



Karafarin Bank

Financial Statements

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)

Consolidated Accounts

Balance Sheet as at March 20th., 2011

| Assets | Note | 2011 Million Rials | 2010 Million Rials | Liabilities & Equity | note | 2011 Million Rials | 2010 Million Rials |
|---------------------|------|-----------------------|-----------------------|---|------|-----------------------|-----------------------|
| cash | 5 | 246,669 | 229,023 | Current Deposits | 15 | 1,124,756 | 1,348,199 |
| Statutory Deposits | 6 | 3,653,122 | 4,190,849 | Saving Deposits | 16 | 277,805 | 240,062 |
| Interbank | 7 | 5,738,391 | 3,873,855 | Term Deposits | 17 | 28,062,935 | 26,055,502 |
| Participation Bonds | 8 | 1,376,970 | 2,607,039 | Other Deposits | 18 | 1,895,321 | 1,592,263 |
| Investments | 9 | 754,426 | 562,379 | Income Tax | 19 | 183,500 | 156,745 |
| Receivable | 10 | 2,007,442 | 1,720,130 | Interest Paid to Depositors | 20 | 188,694 | 36,739 |
| Loans & Advances | 11 | 27,196,533 | 22,617,215 | Central Bank Facilities | 21 | 2,222,501 | 740,550 |
| Fixed Assets | 12 | 853,098 | 875,524 | Interbank | 22 | 490,997 | 932,111 |
| Intangible Assets | 13 | 648,342 | 442,856 | Payables & Provisions for Expenses Incurred | 23 | 2,507,274 | 2,305,093 |
| Other Assets | 14 | 529,833 | 499,361 | Dividend Payable | 24 | 15,383 | 8,250 |
| | | | | Provisions | 25 | 71,586 | 51,556 |
| | | | | Total Liabilities | | 37,040,752 | 33,467,070 |
| | | | | Equity: | | | |
| | | | | Share Capital | 26 | 3,000,000 | 2,000,000 |
| | | | | Provisions for Capital Increase | | (684) | (72,559) |
| | | | | Legal Reserves | 27 | 1,021,400 | 740,978 |
| | | | | Other Reserves | | 5,305 | - |
| | | | | Accumulated Profit | | 1,885,975 | 1,460,023 |
| | | | | Minority Participation | | 52,078 | 22,719 |
| | | | | Total Equity | | 5,964,074 | 4,151,161 |
| Total Assets | | 43,004,826 | 37,618,231 | Total Liabilities & Equity | | 43,004,826 | 37,618,231 |

Memorandum Items:

| | | | |
|---|----|-------------|-------------|
| Guarantees Issued | 42 | 11,795,755 | 11,237,538 |
| L/C Commitments | 43 | 4,917,219 | 2,628,023 |
| Underwriting Commitments | 44 | 400,000 | 400,000 |
| Managed Funds | 45 | 1,671,752 | 751,752 |
| Securities & Assets Pledged as Collateral | 46 | 128,427,240 | 114,977,382 |

Memorandum Items:

| | | | |
|---|----|-------------|-------------|
| Guarantees Issued | 42 | 11,795,755 | 11,237,538 |
| L/C Commitments | 43 | 4,917,219 | 2,628,023 |
| Underwriting Commitments | 44 | 400,000 | 400,000 |
| Managed Funds | 45 | 1,671,752 | 751,752 |
| Securities & Assets Pledged as Collateral | 46 | 128,427,240 | 114,977,382 |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
Consolidated Accounts
Profit & Loss Statement for the Year Ended March 20th., 2011

| Description | note | 2011 | | 2010 |
|---|------|---------------|------------------|------------------|
| | | Million Rials | Million Rials | Million Rials |
| Interest Income: | | | | |
| Interest on Loans | 29 | | 4,324,479 | 4,884,326 |
| Interest on Deposits & Investments | 30 | | 1,249,945 | 843,854 |
| | | | 5,574,424 | 5,728,180 |
| Interest Paid to Deposits | 31 | (3,417,799) | | (3,727,292) |
| Differential Between Provisional Interest Paid and Interest Realized on Term Deposits | 20 | (186,328) | | (34,492) |
| | | | (3,604,127) | (3,761,784) |
| Share of Bank in Interest Rate | | | 1,970,297 | 1,966,396 |
| Non-Interest Income: | | | | |
| Interest on Loan | 29 | 369,487 | | 235,743 |
| Interest on Deposits & Investments | 30 | 180,584 | | 16,536 |
| Commissions Received | 32 | 349,401 | | 315,718 |
| Foreign Exchange Transactions' Result | 33 | 114,246 | | 44,884 |
| Other Income | 34 | 73,913 | | 47,444 |
| | | | 1,087,631 | 660,325 |
| Total Income | | | 3,057,928 | 2,626,721 |
| Less: | | | | |
| Administrative Expenses | 35 | (583,726) | | (472,682) |
| Doubtful Debts | 36 | (174,054) | | (139,492) |
| Financial Expenses | 37 | (44,834) | | (11,404) |
| Commissions & other Expenses | 38 | (61,415) | | (100,525) |
| | | | (864,029) | (724,103) |
| Profit before tax | | | 2,193,899 | 1,902,618 |
| Tax | | | (229,139) | (242,381) |
| Net Profit | | | 1,964,760 | 1,660,237 |
| Minority Participations | | | (29,360) | 4,540 |
| Profit per Share: | | | | |
| Basic EPS | 50 | | 692 | 661 |
| Diluted EPS | 50 | | 598 | 661 |

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

| | Note | 2011 | | 2010 |
|---|------|---------------|------------------|------------------|
| | | Million Rials | Million Rials | Million Rials |
| Net Profit | | | 1,935,400 | 1,664,777 |
| Accumulated Profits- Beginning of the Year | | 1,460,023 | | 1,103,690 |
| Previous Years Adjustments | 39 | (18,630) | | (52,820) |
| Adjusted Accumulated Profits- Beginning of the Year | | 1,441,393 | | 1,050,870 |
| Last Year Profit to be Distributed | | (1,200,000) | | (1,000,000) |
| Last Year Directors' Bonus | | (5,600) | | (3,500) |
| | | | 235,793 | 47,370 |
| Allocation: | | | 2,171,193 | 1,712,147 |
| Legal Reserve | | | (279,171) | (252,124) |
| Other Reserve | | | (6,046) | |
| Accumulated Profits- Ending of the Year | | | 1,885,976 | 1,460,023 |
| Minority Participations | | | 8,893 | (17,514) |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
 Consolidated Accounts
 Cash flow Statement for the Year Ended March 20th., 2011

| | Note | 2011 | 2010 |
|--|------|------------------|------------------|
| | | Million Rials | Million Rials |
| Operational Activities: | | | |
| Net Cash Inflow from Operational Activities | 40 | 1,793,115 | 3,206,508 |
| Return on Investments & Interest Paid for Financing: | | | |
| Dividends Received | | 204,145 | 35,356 |
| Interest Paid for Received Facilities | | (44,834) | (11,404) |
| Dividends Paid | | (996,532) | (996,532) |
| Net Cash Inflow from Return on Investments & Interest Paid for Financing: | | (837,221) | (972,580) |
| Income Tax: | | | |
| Paid income Tax | | (255,893) | (206,373) |
| Investments Activities: | | | |
| Direct Investments & 'Legal Participations' | | (405,274) | (83,979) |
| Tangible Fixed Assets | | 22,426 | (284,266) |
| Direct Investments & 'Legal Participations' Sold | | 141,351 | 91,319 |
| Tangible Fixed Assets Sold | | 576 | 2,612 |
| Net Cash Inflow(Outflow) from Investments Activities | | (240,921) | (274,314) |
| Net Cash Inflow before Financing Activities | | 459,080 | 1,753,241 |
| Financing Activities: | | | |
| Contribution to Capital Increase | | 71,875 | - |
| Financing Received | | 1,481,951 | - |
| Repayment of Principle of Financing Received | | (1,331) | (622,825) |
| Net inflow(Outflow) of Cash | | 2,011,575 | 1,130,416 |
| Effects of Rate of Exchange Fluctuations | | (129,392) | (93,834) |
| Net Cash Increase(Decrease) | | 1,882,183 | 1,036,582 |
| Cash Balance Beginning of the Year | | 4,102,878 | 3,066,296 |
| Cash Balance End of the Year | 41 | 5,985,061 | 4,102,878 |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
Parent Company
Balance Sheet as at March 20th., 2011

| Assets | Note | 2011 | 2010 | Liabilities & Equity | note | 2011 | 2010 |
|---------------------|------|-------------------|-------------------|---|------|-------------------|-------------------|
| | | Million Rials | Million Rials | | | Million Rials | Million Rials |
| cash | 5 | 242,607 | 218,954 | Current Deposits | 15 | 1,124,756 | 1,348,199 |
| Statutory Deposits | 6 | 3,653,122 | 4,190,849 | Saving Deposits | 16 | 277,805 | 240,062 |
| Interbank | 7 | 5,729,186 | 3,872,886 | Term Deposits | 17 | 28,155,577 | 26,082,564 |
| Participation Bonds | 8 | 1,281,230 | 2,595,949 | Other Deposits | 18 | 1,895,321 | 1,592,263 |
| Investments | 9 | 648,630 | 419,316 | Income Tax | 19 | 174,980 | 149,243 |
| Receivable | 10 | 1,844,582 | 1,823,844 | Interest Paid to Depositors | 20 | 188,694 | 36,739 |
| Loans & Advances | 11 | 27,106,152 | 22,467,788 | Central Bank Facilities | 21 | 2,222,501 | 740,550 |
| Fixed Assets | 12 | 935,695 | 905,225 | Interbank | 22 | 490,997 | 932,111 |
| Intangible Assets | 13 | 644,369 | 439,295 | Payables & Provisions for Expenses Incurred | 23 | 2,171,219 | 2,012,497 |
| Other Assets | 14 | 527,117 | 496,666 | Dividend Payable | 24 | 15,383 | 8,250 |
| | | | | Provisions | 25 | 70,623 | 51,123 |
| | | | | Total Liabilities | | 36,787,856 | 33,193,601 |
| | | | | Equity: | | | |
| | | | | Share Capital | 26 | 3,000,000 | 2,000,000 |
| | | | | Legal Reserves | 27 | 1,008,164 | 736,264 |
| | | | | Accumulated Profit | | 1,816,670 | 1,500,907 |
| | | | | Total Equity | | 5,824,834 | 4,237,171 |
| Total Assets | | 42,612,690 | 37,430,772 | Total Liabilities & Equity | | 42,612,690 | 37,430,772 |

Memorandum Items:

| | | | |
|---|----|-------------|-------------|
| Guarantees Issued | 42 | 11,795,755 | 11,237,538 |
| L/C Commitments | 43 | 4,917,219 | 2,628,023 |
| Underwriting Commitments | 44 | 400,000 | 400,000 |
| Managed Funds | 45 | 1,671,752 | 751,752 |
| Securities & Assets Pledged as Collateral | 46 | 128,427,240 | 114,977,382 |

Memorandum Items:

| | | | |
|---|----|-------------|-------------|
| Guarantees Issued | 42 | 11,795,755 | 11,237,538 |
| L/C Commitments | 43 | 4,917,219 | 2,628,023 |
| Underwriting Commitments | 44 | 400,000 | 400,000 |
| Managed Funds | 45 | 1,671,752 | 751,752 |
| Securities & Assets Pledged as Collateral | 46 | 128,427,240 | 114,977,382 |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
Parent Company
Profit & Loss Statement for the Year Ended March 20th., 2011

| | Note | 2011 | | 2010 |
|---|------|---------------|-------------------------|-------------------------|
| | | Million Rials | Million Rials | Million Rials |
| Interest Income: | | | | |
| Interest on Loans | 29 | | 4,324,479 | 4,853,018 |
| Interest on Deposits & Investments | 30 | | 1,249,945 | 843,854 |
| | | | <u>5,574,424</u> | <u>5,696,872</u> |
| Interest Paid to Deposits | 31 | (3,417,800) | | (3,727,292) |
| Differential Between Provisional Interest I | 20 | (186,328) | | (34,492) |
| | | | <u>(3,604,128)</u> | <u>(3,761,784)</u> |
| Share of Bank in Interest Rate | | | 1,970,297 | 1,935,088 |
| Non-Interest Income: | | | | |
| Interest on Loans | 29 | 338,159 | | 235,743 |
| Interest on Deposits & Investments | 30 | 3,141 | | 3,683 |
| Commissions Received | 32 | 344,975 | | 315,718 |
| Foreign Exchange Transactions' Result | 33 | 114,246 | | 44,884 |
| Other Income | 34 | 73,296 | | 46,427 |
| | | | <u>873,817</u> | <u>646,455</u> |
| Total Income | | | 2,844,114 | 2,581,543 |
| Less: | | | | |
| Administrative Expenses | 35 | (574,780) | | (468,920) |
| Doubtful Debts | 36 | (174,054) | | (139,492) |
| Financial Expenses | 37 | (827) | | (10,502) |
| Commissions & other Expenses | 38 | (61,172) | | (56,968) |
| | | | <u>(810,833)</u> | <u>(675,882)</u> |
| Profit before tax | | | 2,033,281 | 1,905,661 |
| Tax | 19 | | (220,619) | (234,879) |
| Net Profit | | | <u>1,812,662</u> | <u>1,670,782</u> |
| Profit per Share: | | | | |
| Before Tax | | | <u>678</u> | <u>953</u> |
| After Tax | | | <u>604</u> | <u>835</u> |
| Proposed Dividend | | | <u>500</u> | <u>600</u> |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
Parent Company
Statement of Earnings for the Year Ended March 20th.,2011

| Description | Note | 2011 | | 2010 |
|---|------|------------------|------------------|------------------|
| | | Million Rials | Million Rials | Million Rials |
| Net Profit | | | 1,812,662 | 1,670,782 |
| Accumulated Profits- Beginning of the Year | | 1,500,907 | | 1,136,641 |
| Previous Years Adjustments | 39 | (20,000) | | (52,398) |
| Adjusted Accumulated Profits- Beginning of the Year | | 1,480,907 | | 1,084,243 |
| last year Profit to be Distributed | | (1,200,000) | | (1,000,000) |
| Last year Directors' Bonus | | (5,000) | | (3,500) |
| | | | 275,907 | 80,743 |
| Total Available | | | 2,088,569 | 1,751,525 |
| Allocation: | | | | |
| Legal Reserve | | | (271,899) | (250,618) |
| Accumulated Profits- Ending of the Year | | | 1,816,670 | 1,500,907 |

Financial Statements of Karafarin Bank (Public Joint-Stock Co.)
Parent Company
Cash flow Statement for the Year Ended March 20th.,2011

| | Note | 2011 | | 2010 |
|--|------|---------------|------------------|------------------|
| | | Million Rials | Million Rials | Million Rials |
| Operational Activities: | | | | |
| Net Cash Inflow from Operational Activities | 40 | | 1,932,362 | 3,280,900 |
| Return on Investments & Interest Paid for Financing: | | | | |
| Dividends Received | | 64,694 | | 5,368 |
| Interest Paid for Received Facilities | | (827) | | (10,502) |
| Dividends Paid | | (996,532) | | (996,532) |
| Net Cash Inflow from Return on Investments & Interest Paid for Financing: | | | (932,665) | (1,001,666) |
| Income Tax: | | | | |
| Paid income Tax | | | (194,882) | (272,917) |
| Investments Activities: | | | | |
| Direct Investments & 'Legal Participations' | | (410,485) | | (83,979) |
| Tangible Fixed Assets | | (73,353) | | (290,352) |
| Direct Investments & 'Legal Participations' Sold | | 213,227 | | 111,036 |
| Tangible Fixed Assets Sold | | 576 | | 2,612 |
| Net Cash Inflow(Outflow) from Investments Activities | | | (270,035) | (260,683) |
| Net Cash Inflow before Financing Activities | | | 534,779 | 1,745,635 |
| Financing Activities: | | | | |
| Financing Received | | | 1,481,951 | - |
| Repayment of Principle of Financing Received | | | (7,385) | (622,825) |
| Net inflow(Outflow) of Cash | | | 2,009,345 | 1,122,810 |
| Effects of Rate of Exchange Fluctuations | | | (129,392) | (93,834) |
| Net Cash Increase(Decrease) | | | 1,879,953 | 1,028,976 |
| Cash Balance Beginning of the Year | 41 | | 4,091,840 | 3,062,864 |
| Cash Balance End of the Year | | | 5,971,793 | 4,091,840 |

KARAFARIN BANK

(Public Joint-Stock Co.)

NOTES TO THE ACCOUNTS

Note 1) Background and Formation of the Company

Karafarin Bank started its operation as Karafarinan Credit Institution (public joint-stock co.). The Company was registered under no.157915 with the Company Registrar's Office of Tehran on 19/9/1378 (December 9th. 1999). It was granted its banking license under the provisions of the "Law for Establishment of Non-State-Owned Banks" of 1379/01/02 (April 10th, 2000) and the relevant operating regulations, ratified by the Central Bank of Iran on 1379/09/14 (December 5th, 2000). It was registered under the same registration no.157915 with the Company Registrar's Office of Tehran as Karafarin Bank on 1380/10/01 (December 22nd, 2001) and started its operation a few days later. As of 1383/11/07 the Bank's shares are quoted in Tehran Stock Exchange. We moved into our new headquarters in 1386.

Note 1-1) Objectives of the Bank

The Bank is authorized to engage in all banking operations under the provisions of the Monetary and Banking Law of Iran of Tir 1351 (July 1972), the Usury-free Banking Law, the Commercial Code and its Articles of Association. Its objectives are to accept deposits and otherwise raise funds through financial instruments and apply these funds for extension of credit and investment in various sectors of the economy.

Note 1-2) Scopes of the Bank's Activities

- Accept all kinds of bank–deposits;
- Issue bearer or registered certificates of deposit;
- Grant credit facilities;
- Open letters of credit and engage in all foreign exchange transactions;
- Issue and process domestic and international payment orders and transfers;
- Issue, purchase and sell participation bonds and other instruments, for itself and on behalf of others under the operative regulations of the Central Bank of Iran;
- Receive credit facilities from real or legal persons in accordance with the standing regulations;
- Issue bank guarantees, endorse, accept and underwrite securities including participation bonds;
- Operate safe-deposit boxes;
- Grant facilities for the export of goods and technical services;
- Participate and invest directly or through acquisition of shares in the stock market in manufacturing, commercial or service projects;
- And engage in all other authorized banking activities.

Note 2) The Basis of Financial Statements

These accounts are prepared according to accepted international accounting standards and local rules and legislations, particularly the decisions of the Currency and Credit Council and those otherwise applied to banks.

Note 3) Consolidation Methods

3-1) The consolidated financial statements are composed of the financial statements of Karafarin Bank (Joint Stock Company) and 3 affiliated companies, after making due adjustments for inter-group transactions and outstanding balances and unrealized profit and loss resulting from inter-group transactions. Where, the profit/loss is considerable, according to accounting standards, it has been appropriated proportionately.

3-2) The parent company's stocks acquired by the affiliated companies, have been recorded at purchase price; in the consolidated balance sheet they have been recorded as "the parent companies' stocks owned by the affiliated companies" and deducted from the shareholders' equity.

3-3) The minority shareholders' equity consists of their share in the capital, reserves, accumulated profit and loss and the profit and loss for the year.

Note 4) Significant Accounting Policies

4-1) Investment

Assessment Method:

| | Group Consolidated | Parent Company |
|--|--|--|
| Long-term Investments | | |
| Investments in affiliated companies to be consolidated | Consolidated | at purchase price minus provisions taken for any permanent value readjustments |
| Other Long-term Investments | at purchase price minus provisions taken for any permanent value readjustments | at purchase price minus provisions taken for any permanent value readjustments |
| Short-term investments | | |
| Short-term Liquid Investments | at purchase price or at average market price whichever is the lower | at purchase price or at average market price whichever is the lower |
| Other Short-term Investments | at purchase price or at average market price whichever is the lower | at purchase price or at average market price whichever is the lower |

Recognition of Income

| | | |
|--|--|--|
| Investments in affiliated companies to be consolidated | consolidated | recognized upon approval of profits by the annual general assemblies of the companies' concerned |
| Other Short-term and Long-term Investments | recognized upon approval of profits by the annual general assemblies of the companies' concerned | recognized upon approval of profits by the annual general assemblies of the companies' concerned |

4-2) Tangible Fixed Assets

4-2-1) Tangible fixed assets are recorded at purchase price. Any expenditure incurred for betterment or repair of an asset, resulting in the extension of its useful life or its improved performance, is capitalized and depreciated over the remaining useful life of the asset. Minor expenses, when incurred, are treated as current expenditure and taken to the profit and loss account.

4-2-2) Depreciation of fixed assets is calculated on the tables attached to section 151 of Direct Taxes Act as shown in the following table:

| Assets | Rate | Procedure |
|---------------------------------|--------------|------------------|
| Land Buildings, Utilities , etc | 7% | Regressive |
| Motor Vehicles | 25% & 35% | Regressive |
| Hard-wares | 3 & 10 years | Straight line |
| ATMs | 10 years | Straight line |
| POs | 10 years | Straight line |
| Furniture & fixture | 10 years | Straight line |

Assets not utilized immediately after their acquisitions, are depreciated at 30% of the above rates for the period they have been idle.

4-2-3) Fixed assets acquired during a month and immediately put to use are depreciated starting the first day of the following month.

4-2-4) Expenses incurred for renovation and major repairs of rented buildings are recorded under fixed assets and depreciated in 3 years.

4-3) Intangible Fixed Assets

Intangible fixed assets are recorded at purchase price. As of 1385, in accordance with the operative instructions MB 2946 of 16/12/1385 of the Central Bank of Iran, goodwill and other intangible fixed assets are not depreciated .Operational and office soft-ware are depreciated in straight line within five years.

4-4) Procedure for Recognition of Income from Facilities, Commissions and penalties

| | |
|--|---|
| Interest on loans and facilities granted | On the basis of laps of time, rate of interest and outstanding amount |
| Commissions of facilities granted | Upon granting the facilities |
| Late payment penalties | On the basis of laps of time, rate of interest and outstanding amount of each installment |
| Guarantees Commissions | Upon issuing the guarantee |
| Other Services Commissions | Upon providing the service |

4-5) The Share of Depositors in Joint Profits

Under the Banking Operations without Interest (Riba) Act and its Rules and Regulations and Instructions of the Central Bank, incomes from the facilities granted, investments in stocks and Participation Bonds are considered *Joint Profits* and the proportionate share of the depositors therein are determined and, after deduction of procuration fees, are paid to the depositors.

4-6) Categories of Facilities

Under the Currency and Credit Council Instruction "Categories of Financial Institutions' Facilities (as provided under the Central Bank Circular no. 2823/MB), upon maturity, bank facilities are categorized on the following bases:

1. Current facilities are those repaid on time or within two months of maturity;
2. Past due facilities are those repaid within 2 to 6 months after their maturities;
3. Non-performing facilities are those repaid within 6 to 18 months after their maturities;
4. Doubtful Debts are those remained unpaid over 18 months after their maturities.

4-7) Provisions for Doubtful Debts

According to the instructions of the Central Bank, banks are required to set aside 1.5% of their loan and investment portfolios as "general reserve for doubtful loans." An additional "specific provision" is set aside for those facilities that in the opinion of the Bank's Internal and/or External Auditors may so require.

Specific provisions are set aside according to the following table:

| | Effective rate |
|--|----------------|
| Past due facilities | 10% |
| Non-performing | 20% |
| Doubtful Debts (According to customer's capability to pay) | 50%-100% |
| Doubtful Debts over 5 years after their maturities | 100% |

4-8) Provision for employees severance pay

Provision for employees' severance pay is provided based on one-month of the latest salary of all employees at the end of every year.

4-9) Assets and liabilities in other currencies

All assets and liabilities are converted into rials at the rates specified by the Central Bank on March 20th of every year.

Note (5) Cash

| | | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|--|--------------|------------------------------|-----------------------|--|-----------------------|
| | | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| | Vault | 244,172 | 227,517 | 240,110 | 217,448 |
| | Other | 2,497 | 1,506 | 2,497 | 1,506 |
| | Total | <u>246,669</u> | <u>229,023</u> | <u>242,607</u> | <u>218,954</u> |

Note (6) Due from Central Bank

| | | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|--|--------------------------|------------------------------|-------------------------|--|-------------------------|
| | | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| | Statutory Deposit | 3,500,437 | 3,607,683 | 3,500,437 | 3,607,683 |
| | Current Account with CBI | 152,685 | 513,364 | 152,685 | 513,364 |
| | Other | 0 | 69,802 | 0 | 69,802 |
| | Total | <u>3,653,122</u> | <u>4,190,849</u> | <u>3,653,122</u> | <u>4,190,849</u> |

Note (7) Interbank

| | | <u>Note</u> | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|--|--|-------------|------------------------------|-------------------------|--|-------------------------|
| | | | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | | Million Rials | Million Rials | Million Rials | Million Rials |
| | Term Deposits & Current Acc. with Banks -LCY | | 4,178,809 | 2,467,060 | 4,169,604 | 2,466,091 |
| | Term Deposits & Current Acc. with Banks -FCY | (7-1) | 1,559,582 | 1,406,795 | 1,559,582 | 1,406,795 |
| | Total | | <u>5,738,391</u> | <u>3,873,855</u> | <u>5,729,186</u> | <u>3,872,886</u> |

Note (7-1) Due from Banks- FCY

| | <u>Currer</u> | <u>Amount</u> | <u>Exchange Rate on</u> <u>2011</u> | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|------------------|---------------|---------------|--|------------------------------|------------------|--|------------------|
| | | | | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | | | Million Rials | Million Rials | Million Rials | Million Rials |
| Euro | | 46,087,565 | 14,691 | 677,055 | 992,018 | 677,055 | 992,018 |
| Emirates' Dirham | | 192,988,854 | 2,822 | 544,681 | 320,863 | 544,680 | 320,863 |
| USD | | 13,905,860 | 10,352 | 143,955 | 43,330 | 143,955 | 43,330 |
| Qatar's Rials | | 25,705,000 | 2,848 | 73,204 | 0 | 73,204 | 0 |
| Swedish Krona | | 26,313,489 | 1,651 | 43,443 | 24,359 | 43,443 | 24,359 |
| Swiss franks | | 4,066,962 | 11,494 | 46,747 | 15,088 | 46,747 | 15,088 |
| Korean Won | | 2,013,322,412 | 9 | 18,538 | 0 | 18,538 | 0 |
| Pound Sterling | | 451,081 | 16,805 | 7,580 | 7,745 | 7,580 | 7,745 |
| Turkish Lira | | 382,345 | 6,570 | 2,512 | 0 | 2,512 | 0 |
| one hundred Yens | | 13,888,271 | 128 | 1,773 | 3,392 | 1,773 | 3,392 |
| Omani Rial | | 1,501 | 62,895 | 94 | 0 | 94 | 0 |
| | | | | <u>1,559,582</u> | <u>1,406,795</u> | <u>1,559,581</u> | <u>1,406,795</u> |

Note (8) Participation Bonds

| | <u>Note</u> | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|--------------------------------------|-------------|------------------------------|------------------|--|------------------|
| | | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Ministry of Power | | 521,020 | 1,256,630 | 521,020 | 1,256,630 |
| al Participation Bonds in F.Exchange | | 444,820 | 0 | 440,820 | 0 |
| Development Projects | | 387,000 | 1,387,620 | 387,000 | 1,387,620 |
| Rayan Saipa | | 107,590 | 65,330 | 104,150 | 65,330 |
| Arman Karafarin Fund | | 36,500 | 0 | 18,500 | 0 |
| Karafarin Investment Fund | | 67,800 | 29,080 | 10,000 | 28,580 |
| Others | | 12,500 | 37,680 | 0 | 27,090 |
| Total | | <u>1,577,230</u> | <u>2,776,340</u> | <u>1,481,490</u> | <u>2,765,250</u> |
| Less: Bonds Held for Our Clients | (8-1) | <u>(200,260)</u> | <u>(169,301)</u> | <u>(200,260)</u> | <u>(169,301)</u> |
| Our Own holding (Net) | | <u>1,376,970</u> | <u>2,607,039</u> | <u>1,281,230</u> | <u>2,595,949</u> |

| 9- Investment | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|------------------------|-------|-----------------------|----------------|---------------------------------|----------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Short-Term Investments | (9-1) | 312,012 | 100,672 | 308,802 | 97,873 |
| Long-Term Investments | (9-2) | 442,414 | 461,707 | 339,828 | 321,443 |
| | | 754,426 | 562,379 | 648,630 | 419,316 |

9-1)Short-Term Investment

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|---------|-----------------------|----------------|---------------------------------|---------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Listed Shares at Purchase Price | (9-1-1) | 311,721 | 114,343 | 308,802 | 111,543 |
| Difference Between Market Price & Purchase Price | | 0 | (13,670) | 0 | (13,670) |
| Total | | 311,721 | 100,672 | 308,802 | 97,873 |

9-1-1)Category Break Down of Listed Shares

| Group Name: | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | | 2010 | |
| | Purchase price | Market price | Purchase price | Market price |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Metals | 86,501 | 81,938 | 86,501 | 81,938 |
| Telecommunication | 76,749 | 104,060 | 76,749 | 104,060 |
| Financial Intermediaries | 84,838 | 74,219 | 83,838 | 74,219 |
| Vehicles | 20,780 | 29,056 | 20,780 | 29,056 |
| Non-Metal Minerals | 14,101 | 12,891 | 14,101 | 12,891 |
| Engineering & Technical Services | 12,957 | 11,132 | 12,957 | 11,132 |
| Chemicals | 11,495 | 12,766 | 10,576 | 12,766 |
| Machinery & Equipment | 1,700 | 1,783 | 1,700 | 1,783 |
| Mineral Extraction | 1,601 | 3,392 | 1,600 | 2,472 |
| Others | 1,000 | 689 | 0 | 0 |
| Total | 311,722 | 331,926 | 308,802 | 330,317 |

Note (9-2) Investment-Unlisted

| | Note | No. of shares | Our shares | % | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-----------------------------------|---------|---------------|-------------|------|-----------------------|----------------|---------------------------------|----------------|
| | | | | | 2011 | 2010 | 2011 | 2010 |
| | | | | | Million Rials | Million Rials | Million Rials | Million Rials |
| Karafarin Bank Investment Company | | 200,000,000 | 160,000,000 | 80 | 0 | 0 | 159,969 | 159,972 |
| Karafarin Leasing Company | | 100,000,000 | 100,000,000 | 100 | 0 | 0 | 100,000 | 100,000 |
| Karafarin Brokerage Company | | 50,000,000 | 50,000,000 | 100 | 0 | 0 | 25,000 | 25,000 |
| Karafarin Insurance Company | | 200,000,000 | 29,151,998 | 15 | 36,793 | 34,128 | 21,595 | 21,595 |
| Karafarin Money Exchange Co | | 19,998,000 | 19,998,000 | 100 | 19,998 | 10,000 | 19,998 | 10,000 |
| Banking Institute | | 0 | 6,675,000 | 0 | 6,675 | 0 | 6,675 | 0 |
| Iranian Investment Company | | 83,000 | 500 | 0/6 | 1,750 | 1,750 | 1,750 | 1,750 |
| Karafarin Construction Company | | 0 | 48,999,999 | 0 | 1,715 | 0 | 1,715 | 0 |
| Tehran Stock Exchange Company | | 150,000,000 | 1,500,000 | 1 | 1,500 | 1,500 | 1,500 | 1,500 |
| Over the Counter Company | | 100,000,000 | 1,000,000 | 1 | 1,500 | 1,500 | 1,000 | 1,000 |
| Iran Credit Rating Company | | 2,417,000 | 45,000 | 1/86 | 450 | 450 | 450 | 450 |
| Sima Rayaneh Company | (9-2-1) | 1,000,000 | 350,000 | 35 | 175 | 175 | 175 | 175 |
| Karafarin Investment Company | | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Iran Commodity Exchange | | 0 | 0 | 0 | 500 | 501 | 0 | 1 |
| Participation in Projects | | 0 | 0 | 0 | 369,572 | 411,703 | 0 | 0 |
| Abnieh Gostar | | 10,000,000 | 5,100,000 | 51 | 1,785 | 0 | 0 | 0 |
| Total | | | | | 442,414 | 461,707 | 339,828 | 321,443 |

The paid capitals of Karafarin Brokerage Co., Iranian Investment Co., & Sima Rayaneh Co. are respectively 50%, 35%, & 50%.
(9-2-1) Sima Rayaneh Company is to be dissolved .

Note(10) Receivables

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|------------------------------------|--------|-----------------------|------------------|---------------------------------|------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Sundry Debtors In Iranian Rials | (10-1) | 1,956,282 | 1,693,873 | 1,800,135 | 1,798,270 |
| Sundry Debtors In Foreign Exchange | | 29,811 | 13,694 | 29,811 | 13,693 |
| Prepayments | (10-2) | 21,349 | 12,563 | 14,636 | 11,881 |
| Total | | 2,007,442 | 1,720,130 | 1,844,582 | 1,823,844 |

Note (10-1) Sundry Debtors In Iranian rials:

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---|----------|-----------------------|------------------|---------------------------------|------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Debtors for Accrued Interest on Facilities | (10-1-1) | 1,554,438 | 1,587,431 | 1,503,679 | 1,587,431 |
| Debtors in Baghdad Branch | | 73,360 | 0 | 73,360 | 0 |
| Debtors for Dividends | | 54,565 | 19,391 | 54,565 | 57,383 |
| Debtors for Interest on Participation Bonds | (10-1-2) | 57,918 | 63,741 | 57,784 | 63,455 |
| Debtors for Interest on Paid L/Cs | | 779 | 2,556 | 779 | 2,556 |
| Others | | 174,044 | 20,754 | 68,788 | 87,445 |
| Total | | 1,915,104 | 1,693,873 | 1,758,955 | 1,798,270 |

Note (10-1-1) This is interest receivable on loans, calculated on accrual basis as at March 20th., 2011.

Note (10-1-2) This is interest receivable on Participation Bonds, calculated on accrual basis as at March 20th., 2011

Note (10-2) Prepayments:

| | | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---------------------|--|-----------------------|---------------|---------------------------------|---------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Advertisement | | 4,464 | 331 | 4,463 | 331 |
| Informatics Systems | | 3,127 | 1,071 | 3,127 | 1,071 |
| Rent | | 3,083 | 1,514 | 3,083 | 1,514 |
| Insurance | | 721 | 4,419 | 721 | 3,935 |
| Personnel Welfare | | 898 | 1,196 | 537 | 1,196 |
| Others | | 9,055 | 4,032 | 2,703 | 3,834 |
| Total | | 21,348 | 12,563 | 14,634 | 11,881 |

Note (11) Loans & Advances

Loans & Advances by Islamic Contract:

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|-------------------|---------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Instalments Credit | 320,934 | 472,398 | 320,934 | 472,398 |
| Repairs & Upkeep Facilities | 8,708 | 59,716 | 8,708 | 59,716 |
| Leasing Facilities | 134,166 | 215,933 | 43,785 | 66,506 |
| Joint Participations | 4,398,034 | 5,032,489 | 4,398,034 | 5,032,489 |
| Commercial Participations | 13,574,052 | 10,643,941 | 13,574,052 | 10,643,941 |
| Gharz-ol-Hasanah Facilities | 185 | 196 | 185 | 196 |
| Purchase of Loans | 1,313,995 | 298,822 | 1,313,996 | 298,822 |
| Foreign Exchange Facilities | 871,150 | 339,121 | 871,150 | 339,121 |
| Facilities to Staff | 689,682 | 380,079 | 689,682 | 380,079 |
| Overdue Facilities | 1,352,442 | 1,028,120 | 1,352,442 | 1,028,120 |
| Non-performing Facilities | 1,229,213 | 2,347,246 | 1,229,213 | 2,347,246 |
| Doubtful Facilities | 2,162,326 | 1,103,625 | 2,162,326 | 1,103,625 |
| Total | 27,054,887 | 21,921,686 | 26,964,507 | 21,772,259 |
| Payment Received on Joint Participations & Commercial Participations | (978,779) | (734,044) | (978,779) | (734,044) |
| Future Interests | (535,278) | (419,625) | (535,279) | (419,625) |
| General Doubtful Debt Reserves | (470,192) | (388,667) | (470,191) | (388,667) |
| Special Doubtful Debt Reserves | (583,428) | (490,898) | (583,428) | (490,898) |
| Total | 24,487,210 | 19,888,452 | 24,396,830 | 19,739,025 |
| Debtors for Paid L/Cs | 28,317 | 81,073 | 28,316 | 81,073 |
| Doubtful Debts on L/Cs Paid | 431,262 | 682,935 | 431,262 | 682,935 |
| Debtors for Paid Guarantees | 21,560 | 50,969 | 21,560 | 50,969 |
| Doubtful Debts on Guarantees Paid | 123,418 | 116,697 | 123,418 | 116,697 |
| Net Outstanding | 25,091,767 | 20,820,126 | 25,001,386 | 20,670,699 |
| Add: Debtors Term L/Cs | 2,104,766 | 1,797,089 | 2,104,766 | 1,797,089 |
| Total | 27,196,533 | 22,617,215 | 27,106,152 | 22,467,788 |

**11-1) Loans & Advances According to Principal , Interest and Provisions:
Parent Company (Karafarin Bank)**

| | 2011 | | | 2010 | |
|-----------------------------|-------------------|------------------|------------------------|-------------------|-------------------|
| | Balance | Future Interests | Doubtful Debt Reserves | Net | Net |
| | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials |
| Installment Credit | 1,111,535 | (409,320) | (52,500) | 649,715 | 628,923 |
| Repairs & Upkeep Facilities | 262,947 | (36,059) | (23,027) | 203,861 | 233,996 |
| Leasing Facilities | 72,044 | (24,337) | (8,325) | 39,382 | 71,967 |
| Forward | 51,004 | 0 | (13,799) | 37,205 | 48,786 |
| Joint Participations | 5,340,030 | 0 | (277,460) | 5,062,570 | 5,806,503 |
| Commercial Participations | 15,901,444 | 0 | (499,585) | 15,401,859 | 12,470,547 |
| Purchase of Loans | 1,313,996 | 0 | 0 | 1,313,996 | 298,822 |
| Foreign Exchange Facilities | 932,513 | (65,562) | 0 | 866,951 | 298,392 |
| Debtors for Paid L/Cs | 459,579 | 0 | (93,156) | 366,423 | 670,448 |
| Debtors for Paid Guarantees | 144,978 | 0 | (39,147) | 105,831 | 142,119 |
| Debtors for Term L/Cs | 2,104,766 | 0 | (31,571) | 2,073,195 | 1,797,089 |
| Debtors for Term L/Cs | 1,000,000 | 0 | (15,000) | 985,000 | 0 |
| Other Facilities | 214 | 0 | (50) | 164 | 196 |
| | 28,695,050 | (535,278) | (1,053,620) | 27,106,152 | 22,467,788 |

11-2) According to Status as Defined by Money and Credit Council :

Parent Company (Karafarin Bank)

2011

| | Current | Overdue | Non-performing | Doubtful | Total |
|--------------------------------|-------------------|------------------|------------------|------------------|-------------------|
| | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials |
| Installment Credit | 944,700 | 5,486 | 23,841 | 137,508 | 1,111,535 |
| Repairs & Upkeep Facilities | 74,623 | 314 | 24,698 | 163,311 | 262,946 |
| Leasing Facilities | 43,785 | 3,633 | 4,929 | 19,697 | 72,044 |
| Forward | - | - | - | 51,004 | 51,004 |
| Joint Participations | 4,124,125 | 216,349 | 460,086 | 539,470 | 5,340,030 |
| Commercial Participations | 13,339,186 | 990,272 | 601,371 | 970,615 | 15,901,444 |
| Purchase of Loans | 1,313,996 | - | - | - | 1,313,996 |
| Foreign Exchange Facilities | 904,861 | 27,652 | - | - | 932,513 |
| Debtors for Paid L/Cs | 28,317 | - | - | 431,262 | 459,579 |
| Debtors for Paid Guarantees | 21,560 | - | - | 123,418 | 144,978 |
| Debtors for Term L/Cs | 2,104,767 | - | - | - | 2,104,767 |
| Debtors for Term L/Cs | 1,000,000 | - | - | - | 1,000,000 |
| Other Facilities | 185 | - | - | 29 | 214 |
| | 23,900,105 | 1,243,706 | 1,114,925 | 2,436,314 | 28,695,050 |
| Less: | | | | | |
| Future Interests | (535,279) | 0 | 0 | 0 | (535,279) |
| General Doubtful Debt Reserves | (379,687) | (21,941) | (19,638) | (48,925) | (470,191) |
| Special Doubtful Debt Reserves | 0 | (8,188) | (35,749) | (539,491) | (583,428) |
| | 22,985,139 | 1,213,577 | 1,059,538 | 1,847,898 | 27,106,152 |

11-3)Loans and Advances to Others According to Maturity & Rate of Interest :

| | 2011 | | | | | | | | | | 2010 |
|-------------------|-------------------|---------------|------------------|-------------------|-------------------|-------------------|------------------------|-------------------|-------------------|---------------|------|
| | Interest Rate | | | | | | | | | | |
| | More than 24% | | Between 21%&24% | Between 18% & 21% | Between 15% & 18% | Between 12% & 15% | Equal or Less Than 12% | Total | Total | | |
| Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | |
| Overdue | 4,637,841 | | 133,986 | 2,408 | 5,730 | 306 | 29 | 4,780,300 | 5,278,624 | | |
| 2011 | 631,078 | | 4,454 | 415 | 650 | - | - | 636,597 | 1,772,911 | | |
| 2012 | 20,288,685 | | 1,300,787 | 37,372 | 3,817 | 3,006 | 470 | 21,634,137 | 15,333,052 | | |
| 2013 | 5,320 | | - | - | - | 366 | 683 | 6,369 | 10,395 | | |
| 2014 | 7,240 | | 15 | - | - | 962 | - | 8,217 | 14,102 | | |
| 2015 | 13,924 | | - | 262 | - | - | - | 14,186 | 12,824 | | |
| 2016 & After That | 15,003 | | 161 | 11,182 | - | - | - | 26,346 | 45,880 | | |
| | 25,599,091 | | 1,439,403 | 51,639 | 10,197 | 4,640 | 1,182 | 27,106,152 | 22,467,788 | | |

12-Fixed Assets

Parent Company (Karafarin Bank)

| | at Cost-Million Rials | | | | Accumulated Depreciation/Amortized-Million Rials | | | | | Book Value-Million Rials | |
|---------------------|-----------------------|----------------|------------------|------------------|--|----------------------------|--|-------------|----------------|--------------------------|----------------|
| | 2010 | Increase | Decrease | 2011 | 2010 | Depreciation /Amortization | Depreciation /Amortization (sold Assets) | Adjustments | 2011 | 2011 | 2010 |
| Land | 157,067 | 131,074 | - | 288,141 | - | - | - | - | - | 288,141 | 157,067 |
| Building | 355,335 | 55,926 | - | 411,261 | 62,403 | 22,879 | - | - | 85,282 | 325,979 | 292,932 |
| Vehicles | 7,748 | 1,480 | (124) | 9,104 | 4,166 | 1,012 | (103) | - | 5,075 | 4,029 | 3,582 |
| Office Equipments | 178,990 | 14,640 | (297) | 193,333 | 56,426 | 19,158 | (63) | - | 75,521 | 117,812 | 122,564 |
| Total | 699,140 | 203,120 | (421) | 901,839 | 122,995 | 43,049 | (166) | - | 165,878 | 735,961 | 576,145 |
| Capital Prepayments | 329,080 | 443,139 | (572,485) | 199,734 | | | | | | 199,734 | 329,080 |
| Total | 1,028,220 | 646,259 | (572,906) | 1,101,573 | 122,995 | 43,049 | (166) | - | 165,878 | 935,695 | 905,225 |

12-2Fixed assets have been fully insured against fire, floods & earthquake

Consolidated Accounts

| | at Cost-Million Rials | | | | Accumulated Depreciation/Amortized-Million Rials | | | | | Book Value-Million Rials | |
|---------------------|-----------------------|----------------|------------------|------------------|--|----------------------------|---|-------------|----------------|--------------------------|----------------|
| | 2010 | Increase | Decrease | 2011 | 2010 | Depreciation /Amortization | Depreciation /Amortization(sold Assets) | Adjustments | 2011 | 2011 | 2010 |
| Land & Building | 482,453 | 127,789 | - | 610,242 | 63,764 | 17,455 | - | - | 81,219 | 529,023 | 418,689 |
| Vehicles | 8,246 | 1,625 | (124) | 9,747 | 4,443 | 1,162 | (103) | - | 5,502 | 4,245 | 3,803 |
| Office Equipments | 180,923 | 16,185 | (297) | 196,811 | 56,971 | 19,807 | (63) | - | 76,715 | 120,096 | 123,952 |
| Total | 671,622 | 145,599 | (421) | 816,800 | 125,178 | 38,424 | (166) | - | 163,436 | 653,364 | 546,444 |
| Capital Prepayments | 329,080 | 443,139 | (572,485) | 199,734 | | | | | | 199,734 | 329,080 |
| Total | 1,000,702 | 588,738 | (572,906) | 1,016,534 | 125,178 | 38,424 | (166) | - | 163,436 | 853,098 | 875,524 |

13-Intangible Assets

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------|------------------------------|--------------------|--|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Goodwill | 607,730 | 441,069 | 604,161 | 437,569 |
| Software | 40,612 | 1,787 | 40,208 | 1,726 |
| | 648,342 | 442,856 | 644,369 | 439,295 |

14- Other Assets

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-------------------------------|------------------------------|--------------------|--|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Collaterals Seized | 414,778 | 370,477 | 414,778 | 370,477 |
| Deposits for Rented Buildings | 104,663 | 121,210 | 104,663 | 121,210 |
| Deposits for Telephones | 1,328 | 1,180 | 1,325 | 1,177 |
| Undelivered Cheque Books | 856 | 337 | 856 | 337 |
| Others | 8,208 | 6,157 | 5,495 | 3,465 |
| Total | 529,833 | 499,361 | 527,117 | 496,666 |

15- Current Deposits

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-------------------------------------|------------------------------|--------------------|--|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Current Accounts- in Rials | 1,025,526 | 1,196,331 | 1,025,526 | 1,196,331 |
| Current Accounts- in F.exchange | 91,815 | 136,451 | 91,815 | 136,451 |
| Unutilized Portion of Managed Funds | 7,415 | 15,417 | 7,415 | 15,417 |
| Total | 1,124,756 | 1,348,199 | 1,124,756 | 1,348,199 |

16-Saving Deposit

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---------------------------------|------------------------------|--------------------|--|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Savings Accounts- in F.exchange | 261,855 | 225,507 | 261,855 | 225,507 |
| Savings Accounts- in Rials | 15,950 | 14,555 | 15,950 | 14,555 |
| Total | 277,805 | 240,062 | 277,805 | 240,062 |

17-Term Deposits

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-----------------------------|-----------------------|-------------------|---------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Term Deposits | 18,807,916 | 16,616,182 | 18,814,478 | 16,617,905 |
| Short-Term Deposits | 8,704,493 | 8,419,982 | 8,790,573 | 8,445,320 |
| Special Short-Term Deposits | 550,526 | 1,019,338 | 550,526 | 1,019,339 |
| | 28,062,935 | 26,055,502 | 28,155,577 | 26,082,564 |

17-1) Deposits in Rials & F.Exchange

| | 2011 | | 2010 | |
|-----------------------------|-------------------|------------------|-------------------|----------------|
| | Rials | F.Exchange | Rials | F.Exchange |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Term Deposits | 18,103,285 | 711,193 | 16,112,760 | 505,145 |
| Short-Term Deposits | 8,472,392 | 318,181 | 8,423,609 | 21,712 |
| Special Short-Term Deposits | 550,526 | 0 | 1,019,338 | 0 |
| | 27,126,203 | 1,029,374 | 25,555,707 | 526,857 |

17-1-1) Long-Term Investment Deposits in F.Exchange:

| F.Exchange | Long-Term | | Short-Term | | Total | |
|------------|------------|----------------|---------------|----------------|------------|------------------|
| | F.Exchange | Rials | F.Exchange | Rials | F.Exchange | Rials |
| | | Million Rials | | Million Rials | | Million Rials |
| Dollar | 29,371,872 | 304,410 | 11,843,487.23 | 122,746 | 41,215,359 | 427,156 |
| Euro | 4,814,861 | 70,750 | 12,935,976.00 | 190,082 | 17,750,837 | 260,832 |
| Pound | 98,542 | 1,658 | 309,750.00 | 5,212 | 408,292 | 6,870 |
| Dirham | 5,000,000 | 14,110 | 50,000 | 141 | 5,050,000 | 14,251 |
| Omani Rial | 11,900,000 | 320,265 | 0 | 0 | 11,900,000 | 320,265 |
| | | 711,193 | | 318,181 | | 1,029,374 |

17-2)Rate of Interest Paid to Long-Term Deposits in Rials:

Term Deposit:

| | 2011 | 2010 |
|----------------------|--------|--------|
| One-Year Deposits | 14% | 14.50% |
| Two-Year Deposits | 14.50% | 15.50% |
| Three-Year Deposits | 15% | 16% |
| Four-Year Deposits | 16% | 17% |
| Five-Year Deposits | 17% | 17.50% |
| Maturity of Deposits | 15% | 15% |
| Short-Term Deposits | 6% | 9% |
| Long-Term Deposits | 8% | 12% |

17-3) Deposits according to Maturity time and Interest:

| | 2011 | | | | 1388/12/29 | |
|-------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 26.5%-17% | 14%-8% | 14%-8% | Less than 8% | Total | Total |
| | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials |
| Before 2011 | 0 | 0 | 0 | 0 | 0 | 18,102,700 |
| 2012 | 38,155 | 2,965,833 | 1,653,994 | 8,557,872 | 13,215,854 | 104,584 |
| 2013 | 16,845 | 85,228 | 0 | 0 | 102,073 | 50,351 |
| 2014 | 460,566 | 121,895 | 0 | 0 | 582,461 | 529,513 |
| 2015 | 6,057,174 | 8,271 | 0 | 0 | 6,065,445 | 7,295,416 |
| 2016 | 8,189,745 | 0 | 0 | 0 | 8,189,745 | 0 |
| | 14,762,485 | 3,181,227 | 1,653,994 | 8,557,872 | 28,155,578 | 26,082,564 |

17-4)Term Deposits

| | <u>Balance at 2011</u> | <u>Balance at 2010</u> |
|---------------------------------|--------------------------|--------------------------|
| | Million Rials | Million Rials |
| Term Deposits: | | |
| One-Year | 3,773,796 | 5,702,828 |
| Two-Year | 114,959 | 73,612 |
| Three-Year | 69,334 | 51,307 |
| Four-Year | 66,066 | 66,314 |
| Five-Year | 14,737,648 | 9,179,229 |
| Special Certificate of Deposits | 52,670 | 1,039,470 |
| Short-Term Deposits | 8,551,083 | 8,950,466 |
| Special Short-Term Deposits | 790,021 | 1,019,338 |
| Total | <u>28,155,577</u> | <u>26,082,564</u> |

18-Other Deposits

| | <u>Consolidated Accounts</u> | | <u>Parent Company (Karafarin Bank)</u> | |
|--|------------------------------|-------------------------|--|-------------------------|
| | <u>2011</u> | <u>2011</u> | <u>2011</u> | <u>2011</u> |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Margins Held Against Letters of Guarantee (L/G's) Issued | 1,135,374 | 1,117,273 | 1,135,374 | 1,117,273 |
| Advances Received Against Letters of Credit | 368,544 | 262,508 | 368,544 | 262,508 |
| Others | 391,403 | 212,482 | 391,403 | 212,482 |
| Total | <u>1,895,321</u> | <u>1,592,263</u> | <u>1,895,321</u> | <u>1,592,263</u> |

19-1) The Group's Provisions for Taxes Have been as Follows:

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Carried Forward from Last Year | 156,745 | 192,753 | 149,243 | 187,281 |
| provision for Taxes for the Year | 229,139 | 242,381 | 220,619 | 234,879 |
| Paid During the Year | (148,862) | (238,313) | (141,360) | (232,840) |
| | 237,022 | 196,822 | 228,502 | 189,320 |
| Tax Prepayments | (53,522) | (40,076) | (53,522) | (40,077) |
| Outstanding Tax Liabilities | 183,500 | 156,745 | 174,980 | 149,243 |

19-2)Tax Status:

| Year | Declared Benefit/Loss | Declared Taxable Income | Tax | | | | Assessment Method | |
|-------|-----------------------|-------------------------|----------------------|----------------|--------|---------|-------------------|------------------------------|
| | | | Declared by the Bank | Claimed by MOF | Agreed | Paid | | Reserve |
| 1382 | 156,710 | 12,177 | 2,640 | 29,857 | 38,441 | 11,620 | 0 | Send to Supreme Tax Board |
| 1383 | 215,976 | 35,876 | 8,072 | 47,838 | 37,010 | 37,010 | 7,883 | Send to Supreme Tax Board |
| 1384 | 350,189 | 83,688 | 18,830 | 74,640 | 71,228 | 71,228 | 0 | Send to Supreme Tax Board |
| 1385 | 529,949 | 164,155 | 36,935 | 149,490 | 0 | 46,935 | 0 | Under Investigation |
| 1386 | 819,626 | 335,500 | 75,487 | 214,937 | 0 | 75,487 | 0 | Under Investigation |
| 1387 | 1,450,215 | 1,034,006 | 232,651 | 365,962 | 0 | 232,651 | 0 | Under Investigation |
| 1388 | 870,325 | 1,174,394 | 234,879 | 0 | 0 | 234,879 | 0 | Under Investigating Document |
| 1389 | 0 | 2,033,280 | 220,619 | 0 | 0 | 0 | 220,619 | |
| Total | | | | | | | 228,502 | |

Tax Prepayment

(53,522)

Tax Paid

174,980

1- Income taxes have been fully paid up to 2002-2003

2- For 2003-4, the MOF decision has been modified. The Bank has, in accordance with section 259 of Direct Taxes Act, paid 1/3 and files its protest with the highest council of Taxation.

3- Final Tax assessment has been made for 1383. The Bank has paid the tax, but has also submitted its objection to the Supreme Tax Board

4- For 1385,1386,1387 the Bank has been submitted its objection to the tax claimed by MOF;the matters is under investigation.

20- Interest Paid

| | Balance at the Beginning of the Period | Provisional Interest Paid | Differential Between Provisional Interest Paid and Interest Realized | Interest Paid | Balance at 1389/12/29 |
|----------------------------|--|------------------------------|---|------------------|--------------------------|
| | Million Rials | Million Rials | Million Rials | Million Rials | Million Rials |
| Short term Deposit | 9,958 | 542,157 | 30,666 | 551,474 | 31,307 |
| Special Short term Deposit | 4,219 | 87,657 | 3,370 | 91,604 | 3,642 |
| One-Year Deposit | 12,869 | 853,513 | 48,276 | 865,553 | 49,105 |
| Two-Year Deposit | 106 | 15,690 | 887 | 15,789 | 894 |
| Three-Year Deposit | 97 | 10,452 | 591 | 10,542 | 598 |
| Four-Year Deposit | 148 | 10,849 | 614 | 10,988 | 623 |
| Five-Year Deposit | 9,342 | 1,801,978 | 101,924 | 1,810,719 | 102,525 |
| Certificate of Deposit | 0 | 95,503 | 0 | 95,503 | 0 |
| | 36,739 | 3,417,799 | 186,328 | 3,452,172 | 188,694 |

21-Central Bank Facilities

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Central Bank Deposit in Foreign Exchanges | 2,215,966 | 740,550 | 2,215,966 | 740,550 |
| Central Bank Facilities | 6,535 | 0 | 6,535 | 0 |
| | 2,222,501 | 740,550 | 2,222,501 | 740,550 |

22-Interbank

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-----------------------------------|------|-----------------------|----------------|---------------------------------|----------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Money Orders on Other Banks | | 225,266 | 482,430 | 225,266 | 482,430 |
| Deposits Received from Saman Bank | | 192,989 | 344,984 | 192,989 | 344,984 |
| Checks Clearing | | 19,546 | 42,785 | 19,546 | 42,785 |
| Facilities Received from IFC | | 12,437 | 13,768 | 12,437 | 13,768 |
| Other | | 40,759 | 48,144 | 40,759 | 48,144 |
| | | 490,997 | 932,111 | 490,997 | 932,111 |

23-Payables & Provisions for Expenses Incurred

| | Consolidated Accounts | | # | Parent Company (Karafarin Bank) | |
|---|-----------------------|------------------|---|---------------------------------|------------------|
| | 2011 | 2010 | | 2011 | 2010 |
| | Million Rials | Million Rials | | Million Rials | Million Rials |
| Margins Held Against Letters of Credit (L/C's) Opened | 1,975,728 | 1,861,087 | | 1,975,728 | 1,861,087 |
| Provisions for Expenses Realized | 41,774 | 46,267 | | 41,630 | 46,050 |
| Social Welfare Organization | 13,464 | 10,698 | | 13,392 | 10,649 |
| Customers' Unclaimed Deposits on Guarantees Past Maturity | 10,703 | 7,443 | | 10,703 | 7,443 |
| Good Performance Bonds Deposits | 6,309 | 6,208 | | 6,309 | 6,208 |
| Others | 459,296 | 373,390 | | 123,457 | 81,060 |
| Total | 2,507,274 | 2,305,093 | | 2,171,219 | 2,012,497 |

24- Dividend Payable

| | Dividend Approved | Dividend Payable until the Beginning of the Year | Dividend Payable | |
|---------------------------|----------------------|---|------------------|-----------------------------------|
| | | | During the Year | Dividend Payable at 1389/12/29 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Years before 1384 | (24-1) 622,750 | 622,750 | 613,537 | 9,213 |
| Years ended at 1385/12/29 | 385,000 | 254,213 | 247,094 | 7,118 |
| Years ended at 1386/12/29 | 600,000 | 392,118 | 373,760 | 18,359 |
| Years ended at 1387/12/30 | 1,000,000 | 618,359 | 613,576 | 4,782 |
| Years ended at 1388/12/29 | 1,200,000 | 1,004,782 | 996,532 | 8,250 |
| Years ended at 1389/12/29 | 0 | 1,208,250 | 1,192,867 | 15,383 |

(24-1)Iranian Calendar

25-Provisions for Severance

| | Note | Consolidated Accounts | | # | Parent Company (Karafarin Bank) | |
|-------------------------------|--------|-----------------------|---------------|---|---------------------------------|---------------|
| | | 2011 | 2010 | | 2011 | 2010 |
| | | Million Rials | Million Rials | | Million Rials | Million Rials |
| Provision for Severance Pay | | 51,556 | 32,794 | | 51,123 | 32,794 |
| Paid during the year | | (375) | (1,591) | | (374) | (1,591) |
| Provisions Taken | (25-1) | 20,405 | 20,353 | | 19,874 | 19,920 |
| at the End of the Year | | 71,586 | 51,556 | | 70,623 | 51,123 |

25-1) Provisions for Severances has been calculated on the basis of one month for every year of service

26-Paid Up Capital

26-1) The initial capital of the Bank was 30000 million rials (comprising of 30000 shares of 10000 rials); It was raised in several stages to 3 billion rials (divided into 3000 million shares).

| Date of Increase in Capital | Percentage of Increase in Capital | Amount of Increase in Capital | New amount of Capital | Source of Increase in Capital |
|-----------------------------|-----------------------------------|-------------------------------|-----------------------|-------------------------------|
| 1380/05/11 | 233.333% | 30,000,000,000 | 100,000,000,000 | Shareholders' Claims |
| 1380/10/01 | 100% | 100,000,000,000 | 200,000,000,000 | Shareholders' Claims |
| 1383/08/23 | 75% | 200,000,000,000 | 350,000,000,000 | Shareholders' Claims |
| 1384/07/04 | 100% | 350,000,000,000 | 700,000,000,000 | Shareholders' Claims |
| 1386/09/28 | 50% | 700,000,000,000 | 1,050,000,000,000 | Shareholders' Claims |
| 1387/10/02 | 90% | 1,050,000,000,000 | 2,000,000,000,000 | Shareholders' Claims |
| 1389/07/11 | 50% | 1,000,000,000,000 | 3,000,000,000,000 | Shareholders' Claims |

26-2) Capital Adequacy Ratio

This is the ratio between a bank's base capital and the risk carried by its various assets. For this purpose, each asset is given a weight according to the risk it is considered to carry. The ratio must be at least 8%.

Capital Adequacy

Tier one:

Paid-up Capital

Legal Reserve

Accumulated Profits

Total Tier One Capital

General Reserve on Loans & Investments

Minus Adjustments to Tier Two Capital in Excess of 1.25% of Weighted Assets.

Minus Investment in Banks & other Private Institutes' shares

Total Tier Two Capital

Base Capital

Total Weighted Risk Adjusted Assets

Capital Adequacy Ratio

Parent Company (Karafarin Bank)

2011

2010

Million Rials

Million Rials

3,000,000

2,000,000

1,008,164

736,264

1,816,670

1,500,907

5,824,834

4,237,171

470,191

388,667

(2,041)

(31,171)

(25,776)

(5,343)

468,150

357,496

6,267,207

4,589,325

37,452,007

28,599,706

16.73

16.05

| Risk-Adjusted Assets | 2011 | | | 2010 | | |
|---|-------------------|-------------|----------------------|-------------------|-------------|----------------------|
| | Assets | Risk Weight | Risk-Adjusted Assets | Assets | Risk Weight | Risk-Adjusted Assets |
| | Million Rials | | Million Rials | Million Rials | | Million Rials |
| Cash | 242,607 | - | - | 218,954 | - | - |
| Due from Central Bank | 3,653,122 | - | - | 4,190,849 | - | - |
| Interbank | 5,731,469 | 20 | 1,146,294 | 3,872,886 | 20 | 774,577 |
| Gov't. Participation Bonds | 1,148,580 | 0 | - | 2,502,039 | 0 | - |
| Non-Gov't. Participation Bonds | 132,650 | 100 | 132,650 | 93,910 | 100 | 93,910 |
| Investments | 648,630 | 100 | 648,630 | 419,316 | 100 | 419,316 |
| Receivables | 1,799,328 | 100 | 1,799,328 | 1,797,425 | 100 | 1,797,425 |
| Prepayments | 14,636 | 100 | 14,636 | 11,881 | 100 | 11,881 |
| Housing Facilities & Leasing | 891,988 | 50 | 445,994 | 1,074,927 | 50 | 537,463 |
| Debtors Term L/Cs | 2,104,766 | 50 | 1,052,383 | 1,797,089 | 50 | 898,544 |
| Loans & Advances (Other) | 24,109,398 | 100 | 24,109,398 | 19,595,773 | 100 | 19,595,773 |
| Net Fixed Assets & Goodwill | 1,580,064 | 100 | 1,580,064 | 1,344,520 | 100 | 1,344,520 |
| Other Assets | 527,117 | 100 | 527,117 | 496,666 | 100 | 496,666 |
| Underwriting Commitment (Credit Conversion Factors 50%) | 179,985 | 100 | 179,985 | 153,045 | 100 | 153,045 |
| Guarantees Issued (Credit Conversion Factors 20%) | 266,183 | 100 | 266,183 | 1,949,050 | 100 | 1,949,050 |
| Guarantees Issued (Credit Conversion Factors 50%) | 4,639,609 | 100 | 4,639,609 | 54,432 | 100 | 54,432 |
| L/C Commitments (Credit Conversion Factors 20%) | 909,735 | 100 | 909,736 | 473,102 | 100 | 473,104 |
| Total Weighted Risk Adjusted Assets | 48,579,867 | | 37,452,007 | 40,045,864 | | 28,599,706 |

27-Legal Reserves

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--------------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Balance at the Beginning of the Year | 740,978 | 488,854 | 736,264 | 485,647 |
| Appropriated from Net Income | 280,422 | 252,124 | 271,899 | 250,617 |
| Balance at the End of the Year | 1,021,400 | 740,978 | 1,008,164 | 736,264 |

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.

28- Minority Participations

| | 2011 | 2010 |
|---------------------------|---------------|---------------|
| | Million Rials | Million Rials |
| Equity | 40,028 | 40,028 |
| Reserves | 3,157 | 205 |
| Accumulated Profit (Loss) | 8,893 | (17,514) |
| | 52,078 | 22,719 |

29- Interest on Loans

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------------------------------|-----------------------|------------------|---------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Revenues Under Islamic Contracts | 3,156,933 | 3,645,019 | 3,125,605 | 3,613,710 |
| Late Payment Fees | 1,344,646 | 1,419,637 | 1,344,646 | 1,419,637 |
| Others | 192,387 | 55,413 | 192,387 | 55,414 |
| Total | 4,693,966 | 5,120,069 | 4,662,638 | 5,088,761 |

29-1) Out of the income derived from facilities granted; 338159 million rials concern facilities granted in F.Exchange.

30- Interest on Deposits & Investments

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Interest from Investments in other Companies' Shares | 239,319 | 34,706 | 61,877 | 21,853 |
| Loss(gain) Due to Fall (rise) in Share Prices | - | 47,439 | - | 47,439 |
| Net Interest from Investing on other Companies' Shares | 239,319 | 82,145 | 61,877 | 69,292 |
| Interest on Deposits with Banks in Rials | 516,334 | 284,535 | 516,334 | 284,535 |
| Interest on Participation Bonds | 640,032 | 452,721 | 640,031 | 452,721 |
| Interest on Statutory Deposits-Depositors' Share | 31,161 | 35,738 | 31,161 | 35,738 |
| Interest on Statutory Deposits-Bank's Share | 3,683 | 3,683 | 3,683 | 3,683 |
| Interest on Term Deposits with Foreign Banks | - | 1,568 | - | 1,568 |
| | 1,191,210 | 778,245 | 1,191,209 | 778,245 |
| | 1,430,529 | 860,390 | 1,253,086 | 847,537 |

30-1) Out of the income derived from deposits and investments; 3141 million rials concern deposits and investments in F.Exchange.

31)Interest Paid on Deposits

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|------------------|---------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| One-Year Deposits | 853,513 | 927,350 | 853,513 | 927,350 |
| One-Mounth Short Term Deposits | 542,157 | 362,354 | 542,157 | 362,354 |
| Five-Year Deposits | 1,801,978 | 670,720 | 1,801,978 | 670,720 |
| Supportive Short Term Deposits | 0 | 346,281 | 0 | 346,281 |
| Three-Mounth Special Short Term Deposits | 7,967 | 51,088 | 7,968 | 51,088 |
| Six-Mounth Special Short Term Deposits | 51,454 | 109,665 | 51,454 | 109,665 |
| One-Year Credit of Deposits | 93,705 | 1,092,270 | 93,705 | 1,092,270 |
| Three-Year Credit of Deposits | 1,798 | 0 | 1,798 | 0 |
| Under One-Year Credit of Deposits | 0 | 3,143 | - | 3,143 |
| Four-Mounth Special Deposits | 28,075 | - | 28,075 | 139,465 |
| Eleven-Mounth Special Deposits | 161 | 139,465 | 161 | 0 |
| Four-Year Deposits | 10,849 | 10,509 | 10,849 | 10,509 |
| Two-Year Deposits | 15,690 | 7,575 | 15,690 | 7,575 |
| Three-Year Deposits | 10,452 | 6,872 | 10,452 | 6,872 |
| Total | 3,417,799 | 3,727,292 | 3,417,800 | 3,727,292 |

32-Commissions

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| On Guarantees Issued | 200,807 | 199,618 | 200,807 | 199,618 |
| On Foreign Exchange Operation | 115,127 | 85,290 | 115,127 | 85,290 |
| On Managed Funds | 17,925 | 5,148 | 17,925 | 5,148 |
| Others | 15,542 | 25,662 | 11,116 | 25,662 |
| Total | 349,401 | 315,718 | 344,975 | 315,718 |

33-Foreign Exchange Transactions' Result

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|---------------|---------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Profit from Foreign Exchange Transactions: | | | | |
| USD | (508) | 632 | (508) | 632 |
| Euro | 24,122 | 19,658 | 24,122 | 19,658 |
| Pound Sterling | (216) | 566 | (216) | 566 |
| Yens | 3,557 | 4,413 | 3,557 | 4,413 |
| Swiss franks | 896 | 1,089 | 896 | 1,089 |
| Emirates' Dirham | 83,136 | 17,934 | 83,136 | 17,934 |
| Swedish Krona | 3,219 | 589 | 3,219 | 589 |
| Turkish Lira | 1,080 | 3 | 1,080 | 3 |
| Omani Rial | (2,481) | - | (2,481) | - |
| Korean Won | 2,252 | - | 2,252 | - |
| Qatar's Rial | (716) | - | (716) | - |
| Danish Krone | (95) | - | (95) | - |
| | 114,246 | 44,884 | 114,246 | 44,884 |

34- Other Income

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------------|-----------------------|---------------|---------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Valuation Fees | 29,185 | 29,117 | 28,675 | 28,509 |
| Others | 44,728 | 18,327 | 44,621 | 17,918 |
| | 73,913 | 47,444 | 73,296 | 46,427 |

35- Administrative Expenses

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--------------------------------------|--------|-----------------------|----------------|---------------------------------|----------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Staff Charges | | 320,712 | 251,127 | 311,260 | 247,327 |
| Consultants' Fees | (35-1) | 53,079 | 42,321 | 51,780 | 41,443 |
| Depreciation | | 43,046 | 41,218 | 48,634 | 40,025 |
| Advertising Expenses | | 39,097 | 10,422 | 39,032 | 10,422 |
| Data Processing Charges | | 32,731 | 55,764 | 32,331 | 55,482 |
| Rent | | 29,350 | 17,815 | 29,330 | 23,017 |
| Upkeep and Maintenance Charges | | 16,498 | 17,415 | 16,376 | 17,247 |
| Water, Electricity, Fuel & Telephone | | 15,253 | 11,909 | 15,115 | 11,847 |
| Expenses of Requirements | | 13,418 | 3,241 | 13,418 | 3,241 |
| Cash Insurance Premium | | 2,843 | 4,536 | 2,666 | 4,497 |
| Printing Charges | | 1,398 | 1,310 | 1,361 | 1,299 |
| On-the-job-training Costs | | 1,062 | 1,055 | 1,061 | 1,055 |
| Attendance Fees- Board Members | | 527 | 539 | 426 | 277 |
| Others | | 14,712 | 14,010 | 11,990 | 11,741 |
| Total | | 583,726 | 472,682 | 574,780 | 468,920 |

35-1)The major part of "consultant fees " concerns outsourcing of such services as guarding, clearing branches and courier service.

| 36-Doubtful Debts Reserve: | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|----------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| General Doubtful Debts Reserve | 81,524 | 23,803 | 81,524 | 23,803 |
| Specific Doubtful Debts Reserves | 92,530 | 115,689 | 92,530 | 115,689 |
| Total | 174,054 | 139,492 | 174,054 | 139,492 |

According to the Circular no. MB/2382 of 1385/12//05 of the Bank Regulation Department of CBI, all banks and credit institutions are required to set aside 1.5% of net outstanding balance of their loan and investment portfolios in the form of "Reserves on Loan & Investments."

37- Financial Expenses

| | Note | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|-------------------------------|------|-----------------------|---------------|------------------------------------|---------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | Million Rials | Million Rials | Million Rials | Million Rials |
| Interest Paid to IFC | | 827 | 875 | 827 | 875 |
| Interest Paid to Central Bank | | 44,007 | 9,455 | 0 | 9,455 |
| Others | | 0 | 1,074 | 0 | 172 |
| Total | | 44,834 | 11,404 | 827 | 10,502 |

38-Commissions Paid & Other Expenses:

5914 million rials were paid to brokers as

39)Annual Adjustments :

20000 million rials annual adjustment has been made for 1387 taxes.

40- Comparison of Profits Before Tax with Net Operational Cash flow

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|------------------|---------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Profits Before Tax | 1,964,759 | 1,660,237 | 2,033,280 | 1,905,660 |
| Depreciation | 43,046 | 41,218 | 43,048 | 40,026 |
| Capital Loss on Investments & Legal Participation Expenses | (13,670) | (47,439) | (13,670) | (47,439) |
| Dividends from Investments & Legal Participation | (239,319) | (34,706) | (61,877) | (21,853) |
| Profit on Sale of Fixed Assets | (11) | (255) | (11) | (255) |
| Doubtful Debt Expenses | 174,054 | 139,492 | 174,054 | 139,492 |
| Foreign Exchange Conversion | 129,392 | 93,834 | 129,392 | 93,834 |
| Increase in Severance Pay Reserves | 20,030 | 18,520 | 19,500 | 18,330 |
| Net Increase (Decrease) in Operational Liabilities | | | | |
| Sight Deposits | (185,699) | 178,370 | (185,699) | 178,369 |
| Short-term Investment Deposits | (189,141) | (337,244) | (123,560) | (315,722) |
| Long-term Investment Deposits (Over One-year Maturity) | 2,196,573 | 2,347,142 | 2,196,573 | 2,347,142 |
| Accounts Payable | 1,401,949 | 415,349 | 1,303,627 | 265,066 |
| | 3,223,682 | 2,603,617 | 3,190,941 | 2,474,855 |
| Net Increase (Decrease) in Operational Assets | | | | |
| Statutory Deposits and Due from the Central Bank | 537,727 | 170,020 | 537,727 | 170,021 |
| Participation Bonds | 1,230,068 | (483,235) | 1,314,719 | (492,560) |
| Prepayments | (8,786) | 4,511 | (2,756) | 4,785 |
| Receivables | (278,526) | 140,217 | (23,654) | 54,679 |
| Other Assets | (235,959) | (500,955) | (235,525) | (498,393) |
| Facilities Under the Islamic Contracts | (4,753,372) | (598,568) | (5,172,806) | (560,282) |
| | (3,508,848) | (1,268,010) | (3,582,295) | (1,321,750) |
| Net Operational Cash flow | 1,793,115 | 3,206,508 | 1,932,362 | 3,280,900 |

41-Breakdown of Net Increase in Cash Shown in the Cash flow:

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---|------------------------------|----------------------|--|----------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Notes & Coins & Precious Metals | 246,669 | 229,023 | 242,607 | 218,954 |
| Creditor Position with Domestic Banks after Clearing | 1,568,787 | 1,407,764 | 1,559,582 | 1,406,795 |
| Foreign Currency and Creditor Position with Foreign Banks | 4,169,605 | 2,466,091 | 4,169,604 | 2,466,091 |
| Domestic Banks Creditor Position with Us after Clearing | - | - | - | - |
| | 5,985,061 | 4,102,878 | 5,971,793 | 4,091,840 |

42- Guarantees Issued

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---|------------------------------|----------------------|--|----------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | Million Rials | Million Rials | Million Rials | Million Rials |
| Bid & Performance Bonds, and Advance Payment Guarantees- rials | 10,500,349 | 9,321,728 | 10,500,349 | 9,321,728 |
| Bid & Performance Bonds, and Advance Payment Guarantees- F.Exchange | 1,129,457 | 1,141,947 | 1,129,457 | 1,141,947 |
| Counter Guarantees- F.Exchange | 165,949 | 773,863 | 165,949 | 773,863 |
| Total | 11,795,755 | 11,237,538 | 11,795,755 | 11,237,538 |

43-Commitments for L/Cs Opened:

| | | Balance at the beginning of the Year | | | Opened during the Year | | | Deposited during the Year | | | Balance at the end of the Year | | |
|------------------|--|--------------------------------------|------------------|-------------------------|------------------------|-------------------|--------------------------|---------------------------|------------------|-------------------------|--------------------------------|-------------------|-------------------------|
| F.Exchange | | Number | Amount | in Million Rials | Number | Amount | in Million Rials | Number | Amount | in Million Rials | Number | Amount | in Million Rials |
| <u>sight</u> | | | | | | | | | | | | | |
| USD | | 1 | 78,565.00 | 773 | - | - | 42 | - | - | - | 1 | 78,565.00 | 815 |
| Euros | | 200 | 42,531,553.45 | 574,176 | 188 | 94,843,886.36 | 1,356,134 | 208 | 95,175,886.66 | 1,310,230 | 180 | 42,199,553.15 | 620,080 |
| Dirham | | 53 | 37,402,694.74 | 100,501 | 174 | 393,113,717.73 | 1,100,335 | 106 | 213,719,396.91 | 589,035 | 121 | 216,797,015.56 | 611,801 |
| Yens | | 3 | 65,433,700.00 | 7,128 | 19 | 246,255,878.00 | 28,979 | 18 | 292,348,880.00 | 33,620 | 4 | 19,340,698.00 | 2,487 |
| Franks | | 2 | 104,462.00 | 974 | 6 | 2,672,161.94 | 30,685 | 5 | 507,208.74 | 5,560 | 3 | 2,269,415.20 | 26,099 |
| Korean Won | | 0 | 0.00 | - | 10 | 12,948,472,790 | 119,942 | 4 | 488,327,877.00 | 5,196 | 6 | 12,460,144,913.00 | 114,746 |
| | | <u>259</u> | | <u>683,552</u> | <u>397</u> | | <u>2,636,117</u> | <u>341</u> | | <u>1,943,641</u> | <u>315</u> | | <u>1,376,028</u> |
| <u>Long term</u> | | | | | | | | | | | | | |
| Euros | | 60 | 38,783,238.39 | 535,850 | 330 | 163,894,481.08 | 2,372,373 | 319 | 159,004,048.00 | 2,010,309 | 71 | 43,673,671.47 | 897,914 |
| Yens | | 28 | 3,049,452,000.00 | 457,586 | 144 | 4,063,483,912.00 | 463,237 | 153 | 3,153,466,712.00 | 411,754 | 19 | 3,959,469,200.00 | 509,069 |
| Franks | | 3 | 1,308,976.00 | 12,202 | 19 | 39,527,074.55 | 449,307 | 14 | 19,012,465 | 210,538 | 8.00 | 21,823,585.90 | 250,971 |
| Dirham | | 39 | 63,094,056.82 | 169,593 | 293 | 999,683,785.16 | 2,826,106 | 253 | 903,651,300.14 | 2,546,552 | 79.00 | 159,126,541.84 | 449,147 |
| Swedish Krona | | 2 | 174,627,250.00 | 242,383 | - | - | - | 2 | 174,627,250.00 | 242,383 | - | - | - |
| Turkish Lira | | 1 | 12,201.76 | 79 | 1 | 94,335.07 | 613 | 1 | 94,335.07 | 612 | 1.00 | 12,201.76 | 80 |
| Korean Won | | 0 | 0.00 | - | 30 | 24,317,073,329.50 | 223,717 | 22 | 5,410,254,783.00 | 49,604 | 8.00 | 18,906,818,546.50 | 174,113 |
| Danish Krona | | 0 | 0.00 | - | 2 | 6,807,014.50 | 13,274 | 2 | 6,807,014.50 | 13,274 | - | - | - |
| | | <u>133</u> | | <u>1,417,693</u> | <u>819</u> | | <u>6,348,627</u> | <u>766</u> | | <u>5,485,026</u> | <u>186</u> | | <u>2,281,294</u> |
| <u>Export</u> | | | | | | | | | | | | | |
| USD | | 16 | 16,111,655.78 | 158,442 | 0 | 0.00 | 8,539 | 0 | - | - | 16.00 | 16,111,655.78 | 166,981 |
| Euros | | 4 | 22,047,967.84 | 297,650 | 14 | 24,215,287.42 | 365,578 | 7 | 17,909,832.42 | 246,602 | 11.00 | 28,353,422.84 | 416,626 |
| Dirham | | 2 | 26,306,080.09 | 70,686 | 4 | 135,772,800.16 | 386,952 | 1 | 30,967,325.19 | 87,642 | 5 | 131,111,555.06 | 369,996 |
| Swedish Krona | | 0 | - | - | 1 | 185,520,000.00 | 306,294 | 0 | 0.00 | - | 1 | 185,520,000.00 | 306,294 |
| | | <u>22</u> | | <u>526,778</u> | <u>19</u> | | <u>1,067,363</u> | <u>8</u> | | <u>334,244</u> | <u>33</u> | | <u>1,259,897</u> |
| | | <u>414</u> | | <u>2,628,023</u> | <u>1,235</u> | | <u>10,052,107</u> | <u>1,115</u> | | <u>7,762,911</u> | <u>534</u> | | <u>4,917,219</u> |

44- Underwriting Commitments

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|---------------------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Underwriting Commitments- Rayan Saipa | 400,000 | 400,000 | 400,000 | 400,000 |
| Total | 400,000 | 400,000 | 400,000 | 400,000 |

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--------------------------|-----------------------|----------------|---------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| 45- Managed Funds | | | | |
| Managed Funds | 1,664,336 | 736,335 | 1,664,336 | 736,335 |
| Future Interests | 7,416 | 15,417 | 7,416 | 15,417 |
| Total | 1,671,752 | 751,752 | 1,671,752 | 751,752 |

46 - Securities & Assets Pledged as Colla

| | Consolidated Accounts | | Parent Company (Karafarin Bank) | |
|--|-----------------------|--------------------|---------------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Collaterals Pledged Against Facilities | 93,584,724 | 83,236,681 | 93,584,724 | 83,236,681 |
| Real Estate | 20,468,488 | 18,998,320 | 20,468,488 | 18,998,320 |
| Shares & Securities Pledged | 8,348,660 | 7,898,320 | 8,348,660 | 7,898,320 |
| Leased Goods | 136,903 | 136,903 | 136,903 | 136,903 |
| Others | 5,888,465 | 4,707,158 | 5,888,465 | 4,707,158 |
| Total | 128,427,240 | 114,977,382 | 128,427,240 | 114,977,382 |

47- Capital Commitments and Potential

In this financial statement and notes where to, all capital commitments and potential liabilities of the Bank have been revealed

48-Post Balance Sheet Events:

Following the agreement reached in the extraordinary General Assembly of 20/11/1388, the board of directors approved the income of the bank capital from 3000 billion rials to 4500 billion rials, during its meeting of 22/12/1389

49-Foreign Exchange:

Assets and Liabilities in F.Exchange at the end of the Year :

| | in F.Exchange | | | | | | | | | | | |
|--------------------------|------------------------|----------------------|-------------------|-----------------------|---------------------|----------------------|---------------------------|-------------------|-----------------|--------------|----------------------|-------------------|
| | USD | Euros | UK | Emirat 's Dirham | Swiss Franc | Swedish Krona | One hundred Japanese Yens | Turkish Lira | Omani Rials | Danish Krone | South Korean Won | Qatar's Rials |
| Cash | 1,991,426.15 | 915,014.10 | 203,763.70 | 59,000.00 | 200.00 | - | - | - | - | - | - | - |
| Interbank | 13,905,860.35 | 46,087,565.26 | 451,081.15 | 192,988,853.84 | 4,066,962.12 | 26,313,489.18 | 13,888,270.93 | 382,345.05 | 1,500.74 | - | 2,013,322,412 | 25,705,000 |
| Current Deposit | (1,394,791.46) | (4,691,465.21) | (25.50) | (2,984,564.96) | - | - | - | - | - | - | - | - |
| Long term Deposit | (41,215,359.23) | (17,750,837.00) | (408,292.00) | (11,900,000.00) | - | - | (5,050,000.00) | - | - | - | - | - |
| | <u>(26,712,864.19)</u> | <u>24,560,277.15</u> | <u>246,527.35</u> | <u>178,163,288.88</u> | <u>4,067,162.12</u> | <u>26,313,489.18</u> | <u>8,838,270.93</u> | <u>382,345.05</u> | <u>1,500.74</u> | <u>-</u> | <u>2,013,322,412</u> | <u>25,705,000</u> |
| L/C Commitments | 16,190,220.78 | 114,226,647.46 | - | 507,035,112.46 | 24,093,001.10 | 185,520,000.00 | 3,978,809,898.00 | 12,201.76 | - | - | ##### | - |
| Guarantees Issued | - | (78,786.90) | (900,000.00) | - | (89,036,229.51) | - | (331,000.00) | - | - | (6,404.00) | - | - |

50- Basic EPS and Diluted EPS:

Basic EPS consists of total distributed profits divided by the number of shares. Diluted EPS, in addition, includes all shareholder claims convertible to shares. In our case this item consists of the shareholders pre-emptive right to acquire shares with the increase in capital

51-Transactions Subject to Article 129 of the Commercial Code :

| Legal and Real Persons: | Relationship | Name | Transaction | in Million Rials | |
|---|---------------------|---|--|------------------|---------------------|
| | | | | Amount | Balance at 89/12/29 |
| Karafarin insurance Co. | Member of the Board | Mr. Aghili, Mr. Tabe' Ghanoon, & Mr. Hoorazar | Prolongation of Several Guaranties | 9,000 | 10,290 |
| | | | Several Guaranties | 1,290 | |
| | | | Payment for under Construction Building | 3 | 3 |
| | | | Rent | 3,300 | 3,300 |
| | | | Employees, Property & Rent Insurance | 266 | 266 |
| | | | Others | 102 | 102 |
| Iran Office Machine Industries Co. | Member of the Board | Mr. Khakpoor, Mr. Amiri, & Mr. Seif | Prolongation of Several Guaranties | 5,828 | 6,208 |
| | | | Several Guaranties | 380 | |
| | | | Purchase of Equipment | 524 | 524 |
| | | | L/C s | 80,362 | 80,362 |
| Iran Office Machine Centre Co. | Member of the Board | Mr. Khakpoor, Mr. Amiri, & Mr. Seif | Prolongation of Several Guaranties | 2,191 | 10,657 |
| | | | Several Guaranties | 8,466 | |
| | | | Purchase of Assets & Equipments | 8 | 8 |
| | | | L/C s | 63,653 | 63,653 |
| Kar va Andisheh Engineering Co. | Member of the Board | Mr. Tabe' Ghanoon | Prolongation of Several Guaranties | 10,827 | 87,405 |
| | | | Several Guaranties | 76,578 | |
| | | | L/C s | 870,764 | 870,764 |
| Karafarin Bank Leasing Co. | Member of the Board | Mr. Tabe' Ghanoon, & Mr. Hoorazar, Mr | Sell of Asre Amin Karafarin Insurance Company's Shares | 7,557 | 7,557 |
| Karafarin Bank Investment Co. | Member of the Board | Mr. Hoorazar, Mr. Tabe' Ghanoon | Several Guaranties | 3,464 | 3,464 |
| | | | Rent & Financing for Purchasing Real State | 98,779 | 98,779 |
| Iran Office Machine Service Co. | Member of the Board | Mr. Khakpoor, Mr. Amiri, & Mr. Seif | Purchase of Services & Assets | 825 | 825 |
| Gam Shoe Co. | Member of the Board | Mr. Tabe' Ghanoon | Prolongation of Several Instalment Credit | 12,931 | 12,931 |
| Karafarin Brokerage Co. | ownership | | Several Guaranties | 5,594 | 5,594 |
| | | | Transaction in Stock Exchange | 185,212 | 185,212 |
| | | | Sell of Asre Amin Karafarin Insurance Company's Share | 47,037 | 47,037 |
| | | | Deposit for Renting Building | 3,000 | 3,000 |
| Geno Consultants Co. | Member of the Board | Mr. Khakpoor | Prolongation of Several Joint Participations | 3,247 | 3,247 |
| | | | Prolongation of Several Guaranties | 23,269 | 35,858 |
| | | | Several Guaranties | 12,589 | |
| | | | Planning, Architecture and Monitoring Fee | 2,817 | 2,817 |
| | | | Payment for under Construction Building | 47,022 | 47,022 |
| Sepahan Industrial Group Co. | Member of the Board | Mr. Jaber-Ansari | Rent | 299 | 299 |
| | | | L/C s | 150,527 | 150,527 |
| | | | F.Exchange Facilities | 1,019 | 1,019 |
| Sakht Ajand Construction Investment Co. | Member of the Board | Mr. Hoorazar | Grant of Several Commercial Participations | 62,115 | 62,115 |
| Hampa Engineering Co. | Member of the Board | Mr. Tabe' Ghanoon, Mr. Dadkhah | Grant of Several Commercial Participations | 30,062 | 30,062 |
| Ghaed Basir Petrochemical Co. | Member of the Board | Mr. Afkhami | L/C s | 2,226 | 2,226 |
| Iran Industrial Investment Co. | Member of the Board | Mr. Soltanzade | Grant of Several Joint Participations | 30,144 | 30,144 |
| C.T.U Co. | Member of the Board | Mr. Dadkhah | Prolongation of Several Guaranties | 88 | 88 |
| Mohamad Reza Jaber Ansari | Member of the Board | Mr. Jaber-Ansari | Grant of Several Joint Participations | 7,141 | 7,141 |