Non-statutory Deposits	1,088	3,797
Arrears on Statutory Deposits	45	11
Sub-total Arrears Debts	1,133	3,808
Bad Debts on Statutory Facilities	485,081	873,489
Bad Debts on Non-statutory Facilities	14,316	19,485
Sub-total Bad Debts	499,397	892,974
Total	747,624	1,010,380
Minus:		
1.5 Percent General Reserve for Bad Debts	(11,067)	(15,032)
Future-year Profit of Facilities	(9,819)	(8,265)
Deferred Profit of Facilities	--	(7)
Total	726,738	987,076

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



10. Granted Facilities and Due from Non-public Sector

mil. IRR	March 20, 2015	March 20, 2014
Statutory Facilities, Qard-al-Hassanah	412,693	1,347,436
Non-statutory Facilities, Qard-al-Hassanah	16,687,820	14,648,879
Statutory Facilities, Mudharabah	1,152	308
Non-statutory Facilities, Mudharabah	5,258,502	5,640,960
Statutory Facilities, Forward	5,602	9,347
Non-statutory Facilities, Forward	7,265,186	5,979,772
Statutory Facilities, Civil Partnership	307,269	423,109
Non-statutory Facilities, Civil Partnership	116,512,750	94,974,957
Statutory Facilities, Jo'aleh	727	1,185
Non-statutory Facilities, Jo'aleh	8,307,160	4,694,201
Statutory Facilities, Installment Sale	1,057,348	1,270,844
Non-statutory Facilities, Installment Sale	202,597,972	167,703,883
Statutory Facilities, Hire Purchase	377,499	480,049
Non-statutory Facilities, Hire Purchase	1,929,931	1,247,292
Factoring ¹ of Notes in Rial	299,622	--
Housing Facilities	30,345,086	27,437,089
Short-term Facilities (in FC)	1,403	--
Medium-term Facilities (in FC)	8,452,961	7,215,326
Granted Facilities (in FC)	--	4,543
Debtors for DCs Reimbursed	82,022	51,535
Debtors for DCs Reimbursed (in FC)	12,708	38,815
Advance Payment for Transactions Properties	1,256	1,748
Work in Progress, Jo'aleh	--	24
Purchased Properties for Installment Sale	--	1,731
Facilities Funded by Bonds of In-progress Projects	7,518	15,678
Sub-total Current Facilities	399,924,187	333,188,711
Overdue Debts on Statutory Facilities	85,262	135,813
Overdue Debts on non-statutory Facilities	4,994,025	5,510,542
Overdue Debts on Facilities (in FC)	401,310	771,498
Sub-total Overdue Debts	5,480,597	6,417,853
Arrears on Statutory Facilities	11	168,762
Arrears on Non-statutory Facilities	8,135	4,822,310
Arrears on Facilities (in FC)	4,843,309	2,159,488
Sub-total Arrears	685,530	7,150,560
Bad Debts on Facilities Granted	5,646,974	1,184,956
Bad Debts on Internal Facilities Granted	1,009,403	21,263
Bad Debts on Facilities Granted (in FC)	--	2,906,825
Bad Debts on L/Gs Paid	2,906,561	100,635
Bad Debts on Statutory Facilities	48,478	764,845
Bad Debts on Non-statutory Facilities	678,178	14,555,275
Bad Debts on Facilities (in FC)	13,956,725	24,241,452
Sub-total Bad Debts	19,115,751	44,371,251
Total	448,766,854	391,128,375
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(61,953,584)	(47,286,205)
Deferred Profit of Facilities and Affiliated Companies	(1,106)	(38,570)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(985,758)	(857,262)
Joint Account for Civil Partnership	(7,144,999)	(9,925,068)
Provisions for Bad Accounts (Public)	(5,609,655)	(4,859,928)
Provisions for Bad Accounts (Non-public)	(11,741,170)	(11,819,802)
On-account Collections of Facilities	(456,895)	(509,595)
Total	360,873,687	315,831,945

11. Debtors for Deferred DCs (in FC)

mil. IRR	March 20, 2015	March 20, 2014
Debtors for Deferred DCs in FC	--	3,372,931
Total	--	3,372,931

1. Bai Dayn or Debt Trade



12. Partnership Bonds and the Like

mil. IRR	March 20, 2015	March 20, 2014
Purchased Balance of Government Bonds	30	29
Total	30	29

13. Investments and Partnerships

mil. IRR	March 20, 2015	March 20, 2014
Legal Partnership ¹ of Non-public Sector (Net Investment)	1,097,721	1,154,839
Investment in Stock Exchange (Net Investment)	18,856	33,323
Direct Investment (Net Investment)	3,997	94,491
Total	1,120,574	1,282,653

14. Fixed Assets

mil. IRR	March 20, 2015	March 20, 2014
Movable Assets	3,476,690	3,061,665
Immovable Assets	7,684,073	8,975,352
Intangible Assets	414,152	412,879
Immovable Assets under Construction	1,231,969	997,278
Renovation & Improvements Costs of Buildings on Lease	50,142	43,096
Capital Advance Payments	50,570	49,416
Sub-total	12,907,596	13,539,686
Minus:		
Depreciation Reserve for Movable Assets	(1,938,067)	(1,678,073)
Depreciation Reserve for Immovable Assets	(1,470,786)	(1,291,737)
Total Depreciation Reserves	(3,408,853)	(2,969,810)
Net Book Value	9,498,743	10,569,876

15. Other Assets

mil. IRR	March 20, 2015	March 20, 2014
Tax Stamp	19,946	17,267
Gold and Silver	2,093	1,677
Inventory	234,228	148,234
Repossessed Collaterals	14,080,961	6,087,570
Temporary Debtors Account ² (CBI Nullified Iran Checks)	2	38
Temporary Debtors Account (in Rls)	13,075,119	7,629,617
Temporary Debtors Account (in FC)	1	146,553
Receivable Profit from Granted Facilities	26,773,883	26,761,208
Total	54,186,233	40,792,164

1. Equity Partnership

2. Nominal Account



16. Others (Temporary Cash in Transit)

mil. IRR	March 20, 2015	March 20, 2014
Assets		
Branches	59,405,219	78,413,992n FCC)''''''e bank's branches ation of APRACA Strategic Plan;
Internal Debtors (in Rls)	6,032,680	5,255,074
Internal Debtors (in FC)	80,272	2,354,232
Current Account with Central Branch	6,662,016	3,231,694
Branches Account (in FC)	--	82,159,355
Forex Transactions Value (in Rls)	--	83,167,747
Sub-total Debtors	72,180,187	254,582,094
Liabilities		
Intermediary Account	55,535,703	71,686,018
Inter-branch Account	4,107,120	2,390,760
Inter-branch Account (in FC)	585,150	2,441,415
Current Account with Free-trade Zone	6,659,009	3,134,843
Intermediary Account in FC	(167,545)	78,219,414
FC Position	505,907	83,167,748
Sub-total Creditors	67,225,344	241,040,198
Minus:		
Total Creditors	(67,225,344)	(241,040,198)
Final Balance	4,954,843	13,541,896

17. Due to CBI

mil. IRR	March 20, 2015	March 20, 2014
Due to CBI as Checking Account Credit	92,217,675	77,098,378
Facilities Received from CBI	9,583,865	21,583,866
National Development Fund	38,328,469	30,096,902
	11,454,643	--
Facilities Received from SWF	17,543,923	27,174,002
Minus:		
Settlement of AIF's Debt to BK	--	(7,000,000)
Total	169,128,575	148,953,148

18. Due to Banks and Credit Institutions

mil. IRR	March 20, 2015	March 20, 2014
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	4,901	14,879
Due to Foreign Banks for Loans in FC	--	71,355
Interbank Funds - Unused	802,961	772,461
Sight Deposits of Iranian Banks	42,615,918	30,993,393
Sight Deposits of Foreign Banks	80,513	24,806
Inter-banks Account	682,292	1,637,832
Total	44,186,585	33,514,726



19. Sight Deposits

mil. IRR	March 20, 2015	March 20, 2014
Qard-al-Hassanah Checking Accounts (in Rls)	41,694,543	40,376,190
Qard-al-Hassanah Checking Accounts (in FC)	180,809	3,306
Directed Funds ¹ - Unused	1,840,950	1,039,007
Bank Checks Sold	1,424,151	4,116,995
Money Orders to the debit of our Account (in Rls)	2	23
Money Orders to the debit of our Account (in FC)	30,105	--
Balances Not Claimed	62,539	56,746
Employees' Savings	1,245,508	956,322
Temporary Debtors Account and Payables (in Rls)	7,698,554	4,662,292
Temporary Debtors Account (in FC)	14,904,449	13,484,358
Sub-total	69,081,610	64,695,239
Minus:		
Payment for Bank Checks Sold (Not-settled)	--	(65)
Total	69,081,610	64,695,174

20. Savings Deposits

mil. IRR	March 20, 2015	March 20, 2014
Qard-al-Hassanah Savings Deposit (In Rls)	25,614,056	25,970,082
Qard-al-Hassanah Savings Deposit (in FC)	1,091,807	1,482,137
Special Qard-al-Hassanah Savings Deposit - Unused	222	197
Total	26,706,085	27,452,416

21. Term Investment Deposits

mil. IRR	March 20, 2015	March 20, 2014
Long-term Deposits	138,854,521	80,023,060
CDs (Public Investment)	14,518,377	19,563,799
Short-term Deposits	67,014,171	64,775,350
Special Short-term Deposits	2,583,349	5,017,662
Term Deposits with Iranian Banks (in FC)	--	1,872,711
Term Deposits with Foreign Banks (in FC)	1,996,540	1,352,411
Minus:		
CDs Unsold and Redemption before Due Date	(3,776,020)	(7,232,803)
Total	221,190,938	165,372,190

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



22. Other Deposits

mil. IRR	March 20, 2015	March 20, 2014
Term Deposits (in FC)	542,003	607,067
Cash Advance Received for DCs - Public	63,631	--
Cash Advance Received for DCs - Private	148,096	139,681
Cash Advance Received for DCs (In FC) - Nonpublic	1,918,491	6,038,325
Cash Advance Received for Domestic DCs - Nonpublic	-	640
Cash Deposits of Guarantees - Private (In RIs)	289,135	183,047
Cash Deposits of Guarantees - (In FC)	105	71
Cash Deposits of Guarantees - Public (In RIs)	5,116	1,143
Cash Advance Received from Customers for other Facilities - Private	370	340
Net of Participation Bonds of In-progress Projects with the Public	76	76
Total	2,967,023	6,970,390

23. Reserves and Other Liabilities

mil. IRR	March 20, 2015	March 20, 2014
Money Orders on Branch (In RIs)	228,539	300,551
Profit Payable to Government	51,548	40,694
Other Reserves	51,179,697	37,049,166
Tax Reserve	1,754,175	2,376,729
Total	53,213,959	39,767,140

24. Dues to Foreign Banks

mil. IRR	March 20, 2015	March 20, 2014
Dues for Acceptance of DCs	--	3,663,285
Total	--	3,663,285

25. Shareholders' Equity

mil. IRR	March 20, 2015	March 20, 2014
Capital	15,282,519	8,021,118
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	4,442,046	10,003,744
Required Reserve	699,919	684,455
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings	(3,272,739)	(3,308,824)
Sub-total	17,226,720	15,475,468
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
Total	17,206,520	15,455,268



26. Profit and Penalties on Facilities

mil. IRR	March 20, 2015	March 20, 2014
Installment Sale	21,749,255	16,944,320
Mudharabah	1,523,759	1,220,126
Civil Partnership	19,383,911	13,256,164
Salaf	1,016,066	1,096,129
Hire Purchase	288,978	224,013
Jo'aleh	1,026,464	327,189
Factoring	4,743	22,596
Gain on Facilities Granted (in FC)	2,285,095	392,947
Sub-total	47,278,271	33,483,484
Commission of Facilities Renewal	53,385	18,958
Sub-total	47,331,656	33,502,442
Penalties Received on Facilities	977,184	2,436,095
Penalties on Facilities Received in Non-public FC	575,052	271,744
Sub-total	48,883,892	36,210,281
Profit on Investments & Partnerships:		
Dividend of Direct Investment and Legal Partnerships	100,786	131,165
Gain on Disposal of Partnerships Equity Shares and Reimbursement from Reserves	669	--
Income from Purchased Partnership Bonds	17	3,630
Sub-total	101,472	134,795
Total	48,985,364	36,345,076

27. Other Income

mil. IRR	March 20, 2015	March 20, 2014
Profit on Required Reserve	232,738	195,603
Profit on Public Deposits	60	40,479
Total	232,798	236,082

28. Net Depositors' Profit

mil. IRR	March 20, 2015	March 20, 2014
Depositors' Profit Share	20,881,860	17,459,751
Surplus Profit Paid to Depositors	12,249,269	7,432,374
Total	33,131,129	24,892,125

29. Profit & Penalties Received

mil. IRR	March 20, 2015	March 20, 2014
Penalties Received on other Claims	570,318	477,445
Profit Received from Deposits	145,282	79,946
Total	715,600	557,391



30. Fees & Commissions Received

mil. IRR	March 20, 2015	March 20, 2014
Commission on Qard-al-Hassanah	397,456	528,690
Commission on Directed Funds	39,506	463
Commission on Facilities Paid to Employees	84,070	80,920
Other Commissions	19,470	14,996
Commission on Banking Services	1,340,122	1,039,272
Commission Received by Branches	1,791,707	1,469,432
Commission on Engaged Resources of Dues from Government	3,196,839	1,964,028
Commission of Bank Services in AIF and Commissions on Resources Engaged	9,975,364	5,896,206
Total	16,844,534	10,994,007

31. Other Income

mil. IRR	March 20, 2015	March 20, 2014
Forex Transactions	(190,977)	4,664,385
Gain on Disposal of Properties Repossessed	208,299	150,373
Rent of Branch Managers' Residential Units	3,936	3,047
Gain on Disposal of Properties	7,114	11,886
Others	270,317	155,941
Total	298,689	4,985,632

32. Profit Paid

mil. IRR	March 20, 2015	March 20, 2014
Profit Paid on Credit Received from other Banks	13,818,994	8,510,898
Profit Paid to Free-trade Zones' Branches	1,458,982	1,458,982
Sub-total	15,277,976	9,969,880
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,458,982)	(1,458,982)
Total	13,818,994	8,510,898

33. Fees & Commissions Paid

mil. IRR	March 20, 2015	March 20, 2014
Miscellaneous Commissions and Fees	1,640,232	1,404,577
Total	1,640,232	1,404,577

34. General Expenses

mil. IRR	March 20, 2015	March 20, 2014
General and Administrative Expenses	5,208,516	4,611,030
Personnel Expenses	10,021,933	8,329,552
Other Expenses	2,635,365	5,382,257
Total	17,865,814	18,322,839



35. Other Expenses

mil. IRR	March 20, 2015	March 20, 2014
Cost of Prizes on Qard-al-Hassanah Savings Account	517,720	535,887
Total	517,720	535,887

36. Prior Years' Adjustments

Item - mil. IRR	March 20, 2015
Correction of Tax Reserve on 2013-14 Performance	(1,912,000)
Correction of Tax Reserve on 2012-13 Performance	(469,771)
Correction of Tax Reserve on Personnel Salaries	(4,664)
Correction of Tax Reserve on Properties Transfer	(1,638)
Correction of Commission Fee of Dues from Government	(38,463)
Correction of Funds Transferable to Capital Account	(2,362)
Correction of Receivable Profit Account	(470,672)
Others	(124,907)
Total	(3,024,477)

37. Consolidating Profit before Income Tax and Net Cash Flow from Operating Activities

mil. IRR	March 20, 2015	March 20, 2014
Profit before Income Tax	103,096	(548,138)
Depreciation Cost	474,312	420,733
Cost of Bad Debts	1,030,718	3,876,348
Profit Paid for Received Facilities	13,818,994	8,510,898
Provision for Shares Depreciation	21,330	4,556
Dividend from Investments and Legal Partnerships	(100,786)	(104,455)
Gain on Disposal of Investments and Legal Partnerships	(669)	--
Gain on Disposal of Fixed Assets	(7,114)	(13,524)
Profit on Partnership Duration	(17)	(3,630)
Net Profit from Cash FC Revaluation	190,978	(4,664,385)
Subtotal	15,530,843	7,478,403
Net Increase / Decrease of Operating Liabilities		
Sight Deposits	4,386,436	12,991,806
Savings Deposits	(746,331)	(795,986)
Term Investment Deposits	55,818,748	28,452,122
Due to CBI and other Banks	17,028,292	68,911,262)
Operational Share of other Liabilities	18,367,940	15,793,449
Reserve Transferable to Capital	1,699,704	67,914
Subtotal	96,554,789	125,420,567
Net Increase/Decrease in Operating Assets		
Claims on CBI	(5,603,191)	(3,777,090)
Partnership Bonds	(1)	211
Payment of Other-banks-issued Checks	273,447	1,784,982
Facilities Granted under Islamic Contracts	(63,361,190)	(94,653,303)
Repossessed Collaterals and Operational Share of Other Assets	(11,572,979)	(7,902,044)
Temporary Cash in Transit – After Advance Payment for Tax	(8,587,053)	(13,852,733)
Subtotal	(71,676,861)	(118,399,977)
Net Cash Flow from Operating Activities	40,408,770	14,498,993



37.1. Net Cash Increase

	Note	March 20, 2015	March 20, 2014	Net Cash Increase
Notes and Coins	5	2,618,757	2,311,048	307,709
CBI Iran Checks	5	726,680	658,949	67,731
Gold & Silver	15	2,093	1,677	416
Balance with Banks after Clearing	7	(23,594)	41,305	(64,899)
FC Deposits with Domestic Banks	7	3,107,378	1,854,889	1,252,489
Balance with Foreign Banks	7	59,876,753	35,028,676	24,848,077
Foreign Currencies (Cash)	5	255,784	217,649	38,135
Total		66,563,851	40,114,193	26,449,658

38. Net Fixed Assets to Shareholders' Equity Ratio

mil. IRR	March 20, 2015	March 20, 2014
Net Fixed Assets	9,732,970	9,959,581
Subtotal	9,732,970	9,959,581
Capital	15,282,519	8,021,118
Funds Transferable to Capital	4,442,046	10,015,952
Required Reserve	699,919	672,247
Reserve for FX Rate Fluctuation	54,775	54,775
Retained Loss	(3,272,739)	(3,308,824)
Total Shareholders' Equity	17,206,520	15,455,268
Net Fixed Assets to Shareholders' Equity Ratio	56,57	64,44

39. Customers' Commitments Re. DCs

mil. IRR	March 20, 2015	March 20, 2014
Customers' Commitments Re. DCs	32,561,332	32,123,555
Total	32,561,332	32,123,555

40. Customers' Commitments Re. L/Gs

mil. IRR	March 20, 2015	March 20, 2014
Customers' Commitments Re. Guarantees and Acceptance (In RIs)	2,878,521	1,733,093
Customers' Commitments Re. Issued Counter L/Gs (in FC)	511,382	1,170,308
Customers' Commitments Re. Issued L/Gs and Acceptance (in FC)	88,687	105,117
Total	3,478,590	3,008,518

41. Other Commitments

mil. IRR	March 20, 2015	March 20, 2014
Customers' Commitments Re. Transactions Contracts (Private)	1,295,603	14,459,135
Customers' Commitments Re. Non-statutory Qard-al-Hassanah (Public)	--	0
Customers' Other Commitments	168,368	14,883,663
Total	1,463,971	29,342,798

42. Directed Funds and the Like

mil. IRR	March 20, 2015	March 20, 2014
Special Qard-al-Hassanah Deposits - Unused	--	40
Directed Funds	11,210,193	19,896,847
Total	11,210,193	19,896,887



Abbreviations and Acronyms

ACH: Automated Clearing House

ADFIAP: Association of Development Financing Institutions in Asia and the Pacific

ADFIMI: Association of National Development Finance Institutions in Member Countries of IDB

AIF: Agricultural Products Insurance Fund

AML: Anti-money Laundering

ATM: Automated Teller Machine

APRACA: Asia Pacific Rural and Agricultural Credit Association

BK: Bank Keshavarzi

bn: billion

CBI: The Central Bank of the Islamic Republic of Iran

CD: Certificate of Deposit

CICA: Confederation Internationale Du Credit Agricole

CIM: Customer Information System

CRM: Customer Relation Management

Dept.: Department

DC: Documentary Credit

E-banking: Electronic Banking

ECO: Economic Cooperation Organization

EUR: Euro

FAIR: Federation of Afro-Asian Insurers and Reinsurers

FAO: Food and Agriculture Organization

FC: Foreign Currency

Forex: Foreign Exchange

FYDP: Five-year Development Plan

GCIBFI: General Council for Islamic Banks and Financial Institutions

GDP: Gross Domestic Product

ha: hectare

IAS: Iranian Accounting System

ICD: Islamic Corporation for the Development of the Private Sector

IDB: Islamic Development Bank

IFSB: Islamic Financial Services Board

Info.: Information

Int'l: International

IPRA: International Public Relations Association

IRFIU: Iran Financial Intelligence Unit

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