Karafarin Bank (CORP) Consolidated Balance Sheet At 19 March 2012

Assets	Note	19 March 2012	Restated 20 March 2011
		IRR million	IRR million
Cash	5	60,959	246,669
Due from CBI	6	5,181,140	3,653,122
Due from Banks and Credit Institutions	7	2,826,638	5,738,391
Loans and Facilities	8	40,823,930	27,196,533
Participation Securities	9	1,953,165	1,376,970
Investments	10	823,525	754,426
Accounts Receivable	11	3,267,532	2,007,442
Tangible Fixed Assets	12	2,086,662	853,098
Intangible Assets	13	2,859,163	649,670
Other Assets	14	574,959	528,506
Assets Held for Sale	-	6,309	-
Total Assets		**60,463,982**	**43,004,825**
Off Balance Sheet Items:			
Letters of Credit	42	9,013,049	4,917,219
Letters of Guarantee	43	12,864,388	11,795,755
Participation Securities – Underwritings	44	-	400,000
Managed Funds	45	1,499,458	1,671,752
Other Commitments and Memorandum Items	46	173,751,012	128,427,240

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

Karafarin Bank (CORP) Consolidated Balance Sheet At 19 March 2012

			Restated
Liabilities and Shareholders' Equity	Note	19 March 2012	20 March 2011
Liabilities:		IRR million	IRR million
Due to CBI	15	3,658,240	2,222,501
Due to Banks and Credit Institutions	16	2,292,615	490,997
Demand Deposits	17	1,719,409	1,124,756
Qarzol Hasan-e Savings Deposits	18	861,820	277,805
Investment Deposits	19	35,633,764	28,062,934
Other Deposits	20	2,382,277	1,895,321
Tax Payable	21	355,828	438,625
Interest Payable on Deposits	22	682,265	188,694
Accounts Payable and Provisions	23	2,737,511	2,507,274
Dividend Payable	24	53,219	15,383
Provision for Termination Benefits	25	95,388	71,586
Total Liabilities		50,472,334	37,295,876
Shareholders' Equity:			
Paid-in Share Capital	26	4,500,000	3,000,000
Parent Company Shares held by Subsidiaries		-	(684)
Statutory Reserves	27	1,376,238	1,021,400
Other Reserves		5,402	5,305
Revaluation Reserve	12.1	2,043,597	-
Retained Earnings		2,043,035	1,630,850
Parent Company Shareholders' Equity		9,968,272	5,656,871
Minority Interest	28	23,376	52,078
Total Shareholders' Equity		9,991,648	5,708,949
Total Liabilities and Shareholders' Equity		60,463,982	43,004,825
Off Balance Sheet Items:			
Letters of Credit	42	9,013,049	4,917,219
Letters of Guarantee	43	12,864,388	11,795,755
Participation Securities – Underwritings	44	-	400,000
Managed Funds	45	1,499,458	1,671,752
Other Commitments and Memorandum Items	46	173,751,012	128,427,240

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

Karafarin Bank (CORP) Parent Balance Sheet At 19 March 2012

			Restated
Assets	Note	19 March 2012	20 March 2011
		IRR million	IRR million
Cash	5	60,958	242,607
Due from CBI	6	5,181,140	3,653,122
Due from Banks and Credit Institutions	7	2,758,416	5,729,186
Loans and Facilities	8	40,593,497	27,106,152
Participation Securities	9	1,891,577	1,281,230
Investments	10	746,574	648,630
Accounts Receivable	11	3,476,864	1,844,582
Tangible Fixed Assets	12	2,079,389	935,695
Intangible Assets	13	2,854,985	645,694
Other Assets	14	566,214	525,792
Total Assets		**60,209,614**	**42,612,690**
Off Balance Sheet Items:			
Letters of Credit	42	9,013,049	4,917,219
Letters of Guarantee	43	12,864,388	11,795,755
Participation Securities – Underwritings	44	-	400,000
Managed Funds	45	1,499,458	1,671,752
Other Commitments and Memorandum Items	46	173,751,012	128,427,240

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

Karafarin Bank (CORP) Parent Company Balance Sheet at the Year ended 19 March 2012

			Restated
Liabilities and Shareholders' Equity	Note	19 March 2012	20 March 2011
Liabilities:		IRR million	IRR million
Due to CBI	15	3,658,240	2,222,501
Due to Banks and Credit Institutions	16	2,145,843	490,997
Demand Deposits	17	1,719,409	1,124,756
Qardul Hasan Savings Deposits	18	861,820	277,805
Investment Deposits	19	35,696,096	28,155,577
Other Deposits	20	2,382,277	1,895,321
Tax Payable	21	336,144	430,917
Interest Payable on Deposits	22	682,265	192,053
Accounts Payable and Provisions	23	2,661,907	2,171,219
Dividend Payable	24	23,196	12,024
Provision for Termination Benefits	25	93,798	70,623
Total Liabilities		**50,260,994**	**37,043,794**
Shareholders' Equity:			
Paid-in Share Capital	26	4,500,000	3,000,000
Statutory Reserves	27	1,359,333	1,008,164
Revaluation Reserve	12.1	2,043,597	-
Retained Earnings		2,045,690	1,560,732
Total Shareholders' Equity		**9,948,620**	**5,568,896**
Total Liabilities and Shareholders' Equity		**60,209,614**	**42,612,690**
Off Balance Sheet Items:			
Letters of Credit	42	9,013,049	4,917,219
Letters of Guarantee	43	12,864,388	11,795,755
Participation Securities – Underwritings	44	-	400,000
Managed Funds	45	1,499,458	1,671,752
Other Commitments and Memorandum Items	46	173,751,012	128,427,240

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

Karafarin Bank (CORP) Consolidated Profit and Loss Account for the Year Ended 19 March 2012

		19 March 2012		20 March 2011
	Note	IRR million	IRR million	IRR million
Income from Joint Activities				
Interest on Loans and Facilities	29		6,292,485	4,324,479
Interest on Deposits and Income from Investments	30		791,522	1,249,945
			7,084,007	5,574,424
Interest paid on Investment Deposits	31	(4,018,115)		(3,417,799)
Difference in Accrued and Prepaid Interest on Investment Deposits		(642,791)		(186,328)
Depositors' Share in Income from Joint Activities			(4,660,906)	(3,604,127)
Bank's Share in Income from Joint Activities			2,423,101	1,970,297
Income from Non-joint Activities				
Interest on Loans and Facilities	29	606,559		369,487
Interest on Deposits and Income from Investments	30	32,224		180,584
Commission Income	32	422,876		349,401
Income from Currency Exchange Transactions	33	240,300		114,246
Other Income	34	157,579		73,912
			1,459,538	1,087,630
Total Income			**3,882,639**	**3,057,927**
Expenses				
General and Administrative Expenses	35	(619,823)		(583,726)
Loan Loss Provisions Expense	36	(371,456)		(174,054)
Financing Expense	37	(14,666)		(44,834)
Commission and Other Expenses	38	(194,516)		(61,415)
			(1,200,461)	(864,029)
Net Profit before Tax			2,682,178	2,193,898
Tax			(408,570)	(229,139)
Net Profit after Tax			**2,273,608**	**1,964,759**
Minority Interest			29,075	(29,360)
Earnings per Share				
Primary Earnings per Share	50		584	511
Diluted Earnings per Share	50		530	435

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

Karafarin Bank (CORP) Parent Company Profit and Loss Account For the Year ended 19 March 2012

		19 March 2012		20 March 2011
	Note	IRR million	IRR million	IRR million
Income from Joint Activities				
Interest on Loans and Facilities	29		6,292,485	4,324,479
Interest on Deposits and Income from Investments	30		918,099	1,249,945
			7,210,584	5,574,424
Interest paid on Investment Deposits	31	(4,018,115)		(3,417,800)
Difference in Accrued and Prepaid Interest on Investment Deposits		(642,791)		(186,328)
Depositors' Share in Income from Joint Activities			(4,660,906)	(3,604,128)
Bank's Share in Income from Joint Activities			2,549,678	1,970,297
Income from Non-joint Activities				
Interest on Loans and Facilities	29	553,291		338,159
Interest on Deposits and Income from Investments	30	42,400		3,141
Commission Income	32	394,137		344,975
Income from Currency Exchange Transactions	33	212,777		114,246
Other Income	34	133,252		73,296
			1,335,856	873,817
Total Income			**3,885,534**	**2,844,114**
Expenses				
General and Administrative Expenses	35	(593,150)		(574,780)
Loan Loss Provisions Expense	36	(367,580)		(174,054)
Financing Expense	37	(916)		(827)
Commission and Other Expenses	38	(194,516)		(61,172)
			(1,156,162)	(810,833)
Net Profit before Tax			2,729,372	2,033,281
Tax	21		(388,245)	(220,619)
Net Profit after Tax			**2,341,127**	**1,812,662**

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

Consolidated Statement of Retained Earnings For the Year ended 19 March 2012

	Note	IRR million	19 March 2012 IRR million	20 March 2011 IRR million
Net Profit			2,302,683	1,935,400
Retained Earnings- Opening Balance		1,885,975		1,460,023
Prior Period Adjustments	39	(255,125)		(273,755)
Adjusted Opening Retained Earnings		1,630,850		1,186,268
Prior period Earnings Available for Appropriation	24	(1,530,023)		(1,200,000)
Prior Period Management Bonus		(5,540)		(5,600)
			95,287	(19,332)
Appropriation of Profit (Loss)			**2,397,970**	**1,916,068**
Statutory Reserve	27		(354,838)	(279,171)
Other Reserves			(97)	(6,046)
Retained Earnings- Closing Balance			2,043,035	1,630,851
Retained Earnings- Minority Interest			(19,950)	8,893

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

Karafarin Bank (CORP) Parent Company Statement of Retained Earnings For the Year ended 19 March 2012

	Note	IRR million	19 March 2012 IRR million	20 March 2011 IRR million
Net Profit			2,341,127	1,812,662
Retained Earnings- Opening Balance		1,816,670		1,500,907
Prior Period Adjustments	39	(255,938)		(275,938)
Adjusted Opening Retained Earnings		1,560,732		1,224,969
Prior period Earnings Available for Appropriation	24	(1,500,000)		(1,200,000)
Prior Period Management Bonus		(5,000)		(5,000)
			55,732	19,969
Appropriation of Profit (Loss)			**2,396,859**	**1,832,631**
Statutory Reserve			(351,169)	(271,899)
Retained Earnings- Closing Balance			2,045,690	1,560,732

The accompanying notes are an integral part of the parent company financial statements

Karafarin Bank (CORP) Consolidated Statement of Comprehensive Income For the Year ended 19 March

	Note	19 March 2012 IRR million	20 March 2011 IRR million
Net Profit for the Period		2,302,683	1,935,400
Tangible Fixed Assets Revaluation Surplus	12-1	2,043,597	0
Comprehensive Income for the Period		4,346,280	1,935,400
Prior Period Adjustment		(255,125)	(273,755)
Current Period Comprehensive Income		**4,091,155**	**1,661,645**
Comprehensive Income for the Period- Minority Interest		**29,075**	**(29,360)**

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

Karafarin Bank (CORP) Parent Company Statement of Comprehensive Income

	Note	19 March 2012 IRR million	20 March 2011 IRR million
Net Profit for the Period		2,341,127	1,812,662
Tangible Fixed Assets Revaluation Surplus	12-1	2,043,597	0
Comprehensive Income for the Period		4,384,724	1,812,662
Prior Period Adjustment	39	(255,938)	(275,938)
Current Period Comprehensive Income		4,128,786	1,536,724

The accompanying notes are an integral part of the parent company financial statements

Karafarin Bank (CORP) Consolidated Statement of Cash Flows For the Year ended 19 March 2012

		19 March 2012		20 March 2011
	Note	IRR million	IRR million	IRR million
Operating Activities				
Net Cash Inflow from Operating Activities	40		(2,870,766)	1,687,016
Returns on Investments and Servicing of Finance				
Dividends Received		126,208		204,145
Interest Paid		(14,666)		(44,834)
Dividends Paid		(1,484,617)		(996,532)
Net Cash Outflow for Returns on Investments and Servicing of Finance			(1,373,076)	(837,221)
Taxation				
Income Tax Paid			(499,774)	(255,893)
Investment Activities				
Purchase of Direct Investments and Participations		(400,126)		(405,274)
Purchase of Tangible Fixed Assets		(532,003)		22,426
Sale of Direct Investments and Participations		331,027		141,351
Sale of Tangible Fixed Assets		211,528		576
Net Cash Outflow from Investment Activities			389,574	(240,921)
Net Cash Inflows before Financing Activities			(5,133,190)	352,981
Financing Activities				
Issue of Share Capital			1,500,684	71,875
Financial Facilities Received			146,772	1,481,951
Repayment of Principal on Financial Facilities			0	(1,331)
Net Cash Inflows from Financing Activities			(3,485,734)	1,905,476
Effect of Foreign Exchange Differences			272,157	129,392
Net Increase (Decrease) in Cash			(3,213,577)	2,034,868
Cash- Opening Balance			**6,137,746**	**4,102,878**
Cash- Closing Balance	41		**2,924,169**	**6,137,746**

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

Karafarin Bank(CORP) Parent Company Statement of Cash Flows For the Year ended 19 March 2012

		19 March 2012		20 March 2011
	Note	IRR million	IRR million	IRR million
Operating Activities				
Net Cash Inflow from Operating Activities	40		(2,399,400)	1,826,263
Returns on Investments and Servicing of Finance				
Dividends Received		127,200		64,694
Interest Paid		(916)		(827)
Dividends Paid		(1,484,617)		(996,532)
Net Cash Outflow for Returns on Investments and Servicing of Finance			(1,358,333)	(932,665)
Taxation				
Income Tax Paid			(483,018)	(194,882)
Investment Activities				
Purchase of Direct Investments and Participations		(428,971)		(410,485)
Purchase of Tangible Fixed Assets		(694,666)		(73,353)
Sale of Direct Investments and Participations		331,027		213,227
Sale of Tangible Fixed Assets		23,843		576
Net Cash Outflow from Investment Activities			(768,767)	(270,035)
Net Cash Inflows before Financing Activities			(5,009,518)	428,681
Financing Activities				
Issue of Share Capital			1,500,000	-
Financial Facilities Received			-	1,481,951
Repayment of Principal on Financial Facilities			-	(7,385)
Net Cash Inflows from Financing Activities			(3,509,518)	1,903,247
Effect of Foreign Exchange Differences			240,985	(129,392)
Net Increase (Decrease) in Cash			(3,268,533)	2,032,639
Cash- Opening Balance	41		6,124,479	4,091,840
Cash- Closing Balance			2,855,946	6,124,479

The accompanying notes are an integral part of the parent company financial statements

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements For the Year ended 19 March 2012

1. HISTORICAL BACKGROUND OF ACTIVITIES

1.1. Overview

The Bank established and commenced its operations following registration at the Tehran Company and Industrial Ownership Registrar Office on December 9, 1999 under registry number 157915 as Karafarinan Non-bank Credit Institution (CORP). The enactment of the Non-state Bank Establishment Act in 10 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 licence number H/3362 (5 December 2001), Karafarin Bank (CORP) was formally established and registered under the same licence number with the Tehran Company and Industrial Ownership Registrar Office on 26 December 2001. The Bank gained listing on the Tehran Stock Exchange on February 6, 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. 7, Kadj-Abadi Street, Vali-Asr Avenue, Tehran IRAN.

1.2. Principal Activities

According to Clause 2 of its Articles of Association, the Bank's principal activities include, among other areas, the following:

- Taking all forms of bank deposits including current account deposits with cheque books
- Issuing bearer or registered certificates of term investment deposits
- Granting credit facilities within the legal framework, regulations and bylaws, and implementation guidelines of the Act on Usury-Free Banking Operations
- Opening letters of credit and engaging in all forms of foreign exchange transactions
- Issuing and trading participation securities for the Bank or on behalf of other persons in accordance with the rules and regulations of the CBI
- Receiving financial facilities from real and legal persons in accordance with standing rules and regulations
- Issuing letters of guarantee and endorsing and underwriting securities including participation securities and accepting to service its commitments including principal and interest components
- Operating safe deposit boxes
- Granting financial facilities for the export of technical and engineering services

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

- Participating and investing directly or through share acquisition on stock exchanges, in manufacturing, service, and business projects and companies, within the confines defined by the CBI's bylaws and also the Act on Usury-Free Banking Operations

The Bank aims at consolidating financial resources that are available through its deposits, financial facilities, and its other forms of financial instruments, and utilising these resources by granting quality loans and facilities and effectively investing in different lines of business and economic activity.

1.3. Number of Branches

Information on the Bank's branches at year end 19 March 2012 and in the prior period is reported as follows.

	19 March 2012	20 March 2011
Branches- Tehran Province	38	37
Branches- Other Provinces	39	38
Branches- Free Zones	1	1
Branches- International	-	-
Branches- Total	78	76

1.4. Employees

The number of employees at the end of the current and prior reporting periods is outlined in the table below.

	19 March 2012	20 March 2011
Head Office	437	386
Branches- Tehran Province	447	461
Branches- Other Provinces	532	541
Total Number of Employees	1,416	1,388

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the financial statements of the Parent Company (the Bank) have been prepared on the basis of historical cost and where appropriate, by using fair market values.

3. BASIS FOR THE CONSOLIDATION

3.1. The consolidated financial statements are the composition of financial statement items for Karafarin Bank (CORP), four of its direct subsidiaries, and two indirectly controlled subsidiaries. These entities are collectively subject to consolidation and presentation in the form of an individual reporting entity after the required elimination of intercompany transactions and outstanding balances, and adjustments for any unrealised intergroup gains or losses. Where the amount of profit (loss) is material, following the requirements set forth in the Accounting Standards of Iran, it will be appropriated on a proportionate basis between group companies and minority shareholders.

Subsidiaries subject to consolidation are:

- Karafarin Bank Leasing Company
- Karafarin Bank Investment Company
- Karafarin Bank Brokerage Company
- Karafarin Bank Bureau de Change Company
- Karafarin Asr-e-Amin Insurance Company
- Karafarin Abineh Gostar Company

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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3.2. Parent company's shares acquired by subsidiary companies are booked in the accounts at historical cost and are presented as a contra-equity account under "parent company shares held by subsidiaries" on the group's consolidated balance sheet.

3.3. Minority shareholders' interest in equity comprise: share capital, reserves, retained earnings and current period profit (loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Investments

The Bank adopts the following revenue recognition and valuation methods for its different investments.

Long-term Investments	Group Consolidated Accounts	Parent Company Accounts
Investments in consolidated subsidiaries	Subject to consolidation	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)

Short-term investments	Group Consolidated Accounts	Parent 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	Group Consolidated Accounts	Parent 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)
Other long- and short-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)

4.2. Tangible Fixed Assets

4.2.1. 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 capitalised and subsequently depreciated over the remainder of the asset's useful life. Maintenance

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

costs and minor repairs are expensed as incurred and reported as part of the period's profit and loss account.

4.2.2. Land and goodwill are both measured and reported on a revaluation basis. The frequency of asset revaluations in the Bank is five years. The process is conducted by independent valuation experts.

4.2.3. The requirements of Accounting Standard 23 in respect to accounting for the impairment of non-current assets have been adopted and implemented in the process of reporting fixed assets.

4.2.4. Depreciation on tangible fixed assets is based on the Depreciation Charts of Section 151 of Direct Taxes Act. The rates and methods applied are as follows.

Asset	Depreciation Rate and Method
Buildings and Utility Equipment	7% Declining Balance
Automotive Vehicles	25% and 35% Declining Balance
Computer Systems' Hardware	3 and 10 years Straight Line
Automated Teller Machines	10 years Straight Line
Point of Sale Terminals	10 years Straight Line
Furniture and Fixtures	10 years Straight Line

4.2.5. Fixed assets that are acquired and operationalised 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 unutilised 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 Taxes Act.

4.2.6. Costs incurred for improvements to or significant repairs of rental buildings are accounted for as an item of fixed assets and are depreciated over a period of three years.

4.3. Intangible Assets

All intangibles are accounted for at historical cost of acquisition. According to CBI Circular MB/2946 of 6 March 2007, administrative and operations software are amortised using the straight line method over a 5 year period. Goodwill and other intangible assets are no longer subject to any amortisation.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

4.4. Income Recognition on Facilities, Commissions and Penalties

Income from financial facilities is accounted for under the accrual method and is based on the probability of inflows of future economic benefits. Recognition of the Bank's various incomes follows the methods outlined in the table below.

Income	Recognition method
Interest on loans and financial facilities	Based on time, principal balance and minimum expected interest rate
Commissions on loans and financial facilities	At the time of granting the facility
Penalties on late repayment of instalments	On repayment based on time, outstanding amount and penalty rate
Commissions on letters of guarantee issued	At the time of issuing the letter of guarantee
Commissions on other banking services	Upon provision of service

4.5. 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 facilities 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.

4.6. Classification of Financial Facilities

The Bank evaluates and classifies it financial facilities 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 Regulation) and also based on internal recommendations of its management in respect to 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 financial facilities.

- Current Facilities: Financial facilities for which principal and interest have been serviced on the due date or facilities that have been past due for less than 2 months.
- Past Due Facilities: Financial facilities for which repayment of principal and interest has been outstanding and/or facilities which have been non-performing for over 2 but less than 6 months.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

- Non-performing Facilities: Financial facilities for which repayment of principal and interest has been outstanding and/or facilities which have been non-performing for over 6 but less than 18 months and the customer has not yet made any clear attempt to service outstanding amounts.

- Doubtful Facilities: Financial facilities that have been outstanding for over 18 months and for which the customer has yet made not clear attempt to repay outstanding amounts.

4.7. Provisions for Loan Losses

Doubtful facilities 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 MB/2823 of 24 February 2007 of the Office of Banking Studies and Regulation) as well as internal recommendations of the Bank's management in regards to customers' creditworthiness and their economic standing. This approach leads to the following two classes of provisions.

- General provisions at 1.5% of total facilities' balances (including all past, current, past due, non-performing and doubtful financial facilities) at each year end, excluding those facilities that are subject to special provisions as noted below.

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

Facility type	Factor
Past Due Facilities	10%
Non-performing Facilities	20%
Doubtful Facilities (based on customer-specific assessments of repayment ability)	50 to 100%
Doubtful Facilities Outstanding for 5 years or more	100%

4.8. 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.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements For the Year ended 19 March 2012

4.9. Accounting for Changes in Currency Exchange Rates

- All monetary items are converted based on the official foreign exchange rate on the balance sheet date;
- All non-monetary items originally recorded at historical cost are converted based on the official foreign exchange rate on the date of the transaction; and
- Any difference arising from currency translations of monetary items is recognised and accounted for as an item of income or expense and reported in the reporting period's profit and loss account.

5. CASH

Items comprising the consolidated and parent company cash balance reported on the balance sheet date are as follows.

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Vault Cash	58,826	244,172	58,825	240,110
Other	2,133	2,497	2,133	2,497
Total	60,959	246,669	60,958	242,607

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

6. DUE FROM THE CENTRAL BANK OF IRAN

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Statutory deposit	4,402,851	3,500,437	4,402,851	3,500,437
Current Account with the CBI	36,571	152,685	36,571	152,685
Other	741,718	0	741,718	0
Total	5,181,140	3,653,122	5,181,140	3,653,122

Statutory deposits are determined and then deposited with the CBI in accordance with requirements outlined in the Central Bank's supervisory policies.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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7. DUE FROM BANKS AND CREDIT INSTITUTIONS

Items comprising amounts due from other banks and credit institutions as at the balance sheet date are listed below

		Group		Parent Company	
		19 March 2012	20 March 2011	19 March 2012	20 March 2011
	Note	IRR million	IRR million	IRR million	IRR million
Accounts with banks and credit institutions- LCY		344,297	4,178,809	276,075	4,169,604
Accounts with banks and credit institutions- FCY	7.1	2,482,341	1,559,582	2,482,341	1,559,582
Total		2,826,638	5,738,391	2,758,416	5,729,186

7.1. The breakdown of foreign currency deposits held with domestic and international banks is presented in the following table

			Group		Parent Company	
			19 March 2012	20 March 2011	19 March 2012	20 March 2011
Currency	Amount	Rate at 19.03.12	IRR million	IRR million	IRR million	IRR million
Euro	85,928,931	16,152	1,387,924	677,055	1,387,924	677,055
100 Japanese Yen	2,878,631,726	147	422,900	1,773	422,900	1,773
US Dollar	32,019,734	12,260	392,562	143,955	392,562	143,955
Emirati Dirham	44,873,878	3,338	149,789	544,681	149,789	544,680
South Korean Won	5,726,735,339	11	62,364	18,538	62,364	18,538
Chinese Yuan	13,268,497	1,939	25,728	0	25,728	0
Swiss Franc	746,599	13,391	9,998	46,747	9,998	46,747
British Pound	494,168	19,426	9,600	7,580	9,600	7,580
Qatari Rial	2,683,251	3,368	9,037	73,204	9,037	73,204
Swedish Krona	2,004,199	1,819	3,646	43,443	3,646	43,443
Russian Rouble	7,412,444	420	3,113	0	3,113	0
Indian Rupee	12,008,676	245	2,942	0	2,942	0
Turkish Lira	393,912	6,831	2,691	2,512	2,691	2,512
Omani Rial	1,501	31,843	48	94	48	94
Total			2,482,341	1,559,582	2,482,341	1,559,582

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements For the Year ended 19 March 2012

8. LOANS AND FACILITIES

The Bank's financial products in Islamic (Shariah-based) contracts as at the balance sheet date consist of the following items

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Murabaha (Instalment sales)	706,384	320,934	635,620	320,934
Joala (Commissions-based services)	5,133	8,708	5,133	8,708
Ijara Thumma Al-Bai (Hire purchase)	201,025	134,166	37,480	43,785
Mudarabah (Retail/Corporate banking)	5,324,598	4,398,034	5,324,598	4,398,034
Musharakah (Joint participations)	20,183,064	13,574,052	20,183,064	13,574,052
Qardul Hasan (Interest-free loans)	105	185	105	185
Bai' al-Dayn (Factoring)- IRR	162,044	1,313,995	162,044	1,313,996
Bai' al-Dayn (Factoring)- Non-IRR	804,316	0	804,316	
Non-IRR products	2,312,076	871,150	2,312,076	871,150
Facilities to employees	450,858	689,682	450,858	689,682
Inter-bank Facilities	5,550,000	1,000,000	5,550,000	1,000,000
Past due facilities	1,304,007	1,352,442	1,304,007	1,352,442
Non-performing facilities	1,721,182	1,229,213	1,721,182	1,229,213
Doubtful facilities	2,347,216	2,162,326	2,347,216	2,162,326
Total	**41,072,008**	**27,054,887**	**40,837,699**	**26,964,507**
Cash received on Mudarabah and Musharakah	(1,278,847)	(978,779)	(1,278,847)	(978,779)
Unearned income	(612,467)	(535,278)	(612,467)	(535,279)
Loan loss provisions- general	(693,408)	(470,192)	(690,094)	(470,191)
Loan loss provisions- specific	(731,668)	(583,428)	(731,106)	(583,428)
Total	**37,755,618**	**24,487,210**	**37,525,185**	**24,396,830**
Debtors- Paid-for letters of credit	349,568	28,317	349,568	28,316
Doubtful debts- Paid-for letters of credit	640,510	431,262	640,510	431,262
Debtors- Paid-for letters of guarantee	89,116	21,560	89,116	21,560
Doubtful debts- Paid-for letters of guarantee	178,863	123,418	178,863	123,418
Net financial facilities	39,013,675	25,091,767	38,783,242	25,001,386
Debtors- Long-term letters of credit	1,810,255	2,104,766	1,810,255	2,104,766
Total financial facilities	**40,823,930**	**27,196,533**	**40,593,497**	**27,106,152**

Karafarin Bank (CORP)Notes to the Consolidated Financial Statements
For the Year ended 19 March 2012

8.1. Disaggregation of financial facilities based on principal, unearned income and provisions

Parent Company					
19 March 2012					20 March 2011
Facilities	Balance	Unearned Income	Loan Loss Provisions	Net	Net
	IRR million	IRR million	IRR million	IRR million	IRR million
Murabaha (Instalment Sales)	1,158,259	(440,953)	(20,469)	696,837	649,715
Joala (Commissions-based Services)	210,597	(40,041)	(9,469)	161,087	203,861
Ijara Thumma Al-Bai (Hire Purchase)	60,127	(20,371)	(1,852)	37,904	39,382
Bai' al-salaf (Forward Contracts)	51,147	0	(1,142)	50,005	37,205
Mudarabah (Retail/Corp. Banking)	6,242,028	0	(160,951)	6,081,077	5,062,570
Musharakah (Joint Participations)	22,788,722	0	(1,090,449)	21,698,273	15,401,859
Bai' al-Dayn (Factoring)	994,700	(9,572)	(31,591)	953,537	1,313,996
Non-IRR Products	2,442,544	(100,167)	24,909	2,367,286	866,951
Debtors- Paid-for LCs	990,077	(1,363)	(14,851)	973,863	366,423
Debtors- Paid-for LGs	267,980	0	(4,020)	263,960	105,831
Debtors- Long-term LCs	1,810,255	0	(27,154)	1,783,101	2,073,195
Debtors- Long-term LGs	5,550,000	0	(83,250)	5,466,750	985,000
Other Financial Facilities	60,730	0	(911)	59,819	164
Total	42,627,164	(612,467)	(1,421,200)	40,593,497	27,106,152

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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8.2. Disaggregation based on type of financial facility according to the Money and Credit Council's Classification Manual is outlined below.

Parent Company 19 March 2012					
Facilities	Current	Past Due	Non-performing	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Murabaha (Instalment Sales)	1,005,363	4,895	22,752	125,249	1,158,259
Joala (Commissions-based Services)	25,653	302	24,480	160,162	210,597
Ijara Thumma Al-Bai (Hire Purchase)	37,480	3,343	3,979	15,325	60,127
Bai' al-salaf (Forward Contracts)	-	143	-	51,004	51,147
Mudarabah (Retail/Corp. Banking)	4,759,000	149,886	636,761	696,381	6,242,028
Musharakah (Joint Participations)	19,478,032	978,414	1,033,210	1,299,066	22,788,722
Bai' al-Dayn (Factoring)	966,361	28,339	-	-	994,700
Non-IRR Products	2,303,859	138,684	-	-	2,442,543
Debtors- Paid-for LCs	349,568	-	-	640,510	990,078
Debtors- Paid-for LCs	89,116	-	-	178,863	267,979
Debtors- Long-term LCs	1,810,256	-	-	-	1,810,256
Interbank Financial Facilities	5,550,000	-	-	-	5,550,000
Other Financial Facilities	60,701	-	-	29	60,730
Total	36,435,387	1,304,006	1,721,182	3,166,589	42,627,164
Less:					
Unearned Income	(612,467)	0	0	0	(612,467)
Loan Loss Provisions- General	(551,760)	(22,175)	(32,630)	(83,529)	(690,094)
Loan Loss Provisions- Loan Specific	0	(91,388)	(182,777)	(456,941)	(731,106)
Total	35,271,160	1,190,443	1,505,775	2,626,119	40,593,497

8.3. Financial facilities to other parties (individuals) categorised based on maturity and interest rate are disaggregated as follows.

19 March 2012								20 March 2011
Interest rate								
Facilities	Over 24%	21-24%	18-21%	15-18%	12-15%	12% and less	Total	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Past due	4,294,382	1,519,174	4,006	5,005	-	97,608	5,920,175	4,780,000
2011-12	20,194,835	8,398,403	1,001,846	2,568	2,193,117	2,568,124	34,358,893	636,597
2012-13	6,335	-	102,050	-	163	2,284	110,832	21,634,137
2013-14	14,076	-	29,276	-	142,185	-	185,537	6,369
2014-15	14,020	-	-	-	-	-	14,020	8,217
2015-16 +	3,898	143	-	-	-	-	4,041	40,532
Total	24,527,545	9,917,720	1,137,178	7,573	2,335,465	2,668,016	40,593,497	27,106,152

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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9. PARTICIPATION SECURITIES

Security type	Note	Group		Parent	
		19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Water and Sewerage Companies		872,000	0	872,000	0
State Securities (FCY)		484,560	444,820	484,560	440,820
Pars Oil and Gas		428,000	0	428,000	0
Karafarin Investment Fund		65,230	67,800	63,517	10,000
Karafarin Arman Fund		83,375	36,500	23,500	18,500
TABA Securities		20,000	387,000	20,000	0
Energy Ministry		0	521,020	0	0
Rayan Saipa		0	107,590	0	0
Other		0	12,500	0	1,012,170
Total		**1,953,165**	**1,577,230**	**1,891,577**	**1,481,490**
Fiduciary securities		0	(200,260)	0	(200,260)
Balance		**1,953,165**	**1,376,970**	**1,891,577**	**1,281,230**

9.1. The maturity breakdown of the year-end balance for Participation Securities is outlined below.

Securities	Issue Date	Maturity Date	Interest Rate	Face Value(IRR million)
Water and Sewerage Companies – Phase 1	10 March 2012	11 March 2015	20%	872,000
Pars Oil and Gas (€30m)	9 March 2011	9 March 2014	8%	484,560
Pars Oil and Gas	14 March 2012	15 March 2014	20%	250,000
Pars Oil and Gas	21 August 2010	21 August 2013	20%	178,000
Karafarin Investment Fund	14 July 2011	14 July 2013	17%	63,503
Arman Karafarin	4 April 2011	4 April 2013	15%	23,500
TABA Securities	1 October 2011	21 October 2012	17%	20,000
Total				**1,891,563**

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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10. INVESTMENTS

		Group		Parent Company	
	Note	19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Short-term Investments	10.1	369,054	312,012	366,001	308,802
Long-term Investments	10.2	454,471	442,414	380,573	339,828
Total		823,525	754,426	746,574	648,630

10.1. The balance of the short-term investments account relates to the Bank's investments in marketable shares listed on the Tehran Stock Exchange. These investments are measured and reported at the lower of cost and net realisable value at the balance sheet date (19 March 2012) at IRR 369,054 million.

		Group		Parent Company	
	Note	19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Cost of Share Securities	10.1.1	369,054	311,721	366,001	308,802

10.1.1. Investments in marketable securities are grouped as follows on the balance sheet date. All amounts are in IRR million.

	Group		Parent Company	
	19 March 2012		19 March 2012	
Group	Historical Cost	Market Value	Historical Cost	Market Value
Financial intermediaries and investment services	159,261	153,824	157,261	153,778
Real Estate and Construction	72,679	89,676	72,653	90,133
Metals	69,464	61,887	69,464	69,660
Telecommunication	39,606	49,545	39,606	55,168
Machinery and equipment	16,879	12,324	16,879	13,392
Home Appliances	5,439	6,765	5,439	6,765
Technical and Engineering Services	2,606	1,562	2,606	1,724
Food Industry	1,746	2,841	1,746	3,089
Automotive Industry	347	360	348	473
Chemicals	1,027	1,102	0	0
Total	369,054	379,886	366,001	394,182

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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10.2. The balance of long-term investments is reported on the balance sheet of 19 March 2012 based on the original historical cost.

Investee Companies	Note	Investees' Total no. of Shares	Shares Owned by the Bank	Ownership (%)	Group 19.03.12 IRR million	Group 20.03.11 IRR million	Parent company 19.03.12 IRR million	Parent company 20.03.11 IRR million
Karafarin Bank Investment Company		200,000,000	159,969,000	80%	0	0	159,969	159,969
Karafarin Leasing Company		100,000,000	100,000,000	100%	0	0	100,000	100,000
Karafarin Bank Brokerage Company		50,000,000	50,000,000	100%	0	0	50,000	25,000
Karafarin Insurance Company		400,000,000	49,721,424	12%	54,240	36,793	37,343	21,595
Karafarin Bureau de Change Company		20,000,000	19,998,000	100%	0	19,998	19,996	19,998
Iran Banking Institute		222,500,000	6,675,000	3%	6,675	6,675	6,675	6,675
Iranian Investment Company		83,000	500	0.6%	1,750	1,750	1,750	1,750
Abineh Gostar Construction Company		10,000,000	4,899,999	49%	0	3,500	1,715	1,715
Tehran Stock Exchange Company		150,000,000	1,500,000	1%	1,500	1,500	1,500	1,500
Over the Counter Securities Company		100,000,000	1,000,000	1%	1,500	1,500	1,000	1,000
Iran Credit Rating Advisory Company		5,000,000	45,000	0.9%	450	450	450	450
Sima Rayaneh Company	10.2.1	1,000,000	350,000	35%	175	175	175	175
Karafarin Investment Company		0	0	0%	0	1	0	1
Iran Commodity Exchange		0	0	0%	500	500	0	1
Investment in Diversified Projects		0	0	0%	387,680	369,572	0	0
Total					454,471	442,414	380,573	339,828

The Bank has fully paid up 50% of Sima Rayaneh's capital listed above.
The remainder is currently booked as the Bank's capital commitment to the company.

10.2.1. Sima Rayaneh Company listed above is currently on the verge of dissolution.

11. ACCOUNTS RECEIVABLE

Accounts receivable on the balance sheet date comprises the following items.

	Note	Group 19 March 2012 IRR million	Group 20 March 2011 IRR million	Parent Company 19 March 2012 IRR million	Parent Company 20 March 2011 IRR million
Sundry Debtors – LCY	11.1	2,816,033	1,956,282	3,030,683	1,800,135
Sundry Debtors- FCY		436,388	29,811	436,388	29,811
Prepayments	11.2	15,112	21,349	9,792	14,636
Total		3,267,532	2,007,442	3,476,864	1,844,582

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11.1. Sundry debtors (Local currency- IRR) include the following items.

		Group		Parent Company	
	Note	19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Accrued Interest on Financial Facilities	11.1.1	2,041,531	1,554,438	1,993,443	1,503,679
Debtors- Investments		0	0	283,121	0
Dividends receivable		62,451	54,565	198,211	54,565
Debtors- Baghdad branch	11.1.2	73,360	73,360	73,360	73,360
Debtors- Brokerage		0	0	52,701	0
Debtors- Branch Refurbishment		31,593	41,178	31,593	41,178
Accrued interest - Participation securities	11.1.3	5,508	57,918	5,508	57,784
Accrued interest on paid letters of credit		4,912	779	4,912	779
Other debtors		596,678	174,043	387,836	68,789
Total		2,816,033	1,956,282	3,030,683	1,800,135

11.1.1. This figure represents accrued interest on financial facilities that have been accounted for and recognised under the accrual method.
11.1.2. This figure denotes initial deposits placed for the establishment of the Bank's branch in Baghdad.
11.1.3. The figure relates to accrued interest on participation securities that have been accounted for and recognised under the accrual method.

11.2. Prepayments as at the balance sheet date comprise the following items.

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Advertising Contracts	1,427	4,464	1,427	4,463
Computer Systems	1,606	3,127	1,606	3,127
Rent and Maintenance	3,018	3,083	3,018	3,083
Insurance	0	721	0	721
Employees' Welfare Scheme	1,400	898	1,000	537
Other Prepayments	7,661	9,055	2,741	2,703
Total	15,111	21,348	9,792	14,636

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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12. FIXED ASSETS

Karafarin Bank- Parent Company											
Fixed Assets	Cost- IRR million				Accumulated depreciation- IRR million					Book value	
	20.03.11	Increase	Decrease	19.03.12	20.03.11	Charge	Disposal	Adjustments	19.03.12	19.03.12	20.03.11
Land	288,141	918,421	(20,176)	1,186,386	-	-	-	-	-	1,186,386	288,141
Buildings	411,261	24,731	-	435,992	85,282	22,986	-	-	108,268	327,724	325,979
Motor vehicles	9,103	350	(4,580)	4,873	5,075	857	(3,203)	-	2,729	2,144	4,028
Furniture	193,333	25,479	(4,585)	214,227	75,520	20,030	(3,304)	-	92,246	121,981	117,813
Total	**901,838**	**968,980**	**(29,342)**	**1,841,477**	**165,877**	**43,873**	**(6,507)**	**-**	**203,243**	**1,638,234**	**735,961**
Capital prepayments	199,734	458,448	(217,027)	441,155	-	-	-	-	-	441,155	199,734
Total	**1,101,572**	**1,427,428**	**(246,369)**	**2,282,632**	**165,877**	**43,873**	**(6,507)**	**-**	**203,243**	**2,079,389**	**935,695**

Karafarin Group											
Fixed Assets	Cost- IRR million				Accumulated depreciation- IRR million					Book value	
	20.03.11	Increase	Decrease	19.03.12	20.03.11	Charge	Disposal	Adjustments	19.03.12	19.03.12	20.03.11
Land and buildings	610,243	980,426	(27,176)	1,563,494	81,219	12,256	(1,458)	-	92,017	1,471,477	529,025
Motor vehicles	9,747	1,480	(4,580)	6,647	5,503	1,115	(3,130)	-	3,488	3,159	4,244
Furniture	196,810	72,836	(4,588)	265,058	76,716	20,722	(3,250)	-	94,188	170,870	120,094
Total	**816,800**	**1,054,742**	**(36,344)**	**1,835,199**	**163,437**	**34,093**	**(7,838)**	**-**	**189,692**	**1,645,507**	**653,363**
Capital prepayments	199,734	458,448	(217,027)	441,155	-			-		441,155	199,734
Total	**1,016,534**	**1,513,190**	**(253,371)**	**2,276,354**	**163,437**	**34,093**	**(7,838)**	**-**	**189,692**	**2,086,662**	**853,098**

12.1. Pursuant to legal mandates of Iran's 2011-2012 budget, land and goodwill were revalued towards the end of the current reporting period. Difference of IRR 2,043,597 arising from this process has been booked as revaluation surplus, which is classified as part of the Bank's Shareholders' Equity and reported in the Statement of Comprehensive Income.

* Tangible fixed assets have been fully insured against potential risks from fire, floods and earthquakes.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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12.2. Ratio of Net Fixed Assets to Shareholders` Equity.

Immovable Assets	1,622,378		
Less:			
Accumulated Depreciation- Immovable Assets	(108,268)		
Net Balance- Immovable Assets		1,514,110	
In-progress Immovable Assets Under Construction		169,283	
Capital Prepayments		271,873	
Repossessed Collateral (Over 2 years)		381,015	
Movable Assets	219,100		
Less:			
Accumulated Depreciation- Movable Assets	(94,976)		
Net Balance- Movable Assets		124,124	
Inventories		-	
Intangible Assets		2,964,893	
Capital Lease Properties		32,453	
Immovable Assets Under Capital Leases		7,761	
Fixed Assets in Overseas Branches		-	
Net Fixed Assets			5,465,511
Equity less Retained Earnings and Unearned Income			7,902,929
Ratio of Net Fixed Assets to Equity less Retained Earnings and Unearned Income			69%
Acceptable Threshold as defined by the CBI			70%

13. INTANGIBLE ASSETS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Goodwill	2,824,191	607,730	2,820,622	604,161
Computer software applications	32,719	40,612	32,118	40,208
Deposit for landline rights	2,252	40,612	2,245	40,208
	2,859,163	688,954	2,854,985	684,577

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14. OTHER ASSETS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Repossessed collaterals	462,254	414,778	453,634	414,778
Security deposit for rental buildings	108,912	104,663	108,912	104,663
Cheque book printing rights	659	856	659	856
Other	3,134	8,208	3,009	5,495
Total	574,959	529,833	566,214	527,117

15. DUE TO THE CENTRAL BANK OF IRAN

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
CBI Foreign Currency Term Deposit	2,598,525	2,215,966	2,598,525	2,215,966
Financial Facilities from the CBI	1,059,715	6,535	1,059,715	6,535
Total	3,658,240	2,222,501	3,658,240	2,222,501

16. DUE TO BANKS AND CREDIT INSTITUTIONS

		Group		Parent Company	
		19 March 2012	20 March 2011	19 March 2012	20 March 2011
Accounts due	Note	IRR million	IRR million	IRR million	IRR million
Money Orders on other Banks	-	397,996	225,266	397,996	225,266
Banks' Deposits	-	1,749,606	192,989	1,602,834	192,989
Interbank Credits- Cheque Clearing	-	8,056	19,546	8,056	19,546
Financial Facilities from IFC	-	14,712	12,437	14,712	12,437
Other	-	122,245	40,759	122,245	40,759
Total	-	2,292,615	490,997	2,145,843	490,997

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17. DEMAND DEPOSITS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Current Qardul Hasan Deposits- LCY (IRR)	1,598,710	1,025,526	1,598,710	1,025,526
Current Qardul Hasan Deposits- FCY	119,639	91,815	119,639	91,815
Managed Funds- Unutilised Portion	1,059	7,415	1,059	7,415
Total	1,719,409	1,124,756	1,719,409	1,124,756

18. QARZOL HASANE SAVINGS DEPOSITS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Current Qarzol Hasane Deposits- FCY	858,029	261,855	858,029	261,855
Current Qarzol Hasane Deposits- LCY (IRR)	3,791	15,950	3,791	15,950
Total	861,820	277,805	861,820	277,805

19. INVESTMENT DEPOSITS

	19 March 2012			20 March 2011		
	IRR	FCY	Total	IRR	FCY	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Long-term Investment Deposits	25,745,842	984,712	26,730,554	17,393,384	545,294	17,938,678
Short-term Investment Deposits	8,573,553	245,117	8,818,670	9,093,108	23,437	9,116,545
Short-term Special Investment Deposits	146,872	-	146,872	1,100,354	-	1,100,354
Total	34,466,267	1,229,829	35,696,096	27,586,846	568,731	28,155,577

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19.1. Non-IRR (FCY) term investment deposits are disaggregated by foreign currency at the balance sheet date as follows.

Currency	Long-term		Short-term		Total	
	FCY	IRR million	FCY	IRR million	FCY	IRR million
US Dollar	24,516,406	300,571	7,631,613.50	93,564	32,148,020	394,135
Euro	12,633,035	204,049	9,082,502.00	146,701	21,715,537	350,750
Pound Sterling	259,122	5,034	205,480.00	3,992	464,602	9,026
UAE Dirham	5,090,000	16,990	258,000	861	5,348,000	17,851
Omani Rial	14,385,208	458,068	0	0	14,385,208	458,068
Total	-	**984,712**	-	**245,117**	-	**1,229,829**

19.2. Interest rates on IRR term deposits are outlined in the table below.

Term deposits	20011-12	2010-11
One-year Deposits	12.5%-18.39%	14%
Two-year Deposits	13%-21.48%	14.5%
Three-year Deposits	14%-24.49%	15%
Four-year Deposits	14.5%-28.14%	16%
Five-year Deposits	15%-33.92%	17%
General Investment Special Certificate of Deposit	16%-20%	15%
Short-term Deposits	6%-7%	6%
Special Short-term Deposits	6%-12.3%	8%-11%

19.3. The table below presents a classification of long-term investment deposits by maturity and interest rates.

	19 March 2012					20 March 2011
	20-33.92%	17-20%	12-17%	Less than 12%	Total	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Up to 2011-12	0	0	0	0	0	13,215,854
2012-13	16,754	1,047,495	1,077,201	8,879,636	11,021,086	102,073
2013-14	5,212,815	96,622	19,507	0	5,328,944	582,461
2014-15	4,028,333	18,539	0	0	4,046,872	6,065,445
2015-16	5,204,076	951	0	0	5,205,027	8,189,745
2016-17	10,094,167	0	0	0	10,094,167	0
Total	**24,556,145**	**1,163,607**	**1,096,708**	**8,879,636**	**35,696,096**	**28,155,578**

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19.4.

Deposits	20 March 2011	New Deposits	Principal Repayment	19 March 2012
	IRR million	IRR million	IRR million	IRR million
One-year Deposits	3,773,796	1,495,027	(3,301,302)	1,967,522
Two-year Deposits	114,959	30,777	(74,050)	71,686
Three-year Deposits	69,334	24,624	(37,831)	56,128
Four-year Deposits	66,066	16,718	(19,389)	63,400
Five-year Deposits	14,737,648	17,150,830	(12,136,594)	19,751,885
General Investment Special Certificate of Deposit	52,670	5,282,750	(515,488)	4,819,932
Short-term Deposits	8,551,083	313,145,083	(312,877,491)	8,818,670
Special Short-term Deposits	790,021	7,044	(650,193)	146,872
Total	28,155,577	337,152,853	(329,612,338)	35,696,095

20. OTHER DEPOSITS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Cash Deposits on LGs- IRR	1,107,904	1,135,374	1,107,904	1,135,374
Cash Deposits on LGs- FCY	120,353	1,135,374	120,353	1,135,374
Customer prepayments for LCs	1,149,974	368,544	1,149,974	368,544
Other	4,046	391,403	4,046	391,403
Total	2,382,277	1,895,321	2,382,277	1,895,321

21. INCOME TAX PAYABLE

21.1. Changes in parent company and the group's tax provisions over the reporting period are presented in the table below.

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
Opening balance	438,625	248,216	430,917	405,184
Provisions for current period performance	402,222	392,793	388,245	220,616
Paid for during the reporting period	(425,034)	(148,862)	(423,034)	(141,360)
	415,812	492,147	396,128	484,439
Tax prepayments	(59,984)	(53,522)	(59,984)	(53,522)
Tax liability at year end	355,828	438,625	336,144	430,917

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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A summary of the Bank's tax position over past financial reporting years is described in the table below.

Financial Periods	Profit (loss) filed by the Bank	Taxable Income filed by the Bank	Taxation				Provision Balance	Assessment Method
			As Filed	As Assessed	Final	Paid		
2003-04	156,710	12,177	2,640	29,857	38,441	11,620	0	-
2004-05	215,976	35,876	8,072	47,838	37,010	37,010	7,883	-
2005-06	350,189	83,688	18,830	74,640	71,228	71,228	0	-
2006-07	529,949	164,155	36,935	149,490	153,080	143,415	0	Supreme Tax Council
2007-08	819,626	335,500	75,487	214,937	0	105,636	0	Reassessment order issued
2008-09	1,450,215	1,034,006	232,651	356,962	382,062	382,062	0	Supreme Tax Council
2009-10	870,325	1,174,394	234,879	366,587	0	234,879	0	Reassessment of documentation
2010-11	0	1,103,093	220,616	501,440	0	220,616	0	Prepayment
2011-12	0	2,729,372	388,245	0	0	0	388,245	
Total							396,128	
Tax prepayment							(59,984)	
Tax payable							336,144	

- Tax on financial performance in 2002-03 and for earlier periods have been finalised and paid for.
- Final notice of tax assessment for 2003-04 has been issued. In line with the requirements of Article 239 of the Direct Taxes Act, the Bank has paid one third of the assessed tax has submitted, for the remainder, an appeal to the Supreme Tax Council.
- Final notices of tax assessment for 2004-05 and 2005-06 have been issued. The Bank has accordingly paid the relevant amounts but has also filed its formal complaint to the Supreme Tax Council.
- Final notices of tax assessment for performance in financial periods 2006-07, 2007-08, and 2008-09 have been issued to the Bank. The Bank has submitted its appeal to the assessed tax levels and an order of reassessment has now been issued.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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22. INTEREST PAYABLE (TO DEPOSITORS)

	Balance 20 March 2011	Prepaid Advance Interest	Final Interest – Prepaid Advance Interest	Interest Paid During the Period	Balance 19 March 2012
Short-term Deposits	31,864	597,332	102,194	(625,594)	105,796
Special Short-term Deposits	3,707	25,365	4,395	(26,430)	7,037
One-year Deposits	49,979	239,354	41,470	(251,335)	79,468
Two-year Deposits	910	14,272	2,457	(14,949)	2,690
Three-year Deposits	608	10,780	1,850	(11,290)	1,948
Four-year Deposits	634	11,241	1,924	(11,773)	2,026
Five-year Deposits	104,350	3,060,152	522,349	(3,203,550)	483,301
Certificate of General Investment Deposit	0	59,620	0	(59,620)	0
Total	192,053	4,018,115	676,638	(4,204,541)	682,265

23. ACCOUNTS PAYABLE AND PROVISIONS FOR ACCRUED EXPENSES

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Margins Held Against Term LCs	2,050,559	1,975,728	2,050,559	1,975,728
Provisions for Accrued Expenses	55,607	41,774	55,607	41,630
Social Welfare Organisation	22,977	13,464	18,830	13,392
Deferred Penalties	100,717	0	100,717	0
Cash Deposit on Matured LGs	11,717	10,703	11,717	10,703
Contractors' Goodwill Deposit	10,869	6,309	10,869	6,309
Other	485,064	459,296	413,607	123,457
Total	2,737,511	2,507,274	2,661,907	2,171,219

24. DIVIDEND PAYABLE

Periods	Approved Dividends	Dividends Paid up to 20.03.10	Dividends Paid in 2010-11	Dividends Payable at 20.03.11	Dividends Paid in 2011-12	Dividends Payable at 19.03.12
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Prior periods	2,607,750	2,599,500	-	8,250	3,069	5,181
2009-2010	1,200,000	-	1,201,117	7,133	4,501	2,632
2010-2011	1,500,000	-	-	-	1,477,047	15,383
Total	5,307,750	2,599,500	1,201,117	15,383	1,484,617	23,196

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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25. PROVISIONS FOR EMPLOYEES' TERMINATION BENEFITS

		Group		Parent Company	
		19 March 2012	20 March 2011	19 March 2012	20 March 2011
	Note	IRR million	IRR million	IRR million	IRR million
Provisions- Opening balance		71,586	51,556	70,623	51,123
Contributions during the period		(376)	(375)	(326)	(374)
Provisions taken	25.1	24,179	20,405	23,501	19,874
Provisions- Closing balance		95,388	71,586	93,798	70,623

25.1. Provisions for termination benefits is measured based on each employee's last monthly pay of as a factor that is then applied to the number of years in service.

26. PAID-IN CAPITAL

26.1. The Bank's capital on the date of establishment was IRR 30,000 million (comprising 30,000 shares with a face value of IRR 10,000 per share). The Bank subsequently increased its capital level at various stages as outlined below and at the close of the financial period ending 19 March 2012 capital stands at IRR 4,500 billion (comprising 4,500 million shares each with a face value of IRR 10,000).

Date	% Increase in Capital	Additional Capital (IRR)	Capital Level (IRR)	Source of Additional Capital
02.08.01	233.333%	30,000,000,000	100,000,000,000	Shareholders' loan and cash
22.12.01	100%	100,000,000,000	200,000,000,000	Shareholders' loan and cash
13.11.04	75%	150,000,000,000	350,000,000,000	Shareholders' loan and cash
26.09.05	100%	350,000,000,000	700,000,000,000	Shareholders' loan and cash
19.12.07	50%	350,000,000,000	1,050,000,000,000	Shareholders' loan and cash
22.12.08	90%	950,000,000,000	2,000,000,000,000	Shareholders' loan and cash
03.10.10	50%	1,000,000,000,000	3,000,000,000,000	Shareholders' loan and cash
11.09.11	50%	1,500,000,000,000	4,500,000,000,000	Shareholders' loan and cash

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements For the Year ended 19 March 2012

26.2. Capital Adequacy

The Capital Adequacy Ratio (CAR) is measured by dividing the Bank's capital base by its risk-weighted assets. Based on the requirements of the Basel Accord, this ratio should be no less than 8 percent in all banks. The CAR, which is a key indicator in analysing the financial statements of banks, may reflect on a bank's ability in confronting unforeseeable risks and losses. The table below presents the Bank's CAR between two recent time intervals.

CAR Measurements			
Tier 1 Capital:	Note	Parent Company	
		19 March 2012	20 March 2011
		IRR million	IRR million
Paid-in Capital		4,500,000	3,000,000
Legal Reserves		1,359,333	1,008,164
Retained Earnings		2,045,690	1,816,670
Total Tier 1 Capital		7,905,023	5,824,834
General Provisions on Loans and Investments		690,094	470,191
Adjustments to Tier 2 Capital for Excesses on 1.25% of Weighted Assets		(22,006)	(2,041)
Asset Revaluation Surplus		2,043,597	0
Total Base Capital Before Deductions		2,711,685	468,150
Investments in Shares of Banks and Credit Institutions		(43,629)	(25,776)
Total Tier 2 Capital		2,668,056	442,374
Capital Base	26.2.1	10,573,079	6,267,208
Total Risk-weighted Assets		53,447,038	37,452,007
Capital Adequacy Ratio (%)		19.78%	16.73%

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26.2.1. Risk-weighted Assets

Risk-weighted assets	19 March 2012			19 March 2011		
	IRR million	-	IRR million	IRR million	-	IRR million
	Assets	Risk weight	Risk-weighted asset	Assets	Risk weight	Risk-weighted asset
Cash	60,958	-	-	242,607	-	-
Due from CBI	5,181,140	-	-	3,653,122	-	-
Due from Banks and Credit Institutions	2,764,374	20	552,875	5,731,469	20	1,146,294
State Participation Securities	1,804,560	0	-	1,148,580	0	-
Non-state Participation Securities	87,017	100	87,017	132,650	100	132,650
Investments	746,574	100	746,574	648,630	100	648,630
Accounts Receivable (Debtors)	3,461,113	100	3,461,113	1,799,328	100	1,799,328
Prepayments	9,792	100	9,792	14,636	100	14,636
Loans and Facilities (Hire Purchase- Ijara) and Mortgages	1,076,220	50	538,110	891,988	50	445,994
Debtors on Long-term LCs	1,810,255	50	905,127	2,104,766	50	1,052,383
Other Loans and Financial Facilities	37,707,022	100	37,707,022	24,109,398	100	24,109,398
Net Fixed Assets and Goodwill	4,934,375	100	4,934,375	1,580,064	100	1,580,064
Other Assets	566,214	100	566,214	527,117	100	527,117
Guarantees- non-state part. sec. (conversion at 50%)	-	100	-	179,985	100	179,985
Commitments on LGs issued (conversion factor: 20%)	2,290,312	100	2,290,312	266,183	100	266,183
Commitments on LGs issued (conversion factor: 50%)	75,893	100	75,893	4,639,609	100	4,639,609
Commitments on LCs issued (conversion factor: 20%)	1,572,615	100	1,572,615	909,735	100	909,735
Total risk-weighted assets	64,148,434	-	53,447,038	48,579,867	-	37,452,007

27. STATUTORY RESERVES

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Opening balance	1,021,400	740,978	1,008,164	736,264
Appropriated from net profit after tax	354,839	280,422	351,169	271,899
Closing balance	1,376,239	1,021,400	1,359,333	1,008,164

Based on article 58 of the Bank's Articles of Association as well as mandates of the Money and Credit Council, 15 percent of net profit after tax is allocated annually to statutory reserves. Annual appropriations to statutory reserves will continue until the retained balance in this account equals that of the Bank's paid-in capital.

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28. MINORITY INTEREST

	19 March 2012	20 March 2011
	IRR million	IRR million
Capital	40,031	40,028
Reserves	3,295	3,157
Retained earnings	(19,950)	8,893
	23,376	**52,078**

29. INTEREST ON LOANS AND FACILITIES

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Income from Islamic Financial Products	5,110,501	3,156,933	5,057,233	3,125,605
Late Payment Penalties	1,291,577	1,344,646	1,291,577	1,344,646
Other	496,966	192,387	496,966	192,387
Total	**6,899,044**	**4,693,966**	**6,845,776**	**4,662,638**
Income from Joint Activities	6,292,485	4,324,479	6,292,485	4,324,479
Income from Non-joint Activities	606,559	369,487	553,291	338,159
Total	**6,899,044**	**4,693,966**	**6,845,776**	**4,662,638**

30. INTEREST ON DEPOSITS AND INCOME FROM INVESTMENTS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Gains (Losses)- Investment in Shares	134,093	239,319	270,846	61,877
Other Investments:				
Interest on Deposits	347,658	516,334	347,658	516,334
Interest on Participation Securities	338,465	640,032	338,465	640,031
Interest on Statutory Reserves	3,529	34,844	3,529	34,844
Total Other Investments	689,653	1,191,210	689,653	1,191,209
Total	**823,746**	**1,430,529**	**960,499**	**1,253,086**
Joint and Non-joint Income:				
Joint Income on Invest. and Dep.	791,522	1,249,945	918,099	1,249,945
Non-joint Income- Invest. and Dep.	32,224	180,584	42,400	3,141
Total	**823,746**	**1,430,529**	**960,499**	**1,253,086**

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31. INTEREST PAID ON INVESTMENT DEPOSITS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
One-year Deposits	239,354	853,513	239,354	853,513
One-year Short-term Deposits	597,332	542,157	597,332	542,157
Five-year deposits	3,060,152	1,801,978	3,060,152	1,801,978
Short-term (3-month) Special Deposits	2,064	7,967	2,064	7,968
Short-term (6-month) Special Deposits	17,538	51,454	17,538	51,454
Short-term (9-month) Special Deposits	169	0	169	0
General Investment CD (1-year)	18	93,705	18	93,705
General Investment CD (2-year)	53,655	0	53,655	0
General Investment CD (3-year)	5,947	1,798	5,947	1,798
Special Deposits (4-month)	3,587	28,075	3,587	28,075
Special Deposits (11-month)	2,008	161	2,008	161
Four-year Deposits	11,241	10,849	11,241	10,849
Two-year Deposits	14,272	15,690	14,272	15,690
Three-year Deposits	10,780	10,452	10,780	10,452
Total	4,018,115	3,417,799	4,018,115	3,417,800

32. COMMISSION INCOME

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Issuance of letters of guarantee	228,458	200,807	228,458	200,807
Foreign currency transactions	150,667	115,127	150,667	115,127
Managed funds	883	17,925	883	17,925
Other	42,867	15,542	14,129	11,116
Total	422,876	349,401	394,137	344,975

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33. INCOME FROM FOREIGN EXCHANGE TRANSACTIONS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Profit (loss) from Currency Transactions:				
USD- US Dollar	60,959	(508)	59,547	(508)
EUR- Euro	569,258	24,122	564,980	24,122
GBP- British Pound	982	(216)	980	(216)
JPY- Japanese Yen	(3,610)	3,557	(3,778)	3,557
CHF- Swiss Franc	(23,127)	896	(23,146)	896
AED- Emirati Dirham	82,264	83,136	61,122	83,136
SEK- Swedish Krona	(267,510)	3,219	(267,510)	3,219
TLY- Turkish Lira	(174,177)	1,080	(174,408)	1,080
OMR- Omani Rial	(38,263)	(2,481)	(38,263)	(2,481)
KRW- South Korean Won	20,893	0	20,623	2,252
QAR- Qatari Rial	6,586	(716)	6,586	(716)
DKK- Danish Krone	(1,121)	(95)	(1,121)	(95)
RUB- Russian Rouble	6,339	0	6,339	0
INR- Indian Rupee	1,008	0	1,008	0
CNY- Chinese Yuan	(182)	0	(182)	0
CAD- Canadian Dollar	1	0	0	0
Profit (Loss) on Currency Transactions	**240,300**	114,246	212,777	114,246

34. OTHER INCOME

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Professional services fees	37,070	29,185	37,070	28,675
Gain on Fixed Asset Disposal	1,008	11	1,008	11
Other	119,502	44,716	95,174	44,621
Total	**157,579**	**73,913**	**133,252**	**73,296**

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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35. GENERAL AND ADMINISTRATIVE EXPENSE

		Group		Parent Company	
	Note	19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Personnel expenses		358,581	320,712	336,440	311,260
Consultancy and fees' expenses	35.1	30,445	53,079	29,031	51,780
Depreciation expense		47,090	43,046	53,128	48,634
Advertising expense		16,575	39,097	16,537	39,032
Automated systems' expense		12,347	32,731	11,810	32,331
Rent expense		32,818	29,350	32,453	29,330
Repairs and maintenance		25,121	16,498	24,609	16,376
Utilities' expense		26,229	15,253	25,419	15,115
Office supplies' expenses		10,475	13,418	9,967	13,418
Insurance expense		1,513	2,843	1,456	2,666
Printing and paper expenses		381	1,398	381	1,361
CPE training expense		2,139	1,062	2,139	1,061
BOD attendance expenses		536	527	224	426
Other G&A expenses		55,573	14,712	49,556	11,990
Total		619,823	583,726	593,150	574,780

35.1. A major portion of fees paid relates to the outsourcing of such services as branch security, branch cleaning and general maintenance, and postage charges.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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36. LOAN LOSS PROVISIONS' EXPENSE

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Loan loss provision- General	223,217	81,524	219,902	81,524
Loan loss provision- Specific	148,239	92,530	147,678	92,530
Total	371,456	174,054	367,580	174,054

Based on CBI Circular MB/2823 of 24 February 2007 of the Office of Banking Studies and Regulation in respect to the measurement of general provisions for loan losses, banks are required to allocate, at each year end, a minimum of 1.5 percent of their balance of loans and facilities and investments to the provisions for loan losses' account. For loans and facilities that are likely to be impaired and meet the criteria outlined in the abovementioned Circular, banks are required to account for necessary loan-specific provisions based on internal assessments of the relevant customers' creditworthiness and their economic and financial position.

37. FINANCING COSTS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Interest Paid to IFC	915	827	916	827
Interest Paid on Loans and Facilities	13,751	44,007	0	0
Other Financial Expenses	0	0	0	0
Total	14,666	44,834	916	827

38. COMMISSIONS AND OTHER EXPENSES

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Interest on LT FCY Deposits	190,171	54,196	190,171	54,196
Commissions	2,995	5,914	2,995	5,914
Other	1,351	1,351	1,351	1,062
Total	194,517	44,834	194,517	827

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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39. PRIOR PERIOD ADJUSTMENT

Of IRR 255,938 million on the parent company's statement of retained earnings, IRR 129,310 million, IRR 30,148 million and IRR 96,480 million relate to tax paid for financial years 2007-2008, 2006-2007 and 2005-2006 respectively.

40. RECONCILIATION OF PRE-TAX PROFIT TO CASH FLOW FROM OPERATIONS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Pre-tax Profit	2,682,178	1,964,759	2,729,372	2,033,280
Depreciation Charge	47,090	43,046	53,128	43,048
MTM Income on Investments and Joint Activities	0	(13,670)	0	(13,670)
Dividends on Investments and Joint Activities	(134,093)	(239,319)	(270,846)	(61,877)
Profit on Sale of Fixed Assets	(1,008)	(11)	(1,008)	(11)
Doubtful Debts' Expense	371,456	174,054	367,580	174,054
Conversion of Foreign Currency	(272,157)	129,392	(240,985)	129,392
Net Increase in Provisions for Termination Benefits	23,803	20,030	23,175	19,500
	2,717,268	1,819,498	2,660,415	2,064,931
Net Increase (Decrease) in Operating Liabilities:				
Current Accounts and Demand Deposits	1,178,667	(185,699)	1,178,667	(185,699)
Short-term Investment Deposits	(345,247)	(189,141)	(375,557)	(123,560)
Long-term Investment Deposits (over 1-year)	7,916,077	2,196,573	7,916,077	2,196,573
Accounts Payable (Creditors)	4,209,856	1,401,949	4,888,805	1,303,627
	12,959,353	3,223,682	13,607,992	3,190,941
Net Increase (Decrease) in Operating Assets				
Statutory Deposits with and Amounts Due from CBI	(1,644,132)	690,411	(1,644,132)	690,412
Participation Securities	(576,195)	1,230,068	(610,347)	1,314,719
Prepayments	6,237	(8,786)	4,844	(2,755)
Accounts Receivable (Debtors)	(1,258,442)	(278,526)	(1,493,479)	(23,654)
Other Assets	(698,744)	(235,959)	(692,511)	(235,525)
Financial Facilities (Islamic Contracts)	(14,376,111)	(4,753,372)	(14,232,182)	(5,172,806)
	(18,547,387)	(3,356,164)	(18,667,807)	(3,429,609)
Net Cash Flows from Operating Activities	(2,870,766)	1,687,016	(2,399,400)	1,826,263

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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41. DISGGREGATION OF NET INCREASE IN CASH

		Group		Parent Company	
	Note	19 March 2012	20 March 2011	19 March 2012	20 March 2011
		IRR million	IRR million	IRR million	IRR million
Bank Notes, Coins, and Precious Metals	5	60,959	246,669	60,958	242,607
FCY Cash, and Cash with International Banks	7	2,550,563	1,568,787	2,482,341	1,559,582
Cash Position with Domestic Banks-Post Clearing	6	276,075	4,169,605	276,075	4,169,604
Current Account with the CBI	7	36,571	152,684	36,571	152,684
Total		2,924,169	6,137,746	2,855,946	6,124,479

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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42. LETTERS OF CREDIT

	Opening Balance			Issued During the Period			Paid for During the Period			Closing Balance 19/03/12		
Currency	No.	FCY IRR	million	No.	FCY IRR	million	No.	FCY IRR	million	No.	FCY IRR	million
Sight Letters of Credit												
USD	1	78,565.00	814	-	-	149	-	-	-	1	78,565.00	963
EUR	180	42,199,553.15	620,080	285	335,752,198.57	6,321,489	236	236,087,887.57	4,397,080	229	141,863,863.75	2,544,489
AED	121	216,797,015.56	611,801	441	2,074,602,846.77	9,892,115	466	2,139,995,003.32	9,595,734	96	151,404,859.01	908,182
JPY	4	19,340,698.00	2,487	16	719,240,644.00	105,664	10	417,981,346.00	63,892	10	320,599,996.00	44,259
CHF	3	2,269,415.20	26,098	1	7,310,897.68	97,900	3	-	26,098	1	9,580,312.88	97,900
KRW	6	12,460,144,913.00	114,745	101	43,939,985,898	803,230	62	23,855,601,141	683,310	45	32,544,529,670.40	234,665
RBL	0	0.00	-	3	186,069,750	78,149	1	81,909,750	34,402	2	104,160,000.00	43,747
INR	0	0.00	-	4	88,815,382	21,760	2	44,448,041	10,890	2	44,367,340.77	10,870
SEK	0	0.00	-	2	1,053,406,150	1,916,146	1	833,409,310	1,515,972	1	219,996,840.00	400,174
CNY	0	0.00	-	2	315,000	7,782	1	-	7,170	1	315,000.00	612
TLY	0	0.00	-	10	13,087,193	89,873	7	4,603,298.84	31,371	3	8,483,893.89	58,502
	315		1,376,025	865		19,334,256	789		16,365,919	391		4,344,362
Long-term Letters of Credit												
EUR	71	43,673,671.47	641,750	297	176,446,440.74	4,394,011	200		3,570,534	168	76,854,805.39	1,465,227
JPY	19	3,959,469,200.00	509,069	131	6,433,099,764.00	1,043,013	66	143,265,306.82	805,709	84	6,444,935,800.00	746,373
CHF	8	21,823,585.90	250,971	55	45,363,640.10	1,104,598	54	3,947,633,164.00	1,260,241	9	10,198,860.20	95,328
AED	79	159,126,541.84	449,147	362	642,684,844.48	4,700,793	392	56,988,365.80	4,982,529	49	72,019.99	167,411
SEK	0	0.00	-	5	0.00	1,313,398	5	801,739,366.33	1,313,398	0	-	-
TLY	1	12,201.76	80	1	886,250.00	6,054	1	165,391,200.00	80	1	898,451.76	6,054
KRW	8	18,906,818,546.50	174,113	54	81,851,469,868.41	1,081,545	52	0.00	967,689	10	35,892,399,115.91	287,969
RIAL	16	0.00	256,164	22	0.00	341,684	35	64,865,889,299.00	523,714	3	-	74,134
DKK	0	0.00	-	0	0.00	-	0	0.00	-	0	-	-
INR	0	0.00	-	2	15,325,200.00	3,755	0	0.00	-	2	15,325,200.00	3,755
CNY	0	0.00	-	2	4,014,241.66	15,813	1	0.00	8,029	1	747,894.34	7,784
	202		2,281,295	931		14,004,663	806	4,762,136.00	13,431,923	327		2,854,035
Export Letters of Credit												
USD	16	16,111,655.78	166,981	0	0.00	30,548	0		-	16	16,111,655.78	197,529
EUR	11	28,353,422.84	416,627	11	6,400,109.20	270,776	6		57,929	16	33,657,902.84	629,474
AED	5	131,111,555.06	369,997	2	0.00	259,755	0	-	-	7	131,111,555.06	629,752
SEK	1	185,520,000.00	306,294	0	0.00	43,783	0	1,095,629	12,615	1	185,520,000.00	337,462
RIAL	0	-	-	6	0.00	206,055	3	-	186,427	3	-	19,628
CNY	0	-	-	1	7,350,000.00	14,252	1	-	13,535	-	-	717
KRW	0	-	-	3	0.00	33,614	1	17,061,582,250	33,524	2	-	90
	33		1,259,899	23		858,783	11	6,980,467	304,030	45		1,814,652
	550		4,917,219	1,819		34,197,702	1,606	-	30,101,872	763		9,013,049

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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43. LETTERS OF GUARANTEE

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Commitments on LGs and acceptances issued- IRR	11,645,222	10,500,349	11,645,222	10,500,349
Commitments on LGs and acceptances issued- FCY	1,186,379	1,129,457	1,186,379	1,129,457
Customers' commitments on counter LGs- FCY	32,787	165,949	32,787	165,949
Total	12,864,389	11,795,755	12,864,389	11,795,755

44. PARTICPATION SECURITIES – UNDERWRITINGS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Underwriting commitments- Rayan Saipa Participation Securities	0	400,000	0	400,000
Total	0	400,000	0	400,000

45. MANAGED FUNDS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Managed funds	1,498,398	1,664,336	1,498,398	1,664,336
Future periods' interest on managed funds	1,059	7,416	1,059	7,416
Total	1,499,458	1,671,752	1,499,458	1,671,752

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements
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46. OTHER COMMITMENTS AND OFF BALANCE SHEET ITEMS

	Group		Parent Company	
	19 March 2012	20 March 2011	19 March 2012	20 March 2011
	IRR million	IRR million	IRR million	IRR million
Collateral pledged against financial facilities (deposits and promissory notes)	129,935,088	93,584,724	129,935,088	93,584,724
Collateral pledged against financial facilities (real estate)	21,925,126	20,468,488	21,925,126	20,468,488
Collateral pledged against financial facilities (shares and securities)	12,830,767	8,348,660	12,830,767	8,348,660
Ijara Thumma Al-Bai (Hire purchase) properties pledged to the Bank	141,405	136,903	141,405	136,903
Other	8,918,625	5,888,465	8,918,625	5,888,465
Total	173,751,012	128,427,240	173,751,012	128,427,240

47. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Bank's commitments and liabilities have been fully disclosed and reported in the financial statement and the notes accompanying the financial statements. The Bank has no unreported or undisclosed commitments and/or any contingent liabilities on the balance sheet date.

48. EVENTS AFTER THE BALANCE SHEET DATE

There are no material post-balance-sheet date events that require separate disclosure.

Karafarin Bank (CORP) Notes to the Consolidated Financial Statements For the Year ended 19 March 2012

49. FOREIGN CURRENCY POSITION

FCY	USD	EURO	GBP	AED	CHF	SEK	100 JPY
Cash	1,800,672.00	681,758.00	124,240.00	145,960.00	200.00	-	-
Due from banks and credit	32,019,734.49	85,928,931.03	494,167.83	44,873,878.31	746,598.66	2,004,199.08	2,878,631,726.01
Demand deposits	(1,985,061.20)	74,137,996.68	(6,216.49)	(22,481.96)	-	-	-
Term investment deposits	(32,148,019.50)	(21,715,537.00)	(464,602.00)	(14,385,208.10)	-	-	(5,348,000.00)
	(312,674.21)	139,033,148.71	147,589.34	30,612,148.25	746,798.66	2,004,199.08	2,873,283,726.01
Commitments- LCs	16,190,220.78	252,376,571.98	-	282,588,434.06	19,779,173.08	405,516,840.00	6,765,535,796.00
Commitments- LGs	-	-	-	-	-	-	-

FCY	TLY	OMR	CNY	KRW	QAR	INR	RBL
Cash	-	-	-	-	-	-	-
Due from banks and credit	393,911.68	1,500.74	13,268,496.93	5,726,735,339	2,683,251	12,008,676	7,412,444
Demand deposits	-	(432,705.22)	-	-	-	-	-
Term investment deposits	-	-	-	-	-	-	-
	393,911.68	(431,204.48)	13,268,496.93	5,726,735,339	2,683,251	12,008,676	7,412,444
Commitments- LCs	9,382,345.65	-	1,062,894.34	68,436,928,786.31	-	59,692,540.77	104,160,000
Commitments- LGs	-	-	-	-	-	-	-

50. BASIC AND DILUTED EARNINGS PER SHARE

50.1. As the only diluting equity instrument over the reporting period is that of the share purchase rights issued for the increase in capital from IRR 3,000 billion to IRR 4,500 billion, therefore net profit for ordinary shareholders is used in the numerator of both the basic and diluted earnings per share measurements.

50.2. The weighted average numbers for ordinary shares used in the denominator of basic earnings per share and diluted earnings per share are 3,940,368,196 shares and 4,345,675,946 shares, respectively. The reason for this difference stems from assumptions on potential cases of share purchase rights being exercised over the relevant exercise period (9 April 2011 to 11 September 2011).

51. RELATED PARTIES TRANSACTIONS

Related parties' transactions over the reporting period ended 19 March 2012 that are subject to separate disclosure as per Article 129 of the Commercial Code are outlined in the table below.

Party to transaction	Nature of relation	Related party	Transaction	IRR million Value	Balance at 20.03.11
Karafarin Insurance	Member of the BOD	Messrs. M. Tabe'e Ghanun and S. Hour-Azar	LGs rollover	1,290	1,499
			LGs issued	209	
			Payment for building in construction	2	2
			Payment of tenancy deposit	3,300	3,300
			Insurance payment for employees, properties, and rented building	2,191	92
			Share transactions on Karafarin Insurance	8,108	-
			Utilities (Water, Electricity, Postage and Telephone bills)	10	10
Asr-e-Amin Karafarin Insurance	Ownership	-	Payment for building in construction	22	22
			Insurance payment for employees, properties, and rented building	7,003	174
			Utilities (Water, Electricity, Postage and Telephone bills)	233	233
Kar and Andisheh Engineers	Joint Member of the BOD	Mr. M. Tabe'e Ghanun	LGs rollover	24,111	85,137
			LGs issued	61,027	
			LCs issued	1,086123	1,086123
			Payment on LCs	541	541
Karafarin Leasing	Member of the BOD	-	Payment of tenancy deposit	2,000	0
			Utilities (Water, Electricity, Postage and Telephone bills)	370	370
Karafarin Bank Investment	Member of the BOD	-	LGs rollover	3,238	3,238
			Rental payments	5,433	-
			Payment of tenancy deposit	29,328	29,328
			Property purchase	100,135	-
			Share transactions	501,790	-
			Utilities (Water, Electricity, Postage and Telephone bills)	288,656	288,656
Karafarin Brokerage	Member of the BOD	-	LGs rollover	5,400	5,943
			LGs issued	543	
Sepahan Industrial Group	Joint Member of the BOD	Mr. M. J. Ansari	Rental payments	89	-
			LCs issued	72,141	72,141
			LGs issued	2,002	-
Sakht Azhand Construction Investment	Joint Member of the BOD	Messrs.S. Hour-Azar and M. J. Ansari	Joint participation facility	83,226	18,932
Iran Industries' Investment	Joint Member of the BOD	Mr. R. Soltan-Zadeh	Mudarabah and joint participation facilities	37,292	30,123
CTU	Joint Member of the BOD	Mr. A. Dadkhah	LGs rollover	40	3,666
			LGs issued	3,625	
			Joint participation facility	1,339	1,263
			LCs issued	2,088	2,088
			FCY facilities	1,738	1,738
Karafarin Bureau d' Change	BOD Member	-	LGs issued	3,600	3,600
Lorestan Sugar	Joint Member of the BOD	Mr. A. Rousta	Joint participation facility	71,986	71,986
M. M. J. Ansari	BOD Member	Mr. M. J. Ansari	Mudarabah facility	7,629	-
			Payment of tenancy deposit	10,000	10,000