



Bank Keshavarzi of Iran annual report 2006



In the name of God

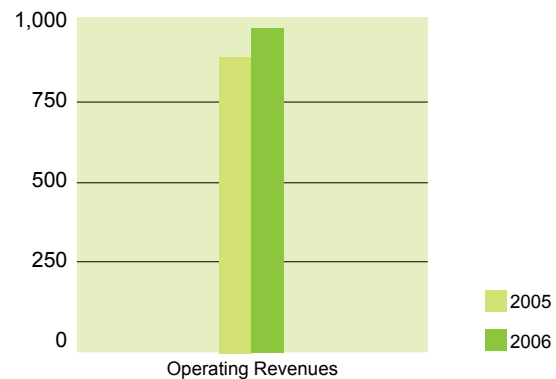
Bank Keshavarzi of Iran, with a history of 75 years, is now considered as a pioneer bank in offering variety of banking services nationwide to the Iranian and international market. The Bank is specialized in the agriculture sector, striving to contribute effectively to the development and renovation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

Balance Sheet Highlights

mIn US\$ ¹	2006 ²	2005
Assets	16,298	13,135
Liabilities	15,254	12,095
Demand Deposits	4,152	3,043
Term Deposits	3,867	2,962
Shareholders' Equity	1,044	1,040

Profit & Loss Statement Highlights

mIn US\$	2006	2005
Interest Incomes	777	721
Non-Interest Incomes	202	157
Total Operating Revenues	979	878
Total Operating Expenses	950	791
Net Profit Before Taxation	29	87



¹ Rial amounts above and elsewhere in this report have been converted to US\$, for convenience only, at the rate of Rials 9,243 (Balance Sheet) and Rials 9,201 (Profit & Loss and Cash Flow) for 1 US\$ for the financial year 2006.

² 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 2006 corresponds to the period of March 21, 2006 to March 20, 2007.



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History

Bank Keshavarzi of Iran; was established in June 1933, entitled Agricultural and Industrial Bank of Iran. Later in June 1979, following the merger of two other old and large specialized banks, namely Iran Agricultural Development Bank and Iran Agriculture Cooperative Bank, the name of the Bank was changed to Bank Keshavarzi of Iran.

In addition to offering a complete range of commercial retail banking services, Bank Keshavarzi of Iran, as a state-owned and specialized bank, supports the development of the agriculture sector in Iran.

The initial capital of the Bank was Rials 104 billion. After several capital gains it reached Rials 8,021 billion (US\$ 868 million) on March 20, 2006.

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 a constructive co-operation with the Iranian agriculture sector
- Improve the wellbeing of the workforce of the agriculture sector and help increase their 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



Services

The Bank Keshavarzi offers a complete range of commercial and retail banking services, within the context of Islamic banking. These services consist of *Conventional Services* and *Special Support Plans*. The diagram below summarizes the two categories:

Category	Type	Services
Conventional Services	Accounts	Saving Accounts Current Accounts Investment Deposit Accounts
	Transfers and Orders	Traveler's Check Fax-Check, Fax-Transfer Standing Order
	Card Services	Online Current / Deposit Account Debit Card, Credit Card Electronic Wallet ATM Services, Kiosk Banks
	Telephone Banking	Telephone Banking, SMS Banking
	Financial Facilities	Facilities to Agriculture Sector Facilities to other Sectors Interest-free Loans Bank Guarantees Discounting
Special Support Plans	Entrepreneurship Facilities	Facilities to University Graduates Facilities to SME's Iran's Women Fund <ul style="list-style-type: none"> 'Hazrat-e-Zeinab' Plan, aiming at improvement of women's employment and expanding credit contribution to women's entrepreneurship plans.
	Special Offer Plans	'Iran' Plan <ul style="list-style-type: none"> Eased banking services for the old and disabled women Interest-free loans for necessary needs including education, marriage, self-employment, etc. National 'Mehr Imam Reza' Plan Fund for Collateral Short-fall Rural Employment Fund Youth's Bank

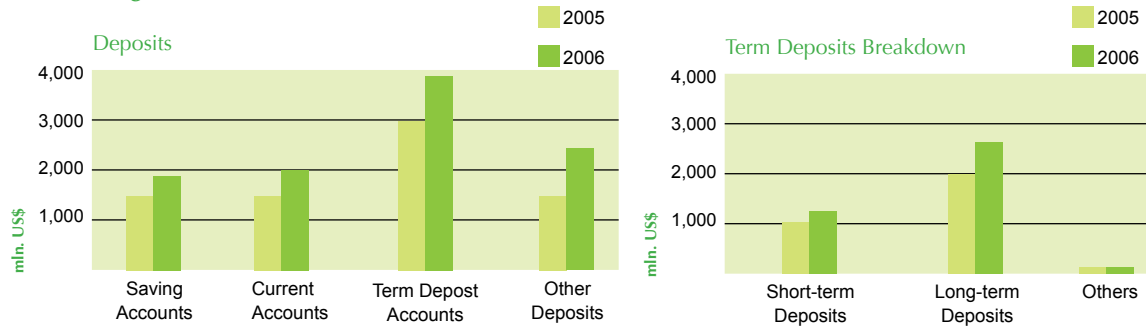
In addition, the Bank supports its clients with comprehensive international banking services through its network of 'independent forex branches'. International services include forex accounts (saving, current and term deposit), transfers, letters of credit, guarantees, bills and drafts, forex bank guarantees, import / export credits and free trade zone services, as well as various aspects of correspondent banking.

Today, the international and foreign currency services of Bank Keshavarzi of Iran is offered in 22 *independent forex branches* across Iran.

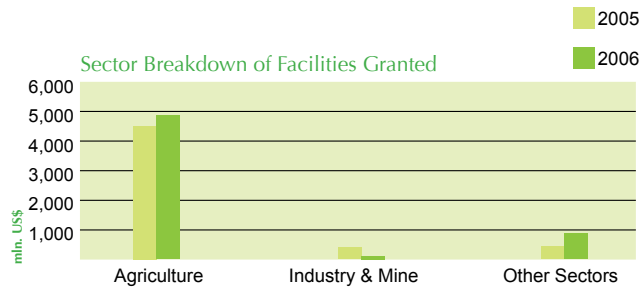
2006 Highlights

In 2006, Bank Keshavarzi of Iran continued its row of success in all operational and financial aspects. For the third successive year, Bank Keshavarzi of Iran was selected as Iran's "Bank of the Year" by "The Banker" in 2006. The Bank also succeeded in implementation and erection of Iran's first core banking comprehensive software.

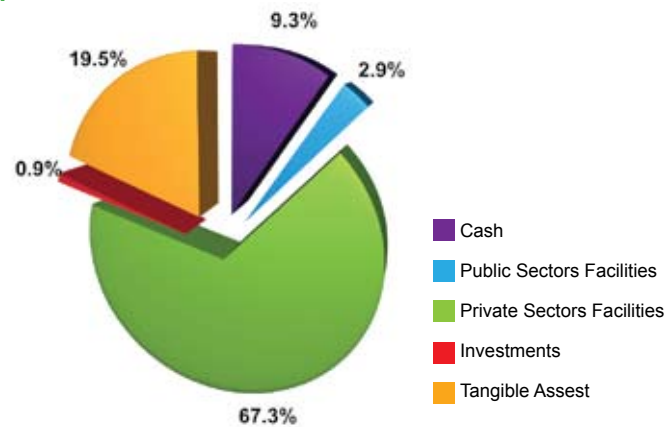
Fund Raising



Resource Allocation



Total Assets Breakdown



A close-up photograph of golden wheat stalks, showing the intricate details of the grain heads and the long, thin awns. The lighting is warm, creating a rich, golden-brown hue. The text "Financial Statements" is centered over the image in a white, sans-serif font.

Financial Statements

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, 2007 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 3.1 and 4 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) Most important issues about granted facilities subject to explanatory notes 9 and 10 for the financial statements are:

3.1) Books of accounts of the bank are kept under Cash Method, for Income recognition during the aforesaid year. Revenues have been calculated independently from accounting system and by means of accrual method and are considered as the basis for the revenue account adjustments and other related accounts. As such, issues such as revenue recognition and forex income, have not been implemented properly in the accounting procedure. Thus, due to the large volume of the Bank's transactions, determining further adjustments, which might be revealed if above incidents were properly and continuously accounted for, is not possible for this Organization.

3.2) Because of non – observance of Money and Credit Council's decree in separating granted facilities to categories of: current, overdue, doubtful and bad debts properly, assurance about sufficiency of the doubtful debts' reserve is not clear for this Organization.

4) During the reported year, depreciation of non-current assets, explained in Note 13 of financial statements, has not been calculated based on accounting policies and the difference of the undertaken method with the standard procedure is not clear. Furthermore, because of non presentation of the table of fixed assets in a proper way, depreciation cost during the year does not agree with the mentioned table. Financial consequences of above issues are indefinite for this organization.

5) Bank Keshavarzi of Iran has not presented the group consolidated financial statements. Since financial statements of subsidiaries are of significant importance, the financial statements of parent entity are not sufficient for assessment of the financial situation, operations consequences and cash flow, solely.

6) In the opinion of this Organization, except for effects of issues mentioned in clause 3.2 and 5, and probable adjustments which were necessary in absence of limits said in clause 3.1 and 4, the above mentioned financial statements fairly present in all aspect the financial status of Bank Keshavarzi of Iran as of March 20, 2007 and its cash flow for the fiscal year ended on the said date, and are in conformity with the prevailing accounting standards.

7) Based on the information received from the Bank's department of inspection and internal audit, financial abuses and fraud at branches of the Bank during 2007 amounted to US\$ 2.1 million (US\$ 3.0 million for previous year), from which the amount of US\$ 1.2 million has been retrieved.

8) 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.

9) 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 26, 2007

State Audit Organization

Masoud Dizehee

Bahram Sadooghian Zadeh

Balance Sheet

	Note	March 20, 2007		March 20, 2006	
		mln IRR	mln USD	mln IRR	mln USD
ASSETS					
Cash and Bank	4	472,183	51.09	510,692	55.88
Statutory Deposit with the Central Bank	5	7,188,996	777.78	4,703,894	514.71
Due from Banks and Credit Institutions	6	6,412,448	693.76	5,306,090	580.60
Due from Government	7	4,225,607	457.17	3,547,109	388.13
Granted Loans to the Government sector	8	115,846	12.53	471,440	51.59
Granted Loans to and Due from the Private Sector	9	98,400,275	10,640.00	81,301,220	8,896.07
Debtors of Foreign Deferred Letters of Credit Debtors	10	3,108,581	336.32	2,614,144	286.04
Bonds	11	1,041,426	112.67	764,022	83.60
Investments and Partnerships	12	369,271	39.95	377,874	41.35
Fixed Assets	13	7,150,477	773.61	6,966,180	762.25
Other Assets	14	20,786,597	2,248.90	13,480,307	1,475.03
Items in Transit	15	1,188,633	128.60	0	0.00
Total Assets		150,460,340	16,278.30	120,042,973	13,135.24
LIABILITIES & SHAREHOLDERS' EQUITY					
Due to the Central Bank	16	25,502,585	2,759.12	14,057,059	1,538.14
Due to Banks and Credit Institutions	17	9,086,412	983.06	11,307,975	1,237.33
Demand Deposits	18	38,105,872	4,122.67	27,810,942	3,043.11
Saving Deposits	19	17,864,448	1,932.75	14,699,274	1,608.41
Term Deposits	20	35,745,289	3,867.28	27,068,254	2,961.84
Other Deposits	21	574,652	62.17	877,358	96.00
Ongoing Projects Participation		810,997	87.74	989,420	108.26
Other Liabilities and Provisions	22	10,073,594	1,089.86	10,337,656	1,131.16
Due to Foreign Banks	23	3,401,270	367.98	2,690,979	294.45
Items in Transit		0	0.00	695,109	76.06
Total Liabilities		141,165,119	15,272.65	110,534,026	12,095
SHAREHOLDERS' EQUITY					
Capital	24	8,021,118	867.80	8,021,118	877.68
Reserves		672,000	72.70	632,599	69.22
Retained Earnings		954,251	103.24	855,230	93.58
Total Liabilities & Shareholders' Equity		150,460,340	16,278.30	120,042,973	13,135.24
Contingent Liabilities					
Commitments Regarding Letters of Credit	37	4,027,504	435.74	5,417,996	592.84
Commitments Regarding Guarantees	39	702,587	76.01	502,330	54.97
Customers' Other Commitments	40	9,511,885	1,029	128,621,841	14,073.95
Managed Funds	41	13,847,107	1,498.12	10,460,194	1,144.57

Profit and Loss Statement

	Note	March 20, 2007		March 20, 2006	
		mIn IRR	mIn USD	mIn IRR	mIn USD
Revenues from Joint Investment:					
Interest and Penalties on Other Receivables	25	10,822,923	1,176.28	9,266,961	1,024.88
Other Revenues	26	61,892	6.73	46,408	5.13
Sub-total		10,884,815	1,183	9,313,369	1,030
Depositors' Profit	27	(3,402,136)	(369.76)	(3,204,431)	(354.39)
Surplus Profit Paid to Depositors	27	(561,013)	(60.97)	0	0.00
Deficit Profit Paid to Depositors		0	0.00	0	0.00
Net profit Paid to Depositors		(3,963,149)	(430.73)	(3,204,431)	(354.39)
Bank's Profit		6,921,666	752.27	6,108,939	675.62
Revenues from Own Investment:					
Interest & Delay Penalties	28	289,110	31.42	452,612	50.06
Fees & Commissions	29	1,552,862	168.77	1,202,818	133.03
Other Revenues	30	242,217	26.33	169,170	18.71
Sub-total		2,084,189	226.52	1,824,600	201.80
Total Bank Revenues		9,005,855	978.79	7,933,539	877.42
Interest Paid	31	(3,133,589)	(340.57)	(2,244,596)	(248.24)
Fees & Commissions Paid	32	(275,900)	(29.99)	(226,500)	(25.05)
General Expenses	33	(4,862,693)	(528.50)	(4,233,874)	(468.25)
Other Expenses	34	(470,994)	(51.19)	(445,189)	(49.24)
Total Expenses		(8,743,176)	(950)	(7,150,159)	(791)
Profit before Taxation		262,679	28.54	783,380	86.64
Tax		(19,184)	(2.08)	(75,110)	(8.31)
Net Profit		243,495	26.46	708,270	78.33

Retained Earnings Statement

	Note	March 20, 2007		March 20, 2006	
		mIn IRR	mIn USD	mIn IRR	mIn USD
Net Profit		243,495	26.46	708,270	78.33
Retained Earnings at the Beginning of the Year		497,373	54.06	788,368	87.19
Prior Year Adjustments	35	357,856	38.89	(442,151)	(48.90)
Adjusted Earnings at the Beginning of the Year		855,229	92.95	346,217	38.29
Allocable Profit		1,098,724	119.41	1,054,487	116.62
Legal Reserve		(39,402)	(4.28)	(75,422)	(8.34)
Payable Profit to Government		(105,071)	(11.42)	(111,126)	(12.29)
3 BPS		0	0	(3,207)	(0.35)
0.5 Declared Profit		0	0	(9,502)	(1.05)
Retained Earnings at the End of the Year		954,251	103.71	855,230	94.59

Cash Flow Statement

	Note	March 20, 2007		March 20, 2006	
		mIn IRR	mIn USD	mIn IRR	mIn USD
Net Cash Flow from Operating Activities	36	(272,866)	(29.65)	1,232,801	136.34
Investments Income:					
Dividend Received	25	17,918	1.95	40,023	4.43
Bond Income	25	123,379	13.41	189,266	20.93
Cash Flow from Investments Income		141,297	15.36	229,289	25.36
Income Tax:					
Income Tax Paid		(19,184)	(2.08)	(75,110)	(8.31)
40% Profit According Article 1.C. of 2006 Budget Act		(105,071)	(11.42)	(123,836)	(13.70)
Investment Activities:					
Purchase of Direct Investments and Legal Partnerships		(89,472)	(9.72)	(6,342)	(0.70)
Disposal of Direct Investments and Legal Partnership		93,689	10.18	90,371	9.99
Purchase of Tangible Fixed Assets	13	(511,750)	(55.62)	(594,952)	(65.80)
Disposal of Tangible Fixed Assets	30	5,446	0.59	5,760	0.64
Cash Flow from Investment Activities		(502,087)	(54.57)	(505,163)	(55.87)
Cash Flow before Financing Activities		(778,027)	(84.55)	757,981	83.82
Financing Activities:					
Capital Increase		0	0.00	0	0.00
Legal Reserve		0	0.00	(75,422)	(8.34)
Principal & Interest Repayment		0	0.00	0	0.00
Cash Flow from Financing Activities		0	0.00	(75,422)	(8.34)
Net Cash Increase (Decrease)	37	(778,027)	(84.55)	682,559	75.48
Cash Balance at the Beginning of the Year		2,130,789	231.58	1,448,229	160.17
Cash Balance at the End of the Year		1,352,762	147.03	2,130,788	235.65

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 with Depositors

According to implementation of the 'Law on Usury-Free Banking' ratified in August 30, 1983, relevant regulations and paying attention to 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 profit 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 approval of the financial statements in the AGM of shareholders of the investee company (before the financial statement's approval).
- The dividends received from other investments, including short-term and long-term, 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 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 the Profit and Loss Statement,

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 6,526 bln. The adjustments are recognized as assets and capital increase by an amount of IRR 3,450 bln,

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	25%	Declining-Balance
Furniture & Computer Hardware	10 years	Straight line
PC Hardware	3 years	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 decree implementation of clauses of Article 62 of the Third Development Plan in 2003. Based on Money and Credit Council, 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 is calculated based on Islamic Banking Principles and according to the decree of Money and Credit Council until March 20, 2004 using cash method. As of March 21, 2004 and in conformity with accounting standards, all revenues of the bank have been calculated based on accrual method.

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 the occurrence period.

3-5-2. Foreign Branches

All monetary and non–monetary items (except for shareholders' equity) at foreign branches are translated at the exchange rate prevailing on balance sheet date. Shareholders' equity is translated at market exchange rate on formation date (historical rates). Profit and loss items are translated at the prevailing exchange rate on the date of transaction. Exchange rate differences arising from the settlement of monetary items, at financial statements of foreign branches are accounted for as shareholders' equity.

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 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.

3-8 Due from Government

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

- Granted facilities despite the inability of the borrower 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

mIn IRR	March 20, 2007	March 20, 2006
Cash	435,687	461,272
Cash in Transit	60	3,854
Foreign Exchange	36,436	45,566
Total	472,183	510,692

5. Statutory Deposit with the Central Bank

The statutory deposit 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:

mIn IRR	March 20, 2007	March 20, 2006
Statutory Deposit	7,275,438	4,895,256
Current Account with the Central Bank	0	(137,527)
Foreign Exchange Advance Payment	4,490	4,490
Free Zones Legal Deposits	(90,932)	(58,325)
Total	7,188,996	4,703,894

6. Due from Banks and Credit Institutions

mIn IRR	March 20, 2007	March 20, 2006
Forex Deposits with Local Banks	17,306	10,546
Forex Deposits with Central Bank	353,083	0
Forex Deposits with Foreign Banks	862,592	782,813
Term Deposits with Foreign Banks	388,154	374,740
Clearing of Cheques Issued by Other Banks	4,135,267	3,073,637
Current Accounts after Settlement	0	826,045
Account	145,799	21,113
Surplus Sources with Central Bank	901,058	598,658
Sub-total	6,803,259	5,687,552
Term Deposits with Foreign Banks	(388,153)	(374,740)
Settlement Room Exchange Documents	(2,658)	(6,722)
Total	6,412,448	5,306,090

7. Due from Government

mIn IRR	March 20, 2007	March 20, 2006
Due from Government	4,797,180	4,127,867
Minus		
Future Profit on Statutory Facilities Committed by the Government	(193,911)	(127,112)
Profit on Future Years' Facilities	(306,717)	(423,637)
1.5 Percent of Ordinary Reserves	(70,945)	(30,009)
Total	4,225,607	3,547,109

8. Granted Loans from the Government Sector

mIn IRR	March 20, 2007	March 20, 2006
Statutory Facilities, Qarz-al-Hasaneh	0	0
Non-statutory Facilities, Qarz-al-Hasaneh	57	251
Non-statutory Facilities, Mudarabah	30	0
Statutory Facilities, Musharekah	6,310	107,536
Non-statutory Facilities, Musharekah	17,397	26,887
Statutory Facilities, Instalment Sales	0	694
Non-statutory Facilities, Instalment Sales	113,807	128517
Due from Letters of Credit in Foreign Currencies	0	251429
Assets Purchase in Instalment Sales	0	204
Over Dues from Statutory Deposits	2	0
Over Dues from Non-statutory Deposits	18,874	0
Dues from Statutory Deposits	0	27
Dues from Non-statutory Deposits	0.29	0.54
Sub-total	156,476	515,546
1.5 Percent of Ordinary Reserves	(2,350)	(9,621)
Profit on Future Years' Facilities	(38,280)	(34,485)
Total	115,846	471,440

9. Granted Loans to and Due from the Private Sector

mIn IRR	March 20, 2007	March 20, 2006
Statutory Facilities, Qarz-al-Hasaneh	374,254	332,272
Non-statutory Facilities, Qarz-al-Hasaneh	4,217,613	3,599,242
Statutory Facilities, Mudarabah	77,242	167,936
Non-statutory Facilities, Mudarabah	1,858,989	4,649,964
Statutory Facilities, Salaf	169,227	169,937
Non-statutory Facilities, Salaf	6,650,701	6,000,877
Statutory Facilities, Musharekah	1,144,641	1,703,688
Non-statutory Facilities, Musharekah	14,647,757	1,703,688
Statutory Facilities, Jo'aleh	107	8,692,831
Non-statutory Facilities, Jo'aleh	372,302	171
Statutory Facilities, Instalment Sales	3,949,188	386,779
Non-statutory Facilities, Instalment Sales	45,692,825	4,948,823
Due to Letters of Credit in Foreign Currencies	1,375,756	36,235,621
Assets Purchase in Instalment Sales	877,633	
Over Dues from Statutory Deposits	1,307,704	991,460
Over Dues from Non-statutory Deposits	10,084,463	10,264,919
Deferred Dues from Statutory Deposits	671,708	427,950
Deferred Dues from Non-statutory Deposits	4,136,075	2,216,115
Others	17,351,668	11,061,357
Sub-total	114,959,853	93,553,630
Minus:		
Future Profit / IRR	(11,814,283)	(9,056,592)
Future Profit / Forex	(287,565)	(222,173)
Doubtful Debts	(4,292,507)	(2,929,501)
Others	(219,935)	(44,144)
Total	98,345,563	81,301,220

10 . Debtors of Forex Deferred Letters of Credit

mIn IRR	March 20, 2007	March 20, 2006
Debtors of Forex Deferred Letters of Credit	3,108,581	2,614,144
Total	3,108,581	2,614,144

11. Bonds

mIn IRR	March 20, 2007	March 20, 2006
Government Sector	1,041,426	764,022
Total	1,041,426	764,022

12. Investments and Partnerships

mIn IRR	March 20, 2007	March 20, 2006
Non-government Legal Participation	243,517	212,082
Investment in Listed Companies	188,244	230,633
Direct Investment	102,741	102,836
Investment in Units	43,940	43,940
Sub-total	578,442	589,491
Provision for Decrease in the Value of Shares	(209,171)	(211,617)
Total	369,271	377,874

13. Fixed Assets

mIn IRR	March 20, 2007	March 20, 2006
Fixed Assets:		
Movable Assets	1,172,882	911,657
Immovable Assets	6,405,812	6,407,091
Intangible Assets	347,785	399,133
Immovable Assets Under Construction	315,468	342,181
Cost of Renovation & Repair for Leasehold Buildings	6,747	5,872
Sun-total	8,248,694	8,065,934
Minus:		
Reserve for Depreciation of Movable Assets	(751,719)	(575,078)
Reserve for Depreciation of Immovable Assets	(446,833)	(465,569)
Reserve for Depreciation of Intangible Assets	(240)	(124,696)
Sub-total	7,049,902	6,900,591
Capital Advance Payments	100,575	65,589
Total	7,150,477	6,966,180

14. Other Assets

mIn IRR	March 20, 2007	March 20, 2006
Tax Stamp	20,788	19,369
Gold and Silver	679	692
Inventory	162,039	99,633
Repossessed Collaterals	754,556	488,498
Temporary Debtors (Rials)	9,617,356	6,336,888
Temporary Debtors (Forex)	1,225,494	16,287
Debtors for Reparation of Insurance Fund	3,891,277	2,797,454
Received Facilities from Banks	5,517,030	3,721,486
Total	21,189,219	13,480,307

15. Items in Transit

mIn IRR	March 20, 2007	March 20, 2006
Debtors:		
Branches	27,541,077	22,456,089
Locals / IRR	760,721	1,064,940
Locals / Forex	276,457	16,228
Current Accounts with Central Bank	(642,594))424,455(
Forex Transactions	3,751,646	1,701,148
Forex Positions	1,953,781	1,224,039
Sub-total	33,641,088	26,037,989
Creditors:		
Central Account (IRR)	25,335,668	21,911,298
Central Account (Forex)	(38,558)	(4,840)
Locals / IRR	690,685	1,280,548
Locals / Forex	31,761	29,246
Over Sources in Free Zones Branches	894,058	591,658
Forex Transactions	4,246,050	2,760,681
Forex Open Positions	1,459,378	164,506
Sub-total	32,619,042	26,733,097
Total	1,022,046	(695,108)

16. Due to the Central Bank

mIn IRR	March 20, 2007	March 20, 2006
Government Funds	111,321	43,441
Due to Central Bank in Current Account	8,579,676	164,175
Facilities Received from Central Bank	6,848,000	6,630,000
Facilities Received from Oil Surplus Fund	9,963,588	7,291,443
Total	25,502,585	14,129,059

17. Due to Banks and Credit Institutions

mIn IRR	March 20, 2007	March 20, 2006
Gharz-al-Hasaneh Savings of Non-bank Financial Institutions	1,635	3,130
Gharz-al-Hasaneh Current Savings of Banks	655,370	50,038
Gharz-al-Hasaneh Current Savings of Free Zones	(638,134)	(457,069)
Received Facilities from Banks	8,982,664	11,626,999
Unused Inter-bank Funds	84,877	84,877
Total	9,086,412	11,307,975

18. Demand Deposits

mIn IRR	March 20, 2007	March 20, 2006
Current Accounts / IRR	16,885,844	13,660,720
Current Accounts / Forex	1,442	1,223
Unused Managed Funds	5,267,833	3,591,946
Bank Cheques Sold	6,526,567	5,068,906
In Progress Projects of Agriculture Sector	258,680	271,560
Draft Drawn on the Bank / IRR	17,021	45,531
Draft Drawn on the Bank / Forex	829	4,416
Balance Not Claimed / IRR	40,913	23,856
Employee Savings	170,565	130,448
Employee Pension	2,877	(1,706)
Joint Accounts (Musharekah)	4,765,119	2,709,752
Temporary Debtors / IRR	3,596,637	2,417,895
Temporary Debtors / Forex	979,488	7,311
Sub-total	38,513,815	27,931,858
Minus:		
Payment of Sold Bank Cheques (Not Settled)	(133,190)	(120,916)
Total	38,380,625	27,810,942

19. Saving Deposits

mIn IRR	March 20, 2007	March 20, 2006
Gharz-al-Hasaneh / IRR	17,793,234	14,578,243
Gharz-al-Hasaneh / Forex	71,079	120,763
Dormant Special Gharz-al-Hasaneh	135	268
Total	17,864,448	14,699,274

20. Term Deposits

mIn IRR	March 20, 2007	March 20, 2006
Long-term Deposits	23,906,525	17,857,637
Short-term Deposits	11,115,959	8,673,999
Special Short-term Deposits	415,580	333,183
Term Deposits of Foreign Banks	307,225	203,435
Total	35,745,289	27,068,254

21. Other Deposits

mIn IRR	March 20, 2007	March 20, 2006
Term Deposits / Forex	51,131	16,682
Cash Advance Received for Government Letters of Credit / Forex	2,992	2,792
Cash Advance Received for Private Letters of Credit / Forex	351	2,131
Cash Advance Received for Letters of Credit / Forex	403,258	695,108
Cash Advance Received for Private Letters of Credit / IRR	0	2,978
Cash Deposits on Governmental Guarantees / IRR	83,674	62,080
Cash Deposits Guarantees / Forex	239	192
Others	33,007	95,395
Total	574,652	877,358

22. Other Liabilities and Provisions

mIn IRR	March 20, 2007	March 20, 2006
Deferred Interest on Facilities / Private	2,193,699	2,634,479
Deferred Interest on Facilities / Government	692	664
Interest on Facilities	16,863	23,064
Interest and Commission	452,729	389,607
Draft Undertaken by Branches /IRR	757,322	676,890
Payable Profit	105,071	648,339
Others	6,101,641	5,964,613
Total	9,628,017	10,337,656

23. Due to Foreign Banks

mIn IRR	March 20, 2007	March 20, 2006
Received Facilities	946,231	766,365
Letters of Credit and Drafts	2,455,039	1,924,614
Total	3,401,270	2,690,979

24. Shareholders' Equity

mIn IRR	March 20, 2007	March 20, 2006
Capital	8,021,118	8,021,118
Capital of Free Zones Branches	20,200	20,200
Transferable Funds to Capital	268	268
Reserves	616,957	577,556
Reserves of Forex Changes	54,775	54,775
Retained Earning	954,251	855,230
Sub-total	9,667,569	9,529,147
Minus:		
Capital of Free Zones Branches	(20,200)	(20,200)
Total	9,647,369	9,508,947

25. Interest and Penalties on Other Receivables

mIn IRR	March 20, 2007	March 20, 2006
Installment Contracts	5,004,219	3,828,235
Mudarabah	243,813	1,103,057
Musharekah	1,105,450	1,278,714
Salaf	468,873	1,377,560
Lease to Own	81,715	63,958
Jo'aleh	40,408	40,998
Discounting	14,944	2,479
Facilities Profit / Forex	780,527	375,578
Sub-total	7,739,949	8,070,578
Commission of Facilities Renewal	16,178	2,084
Sub-total	7,756,127	8,070,578
Directed Profit of Facilities	328,545	(1,694,245)
Penalties Received on Other Facilities	2,009,431	2,445,798
Penalties Received on Other Facilities / Forex	592,301	109,352
Commission of Non-execution	2,054	1,461
Sub-total	10,688,458	8,935,029
Profit on Investments & Partnerships:		
Net Profit on Investment in Productive Units	0	12,272
Profit on Direct Investment and Legal Partnerships	17,918	40,023
Profit on Sales of Partnerships Equity Shares	(6,832)	90,371
Profit on Participation Bonds	123,379	189,266
Sub-total	134,464	331,932
Total	10,822,923	9,226,962

26. Other Incomes

mIn IRR	March 20, 2007	March 20, 2006
Interest on Legal Deposit	58,623	42,384
Interest on Governmental Deposit	3,269	4,024
Total	61,892	46,408

27. Net Depositors' Interest

mIn IRR	March 20, 2007	March 20, 2006
Depositors Dividends	3,402,136	3,204,431
Surplus Interest Paid to Depositors	561,013	0
Total	3,963,149	3,204,431

28. Interest & Delay Penalties

mIn IRR	March 20, 2007	March 20, 2006
Received Interest (Old Transactions)	58,954	22,873
Delay Penalties from Other Receivables	161,461	37,720
Received Interest from Deposits	68,695	45,151
Received Interest from Government	-	346,868
Total	289,110	452,613

29. Fees & Commissions

mIn IRR	March 20, 2007	March 20, 2006
Commission on Qarz-al-Hasaneh	137,498	103,427
Commission on Managed Funds	14,143	15,045
Commission on Facilities Paid to Employees	159,159	96,863
Other Commissions	34,366	7,422
Commission on Banking Services	170,161	239,710
Commission Received by Branches	137,272	160,890
Commission on Banking Services APIF	900,263	579,461
Total	1,552,862	1,202,818

30. Other Revenues

mIn IRR	March 20, 2007	March 20, 2006
Forex Transactions	66,150	15,085
Sale of Properties Claimed	1,753	1,003
Rent of Branch Managers' Residences	727	563
Profit from Sale of Properties	5,447	5,760
Others	168,140	146,759
Total	242,217	169,170

31. Interest Paid

mIn IRR	March 20, 2007	March 20, 2006
Interest for Credit Facilities Received from Other Banks	3,133,589	2,244,596
Interest Paid to Free Zones Branches	153,942	97,575
Sub-total	3,287,531	2,342,171
Minus:		
Profit from Surplus Resources with Central Office	(153,942)	(97,575)
Total	3,133,589	2,244,596

32. Fees & Commission Paid

mIn IRR	March 20, 2007	March 20, 2006
Miscellaneous Commissions	275,900	226,500
Total	275,900	226,500

33. General Expenses

mIn IRR	March 20, 2007	March 20, 2006
Contractual Costs	1,056,362	746,859
Employees Costs	2,080,105	1,958,748
Other Costs	1,726,226	1,528,267
Total	4,862,693	4,233,874

34. Other Expenses

mIn IRR	March 20, 2007	March 20, 2006
Bonuses on Qarz-al-Hasaneh	470,994	445,189
Total	470,994	445,189

35. Prior Years' Adjustments

mIn IRR	Note	Balance on March 20, 2006	Net Increase / (Decrease)	Adjusted Balance	Effect on Profit & Loss
Provision for the Payable Profit to Depositors	21	3,841,645	(82,496)	3,759,149	82,496
Temporary Debtors	12	6,337,070	182	6,337,251	(182)
Temporary Creditors	16	69,698	12,599	82,297	(12,599)
Other Provisions	21	532,743	151,503	684,246	(151,503)
Free Code	13	1,182,385	98,162	1,280,548	(98,162)
Provision for Brokerage Fees	21	564,497	(447,807)	116,690	447,807
Profit Paid to Government	21	738,338	(89,999)	648,339	89,999
Total			(357,856)		357,856
Net Profit of 2006					151,157
Retained Earnings (Loss) at the Beginning of the Year					788,367
Year Adjustments at the Beginning of the Year					(422,152)
Adjusted Retained Earnings (Loss) at the End of the					855,229

36. Net Cash Flow from Operating Activities

mIn IRR	March 20, 2006	March 20, 2005
Income before Tax	262,678	783,380.5
Depreciation	327,453	248,798.4
Asset Devaluation Reserve	(2,455)	32,129.6
Income from investments and Legal Partnerships	24,451	(40,022.7)
Income from Selling Investments and Legal Partnerships	6,832	(90,370.5)
Income from Selling Fixed Assets	(5,446.5)	(5,760)
Partnership Period Profit	(123,379)	(189,266.5)
Subtotal	447,774.6	738,889
Net Increase / (Decrease) in Operating Liabilities		
Demand Deposits	10,56906	7,923,436
Savings Deposits	3,165	2,909,491
Long Term Investment Deposits	8,677	9,479,452
Amounts Due to Central and Other Banks	9,224	5,916,531
Operational Portion of Liabilities	(480,477.7)	3,506,112.5
Transferable to Capital Reserve	12,770	130,439.6
Subtotal	31,155.3	29,865.5
Net Increase / Decrease in Operating Assets		
Amounts Due from Central Bank	(2,485)	(837,822)
Bonds	(277,403.8)	790,824
Payment of Other Banks' Issued Cheques	(1,845,863)	(518,770.6)
Islamic Banking Deals Facilities	(17,861,685)	(25,443,254)
Repossessed Collaterals and Operational Portion of Other Assets	(7,708,924)	(5,200,364)
Items in Transit	(1,717,154.8)	1,837,834
Subtotal	(31,896,133)	(29,371,553)
total	(292,982)	1,232,801

37. Net Cash Increase

	Note	March 20, 2007	March 20, 2006	Changes During the Year
Notes and Coins	2	435,687	461,272	(25,585)
Gold & Silver	12	679	692	(12)
Banks Deposits after Compensation	4	0	826,045	(826,045)
Foreign Deposits with Local Banks	4	17,306	10,546	6,760
Deposits with Foreign Banks	4	862,592	782,813	79,779
Foreign Currency (Cash)	2	36,436	45,566	(9,129)
Cash in Transit	2	60	3,855	(3,795)
Total		1,352,762	2,130,789	(778,027)

38. Commitments Regarding Letters of Credit

mIn IRR	March 20, 2007	March 20, 2006
Commitments Regarding Letters of Credit	4,027,504	5,417,996
Total	4,027,504	5,417,996

39. Commitments Regarding Guaranties

mIn IRR	March 20, 2007	March 20, 2006
Commitments Regarding Guaranties & Received Letters / IRR	695,913	488,834
Commitments Regarding Issued Letters of Guarantee	3,499	6,701
Commitments Regarding Guaranties & Received Letters of Guarantee / Foreign Currency	3,175	6,795
Total	702,587	502,330

40. Customers' Other Commitments

mIn IRR	March 20, 2007	March 20, 2006
Customers' Commitments on Contracts	6,528,340	2,625,443
Customers' Commitments on Non-statutory Gharz-al-Hasaneh	14	1
Others	163,814,276	125,996,397
Total	170,342,630	128,621,841

41. Managed Funds

mIn IRR	March 20, 2007	March 20, 2006
Unused Special Gharz-al-Hasaneh Deposits	2,035	2,093
Managed Funds	13,845,072	10,458,101
Total	13,847,107	10,460,194

Branches

International Branch Network

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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	KESHIRTH	00160	Central Branch	
No. 186, Keshavarz Blvd, Opp. Pars Hospital, Tehran, I.R.Iran Tel: +98 21 88966815 +98 21 88960744 Fax: +98 21 88967602	KESHIRTH340	00340	Dolati Branch (Bolvar Keshavarz)	
No.747, Valiasr Sq., Opp. Cinema Africa, Tehran, I.R. Iran Tel: +98 21 88921869 Fax: +98 21 88921870	KESHIRTH440	00440	Vali-Asr Branch	
No.97, Tohid Sq., Tehran, 1419716751, I.R.Iran. Tel/Fax: +98 21 66922483	KESHIRTH620	00620	Tohid Branch	
No.206, Takhti Sq., Shahid Beheshti Ave., Postal Code:1577835411, Tehran, I.R.Iran. Tel: +98 21 88746593 Fax: +98 21 88506593	KESHIRTH820	00820	Shahid Beheshti Branch	
Corner Of Shadmehr Street, Azadi Ave, Opposite Zamzam Co., Tehran, I.R.Iran Tel: +98 21 66062061 Fax: +98 21 66047217	KESHIRTH103	01030	Shadmehr Branch	
No.175, Markaz Tejari Golestan, Iran Zamin Ave., Shahrak Gharb, Tehran I.R.Iran Tel/Fax: +98 21 88579644	KESHIRTH180	01180	Markaz Tejari Golestan Branch	
Tohid Sq., Karaj, I.R.Iran Tel: +98 261 2205657 Fax: +98 261 2254971, 3	KESHIRTH701	01701	Karaj Tohid Branch	
Next to Homa Flight Agency, Azadi Blvd., Sari, I.R.Iran Tel/Fax: +98 151 2290641-3	KESHIRTH204	02040	Sari Branch	

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Khaghani St., Opp. Fire Station, Tabriz, 5136956771, Iran Tel: +98 411 5264144- 5264124 Fax: +98 411 5264133	KESHIRTH040	03040	Tabriz Branch	
Zand Street, Shiraz City, 37195 Shiraz, I.R.Iran Tel: +98 711 2342553 Fax: +98 711 2342554-5	KESHIRTH705	07050	Shiraz Branch	
Kerman Branch, Beheshti St., 761 8618351, Kerman, IR Iran Tel: + 98 341 2461457 Fax: +98 341 2461456	KESHIRTH070	08070	Kerman Branch	
Modares St., Jannat St., Postal Code:9137793687, Mashhad, I.R.Iran. Tel: +98 511 2258426 Fax: +98 511 2252945	KESHIRTH140	09140	Mashhad Branch	
Ostad Motahari St., , 81338/18473 Esfahan I.R. Iran.. Tel/Fax: +98 311 2335971	KESHIRTH030	10030	Esfahan Branch	
Shahid Montazeri Street, Close To The Telecommunication Centre, Qeshm Island, I.R.Iran Tel: +98 763 5228950 Fax: +98 763 5224484	KESHIRTH703	17030	Qeshm Branch	
Markaz-E-Tejari Kish Kish Island, P.O.Box No:7941895461 I.R.Iran Tel: +98 764 4452274 Fax: +98 764 4452177	KESHIRTH300	17300	Kish Branch	
BouAli St., Qazvin, I.R.Iran Tel Fax: +98 281 3354196	KESHIRTH100	27100	Qazvin Branch	
Emam St., Opp. Tolid Darou Co., Qom, I.R.Iran Tel: +98-251 6626080	KESHIRTH28110	28110	Qom Branch	
Jomhoori Ave., After Hafez Bridge, Postal Code: 1135716155	KESHIRTH	760	SIE-TIR Branch	
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