IN THE NAME OF GOD

KARAFARIN BANK
Annual Report 2016 / 2017

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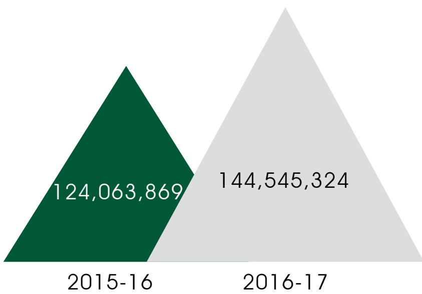
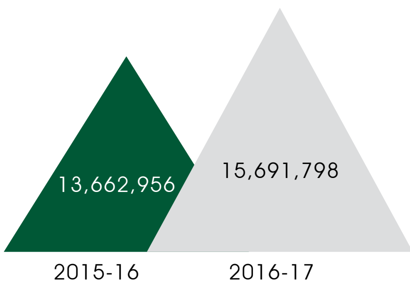
Financial Highlights

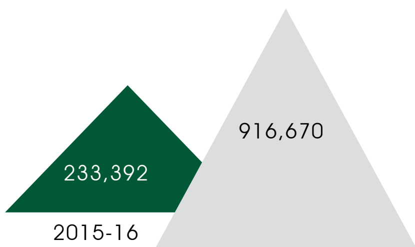
Total Assets
million IRR



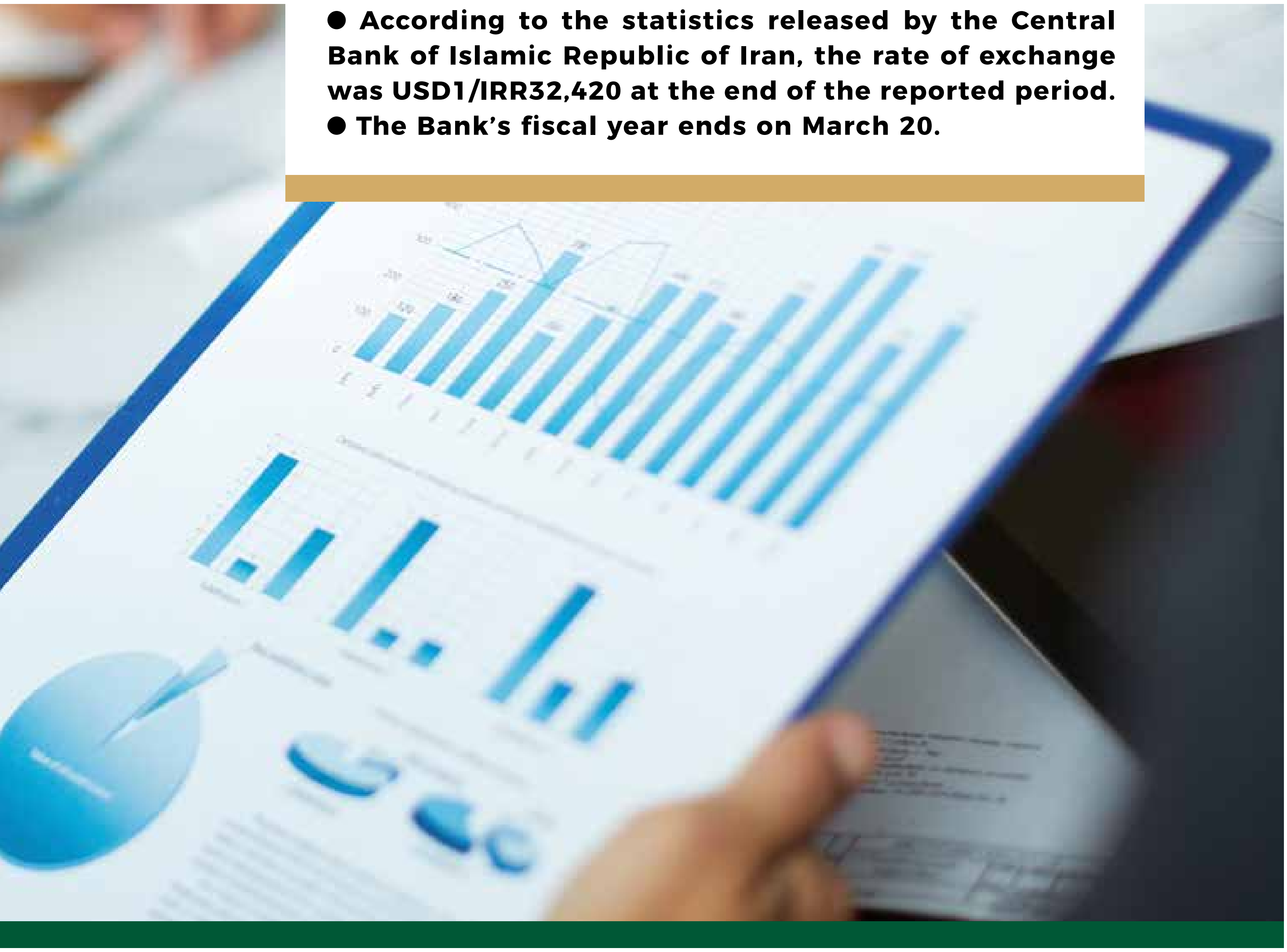
Cash
million IRR

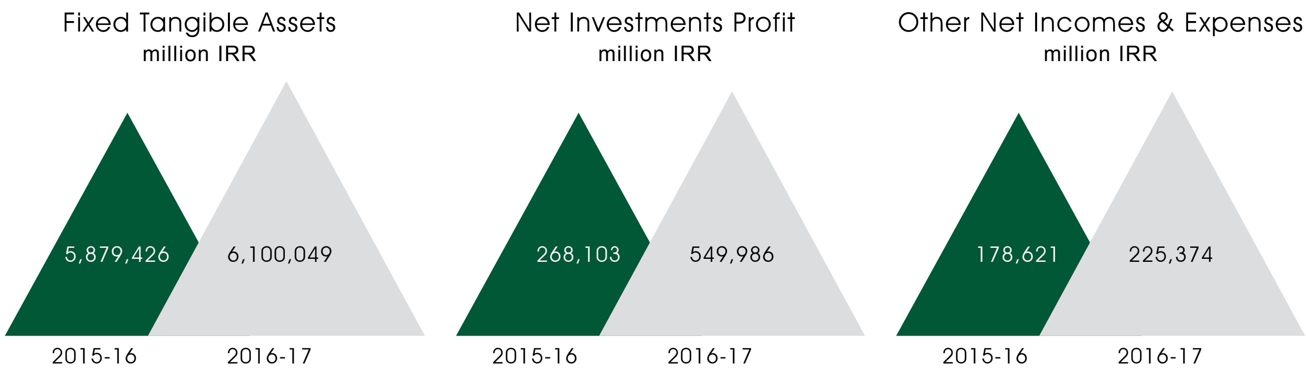


Dues from Banks &
Other Credit Institutes
million IRR

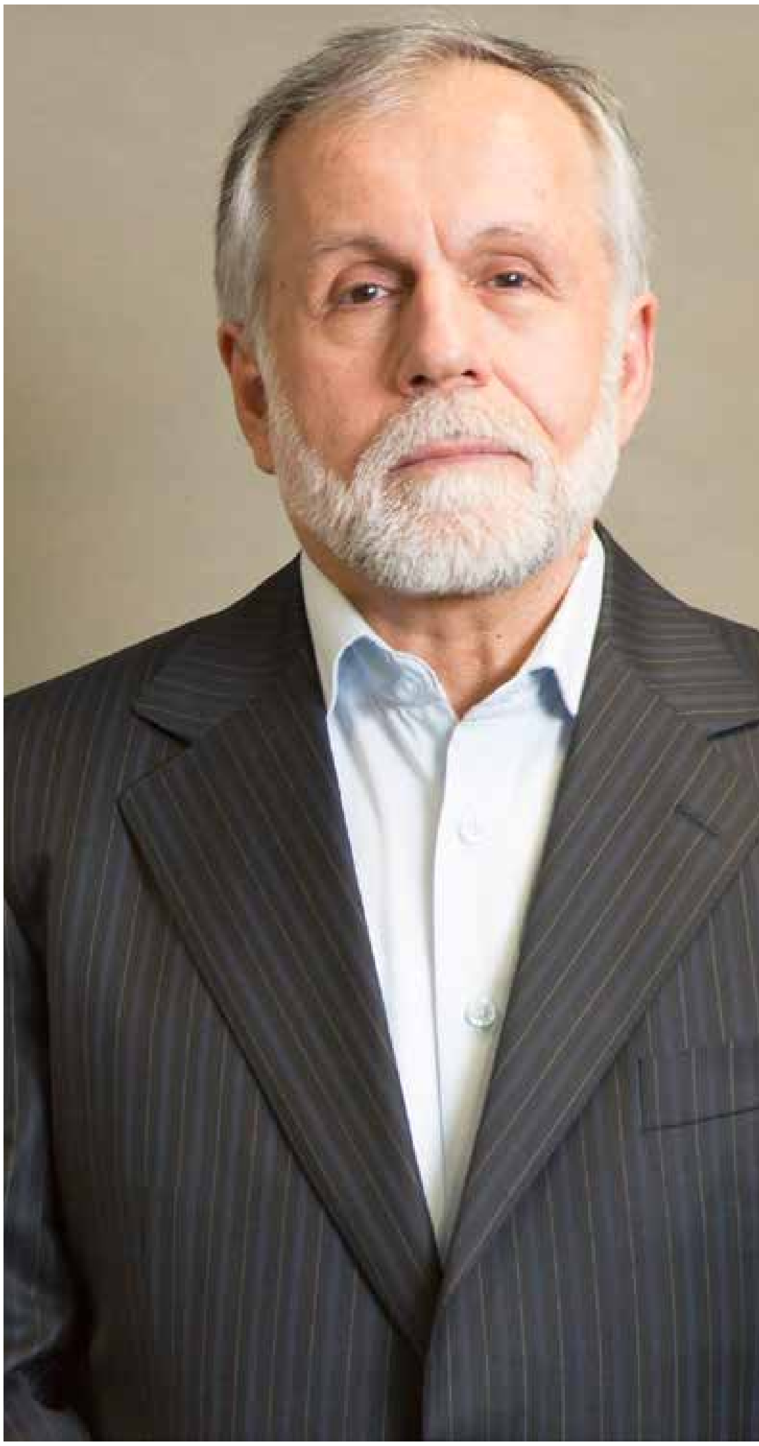


- **According to the statistics released by the Central Bank of Islamic Republic of Iran, the rate of exchange was USD1/IRR32,420 at the end of the reported period.**
- **The Bank's fiscal year ends on March 20.**





Managing Director's Statement



I am pleased to once again present Karafarin Bank's report on its outstanding performance and operations for the past financial period. During the year under review, international sanctions against Iran were lifted; the impact of which has been felt in the current year. Furthermore, the monetary policies of the Central Bank of the Islamic Republic of Iran (CBI) ensured that inflation continued a downward trend to reach a single digit level for the very first time in 26 years. The re-election of the previous government and the implementation of its sensible policies shall undoubtedly be followed by an era of economic stability, which will carry a positive impact on Iran's business environment and its banking sector in particular.

Although Iran's macroeconomy has overcome the recession, the banking industry is yet to enjoy the benefits of the post-recession era. Indeed, large state-owned and private banks continue to face challenges such as excess assets, non-performing claims, interest rates imposed by the CBI as well as the continuing existence of the unlicensed credit institutes.

Thanks to its sound long-term polices and robust structure, Karafarin Bank has overcome the above challenges. According to the statistics released by the Securities & Exchange Organisation, Karafarin Bank was among the few profitable Tehran Stock Exchange (TSE) listed banks in the previous fiscal year. This has been achieved at a time when most small and large rivals were making major losses and their shares were not traded on the stock exchange for months. Indeed, the above organisaiton has declared Karafarin Bank as the most profitable bank during the first nine months of the 1395 Iranian calendar year (2016).

Following the enforcement of the Joint Comprehensive Plan of Action (JCPOA), Iranian banks began to rebuild their previous links with foreign banks and to establish new ones. Fortunately, Karafarin Bank was quick to rebuild its relations with European and Southeast Asian banks located in countries such as Japan, China, India and South Korea. I am pleased to announce that Karafarin Bank's International Affairs Department is fully equipped and well experienced to render high quality foreign currency services. The remaining obstacles in communications are expected to be overcome upon the implementation of CBI's new polices, in the near future.
Following the enforcement of JCPOA in January 2016, the CBI issued a circular, requiring all Iranian banks to prepare their financial statements based on international accounting standards such as IFRS. This policy aims to promote the banking sector's international relations. Due to this policy, the banks' financial statements have become more transparent, as a result of which, their international operations have increased.
Our foreign exchange operations during the reporting financial period also increased 2.5 times, making a positive impact on the Bank's profitability and EPS.
Since combating money-laundering has always been of our utmost concern, we have requested some reputable international firms to provide our staff with specialised and vital AML training.
Our strategy for becoming a pioneering bank in offering integrated financial solutions became operational during the reporting fiscal period. By focusing on our vision and our mission statement, and by relying on the capabilities of our managers' and human resources' skills, we aim to ensure that Karafarin Bank has a bright future. Further improving branch performance is among our main policies for making the Bank more agile. Measures in this regard, began focusing on Tehran branches during the reporting period and this trend shall be continue in the upcoming year and is expected to improve the quality of the services which our branches offer.
Continuous training is on the top of our agenda. The idea is to further improve our staff performance on different levels. Hence, we have established a training centre, which is equipped with state-of-the-art equipment and the latest training technologies.
The other policy which the Bank follows, is to make its Legal Affairs Department in other cities more agile and capable in order to more effectively and swiftly collect its non-performing (overdue) claims.
Our main strategy is to offer such services (backed up by the latest and up to date technology) that meet customer expectations and requirements. Hence, in order to further expand the scope of our services, we are about to launch *Phase 4 of Karafarin Mobile Bank System,* which is designed to maximise customer satisfaction.
During the reporting financial period, Karafarin Bank was granted first ranking among Iran's top one hundred companies in terms of productivity and sales returns. In addition, due to its exceptional performance in financial management and transparency, Karafarin Bank was granted the crystal award of the Seventh National Financial Management. These honours and distinctions clearly reflect the Bank's transparency and law abidingness.
At Karafarin Bank, we constantly make our best endeavour to safeguard the interest of our beneficiaries, especially our shareholders. In spite of the existing economic challenges, we have been able to bring more profitability than other banks in Iran.
To conclude, I have no doubt that by relying on the support and faith of our beneficiaries, we shall continue to flourish in future years.

Ataollah Ayatollahi

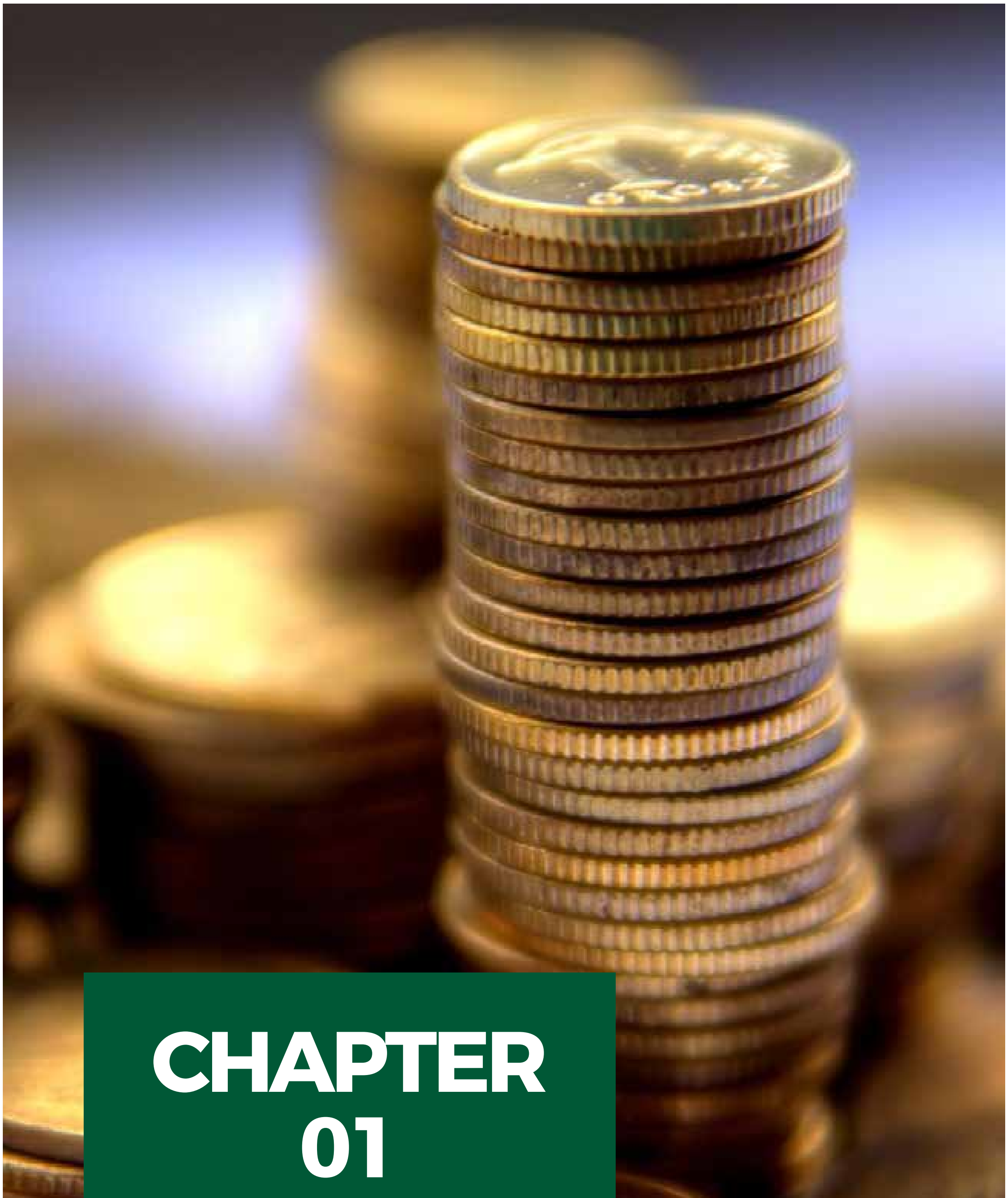
Board Of Directors' Report To The Annual Ordinary General Assembly Meeting For The Financial Year Ended 20.03.2017

Dear Shareholders,

We hereby present to you the Board of Directors' report about Karafarin Bank's Annual Ordinary General Assembly Meeting. The provision of this report fulfils our compliance with obligations in respect of the requirements set forth in Articles 232 of the Commercial Code of 1968 (as amended) and Article 45 of the Securities & Exchange Act. This report which has been prepared on the basis of existing evidence and documents reflects the operations and general position of the Bank for the Iranian financial period ended 20.03.2015.

In our opinion, information incorporated in the report on the Bank's operations and its general position, has been prepared and presented on the basis of emphasising the principles of fair presentation of the Board of Directors' performance for the reporting period, consistence with the objective of safeguarding the interests of the Bank, compliance with the relevant legal and regulatory requirements as well as conformity with the Bank's Articles of Association. The information included in the report is accurate, complete and corresponds to factual events of the past and any foreseeable future outcomes that could have been reasonably projected. The report which was approved and endorsed by the Board of Directors on 11.07.2017, does not include any information whose non-provision could mislead the users.

Board Member	Position
Mr. Ataollah Ayatollahi	Vice-Chairman of the Board of Directors & Managing Director
Mr. Fazlollah Moazzami	Member of the Board of Directors
Dr. Ali Baghaei	Member of the Board of Directors
Mr. Morteza Azizi	Member of the Board of Directors
Dr. Mohammad Reza Farzin	Member of the Board of Directors
Dr. Javad Shekarkhah	Member of the Board of Directors
Mr. Masoud Azmishabestari	Member of the Board of Directors



CHAPTER 01

ECONOMIC REVIEW 2016-17
ISLAMIC BANKING PRINCIPLES
IRAN'S BANKING SECTOR

Iran's Economic Review 2016-17

Overview

During the Iranian solar year 1395 (20 March 2017) Iran experienced the enforcement of Joint Comprehensive Plan of Action (an international agreement regarding Iran's nuclear program), signed in the previous year. Under the terms of this agreement, the international community was to lift the sanctions, previously enforced against Iran.

As a result, the oil sector enjoyed a considerable growth during the reporting fiscal period. Since the Iranian economy remains to be essentially oil reliant, a boost in its oil revenues is likely to be followed by a positive impact on the economy as a whole. Hence, Iran's economic growth jumped from negative 1.6% in 2015-16 to reach 12.5% (of which 9.8% was affected by the oil sector growth) in the following year. As a result of the increasing oil revenues, the government was also able to bring inflation rate down to one digit figure (9%).

However, despite the initial expectations of an economic boom following the lifting of sanctions, recovery has remained somewhat slower than expected. Thus, although the Iranian economy enjoyed some relief following the partial enforcement of JCPOA, yet most sectors (other than oil sector) continue to experience negative or close to zero growth. Achieving continuous growth requires sound and stable government policies.

Real Sector

Although during the 2016-17 period, the Iranian economy enjoyed a two digit growth rate for the very first time in many years, yet this trend did not help overcome recession. The following table demonstrates statistics on Iran's GDP growth in the past five years, released by the Statistical Centre of Iran (SCI):

Year	Statistical Centre of Iran, Base Year: 1997 (Gross Domestic Product Growth- Market Price)		Central Bank of Iran, Base Year: 2011 (Gross Domestic Product Growth - Base Price)	
	Gross Domestic Product Growth	Gross domestic product Growth (without Oil & Gas)	Gross Domestic Product Growth	Gross Domestic Product Growth (without Oil & Gas)
2012-13	-5	-2.7	-7.7	0.4
2013-14	-1.8	-1.5	-0.3	0.5
2014-15	1.9	1.8	3.2	3
2015-16	0.7	0.7	-1.6	-3.1
2016-17	8.3	6.3	12.5	3.3

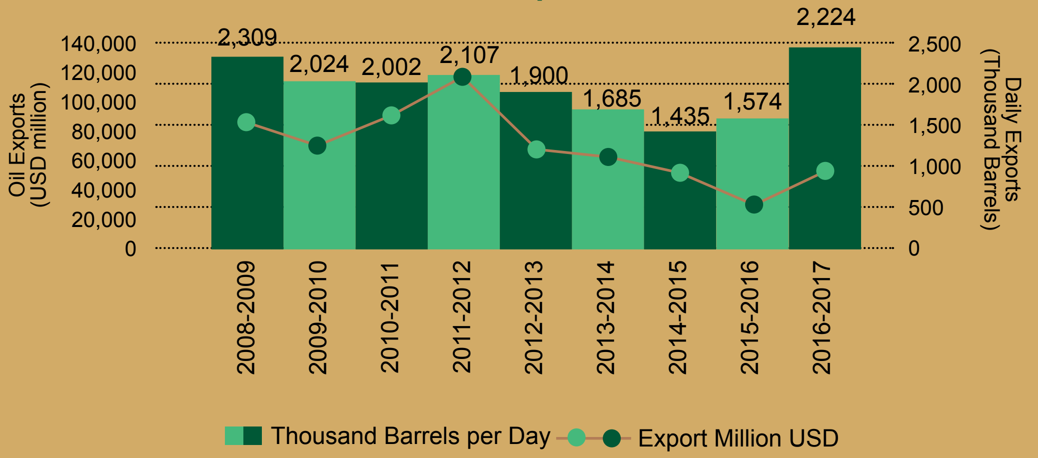
During the reporting period, the oil sector experienced the highest growth (61.6%) among other sectors. Experiencing a 4.2% growth, the agricultural sector comes second. This is partly due to the favourable pricing of agricultural products purchased by the government.

After that comes the mines and industry sector, which experienced a mere 0.6%. One of the main factors contributing to this growth is the allocation of IRR90 trillion of loans to this sector. The building construction sector, which is a subsector of the mines and industry sector experienced a negative 13.1% growth. The service sector, however, demonstrated a 3.6% growth. This sector is composed of commerce, restaurants and hotels on the one hand, warehousing and communications on the other; each of which contributed to the GDP growth by 0.7%. However, the highest performance is related to exports of commodities and services which enjoyed a 41.3% growth compared to the previous year.

Oil Sector

As mentioned earlier, the oil sector enjoyed a staggering growth of 61.6% which was due to the lifting of sanctions against Iran's crude oil exports. Since this exceptional growth was incidental due to a particular historical event, such growth is not likely to repeat itself in 2017-18. Indeed, the CBI has announced that following the lifting of sanctions, the government has managed to maximise its oil production output and exports to the pre-sanctions era of 2011 and 2012. Consequently, oil sector growth cannot repeat its 2016-17 performance in the near future.

Oil Exports



As the above chart clearly shows, although exports volume has been rising since 2014, yet oil revenues have not increased accordingly. This is due to falling oil prices.

Employment

Based on the statistics of SCI, unemployment rate increased from 11% in 2015 to reach 12.4% in the following year. However, statistics released by SCI may not be entirely reliable since they do not correspond with other economic indexes, especially GDP. This is also true in 2012, when despite the stagflation at the time and the negative growth of 7.7%, unemployment rate statistics showed little decline. Although SCI claims that it bases its reports on the definitions of the International Labour Organisation (ILO), yet there are instances that prove otherwise. For instance, the SCI statistics are based on a minimum of 1 hour employment/week, its inclusion of students as employed persons and inclusion of persons over the age of 10 as active people. One of the instances that makes these statistics unreliable, is the fact that data shown for over 15s is exactly the same as those for the over 10s. In short, actual unemployment rate may be far more than those claimed by SCI, suggesting that the state of Iran's unemployment rate is in dire straits.

Government

Government revenues reached IRR22,027 trillion, demonstrating a 23% rise compared to the similar period in the previous year. On the other hand, government spending reached approximately IRR24,912 trillion, which shows a 25% increase. Budget deficit also reached IRR2,885 trillion, a staggering 51% growth.

Financial Position of the Government

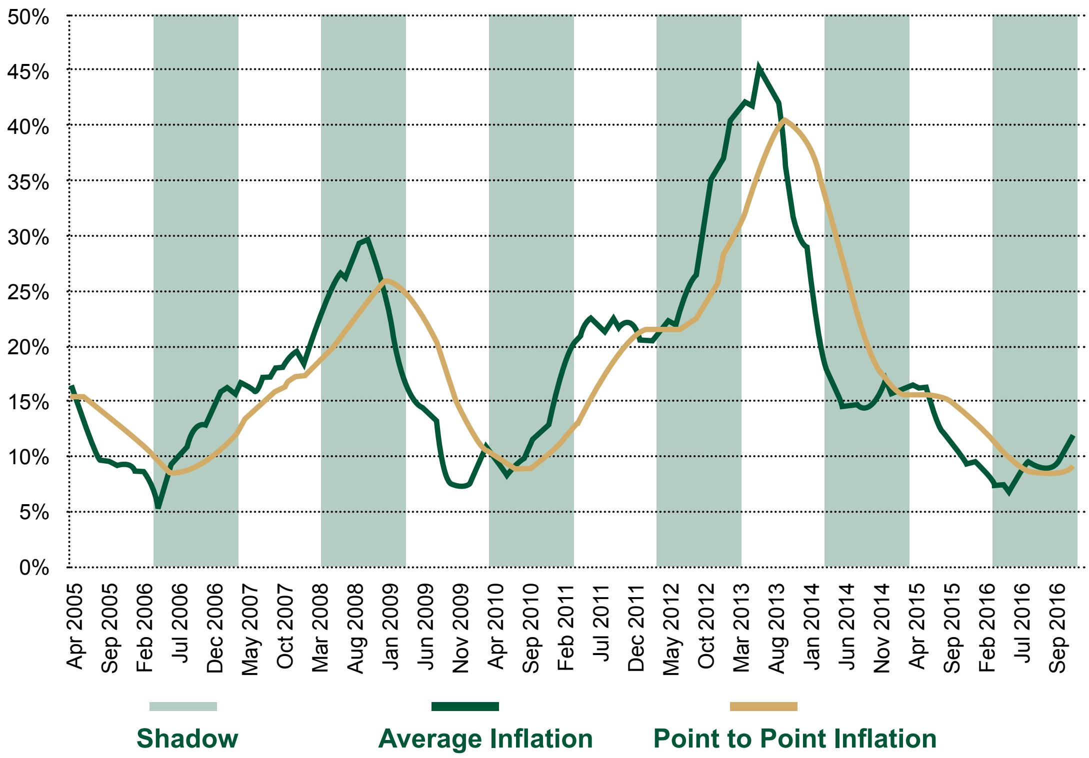
	Year	Volume (IRR trillion)			Composition (%)		Growth Rate (%)	
		2014-15	2015-16	2016-17	2015-16	2016-17	2015-16 / 2014-15	2016-17 / 2015-16
Revenues	Taxes	709.7	791.9	1,014.7	44.1	46.1	12	28
Revenues	Oil & Gas	629.2	670.4	738.8	37.3	33.5	7	10
Revenues	Assets Sales	2.7	3.2	4	0.2	0.2	19	25
Revenues	Others	267.9	331.9	445.2	18.5	20.2	24	34
Revenues	Total	1,609.5	1,797.4	2202.7	100	100	12	23
Expenditures	Current	1,438.3	1,716.6	2,070.2	86.3	83.1	19	21
Expenditures	Capital	299.5	272	421	13.7	16.9	-9	55
Expenditures	Revolving Fund	0	9.8	0	0	0	*	*
Expenditures	Total	1,737.8	1,988.6	2,491.2	100	100	14	25
Budget Deficit	Operational Balance	-460.7	-592.8	-610.3	**	**	29	3
Budget Deficit	Capital Balance	332.4	401.6	321.8	**	**	21	-20
Budget Deficit	Budget Deficit	-128.3	-191.2	-288.5	**	**	49	51

Inflation

Inflation rate experienced a downward trend during the period under review, declining to a one-digit figure on June, 2016. However, this downward trend which had fallen to as low as 8.6% became ascending in January to reach 9% by March. The upward trend on point-to-point inflation continued until March 2017 and became double digit to reach 11.9% (a 3.6% increase compared to the similar period in the previous year).

Point-to-point as well as average annual inflation rates for the past 10 years are illustrated in the following chart.

Inflation Rate in the Previous 10 Years



Monetary Situation

Throughout the year under review, liquidity increased from IRR101,728 in March, 2016 to reach IRR125,339 trillion in the following year, demonstrating a 23.2% rise compared to the similar period in the previous year. This shows a decline of 6.8 units in comparison with the similar period in the prior year. Liquidity growth is mainly due to a 17.3% increase of money base and 5.1% money multiplier. Money base increased from IRR15,336 trillion in March, 2016 reaching IRR17,983 trillion in the following period, a 17.3% growth and an increase of 0.4 units compared to the similar period in the previous year.

Main Monetary Aggregates

	Balance at (IRR trillion)				Growth(%)		
	2013-14	2014-15	2015-16	2016-17	2014-15/ 2013-14	2015-16/ 2014-15	2016-17/ 2015-16
Banking Deposits	334.1	351.7	371.9	393.3	5.3	5.7	5.8
Notes & Coins	1196	1207.6	1367	.1630	1	13.2	19.3
Liquidity	5199.5	6616.3	8805.8	10903.6	27.2	33.1	23.8
Base Money	6395.5	7823.9	10172.8	12533.9	22.3	30	23.2
Banking Credits	1184.9	1311.5	1533.6	1798.3	10.7	16.9	17.3
Money Multiplier	5.4	6	6.6	7	10.5	11.2	5.1

Source: CBI

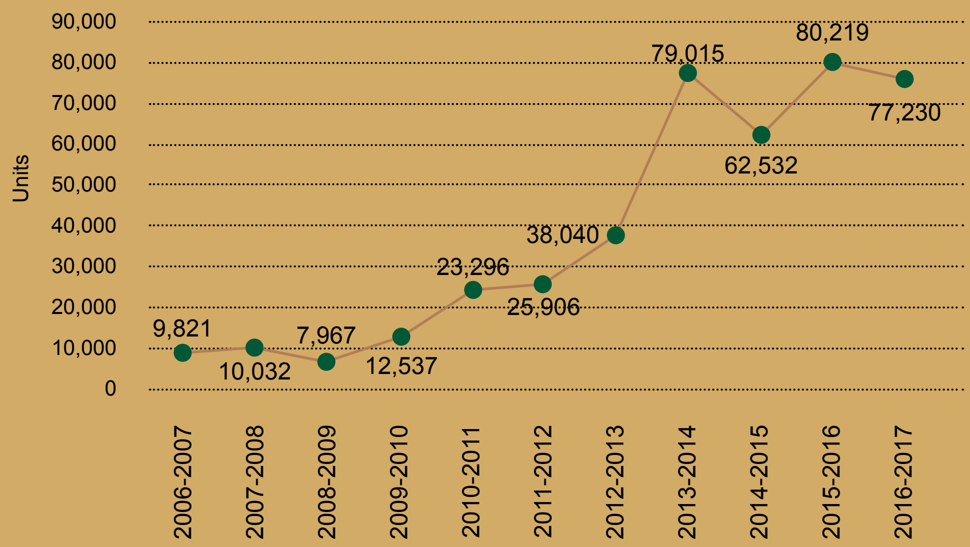
Exports / Imports

Based on the preliminary customs statistics, exports revenues of non-oil commodities and services experienced a 3.5% increase compared to the previous year, reaching USD43.9 billion.
Imports on the other hand, reached USD43.6 billion, experiencing a 5.16% increase compared to the similar period in the previous year.

Tehran Stock Exchange (TSE)

During the period under review, the TSE index fell from 80,219 units to 77,230 units, a 3.7% drop and representing the weakest performance among other capital markets. The downward trend began in the winter of 2013 and continued until 2014. Recovery commenced only slightly, following the enforcement of JCPOA. However, general lack of confidence in the full enforcement of JCPOA via the United States of America and lack of liquidity among investors, etc. have all contributed to the above falling index.

Tehran Stock Exchange Index



Islamic Banking Principles

Since the most basic element defining Islamic finance requires a proper comprehension of distinguishing between usury and profit, Iranian banks have adjusted their operations according to Usury-Free Banking Act of 1983. Thus, Iranian banks, raise their resources from the following sources:

Gharz-al Hassaneh Accounts (Non - Interest Saving)

These are current and savings accounts (as in conventional banking system) except that they earn no interest. Account holders typically receive services of those accounts in combination with a chequebook and a pass book respectively. Savings accounts offer incentives to depositors (up to 4%), including one or several of the following: prizes and bonuses in cash or in kind (usually run using a lottery), an exception from or a discount on the payments of commissions and fees, and priority in the use of banking facilities. Banks consider non- interest saving accounts “their own resources” and are required to guarantee their full nominal value.

Term Deposits

Banks are authorised to render various types of investment services, ranging from short-term (6 months) to long-term (5 years) deposits. Although banks can use their capital plus non-interest saving accounts, priority is given to investment deposits. They can also use a combination of their own and depositors’ resources to grant facilities to customers. Iranian banks guarantee the principal and an interim return to the owners of the term deposits. However, should financial facilities provide a return in excess of interim return plus bank’s commission, such an excess return would be shared between the bank and the depositors.

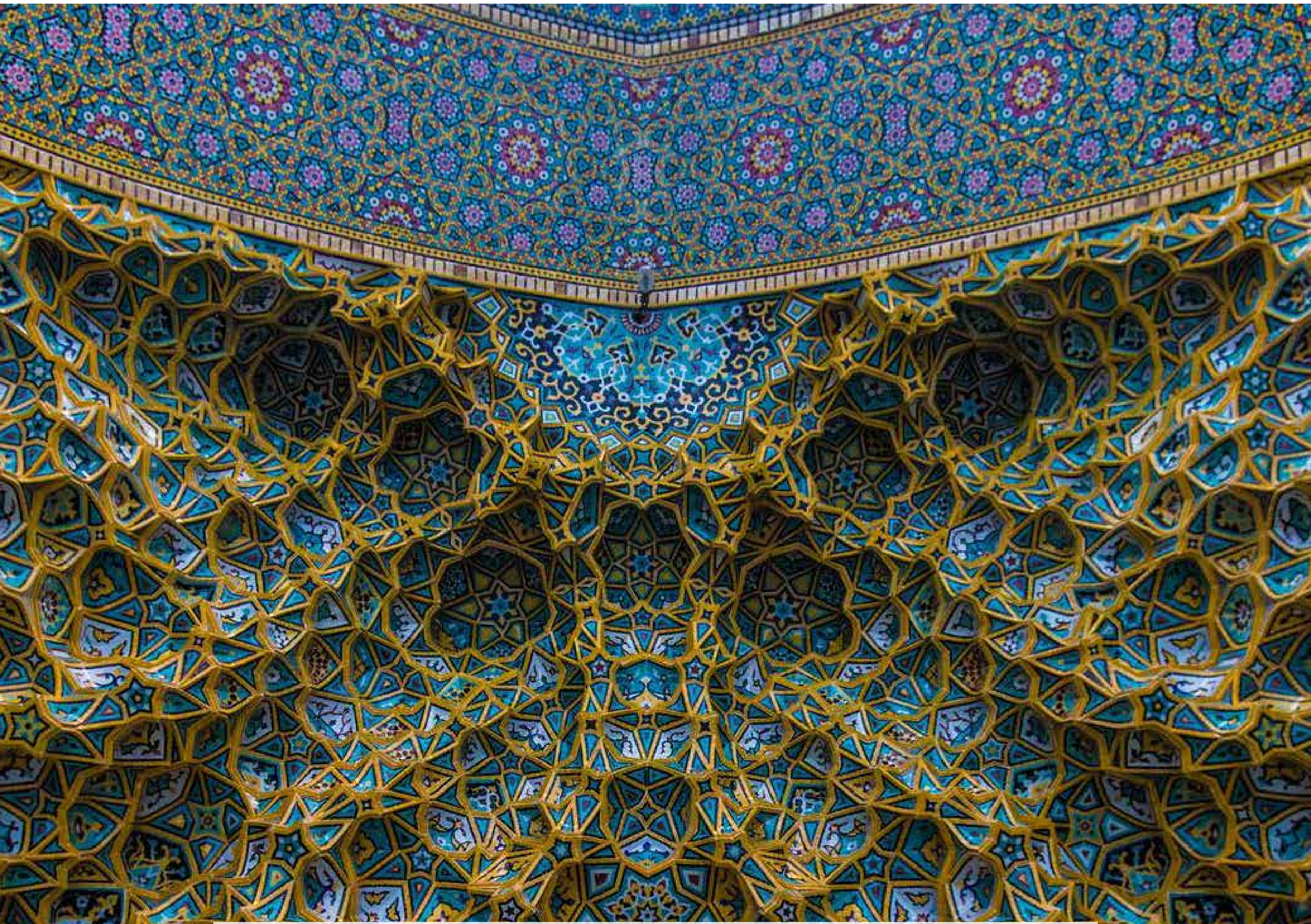
On the lending side, Iranian banking laws and regulations separate banking products into two categories: participation contracts and constant profit contracts.

Participation Contracts

Under these types of contracts, banks provide the whole or a part of the funding required by its customers for a specific economic activity. The profit that results from such economic activity is shared between the bank and the customer in accordance with the terms of the relative contract. These contracts consist of the following items:

a. Mosharekat-e-Madani (Equity Participation)

Under equity participation contracts, the Bank funds a customer (legal entities or natural person) for a specific economic activity. The customer co-invests in cash or in kind and the profit is shared. Equity participation contracts can be in the field of manufacturing, trade and service industries. Under the same scheme, the issuance of bonds is also permissible. Commercial banks are allowed to act as guarantors for both the government and private sector enterprises, and entities wishing to raise funds for specific activities through issuance of bonds. Profits are paid quarterly.



b. Moshareket-e-Hoghoughi (Legal Exposure)
In legal exposure, the banks provide a part of the capital for a new company or buy shares of such company. These contracts are feasible in the fields of manufacturing, trade and service industries.

c. Mozarebeh
Under Mozarebeh contracts, one party (the Bank) provides funds and the other party (the customer) uses the funds for trading. Customers can be both legal entities or natural persons. Usage of funds is limited to the field of trade.

d. Mozare’eh
Under Mozare’eh contracts, one party (the Bank) hands over to the other party (the customer) a farmland for a specific duration of time. The customer works on the land and the relative proceeds are shared.

e. Mosaghat
Under Mosaghat contracts, the owner of trees in a garden (the Bank) maintains an irrigation contract with an agent (the customer) and relative proceeds are shared.

Constant Profit Contracts

Under these types of contracts, the Bank provides the whole or a part of the financing required by its customers for a specific venture. Unlike the participation contracts, the Bank's profit is already fixed at the signing of the contract and before the commencement of the activity. Therefore, The Bank's profit has to be paid by the customer irrespective of whether or not any profit is materialised from the funded economic activity.

a. Foroush-e-Aghsati (Instalment)

An Instalment Sale is a contract whereby one party (the Bank) delivers goods to the other party (the customer) at pre-set price. The price is amortised, totally and/or partially, on predicted maturity dates through equal or unequal instalments.

b. Ejareh-Besharte-Tamlik (Hire Purchase)

In this particular type of leasing contract, it is agreed that the lessee, if complying with the terms of the contract, will obtain the ownership of the leased property upon the completion of the contract.

c. Salaf (Future)

A Salaf is a contract whereby the Bank purchases goods produced by the customer, paying the price in cash, and receives the goods in the future.

d. Jo'aleh

This refers to the obligation of a person (the customer) to pay a sum or fee in return for a favour according to the contract. Acting as an agent or as a contracting party if needed, a bank may arrange a Jo'aleh for the purpose of providing the facilities required to develop a business.

e. Tanzeel (Discount)

In this case, banks can discount drafts and/or various types of commercial notes.

Finally, banks are also allowed to allocate some of their own resources (including non-interest funds from the customer) to make direct investments.

f. Morabehe

Under the terms of Morabehe, a bank or a credit institution fulfils the role of a supplier and informs the applicant of the finished cost or of any given assets or services. Then having added a percentage to the finished cost as profit, the Bank sells the assets or services to the applicant. Method of payment may be in the form of cash or by instalments.

g. Estesna'

This kind of contract is designed to serve the manufacturing sector, where a product is manufactured, converted or transformed. Under the terms of Estesna', product specifications as well as time of delivery are defined.

Iran's Banking Sector

In addition to the Iranian banks, there are 7 Interest - Free Funds and 145 credit cooperatives that operate in Iran's banking sector. Therefore, Iran's banking sector currently constitutes 22 private and 8 state-owned banks. Of the 22 private banks, Saderat, Mellat, Tejarat and Refah Banks were previously state-owned but were privatised as of March 2010. Although they have been recognised as private banks by the CBI, since the Government still owns a considerable share in the said banks, they ought to be classified as state-owned.

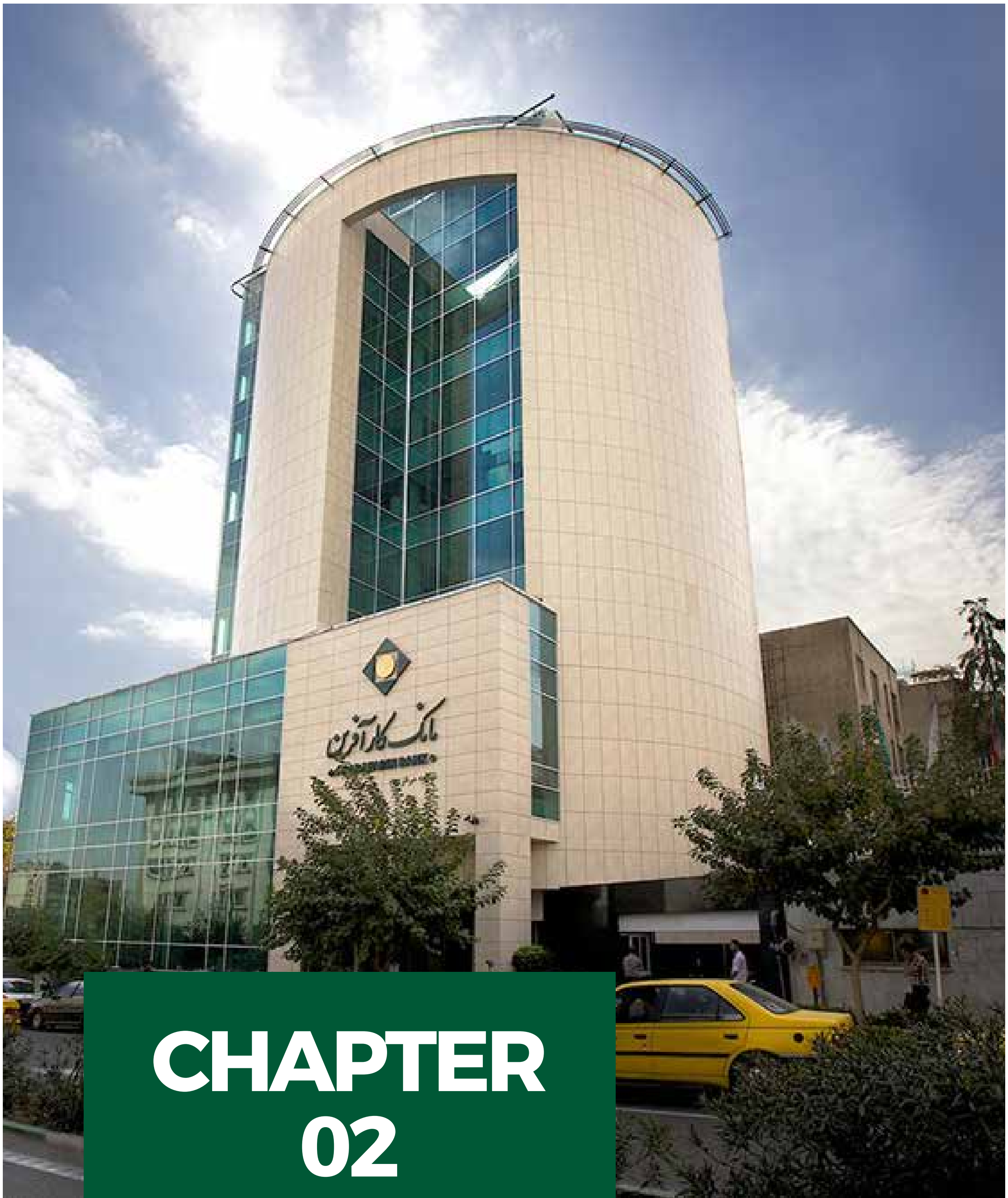
During the financial period under review, banking deposits grew by 23.9%, which compared to the 31.2% growth in the similar period in the previous year, is 7.3 percentage points less. Private banks' (under new classification) deposits grew by 22.7% (32.9% in the previous year), whilst state-owned and specialised banks' (under new classification) deposits grew by 31.6% and 19% respectively.

Total loans granted via the banking sector also experienced a growth of 24.7%, which compared to the 16.7% growth in similar period in the previous year, shows an 8% increase. Private sector banks' loans experienced an even higher growth of 29.9%. This is an unprecedented growth rate, which is 1.5 times more than the 17.8% growth in the previous year.

It is important to note that the rate of growth of loans, is not proportional to deposits attracted. In other words, loans granted exceed existing resources. Declining interest rates are partly to blame for this. Although low interest rates can in the short-run, stimulate industries and the means of production, yet they could increase nonperforming loans in the long-run. Under such conditions, the banks shall have no other choice but to look to other means to raise funding, such as investment funds or the interbank market.

During the reporting financial period, nonperforming loans reached IRR10,166 trillion, 26.7% increase compared to the IRR80,205 trillion figure in the previous year. During the same period, nonperforming loans to total granted loans ratio experienced a rise from 11% in March 2016 to 11.2% in the following year.

This ratio which was 12.7% among the private banks in 2015-16 period increased to 12.8% in the following year. The same ratio declined from 11.3% in the state-owned banks in 2015-16 period to 10.2% in 2015-16 fiscal year. As for the specialised banks, this ratio increased from 6.8% in 2015-16 to reach 7.4% in the following year.



CHAPTER 02

INTRODUCTION

Background

The formation of Karafarin Bank was mainly the outcome of an economic collaboration between participating parties from the Iranian Association of Industry Managers, the Association of Construction Companies, the Association of Utility and Equipment Companies, the Iranian Society of Consulting Engineers, the Society of Consulting Architects and Urban Planning Engineers, a select group of prominent Iranian banking experts and the general public. The Bank was originally established as a non-bank credit institution with a fully paid-in capital of IRR30 billion. It was registered on 9 December 1999 under registration number 157915 at the Tehran Companies' Registry Office as Karafarinan Non-Bank Credit Institution. The Bank operated as a general credit institution and its activities were subject to the Credit Institutions' Activities Regulation. Following the enactment of the Non-State Bank Establishment Act on 10 April 2000 and the implementation of its relevant requirements, in light of the clear advantages of banking activities to those of credit institutions, the Board of Directors carried out necessary actions and laid the foundations needed for a restructuring. Hence, based on an operating license issued on 5 December 2001 by the Central Bank of Iran, Karafarin Bank was officially established on 26 December 2001 with a fully paid-in capital of IRR200 billion as a commercial bank that engages in all segments of banking activities.

Fields of Activity

According to its Articles of Association, the main areas of activity of Karafarin Bank (public joint stock) are carrying out all permissible banking transactions and services.

Objectives

Karafarin Bank has two main objectives to meet:

- To become the most modern and pioneering Iranian bank that offers distinct and speedy banking services. This shall be achieved by focusing on flexibility and innovative solutions in offering a wide variety of banking services both within domestic and international arenas.
- To constantly acquire a larger market share.

Corporate Social Responsibilities

We firmly believe that corporations have a moral duty to contribute to the development of societies from which they emerge and flourish. Therefore, we allocate a considerable portion of our resources to social contributions by making donations to charities, sponsoring sports and social events etc. Some of our main measures in reference with fulfilling our corporate social responsibilities are stated below:

- Financing national and civil projects.
- Supporting national production and self-sufficiency.
- Creating direct and indirect jobs.
- Managing resources and energy.
- Supporting charities.
- Publishing distinguished books.
- Supporting tourism and leisure projects.
- Supporting cultural projects and the arts by contributing to the construction of the *Heris Art House* and providing funding for concerts and theatres.
- Supporting sports tournaments.
- Funding conferences and memberships in various associations.
- Participating in environmental projects.

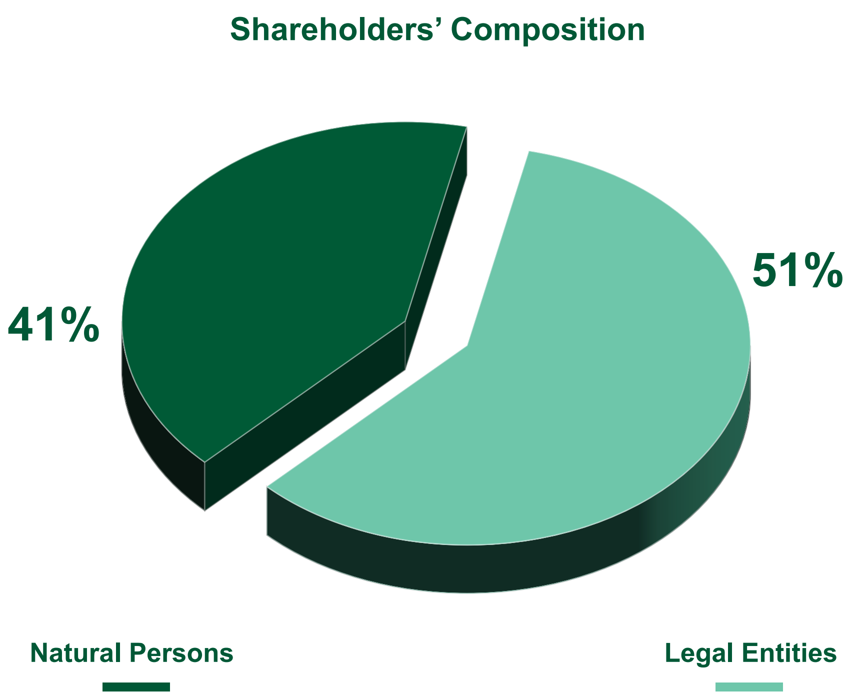
Prizes, Accomplishments & Achievements

Karafarin Bank has made numerous achievements since its founding and it has been granted several awards and prizes. These distinctions, prizes, and achievements during the recent years are outlined below:

- Top rank among all Iranian banks and credit institutes in terms of sales returns, based on the ranking of IMI-100, via the Industrial Management Organisation.
- Being awarded the Seventh Financial Management Crystal Prize.
- Karafarin Bank has been awarded the Employment Creation Golden Award from the Tehran Chamber of Commerce for Industries, Mines & Agriculture at the Second National Employment Creation, National Production & Economic Prosperity Conference (2015-16).
- Karafarin Bank has been granted the International Organisational Success Chain Standard in banking industry from the European Union (2015-16).
- Karafarin Bank has been awarded the Excellence Award Customer Orientation at the nationwide Customer Satisfaction Conference (2015-16 period).
- Karafarin Bank has been granted the top Iranian Bank Customer Orientation Crystal Award at the Third National TOPEX Festival (2015-16).
- Second top rank among Iran's top TSE listed banks in terms of financial transparency, awarded by the Securities & Exchange Organisation (2015).
- Being recognised as the second most trustworthy bank among all TSE listed banks via the Securities & Exchange Organisation.
- Top Iranian bank in terms of sales among Iran's top 100 listed companies, IMI-100 (2014-15 period).
- Second rank among Islamic commercial banks by the *Banker*, in terms of returns (2015).
- Third rank among Iranian banks in terms of profit to capital ratio by the *Banker* (2015-16 period).
- First rank among Iran's top 290 TSE listed companies in terms of financial transparency, awarded by the Securities & Exchange Organisation (2014-15 period).
- Top Iranian bank in the banking sector among the top one hundred companies (IMI-100) listed in the Tehran Stock Exchange (TSE) for sales (2014-15).
- Second rank among Islamic commercial banks in terms of returns by the *Banker* (2014-15).

Shareholders Composition

The Karafarin Bank's shareholders composition at the close of the financial period ended 20.03.2017 is shown in the pie chart below:



Specialised Committees

The Bank includes the following specialised committees:

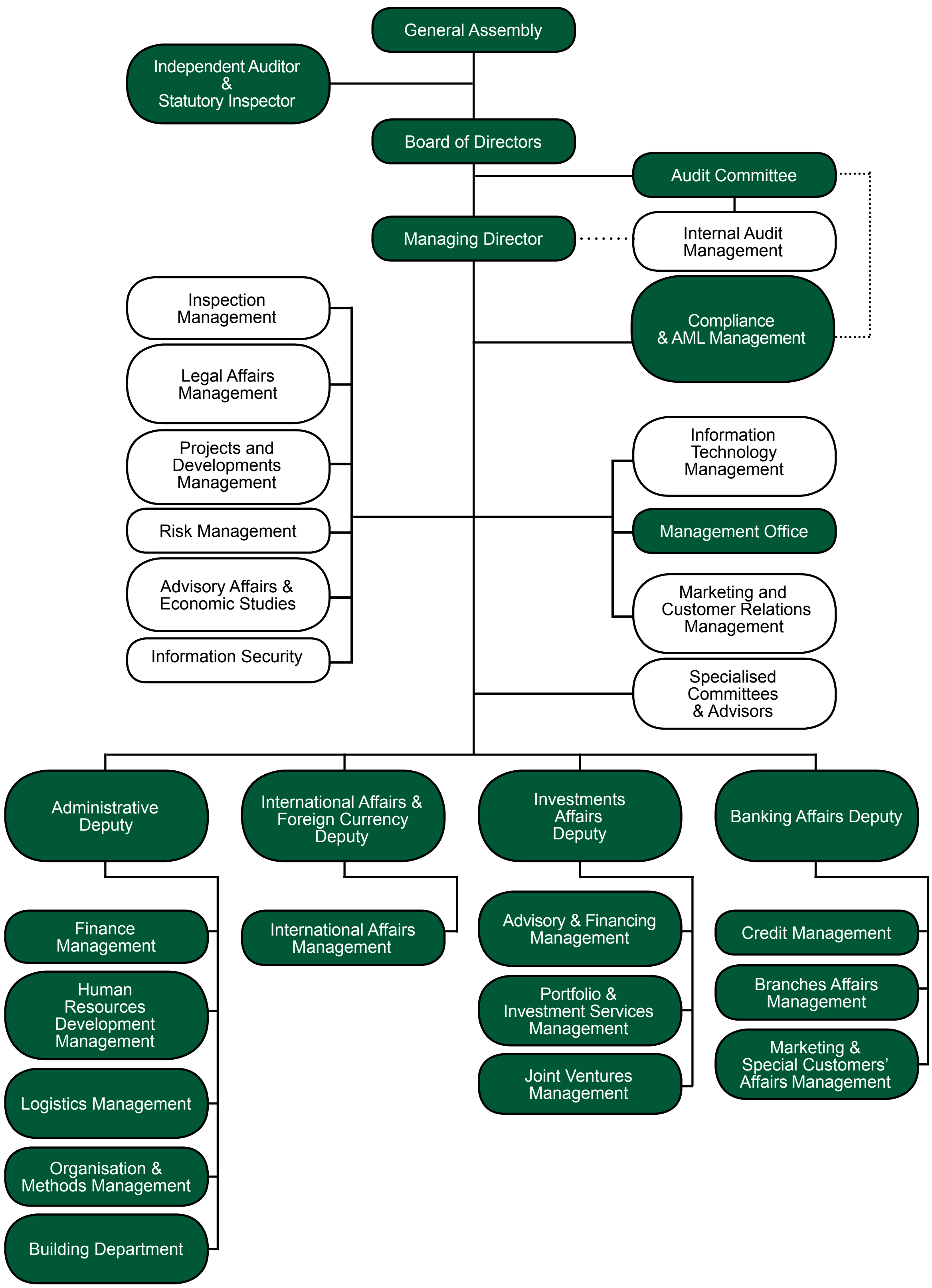
- Data Security Committee
- Marketing & Communications Committee
- Audit Committee
- Planning Committee
- *Behta* Committee
- Nonperforming Loans Committee
- Assets, Liabilities Committee
- Managers' Council Committee
- Information Technology Committee

Regulatory Environment

The main set of rules and regulations governing the activities of the Karafarin Bank are stated below:

- Circulars of the Central Bank of the Islamic Republic of Iran (CBI) on Regulating the Banks
- Monetary & Credit Policies of CBI
- Regulations of the Securities & Exchange Organisation
- The Usury-Free Banking Operations Act
- Ratifications of the Monetary & Credit Council
- Articles of Association of the Karafarin Bank
- Registration & Civil Laws
- Tax Legislations & Commercial Code

Organisational Chart

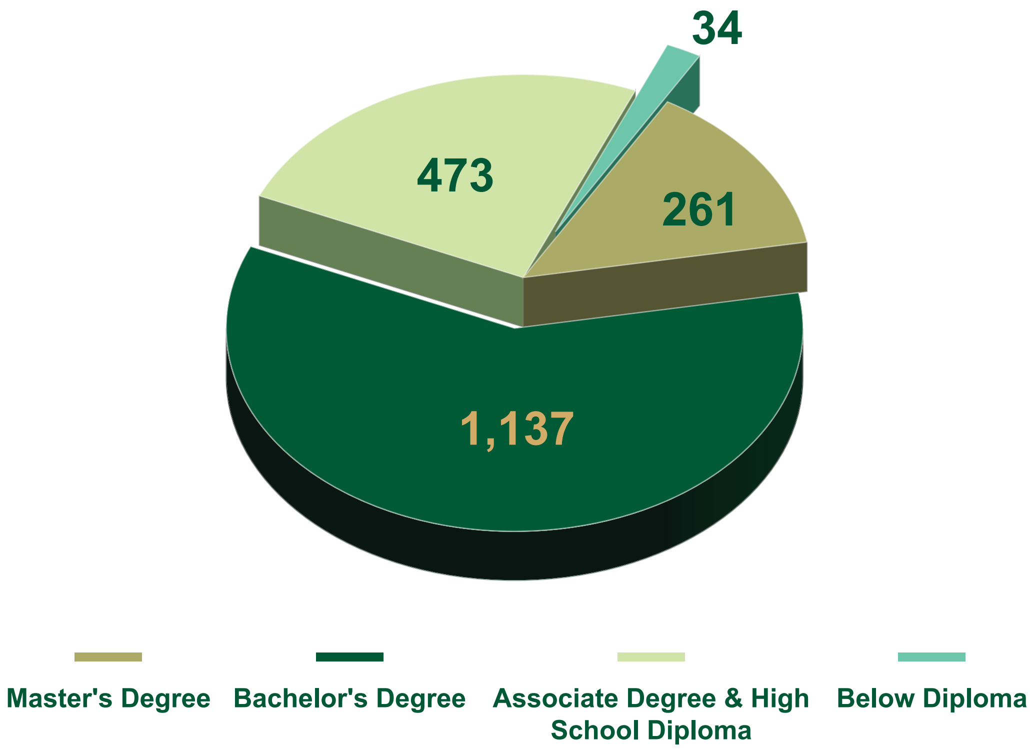


Human Resources

At Karafarin Bank, we firmly believe that our most valuable assets are our human resources, which are the main contributors to shaping our success and achieving our targets. Hence, we only recruit educated, highly talented and enthusiastic people.

The following pie chart demonstrates the composition of our human resources based on their academic qualifications. Of the Bank's 1,905 employees, 266 people were involved in service and security units belonging to companies which have been outsourced by the Bank.

Personnel by Academic Qualifications



Capital

Although the Bank's initial capital on the date of its incorporation was IRR30 billion (including 30 million shares at IRR1,000 par value), it has been increased several time since that time. Karafarin Bank's capital increases have been outlined in the following table. At the close of reporting period ended 28.05.2014, the share capital reached IRR8,500 billion (comprising 8,500 million shares at IRR1,000 par value).

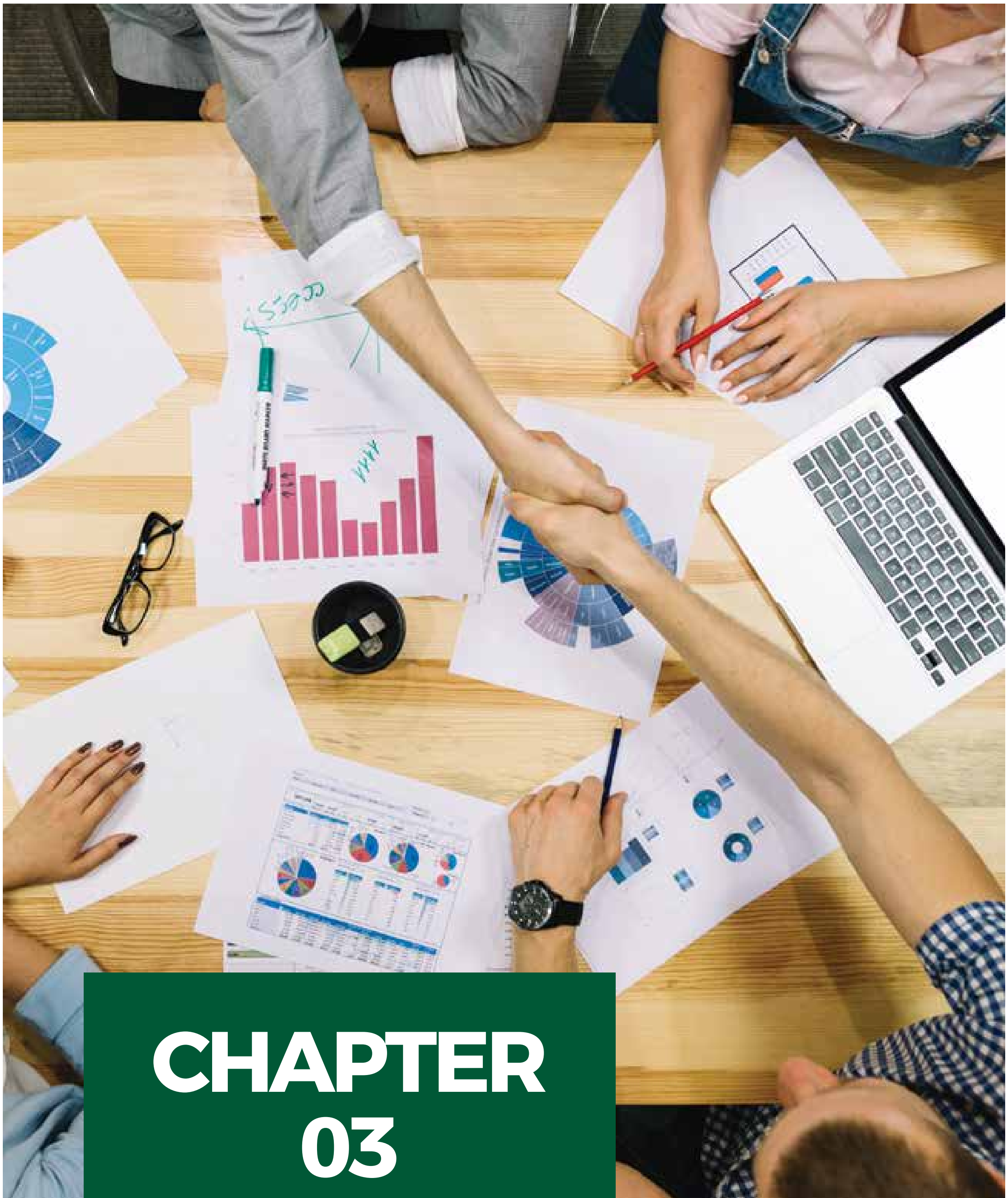
(IRR million)

Date	Previous Capital	Capital Increase by Percentage	New Capital
13.11.2004	200,000	75	350,000
29.09.2005	350,000	100	700,000
19.12.2007	700,000	50	1,050,000
06.12.2008	1,050,000	90.48	2,000,000
03.10.2010	2,000,000	50	3,000,000
11.09.2011	3,000,000	50	4,500,000
22.09.2012	4,500,000	61.11	7,250,000
28.05.2014	7,250,000	17.24	8,500,000

Future Development Plans

Some of the most important plans of the Board of Directors' agenda for the 2016 period are stated below:

- Measuring the operational plans of various units based on our strategic program.
- Drafting a business strategic roadmap.
- Drafting a comprehensive marketing statement.
- Boosting international operations, focusing on foreign currency products and services.
- Increasing the Bank's market share in issuance of IRR and foreign currency letters of guarantee.
- Further optimising our branch network.
- Further developing and improving our electronic banking services.
- Enhancing the internal controls systems such as internal audit, control, risk management, compliance and AML systems, etc.
- Adjusting the organisational structure of the Legal Department in Tehran and provinces for the purpose of collecting nonperforming claims and selling repossessed properties.
- Launching Phase 4 of *Mobile Bank Project*.
- Offering new service cards to customers.
- Offering kiosk based banking services.
- Launching hardware and software security projects.
- Upgrading the Bank's online measurement terminals in service, hardware, software and operational data sectors.
- Launching the ISMS Project.
- Launching sales terminals based on M-POS.
- Issuing cards for joint accounts, enabling users to make withdraws independently.
- Offering ATM services without the need for cards.
- Selling gift cards online.
- Offering various services such as online payment orders and viewing chequebook conditions etc.
- Upgrading the capabilities to identify and solve security threats.
- Enhancing data security policies and standards.



CHAPTER 03

PERFORMANCE

OPERATIONAL PERFORMANCE
Branches
The next table outlines information on the number branches during the reporting period:

End of 2015-16 Period	Inaugurated Branches	Merged Branches	End of 2016-17 Period
107	(2)	2	107

58 of all active branches of Karafarin Bank operate in the Tehran Province and the rest are located in other provinces.

Information Technology
At Karafarin Bank, we take advantage of latest available technologies to further improve our services and to bolster the data security of our processes. Our Information Technology Department has taken numerous steps in this regard over the reporting period; some of which are stated below:

- Creating a new type of collateral for mobile POS.
- Registering foreign nationals' number within the Bank's system.
- Improving the conditions for opening deposit accounts.
- Designing a system printing for a new form relating to electronic payment orders.
- Launching a new system known as *CHEKAVEK*.
- Introducing the new late payment penalty rate within the Bank's system.
- Introducing a new instruction system for IRR letters of guarantee.
- Creating a system that caters for instalment sales loans which are financed by the National Development Fund.
- Creating a system that caters for new banking commissions.
- Automatically registering data within the foreign currency payment/receipt terminal.
- Activating text messaging, notifying the users on their interest payments into their accounts.
- Calculating interests and penalties for loans.
- Foreign currency invoicing based on free market rates.
- Launching a new service known as FIDA.
- Upgrading the risk management system.
- Launching an online notifying system known as *CHABOK*.
- Increasing the number of loans, L/Cs, L/Gs, foreign currency payment orders.
- Including account details to the RM of each branch.
- Updating customer information online.
- Enabling the users to view their foreign currency deposit account details.
- Enabling the users to file bills payment reports.
- Enabling the users to check the authenticity of national identification numbers of customers.
- Boosting the speed of our internet banking system.
- Offering online bank statement for special customers.
- Introducing a system that enables joint account holders to make withdrawals independently.

- Enabling the user to freeze their accounts online.
- Offering a notification service to clients.
- Sending reminders to clients prior to expiry of their cards.
- Launching IPG on the Bank's website.
- Reporting on deposits in BI.
- Reporting on the Bank's resources, loans and balance sheet in Business Intelligence.
- Reporting on the Bank's foreign currency situation.
- Launching Blade Systems.
- Launching crisis management cases within the branches.

Furthermore, at Karafarin Bank, we spend a great deal of time and resources in ensuring our data remains safe and secure. Realising the challenges by the speed of technological change and the increasingly sophisticated nature of cyber threats, we constantly take significant steps to reinforce our cyber security efforts. Hence, with cyber security high on our priority lists, we have established the Data Security Department which is responsible for securing the Bank against such cyber threats.

This department carries out periodical penetration testing as an avenue for finding and eliminating vulnerabilities and provides constant training to staff in this regard. During the reporting financial period, this department has carried out numerous measures, in this regard some of which are stated below:

- Introducing the Business Continuity Plan (BCP) Project based on ISO22301 Standard.
- Launching Web Application Fire Wall.
- Upgrading the existing data management systems to ensure that data remains secure.
- Assessing the vulnerability of the Bank's key terminals.
- Formulating new security vulnerability management processes.
- Identifying different scenarios of threats.
- Identifying security threats on a global level, focusing on E-banking.

Compliance & Anti-Money Laundering (AML) Department

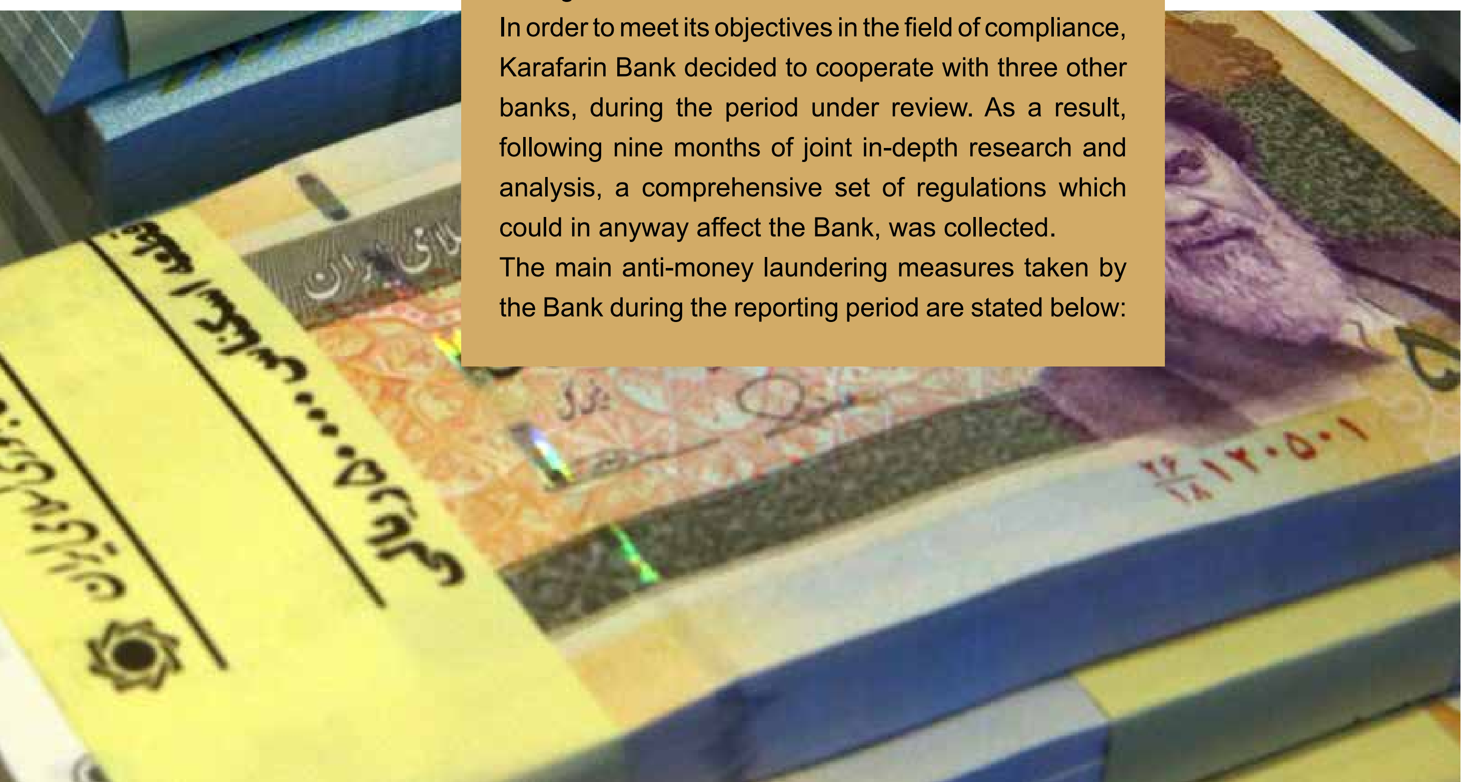
The main function of the Compliance & Anti-Money Laundering Department is to ensure the adequate implementation of rules, regulations, requirements and guidelines set forth by related authorities. This department is also responsible for assessing the risk of non-compliance with the AML regulations and reporting to the Board of Directors.

This department aims at ensuring that the Bank's operations and procedures correspond with the monetary and banking laws and regulations and reporting any instance of non-compliance to the Board of Directors. In this context, this unit corresponds the Bank's internal processes against anti-money laundering (AML) laws and regulations with the objective of identifying and eliminating any possible discrepancies.

The Compliance & Anti-Money Laundering Department also fulfils a supervisory role to ensure that the Bank's current AML position in combating money laundering is further improved. This department operates on three main levels: identifying international standards in compliance and gap analysis, organising training courses and integrating compliance throughout the Bank's structure.

In order to meet its objectives in the field of compliance, Karafarin Bank decided to cooperate with three other banks, during the period under review. As a result, following nine months of joint in-depth research and analysis, a comprehensive set of regulations which could in anyway affect the Bank, was collected.

The main anti-money laundering measures taken by the Bank during the reporting period are stated below:



1. External Bodies
Financial Information Unit

All banks and other financial institutions are required by law, to cooperate with the High Council of Anti-Money Laundering & Financial Information Unit, which are the highest authorities for combating money laundering. Karafarin Bank has made numerous measures in response to the requests of the Financial Information Unit. These measures are stated below:

- Replying to all 1,232 (624 in the previous year) enquiries of the Financial Information Unit in time, of which 122 were related to those customers who hold more than one account in Karafarin Bank.
- Promptly replying to occasional enquiries (beyond the accountability system). Occasionally, the Financial Information Unit requires the data on daily transactions or other documents.
- Preparing 1,561 (1,468 cases in the previous year) large cash transaction reports (LCTR) on customers who make cash deposits in excess of the permissible limit of IRR150 million or USD10 thousand or its equivalent in other currencies.
- Reporting 3 suspicious instances to the Financial Data Unit confidentially.
- Providing the Financial Information Unit with receivers of base services on a monthly basis.
- Carrying out the aforementioned measures and duties within the Financial Information Unit's Project Management Software.
- Bringing up-to-date, the reports on suspicious persons.
- Providing annual AML reports to the Financial Information Unit.
- Taking part in periodic AML meetings.

Anti-Money Laundering Department of the Central Bank of the Islamic Republic of Iran (CBI)

- Replying to the enquiries of the above department in the shortest possible time.
- Providing monthly statistics on accounts and customers to the CBI.
- Constantly monitoring the implementation of CBI's AML policies.

2. Karafarin Bank's Internal Departments
Information Technology Department (Software)

- Monitoring the working of the Bank's AML software including limiting cash payments which exceed the permissible limit, necessity to register the national identity number, etc.
- Compliance of the Bank's AML software with AML standards, which enable the user to track transactions.
- Launching an AML software based on the requirements of the Financial Information Unit and the CBI.
- Supervising the launching of SAHA Software which is designed to confirm the identity of Iranian customers and PEJVAK Software, which is designed to confirm the identity of foreign customers. Since software plays an effective role in recognising the true identity of customers, they reduce the chances of abuse.
- Launching other systems such as *NAHAB* and *SHAHAB*, which are used for creating an integrated infrastructure for identifying customers within Iran's banking system.
- Assessing the documents of foreign nationals who wish to obtain banking services.
- Customer categorising based on the initial model of FIU and the forecast of the scale of customer activities.

International Department

- Drafting an AML procedural text which had been requested by corresponding banks.
- Assessing 31 AML questioners received from corresponding banks abroad and corresponding them with the regulations and circulars set forth by the CBI.
- Assessing and approving 38 questioners of future corresponding banks.

Measures Relating to other Internal Departments

- Organising AML courses (based on the training CBI standards) in order to raise the awareness of the Bank's employees in this regard.
- Raising the AML awareness of the general public via publishing brochures and circulars.
- Answering the queries of employees regarding AML and advising on methods of identification and reporting on suspicious cases.
- Monitoring the implementation of AML polices throughout the Bank, ensuring of compliance with instructions of CBI and FIU.
- Introducing the branches and executive units of the Bank via Compliance & AML portal.
- Cooperating with the Inspection Management in carrying out branch inspections. These include issuing checklists for 83 branches (50 for Tehran branches and the reminder for other branches in other cities).
- Cooperating with the Methods & Organisation Department in preparing internal circulars and instructions and ensuring compliance with CBI circulars.

Risk Management

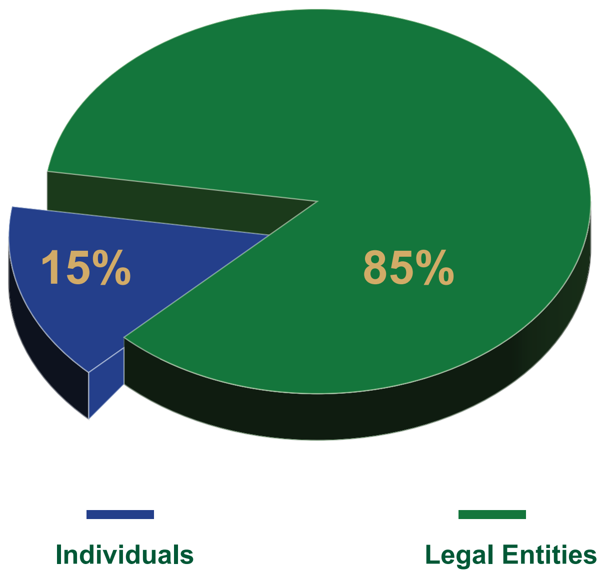
Although banking operations are risky by nature, it is nevertheless possible to manage them by identifying, measuring and tracking such risks. The process of risk management is a vital for ensuring profitability and continuance of banking operations. At Karafarin Bank, we classify risks into four categories, namely: credit, liquidity, interest as well as operational risks.

The Risk Management Department of Karafarin Bank operates under the direct supervision of the Bank's CEO. The principal function of the Department is to first identify the key drivers underlying different forms of banking risks and to devise relevant models for measuring and controlling risks across the Bank. In addition to the ongoing activities of the Risk Management Department, all other segments of the Bank make an equally important contribution to the overall risk management process. To motivate the required level of participation needed in the process of controlling risks across the Bank, various committees have been established that comprise members from all departments, the CEO as well as all the general managers of departments.

Credit Risk

Any potential loss that may arise as a result of customers' default in the orderly servicing of their commitments on facilities (i.e. the late or non-payment of part or all of loans, due to such reasons as the absence of repayment ability or the presence of limits and constraints for clearing funds) represent credit risk. As loans constitute a major portion of the Bank's portfolio of assets, credit risk is undoubtedly the most important risk to which the Bank is exposed.
Karafarin Bank's customers are composed of both individuals and legal persons. The following pie chart demonstrates the ratio of the Bank's risk exposure in terms of individuals and legal entities:

Risk based on Customer Type



Distribution of Collateral

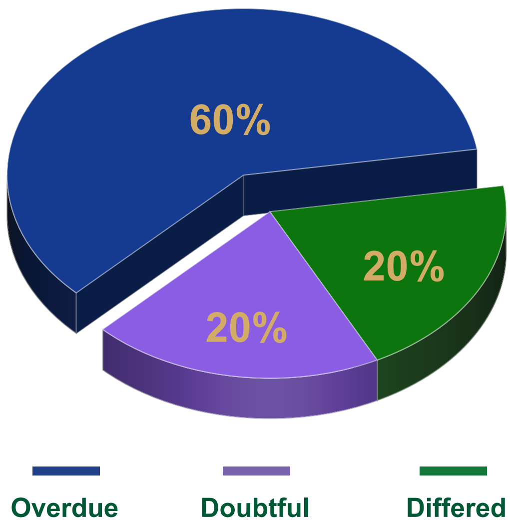
A collateral is the Bank's main source for protection against credit risk. The risk coverage of any collateral will be a function of its current market value and its liquidity. One of the main concerns of the Karafarin Bank in this regard is loss resulting from customer default. Hence, a comparison has been made between customer rating and low risk collateral (deposits, intangible assets, investment funds etc.). This comparison indicates that the higher the risk a customer, the more low risk collateral should be obtained. The following table shows that 44% of total loans granted have been covered by low risk collateral and the reminder have been covered via such collateral as promissory notes and binding contracts.

Credit Rate	Original Balance	Low Risk	Credit Risk without Coverage	Credit Risk Percentage without Coverage	Coverage Percentage of Low Risk Collaterals
A	744,478	338,208	407,479	55	45
A-	2,386,619	1,611,831	778,986	33	67
B+	5,619,823	4,415,909	1,754,985	31	69
B	14,989,638	8,362,984	7,612,057	51	49
B-	14,888,162	9,04,445	7,111,002	48	52
C+	23,158,785	4,908,176	18,815,300	81	19
C	6,524,817	4,204,572	2,553,057	39	61
D	3,898,758	2,414,112	1,786,924	46	54
E	3,578,213	648,972	2,930,257	82	18
Unrated	5,309,153	3,513,186	2,019,588	38	62
Status of Non-current Customer	9,069,809	5,354,355	4,357,391	48	52
Total	90,168,256	44,826,751	50,127,024	56	44

Non-Performing Loans

The composition of the Bank's non-current receivables on financial facilities has been reported annually, and based on CBI's classification guidelines. The ratio of Karafarin Bank's non-current loans to total loans at the end of the financial period was approximately 10%. The following pie chart demonstrates the breakdown of non-performing loans.

Composition of Nonperforming Loans



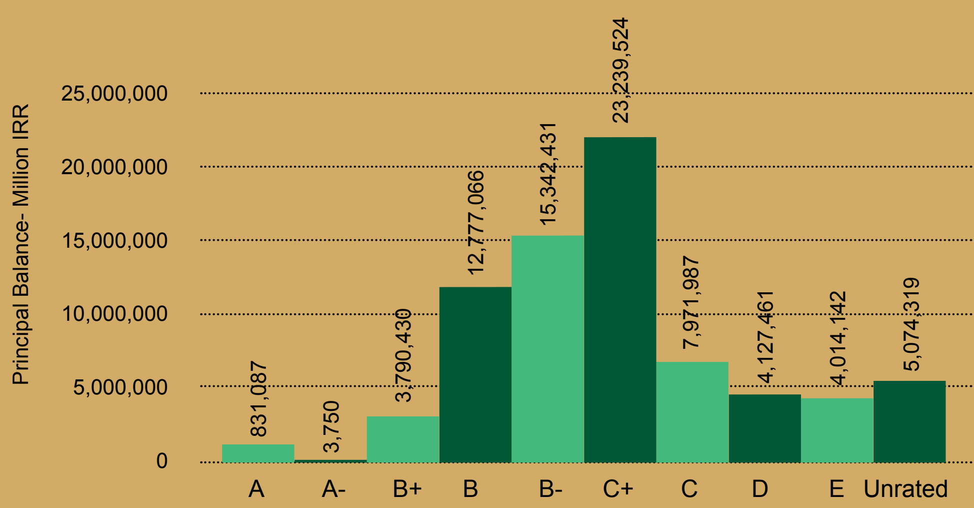
Customer Internal Credit Rating System (CICRS)

In order to minimise credit risk, Karafarin Bank adopted the CICRS as of April 2011, to assess the credit worthiness of its customers. The procedures of CICRS require that all loan applicants submit their background and financial information to the Bank. This information provides the input for generating a credit rank for each customer which will assist members of the Credit Committee in their credit allocation decisions.

The adopted rating approach has designated and assigned a credit score of A, B, C, D or E to each prospective or existing client. Qualitative and quantitative information are jointly used to rate customers based on the CICRS methodology.

Amongst the various data used in the credit assessment process, customers' economic sector is perceived to be one of the most relevant sources of information. For each sector, CICRS identifies and measures a series of parameters that are important in ascertaining the credit standing of companies or individuals operating within that segment of the economy. The overall qualitative and quantitative scores for each client determine its total credit rank. Economic factors play a major role in customer evaluations and different parameters have been used according to the relevant economic sector. Scores obtained from these two parts represent the total customer credit results. The following chart shows the rating of loans to legal entities.

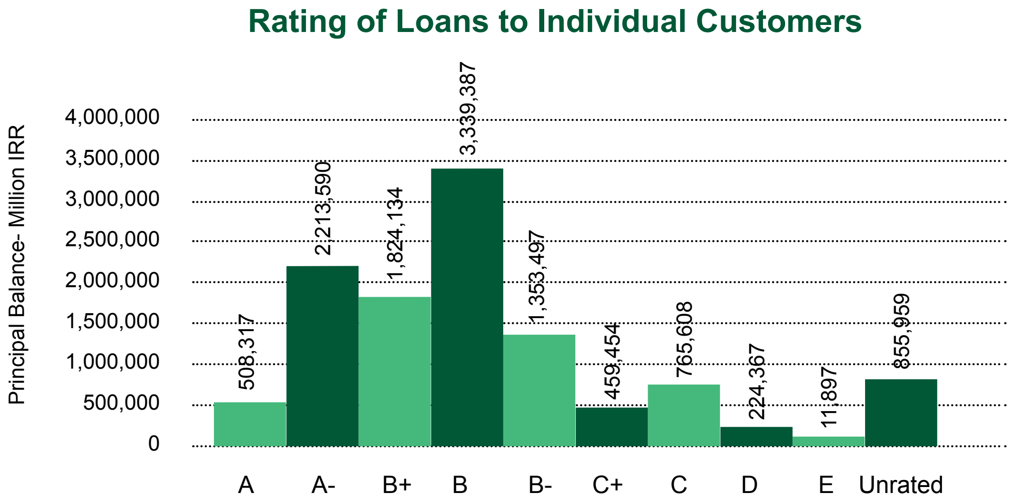
Rating of Loans Granted to Legal Entities



Principal Balance

Individuals are rated by the Credit Committee on the basis of their personal, professional, financial as well as credit information. In order to correspond the scores with reality, periodical checks are carried out via credit experts. The results obtained are then assessed and used in various rating models in such a manner that this system's performance is constantly improved.

The following chart demonstrates the rating of loans to individuals.



Market Risk

Market risk may be defined as the risk of loss arising from adverse movements in market prices. From a regulatory perspective, market risk stems from all the positions included in the Banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

There are two main methods of measuring the market risk. The first method is capital at risk (CaR), which is the potential loss in a worst case scenario where stop loss is triggered for a specific trade or for all trades across an account. The second method is stress test.

At Karafarin Bank, we classify market risk into two main types of risk, namely:

- Share risk: it arises from fluctuations in share prices, which affect the value of the Bank's portfolio.
- Forex risk: this kind of risk stems from foreign exchange fluctuations and their impact on the value of the Bank's foreign currency assets and liabilities. In order to measure such risks, we use the Monte Carlo and the Historic Stimulation Method on a daily basis.

During the reporting fiscal period, the value of the Bank's serialmoameleh assets in the capital market amounted to IRR1,102 billion of which, only IRR804 billion was invested in shares and the remainder was allocated towards Islamic bonds, which are almost risk-free. In measuring CaR which concerns investments in shares only, we have applied parametric methods. In this model, we have used the prices at the end of each trading day. The following table indicates possible market fluctuations and its impact on the Bank's profit/loss.

Investment Type	2015-16		2016-17	
	Probable Change in Market Price	Effect on Profit & Loss	Probable Change in Market Price	Effect on Profit & Loss
	Million IRR	Million IRR	%	Million IRR
Investment in Marketable Shares	(3.81, 3.81)	52177	(4.38, 4.38)	35215

Operational Risk

Consistent with the concepts outlined in the Basel II Accord, Karafarin Bank defines operational risk as the risk of a loss stemming from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes elements of strategic and reputational risk. In respect of operational risk management, the Bank's objectives are primarily motivated by identifying and measuring all relevant risk factors, which will then facilitate monitoring and risk reduction activities. Hence, in order to identify and measure such risks, operational units use numerous identification and assessment methods, including self-assessment. The Bank's operational units are responsible for identifying, measuring and eliminating any operational risk at an early stage.

Capital Exposed to Operational Risk

To identify high-operational risk business segments, the Bank follows the procedures and alternative models set forth in Basel II Accord. To ensure precision and reliability in risk measurements under these two methods and to better capture the extent of operational risk exposure, the Bank calculates Capital at Risk (CaR) based on Basic Indicator Approach (BIA), Standard Approach (SA) and Advanced Measurement Approach AMA.

The following table shows Karafarin Bank's CaR calculated via the aforementioned approaches:

Capital Exposed to Operational Risk (million IRR)	
Basic Indicator Approach (BIA)	3,201
Standard Approach (SA)	3,694

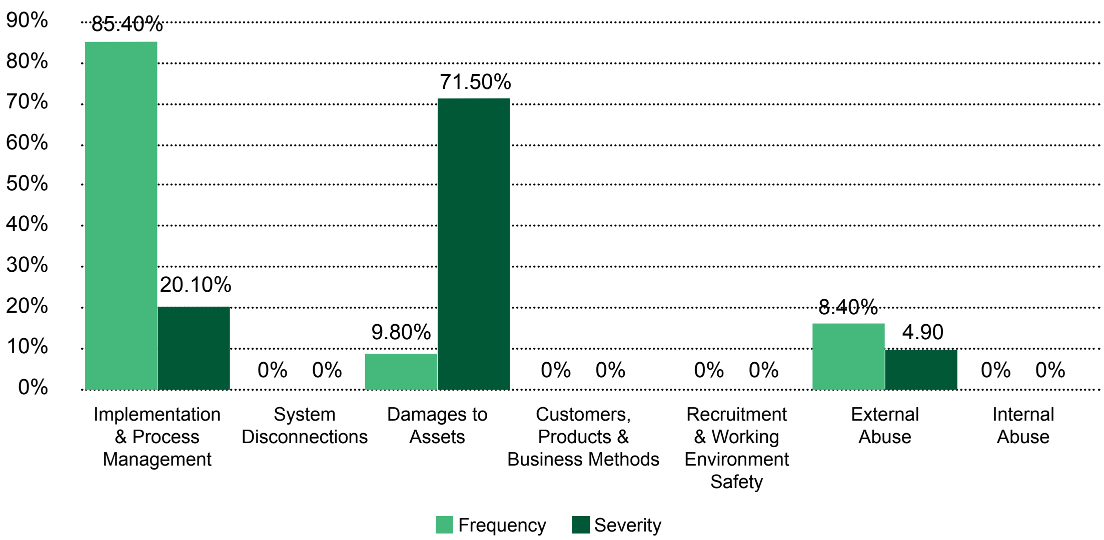
Once the operational risks are identified, the Bank selects one or more of numerous options for confronting such risks. The options at hand are stated below:

i. Risk avoidance: where the Bank aims to eliminate hazards that can negatively affect its assets by avoiding a given risk entirely. This is carried out by avoiding certain ventures.

ii. Risk minimisation: here, the bank accepts a risk, and aims at minimising it by defining internal controls and providing sufficient funding to cover the risk via pricing and allocating provisions etc.

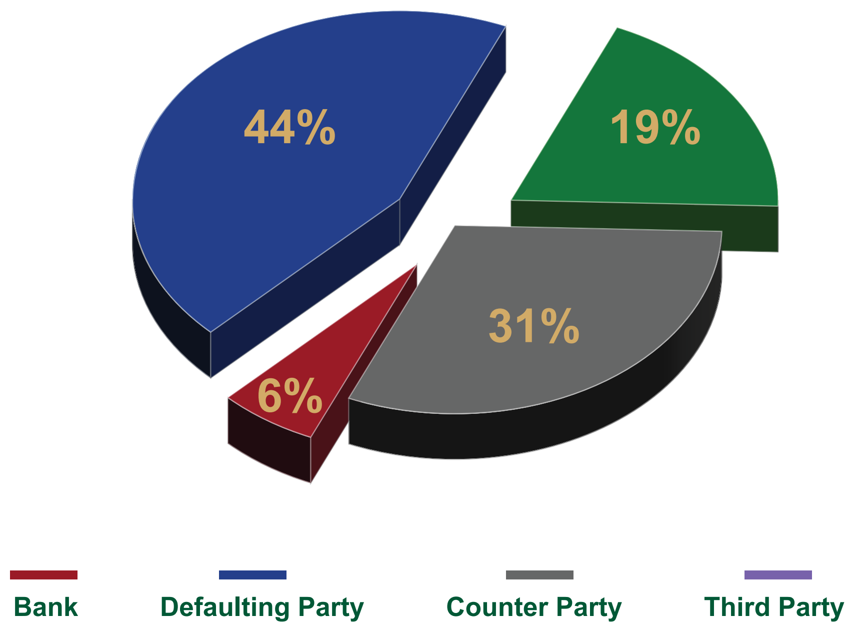
iii. Risk transfer: in such cases, whilst accepting the risk, the Bank aims to transfer all or a portion of it to other parties such as insurance companies.

During the period under review, Karafarin Bank continued its self-assessment scheme to manage the risks of its operational units. The following chart demonstrates the Bank's distribution of losses resulting from operational activities:



It is noteworthy that during the reporting period, the Bank was successful in transferring most of its losses (94%) arising from operational risk to other parties or to take preventative measures. The following pie chart illustrates the breakdown of sources of Karafarin Bank's operational loss recovery.

Distribution of Damages



Liquidity Risk

Liquidity risk denotes the Bank's inability to meet its short-term obligations as they come due. The main objective of liquidity risk management is to provide adequate coverage for obligations arising from any of expected and/or unexpected changes in the Bank's balance sheet items.

In order to effectively manage liquidity risk and to optimise the use of its resources, the Bank has formulated liquidity risk management guidelines and procedures, which are designed to identify, measure, supervise, control and report the Bank's liquidity and interest rate. Furthermore, liquidity ratios indicate the Bank's ability to withstand liquidity requirements under stress conditions. The following table demonstrates Karafarin Bank's liquidity ratios:

	End of 2015-16	Average Period	Beginning of 2016-17
Cash & Semi Cash Assets to Total Assets	10%	11%	13%
Cash & Semi Cash Assets to Total Deposits	14%	15.1%	18%
Net Cash Assets to Total Deposits	2%	-0.5%	6%
Loans to Total Deposits	85%	88%	86%
Loans to 1-Year Deposits & Above	92%	103%	102%
Ratio of Runoff Deposits to Total Deposits	3%	11%	11%

The next table shows Karafarin Bank's liquidity reserves.

Description	(million IRR)	
	2015-16	2016-17
IRR Cash	480,726	387,212
Foreign Currency Cash	478,504	818,864
Sight Deposits at Central Bank (Unlimited)	1,414,646	508,861
Sight Deposit at Other Banks and Credit Institutes (Unlimited)	11,222,217	13,722,237
Current Investment in Marketable Shares	1,500,912	856,471
Investments in Other Securities with Fixed Income	1,498,530	1,019,347
Total	**16,595,535**	**17,312,992**

Among the metrics currently used within Karafarin Bank are: asset-liability gap analysis that signal potential maturity mismatches, liquidity ratios that provide relative assurance on the timely and orderly servicing of financial obligations, holdings of cash and marketable securities that are relevant in assessing the Bank's liquidity adequacy, reviews of changes to interest rates, reviews of the structure and stability of deposits and forecasts of future cash flows. Liquidity risk reports are assessed by the Asset and Liability Management Committee on a monthly basis.

Asset-Liability Gap & Maturity Mismatches

Asset and liability maturity mismatches are generally perceived to be a central feature of all banking activities. The main issue associated with such mismatches is the extent of the maturity gap. In the event of instabilities and crises, this gap will define the time frame within which a bank can continue to operate its ordinary activities. Liquidity gap reports prepared for month and up to one-year periods are presented to the Assets & Liabilities Committee.

Balance Sheet Time Table	Below 1 Month	1 Month to 3 Months	3 Months to 6 Months	6 Months to 1 Year	Over 1 Year
Total Assets	66,582	48,170	13,406	5,661	14,821
Total Liabilities & Shareholders' Equity	52,005	9,054	14,270	50,175	23,137
Assets & Liabilities Gap	14,576	39,116	(863)	(44,513)	(8,315)
Accumulated Gap	14,576	53,692	52,829	8,315	0

As the above table shows, liquidity gap between three months to one year is negative. Considering the fact that in liquidity management, this time span is regarded as mid-term, the Bank has enough time to acquire liquidity. In addition, accumulated gap in positive in all seasons. This means that the Bank's assets cover all of its liabilities.

Although maintaining cash for the purpose of supplying customer requirements reduces liquidity risk, yet it also reduces the Bank's chances to maximise its profitability, since this consumes resources that could be allocated towards investment. Hence, in order to maintain a balance between profitability and risk, the amount of cash being held at branches is periodically assessed and optimised.

Liquidity Adequacy Stress Test in Crisis

Stress tests are used to assess risks arising from macroeconomic events which are beyond a bank's control. The Basel Committee recommends the use of stress tests in order to forecast future liquidity position. The objective of these tests is to estimate the impacts of severe, yet foreseeable shocks on a financial system. In order to ensure a stable banking system, it is necessary to assess a bank's ability to survive domestic or international market shocks. Thus, a bank needs to develop models which can protect it against possible shocks. In such cases, Karafarin Bank applies a macro model to measure and report the impacts of various external scenarios on its statement of financial position and profit and loss account every six months. This model aims to enable the Bank to forecast cash flows resulting from various scenarios and their impacts on the Bank's liquidity. The ultimate objective is to create a liquidity buffer zone to counter any future shock. Karafarin Bank measures its liquidity risks and carries out its liquidity adequacy stress tests in crisis within three stages. These stages include:

Stage I: Preparing liquidity ratio reports, evaluating the Bank's liquidity situation, calculating its static liquidity gap and rendering such reports to the Asset Committee. These ratios have been pointed out via the Basel Committee and the IMF.

Stage II: Carrying out operations based on liquidity coverage ratio (LCR), which is an essential part of the Basel III reforms. These reforms are global regulatory standards on capital adequacy of banks and liquidity. The LCR promotes the short-term resilience of a bank's liquidity risk profile. It does this by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a 30°-calendar day liquidity stress scenario. It will improve the banking sector's ability to absorb shocks stemming from financial and economic stress. The Basel III Committee has introduced a phased timetable for the implementation of LCR, starting from 60% in 2015. According to this timetable, LCR should reach 100% by 2019. Karafarin Bank's LCR stood at 103% during the reporting financial period, which meets the mentioned timetable.

Stage III: Creating a liquidity buffer, whereby, the Risk Management Department uses various economic models to forecast pessimistic and normal scenarios. Karafarin Bank forecasts wide scale withdrawals on three levels of treasury, SATNA and CHEKAVEK to calculate its liquidity buffer.

Capital Adequacy Risk

In order to ensure the Bank's resiliency towards existing risks, we calculate the sufficiency of capital coverage (required to withstand risks) under different scenarios and we use the Stress Test Method as means to measure the Bank's resistance against risks at times of crisis. As recommended by the Basel Committee and the Bank for International Settlements, one of the factors assessed, is the impact of interest rates and default fluctuations on the Bank's profitability. In assessing the scale of profitability, the international precautionary agreements, we stress assessing income at risk (based on international precautionary conventions). Income at risk includes maximum expected declining income with 99% assurance. This model focuses on the effects of economic shocks on the Bank's profit and loss as well as its capital adequacy.

Assuming the worst scenarios (during the reporting fiscal period) in the event domestic shocks such as interest rate fluctuations, the Bank's net profit was over 10% of its capital. Hence, the Bank's capital buffer has been sufficient to cover both counter cylindrical and capital conservation buffers.

FINANCIAL PERFORMANCE

Our Investments

Financing, Advisory & Companies Affairs Management

Established in 2011-12, the operations of the department are primarily geared towards the design and development of new financial instruments for the Bank and its customers on the one hand and evaluating the economic, technical and financial feasibility of projects on the other. Furthermore, this department finances project investments from internal and external sources. In terms of obtaining required financing for corporate and investment projects, the Department offers advisory services on public securities in such areas as the optimal method and the timing of the offering, valuation of securities, registration and licensing procedures and underwriting securities in the financing of approved projects from internal and external sources. In addition, the Department has been assigned to oversee the management of partnerships, which involved the supervision of Karafarin Bank's affiliated companies. The Department's main areas of activity during the year under review are as follows:

A. Issuance of Participation Bonds, Public and Special Deposit Certificates *Sokuk* Islamic Bonds, etc.

- Assessing, approving and obtaining a license for issuing one-year named public investment certificates of deposit in the amount of IRR10,000 billion.
- Assessing and accepting to become a correspondent and guarantor for issuing specially catered investment certificates of deposit for eligible companies.
- Accepting and assessing the guarantee of issuing *Sokuk* Islamic bonds for companies (having obtained licences from the CBI and the Securities & Exchange Organisation).
- Assessing and accepting registration and time of liquidation of joint investment funds.

B. Accepting & Assessing Industrial, Mining, Oil & Service Projects to be Financed from Internal & Foreign Resources

In order to ensure that long-term facilities which have been funded either from domestic or foreign resources are used appropriately, we supervise the consumption of the funds via the borrowers until such time as the project has been fully utilised. Main measures conducted during the year under review are stated below:

- Allocating a portion of the Bank's internal resources towards long-term loans and fully supervising project progresses, in order to ensure that the funds are used appropriately.
- Supervising and gradually granting IRR loans which have been funded from the sources of the National Development Fund (in line with its correspondence agreement which was enforced as of 2014-15 with the said fund, Karafarin Bank was authorised to grant IRR loans in the amount of IRR1,000 billion).
- Assessing and accepting to grant foreign currency loans projects which are acceptable to the Bank. These loans have been funded by the National Development Fund (in line with its correspondence agreement which was enforced as of 2015-16 period with the said fund, Karafarin Bank was authorised to grant IRR loans in the amount of USD200 million and USD280 million in the following year).
- Accepting low rate deposits from the National Development Fund in the amount of IRR500 billion for the purpose of granting facilities towards the working capitals of industrial units. These loans have all been provided on the basis of conditions and regulations of the mentioned fund.
- Signing a contract that enables the Bank to use external resources towards granting facilities against receiving a commission. Under the terms of this contract, the Bank acts as a fund manager for government ministries, various organisations and companies.

C- Partnerships Department

The main duties of this department include: conducting analysis and reviews and supervision over the operations of the subsidiary companies and taking part in their general assemblies of Karafarin Bank's subsidiary companies (listed and unlisted companies).

1) Karafarin Brokerage Company

Karafarin Brokerage Company, which commenced its operations on 14.07.2007 is Iran's very first investment fund.

The capital of this company, which is fully owned by Karafarin Bank, currently stands at IRR150 billion. There are currently four firms which are managed by this company. These are: Karafarin Brokerage Mutual Fund (offering average returns of 22.15% in 2016-17), Arman Karafarin Company (with average returns of 22.45% in 2016-17), Karafarin Index Company (with average returns of -6.63% in 2016-17) as well as Amin Karafarin Company (offering average returns of -5.31% in 2016-17). Karafarin Bank fully owns this company.

2) Karafarin Insurance Company

The capital of Karafarin Insurance Company currently stands at IRR1,500 billion and Karafarin Bank has a 20% stake in this company. This company operates with the aid of 1,020 agents throughout the country.

3) Karafarin Foreign Exchange Company

This company operates in the trading of hard currencies, purchasing of currency transfers, currency transactions as well as trading of precious metals such as gold coins. The capital of this company is IRR40 billion. Karafarin Bank is the majority shareholder of this company.

4) Karafarin Investment Company

Investments in the shares of other companies and institutions, as well as participation in manufacturing, building construction and energy related projects as well as completing the value chain of financial services constitute among the areas of this company's activities.
The capital of Karafarin Investment Company is IRR1,462 billion (IRR910 billion in the previous year) in which Karafarin Bank has a 54% ownership stake. This company currently oversees, Omid Karafarin Trading Development and Amin Etemad Karafarin Companies.

5) Karafarin Leasing Company

This company is essentially engaged in leasing operations as well as cash and instalment sales and hire-purchase transactions, obtaining agencies from companies, manufacturers of machineries and durable commodities as well as investing in the above fields of activity. The capital of this company currently stands at IRR100 billion.

6) Abnieh Gostar Construction Company

This company in engaged in building construction. The capital of this company which is 49% owned by Karafarin Bank is currently IRR10 billion.

3) Financing and advisory management:

Share Prices & Trading Information

The Bank gained listing on the Tehran Stock Exchange (TSE) on 27 January 2003. The Bank's symbol is "VAKAR" and is categorised under the Banks, Credit and Other Financial Institutions industry sector. Trading of the Bank's shares commenced on 5 July 2003. Relevant trading statistics for the Bank's shares over the past three financial years are outlined in the following table.

Year Ended	No. of Traded Shares	Value of Transacted Shares (million IRR)	Days Active	Trading Days	Average Value of Financial Market per Year (million IRR)	Average Share Prices (IRR)	Capital (million IRR)
20.03.2015	232,650,757	576,670	232	232	20,604,073	2,424	8,500,000
19.03.2016	230,903,310	688,015	212	212	24,338,387	2,863	8,500,000
20.03.2017	172,906,904	513,082	207	207	25,221,184	2,967	8,500,000

Interest Rates of Investment Deposit Accounts

Description	Interest Rate (%)		Statutory Deposit Rate (%)	
	2015-16	2016-17	2015-16	2016-17
Saving Interest free	0	0	10	10
Current Interest free	0	0	12	11.9
Short-Term Ordinary	10	10	12	11.9
Short-Term Special	14-18	13.5-14.5	12	11.9
Long-Term 1 to 5 Years	18	15	12	11.9
Deposit Certificate	20	18	12	11.9

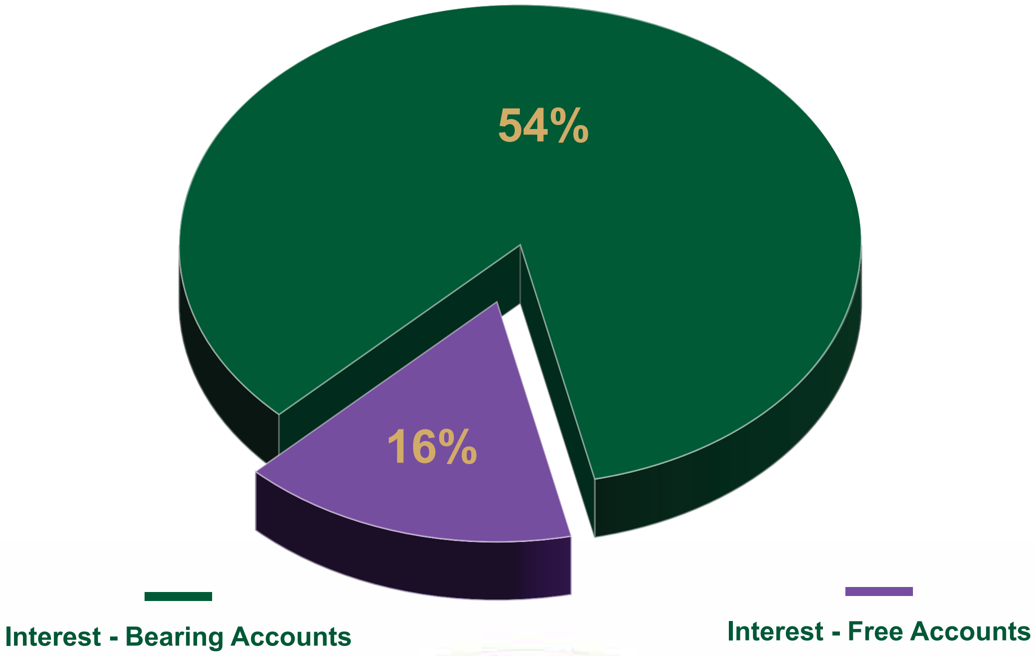
Paid Interest on Investment Deposit Accounts

Description	2014-15 (million IRR)	2015-16 (million IRR)	2016-17 (million IRR)	2015-16 to 2014-15 Change Percentage	2016-17 to 2015-16 Change Percentage
Short-Term	3,623,569	3,923,641	2,676,416	8%	(32%)
Short-Term Special	2,137,785	437,444	8,268	(80%)	(98%)
Long-Term 1 to 5 Years	7,840,921	9,982,493	10,391,666	27%	4%
Special Deposit Certificate for Public Investment	765,976	1,862,067	1,827,476	143%	(2%)
Foreign Currency Deposits	82,502	78,941	59,806	(4%)	(24%)
Total	14,450,754	16,284,585	14,963,629	13%	8%

Structural Distribution of Deposits

The following pie chart outlines the structure distribution of the Bank's deposits based on interest free dichotomy, during the reporting period. Based on this classification, non-interest-bearing items which include current account and savings deposits and other accounts represent 16% and interest-free accounts which comprise short-term and long-term investment deposits account for the remaining 84% of the Bank's total deposits.

Composition of Deposits



Major Items of Income Statement

Description	2014-15			2015-16			2016-17		
	Amount	Comparison to Total Revenue	Growth to Previous Year	Amount	Comparison to Total Revenue	Growth to Previous Year	Amount	Comparison to Total Revenue	Growth to Previous Year
Income from Loans	16,652,950	75%	33%	18,994,740	95%	14%	17,201,567	86%	(9%)
Income from Investments & Deposits	1,940,638	9%	1%	2,106,971	10%	9%	1,723,795	9%	(18%)
Received Commission & Miscellaneous Revenues	2,212,901	10%	119%	1,032,946	5%	(53%)	1,163,942	6%	13%
Total Revenues	20,806,488	100%	35%	22,134,658	100%	6%	20,089,304	100%	(9%)
Paid Interest to Depositors	(14,450,754)	(65%)	45%	(16,284,585)	(81%)	13%	(14,963,629)	(74%)	(8%)
Cost of Doubtful Debts	(520,587)	(2%)	55%	(887,420)	(4%)	70%	(1,012,712)	(5%)	14%
Other Costs	(1,513,502)	(7%)	27%	(2,025,985)	(10%)	34%	(2,293,942)	(11%)	13%
Profit before Tax	4,321,646	21%	9%	2,936,667	13%	(32%)	1,819,020	9%	(38%)
Tax	(619,649)	(3%)	5%	(528,647)	(3%)	(15%)	(96,654)	???	(82%)
Profit after Tax	3,701,997	18%	9%	2,408,020	11%	(35%)	1,722,366	9%	(28%)

Comparative Analysis of Interests Received from Granted Loans, Deposits & Investment Revenues

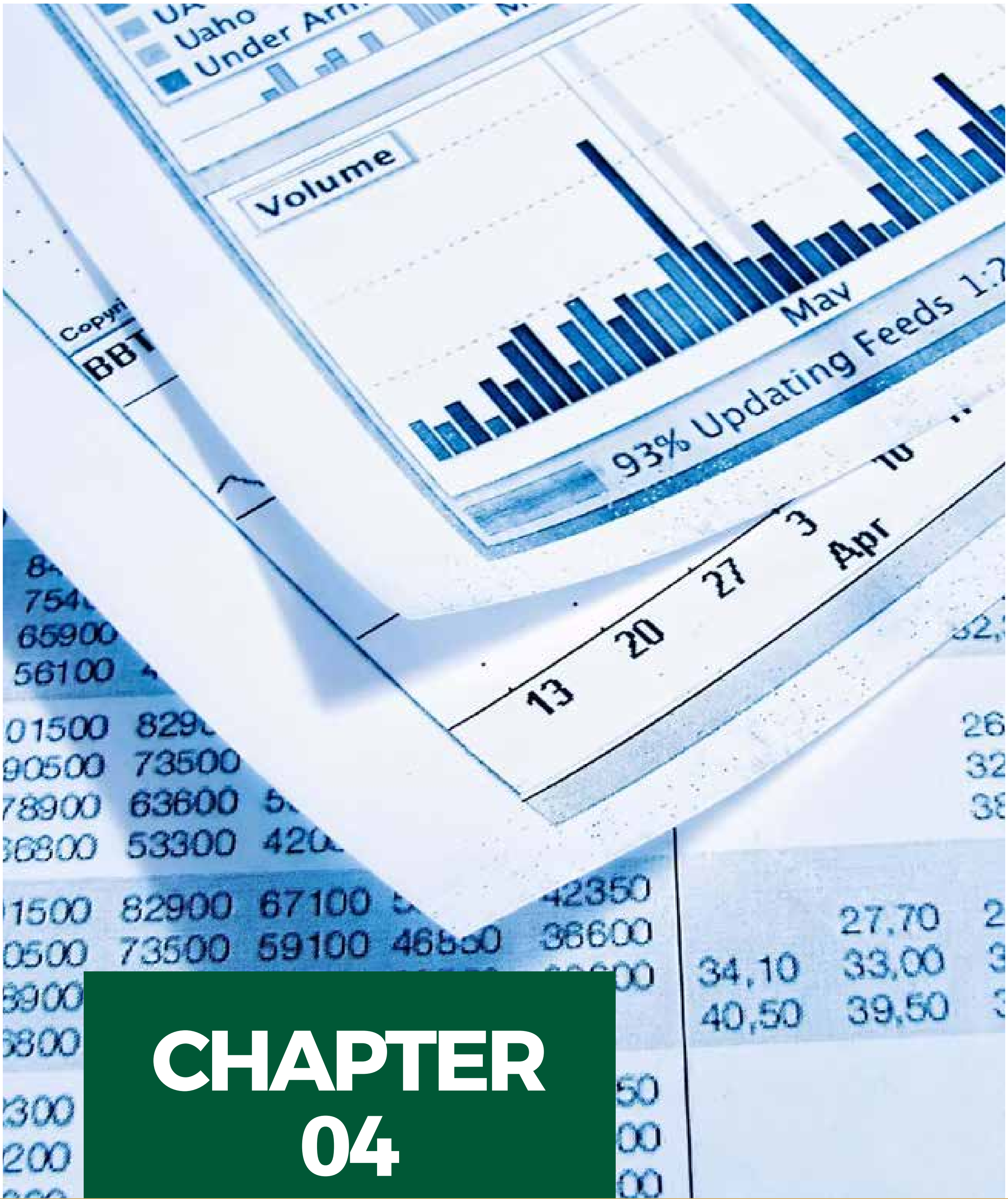
Description	2014-15 (million IRR)	2015-16 (million IRR)	2016-17 (million IRR)	2015-16 to 2014-15 Change Percentage	2016-17 to 2015-16 Change Percentage
Joint:					
Income from Islamic Contracts	14,239,313	15,080,168	13,302,466	6%	(12%)
Received Recognisance	2,314,710	3,621,896	3,686,138	56%	2%
Income from Investments & Deposits	3,057,452	2,093,787	1,704,989	(32%)	(19%)
Non-Joint:					
Income from Transactions	69,786	64,071	109,872	(8%)	71%
Received Recognisance	29,141	228,606	103,091	684%	(55%)
Income from Investments & Deposits	4,526	13,184	18,806	191%	43%

EPS Forecast

Description	Actual Performance of 2016-17	EPS Initial Forecast for 2016-17	% of Changes
Income from Granted Loans	20,133,124	17,201,567	(15%)
Income from Investment in Shares of Other Companies	719,936	475,369	(34%)
Income from Investments & Participation Bonds	1,802,719	1,248,426	(31%)
Total	22,655,779	18,925,362	(16%)
Interest Paid to Investment Deposits	(16,636,927)	(14,963,629)	(10%)
Doubtful Debts Costs	(1,230,540)	(1,012,712)	(18%)
Received Commission & Result of Foreign Currency Transactions	1,323,853	958,532	(28%)
Net Operating Revenues	6,112,166	3,907,553	(36%)
Miscellaneous Revenues	221,728	205,410	(7%)
Financial & Commission Costs	(333,981)	(162,675)	(51%)
Administrative & General Costs	(2,213,958)	(2,131,267)	(4%)
Profit before Tax	3,785,956	1,819,020	(52%)
Tax	(605,263)	(96,654)	(84%)
Profit after Tax	3,180,692	1,722,366	(46%)
Net Profit to Total Operating Revenues	14%	9%	(35%)
No. of Shares - Thousand Shares	8,500,000	8,500,000	0%
Profit of Each Share after Tax - IRR *	374	203	(46%)

Main Items of the Statement of Financial Position

Description	2014-15			2015-16			2016-17		
	Amount	Comparison to Total Revenue	Growth to Previous Year	Amount	Comparison to Total Revenue	Growth to Previous Year	Amount	Comparison to Total Revenue	Growth to Previous Year
Cash	17,113,162	15%	7%	13,829,485	10%	(19%)	16,353,845	11%	18%
Participation Bonds & Investment	2,373,565	2%	(39%)	3,861,011	3%	63%	3,626,233	3%	(6%)
Granted Loans	69,311,354	62%	19%	81,079,798	56%	17%	94,482,976	66%	17%
Fixed Assets	9,651,535	9%	12%	10,168,460	7%	5%	10,522,770	7%	3%
Other Assets	13,623,443	12%	1%	14,107,150	10%	4%	19,141,541	13%	36%
Total Assets	112,073,059	100%	12%	123,045,905	85%	10%	144,127,365	100%	17%
Deposits	94,392,057	84%	14%	104,602,671	73%	11%	123,606,384	86%	18%
Other Liabilities	2,967,637	3%	(20%)	3,497,886	2%	18%	5,553,267	4%	59%
Total Liabilities	97,359,695	87%	13%	108,100,557	88%	11%	129,159,651	90%	19%
Shareholders’ Equity:									
Capital	8,500,000	8%	17%	8,500,000	6%		8,500,000	6%	
Statutory Reserve	2,840,984	3%	24%	3,241,165	2%	14%	3,499,519	2%	8%
Retained Profit	3,328,783	3%	14%	3,160,587	2%	(5%)	2,924,599	2%	(7%)
Surplus Assets Revaluation	43,597	0%	(97%)	43,597	0.03%		43,597	0.03%	
Total Shareholders’ Equity	14,713,365	13%	7%	14,945,348	12%	2%	14,967,714	10%	
Total Liabilities & Shareholders’ Equity	112,073,059	100%	12%	123,045,905	100%	10%	144,127,365	100%	17%



CHAPTER 04

INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS

Hoshiyar / Behmand Audit Firm
Member of the Iranian Association of Public Accountants

Independent Auditor’s Report
To the Annual General Meeting of Karafarin Bank
(Public Joint Stock Company)

Report on the Consolidated Financial Statements

1- We have audited the accompanying consolidated financial statements of Karafarin Bank (Public Joint Stock Company), and its subsidiaries, which comprise the consolidated statements of financial position as at 20 March 2017 (30 Esfand 1395) and the related statements of consolidated income, retained earnings, comprehensive income and cash flows for the year then ended together with explanatory notes 1 to 60.

Board of Directors Responsibility for the Financial Statements

2- The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Iranian accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

3- Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In order to make those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

In addition to our duties as the legal inspector, we are responsible for reporting any instance of non-compliance with the Commercial Code as amended, the Articles of Association of the Bank and other instances to the general assembly of the shareholders.

Basis for Qualified Opinion

4- As for the portion of the balance of doubtful loans granted (note 10-1 of the financial statements), doubtful claims provision has been calculated solely due to the extension of these loans and their classification as “general current loans”. This does not comply with the CBI’s instruction on calculating doubtful claims provision. If the mentioned CBI instruction and accounting standards were to be complied, minimum doubtful claims provisions deficit in the accounts would stand at IRR620 billion. In case the aforementioned adjustment is made, the heading of loans and net profit would be reduced by the above amount.

5- Replies to the enquiries of the Bank regarding sight and foreign currency deposits held by domestic and foreign banks (note 8-4 of the financial statements), which include 18 and 65 bank accounts, amounting to IRR157 billion and IRR4,253 billion and the balance of accounts receivable and payable (notes 23 and 13-1 of the financial statements) in the amounts of IRR226 billion and IRR1,039 billion have not been received. Hence, it is not possible for us to determine the impact of the above on the items of the financial statements.

6- Important points regarding the consolidated financial statements of the Group are stated below:
A) The subsidiary company registered abroad has been excluded from consolidation and hence, the accounting standard on preparing the consolidated financial statements, has not been complied.
B) The financial statements of the subsidiaries registered abroad and Metanol East Company have not been submitted to us for general assessment. Therefore, it has not been possible for us to determine their impact.

7- The attached financial statements for the year under review and for the previous year have been prepared in compliance with sample financial statements notified by the CBI. In this regard, the financial statements on the performance of investment deposits and changes in shareholders' equity as the main financial statements, and submitting a portion of the explanatory notes (outlining the Bank's risks) are not included in accounting standards. In addition, methods of classification and submitting the cash flows statement and failure to include the turnover of accumulated profit account in the profit and loss statement do not fully comply with accounting standards.

8- As stated in note 11-1 of the financial statements, in compliance with accounting standards the amount of IRR115 billion as provision for depreciation of rapidly marketable investments should be recorded in the accounts. However, this has not taken place. In the event where the accounts are adjusted, the Bank's net profit and investments in the shares of companies would be reduced by the above amount.

9- The heading of investments and other accounts receivable (notes 11-2-2 and 13-1 of the financial statements) which includes the total sum of IRR124 billion refers to the balance of partnerships, balance of overdue notes and other prior years' claims of the Omid Karafarin Tejarat (subsidiary company) transferred from 2014-15 is related to purchasing, selling, manufacturing and exporting, which due to the damages claims of these parties regarding the above partnerships, the principal amount of the partnership and claims from the mentioned companies along with the identified profit of the partnership in the previous years, have not been settled, in spite of litigations and freezing some properties (including building, vehicle, factory land and two land and building registration numbers). In view of the above, it is necessary to carry out adjustments in the accounts. However, since we do not have access to sufficient documents and evidence, we have not been able to determine the precise extent of the required adjustments.

Qualified Opinion

10- In our opinion, except for the contents of paragraphs 4, 6A, 7 - 9 and with the exception of possible effects of paragraphs 5 and 6B, the financial statements present fairly, in all material respects, the financial position of Karafarin Bank (Public Joint Stock Company) and its subsidiaries as at 20.03.2017, and its financial performance and cash flows for the year then ended in accordance with Iranian Financial Reporting Standards.

Emphasis of Matter

11- As stated in note 8-3-1 to the financial statements, the Central Bank of Iran debited Karafarin Bank's current account by IRR741 billion at the end of the Iranian calendar years 1390 (March 2012) and 1391 (March 2013), as excess withdrawal. In addition, it has claimed the amount of IRR1,060 billion as penalties, due to the mentioned excess withdrawal. In this regard, a special foreign currency enquiry has been conducted for the mentioned years, via an audit firm (member of the Iranian Association of Public Accountants) the result of which has been submitted to the CBI. However, the Bank's follow-ups in determining the fate of funds withdrawn and the penalties were inconclusive by the reporting date.

12- As stated in notes 22-1 and 51-3 of the financial statements (A), the amounts of IRR697 billion and IRR594 billion as tax provision have been recorded in the accounts. However, according to the tax assessment notes issued, the amounts of IRR810 billion and IRR968 billion have been claimed. The Bank has in turn, filed an appeal against this and the case is currently being reviewed by the Tax Arbitration Board, the result of which has not been notified to the Bank. In reference with the Bank's 2016-17 performance (B) a tax provision has been recorded in the accounts based on the Bank's declaration. In addition, VAT of Karafarin Bureau de Change and Karafarin Leasing Companies (subsidiaries) have not been assessed via the tax authorities. Considering the above, determining the scale of corporation tax and VAT dues for the mentioned periods, is pending upon assessments and issuance of final tax note by the Tax Affairs Organisation.

13- The Bank's balance of claims from the subsidiary company registered abroad (note 12-1 of the financial statements) in the amount of IRR29 billion (equivalent to AED88,964 and EUR790,423) is related to forex operations in the previous years. Litigations have not led to the recovery of the mentioned claims. Furthermore, the balance of accounts receivable which is related to Karafarin Leasing Company, a subsidiary of Karafarin Bank (note 13-1 of the financial statements) amounting to IRR322 billion as matured claimed (including overdue, non-performing and doubtful claims), taking into account IRR72 billion as penalties for doubtful instalments receivable, was based on CBI instruction. In this regard, legal actions have been commenced to recover some of the overdue instalments, some of which did not reach a conclusion by the reporting date. In addition, the mentioned subsidiary company repossessed collaterals (including properties) in the previous years, as means to collect a portion of its claims. This has been reflected under the heading of "Other Assets" (note 17-3 of the financial statements). It is noteworthy that company measures in transferring the above properties were inconclusive by the reporting date.

14- As stated in note 23-3, based on the amendment of Scale & Method of Obtaining Membership Fees of the Deposits Guarantee Fund Guideline, membership fees for the first year of the Fund's operations amount to 0.25% of daily mean balance of all deposits less statutory deposit for up to the maximum amount that the Fund guarantees in the previous financial year. As for the second year of the Fund's operations and onwards, the mentioned fees are based on 0.25% of the weekly mean balance of each deposit account during the previous fiscal period up to the maximum amount. Necessary provision for membership fees for the 2016-17 period have been recorded in the accounts.

Our opinion has not been qualified as a result of paragraphs 11 to 14.

Other Explanatory Notes

15- The financial statements of 2015-16 period were audited by another audit firm, which has made a "qualified" opinion on the financial statements in its report dated 06.07.2016.

16- The title deeds of 139 repossessed properties under the heading of "Other Assets" and two properties under the heading of "Building" (note 17-2 and 14 of the financial statements) in the total sum of IRR2,443 billion, are not in the Bank's name and measures are being taken to obtain their deeds. In addition, the amount of IRR1,482 billion of repossessed properties (mainly residential properties) still have residents who have not been evacuated by the mentioned customers. Measures in evict and sell the said properties were inconclusive by the reporting date.

17- The Afarin Software is currently being used by the Bank and Excel software is also used for carrying out some of the operations including calculations of loans revenues (accrued revenue and penalties) and doubtful claims provision. Furthermore, there are certain shortcomings in the Bank's existing information. These include: full set of information regarding commitments on guarantees, letters of credit according to collateral type, failure to fully allocate a portion of collaterals which have general coverage and failure to valuate a portion of loans which are valid for more than three years, according to CBI instruction. In view of the above, and considering the increasing scale of the Bank's operations, it is necessary that all Karafarin Bank's operations take place via mechanised systems and expert help should be used for upgrading the existing software.

18- The reports of official experts, selected experts and the ratifications of the Board of Directors of the Bank relating to evaluating collaterals for loans, extending loans, guarantees issued as well as repossessed properties and sold properties during the year, have been used as points of reference in this report.

Report on Other Legal and Regulatory Requirements of Karafarin Bank (Public Joint Stock Company)

Report on Other Duties of the Legal Inspector

19- Those requirements set forth by the Commercial Code as amended and the provisions of the Articles of Association of the Bank which have not been complied are stated below:

19-1 The provisions of Article 128 of the Commercial Code as amended which refers to registering the scope of authority of managing directors of banks (Board of Directors meeting on 26.05.2015) at the Companies Registration Department, has not been complied.

19-2 Several minutes of the Board of Directors meetings have not been signed by some of the board members. This report has referred to this in accordance with Article 123 of the Commercial Code as amended.

19-3 Although Article 64 of the Articles of Association of the Bank requires that board members should only be natural persons, the current Board of Directors is composed of six members representing legal entities.

19-4 The two-year serving duration of board members (selected in the Ordinary General Assembly dated 12.06.2012) expired on 13.06.2014. In this regard, the provision of Article 61 of the Articles of Association requires the Bank's managing director to inform all shareholders of the selection of board members via advertising in the official gazette. It is noteworthy that selection of the board members in the Ordinary General Assembly of 1393/04/24 (15.07.2014) was not approved by the CBI. As far as the CBI is concerned, based on the letter numbered 95/113984 dated 1395/04/13 (03.07.2016), the previous approvals of the board member are no longer valid.

19-5- Contrary to the requirements of Articles 55 and 72 of the Articles of Association, the Bank does not have a chairman and an executive board.

19-6 Article 82 of the Bank's Articles of Association which requires the Managing Director of the Bank to select a deputy who has been approved by the Board of Directors, has not been complied.

20- As stated in the Bank's financial statements (A) profit before tax has declined by 4% compared to the previous year. This is due to falling loans revenues, despite decreasing depositors' interest costs (in view of polices notified by the CBI) and increasing doubtful claims costs. (B) In addition, the heading of "Other Assets" (note 17-2 of the financial statements) includes IRR2,829 billion (IRR1,909 in the previous year) of repossessed collateral (mainly properties) due to customer defaults in repayments of loans on their due dates and subsequent litigations. The mentioned assets remaining in the Bank's possession in the long-run and under current economic conditions, have reduced the Bank's liquidity and its ability to grant new loans. In this regard, it is necessary that the Bank would make decisions to comply with the Overcoming the Challenges of Compatible Production & Enhancement of Iran's Financial System Act.

21- We would like to draw the attention of the Ordinary General Assembly of the shareholders upon deciding the distribution of dividends towards the financial impacts as stated in paragraphs 4 and 8 of this report. In addition, as referred to in the statement of performance of investment deposits and note 36-1 of the financial statements, the amount of IRR792 billion of interest has been granted to depositors as gift (excess interest paid to depositors). It is noteworthy that as stated in note 34-1 of the financial statements attorney's fees in this regard stood at 1.5%,

whereas the attorney fee declared in the official gazette of the Bank is 3%.
22- The Bank's follow - ups regarding the duties as set forth by the Ordinary General Assembly of the shareholders dated 1395/04/29 (19.07.2016) as stated in paragraph 19-4 of this report have not been conclusive.

23- We have examined the transactions in note 56-4 of the financial statements which we have been notified of, via the Board of Directors. These transactions are subject to Article 129 of the Commercial Code of Iran. The aforementioned transactions have not occurred according to the mentioned article, which requires a permit to be obtained from the Board of Directors and the beneficiary board member, to take part in the voting process. The mentioned transactions have mainly taken place under the framework of special relations between group companies.

24- We have examined the report of the Board of Directors referring to the general condition of Bank for the purpose of presenting to the general assembly which has been drafted in line with Article 232 of the Commercial Code as amended. Considering the examinations, we did not encounter any event leading to any discrepancy between the information provided in the aforementioned report and the relevant documentation presented by the board. Furthermore, the provision of Article 232 of the Commercial Code as amended which refers to submitting the financial statements to the inspector 20 days prior to the date of the Ordinary Annual General Assembly, has not been complied. Hence, it has not been possible to submit to inspector's report 10 days prior to the date of the general assembly.

Report on Other Regulatory and Lawful Duties of the Auditor

25- The following laws and regulations in reference with the executive guideline of the listed companies on the Tehran Stock Exchange have not been complied:
25-1- The annual audited and unaudited financial statements of the Parent Company and the Group (consolidated) for the 2015-16 and 2016-17 periods, the unaudited forecast of the Parent Company and the Group (consolidated) for the 2016-17 period, the unaudited forecast of the Parent Company for the actual 3, 6 and 9 month performance for the year ended March 2016-17 and based on the actual performance of 1395/06/31 (21.09.2016), the unaudited three-month, mid-term financial statements for the period ended 1395/03/31 (20.06.2016) and 1395/09/30 (20.12.2016), the audited and unaudited six-month, mid-term consolidated financial statements of the Group for the financial period ended 1395/06/31 (21.09.2016), the 2015-16 report of the Board of Directors to the Ordinary General Assembly of the shareholders have been submitted with a delay.
25-2- The audited annual financial statements of Kourosh Petrochemical Industries and Karafarin Bank Investment Companies (subsidiaries) for the 2015-16 period, portfolio information of the Karafarin Bank Investment Company for the three- month period ended 1395/03/31 (20.06.2016), six-month period ended 1395/06/31 (21.09.2016) and nine-month period ended 1395/09/30 (20.12.2016) and the audited mid-term (six-month) financial statements for the period ended 1395/06/31 (21.09.2016) of Karafarin Bank Investment, Karafarin Brokerage and Karafarin Asr Amin Companies have been submitted with a delay.
25-3- The minute of the Ordinary General Assembly of the shareholders dated 1395/04/29 (19.07.2016) was not disclosed within a maximum period of one week as of the holding of the General Assembly. In addition, the mentioned minute was not submitted to the Companies Registration Department within a maximum 10-day period.
25-4- Based on the Securities & Exchange Organisation's instruction, the shareholders' equity to total assets ratio of listed companies in the primary market should be at least 30%. According to the financial statements of the reporting period, this ratio stands at 10%.
25-5- The contents of Article 7 of the instruction and notification numbered 95/B/440/020 dated 1395/12/28 (18.03.2017) in reference with submitting the Bank's and the Group's consolidated financial statements have not been complied according to the sample notified via the Organisation.
25-6- Article 218 of the Fifth Economic Development Plan Act which requires operational auditing of listed companies until the end of the plan (Iranian calendar year -1395) has not been complied.

25-7 We have reviewed the financial reporting requirements of internal controls, under the framework of notified checklists. Based on our reviews and the inherent limitations of internal controls and their minor shortages (as explained in paragraph 17 of this report), we have not encountered any points of significant weakness regarding internal controls of financial reporting according to chapter two of the internal controls instruction, ratified by the Securities & Exchange Organisation.

26- Instances of compliance with the Monetary, Banking & Usury-free Laws and the CBI circulars (those circulars that have been submitted to this organisation) relating to the reporting financial period, have been reported to the Bank's management separately, according to the CBI instruction.

27- The attached financial statements correspond with the sample financial statements as instructed via the CBI. Following our reviews, we have not encountered any significant instance of discrepancy with the CBI requirements.

28- In executing Article 33 of Combating Money Laundering Executive Instruction via the auditors, compliance of the said act and its related executive instructions has been reviewed by this institution in accordance with the framework of checklists as notified by the related authorities and accounting standards. In this regard, with the exception of non-compliance with some of the provisions of the said law, which include: full customer identification and assessment of expected scale of customer activities, customer categorisation based on possible risk arising from effective indexes and reassessment to ensure the customers remain active, periodical measurement of accounts which are exposed to higher risks and updating customer information, we did not encounter any significant event of breach of the mentioned regulations.

15.07.2017
Hoshiyar / Behmand Audit Firm

Javad Baghban	**Hamid Yazdan Parasti**	**Abbas Hooshi**
922046	**800912**	**800899**

Karafarin Bank (PJSC)
Consolidated Balance Sheet
As at March 20th, 2017

Assets	Note	20.03.2017	(Revised) 19.03.2016	Liabilities & Shareholders' Equity	Note	20.03.2017	(Revised) 19.03.2016
		Million IRR	Million IRR			Million IRR	Million IRR
Assets				**Liabilities**			
Cash	8	15,691,798	13,662,956	Dues to Banks and Other Credit Institutes	19	13,227,073	11,537,266
Dues from Banks and Other Credit Institutes	9	916,670	233,392	Customers' Deposits	20	7,629,645	14,475,310
Granted Loans and Dues from Non-Governmental Entities	10	95,027,453	81,407,137	Dividend Payable	21	53,300	60,554
Investment in Shares and Other Securities	11	3,524,882	4,286,232	Performance Tax Provision	22	140,746	754,980
Dues from Subsidiary & Affiliated Companies	12	29,917	29,740	Provisions and Other Liabilities	23	4,986,192	2,542,661
Other Accounts Receivable	13	1,047,927	1,911,204	Provision for Staff Work Termination Benefits	24	408,360	317,965
Fixed Tangible Assets	14	6,100,049	5,879,426	Total Liabilities before Rights of Investment Deposits		**26,445,317**	**29,688,735**
Intangible Assets	15	4,326,136	4,186,569				
Legal Deposit	16	12,442,336	10,027,037	**Rights of Investment Deposits**	25	102,705,524	79,058,608
Other Assets	17	5,253,945	2,303,688	**Total Liabilities**		**129,150,841**	**108,747,343**
Goodwill	18	184,211	136,489	**Shareholders' Equity**			
				Capital	26	8,500,000	8,500,000
				Statutory Reserve	27	3,534,538	3,272,601
				Other Reserves	28	5,830	5,660
				Assets Re-evaluation Surplus	29	154,759	154,759
				Retained Earnings		2,834,940	3,111,472
				Total Rights Attributable to Parent Company's Shareholders		**15,030,068**	**15,044,492**
				Shareholders' Equity with No Control	30	364,416	272,034
				Total Shareholders' Equity		**15,394,484**	**15,316,526**
Total Assets		**144,545,324**	**124,063,869**	**Total Liabilities & Shareholders' Equity**		**144,545,324**	**124,063,869**
Customers' Commitments on L/Cs	50-1	7,571,177	4,387,485	Bank's Commitments on L/Cs	50-1	7,571,177	4,387,485
Customers' Commitments on L/Gs	50-2	22,251,290	20,069,172	Bank's Commitments on L/Gs	50-2	22,251,290	20,069,172
Other Commitments of Customers	50-3	1,957,131	4,451,947	Other Commitments of the Bank	50-3	1,957,131	4,451,947
Managed Funds Counterpart & Similar Items	50-4	182,505	197,394	Managed Funds & Similar Items	50-4	182,505	197,394

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Consolidated Income Statement
For the Year Ended March 20th, 2017

Description	Note	2016-17		Revised 2015-16
		Million IRR	Million IRR	Million IRR
Income from Granted Loans & Investment	31	18,072,790		20,609,232
Cost of Deposits' Interest	36	(14,801,799)		(16,132,464)
Net Income from Loans & Investment			3,270,991	4,476,768
Commission Income	37	800,006		662,126
Commission Expense	38	(78,516)		(53,858)
Net Commission Income			721,490	608,268
Services Net Sales & Income	39	104,761,161		45,625,387
Cost of Goods Sold & Services	39	(104,480,229)		(45,462,368)
			280,932	163,019
Net Investments Profit	32		549,986	268,103
Net Profit of Foreign Currency Transactions	40		200,357	261,204
Total Operating Revenues			5,023,756	5,777,361
Other Net Incomes & Expenses	41		225,374	178,621
General & Administrative Expenses	42		(2,094,792)	(1,904,685)
Doubtful Debts Expenses	43		(1,015,872)	(890,134)
Financial Expenses	44		(121,891)	(157,751)
Depreciation Expenses	45		(187,501)	(99,384)
Interest before Considering Group's Quota from Interest of Affiliated Companies			1,829,074	2,904,027
Group's Quota from Interest of Affiliated Companies			3,472	39,455
Profit before Income Tax			1,832,545	2,943,482
Income Tax	22		(179,969)	(572,058)
Net Profit of the Year			**1,652,576**	**2,371,425**
Profit Attributable to:				
Parent Company's Shareholders			1,679,246	2,312,580
Shareholders' Profit – with no Control			(26,669)	58,845
			1,652,576	**2,371,425**
Year Earnings per Share (IRR)	52		**194**	**279**

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Consolidated Comprehensive Income Statement
For the Year Ended March 20th, 2017

Description	Note	2016-17	2015-16
		Million IRR	Million IRR
Net Profit		1,652,576	2,371,425
Assets Re-evaluation Surplus	29	154,759	154,759
Comprehensive Profit		1,807,336	2,526,184
Prior Years' Adjustments	46	(669,830)	(556,486)
Identified Comprehensive Profit from Previous Year's Reporting Date		**1,137,506**	**1,969,698**
Minority Interest from Comprehensive Profit (Loss)		**(22,848)**	**62,666**

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Changes Statement in Consolidated Shareholders' Equity
For the Year Ended March 20th , 2017

	Note	2016-17							
		Capital	Legal Reserve	Other Reserves	Assets Revaluation Surplus	Retained Earnings	Total Rights Attributable to Parent Company's Shareholders	Shareholders' Equity with No Control	Total Shareholders' Equity
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Balance at 21.03.2016		**8,500,000**	**3,272,601**	**5,660**	**154,759**	**3,785,123**	**15,718,143**	**268,213**	**15,986,356**
Net Profit						1,679,246	1,679,246	(26,669)	1,652,576
Prior Years' Adjustments	46					(673,651)	(673,651)	3,821	(669,830)
Total Profit		8,500,000	3,272,601	5,660	154,759	4,790,717	16,723,738	245,365	16,969,103
Capital Increase									
Capital Increase – Not Registered							0	130,882	130,882
Distribution & Allocation									
Legal Reserve	27		261,937			(261,982)	(45)	45	0
Other Reserves	28			170		(170)	0		0
Ratified Dividend	21					(1,693,625)	(1,693,625)	(11,876)	(1,705,501)
Total		0	261,937	170		(1,955,777)	(1,693,670)	119,051	(1,574,619)
Balance at 20.03.2017		**8,500,000**	**3,534,538**	**5,830**	**154,759**	**2,834,941**	**15,030,068**	**364,416**	**15,394,484**

Karafarin Bank (PJSC)
Changes Statement in Consolidated Shareholders' Equity
For the Year Ended March 20th , 2017

	Note	2015-16							
		Capital	Legal Reserve	Other Reserves	Assets Revaluation Surplus	Retained Earnings	Total Rights Attributable to Parent Company's Shareholders	Shareholders' Equity with No Control	Total Shareholders' Equity
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Balance at 21.03.2015		**8,500,000**	**2,868,329**	**5,045**	**154,759**	**3,549,514**	**15,077,647**	**151,979**	**15,229,626**
Net Profit						2,312,580	2,312,580	58,845	2,371,425
Prior Years' Adjustments	46					(560,308)	(560,308)	3,821	(556,486)
Changes of Shareholders' Equity with No Control in the Current Composition								98,829	98,829
Total Profit		8,500,000	2,868,329	5,045	154,759	5,301,786	16,829,919	313,474	17,143,393
Distribution & Allocation									
Legal Reserve	28	0	404,273			(404,416)	(144)	144	0
Other Reserves	29			614		(897)	(283)	283	0
Ratified Dividend	21					(1,785,000)	(1,785,000)	(41,866)	(1,826,866)
Total		0	404,273	614	0	(2,190,314)	(1,785,427)	(41,440)	(1,826,866)
Balance at 20.03.2016		**8,500,000**	**3,272,601**	**5,660**	**154,759**	**3,111,472**	**15,044,492**	**272,034**	**15,316,526**

Karafarin Bank (PJSC)
Consolidated Cash Flows Statement
For the Year Ended March 20th , 2017

Description	Note	2016-17		2015-16 (Revised)
		Million IRR	Million IRR	Million IRR
Operating Activities				
Cash Received for:				
Interest & Recognizance of Loans Granted*		16,570,327		17,964,207
Commission		800,006		662,126
Deposit Interest		781,034		1,614,057
Investment Profit		546,526		288,852
Other Operating Incomes		280,932		163,019
Other Net Incomes & Expenses		221,464		218,420
Cash Paid for:				
Deposits Interest		(14,801,799)		(16,132,464)
Commission		(78,516)		(53,858)
Financial Costs		(121,891)		(157,751)
Other Operating Expenses		(3,020,269)		(2,744,252)
Income Tax		(794,202)		(583,767)
Cash Inflow (Outflow) from Operating Activities before Changes in Operating Assets & Liabilities			383,613	1,238,589
Cash Inflow from Changes in Operating Assets & Liabilities:				
Net Increase in Liabilities:				
Dues to Banks & Other Credit Institutions		1,689,808		1,455,289
Customers' Deposits		(6,845,665)		8,287,773
Reserves Operating Portion & Other dues		2,443,531		624,254
Investment Deposit Rights		23,646,916		607,708
Net Decrease (Increase) in Assets:				
Dues form Other banks & Credit Institutions		(683,278)		3,578,291
Granted Loans Principal & Dues from Non-governmental Entities		(12,988,961)		(10,885,893)
Investment in Shares & Other Securities		761,351		(969,677)
Dues from Affiliated & Subsidiary Companies		(177)		(29,140)
Other Accounts Receivable		956,809		(481,320)
Legal Deposit		(2,415,299)		307,456
Other Assets Operating Portion		(2,950,258)		(510,478)
Goodwill		(57,796)		(143,672)

Description	Note	2016-17		2015-16 (Revised)
		Million IRR	Million IRR	Million IRR
Net Cash Inflow (Outflow) from Operating Activities before Changes in Operating Assets & Liabilities			3,556,981	1,840,589
Net Cash Inflow (Outflow) from Operating Activities	48		3,940,594	3,079,179
Investment Activities:				
Funds Paid for Acquiring Tangible Fixed Assets		(457,072)		(860,589)
Funds Received for Sales of Fixed Tangible Assets		73,411		11,796
Funds Paid for Acquiring Intangible Assets		(146,575)		(196,684)
Funds Received for Sales of Intangible Assets			(530,235)	(1,045,477)
Net Cash Inflow (Outflow) before Financing Activities			3,410,358	2,033,701
Financing Activities				
Cash Capital Increase		130,882		0
Paid Dividend		(1,712,756)		(1,812,779)
Net Cash Inflow (Outflow) from Financing Activities			(1,581,874)	(1,812,779)
Net Increase (Decrease) in Cash			1,828,485	220,922
Cash at the Beginning of the Year			13,662,956	13,180,830
Effect of Foreign Exchange Differences			200,357	261,204
Cash at the End of the Year			**15,691,798**	**13,662,956**
Non-Cash Transactions	49		**1,234,586**	**703,528**

The explanatory notes are an integral part of the consolidated financial statements.

* Cash received as the principal amount of loans, interest and late payment penalties, only include customers' direct cash payments. It is clear that other settlement methods, such as obtaining new loans or repossessions etc. which do not lead to direct cash settlement by the customers, are classified as non-transactions.

Karafarin Bank (PJSC)
Balance Sheet
As at March 20th, 2017

Assets	Note	20.03.2017	(Revised) 19.03.2016	Liabilities & Shareholders' Equity	Note	20.03.2017	(Revised) 19.03.2016
		Million IRR	Million IRR			Million IRR	Million IRR
Assets				**Liabilities**			
Cash	8	15,437,175	13,596,093	Dues to Banks and Other Credit Institutes	19	12,537,796	10,851,236
Dues from Banks and Other Credit Institutes	9	916,670	233,392	Customers' Deposits	20	7,654,292	14,520,490
Granted Loans and Dues from Non-Governmental Entities	10	94,482,976	81,079,798	Dividend Payable	21	12,234	12,687
Investment in Shares and Other Securities	11	3,626,233	3,861,011	Performance Tax Provision	22	65,455	719,496
Dues from Subsidiary & Affiliated Companies	12	969,248	693,246	Provisions and Other Liabilities	23	5,062,849	2,442,782
Other Accounts Receivable	13	810,603	1,219,829	Provision for Staff Work Termination Benefits	24	400,655	310,846
Fixed Tangible Assets	14	6,271,913	6,057,666	Total Liabilities before Rights of Investment Deposits		**25,733,279**	**28,857,537**
Intangible Assets	15	4,250,857	4,110,794				
Legal Deposit	16	12,442,336	10,027,037	**Rights of Investment Deposits**	25	103,426,372	79,243,020
Other Assets	17	4,919,354	2,167,038	**Total Liabilities**		**129,159,651**	**108,100,557**
				Shareholders' Equity			
				Capital	26	8,500,000	8,500,000
				Statutory Reserve	27	3,499,519	3,241,164
				Assets Re-evaluation Surplus	29	43,597	43,597
				Retained Earnings		2,924,599	3,160,587
				Total Shareholders' Equity		**14,967,714**	**14,945,347**
Total Assets		**144,127,365**	**123,045,905**	**Total Liabilities & Shareholders' Equity**		**144,127,365**	**123,045,905**
Customers' Commitments on L/Cs	50-1	7,571,177	4,387,485	Bank's Commitments on L/Cs	50-1	7,571,177	4,387,485
Customers' Commitments on L/Gs	50-2	22,251,290	20,069,172	Bank's Commitments on L/Gs	50-2	22,251,290	20,069,172
Other Commitments of Customers	50-3	1,957,131	4,451,947	Other Commitments of the Bank	50-3	1,957,131	4,451,947
Managed Funds Counterpart & Similar Items	50-4	182,505	197,394	Managed Funds & Similar Items	50-4	182,505	197,394

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Performance Statement of Investment Deposits
For the Year Ended March 20th, 2017

	Note	2016-17		Revised 2015-16
		Million IRR	Million IRR	Million IRR
Joint Revenues				
Income from Granted Loans	32	16,988,604		18,702,064
Income from Deposits	32	568,787		1,460,489
Net Investments Profit	33	1,032,798		532,236
Total Joint Revenues			18,590,189	20,694,789
Bank's Resources Quota from Joint Revenues	34		(3,419,436)	(3,097,074)
Depositors' Quota from Joint Revenues before Deduction of Attorney Fees			15,170,753	17,597,715
Commission Fees	35		(1,163,221)	(2,116,408)
Depositors' Quota from Joint Revenues			14,007,532	15,481,307
Bonus of Legal Deposit of Investment Deposits	34-3		103,404	101,062
Final Allocated Interest to Investment Deposits			14,110,936	15,582,369
On-account Paid Interest to Investment Deposits	36		(14,903,823)	(16,205,644)
Difference of Payable Interest (Surplus of Paid Profit) to Depositors			**(792,887)**	**(623,275)**

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Income Statement
For the Year Ended March 20th, 2017

Description	Note	2016-17		Revised 2015-16
		Million IRR	Million IRR	Million IRR
Income from Granted Loans & Investment	31	17,892,564		20,569,475
Cost of Deposits' Interest	36	(14,963,629)		(16,284,585)
Net Income from Loans & Investment			2,928,934	4,284,890
Commission Income	37	758,336		596,684
Commission Expense	38	(78,505)		(53,858)
Net Commission Income			679,830	542,826
Net Investments Profit	32		1,032,798	532,236
Net Profit of Foreign Currency Transactions	40		200,197	261,204
Total Operating Revenues			4,841,760	5,621,156
Other Net Incomes & Expenses	41		205,410	175,058
General & Administrative Expenses	42		(1,945,253)	(1,774,621)
Doubtful Debts Expenses	43		(1,012,712)	(887,420)
Financing Expenses	44		(84,170)	(85,955)
Depreciation Expenses	45		(186,014)	(111,552)
Profit before Income Tax			1,819,020	2,936,667
Income Tax	22		(96,654)	(528,647)
Net Profit			**1,722,366**	**2,408,020**

The explanatory notes are an integral part of the consolidated financial statements.

Karafarin Bank (PJSC)
Comprehensive Income Statement
For the Year Ended March 20th, 2017

Description	Note	2016-17	2015-16
		Million IRR	Million IRR
Net Profit		1,722,366	2,408,020
Assets Re-evaluation Surplus	29	43,597	43,597
Fiscal Year Comprehensive Profit		1,765,963	2,451,617
Prior Years' Adjustments	46	(650,879)	(563,595)
Identified Comprehensive Profit from Previous Year's Reporting Date		**1,115,083**	**1,888,022**

The explanatory notes are an integral part of the consolidated financial statements

Karafarin Bank (PJSC)
Changes Statement in Shareholders' Equity
For the Year Ended March 20th, 2017

	Note	2016-17				
		Capital	Legal Reserve	Assets Revaluation Surplus	Retained Earnings	Total Shareholders' Equity
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Balance at 20.03.2016		**8,500,000**	**3,241,164**	**43,597**	**3,811,467**	**15,596,227**
Net Profit					1,722,366	1,722,366
Prior Years' Adjustments	46				(650,879)	(650,879)
Total Profit		8,500,000	3,241,164	43,597	4,882,954	16,667,714
Distribution & Allocation						
Legal Reserve	28		258,355		(258,355)	0
Ratified Dividend	21				(1,700,000)	(1,700,000)
Total		**0**	**258,355**		(1,958,355)	**(1,700,000)**
Balance at 19.03.2017		**8,500,000**	**3,499,519**	**43,597**	**2,924,599**	**14,967,714**

Karafarin Bank (PJSC)
Changes Statement in Shareholders' Equity
For the Year Ended March 20th, 2017

	Note	2015-16				
		Capital	Legal Reserve	Assets Revaluation Surplus	Retained Earnings	Total Shareholders' Equity
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Balance at 21.03.2015		**8,500,000**	**2,840,984**	**43,597**	**3,501,341**	**14,885,922**
Net Profit					2,408,020	2,408,020
Prior Years' Adjustments	46				(563,595)	(563,595)
Total Profit		8,500,000	2,840,984	43,597	5,345,766	16,730,347
Distribution & Allocation						
Legal Reserve	28		400,179		(400,179)	0
Other Reserves	29				0	0
Ratified Dividend	21				(1,785,000)	(1,785,000)
Total		**0**	**400,179**		**(2,185,179)**	**(1,785,000)**
Balance at 20.03.2016		**8,500,000**	**3,241,164**	**43,597**	**3,160,587**	**14,945,347**

Karafarin Bank (PJSC)
Cash Flows Statement
For the Year Ended March 20th, 2017

Description	Note	2016-17		2015-16 (Revised)
		Million IRR	Million IRR	Million IRR
Operating Activities				
Cash Received for:				
Interest & Recognizance of Loans Granted*		16,570,211		17,964,207
Commission		758,336		596,684
Deposit Interest		600,924		1,574,300
Investments Profit		1,032,849		905,004
Other Operating Incomes		197,986		162,058
Cash Paid for:				
Deposits Interest		(14,963,629)		(16,284,585)
Commission		(78,505)		(53,858)
Financing Costs		(84,170)		(85,955)
Other Operating Expenses		(2,868,156)		(2,613,677)
Income Tax		(750,695)		(751,601)
Cash Inflow (Outflow) from Operating Activities before Changes in Operating Assets & Liabilities			415,150	1,412,579
Flow of Cash from Changes in Operating Assets & Liabilities:				
Net Increase (Decrease) in Liabilities:				
Dues to Banks & Other Credit Institutions		1,686,560		1,455,289
Customers' Deposits		(6,866,199)		8,287,773
Reserves Operating Portion & Other Dues		2,620,067		316,625
Investment Deposit Rights		24,183,352		467,519
Net Decrease (Increase) in Assets:				
Dues form Other Banks & Credit Institutions		(683,278)		3,578,291
Granted Loans Principal & Dues from Non-governmental Entities		(12,771,822)		(11,441,439)
Investment in Shares & Other Securities		234,778		(1,487,446)
Dues from Affiliated & Subsidiary Companies		(275,114)		(90,575)
Other Accounts Receivable		498,360		65,305
Legal Deposits		(2,415,299)		307,456
Other Assets Operating Portion		(2,752,316)		(409,935)

Description	Note	2016-17		2015-16 (Revised)
		Million IRR	Million IRR	Million IRR
Net Cash Inflow (Outflow) from Changes in Operating Assets & Liabilities			3,459,089	1,048,862
Net Cash Inflow (Outflow) from Operating Activities	48		3,874,240	2,461,441
Investment Activities:				
Funds Paid for Acquiring Tangible Fixed Assets		(396,445)		(533,484)
Funds Received for Sales of Tangible Fixed Assets		9,836		5,060
Funds Paid for Acquiring Intangible Assets		(146,292)		(115,266)
Funds Received for Sales of Intangible Assets		0		26,628
Net Cash Inflow (Outflow) from Investment Activities			(532,901)	(617,061)
Net Cash Inflow (Outflow) before Financing Activities			3,341,339	1,844,380
Financing Activities				
Paid Dividend		(1,700,454)		(1,786,111)
Net Cash Inflow (Outflow) from Financing Activities			(1,700,454)	(1,786,111)
Net Increase (Decrease) in Cash			1,640,885	58,269
Cash at the beginning of the Year			13,596,093	13,276,621
Effect of Foreign Exchange Differences			200,197	261,204
Cash at the End of the Year			**15,437,175**	**13,596,093**
Non-cash Transactions	49		**1,234,586**	**703,528**

The explanatory notes are an integral part of the consolidated financial statement.

* Cash received as the principal amount of loans, interest and late payment penalties, only include customers' direct cash payments. It is clear that other settlement methods such as obtaining new loans or repossessions etc. which do not lead to direct cash settlement by the customers, are naturally classified as non-transactions.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

1. INTRODUCING THE BANK

1.1. Historical Background of Activities

The Bank was established and commenced its operations following registration at the Tehran Corporate and Industrial Ownership Registry Office on 9 December 1999 under registry number 157915 as Karafarinan Non-Bank Credit Institution (PJSC). The enactment of the Non-State Bank Establishment Act on 9 April 2000, the endorsement of Article 98 of the Act on the Economic, Social, and Cultural Development Plan of Iran, and the implementation of the Non-State Bank Establishment Regulation of the Money and Credit Council as endorsed on 11 December 2000, collectively laid the foundations for the establishment of the Bank. Based on a resolution of the Extraordinary General Assembly meeting of 29 November 2001 and CBI operating license number H/3362 (5 December 2001), Karafarin Bank (PJSC) was formally established and registered under the same license number with the Tehran Corporate and Industrial Ownership Registry Office on 26 December 2001. The Bank gained listing on the Tehran Stock Exchange on 6 February 2003 and has been consistently included on the TSE price quote list since 5 July 2003. The Bank's head office is based at No. 97, West Nahid Street, Vali-Asr Avenue, Tehran, Iran.

The Group includes Karafarin Bank (Parent Company) and its subsidiary companies.

1.2. Principal Activities

The main areas of activity of Karafarin Bank according to Article 3 of its Articles of Association are stated below:

- Accepting all forms of bank deposits and issuing the bearer certificates of public and private term deposits.
- Issuing chequebooks and offering all services relating to cheque laws and regulations.
- Carrying out inter-banking operations.
- Granting credit facilities within the framework of regulations and bylaws and implementation guidelines of the Usury-Free Banking Operations Act.
- Offering various payment tools.
- Receiving, paying and transferring funds in foreign currencies and Iranian Rials (IRR).
- Accepting representation in order to collect funds, to pay bills, etc.
- Opening letters of credit and issuing all sorts of bank guarantees.
- Rendering electronic banking services such as issuing various electronic cards (purchasing cards, credit cards, digital wallets, etc.)
- Operating safety deposit boxes.
- Carrying out all sorts of foreign currency operations including forex, transfers, granting foreign currency financial facilities, etc.)
- Funds management.
- Guaranteeing the repurchase of issued bonds from private and state-owned legal persons.
- Issuing Islamic bonds in the IRR or in foreign currency within Iran or abroad.
- Constantly accepting payment orders from customers.
- Offering financial, investment and asset management services.
- Performing duties of a guardian, administer, attorney and representative of clients in line with the current laws and regulations.
- Carrying out investment activities via purchasing of shares, participation bonds, foreign bonds and Sokuk bonds.
- Purchasing and selling assets in line with the regulations set forth by the Central Bank of the Islamic Republic of Iran.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

- Providing insurance coverage for its assets held by companies and insurances.
- Creating and sustaining links with correspondent banks in Iran and overseas.
- Customs and excise clearance.
- Collecting claims for L/Cs.
- Collecting dividends on behalf of customers and depositing them in the relevant accounts.
- Selling stamp duty and promissory notes.
- Any other activity approved by the Central Bank of the Islamic Republic of Iran.

1.3. Number of Branches

Information on the Bank's branches at the end of the year is reported as follows:

	2016-17		2015-16	
	Year End	Monthly Average	Year End	Monthly Average
Branches - Tehran Province	58	58	58	58
Branches - Other Provinces	47	47	47	47
Branches - Free Zones	2	2	2	2
	107	107	107	107

1.4. Employees

The number of employees during the year is reported below:

	2016-17		2015-16	
	Year End	Monthly Average	Year End	Monthly Average
Head Office & Supervisions	575	567	564	567
Branches - Tehran Province	546	555	533	525
Branches - Other Provinces	503	507	513	516
Branches - Free Zones	15	15	15	16
	1,639	1,644	1,625	1,624
Employees of the Service Companies	266	265	218	212
	1,905	1,909	1,843	1,836

The number of employees of subsidiary companies during the reporting fiscal period was 159 (171 in the previous year).

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Financial statements have been prepared according to accounting standards and CBI's regulations. Details of accounting procedures have been presented in note no. 7.

3. OPERATIONAL & REPORTING MONETARY UNIT

Financial statement items have been measured using monetary unit of main economic environment of the Bank's activity place i.e. IRR. The items have been presented in million IRR to be more understandable, except cases which are explicitly mentioned in financial statements and/or explanatory notes.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

4. USING JUDGMENTS & ESTIMATES

In order to prepare financial statements, the Bank's management has used judgments, estimates and assumptions in specifying recognised amounts in the financial statements. Actual results may be different from estimates. These estimates and underlying assumptions are based on historical events and the management continuously supervises them through making comparisons with true events.

In some cases, where the Bank's Credit Manager is familiar with the customers' financial condition and where there have been agreements between the Bank and those customers whose loans are no longer current but have been extended, such loans have been "mainly" classified under Overdue or Nonperforming classification and have been exempted from "Special Provisions Calculations".

Cases where loans have been followed by litigations and verdicts have been passed in favour of the Bank, have also been exempted from being classified under the heading of "Special Provisions Calculations", after receiving relevant documents from the Legal Affairs Management.

5. BASIS FOR MEASUREMENT

Financial statements have been prepared based on historical cost.

6. CHANGE IN ACCOUNTING PROCEDURES

The Bank has presented the accounting procedures mentioned in note 7 considering procedural stability during whole reported periods.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1. Investments

Long-term Investments	Group Consolidated Accounts	Company Accounts
Investments in consolidated subsidiaries	Subject to consolidation	Historical cost (less any provisions for impairment)
Investments in affiliated companies	Equity method	Historical cost (less any provisions for impairment)
Other long-term investments	Historical cost (less any provisions for impairment)	Historical cost (less any provisions for impairment)

Current Investments:

Long-term Investments	Group Consolidated Accounts	Company Accounts
Investments in trading securities	Lower of cost and net realisable value on an aggregate portfolio basis	Lower of cost and net realisable value on an aggregate portfolio basis
Other short-term investments	Lower of cost and net realisable value on the basis of individual investments	Lower of cost and net realisable value on the basis of individual investments

Revenue Recognition Method:

Long-term Investments	Group Consolidated Accounts	Company Accounts
Investments in consolidated subsidiaries	Subject to consolidation	On approval of profits by the investee's shareholders' general assembly (up to the endorsement date of the accounts)
Investment in affiliated companies	Equity method	On approval of profits by the investee's shareholders' general assembly (up to the endorsement date of the accounts)
Other current and long-term investments	On approval of profits by the investee's shareholders' general assembly (up to the balance sheet date)	On approval of profits by the investee's shareholders' general assembly (up to the balance sheet date)

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

7.2. Tangible Fixed Assets

7.2.1. All tangible fixed assets, except land and goodwill (see note 4.2.2. below), are recorded at historical cost in the accounts. Any expenditure incurred for improvements and major repairs of a fixed asset that lead to a significant extension of its useful life or to a material improvement in its performance quality, is capitalized and subsequently depreciated over the remainder of the asset's useful life. Maintenance costs and minor repairs are expensed as incurred and reported as part of the period's profit and loss account.

7.2.2. Depreciation on fixed assets is based on the Depreciation Charts of Section 151 of Direct Taxation Act. The rates and methods applied are as follows:

Asset	Depreciation Rate	Depreciation Method
Buildings	25 Years	Straight Line
Installation, Furniture & Equipment	3, 5, 6, 10 & 15 Years	Straight Line
Computer Equipment	3 Years	Straight Line
Motor Vehicles	6 Years	Straight Line

7.2.3. Fixed assets that are acquired and operationalized during any given month over the year will be accounted for and depreciated as of the start of the next calendar month. In cases where a depreciable fixed asset remains idle due to, for example, closure of operations or for other reasons, depreciation for idle periods is accounted for at 30 percent of the rates outlined in the Depreciation Charts of Section 151 of Direct Taxation Act.

7.3. Intangible Assets

All intangibles are reflected in financial statements at historical cost of acquisition after deduction of accumulated depreciation and devaluation. According to CBI Circular MB/2946 of 7 March 2007, administrative and operations software are amortised using the straight line method over a 5 year period. Goodwill is no longer subject to any amortisation.

7.4. Goodwill

Trading units' combination accounting of acquisition type is carried out by sale method. Excess cost of investment acquisition in subsidiaries subject to consolidation at the time of acquisition is identified as goodwill and is amortised during 20 years using the straight-line method. Goodwill is reflected at cost, less accumulated amortisation and accumulated depreciation.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

7.5. Income Recognition on Loans, Commissions and Penalties

According to Circular MB/772 dated 18 July 2005 of Banking Studies & Regulations of CBI and based on ratification 1044 dated 16 July 2005 of Money & Credit Council, income recognition of the Bank is based on commitment method.

Interest, Granted Loans & Commission	Recognition Method
Profit of Granted Loans	
Current	Commitment
Overdue	Commitment
Differed	Commitment
Doubtful	Cash
Recognition	
Current	Cash
Overdue	Cash
Differed	Cash
Doubtful	Cash
Commission	
Commission of Issued Guarantees	Cash
Commission of Other Banking Services	Cash
Commission of Gharz-al Hassaneh Granted Loans	Cash

7.6. Basis for Determination of Depositors' Share of Income from Joint Activities

In compliance with the requirements promulgated in Iran's Act on Usury-Free Banking Operations of 30 August 1983 and its operational and implementation guidelines and also CBI Circular MB/1799 of 8 January 2004, all income from loans and financial loans and investments in shares and participation securities that are accounted for under the Bank's accounting and financial reporting procedures will be recognised as income from joint activities. Depositors' share of such income is based on their net resources contributed to the income-generating activities, which will then be credited to their accounts after appropriate deductions for the Bank's procuration and agency fees.

It is noteworthy that for outstanding and doubtful instalments commitment profit is not recognized.

7.7. Classification of Loans

The Bank evaluates and classifies it financial loans in accordance with the requirements presented in the "Banks and Credit Institutions Asset Classification Manual" of the Money and Credit Council (also referred to in CBI Circular MB/2823 of 24 February 2007 of the Office of Banking Studies and Regulations) and also based on customers' creditworthiness and their economic ability as demonstrated by such factors as late repayments, customer financial position and the economic state of the customer's line of business activity. This approach leads to the following classes for loans.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

A) Current Loans: loans for which principal and interest have been serviced on the due date or loans that have been past due for less than 2 months.

B) Past Due Loans: Financial loans for which repayment of principal and interest has been outstanding and/or loans have been non-performing for over 2 but less than 6 months.

C) Non-Performing Loans: loans for which repayment of principal and interest has been outstanding and/or loans which have been non-performing for over 6 but less than 18 months and the customer has not yet made any clear attempt to collect outstanding amounts.

D) Doubtful Loans: loans that have been outstanding for over 18 months and for which the customer has not yet made not clear attempt to repay outstanding amounts.

7.8. Provisions for Doubtful Debts

Doubtful loans are provided for in accordance with the requirements of the "Banks and Credit Institutions Doubtful Debts' Provisions Manual" of the Money and Credit Council (also referred to in CBI Circular 91/21270 of 19 April 2012 of the Office of Banking Studies and Regulation). This approach leads to the following classes of provisions.

1) *General provisions* at 1.5% of total loans' balances after deduction of those loans that are subject to special provisions.

2) *Special provisions* for the balance of past due, non-performing, and doubtful financial loans. This is calculated based on the factors outlined in the following table after accounting for the value of security attributable to each individual facility.

Classification	Factor
Overdue Classification	10%
Differed Classification	20%
Doubtful Classification (based on customer-specific assessments of repayment ability)	50% to 100%

3) For those loans which their due date was more than five years ago, a special provision is calculated without considering security.

7.9. Provisions for Employees' Termination Benefits

Provisions for termination benefits are accounted for based on one month of employees' latest base salary and continued benefits for each year of their service with the Bank.

7.10. Commitments to Employee Retirement Benefits

The Bank's employees have insurance coverage via the Social Security Fund. Hence, no provision in reference with retirement benefits has been recorded in the accounts.

7.11. Foreign Currency Exchange

All foreign currency monetary and non-monetary items are exchanged on the date of balance sheet at CBI reference rate. The differences resulting from the exchange of foreign currency items are identified as income or expenses and will be reflected in the income statement.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

7.12. "Other Items" in the Financial Statements

Due to the high number of items in accounts, some of the items of each note have been reported under the heading of "Others". These items are mainly insignificant and represent a maximum 10% value of the total amount of that note. The number of these items have also been disclosed.

8. CASH

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Cash – IRR	8-1	387,404	480,746	387,212	480,726
Cash – Foreign Currency	8-2	825,541	481,225	818,864	478,504
Demand Deposit Held with Central Bank (not-limited)	8-3	508,861	1,414,646	508,861	1,414,646
Deposits Held with Other Banks & Credit Institutes (non-limited)	8-4	13,969,992	11,286,339	13,722,237	11,222,217
		15,691,798	**13,662,956**	**15,437,175**	**13,596,093**

8.1. Cash is held by the Bank's branches at year end. Insurance coverage for cash against potential risks arising from theft and fire is fully provided by Karafarin Insurance Company.

8.2. Foreign currency balance of the Parent Company includes USD23,694,653, EUR1,389,075, GBP55,307, AED4,960 and SFr200.

8.3. Demand deposits held with Central Bank (not-limited) related to Parent Company

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Demand Deposits held with Central Bank – IRR (Unlimited)	409,818	301,312
Demand Deposits held with Central Bank – Foreign Currency (Unlimited)	99,043	1,113,333
	508,861	**1,414,646**

8.3.1. A special audit has been conducted by the Bank's independent auditor and legal inspector following correspondence with the CBI and coordination with associated authorities, in order to settle the fate of a withdrawal of IRR741 billion which took place via the CBI from the account of Karafarin Bank as forex difference during the 2011-12 and 2012-13 periods. This audit was based on the information required by the CBI in order to test the authenticity of the Bank's foreign currency operations. Its audit report was submitted following the financial period to the CBI, through a letter from the Bank's management, as means to clarify the measures of the CBI and to be refunded for the aforementioned amount. Penalties for excess withdrawal for 2016-17 period, according to letter of CBI numbered 95/26955 dated 24.04.2017 amounted to IRR1,060,178 million.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

8.4. Deposits held with Other Banks & Credit Institutes (Unlimited)

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Demand Deposits held with Other Domestic Banks & Credit Institutes – IRR (non-limited)		61,960	54,142	993	1,709
Demand Deposits held with Other Domestic Banks & Credit Institutes – Foreign Currency (non-limited)		377,137	593,491	377,137	592,706
Term Deposits held with Other Domestic Banks & Credit Institutes – IRR (non-limited)		250,670	112,027	66,730	101,123
Demand Deposits held with Foreign Banks – Foreign Currency (not-limited)	8-4-1	13,280,224	10,526,679	13,277,377	10,526,679
		13,969,992	**11,286,339**	**13,722,237**	**11,222,217**

8.4.1. Sight deposits held at foreign banks (unlimited) relating to the Parent Company are stated below:

Bank	Foreign Currency Amounts	Karafarin Bank	
		20.03.2017	19.03.2016
		IRR million	IRR million
Mizuho Bank Japan	17,459,450,662 (100 Yen Japan)	5,023,433	4,728,183
Halk Bank Turkey	24,216,949 Euros, 16,384,132 Lira & 1,000,307 US Dollars	1,022,972	1,160,629
Bank Melli Dubai Branch	237,694,787 Dirhams	2,098,132	1,597,055
Commerce Bank Geneva	14,313,277 Euros & 18,448,682 Franc	1,098,064	1,513,665
Conlon Bank China	271,362,310 China Yuan & 3,243,208 Euros	1,388,975	466,069
Woori Bank Seoul	26,006,686,986 thousand Korea Won	746,392	76,352
Masqat Oman Bank	6,706,391 Oman Rial & 20,576 Euros	565,288	688,860
EIH Bank Germany	16,851,194 Euros	587,281	0
Yoko Bank India	419,639,303 Rupiah	208,141	51,957
Other Banks		538,700	243,910
		13,277,377	**10,526,679**

8.5. Inventories held with banks which have limitation for withdrawal (time limitation and other limitations) are classified in dues from banks.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

9. DUES FROM BANKS AND CREDIT INSTITUTES

Dues from banks and credit institutes completely related to the Parent Company:

	Note	Karafarin Bank	
		20.03.2017	19.03.2016
		IRR million	IRR million
Dues from Central Bank	9-2	190,664	148,601
Dues from Other Banks & Credit Institutes	9-3	726,007	84,791
		916,670	**233,392**

9.1. Inventories held with banks which have no limitation for withdrawal are classified in Cash.

9.2. Dues from the Central Bank

	Note	Karafarin Bank	
		20.03.2017	19.03.2016
		IRR million	IRR million
Other Dues	9-2-1	190,664	148,601
		190,664	**148,601**

9.2.1. Other dues from Central Bank include Shaparak operation and Paya Terminal transactions at the end of the year.

9.3. Dues from Other Banks & Credit Institutes

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Term Deposits held with Other Domestic Banks & Credit Institutes – IRR (limited)	250,000	0
Payment of Issued Cheques of Other Banks	476,007	84,791
	726,007	**84,791**

10. GRANTED LOANS & DUES FROM NON-GOVERNMENTAL ENTITIES

	Group								
	20.03.2017								19.03.2016
	Balance of Principal & Interest of Future Years	Balance of Receivable Interest & Commission	Funds Received for Mozarabeh & Common Account of Equity Participation	Interest of Future Years	Differed Interest & Commission	Total	Provision for Doubtful Debts	Net	Net
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	451,409	52,422	(47,292)	(63,597)	0	392,941	(133,527)	259,415	485,825
Joala (Commissions-Based Services)	152,506	96,451	0	(89,628)	0	159,329	(148,632)	10,697	22,869
Ijara Thumma al-Bai (Hire Purchase)	475,097	6,473	0	(499)	0	481,071	(27,737)	453,334	334,192
Salaf	5,549	3,985	0	0	0	9,534	(3,447)	6,087	30,146
Mozarabeh	6,952,906	647,697	(319,191)	0	0	7,281,413	(609,769)	6,671,644	7,593,585
Mosharekat-e-Madani (Equity Participation)	84,640,409	4,931,299	(2,145,142)	0	0	87,426,566	(3,185,669)	84,240,897	70,040,320
Estesna'a	14,667	0	0	0	0	14,667	(220)	14,447	-
Gharz-al-Hassaneh	10,252	14	0	0	0	10,267	(177)	10,090	5,113
Other Granted Loans – IRR	1,726,377	0	0	(586,445)	0	1,139,932	(73,897)	1,066,035	1,070,789
Granted Loans – Foreign Currency	1,524,774	37,262	0	0	(13,208)	1,548,828	(196,687)	1,352,142	1,010,074
Debtors for Paid L/Cs	684,325	600	0	0	0	684,925	(58,021)	626,904	515,025
Debtors for Paid Guarantees	377,884	413	0	0	0	378,296	(62,534)	315,763	299,200
	97,016,155	**5,776,616**	**(2,511,625)**	**(740,169)**	**(13,208)**	**99,527,768**	**(4,500,316)**	**95,027,453**	**81,407,137**

	Karafarin Bank								
	20.03.2017								19.03.2016
	Balance of Principal & Interest of Future Years	Balance of Receivable Interest & Commission	Funds Received for Mozarabeh & Common Account of Equity Participation	Interest of Future Years	Differed Interest & Commission	Total	Provision for Doubtful Debts	Net	Net
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	305,781	52,422	0	(63,597)	0	294,605	(133,527)	161,079	485,825
Joala (Commissions-Based Services)	152,506	96,451	0	(89,628)	0	159,329	(148,632)	10,697	22,869
Ijara Thumma al-Bai (Hire Purchase)	10,086	6,473	0	(499)	0	16,060	(8,459)	7,601	6,855
Salaf	5,549	3,985	0	0	0	9,534	(3,447)	6,087	30,146
Mozarabeh	6,952,906	647,697	(319,191)	0	0	7,281,413	(609,769)	6,671,644	7,593,585
Mosharekat-e-Madani (Equity Participation)	84,640,409	4,931,299	(2,145,142)	0	0	87,426,566	(3,185,669)	84,240,897	70,040,320
Estesna'a	14,667	0	0	0	0	14,667	(220)	14,447	-
Gharz-al-Hassaneh	10,252	14	0	0	0	10,267	(177)	10,090	5,113
Other Granted Loans – IRR	1,725,968	0	0	(586,445)	0	1,139,523	(73,897)	1,065,626	1,070,789
Granted Loans – Foreign Currency	1,524,774	37,262	0	0	(13,208)	1,548,828	(196,687)	1,352,142	1,010,074
Debtors for Paid L/Cs	684,325	600	0	0	0	684,925	(58,021)	626,904	515,025
Debtors for Paid Guarantees	377,884	413	0	0	0	378,296	(62,534)	315,763	299,200
	96,405,108	**5,776,616**	**(2,464,333)**	**(740,169)**	**(13,208)**	**98,964,013**	**(4,481,038)**	**94,482,976**	**81,079,798**

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10.1. Classification of granted loans and dues from non-governmental entities according to the Money and Credit Council's Manual (subject of Note 7-6) of the Parent Company is outlined below:

	Parent Company				
	20.03.2017				
	Current	Overdue	Differed	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	224,567	186	0	133,449	358,203
Joala (Commissions-Based Services)	0	51	1,021	247,886	248,957
Ijara Thumma al-Bai (Hire Purchase)	2,214	0	0	14,345	16,559
Bai' al-Salaf (Forward Contracts)	0	0	0	9,534	9,534
Mozarabeh	5,801,676	113,315	452,104	1,233,509	7,600,604
Mosharekat-e-Madani (Equity Participation)	79,353,279	1,665,133	2,466,593	6,086,702	89,571,708
Estesna'a	14,667	0	0	0	14,667
Gharz-al Hassaneh	10,059	20	165	23	10,267
Other Granted Loans – IRR	1,725,968	0	0	0	1,725,968
Granted Loans – Foreign Currency	755,983	285,615	0	520,438	1,562,036
Debtors for Paid L/Cs	247,528	0	0	437,397	684,925
Debtors for Paid Guarantees	14,161	0	0	364,135	378,296
	88,150,102	**2,064,320**	**2,919,883**	**9,047,418**	**102,181,724**
Less:					
Interest of Future Years	(740,169)	0	0	0	(740,169)
Differed Interest & Commission	0	0	(13,208)	0	(13,208)
Funds Received for Mozarabeh	(319,191)	0	0	0	(319,191)
Common Account of Equity Participation	(2,145,142)	0	0	0	(2,145,142)
Net Granted Loans before deduction of Provision for Doubtful Debts	**84,945,600**	**2,064,320**	**2,906,675**	**9,047,418**	**98,964,013**
General Provision for Doubtful Debts	(1,274,184)	(4,881)	(43,600)	(29,431)	(1,352,096)
Specific Provision for Doubtful Debts	0	(34,077)	(90,709)	(3,004,155)	(3,128,941)
Balance at 20.03.2017	**83,671,416**	**2,025,362**	**2,772,366**	**6,013,831**	**94,482,976**
Balance at 19.03.2016	**72,839,732**	**1,474,548**	**1,956,950**	**4,808,569**	**81,079,798**

Karafarin Bank (PJSC)
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10.2. Provision for doubtful debts turnover is as follows:

	Karafarin Bank					
	20.03.2017			19.03.2016		
	General Provision	Specific Provision	Total	General Provision	Specific Provision	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Balance at the beginning of the Year	(1,168,879)	(2,327,282)	(3,496,161)	(1,080,566)	(1,528,954)	(2,609,520)
Provision for Current Year	(183,218)	(801,659)	(984,877)	(88,313)	(798,328)	(886,640)
Balance at the End of the Year	**(1,352,097)**	**(3,128,941)**	**(4,481,037)**	**(1,168,879)**	**(2,327,282)**	**(3,496,161)**

10.3. Granted loans in foreign currency based on paid resources:

	Karafarin Bank					
	20.03.2017					19.03.2016
	Current	Overdue	Differed	Doubtful	Total	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Domestic Resources	37,262	0	0	334,480	371,743	1,016,387
National Development Fund	0	0	0	151,962	151,962	203,305
Central Bank of Iran	739,509	285,615	0	0	1,025,124	0
	776,771	**285,615**	**0**	**486,442**	**1,548,828**	**1,219,693**

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10.4. Granted loans and dues from non-governmental entities based on due date and interest rate:

	Bank Karafarin							
	20.03.2017							19.03.2016
	24% & More	21% to 24%	18% to 21%	15% to 18%	12% to 15%	Less than 12%	Total	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
2016-17 & Before	9,152,848	2,368,011	6,270,477	6	112,550	192	17,904,084	13,548,381
2017-18	148,930	8,018	78,782,298	5,007	0	0	78,944,252	71,019,223
2018-19	0	58,657	68,529	0	0	2,900	130,085	1,120
2019-20	0	0	1,968,045	0	0	1,938	1,969,983	7,235
2020-21 & After	0	617	7,655	0	0	7,337	15,609	0
	9,301,778	**2,435,303**	**87,097,003**	**5,013**	**112,550**	**12,367**	**98,964,013**	**84,575,959**
19.03.2016	**49,791,009**	**33,510,445**	**2,195**	**471,728**	**95,938**	**704,643**	**84,575,959**	

10.5. Granted loans and dues from non-governmental entities based on type of collateral:

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Deposit	2,304,032	7,333,268
Participation Bonds & Other Securities	62,096	0
Shares	23,005,588	16,132,317
Binding Contracts	66,995,531	54,945,590
Machineries	2,222	3,961
Land & Building	2,655,911	3,129,492
Cheques & Promissory Notes	3,550,316	2,747,621
Others	367,960	263,355
	98,943,658	**84,555,603**
Loans & Dues without Pledge	20,356	20,356
	98,964,013	**84,575,959**

10.6. Turnover of granted loans and dues from non-governmental entities:

	Karafarin Bank												
	Instalment Sales	Joala	Hire Purchase	Bai' al-Salaf	Mozarabeh	Equity Participation	Estesna'a	Gharz-al Hassaneh	Other Granted Loans – IRR	Granted Loans – Foreign Currency	Debtors for Paid L/Cs	Debtors for Paid Guarantees	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Principal Amount of Granted Loans													
Balance at 19.03.2016	558,614	153,476	7,195	46,852	7,309,630	68,172,613	0	5,204	1,087,094	1,209,156	536,461	344,404	79,430,699
Granted during the Year	156,961	0	4,650	0	21,573,733	236,942,899	14,667	8,990	57,135	5,138,054	216,843	3,701,123	267,815,055
Settled during the Year	(473,391)	(90,599)	(2,258)	(41,303)	(22,249,647)	(222,620,245)	0	(3,942)	(4,706)	(4,835,644)	(68,979)	(3,667,643)	(254,058,357)
Balance at 20.03.2017	242,184	62,877	9,587	5,549	6,633,716	82,495,267	14,667	10,252	1,139,523	1,511,566	684,325	377,884	93,187,397
Interest of Granted Loans													
Balance at 19.03.2016	53,577	95,017	6,587	3,839	843,651	4,131,846	0	9	0	10,536	86	113	5,145,261
Increase during the Year	31,746	46,039	2,260	1,612	1,349,530	13,729,301	0	6	0	43,783	714	542	15,205,532
Settled during the Year	(32,901)	(44,604)	(2,374)	(1,466)	(1,545,484)	(12,929,848)	0	0	0	(17,057)	(200)	(242)	(14,574,176)
Balance at 20.03.2017	52,422	96,452	6,473	3,985	647,697	4,931,299	0	15	0	37,262	600	413	5,776,617
Provision for Doubtful Debts													
Balance at 19.03.2016	(126,367)	(225,624)	(6,928)	(20,545)	(559,696)	(2,443,018)	0	(100)	(16,306)	(30,738)	(21,522)	(45,317)	(3,496,161)
Increase during the Year	(7,160)	76,992	(1,531)	17,098	(50,073)	(742,651)	(220)	(77)	(57,591)	(165,948)	(36,499)	(17,217)	(984,877)
Balance at 20.03.2017	(133,527)	(148,632)	(8,459)	(3,447)	(609,769)	(3,185,669)	(220)	(177)	(73,897)	(196,686)	(58,021)	(62,534)	(4,481,038)
Net Granted Loans													
Balance at 19.03.2016	**485,824**	**22,869**	**6,854**	**30,146**	**7,593,585**	**69,861,441**	**0**	**5,113**	**1,070,788**	**1,188,954**	**515,025**	**299,200**	**81,079,798**
Balance at 20.03.2017	**161,079**	**10,697**	**7,601**	**6,087**	**6,671,644**	**84,240,897**	**14,447**	**10,090**	**1,065,626**	**1,352,142**	**626,904**	**315,763**	**94,482,976**

* Interest of loans includes profit receivable of granted loans.

10.6.1. Turnover of interest of granted loans and dues from non-governmental entities:

	Karafarin Bank												
	Instalment Sales	Joala	Hire Purchase	Bai' al-Salaf	Mozarabeh	Equity Participation	Estesna'a	Gharz-al Hassaneh	Other Granted Loans – IRR	Granted Loans – Foreign Currency	Debtors for Paid L/Cs	Debtors for Paid Guarantees	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Interest Receivable of Granted Loans													
Balance at 19.03.2016	53,577	95,017	6,587	3,839	843,651	4,131,846	0	9	0	10,536	86	113	5,145,261
Increase during the Year	1,142	2,764	145	146	142,685	975,822	0	5	0	37,841	714	542	1,161,806
Settled during the Year	(2,297)	(1,330)	(259)	0	(338,639)	(176,369)	0	0	0	(11,115)	(200)	(242)	(530,451)
Balance at 20.03.2017	52,422	96,451	6,473	3,985	647,697	4,931,299	0	14	0	37,262	600	413	5,776,616
Recognizance Received from Granted Loans													
Balance at 19.03.2016	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase during the Year	0	0	0	0	0	0	0	0	0	0	0	0	0
Settled during the Year	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance at 20.03.2017	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on Granted Loans													
Balance at 19.03.2016	**53,577**	**95,017**	**6,587**	**3,839**	**843,651**	**4,131,846**	**0**	**9**	**0**	**10,536**	**86**	**113**	**5,145,261**
Balance at 20.03.2017	**52,422**	**96,451**	**6,473**	**3,985**	**647,697**	**4,931,299**	**0**	**14**	**0**	**37,262**	**600**	**413**	**5,776,617**

* Interest of loans includes profit receivable of granted loans.

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10.7. Granted loans and dues from non-governmental people based on type of client:

	Karafarin Bank					
	20.03.2017			19.03.2016		
	Gross Amount	Provision for Doubtful Debts	Net	Gross Amount	Provision for Doubtful Debts	Net
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Natural Clients	15,072,242	(797,251)	14,274,991	13,595,078	(753,567)	12,841,511
Legal Clients	82,165,803	(3,657,896)	78,507,908	69,893,787	(2,726,288)	67,167,499
Personnel	1,725,968	(25,890)	1,700,079	1,087,094	(16,306)	1,070,787
	98,964,013	**(4,481,036)**	**94,482,977**	**84,575,959**	**(3,496,161)**	**81,079,798**

10.8. Granted loans to subsidiary and affiliated companies is as follows:

	Interest Rate	20.03.2017				19.03.2016
		Current	Non-current	Provision for Doubtful Debts	Total	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Group Member Companies	0	0	0	0	0	0
Other Affiliated Parties	0	0	0	0	0	0
		0	0	0	0	0

11. INVESTMENT IN RAPIDLY TRANSACTED SHARES & OTHER SECURITIES

	Note	Group		Karafarin Bank					
		20.03.2017	19.03.2016	20.03.2017			19.03.2016		
		Total	Total	Current	Long-term	Total	Current	Long-term	Total
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Current Investments in Rapidly Transacted Shares in the Market	11-1	867,517	1,528,537	856,471	-	856,471	1,500,912	-	1,500,912
Long-term Investments in Other Shares	11-2	1,139,787	1,147,287	-	1,750,415	1,750,415	-	861,570	861,570
Investment in Other Securities with Fixed Revenue	11-4	1,517,578	1,610,408	1,019,347	-	1,019,347	1,498,530	-	1,498,530
		3,524,882	**4,286,232**	**1,875,818**	**1,750,415**	**3,626,233**	**2,999,441**	**861,570**	**3,861,011**

11.1. Investment in shares rapidly transacted in the market:

	Group		Karafarin Bank						
	20.03.2017	19.03.2016	20.03.2017					19.03.2016	
	Cost	Cost	Resource	No. of Shares	Percent of Investment	Cost	Net Sales Value	Cost	Net Sales Value
	IRR million	IRR million			Percent	IRR million	IRR million	IRR million	IRR million
Shares of TSE Listed Companies									
Persian Gulf Petrochemical Industries	335,956	343,825	Purchase	80,190,030	0.160%	335,956	343,133	343,825	455,862
Mobin Petrochemical	102,779	136,335	Purchase	31,662,602	0.222%	102,779	133,236	136,335	167,664
Bank Tejarat	92,378	99,480	Purchase	81,671,910	0.179%	92,378	54,965	99,480	100,584
Shiraz Petrochemical	64,436	64,436	Purchase	13,581,665	0.266%	64,436	33,234	64,436	40,854
Kharazmi Investment	33,644	67,697	Purchase	25,052,241	0.200%	33,644	20,142	67,697	66,289
Khouzestan Steel	25,539	68,318	Purchase	7,076,974	0.049%	25,539	23,198	68,318	33,292
Bank Pasargad	19,964	18,480	Purchase	8,904,000	0.018%	19,964	8,895	18,480	9,587

	Group		Karafarin Bank						
	20.03.2017	19.03.2016	20.03.2017					19.03.2016	
	Cost	Cost	Resource	No. of Shares	Percent of Investment	Cost	Net Sales Value	Cost	Net Sales Value
	IRR million	IRR million			Percent	IRR million	IRR million	IRR million	IRR million
Mapna Group	17,534	77,715	Purchase	2,256,200	0.023%	17,534	17,152	77,715	95,240
Parsian Oil & Gas Development	14,650	135,573	Purchase	3,856,609	0.010%	14,650	6,934	135,573	96,432
Esfahan Oil Refinery	11,598	128,396	Purchase	1,916,291	0.010%	11,598	5,126	128,396	76,568
Shazand Petrochemical	11,140	10,600	Purchase	1,890,000	0.038%	11,140	6,014	10,600	6,414
Chador Malu	10,340	9,445	Purchase	2,272,287	0.032%	10,340	4,211	9,445	4,115
Pardis Petrochemical	9,990	12,865	Purchase	1,042,275	0.017%	9,990	8,461	12,865	12,710
Fars & Khouzestan Cement	8,718	8,193	Purchase	2,625,000	0.047%	8,718	4,011	8,193	3,940
Esfahan Mobarakeh Steel	8,334	7,676	Purchase	3,900,000	0.005%	8,334	5,495	7,676	3,705
Mines & Metals Development Investment	8,324	0	Purchase	3,531,653	0.011%	8,324	4,648	0	0
Behshahr Industries Development	6,640	5,876	Purchase	2,764,000	0.039%	6,640	5,299	5,876	4,890
Civil Pension Fund Investment	6,539	0	Purchase	3,553,475	0.013%	6,539	5,437	0	0
Tabriz Oil Refinery	6,000	5,800	Purchase	400,000	0.010%	6,000	1,807	5,800	1,200
Kermanshah Petrochemical Industries	5,413	0	Purchase	1,049,846	0.030%	5,413	3,152	0	0
National Development Group Investment	5,231	3,814	Purchase	2,427,777	0.015%	5,231	4,817	3,814	2,496
Tehran Oil Refinery	4,912	0	Purchase	1,306,755	0.008%	4,912	3,115	0	0
Ta'amin Oil & Gas Investment	4,869	4,869	Purchase	1,500,000	0.003%	4,869	2,817	4,869	3,509
Fajr Petrochemical	4,701	4,701	Purchase	904,800	0.014%	4,701	5,507	4,701	5,380
Ghadir Investment	4,277	4,487	Purchase	2,760,763	0.004%	4,277	3,109	4,487	4,674

	Group		Karafarin Bank						
	20.03.2017	19.03.2016	20.03.2017					19.03.2016	
	Cost	Cost	Resource	No. of Shares	Percent of Investment	Cost	Net Sales Value	Cost	Net Sales Value
	IRR million	IRR million			Percent	IRR million	IRR million	IRR million	IRR million
Ta'amin Pharmaceutical Investment	4,180	3,756	Purchase	722,300	0.025%	4,180	4,371	3,756	4,558
Jam Petrochemical	3,470	57,011	Purchase	389,078	0.004%	3,470	3,753	57,011	59,457
Bandar Abbas Oil Refinery	2,896	2,896	Purchase	200,000	0.001%	2,896	1,000	2,896	1,098
Parsian Rail Transportation Development	1,230	0	Purchase	69,166	0.069%	1,230	1,037	0	0
National Iranian Copper Industries	1,174	0	Purchase		0.001%	1,174	943	0	0
Iran Telecommunication – Shares	1,083	0	Purchase	329,398	0.001%	1,083	762	0	0
Bahman Group	833	0	Purchase	400,000	0.008%	833	711	0	0
Behshahr Industries Group Investment	321	0	Purchase	248,665	0.016%	321	317	0	0
Gole Gohar Mining & Industrial	225	0	Purchase	100,000	0.000%	225	247	0	0
Shahid Bahonar Copper	131	0	Purchase	78,517	0.009%	131	229	0	0
Iran Telecommunication – Priority	63	0	Purchase	62,984	0.000%	63	74	0	0
Other Companies	22,606	216,502	Purchase			0	0	174,110	195,841
Total	**862,119**	**1,498,748**				**839,513**	**727,357**	**1,456,356**	**1,456,356**
Shares of Accepted Companies in *Fara Bourse*									
Esfahan Steel	11,352	11,352		12,650,817	0.038%	11,352	8,238	11,352	7,329
Bahman Diesel	5,606	0		1,434,779	0.143%	5,606	5,339	0	0
Other Companies	0	33,204				0	0	33,204	19,957
	16,959	**44,556**				**16,959**	**13,577**	**44,556**	**27,286**
	879,077	**1,543,303**				**856,471**	**740,934**	**1,500,912**	**1,483,642**
Provision for Investment Value Decrease	(11,561)	(14,767)				0	0	0	0
	867,517	**1,528,537**				**856,471**	**740,934**	**1,500,912**	**1,483,642**

11.2. Long-term investments in other shares:

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Investment in Shares of Other Companies	11-2-1	683,761	720,659	1,750,415	861,570
Investment in Construction Projects	11-2-2	456,026	426,628	0	0
		1,139,787	**1,147,287**	**1,750,415**	**861,570**

11.2.1. Investment in shares of other companies:

	Note	Group				Karafarin Bank						
		20.03.2017		19.03.2016		20.03.2017					19.03.2016	
		Cost	Net Book Value	Cost	Net Book Value	Source	No. of Shares	% of Investment	Cost	Net Book Value	Cost	Net Book Value
		IRR million	IRR million	IRR million	IRR million			Percent	IRR million	IRR million	IRR million	IRR million
Tehran Stock Exchange		1,500	1,500	1,500	1,500	Purchase	12,499,998	0.73%	1,500	1,500	1,500	1,500
Karafarin Insurance Co.		474,065	474,065	470,593	470,593	Establish	299,962,173	20%	162,165	162,165	162,165	162,165
Iran Investment Co.		8,750	8,750	8,750	8,750	Purchase	8,750,000	0.88%	8,750	8,750	8,750	8,750
Shaparak Electronic Payment Card Network Co.		700	700	700	700	Purchase	1,100,000	0.10%	700	700	700	700
Fara Bourse Iran		1,500	1,500	1,500	1,500	Purchase	7,000,000	1.3%	1,000	1,000	1,000	1,000
Iran Credit Ranking Consulting Co.		450	450	450	450	Purchase	45,000	0.05%	450	450	450	450
Abnieh Gostar Karafarin Co.		0	0	0	0	Establish	4,899,999	49%	4,900	4,900	4,900	4,900

	Note	Group				Karafarin Bank						
		20.03.2017		19.03.2016		20.03.2017					19.03.2016	
		Cost	Net Book Value	Cost	Net Book Value	Source	No. of Shares	% of Investment	Cost	Net Book Value	Cost	Net Book Value
		IRR million	IRR million	IRR million	IRR million			Percent	IRR million	IRR million	IRR million	IRR million
Bank Karafarin Investment Co.		0	0	0	0	Establish	490,845,000	53.9%	490,845	490,845	490,845	490,845
Karafarin Bureau de Change		0	0	0	0	Establish	39,992,000	100%	39,992	39,992	39,992	39,992
Karafarin Bank Brokerage Co.		0	0	0	0	Establish	149,999,988	100%	148,000	148,000	50,000	50,000
Karafarin Leasing Co.		0	0	0	0	Establish	99,999,996	100%	100,000	100,000	100,000	100,000
Kardan Co.		1,268	1,268	1,268	1,268	Establish	0	100%	1,268	1,268	1,268	1,268
Mofid Economic Group		192,312	192,312	191,130	191,130		0	0	0	0	0	0
Brokers Union Computer (Pishgaman Fanavari Etela'at Segal)		3,216	3,216	3,216	3,216		0	0	0	0	0	0
Metanol Setareh Shargh Co.		0	0	41,552	41,552		0	0	0	0	0	0
		683,761	**683,761**	**720,659**	**720,659**				**959,570**	**959,570**	**861,570**	**861,570**
Long-term Investment Prepayment:												
Karafarin Bank Investment Co.	11-2-2-1	0	0	0	0				490,845	490,845	0	0
Karafarin Leasing Co.	11-2-2-1	0	0	0	0				300,000	300,000	0	0
		683,761	**683,761**	**720,659**	**720,659**				**1,750,415**	**1,750,415**	**1,750,415**	**861,570**

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11.2.2. The mentioned amount is IRR368,965 million, which is mainly related to building projects under completion (Velenjak and Yousef Abad Projects) of Karafarin Bank Investment Company. This company is currently negotiating with Region 1 Council for obtaining a construction permit. During the 2016-17 period, all 3 office units of Yousef Abad Project were sold to Karafarin Leasing Company. In addition, the amount of IRR87,051 million is related to Karafarin Omid Tejarat Development Company has been spent in three different sectors, namely: partnership in production with Abhar Ris, Fard Behrang Companies, imports in partnership with Javan Food Industries Company and exports in partnership in with Amin Group Company.

11.2.2.1. Following the approval of the Extra Ordinary General Aseembly of the mentioned investee company, the Bank's share in their capital increase has been paid and their registration proceedings were ongoing until the date of preparation of this note.

11.3. Specifications of the Group's subsidiary and affiliated companies are as follows:

	Location	Percent of Investment		Main Activity
		Group	Karafarin Bank	
Affiliated Company:				
Karafarin Insurance Co.	Tehran	21.53	20	Issuance of all kinds of insurance
Subsidiary Companies:				
Karafarin Bank Investment Co.	Tehran	53.9	53.9	Investment in shares of companies & institutes
Karafarin Leasing Co.	Tehran	100	99.99	Sales in cash, installments & hire purchase
Bank Karafarin Brokerage Co.	Tehran	100	99.99	Trading Shares
Karafarin Bureau de Change	Tehran	100	99.98	Trading foreign currency, bills, silver and gold coins
Abnieh Gostar Karafarin Co.	Tehran	76.5	49	Implementing construction projects including renovation & repair
Omid Karafarin Trading Development Co.	Tehran	40.4	0	Legal Commercial Activities
Amin Etemad Karafarin Co.	Tehran	53.9	0	Settling differed dues of the Bank & Group companies
Asr Amin Karafarin Co.	Tehran	100	0	Supplying Insurance Services
Kourosh Petrochemical Industries Development Co.	Tehran	50.03	0	Procurement & distribution of chemical products & oil by-products
Metanol Setareh Shargh Co.	Chabahar	53.92	0	Investment & participation in implementing & establishing industrial projects
Kardan Co.	United Arab Emirates	100	100	International Financial Activities

11.4. Investment in other securities:

Issuer	Source	Type of Security	Interest Rate	Group		Bank Karafarin	
				20.03.2017	19.03.2016	20.03.2017	19.03.2016
			Percent	IRR million	IRR million	IRR million	IRR million
Government & Governmental Companies							
Islamic Treasury Documents	Purchase	Islamic Treasury	20	246,032	54,174	197,164	54,174
Islamic Morabeheh Bonds	Purchase	Morabeheh	20	624,000	0	624,000	0
Other Companies & Investment Funds							
Amin Karafarin Joint Investment Fund	Purchase	Ordinary Investment Unit	20	5,672	1,004	1,004	1,004
Amin Karafarin Joint Investment Fund	Purchase	Premium Investment Unit	20	221	221	221	221
Gole Gohar Participation Bonds	Purchase	Participation	20	48,337	7,060	48,337	7,060
Bana Gostar Karaneh Sokouk Bonds	Purchase	Sokouk	20	76,623	0	76,623	0
Arman Karafarin Joint Investment Fund	Purchase	Premium Investment Unit	20	320,085	31,656	18,500	18,500
Karafarin Brokerage Investment Fund	Purchase	Premium Investment Unit	20	169,286	118,124	28,500	28,500
Shakhes Karafarin Joint Investment Fund	Purchase	Ordinary Investment Unit	20	18,322	15,999	15,999	15,999
Shakhes Karafarin Joint Investment Fund	Purchase	Premium Investment Unit	20	9,000	9,000	9,000	9,000
Charisma Investment Fund with Fixed Income	Purchase	Ordinary Investment Unit	20	0	1,364,073	0	1,364,073
TSE & Fara Bourse (Over the Counter) Transactions Settlement Guarantee Fund	Purchase	Ordinary Investment Unit	20	0	600	0	0
Yekom Iranian Investment Fund	Purchase	Ordinary Investment Unit	22	0	8,498	0	0
				1,517,578	**1,610,408**	**1,019,347**	**1,498,530**

12. DUES FROM AFFILIATED & SUBSIDAIRY COMPANIES

	Group				Karafarin Bank			
	20.03.2017			19.03.2016	20.03.2017			19.03.2016
	Due Balance	Provision for Doubtful Debts	Net	Net	Due Balance	Provision for Doubtful Debts	Net	Net
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Dues from Subsidiary Companies	29,917	0	29,917	29,140	969,248	0	969,248	692,646
Dues from Affiliated Companies	0	0	0	600	0	0	0	600
	29,917	**0**	**29,917**	**29,740**	**969,248**	**0**	**969,248**	**693,246**

12.1. Balance of dues from affiliated and subsidiary companies in the Parent Company based on subject of transactions in-between:

Affiliated / Subsidiary Company	20.03.2017								
	Sales of Assets & Investments	Purchase of Assets & Investments	Purchase of Services	On-accounts Received	On-accounts Paid	Gharz-al-Hassaneh In-between	Dividend Receivable	Dividend Payable	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Karafarin Bank Investment Co.	0	0	0	0	27,197	0	44,381	0	71,577
Karafarin Leasing Co.	0	0	0	0	0	0	20,830	0	20,830
Karafarin Bank Brokerage Co.	0	0	0	(8)	48,554	0	60,000	0	108,546
Karafarin Bureau de Change	0	0	0	0	287,183	0	399,920	0	687,103
Abnieh Gostar Karafarin Construction Co.	0	0	0	(9,284)	54,210	0	4,829	0	49,756
Amin Etemad Karafarin Co.	0	0	0	(1,429)	642	0	0	0	(787)
Asr Amin Karafarin Co.	0	0	0	(100)	129	0	2,277	0	2,306
Kardan Co.	0	0	0	0	29,917	0	0	0	29,917
	0	**0**	**0**	**(10,821)**	**447,832**	**0**	**532,237**	**0**	**969,248**
Net Profit (Loss) of Transactions	**0**								

Affiliated / Subsidiary Company	19.03.2016								
	Sales of Assets & Investments	Purchase of Assets & Investments	Purchase of Services	On-accounts Received	On-accounts Paid	Gharz-al-Hassaneh In-between	Dividend Receivable	Dividend Payable	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Karafarin Insurance Co.	0	0	0	0	600	0	0	0	600
Bank Karafarin Investment Co.	0	0	0	0	0	0	44,086	0	44,086
Karafarin Leasing Co.	0	0	0	0	50,000	0	193,406	0	243,406
Bank Karafarin Brokerage Co.	0	0	0	0	36,232	0	89,000	0	125,232
Karafarin Bureau de Change	6,957	0	0	0	0	0	199,960	0	206,917
Abnieh Gostar Karafarin Construction Co.	0	0	0	0	38,273	0	2,619	0	40,892
Amin Etemad Karafarin Co.	0	0	0	0	600	0	0	0	600
Asr Amin Karafarin Co.	0	0	0	0	95	0	2,277	0	2,372
Kardan Co.	0	0	0	0	29,140	0	0	0	29,140
	6,957	**0**	**0**	**0**	**154,940**	**0**	**531,349**	**0**	**693,246**
Net Profit (Loss) of Transactions	**13,344**								

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12.2. Classification of dues from affiliated and subsidiary companies based on ratification of Money & Credit Council (subject of note 7-7) is as follows:

	20.03.2017				
	Current	Overdue	Differed	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Dues from Subsidiary Companies	969,248	0	0	0	969,248
Dues from Affiliated Companies	0	0	0	0	0
Net Dues from Subsidiary & Affiliated Companies before Deduction of Provision for Doubtful Debts	969,248	0	0	0	969,248
General Provision for Doubtful Debts	0	0	0	0	0
Special Provision for Doubtful Debts		0	0	0	0
Balance at 20.03.2017	**969,248**	**0**	**0**	**0**	**969,248**
Balance at 19.03.2016	**693,246**	**0**	**0**	**0**	**693,246**

13. OTHER ACCOUNTS RECEIVABLES

	Note	Group		Karafarin Bank			
		20.03.2017	19.03.2016	20.03.2017			19.03.2016
		Net	Net	Due Balance	Provision for Doubtful Debts	Net	Net
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Temporary Debtors	13-1	858,025	1,814,834	628,325	0	628,325	1,126,686
Dividend Receivable	13-2	99,395	95,936	91,771	0	91,771	92,709
Realized Profit of Participation Bonds		90,507	435	90,507	0	90,507	435
		1,047,927	**1,911,204**	**810,603**	**0**	**810,603**	**1,219,829**

13.1. Balance of temporary debtors is as follows:

	Group		Karafarin Bank	
	20.03.2017	19.03.2016	20.03.2017	19.03.2016
	IRR million	IRR million	IRR million	IRR million
Items related to Loans				
Judiciary & Settling Dues Expenses	58,148	11,499	58,148	11,499
	58,148	11,499	58,148	11,499
Items not related to Loans				
Foreign Currency Temporary Debtors	253,366	939,617	253,366	939,617
Others	546,511	863,717	316,811	175,569
	799,877	1,803,334	570,177	1,115,186
	858,025	**1,814,834**	**628,325**	**1,126,686**

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13.2. Balance of dividend receivable except for profit of affiliated and subsidiary companies is as follows:

	Group		Karafarin Bank	
	20.03.2017	19.03.2016	20.03.2017	19.03.2016
	IRR million	IRR million	IRR million	IRR million
TSE & Over - the - Counter Companies:				
Persian Gulf Petrochemical Industries	24,628	20,842	24,628	20,842
Kharazmi Investment	12,855	0	12,855	0
Shiraz Petrochemical	11,205	9,507	11,205	9,507
Jam Petrochemical	9,589	9,953	9,589	9,953
Parsian Oil & Gas Development	9,253	12,336	9,253	12,336
Iran Investment – Non-TSE	7,000	1,750	7,000	1,750
Khouzestan Steel	3,411	17,991	3,411	17,991
Civil Pension Fund Investment	2,566	0	2,566	0
Mapna Group	2,500	0	2,500	0
Pardis Petrochemical	1,471	1,987	1,471	1,987
Bank Pasargad	1,425	0	1,425	0
National Development Group Investment	1,335	231	1,335	231
Maroun Petrochemical	1,097	0	1,097	0
Ta'amin Pharmaceutical Investment	627	528	627	528
Zagros Petrochemical	616	0	616	0
Behshahr Industries Development	484	320	484	320
Stock Exchange	461	900	461	900
Ghadir Investment	442	0	442	0
Mines & Metals Development Investment	368	1,381	368	1,381
Tehran Oil Refinery	253	0	253	0
Parsian Rail Transportation	131	0	131	0
Bandar Abbas Oil Refinery	40	0	40	0
Sahand Rubber Industries	10	0	10	0
Sina Tile & Ceramic Industries	2	0	2	0
South Hormozgan Steel	2	0	2	0
Tabriz Oil Refinery	1	0	1	0
Chador Malu Mining & Industrial	0	895	0	895
Other Companies	7,624	17,316	0	14,089
	99,395	**95,936**	**91,771**	**92,709**

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13.3. Classification of other accounts receivable based on ratification of Money & Credit Council (note 7-7) is as follows:

	20.03.2017				
	Current	Overdue	Differed	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Temporary Debtors	628,325	0	0	0	628,325
Dividend Receivables	91,771	0	0	0	91,771
Realized Profit of Participation Bonds	90,507	0	0	0	90,507
Net Other Accounts Receivable before Deduction of Provision for Doubtful Debts	810,603	0	0	0	810,603
General Provision for Doubtful Debts	0	0	0	0	0
Special Provision for Doubtful Debts		0	0	0	0
Balance at 20.03.2017	**810,603**	**0**	**0**	**0**	**810,603**
Balance at 19.03.2016	**1,219,829**	**0**	**0**	**0**	**1,219,829**

14. FIXED TANGIBLE ASSETS

	Group						
	Land	Building	Motor Vehicles	Furniture & Equipment	Assets under Completion	Capital Orders & Prepayments	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Cost Price							
Balance at 21.03.2015	2,506,193	781,361	9,124	504,991	1,264,737	628,265	5,694,671
Increase during the Year	124,796	10,343	0	65,370	246,164	296,717	743,390
Sold	0	(10,343)	(702)	(5,664)	0	0	(16,708)
Transfers & Other Changes	10,599	117,835	0	2,925	(70,280)	(178,278)	(117,199)
Balance at 19.03.2016	**2,641,589**	**899,196**	**8,422**	**567,622**	**1,440,621**	**746,704**	**6,304,154**
Increase during the Year	97,617	12,972	2,974	77,314	331,548	119,771	642,196
Sold	0	(3,831)	(830)	(3,042)	0	(63,082)	(70,785)
Transfers & Other Changes	183,128	150,807	7,085	0	(167,882)	(358,262)	(185,124)
Balance at 20.03.2017	**2,922,333**	**1,059,144**	**17,652**	**641,894**	**1,604,287**	**445,130**	**6,690,440**
Accumulated Depreciation							
Balance at 21.03.2015	0	138,578	5,010	199,836			343,424
Depreciation of the Year	0	20,436	1,016	64,421			85,873
Sold	0	0	(576)	(3,993)			(4,569)
Balance at 19.03.2016	**0**	**159,014**	**5,450**	**260,264**	**0**	**0**	**424,728**
Depreciation of the Year	0	23,725	1,516	145,179			170,420
Sold	0	(1,710)	(358)	(2,689)			(4,756)
Balance at 20.03.2017	**0**	**181,029**	**6,608**	**402,754**	**0**	**0**	**590,391**
Book Value							
At 21.03.2015	**2,506,193**	**642,783**	**4,114**	**305,155**	**1,264,737**	**628,265**	**5,351,247**
At 19.03.2016	**2,641,589**	**740,182**	**2,972**	**307,358**	**1,440,621**	**746,704**	**5,879,426**
At 20.03.2017	**2,922,333**	**878,115**	**11,044**	**239,139**	**1,604,287**	**445,130**	**6,100,049**

	Karafarin Bank						
	Land	Building	Motor Vehicles	Furniture & Equipment	Assets under Completion	Capital Orders & Prepayments	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Cost Price							
Balance at 21.03.2015	2,885,465	762,175	6,949	488,712	1,264,737	628,226	6,036,265
Increase during the Year	0	0	0	63,832	232,399	354,451	650,682
Sold	0	(3,861)	(396)	(5,664)	0	0	(9,920)
Transfers & Other Changes	10,599	117,835	0	2,886	(70,280)	(178,239)	(117,199)
Balance at 19.03.2016	**2,896,064**	**876,150**	**6,553**	**549,767**	**1,426,856**	**804,438**	**6,559,828**
Increase during the Year	27,574	12,972	2,892	76,527	323,911	117,714	561,590
Sold	0	(3,831)	0	(2,940)	0	0	(6,771)
Transfers & Other Changes	183,128	150,807	7,085	0	(147,903)	(358,262)	(165,145)
Balance at 20.03.2017	**3,106,766**	**1,036,098**	**16,530**	**623,354**	**1,602,864**	**563,890**	**6,949,502**
Accumulated Depreciation							
Balance at 21.03.2015	0	204,219	4,137	192,919			401,275
Depreciation of the Year	0	43,369	695	62,242			106,305
Sold	0	(841)	(353)	(4,225)			(5,419)
Balance at 19.03.2016	**0**	**246,747**	**4,479**	**250,936**	**0**	**0**	**502,162**
Depreciation of the Year	0	37,134	1,300	141,352			179,786
Sold	0	(1,710)	0	(2,649)			(4,358)
Balance at 20.03.2017	**0**	**282,171**	**5,779**	**389,639**	**0**	**0**	**677,589**
Book Value							
At 21.03.2015	**2,885,465**	**557,956**	**2,812**	**295,793**	**1,264,737**	**628,226**	**5,634,990**
At 19.03.2016	**2,896,064**	**629,403**	**2,074**	**298,831**	**1,426,856**	**804,438**	**6,057,666**
At 20.03.2017	**3,106,766**	**753,927**	**10,751**	**233,714**	**1,602,864**	**563,890**	**6,271,913**

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14.1. Excess transfers of land and building are related to purchasing a properties in Niyavaran, Yaser Square, Moghaddas Ardebili Street, Neshat, Sarrafzadeh Property in Ardebil city, Apadana and 14 properties transferred from the heading of “Assets under Completion”. All of these are based on the report of official experts and an expert selected by the Bank.

14.2. Book value of revaluated lands based on cost price method is as follows:

	20.03.2017		19.03.2016	
	Based on Cost Price	Based on Revaluation	Based on Cost Price	Based on Revaluation
	IRR million	IRR million	IRR million	IRR million
Land	699,991	1,186,385	699,991	1,186,385
	699,991	**1,186,385**	**699,991**	**1,186,385**

14.3. Fixed tangible assets of the Bank has insurance coverage against probable hazards from fire, flood and earthquake up to IRR1,243,036 million.

14.4. The remaining transfers in the amount of IRR165,145 million include IRR142,506 million of goodwill of the Boukan, Niyavaran, Moghaddas Ardebili and Apadana Properties and he amount of IRR3,117 million relating to software which have been recorded under the heading of “Intangible Assets” (note 15 of the financial statements) and the remainder have been reflected under the heading of “Other Assets” (note 17 of the financial statements).

14.5. The accounting documents of a portion of assets under completion, which has been completed and utilised in the amount of IRR584 billion , have been transferred to their related headings after balance sheet date and following obtaining documents.

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14.6. Accounting documents of a portion of assets under completion which have been completed and utilized in the amount of IRR584 billion, have been transferred to their related headings after balance sheet date and following obtaining their related documents.

	20.03.2017		
	IRR million	IRR million	IRR million
Immovable Properties	4,142,864		
Less:			
Surplus Revaluation of Fixed Tangible Assets	(486,395)		
Accumulated Depreciation of Immovable Properties	(282,171)		
Balance of Net Immovable Properties		3,374,298	
Immovable Properties of the Bank under Purchase & Establishment		1,602,864	
Capital Prepayments for Properties		563,890	
Ownership Collaterals over 2 Years		677,250	
Movable Properties	639,884		
Less:			
Depreciation Provision of Movable Properties	(395,418)		
Net Balance of Movable Properties		244,466	
Intangible Assets	4,306,403		
Surplus Revaluation of Fixed Intangible Assets	(1,557,202)		
Accumulated depreciation of Fixed Intangible Assets	(55,545)		
Net Fixed Intangible Assets		2,693,655	
Capital Items in warehouse (Inventory of Capital Goods)		22,962	
Deposits Paid for Operating Rent of Fixed Intangible Assets		138,957	
Net Fixed Assets			9,318,343
Shareholders Equity after Deduction of Retained Profit & not Finalized Profit			9,763,531
Net Fixed Assets to Shareholders after Deduction of Retained Profit not Finalized Profit			95%

14.7. Due to some problems in implementing previous guidelines and the inability of banks to conform with the previous CBI guideline (by a 30% ratio), according to the Guideline number 94/62147 dated 01.06.2015, the mentioned ratio was increased to 75% and it required banks to sell at least 33% of their excess fixed assets every year (as of instruction date), until such time as the mentioned ratio is reached.

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15. INTANGIBLE ASSETS

	Group					Karafarin Bank			
	Business Place Goodwill	Software	PHD Project Technical Know-how	Royalty of Using General Services	Total	Business Place Goodwill		Royalty of Using General Services	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Cost Price									
Balance at 21.03.2015	3,991,857	52,527	0	18,647	4,063,031	3,991,857	50,036	18,490	4,060,383
Increase during the Year	121,612	11,752	58,492	4,828	196,684	100,052	10,607	4,607	115,266
Domestic Development	0	0		0	0	0	0	0	0
Sold	(21,560)	0	0	0	(21,560)	(15,539)	0	0	(15,539)
Transfers & Other Changes	0	0		0	0	0	0	0	0
Balance at 19.03.2016	**4,091,909**	**64,279**	**58,492**	**23,475**	**4,238,155**	**4,076,369**	**60,643**	**23,098**	**4,160,110**
Balance at 20.03.2016	4,091,909	64,279	58,492	23,475	4,238,155	4,076,369	60,643	23,098	4,160,110
Increase during the Year	0	91	0	859	950	0	0	668	668
Sold	0	0	0	0	0	0	0	0	0
Transfers & Other Changes	142,506	3,118	0	0	145,624	142,506	3,118	0	145,624
Balance at 20.03.2017	**4,234,415**	**67,488**	**58,492**	**24,334**	**4,384,730**	**4,218,876**	**63,761**	**23,766**	**4,306,403**
Accumulated Depreciation									
Balance at 21.03.2015	0	45,258			45,258	0	44,070		44,070
Depreciation of the Year	0	6,328			6,328	0	5,246		5,246
Balance at 19.03.2016	**0**	51,586	**0**	**0**	**51,586**	**0**	49,317	**0**	**49,317**
Balance at 20.03.2016	0	51,586			51,586	0	49,317		49,317
Depreciation of the Year	0	7,008			7,008	0	6,229		6,229
Balance at 20.03.2017	**0**	**58,594**	**0**	**0**	**58,594**	**0**	**55,545**	**0**	**55,545**
Book Value									
At 21.03.2015	**3,991,857**	**7,269**	**0**	**18,647**	**4,017,773**	**3,991,857**	**5,965**	**18,490**	**4,016,313**
At 19.03.2016	**4,091,909**	**12,693**	**58,492**	**23,475**	**4,186,569**	**4,076,369**	**11,327**	**23,098**	**4,110,794**
At 20.03.2017	**4,234,415**	**8,894**	**58,492**	**24,334**	**4,326,136**	**4,218,876**	**8,216**	**23,766**	**4,250,857**

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

15.1. Book value of revaluated business place goodwill based on cost price method is as follows:

	20.03.2017		19.03.2016	
	Based on Cost Price	Based on Revaluation	Based on Cost Price	Based on Revaluation
	IRR million	IRR million	IRR million	IRR million
Business Place Goodwill	1,263,420	2,820,623	1,263,420	2,820,623
	1,263,420	**2,820,623**	**1,263,420**	**2,820,623**

16. LEGAL DEPOSIT

Legal deposit completely related to Bank Karafarin (Parent Company) is as follows:

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
(Legal Deposit – Branches Deposits in Main Land (IRR	12,249,643	9,915,366
(Legal Deposit – Branches Deposits in Free Zones (IRR	192,693	111,671
	12,442,336	**10,027,037**

16.1. In compliance with the requirements as set forth by Clause 3 of Article 14 of Monetary & Banking Act and based on the set rates via the Money & Credit Council, statutory deposit held at CBI has been calculated and approved via the CBI.

17. OTHER ASSETS

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Clients' Dues for Term L/Cs – Net	17-1	1,879,075	51,203	1,879,075	51,203
Ownership Pledges	17-2	2,835,999	1,915,051	2,829,129	1,909,031
Deposit for Rented Buildings		152,613	120,790	138,957	120,790
Properties Ready for Sale	17-3	159,942	92,388	0	0
Inventory of Movable Properties of Furniture		22,962	30,917	22,962	30,917
Prepayments		94,017	58,244	33,651	21,318
Inventory of Consumables		4,827	24,365	4,827	24,365
Inventory of Prints		3,651	4,969	3,651	4,969
Equivalent Value of Security Tokens		1,190	1,527	1,190	1,527
Tax Stamp		1,804	2,047	1,804	1,897
Gold Coins		3,289	117	3,289	117
Issuance Right for Checks		817	902	817	902
Others (Smart Card)		93,758	1,167	0	0
		5,253,945	**2,303,688**	**4,919,354**	**2,167,038**

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

17.1. Net clients' dues for term L//Cs completely related to Karafarin Bank (Parent Company) and is as follows:

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Clients' Dues for Term L/Cs (Foreign Currency)	1,907,691	51,983
	1,907,691	**51,983**
Less: Public Provision for Doubtful Debts	(28,615)	(780)
	1,879,075	**51,203**

17.1.1. Flow of public provision for doubtful debts is as follows:

	Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Balance at the beginning of the Year	780	0
Provision of the Current Year	27,836	780
Balance at the End of the Year	**28,615**	**780**

17.2. Ownership pledges
Composition of balance of ownership pledges of the Parent Company is as follows:

	19.03.2016	Acquired during the Year	Sold during the Year	2016-17
	IRR million	IRR million	IRR million	IRR million
Movable				
Equipment	930	0	0	930
Goods	98	72	(170)	0
Motor Vehicles	1,400	0	(1,400)	0
	2,428	72	(1,570)	930
Immovable				
Residential	1,336,281	475,149	(50,747)	1,760,683
Trade / Administrative	222,626	8,645	(3,390)	227,882
Land	284,569	528,114	(253,350)	559,333
Garden	12,316	845	(5,432)	7,730
Residential / Trade	50,811	69,943	0	120,754
Residential / Trade / Administrative	0	151,818	0	151,818
	1,906,604	1,234,514	(312,918)	2,828,199
	1,909,031	**1,234,586**	**(314,488)**	**2,829,129**
Retained Value Decrease	0			0
	1,909,031			**2,829,129**
Profit (Loss) from Sales	**11,296**			**37,474**

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

17.2.1. Balance of immovable ownership pledges is as follows:

	Karafarin Bank	
	2016-17	19.03.2016
	IRR million	IRR million
Less than 1 Year from Ownership Date	1,229,592	1,204,040
To 2 Years from Ownership Date 1	922,287	101,201
More than 2 Years from Ownership Date	677,250	603,790
	2,829,129	**1,909,031**

17.2.2. Repossessed properties have been prepared for sale and a portion of these properties were either in process of handover or had been sold by the date of preparation of this report. In addition, measures and planning for obtaining official expert reports and valuation of these properties for the end of the year and the fact expelling intruder in some of these properties, are currently in progress.

17.2.3. Profit (loss) resulting from the sale of repossessed properties have been reflected in the Profit & Loss Statement and in note 41.

17.3. Properties ready for sale are related to Karafarin Bank Investment Company, which shall be sold following the advice of the Sales Committee and the approval of the Board of Directors. Valuations have been conducted via official experts and an auction advert has been placed in newspapers and banners in 2014-15 and 2015-16. Furthermore, the Babol property has been revaluated. Company procedures are such that the cost of buildings are based on the relative value of sales amount. Hence, due to the uncertainty of the mentioned sales value, is it is not possible to separate cost of commercial and office units. The value of properties have been reported at the beginning and end of the period. The branches which have let their premises have been insured vie their tenets. According to title deed number 734608, Karafarin Bank Investment Company owns 98.023% of the Babol land measuring 679 square meters.

18. GOODWILL

	Group	
	2016-17	2015-16
	IRR million	IRR million
Cost Price at the beginning of the Year	143,672	143,672
Acquired Goodwill during the Year	57,796	0
Cost Price at the End of the Year	201,468	143,672
Accumulated Depreciation at the beginning of the Year	(7,184)	0
Amortisation of the Year	(10,073)	(7,184)
Accumulated Depreciation at the End of the Year	(17,257)	(7,184)
Book Value	**184,211**	**136,489**

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

18.1. Consolidated goodwill is related to acquiring the shares of Kourosh Petrochemical Industries Development Company and Metanol East Company via Karafarin Bank Investment Company (subsidiary company).

19. DUES TO BANKS & OTHER CREDIT INSTITUTES

	Note	Group		Karafarin Bank	
		20.03.2017	2015-16	20.03.2017	2015-16
		IRR million	IRR million	IRR million	IRR million
Central Bank of Iran					
Foreign Currency Demand Deposits		9,318,015	7,113,349	9,318,015	7,113,349
Foreign Currency Term Deposits		776,398	1,485,426	776,398	1,485,426
Debt for Purchasing Foreign Currency		1,021,105	981,127	1,021,105	981,127
Debt for Legal Deposits		469,226	102,352	469,226	102,352
Loans Received from Central Bank – From Foreign Currency Reserve		78,144	116,280	78,144	116,280
Loans Received from Central Bank – From Medicine Loans	19-1	0	14,595	0	14,595
		11,662,888	9,813,128	11,662,888	9,813,128
Domestic Banks & Credit Institutes					
Payment of Issued Checks of the Bank by Other Banks		596,412	744,483	596,412	744,483
Demand Deposit of Banks held with Us – Foreign Currency		116,309	111,995	116,309	111,995
Loans Received – IRR		689,277	686,030	0	0
Others		161,883	181,342	161,883	181,342
		1,563,882	1,723,850	874,605	1,037,820
Foreign Banks					
Demand Deposits – Foreign Currency		304	287	304	287
		304	287	304	287
		13,227,073	**11,537,266**	**12,537,796**	**10,851,236**

Karafarin Bank (PJSC)
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19.1. Turnover of loans received account from Central Banks of Iran is as follows:

	Type of Foreign Currency	Foreign Currency Amount	IRR million
Loans Received from CBI – Medicine Loans			784,331
Paid Medicine Loans as Equity Participation Contract:			
Zahravi Pharmaceutical Co.	Frank	8,071,577	(262,173)
Kar va Andisheh Co.	Euro	4,285,394	(149,350)
Sobhan Oncology Pharmaceutical Co.	Euro	3,247,914	(113,193)
Koubl Darou	Euro	3,072,734	(107,088)
Akbarieh Co.	Euro	2,119,604	(73,870)
Shafayab Gostar Co.	Euro	1,272,920	(44,363)
Barsian Darou Co.	Euro	813,918	(28,366)
Iran Khodro Diesel Co.	Euro	170,100	(5,928)
			(784,331)
			0

20. CLIENTS' DEPOSITS

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Natural Clients					
Demand & Similar Deposits	20-1	743,476	1,835,262	768,118	1,835,262
Saving & Similar Deposits	20-2	130,975	118,016	130,975	118,016
Other Deposits & Advances Received	20-3	88,709	68,442	88,709	68,442
		963,160	2,021,719	987,802	2,021,719
Legal Clients					
Demand & Similar Deposits	20-1	1,667,488	8,245,376	1,667,492	8,290,556
Saving & Similar Deposits	20-2	462,865	230,850	462,865	230,850
Other Deposits & Advances Received	20-3	4,536,133	3,977,365	4,536,133	3,977,365
		6,666,486	12,453,591	6,666,490	12,498,771
		7,629,645	**14,475,310**	**7,654,292**	**14,520,490**

Karafarin Bank (PJSC)
Notes to the Financial Statements
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20.1. Demand & similar deposits of natural & legal clients are as follows:

	Group		Karafarin Bank	
	20.03.2017	19.03.2016	20.03.2017	19.03.2016
	IRR million	IRR million	IRR million	IRR million
Current Gharz-al-hassaneh Deposits – IRR	2,288,666	9,981,716	2,313,312	10,024,177
Current Gharz-al-hassaneh Deposits – Foreign Currency	122,298	98,922	122,298	101,641
	2,410,964	**10,080,638**	**2,435,610**	**10,125,818**

20.2. Saving & similar deposits of natural & legal clients are as follows:

	Group & Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Saving Gharz-al-hassaneh Deposits – IRR	12,398	13,278
Saving Gharz-al-hassaneh Deposits – Foreign Currency	581,442	335,588
	593,840	**348,866**

20.3. Other deposits & advances received

	Group & Karafarin Bank	
	20.03.2017	19.03.2016
	IRR million	IRR million
Cash Deposit of Guarantees – IRR	1,761,576	1,619,729
Cash Deposit of Guarantees – Foreign Currency	192,113	158,851
Advances Received of L/Cs – IRR	57,250	23,000
Advances Received of L/Cs – Foreign Currency	2,583,880	2,229,406
Others (include 4,160 items)	30,022	14,820
	4,624,842	**4,045,806**

Karafarin Bank (PJSC)
Notes to the Financial Statements
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21. DIVIDEND PAYABLE

	Karafarin Bank					
	Cash EPS	Ratified Dividend	Balance at 19.03.2016	Dividend Paid during 2016-17	Capital Increase from Dues	Balance at 20.03.2017
	IRR	IRR million	IRR million	IRR million	IRR million	IRR million
Balance of Dividend Payable from Previous Years		8,242,500	9,003	(782)	(2,490,111)	8,220
Year Ended 20.03.2014	300	2,550,000	2,635	(310)	0	2,325
Year Ended 20.03.2015	210	1,785,000	1,050	(184)	0	866
Year Ended 19.03.2016	200	1,700,000	0	(1,699,178)	0	822
Total			**12,687**	**(1,700,454)**	**(2,490,111)**	**12,234**

Group's dividend payable account is as follows:

	20.03.2017	19.03.2016
	IRR million	IRR million
Karafarin Bank:		
Balance of Dividend Payable from Previous Years	8,220	9,003
Year Ended 20.03.2014	2,325	2,635
Year Ended 20.03.2015	866	1,050
Year Ended 19.03.2016	822	0
	12,234	**12,687**
Group:		
Subsidiary Companies Owned by Minority	41,066	47,866
	53,300	**60,554**

Karafarin Bank (PJSC)
Notes to the Financial Statements
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22. PROVISION FOR CORPORATION TAX

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	IRR million	IRR million	IRR million	IRR million
Balance at the Beginning of the Year	475,402	766,689	443,859	666,812
Corporation Tax Adjusted of Previous Years	279,578	279,578	275,637	275,637
Performance Tax Provision of the Year	179,969	572,058	96,654	528,647
Paid during the Year	(763,003)	(778,558)	(719,496)	(666,813)
Balance at the End of the Year	171,946	839,767	96,654	804,283
Tax Prepayments	(31,199)	(84,787)	(31,199)	(84,787)
Balance at the End of the Year	**140,746**	**754,980**	**65,455**	**719,496**

22.1. Income tax of the Bank for all years before 2013-14 has been finalized and settled. Summary of payable tax situation for years 2013-14 to 2016-17 is as follows:

(Amounts in million IRR)

	20.03.2017							2015-16	Recognition Method
	Declared Profit (Loss)	Income Liable to Tax	Tax						
			Declared	Recognised	Final	Paid	Balance of Provision	Balance of Provision	
2013-14	3,971,082	2,949,742	589,948	722,825	721,727	721,727	0	131,674	Final & Settled
2014-15	4,321,646	3,098,244	619,649	810,269	0	697,531	0	77,882	Tax Initial Court
2015-16	3,196,510	2,643,235	528,647	968,011	0	594,727	0	594,727	Issuance of Recognition Paper & Objection
2016-17	1,819,020	483,269	96,654	0	0	0	96,654	0	Sending Declaration
							96,654	804,283	
Tax Prepayments							(31,199)	(84,787)	
							65,455	**719,496**	

22-2- The Bank has commenced legal actions regarding the cases of 2003-04,2009-10, 2010-11, 2012-13 and 2013-14 at the Administrative Tribunal as means to retrieve the Bank's rights.

22-3- Corporation tax for the 2014-15 and 2015-16 periods have been calculated based on the requirements of Direct Tax Act and its provision has been recorded in the accounts. In reference with corporation tax for the 1393 period, a tax assessment note has been issued, against which, the Bank has filed an appeal. This case has been reviewed by the Tax Arbitration Board of First Instance, which issued a verdict in this regard. The Bank subsequently appealed against this verdict and hence, the case is currently being reviewed by the Tax Arbitration Board of Appeal. The Bank has also filed an appeal against the tax assessment note for corporation tax of 2015-16. This case is currently being reviewed by the Tax Arbitration Board of First Instance and is at the stage of expert review.

Karafarin Bank (PJSC)
Notes to the Financial Statements
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23. PROVISIONS & OTHER LIABILITIES

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Loans Received from National Development Fund – Principal Amount	23-1	272,554	548,000	272,554	548,000
Loans Received from National Development Fund – Interest	23-1	128,930	62,013	128,930	62,013
Debts of the Bank for Term L/Cs		2,764,246	85,137	2,764,246	85,137
Provision for Allocated & Unpaid Expenses		154,823	239,939	132,394	219,409
Provision for Deposits Guarantee Fund	23-3	68,599	45,896	68,599	45,896
Social Security Organization		74,803	68,278	63,942	58,520
Cash Deposit of Matured Guarantees		4,436	5,231	4,436	5,231
Retention Deposit of Contractors		59,440	42,234	38,472	42,234
Debt of Clients for L/Cs		53,933	81,349	53,933	81,349
Foreign Exchange Bill of Clients		164,385	211,182	164,385	211,182
Creditors of Gift Cards		252,058	163,186	252,058	163,186
Creditors of Coupon Cards		123,853	99,234	123,853	99,234
Other Liabilities		864,132	890,983	995,046	821,392
		4,986,192	**2,542,661**	**5,062,849**	**2,442,782**

23.1. Flow of loans received account from National Development Fund is as follows:

	20.03.2017	19.03.2016
	IRR million	IRR million
Loans Received from National Development Fund – Principal Amount	712,554	712,554
Loans Paid to Clients from National Development Fund – Principal Amount	(440,000)	(164,554)
	272,554	548,000
Interest of Loans Received from National Development Fund	128,930	62,013
	401,484	610,013

Karafarin Bank (PJSC)
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23.2. Loans received from National Development Fund at the date of balance sheet is as follows:

Received Amount	Type of Foreign Currency	Received Date	Final Due Date	No. of Installments	Interest Rate	Balance of Facilities – Principal Amount	Balance of Facilities – Interest
IRR million					Percent	IRR million	IRR million
IRR Loans							
150,000	IRR	07.06.2015	07.12.2022	20	16	5,000	17,160
500,000	IRR	20.06.2015	18.06.2022	20	19	205,000	103,605
50,000	IRR	24.12.2014	30.11.2021	20	19	50,000	8,165
12,554	IRR	29.11.2016	30.11.2021	20	19	12,554	0
712,554						**272,554**	**128,930**

23-3- According to the Cabinet ratification dated 20.05.2017, which refers to amending the guideline of methods and terms of membership at the Deposits Guarantee Fund (ratification number H48367 T/100998 dated 24.07.2013), initial and annual membership fees for the 2013-14 and 2014-15 periods have been paid in favour of the Fund and the new amendment of the Fund has been enforced and recorded in the accounts for the 2016-17 period.

24. PROVISION FOR EMPLOYEES WORK TERMINATION BENEFITS

	Note	Group		Bank Karafarin	
		2016-17	2015-16	2016-17	2015-16
		IRR million	IRR million	IRR million	IRR million
Balance at the beginning of the Year		317,965	257,704	310,846	252,789
Paid during the Year		(15,590)	(12,252)	(11,380)	(9,944)
Provided Provision during the Year	24-1	105,985	72,513	101,189	68,001
Balance at the End of the Year		**408,360**	**317,965**	**400,655**	**310,846**

24.1. Provision for personnel service years buyback calculated is based on one month salary of the latest year for each year of service.

Karafarin Bank (PJSC)
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25. SHAREHOLDERS' INVESTMENT DEPOSITS

	Note	Group		Karafarin Bank	
		20.03.2017	19.03.2016	20.03.2017	19.03.2016
		IRR million	IRR million	IRR million	IRR million
Term Investment Deposits					
Long-term Investment Deposits	25-1	62,379,987	62,622,154	62,385,037	62,757,204
Short-term Investment Deposits	25-1	40,080,006	13,981,868	40,795,804	14,031,230
Short-term Special Investment Deposits	25-1	83,132	38,944	83,132	38,944
Investment Deposits Received from Banks & Credit Institutes	25-1	150,324	2,403,566	150,324	2,403,566
		102,693,449	**79,046,533**	**103,414,297**	**79,230,945**
Payable Interest of Term Investment Deposits					
Long-term Investment Deposits	25-2	0	0	0	0
Short-term Investment Deposits	25-2	12,075	12,075	12,075	12,075
Short-term Special Investment Deposits	25-2	0	0	0	0
Investment Deposits Received from Banks & Credit Institutes	25-2	0	0	0	0
		12,075	**12,075**	**12,075**	**12,075**
		102,705,524	**79,058,608**	**103,426,372**	**79,243,020**

Karafarin Bank (PJSC)
Notes to the Financial Statements
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25.1. Term investment deposits based on Rial and foreign currency

	Note	Karafarin Bank					
		20.03.2017			19.03.2016		
		IRR	Forex	Total	IRR	Forex	Total
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Short-term Ordinary Investment Deposits	25-1-1	40,902,681	43,446	40,946,127	14,987,207	1,447,590	16,434,797
Short-term Special Investment Deposits							
Up to 3-month		3,410	0	3,410	6,328	0	6,328
3 to 6-month		14,447	0	14,447	15,884	0	15,884
More than 6-month to 1-year		65,276	0	65,276	16,732	0	16,732
Long-term Investment Deposits							
Public Deposit Guarantee		36,046	0	36,046	10,046,745	0	10,046,745
1-year		57,350,742	66,880	57,417,623	44,509,241	77,225	44,586,466
2-year		74,228	0	74,228	207,320	0	207,320
3-year		8,205	0	8,205	18,805	0	18,805
4-year		13,801	0	13,801	15,564	0	15,564
5-year		4,835,134	0	4,835,134	7,882,304	0	7,882,304
		103,303,970	**110,327**	**103,414,297**	**77,706,130**	**1,524,815**	**79,230,945**

25.1.1. During the current year, the foreign currency deposit of Future Bank of Bahrain was settled prior to its maturity date, following the request of that bank and in coordination with the CBI. The interest on that account amounted to AED175,246,468 on 01.01.2017 and was deposited in the account introduced by the CBI. This was then reported to the Future Bank in writing. The Future Bank subsequently acknowledged the settlement in writing.

• The growth of one-year deposits is due to restrictions on depositing for more than one year, according to circular 93/96593 dated 02.07.2014. The balance of deposits for more than one year is related deposits in the prior years.

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Notes to the Financial Statements
For the Year Ended March 20th, 2017

25.1.2. Long-term investment deposits based on maturity and interest

	20.03.2017							19.03.2016
	Above 22%	19% - 22%	16%-19%	13%-16%	10%-13%	10% & below	Total	Total
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Matured	0	0	10	0	0	2,787	2,797	26,555
2016-17	0	0	0	0	0	4,690	4,690	56,179,310
2017-18	144,887	35,096,552	21,735,827	2,236,139	0	66,786	59,280,191	1,436,388
2018-19	58,622	2,920,555	228	0	0	0	2,979,406	3,225,419
2019-2020	12,853	62,030	0	0	0	0	74,883	1,109,804
2020-2021	43,071	0	0	0	0	0	43,071	779,729
	259,433	**38,079,137**	**21,736,065**	**2,236,139**	**0**	**74,263**	**62,385,037**	**62,757,204**
19.03.2016	**329,005**	**17,268,724**	**44,582,249**	**500,002**	**0**	**77,225**	**62,757,204**	

25.1.3. Turnover of IRR investment deposits

	Balance at 19.03.2016	Deposits Attracted during the Year	Deposits Repayment	Balance at 20.03.2017
	Million IRR	Million IRR	Million IRR	Million IRR
Public Deposit Certificate	10,046,745	8,859,246	(18,869,944)	36,046
1- Year	44,509,241	96,241,884	(83,400,383)	57,350,742
2- Year	207,320	31,882	(164,974)	74,228
3- Year	18,805	3,576	(14,176)	8,205
4- Year	15,564	3,335	(5,098)	13,801
5- Year	7,882,304	1,586,911	(4,634,081)	4,835,134
Short-term Deposits	13,986,947	857,232,307	(830,466,897)	40,752,357
Special Short-term Deposits	38,944	142,439	(98,250)	83,132
Investment Deposits Received from Banks & credit Institutes	1,000,260	30,675,581	(31,525,517)	150,324
	77,706,130	**994,777,161**	**(969,179,321)**	**103,303,970**

Karafarin Bank (PJSC)
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25.1.4. Turnover of foreign currency investment deposits

	Balance at 19.03.2016	Deposits Attracted during the Year	Deposits Repayment	Balance at 20.03.2017	Balance at 20.03.2017	Balance at 19.03.2016
	Amount-Foreign Currency	Amount-Foreign Currency	Amount-Foreign Currency	Amount-Foreign Currency	IRR Equivalent	IRR Equivalent
					Million IRR	Million IRR
Long-term Deposits						
USD	986,163	92,622	286,322	792,463	25,967	30,079
EUR	1,291,440	16,965	209,665	1,098,740	38,815	44,334
AED	173,000	606	606	173,000	1,527	1,424
GBP	32,210	55	18,055	14,210	571	1,388
Ordinary & Special Short-term Deposits						
USD	512,964	47,844	58,950	501,858	16,367	15,603
EUR	841,100	50,941	118,741	773,300	26,950	28,543
GBP	3,200	4	4	3,200	129	138
Investment Deposits Received from Banks & credit Institutes						
AED	170,428,256	4,818,212	175,246,468	0	0	1,403,306
					110,327	**1,524,815**

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25.1.5. Composition of investment depositors is as follows:

	20.03.2017		19.03.2016	
	Number of Depositors	Amount-million IRR	Number of Depositors	Amount-million IRR
IRR Deposits				
Legal Entities	7,077	35,380,510	6,578	14,006,038
Natural Persons	354,364	67,773,136	322,728	62,699,833
Investment Deposits Received from Banks & credit Institutes	4	150,324	5	1,000,260
	361,445	103,303,970	329,311	77,706,130
Foreign Currency Deposits				
Legal Entities	7	21,560	7	20,976
Natural Persons	135	88,766	177	100,533
Investment Deposits Received from Banks & credit Institutes	0	0	1	1,403,306
	142	110,327	185	1,524,815
	361,587	**103,414,297**	**329,496**	**79,230,945**

25.2. Interest payable to term investment deposits

	Balance at 19.03.2016	On-account Interest during the Year	Difference of Actual & On-account Interest	Interest Paid during the Year	Balance at 20.03.2017
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Ordinary Short-term Deposits	12,075	2,592,308	0	(2,592,308)	12,075
Special Short-term Deposits	0	8,268	0	(8,268)	0
1- Year Deposits	0	8,938,628	0	(8,938,628)	0
2- Year Deposits	0	28,740	0	(28,740)	0
3- Year Deposits	0	3,018	0	(3,018)	0
4- Year Deposits	0	3,240	0	(3,240)	0
5- Year Deposits	0	1,418,041	0	(1,418,041)	0
Deposits Certificate	0	1,827,476	0	(1,827,476)	0
Investment Deposits Received from Banks	0	84,106	0	(84,106)	0
Foreign Currency Deposits	0	59,806	0	(59,806)	0
	12,075	**14,963,629**	**0**	**(14,963,629)**	**12,075**

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26. CAPITAL

The Bank's capital on the date of establishment was IRR30,000 million (comprising 30,000,000shares with a face value of IRR1,000 per share). This amount increased to IRR8,500 billion at various stages (including 8,500,000,000 shares with a face value of IRR1,000 each).

Date	Increase in Capital	Additional Capital	Capital Level	Source of Additional Capital
	%	Million IRR	Million IRR	
02.08.2001	233%	30,000	100,000	Claims & Cash Contribution
22.12.2001	100%	100,000	200,000	Claims
13.11.2004	75%	150,000	350,000	Claims & Cash Contribution
26.09.2005	100%	350,000	700,000	Claims & Cash Contribution
19.12.2007	50%	350,000	1,050,000	Claims & Cash Contribution
22.12.2008	90%	950,000	2,000,000	Claims & Cash Contribution
03.10.2010	50%	1,000,000	3,000,000	Claims & Cash Contribution
11.09.2011	50%	1,500,000	4,500,000	Claims & Cash Contribution
22.09.2012	61%	2,750,000	7,250,000	Revaluation Surplus & Retained Earnings
28.05.2014	17%	1,250,000	8,500,000	Claims & Cash Contribution

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26.1. Composition of shareholders on balance sheet date is as follows:

	20.03.2017		19.03.2016	
	Number of Shares	% of Shares	Number of Shares	% of Shares
1% & Above				
Legal Entities				
Saba Ta'amin Investment Co. (Public J.S)	757,817,641	8.9%	757,707,641	8.9%
Karafarin Insurance Co.	644,054,981	7.6%	644,054,981	7.6%
Mehr Afarinan Doran Co. (Private J.S)	424,999,998	5.0%	424,999,998	5.0%
Tose'e Eghtesad Farda Co. (Private J.S)	424,999,998	5.0%	424,999,998	5.0%
Ideh Gostar Dour Andish Co. (Private J.S)	424,999,998	5.0%	424,999,998	5.0%
Negin Ganjineh Iranian Co. (Private J.S)	424,999,998	5.0%	424,999,998	5.0%
Tadbir Inverstment Co. (Private J.S)	424,931,033	5.0%	424,931,033	5.0%
Modabber Kesht Tous Agricultural Co. (Private J.S)	298,520,693	3.5%	298,520,693	3.5%
Ayandeh Sazan Economic Development Co. (Private J.S)	212,167,093	2.5%	212,167,093	2.5%
Sarzamin Pahnavar Mehr Co. (Private J.S)	134,874,452	1.6%	0	0.0%
Kar-O-Andisheh Jonoub Co. (Limited Liability)	106,250,423	1.3%	106,250,423	1.3%
Omid Welfare Institute	94,626,283	1.1%	94,626,283	1.1%
Parsian Bank Financial Group Co. (Private J.S)	89,703,946	1.1%	89,703,946	1.1%
Asphalt Tous Co.	85,232,617	1.0%	85,232,617	1.0%
	4,548,179,154	**53.5%**	**4,413,194,702**	**51.9%**
Legal Entities (11 Shareholders)	2,156,263,273	25.4%	2,144,400,821	25.2%
Others (below 1%)				
Legal Entities (111 Shareholders)	440,830,339	5.2%	491,646,678	5.8%
Individuals (6,575 Shareholders)	1,354,727,234	15.9%	1,450,757,799	17.1%
	8,500,000,000	**100%**	**8,500,000,000**	**100%**

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27. Legal Reserve

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Balance at the Beginning of the Year	3,272,601	2,868,329	3,241,164	2,840,984
Transfer from Allocable Profit	261,937	404,273	258,355	400,179
Balance at the End of the Year	**3,534,538**	**3,272,601**	**3,499,519**	**3,241,164**

27.1. According to Clause A of Article 33 of Monetary and Banking Act as well as Article 108 of Bank's Articles of Association, 15% of net interest for each year is considered as legal reserves following the deductions of any losses in the previous years. Assigning legal reserves is statutory as long as they equal the bank's capital. Allocating any legal reserves in excess of the bank's capital is discretionary.

28. OTHER RESERVES

Other reserves which is completely related to the subsidiaries are as follows:

	Group	
	2016-17	2015-16
	Million IRR	Million IRR
Balance at the Beginning of the Year	5,660	5,045
Transfer from Allocable Profit	170	614
Balance at the End of the Year	**5,830**	**5,660**

29. ASSETS REVALUATION SURPLUS

	Group		Parent Company	
	20.03.2017	19.03.2016	20.03.2017	19.03.2016
	Million IRR	Million IRR	Million IRR	Million IRR
Assets Revaluation Surplus	154,759	154,759	43,597	43,597
	154,759	**154,759**	**43,597**	**43,597**

Assets revaluation surplus of the Group related to the Parent Company and assets revaluation surplus of Affiliated Company (Karafrin Insurance) is recognized by networth method.

Assets revaluation surplus in the parent company is as follows:

Date	20.03.2017			19.03.2016
	Amounts of Assets Revaluation Surplus	Increase in Capital	Balance of Assets Revaluation	Balance of Assets Revaluation
	Million IRR	Million IRR	Million IRR	Million IRR
10.03.2017	2,043,597	(2,000,000)	43,597	43,597
	2,043,597	**(2,000,000)**	**43,597**	**43,597**

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30. SHAREHOLDERS' EQUITY WITH NO CONTROL

	Group	
	20.03.2017	19.03.2016
	Million IRR	Million IRR
Capital	438,352	438,352
Capital Increase Fund (11.2.2.1.)	130,882	0
Leg Reserve	12,622	12,577
Retained Loss	(217,440)	(178,895)
	364,416	**272,034**

31. INCOME FROM GRANTED LOANS AND INVESTMENT

	Note	Group					
		2016-17			2015-16		
		Joint	Non-joint	Total	Joint	Non-joint	Total
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Income from Granted Loans	31-1	16,988,604	213,079	17,201,683	18,704,703	290,037	18,994,740
Investment Income	31-2	672,191	198,916	871,107	1,561,551	52,941	1,614,492
Total Income from Granted Loans & Investment		**17,660,795**	**411,995**	**18,072,790**	**20,266,255**	**342,978**	**20,609,232**

	Note	Parent Company					
		2016-17			2015-16		
		Joint	Non-joint	Total	Joint	Non-joint	Total
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Income from Granted Loans	31-1	16,988,604	212,963	17,201,567	18,702,064	292,677	18,994,740
Investment Income	31-2	672,191	18,806	690,997	1,561,551	13,184	1,574,735
Total Income from Granted Loans & Investment		**17,660,795**	**231,769**	**17,892,564**	**20,263,615**	**305,861**	**20,569,475**

31.1. Income from granted loans

	Group									
	2016-17					2015-16				
	IRR			Foreign Currency (Non-joint)	Total	IRR			Foreign Currency (Non-joint)	Total
	Joint	Non-joint	Total			Joint	Non-joint	Total		
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Installment Sales	46,821	25,025	71,846	-	71,846	16,322	20,918	37,240	-	37,240
Joaleh	2,861	494	3,355	-	3,355	5,266	1,041	6,307	-	6,307
Hire Purchase	3,103	-	3,103	-	3,103	-	-	-	-	-
Mozarebeh	1,058,510	-	1,058,510	-	1,058,510	1,619,369	-	1,619,369	-	1,619,369
Equity Participation	12,191,171	-	12,191,171	84,353	12,275,524	13,328,271	-	13,328,271	42,112	13,370,383
Salaf (Forward Sales)	-	-	-	-	-	62,677	-	62,677	-	62,677
Recognisance	3,686,138	-	3,686,138	78,597	3,764,735	3,624,535	32,875	3,657,410	48,987	3,706,397
Recognisance of L/C Debtors	-	1,608	1,608	-	1,608	-	44,640	44,640	-	44,640
Recognisance of Paid L/G Debtors	-	22,886	22,886	-	22,886	-	99,465	99,465	-	99,465
Others	-	-	-	116	116	48,263	-	48,263	-	48,263
	16,988,604	**50,013**	**17,038,617**	**163,066**	**17,201,683**	**18,704,703**	**198,938**	**18,903,641**	**91,099**	**18,994,740**

	Parent Company									
	2016-17					2015-16				
	IRR			Foreign Currency (Non-joint)	Total	IRR			Foreign Currency (Non-joint)	Total
	Joint	Non-joint	Total			Joint	Non-joint	Total		
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Installment Sales	46,821	25,025	71,846	-	71,846	16,322	20,918	37,240	-	37,240
Joaleh	2,861	494	3,355	-	3,355	5,266	1,041	6,307	-	6,307
Hire Purchase	3,103	-	3,103	-	3,103	-	-	-	-	-
Mozarebeh	1,058,510	-	1,058,510	-	1,058,510	1,619,369	-	1,619,369	-	1,619,369
Equity Participation	12,191,171	-	12,191,171	84,353	12,275,524	13,328,271	-	13,328,271	42,112	13,370,383
Salaf (Forward Sales)	-	-	-	-	-	62,677	-	62,677	-	62,677
Recognisance	3,686,138	-	3,686,138	78,597	3,764,735	3,621,896	32,875	3,654,770	51,627	3,706,397
Recognisance of L/C Debtors	-	1,608	1,608	-	1,608	-	44,640	44,640	-	44,640
Recognisance of Paid L/G Debtors	-	22,886	22,886	-	22,886	-	99,465	99,465	-	99,465
Others	-	-	-	-	-	48,263	-	48,263	-	48,263
	16,988,604	**50,013**	**17,038,617**	**162,950**	**17,201,567**	**18,702,064**	**198,938**	**18,901,001**	**93,739**	**18,994,740**

31.2. Investment income

	Group									
	2016-17					2015-16				
	IRR			Foreign Currency (Non-joint)	Total	IRR			Foreign Currency (Non-joint)	Total
	Joint	Non-joint	Total			Joint	Non-joint	Total		
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Legal Deposit Prize (Depositors & Bank's Quota)	103,404	9,386	112,790	-	112,790	101,062	6,597	107,659	-	107,659
Term Deposits Interest Held with Banks	391,530	40,660	432,190	-	432,190	1,439,450	46,344	1,485,794	-	1,485,794
Interest of Participation Bonds, Sukuk & Certificate of Deposit	177,257	148,870	326,128	-	326,128	21,039	0	21,039	-	21,039
	672,191	**198,916**	**871,107**	-	**871,107**	**1,561,551**	**52,941**	**1,614,492**	-	**1,614,492**

	Parent Company									
	2016-17					2015-16				
	IRR			Foreign Currency (Non-joint)	Total	IRR			Foreign Currency (Non-joint)	Total
	Joint	Non-joint	Total			Joint	Non-joint	Total		
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Legal Deposit Prize (Depositors & Bank's Quota)	103,404	9,386	112,790	-	112,790	101,062	6,597	107,659	-	107,659
Term Deposits Interest Held with Banks	391,530	9,420	400,950	-	400,950	1,439,450	6,587	1,446,037	-	1,446,037
Interest of Participation Bonds, Sukuk & Certificate of Deposit	177,257	0	177,257	-	177,257	21,039	0	21,039	-	21,039
	672,191	**18,806**	**690,997**	-	**690,997**	**1,561,551**	**13,184**	**1,574,735**	-	**1,574,735**

32. NET PROFIT (LOSS) OF INVESTMENTS

	Note	Group		Parent Company					
		2016-17	2015-16	2016-17			2015-16		
		Total	Total	IRR (Joint)	Foreign Currency (Non-joint)	Total	IRR (Joint)	Foreign Currency (Non-joint)	Total
		Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Investments Realised Profit (Loss)									
Dividends of Companies & Investment Funds	32-1	128,111	167,586	618,472	-	618,472	431,719	-	431,719
Profit (Loss) Obtained from Sales of Companies' Shares & Investment Funds	32-2	421,875	100,518	414,326	-	414,326	100,518	-	100,518
Total Realised Profit of Investments		549,986	268,103	1,032,798	-	1,032,798	532,236	-	532,236
Net Profit of Investments		**549,986**	**268,103**	**1,032,798**	-	**1,032,798**	**532,236**	-	**532,236**

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32.1. Shares of companies and investment funds are as follows:

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Karafarin Bank Investment Co.	-	-	295	-
Karafarin Leasing Co.	-	-	20,830	31,000
Karafaring Bureau De Change Co.	-	-	399,920	199,960
Karafarin Bank Brokerage Co.	-	-	60,000	35,000
Abnie Gostar Co.	-	-	4,829	2,619
Karafarin Insurance Co.	-	-	4,199	7,199
Long-term Investment Dividends	-	-	490,073	275,778
Mobin Petrochemical Co.	25,200	36	25,200	36
Persian Gulf Petrochemical Industries Co.	24,628	20,842	24,628	20,842
Kharazmi Investment Co	12,855	0	12,855	0
Jam Petrochemical Co	9,589	9,953	9,589	9,953
Parsian Oil & Gas Development Group	9,253	26,420	9,253	26,420
Iran National Copper Industry Co.	8,103	3,241	8,103	3,241
Iran Investment Co.	7,000	0	7,000	0
Isfahan Oil Refining Co.	4,831	13,598	4,831	13,598
Khouzestan Steel Co.	3,411	17,991	3,411	17,991
Civil Servant Pension Fund	2,566	6,481	2,566	6,481
MAPNA Group	2,500	45	2,500	45
Shazand Petrochemical Co.	1,823	1,350	1,823	1,350
Zagros Petrochemical Co.	1,701	4,477	1,701	4,477
Shiraz Petrochemical Co.	1,698	9,507	1,698	9,507
Pardis Petrochemical Co.	1,471	1,987	1,471	1,987
Bank Pasargad	1,425	1,484	1,425	1,484
National Development Group Investment	1,335	1,648	1,335	1,648
Securities & Exchange Organisation	1,100	900	1,100	900
Marun Petrochemical Co	1,097	10,950	1,097	10,950
Iran Fara Bourse Co.	800	600	800	600
Fanavaran Petrochemical Co.	732	1,778	732	1,778
Mines & Metals Development Co.	639	1,381	639	1,381
Tamin Pharmaceutical Investment Co	627	528	627	528
Kermanshah Petrochemical Industries Co.	591	906	591	906
Behshahr Industries Development Co.	553	1,775	553	1,775
Chadormalu Mining & Industrial Co.	482	895	482	895
Iran Credit Scoring Co.	450	720	450	720
Ghadir Investment Co.	442	4,230	442	4,230
Fajr Petrochemical Co.	348	0	348	0
Tamin Petrochemical Investment Co.	240	600	240	600
Mobarakeh Steel Co	214	1,480	214	1,480

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	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Fars & Khouzestan Cement Co.	210	672	210	672
Telecommunication Company of Iran	135	120	135	120
Parsian Railway Transport Development Co.	131	0	131	0
Tehran Refining Co.	118	135	118	135
Behshahr Iran Industries Group Investment Co.	41	0	41	0
Bandar Abbas Oil Refining Co.	40	100	40	100
Sepahan Oil Co.	20	1,310	20	1,310
Tabriz Oil Refining Co.	1	4	1	4
Others	(289)	19,443	0	7,797
Short-term Investment Dividends	128,111	167,586	128,399	155,940
Profit of Investment Funds Units	0	0	0	0
Companies & Investment Funds Dividends	**128,111**	**167,586**	**618,472**	**431,719**

32.2. Profit (loss) obtained from sales of companies' shares and investment funds units are as follows:

	Parent Company				
	2016-17				2015-16
	No of Shares	Sales Net Value	Book Value	Profit (Loss)	Profit (Loss)
Profit (Loss) Earned from Sales of Companies' Shares – IRR (Common)					
Mobin Petrochemical	10,337,398	41,394	(33,556)	7,838	-
Jam Petrochemical	6,003,421	56,947	(53,541)	3,406	-
Marun Petrochemical Co	199,500	6,063	(3,754)	2,309	21,360
Fanavaran Petrochemical Co.	348,500	5,761	(4,821)	940	-
Persian Gulf Petrochemical	1,902,968	8,513	(7,869)	643	42,345
Civil Servant Pension Fund	15,890,275	24,990	(24,897)	93	-
Sobhan Oncology Pharmaceutical.	60,000	203	(175)	28	-
Rail Pardaz Seir	32,000	41	(35)	6	-
Tamin Pharmaceutical Investment	260,000	1,543	(1,568)	(25)	-
Preferential Right of Ghadir Investment	129,463	30	(71)	(41)	-
Ghadir Investment	252,460	95	(139)	(44)	-
Esfahan Mobarakeh Steel	383,331	534	(658)	(124)	-
Sepahan Oil	27,000	204	(487)	(282)	-
Pardis Petrochemical	300,000	2,417	(2,875)	(458)	-
Mines & Metals Development	1,900,000	2,705	(3,463)	(758)	-
MAPNA Group	7,743,800	58,043	(60,181)	(2,137)	18,484
Tejarat Bank	6,328,090	4,658	(7,102)	(2,444)	14,357

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	Parent Company				
	2016-17				2015-16
	No of Shares	Sales Net Value	Book Value	Profit (Loss)	Profit (Loss)
Khouzestan Steel	13,617,644	45,589	(49,142)	(3,553)	-
Zagros Petrochemical	965,805	15,878	(24,327)	(8,450)	-
Kharazmi Investment	25,357,759	19,789	(34,054)	(14,265)	-
Iran National Copper Industry	46,208,734	90,369	(115,457)	(25,088)	-
Parsian Oil & Gas Development	48,594,176	92,717	(134,521)	(41,804)	-
Esfahan Oil Refining	22,237,560	57,904	(116,798)	(58,893)	(62,661)
Others	-	-	-	-	(8,049)
		536,387	**(679,490)**	**(143,103)**	**25,836**
Profit Obtained from Sales of Investment Funds – IRR (Common)					
Arman Karafarin Investment Fund	1,055,410	619,994	516,955	103,039	5,523
Charisma Fixed Income Investment Fund	1,000,000	1,016,183	773,577	242,607	30,989
Karafarin Brokerage Investment Fund	1,017,316	646,840	522,908	123,932	31,578
Amin Mellat Investment Fund	223,000	887,851	800,000	87,851	6,591
		3,170,869	**2,613,440**	**557,429**	**74,681**
		3,707,255	**1,933,950**	**414,326**	**100,518**

33. Bank's Resources Quota from Joint Revenues

Bank's resources quota from joint revenues is calculated as follows:

33.1. Bank's resources quota from joint revenues

Fiscal Year	Bank's Resources Ratio to Total Consumption (33-2)	Joint Revenues	Bank's Resources Quota from Joint Revenues
	%	Million IRR	Million IRR
2016-17	18.39%	18,590,189	3,419,436
2015-16	14.97%	20,694,789	3,097,074

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33.2. Distribution of joint resources and consumption between depositors and the bank

Description	2016-17		2015-16	Explanation
	Million IRR		Million IRR	
Average Joint Consumption (33.2.1)		95,027,171	82,962,692	52-week Average
Average Balance of Investment Deposits (33.2.2)	87,661,506		80,426,132	52-week Average
Less: Legal Deposits of Investment Deposits	(10,113,412)		(9,879,204)	52-week Average
Free Resources of Investment Deposits		77,548,095	70,546,928	
Bank's Quota from Joint Consumption (Surplus of Free Resources of Investment Deposits)		**17,479,076**	**12,415,763**	

33.2.1. Average joint consumption

Joint Consumption Items	2016-17	2015-16
	Amount (Average)	Amount (Average)
	Million IRR	Million IRR
Net Consumption Related to Loans	87,422,070	73,882,823
Net Consumption Related to Participation Bonds	2,031,868	285,673
Net Consumption Related to Deposit Held with Other Banks	1,947,081	5,367,601
Net Consumption Related to Investments	3,626,152	3,426,594
Total Consumption Related to Joint Operations	**95,027,171**	**82,962,692**

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33.2.2. Average investment deposits

Investment Deposits	2016-17	2015-16
	Amount (Average)	Amount (Average)
	Million IRR	Million IRR
1-Year	55,872,315	46,324,269
2-Year	143,439	273,789
3-Year	14,868	19,883
4-Year	15,035	18,096
5-Year	6,785,209	8,848,575
Short-term Deposits	24,292,277	22,633,667
Special Short-term Deposits	58,351	1,869,610
Deposits Received from banks	480,012	438,242
Average Investment Deposits	**87,661,506**	**80,426,132**

33.3. Legal deposit prized of investment deposits is as follows:

Description	2016-17	2015-16
	Million IRR	Million IRR
Average Statutory Deposit of Investment Deposit	10,113,412	9,879,204
Statutory Deposit Prize	103,404	101,062

34. COMMISSION FEE

Based on the minute dated 05.10.2015, Bank's commission fee for the 2016-17 financial period is equivalent of 1.5% of net resources of investment deposits.

Commission Fee Resources of Depositors × Commission Fee Rate = Commission Fee Amount

77,548,095 × 1.5% = 1,163,221

34.1. Declared attorney fee

	Declared Commission Fee		Commissio Fee in Effect
	Minimum	Maximum	
Rate - %	3	3	1.5
Amount – Million IRR	2,326,443	2,326,443	1,163,221

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35. On-account interest paid to bank's investment depositors is as follows:

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
Short-term	2,592,308	3,831,004
Special Short-term	8,268	437,444
Long-term Deposits		
1-Year	8,938,628	8,067,714
2-Year	28,740	54,658
3-Year	3,018	4,019
4-Year	3,240	2,431
5-Year	1,418,041	1,853,671
Certificate of Deposit	1,827,476	1,862,067
Interest Paid to Deposit Received from Banks	84,106	92,637
	14,903,823	**16,205,644**

36. DEPOSIT INTEREST EXPENSES

	Note	Group		Parent Company	
		Million IRR	Million IRR	Million IRR	Million IRR
Interest on Investment Deposits – IRR	36-1	14,741,993	16,053,523	14,903,823	16,205,644
Interest on Deposits- Foreign Currency		59,806	78,941	59,806	78,941
		14,801,799	**16,132,464**	**14,963,629**	**16,284,585**

36.1. Reconciliation statement of on-account interest paid to investment deposits (IRR) with interest expenses of investment deposits is as follows:

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
On-account Interest Paid to Investment Deposits (Note 35)	14,903,823	16,205,644
Add (Less): Difference of Interest Payable to Depositors (Interest Surplus Paid to Depositors) – Cited from Performance Statement of Investment Deposits	(792,887)	(623,275)
Actual Interest Accrued to Investment Deposits	14,110,936	15,582,369
Add: Interest Granted to Depositors (Equal to Surplus Interest Paid to Depositors)	792,887	623,275
Interest on Investment Deposits - IRR	**14,903,823**	**16,205,644**

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37. COMMISSION INCOME

	Note	Group		Parent Company	
		2016-17	2015-16	2016-17	2015-16
		Million IRR	Million IRR	Million IRR	Million IRR
Net Commission of Gharz-al Hassaneh Operations	37-1	321	103	321	103
Issuance of L/Gs		382,783	338,448	382,783	308,445
Foreign Currency Operations		247,334	140,934	247,334	170,936
Managed Funds		712	822	712	822
Other Services		168,857	181,820	127,186	116,378
		800,006	**662,126**	**758,336**	**596,684**

37.1. Net commission of Gharz-al Hassaneh operations related to the parent company is as follows:

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
Commission Received from Gharz-al Hassaneh Loans	321	103
Net Commission of Gharz-al Hassaneh Operations	**321**	**103**

38. COMMISSION EXPENSE

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Shetab Project Commission	12,297	8,911	12,297	8,911
Payment Commission of Card Services	60,326	36,475	60,326	36,475
Payment Commission of *Shetab* Joint Fund	1,130	5,211	1,130	5,211
Commission Paid to Broker – IRR	4,338	2,019	4,338	2,019
Others	425	1,242	414	1,242
	78,516	**53,858**	**78,505**	**53,858**

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39. NET SALES AND REVENUES FOR SERVICES RENDERED

The breakdown of the amount stated in the consolidated profit and loss statement under above heading which completely relates to the subsidiary companies is as follows:

	2016-17				20115-16
	Sales Cost	Revenue for Rendered Services	Cost Price	Profit (Loss)	Profit (Loss)
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Karafarin Bureau de Change Co.	104,568,141	19,788	(104,316,095)	271,834	143,133
Karafarin Leasing Co.	0	130,660	(140,096)	(9,436)	12,418
Karafarin Bank Investment Co.	42,572	0	(24,038)	18,534	7,468
	104,610,713	**150,448**	**(104,480,229)**	**280,932**	**163,019**

40. NET PROFIT OF FOREIGN CURRENCY TRANSACTIONS

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Profit of Forex Sales & Purchase	111,963	75,293	111,963	75,293
Profit of Forex Exchange	88,394	185,911	88,233	185,911
	200,357	**261,204**	**200,197**	**261,204**

41. NET OTHER INCOMES AND EXPENSES

		Group		Parent Company	
	Note	2016-17	2015-16	2016-17	2015-16
		Million IRR	Million IRR	Million IRR	Million IRR
Penalty for Canceling Deposits before Maturity Date		21,730	35,846	21,730	35,846
Professional Services Fees		110,223	102,358	110,223	102,358
Profit (Loss) Obtained from Sales of Tangible & Intangible Fixed Assets	41-1	7,382	(344)	7,423	13,000
Income Obtained from Sales of Repossessed Properties		37,474	11,296	37,474	11,296
Others		48,565	29,466	28,558	12,559
		225,374	**178,621**	**205,410**	**175,058**

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41.1. Profit obtained from sales of fixed assets is as follows:

	Parent Company				
	2016-17				2015-16
	Cost	Book Value	Sales Amount	Profit (Loss)	Profit (Loss)
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Building	3,831	2,121	8,688	6,566	2,155
Furniture	2,940	292	1,149	857	(680)
Motor Vehicle	0	0	0	0	436
Goodwill	0	0	0	0	11,089
	6,771	**2,413**	**9,836**	**7,423**	**13,000**

41.2. Profit obtained from sales of tangible and intangible fixed assets in 2015-16 is related to sales of Kooh-e Noor real estate to Karafarin Exchange Co.

42. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Group		Parent Company	
		2016-17	2015-16	2016-17	2015-16
		Million IRR	Million IRR	Million IRR	Million IRR
Staff Expenses	42-1	1,414,970	1,187,603	1,316,854	1,093,448
Administrative Expenses	42-2	679,822	717,082	628,399	681,174
		2,094,792	**1,904,685**	**1,945,253**	**1,774,621**

42.1. Staff expenses is as follows:

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
Salary & Benefits	1,129,661	969,882	1,049,114	893,913
Insurance Premium on Employer	163,793	127,897	155,934	120,198
Employees' Work Termination & Retirement Benefits	110,798	78,931	105,801	72,264
Travel & Mission Allowance	6,287	8,041	4,794	6,028
Others	4,432	2,853	1,210	1,045
	1,414,970	**1,187,603**	**1,316,854**	**1,093,448**

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42.2. Administrative expenses are detailed as follows:

	Note	Group		Parent Company	
		2016-17	2015-16	2016-17	2015-16
Mechanised Systems Expense		128,261	111,996	124,730	109,850
Auditing Fee & Consultation Fees		130,151	100,430	124,987	104,367
Repair & Maintenance of tangible Fixed Assets		62,286	76,722	59,846	72,315
Utilities		64,685	67,487	61,998	64,822
Rent		51,110	49,789	47,645	50,579
Membership fee for Deposits Guarantee Fund	23-3	68,925	125,850	68,925	125,850
Supplies		39,006	38,277	36,922	35,965
Publication, Advertisement & Marketing		13,617	19,336	13,222	18,464
Training Expenses		3,418	5,544	3,418	5,544
Assets & Cash Insurance Expenses		6,136	4,369	2,443	1,675
Board of Directors' Bonus	42-2-1	8,973	4,500	4,500	4,500
Board of Directors' Attendance Fees		2,854	3,442	648	693
Others		100,400	109,340	79,116	86,548
		679,822	**717,082**	**628,399**	**681,174**

42.2.1. According to ordinary general meeting assembly dated 19.07.2016, board of directors' bonus, IRR4,500 million, was paid to legal entities of board of directors and the managing director.

43. DOUBTFUL DEBTS EXPENSES

	Note	Group		Parent Company	
		2016-17	2015-16	2016-17	2015-16
		Million IRR	Million IRR	Million IRR	Million IRR
Specific Doubtful Debts Expenses	43-1	801,659	798,328	801,659	798,328
General Doubtful Debts Expenses	43-2	214,213	91,806	211,053	89,092
		1,015,872	**890,134**	**1,012,712**	**887,420**

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43.1. Specific doubtful debts expenses of granted loans and claims are detailed below:

	Parent Company					
	2016-17					2015-16
	Overdue	Deferred	Doubtful Less than 5 Years	Doubtful More than 5 Years	Total	Total
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Balance of Loans Granted & Non-current Claims at the End of the Year						
Non-governmental Entities (10-1)	2,064,320	2,906,675	6,837,349	2,210,068	14,018,413	10,445,498
Less: Securities Value with Coefficient in Effect						
Saving & Investment Deposits	(126,421)	(18,556)	(8,692)	0	(153,668)	(103,678)
Listed Companies Shares	(1,401,798)	(1,360,366)	(3,472,430)	0	(6,234,594)	(521,222)
Properties	(195,332)	(1,074,209)	0	0	(1,269,541)	(5,410,539)
	(1,723,551)	(2,453,131)	(3,481,122)	0	(7,657,803)	(6,035,440)
Basis Balance of Specific Provision Calculation	340,769	453,545	3,356,228	2,210,068	6,360,610	4,410,059
Basis Coefficient of Specific Provision Calculation- %	10%	20%	50%	50-100%		
Specific Provision for Doubtful Debts	34,077	90,709	1,678,114	1,326,041	3,128,941	2,327,282
Less: Provision Balance for Doubtful Debts at the End of the Previous Year	**(95,957)**	**(210,463)**	**(1,022,711)**	**(998,151)**	**(2,327,282)**	**(1,528,954)**
Add: Bad Debts during the Period	0	0	0	0	0	0
Specific Doubtful Debts Expenses of Loans & Commitments	**(61,880)**	**(119,754)**	**655,403**	**327,890**	**801,659**	**798,328**

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43.2. General expenses of granted loans and claims is as follows:

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
Balance of Loans Granted to Non-governmental Entities (10-1)	98,964,013	84,575,959
Balance of Commitments for Term L/Cs (17-1)	1,907,691	51,983
Less:		
Balance of granted loans that has been Considered for Specific Provision	(8,824,242)	(6,650,707)
Basis Balance of General Provision Calculation	92,047,462	77,977,235
Basis Coefficient of Specific Provision Calculation- %	1.5	1.5
General Provision for Doubtful Debts	1,380,712	1,169,659
General Provision for Doubtful Debts at the End of the Previous Year	(1,169,659)	(1,080,566)
Add: Bad Debts during the Period	0	0
General Doubtful Debts Expenses	**211,053**	**89,092**

44. FINANCING EXPENSES

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Interest of Loans Received from the CBI	83,999	85,182	83,999	85,182
Interest of Loans Received from Other Banks & Credit Institutes	37,722	71,797	0	0
Recognisance Received	171	773	171	773
	121,891	**157,751**	**84,170**	**85,955**

45. DEPRECIATION EXPENSES

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Depreciation of Tangible Fixed Assets	170,420	85,873	179,786	106,305
Amortisation of Intangible Assets	7,008	6,328	6,229	5,246
Amortisation of Goodwill	10,073	7,184	0	0
	187,501	**99,384**	**186,014**	**111,552**

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46. PRIOR YEARS' ADJUSTMENTS

	Note	Group		Parent Company	
		2016-17	2015-16	2016-17	2015-16
		Million IRR	Million IRR	Million IRR	Million IRR
Adjusting Errors	46-1	669,830	556,486	650,879	563,595
		669,830	**556,486**	**650,879**	**563,595**

46.1. Adjusting errors include the following details:

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Adjusting Corporation Tax Provision from 2011-12 to 2015-16	279,578	388,808	275,637	384,868
Expenses of Provision for Doubtful Debts (Forex Loans)	178,881	0	178,881	0
Membership fee of 2014-15 in Deposits Guarantee Fund	80,000	0	80,000	0
Previous Years Deferred Expenses	130,591	163,178	115,581	174,227
Board of Directors' Bonus in 2014-15	0	4,500	0	4,500
Expenses of General Provision for Doubtful Debts of Term L/Cs	780	0	780	0
	669,830	**556,486**	**650,879**	**563,595**

46.2. In order to obtain a better view of financial status and operation results, all comparative items in comparative financial statements have been adjusted and restated. For this reason, comparative items do not, in some cases, match with financial statements presented in the previous fiscal year.

47. REESTATION AND RECLASSIFICATION OF COMPARATIVE ITEMS

47.1. Group's comparative items are restated and reclassified as follows:

Description	Balance of 2015-16 According To Previous Year's Financial Statements	Restated		Reclassified		Balance of 2015-16 According To Current Year's Financial Statements
		Debtor	Creditor	Debtor	Creditor	
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Cash	13,665,121				2,165	13,662,956
Loans Granted & Dues from Non-governmental Entities	81,587,481		178,881		1,463	81,407,137
Investment in Shares & Other Securities	4,553,792			41,438	308,998	4,286,232
Dues from Subsidiary & Affiliated Companies	0			29,740		29,740
Other Accounts Receivable	2,062,024		81,679	40,506	109,647	1,911,204
Tangible Fixed Assets	5,969,037	2,777			92,388	5,879,426
Other Assets	2,150,209		780	154,259		2,303,688
Goodwill	0			143,672	7,184	136,489
Due to Banks & Other Credit Institutes	13,929,521		11,311	2,403,566		11,537,266
Customers' Deposits	14,520,490			45,180		14,475,310
Dividend Payable	79,444	18,890				60,554
Corporation Tax Provision	475,402		279,578			754,980
Provisions & Other Debts	2,495,797		113,902	76,478	9,439	2,542,661
Provision for Work Termination Benefits	327,404			9,439		317,965
Investment Depositors Rights	76,609,861				2,448,747	79,058,608
Legal Reserve	3,272,676			74		3,272,601
Assets Reevaluation Surplus	43,597				111,163	154,759
Prior Years' Adjustments	172,105	394,977	18,890	8,294		556,486
Retained Earnings at the Beginning of the Year	3,588,085			78,859	74	3,111,472
Shareholders' Equity with No Control	331,741			59,708		272,034
Income from Loans Granted & Investment	20,839,658			230,426		20,609,232
Investments Net Profit	224,411			0	43,693	268,103
Net Sales & Income of Rendered Services	0				45,625,387	45,625,387
Cost of Goods Sold & Services Rendered	0			45,462,368		(45,462,368)
Net Other Income & Expenses	331,226			163,971	11,366	178,621
Administrative & General Expenses	1,820,830	80,181		3,674		1,904,685
Doubtful Debts Expenses	710,473	179,661				890,134
Financing Expenses	320,756	11,311			174,315	157,751
Depreciation Expenses	98,652		2,777	7,184	3,674	99,384
Group's Quota from Affiliated Companies	30,321				9,134	39,455
		687,798	**687,798**	**48,958,836**	**48,958,836**	

47.2. Comparative items of the parent company are restated and reclassified as follows:

Description	Balance of 2015-16 According To Previous Year's Financial Statements	Restated		Reclassified		Balance of 2015-16 According To Current Year's Financial Statements
		Debtor	Creditor	Debtor	Creditor	
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Cash	13,598,108				2,014	13,596,093
Loans Granted & Dues from Non-governmental Entities	81,260,142		178,881		1,463	81,079,798
Investment in Shares & Other Securities	3,890,151				29,140	3,861,011
Dues from Subsidiary & Affiliated Companies	664,106			29,140		693,246
Other Accounts Receivable	1,322,827		81,679		21,318	1,219,829
Other Assets	2,143,022		780	24,795		2,167,038
Dues to Banks & Other Credit Institutes	13,254,802			2,403,566		10,851,236
Corporation Tax Provision	443,859		275,637			719,496
Provisions & Other Debts	2,319,440		113,902		9,439	2,442,782
Provision for Work Termination Benefits	320,285			9,439		310,846
Investment Depositors' Rights	76,839,454				2,403,566	79,243,020
Prior Years' Adjustments	172,558	391,037				563,595
Income from Loans Granted & Investment	20,613,168			43,692		20,569,475
Investments Net Profit	488,544				43,692	532,236
Administrative & General Expenses	1,694,440	80,181				1,774,621
Doubtful Debts Expenses	707,759	179,661				887,420
		650,879	**650,879**	**2,510,632**	**2,510,632**	

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48. RECONCILIATION STATEMENT OF NET PROFIT

Reconciliation statement of net profit with net cash inflow from operating activities is as follows:

	Group		Parent Company	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Net Profit	1,652,576	2,371,425	1,722,366	2,408,020
Depreciation Expenses	187,501	99,384	186,014	111,552
Net Increase (Decrease) in Provision for Work Termination Benefits	90,395	50,568	89,809	48,364
Net Increase (Decrease) of Financial Expense Payable	0	0	0	0
Net Increase (Decrease) in Income Tax Payable	(614,233)	(11,709)	(654,041)	(222,953)
Profit (Loss) of Sales of Tangible Fixed Assets & Intangible Assets	(7,382)	344	(7,423)	(13,000)
Net Loss (Profit) of Cash Foreign Currency Exchange	(200,357)	(261,204)	(200,197)	(261,204)
	1,108,500	2,248,808	1,136,528	2,070,779
Net Increase (Decrease) in Operating Dues				
Dues to Banks & Other Credit Institutes	1,689,808	1,455,289	1,686,560	1,455,289
Customers' Deposits	(6,845,665)	8,287,773	(6,866,199)	8,287,773
Provisions Operating Portion & Other Dues	2,443,531	624,254	2,620,067	316,625
Investment Depositors' Rights	23,646,916	607,708	24,183,352	467,519
	20,934,590	10,975,023	21,623,780	10,527,206
Net Decrease (Increase) in Operating Assets				
Dues from Banks & Other Credit Institutes	(683,278)	3,578,291	(683,278)	3,578,291
Loans Granted & Dues from Non-governmental Entities	(13,620,316)	(11,916,426)	(14,637,763)	(12,471,972)
Investment in Shares & Other Securities	761,351	(969,677)	234,778	(1,487,446)
Dues form Subsidiary & Affiliated Companies	(177)	(29,140)	(276,002)	258,217
Other Accounts Receivable	863,277	(461,006)	409,226	88,846
Legal Reserve	(2,415,299)	307,456	(2,415,299)	307,456
Operating Portion of Other Assets	(2,950,258)	(510,478)	(1,517,731)	(409,935)
Goodwill	(57,796)	(143,672)	0	0
	(18,102,497)	(10,144,652)	(18,886,069)	(10,136,543)
Net Cash Inflow (Outflow) from Operating Activities	**3,940,594**	**3,079,179**	**3,874,240**	**2,461,441**

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49. NON-CASH TRANSACTIONS

Non-cash transactions, during the year, which are mainly related to the parent company are detailed as follows:

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
Repossession against Granted Loans	1,234,586	703,528
	1,234,586	**703,528**

49.1. In the reported fiscal period, the following assets have been repossessed by the bank:

Type of Property	Type of Relation	Due at the Time of Repossession	Specialised Value of the Asset Repossessed	Amount Paid/ Writing off	Due balance after Repossession
Residential	Unrelated Customers	640,722	(475,149)	0	165,573
Commercial-Residential	Unrelated Customers	73,199	(69,943)	0	3,256
Land	Unrelated Customers	804,379	(528,114)	0	276,265
Commercial/ Administrative	Unrelated Customers	58,594	(8,645)	0	49,949
Garden	Unrelated Customers	1,641	(845)	0	796
Commercial/ Administrative/ Residential	Unrelated Customers	191,541	(151,818)	0	39,723
Goods	Unrelated Customers	72	(72)	0	0
		1,770,147	**(1,234,586)**	**0**	**535,562**

50. OFF-BALANCE SHEET ITEMS

50.1. Commitments for IRR and foreign currency L/C

50.1.1. Bank's commitments statement for foreign currency L/Cs are as follows:

Parent Company & Group													
	Balance at the Beginning of the Year			Opened during the Year			Settled (Canceled) during the Year			Impact of Foreign Currency Fluctuations during the Year	Balance at the End of the Year		
Foreign Currency	Number	Amount- Foreign Currency	IRR Equivalent Million IRR	Number	Amount - Foreign Currency	IRR Equivalent Million IRR	Number	Amount- Foreign Currency	IRR Equivalent Million IRR	IRR Equivalent Million IRR	Number	Amount- Foreign Currency	IRR Equivalent Million IRR
Sight													
EUR	52	20,163,506	684,249	328	261,039,110	9,114,628	273	217,892,533	7,606,005	13,548	107	63,310,083	2,206,420
EUR- Transactional	5	114	4	0	0	0	5	114	4	0	0	0	0
JPY	28	249,912,920	67,274	48	1,755,309,112	515,364	59	1,432,796,210	419,444	1,504	17	572,425,822	164,698
CHF	17	49,090,272	1,518,509	15	160,134,989	5,177,096	27	176,903,497	5,708,245	62,483	5	32,321,765	1,049,843
KRW	58	2,788,430,035	71,833	68	34,068,827,806	971,680	106	27,636,844,527	788,983	10,096	20	9,220,413,314	264,626
OMR	3	7,950,000	624,441	12	42,816,000	3,541,383	13	39,746,681	3,291,671	53,498	2	11,019,319	927,650
INR	89	475,937,653	215,600	110	2,056,538,011	997,408	165	1,904,314,120	924,304	22,865	34	628,161,544	311,568
CNY	157	182,979,131	851,768	131	648,348,931	3,050,082	232	628,991,685	2,959,059	8,595	56	202,336,377	951,386
TRY	19	3,651,276	38,525	20	27,728,504	265,025	36	30,436,631	291,954	(3,159)	3	943,149	8,436
			4,072,202			**23,632,666**			**21,989,669**	**169,430**			**5,884,628**
Term													
EUR	0	0	0	15	6,997,242	243,925	3	4,474,773	155,950	(64)	12	2,522,469	87,911
CNY	26	61,611,736	286,803	115	764,544,290	3,596,690	106	618,190,148	2,907,515	1,878	35	207,965,877	977,856
KRW	1	0	0	24	11,959,270,877	341,322	21	9,484,418,502	271,305	1,010	4	2,474,852,375	71,028
INR	13	62,870,690	28,480	27	745,464,581	367,405	35	418,940,736	204,821	2,075	5	389,394,535	193,140
JPY	0	0	0	4	143,468,915	42,389	1	68,641,317	19,749	(1,110)	3	74,827,598	21,529
TRY	0	0	0	6	7,491,974	67,016	5	7,123,340	63,718	3,297	1	368,634	3,297
			315,283			**4,658,747**			**3,623,058**	**3,789**			**1,354,761**

50.1.2. Bank's commitments for IRR L/Cs are as follows:

	Parent Company & Group							
	Balance at the Beginning of the Year		Opened during the Year		Settled (Canceled) during the Year		Balance at the End of the Year	
	Number	Million IRR	Number	Million IRR	Number	Million IRR	Number	Million IRR
Sight	0	0	23	1,421,468	16	(1,089,680)	7	331,788
Term	0	0	0	0	0	0	0	0
Total		**0**		**1,421,468**		**(1,089,680)**		**331,788**

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50.2. Bank’s commitments for IRR and foreign currency L/Gs

50.2.1. Bank’s commitments statement for foreign currency L/Gs are as follows:

	20.03.2017		19.03.2016	
	Amount- Foreign Currency	IRR Equivalent	Amount- Foreign Currency	IRR Equivalent
		Million IRR		Million IRR
EUR	63,611,631	2,216,929	53,116,341	1,802,503
USD	1,928,410	62,519	1,016,794	30,748
CNY	12,412,372	58,363	12,412,372	57,780
		2,337,811		**1,891,030**

50.2.2. Bank’s commitments for IRR L/Gs are as follows:

	Parent Company & Group	
	20.03.2017	19.03.2016
	Million IRR	Million IRR
Commitments for L/Gs Issued	19,913,479	18,178,141

50.3. Other bank’s commitments are as follows:

	Parent Company & Group	
	20.03.2017	19.03.2016
	Million IRR	Million IRR
Credit Obligations for Obtaining Pharmaceuticals	784,331	2,456,058
The Bank's Contract at Obligations	399,714	1,677,607
Commitments for National Development Fund	440,000	152,000
Commitments for ECO	333,086	166,282
	1,957,131	**4,451,947**

50.4. Managed funds and the likes are as follows:

	Parent Company & Group	
	20.03.2017	19.03.2016
	Million IRR	Million IRR
Loans Granted from Managed Funds	182,505	197,394
	182,505	**197,394**

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50.5. Commitments for L/Cs and L/Gs based on the collateral

	Parent Company & Group	
	20.03.2017	20.03.2017
	Million IRR	Million IRR
Deposit	1,261,185	1,135,066
Land & Building	959,981	894,483
Cheque & Promissory Note	26,150,216	21,121,131
Others	1,427,653	1,284,888
	29,799,035	24,435,568
Commitments Unsecured	23,431	21,088
	29,822,467	**24,456,657**

51. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

51.1. Capital commitments resulted from contracts concluded and approved at the balance sheet date are as follows:

	Million IRR
Building Branches	66,587
	66,587

51.2. The Bank's withholding tax for the 2014-15 period and income tax for the 2015-16 period has been finalized. Withholding taxes for 2015-16 and 2016-17 period and income tax for the 2016-17 period have not been assessed by the Tax Affairs Organisation. In addition, the Social Security Organisation cases until the end of 2010-11 period have been finalised. The Social Security Organisation's authorities have not reviewed the years after 2011-12.

51.3. Corporation and value added tax situation of Group companies are stated below:

Karafarin Leasing Company:
Corporation taxes for the years prior to 2013-14 have been finalised and settled. As for the 2014-15 period, tax provision (as a legal requirement) has been recorded in the accounts and payment has been made in favour of Tax Affairs Organisation. However, the Company has filed an appeal against the tax assessment note issued for the mentioned period and the case is currently under review. In addition, the Company not have taxable income for the 2015-16 and 2016-17 periods. The Company may have corporation, withholding and income tax dues for the 2015-16 and 2016-17 periods as well as VAT dues since the time of enactment of VAT Act. The Company may also have dues to the Social Security Organisation from the time of its establishment. The scale of these dues shall be made clear after reviewed of related judicial authorities.

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Karafarin Amin Etemad Company:
The amount of IRR90,259,398 has been paid as corporation tax for the 2013-14 tax year and the paid bill has been submitted to the Tax Affairs Organisation and the remaining IRR18,207,775 has been paid in cash. The Company has filed an appeal against the tax assessment note and the case is currently under review. As for the 2014-15 period, a confirmed tax bill in the amount of IRR426,192,118 has been paid and summited to the Tax Affairs Organsation and the remaining IRR292,873,000 has been paid in cash. The Company has filed an appeal against the tax assessment note for the 2014-15 period and the case is currently under review. The tax for the mentioned period following deduction of tax exemptions (banking interests) has been calculated based on the rates as stated in Article 105 of Direct Tax Act and necessary provision has been recorded in the accounts.

Karafarin Abniye Gostar Company:
Corporation tax for the 2013-14 period has been finalised and settled. However, the Company has appealed against the tax assessment note for the 2013-14 period in a letter numbered S/94/11734 dated 1394/12/24 (14.03.2016) which has been submitted to the Tax Arbitration Board, which subsequently ordered experts to visit the Company. Having visited the Company on 20.08.2016, they reconfirmed the initial tax assessment note and reported to the Tax Arbitration Board, without revising the case. In view of the evidence and documents at hand, the Company re-appealed in a letter numbered S/13068/95 dated 1395/07/18 (09.10.2016). In this regard, the Board made a ruling for the case to be revised. In view of the defense and the initial acceptance of the appeal, we are hopeful that the final verdict shall be in the Company's favour. The Company has also filed an appeal against the corporation tax assessment note for the 2014-15 period in a letter numbered S/96/14064 dated 1396/01/29 (18.04.2017). In this regard, the Company has not been notified of the Board's verdict.

Karafarin Omid Trading Development Company:
Corporation tax for the 1391/12/29 (19.03.2013) has been assessed by the tax authorities. Whilst accepting the loss made for the mentioned period, they have declared that tax liability in this regard to stand at zero. Due to tax exempt income for the 2013-14 and 2014-15 periods, no provision has been recorded in the accounts. In addition, following the Company appeal for the mentioned periods, the Tax Arbitration Board of Appeal has order experts to review the case.

Karafarin Bureau de Change:
Corporation tax for the 2014-15 period has been finalised and settled. Tax prepayment for the 2014-15 period has been paid through a cheque maturing on 1395/06/14 (04.09.2016). The Company is currently undergoing VAT, and Social Security as well as corporation, withholding and income tax (for the 2015-16 and 2016-17 periods) assessments. Hence there may be contingent liabilities in this regard, the scale of which shall be made clear following the reviewed of tax authorities.

Karafarin Amin Asr Company:
Corporation taxes for the years prior to 2015-16 have been finalised and settled. Due to tax exemptions, the Company had not taxable income for the 2016-17 period and hence, no tax has been calculated in this regard. There are contingent liabilities in reference with insurance and withholding tax for the 2014-15 period, the scale of which shall be made clear upon the final verdict of the related authorities. In addition, VAT has not been assessed via the Tax Affairs Organisation and therefore, there are contingent liabilities in this regard.

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Karafarin Bank Investment Company:
Corporation tax for the year ended 1386/12/29 (19.03.2008) and the year prior to that and the 2009-10, 2011-12, 2012-13 and 2014-15 have all been finalised and settled. The Company has filed an appeal against verdict the 2010-11 period and the case has been referred to the Tax Arbitration Board. Although the verdict in this regard has been passed and all amounts claimed have been paid, yet the final tax bill was not issued by the date of this report. The Company also filed an appeal against the claimed taxes for 2013-14 period and the case has been referred to the Tax Arbitration Board. Although the verdict in this regard has been passed and all amounts claimed have been paid, yet the final tax bill was not issued by the date of this report. Income during the reporting financial period is related to a property, which according to Article 59 of Direct Taxation Act, shall be calculated upon the transfer of the mentioned property.

52. EARNINGS PER SHARE

Earnings per share are the result of dividing profit of general shareholders to weighted average of general shares number at shareholders' disposal. Weighted average of general shares number is 8,500,000,000 shares. With respect to non-existent of potential shares and adjustment factor, diluted earnings per share are calculated equal to basic profit.

	Group	
	2016-17	2015-16
Net Profit after Minority Interest- million IRR	1,652,576	2,371,425
Weighted Average of General Share Number	8,500,000,000	8,500,000,000
Basic & Diluted Earnings per Share- IRR	**194**	**279**

53. POST- BALANCE SHEET EVENTS

There were no significant post-balance sheet events until approve date of financial statements which need disclosure.

54. BANK'S RISKS

The bank is exposed to the following risks:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

54.1. The following diagram represents the relationship between different business areas and main risks each of which is exposed to.

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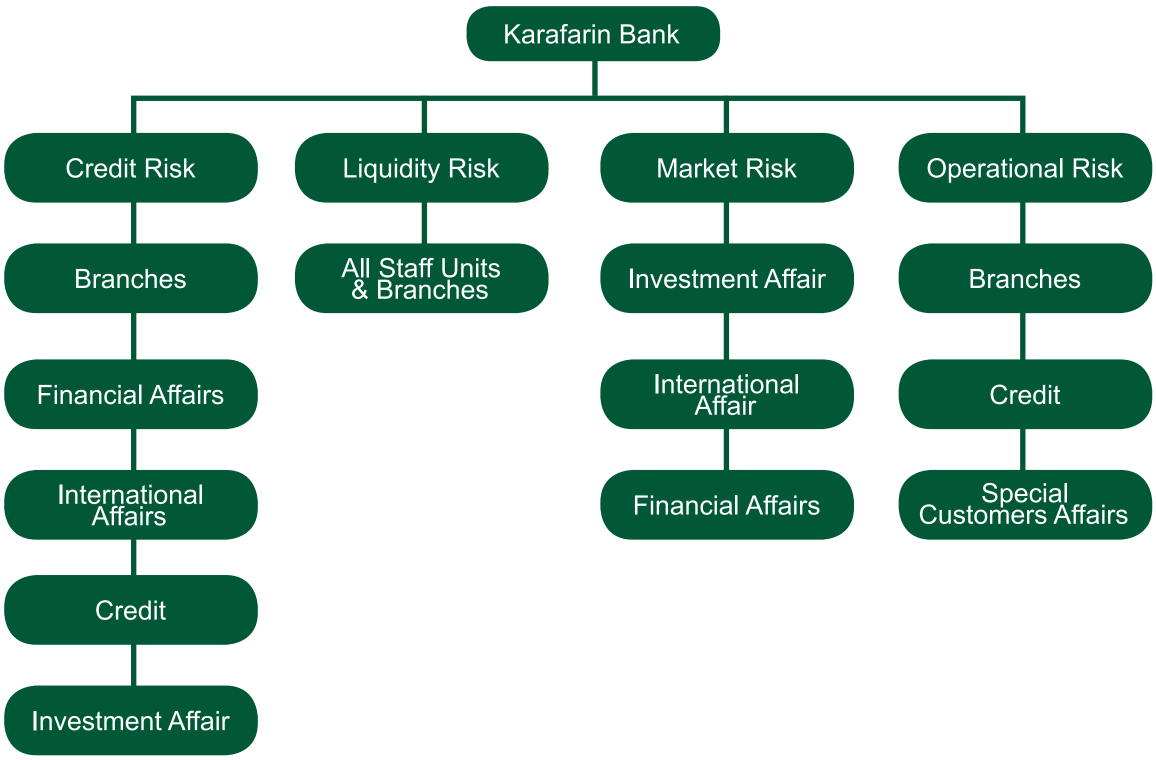
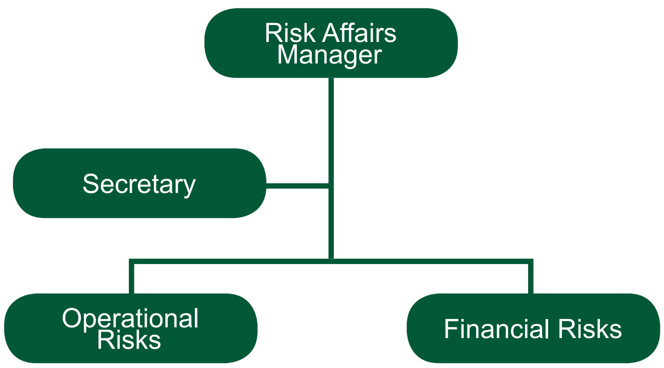


54.2. Risk management structure



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54.3. Credit risk
54.3.1. Definition
Credit risk is any loss from inability of a borrower in paying back the loans and meeting obligations. In other words, any potential loss arising from failing to partially wholly meet commitments from receiving credit services by counter-party (due to unwillingness, financial inability, barriers on the way settlement, etc.). Since the major part of Karafarin Bank's assets includes loans granted to customers, credit risk is the most important challenge that may affect the bank.
54.3.2. Credit policies
Credit policies which are implemented in the bank by risk, credit and inspection unit are as follows:
1. Credit applicants' annual rating
2. Assessing branches performance at internal rating system information registry
3. Investigating & updating information on internal rating system
4. Evaluating internal rating system and upgrading it
5. Investigating and comparing customers' rates with respect to customers' credit performance and securities
6. Investigating facility applicants customers' credit information registration in Afarin system from risk point of view
7. Investigating adequacy of securities registered for credit applicants
8. Investigating and upgrading value of credit applicants mortgage bond
9. Monitoring & reporting loans applicants customers' large exposures
10. Monitoring & reporting on loans and large-scale commitments of parties related to the Bank
11. Evaluating credit performance of the Bank's credit authorities
12. Controlling the scope of authority of branches and credit pillars
13. Rating industry subsections as separated by ISIC codes
14. Investigating credit risk concentration as separated by different economic sections and industry subsection
15. Investigating loans repayment with respect to securities quality
16. Calculating capital adequacy required for credit risk based on Basel II
17. Calculating related to credit loans & commitments provisioning

54.3.3. Credit risk management executive units
Scope of implementing above policies is the whole bank's sections especially branches, credit affairs management, credit information department, debt collection department, credit committees and other credit pillars.
54.3.4. Scope of authority for different levels of organization to approve loans and commitments
Karafarin Bank's branches vary in terms of scope of credit authority and are classified into four groups i.e. Central Branch, Group One Branch, Group Two Branch, and Group Three Branch. Branches list, newly established branches status, promotions and degradations in branch grouping, scope of credit authority for any set of branches to approve and accept type, composition and amount of securities are subject to conditions set forth in Karafarin Bank "branches' scope of credit authority and related regulations" bylaws and subsequent attachments and amendments.
All branches are obliged to comply with the regulations relating to the credit requests of customers which are within the scope of given authority (taking customers' existing commitments & debts into account) in branch credit committee and take due decisions in compliance with regulations related to branches' scope of credit authority to approve credit loans & L/G. In cases where customers' requests exceed branches' scope of authority, the file together with branch credit committee comment and required documents will be referred to Credit Affairs Management for decision-making. With respect to suggested credit amount, the case will be set forth in Credit Committee, Credit High Committee and/or Board of Directors respectively for decision-making.

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Prescribed limits for foreign currency loans are the same as those of IRR ones. The CBI transaction rate is the criteria for converting foreign currency to IRR.

In case of valued customers whose activities require frequent number of requests for receiving credit loans (such as contractors for receiving L/Gs or suppliers and businessmen for short-term working capital deficit financing), Branch Credit Committee may, within assigned authorities, approve credit limit maximum for one year in case of participatory contracts in compliance with prescribed standards and in case of L/G in compliance with related regulations.

(Amounts in billion IRR)

Type of Proposal/ Decision-making Authority	Credit Committee		Credit High Committee		Board of Directors	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Loans- IRR	Branch Permissible Limit	20	20	50	50	Up to Prescribed Limit by CBI
Opening L/Cs		20	20	50	50	Up to Prescribed Limit by CBI
Issuing L/Gs	Branch Permissible Limit	40	40	100	100	Up to Prescribed Limit by CBI

54.3.5. Credit risk reduction method

One way for credit risk reduction, among others, is reception of security with regard to its risk and liquidation amount. In view of risk degree, securities are divided into three categories:

- First class securities: include investment deposit, deposit certificate issued by Karafarin Bank, governmental participation bonds, bearer deposit certificate issued by other banks (stating the process of granting loans to related banks), local banks letter of guarantees (with confirmation of credit management) and foreign banking letter of guarantees (with confirmation of International Division).

- Second class securities: include entire & easily tradable estates and listed shares in stock exchange (tradable on main board of stock market floor.

- Third class securities: include movable property (bills of general warehouses and bonded goods with confirmation of credit affairs management), machineries and equipment and enforced contracts, promissory notes, checks and documentary collection.

54.3.6. Customers' credit rating process

The process of credit rating is carried out under the following principles:

1. Branches are initially responsible for customers' reception, preparing credit reports and receiving customers' credit rating report, inquiring from existing systems and maintaining information. The customers are rated by bank's internal system designed by Risk Unit. Branches are responsible for entering data into systems according to which customer rate is received. Controlling information accuracy is periodically and regularly performed by Risk Unit.

2. Credit Management Unit is responsible for reviewing suggestions provided by branches, reviewing customer rate, managing the branch credit limits and credit opining.

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3. Credit committees are responsible for approving credit in decision-making with regard to credit amount.

4. Risk Management Department is responsible for giving independent opinion on granted loans through designing and updating the rating and credit risk control system.

5. Risk Management Department's duties are separate from business duties and relations with customers in credits areas.

6. Credit decision-making principles, control and independent reporting of credit risk are valid under all conditions.

54.3.7. Bank assets quality including loans and commitments and investments, type and amount and adequacy of received securities (granted loans balance ratio to securities' updated value – LTV) is displayed in tables 54.3.7.1. to 54.3.7.4. from credit risk point of view.

54.3.7.1. Granted loans and commitments credit quality analysis based on the bank's internal rating

Credit Quality Analysis						
	Loans Granted to Customers		Investments		Commitments L/Gs & L/Cs	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
1st Degree- Low Risk	7,443,510	10,106,615	3,405,973	3,440,484	402,927	572,063
2nd Degree- Medium Risk	66,084,864	54,862,964	69,592	126,434	16,486,418	14,434,368
3rd Degree- High Risk	16,546,779	10,606,377	150,669	294,094	3,556,554	3,123,416
No Rating	8,148,669	7,077,752	-	0	9,376,567	6,326,808
4th Rating- About to be Categorized as Bad Debts	740,191	1,922,251	-	0	0	0
Total Gross Amount	98,964,013	84,575,959	3,626,233	3,861,011	29,822,467	24,456,655
Value Decrease Provision	(4,481,037)	(3,496,161)	0	0	0	0
Net Book Value	**94,482,976**	**81,079,798**	**3,626,233**	**3,861,011**	**29,822,467**	**24,456,655**

Investments include any securities with ownership rights characteristic such as all kinds of shares.

To analyze credit quality of customers, loans balance at each unit and the rate obtained from the internal rating system are taken into consideration and ratings are classified as follows:

- 1st Degree: Customers with A rate and staff loans.
- 2nd Degree" Customers with B& C rates, settled I/Gs and L/Cs
- 3rd Degree: Customers with E & D rates and customers with non-current doubtful and outstanding loans
- Unrated: Customers who received loans against deposit and old customers
- 4th Degree: Non-current loans with over-5-year doubtful debts

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54.3.7.2. Granted loans and commitments credit quality analysis based on assets levels

	Loans Granted to Customers		Commitments for L/Gs & L/Cs	
	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR
Current	89,522,696	73,637,079	29,822,467	24,456,655
Overdue	1,574,906	1,595,078	0	0
Outstanding	2,385,983	2,426,685	0	0
Doubtful	5,480,428	6,917,117	0	0
Total Gross Amount	98,964,013	84,575,959	29,822,467	24,456,655
Depreciation Provision	(4,481,037)	(3,496,161)	0	0
Net Book Value	94,482,976	81,079,798	29,822,467	24,456,655

54.3.7.3. Credit quality of participation bonds and similar items

	Credit Quality Analysis	
	2016-17	2015-16
	Million IRR	Million IRR
Governmental Bonds & Treasury Bills		
Islamic Treasury Bills	197,164	54,174
Islamic Morabeheh Bonds	624,000	0
Non-governmental Company Bonds		
Amin Karafarinan Common Investment Fund	1,224	1,224
Gol Gohar Participation Bonds	48,337	7,060
Bana Gostar Karane Sukuk Bonds	76,623	0
Arman Karafarin Investment Fund	18,500	18,500
Karafarin Brokerage Investment Fund	28,500	28,500
Karafarin Shakhes Common Investment Fund	24,999	24,999
	0	1,364,073
Charisma Fixed Income Investment Fund	**1,019,347**	**1,498,530**

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54.3.7.4. Type and amount of securities obtained from credit customers

Securities	2016-17	2015-16
	Million IRR	Million IRR
Loans Granted to Customers		
Listed Bonds	23,577,294	21,949,521
Unlisted Bonds	50,621	421,055
Deposit- IRR	2,534,903	5,520,468
Deposit- Foreign Currency	10,124	7,033
Immovable Properties Mortgaged by the Bank	19,140,292	18,701,621
Participation Bonds	50,000	0
Machineries	1,884	1,884
Collected Cheque & Additional Cheque as Collateral	82,733,718	75,966,298
Promissory Note	23,877,300	21,727,908
Indispensable Contract	86,490,018	75,225,201
Investment Fund	784,663	275,681
Others	292,302	231,338
	249,938,022	368,209,250

The amount for securities mortgage value is based on the report of the bank's expert.

54.3.7.5. Loans balance based on the loans balance ration (less provisions) to cash value of updated securities.

Securities	2016-17	2015-16
	Million IRR	Million IRR
Loans Granted to Natural Customers		
Lower than 50%	33,023	297,120
51% - 70%	71,427	95,265
71% – 90%	70,878	477,400
91% - 100%	324,175	1,156,971
Higher than 100%	15,517,483	11,744,490
Loans Granted to Legal Customers		
Lower than 50%	192,367	232,009
51% - 70%	0	891,948
71% - 90%	990,399	5,770,744
91% - 100%	2,047,850	2,277,026
Higher than 100%	75,235,374	58,136,825
	94,482,976	**81,079,798**

* Calculations are based on the updated mortgage value of securities considering the liquidity coefficients stated in the Assets Classification & Provisioning Circular.

54.3.8. Credit risk concentration

54.3.8.1. Composition of loans granted and investments in various economic sectors and their domestic and overseas concentration

	Loans Granted		Investments		Commitments for L/Gs & L/Cs	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Book Value	94,998,626	81,558,682	856,471	1,320,298	29,777,679	24,456,655
Loans/ Commitments based on Economic Sectors			0			
Industry & Mine	40,168,705	34,067,481	615,597	1,067,163	6,677,173	4,820,136
Housing	13,242,931	12,616,151	0	0	8,847,950	8,366,641
Commercial	13,591,593	10,655,609	0	0	2,233,039	2,009,566
Services	7,305,724	7,839,050	18,059	95,240	3,298,979	2,484,305
Agriculture	1,692,427	1,826,548	0	0	69,707	90,432
Non-profit & General Activities	3,875,653	1,628,667	0	0	35,139	23,218
Financial Intermediaries & Banks	13,784,135	11,003,118	2,992,577	2,698,608	108,221	89,345
No Economic Sector	821,808	1,443,174	0	0	8,552,258	6,573,012
	94,482,976	81,079,798	3,626,233	3,861,011	29,822,466	24,456,655
Loans/ Commitments based on Location						
Domestic	94,482,976	81,079,798	3,626,233	3,861,011	29,822,466	24,456,655
Overseas	0	0	0	0	0	0
	94,482,976	**81,079,798**	**3,626,233**	**3,861,011**	**29,822,466**	**24,456,655**

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54.3.8.1.1. Distribution of loans, commitments and investments in various industries is as follows:

Description	2016-17	2015-16
	Million IRR	Million IRR
Loans		
Building	13,064,975	12,317,611
Manufacturing Chemical Materials & Products	9,408,125	7,542,374
Financial Intermediation except for Insurance	9,619,133	6,613,517
Motor Vehicle Production	6,501,763	6,666,141
Base Metals Production	7,271,254	6,246,632
Service Activities	5,084,211	5,051,615
Wholesale except for Motor Vehicle	6,369,417	4,965,205
Peripheral Activities of Financial Intermediation	4,103,669	3,980,966
Health & Social Work	3,304,352	2,443,675
Food & Beverage Industry	4,626,657	2,537,781
Manufacturing Other Non-metal Mineral Products	2,707,008	2,361,558
Activities related to Real Estates	2,093,855	1,992,092
Manufacturing Other Machineries & Equipment	2,688,125	2,088,089
Rubber & Plastic Products	2,099,004	2,007,063
Oil Refinery & Nuclear Fuel Production	579,541	1,666,591
Retail except for Motor Vehicle	2,034,768	1,827,299
Land transportation through Pipelines	348,522	927,699
Agriculture, Hunting & Related Activities	1,325,515	1,776,812
Others	11,253,082	8,067,078
Investments		
Base Metals	38,104	44,373
Chemical & Petrochemical Industries & Petroleum Products	418,546	778,093
Metal Mines Exploration	9,105	73,323
Energy	138,743	171,374
Contract Work	18,059	95,240
Cement, Lime & Plaster	4,011	-
Banks & Credit Institutes	63,860	102,944
Financial Intermediation	2,935,805	2,595,665
Commitments		
Building	8,845,008	8,366,641
Other Service Activities	1,483,338	2,053,618
Power, Gas & Water Provision	2,417,953	1,011,932
Other Business Activities	609,491	763,192
Textile Production	365,025	602,369
Computer & Related Activities	898,372	465,429
Food & Beverage Industry	329,560	407,082
Other Machineries & Equipment	722,572	384,264

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Description	2016-17	2015-16
	Million IRR	Million IRR
Retails Except for Vehicles	88,639	383,342
Wholesale Except for Vehicles	539,023	347,003
Manufacturing Other Non-metal Minerals	225,273	318,255
Oil & Natural Gas Exploration	178,169	316,815
Base Metal Production	431,494	303,100
Motor Vehicle Production	548,252	291,837
Manufacturing Chemical Materials & Products	260,699	283,686
Manufacturing Other Machineries & Equipment	351,270	275,660
Post & Telecommunications	115,104	131,551
Land Transport through Pipelines	1,449,391	114,193
Others	9,963,832	7,636,684
Total	127,931,675	109,397,465

54.3.8.2. Distribution of loans based on participation and exchange contracts as well as customer type

Description		Loans Granted during the Year		Loans Balance at the End of the Year	
		Amount	Ratio to Total	Amount	Ratio to Total
		Million IRR	Million IRR	Million IRR	Million IRR
Exchange Contract	Natural Customers	615,211	0.23%	2,023,673	2.04%
	Legal Customers	3,253,609	1.22%	251,178	0.25%
Participatory Contracts	Natural Customers	74,811,626	27.96%	16,264,028	16.43%
	Legal Customers	188,846,676	70.59%	80,425,134	81.27%
		267,527,122		**98,964,013**	

54.3.9. Non-current loans management method

With respect to the Bank's major credit policies towards non-current loans loss and risk reduction and in line with circulars and instructions related to CBI, major parts of securities taken for loans are properties and assets which are economically valuable and easily traded. Non-current loans are dealt with by legal unit and specialised independent companies related to legal administrative groups to settle according to bank interests .It seems that lifting sanctions has helped to improve economic status of loan takers and reduce non-current loans across banking system.

54.3.9.1. Turnover of non-current loan

Description	2016-17				2015-16			
	Principal	Interest	Recognisance	Total	Principal	Interest	Recognisance	Total
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Non-current Loan Balance at the Beginning of the Year	8,928,243	1,517,255	0	10,445,498	6,940,486	1,630,254	0	8,570,740
Transferred to non-current during the Year	13,680,617	1,818,593	0	15,499,210	17,211,951	1,231,573	0	18,443,524
Non-current Loans Settled during the Year								
Cash Collected	(1,195,227)	(1,635,636)	0	(2,830,863)	(1,828,755)	(1,344,572)	0	(3,173,327)
Collected by Assets Repossession	(1,234,037)	0	0	(1,234,037)	(1,179,640)	0	0	(1,179,640)
Settled through new Loans	(7,861,394)	0	0	(7,861,394)	(12,215,799)	0	0	(12,215,799)
Non-current Loans Balance at the End of the Year	**12,318,201**	**1,700,211**	**0**	**14,018,413**	**8,928,243**	**1,517,255**	**0**	**10,445,498**

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54.3.9.2. Distribution of non-current loans based on economic sectors

	Non-current Balance of Granted Loans		Specific Provision for Doubtful Debts		Net Loans & Non-current Claims	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Partial Distribution of Non-current Loans						
Industry & Mine	4,149,416	4,913,333	(1,258,183)	(890,991)	2,891,233	4,022,341
Building	4,350,492	2,248,184	(284,211)	(163,976)	4,066,281	2,084,208
Commercial	1,411,083	981,211	(758,228)	(286,717)	652,855	762,495
Services	1,261,133	539,941	(373,130)	(462,607)	888,003	188,215
Agriculture	1,153,366	756,332	(121,978)	(268,356)	1,031,388	487,976
General & Non-profit Activities	221,958	96,492	(23,793)	(22,476)	198,165	74,017
Financial Intermediation	559,250	296,862	(32,761)	(18,448)	526,489	278,414
No Economic Sector	911,714	613,142	(276,657)	(213,711)	635,057	408,144
Total	**14,018,413**	**10,445,498**	**(3,128,941)**	**(2,327,282)**	**10,889,472**	**8,305,810**

54.3.9.3. Repossessed assets balance

Description	2016-17	2015-16
Movable Properties	930	2,428
Immovable Properties:		
Residential	1,760,683	1,336,281
Commercial/ Office	227,882	222,626
Factory	0	0
Land	559,333	284,569
Garden	7,730	12,316
Residential/ Commercial	120,754	50,811
Residential/ Commercial/ Office	151,818	0
	2,829,129	**1,909,031**

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54.3.10. Capital required for credit risk cover

Capital required for covering credit risk of bank's assets amounts IRR8,827,631 million. The related calculations are presented in 54.3.10.1.

54.3.10.1. Calculation of capital required for credit risk cover

The table presents capital for covering credit risk with objective of reaching 8% capital adequacy (Allocated capital = 8% × Risk).

Basel I Assets Type	2016-17			
	Assets & Commitments	Risk Coefficient	Risk Level	Allocated Capital
	Million IRR	Million IRR	Million IRR	Million IRR
Dues from Banks & Other Credit Institutes	916,670	20	183,334	14,667
Non-governmental Participation Bonds	198,183	100	198,183	15,855
Investment in Shares	2,606,886	100	2,606,886	208,551
Dues from Affiliated & Subsidiary Companies	969,248	100	969,248	77,540
Other Accounts Receivable	810,603	100	810,603	64,848
Hire Purchase & Housing Loans	707,896	50	353,948	28,316
Other Loans Granted & Claims	93,775,080	100	93,775,080	7,502,006
Other Assets	4,919,354	100	4,919,354	393,548
Commitments for Issued L/Gs (Liable to 50% Conversion Factor)	4,056,718	100	4,056,718	324,537
Commitments for Issued L/Gs (Liable to 20% Conversion Factor)	7,006	100	7,006	560
Commitments for Issued L/Cs (Liable to 50% Conversion Factor)	2,465,023	100	2,465,023	197,202
Total	**111,432,668**		**110,345,384**	**8,827,631**

The following table presents capital required for credit risk with an objective to reach 8% capital adequacy based on **Basel II** and **Standard Model**.

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Basel II	2015-16			
Assets Type	Assets & Commitments	Risk Coefficient	Risk Level	Allocated Capital based on Basel II
	Million IRR	Million IRR	Million IRR	Million IRR
Non-governmental Participation Bonds	198,183	20	39,637	3,171
Dues from Banks & Institutes	726,007	20	145,201	11,616
L/Gs & Commitments (Subject to 20% & 50% Conversion Factor)	4,090,791	100	4,090,791	327,263
Risk in Case of Legal Default	54,661,742	100	54,661,742	4,372,939
Risk in Case of Real Default (Over IRR5,000 million Loans)	2,943,827	100	2,943,827	235,506
Risk in Case of Real Default (Below IRR5,000 million Loans)	2,411,868	75	1,808,901	144,712
Non-current Loans Less Securities & Specific Provision	2,845,790	150	4,268,685	341,495
Total	**67,878,208**		**67,958,784**	**5,436,703**

54.4. Liquidity risk

In this section, the explanatory and quantity items related to liquidity risk is described in such a way that the following headlines are fully covered.

54.4.1. Definition

Liquidity risk is the Bank's probable inability to meet its short-term obligations. The aim of liquidity risk management is to cover all obligations arising from expected or unexpected changes in balance sheet items in line with financial institution development.

54.4.2. Liquidity risk management policies

Liquidity risk bylaw has been prepared in line with effective management for optimum use of bank resources and beneficiaries' profit-making within framework of policies related to loans and investment parallel to regulatory and supervisory requirements. This bylaw is for recognition, measurement, supervision, control and reporting of liquidity risk and profit rate.

54.4.3. Executive units of liquidity risk management

Besides the execution of liquidity risk bylaw, **risk management** has a duty of measuring and supervising liquidity risk status. It is also responsible for reporting the risk liquidity to bank's high managers periodically which is carried out with cooperation of financial management and with help of bank information systems.

Financial management along with risk management is commonly responsible for execution of liquidity risk and supervision bylaw and is obliged to provide the Bank's high management with timely and periodical reports.

Assets-Liability Committee (ALCO) is responsible for analysing assets and liabilities structure in order to increase profitability while controlling the liquidity, market and credit risks, consisting of the Bank's managing director, deputies and top managers.

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Risk Management Committee (RMC) consists of managing director, deputies and top managers who have supervision on risk management activities and is responsible for managing all banking risks and reviewing and suggesting risk management policies and limits of accepting risks and ensuring the accessibility of infrastructures, resources and systems required for the management. Risk Management Committee along with the Asset-Liability Committee is commonly responsible to supervise the execution of liquidity risk bylaw.

Risk High Committee provides the Bank's Board of Directors with the reports prepared by risk unit periodically. Bylaws and policies concerning the risk are also confirmed by the Bank's Board of Directors.

54.4.4. Liquidity risk measurement method (Including principles and assumptions)

With respect to widespread application of different models used as a measure for liquidity risk in Karafarin Bank, the mentioned risk level inferred from some modern approaches such as expected prospective liquidity criterion which is a standard tool for measuring liquidity risk is used besides the measurement criteria for liquidity gap. In this comprehensive criterion, besides considering certain advanced financial ratios like Basel 3 ratios about liquidity including NSFR and LCR, we have distinguished between processes and models for measuring liquidity risk at the beginning of the period with the same amount at the end of the period due to the Bank's activities. Therefore, we carried out the status of liquidity risk and liquidity gap without using the historical data and based on the different shocks simulation in Karafarin Bank.

Moreover, liquidity ratios in balance sheet is a measurement used to present the bank's ability against liquidity needs under tension. The ratios can be also used to limit liquidity risk.

54.4.5. Liquidity risk control and monitoring mechanism

After liquidity risk calculations in related periods (daily, weekly, monthly or quarterly), monitoring the liquidity risk is performed as follows:

Daily controls: It includes branches cash control, treasury, and the Bank's intermediary accounts with CBI which consist of all electronic payment systems such as: SHETAB, SATNA, CHAKAVAK and SHAPARAK.

At level of comprehensive management of assets and liabilities, these reports are generally monitored monthly and at medium term. In these cases, the Bank's liquidity status is reviewed by using financial statements. At this level, in addition to using calculated liquidity ratio based on the modern models such as CAMELS, the methods like those of Moody's and S&P are used to control these ratios and their relations to each other.

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54.4.5.1. Cash reserves

The composition of bank's cash reserves is as follows:

Description	2016-17	2015-16
	Million IRR	Million IRR
Cash - IRR	387,212	480,726
Cash – Foreign Currency	818,864	478,504
Sight Deposit Held with CBI (Unrestricted)	508,861	1,414,646
Deposits Held with Other banks & Credit Institutes (Unrestricted)	13,722,237	11,222,217
Current Investment in Marketable Shares	856,471	1,500,912
Investment in Other Fixed Income Securities	0	0
	16,293,646	**15,097,005**

54.4.5.2. Liquidity ratios

	Beginning of the Period	Average of the Period	Maximum during the Period	Minimum during the Period	End of the Period
	%	%	%	%	%
Cash & Quasi-cash Assets to Total Assets*	12	13	17	9	11
Cash & Quasi-cash Assets to Total Deposits**	16	17.5	23	12.3	15
Net Cash Assets to Total Deposits	5	2	4	1	4
Loans to Total Deposits	86	86	90	82	85
Loans to 1-Year & After Deposits	102	98	106	90	91
Escape Deposits to Total Deposits***	11	8	13	3	3

* Cash quasi-cash include cash, participation bonds and the like which have active cash transaction market.

** Net cash Assets include cash, quasi-cash and investment bonds which have active cash transaction market less banks' deposits, published bonds, other debts and commitments that will be matured by next month

*** Escaped deposits include deposits with no contractual maturity such as current and saving Gharz-al Hassaneh deposits, etc.

54.4.5.3. Assets and liabilities maturity analysis

The following table represents the bank's financial assets and liabilities maturities based on the date they are likely to be settled or claimed:

	2016-17						
	Book Value	Below 1 Month	1 to 3 Months	From 3 Months to 1 Year	From 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Assets							
Cash	15,437,175	0	0	0	0	0	15,437,175
Dues from Banks & Other Credit Institutes	916,670	0	0	0	0	0	916,670
Loans Granted & Dues from Non-governmental Entities	94,482,976	5,887,431	549,603	7,649,341	75,861,266	0	4,535,334
Investment in Shares & Other Securities	3,626,233	0	0	2,895,165	0	0	731,068
Dues from Subsidiary & Affiliated Companies	969,248	0	0	969,248	0	0	0
Other Accounts Receivable	810,603	0	0	0	0	0	810,603
Tangible Fixed Assets	6,271,913	0	0	0	0	0	6,271,913
Intangible Assets	4,250,857	0	0	0	0	0	4,250,857
Legal Deposit	12,442,336	147,838	733,077	6,853,212	404,248	0	4,303,960
Other Assets	4,919,354	0	0	0	0	0	4,919,354
	144,127,365	**6,035,270**	**1,282,680**	**18,366,966**	**76,265,515**	**-**	**42,176,935**
Liabilities							
Dues to Banks & Other Credit Institutes	(12,537,796)	0	0	0	0	0	(12,537,796)
Customers' Deposits	(7,654,292)	0	0	0	0	0	(7,654,292)
Dividend Payable	(12,234)	0	0	0	0	0	(12,234)
Corporation Tax Provision	(65,455)	0	0	(65,455)	0	0	0
Provisions & Other Liabilities	(5,062,849)	0	0	0	0	0	(5,062,849)
Provision for Work Termination Benefits	(400,655)	0	0	0	0	0	(400,655)
Investment Depositors Rights	(103,426,372)	(1,132,739)	(5,616,850)	(52,509,465)	(3,097,359)	0	(41,069,958)
Total Liabilities	**(129,159,651)**	**(1,132,739)**	**(5,616,850)**	**(52,574,919)**	**(3,097,359)**	**0**	**(66,737,783)**
Total Shareholders' Equity	**(14,967,714)**						**(14,967,714)**
Total Liabilities & Shareholders' Equity	**(144,127,365)**	**(1,132,739)**	**(5,616,850)**	**(52,574,919)**	**(3,097,359)**	**0**	**(81,705,497)**
Gap	-0	4,902,530	(4,334,170)	(34,207,954)	73,168,155	0	(39,528,562)
Accumulated Gap		4,902,530	568,360	(33,639,593)	39,528,562	39,528,562	-0
Ratio of Gap to Base Capital		30%	-27%	-212%	453%	0%	-245%
Ratio of Accumulated Gap to Base Capital		30%	4%	-208%	245%	245%	0%
Ratio of Gap to Effective Base Capital		33%	-29%	-230%	491%	0%	-265%
Ratio of Accumulated Gap to Effective Base Capital		33%	4%	-226%	265%	265%	0%

	2015-16						
	Book Value	Below 1 Month	to 3 1 Months	From 3 Months to 1 Year	From 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Assets							
Cash	13,596,093	13,596,093	0	0	0	0	0
Dues from Banks & Other Credit Institutes	233,392	233,392	0	0	0	0	0
Loans Granted & Dues from Non-governmental Entities	81,079,798	25,278,878	37,734,957	7,615,254	5,018	194	10,445,498
Investment in Shares & Other Securities	3,861,011	0	0	1,500,912	0	0	2,360,100
Dues from Subsidiary & Affiliated Companies	693,246	0	0	693,246	0	0	0
Other Accounts Receivable	1,219,829	0	0	0	0	0	1,219,829
Tangible Fixed Assets	6,057,666	0	0	0	0	0	6,057,666
Intangible Assets	4,110,794	0	0	0	0	0	4,110,794
Statutory Deposit	10,027,037	112,147	914,820	6,319,293	855,100	0	1,825,677
Other Assets	2,167,038	0	0	0	0	0	2,167,038
	123,045,905	**39,220,510**	**38,649,777**	**16,128,705**	**860,117**	**194**	**28,186,602**
Liabilities							
Dues to Banks & Other Credit Institutes	(10,851,236)	(1,000,000)	0	0	0	0	(9,851,236)
Customers' Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Dividend Payable	(12,687)	0	0	0	0	0	(12,687)
Corporation Tax Provision	(719,496)	0	0	(719,496)	0	0	0
Provisions & Other Liabilities	(2,442,782)	0	0	0	0	0	(2,442,782)
Provision for Work Termination Benefits	(310,846)	0	0	0	0	0	(310,846)
Investment Depositors Rights	(79,243,020)	(859,270)	(7,009,373)	(50,822,131)	(6,551,792)	0	(14,000,454)
Total Liabilities	**(108,100,558)**	**(1,859,270)**	**(7,009,373)**	**(51,541,627)**	**(6,551,792)**	**0**	**(41,138,495)**
Total Shareholders' Equity	**(14,945,347)**						**(14,945,347)**
Total Liabilities & Shareholders' Equity	**(123,045,905)**	**(1,859,270)**	**(7,009,373)**	**(51,541,627)**	**(6,551,792)**	**0**	**(56,083,842)**
Gap	-	37,361,239	31,640,404	(35,412,922)	(5,691,675)	194	(27,897,240)
Accumulated Gap		37,361,239	69,001,644	33,588,722	27,897,047	27,897,241	1
Ratio of Gap to Base Capital		231%	196%	-219%	-35%	0%	-173%
Ratio of Accumulated Gap to Base Capital		231%	427%	208%	173%	173%	0%
Ratio of Gap to Effective Base Capital		251%	212%	-238%	-38%	0%	-187%
Ratio of Accumulated Gap to Effective Base Capital		251%	463%	225%	187%	187%	0%

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54.4.5.4. Financial liabilities contractual maturity analysis

54.4.5.4.1. The following table presents the financial liability maturity based on the maturity stated in the contract:

	2016-17						
	Book Value	Below 1 Month	1 to 3 Months	from 3 Months to 1 Year	from 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Liabilities							
Dues to Banks & Other Credit Institutes	(12,537,796)	0	0	0	0	0	(12,537,796)
Customers' Deposits	(7,654,292)	0	0	0	0	0	(7,654,292)
Investment Depositors' Rights	(103,426,372)	(1,132,739)	(5,616,850)	(52,509,465)	(3,097,359)	0	(41,069,958)
Total	**(123,618,459)**	**(1,132,739)**	**(5,616,850)**	**(52,509,465)**	**(3,097,359)**	**0**	**(61,262,046)**

	2015-16						
	Book Value	Below 1 Month	1 to 3 Months	from 3 Months to 1 Year	from 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Liabilities							
Dues to Banks & Other Credit Institutes	(10,851,236)	(1,000,000)	0	0	0	0	(9,851,236)
Customers' Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Investment Depositors' Rights	(79,243,020)	(859,270)	(7,009,373)	(50,822,131)	(6,551,792)	0	(14,000,454)
Total	(105,334,242)	(1,859,270)	(7,009,373)	(50,822,131)	(6551,792)	0	(39,091,676)

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54.4.5.4.2. The following table presents the financial liability maturity (foreign currency) based on the maturity stated in the contract:

	2015-16					
	Below 1 Month	1 to 3 Months	from 3 Months to 1 Year	from 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Liabilities						
Dues to Banks & Other Credit Institutes	10,339,120	0	776,398	78,144	0	0
Customers' Deposits	703,740	0	2,775,994	0	0	0
Investment Depositors' Rights	0	0	0	77,225	0	0
Total	**11,042,859**	**0**	**3,552,392**	**155,369**	**0**	**0**

	2015-16					
	Below 1 Month	1 to 3 Months	from 3 Months to 1 Year	from 1 Year to 5 Years	Over 5 Years	Without Specified Maturity Date
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Liabilities						
Dues to Banks & Other Credit Institutes	8,094,476	0	1,485,426	116,280	0	0
Customers' Deposits	437,229	0	2,388,258	0	0	0
Investment Depositors' Rights	0	0	0	77,225	0	0
Total	**8,531,705**	**0**	**3,873,684**	**193,505**	0	0

54.4.6. Preparation to counteract crisis (Cash Adequacy Stress Test)

As per Basel Committee guidelines, use of stress test and scenario analysis has been recommended to anticipate the future cash flow. Its aim is to estimate the effect of great but predictable shocks on a financial system. Experience in implementation and use of stress test models in Karafarin Bank's Risk Management Unit goes back to 2008. As pioneer in developing this approach in local banking network, the Unit has enjoyed it as one of the most functional instruments in order to quantify the effects of shocks, in any form, on the Bank's cash adequacy. Predicting the extent of cash flow arising from all types of scenarios and reviewing their effects on the Bank's liquidity and finally creating a suitable liquidity buffer against cash crisis are of significant results of implementing the liquidity risk stress test in Karafarin Bank. For this purpose, the stress test is carried out at four levels in Karafarin Bank to appropriately monitor the liquidity risk and avoid liquidity crisis. Hence, liquidity levels and the required amount of capital are monitored.

- First level: By preparing the reports under title of "cash ratios" and providing Assets and Liabilities Committee with them on a monthly basis, a general prospect of the Bank's liquidity status is analyzed. The prepared ratios in this section are among the liquidity ratios highlighted by valid organizations such as the International Monetary Fund and

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Basel Committee. At this level, the reports of the Bank's Static Liquidity Gap calculation is also computed and determined with regard to the maturity of all kinds of deposits, loans and paid off-balance sheet items.

- Second level: One of the liquidity ratios required by Basel 3 is calculated for measuring and monitoring liquidity risk in bank. As to Liquidity Coverage Ratio (LCR), above agreement has given banks a period of time, up to 2018, to exceed 100% of this ratio. The main goal of LCR is to increase retrieval ability of the Bank's liquidity status in the short term, assuring the existence of sufficient liquidated assets to sustain activity in an intensive one–month stress scenario. The performed calculations for LCR in Karafarin Bank indicate that the amount of LCR was about 80% in 2015 which seems suitable concerning the due deadline for adapting liquidity.
- Third level: At Karafarin Bank's Risk Management Unit, with regard to cash flow in branches, treasury and non-cash funds resulted from electronic transactions such as SATNA, SHETAB and CHAKAVAK using econometrics models, customers' requested funds are predicted in two normal and pessimistic scenarios in a dynamic form.
- To obtain the exact amount of stress high limit at the confidence level of 99%, firstly, we attain the amounts of funds withdrawn at three levels, i.e., Treasury, SATNA and CHAKAVAK system individually. Then, by combining the three amounts, we can acquire the Bank's required liquidity buffer at the time of banking rush hour.
- Fourth level: Using Bayesian economic model, the stress test, domesticated for bank, reviews the effects of economic shocks on the Bank's credit basket, and ultimately profit and loss and capital adequacy. As an effective variant in the considered period, the results of effects related to F/X rate changes on the Bank's capital adequacy ratio in different scenarios reduce with regard to random equation written for capital and converting all kinds of outstanding debts to doubtful debts in the worst situation of the Bank's capital adequacy but Karafarin Bank can continue its activity in this condition.

Besides, model used in the pessimistic state in Karafarin Bank in the related period, considering shocks such as reduction of economic growth rate, falling to -1% and reduction in growth rate of money base, falling to 5%, show that the expenses growth is higher in comparison with the Bank's income but Karafarin Bank's profitability is predicted to keep positive.

54.5. Market risk

54.5.1. Definition

Market risk is loss possibility resulting from value reduction of the Bank's transactions positions (including assets and liabilities on and off-balance sheet) from purchase date to selling date. As per Basel 2, banks can use local models designed by the Bank for evaluation of market risk. The philosophy of Karafarin Bank's risk management is recognition, limitation, supervision and management of different dimensions of risk with the aim of maintaining assets value and flow of income, so that depositors and shareholders' interests are considered. In order to optimise the yield, there must be predetermined risk acceptance limit.

In this regard, special strategies for managing the Bank's market risk are considered as below:

- Karafarin Bank will manage risk-taking of capital arising from market risk related to any new service or activity in the relevant areas. The amount of market risk at any share and economic section is limited to the extent that has been determined by the Bank's Board of Directors in market risk bylaw.
- According to the first principle of Basel Committee regulation, a bank will maintain the sufficient capital at any time.

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- Karafarin Bank will issue a framework for market risk according to which the limited structure of foreign currency open position will be measured.
- Karafarin Bank will periodically carry out the crisis test to evaluate the effect of changes on market variants which may cause increased risk.

54.5.2. Executive units of market risk management
Market risk evaluation in Karafarin Bank is divided as follows:
- Shares Risk: The risk arising from shares price fluctuations and its effects on value of the Bank's shares portfolio.
- Foreign Currency Rate Risk: the risk arising from foreign currency rate fluctuations and its effects on foreign currency assets and liabilities value in IRR. Foreign currency rate risk arises from a long- or short-term open position in a foreign currency.

54.5.3. Market risk measurement method

Two methods of Monte Carlo and history simulation are used to manage Karafarin Bank's market risk.

54.5.4. Analysis of the value at risk of investing in shares and other marketable investments

Having taken into account the historical simulation method for probable change percentage at market value, the value at risk for investing in shares is provided in the following table:

Type of Investment	2016-17		2015-16	
	Probable Change at Market Value	Effect on Profit & Loss	Probable Change at Market Value	Effect on Profit & Loss
	%	Million IRR	%	Million IRR
Investment in Marketable Shares	(-4.38,4.38)	35,215	(-3.81,3.81)	52,177
Other Investments (Stating Title)	0	0	0	0

54.5.5. Exposed to risk value of foreign currency rate analysis

	USD	EUR	GBP	AED	CHF	CHF	SEK	CNY	KRW	KRW	JPY	TRY	INR	OMR	QAR	RUB
Cash	23,694,653	1,389,075	55,307	4,960	200	6	0	0	0	0	0	0	0	0	0	0
Dues from Banks & Other Credit Institutes	6,199,702	76,829,655	606,363	239,288,352	18,604,988	604,309	0	274,639,307	28,358,306,463	813,883	17,672,805,981	16,384,132	420,882,276	6,707,892	2,646,751	797,767
Other Accounts Receivable	5,466,563	21,779,578	0	98,654,628	0	0	0	305,855,056	2,699,144,763	77,465	58,754,593	3,380,671	205,610,350	0	0	0
Other Assets	0	702,979	0	0	0	0	0	0	1,869,139,593	53,644	0	0	0	0	0	0
Total Foreign Currency Assets	35,360,918	100,701,287	661,670	337,947,940	18,605,188	604,315	0	580,494,364	32,926,590,818	944,993	17,731,560,574	19,764,803	626,492,625	6,707,892	2,646,751	797,767
Dues to Banks & Other Credit Institutes	(2,092,373)	(21,389,257)	0	(330,338,980)	0	0	0	0	(23,212,779,430)	(666,206,769,641)	(17,249,987,701)	(8,505,355)	0	0	0	0
Customers' Deposits	(3,103,363)	(18,670,622)	(62,088)	(3,387,641)	(590)	(19,163,790)	0	(6,192,792)	(13,750,979)	(394,653,105)	(2,633,076)	(8,665)	0	0	0	0
Provisions & Other Liabilities	(21,623,449)	(30,211,825)	(16)	(5,647,403)	(18,605,750)	(604,333,365,750)	0	(546,007,459)	(8,231,196,496)	(236,235,339,428)	(195,506,708)	(7,104,832)	(582,504,780)	(6,705,619)	0	0
Investment Depositors' Rights	0	(22,277,643)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Foreign Currency Liabilities	(26,819,186)	(92,549,348)	(62,104)	(339,374,024)	(18,606,340)	(604,352,529,540)	0	(552,200,251)	(31,457,726,905)	(902,836,762,174)	(17,448,127,485)	(15,618,851)	(582,504,780)	(6,705,619)	0	0
Net Foreign Currency Assets (Liabilities) on 20.03.2017	(8,541,732)	(8,151,940)	(599,566)	1,426,084	1,152	37,422,335	0	(28,294,112)	(1,468,863,913)	(42,156,394,306)	(283,433,089)	(4,145,952)	(43,987,846)	(2,273)	(2,646,751)	(797,767)
IRR Equivalent of Foreign Currency Open Position	(8,541,732)	(8,151,940)	(599,566)	1,426,084	1,152	37,422,335	-	(28,294,112)	(1,468,863,913)	(42,156,394,306)	(283,433,089)	(4,145,952)	(43,987,846)	(2,273)	(2,646,751)	(797,767)
% of Foreign Currency Open Position to Base Capital	(52.84%)	(50.43%)	(3.71%)	0.09	0.00	2.51	0.00	(175.05%)	(9.087.33%)	(282,975.05%)	(1,753.50%)	(25.65%)	(272.14%)	(0.01%)	(16.37%)	(4.94%)
% of Foreign Currency Open Position to Effective Base Capital	(57.34%)	(54.72%)	(4.02%)	0.10	0.00	0.00	0.00	(189.92%)	(9.859.76%)	(0.02%)	(1,902.55%)	(27.83%)	(295.27%)	(0.02%)	(17.77%)	(5.36%)
Net Foreign Currency Assets (Liabilities) at 19.03.2016	(46,665,471)	(30,648,236)	(597,185)	157,926,426	15,665,793	484,590	(65,619)	(49,236,877)	(1,327,934,403)	(34,209)	409,741,172	(6,248,412)	(12,971,240)	(812,556)	(2,646,751)	(854,485)
Commitments for Opened L/Cs	0	65,832,552	0	0	32,321,765	1,049,843,252,863	0	410,302,254	11,695,265,689	335,654,125,274	647,253,420	1,311,783	1,017,556,078	11,019,319	0	0
Commitments for Issued L/Gs	986,987	63,184,821	0	0	0	0	0	12,412,372	0	0	0	0	0	0	0	0
Commitments for Amounts Received from National Development Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commitments for Amounts Received from CBI & ECO Bank (Loans)	0	24,540,025	0	0	8,071,577	262,172,896,110	0	0	0	0	0	0	0	0	0	0

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With respect to Historical Simulation Method and Standard Model and resulting change percent in foreign currency rate, value at risk for investment in shares and other investments with market price are presented in the following table:

Foreign Currency	20.03.2017		19.03.2016	
	Potential Change in Market Price	Effect on Profit & Loss	Potential Change in Market Price	Effect on Profit & Loss
	%	Million IRR	%	Million IRR
USD	(5.6,5.6-)	15,443	(0.05,0.05-)	641
EUR	(3.1,3.1-)	2,609	(4.7,4.7-)	27,097
GBP	(2.89,2.89-)	696	(3.39,3.39-)	839
AED	(2.45,2.45-)	762	(0.01,0.01-)	1,020
JPY	(3.06,3.06-)	1,571	(3.97,3.97-)	5,089
CHF	(1.01,1.01-)	24	(4.41,4.41-)	20,129
CNY	(2.32,2.32-)	2,789	(1.00,1.00-)	1,425
OMR	(1.01,1.01-)	306	(0.38,0.38-)	0
INR	(2.18,2.18-)	432	(2.94,2.94-)	1,501
TRY	(4.97,4.97-)	1,951	(6.28,6.28-)	2,245

54.5.6. Capital required for covering market risk

Measurement Method	Shares Risk		Foreign Currency Risk		Total Capital Provision for Market Risk
	Value at Risk	Required Capital Provision	Value at Risk	Required Capital Provision	
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Historical Simulation Model	35,215	105,645	26,583	79,749	185,394
Standard Model	*8% Opportuni-) (ty Average	101,120	*8% Opportuni-) ty Sales or (Buy	56,041	157,161

* Other methods used by the bank include Monte Carlo Simulation.

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54.5.7. Gap analysis between assets and liabilities sensitive to interest rate

	2016-17						
	Book Value	Below 1 Month	Between 1 to 3 Months	Between 3 Months to 1 Year	to 5 1 Years	Over 5 Years	Non-Sensitive to Rate
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Assets							
Cash	15,437,175	0	0	0	0	0	15,437,175
Dues from Banks & Other Credit Institutes	916,670	0	0	0	0	0	916,670
Loans Granted & Dues from Non-governmental Entities	94,482,976	5,887,431	549,603	7,649,341	75,861,266	0	4,535,334
Investment in Shares & Other Securities	3,626,233	0	0	2,895,165	0	0	731,068
Dues from Affiliated & Subsidiary Companies	969,248	0	0	969,248	0	0	-
Other Accounts Receivable	810,603	0	0	0	0	0	810,603
Tangible Fixed Assets	6,271,913	0	0	0	0	0	6,271,913
Intangible Assets	4,250,857	0	0	0	0	0	4,250,857
Statutory Deposit	12,442,336	147,838	733,077	6,853,212	404,248	0	4,303,960
Other Assets	4,919,354	0	0	0	0	0	4,919,354
Total Assets	**144,127,365**	**6,035,270**	**1,282,680**	**18,366,966**	**76,265,515**	**0**	**42,176,935**
Liabilities							
Dues to Banks & Other Credit Institutes	(12,537,796)	0	0	0	0	0	(12,537,796)
Statutory Deposits	(7,654,292)	0	0	0	0	0	(7,654,292)
Dividend Payable	(12,234)	0	0	0	0	0	(12,234)
Corporation Tax Provision	(65,455)	0	0	0	0	0	(65,455)
Provisions & Other Liabilities	(5,062,849)	0	0	0	0	0	(5,062,849)
Provision for Work Termination Benefits	(400,655)	0	0	0	0	0	(400,655)
Investment Depositors' Rights	(103,426,372)	(1,132,739)	(5,616,850)	(52,509,465)	(3,097,359)	0	(41,069,958)
Total Liabilities	**(129,159,651)**	**(1,132,739)**	**(5,616,850)**	(52,509,465)	(3,097,359)	**0**	**(66,803,238)**
Total Shareholders' Equity	**(14,967,714)**						**(14,967,714)**
Total Liabilities & Shareholders' Equity	**(144,127,365)**	**(1,132,739)**	**(5,616,850)**	**(52,509,465)**	**(3,097,359)**	**0**	**(81,770,952)**
Gap		4,902,530	(4,334,170)	(34,142,499)	73,168,155	0	(39,594,017)
Accumulated Gap		4,902,530	568,360	(33,574,139)	39,594,017	39,594,017	(0)

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	2015-16						
	Book Value	Below 1 Month	Between 1 to 3 Months	Between 3 Months to 1 Year	to 5 Year 1	Over 5 Years	Non-Sensitive to Rate
	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR	Million IRR
Assets							
Cash	13,596,093	13,596,093	0	0	0	0	0
Dues from Banks & Other Credit Institutes	233,392	233,392	0	0	0	0	0
Loans Granted & Dues from Non-governmental Entities	81,079,798	25,278,878	37,734,957	7,615,254	5,018	194	10,445,498
Investment in Shares & Other Securities	3,861,011	0	0	1,500,911,717	0	0	2,360,100
Dues from Affiliated & Subsidiary Companies	693,246	0	0	0	0	0	693,246
Other Accounts Receivable	1,219,829	0	0	0	0	0	1,219,829
Tangible Fixed Assets	6,057,666	0	0	0	0	0	6,057,666
Intangible Assets	4,110,794	0	0	0	0	0	4,110,794
Statutory Deposit	10,027,037	112,147	914,820	6,319,293	855,100	0	1,825,677
Other Assets	2,167,038	0	0	0	0	0	2,167,038
Total Assets	**123,045,905**	**39,220,510**	**38,649,777**	**15,435,459**	**860,117**	**194**	**28,879,848**
Liabilities							
Dues to Banks & Other Credit Institutes	(10,851,236)	0	0	0	0	0	(10,851,236)
Statutory Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Dividend Payable	(12,687)	0	0	0	0	0	(12,687)
Corporation Tax Provision	(719,496)	0	0	0	0	0	(719,496)
Provisions & Other Liabilities	(2,442,782)	0	0	0	0	0	(2,442,782)
Provision for Work Termination Benefits	(310,846)	0	0	0	0	0	(310,846)
Investment Depositors' Rights	(79,243,020)	(859,270)	(7,009,373)	(50,822,131)	(6,551,792)	0	(14,000,454)
Total Liabilities	**(108,100,557)**	**(859,270)**	**(7,009,373)**	**(50,822,131)**	**(6,551,792)**	**0**	**(42,857,991)**
Total Shareholders' Equity	**(14,945,347)**						**(14,945,347)**
Total Liabilities & Shareholders' Equity	**(123,045,904)**	**(859,270)**	**(7,009,373)**	**(50,822,131)**	**(6,551,792)**	**0**	**(57,803,338)**
Gap		38,361,239	31,640,404	(35,386,672)	(5,691,675)	194	(28,923,490)
Accumulated Gap		38,361,239	70,001,644	34,614,972	28,923,297	28,923,490	(0)

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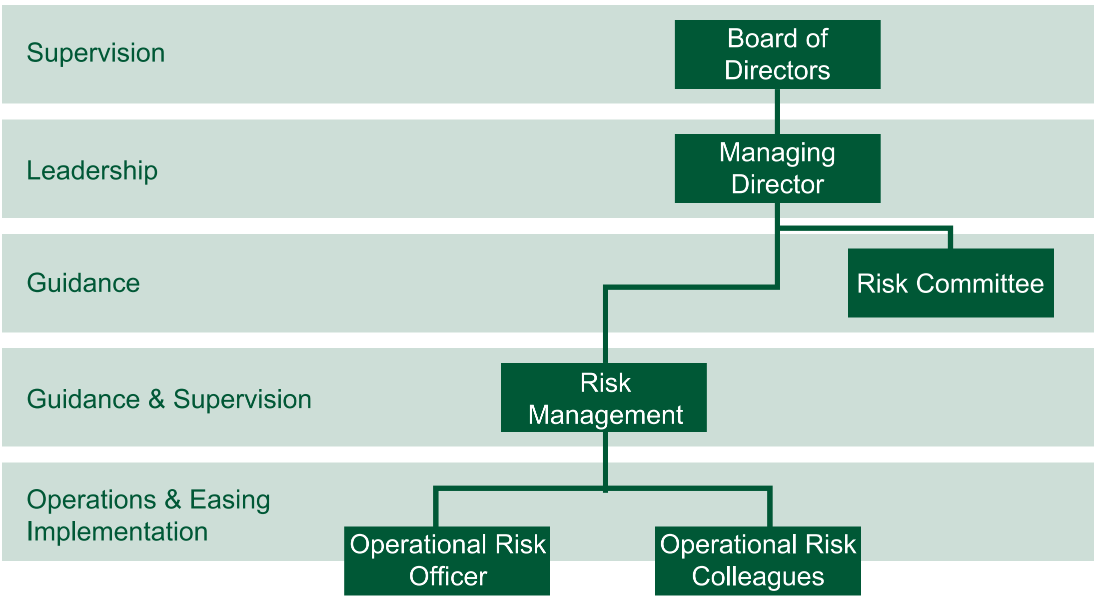
54.6. Operational risk

54.6.1. Definition

Karafarin Bank defines the operating risk according Basel Accord as the loss risk arising from internal processes, people and defective or incorrect systems or from external events.

54.6.2. Executive units of operational risk management

Appropriate organizational structure for implementation and supervision on daily good performance and duties related to operating management has been shown in the figure below:



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Board of Directors is responsible for establishing the operating risk management framework in the Bank, approving strategies, bylaws, limits and thresholds related to operating risk and any changes, amendments and revision to them. Risk Management Committee is responsible for reviewing operating risk management framework along with bylaws, strategies and operation continuity plan in the Bank as well as ensuring to support and supervise the good performance of the operating risk management framework.

Risk Management Unit has the following responsibilities: To develop awareness about risk throughout the Bank, provide leadership, supervision, guidance & routing process for implementing the operation risk management, prepare and suggest operating risk procedure and strategy, ensuring that all policies and processes of operating risk management have been documented for Banks' entire units and the management and are correctly supervised and implemented by top managers.

54.6.3. Precautionary policies in the event of intentional and unintentional human error

Karafarin Bank attempts to consider the following policies for preventing the occurrence of human error:

The prevalent risk literature must be used in all processes of operating risk management including recognition, evaluation, measurement, supervision, control, and risk mitigation as well as all components of operating risk implementation model.

Risk management culture must be promoted by informing, continuous training, interiorizing the goals related to operating risk and confirming implementation of related processes.

One model and framework of operating risk management which interacts with Central Bank laws and is the best existing experience in banking industry must be used and implemented.

All new products, processes, activities and systems must be reviewed from the operating risk management point of view before the implementation and use.

Reports related to operating risk management must be prepared for top managers. These reports must include the events led to loss, analysis of key risk indexes and the result of risk & control self-evaluation meetings held with management and related units.

54.6.4. Preparations to counteract crisis

Karafarin Bank has prepared and executed Warning Advice bylaw based on which all personnel can, in a variety of ways, announce the due alarms to top managers immediately. The Bank is also preparing an Operation Continuity Plan bylaw to assure its readiness to counteract the probable crises.

54.6.5. Operational risk measurement method

Karafarin Bank has estimated value at operating risk to measure the operating risk, according to Basel Accord, using base and standard index models. It is also calculating the capital at risk based on the developed model to ensure the accurate calculation of operating risk. The developed model used in Karafarin Bank is based on loss distribution method which is improved to increase accuracy in data shortage condition. Attached is the summary of Karafarin Bank's developed calculation method.

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The process of risks and controls self-evaluation is an instrument in the management hand to recognize and evaluate the operating risks in all processes, products and systems and to identify weak spots and controls. This process generally includes workshops and person-to-person sessions to identify the strong and weak points related to controls. Acquired results from the mentioned sessions can be used for promoting the controls in different ways. Some acquired results include the improvement programs which focus on issues related to controls, devotion of required resources to risky areas and rating different cases exposed to operating risk.

Key risk indices, in fact, are like increasing signals of a risk which will subsequently result in loss. Collecting data, supervising and analyzing these indices are the main prerequisite of implementing a powerful framework for operating risk management. The main importance of these indices is their relationship with current bank activities and technology-related and operating risk-related processes. Therefore, one of the main aims of Karafarin Bank is to develop the key risk indices for bank's main risks so that the due action is taken to review and supervise the indices based on the defined limits and thresholds.

54.6.6. Operational risk control and monitoring mechanism

To identify and evaluate the operating risk, the Bank use "risk and control self-evaluation" process completely and comprehensively. The collected results and data relating to loss occurred during daily activities and key risk index changes must be used in this process.

The events related to operating loss throughout the Bank have also been brought together so that a better evaluation of risk appetite and more accurate calculation of cost of capital are obtained.

Risk control process is improved, for any areas of bank activities, through cooperation with related units or managements as well as colleagues. The instruments of risk control and measurement are also amended, revised and strengthened to identify risks better. Activities related to risk control are essential for reviewing the risks which are recognized during the risk and control self-evaluation sessions

For risks recognised by the Bank, it must decide to accept the recognised risks or reduce them by control instruments. Karafarin Bank has different alternatives to control and/or reduce different kinds of risks: 1. Non-acceptance of risk (by avoiding certain business strategies or a group of customers), 2. Risk acceptance and maintenance and at the same time, defining the internal control instruments for risk reduction and risk financing through pricing, making provisions and capital. 3. Risk acceptance and its transfer to others, partially or fully.

For those risks which are not controllable or reducible, the Bank must use insurance coverage to reduce and transfer the risk, partially or fully.

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54.6.7. Capital required for covering operational risk

The bank's capital at risk, based on the method applied by the bank to measure the operational risk, is stated in the following table:

Measurement Method	Capital Exposed to Operational Risk
	Million IRR
Base Index Standard Method	1,530,211
Advanced Method	1,789,536
	-

54.7. Capital management

54.7.1. Charter capital

Bank's charter capital in the fiscal year ended 20.03.2017 amounts IRR16,163,872 million.

Description	2016-17	2015-16
	Million IRR	Million IRR
A) **Charter Capital**		
Capital Less Capital Financed from Revaluation Surplus	6,500,000	6,500,000
Statutory Reserve	3,499,519	3,241,164
Retained Earnings	2,924,599	2,106,968
	12,924,118	11,848,132
B) **Complementary Capital**		
General Provision for Claims & Investments	1,352,096	1,168,879
Revaluation Surplus of Fixed Assets	2,000,000	2,000,000
	3,352,096	3,168,879
Less: Complementary Capital Excess to Charter Capital	0	0
Complementary Capital	3,352,096	3,168,879
Charter Capital before Deduction	16,276,214	15,017,011
C) **Deduction from Charter Capital**		
Investment in Shares in Banks & Credit Institutes	(112,342)	(119,444)
	(112,342)	(119,444)
Charter Capital	16,163,872	14,897,566

The Bank's effective charter capital for calculating discretionary ratios is IRR14,897,566 million up to approval of financial statements.

The Bank's new charter capital will be confirmed based on financial statements approved by the General Assembly and effecting any potential changes or deductions such as distributing dividends among shareholders by the CBI.

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54.7.2. Capital allocation

The Bank's total risk-weighted assets is IRR121,808,587 million at the end of the fiscal year ended 20.03.2017.

Description	2016-17			2015-16		
	Assets & Commitments	Risk Coefficient	Risk- adjusted Assets & Commitments	Assets & Commitments	Risk Coefficient	Risk- adjusted Assets & Commitments
Cash	15,437,175	0	0	13,596,093	0	0
Legal Deposit	12,442,336	0	0	10,027,037	0	0
Claims from CBI	190,664	0	0	148,601	0	0
Dues from Banks & Other Credit Institutes	726,007	20	145,201	84,791	20	16,958
Governmental Participation Bonds	821,164	0	0	54,174	0	0
Non-governmental Participation Bonds	198,183	100	198,183	1,444,356	100	1,444,356
investment in Shares	2,606,886	100	2,606,886	2,362,482	100	2,362,482
Accounts Receivable	1,779,851	100	1,779,851	1,913,076	100	1,913,076
Hire Purchase & Housing Loans	707,896	50	353,948	985,064	50	492,532
Other Paid Loans & Claims	93,775,080	100	93,775,080	80,094,734	100	80,094,734
Net Fixed Assets & Goodwill	10,522,770	100	10,522,770	10,168,460	100	10,168,460
Other Assets	4,919,354	100	4,919,354	2,167,038	100	2,167,038
Commitments from Issued L/Gs (Liable to 20% -conversion Factor)	4,056,718	100	4,056,718	3,644,464	100	3,644,464
Commitments from Issued L/Gs (Subject to 50% -conversion Factor)	7,006	100	7,006	34,135	100	34,135
Commitments from Issued L/Cs (Subject to 50%- conversion Factor)	2,465,023	100	2,465,023	1,067,539	100	1,067,539
Other Commitments (Contract Subject to 50%- conversion Factor	978,566	100	978,566	2,225,974	100	2,225,974
Total Risk-weighted Assets & Commitments			121,808,587			105,631,747

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54.7.3. Capital adequacy ratio

Capital adequacy ratio is 13.27% at the end of the fiscal year ended 20.03.2017.

	2016-17	2015-16
	Million IRR	Million IRR
Charter Capital	16,163,872	14,897,566
Total Risk-weighted Assets & Commitments	121,808,587	105,631,747
Capital Adequacy Ratio - (%)	13.27%	14.10%

54.7.4. Degree of leverage

Degree of leverage is the ratio of bank's total assets to shareholders' equity. Bank's degree of leverage is 9.63 times at the end of the fiscal year 20.03.2017.

	2016-17	2015-16
	Million IRR	Million IRR
Total Assets	144,127,365	123,045,905
Total Shareholders' Equity	14,967,714	14,945,347
Degree of Leverage	9.63	8.23

55. OPERATIONAL UNITS

55.1. Basis for dividing units

In this section, the bank express its basis in unit reporting including different sections of business such as retail banking, corporate banking and so on.

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55.2. Information regarding reportable operational units

Information related to any reportable sectors are presented in the table below. The sectors' profit before tax has been used as the performance criteria.

Description	Retail Banking	Corporate Banking	Total
	Million IRR	Million IRR	Million IRR
Income from Loans Granted & Deposits	17,892,564	0	17,892,564
Deposits Interest Expenses	(14,963,629)	0	(14,963,629)
Net Income from Loans & Deposits	2,928,934	0	2,928,934
Commission	758,336	0	758,336
Commission Expenses	(78,505)	0	(78,505)
Net Commission Income	679,830	0	679,830
Net Investment Profit (Loss)	1,032,798	0	1,032,798
Net Foreign Currency Transactions Profit (Loss)	200,197	0	200,197
Other Operational Incomes	205,410	0	205,410
Direct Expenses Attributable to Operational Sectors	(1,012,712)	0	(1,012,712)
Each Unit Profit (Loss) before Unattributable General Expenses	425,692	0	425,692
General Expenses Unattributable to Sectors			(2,215,437)
Profit before Tax			**1,819,020**

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55.3. Geographical concentration of main items in assets, liabilities and incomes

While offering geographical information, assets' main items on location, liabilities and income are reported based on residence of bank's counterpart in geographical areas.

	2016-17		
	Iran	Other Countries	Total
	Million IRR	Million IRR	Million IRR
Assets			
Cash	15,437,175	0	15,437,175
Dues from Banks & Other Credit Institutes	916,670	0	916,670
Loans Granted & Claims from Non-governmental Entities	94,482,976	0	94,482,976
Investment in Shares & Other Securities	3,626,233	0	3,626,233
Dues from Subsidiary & Affiliated Companies	969,248	0	969,248
Other Accounts Receivable	810,603	0	810,603
Statutory Reserve	12,442,336	0	12,442,336
Tangible Fixed Assets	6,271,913	0	6,271,913
Intangible Assets	4,250,857	0	4,250,857
Other Assets	4,919,354	0	4,919,354
Total Assets	**144,127,365**	**0**	**144,127,365**
Liabilities			
Due to Banks & Other Credit Institute	(12,537,796)	0	(12,537,796)
Customers' Deposits	(7,654,292)	0	(7,654,292)
Investment Depositors' Rights	(103,426,372)	0	(103,426,372)
Total Liabilities	**(123,618,459)**	**0**	**(123,618,459)**
Incomes	**23,698,069**	**0**	**23,698,069**

	2015-16		
	Iran	Other Countries	Total
	Million IRR	Million IRR	Million IRR
Assets			
Cash	13,596,093	0	13,596,093
Dues from Banks & Other Credit Institutes	233,392	0	233,392
Loans Granted & Claims from Non-governmental Entities	81,079,798	0	81,079,798
Investment in Shares & Other Securities	3,861,011	0	3,861,011
Dues from Subsidiary & Affiliated Companies	693,246	0	693,246
Other Accounts Receivable	1,219,829	0	1,219,829
Statutory Reserve	10,027,037	0	10,027,037
Tangible Fixed Assets	6,057,666	0	6,057,666
Intangible Assets	4,110,794	0	4,110,794
Other Assets	2,167,038	0	2,167,038
Total Assets	123,045,905	0	123,045,905
Liabilities			
Due to Banks & Other Credit Institute	(10,851,236)	0	(10,851,236)
Customers' Deposits	(14,520,490)	0	(14,520,490)
Investment Depositors' Rights	(79,243,020)	0	(79,243,020)
Total Liabilities	(104,614,746)	0	(104,614,746)
Incomes	26,962,374	0	26,962,374

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56. TRANSACTION WITH RELATED PARTIES

56.1. Changes in major shareholders (Over 1%)

During fiscal year ended 20.03.2017, Sarzamin Pahnavar Mehr Company became a major shareholder (over 1%) by purchasing 134,874,452 shares.

56.2. During fiscal year ended 20.03.2017, Managers have had no dealings with Group companies.

56.3. Transactions of Group companies with related parties (except consolidated companies) during the reported period are as follows:

(Amounts in million IRR)

Description	Related Party	Type of Relation	2016-17					
			Transaction	Is it subject to Article 129 of Commercial Code?	Pricing Method	Flow Transaction Amount	Gross Profit (Loss)	Claim Balance (Debt)
Karafarin Bureau de Exchange Co.	Karafarin Insurance Co.		Purchasing Foreign Currency & Services	No		305	-	-
Asr Amin Karafarin Co.	Karafarin Insurance Co.	Affiliated Company	Income from Issuance of Insurance Policy	No		1,737	0	0
Karafarin Brokerage Co.	Karafarin Insurance Co.	Joint Member of Board of Directors		Yes		0	0	(13)
	Karafarin Mutual Invetsment Fund	Managed Fund		No		2,375	0	13,000
	Arman Karafarin Investment Fund	Managed Fund		No		1,860	0	12,850
	Karafarin Index Investment Fund	Managed Fund		No		125	0	509
	Amin Karafarin Investment Fund	Managed Fund &Liquidity Guarantee		No		57	0	317
Amin Etemad Karafarin Co.	Rayan Saipa Leasing Co.	Joint Member of Board of Directors	Selling Services	Yes		6,992	0	0

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56.4. Transactions of Parent Company with related parties during the reported period are as follows:

Description	Related Party	Type of Relation	2016-17					
			Transaction	Is it subject to Article 129 of Commercial Code?	Pricing Method	Flow Transaction Amount	Gross Profit (Loss)	Claim Balance (Debt)
Subsidiary Companies	Karafarin Bank Brokerage Co.	Subsidiary Company	Shares Trade Commission	No	Dealing Tariff at Stock Exchange		-3,409	108,546
			Income from L/Gs Commission		According to Banking Tariff		238	
			Issuing L/G		According to Credit Commission Instructions	16,162		
	Karafarin Bureau de Exchange Co.	Subsidiary Company & Joint Member of Board of Directors	Selling Foreign Currency & Services	Yes	According to Banking Tariff	81,209		687,103
			Rent Deposit		According to Market Customs	1,400		
			Paid Commission		According to Banking Tariff	19,639		
			Building Purchase		According to Market Customs			
			Buying Foreign Currency		According to Banking Tariff			
			Income from L/Gs Commission		According to Banking Tariff			
			Issuing L/G		According to Credit Commission Instructions			
	Karafarin Leasing Co.	Subsidiary Company	Services Purchase		According to Banking Tariff			20,830
	Amin Etemad Karafrin Co.	Subsidiary Company & Joint Member of Board of Directors	Shares Trade Commission	Yes	Dealing Tariff at Stock Exchange			(787)
			Non-current Claims Collection (Services Purchase)		According to Contract			
	Abniyeh Gostar Karafarin	Subsidiary Company & Joint Member of Board of Directors	Construction & Renovation of Branches		Cost Plus Commission	29,000		49,756
	Karafrin Bank Investment Co.	Subsidiary Company & Joint Member of Board of Directors	Branch Purchase	Yes	According to Banking Tariff			71,577
			Goods & Services Sales		According to Market Customs			
			Branches Purchase		According to Banking Tariff	518,041		
	Asr Amin Karafarin Co.	Subsidiary Company & Joint Member of Board of Directors	Dividend	No	According to Instruction			2,306

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Description	Related Party	Type of Relation	2016-17					
			Transaction	Is it subject to Article 129 of Commercial Code?	Pricing Method	Transaction Turnover	Gross Profit (Loss)	Claim Balance (Debt)
Affiliated Commercial Units	Karafrin Insurance Co.	Subsidiary Company	Rent Deposit	No	According to Market Customs	360		0
			Granted Loans		According to Credit Commission Instructions			
			Income from L/Gs Commission		According to Banking Tariff		48	
			Issuing L/G		According to Credit Commission Instructions	35,478		
			Insurance Deposit		According to Market Customs	585		
Other Related Parties	Ghande Lorestan	Under Common Influence	Granted Loans		According to Credit Commission Instructions	9,325	7,421	5,633
	Abdolmahmood Zarrabi	Bank's Shareholder	Granted Loans	No	According to Banking Tariff	118,108	5,515	35,419
			Income from L/Gs Commission		According to Credit Commission Instructions		5	
			Issuing L/G		According to Credit Commission Instructions	1,877		
	Kar-O-Andisheh Engineers Co.	Bank's Shareholder	Granted Loans	No	According to Credit Commission Instructions	1,966,139	78,037	423,178
			Opening L/Cs		According to Banking Tariff			
			Commission for Opening L/Cs		According to Banking Tariff			
			Income from L/Gs Commission		According to Instruction		1,694	
			Issuing L/G		According to Banking Tariff	85,816		
	Iran & East Co.	Joint Member of Board of Directors	Granted Loans	Yes	According to Credit Commission Instructions	1,093,550	41,635	318,874
	International Kar-O-Andisheh Co.	Under Common Influence	Opening l/Cs	No	According to Banking Tariff			151
			Commission for Opening L/Cs		According to Banking Tariff			
			Income from L/Gs Commission		According to Credit Commission Instructions		24	
			Issuing L/G		According to Credit Commission Instructions	2,588		
			Granted Loans		According to Credit Commission Instructions			
	Jooyabnou Consulting Engineers	Under Common Influence	Issuing L/G	No	According to Credit Commission Instructions	1,551		1,251
			Income from L/Gs Commission		According to Banking Tariff		153	

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57. RETAINED EARNINGS AT THE END OF THE YEAR

Retained earnings at the end of the year is subject to approval of shareholders' ordinary general assembly.

Legal Duties	Amount
	Million IRR
Sharing at Least 10% of Net Profit of 2016-17 as per Article 90 of Commercial Code as Amended	165,258
Board of Directors' Proposal	
Dividend Suggested by Board of Directors	165,258

58. PERFORMANCE STATEMENT OF IRR SAVING GHARZ-AL HASSANEH OPERATIONS

58.1. Balance of Gharz-al Hassaneh resources and consumption

Saving Gharz-al Hassaneh Resources		2016-17		2015-16
		Million IRR		Million IRR
Saving Gharz–al Hassaneh Deposits – IRR	20-2	12,398		13,278
Total Gharz-al Hassaneh Resources			12,398	13,278
Gharz-al Hassaneh Consumption				
Loans Granted & Dues from Non-governmental Entities (before Provision)				
Ordinary Loans		(10,087)		(5,258)
Total Loans Granted & Dues from Non-governmental Entities	10	(10,087)		(5,258)
Total Gharz-al Hassaneh Consumption			(10,087)	(5,258)
Statutory Deposit of Saving Gharz-al Hassaneh Resources			(1,240)	(1,328)
Liquidity Provision for Saving Gharz-al Hassaneh Deposits (5%)			(620)	(664)
Resources Surplus (Deficit) to Gharz-al Hassaneh Consumption			**451**	**6,029**

* Specific Gharz-al Hassaneh Deposits (managed funds) are not mentioned in this section.

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58.2. Net Gharz-al Hassaneh operations commission

	Parent Company	
	2016-17	2015-16
	Million IRR	Million IRR
Commission Received for Granted Gharz-al Hassaneh Loans	321	103
Prize Expenses for Gharz-al Hassaneh Deposits	0	0
Net Gharz-al Hassaneh Operations Commission (Note 37.1)	**321**	**103**

58.3. Classification of Granted Gharz-al Hassaneh loans based on type of loans

	Parent Company	
	2016-17	2016-17
	Million IRR	Million IRR
Marriage	10,054	5,234
Others	33	24
	10,087	**5,258**

58.4. Classification of Granted Gharz-al Hassaneh loans based on customer type

	Parent Company	
	2016-17	2016-17
	Million IRR	Million IRR
Natural Persons	10,087	5,258
Legal Entities - Cooperative	0	0
Legal Entities - Others	0	0
	10,087	**5,258**

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59. INFORMATION ON RELATED PARTIES' LOANS AND COMMITMENTS

(Amounts in Million IRR)

	Natural Persons/ Legal Entity	Example of Related Parties based on 2nd Chapter of Bylaw									Loans/ Debts Commitments Net Balance													Total Net Balance of Loans & Commitments
											Paid Amount	Balance Amount (after Mozarebeh Amounts and Joint Account of Partnership is Deducted)			Contract or Debt Type	Contract Timespan (Month)	Grace Period (Month)	Interest/ Commission Rate	Approval Date	Gross Commitments	Received Cash Advances	Net Commitments	Net Commitments with Conversion Factor	
		1-2	2-2	3-2	4-2	5-2	6-2	7-2	8-2	9-2		Current	Non-current	Total										
1	Iran & East Co.						*				100,000	102,860	0	102,860	Mozarebeh	3	0	18	03.02.2016	0	0	0	0	102,860
											87,500	88,061	0	88,061	Equity Participation	3	0	18	04.02.2016	0	0	0	0	88,061
											75,000	76,664	0	76,664	Equity Participation	3	0	18	05.02.2016	0	0	0	0	76,664
											37,500	13,603	0	13,603	Mozarebeh	3	0	18	06.02.2016	0	0	0	0	13,603
											37,500	37,685	0	37,685	Equity Participation	3	0	18	07.02.2016					37,685
	Total										337,500	318,874	0	318,874	0				0	0	0	0	0	318,874
2	Internationa Kar-O-Andisheh Co.						*				0	0	0	0	L/G	0	0	0		841	84	757	151	151

3	Kar-O-Andisheh EngineeringCo.										125,000	130,116	0	130,116	Equity Participation	3	0	18	16.12.2015	0	0	0	0	130,116
											70,000	70,449	0	70,449	Equity Participation	3	0	18	16.12.2015	0	0	0	0	70,449
											50,000	50,493	0	50,493	Equity Participation	3	0	18	16.12.2015	0	0	0	0	50,493
											45,000	46,775	0	46,775	Equity Participation	3	0	18	16.12.2015	0	0	0	0	46,775
											40,000	40,118	0	40,118	Equity Participation	3	0	18	17.12.2015	0	0	0	0	40,118
											27,028	27,121	0	27,121	Equity Participation	3	0	18	16.12.2015	0	0	0	0	27,121
											20,000	20,197	0	20,197	Equity Participation	3	0	18	16.12.2015	0	0	0	0	20,197
											0	0	0	0	L/C	0	0	0		4,856	486	4,370	874	874
											0	0	0	0	L/C	0	0	0		98,928	17,726	81,202	16,240	16,240
											0	0	0	0	L/C	0	0	0		23,912	2,391	21,521	4,304	4,304
											0	0	0	0	L/G	0	0	0		80	8	72	14	14
											0	0	0	0	L/G	0	0	0		668	67	601	120	120
											0	0	0	0	L/G	0	0	0		342	34	308	62	62
											0	0	0	0	L/G	0	0	0		889	89	800	160	160
											0	0	0	0	L/G	0	0	0		374	37	337	67	67
											0	0	0	0	L/G	0	0	0		17	2	15	3	3
											0	0	0	0	L/G	0	0	0		23	2	21	4	4
											0	0	0	0	L/G	0	0	0		1,435	143	1,291	258	258
						*	*				0	0	0	0	L/G	0	0	0		763	76	686	137	137
											0	0	0	0	L/G	0	0	0		7,174	717	6,457	1,291	1,291
											0	0	0	0	L/G	0	0	0		7,054	705	6,349	1,270	1,270
											0	0	0	0	L/G	0	0	0		17,635	1,764	15,872	3,174	3,174
											0	0	0	0	L/G	0	0	0		533	107	426	85	85
											0	0	0	0	L/G	0	0	0		561	112	448	90	90
											0	0	0	0	L/G	0	0	0		613	123	490	98	98
											0	0	0	0	L/G	0	0	0		520	52	468	94	94
											0	0	0	0	L/G	0	0	0		293	59	235	47	47
											0	0	0	0	L/G	0	0	0		964	193	771	154	154
											0	0	0	0	L/G	0	0	0		1,682	336	1,346	269	269
											0	0	0	0	L/G	0	0	0		1,406	281	1,124	225	225
											0	0	0	0	L/G	0	0	0		544	109	435	87	87
											0	0	0	0	L/G	0	0	0		1,111	222	889	178	178
											0	0	0	0	L/G	0	0	0		1,435	143	1,291	258	258
											0	0	0	0	L/G	0	0	0		30	3	27	5	5
											0	0	0	0	L/G	0	0	0		3,549	355	3,194	639	639
											0	0	0	0	L/G	0	0	0		8,873	887	7,985	1,597	1,597
											0	0	0	0	L/G	0	0	0		3,400	340	3,060	612	612
											0	0	0	0	L/G	0	0	0		2,600	260	2,340	468	468
											0	0	0	0	L/G	0	0	0		26,000	2,600	23,400	4,680	4,680
											0	0	0	0	L/G	0	0	0		500	10	490	98	98
											0	0	0	0	L/G	0	0	0		188	4	184	37	37
											0	0	0	0	L/G	0	0	0		50	1	49	10	10
											0	0	0	0	L/G	0	0	0		1,000	20	980	196	196
	Total										377,028	385,271	0	385,271						**220,001**	**30,465**	**189,535**	**37,907**	**423,178**

4	Ghand Lorestan Co.										5,625	5,633	-	5,633	Equity Participation	3	0	18	96/03/28	0	0	0	0	5,633
5	Karafrain Insurance Co.						*	*	*			15	0	15	Temporary Debtors	0	0	0	0	0	0	0	0	15
												0	0	0	L/G	0	0	0	0	25	25	0	0	0
												0	0	0	L/G	0	0	0	0	150	15	135	27	27
												0	0	0	L/G	0	0	0	0	500	0	500	100	100
												0	0	0	L/G	0	0	0	0	2,500	0	2,500	500	500
												0	0	0	L/G	0	0	0	0	1,750	0	1,750	350	350
												0	0	0	L/G	0	0	0	0	30	0	30	6	6
												0	0	0	L/G	0	0	0	0	200	0	200	40	40
	Total										0	15	0	15						4,925	40	4,885	977	1,038
6	Karafarin Bank Brokerage Co.								*			11	0	11	Temporary Debtors	0	0	0	0	0	0	0	0	11
												0	0	0	L/G					1,000	100	900	180	180
												0	0	0	L/G					3,468	347	3,121	624	624
												0	0	0	L/G					6,000	600	5,400	1,080	1,080
												0	0	0	L/G					1,000	100	900	180	180
	Total										0	11	0	11						11,468	1,147	10,321	2,064	2,076
7	Karafarin Exchange Co.								*			1,195	0	1,195	Temporary Debtors	0	0	0	0	0	0	0	0	1,195
8	Karafarin Bank Invetsment Co.						*		*			78,199	0	78,199	Temporary Debtors	0	0	0	0	0	0	0	0	78,199
9	Abniyeh Gostar Karafarin Co.								*	*		267	0	267	Temporary Debtors	0	0	0	0	0	0	0	0	267
10	Asr Amin Karafarin Co.									*		126	0	126	Temporary Debtors	0	0	0	0	0	0	0	0	126
11	Jooyabnou Co.					*	*				0	0	0	0	L/G	0	0	0	0	1,200	120	1,080	216	216
											0	0	0	0	L/G	0	0	0	0	636	64	572	114	114
											0	0	0	0	L/G	0	0	0	0	97	10	87	17	17
											0	0	0	0	L/G	0	0	0	0	2,000	200	1,800	360	360
											0	0	0	0	L/G	0	0	0	0	130	13	117	23	23
											0	0	0	0	L/G	0	0	0	0	236	24	213	43	43
											0	0	0	0	L/G	0	0	0	0	1,200	240	960	192	192
											0	0	0	0	L/G	0	0	0	0	160	16	144	29	29
											0	0	0	0	L/G	0	0	0	0	589	59	530	106	106
											0	0	0	0	L/G	0	0	0	0	14	1	13	3	3
											0	0	0	0	L/G	0	0	0	0	35	4	32	6	6
												0	0	0	L/G	0	0	0	0	100	10	90	18	18
															L/G	0	0	0	0	75	8	68	14	14
															L/G	0	0	0	0	111	11	100	20	20
											0	0	0	0	L/G	0	0	0	0	500	50	450	90	90
	Total										0	0	0	0						7,083	828	6,255	1,251	1,251
	Grand Total										720,153	789,592	0	789,592	0	0	0	0	0	244,317	32,564	211,753	42,351	831,988

60. INFORMATION ON MAJOR LOANS AND COMMITMENTS

Information on major loans and commitments based on ratification No. 166 dated 29.10.2013 ratified by the Money and Credit Council (circular No. 92/242553 dated 07.11.2013 ratified by the CBI) is as follows:

(Amounts in million IRR)

	نام گروه ذینفع واحد	نام گروه ذینفع واحد	Type of Relation	Customer	Balance of Major Loans & Commitments							Security Condition		Board of Directors'	
					Loans		Commitments		Shares Cost Price	Grant Date	Total Loans & Commitments Plus Shares Cost Price (گروه ذینفع واحد)	Type	Value	Number	Date
					Net Current (1)	Non-current (2)	Gross	Net (3)			5=1+2+3+4				
1	Iran Khodro	Loans Receiver	Ownership	Iran Khodro Co.	97,383	0				13.03.2017	2,293,513	Promissory Note. Cheque- Additional Security, Short-term Deposit Held with Us, Listed Companies' Shares, Internal Binding Contracts	4,870,188	507/95/3705	22.11.2016
2					2,196,130	0				13.03.2017	1,126,717	Promissory Note. Cheque- Additional Security, Short-term Deposit Held with Us, Listed Companies' Shares, Internal Binding Contracts	4,958,084	507/95/3704	22.11.2016
3			Ownership	Iran Khodro Diesel Co.	200,592	0				15.03.2017				507/94/1803	13.08.2017
4					122,193	0				01.03.2017					
5					122,193	0				01.03.2017				507/14046	02.09.2014
6					538,808										
7					8,595										
8					5,124										
9							76,281	64,839							
10							765	535							
11							659	561							
12							1,186	1,186							
13							3,907	3,321							
14							3,458	2,421							
15							3,576	2,860		26.10.2014					
16							1,976	1,581		13.02.2016					
17							8,200	7,380		07.03.2007					
18							49,476	44,528		17.07.2007					
22			Ownership	Vehicle Axle Manufacturing Co.	12,153							Customs Green Permit, L/C, Promissory Note, Order Cheque, Cheque, Additional Security			04.02.2017
23							5,333	4,533			16,687		368,757	507/95/5059	
24							968	0							
25			Ownership	Iran Khodro Spare Parts Co.	204,340	0				05.02.2017	204,340	Promissory Note, Cheque, Additional Security, Internal Binding Contracts	842,757	713140	29.06.2014
26			Ownership	Samand Investment Co.											
27			Ownership	Niroo Mohareke Industrial Co.	56,579	0				04.02.2017	56,579	Promissory Note, Cheque, Additional Security, Internal Binding Contract	165,000	507/16118	20.01.2015
28			Ownership	Iran Khodro Parts Designing & Supply Co.	327,336	0				15.12.2016	327,336	Promissory Note, Cheque, Additional Security, Internal Binding Contract	818,000	1499	28.11.2011
29			Ownership	Govah Co.	77,256	0				19.01.2017	77,297	Cheque, Additional Security, Immovable Assets Mortgaged by the Bank, Internal Binding Contract	267,047	507/94/993	24.06.2015
30							52	41		14.01.2015					
32			Ownership	Iran Khodro Diesel Parts Supplying Co.			3,268	2,941			35,412	Cheque, Additional Security, Immovable Assets, Mortgaged by the Bank, Internal Binding Contract	300,000	507/16929	10.03.2015
33							24,738	22,264							
34							3,000	2,700							
35							634	507							
36							10,000	7,000							
	Total				3,968,682	0	197,475	169,198	0		4,137,880		12,589,833		

38	Saipa Grouo	Loans Receiver	Ownership	Saipa Co.	68,284	0				22.01.2017	1,148,387	Cheque, Additional Security, Internal Binding Contract	2,306,000	507/94/2017	01.09.2015
39					1,080,104	0				12.02.2017					
41			Ownership	Pars Khodro Co.	108,055	0				21.01.2017	548,973	Promissory Note, Cheque, Additional Security, Short-term Deposit Held with Us, Internal Binding Contract	1,325,888	507/94/1380	14.07.2015
42					390,921	0									
43							64,846	49,996							
44			Ownership	Zamyad Co.	385,541	0					385,541	Cheque, Additional Security, Internal Binding Contract	690,000	507/94/1114	01.07.2015
45			Ownership	Sazeh Gostar Saipa	199,586	0				12.11.2016	199,586	Promissory Note, Cheque, Additional Security, Internal Binding Contract	480,000	6662	13.02.2013
46			Ownership	Saipa Diesel Co.	520,959	0				26.12.2016	1,244,450	Cheque, Additional Security, Internal Binding Contract	3,522,941	507/95/2411	06.09.2016
47					324,025	0				21.01.2017				507/952410	06.09.2016
48					223,827	0								507/95/4157	20.12.2016
49					52,238		0	0						507/95/3221	25.10.2016
50					112,691										
52							34,307	10,710							
53			Ownership	Rayan Saipa Leasing Co.	387,021	0				15.01.2017	565,995	Cheque, Additional Security, Internal Binding Contract	1,001,400	507/94/1005	24.06.2015
54					133,390	0				12.02.2017				507/15442	03.12.2014
55					45,584	0				26.12.2016				507/7999	13.06.2013
				Total	4,032,225	0	99,153	60,706	0		4,092,932		9,326,229		
57	Behshahr Industrial Group	Ownership	Zarrin Zorrat Shahroud Co.		25,479	0				22.02.2017	25,479	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	342,355	507/16841	10.02.2015
58		Ownership	Behshahr Tehran Industries Group Construction		26,719	0				23.10.2016	476,884	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	2,311,137		
59					13,746	0				11.12.2016					
60					27,453	0				14.12.2016					
61					258,507	0				11.01.2017					
62					28,048	0				29.10.2016					
63					50,247	0				11.03.2017					
64					27,854	0				13.11.2016					
65					31,774	0				15.02.2017					
66					12,537	0				15.03.2017					
67		Ownership	Behpak Industrial Co.		239,375	0				20.02.2017	418,179	Promissory Note, Cheque, Additional Security, Internal Binding Contract	1,338,000		
68					118,175	0				18.03.2017					
69					60,629	0				24.01.2017					
71		Ownership	Margarine		124,083	0				11.01.2017	1,163,628	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	5,657,541		
72					248,522	0				08.01.2017					
73					250,179					25.12.2016					
74					376,295	0				14.03.2017					
75							134	120							
76							172,833	154,825							
77							2,229	1,783							
78							2,410	1,928							
79							7,366	5,893							
80		Ownership	Behshahr Industries Group Co.		204,734	0				01.02.2017		Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract			
81					153,551	0	0	0	321	01.02.2017	358,285		1,416,854	507/94/2123	01.09.2015
	Total				2,277,906	0	184,972	164,550	321		2,442,455		11,065,887		

82	Construction Investment Companies Group	Ownership	Javanan Housin		50,362	0				03.12.2016	222,833	Cheque, Additional Security, Gharz-al Hassaneh Deposits Held with Us, Listed Companies' Shares, Internal Binding Contract	696,828	507/15091	13.11.2014
83					172,471	0				03.12.2016					
84		Ownership	Iran Construction Investment		373,918	0				03.12.2016	483,472	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	1,149,558	10277	04.11.2013
85					109,554	0				03.12.2016					19.10.2013
86		Ownership	Stratus Co.		0	106,771				07.02.2016	1,005,875	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	1,949,193		
87					0	21,354				07.02.2016					
88					74,388	0				07.02.2016					
89					338,129	0				07.02.2016					
90					0	100,155				25.11.2015				9658	
91					0	22,034				25.11.2015					
92					0	92,189				04.11.2015					
93					0	41,850				25.11.2015					
94					0	209,005				25.11.2015					
96		Ownership	Novin Housing Co.		80,939	0				21.12.2016	354,568	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	319,807	507/15677	20.09.2014
97					273,628	0				21.12.2016					
98		Ownership	Novin Construction Investment Co.		51,184	0				01.02.2017	51,184	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	289,195	507/94/1884	19.08.2015
99		Ownership	Pars Shahr Commercial & Technical Co.		0	65,251				30.11.2015	205,959	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Shares	514,936	10276	02.02.2014
100					0	127,658				04.11.2015					
101					0	13,050				30.11.2015					
102		Ownership	Tehran Construction & Renovation		84,072	0				21.12.2016	369,221	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contracts	1,311,435	9744	26.10.2013
103					285,148	0				21.12.2016					
	Total				1,893,794	799,317	0	0	0		2,693,111		6,230,952		
104	Group of Mr. Saatchi's Company	Ownership	Iran Trading		973,997	0				06.11.2016	973,997	Promissory Note, Cheque, Additional Security, Long-term Deposit & Gharz-al Hassaneh Deposits Held with Us, Immovable Assets Mortgaged by the Bank, Internal Binding Contract	4,469,413	10643	28.12.2013
105		Ownership	Iran Zabt Co.		150,771	0	0	0		06.11.2016	150,771	Promissory Note, Cheque, Additional Security, Gharz-al Hassaneh Deposits Held with Us, Immovable Assets Mortgaged by the Bank, Internal Binding Contract	506,689	9556	09.10.2013
106		Ownership	San Electronic Shahir Co.		626,570					06.112.016	626,570	Promissory Note, Cheque, Additional Security, Gharz-al Hassaneh Deposits Held with Us, Immovable Assets Mortgaged by the Bank, Internal Binding Contract	1,951,052	9538	09.10.2013
	Total				1,751,338	0	0	0	0		1,751,338		6,927,154		

108	Tadbir Economic Development Group	Ownership	Tadbir Mine & Industry Development	421,248	0				04.12.2016	1,306,815	Promissory Note, Cheque, Additional Security, Long-term Deposit Certificate Held with Us, Listed Companies' Shares, Internal binding Contract	2,417,418	7149	14.03.2013
109				392,586	0				04.12.2016					
110				57,841	0				12.02.2017					
111				105,312	0				04.12.2016					
112				98,146	0				04.12.2016					
113				231,363	0				12.02.2017					
114						109	98		08.03.2015					
115						245	220		08.03.2015					
116		Ownership	Iran & East Co.	76,664	0				04.02.2017	318,874	Cheque, Additional Security, Listed Companies' Shares, Internal binding Contract	820,890	507/16579	20.03.2015
117				102,860	0				22.01.2017					
118				88,061	0				08.03.2017					
119				37,685	0				11.03.2017					
120				13,603	0				15.01.2017					
121		Ownership	Alborz Bulk Pharmaceutical Co.	40,169	0				14.01.2017	229,173	Promissory Note, Cheque, Additional Security, Short-term Deposit Held with Us, Internal Binding Contract	1,420,770	507/94/2715	14.10.2015
122				107,001	0				31.01.2017				507/94/2716	14.10.2015
123				36,208	0				16.01.2017				507/5930	07.01.2015
124				30,564	0				26.11.2016				507/94/979	24.06.2015
125				15,231	0				27.11.2016				5806	06.12.2012
126		Ownership	Sobhan Oncology Pharmaceutical Co.	18,087	0				18.01.2017	1,193,146	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	2,896,963	507/94/2127	01.09.2015
127				131,449	0				07.12.2016					
128				79,023	0				03.12.2016					
129				354,913	0				07.12.2016					
130				63,209	0				26.02.2017					
131				35,862	0				05.02.2017					
132				12,017	0				25.01.2017				507/95/1225	26.06.2016
133				30,072	0				23.01.2017					
134				23,550	0				08.03.2017					
135				273,503	0				26.12.2016					
136				63,610	0				13.02.2017					
137				77,922	0				01.01.2017					
138				62										
139						22,639	22,639							
140						7,275	5,820							
141						1,565	1,408							
142		Ownership	K.B.C Co.	17,505	0				19.02.2017	333,131	Promissory Note, Cheque, Additional Security, Short-term Deposit Held with Us, Internal Binding Contract	5,197,809	9660	19.10.2013
143				43,829	0				15.03.2017					
144				87,654	0				16.02.2017					
145				51,580	0				13.02.2017					
146				71,949	0				28.01.2017					
147				17,301	0				15.03.2017					
148				12,875	0				15.03.2017					
149						28,640	25,776							
150						5,180	4,662							
151		Ownership	Aria Royal Sakhteman Co.	0	29,311				18.06.2016	458,092	Promissory Note, Cheque, Additional Security, Internal Binding Contract	960,000	507/94/1580	29.07.2015
152				29,749	0				09.08.2016					
153				0	33,787				14.07.2016					
154				0	143,078				18.06.2016					
155				8,330	0				09.08.2016					
156				0	9,461				14.07.2016					
157				204,376	0				18.10.2016					
	Total			3,562,970	215,638	65,651	60,623	0		3,839,230		11,900,405		
159	Ghadir Group	Ownership	Ghadir Investment Co.	1,864,800	0			4,348	07.01.2017	1,869,148	Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	5,891,502	507/94/253	21.04.2015
160			Kharazmi Construction Development Co.	0	89,802				10.05.2016	657,167	Cheque, Additional Security, Gharz-al Hassaneh Deposits Held with Us, Internal Binding Contract	1,155,000	507/95/528	10.05.2016
161				0	567,364				10.05.2016					
162			Kharazmi Investment Co.	320,360	0			67,697	30.12.2016	388,057	Cheque, Additional Security, Gharz-al Hassaneh Deposits Held with Us, Listed Companies' Shares, Internal Binding Contract	2,343,628	507/95/1600	20.07.2016
	Total			2,185,160	657,167	0	0	72,045		2,914,371		9,390,130		
164			Foolad Kaveh Jonoub Kish Co.	1,523,316	0				05.03.2017	1,523,316	Promissory Note, Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract	3,359,922		

	Total			1,523,316	0	0	0	0		1,523,316		3,359,922		
165		Ownership	Esfahan Mobarakeh Steel Co. (Public J.S)	2,914,087	0			8,334	25.02.2017	2,922,421	Cheque, Additional Security, Internal Binding Contract	4,800,000	507/94/4362	27.1.2016
	Total			2,914,087	0	0	0	8,334		2,922,421		4,800,000		
166	Etemad Mobin Development Co.	Ownership	Etemad Mobin Development Co.	3,279,845	0				18.03.2017	4,194,384		11,158,200	507/94/5148	15.03.2016
167				914,539	0				18.03.2017		Cheque, Additional Security, Listed Companies' Shares, Internal Binding Contract		507/94/133	15.03.2016
	Total			4,194,384	0	0	0	0		9,194,384		11,158,200		
168	Chadormalu Mining and Industrial Co.	Ownership	Chadormalu Industrial Co.	1,561,397	0			10,340	28.12.2016	1,571,737	Cheque, Additional Security, Internal Binding Contract, Listed & Unlisted Companies' Shares	3,038,100	507/95/1735	27.07.2016
	Total			1,561,397	0	0	0	10,340		1,571,737		3,038,100		
169	Social Security Group	Ownership	Zahravii Pharmaceutical Co.	12,808	0				30.01.2017	1,607,616		5,359,404		
170				12,851	0				23.01.2017					
171				12,765	0				06.02.2017					
172				12,808	0				30.01.2017					
173				12,555	0				12.03.2017					
174				12,925	0				11.01.2017					
175				12,987	0				01.01.2017					
176				12,925	0				11.01.2017					
177				12,987	0				01.01.2017					
178				13,299	0				13.11.2016					
179				12,962	0				05.01.2017					
180				12,555	0				12.03.2017					
181				12,901	0				15.01.2017					
182				13,196	0				29.11.2016					
183				12,851	0				23.01.2017					
184				12,987	0				01.01.2017					
185				13,351	0				05.11.2016					
186				12,765	0				06.02.2017					
187				12,987	0				01.01.2017					
188				12,765	0				06.02.2017					
189				12,765	0				06.02.2017					
190				12,555	0				12.03.2017					
191				12,987	0				01.01.2017					
192				13,196	0				29.11.2016					
193				12,925	0				11.01.2017					
194				12,555	0				12.03.2017					
195				13,351	0				05.11.2016					
196				12,851	0				23.01.2017					
197				12,987	0				01.01.2017					
198				12,851	0				23.01.2017					
199				13,299	0				13.11.2016					
200				13,196	0				29.11.2016					
201				12,555	0				12.03.2017					
202				12,925	0				11.01.2017					
203				13,196	0				29.11.2016					
204				12,555	0				12.03.2017					
205				12,765	0				06.02.2017					
206				12,851	0				23.01.2017					
207				12,765	0				06.02.2017					
208				12,765	0				06.02.2017					
209				12,765	0				06.02.2017					
210				12,765	0				06.02.2017					
211				13,306	0				12.11.2016					
212				12,981	0				02.01.2017					
213				12,765	0				06.02.2017					
214				12,851	0				23.01.2017					
215				12,555	0				12.03.2017					
216				12,765	0				06.02.2017					
217				12,555	0				12.03.2017					

218	Social Security Group	Ownership	Zahravii Pharmaceutical Co.	12,987	0				01.01.2017					
219				12,987	0				01.01.2017					
220				12,987	0				01.01.2017					
221				12,987	0				01.01.2017					
222				12,987	0				01.01.2017					
223				12,555	0				12.03.2017					
224				13,306	0				12.11.2016					
225				12,555	0		108		12.03.2017					
226				12,851	0				22.02.2017					
227				12,851	0				22.02.2017					
228				13,299	0				13.11.2016					
229				12,555	0				12.03.2017					
230				13,351	0				05.11.2016					
231				12,987	0				01.01.2017					
232				12,555	0				12.03.2017					
233				12,919	0				12.01.2017					
234				12,987	0				01.01.2017					
235				12,765	0				06.02.2017					
236				13,299	0				13.11.2016					
237				12,765	0				06.02.2017					
238				12,673	0				21.02.2017					
239				12,555	0				12.03.2017					
240				13,196	0				29.11.2016					
241				12,555	0				12.03.2017					
242				12,673	0				21.02.2017					
243				12,765	0				06.02.2017					
244				13,306	0				12.11.2016					
245				12,555	0				12.03.2017					
246				12,987	0				01.01.2017					
247				12,555	0				12.03.2017					
248				12,907	0				14.01.2017					
249				12,987	0				01.01.2017					
250				12,987	0				01.01.2017					
251				12,987	0				01.01.2017					
252				13,350	0				05.11.2016					
253				12,987	0				02.01.2017					
254				12,555	0				13.03.2017					
255				12,987	0				01.01.2017					
256				12,987	0				01.012.017					
257				13,350	0				05.11.2016					
258				13,350	0				05.11.2016					
259				13,350	0				05.11.2016					
260				12,987	0				01.01.2017					
261				12,987	0				01.01.2017					
262				12,987	0				01.01.2017					
263				13,351	0				05.11.2016					
264				13,306	0				12.11.2016					
265				12,851	0				23.01.2017					
266				12,555	0				12.03.2017					

267	Social Security Group	Ownership	Zahravii Pharmaceutical Co.	12,851	0				23.01.2017					
268				12,987	0				01.01.2017					
269				12,851	0				23.01.2017					
270				12,555	0				12.03.2017					
271				12,968	0				04.01.2017					
272				12,987	0				01.01.2017					
273				12,987	0				01.01.2017					
274				12,968	0				04.01.2017					
275				12,968	0				04.01.2017					
276				12,555	0				12.03.2017					
277				13,306	0				12.11.2016					
278				12,968	0				04.01.2017					
279				12,888	0				17.01.2017					
280				13,196	0				29.11.2016					
281				12,938	0				09.01.2017					
282				12,851	0				23.01.2017					
283				12,938	0				09.01.2017					
284				13,196	0				29.11.2016					
285				12,987	0				01.01.2017					
286				12,888	0				17.01.2017					
287				12,555	0				12.03.2017					
288				12,555	0				12.03.2017					
289						52,435	52,435							
290						3,990	3,990							
291						1,812	1,631							
292		Ownership	Social Security Investment Co.	2,505,927	0				08.01.2017	2,505,927	Cheque, Additional Securities, Short-term Deposit Held with Us, Listed Companies' Shares, Internal Binding Contract	7,342,090	507/94/2008	27.08.2015
294		Ownership	Pars Saze Tamin Co.	0	9,037				14.03.2016	62,746	Cheque, Additional Securities, Short-term Deposit Held with Us, Listed Companies' Shares, Internal Binding Contract	231,179		
295				0	53,710				14.03.2016					
296			Aboureihan Pharmaceutical Co.	37,629	0				14.03.2017	37,629	Order Cheque, Internal Binding Contract, Promissory Note	172,970	507/95/1544	17.07.2016
297			Farabi Pharmaceutical Co.	164,709	0				08.01.2017	616,809	Cheque, Additional Security, Internal Binding Contract	2,549,787		
298				109,405	0				18.03.2017					
299				245,282	0				07.03.2017					
300				91,934	0				28.12.2016					
301						1,260	16							
302						6,071	5,464							
303			Darou Pakhsh Pharmaceutical Co. (Public J.S)	129,068	0				14.01.2017	752,945	Order Cheque, Cheque, Additional Security	1,482,985		
304				76,627	0				05.02.2017					
305				194,435	0				05.01.2017					
306				127,158	0				14.02.2017					
307				115,274	0				01.03.2017					
308				64,072	0				29.01.2017					
309				26,192										
310				9,220										
311				10,899										
312			Razak Laboratories Co.	125,851	0				16.01.2017	799,958	Cheque, Additional Security			
313				88,432	0				08.01.2017					
314				56,118	0				05.01.2017					
315				67,431	0				11.03.2017					
316				43,116	0				31.12.2016			1,973,579		
317				148,999	0				13.02.2017					
318				69,284	0				14.01.2017					
319				70,226	0				01.03.2017					
320				74,003	0				23.01.2017					
321				56,497	0				21.01.2017					
		Total for Social Security Group		6,257,349	62,746	65,568	63,536			6,383,631		19,111,995		
		Total		36,122,606	1,734,868	612,820	518,613	91,040	0	38,466,806	0	108,898,807		

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended March 20th, 2017

(Amounts in million IRR)

Base Capital at the Reported Date	14,897,566
Reporting Threshold of Major Loans & Commitments and Credit Institutes (10% of the Base Capital & Above)	1,489,757
Reporting Threshold of Major Loans & Commitments of Overseas Bank's Branches (3% of Total Branch Assets)	0
Organisation Sector Related to Bylaw	Credit Management