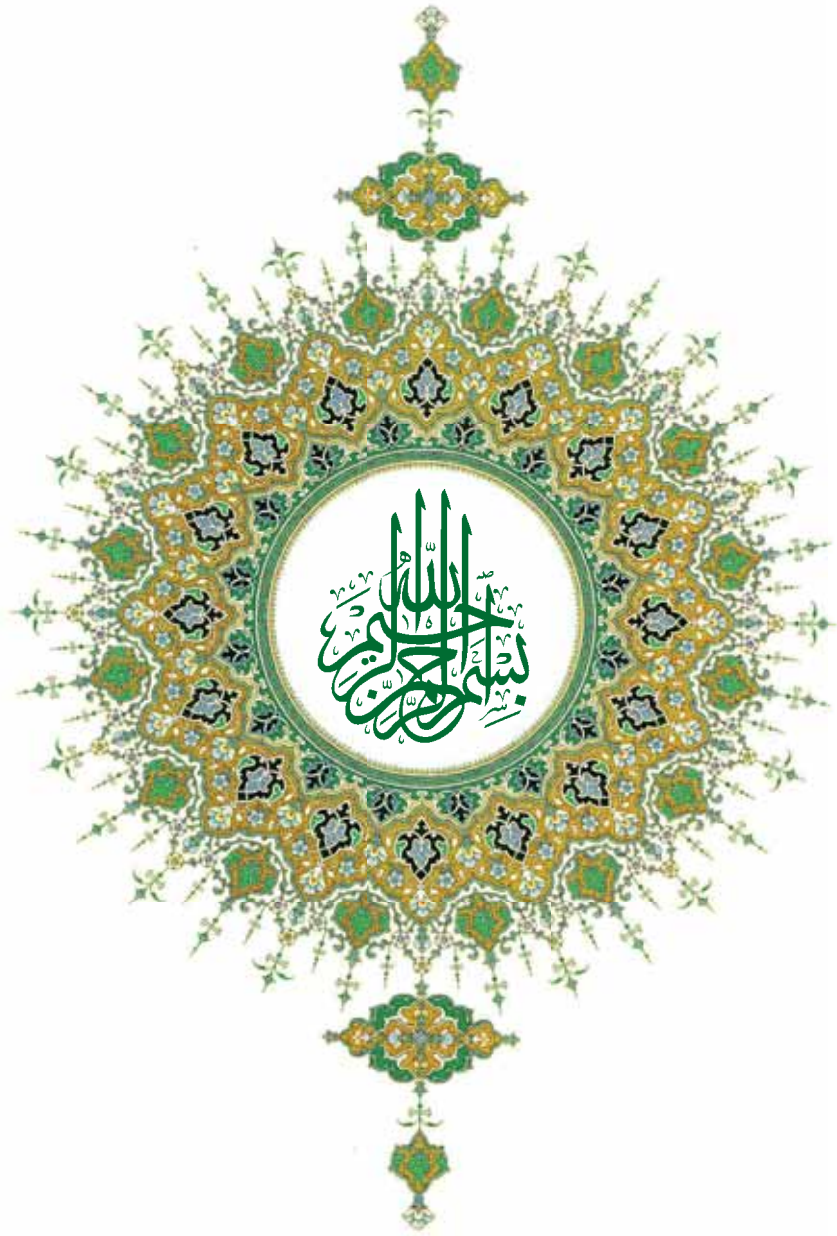




Bank Keshavarzi

Annual Report
2015 – 2016





Bank Keshavarzi

Annual Report
2015 – 2016



Corporate Outline

Bank Keshavarzi
(Agriculture Bank of Iran)

Date of Establishment:
June 11, 1933

Number of Branches:
1,904

Number of Forex Branches:
47

Number of Staff:
17,264 (By March 19, 2016)

Chairman and Managing Director:
Dr. Morteza Shahidzadeh

Board Members (By March 19, 2016)¹:
Mr. Rouhollah Khodarahmi; Mr. Heshmatollah Nazari; Mr. Davar Mahikar; Mr. Mohammad Hasan Foroughifar

Address:
No.247, Patrice Lumumba St., Jalal-al-Ahmad Exp. Way, Tehran 1445994316, I.R. Iran
P.O. Box 14155-6395

Public Relations & International Cooperation Department:
Tel: (+98 21) 88245010, 84893535
Fax: (+98 21) 88245009
Email: icd@agri-bank.com

Website:
www.bki.ir/en

1. See Board of Directors

Financial Highlights

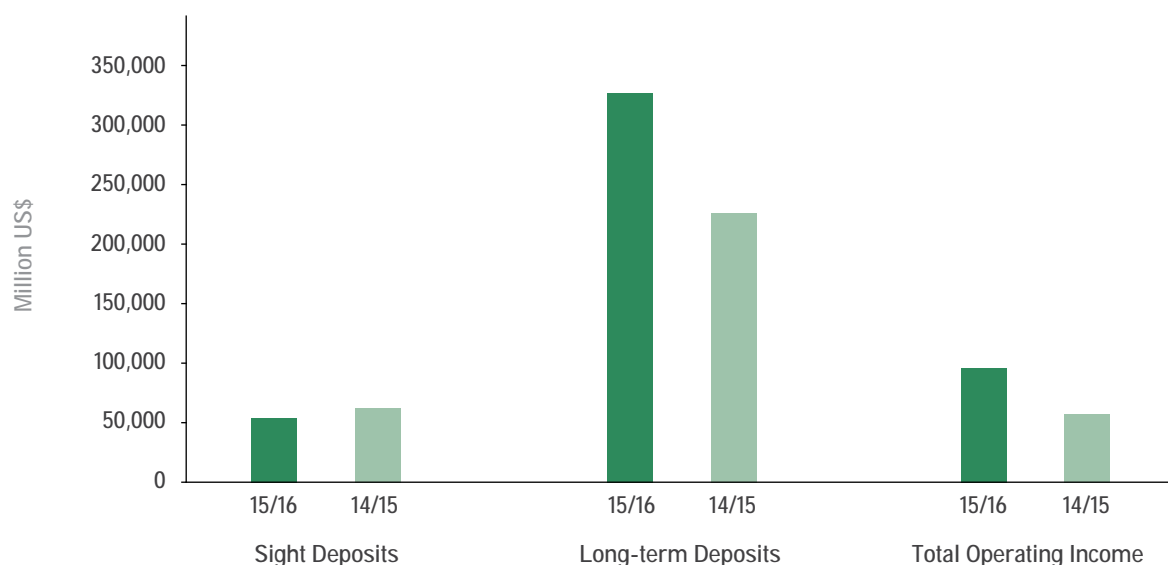
For more than 80 years, Bank Keshavarzi (Agriculture Bank of Iran) has made great contributions to the development of the agriculture sector. Offering diverse banking and E-banking services through application of state-of-the-art technologies, the bank has been granting the highest amount of credit demanded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

Balance Sheet Highlights (Billion Rials)¹

Item	2015/16 ²	2014/15
Assets	713,682	603,681
Liabilities	693,214	586,475
Sight Deposits	60,718	69,082
Term Investment Deposits ³	321,497	221,191
Shareholders' Equity	20,469	17,207

Income Statement Highlights

Item	2015/16	2014/15
Interest Income ⁴	62,630	49,218
Non-interest Income	25,920	17,859
Total Operating Income	88,550	67,077
Total Operating Expenses	88,371	66,974
Pretax Net Profit	179	103



1. Rial amounts can be converted to USD at CBI reference rate (http://cbi.ir/ExRates/rates_en.aspx) on the last day of Iranian fiscal year (March 19, 2016).

2. BK's fiscal year (1394 Persian Calendar) corresponds to the period of March 21, 2015 to March 19, 2016.

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

4. In Islamic Banking, the perception held about interest is based on Profit-Loss-Sharing Scheme (PLS).

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Board of Directors



Dr. Morteza Shahidzadeh
Chairman and Managing Director



Mr. R. Khodarahmi
Board Member



Mr. H. Nazari¹
Board Member



Mr. D. Mahikar
Board Member



Mr. M. H. Foroughifar²
Board Member

¹ Retired on March 16, 2017.

² Retired on September 22, 2016. Dr. Masoud Sharifat was appointed as the new Member of the Board of Directors on August 23, 2016.

Chairman's Message

On behalf of Bank Keshavarzi staff and management, I am greatly honored to submit Bank Keshavarzi Annual Report to present an accurate reflection of the overall banking operations and essential activities performed by the bank during 2015/16.

The Supreme Leader of I. R. Iran named 2015/16, the year of "Government and the People, Unanimity and Consent" and outlined "Economic Progress"; "International and Regional Authority"; "Real Scientific Achievements"; "Economic and Juridical Justice"; and the last but not the least, "Spirituality and Faith", as Iranian people's main demands and wishes, which can be realized relying on the nation's capacity and political system.

Within the report year, relying on invaluable guidelines set by Ayatollah Khamenei, the Supreme Leader of I. R. Iran for the realization of Resistance Economy (RE); receiving support of the hope-inspiring Government; making the best use of managerial potential and expertise; and using the post-sanction opportunities, Bank Keshavarzi made remarkable achievements in fulfillment of its mission and moving towards economic prosperity and national development.

Successful execution of "Wheat Guaranteed Purchase Program" resulting in purchase of more than 8 million tons of wheat by Bank Keshavarzi as an agent bank and deposit of more than RIs. 94 trillion to wheat farmers' accounts, as well as planning to purchase around 10 million tons of wheat in the following year; membership in Directors' Board of Commodity Exchange; supporting the establishment of Agricultural Commodity Exchange; membership in permanent committees in Ministry of Agriculture aimed at promoting transactions volumes in the agriculture sector and facilitating commodity exchange processes; and allocation of credit to intermediary companies as market makers to control agricultural purchase transactions are just few of the achievements made by the bank during the report year.

Development of special programs for elite farmers aimed at creating functional and constructive models for the farmers' society, close interaction with farmers' representatives, and emphasis on combination of modern technologies and experiences; as well as design and execution of "Agricultural Inputs Purchase Card" project based on principles of Resistance Economy, focusing on agricultural resources management, supervision on proper use of facilities granted, and preventing resources from getting out of the agro economy cycle can also be included in BK's 2015/16 success story.

At international arena, the memorable hosting and organizing of "The 66th APRACA Executive Committee Meeting" and "The International Forum on Women Empowerment and Sustainable Development", on 8-9 October 2015, can be outlined as another achievement of the bank. The events, displaying the real image of Iran and the bank's internal and external capacities after the lifting of sanctions, provided the participants from more than 20 countries with a great opportunity to exchange knowledge, expertise and experiences.



Expansion of corresponding relationship with European banks, immediately after relief from sanctions and adoption of "Joint Comprehensive Plan of Action (JCPOA)"; start of negotiations with 93 foreign banks; opening accounts in 73 banks; and launch of SWIFT exchanges with more than 20 foreign banks are other BK's accomplishments in international banking.

During the year under study, development of E-banking, as one of the unique features of Bank Keshavarzi and design of modern electronic systems; being awarded in "The 6th Festival of Service-offering and Accountability"; financing macro projects of "Sea Cage Aquaculture" and "Greenhouse Production"; and implementing national projects of "Rural Water Pipelines" were appreciated by many of the government officials including the vice-president and the Minister of Energy.

Another outstanding success of the bank in 2015/16 was the RIs. 23 trillion capital increase provided to the bank as a result of follow-ups by Dr. Tayebnia, the Minister of Finance and Economy; Dr. Hojjati, the Minister of Agriculture; Dr. Seif, CBI Governor; and Dr. Nobakht, the Vice-president, leading to promotion of the bank's financial self-sufficiency to support the production sector, realization of food security and development of agro economy.

Absorption of the 94-percent-credit of the National Development Fund; the RIs. 20 trillion decline of the bank's dues to CBI resulted by the financial resources mobilized by the bank; payment of more than RIs. 248 trillion credit facilities to different agricultural sub-sectors; absorption of the highest amount of credit, equaling 31.68 percent, by the horticulture and cultivation activities; formation of "Resistance Economy Committee" in bank Keshavarzi to follow up the realization of RE objectives; holding the Annual Forum of BK Managers with "Managerial Integrity for Realization of Resistance Economy" as an organizational slogan; holding the Annual Meeting of BK Experts focusing on approaches and strategies to realize RE objectives; and regular holding of "RE Specialized Committee" to organize a set of RE projects and provide BK management with comprehensive reports are highlighted as other pages of the bank's success story in 2015/16.

The report year is considered a landmark and a determining period in Bank Keshavarzi and the following year would be a fruitful year for the bank offering required services to the farmers and injecting liquidity to the economy. We must strive to pave the way for more success and prosperity leading to betterment of national economic status and improvement of public food security. I am quite certain that our colleagues in Bank Keshavarzi will make the best use of their specialties and experiences to offer more services to the rural population, producers and esteemed people of Iran and upgrade the bank to a supreme position it deserves.

Morteza Shahidzadeh

Chairman and Managing Director



1

Bank Keshavarzi, at a Glance

Mission

Vision

Strategic Objectives

Fundamental Values

Code of Ethics

Anti-Money Laundering Policies

Organization Chart

Human Resources

Economic Outlook



Mission

We strive to provide:

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

Vision

We deliver:

Distinctive Services to Everyone Associated with Us.

Strategic Objectives

- Increase of national wealth-creating power;
- Sustainable finance of the government and decrease of government budget reliance on oil income;
- Active and effective participation in policy-making and legislation process;
- Reinforcement of administrative-financial discipline, health and transparency;
- Promotion of inter-organizational synergy and intra-organizational cooperation;
- Formation and integration of operational and managerial information systems;
- Target-oriented development of organizational and human capital;

Fundamental Values

- Respect all customers as the main stakeholders of BK;
- Dignify the bank's staff as professional, motivated and enthusiastic bankers;
- Avail itself of new technologies to offer distinctive services;
- Comply with laws, rules and regulations of the banking system, based on Islamic Sha'ria Principles;
- Rely on knowledge-orientation and knowledge-based management;
- Achieve scientific and specialized credibility in the agriculture areas;
- Gain credibility at international level.

BK has always been determined to:

- Facilitate the flow of internal and external financial resources into the agriculture sector having identified and institutionalized the needs and investment opportunities in the sector;
- Avail itself of diligent, motivated, highly-educated, trained, and expert staff, with good morals and bound to professional ethics, within international and modern banking sector;
- Pioneer in utilizing up-to-date technologies, and capable to offer new E-banking services in national and international arenas;
- Have integrated, coordinated, harmonized, recognized, and fluent systems implemented and developed for the benefit of all stakeholders at required and internationally acceptable standards;
- Hold the largest market and customers shares among the specialized banks, ranked among the first four-top Iranian banks;
- Make constructive and effective interactions with international institutions and banks operative in overseas financial and monetary markets;
- Comply with Islamic Sha'ria in banking operations and use novel Islamic banking instruments;



Some of the objectives achieved in 2015/16 are as follows:

- Financing working capital of production units (in the agriculture sector);
- Reduction of non-performing loans to total loans ratio;
- Improvement of financial self-reliance index;
- Reduction in non-performing loans;
- Reduction of overdraft from CBI;
- Launch of credit-scoring terminal for credit customers;
- Increase in fund-raising from National Development Fund;
- Financial management and financing agricultural irrigation projects;
- Increase in BK share from total banking network deposits;
- Increase in BK share from total FX operations of the banking system;
- Promotion of profitability;
- Increase in ROA rate;
- Increase in ROE rate;
- Design and execution of productivity evaluation process;
- Increase in branches productivity;
- Increase in operating income per capita;
- Expediting in sale or cession of repossessed properties;
- Expansion of international relationship and increase of BK presence in international markets;

Code of Ethics

BK's Code of Ethics represents the guiding values of the organization and applies to everyone who is employed by the bank because the bank aspires to the highest standards of ethical behavior in the conduct of its business. The code is to bring discipline and professionalism to the bank's long-term and sustainable performance and to instill ethically sound behavior and accountability among its employees who all believe that they are judged by their conducts and the bank's reputation is fundamental to the bank's success. The code, based on the bank's core values and long followed by BK, is as follows:

1. Treat the public and customers with courtesy, respect their dignity, and acquire their satisfaction as the foremost capital of the bank.;
2. Observe discipline and carry out instructions received from supervisors within the framework of the regulations, rules, standards, and internal policies.
3. Avoid discrimination towards customers and partners, who receive fair and equal treatment, equal access to banking services, unprejudiced information, clear explanations and understandable advice.
4. Promote the culture of accountability as one of the core values of the bank and hire employees with professional qualities such as intelligence, knowledge, organization, problem-solving and perseverance;
5. Protect customers' privacy, confidentiality and security of their information and avoid accessing customers' information except for appropriate business purposes.
6. Avoid excessive bureaucracy and promote operational promptness;
7. Encourage organized teamwork, collaborative working, knowledge-sharing, exchange of experience, and high-commitment to enhance precision, accuracy, and quality for the good of the customers and the entire organization;
8. Offer new and innovative banking services and products compliant with the highest standards, especially through e-banking channels and advanced technologies;
9. Use the public and customers' inputs, i.e. comments, complaints, and proposals as a key opportunity for the bank to make customers feel valued, to identify potential problems in advance, and to provide indications of emerging needs or trends for use in future product development;
10. Endeavor to meet needs and expectations of the stakeholders and customers as a strategic opportunity to realize the bank's objectives;
11. Display patience, honesty, helpfulness, trust and due care to establish an attractive environment and atmosphere in which the customers should feel peace, tranquility, easiness, and affection;
12. Recognize customers' demanded values and attempt to fulfill their requirements;



Anti-Money Laundering Policies

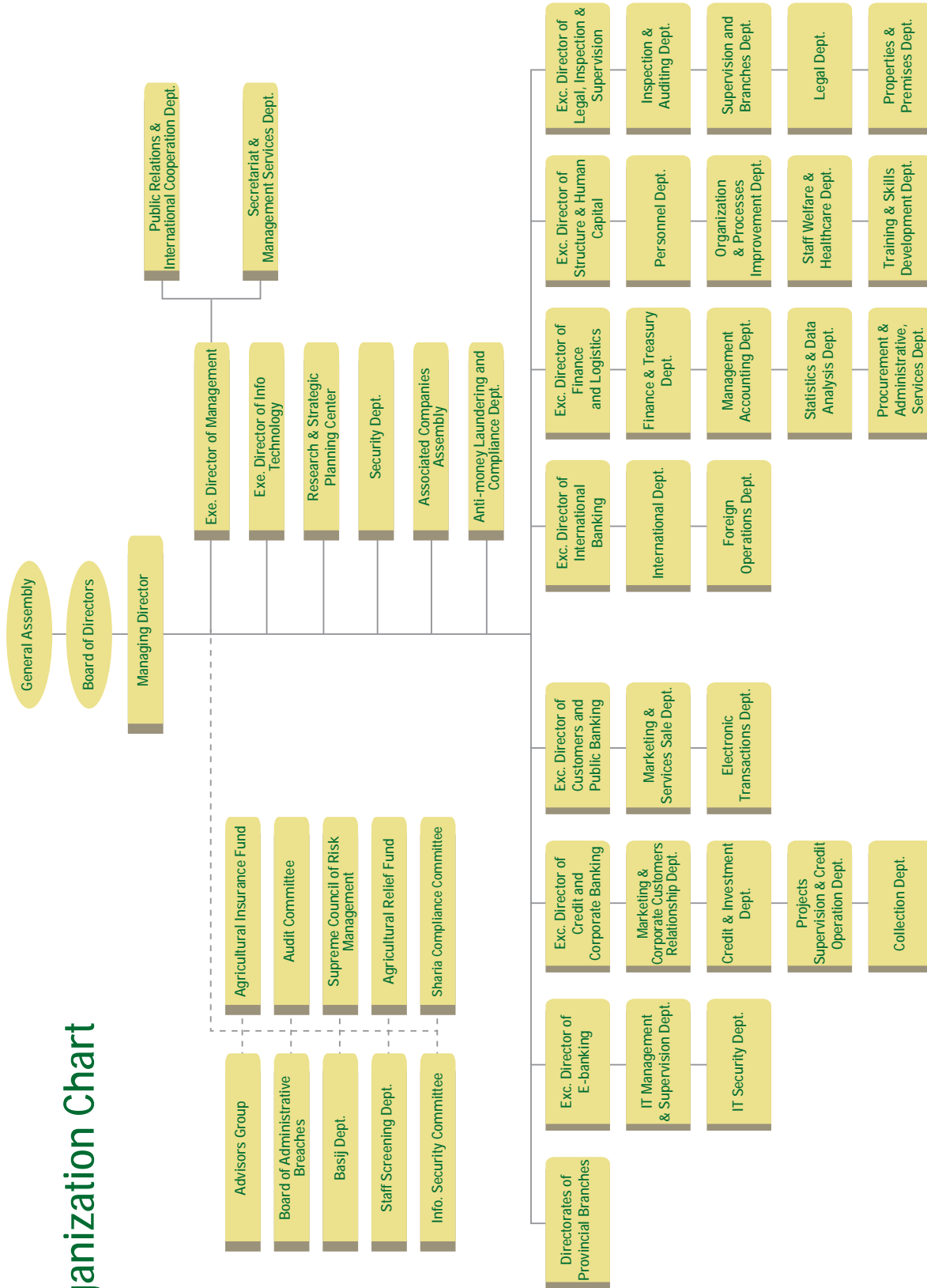
Iran's Anti-Money Laundering law created the "High Council for Combating Money Laundering," composed of Iran's economic minister, the head of Iran's central bank, and various ministers of commerce, intelligence and interior and granted it the authority to approve and enforce necessary money laundering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

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

- Modification and customization of BK core banking system with anti money laundering requirements;
- Holding of training courses on AML;
- Launch of an AML portal according to standards set by CBI and IRFIU;
- Development of AML brochures and a set of STR guidelines;
- Implementation of a policy on acceptance of customers, the use of customer identification procedures, continuous monitoring of customer accounts, keeping of customer records and transactions, and risk management;
- Providing branches with the access to AML Watch List;
- Continuous revision and refinement of customers data;
- Review all forms used by the bank's departments to be assured of their compliance with AML rules and regulations;
- On-time reply to all enquiries of IRFIU;
- Start of an AML Chat Room, designed for the staff, on the bank's website;
- Establishment of an "AML Central Committee" at BK Headquarters and similar committees in provincial directorates;
- Inclusion of an AML job position in related departments to improve real time control and supervision procedures;
- Adherence to anti-money-laundering regulations in brokerage relationships, electronic banking,...;
- Regular updating of customers' information;
- Monitoring compliance with by-laws on the terms and manner of keeping records of the banks' commercial securities and documents;
- Constant monitoring of a customer's total relationship with the bank;
- Preparation for potential new regulations;¹

1. More information and AML circulars are available at www.bki.ir/en/#139225--aml-and-compliance-division

Organization Chart





Human Resources

Bank Keshavarzi, aimed at realizing its mission and meeting customers' expectations, has been endeavoring to improve the procedures of human resources management including employment, training, remunerations and human relationships.

Table 1: Breakdown of Staff Stationed at Headquarters and Branches

Year	2015-2016		2014-2015	
	No.	%	No.	%
BK Headquarters	3,203	18.55	3,128	18.26
BK Branches	14,061	81.45	13,999	81.74
Total	17,264	100	17,127	100

Some of the human resources strategies, adopted in BK, are as follows:

- Employ highly educated man power matching the needs of the bank;
- Identify and develop talented man power capabilities;
- Establish a training system based on jobs specification and staff qualification;
- Update the staff's knowledge regularly;
- Develop special programs for branches to promote the staff's skills and knowledge;
- Launch a job rotation system for the branch staff;
- Establish an incentive system based on performance to provide the staff with required motivation;
- Improve physical and mental health of the staff;

The staff's working experiences, in addition to specialized knowledge and sense of devotion, have always been appreciated in BK approaches and programs.

Table 2: Breakdown of Staff's Academic Degrees

Level	2015-2016		2014-2015	
	No.	%	No.	%
Under High School Degrees	186	1.08	231	1.35
High School Diplomas	3,515	20.36	3,956	23.1
Associate Degrees	1,635	9.47	1,841	10.75
Bachelor's Degree	9,732	56.37	9,411	54.95
Master's Degree	2,132	12.35	1,637	9.56
PhD Degrees	64	0.37	55	0.32
Total	17,264	100	17,127	100

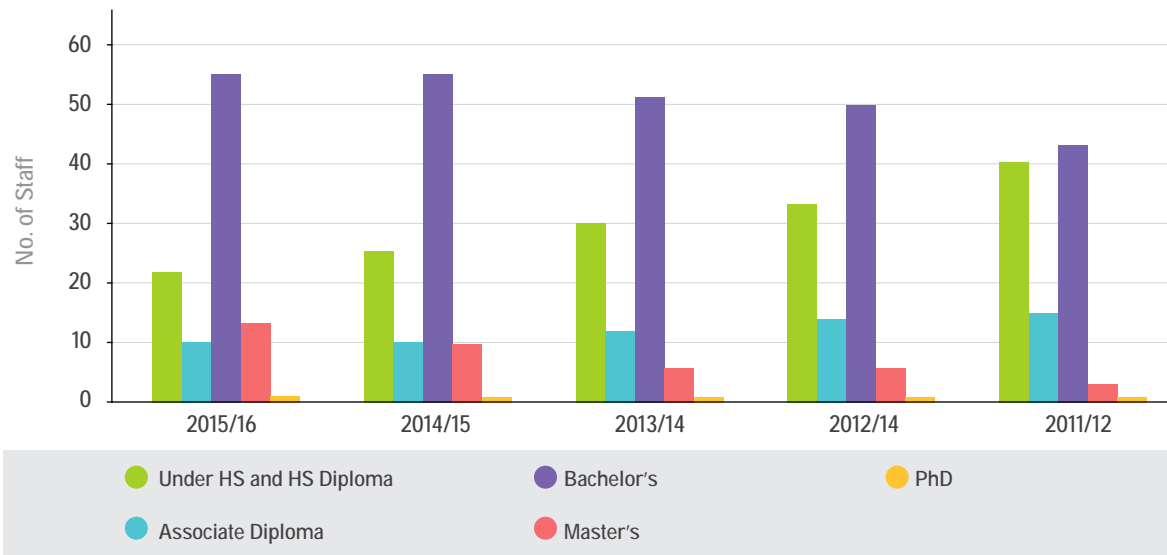


Table 3: Comparison of Training Activities

Year	2015-2016	2014-2015
Items	No.	No.
Total Training Hours	224,988	547,142
Total No. of Employees	17,217	17,439
No. of Trained Employees	32,356	70,893
Training per Capita in Hours	19	31
Training Days per Capita	3	5
No. of Training Courses	1,882	2,909
No. of Training Hours	40,309	49,999
Percentage of Training Justice	90	91



Economic Outlook

Bank Keshavarzi started the 2015/16 fiscal year in coincidence with two important events. The first one was the agreement over the Joint Comprehensive Plan of Action (JCPOA), which was followed by restart of economic relationship with western countries and increase of hope for economic prosperity and positive economic outlook within the forthcoming years. After execution of JCPOA and removal of sanctions during the administration of "The Hope and Prudence Government", the hope for promotion of national banks presence in international arenas was also enhanced following the emergence of opportunities such as release of Iran's frozen assets and financial resources; reconnection to SWIFT network; reduction of economic trade-in costs; decline of investment risk; improvement of economic activities; and reduction of non-performing loans in national banking network.

The preparation of the 6th Economic, Cultural and Social Development Plan (ECSDP), with a focus on "Resistance Economy" by "The Hope and Prudence Government" was the next important event. The plan is highly important to the bank because of its role in national economic growth and the 85-percent share in total financial facilities extended to the agriculture sector.

Subject to the 6th ECSDP, a 5-percent annual average growth has been projected for the agriculture sector. The Gross Fixed Capital Formation at constant 2004/05 prices, the Gross Fixed Capital Formation at current prices, and the total productivity growth of production factors in the agriculture sector have been projected to grow around 2.8, 9.18 and 3.2 percent respectively. A 27.85 percent non-public investment and a 64.35 percent share from banking financial facilities have also been projected for realization of capital formation and projected economic growth in the agriculture sector. Thus, economic growth depends on banking resources for agricultural financing.

These two important events promise probable improvement in national economic condition and then economic prosperity in coming years leading to better business atmosphere. Therefore, besides reduction of operating costs within the next years, it is expected to witness improvement in credit portfolio quality and the bank's profitability as well as proper provision of credit facilities in the agriculture sector. Moreover, at the international arena and following the changes in political and economic approaches of western countries, it is expected that the international activities of the bank, including correspondent banking relationship and opening overseas branches, would expand and agricultural financing would be facilitated.

It is taken for granted that improvement in the bank's national and international activities requires support from the government and the parliament so that Bank Keshavarzi would take effective steps towards national and organizational excellence.



2

Bank Keshavarzi Performance

- Operational Performance
- Financial Performance
- Financial Ratios
- E-banking
- International Banking Performance
- International Cooperation
- Corporate Social Responsibility
- Bank Keshavarzi Main Subsidiaries



Operational Performance

Making the best use of communication and information technologies, human resources' skills, diversity in banking services and products, hard-working staff with organizational commitment and optimal management, Bank Keshavarzi has been successful in resources mobilization as compared with the bank's performance in the preceding year.

Table 4: Breakdown of BK Deposits in 2015/16 (Billion Rls.)

Deposit	2015/16	Share out of Total (%)	2014/15	Share out of Total (%)
Term Deposits	321,497	77	221,191	69.1
Savings Deposits	30,831	7.4	26,706	8.3
Sight Deposits	60,718	14.5	69,082	21.6
Others	4,747	1.1	2,967	1
Total Deposits	417,793	100	319,946	100

In the year under report, the bank managed to raise required funds to meet the customers' financial and credit needs. In 2015/16, BK successfully facilitated the growth of GDP and enrichment of the agriculture sector through creating mobility in the sector by granting more credit facilities to individuals and businesses. The total amount of facilities extended by the bank to public and non-public agriculture sub-sectors equaled Rls. 280,778 billion, indicating a 10.7 percent growth, as compared with that of the previous year.

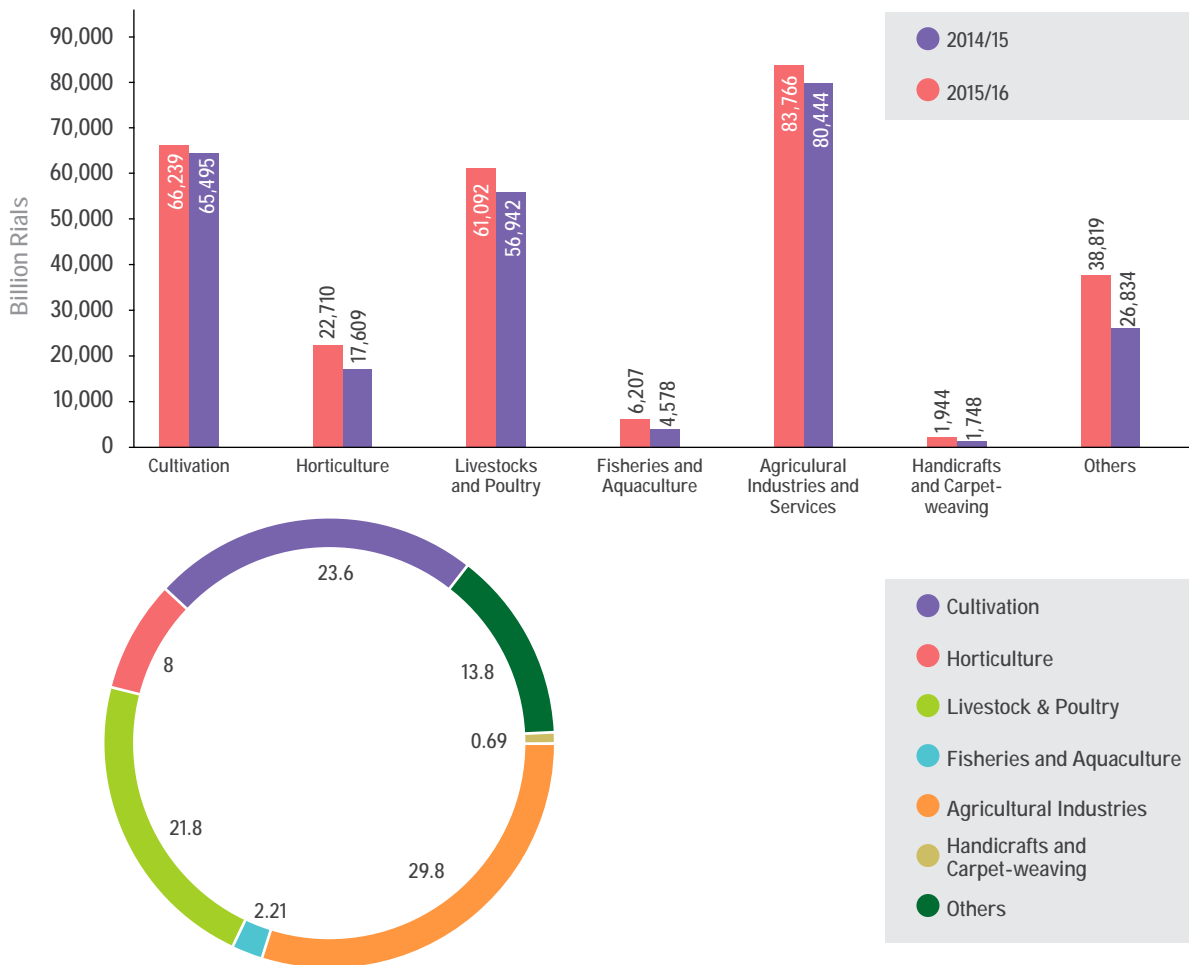
Bank Keshavarzi's Contribution to Agriculture Sector

The support of agriculture and agricultural self-sufficiency have been placed at the top of the government's policies and it is believed that the agriculture should be the main axis of economic activities. This is why, Bank Keshavarzi, as the only specialized and agricultural bank of the country, is the major source of financial services and credit facilities for the sector. Within the report year, the bank granted Rls. 280,778 billion of credit facilities based on 1,408,086 applications in different agriculture sub-sectors.

Table 5: Comparison of BK Credit Facilities Provided to Agriculture Sub-sectors in 2015/16 and 2014/15

	2015-2016		2014-2015		Changes Percentage	
	Value (Billion Rls.)	No. of Applications	Value (Billion Rls.)	No. of Applications	Value	No.
1 Cultivation	66,239	434,180	65,495	485,901	1.1	- 10.6
2 Horticulture	22,710	175,650	17,609	164,748	29	6.6
3 Livestock and Poultry	61,092	252,914	56,942	242,067	7.3	4.5
4 Fisheries and Aquaculture	6,207	5,446	4,578	5,440	35.6	0.1
5 Agricultural Industries and Services	83,766	261,013	80,444	365,883	4.1	- 28.7
6 Handicrafts and Carpet-weaving	1,944	33,082	1,748	33,721	11.2	- 1.9
7 Others ¹	38,819	245,801	26,834	205,473	44.7	19.6
Total	280,778	1,408,086	253,652	1,503,233	10.7	- 6.3

1. Including non-agricultural industries and trade services.



Breakdown of BK Credit Facilities Provided to Agriculture Sub-sectors in 2015/16

Credit Facilities Provided under Islamic Contracts

The breakdown of BK financial facilities provided under Islamic contracts¹ within the report year and 2014/15 has been demonstrated in the following table:

Table 6: BK Credit Facilities Provided under Islamic Contracts in 2015/16 and 2014/15 (Billion RIs)

Contract	2015-2016			2014-2015			Changes Percentage	
	Value	No.	Share in Total (%)	Value	No.	Share in Total (%)	Value	No.
1 Qard-al-Hassanah	3,588	87,606	1.3	5,336	140,819	2.1	- 32.8	- 37.8
2 Installment Sale	73,372	377,305	26.1	90,423	476,681	35.7	- 18.9	- 20.8
3 Forward	6,734	87,193	2.4	7,398	106,295	2.9	- 9	- 18
4 Jo'aleh	3,348	35,936	1.2	4,156	46,008	1.6	- 19.4	- 21.9
5 Mudharabah	8,739	32,832	3.1	8,735	40,193	3.4	0	-18.3
6 Civil Partnership	179,660	750,349	64	136,082	689,492	53.7	32	8.8
7 Hire Purchase	822	1,443	0.3	1,224	2,200	0.5	- 32.8	- 34.4
8 Murabaha	3,653	34,477	1.3	298	1,545	0	1,225.8	2,231.5
9 Factoring (Bai Dayn)	861	945	0.3	-	-	-	100	100
Total	280,777	1,408,086	100	253,652	1,503,233	100	10.7	- 6.3

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



Support for Agricultural Mechanization, Pressurized Irrigation Systems and Greenhouse Farming

Based on the strategies and approaches of the bank to support development, boost agricultural production and productivity, and promote job-creation, Bank Keshavarzi continued financing agricultural mechanization, pressurized irrigation and greenhouse farming in 2015/16.

Within the report year, the bank allocated RIs. 6,208 billion to finance purchase and provision of agricultural machinery and equipment, such as tractors and combine harvester. Some RIs. 1,790 billion was extended to pressurized irrigation projects indicating a 3.1. percent decline in comparison with that of 2014/015. The greenhouse farming was also provided with RIs. 7,833 billion, displaying a 15.5 percent growth as compared with that of 2014/15.

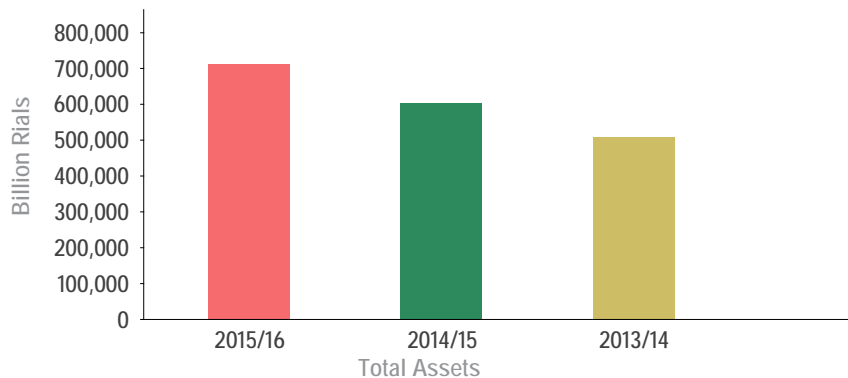
Table 7: BK Credit Facilities for Agricultural Machinery and Equipment in 2015/16 and 2014/15 (Billion RIs.)

Items	2015-2016		2014-2015		Changes Percentage	
	Value (Billion RIs.)	No. of Applications	Value (Billion RIs.)	No. of Applications	Value	No.
1 Tractors	3,894	8,076	9,444	21,189	- 58.8	- 61.9
2 Combine Harvesters	503	280	1,333	1,642	- 62.3	- 82.9
3 Agricultural Equipment and Others	1,811	12,875	3,435	17,863	- 47.3	- 27.9
Total	6,208	21,231	14,212	40,694	- 56.3	- 47.8

Financial Performance

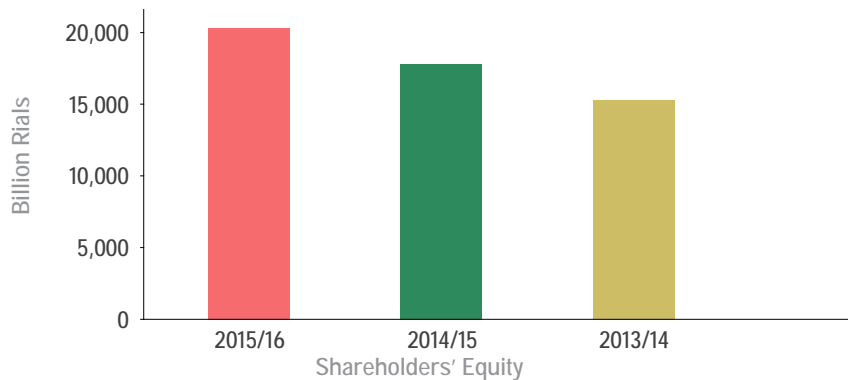
Total Assets¹

By the end of 2015/16, BK's total assets rose from RIs 603,681 billion in 2014/15 to RIs 713,682 billion,² showing an 18 percent growth.



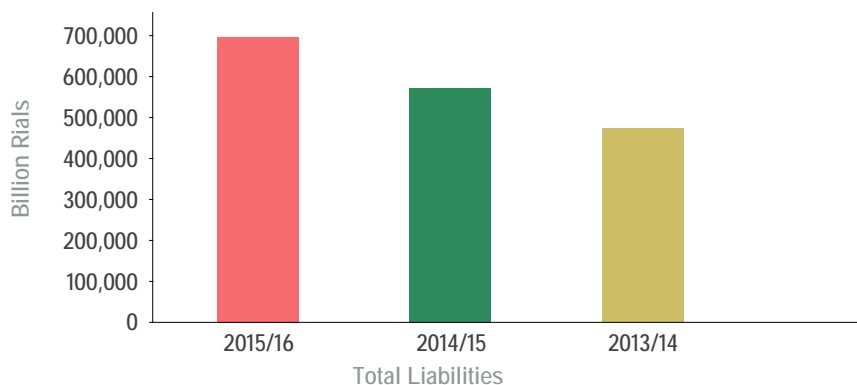
Shareholders' Equity

Shareholders' equity of the bank, with a 19 percent rise, amounted to RIs 20,469 billion by the end of 2015/16 from RIs 17,207 billion in the preceding year.



Total Liabilities

BK's liabilities increased by 18 percent from RIs 586,475 billion in 2014/15 to RIs 693,214 billion by the end of 2015/16.



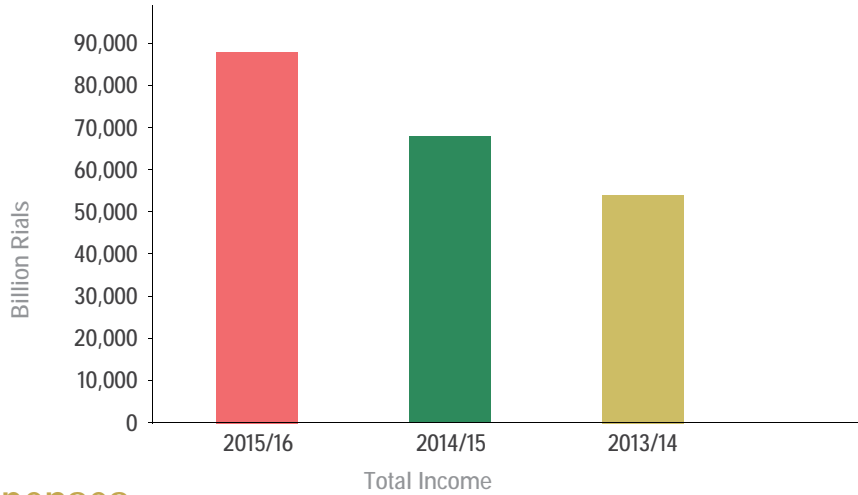
1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2014/15).

2. Rial amounts can be converted to USD at CBI reference rate (http://cbi.ir/ExRates/rates_en.aspx) on the last day of Iranian fiscal year (March 19, 2016).



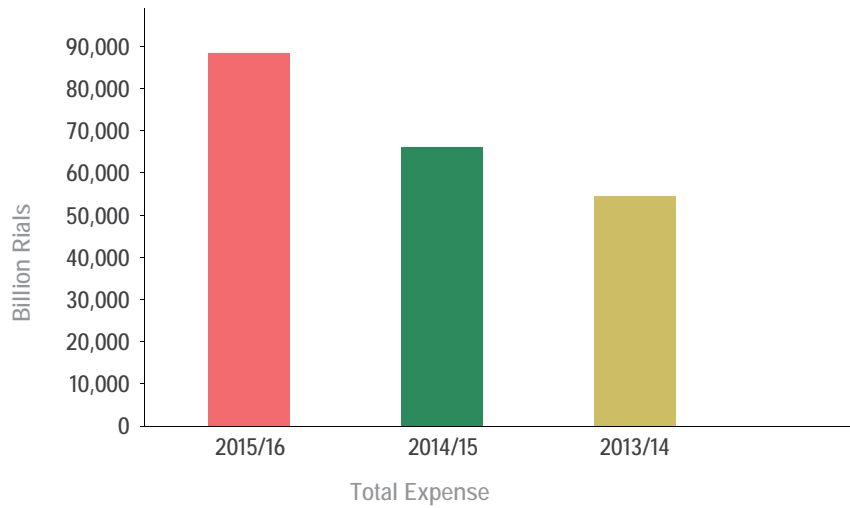
Total Income

BK's total income grew from RIs 67,077 billion in 2014/15 to RIs 88,550 billion in 2015/16, indicating a 32 percent growth.



Total Expenses

BK's total expenses rose by 32 percent increasing from RIs 66,974 billion in 2014/15 to RIs 88,371 billion in 2015/16.



Financial Ratios

Risk Ratios

Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) indicates the minimum amount of capital required to protect the bank against the risks. Adequate capital acts like a cushion defending the bank against unexpected losses and economic recession.

Table 8: BK's Capital Adequacy Ratio

Ratio	2015-2016	2014-2015
CAR (%)	5	5.37

Credit Risk

Credit Risk refers to probability of customers' default or deferred repayment of the banks' financial facilities and other debt instruments. As indicated by table 11, BK credit risk in 2015/16 declined as compared with that of 2014-2015.

Table 9: BK's Credit Risk

Ratio	2015-2016	2014-2015
Credit Risk (%)	11.27	13.5

Allowance for Doubtful Accounts to Total Loans Ratio

The ratio, equaling about 6 percent in BK in 2015/16, represents the adequacy of the allowance for doubtful accounts

Table 10: BK's Allowance for Doubtful Accounts to Total Loans

Ratio	2015-2016	2014-2015
Allowance for Doubtful Accounts to Total Loans (%)	5.99	5.19

Leverage Ratios

Total Debt to Total Assets Ratio

The ratio indicates what percentage of the bank's assets is funded through borrowing. The bank's debts include banking deposits, borrowing from CBI, due to other banks, reserves and ... The bank's Total Debt to Total Assets Ratio reached around 97.2 percent in 2015/16. Around 60 percent of the bank's debts relates to banking deposits.

Table 11: BK's Leverage Ratios

Year	2015-2016	2014-2015
Debts to Assets (%)	97.22	97.54
Debts to Shareholders' Equity	35 Times More	40 Times More
Shareholders' Equity to Assets (%)	2.78	2.46



Debts to Shareholders' Equity Ratio

The ratio indicates how many times more than the equity the bank has borrowed to fund its assets. In 2015/16, the ratio declined because of the bank's capital increase.

Shareholders' Equity to Assets Ratio

The ratio displays what percentage of the bank's assets is funded by the shareholders' equity. The ratio determines the safety level of the bank's assets because safekeeping some proportion of shareholders' equity provides peace of mind in time of economic difficulties and crises and indicates the bank is able to repay its debts and continue its operations.

Profitability Ratio

Return on Average Assets Ratio (ROAA)

ROAA is calculated by taking net income and dividing it by average total assets. The ratio is used to assess the profitability of the bank's assets. The higher the ratio, the more efficient the management is assessed in utilizing its asset base.

Table 12: Profitability Ratios (in percent)

Year	2015-2016	2014-2015
Return on Average Assets Ratio	0.03	0.02
Return on Average Equity Ratio	1.09	0.63

Return on Average Equity Ratio (ROAE)

The ratio is equal to net income after tax divided by the average shareholders' equity for a specific period and measures the bank's efficiency in making profit in relation to each unit of shareholders' equity.

Management Quality Indicator

The assessment of management quality determines the cost of each monetary unit which is granted as a loan. Thus, the decline of the indicator leads to the promotion of efficiency and profitability in the bank. The following table displays the efficiency of loans in terms of monetary scale in Bank Keshavarzi.

Table 13: Loans Efficiency in terms of Monetary Scale (in percent)

Year	2015-2016	2014-2015
Cost per a Loan Unit	13.2	10.97

As indicated in table 15, the loans efficiency in terms of monetary scale raised to 13.2 percent in 2015/16.

E-banking

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

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

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

The system includes variety of functions and specifications, few of which are: Banking transactions 24/7 through communications channels such as internet, telephone banking, mobile phone banking, etc.); Foreign currency services in all FX branches; Internet banking; Telephone banking and Mobile Phone banking. Chief among the main initiatives and systems to develop information technology in Bank Keshavarzi are as follows:

- Customer Relationship Management Software (CRM)
- Decisions-making Support System (DSS) – DASHBOARD Management
- Projects Supervision Software
- Wheat Guaranteed Purchase System
- Credit Management System
- Offices Automation System
- Core Banking Development
- Digital Banking System
- VIP Customers System
- Branches Files Archive System
- Balanced Scorecard Evaluation System
- Tablet Banking
- Traffic Tickets Payment System

Table 14: Breakdown of BK E-banking Services by 2015/16

Item	2015-2016	2014-2015	Changes
No. of ATMs	2,812	2,584	228
No. of POSs	25,761	122,131	96,370
No. of Pin Pads	7,800	5,850	1,950
No. of Issued Banking Cards	26,634,000	23,282,000	3,352,000
No. of Mobile Banking Users	902,518	671,592	230,926
No. of Internet Banking Users	140,441	106,675	33,766



International Banking Performance

In order to diversify banking services and meet the international banking needs of entities and individuals involved in both commercial and agricultural sectors, Bank Keshavarzi has put enormous efforts into developing international banking services. The bank is among leading Iranian banks, which provides its customers with all different international banking services including import- export letters of credit, payment orders, collections, guarantees, etc. Other foreign currency services and facilities of the bank include:

- Financing production and entrepreneurship projects;
- Financing reconstruction and renovation projects of the textile industries in collaboration with the Ministry of Mines and Industries;
- Financing tourism industry and other investment projects in the service sector;
- Promoting Iranian agricultural and other non-oil exports;
- Supporting trade centers in export markets of neighboring countries;
- Executing investment projects in free trade industrial and special economic zones;
- Financing import of food and medicine as a priority.
- Utilizing credit lines including finance and refinance credit lines as well as employing Bank resources to start and complete development projects of the country.
- Allocation of facility lines to foreign traders of Iranian goods to encourage export from Iran and creation of mutual goods-exchange market through the internal resources like the National Development Fund.
- Offering technical consultancy services to customers in fields of productive investment as well as international banking operations.

Bank Keshavarzi's main branches, providing international banking services, are authorized to exchange CBI nominated negotiable currencies against IRR to cover the needs of Iranian importers who are eligible to import commodities under the regulations laid down by the central bank of Iran . Moreover, the International Division issues Rial letters of guarantee against foreign currency guarantees in favor of its customers. In addition, it is geared up to issue performance bonds, advance payment guarantee, retention money guarantee, guarantee for international tender (tender bond) and counter- guarantee for services and commodities exporters.

Considering the fact that Bank Keshavarzi has never been under European Union sanctions, the bank has kept and extended its relations with some European correspondent banks, and upgraded its swift system to the newest version. Bank Keshavarzi is also registered in SWIFT KYC Registry website and its KYC and AML documents can be accessed through the bank's website, Bankers' Almanac Directory or SWIFT KYC Registry website.

In line with the mission of the bank to promote the agriculture sector, while helping the economic development of the country in commercial and international fields, Bank Keshavarzi is diligently working on the expansion of a practical and reliable correspondent network. That is Bank Keshavarzi is currently facilitating the business among international and Iranian economic activists and traders through more than 115 correspondent banks in more than 60 countries in different currencies including but not limited to EUR, JPY, CHF, KRW, CNY, RUB, INR, THB, and OMR.

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

Operational Figures

Bank Keshavarzi has presently expanded its branches offering International Banking Services up to 47 out of which 16 are located in Tehran, the Capital City, and 31 in the other provinces. In order to provide International-banking services in line with KYC and AML rules and regulations, the bank proceeds to update international knowledge of its staff through holding seminars and educational courses, as well as regular periodical observations.

It is worth mentioning that in the year 2015/16, the total volume of Import operations amounted to USD 3,957,000,000. FX-Deals (buy and sell against IRR) done during the same period have been reported as USD 5,012,000,000 and the total volume and payment orders reached USD 3,450,000,000.

Other FX operational activities in Bank Keshavarzi including customer accounts are calculated to be USD 1,498,724,917.48. Pursuant to the establishment of the National Development Fund, a partnership agreement has recently been concluded between Bank Keshavarzi and the Fund to address the rising demands for investments and working capital. The main thrust of agreement is to help private sector – as well as those in related industries – gain access to governmental funds at a reasonable price.



International Cooperation

Aimed at exchanging technical expertise, keeping abreast of the latest financial and banking developments, elevating the bank's global status, and promoting its prominent presence in international events to display BK's capabilities and potentialities, the bank has been focusing on strengthening of mutual ties with international communities by obtaining official membership in the following associations:



- Asia Pacific Rural and Agricultural Credit Association (APRACA)¹



- Confederation Internationale Du Credit Agricole (CICA)



- Islamic Financial Services Board (IFSB)



- Association of National Development Finance Institutions in Member Countries of Islamic Development Bank (ADFIMI)²



- Near East and North Africa Regional Agricultural Credit Association (NENARACA)

The bank is also executing some joint international projects in collaboration with international organizations.

“Green Banking Project”, in collaboration with the United Nations Development Program (UNDP), intending to green the credit provision procedures to protect natural resources and the environment and to play a significant role in the economic growth, especially in rural areas.

“Saffron Value Chain Improvement Project”, in collaboration with the United Nations Industrial Development Organization (UNIDO), aimed at improving saffron production (Kg/Ha), enhancing processing and packaging technology, and increasing direct share of Iranian SMEs in the saffron global market.

1. As a member of Executive Committee

2. As a member of Management Committee

IDB Group

Bank Keshavarzi, owning shares of stock in some international corporations, has established close interaction and cooperation with many international organizations. The bank is the one of the major shareholders of Islamic Cooperation Bank for Investment (I.C. Bank)¹, established on April 1, 2007 through joint investment of BK and other shareholders. Having branches in Tehran, Baghdad, Najaf, Karbala, Kazemein, Soleimanie, Basra, Erbil, ... IC Bank offers almost all banking services such as savings, checking, short-term and long-term accounts; granting financial facilities through Islamic contracts; Forex services; DCs and L/Gs services; etc.

BK also holds shares in:

- Islamic Development Bank (IDB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- International Islamic Trade Finance Corporation (ITFC)

1. www.icb-fi.com



Corporate Social Responsibility

Among the major components of the bank's social responsibilities and attainments, the following Schemes and programs are presented as illustrations of community mobilization, women's economic empowerment, application of new technology for environmental protection, efficiency in production, improving the economic activities of rural population and poverty-alleviation:

- Schemes to support women-headed households;
- Schemes to create employment opportunities aimed at supporting rural girls empowerment, preventing their emigration from rural areas to cities, and promoting their social positions.;
- Schemes, developed exclusively for Iranian women, providing them with accessibility to required banking services;
- Schemes to create employment for all those individuals and entrepreneurs involved with activities in rural areas;
- Plans to support newly-released prisoners to provide them with new jobs opportunities;
- Children and Youth Bank, aimed at promoting banking and savings attitude among Children and teenagers and familiarizing them with modern banking services and operations;
- University Graduates Employment Scheme to furnished agriculture graduates with special credit facilities aimed at creating employment opportunities;
- Financing green projects to achieve sustainable development and environment protection, including water resources, soil, air, forests, rangelands, and other natural resources;

Holding and Sponsoring Sporting Activities Sporting Activities aimed at realization of agricultural objectives dissemination of sporting culture among the young generation in general and young population in rural areas.



Bank Keshavarzi Main Subsidiaries

Hi-tech Solutions Company¹

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

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

Agricultural Insurance Fund (AIF)²

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

Table 15: Some Agricultural Products under AIF Insurance Coverage

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

Table 16: Break down of AIF Services in Agricultural Subsectors in 2015/16

Subsector	No. of Insurees (persons)	No. of Insurance Policies	Areas/Amount under Insurance Coverage	Total Premium Received (Billion Rls.)	Insurees' Premium Shares (Billion Rls.)
Cultivation	617,919	617,919	3,532,511 ha ha	3,889	845
Horticulture	671,438	672,347	585,123 ha ha	6,972	1,263
Livestocks	139,356	139,356	9,541,635 LSU LSU	859	394
Poulties	42,628	42,628	832,260,482 Birds Birds	1,838	624
Fisheries and Aquaculture	566	566	64,102,683 m ² m ²	39	17
Natural Resources	1,522	1,663	2,836,745 ha ha	16	5
Total	1,473,429	1,474,479	-	13,615	3,150

1. <http://www.htsc.ir>

2. <http://www.sbkiran.ir>



Agricultural Lands Development Company (Land Bank)¹

Land Bank was founded in 1992 to conduct a part of deposits directly to agricultural development activities. Establishment and development of land; performing detailed designs for optimum exploitation; preparing executive plans for land rehabilitation and modernization; construction of livestock farms, fishery and shrimp farming complexes; and support of processing and complementary industries are among the main responsibilities of the bank. Since 2006 and subject to an agreement with the Ministry of Agriculture, Land Bank has been involved with locating those agriculturally potential pieces of land, which have then been leased or allocated to the bank for various purposes including development and rehabilitation of land, construction of greenhouses, and construction of livestock farms.

Bank Keshavarzi Brokerage Company²

Bank Keshavarzi Securities Company (BKSC) is one of the top highest brokerage firms (among top 3) that provides a wide range of financial services in Iran. It was established as Private Joint Stock in 1993 and now has 110 employees with 26 active branches all around the country. BKSC recently has increased registered capital from 50 billion to 400 billion IRR (~USD11 Million) that became the largest brokerage firm in terms of capital size in Iran. The company plans to offer its shares in Tehran stock exchange soon. As BKSC belongs to Agriculture Bank of Iran, it has been successful in financing different agricultural projects. For instance it recently did the biggest finance for agricultural sector in Iran by issuing USD750 Million of Salam and USD300 Million of Murabaha Sukuk in the capital market. BKSC is a member of TSE (Tehran Stock Exchange), IME (Iran Mercantile Exchange), IRENEX (Iran Energy Exchange) and OTC (Fara bourse) of Iran and have always been among the high ranked traders of futures, petrochemicals and metals in IME.

Mehr Exchange Company³

Mehr Exchange Company officially started its operations in 2004 aimed at preventing money-laundering, valuing customers' rights and balancing the forex market. The company is engaged in foreign currencies exchange, spot transactions, bills of exchange, gold and silver coins, and any kind of foreign exchange operations under CBI monetary and credit policies and regulations.

1. www.land-bank.ir
2. www.agribourse.com
3. www.mehrexchange.com



3

Financial Statements

Excerpt of Auditors' Report

Balance Sheet

Income Statement

Retained Earnings Statement

Cash Flow Statement

Notes to the Financial Statement



Excerpt of Auditors' Report

Independent Auditors' Report to the General Assembly of Banks and BK's Shareholders:
Bank Keshavarzi financial statements including balance sheet, Cash Flow and Income statements for the financial year ending on March 19, 2016 as well as the explanatory notes have been audited by State Audit Organization (SAO).

Board of Directors' Responsibility

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

Auditors' Responsibility

Our responsibility is to audit the financial statements in accordance with applicable laws and auditing standards. We, the auditors, shall also be responsible to express an independent opinion on the afore-said financial statements based on the performed audit and to report cases of non-compliance with the legal requirements of the Amended Commercial Code, Banking and Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.

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

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

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

In our opinion:

- The report does not contain any material misstatement that would render the financials misleading.
- The Financial Statements fairly present in all material respects the financial condition and results of operations, in accordance with the Amended Commercial Code, Banking and

Monetary laws, Usury-free Banking Operations Law and the Banks' Articles of Association.

- The financial statements have been properly prepared in accordance with the above-mentioned laws, regulation and standards.
- We have examined the Board of Directors' report, prepared for presentation to the General Assembly. In the course of audit, we have not noticed any material difference between the content of said report and the documents provided by the Board of Directors.
- The report on compliance of BK's operations with approved budget for the year ending March 19, 2016 has been audited and examined by SAO. No significant discrepancy has been detected regarding the compliance of the Board of Directors' Report with the approved budget and the presented financial records.
- We have not found any evidence for non-compliance of the transactions with prevailing business procedures in operations of the Bank.
- Bank Keshavarzi AML program has been found to be in compliance with the national and international AML laws, regulations and standards.

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

August 8, 2016

State Audit Organization



Bank Keshavarzi
Balance Sheet as at March 19, 2016

	Note	March 19, 2016 mil. IRR ²	March 20, 2015 ¹ mil. IRR
ASSETS			
Cash and Banks	5	4,001,191	3,601,221
Due From CBI	6	37,016,991	27,042,897
Due From Banks and Credit Institutions	7	46,507,361	66,196,234
Due From Government	8	111,441,337	75,480,095
Credit Granted and Due from Public Sector	9	541,948	726,738
Credit Granted and Due from Non-public Sector	10	411,271,817	360,873,687
Debtors for Deferred DCs	11	42,628	0
Partnership Bonds and the Like	12	26	30
Investments and Partnerships	13	2,133,756	1,120,574
Fixed Assets	14	10,621,688	9,498,743
Other Assets	15	74,388,227	54,186,233
Cash in Transit ³	16	15,715,375	4,954,843
Total Assets		713,682,345	603,681,295
LIABILITIES & SHAREHOLDERS' EQUITY			
Due to CBI	17	170,066,894	169,128,575
Due to Banks and Credit Institutions	18	48,830,264	44,186,585
Sight Deposits	19	60,718,306	69,081,610
Savings Deposits	20	30,831,298	26,706,085
Term Investment Deposits	21	321,497,212	221,190,938
Other Deposits	22	4,747,250	2,967,023
Other Liabilities and Provisions	23	56,469,754	53,213,959
Due to Foreign Banks	24	52,556	0
Total Liabilities		693,213,534	586,474,775
SHAREHOLDERS' EQUITY			
Capital	25	18,020,884	15,282,519
Reserves	25	8,146,367	5,196,740
Retained Earnings (loss)		(5,698,440)	(3,272,739)
Total Shareholders' Equity		20,468,811	17,206,520
Total Liabilities & Shareholders' Equity		713,682,345	603,681,295

1. All comparative figures in financial statements have been restated to present a true and fair view of the bank's financial status. Thus, there may be cases of mismatch with figures presented in the preceding year annual report (2014/15). 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.

2. Rial amounts can be converted to USD at CBI reference rate (http://cbi.ir/ExRates/rates_en.aspx) on the last day of Iranian fiscal year (March 19, 2016).

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

Income Statement

	Note	March 19, 2016	March 20, 2015
		mil. IRR	mil. IRR
Income from Joint Investment:			
Profit ¹ and Penalties	26	62,254,975	48,985,364
Other Incomes	27	375,255	232,798
Sub-total		62,630,230	49,218,162
Minus:			
Depositors' Shares Profit	28	30,296,522	(20,881,860)
Surplus Profit Paid to Depositors	28	19,365,480	(12,249,269)
Net Profit Paid to Depositors		49,662,002	33,131,129
Bank's Profit Share		12,968,228	16,087,033
Income from Own Investment:			
Profit and Penalties	29	703,120	715,600
Fees and Commissions	30	22,053,499	16,844,534
Other Income	31	3,163,250	298,689
Sub-total		25,919,869	17,858,823
Total Operating Income		38,888,097	33,945,856
Expenses			
Profit Paid (excluding Depositors')	32	(10,690,020)	(13,818,994)
Fees & Commissions Paid	33	(1,995,561)	(1,640,232)
Total Expenses	34	(25,422,634)	(17,865,814)
Other Expenses	35	(600,665)	(517,720)
Total Operating Expenses		(38,708,880)	(33,842,760)
Pretax Profit		179,217	103,096
Minus:			
Tax		-	-
Net Profit		179,217	103,096

Retained Earnings Statement

	Note	March 19, 2016	March 20, 2015
		mil. IRR	mil. IRR
Net Profit		179,217	103,096
Beginning-year Retained Earnings (Loss)		(3,272,739)	(284,347)
Prior Year Adjustments	36	(2,487,530)	(3,024,477)
Beginning-year Earnings after Adjustments		(5,760,269)	(3,308,824)
Allocable Profit		(5,581,052)	(3,205,727)
Minus:			
Required Reserve		(26,883)	(15,464)
Profit Payable to Government		(89,609)	(51,548)
Declared Profit, 0.5 Percent(Housing Act)		(896)	-
End-year Closing Retained Earnings		(5,698,440)	(3,272,739)

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



Cash Flow Statement

		March 19, 2016	March 20, 2015
	Note	mil. IRR	mil. IRR
Net Cash Flow from Operating Activities	37	(19,737,490)	40,408,770
Investments Return and Profit Paid for Financing Activities			
Dividend Received	26	943,479	100,786
Partnership Bonds Profit	26	14	17
Profit Received (Paid) for Facilities Paid (Received) from Banks	32	-	-
50 % Profit Paid		(84,627)	(48,276)
0.5% Declared Profit for Housing Legislation		0	0
Net Cash Flow from Investments and Profit Paid for Financing Activities		858,866	52,527
Income Tax			
Income Tax Paid		(1,071,746)	(633,896)
Investment Activities			
Purchase of Direct Investments and Legal Partnerships	13	(1,003,789)	(17,346)
Disposal of Investments and Legal Partnerships		-	4,469
Purchase of Tangible Fixed Assets	14	(1,665,531)	(1,215,129)
Disposal of Tangible Fixed Assets	31	45,961	(41,241)
Net Cash Inflow from Investment Activities		(2,623,359)	(1,186,765)
Net Cash Inflow before Financing Activities		(22,573,729)	38,640,636
Financing Activities			
Facilities Received from Banks		10,000,000	-
Repayment of Principal of Facilities Received		(5,365,581)	(12,000,000)
Net Cash Inflow from Financing Activities		(4,634,419)	(12,000,000)
Net Cash Inflow		(17,939,310)	26,640,636
Profit from Revaluation of FC Cash		844,040	(190,978)
Net Cash Increase	39	(17,095,270)	26,449,658
Beginning-year Cash Balance		66,563,852	40,114,193
End-year Closing Cash Balance		49,468,582	66,563,851

Notes to the Financial Statements

History

General

BK was registered on December 20, 1979 under number 37596 in Companies Registration Organization.

Scope of Business

The Bank's main field of Activity is banking which is conducted according to BK's articles of association as well as national financial and monetary rules and regulations.

Branches

By year-end 2015/16, BK conducts its banking operations through 1902 branches nationwide.

Employment

The number of all employees (permanent and temporary) working for the bank in 2015/16 totaled 17,264.

Basis for Preparation

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

Basis to set joint profit on depositors' share

Subject to 1983 Usury-Free Banking Law, supplementary regulations and instructions, as well as CBI circular No. 126331 and amendment No. 267365, income earned out of granted financial facilities, investment in stock exchange and partnership bonds, will be treated as joint earnings with depositors, whose share will be determined proportionate to utilization of their net resources in afore-said operations. Such income is recognized through the bank's accounting procedures.

Significant Accounting Policies and Procedures

Investments

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



Tangible Fixed Assets

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

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

Depreciation Calculation Method

Assets	Depreciation Rate	Depreciation Method
Buildings & Installments	7%	Declining
Motor Vehicles	25%, 35%, 30%	Declining
Machinery	10-15%	Straight and Declining
Fixtures & Computer Hardware	10 years	Straight
P.C Hardware	3 years	Straight
P.C Software	5 years	Straight

Income recognition

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

Exchange Rate

Foreign Currency Transactions

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

Provision for Bad Debts

The provision for bad debts is calculated and recorded in accounts in accordance with MCC's resolutions.

Specific Provision is calculated as follows:

- Overdue Debts: 10%
- Deferred Debts: 20%
- Bad Debts: 20 to 50%
- Advances overdue for 5 years or more: 100%

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.

Due from Government

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

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



5. Cash and Balances with Banks

mil. IRR	March 19, 2016	March 20, 2015
Cash	2,888,961	2,618,757
CBI's Iran Checks	847,304	726,680
FC Cash	264,926	255,784
Total	4,001,191	3,601,221

6. Due from CBI

mil. RIs	March 19, 2016	March 20, 2015
Demand FC Deposit with CBI	1,429,085	35,547
Required Reserve	36,267,355	27,514,870
Term Deposits with CBI	39	152,388
Minus:		
Required Reserves of Free-trade Zones' Branches	(679,488)	(659,908)
Total	37,016,991	27,042,897

7. Due from Banks and Credit Institutions

mil. IRR	March 19, 2016	March 20, 2015
Sight FC Deposits with Domestic Banks	2,206,947	959,268
Term FD Deposits with Domestic Banks	2,304,438	2,148,110
Sight Deposits with Foreign Banks	40,853,928	59,876,753
Qard-al-Hassanh Loans Granted to Banks	1,167	1,475
Clearing of Checks Issued by other Banks	1,052,095	3,234,222
Nostro Account after Clearing	88,786	(23,594)
Total	46,507,361	66,196,234

8. Due from Government

mil. IRR	March 19, 2016	March 20, 2015
Due from Government	115,396,268	80,352,988
Minus:		
Future-years Profit of Statutory Facilities Undertaken by Government	(2,257,273)	(3,692,345)
Profit Subsidy by Government – Profit Rate Harmonization	(582)	(588)
1.5-Percent General Reserves	(1,697,076)	(1,179,960)
Total	111,441,337	75,480,095

9. Granted Facilities and Due from Public Sector

mil. IRR	March 19, 2016	March 20, 2015
Statutory Facilities, Qard-al-Hassanah	112	340
Non-Statutory Facilities, Mudharabah	1,376	12,926
Non-statutory Facilities, Forward ¹	435	7,549
Non-statutory Facilities, Hire Purchase ²	5,197	4,110
Statutory Facilities, Civil Partnership ³	-	6,871
Non-statutory Facilities, Civil Partnership	64,704	164,164
Statutory Facilities, Installment Sale	773	946
Non-statutory Facilities, Installment Sale	11,324	48,220
Debtors for Paid Guarantees	2,700	-
Sub-total Current Facilities	86,621	245,126
Overdue Debts on Statutory Facilities	14	66
Overdue Debts on Non-statutory Facilities	4,829	1,902
Sub-total Overdue Debts	4,843	1,968
Arrears on Non-statutory Deposits	3,523	1,088
Arrears on Statutory Deposits	14	45
Sub-total Arrears Debts	3,537	1,133
Bad Debts on Statutory Facilities	445,393	485,081
Bad Debts on Non-statutory Facilities	12,318	14,316
Sub-total Bad Debts	457,711	499,397
Total	552,712	747,624
Minus:		
1.5 Percent General Reserve for Bad Debts	(8,253)	(11,067)
Future-year Profit of Facilities	(2,511)	(9,819)
Total	541,948	726,738

1. Bai Muajjal or Salaf

2. Ijara wa Iqtina

3. Diminishing Musharakah



10. Granted Facilities and Due from Non-public Sector

mil. IRR	March 19, 2016	March 20, 2015
Statutory Facilities, Qard-al-Hassanah	202,808	412,693
Non-statutory Facilities, Qard-al-Hassanah	21,129,780	16,687,820
Statutory Facilities, Mudharabah	138	1,152
Non-statutory Facilities, Mudharabah	5,445,545	5,258,502
Statutory Facilities, Forward	284	5,602
Non-statutory Facilities, Forward	6,811,507	7,265,186
Statutory Facilities, Civil Partnership	242,372	307,269
Non-statutory Facilities, Civil Partnership	153,299,401	116,512,750
Statutory Facilities, Jo'aleh	488	727
Non-statutory Facilities, Jo'aleh	9,610,330	8,307,160
Statutory Facilities, Installment Sale	778,324	1,057,348
Non-statutory Facilities, Installment Sale	216,680,649	202,597,972
Statutory Facilities, Hire Purchase	315,014	377,499
Non-statutory Facilities, Hire Purchase	2,337,917	1,929,931
Factoring ¹ of Notes in Rial	587,223	-
Granted Facilities, Murrabah	3,659,717	299,622
Granted Facilities, Housing	30,797,949	30,345,086
Short-term Facilities (in FC)	53,871	1,403
Medium-term Facilities (in FC)	9,898,542	8,452,961
Debtors for L/Cs Paid	52,156	82,022
Debtors for L/Gs Paid	7,008	12,708
Advance Payment for Properties of Transactions	31	1,256
Facilities Funded by Bonds of In-progress Projects	7,518	7,518
Sub-total Current Facilities	461,918,572	399,924,187
Overdue Debts on Statutory Facilities	43,366	85,262
Overdue Debts on non-statutory Facilities	4,943,228	4,994,025
Overdue Debts on Facilities (in FC)	929,189	401,310
Sub-total Overdue Debts	5,915,783	5,480,597
Arrears on Statutory Facilities	50,973	118,135
Arrears on Non-statutory Facilities	5,153,793	4,843,309
Arrears on Facilities (in FC)	1,248,671	685,530
Sub-total Arrears	6,453,437	5,646,974
Bad Debts on Facilities Granted	866,935	1,009,403
Bad Debts on Facilities Granted (in FC)	3,428,752	2,906,561
Bad Debts on L/Gs Paid	58,193	48,478
Bad Debts on Statutory Facilities	1,667,253	678,178
Bad Debts on Non-statutory Facilities	13,280,985	13,956,725
Bad Debts on Facilities (in FC)	17,036,909	19,115,751
Sub-total Bad Debts	36,339,027	37,715,096
Total	510,626,819	448,766,854
Minus:		
Next-years Profit of Facilities Granted to Private Sector	(67,632,368)	(61,953,584)
Deferred Profit of Facilities and Affiliated Companies	(481)	(1,106)
Next-years Profit of Facilities Granted to Private Sector (in FC)	(874,445)	(985,758)
Joint Account for Civil Partnership	(6,310,763)	(7,144,999)
Provisions for Bad Accounts (Public)	(6,365,915)	(5,609,655)
Provisions for Bad Accounts (Non-public)	(16,603,456)	(11,741,170)
On-account Collections of Facilities	(1,567,574)	(456,895)
Total	411,271,817	360,873,687

1. Bai Dayn or Debt Trade

11. Debtors for Deferred DCs (in FC)

mil. IRR	March 19, 2016	March 20, 2015
Debtors for Deferred DCs in FC	42,628	-
Total	42,628	-

12. Partnership Bonds and the Like

mil. IRR	March 19, 2016	March 20, 2015
Purchased Balance of Government Bonds	26	30
Total	26	30

13. Investments and Partnerships

mil. IRR	March 19, 2016	March 20, 2015
Legal Partnership ¹ of Non-public Sector (Net Investment)	2,159,238	1,154,839
Investment in Stock Exchange (Net Investment)	33,324	33,323
Direct Investment (Net Investment)	93,881	94,491
Total	2,286,443	1,282,653

14. Fixed Assets

mil. IRR	March 19, 2016	March 20, 2015
Movable Assets	4,086,895	3,476,690
Immovable Assets	8,222,767	7,684,073
Intangible Assets	415,772	414,152
Immovable Assets under Construction	1,683,680	1,231,969
Renovation & Improvements Costs of Buildings on Lease	62,477	50,142
Capital Advance Payments	26,445	50,570
Sub-total	14,498,036	12,907,596
Minus:		
Depreciation Reserve for Movable Assets	(2, 208,385)	(1, 938,067)
Depreciation Reserve for Immovable Assets	(1,667,963)	(1,470,786)
Total Depreciation Reserves	(3,876,348)	(3,408,853)
Net Book Value	10,621,688	9,498,743

15. Other Assets

mil. IRR	March 19, 2016	March 20, 2015
Tax Stamp	20,190	19,946
Gold and Silver	13,292	2,093
Inventory	186,667	234,228
Repossessed Collaterals	16,382,457	14,080,961
Temporary Debtors Account ² (CBI Nullified Iran Checks)	1	2
Temporary Debtors Account (in RIs)	23,693,150	13,075,119
Temporary Debtors Account (in FC)	187,154	1
Receivable Profit from Granted Facilities	33,905,316	26,773,883
Total	74,388,227	54,186,233

1. Equity Partnership

2. Nominal Account



16. Cash in Transit (Cash Items in Process of Collection)

mil. IRR	March 19, 2016	March 20, 2015
Assets		
Branches	47,783,656	59,405,219
Internal Debtors (in RIs)	18,857,394	6,032,680
Internal Debtors (in FC)	61,843	80,272
Current Account with Central Branch	8,092,698	6,662,016
Branches Account (in FC)	--	--
Forex Transactions Value (in RIs)	--	--
Sub-total Debtors	74,795,591	72,180,187
Liabilities		
Intermediary Account	44,653,494	55,535,703
Inter-branch Account	6,302,944	4,107,120
Inter-branch Account (in FC)	96,068	585,150
Current Account with Free-trade Zone	8,098,411	6,659,009
Intermediary Account in FC	(70,701)	(167,545)
FC Position	-	505,907
Sub-total Creditors	59,080,216	67,225,344
Minus:		
Total Creditors	(59,080,216)	(67,225,344)
Final Balance	15,715,375	4,954,843

17. Due to CBI

mil. IRR	March 19, 2016	March 20, 2015
Due to CBI as Checking Account Credit	84,032,433	92,217,675
Facilities Received from CBI	14,218,283	9,583,865
National Development Fund	43,805,801	38,328,469
Sight FC Deposit of CBI	8,586,189	11,454,643
Facilities Received from FXRA ¹	19,424,188	17,543,923
Total	170,066,894	169,128,575

18. Due to Banks and Credit Institutions

mil. IRR	March 19, 2016	March 20, 2015
Qard-al-Hassanah Deposits of Non-bank Credit Institutions	13,127	4,901
Syndicated (Interbank Funds)	718,996	802,961
Sight FC Deposits of Iranian Banks	35,058,656	42,615,918
Sight FC Deposits of Foreign Banks	86,821	80,513
Inter-banks Account (Interbank Market)	12,952,664	682,292
Total	48,830,264	44,186,585

1. Foreign Exchange Reserve Account

19. Sight Deposits

mil. IRR	March 19, 2016	March 20, 2015
Qard-al-Hassanah Checking Accounts (in RIs)	46,146,164	41,694,543
Qard-al-Hassanah Checking Accounts (in FC)	124,706	180,809
Directed Funds ¹ - Unused	761,275	1,840,950
Bank Checks Sold	812,267	1,424,151
Money Orders to the debit of our Account (in RIs)	2	2
Money Orders to the debit of our Account (in FC)	-	30,105
Balances Not Claimed	65,219	62,539
Employees' Savings	1,694,578	1,245,508
Employees' Retirement	335	-
Temporary Debtors Account and Payables (in RIs)	5,422,981	7,698,554
Temporary Debtors Account (in FC)	5,690,779	14,904,449
Total	60,718,306	69,081,610

20. Savings Deposits

mil. IRR	March 19, 2016	March 20, 2015
Qard-al-Hassanah Savings Deposit (in RIs)	29,541,108	25,614,056
Qard-al-Hassanah Savings Deposit (in FC)	1,289,784	1,091,807
Special Qard-al-Hassanah Savings Deposit - Unused	406	222
Total	30,831,298	26,706,085

21. Term Investment Deposits

mil. IRR	March 19, 2016	March 20, 2015
Long-term Deposits	173,805,040	138,854,521
CDs (Public Investment)	7,272,522	14,518,377
CDs (Non-public Investment)	14,223,500	-
Short-term Deposits	118,181,815	67,014,171
Special Short-term Deposits	5,811,249	2,583,349
Term Deposits with Iranian Banks (in FC)	69,646	-
Term Deposits with Foreign Banks (in FC)	2,301,650	1,996,540
Minus:		
CDs Unsold and Redemption before Due Date	(168,210)	(3,776,020)
Total	321,497,212	221,190,938

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



22. Other Deposits

mil. IRR	March 19, 2016	March 20, 2015
Term Deposits (in FC)	153,383	542,003
Cash Advance Received for DCs - Public	-	63,631
Cash Advance Received for DCs - Private	6,548	148,096
Cash Advance Received for DCs - Public	-	-
Cash Advance Received for DCs (In FC) - Nonpublic	4,222,572	1,918,491
Cash Advance Received for Domestic DCs - Nonpublic	-	-
Cash Deposits of Guarantees - Private (In RIs)	356,608	289,135
Cash Deposits of Guarantees - (In FC)	105	105
Cash Deposits of Guarantees - Public (In RIs)	7,723	5,116
Cash Advance Received from Customers for Hire-purchase Facilities - Private	-	-
Cash Advance Received from Customers for Hire-purchase Facilities - Public	-	-
Cash Advance Received from Customers for other Facilities - Private	235	370
Cash Advance Received from Customers for other Facilities - Public	-	-
FX Fluctuations	-	-
Net of Participation Bonds of In-progress Projects with the Public	76	76
Total	4,747,250	2,967,023

23. Reserves and Other Liabilities

mil. IRR	March 19, 2016	March 20, 2015
Money Orders on Branch (In RIs)	195,540	228,539
Profit Payable to Government	89,609	51,548
Other Reserves	56,130,605	51,179,697
Yield Tax Reserve	54,000	1,067,958
Withholding Tax Reserve	-	723,110
Total	56,469,754	49,449,662

24. Dues to Foreign Banks

mil. IRR	March 19, 2016	March 20, 2015
Dues for Acceptance of DCs	52,556	--
Total	52,556	--

25. Shareholders' Equity

mil. IRR	March 19, 2016	March 20, 2015
Capital	18,020,884	15,282,519
Capital of Free-trade Zones' Branches	20,200	20,200
Funds Transferable to Capital	7,364,790	4,442,046
Required Reserve	726,802	699,919
Reserve for Foreign Exchange Rates Fluctuation	54,775	54,775
Retained Earnings (Loss)	(5,698,440)	(3,272,739)
Sub-total	20,489,011	17,226,720
Minus:		
Capital of Free-trade Zones' Branches	(20,200)	(20,200)
Total	20,468,811	17,206,520

26. Profit and Penalties on Facilities

mil. IRR	March 19, 2016	March 20, 2015
Installment Sale	25,392,307	21,749,255
Murrabaha	285,229	(1)
Mudharabah	1,543,039	1,523,759
Civil Partnership	28,115,402	19,383,911
Salaf	1,303,124	1,016,066
Hire Purchase	320,444	288,978
Jo'aleh	1,500,562	1,026,464
Factoring	196,189	4,743
Gain on Facilities Granted (in FC)	565,417	2,285,095
Sub-total	59,221,713	47,278,271
Commission of Facilities Renewal	76,845	53,385
Sub-total	59,298,558	47,331,656
Penalties Received on Facilities	1,500,426	977,184
Penalties on Facilities Received in Non-public FC	512,498	575,052
Sub-total	61,311,482	48,883,892
Profit on Investments & Partnerships:		
Dividend of Direct Investment and Legal Partnerships	943,479	100,786
Gain on Disposal of Partnerships Equity Shares	-	669
Income from Purchased Partnership Bonds	14	17
Sub-total	943,493	101,472
Total	62,254,975	48,985,364

27. Other Income

mil. IRR	March 19, 2016	March 20, 2015
Profit on Required Reserve	317,635	232,738
Profit on Public Deposits	57,620	60
Total	375,255	232,798

28. Net Depositors' Profit

mil. IRR	March 19, 2016	March 20, 2015
Depositors' Profit Share	30,296,522	20,881,860
Surplus Profit Paid to Depositors	19,365,480	12,249,269
Total	49,662,002	33,131,129

29. Profit & Penalties Received

mil. IRR	March 19, 2016	March 20, 2015
Penalties Received on other Claims	532,325	570,318
Profit Received from Deposits	170,795	145,282
Total	703,120	715,600



30. Fees & Commissions Received

mil. IRR	March 19, 2016	March 20, 2015
Commission on Qard-al-Hassanah	379,381	397,456
Commission on Directed Funds	11,294	39,506
Commission on Facilities Paid to Employees	121,597	84,070
Other Commissions	15,662	19,470
Commission on DC Services	223,942	0
Commission on Banking Services	1,904,111	1,340,122
Commission Received by Branches	1,060,233	1,791,707
Commission on Engaged Resources of Dues from Government	3,170,557	3,196,839
Profit of Guaranteed Purchase of Wheat from Farmers	1,257,808	0
Commission on Banking Services in Insurance Fund	2,339,020	1,716,677
Commission on AIF's Engaged Resources	11,569,894	8,258,687
Total	22,053,499	16,844,534

31. Other Income

mil. IRR	March 19, 2016	March 20, 2015
Forex Transactions	844,040	(190,977)
Gain on Disposal of Properties Repossessed	620,741	208,299
Rent of Branch Managers' Residential Units	3,606	3,936
Gain on Disposal of Properties	44,122	7,114
Others	1,650,741	270,317
Total	3,163,250	298,689

32. Profit Paid

mil. IRR	March 19, 2016	March 20, 2015
Profit Paid on Credit Received from other Banks	10,690,020	13,818,994
Profit Paid to Free-trade Zones' Branches	1,458,982	1,458,982
Sub-total	12,149,002	15,277,976
Minus:		
Profit Paid out of Surplus Resources with Headquarters	(1,458,982)	(1,458,982)
Total	10,690,020	13,818,994

33. Fees & Commissions Paid

mil. IRR	March 19, 2016	March 20, 2015
Miscellaneous Commissions and Fees	1,995,561	1,640,232
Total	1,995,561	1,640,232

34. General Expenses

mil. IRR	March 19, 2016	March 20, 2015
General and Administrative Expenses	7,192,836	5,208,516
Personnel Expenses	14,156,054	10,021,933
Other Expenses	4,073,744	2,635,365
Total	25,422,634	17,865,814

35. Other Expenses

mil. IRR	March 19, 2016	March 20, 2015
Cost of Prizes on QH Savings Accounts	559,539	517,720
Cost of Prizes on Special Agriculture QH Accounts	41,126	0
Total	600,665	517,720

36. Prior Years' Adjustments

Item - mil. IRR	March 19, 2016
Correction of Yield Tax Reserve on 2014-15	(7,825)
Stamp Tax for Capital Increase	(14,523)
Correction of VAT Reserve	(30,164)
Correction of Reserve for Properties Transfer Tax	(31)
Reserve of Retirement Deduction (Actuary)	(709,064)
Correction of Commission Fee Paid for CBI's and Other Banks' Facilities	4,461,852
Deficit of Bad Debts Reserve	(4,566,410)
Other Revenues	(27,174)
Others	(1,594,191)
Total	(2,487,530)

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

mil. IRR	March 19, 2016	March 20, 2015
Profit before Income Tax	179,217	103,096
Depreciation Cost	540,746	474,312
Cost of Bad Debts	1,566,901	1,030,718
Profit Paid for Received Facilities	10,690,020	13,818,994
Provision for Shares Depreciation	(9,392)	21,330
Dividend from Investments and Legal Partnerships	(943,479)	(100,786)
Gain on Disposal of Investments and Legal Partnerships	-	(669)
Gain on Disposal of Fixed Assets	(44,122)	(7,114)
Profit on Partnership Duration	(14)	(17)
Net Profit from Cash FC Revaluation	(844,040)	190,978
Subtotal	11,135,837	15,530,843
Net Increase / Decrease of Operating Liabilities		
Sight Deposits	(8,363,304)	4,386,436
Savings Deposits	4,125,213	(746,331)
Term Investment Deposits	100,306,274	55,818,748
Due to CBI and other Banks	947,579	17,028,292
Operational Share of other Liabilities	(821,241)	18,367,940
Reserve Transferable to Capital	5,661,109	1,699,704
Subtotal	101,855,630	96,554,789
Net Increase/Decrease in Operating Assets		
Claims on CBI	(9,974,094)	(5,603,191)
Partnership Bonds	4	(1)
Payment of Other-banks-issued Checks	2,182,434	273,447
Facilities Granted under Islamic Contracts	(92,377,695)	(63,361,190)
Repossessed Collaterals and Operational Share of Other Assets	(20,236,590)	(11,572,979)
Temporary Cash in Transit – After Advance Payment for Tax	(12,323,016)	(8,587,053)
Subtotal	(132,728,957)	(71,676,861)
Net Cash Flow from Operating Activities	(19,737,490)	40,408,770



37.1. Net Cash Increase (Decrease)

	Note	March 19, 2016	March 20, 2015	Net Cash Increase
Notes and Coins	5	2,888,961	2,618,757	270,204
CBI Iran Checks	5	847,304	726,680	120,623
Gold & Silver	15	13,292	2,093	11,200
Balance with Banks after Clearing	7	88,786	(23,593)	112,379
FC Deposits with Domestic Banks	7	4,511,385	3,107,377	1,404,007
Balance with Foreign Banks	7	40,853,928	59,876,753	(19,022,825)
Foreign Currencies (Cash)	5	264,926	255,784	9,143
Total		49,468,582	66,563,851	(17,095,269)

38. Net Fixed Assets to Shareholders' Equity Ratio

mil. IRR	March 19, 2016	March 20, 2015
Net Fixed Assets	11,072,253	9,732,970
Subtotal	11,072,253	9,732,970
Capital	14,415,472	15,282,519
Funds Transferable to Capital	7,364,790	4,442,046
Required Reserve	726,802	699,919
Reserve for FX Rate Fluctuation	54,775	54,775
Retained Loss	(5,698,440)	(3,272,739)
Total Shareholders' Equity	16,863,399	17,206,520
Net Fixed Assets to Shareholders' Equity Ratio	65,66	56,57

39. Customers' Commitments Re. DCs

mil. IRR	March 19, 2016	March 20, 2015
Customers' Commitments Re. DCs	45,342,454	32,561,332
Total	45,342,454	32,561,332

40. Customers' Commitments Re. L/Gs

mil. IRR	March 19, 2016	March 20, 2015
Customers' Commitments Re. Guarantees and Acceptance (In RIs)	3,861,352	2,878,521
Customers' Commitments Re. Issued Counter L/Gs (in FC)	543,371	511,382
Customers' Commitments Re. Issued L/Gs and Acceptance (in FC)	79,926	88,687
Total	4,484,649	3,478,590

41. Other Commitments

mil. IRR	March 19, 2016	March 20, 2015
Customers' Commitments Re. Transactions Contracts (Private)	1,385,843	1,295,603
Customers' Other Commitments	173,017	168,368
Total	1,558,860	1,463,971

42. Directed Funds and the Like

mil. IRR	March 19, 2016	March 20, 2015
Directed Funds	6,863,829	11,210,193
Total	6,863,829	11,210,193



Abbreviations and Acronyms



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ADFIMI:	Association of National Development Finance Institutions in Member Countries of IDB
AIF:	Agricultural Products Insurance Fund
AML:	Anti-money Laundering
ATM:	Automated Teller Machine
APRACA:	Asia Pacific Rural and Agricultural Credit Association
BK:	Bank Keshavarzi
BKSC:	Bank Keshavarzi Securities Company
bn:	billion
CBI:	The Central Bank of the Islamic Republic of Iran
CD:	Certificate of Deposit
CICA:	Confederation Internationale Du Credit Agricole
CRM:	Customer Relation Management
Dept.:	Department
DC:	Documentary Credit
E-banking:	Electronic Banking
ECSDP:	Economic Cultural and Social Development Plan
FC:	Foreign Currency
Forex:	Foreign Exchange
FYDP:	Five-year Development Plan
FXRA:	Foreign Exchange Reserve Account
GDP:	Gross Domestic Product
ha:	hectare
I.C. Bank:	Islamic Cooperation Bank for Investment
ICD:	Islamic Corporation for the Development of the Private Sector
IDB:	Islamic Development Bank
IFSB:	Islamic Financial Services Board
Info.:	Information
Int'l:	International
IRFIU:	Iran Financial Intelligence Unit
IRR:	Iran Rial
ITFC:	International Islamic Trade Finance Corporation
JCPOA:	Joint Comprehensive Plan of Action
KYC:	Know Your Customer
L/C:	Letter of Credit
L/G:	Letter of Guarantee
LSU:	Livestock Unit
MBAI:	Monetary and Banking Act of Iran
MCC:	Money and Credit Council
mil.:	million
NENARACA:	Near East and North Africa Regional Agricultural Credit Association
POS:	Point of Sale

QH: Qard-al-Hassanah

RI: Rials

ROA: Return on Assets

ROE: Return on Equity

SAO: State Audit Organization

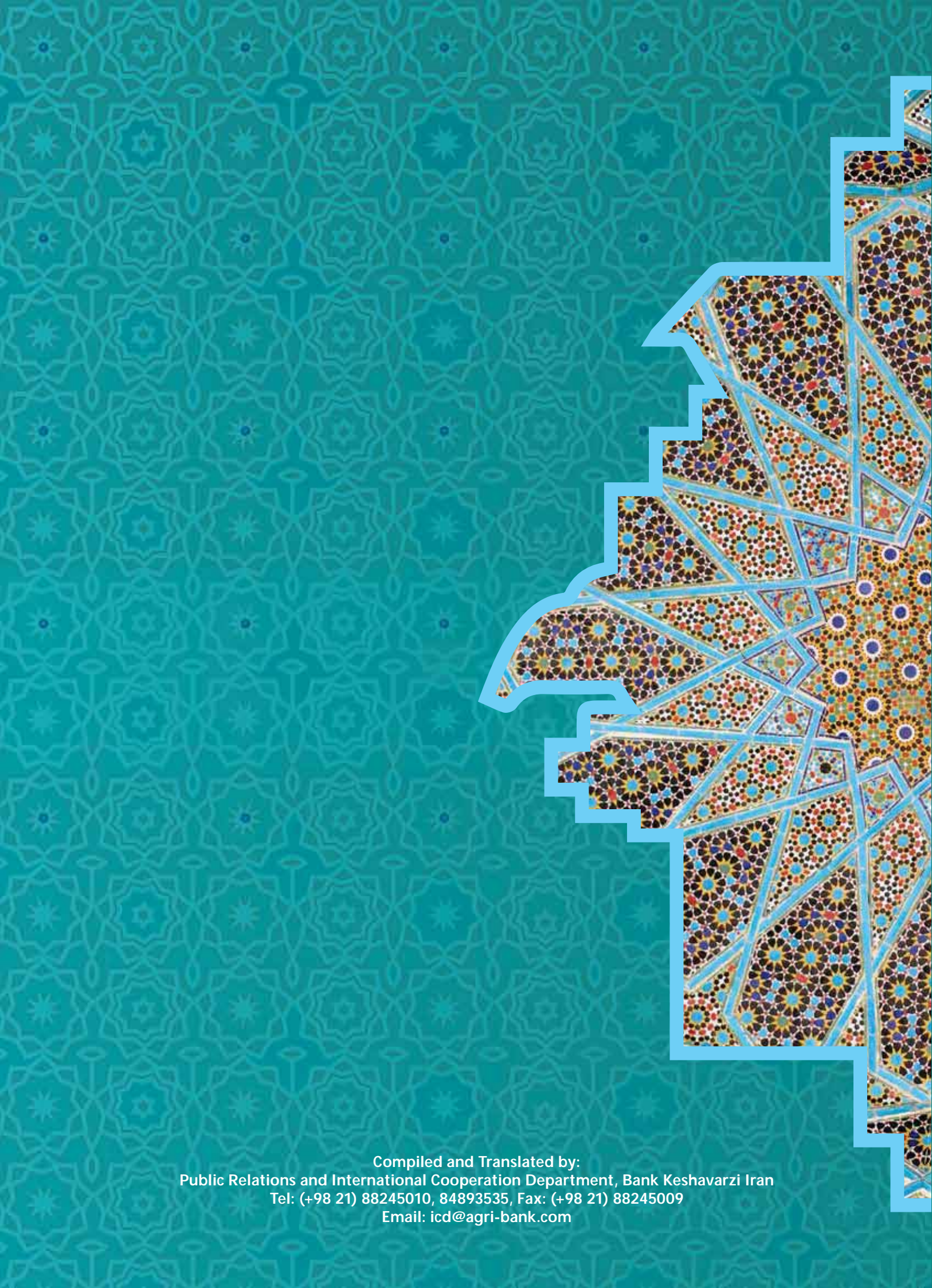
SME: Small and Medium Enterprises

SMS: Short Message System

STR: Suspicious Transaction Reports

USD: United States Dollar





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