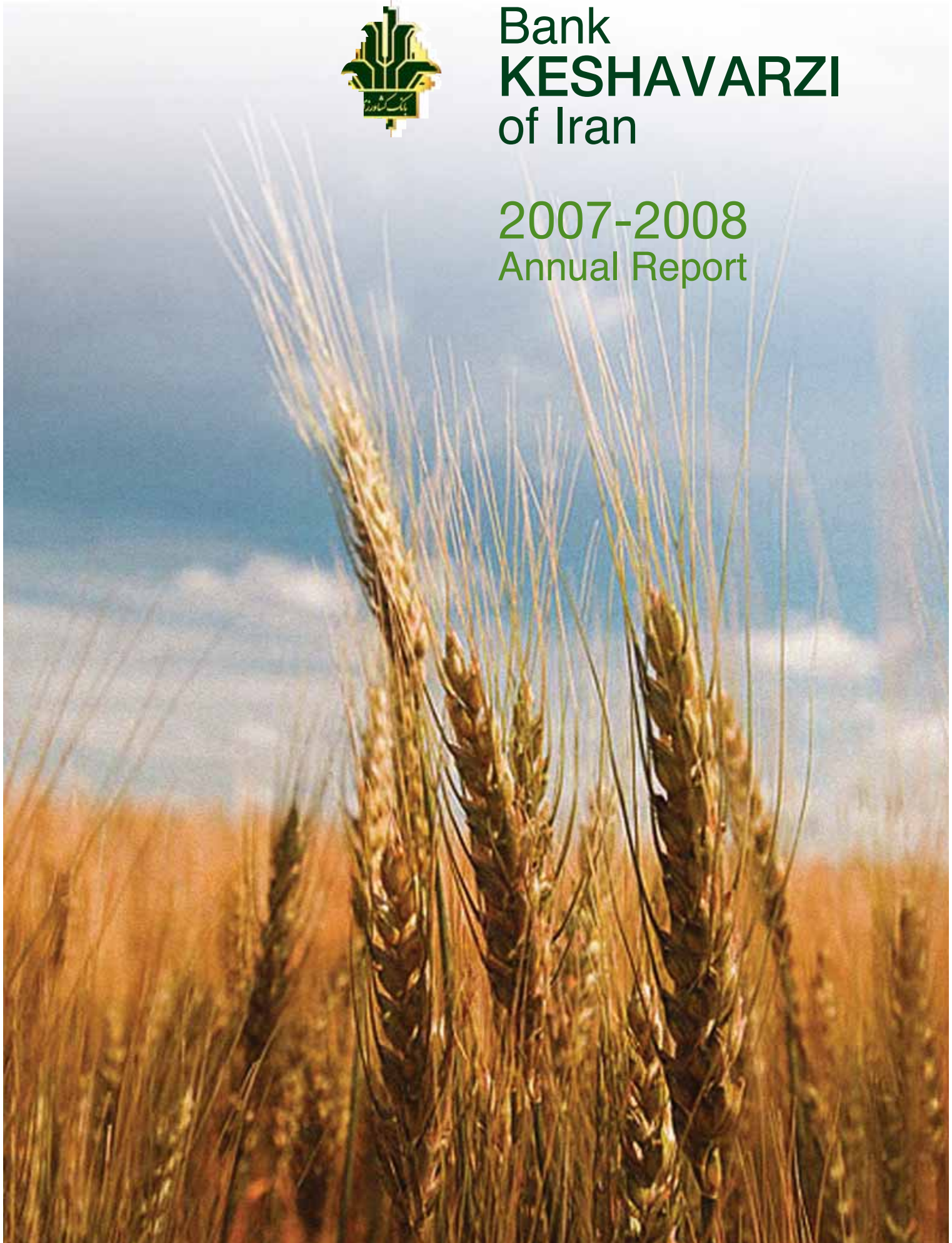




Bank  
**KESHAVARZI**  
of Iran

2007-2008  
Annual Report







## **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.

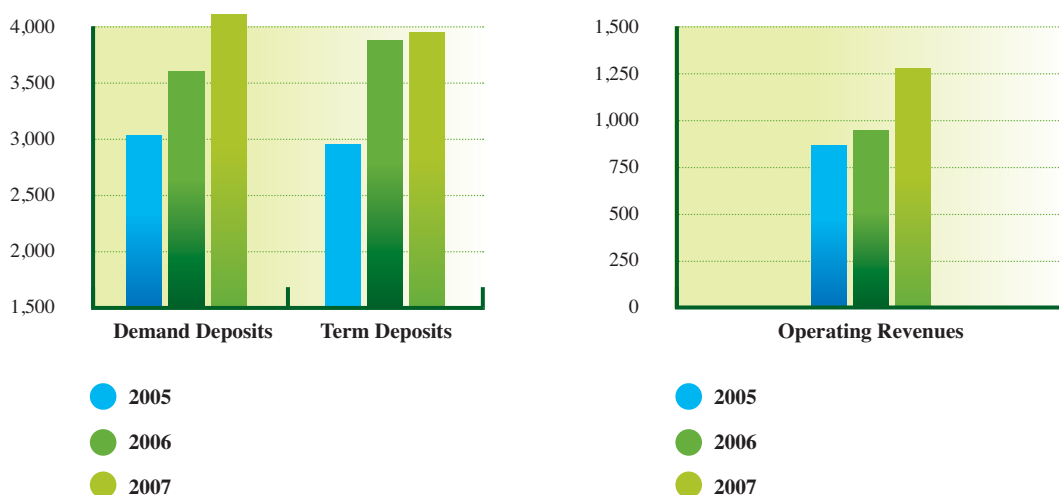
Bank Keshavarzi of Iran, with a history of 75 years, is now considered as a pioneer bank in offering variety of banking services nationwide to the Iranian and international customers. The Bank is specialized in the agriculture sector, striving to contribute effectively to the development and renovation of the Iranian agriculture sector.

## Balance Sheet Highlights

Million US Dollars <sup>1</sup>	2007 <sup>2</sup>	2006	2005
Assets	18,293	15,793	13,135
Liabilities	17,299	14,833	12,095
Demand Deposits	4,173	3,626	3,043
Term Deposits	3,949	3,887	2,962
Shareholders' Equity	994	960	1,040

## Income Statement Highlights

Million US Dollars	2007 <sup>2</sup>	2006	2005
Interest Incomes	969	676	854
Non-interest Incomes	304	250	24
Total Operating Revenues	1,273	926	877
Total Operating Expenses	1,259	959	971
Net Profit Before Taxation	13	(32)	87



<sup>1</sup> Rial amounts above and elsewhere in this report have been converted to US\$, for convenience only, at the rate of Rials 8,956 (Balance Sheet) and Rials 9,249 (Income Statement and Cash Flow) for 1 US\$ for the financial year 2008.

<sup>2</sup> The financial year of Bank Keshavarzi of Iran follows the Iranian calendar year, starting on March 21 of each year and ending on March 20 of the following year. In this report, the year 2007 corresponds to the period of March 21, 2007 to March 20, 2008.



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## Chairman's MESSAGE

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On behalf of the Board of Directors, I am honored to present the annual report of Bank Keshavarzi of Iran, for the year ended March 19, 2008, another successful year in which we met our financial and strategic objectives and made solid progress in improving performance across the entire organization.

The agriculture sector plays a pivotal role in supplying crucial needs of the nation, as well as reaching self-sufficiency, independence, and higher levels of welfare in the society. Bank Keshavarzi of Iran as the only specialized financial institution in the sector, bears an immense responsibility.

To fulfil its inherent and legal obligations, the Bank has always been striving to raise the level of efficiency by utilizing innovative, modern and effective methods. To do so, the Bank considers uplifting productivity through prioritizing integrated electronic banking systems, as well as recognition, simplification, and betterment of working procedures.

In line with strategic objectives of the state for propagation of social justice, rendering high level services, also material and spiritual improvement, the devoted staff of the Bank are committed to develop, expand, accelerate, and facilitate customers' access to all banking products and services, specifically for active individuals and legal entities in the agriculture sector.

Presented statistics, facts, and figures in this report verify attainment to the above-mentioned goals, and major enhancement in all financial and operational measures comparing the previous years. My diligent colleagues follow decidedly the 7-year comprehensive operational plan of the Bank, ratified in 2007. Likewise previous ones, this plan contains variant new measures and processes to prepare all requisites for heaving up the level of customer satisfaction, and strengthen the foundations of the agriculture sector.

In 2007, although much was accomplished, we are constantly reminded that our work is never done and our task has not been accomplished. We have established a healthy base and laid a strong foundation, so that I have never been more optimistic about the future of Bank Keshavarzi. I am confident that such a strong foundation and our past experience will allow the Bank to take full advantage of upcoming opportunities and will strengthen our competitiveness at national and international arena.



On the eve of another successful year, I would like to extend my appreciation to our clients, correspondent banks, the Central Bank of Iran, the Ministry of Finance and Economic Affairs, and the Ministry of Agriculture for their ongoing and loyal support and I would like to thank my colleagues on the Board of Directors for their visionary direction.

My thanks are also due to my senior management colleagues and to all our diligent staff whose commitment, professionalism and dedication defines and guarantees Bank Keshavarzi's success and its promotion to an elevated and highly – appreciated position.

## Mohammad Talebi

**Chairman of the Board of Directors and Managing Director**

# Board OF DIRECTORS

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**Dr. Mohammad Talebi**  
Chairman of the Board and Managing Director



**Mr. Heshmatollah Nazari**  
Member of the Board



**Dr. Habibollah Salami**  
Member of the Board



**Mr. Davar Mahikar**  
Member of the Board



## Iran's AGRICULTURE SECTOR

### Country's Status

Iran is mostly an arid and semi-arid country, with a sub-tropical climate along the Caspian coast. Iran's agriculture sector is dependent on changes in rainfall, and although the government has attempted to reduce this dependence through the construction of dams, irrigation and drainage networks, agriculture remains highly sensitive to climate developments.

The agriculture sector accounts for about 10% of the GDP and employs one-third of the workforce. Almost a quarter of Iran's non-oil exports are agricultural based. An agricultural products' bourse started trading agricultural and related products in the country in 2004.

In 2006, more than US\$ 3 billion of agricultural products were exported, indicating a 28.5% growth compared to the previous year. The growth rate of the export of agricultural products is about 33% ahead of the 4th Five Year Development Plan schedule.

Key data reflecting the potential of Iran's agricultural industry include

- 37 million hectares of productive land,
- 130 billion cubic meters of renewable water,
- wide spectrum of climatic conditions,
- more than 103 million hectares of forests and grasslands,
- 2700 kilometers of water border,
- and diverse genetic reserves,

which have led to the sector's considerable growth. Both irrigated and rain-fed farming are used in Iran. In 2007, more than 13.05 million hectares of land was under cultivation, 50% of which was allocated to irrigated farming and the other half to rain-fed system.

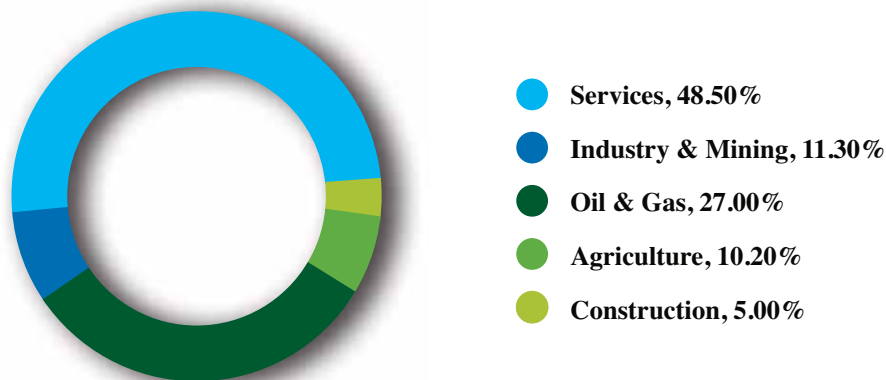
Currently, about 10% of Iran's arable land is suitable for field crop production. The country's most important crops are wheat, rice, other grains, saffron, sugar beets, fruits, nuts, cotton, and tobacco. Iran also produces dairy products, wool, and a large amount of timber. Iran is the world's largest producer of saffron, providing about 40% of output.

Iran's total production of agricultural products amounted to 100 million tons in 2006 and 90 million tons by the end of 2007, showing 3.6% growth compared with the previous year. Of this amount, 73.5 million tons were farming and 16.5 million tons, horticultural product, which showed respectively 3.1% and 6.1% growth compared with the previous year. This has resulted in an increase in imports of different raw materials such as wheat, barley, corn, soy bean, sugar and oilseeds. Iran provides over 80% of total agriculture-food products for its 70 million populations. The country's total agri-product imports reached \$5.3 billion last year. However as a result of the recent drought and the global increase in food prices, these imports are expected to surpass \$8 billion this year. On the other hand, Iran's agriculture-exports were \$3.3 billion during 2007-08, showing an increase of over 20%.

The government continues to gear efforts toward reducing its role in agriculture and encouraging private sector activities and the growth of cooperatives, meanwhile restricting itself to the provision of the infrastructure. The agriculture sector remains favored with state purchase price guarantees and persisting subsidies, in particular for wheat. However, subsidies have been reduced over the last few years and are planned for further reduction and liberation of the market in the next decade.

Based on the Central Bank estimates, the value-added of the agriculture sector grew by 6.2% in 2007, showing a rise when compared with the 4.7% growth of the previous year. Official statistics show remarkable growth in the production of farming, horticultural, and livestock products. This was mainly attributable to increased and well-distributed rainfall as well as rise in banking facilities and government budget resources allocated to this sector.

### Iran 2007 GDP Breakdown



### Fishery Industry

The offshore fishery industry is important in Iran both for domestic consumption and for export, mainly of caviar. The total Iranian fish catch rose from 327 thousand metric tons in the year 1991-92 to about 400 thousand metric tons in 1997-98, 63% of which was from the Persian Gulf and the Gulf of Oman, 20% from the Caspian Sea and the remaining 17% from inland waters. According to Iran Fisheries Organization, total fish caught, amounted to more than 520,000 and 560,000 tons, in 2005 and 2007 respectively.

Fisheries products decreased by 2.5% to 562.4 thousand tons, as compared with the previous year. Of this figure, 65.1% was produced from the Persian Gulf, 26.9% from inland waters, and the remaining from the Caspian Sea. The exports of various fisheries products reached 26.9 thousand tons, worth US\$ 48 million, up by 59.4 and 22.9%, respectively, compared with the previous year. Amount of Rials 4,470 billion has been invested in Fishery sector during 2007.

The government remains committed to increase the annual catch to at least 700,000 tons, by the end of 2010, principally through the development of fisheries in southern waters. The caviar industry, which enjoys a worldwide market, is by far the most developed field within Iran's fisheries sector. Iran, Russia, Azerbaijan, Kazakhstan, and Turkmenistan form a cartel to protect caviar prices and sturgeon stocks in the Caspian Sea, but over-fishing is threatening the industry in recent years. Iran's caviar exports averaged around US\$30 million per year in the 1990s. After one decade this figure incremented to US\$ 40 million, showing a healthy growth trend.



## Agricultural Products in 2007

The variety of climate and temperature fluctuations in different parts of Iran, makes it possible to cultivate a diverse variety of crops. Results show that most of farming and cereals products exceeded the budget during 2007.

	2007 Budget ('000 tons)	2007 Actual ('000 tons)	Realization %
Wheat	15,008	15,887	106%
Barley	3,430	3,104	90%
Grains	701	711	101%
Onion	1,586	2,014	127%
Cotton	458	313	68%
Fodder Products	13,134	15,299	116%
Melon	1,416	1,660	117%



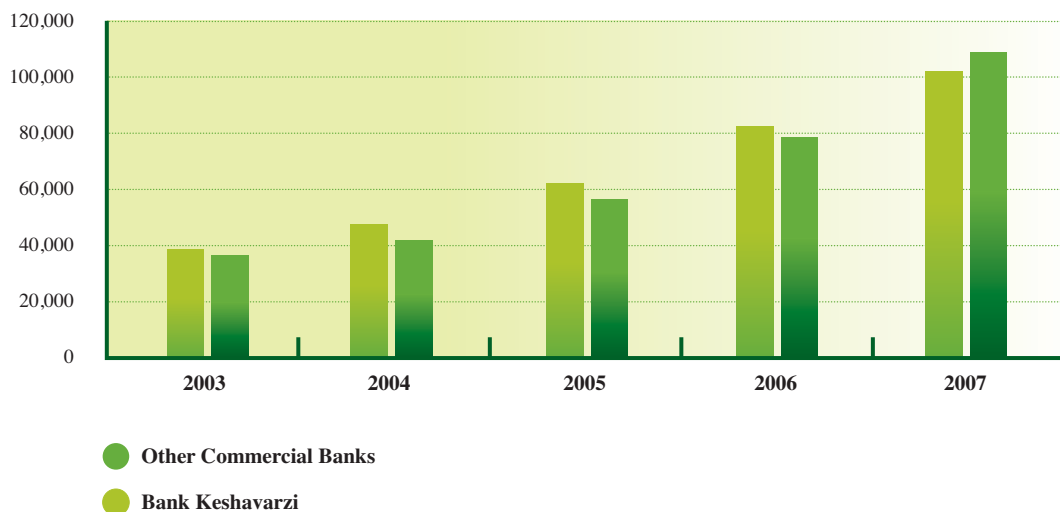
## Government Investment

At the end of 2007, the total outstanding facilities (net) extended by banks and credit institutions to the agriculture sector amounted to Rials 208,600 billion. This indicated 36.2% growth compared with the previous year end. Of this amount, 48% were extended by Bank Keshavarzi and 51.9% by commercial banks. In this year, the share of the agriculture sector in total outstanding facilities (net) extended by the banking system was 14.1%.

The total amount of facilities extended by Bank Keshavarzi was Rials 55,413.5 billion by the end of 2007, up by 4.7% comparing the previous year. Of total credits paid by this bank, 80.3% were from non-statutory resources and the remainder from budget law notes, administered funds and contracts, showing 9.4% increase and 10.9% decrease, respectively, compared with 2006.

## Balance of Extended Facilities to Private Agriculture Sector

(Billion Rials)



Source: Central Bank of Iran

According to the Treasury General, in 2007, acquisition of non-financial assets (development expenditures) for development of «agriculture and natural resources» and «provision of water resources and establishments» amounted to Rials 7,601 billion, down by 35.2% compared with 2006. Meanwhile, the guaranteed purchase price of various farming crops increased up to 50%.

By the end of 2007, Insurance Fund for Agricultural Products insured 1.72 million persons active in farming and horticulture, livestock and poultry, fishery, silkworm rising, and natural resources sub-sectors, indicating 3.4% fall compared with the previous year.

During 2007, 273 thousand tons of agricultural goods, valued at Rials 772.6 billion, were traded on the Agricultural Stock Exchange. Agricultural goods offered and traded on the Agricultural Stock Exchange in this year included corn, barley, soybean meal, sugar, rice, pistachio, raisin, sugar beet residue, feed wheat, and wheat bran.



### Iran's focus areas in the agriculture sector are:

- Low-interest financing 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, technology transfer, which is a required clause in foreign contracts. Foreign loans and investments in the agro sector exceeded US\$ 500 million in 2008,
- Allocation of government loans and financing for agro-industrial projects.

### Horticultural and Livestock Products in 2007

Utilization of advanced technologies, doing numerous research and development projects, and diligence of professional human resources gave rise to achievement of almost all budgeted plans in horticultural products. Real output of strategic products like Date, Citrus, Olive, Apple, and Pistachio went beyond the annual plan.

According to reports of the Central Bank of Iran, livestock and poultry products contribute more than 30% to generated value added in the agriculture sector, as well as about 4.5% of GDP. Moreover, a remarkable portion of active workforce in the agricultural sector, operate in this section. Increase in number of industrialised production units, holding various training courses by corporations and universities in addition to using modern methods, have improved the overall yield.

Based on the data released by the Ministry of Agriculture, livestock products (red meat, poultry, milk and eggs) grew by 6.4% in 2006 and amounted to 10,607 thousand tons. Among these products, poultry enjoyed the highest growth by 10%, while eggs experienced negative growth.

	2007 Budget ('000 tons)	2007 Actual ('000 tons)	Realization %
Red Meat	865	866	100%
Poultry	1,414	1,468	104%
Egg	730	703	96%
Milk	8,301	8,312	100%
Honey	36	36	100%

## Banking INDUSTRY

The pre-revolutionary banking system in Iran was dominated by western patterns. By 1979, there were 36 banks operating in Iran including many international jointly owned banks. Following the Islamic Revolution (1979), to help the banking system of the country flourish, nationalization of all banks was announced.

The need for an effective administration of the nationalized banks, achieving uniformity in granting credit facilities and adopting a unified policy in other key areas, necessitated the grouping of the newly nationalized banks. Therefore, in early 1980 the 36 banks were merged into 9 banks comprising of 6 commercial and 3 specialized banks. Concurrent with nationalization, studies were also being made on islamization of the banking system, which culminated in the 'Law on Usury-Free Banking' ratified by the Parliament in 1983.

Today Iran's banking system is still dominated by 11 state-owned institutions, including seven commercial banks and four specialized banks, which jointly hold approximately 85% of the Iranian banking sector. In addition, there exist six private banks, two private credit institutions, a growing number of credit co-operatives and three Free Zones based branches of foreign banks.

Presently, a major initiative is underway for privatization and modernization of the Iranian banking industry. Banks in line with new macroeconomic policies of the government are gradually reducing interest rates, introducing new banking services and expanding their international network.

The growth of credit granted to the private sector is expected to remain strong, as it has been for several years, rising from 35% of GDP in 2001 to an estimated 51% of GDP in 2005. The inflow of oil revenues inevitably adds liquidity to the financial system. Certain banking reforms permitting an increase in financing are also responsible for higher rates of consumption and private investments.

Lending and deposit rates of state-owned banks are still set annually by the Monetary and Credit Council, but the share of new credit that state-owned banks are allowed to allocate themselves is increasing, and currently stands at 45% with different ceilings for specific sectors in line with the objectives set out in the prevailing five year development plan. Government debt towards the banking sector is low, estimated at about 3% of GDP and 30% of budget revenues in 2007, most of which is domestic. All domestic debt is denominated in local currency.



## Iran's Money Market

During 2007, the banking system succeeded in reducing the trend of inflation growth by maintaining the inflation rate at the level of 18.4%, by controlling total amount of granted facilities and supply of money. During this period total liquidity grew from almost Rials 1,300 billion (US\$ 145 billion) to Rials 1,640 billion (US\$ 183 billion), showing 28% growth. Changes in combination of all deposits bespeak of turning in the tendency of customers from long term investment and current accounts to short term investment accounts.

Monetary base surged by 30.5%, representing a rise of 3.6% comparing the 26.9% rise of the year before. The Central Banks claims on banks, had the highest share in monetary base growth, with 21% growth compared with the previous year. The noticeable rise in Central Bank's claims on banks was mainly due to banks' overdraft from the Central Bank in the review year.

## Total Liquidity Composition

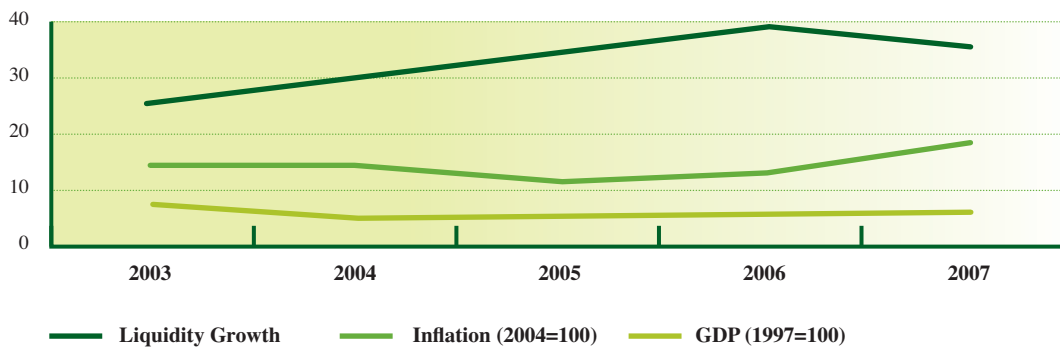
	2007 Million Rials	2006 Actual Million Rials	Growth Percentage
Currency plus Demand Deposits (M1)	535.7	414.55	29.2%
Savings Deposits	152.3	133.5	14.1%
Short term Investment Deposits	495.6	353.6	40.1%
Long term Investment Deposits	420.4	353.4	18.9%
Other Deposits	36.3	29.0	25.0%
Liquidity (M2)	1,640.3	1,284.2	28.0%

Today, the main objectives of macroeconomic policies, in general, and monetary policies, in particular, are price stability, economic growth and a favorable employment level. Since it is hard for policy makers to achieve the ultimate goal directly, determining intermediate objectives and introducing appropriate instruments are deemed necessary. In case of monetary policy, the issue of setting an intermediate objective is often reflected in controlling rate of return and money supply. With the monetary policy aimed at controlling monetary aggregates, attempts are made to prevent monetary expansion, incompatible with liquidity and inflation targets set in the development plans, and to finance productive and investment sectors.

Balance of non-public sector deposits with banks and credit institutions grew by 27.6% (Rials 337,600 billion) to Rials 1,560,400 billion in 2007 year-end. Of this growth, 30.9% was related to private banks and credit institutions. Share of these banks and institutions out of total non-public sector deposits was 19% at end-2007, showing a rise of 3.3% compared with the previous year. This increase was largely attributable to the high (provisional) deposit rates of private banks compared with that of public banks, rise in public confidence in private banks, and low attractiveness of investment in other markets such as the Stock Exchange.

## Major Economic Variables

(Percent)



Source: Central Bank of Iran

## Payment System

The financial sector in Iran witnessed great developments in the payment system in 2007. The Central Bank developed the Real Time Gross Settlement System (SATNA) as the main center for settlement of Iranian banks' transactions in Rial. Upon implementation of the first and second phases of this system in 2006, real time settlement through the interbank information transfer network (SHETAB) and interbank clearing house was started in the review year. Since 2007/08, bank-to-bank and customer-to-customer payments were also settled through SATNA. The Retail Funds Transfer System (SAHAB), launched at end-2006 for real time transfer of a large volume of payments of relatively small value, was further developed in 2007. Moreover, there are further plans to connect Iran's SHETAB to information transfer networks of other countries.





# BANK KESHAVARZI OF IRAN

## PROFILE

Bank Keshavarzi of Iran was established in June 1933, initially entitled “Agricultural and Industrial Bank of Iran”. Later in 1979, following the merger of two old and specialized banks, namely “Agricultural Development Bank” and “Iran Agricultural Cooperative Bank”, the Bank was incorporated, with initial capital of Rials 103,750 million, subject to the resolution of General Assembly of Banks and was called Bank Keshavarzi of Iran from then on.

Bank Keshavarzi of Iran, is now considered as a pioneer bank in offering variety of banking services nationwide to the Iranian and international customers. The Bank is specialized in the agriculture sector, striving to contribute effectively to the development and renovation of the Iranian agriculture sector.

Main goals of the Bank are:

- Granting credit facilities to improve the level of welfare in rural areas,
- Raising the villagers’ average income level,
- Increasing the volume of various agricultural products,
- Establishing and developing of small local industries in villages, according to requirements and conditions of each district,
- Participation in all kinds of activities related to the agriculture sector.

## SERVICES

Bank Keshavarzi renders more than 120 different types of services categorized as follows:

- Qarz-al-Hassanah Savings Accounts,
- Qarz-al-Hassanah Current Accounts,
- Investment Deposit Accounts,
- Granting Different Types of Credit Facilities,
- Consultation, Evaluation, Supervision, Guarantee,
- Drafts, Traveller’s, and Bank Cheques,
- 24 Hours E-Banking Services,
- Insurance Services and Relief Fund,
- International Banking,
- Other Services.

## Mission and **VISION**

### **Mission**

Bank Keshavarzi of Iran is a specialized bank, focusing on the Iranian agriculture sector through offering a broad range of financial services at highest international standards to individuals and corporate customers.

The bank is determined to create value for all shareholders by:

- Creating value in constructive co-operation with the Iranian agriculture sector,
- Improve the wellbeing of the workforce of the agriculture sector and help increase incomes,
- Contribute positively to the development and renovation of the Iranian agriculture sector within the macro framework set by the government,
- Assist in formation and development of small and traditional industries in rural areas,
- Providing financial resources and high quality services to our clients.

### **Vision**

Bank Keshavarzi of Iran aspires to foster its position as ‘bank of choice’ in the Iranian retail banking market, in addition to adding value to the agriculture sector. To support this vision, the Bank is committed to the following values:

- To listen to its customers; their interest comes first,
- To maintain the highest standards of corporate governance and regulatory compliance,
- To entrench a disciplined risk and cost management culture,
- To optimize staff development through business driven training,
- To contribute to the social and economic advancement of the communities in which we work.



## Corporate **SOCIAL RESPONSIBILITY**

Society and economy are interrelated. The welfare of one depends on the health of the other. Bank Keshavarzi of Iran is aware of its influence on people and strives to strike a balance between its interests and those of the broader society.

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The high profile of the banking sector, the involvement of a large number of stakeholders and the political implications of local and global issues make it essential to strike the right balance between the various interests. To Bank Keshavarzi of Iran, sustainability is a pre-condition to retain the required support to realize its business objectives.



## Code of **ETHICS**

In line with our emphasis on the belief to endear humans and to observe ethical principles at work, and in order to institutionalize the socially anticipated working behavior as well as to place value on the public and customers, the code of ethics of Bank Keshavarzi is developed and communicated to all departments, units and branches of the bank as follows:

1. Value creation for the public and customers and achieving their satisfaction as the foremost capital of the bank.
2. Observing discipline, order, respect and politeness in terms of people and customers.
3. Achieving justice and avoiding discrimination as for activities and affairs, aiming at sustaining courtesy for people and customers.
4. Promoting a culture of endearment, responsiveness, problem solving for people and customers and converting it into a dominant corporate value.
5. Observing honesty, trustfulness, secrecy, and preserving customer information.
6. Observing punctuality, responsibility, decent attire, removing extra formalities, and avoiding any waste of time regarding people and customers.
7. Striving to offer collective participation and organized team work to enhance precision, accuracy, quality, and to increase the operation speed and to offer services to people and customers.
8. Striving to offer the best and the most up-to-date types of banking services, especially through the updated electronic banking technologies at the level of global standards.
9. Utilizing useful comments, criticism, and proposals of people and customers as a key opportunity for the bank.
10. Endeavouring to meet customers' needs and expectations as a strategic opportunity for the bank.
11. Demonstrating patience, humbleness, and good manner to keep tranquillity and peace of people in various atmospheres of the bank.
12. Recognizing the values required by customers in various parts of the country and a comprehensive attempt to fulfil whatever required.



## Operational PERFORMANCE

### Islamic Banking Products

The perception held about interest and profit constitutes the basic elements defining Islamic finance and as such financial institutions in Iran.

In Islamic banking, financial resources are mainly raised through the following two products:

#### Qarz-al-Hassanah Accounts

Qarz-al-Hassanah constitutes current and savings accounts (as in the conventional banking system), except that they earn no interest. Holders of current accounts typically receive in combination with the account a cheque-book and use such accounts mainly to effect payment transactions. Savings accounts offer incentives (up to 2%) including one or several of the following: non-fixed prizes and bonuses in cash or in kind (usually in the form of a lottery); an exemption from or a discount in the payment of commissions and fees; and priority in use of banking facilities. Banks are to consider Qarz-al-Hassanah accounts as “their own resources” and required to guarantee their full nominal value.

#### Term Deposits

Banks are authorized to accept various types of investment deposits ranging from short-term (6 months) to long-term (5 years). Although banks can use their capital plus Qarz-al-Hassanah accounts, priority must be given to investment deposits, that is, depositor resources. Banks can also use a combination of their own and depositor resources for granting facilities to a customer. Iranian banks guarantee the owners of term deposits their capital plus a minimum return. On top of this guaranteed return, banks charge a commission for their service. In case the financed activities provide a return in excess of the guaranteed return and the bank’s commission, such excess return is shared between the bank and the depositors. Early withdrawal penalty is chargeable to deposits if they are withdrawn before the minimum time required.

On the lending side, Iranian laws and regulations separate banking products into two categories: partnership contracts and constant profit contracts.

#### 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 profit which results from such an economic activity is shared between the bank and the customer as to the terms of related contract. These contracts consist of:

- a. Civil Partnership:** Under civil partnership contracts, the bank provides funds to a customer (legal or natural person) for a specific economic activity. The customer co-invests in cash or kind. Related profit is shared. Civil partnership contracts can be in the field of construction, production, commerce and the service industry.
- b. Legal Partnership:** In a legal partnership, the bank provides part of the capital of a new company, or buys shares of such company. These contracts are eligible in the fields of construction, production, commerce and the service industry.

- c. Mudarabah:** Under Mudarabah contracts, the bank provides funds which the customer uses for trading. Customers can be legal or natural entities. Usage of the funds is limited to the field of commerce.
- d. Muzara'a:** Under Muzara'a contracts, the bank gives farm land to the customer for a specified duration. The customer works on the farm land and related proceeds are shared.
- e. Musaqaat:** Under Musaqaat contracts, the owner of trees in a garden (the bank) transfers maintenance and harvesting of the trees to an agent (the customer) and related proceeds are shared.

### Constant Profit Contracts

Under these type of contracts, the bank provides the whole or a part of the funding required by its customer for a specific economic activity. As opposed to partnership contracts, the bank's profit is already fixed at the time of signing of the contract and before commencement of the activity. As such, the bank's profit has to be paid by the customer irrespective of the actual profit or loss derived from the funded economic activity.

- a. Installment Sale:** Installment Sale is a contract whereby the bank delivers goods to the customer at a set price. The price is amortized, totally or partially, on predetermined maturity dates, through equal or unequal installments.
- b. Leasing Conditional on Ownership (Hire Purchase Sale):** In this particular type of leasing contract, it is agreed that the lessee, if complying with the terms of the contract, will obtain the ownership of the leased property upon the completion of the contract.
- c. Forward Sale (Salaf):** Forward sale is a contract whereby the bank purchases goods produced by the customer, paying the price in cash, and receiving the goods in the future.
- d. Jua'alah:** Jua'alah refers to the obligation of a person (the customer) to pay a certain sum or fee in return for a certain favor, according to the contract. Acting as an agent, or as contracting party if required, banks may conclude a Jua'alah contract for the purpose of providing facilities required to develop business.
- e. Discounting:** Banks can discount drafts and notes.

Banks are also allowed to use some of their own resources (including Qarz-al-Hassanah funds from customers) to make direct investments. Direct investment is not considered as 'facility', but works on the same principles as partnership contracts.

### Facilities Granted

Bank Keshavarzi of Iran disbursed more than Rials 55,000 Billion (US\$ 5,580 Million) of facilities to the agriculture sector in 2007. This figure shows a 4% growth compared to the previous year, and promises of the will of the bank for provision of required capital for establishment and development of new horizons in the agriculture sector of the economy. The above amount of facilities was granted to more than 1.6 million eligible individuals and legal entities.

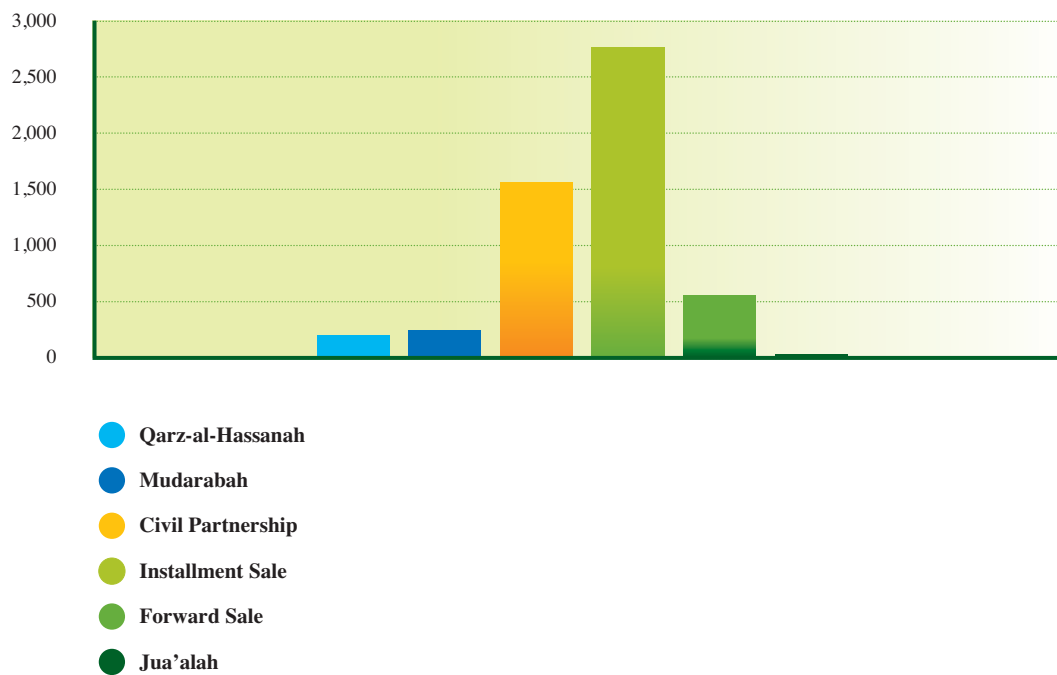


## Breakdown of Facilities on the Sub-division Basis

Subdivision	Total Facilities Million US\$	Share %
Farming and Horticulture	2,350	39.5
Poultry and Animal Husbandry	1,233	20.7
Fishery and shrimp Farming	70	1.2
Agricultural Industries and Services	956	16.1
Handicrafts	96	1.6
Businesses and Services	447	7.5
Industries	65.5	1.1

## Breakdown of Facilities on Type Basis

(Million US Dollars)



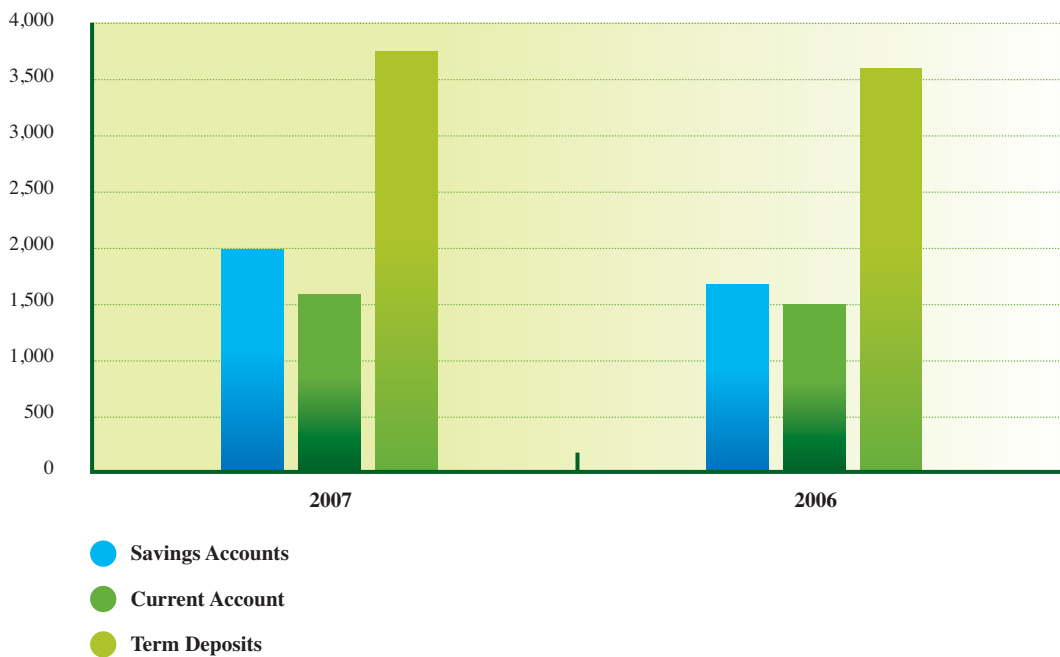
About 52.4% of total granted facilities were allocated for long and medium term investment, while the other 47.6% are disbursed for short term investment and working capital procurement. In 2007, the expected return on the Bank's facilities was 12%. New facilities bear the new profit rates, while old contracts continue to bear higher rates of previous years. Profit is calculated based on the simple annual method.

## Customers' Deposits

In 2007, guaranteed minimum profit rates on term deposits ranged from 9% per annum for short term deposits to 19% per annum for long term deposits. Profit is calculated on a daily basis for both short and long term deposits, and is reimbursed monthly for long term accounts in form of advance payments.

## Customers' Deposits Break Down

(Million US Dollars)





## International BANKING

### Foreign Exchange Performance

In order to diversify banking services and to meet the foreign currency needs of entities and individuals involved in the agriculture sector and elsewhere, Bank Keshavarzi has put enormous efforts into developing international banking services.

Foreign currency services and facilities of the Bank include:

1. Financing production and entrepreneurship projects which are economically and financially justified,
2. Financing reconstruction and renovation projects of the textiles industries offered by the Ministry of Mines and Industries,
3. Foreign currency financing of hotels and tourism industry and other investment projects in the service sector,
4. Promoting Iranian agricultural and other non-oil exports, with special focus on commodities, agro-industrial technical know-how and engineering services, if documentary credit services are offered by internationally well-known banks, creating close relations with correspondent banks and offering other international trade services such as insurance,
5. Procurement of trade centers in export markets of Central Asia and Caucasia,
6. Executing investment projects in productive fields of industry in free trade-industrial zones and special economic zones.

FOREX branches of the bank are prepared to buy and sell commercial, non-commercial and travelling foreign currencies at the managed floating rate under the instructions and regulations set forth by the Central Bank of Iran. The International Department also 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.

During year 2007, US\$ 1,759 million of new credit facilities was ratified to be paid from the national Oil Stabilization Fund to 333 projects. The amount of US\$ 1,245 million was allocated and disbursed to 241 projects, 121 of which (US\$ 327 million) have come to productivity stage.

### International Membership

Bank Keshavarzi of Iran has obtained official membership in the following associations:

- Asia Pacific Rural and Agricultural Credit Association (APRACA), <http://www.apraca.org>
- Confederation Internationale Du Credit Agricole (CICA), <http://www.cica.ws/articles/index.html>
- Islamic Financial Services Board (IFSB), <http://www.ifsb.org>

- Association of National Development Finance Institutions in Member Countries of Islamic Development Bank (ADFIMI), <http://www.adfimi.org>
- Near East and North Africa Regional Agricultural Credit Association (NENARACA), <http://www.nenaraca.org>
- Federation of Afro-Asian Insurers and Reinsurers (FAIR), <http://www.fair.org.eg>

The bank also holds honorary membership in some associations such as:

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP),  
<http://www.adfiap.org>

In addition, the Bank owns shares of stock in some of the international corporations and has established mutual cooperation and close interaction with many international organizations, chief among which are:

- Islamic Development Bank (IDB)
- Food and Agriculture Organization (FAO)
- Islamic Corporation for the Development of the Private Sector (ICD)
- International Islamic Trade Finance Corporation (ITFC)

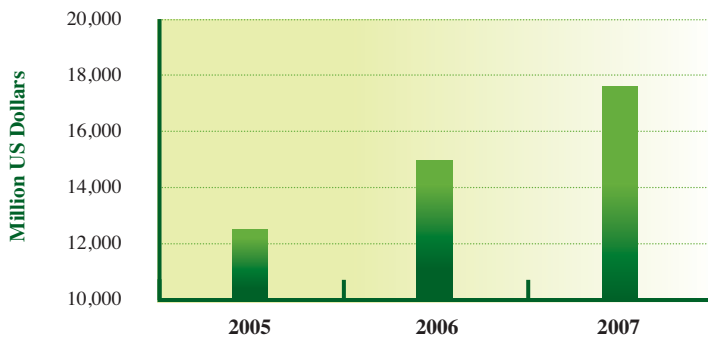




## Financial PERFORMANCE

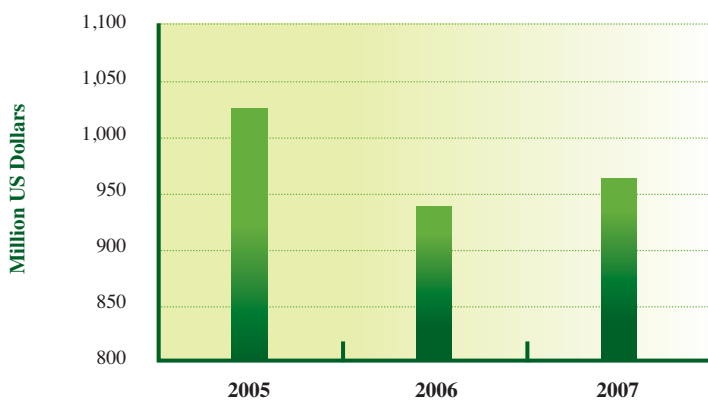
### Total Assets

In 2007, Bank Keshavarzi's total assets rose from Rials 145,236 billion (US\$ 15,793 million) to Rials 163,831 billion (US\$ 18,293 million), showing a 13% growth. This is mostly due to increase in financial facilities granted to private sector, and new investments made.



### Shareholders' Equity

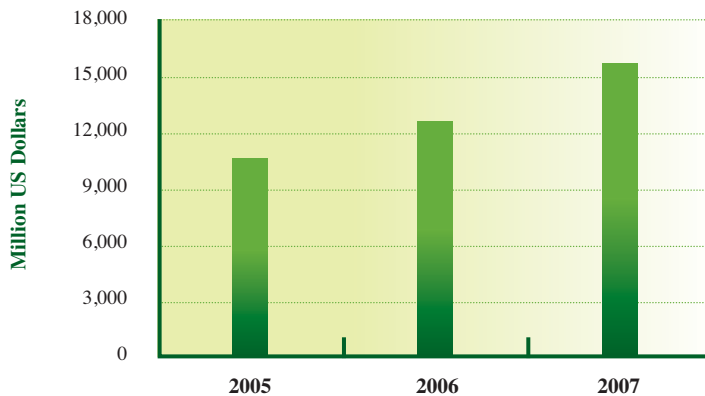
Shareholders' equity of Bank Keshavarzi grew by 1% from Rials 8,832 billion (US\$ 960 million) to Rials 8,906 billion (US\$ 994 million), mainly as a result of increase in Bank's retained earnings.





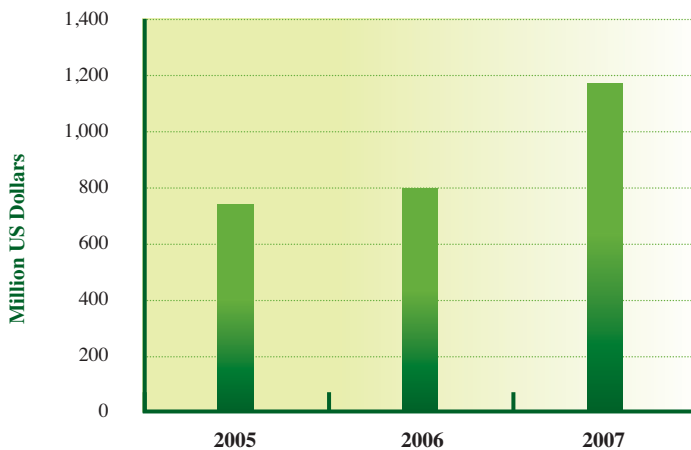
### Total Liabilities

Liabilities of Bank Keshavarzi increased in 2007 by 14% from Rials 136,404 billion (US\$ 14,500) to Rials 154,926 billion (US\$ 17,300), largely as a consequence of growth in amounts due to the Central Bank of Iran, as well as an increase in demand deposits.



### Total Income

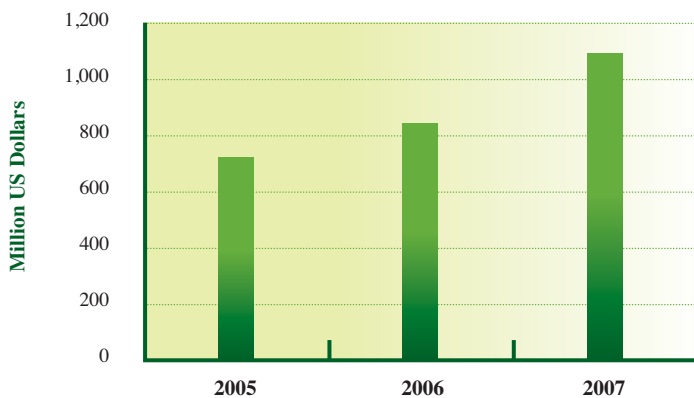
Total Income of the Bank grew by 37% from Rials 8,562 billion (US\$ 923 million) to Rials 11,776 billion (US\$ 1,273 million) in 2007, mostly as an uplift in interest revenues received during the year.





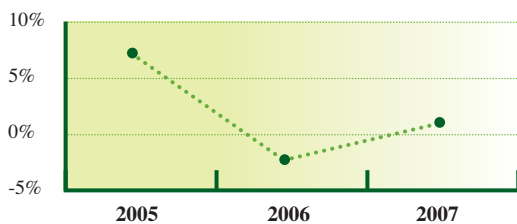
## Total Expenses

Bank Keshavarzi's total expenses rose by 30% from Rials 8,652 billion (US\$ 926 million) in 2006 to Rials 11,643 billion (1,273 million) in 2007. The rise of expenses is largely a result of increase in foreign exchange losses. Nevertheless, by tactful management and control of expenses during the year, the profit figure of the bank shows a fantastic growth, comparing 2006.

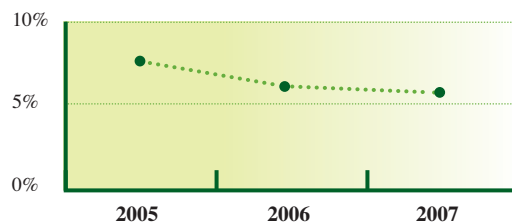


As a result of the above-mentioned improvements, key ratios indicating the financial health and strength of Bank Keshavarzi of Iran improved. Return on Investment and Return on Assets have improved to show not only higher profitability, but also higher efficiency in the utilization of resources and assets. Also the Equity to Assets ratio demonstrates a steady and sound structure in the financial statements of the Bank.

## Return on Investment Ratio



## Equity to Asset Ratio



# OUTLOOK

- **Value Creation through Customer Relationship Management (CRM):** Customer satisfaction is one of the most fundamental ruling values in our Bank. Bank Keshavarzi team strives not only to satisfy all customers, but to meet the highest level of their consent.
- **Establishing Sustainable Competitive Advantage:** Banking industry in Iran is on the privatization agenda of the government in near future. Competition is the direct result of privatization. Therefore, to maintain its position, Bank Keshavarzi of Iran has arranged diverse plans to manage and modify expenses, elevate productivity level, render a wide spectrum of products and services orientated with customer needs, and diversify revenues.
- **Staff Enrichment:** Developing human resources qualifications through a learning organization is also one of core values of human resources department of the Bank. The more satisfied and qualified are the staff, the more loyalty and commitment they demonstrate.
- **Flexible and Agile Organization:** Customers are the unique wellspring and principal focus of the Bank's profitability and existence. To come up to their utmost approval, function of branches must become more efficient, organizational levels must be decreased, and bureaucracy ought to be dwindled. Swifter communications in organisational chain will make the path of serving customers smoother.
- **Ranking in International Arena:** Bank Keshavarzi of Iran aspires to present its abilities and capabilities to international monetary and financial associations to prepare the way for starting organised operation in international markets. Recently made international market appraisals of the Bank promises of a desirable future in this field.
- **Cost Management:** To maximize profitability and vindicate all stakeholders' interests, strict implementation of rules and regulations, cost optimization management, and thriftiness are main objectives of the Bank for coming years.



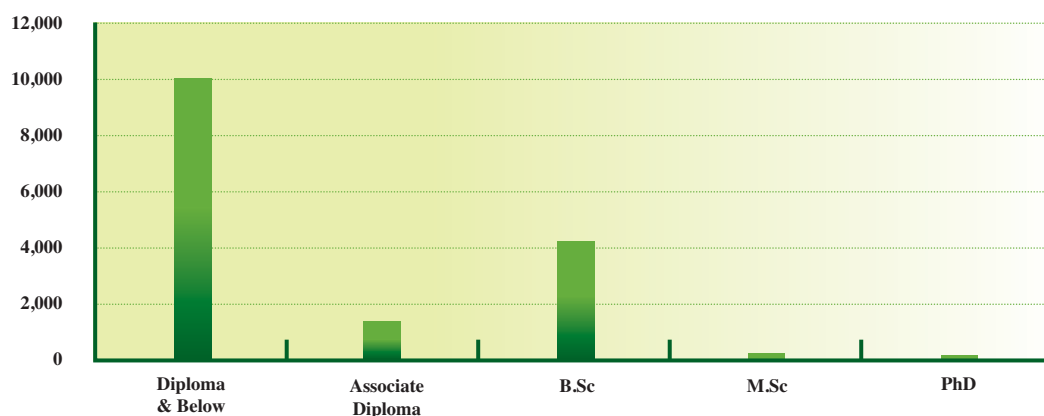
## Human RESOURCES

For Bank Keshavarzi a good employee needs to have a positive attitude, a creative spirit, and the ability to contribute effectively in an organizational setup. Certain traits, summarized as follows, exemplify these qualities for success in the financial services sector.

- First and foremost an outstanding educational background and for more senior positions, an impeccable professional track record. Bank Keshavarzi only recruits candidates with a university degree in a relevant field of studies, who have gained a minimum acceptable GPA.
- Of benefit to the Bank are strong inter-personal skills, an open-mindedness, and keen cultural awareness.
- We also look for persons who possess a spirit suited to serving others with grace and respect, ready to set standards of service excellence in the Iranian banking industry.
- Last but not least, efficiency, flexibility, and openness to technological innovation are of essence to face the daily challenges in the financial services sector.

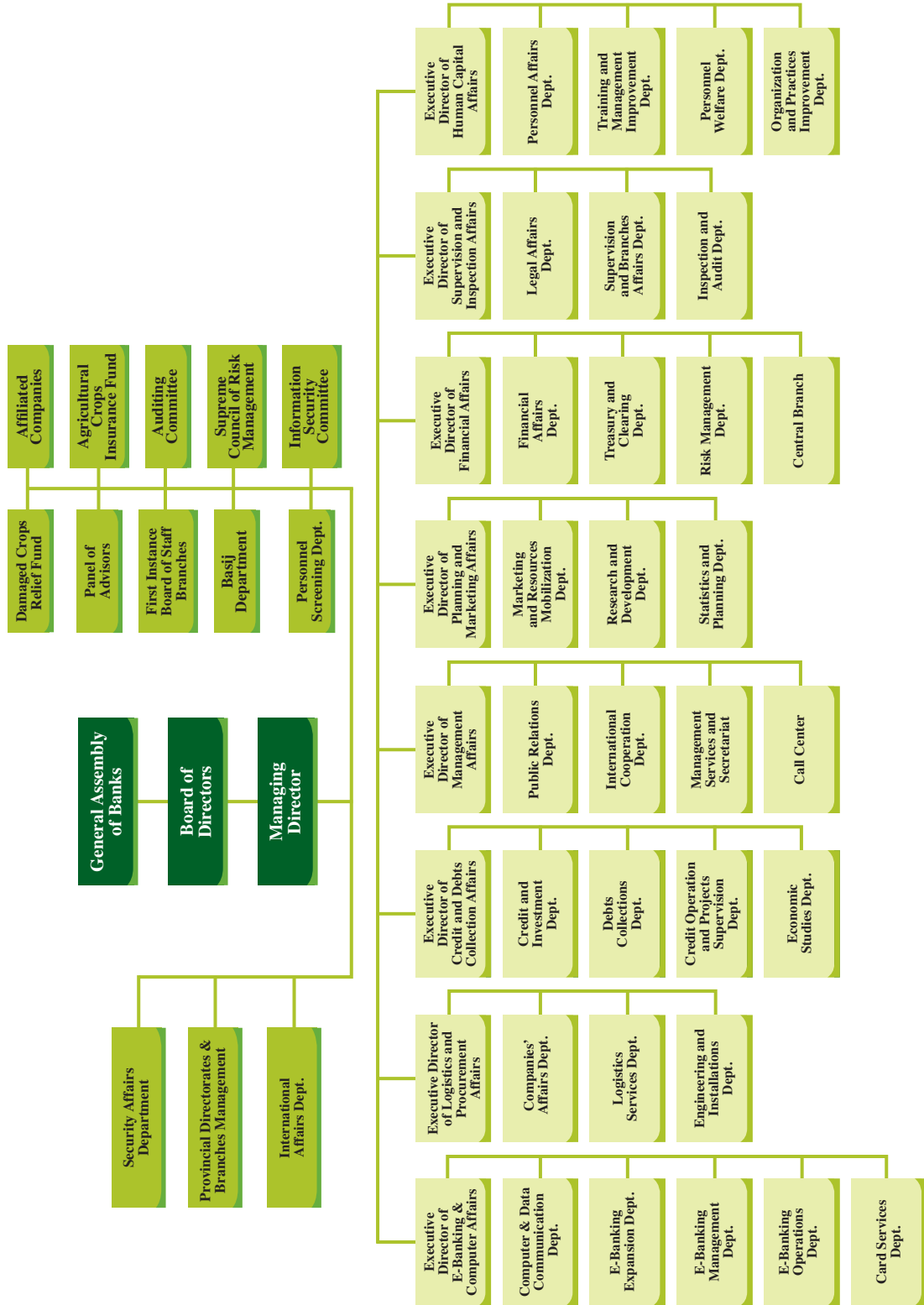
The number of Bank's staff was 16,115 at the end of 2007. Notwithstanding huge expansion in the volume of the Bank's operations, only 2.6% increase in number of staff compared to the previous year bespeaks of great endeavours made for boosting the level of productivity amongst personnel.

### Human Resource Breakdown



Following the strategic goal of the bank to promote the level of professional knowledge, expertise, and commitment within all organizational levels, more than 65,000 man-hours of various training and development courses were held during 2007, among which economic and financial planning, analysis and appraisal, financial and liquidity management courses have been of greater importance.

# Organization CHART





## 2007 HIGHLIGHTS

### Pressurized Irrigation System and Drainage Plan

Water is the most restricting factor in Iran's agriculture sector. Providing sufficient supply of water for a great area of the country has always been a great concern of all governments. Utilising advanced irrigation systems will improve the level of productivity notably. In line with this, 18,172 related plans have been granted facilities amounting about US\$ 400 million.

### Electrifying Agricultural Wells Plan

Aimed at reducing exploitation of fossil fuels, controlling environmental pollutions, and reducing FOREX costs, the bank started this national project in 2007, with cooperation of Ministry of Petroleum and Ministry of Agriculture. In order to do so, the Bank granted US\$ 367 million to 60,465 appropriate projects.

### Employment of Agricultural Graduates Plan

Bank Keshavarzi believes that one of the most significant factors influencing development and prosperity of agriculture sector is taking on graduates of various agricultural fields. Furthermore, this will shrink the rate of unemployment, and raise station of productivity and efficiency. Some 7,752 graduates were granted financial facilities amounted to some US\$ 143 million during the year of this report.

### Mechanization

Developing mechanization proportionate to macro – agricultural policies, will transform traditional cultivation patterns to modern ones. In recent years, farmers were unable to purchase advanced instruments and machinery, due to highly inflated cost prices.

### The Bank's Granted Facilities for Purchasing Agricultural Machinery

	Number	Amount (Million US Dollars)
Tractor	9,283	107
Combine	510	17.2
Tiller	1,396	3.2
Thresher	232	0.7
Other Agricultural Instruments	17,343	67.5
Other Agricultural Machineries	883	22.4
Total	29,647	217

## Main **AFFILIATED COMPANIES**

### **Agricultural Crops Insurance Fund**

This fund was established by a legislation of the parliament in 1983. The main goal of this institute is to provide necessary supports for agriculture, farming, forest farming, animal husbandry and poultry, and fishery, as well as shrimp and bee farming industries and related activities to those.

In recent years, the following policies have been considered for making the role of insurance in the aforesaid industries, stronger:

- Expanding the extent of insurance to investment activities and production functions,
- Diversifying insurance services and tariffs,
- Modifying and privatizing the brokerage companies,
- Cooperation with other insurance companies,
- Developing the draught insurance throughout the country,
- Price and Income insurance services.

### **Agricultural Lands Development Company (Land Bank)**

Bank Keshavarzi founded the Land Bank in 1992 to conduct a part of deposits directly to agricultural development activities.

Establishment and development of lands, performing detailed designs for optimum exploitation, preparing executive plans for rehabilitation and modernisation of lands, construction of animal husbandry, fishery and shrimp farming complexes, processing and complementary industries are of main responsibilities of this bank.

Chief among the other affiliated companies are:

- **The Bank Brokerage Company**
- **Foreign Exchange Services Company**
- **Damaged Crops Relief Fund**

Financial  
**STATEMENTS**

## Excerpt from **THE AUDITORS' REPORT**

To the Annual General Assembly of shareholders of Bank Keshavarzi of Iran:

1) The Balance Sheet of Bank Keshavarzi of Iran as of March 20, 2008 together with the Profit and Loss and Cash Flow statements and explanatory notes for the financial year ended at the same date, which were prepared and approved by the Board of Directors, have been audited by this Organization. The Board of Directors of the Bank shall be responsible for the prepared financial statements and the responsibility of this Organization is to comment on the said statements on the basis of the performed audit and to report cases of non-compliance with the legal requirements of the Amended Commercial Code, Banking and Monetary laws and the Banks' Articles of Association.

2) Except for limitations mentioned in clause 3 hereof, the audit by this Institute has been accomplished, based on auditing standards. According to these standards, this Institute has programmed and performed an audit to ensure the non-existence of significant errors and distortions. The audit included random checks of evidence 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. This Institute believes that the performed audit produced a reasonable base of opinion on the financial statements.

3) All transactions according to Amendment 129 of the Commercial Code, performed during the year and reported by the Board of Directors to this Organization, have been stipulated in note 49 to the financial statements. Transactions made with affiliated companies are also applicable to the above mentioned article and are investigated thoroughly. These transactions are made by verification of the Board of Directors and clauses of the mentioned article based upon non - participation of related manager in voting have not been followed. Nevertheless, this Institute has not found any evidence for non-compliance of the transactions (except for transactions relative to Support Service Company, which are made according to specific mutual relations) with prevailing business procedures in operations of the Bank.

4) This Organization has examined the Board of Directors' report which has been prepared for presentation to the General Assembly. In the course of its audit, this Institute has not noticed any material difference between the content of said report and those documents and evidence provided by the Board of Directors.

**August 21, 2008**

### **State Audit Organization**

**Hamid Reza Asghari**

**Bahram Sadooghian Zadeh**

## Balance SHEET

	Note	March 20, 2008		March 20, 2007	
		mln IRR	mln USD	mln IRR	mln USD
<b>ASSETS</b>					
Cash and Bank	4	546,141	61.00	472,183	51.35
Required with the Central Bank	5	7,945,012	887.12	7,188,996	781.75
Due from Banks and Credit Institutions	6	7,701,642	859.94	5,518,390	697.31
Due from Government	7	2,065,243	230.60	4,225,607	459.50
Granted Loans and Due to the Government	8	1,875,655	209.43	115,847	12.60
Granted Loans and Due from the Private Sector	9	109,497,190	12,224.12	93,624,486	10,181.00
Debtors of Foreign Deferred Letters of Credit	10	2,778,634	310.25	3,108,581	338.04
Partnership Bonds	11	665,410	74.30	1,041,426	113.25
Investments and Partnerships	12	709,973	79.25	325,331	35.38
Fixed Assets	13	7,822,166	880.10	7,150,477	777.56
Other Assets	14	22,224,121	2,481.48	20,367,637	2,260.40
Items in Transit	15			2,097,627	228.10
<b>Total Assets</b>		<b>163,831,187</b>	<b>18,292.90</b>	<b>145,236,588</b>	<b>15,793.45</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
Due to the Central Bank	16	37,570,311	4,194.99	25,502,585	2,773.23
Due to Banks and Credit Institutions	17	5,753,794	642.45	9,086,412	988.08
Demand Deposits	18	37,371,880	4,172.83	33,340,753	3,625.57
Savings Deposits	19	19,839,188	2,215.18	17,864,448	1,942.63
Term Investment Deposits	20	35,366,795	3,948.95	35,745,289	3,887.05
Other Deposits	21	520,348	58.10	574,652	62.49
Ongoing Projects Partnerships		884,289	98.74	825,933	89.81
Other Liabilities and Provisions	22	11,709,294	1,307.42	10,062,924	1,094.27
Due to Foreign Banks	23	2,924,326	326.52	3,401,270	369.86
Items in Transit		2,984,387	333.23	0	
<b>Total Liabilities</b>		<b>154,924,612</b>	<b>17,298.41</b>	<b>136,404,266</b>	<b>14,833</b>
<b>SHAREHOLDERS' EQUITY</b>					
Capital	24	8,021,118	895.61	8,021,118	872.24
Reserves		690,601	77.11	672,000	73.08
Retained Earnings		194,856	21.76	139,203	15.14
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>163,831,187</b>	<b>18,292.90</b>	<b>145,236,588</b>	<b>15,793.45</b>
<b>Below the Line Items</b>					
Commitments Regarding Letters of Credit	38	7,238,445	808.22	4,027,504	437.96
Commitments Regarding Letters of Guarantie	39	929,730	103.81	702,587	76.40
Customers' Other Commitments	40	18,809,756	2,100.24	9,511,885	1,034.35
Managed Funds	41	16,411,036	1,832.41	13,847,107	1,505.78

## Income STATEMENT

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	Note	March 20, 2008		March 20, 2007	
		mln IRR	mln USD	mln IRR	mln USD
<b>Income from Joint Investment:</b>					
Interest and Penalties	25	13,607,257	1,471.21	9,926,910	1,073.99
Other Income	26	83,643	9.04	61,892	6.70
<b>Sub-total</b>		<b>13,690,900</b>	<b>1,480.25</b>	<b>9,988,802</b>	<b>1,080.69</b>
Depositors Profit		4,795,537	(518.49)	(3,402,136)	(368.08)
Surplus Profit Paid to Depositors		144,728	(15.65)	(561,013)	(60.70)
<b>Net profit Paid to Depositors</b>	27	<b>4,940,265</b>	<b>(534.14)</b>	<b>(3,963,149)</b>	<b>(428.77)</b>
<b>Bank's Profit</b>		<b>8,750,635</b>	<b>946.12</b>	<b>6,025,653</b>	<b>651.92</b>
<b>Income from Own Investment:</b>					
Interest and Delay Penalties	28	293,293	31.71	289,110	31.28
Fees and Commissions	29	2,093,406	226.34	2,005,132	216.94
Other Income	30	629,141	68.02	242,217	26.21
<b>Sub-total</b>		<b>3,015,840</b>	<b>326.07</b>	<b>2,536,459</b>	<b>274.42</b>
<b>Total Bank Income</b>		<b>11,766,474</b>	<b>1,273.27</b>	<b>8,562,112</b>	<b>926.33</b>
Profit Paid	31	(3,890,542)	(420.64)	(3,225,889)	(349.01)
Fees & Commissions Paid	32	(364,262)	(39.38)	(275,900)	(29.85)
General Expenses	33	(6,769,233)	(731.89)	(4,886,895)	(528.71)
Other Expenses	34	(618,764)	(66.90)	(470,994)	(50.96)
<b>Total Expenses</b>		<b>(11,642,801)</b>	<b>(1,258.82)</b>	<b>(8,859,679)</b>	<b>(958.53)</b>
<b>Profit before Taxation</b>		<b>123,673</b>	<b>13.37</b>	<b>297,567</b>	<b>(32.19)</b>
Tax		0	0.00	(79,184)	(8.57)
<b>Net Profit</b>		<b>123,673</b>	<b>13.37</b>	<b>(376,751)</b>	<b>(40.76)</b>

## Statement of **RETAINED EARNINGS**

	Note	March 20, 2008		March 20, 2007	
		mln IRR	mln USD	mln IRR	mln USD
Net Profit		123,673	13.37	(376,751)	(40.76)
Retained Earnings at the Beginning of the Year		954,251	103.17	303,935	32.88
Prior Year Adjustments		(815,048)	(88.12)	357,856	38.72
Adjusted Earnings at the Beginning of the Year	35	139,203	15.05	661,791	71.60
<b>Allocable Profit</b>		<b>262,876</b>	<b>28.42</b>	<b>285,040</b>	<b>30.84</b>
<b>Minus:</b>					
Legal Reserve		(18,551)	(2.01)	(39,402)	(4.26)
Payable Profit to Government (40%)		(49,469)	(5.35)	(105,122)	(11.37)
0.5% Declared Profit		0	0.00	(1,313)	(0.14)
<b>Retained Earnings at the End of the Year</b>		<b>(194,856)</b>	<b>(21.07)</b>	<b>139,203</b>	<b>15.06</b>

## Cash Flow STATEMENT

	Note	March 20, 2008		March 20, 2007	
		mln IRR	mln USD	mln IRR	mln USD
<b>Net Cash Flow from Operating Activities</b>	36	<b>2,975,017</b>	<b>332.18</b>	<b>(532,455)</b>	<b>(57.90)</b>
<b>Investments Income:</b>					
Dividend Received		38,700	4.32	17,918	1.95
Partnership Bonds Profit		238,796	26.66	123,379	13.42
<b>Cash Flow from Investments Income</b>		<b>277,496</b>	<b>30.98</b>	<b>141,297</b>	<b>15.37</b>
<b>Income Tax:</b>					
Income Tax Paid		33,336	3.72	(79,184)	(8.61)
40% Profit According to Article C Note 1 of 2006 Budget Act		(49,469)	(5.52)	(106,435)	(11.57)
<b>Investment Activities:</b>					
Purchase of Direct Investments and Legal Partnerships		(376,913)	(42.08)	11,049	1.20
Disposal of Direct Investments and Legal Partnerships		(19,945)	(2.23)	(6,832)	(0.74)
Purchase of Tangible Fixed Assets		(856,985)	(95.69)	(277,063)	(30.13)
Disposal of Tangible Fixed Assets		7,593	0.85	5,447	0.59
<b>Cash Flow from Investment Activities</b>		<b>(1,246,250)</b>	<b>(139.15)</b>	<b>(267,400)</b>	<b>(29.08)</b>
<b>Cash Flow before Financing Activities</b>		<b>1,990,130</b>	<b>222.21</b>	<b>(844,177)</b>	<b>(91.80)</b>
<b>Financing Activities:</b>					
Capital Increase					
Legal Reserve					
Principal & Interest Repayment					
Cash Flow from Financing Activities					
<b>Net Cash Flow</b>		<b>1,990,130</b>	<b>222.21</b>	<b>(844,177)</b>	<b>(91.80)</b>
Foreign Exchange Gain / (Loss)		23,205	2.59	66,150	7.19
<b>Net Cash Increase</b>		<b>2,013,335</b>	<b>224.80</b>	<b>(778,027)</b>	<b>(84.60)</b>
Cash Balance at the Beginning of the Year		1,352,762	151.05	2,130,789	231.71
<b>Cash Balance at the End of the Year</b>	37	<b>3,366,097</b>	<b>375.85</b>	<b>1,352,762</b>	<b>147.10</b>

## Notes to the **FINANCIAL STATEMENTS**

### **1. Basis for Preparation**

These financial statements have been prepared based on the historical cost convention in accordance with prevailing generally accepted accounting principles and standards and the Monetary and Banking Regulations.

### **2. Benchmark for Determination of Joint Profit of Depositors**

According to implementation of the 'Law on Usury-Free Banking' ratified in August 30, 1983 rules and regulations related to this law and paying attention to the Central Bank Circular 1799 dated April 7, 2003, revenues earned from granting financial facilities, investment in stock exchange and bonds recognizable through accounting procedures for the bank, will be treated as joint earning with depositors and dividend payable to them will be determined proportionate to usage of their capital in operations.

### **3. Significant Accounting Policies**

#### **3-1- Investments**

##### **3-1-1- Method of Appraisal**

- Long term investments will be estimated on the basis of sales minus individual investment permanent value reduction reserves.
- Highly liquid short-term investments of the Bank are assessed at the lower of cost price and market value of total investments. Other short-term investments are assessed on an individual basis at the lower of cost price and market value.

##### **3-1-2- Income Recognition**

- The dividends received from subsidiaries and affiliated companies shall be accounted for upon approving of the financial statements in the AGM of shareholders of the investee company (until the financial statement's approval).
- The dividends received from other investments including short term and long term ones shall be accounted for at the time of Approving in the AGM of shareholders of the investee company.

#### **3-2- Tangible Fixed Assets**

**3-2-1- Tangible fixed assets**, except the item mentioned below in note 4-2-2, are recorded at cost price. Renovation and substantial repairs, which significantly increase the capacity or useful lifetime of the fixed assets, are considered as capital expenditures and are depreciated over the remaining useful lifetime of such assets. Maintenance expenses and minor repairs are considered as current expenses, under profit and loss Account.

**3-2-2- Intangible capital assets** at the end of the year 2004, following the article 62 of Third Development

Plan, were devalued by an amount of IRR 3,450 billion. The adjustments are recognized as assets and capital increase by an amount of IRR 3,450 billion.

3-2-3- With respect to decree 1077, issued by the Monetary and Credit Council in 2006, depreciation of fixed assets are calculated based on depreciation schedule pursuant to article 151 of the direct taxation Act as bellow:

Assets	Depreciation Rate	Depreciation Method
Buildings & Equipments	7%	Declining - Balance
Motor Vehicles	30% ,35% ,25%	Declining - Balance
Fixtures & computer Hardware	years 10	Straight line
P.C Hardware	years 3	Straight line

The depreciation at revaluated buildings of the bank at the end of 2004 is calculated with the schedule pursuant to note 10, Article 151 of the Direct Taxation Act at the rate of 3.5 percent and declining procedure.

### 3-3- Goodwill on commercial branches of the bank

Goodwill on commercial branches of the Bank entered into the account book on the basis of implementation of clauses of article 62 of the Third Development Program in 2003. Based on Money and Credit Counsel, depreciation of banks' assets should be calculated according to depreciation table subject to clause 151 of Direct Law Tax. Therefore, from March 21, 2006, no depreciation would be calculated for goodwill.

### 3-4- Income recognition

Income of granted facilities calculated based on Islamic Banking Principles and according to the ratification of Money and Credit Counsel until March 20, 2004 using cash method. From March 21, 2004 and in conformity with accounting standards, all revenues of the bank have been calculated based on accrual method an entered into the book of accounts.

### 3-5- Exchange Rate

#### 3-5-1- Foreign Currency Transactions

Monetary assets and liabilities, denominated in foreign currencies on the balance sheet date, are translated at the official exchange rate prevailing on that date. Non – monetary items are conversed at the exchange rate in the transaction date. The differences arising from settlement or conversion of monetary items are recognized as Revenue and expenses of occurrence period.

### 3-6- Provision for Doubtful Debts

In line with the prevailing banking regulation, as administered and enforced by the Monetary and Credit Council dated 12/30/2006, and 2/17/2007, all banks are required to set aside 1.5% (by the end of 2005-06 an equivalent of 2%) of their loans as a general provision for doubtful debts except for loans which are taken into account in the specific provision.

Specific Provision is calculated as follows:

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

### 3-7- Provision for Work Termination Benefits

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

### 3-8- Due from the Government

Mandatory granted facilities, which are guaranteed by the Planning and Management Organization of the country, 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.

## 4. Cash and Bank

mln IRR	March 20, 2008	March 20, 2007
Cash	526,659	435,687
Cash in Transit	296	60
Foreign Exchange	19,186	36,436
<b>Total</b>	<b>546,141</b>	<b>472,183</b>

## 5. Required Reserve with the Central Bank

The required reserve with the Central Bank, which is calculated for each type of deposit at the end of each week and net of any balances with other banks, can be broken down as follows:

mln IRR	March 20, 2008	March 20, 2007
Required Reserve	8,072,216	7,275,438
Advanced Payment for Purchase of Foreign Currency	-	4,490
Free Zones Required Reserve	(127,204)	(90,932)
<b>Total</b>	<b>7,945,012</b>	<b>7,188,996</b>

## 6. Due from Banks and Credit Institutions

mln IRR	March 20, 2008	March 20, 2007
Forex Demand and Term Deposits with Local Banks	1,332,120	17,306
Forex Demand Deposits with the Central Bank	262,021	353,083
Forex Demand Deposits with Foreign Banks	1,008,276	862,592
Term Deposits with Free Zones Branches	311,071	388,155
Clearing of Checks Issued by Other Banks	4,283,301	4,135,267
Current Accounts with Banks after Clearing	477,081	-
Inter-Banks Account	339,964	145,799
Others	-	7,000
<b>Sub-total</b>	<b>8,013,834</b>	<b>5,909,201</b>
Term Deposits with Foreign Banks	(311,416)	(388,154)
Clearing House Documents Exchange	(776)	(2,658)
<b>Total</b>	<b>7,701,642</b>	<b>5,518,389</b>

## 7. Due from Government

mln IRR	March 20, 2008	March 20, 2007
Due from Government	2,679,188	4,797,180
<b>Minus</b>		
Future Profit on Statutory Facilities Committed by the Government	(239,509)	(193,911)
Profit on Future Years' Facilities	(337,841)	(306,717)
1.5 Percent of Ordinary Reserves	(36,595)	(70,945)
<b>Total</b>	<b>2,065,243</b>	<b>4,225,607</b>

## 8. Granted Loans and Due From the Government

mln IRR	March 20, 2008	March 20, 2007
Statutory Facilities, Qarz-al-Hassanah	390	-
Non-statutory Facilities, Qarz-al-Hassanah	84	57
Statutory Facilities, Mudarabah	1,270	-
Non-statutory Facilities, Mudarabah	610	30
Non-statutory Facilities, Forward Sale	401	-
Statutory Facilities, Forward Sale	43	-
Statutory Facilities, Musharakah	1,720,168	6,310
Non-statutory Facilities, Musharakah	1,049	17,397
Statutory Facilities, Installment Sales	894	-
Non-statutory Facilities, Installment Sales	158,668	113,807
Over Dues from Statutory Deposits	2,113	2
Over Dues from Non-statutory Deposits	-	18,874
Deferred Dues from Statutory Deposits	10	-
Doubtful Dues from Non-statutory Deposits	28	-
Doubtful Dues from FOREX Facilities	40,386	-
<b>Sub-total</b>	<b>1,926,114</b>	<b>156,477</b>
1.5 Percent of Common Reserves	(28,563)	(2,350)
Profit on Future Years' Facilities	(21,895)	(38,280)
<b>Total</b>	<b>1,875,656</b>	<b>115,847</b>

## 9. Granted Loans and Due From the Private Sector

mln IRR	March 20, 2008	March 20, 2007
Statutory Facilities, Qarz-al-Hassanah	894,613	374,254
Non-statutory Facilities, Qarz-al-Hassanah	4,513,065	4,217,613
Statutory Facilities, Mudarabah	24,552	77,242
Non-statutory Facilities, Mudarabah	2,075,756	1,858,989
Statutory Facilities, Forward Sale	161,949	169,227
Non-statutory Facilities, Forward Sale	6,779,333	6,650,701
Statutory Facilities, Musharakah	675,886	1,144,641
Non-statutory Facilities, Musharakah	16,082,228	14,647,757
Statutory Facilities, Jo'aleh	160	107
Non-statutory Facilities, Jo'aleh	458,470	372,302
Statutory Facilities, Instalment Sales	4,409,898	3,949,188
Non-statutory Facilities, Instalment Sales	67,356,619	47,692,825
Due to Letters of Credit in Foreign	722,745	1,375,756
Past Dues from Statutory Deposits	511,490	1,307,704
Past Dues from Non-statutory Deposits	4,189,281	10,084,463
Deferred Dues from Statutory Deposits	511,273	671,708
Deferred Dues from Non-statutory Deposits	2,719,746	4,136,075
Others	33,319,114	18,229,301
Sub-total	145,406,178	116,959,853
<b>Minus:</b>		
Future Profit / IRR	(16,533,008)	(11,814,283)
Future Profit / Forex	(482,201)	(298,235)
Doubtful Debts	(7,015,068)	(4,292,837)
Others	(11,878,712)	(6,930,012)
<b>Total</b>	<b>109,497,189</b>	<b>93,624,486</b>

## 10. Debtors of Forex Term Documentary Credit

mln IRR	March 20, 2008	March 20, 2007
Debtors of Forex Term Documentary Credit	2,778,634	3,108,581
<b>Total</b>	<b>2,778,634</b>	<b>3,108,581</b>

## 11. Partnership Bonds

mln IRR	March 20, 2008	March 20, 2007
Balance of Purchased Participation Bonds from Government	665,410	1,041,426
<b>Total</b>	<b>665,410</b>	<b>1,041,426</b>

## 12. Investments and Partnerships

mln IRR	March 20, 2008	March 20, 2007
Nongovernment Legal Partnerships	649,728	243,517
Investment in Listed Companies	158,946	188,244
Direct Investment	102,741	102,741
<b>Sub-total</b>	<b>911,415</b>	<b>534,502</b>
Provision for Shares Devaluation	(201,442)	(209,171)
<b>Total</b>	<b>709,973</b>	<b>325,331</b>

## 13. Fixed Assets

mln IRR	March 20, 2008	March 20, 2007
<b>Fixed Assets:</b>		
<b>Movable Assets</b>		
Movable Assets	1,368,126	1,172,882
Non-movable Assets	6,786,637	6,405,812
Intangible Assets	370,503	347,785
Non-movable Assets Under Construction	354,330	315,468
Cost of Renovation & Repair Leasehold Building	8,984	6,747
Capital Advance Payments	104,242	100,576
<b>Sub-total</b>	<b>8,992,822</b>	<b>8,349,270</b>
<b>Minus:</b>		
Reserve for Depreciation of Movable Assets	(699,288)	(751,719)
Reserve for Depreciation of Non-movable Assets	(471,367)	(446,833)
Reserve for Depreciation of Intangible Assets		(240)
<b>Total</b>	<b>7,822,166</b>	<b>7,150,477</b>

## 14. Other Assets

mln IRR	March 20, 2008	March 20, 2007
Tax Stamp	25,771	20,788
Gold and Silver	2,478	679
Inventory	118,406	162,039
Repossessed Collaterals	912,336	739,454
Temporary Debtors (Rials)	9,500,204	9,706,889
Temporary Debtors (Forex)	1,561,823	1,225,494
Debtors for Indemnities of Insurance Fund	3,825,830	3,891,277
Receivable Profit from Granted Facilities	6,277,273	4,621,017
<b>Total</b>	<b>22,224,121</b>	<b>20,367,637</b>

## 15. Items in Transit

mln IRR	March 20, 2008	March 20, 2007
<b>Debtors:</b>		
Branches	42,690,673	27,496,077
Locals / IRR	1,156,365	760,721
Locals / Forex	151,734	276,457
Current Account with the Central Bank	(802,519)	(739,758)
Forex Transactions	2,815,374	3,751,646
Forex Positions	753,832	1,953,781
<b>Sub-total</b>	<b>46,765,460</b>	<b>33,498,924</b>
<b>Creditors:</b>		
Central Account (IRR)	45,258,296	25,335,668
Central Account (Forex)	5,243	(38,557)
Local / IRR	931,585	366,998
Locals / Forex	(14,484)	31,760
Forex Transactions	761,178	1,459,378
Forex Positions	2,808,029	4,246,050
<b>Sub-total</b>	<b>(49,749,846)</b>	<b>31,401,297</b>
<b>Total</b>	<b>(2,984,386)</b>	<b>2,097,627</b>

## 16. Due to the Central Bank

mln IRR	March 20, 2008	March 20, 2007
Government Revolving Funds	367,476	111,321
Due to the Central Bank in Current Account Overdraft	17,509,344	8,579,676
Facilities Received from the Central Bank	7,688,000	6,848,000
Facilities Received from Oil Stabilization Fund	12,005,490	9,963,588
<b>Total</b>	<b>37,570,311</b>	<b>25,502,585</b>

## 17. Due to Banks and Credit Institutions

mln IRR	March 20, 2008	March 20, 2007
Qarz-al-Hassanah Savings of Non-bank Financial Institutions	911	1,636
Qarz-al-Hassanah Current Accounts of Banks	-	655,370
Qarz-al-Hassanah Current Accounts of Free Zones	(803,493)	(638,134)
Received Facilities from Banks	6,255,062	8,982,664
Unused Inter-bank Funds	87,878	84,877
Forex Demand deposit of Iranian Banks	213,436	-
<b>Total</b>	<b>5,753,794</b>	<b>9,086,412</b>

## 18. Demand Deposits

mln IRR	March 20, 2008	March 20, 2007
Ghard-al-Hassanah Current Accounts / IRR	16,649,768	16,885,844
Ghard-al-Hassanah Current Accounts / Forex	7,474	1,442
Unused Administered Funds	5,858,153	5,267,833
Bank Checks Sold	12,945,587	6,526,566
Draft Drawn on the Bank / IRR	8,644	17,021
Draft Drawn on the Bank / Forex	24,906	829
Balance Not Claimed / IRR	63,495	40,913
Employees Savings	225,910	170,565
Employees Pension	259	2,877
Temporary Creditors and Payables / IRR	4,053,689	3,580,564
Temporary Creditors / Forex	1,849,876	979,489
<b>Sub-total</b>	<b>41,687,761</b>	<b>33,473,943</b>
<b>Minus:</b>		
Payment of Sold Bank Checks (Not Settled)	(4,315,881)	(133,190)
<b>Total</b>	<b>37,371,880</b>	<b>33,340,753</b>

## 19. Saving Deposits

mln IRR	March 20, 2008	March 20, 2007
Qarz-al-Hassanah / IRR	19,761,638	17,793,234
Qarz-al-Hassanah / Forex	76,232	71,079
Unused Special Qarz-al-Hassanah	1,318	135
<b>Total</b>	<b>19,839,188</b>	<b>17,864,448</b>

## 20. Term Investment Deposits

mln IRR	March 20, 2008	March 20, 2007
Long-term Deposits	11,579,001	11,171,802
Public Certificate of Deposit	8,356,268	12,634,723
Private Certificate of Deposit	100,000	100,000
Short-term Deposits	14,051,805	11,115,959
Special Short-term Deposits	4,143,616	415,580
Forex Term Deposits of Iranian Banks	471,195	-
Forex Term Deposits of Foreign Banks	795,385	307,225
Unsold and Redeemed Certificates of Deposit before Due Date	(4,130,474)	-
<b>Total</b>	<b>35,366,795</b>	<b>35,745,289</b>

## 21. Other Deposits

mln IRR	March 20, 2008	March 20, 2007
Term Deposits / Forex	20,222	51,131
Cash Advance Received from Clients for Private L/Cs	450	2,992
Cash Advance Received for Government L/Cs / Forex	340	351
Cash Advance Received Non-Government L/Cs / Forex	386,989	403,258
Cash Deposits on L/Gs / Forex	-	173
Cash Deposits on Government L/Gs / IRR	22	8
Cash Advance Received from Clients for Installment Sale	38	58
Cash Deposits on Private L/Gs / IRR	101,132	83,674
Cash Advance Received from Clients for Other Facilities	11,155	33,007
<b>Total</b>	<b>520,348</b>	<b>574,652</b>

## 22. Other Liabilities and Reserves

mln IRR	March 20, 2008	March 20, 2007
Deferred Interest on Facilities / Private	927,446	2,193,699
Deferred Interest on Facilities / Government	249	692
Deferred Interest on Statutory Facilities	4,121	6,193
Deferred Interest and Commission	547,499	449,422
Draft Undertaken by Branches /IRR	465,039	757,322
Payable Profit to the Government	49,469	105,071
Other Reserves	9,715,471	6,550,524
<b>Total</b>	<b>11,709,294</b>	<b>10,062,924</b>

## 23. Due to Foreign Banks

mln IRR	March 20, 2008	March 20, 2007
Received Facilities from foreign Banks	939,126	946,231
Due for Acceptance of L/Cs and Drafts	1,985,199	2,455,039
<b>Total</b>	<b>2,924,326</b>	<b>3,401,270</b>

## 24. Shareholders' Equity

mln IRR	March 20, 2008	March 20, 2007
Capital	8,021,118	8,021,118
Capital of Free Zones Branches	20,200	20,200
Funds Transferable to Capital	317	268
Reserves	635,508	616,957
Required Reserves for Forex Rate Changes	54,775	54,775
Retained Earning	194,856	139,203
<b>Sub-total</b>	<b>8,926,775</b>	<b>8,852,522</b>
<b>Minus:</b>		
Capital of Free Zones Branches	(20,200)	(20,200)
<b>Total</b>	<b>8,906,575</b>	<b>8,832,322</b>

## 25. Interest and Penalties on Granted Facilities

mln IRR	March 20, 2008	March 20, 2007
Installment Sale	6,085,108	5,004,220
Mudarabah	294,059	243,813
Musharekah	1,548,339	1,105,450
Salaf	812,122	468,873
Lease to Own (Hire Purchase)	76,585	81,715
Jua'alah	41,868	40,408
Factoring	12,410	14,943
Facilities Profit / Forex	354,181	780,527
<b>Sub-total</b>	<b>9,224,672</b>	<b>7,739,949</b>
Commission of Facilities Renewal	20,715	16,178
<b>Sub-total</b>	<b>9,245,387</b>	<b>7,756,128</b>
Directed Profit of Facilities	-	328,545
Penalties Received on Granted Facilities	4,064,369	1,113,417
Penalties Received on Forex Facilities /	31,668	592,301
Commission of Non-execution	8,282	2,054
<b>Sub-total</b>	<b>13,349,706</b>	<b>9,792,445</b>
<b>Profit on Investments &amp; Partnerships:</b>		
Profit on Direct Investment and Legal Partnerships	38,700	17,918
Profit on Sales of Partnerships Equity Shares	(19,945)	(6,832)
Profit on Purchased and Issued Partnership Bonds	238,796	123,379
<b>Sub-total</b>	<b>257,551</b>	<b>134,465</b>
<b>Total</b>	<b>13,607,257</b>	<b>9,926,910</b>

## 26. Other Incomes

mln IRR	March 20, 2008	March 20, 2007
Interest on Required Reserves	75,383	58,623
Interest on Governmental Deposit	8,260	3,269
<b>Total</b>	<b>83,643</b>	<b>61,892</b>

## 27. Net Depositors' Interest

mln IRR	March 20, 2008	March 20, 2007
Depositors Dividends	4,795,537	3,402,136
Surplus Interest Paid to Depositors	144,728	561,013
<b>Total</b>	<b>4,940,265</b>	<b>3,963,149</b>

## 28. Interest & Delay Penalties

mln IRR	March 20, 2008	March 20, 2007
Delay Penalties from Other Receivables	212,032	220,415
Received Interest from Deposits	81,261	68,695
<b>Total</b>	<b>293,293</b>	<b>289,110</b>

## 29. Fees & Commissions

mln IRR	March 20, 2008	March 20, 2007
Commission on Qarz-al-Hassanah	155,415	137,498
Commission on Administered Funds	6,399	14,143
Commission on Facilities Paid to Employees	218,742	159,159
Other Commission	10,346	37,672
Commission on Banking Services	144,473	170,161
Commission Received by Branches	309,284	137,272
Commission on Banking Services APIF	1,225,791	1,349,226
Commitment Commissions from Forex Facilities	22,957	-
<b>Total</b>	<b>2,093,406</b>	<b>2,005,132</b>

## 30. Other Revenues

mln IRR	March 20, 2008	March 20, 2007
Forex Transactions	23,205	66,150
Disposal of Properties Repossessed	7,852	1,753
Rent of Branch Managers' Residences	2,027	727
Profit from Disposal of Properties	7,593	5,447
Others	588,463	168,140
<b>Total</b>	<b>629,140</b>	<b>242,217</b>

## 31. Profit Paid

mln IRR	March 20, 2008	March 20, 2007
Profit of Credit Facilities from Other Banks	3,890,542	3,225,889
Profit Paid to Free Zones Branches	252,913	153,942
<b>Sub-total</b>	<b>4,143,455</b>	<b>3,379,831</b>
<b>Minus:</b>		
Profit from Surplus Resources with Central Office	(252,913)	(153,942)
<b>Total</b>	<b>3,890,542</b>	<b>3,225,889</b>

### 32. Fees & Commission Paid

mln IRR	March 20, 2008	March 20, 2007
Miscellaneous Commission	364,262	275,900
<b>Total</b>	<b>364,262</b>	<b>275,900</b>

### 33. General Expenses

mln IRR	March 20, 2008	March 20, 2007
Contractual Costs	1,406,146	1,115,475
Employees Costs	2,391,605	2,213,307
Other Costs	2,971,482	1,558,113
<b>Total</b>	<b>6,769,233</b>	<b>4,886,895</b>

### 34. Other Expenses

mln IRR	March 20, 2008	March 20, 2007
Bonuses on Qarz-al-Hassanah	618,764	470,994
<b>Total</b>	<b>618,764</b>	<b>470,994</b>

### 35. Adjusted Earnings at the Beginning of the Year

mln IRR	Balance on March 20 2006	Net Increase (Decrease)	Adjusted Balance	Effect on Profit & Loss
Provision for Tax	19,184	253,438	272,622	(253,438)
Temporary Debtors	9,268,539	438,349	9,706,889	438,349
Items in Transit – Current Account with Central Bank	642,594	(97,164)	545,430	(97,164)
Receivable Interest on Facilities	5,517,030	(896,013)	4,621,017	(896,013)
Provision for Administrative Expenses	725,320	195,445	920,765	(195,445)
Items in Transit - Branches	27,541,077	(45,000)	27,496,077	(45,000)
Items in Transit - Creditors	616,621	(234,687)	381,934	234,687
Deferred Profit and Fees	452,729	(3,307)	449,422	3,306
Provision for Doubtful Debts	(4,292,507)	4,331	(4,288,176)	(4,331)
<b>Total</b>		<b>(384,607)</b>	-	<b>(815,048)</b>
Net Profit of 2006				99,021
Retained Earnings (Loss) at the Beginning of the Year				497,373
Year Adjustments at the Beginning of the Year				(357,856)
Adjusted Retained Earnings (Loss) at the End of the Year				<b>139,203</b>

### 36. Net Cash Flow from Operating Activities

mln IRR	March 20, 2008	March 20, 2007
Income before Tax	123,673	(297,567)
Depreciation	185,296	92,766
Shares Devaluation Reserve	(7,729)	(2,445)
Income from investments and Legal Partnerships	(38,700)	(17,918)
Income from Selling Investments and Legal Partnerships	19,945	6,832
Income from Disposal of Fixed Assets	(7,593)	(5,447)
Partnership Period Profit	(238,796)	(123,379)
Net profit from Exchange Rate	(23,205)	(66,150)
<b>Subtotal</b>	<b>12,891</b>	<b>413,308</b>
<b>Net Increase / Decrease in Operating Liabilities</b>		
Demand Deposits	4,031,127	10,569,682
Savings Deposits	1,974,740	3,165,174
Term Investment Deposits	(378,494)	8,677,034
Amounts Due to Central and Other Banks	8,735,107	9,223,964
Operational Portion of Liabilities	1,173,479	(228,339)
Transferable to Capital Reserve	49	-
<b>Subtotal</b>	<b>15,536,008</b>	<b>31,407,515</b>
<b>Net (Increase) / Decrease in Operating Assets</b>		
Amounts Due from the Central Bank	(756,016)	(2,485,102)
Bonds	376,016	(277,404)
Payment of Other Banks' Issued Cheques	(245,673)	(1,845,863)
Islamic Banking Deals Facilities	(15,142,200)	(17,857,355)
Repossessed Collaterals and Operational Portion of Other Assets	(1,854,686)	(7,251,261)
Items in Transit	5,048,678	(1,809,678)
<b>Subtotal</b>	<b>(12,573,882)</b>	<b>(31,526,663)</b>
<b>Net Cash Flow from Operating Activities</b>	<b>2,975,017</b>	<b>(532,455)</b>

### 37. Cash Balance at the End of the Year

	Note	March 20, 2008	March 20, 2007	Changes During the Year
Notes and Coins	2	526,659	435,687	90,972
Gold & Silver	12	2,478	679	1,798
Banks Deposits after Clearing	4	477,081	0	477,081
Foreign Deposits with Local Banks	4	1,332,120	17,307	1,314,814
Deposits with Foreign Banks	4	1,008,276	862,592	145,684
Foreign Currency (Cash)	2	19,187	36,437	(17,250)
Cash in Transit	2	296	60	236
<b>Total</b>		<b>3,366,097</b>	<b>1,352,762</b>	<b>2,013,335</b>

### 38. Commitments Regarding Letters of Credit

<b>mln IRR</b>	<b>March 20, 2008</b>	<b>March 20, 2007</b>
Commitments Regarding L/Cs	7,238,445	4,027,504
<b>Total</b>	<b>7,238,445</b>	<b>4,027,504</b>

### 39. Commitments Regarding L/Gs

<b>mln IRR</b>	<b>March 20, 2008</b>	<b>March 20, 2007</b>
Commitments Regarding L/Gs and Acceptance / IRR	868,048	695,913
Commitments Regarding Issued L/Gs	137	3,499
Commitments Regarding Issued L/Gs and Acceptance / Forex	61,545	3,175
<b>Total</b>	<b>929,730</b>	<b>702,587</b>

### 40. Customers' Other Commitments

<b>mln IRR</b>	<b>March 20, 2008</b>	<b>March 20, 2007</b>
Customers' Commitments on Contracts	16,759,274	6,528,339
Customers' Commitments on Non-statutory Qarz-al-Hassanah	6	14
Others	2,050,476	2,983,532
<b>Total</b>	<b>18,809,756</b>	<b>9,511,885</b>

### 41. Managed Funds

<b>mln IRR</b>	<b>March 20, 2008</b>	<b>March 20, 2007</b>
Unused Special Qarz-al-Hassanah Deposits	61,571	2,035
Managed Funds	16,349,465	13,845,072
<b>Total</b>	<b>16,411,036</b>	<b>13,847,107</b>

# BRANCHES

## International Branch Network

### Head Office Contact:

#### Correspondent Banking Department

1- SWIFT BIC: KESHIRTH

2- Tel: 009821-88250135, 88280027, 88253318, 88240044

3- Fax: 009821-88262313

4- E-mail: moshiri@agri-bank.com

No.	Branch	Branch Code	Swift Code	Address
1	Central Branch	00160	KESHIRTH	No. 129, Patrice Lumumba St., Jalal-Al- Ahmad Express Way, P.O. Box 14155/6395, Tehran 14454 I.R. Iran Tel/Fax: +98 21 88280024-5
2	Dolati Branch (Bolvar Keshavarz)	00340	KESHIRTH340	No. 186, Keshavarz Blvd., Opposite Pars Hospital Tehran, I.R. Iran Tel: +98 21 88966815- 88960744 Fax: +98 21 88967602
3	Vali-Asr Branch	00440	KESHIRTH440	No. 747, Valiasr Sq., Opp. Cinema Africa, Tehran I.R. Iran Tel: +98 21 88921869 Fax: +98 21 88921870
4	Tohid Branch	00620	KESHIRTH620	No. 97, Tohid Sq., Tehran 1419716751, I.R. Iran Tel/Fax: +98 21 66922483
5	Shahid Beheshti Branch	00820	KESHIRTH820	No. 206, Takhti Sq., Shahid Beheshti Ave. Tehran 1577835411, I.R. Iran Tel: +98 21 88746593 Fax: +98 21 88506593
6	Shadmehr Branch	01030	KESHIRTH103	Corner of Shadmehr St., Azadi Ave., Opposite Zamzam Co., Tehran, I.R. Iran Tel: +98 21 66062061 Fax: +98 21 66047217
7	Markaz Tejari Golestan Branch	01180	KESHIRTH180	No. 175, Markaz Tejari Golestan, Iran Zamin Ave. Shahrak Gharb, Tehran, I.R. Iran Tel/Fax: +98 21 88579644
8	Karaj Tohid Branch	01701	KESHIRTH701	Tohid Sq., Karaj, I.R. Iran Tel: +98 261 2205657 Fax: +98 261 2254971- 3
9	Sari Branch	02040	KESHIRTH204	Next to Homa Flight Agency, Azadi Blvd., Sari I.R. Iran Tel/Fax: +98 151 2290641-3



No.	Branch	Branch Code	Swift Code	Address
10	Tabriz Branch	03040	KESHIRTH040	Khaghani St., Opp. Fire Brigade, Tabriz 5136956771, I.R. Iran Tel: +98 411 5264144- 5264124 Fax: +98 411 5264133
11	Shiraz Branch	07050	KESHIRTH705	Zand St., Shiraz 37195, I.R. Iran Tel: +98 711 2342553 Fax: +98 711 2342554-5
12	Kerman Branch	08070	KESHIRTH070	Beheshti St., Kerman 7618618351, I.R. Iran Tel: + 98 341 2461457 Fax: +98 341 2461456
13	Mashhad Branch	09140	KESHIRTH140	Modares St., Jannat St., Mashhad 9137793687 I.R. Iran Tel: +98 511 2258426 Fax: +98 511 2252945
14	Esfahan Branch	10030	KESHIRTH030	Ostad Motahari St., Esfahan 81338/18473, I.R. Iran Tel/Fax: +98 311 2335971
15	Qeshm Branch	17030	KESHIRTH703	Shahid Montazeri St., Close To The Telecommunica- tion Centre, Qeshm Island, I.R. Iran Tel: +98 763 5228950 Fax: +98 763 5224484
16	Kish Branch	17300	KESHIRTH300	Markaz-E-Tejari Kish, Kish Island P.O. Box 7941895461 I.R. Iran Tel: +98 764 4452274 Fax: +98 764 4452177
17	Qazvin Branch	27100	KESHIRTH100	BouAli St., Qazvin, I.R. Iran Tel Fax: +98 281 3354196
18	Qom Branch	28110	KESHIRTH110	Emam St., Opp. Tolid Darou Co., Qom, I.R. Iran Tel: +98251 6626080
19	Sie-Tir Branch	760	KESHIRT	Jomhoori Ave., After Hafez Bridge, Tehran 1135716155, I.R. Iran
20	Urumieh Branch	4020	KESHIRT	Ayatollah Kashani St., Urumiyeh 5715663616 I.R. Iran Tel: +98 441 2251760
21	Shahara Branch	1110	KESHIRTH110	Jalal-Al- Ahmad Express Way, Tehran 1445883443 I.R. Iran Tel: +98 21 88286365
22	Rasht Branch	21040	KESHIRT	Emam Khomeini Blvd., Rasht 3415, I.R. Iran Tel: +98 131 3232690





**Bank Keshavarzi of Iran**

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