

Financial Statements

KARAFARIN BANK (Public Joint-Stock Co.)

Balance Sheet as at March 20th.,

(In Iranian Rials)

Assets	Notes	2007	2006
Cash	4	63,589,744,828	40,731,918,400
Due from Central Bank	5	2,416,715,791,536	1,651,416,051,893
Interbank	6	824,553,440,383	947,141,298,545
Gov't Participation Bonds	7	1,314,739,800,000	1,177,312,000,000
Investments-Listed Shares	8	95,517,612,819	103,231,519,102
Receivables	9	1,862,147,818,774	1,025,858,500,043
Prepayments	10	3,296,751,644	3,126,527,365
Total Current Assets		6,580,560,959,984	4,948,817,815,348
Loans & Advances(net)	11	11,312,508,780,619	7,310,063,411,300
Investments-Unlisted	12	172,392,500,000	93,986,000,000
Fixed Assets	13	380,421,676,883	327,226,417,004
Other Assets	14	26,953,895,715	4,761,035,995
Total Assets		18,472,837,813,201	12,684,854,679,647
Liabilities & Equity			
Current & Saving Deposits	15	1,568,051,906,247	971,682,398,234
Term Deposits	16	13,548,787,358,606	8,896,250,394,588
Other Deposits	17	1,657,037,437,278	1,518,972,553,961
Other Liabilities	18	63,512,262,244	64,733,804,503
Dividend Payable	19	385,000,000,000	245,000,000,000
Total Liabilities		17,222,388,964,375	11,696,639,151,286
Reserves	20	276,419,475,070	137,186,732,342
Facilities received	21	18,486,000,000	-
Total Liabilities & Reserves		17,517,294,439,445	11,833,825,883,628
Equity			
Share Capital	22	700,000,000,000	700,000,000,000
Legal Reserve	23	191,391,689,885	117,439,503,224
Undistributed Profit		64,151,683,871	33,589,292,795
Total Equity		955,543,373,756	851,028,796,019
Total Liabs.& Equity		18,472,837,813,201	12,684,854,679,647
Memorandum Items:			
Guarantees Issued	34	4,899,330,726,110	2,889,996,803,717
L/C Commitments	35	1,508,501,719,795	1,127,276,491,399
Underwriting commitments	36	600,000,000,000	600,000,000,000
Managed Funds	37	436,421,303,873	527,786,467,462
Securities & Assets Pledged as Collateral	38	47,079,432,621,934	32,803,558,434,040

KARAFARIN BANK (Public Joint-Stock Co.)
Profit & Loss Statement for the Year Ended March 20th.,

		(In Iranian Rials)	
	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Interest on Loans	24	1,805,545,955,651	1,112,387,196,146
Interest on Gov't. Bonds	25	357,534,762,878	261,994,508,677
Interest on Deposits	25	48,728,112,767	11,673,653,276
Interest on Statutory Deposits	25	19,757,425,474	11,598,555,087
Total		2,231,566,256,770	1,397,653,913,186
Less: Interest paid on Deposits	26	(1,684,541,776,343)	(1,028,835,313,479)
Net Interest Income		547,024,480,427	368,818,599,707
Dividends	25	11,110,384,243	6,918,308,901
Commissions Received	27	156,195,806,419	94,292,683,457
Other Income	28 , 29	153,118,389,171	71,765,366,974
Operating Income		867,449,060,260	541,794,959,039
Expenses:			
Payroll	30	(85,327,467,344)	(46,218,052,529)
Administrative Expenses	30	(88,782,998,213)	(56,312,493,119)
Reserves for Loans&Investments	32	(151,158,109,464)	(67,063,489,404)
Depreciation & Amortization	31	(12,231,120,012)	(22,012,375,202)
Total Expenses		(337,499,695,033)	(191,606,410,254)
Net Profit before Tax		529,949,365,228	350,188,548,785
Taxes	33	(36,934,787,491)	(18,829,766,323)
Net Profit after Tax		493,014,577,737	331,358,782,462

Karafarin Bank (Public Joint-Stock Co.)
Statement of Earnings for the Year Ended March 20th..

	<u>Notes</u>	(In Iranian Rials)	
		<u>2007</u>	<u>2006</u>
Earnings:			
Net profit for the year		493,014,577,737	331,358,782,462
Undistri.profit-beg.of the year		33,589,292,795	59,327,702
Previous years Adjustments		-	-
Total Available		526,603,870,532	331,418,110,164
Allocation:			
Legal Reserve		(73,952,186,661)	(49,703,817,369)
Proposed Dividend		(385,000,000,000)	(245,000,000,000)
Directors' Bonus		(3,500,000,000)	(3,125,000,000)
Undistri.profit-end.of the year		64,151,683,871	33,589,292,795

As the components of the comprehensive profit & loss account are confined to the income statement and the statement of earnings, it has not been presented here.

Karafarin Bank (Public Joint-Stock Co.)**Cash Flow Statement for the Year Ended March 20th.,**

	(In Iranian Rials)	
	<u>2007</u>	<u>2006</u>
Interests & commissions	2,132,860,151,241	1,288,270,890,626
Interests on Gov't. Bonds	448,729,466,882	305,392,083,264
Less: Interest on Deposits	(1,684,541,776,343)	(1,028,835,313,479)
Cash Expenses	(168,035,832,293)	(99,282,763,365)
Cash Income	729,012,009,487	465,544,897,046
Changes in Assets & Liabilities:		
Increase in Assets:		
Due from Central Bank	122,587,858,162	(725,593,022,010)
Interbank	(765,299,739,643)	(846,469,434,768)
Gov't Participation Bonds	(137,427,800,000)	(608,951,500,000)
Investments-Listed Shares	(74,577,468,953)	(87,798,663,745)
Receivables	(885,902,668,575)	(484,782,735,826)
Prepayments(advance payment)	(170,224,279)	(1,090,766,938)
Loans & Advances(net)	(4,020,445,369,319)	(3,346,384,354,469)
Total	(5,761,235,412,607)	(6,101,070,477,756)
Increase in Liabilities:		
Current & Saving Deposits	596,369,508,013	240,407,630,917
Term Deposits	4,652,536,964,018	4,679,685,822,764
Other Deposits	138,064,883,317	610,827,175,701
Liabilities	17,264,457,741	46,321,366,927
Tax Payable	(21,948,860,036)	(12,723,838,869)
Previous years Adjustments	-	-
Total	5,382,286,953,053	5,564,518,157,440
Operational Cash Flow	350,063,549,933	(71,007,423,270)
Fixed Assets	(60,012,863,785)	(82,417,745,026)
Other Assets	(22,192,859,720)	1,056,201,524
Non-Operational Cash Flow	(82,205,723,505)	(81,361,543,502)
Share Capital	-	350,000,000,000
Dividend Payable	(245,000,000,000)	(175,000,000,000)
Net Capital Account	(245,000,000,000)	175,000,000,000
Net Cash Flow	22,857,826,428	22,631,033,228
Cash at the Beginning of the Year	40,731,918,400	18,100,885,172
Cash at the End of the Year	63,589,744,828	40,731,918,400

Karafarin Bank(public joint stock co.)

NOTES ON THE ACCOUNTS (continued)

<u>Note (4) Cash</u>	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Vault	61,889,173,103	39,634,387,510
Stock of Stamps and Promissory Notes	1,700,571,725	1,097,530,890
Total	63,589,744,828	40,731,918,400

<u>Note (5) Due from Central Bank</u>	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Statutory Deposit	2,395,517,994,000	1,633,599,636,000
Current Account With the CBI	1,440,372,062	6,217,860,806
Others	19,757,425,474	11,598,555,087
Total	2,416,715,791,536	1,651,416,051,893

As of 1/9/1383, Statutory Deposits at 17% on all bank deposits are mandatory.

<u>Note (6) Interbank</u>	<u>Mar.20,2007</u>	<u>Note</u> <u>Mar.20,2006</u>
Term Deposits & Current Acc. with Banks -LCY	551,130,192,339	(6-1) 877,178,268,304
Term Deposits & Current Acc. with Banks -FCY	273,423,248,044	(6-2) 69,963,030,241
Total	824,553,440,383	947,141,298,545

<u>Note (6-1) Due from Banks-LCY</u>	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Facilities Granted	0	710,000,000,000
Our Credit Account With Banks	551,130,192,339	167,178,268,304
	551,130,192,339	877,178,268,304

Note (6-2) Due from Banks-FCY

Our foreign account foreign exchange accounts with foreign & domestic banks are as follows:

Currency:	<u>Mar.20,2007</u>	<u>Amount</u>	<u>Mar.20,2006</u>
Euro (=12,289 rials)	198,105,905,686	16,120,588	27,049,507,784
USD (9,243 rials)	11,508,834,935	1,245,141	26,446,959,896
Pound Sterling(=17,939 rials)	7,805,944,707	435,138	12,330,714,082
Hundred Yens (=7,888 rials)	19,333,970,509	2,451,061	1,534,634,215
Swedish Krona(=1,325 rials)	4,783,841,970	3,610,447	2,430,405,204
Emirates' Dirham(=2,518 rials)	31,836,567,854	12,643,593	-
CHF(7,645 rials)	48,182,383	6,302	127,730,504
Canadian Dollars	-	-	43,078,557
Total	273,423,248,044	-	69,963,030,242

Karafarin Bank(public joint stock co.)

NOTES ON THE ACCOUNTS (continued)

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (7) Participation Bonds		
Held in Bank Tejarat 's vaults	147,217,000,000	398,159,000,000
Held in Bank Melli 's vaults	239,672,000,000	287,102,000,000
Purchased in Tehran Stock Exchange (TSE)	338,409,000,000	249,084,000,000
Held in Bank Saderat's vaults	196,900,000,000	53,000,000,000
Held in Bank Keshavarzi's vaults	239,000,000,000	110,000,000,000
Held in Bank Mellat 's vault	5,145,000,000	5,145,000,000
Held in our own vaults	96,906,800,000	74,822,000,000
Held in Bank Saman's vaults	50,000,000,000	-
Held in Bank Sanat va Ma'dan's vaults	1,490,000,000	-
Total	<u>1,314,739,800,000</u>	<u>1,177,312,000,000</u>

Our holding, per type and date of issue of bonds, was as follows:	<u>Date of issue</u>	<u>Maturity</u>	<u>Profit Rate</u>	<u>Nominal Amount (rial)</u>
Iran Khodro (Purchase in TSE)	1384/05/31	1388/05/31	19.0%	397,959,000,000
Gov't. Development Projects, 1st issue 1383	1383/10/07	1388/10/07	17.0%	460,090,000,000
Gov't. Development Projects, 2nd issue 1382	1382/10/07	1387/10/07	17.0%	200,000,000,000
Gov't. Development Projects, 2nd issue 1383	1383/10/15	1388/10/15	17.0%	120,000,000,000
Bank Keshavarzi	1384/08/21	1387/08/21	17.0%	125,410,000,000
Zagros Petrochemicals	1383/11/26	1386/11/26	17.0%	111,500,000,000
Rayan Saipa	1384/06/26	1387/06/26	17.0%	125,228,800,000
Ministry of Power, 1st issue 1383	1383/04/15	1387/04/15	17.0%	86,900,000,000
Ministry of Power, 1st issue 1384	1384/07/16	1388/07/16	17.0%	25,000,000,000
Ministry of Power, 1st issue 1382	1382/06/01	1387/06/01	17.0%	6,000,000,000
Ministry of Road -Shipping	1383/12/17	1386/12/17	17.0%	10,443,000,000
Industrial & Mining projects	1383/11/11	1386/11/11	17.0%	1,490,000,000
Highway Development Projects (Ghazvin- Rasht)	1383/08/19	1387/08/19	17.0%	5,145,000,000
Central Bank Participation Bonds, 1st issue,1385	1385/09/19	1386/09/19	15.5%	182,967,000,000
Central Bank Participation Bonds, 2nd issue,1385	1385/08/13	1386/08/13	15.5%	88,202,000,000
Central Bank Participation Bonds, 3rd issue,1385	1385/09/18	1386/09/18	15.5%	59,844,000,000
Central Bank Participation Bonds, 4th issue,1385	1385/10/23	1386/10/23	15.5%	18,095,000,000
Central Bank Participation Bonds, 5th issue,1385	1385/12/05	1386/12/05	15.5%	10,370,000,000
Gov't. Development Projects, 1st issue 1385	1385/10/05	1390/10/05	15.5%	48,000,000,000
Total				2,082,643,800,000
Less bonds held for our clients				(767,904,000,000)
Our own holding (net)				<u>1,314,739,800,000</u>

Karafarin Bank(public joint stock co.)

NOTES ON THE ACCOUNTS (continued)

	<u>Mar.20,2007</u>	<u>Note</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Listed shares are adjusted on the basis of market prices at year-end.	126,297,675,549	(8-1)	122,412,803,313
Listed shares at purchase price	(30,780,065,730)		(19,181,284,211)
Difference between market price & purchase price	95,517,612,819		103,231,519,102
Total	95,517,612,819		103,231,519,102

(8-1) Groups	<u>2007</u>	
	<u>Purchase price</u>	<u>Market price</u>
Vehicles	71,438,451,511	53,052,217,202
Financial intermediaries	19,280,951,061	14,833,013,149
Non-metal minerals	11,664,778,148	9,858,695,639
Chemicals	7,724,306,879	7,184,982,403
Metals	4,060,109,039	4,153,799,460
Construction	3,386,382,144	546,698,883
Machinery & equipment	1,866,558,441	441,109,172
Mineral extraction	1,529,305,172	1,417,420,000
Household appliances	1,517,592,676	1,374,122,104
Transport	1,027,812,947	1,043,548,441
Others	2,801,430,531	1,612,006,366
Total	126,297,678,549	95,517,612,819

	<u>Mar.20,2007</u>	<u>Note</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(9) Receivables	1,861,284,642,470	(9-1)	1,025,836,687,501
Sundry Debtors In Iranian Rials	863,176,304		21,812,542
Sundry Debtors In Foreign Exchange	1,862,147,818,774		1,025,858,500,043
Total	1,862,147,818,774		1,025,858,500,043

<u>Note(9-1) Sundry Debtors In Iranian rials</u>	<u>Mar.20,2007</u>	<u>Note</u>	<u>Mar.20,2006</u>
Banks	841,137,508,771		493,614,041,940
Loans	722,406,999,005	(9-1-1)	374,903,737,136
Interest on Participation Bond	74,380,115,601	(9-1-2)	59,174,968,081
Dividends	19,034,133,410		11,876,984,956
Others	204,325,885,683		86,266,955,388
Total	1,861,284,642,470		1,025,836,687,501

Note (9-1-1) This is interest receivable on loans, calculated on accrual basis as at March 20th., 2006 and 2007.

Note (9-1-2) This is interest receivable on Participation Bonds, calculated on accrual basis as at March 20th., 2006 and 2007.

Karafarin Bank(public joint stock co.)

NOTES ON THE ACCOUNTS (continued)

Note(10) Prepayments	(In Iranian Rials)	
	Mar.20,2007	Mar.20,2006
Insurance	813,459,906	705,898,763
Rent	624,000,000	1,205,920,000
Advertisement	306,380,000	305,332,834
Shetab System	100,000,000	150,000,000
Others	1,452,911,738	759,375,768
Total	3,296,751,644	3,126,527,365

Note(11) Loans & Advances	(In Iranian Rials)	
	Mar.20,2007	Mar.20,2006
Installment Credit	1,262,031,549,796	3,187,364,794,147
Repairs & Upkeep Facilities	835,467,685,909	1,177,612,488,684
Leasing Facilities	422,587,212,931	673,267,619,278
Future Contracts	187,174,657,534	429,685,283,776
Commercial Participations	2,472,914,434,358	1,000,776,910,000
Joint Participations	2,603,602,853,381	70,334,464,043
Purchase of loans	1,336,859,073,190	-
Foreign exchange facilities	83,586,542,831	26,387,214,639
Facilities to Staff	114,112,551,111	48,637,959,191
Overdue facilities	1,574,947,882,277	578,740,941,620
Total	10,893,284,443,318	7,192,807,675,378
Future Interests	(760,034,066,979)	(975,757,213,552)
Special reserve	(30,692,000,000)	(12,692,000,000)
Total	10,102,558,376,339	6,204,358,461,826
Debtors for Paid L/Cs	211,324,180,585	94,566,895,159
Debtors for Paid L/Gs	34,950,184,724	2,197,504,361
Net Outstanding	10,348,832,741,648	6,301,321,130,440
add: Debtors Term L/Cs	963,676,038,971	1,008,742,280,860
Total	11,312,508,780,619	7,310,063,411,300

Note(12) Investments-Unlisted	No. of Shares	Our Shares	%	(In Iranian Rials)	
				2007	2006
Karafarin Investment Company	100,000,000	79,986,000	80	79,986,000,000	79,986,000,000
Karafarin Leasing Company	50,000,000	49,999,000	100	49,999,000,000	-
Karafarin Brokerage Company	50,000,000	50,000,000	100	25,000,000,000	-
Karafarin Insurance Company	140,000,000	14,000,000	10	14,000,000,000	14,000,000,000
Iranian Investment Company	83,000	500	0.6	1,750,000,000	-
Tehran Stock Exchange Company	150,000,000	1,500,000	1	1,500,000,000	-
Iran Credit Rating Company	2,417,000	45,000	1.86	157,500,000	-
Total				172,392,500,000	93,986,000,000

The paid capitals of Karafarin Leasing Co., Iranian Credit Rating Co. and Iranian Investment Co. are respectively 50%, 35% & 35%.

Karafarin Bank(public joint-stock co.)
NOTES ON THE ACCOUNTS(continued)

13) Fixed Assets

	at cost			Accumulated Depreciation/Amortized				Net Book Value	
	2006	Increase(dec.)	2007	2006	Depreciation / Amortized	Adjustments	2007	2006	2007
Land & Building	136,629,990,234	13,910,805,758	150,540,795,992	29,296,700,729	7,499,840,606	-	36,796,541,335	107,333,289,505	113,744,254,657
Vehicles	3,595,858,450	1,291,195,850	4,887,054,300	1,568,122,521	695,747,436	-483,492,059	1,780,377,898	2,027,735,929	3,106,676,402
Office equipments	34,361,071,385	38,646,068,496	73,007,139,881	11,672,959,199	4,035,531,970	-15,820,372	15,692,670,797	22,688,112,186	57,314,469,084
Goodwill	28,002,977,625	-	26,688,773,950	4,914,203,675	0	-4,914,203,675	-	23,088,773,950	26,688,773,950
Total	202,589,897,694	52,533,866,429	255,123,764,123	47,451,986,124	12,231,120,012	-5,413,516,106	54,269,590,030	155,137,911,570	200,854,174,093
Capital prepayments	170,673,632,099	7,478,997,356	178,152,629,455	-	-	-	-	170,673,632,099	178,152,629,455
Total	373,263,529,793	60,012,863,785	433,276,393,578	47,451,986,124	12,231,120,012	-5,413,516,106	54,269,590,030	325,811,543,669	379,006,803,548
Renovation costs								1,414,873,335	1,414,873,335
Net Fixed Assets								327,226,417,004	380,421,676,883

According to the Instructions no. 2946/MB of the Central Bank the Accumulated Goodwill has been frozen in a blocked account and the rates of amortization of Equipments have been modified as of 1385 (2007), as disclosed under note 3-1-2

	(In Iranian Rials)	
	<u>Mar.20,2007</u>	<u>Mar.20,2006</u>
Note (14) Other Assets		
Deposits for rented buildings	23,480,000,000	2,288,000,000
Deposits for rented software	1,071,000,000	1,071,000,000
Deposits for telephones	803,927,519	680,230,019
Undelivered cheque books	650,557,500	215,923,000
Others	948,410,696	505,882,976
Total	<u>26,953,895,715</u>	<u>4,761,035,995</u>

	(In Iranian Rials)	
	<u>Mar.20,2007</u>	<u>Mar.20,2006</u>
Note(15)Current& Saving Deposits		
Current and Savings Accounts- in Rials	574,145,688,694	327,243,584,183
Current and Savings Accounts- in F.exchange	113,597,315,281	24,669,861,388
Sold Cheque	853,964,602,272	607,142,452,663
Unutilized Portion of Managed Funds	26,344,300,000	12,626,500,000
Total	<u>1,568,051,906,247</u>	<u>971,682,398,234</u>

	(In Iranian Rials)	
	<u>Mar.20,2007</u>	<u>Mar.20,2006</u>
Note(16)Term Deposits		
Term Deposits-Rials	13,162,377,746,699	(16-1) 8,866,388,026,413
Term Deposits-Foreign Exchange	386,409,611,907	(16-2) 29,862,368,175
Total	<u>13,548,787,358,606</u>	<u>8,896,250,394,588</u>

	(In Iranian Rials)	
	<u>Mar.20,2007</u>	<u>Mar.20,2006</u>
Note (16-1) Term Deposits - Rials		
1-Month Deposits	8,618,242,140,771	14% 4,789,282,564,577
6-Month Deposits	403,483,889,436	15% 371,782,014,274
1-Year Deposits	1,343,533,271,796	17% 721,911,983,081
2-Year Deposits	169,023,999,340	17% 207,058,712,025
3-Year Deposits	41,322,520,000	17% 49,917,320,000
4-Year Deposits	49,534,450,000	17% 51,383,350,000
5-Year Deposits	2,537,237,475,356	17% 2,675,052,082,456
Total	<u>13,162,377,746,699</u>	<u>8,866,388,026,413</u>

The rates changed several times during the year; these are the latest deposits, but renewed old contracts. The Bank has refused to accept over one-year.

	(In Iranian Rials)	
	<u>Mar.20,2007</u>	<u>Mar.20,2006</u>
Note (16-2) Term Deposits - F.Exchange		
Term-Deposit in Dirham	198,436,940,865	-
Term-Deposit in EURO	149,749,121,047	3,912,718,125
Term-Deposit in US Dollars	30,194,860,850	14,380,801,170
Term-Deposit in GB pound	8,028,689,145	11,568,848,880
Total	<u>386,409,611,907</u>	<u>29,862,368,175</u>

In 1385 (2006-07), in order to strengthen the foreign exchange position of banks the Central Bank made foreign exchange deposits with other banks. Thus a part of these deposits (223,610m rials) belong to the Central Bank. They bear interest at LIBOR+1, renewable quarterly. The interest up to the end of the year has been calculated.

	(In Iranian Rials)	
Note(17) Other Deposit	Mar.20,2007	Mar.20,2006
Margins Held Against Letters of Guarantee (L/G's) Issued	458,956,028,186	278,342,936,487
Margins Held Against Letters of Credit (L/C's) Opened	978,823,414,209	1,136,625,465,311
Advances Received Against Letters of Credit	131,205,865,557	75,835,970,670
Inward Transfers-Rials	87,474,889,326	26,545,328,567
Others	577,240,000	1,622,852,926
Total	1,657,037,437,278	1,518,972,553,961

	(In Iranian Rials)	
Note(18) Other Liabilities	Mar.20,2007	Mar.20,2006
Taxes Payable	21,948,860,037	12,723,838,869
Dividend	7,118,298,481	9,212,765,573
Due to Customers for their Profit (Interest) on Rayan Saipa Bond	6,308,150,086	1,867,240,702
Provisions for Expenses Realized	8,292,794,020	6,544,802,157
Board Members' Bonuses	3,500,000,000	3,125,000,000
Deposits on Guarantees	2,821,624,650	801,091,367
Kish Informatics Services	2,900,228,025	-
Social Welfare Organization	918,064,889	90,002,829
Due to the Central Bank for Participation Bonds Sold	-	26,030,000,000
Good Performance Bonds deposits	930,566,096	218,164,380
Others	8,773,675,960	4,120,898,626
Total	63,512,262,244	64,733,804,503

	(In Iranian Rials)	
Note(19) Dividend Payable	Mar.20,2007	Mar.20,2006
Proposed Dividend for 1383 (year ended March 20, 2005)	385,000,000,000	245,000,000,000
Number of Share in 1383	700,000,000	700,000,000
Cash Profit Per Share	550	350

	(In Iranian Rials)		
Note(20) Reserves & Provisions	Mar.20,2007	Note	Mar.20,2006
Reserves on Loans & Investments	263,318,088,214	(20-1)	130,159,978,750
Provision for Severance Pay	13,101,386,856	(20-2)	7,026,753,592
Total	276,419,475,070		137,186,732,342

Note (20-1) According to the Currency & Credit Council resolution no.880 dated 7/10/1376 (28/12/1997) and the Supervision Department of CBI Circular no.NP8238 of 5/11/1376 (31/1/1998) all banks and credit institutions are required to set aside 2% of net outstanding balance of their loans and investments portfolios in the form of "Reserves on Loans & Investments".

Note (20-2) Provision for Severance Pay is annually updated on the basis of on one-month salary of all full-time employees.

Note (21) Facilities Received

	Mar.20,2007	Mar.20,2006
Facilities Received From IFC	18,486,000,000	-

The Total Amount of the Facility is \$10m, to be utilized in three stages During the year under review the sum of \$2m was drawn.

The Facility is to be repaid in 10 installments of six-month each. The rate is Libor + 3% and the interest has been recognized until the end of 1385.

Karafarin Bank(Public joint stock CO.)

Capital Adequacy Ratio: Tier I:	(In Million Rials)	
	Mar.20,2007	Mar.20,2006
Share Capital	700,000,000,000	700,000,000,000
Legal Reserve	191,391,689,885	117,439,503,224
Undistributed Profit	64,151,683,871	33,589,292,795
Tier I	(A) 955,543,373,756	851,028,796,019
General reserve on loans	263,318,088,214	130,159,978,750
Less adjustments to tier two capital in excess of 1.25% of weighted assets	-93,535,424,081	-14,726,264,120
	169,782,664,133	115,433,714,630
Capital	(A)+(B) 1,125,326,037,889	966,462,510,649

Risk-Adjusted Assets:	Mar. 20, 2006			Mar. 20, 2007		
	Assets	Risk Weight	Risk-Adjusted Assets	Assets	Risk Weight	Risk-Adjusted Assets
Cash	40,731,918,400	0	-	63,589,744,828	0	-
Due from Central Bank	1,651,416,051,893	0	-	2,416,715,791,536	0	-
Interbank	1,441,942,306,546	20	288,388,461,309	1,740,071,064,755	20	348,014,212,951
Gov't Participation Bonds	500,474,000,000	0	-	892,621,000,000	0	-
Non-Gov't Participation Bonds	676,838,000,000	100	676,838,000,000	402,067,800,000	100	402,067,800,000
Investments	197,217,519,102	100	197,217,519,102	267,910,112,819	100	267,910,112,819
Receivables	537,228,733,798	100	537,228,733,798	945,767,018,098	100	945,767,018,098
Prepayments	3,126,527,365	100	3,126,527,365	3,296,751,644	100	3,296,751,644
Loans & Advances(Fully Secured by Mortgage)	2,071,707,188,948	50	1,035,853,594,474	2,969,719,414,667	50	1,484,859,707,334
Loans & Advances(Other)	5,238,356,222,352	100	5,238,356,222,352	8,342,789,365,952	100	8,342,789,365,952
Fixed Assets	327,226,417,004	100	327,226,417,004	380,421,676,883	100	380,421,676,883
Other Assets	4,761,035,995	100	4,761,035,995	26,953,895,715	100	26,953,895,715
Underwriting commitment	122,246,000,000	100	122,246,000,000	98,966,100,000	100	98,966,100,000
Guarantees Issued(Credit Conversion Factors 20%)	577,999,360,743	100	577,999,360,743	979,866,145,222	100	979,866,145,222
L.C Commitments(Credit Conversion Factors 20%)	225,455,298,280	100	225,455,298,280	301,700,343,959	100	301,700,343,959
Total Weighted Risk Adjusted Assets	13,616,726,580,426		9,234,697,170,422	19,832,456,226,078		13,582,613,130,577

Capital Adequacy Ratio

10.5

8.3

	<u>Mar.20,2007</u>	<u>Note</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(22) Capital			
Paid up capital (divided into 700million shares of 1000 rials each).	<u>700,000,000,000</u>	(22-1)	<u>700,000,000,000</u>

Note (22-1) Capital adequacy ratio

This is the ratio between a banks base capital and the risk carried by its various assetsFor this purpose, each asset is given a weight according to the risk it is considered to carry The ratio must be at least8%.

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Tier one:		
Paid-up capital	700,000,000,000	700,000,000,000
Legal Reserve	191,391,689,885	117,439,503,224
Accumulated profits	<u>64,151,683,871</u>	<u>33,589,292,795</u>
Total tier one capital	<u>955,543,373,756</u>	<u>851,028,796,019</u>
Tier two:		
General reserve on loans 7 investments	263,318,088,214	130,159,978,750
Minus adjustments to tier two capital in excess of 1.25% of weighted assets.	<u>(93,535,424,081)</u>	<u>(14,726,264,120)</u>
Total tier two capital	<u>169,782,664,133</u>	<u>115,433,714,630</u>
Base capital	<u>1,125,326,037,889</u>	<u>966,462,510,649</u>
Capital adequacy ratio	8.3	10.5

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (23) Legal Reserve		
Balance at the beg. of the year	117,439,503,224	67,735,685,855
Appropriated from net income	<u>73,952,186,661</u>	<u>49,703,817,369</u>
Balance at the end of the year	<u>191,391,689,885</u>	<u>117,439,503,224</u>

According to Articles (140) and (238) of the Commercial Code of Iran of 1347 (1968), Resolutions of the Currency and Credit Council and Article (58) of the Bank's Articles of Association, 15% of the Bank's annual net income must be retained and credited to the "Legal Reserve" until the balance equates the paid-in capital.

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(24) Interest on Loans		
Revenues under Islamic Contracts	1,545,938,278,956	946,669,034,641
Late Payment Fees	<u>259,607,676,695</u>	<u>165,718,161,505</u>
Total	<u>1,805,545,955,651</u>	<u>1,112,387,196,146</u>

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(25) Interest on Deposits and Investments		
Interest on Participation Bonds	357,534,762,878	261,994,508,677
Investment earned on other Deposits-rials	41,044,894,940	8,118,298,129
Interest Earned on other Deposits- F.exchange	7,683,217,827	3,555,355,147
Interest Earned on Statutory Deposits	19,757,425,474	11,598,555,087
Interest earned on Companies' Shares	21,930,280,580	25,459,208,553
Profit from Transactions in Quoted shares	778,885,183	(5,333,842,329)
Loss due to fall in Share Prices	<u>(11,598,781,519)</u>	<u>(13,207,057,323)</u>
	<u>437,130,685,363</u>	<u>292,185,025,941</u>

Note(25-1) Profit (interest) on Gov't. Bonds

Interest on Government's Participation Bonds is calculated on a daily basis and paid either on 90-day or 180-day intervals. For those securities with interest payment dates falling beyond the Bank's year-end, accrued interest is calculated and taken into income for the year.

	<u>Mar.20,2007</u>	<u>Note</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(26) Interest on Term-Deposits			
Interest paid on deposits-rials	1,672,132,959,579	(25-1)	1,024,338,312,172
Interest paid on deposits-F.exchange	12,408,816,764		4,497,001,307
Total	<u>1,684,541,776,343</u>		<u>1,028,835,313,479</u>

	<u>Mar.20,2007</u>		<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (26-1) Provisional Interest paid			
Five-year deposits	528,329,243,544		451,816,891,729
Four-year deposits	9,098,808,774		927,091,397
Three-year deposits	8,185,699,321		6,171,659,560
Two-year deposits	32,508,484,055		24,370,988,147
One-year deposits	155,354,527,943		93,475,627,712
Special 6-month short-term deposits	54,958,050,112		25,825,862,658
Special 3-month short-term deposits	14,983,327		-
Certificates of deposits	4,232,584,846		8,951,813,911
One- month deposits	879,450,577,657		412,798,377,058
Total	<u>1,672,132,959,579</u>		<u>1,024,338,312,172</u>

	<u>Mar.20,2007</u>		<u>Mar.20,2006</u>
Note (27) Commissions Received			
From Guarantees Issued	83,490,004,564		48,773,856,170
From Managed Funds	40,157,945,667		26,699,346,373
From Foreign exchange	5,633,782,678		3,997,765,499
Others	26,914,073,510		14,821,715,415
Total	<u>156,195,806,419</u>		<u>94,292,683,457</u>

	<u>Mar.20,2007</u>		<u>Mar.20,2006</u>
Note (28) Income Received from Foreign exchange Transaction			
Foreign Exchange Transactions	8,302,196,559		1,465,913,567
	<u>8,302,196,559</u>		<u>1,465,913,567</u>

	<u>Mar.20,2007</u>		<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (29) Other Income			
Valuation fees	143,038,101,410		70,219,297,297
Others	1,778,091,202		80,156,110
Total	<u>144,816,192,612</u>		<u>70,299,453,407</u>

	<u>Mar.20,2007</u>		<u>Mar.20,2006</u>
Note (30) Administrative Expenses			
Staff Charges	85,327,467,344		46,218,052,529
Data Processing Charges	30,352,060,226		16,608,197,562
Consultants' Fees	10,466,322,203		5,651,744,330
Upkeep and Maintenance Charges	10,053,722,156		2,997,022,962
Rent	13,170,000,378		4,460,485,736
Advertising Expenses	3,558,441,674		9,694,826,651
water, electricity, fuel & telephone	2,920,601,538		2,741,773,177
Commissions paid for participation bonds held in other banks' vaults	2,850,392,963		2,412,119,117
Cash insurance premium	2,854,870,462		1,937,944,152
Printing Charges	2,018,597,866		1,790,307,592
On-the-job-training costs	1,306,489,874		1,866,771,025
Membership fees	957,464,178		615,108,000
Attendance Fees- Board members	246,000,000		155,000,000
Duties for registration of Capital Increase	-		700,000,000
Others	8,028,034,695		4,681,192,815
Total	<u>174,110,465,557</u>		<u>102,530,545,648</u>

	<u>Mar.20,2007</u>		<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (31) Depreciation & Amortization			
Land and Buildings	7,499,840,606		13,024,624,233
Furniture and Fixture	4,731,279,406		6,608,256,873
Amortization	-		2,379,494,096
Total	<u>12,231,120,012</u>		<u>22,012,375,202</u>

The reason for the decrease in depreciation of assets is the implementation the operative instructions MB946 of the Central Bank of Iran according to which depreciation of fixed assets is calculated on the tables attached to section 51 of Direct Taxes Act as referred to under Note 3-1-2 above.

Note(32) Taxes

Tax status of the Bank over the last four years

(In Million Rials)

Year	Net Income per	Taxable Income			Taxes				3/20/2007	3/20/2006
	Bank's books	Declared by Bank	Claimed by MOF	Agreed	Declared by Bank	Claimed by MOF	Agreed & Due	Paid	Provision for Taxes	Provision for Taxes
3/20/2003-2004	156,709	12,177	119,428	117,528	2,639	29,857	29,382	11,520	(8,881)	-
3/20/2004-2005	215,976	35,876	191,353	-	8,072	47,838	-	14,178	(6,106)	(6,106)
3/20/2005-2006	350,189	83,689	298,560	-	18,830	74,640	-	18,830	-	18,830
3/20/2006-2007	529,949	164,155	-	-	36,935	-	-	-	36,935	-
Total	-	-	-	-	-	-	-	-	21,948	12,724

Income taxes have been fully paid up to 2002 - 2003

For 2003-2004, the MOF decision has been notified. The Bank has, in accordance with section 259 of Direct Taxes Act, paid 1/3 and files its protest with the High Council of Taxation.

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(33) Reserves for Doubtful debts		
General Reserves on Loans & Investments	133,158,109,464	57,237,845,355
Specific Provision on Loans	18,000,000,000	9,825,644,049
Total	<u>151,158,109,646</u>	<u>67,063,489,404</u>

According to the resolution no.880 of 7/10/1376 (28/12/1997) of the Currency & Credit Council and Circular no.NB8238 of 5/11/1376 (31/1/1998) of the Supervision Department of CBI, all banks and credit institutions are required to set aside 2% of net outstanding balance of their loan and investment portfolios in the form of "Reserves on Loans & Investments." Furthermore, a specific provision for doubtful loans is provided for.

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (34) Guarantees Issued		
Bid & Performance Bonds, and Advance Payment Guarantees -rials	4,505,606,236,825	2,767,070,894,539
Bid & Performance Bonds, and Advance Payment Guarantees -F.Exchange.	369,497,208,027	106,951,282,778
Couter guarantees-F.Exchange	24,227,281,258	15,974,626,400
Total	<u>4,899,330,726,110</u>	<u>2,889,996,803,717</u>

	<u>Amount</u>	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (35) Commitments for L/Cs opened			
L/Cs opened in dollars	21,820,539	201,687,237,705	619,546,642,749
L/Cs opened in rials	-	369,554,244,402	193,793,797,243
L/Cs opened in euros	43,808,424	538,361,724,888	249,882,079,434
L/Cs opened in yens	24,029,479	189,544,530,352	48,313,288,980
L/Cs opened in Emirates' dirham	60,143,023	151,440,132,366	-
L/Cs opened in Swedish Krona	33,634,592	44,565,834,399	5,489,327,095
L/Cs opened in other currencies	-	13,348,015,683	10,251,355,898
Total		<u>1,508,501,719,795</u>	<u>1,127,276,491,399</u>

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (36): Underwriting Commitments		
Underwriting Commitments	300,000,000,000	300,000,000,000
Underwriting Commitments	300,000,000,000	300,000,000,000
	<u>600,000,000,000</u>	<u>600,000,000,000</u>

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note(37) Managed Funds		
Facilities granted against funds placed with the Bank	436,421,303,873	527,786,467,462

	<u>Mar.20,2007</u>	<u>(In Iranian Rials)</u> <u>Mar.20,2006</u>
Note (38) Securities & Assets Pledged as Collateral		
Collateral Account	2,014,278,833,758	2,548,931,882,692
Pledged Marketable Securities	3,059,395,424,099	2,095,453,257,663
Pledged Real Estate	4,724,356,759,214	3,067,020,190,740
Promissory Notes, Cheques, Trade Receivables pledged against guarantees	24,997,155,712,874	16,336,731,717,954
Promissory Notes, Cheques, Trade Receivables pledged against facilities	9,482,503,308,331	6,692,081,526,544
Leased goods	406,370,946,520	520,021,090,881
Others	2,395,371,637,138	1,543,318,767,866
Total	<u>47,079,432,621,934</u>	<u>32,803,558,434,340</u>

Note(39) Transactions which are Subject to Article 129 of the Commercial Code

All transactions including 152.410 rials million facilities granted 420,767 rials guarantees issued and letters of credit opened and 1,674 million rials purchase of equipment and 480,673 million rials other transactions which are subject to section 129 of the Commercial Code have been reported to the Auditors and Inspector of the Bank