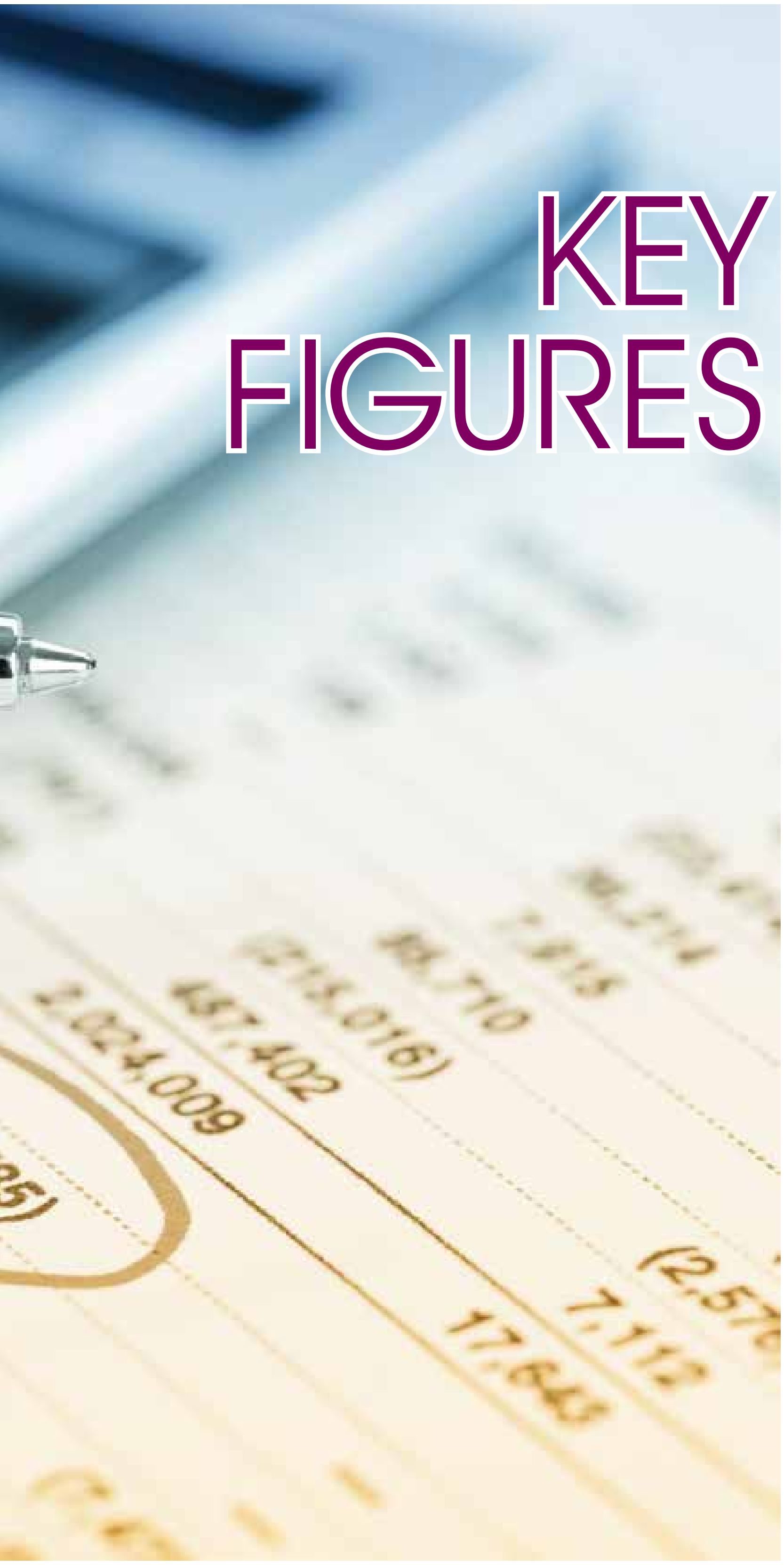
IN THE NAME OF GOD

CONTENTS


8,003,940
(629,326)
(1,061,865)
51,342
486,695
3,716,156



KEY FIGURES

Granted Facilities
million IRR

2014-15	69,311,354
2015-16	81,260,142

Total Assets
million IRR

2014-15	112,073,059
2015-16	123,307,245

Deposits
million IRR

2014-15	94,392,057
2015-16	104,602,671

Total Shareholders' Equity
million IRR

2014-15	14,713,365
2015-16	15,596,227

Income from Facilities
million IRR

2014-15	16,652,950
2015-16	19,001,328

Total Revenues
million IRR

2014-15	20,806,488
2015-16	22,134,658

- According to the Central Bank of Islamic Republic of Iran, the rate of exchange was $1/IRR30,240 at the end of the reported period.
- The Bank's fiscal year ends on 19 March.

Managing Director's Statement

I am delighted to once again present Karafarin Bank's report on its exceptional performance and operations for the previous financial period. The accomplishments outlined in this report are undeniably a joint outcome of genuine efforts made by our committed team of experts and the support we have received from our esteemed shareholders on our path to make yet another successful year in the Bank's history. Hence, I would like to take this opportunity to express my deepest gratitude to all those who have played a part in the Bank's current successful record. Thanks to the ongoing support of our Board of Directors and the efforts of our dedicated and expert colleagues, we have also taken effective steps within the framework of the governing banking regulations towards excellence and growth.

During the previous financial period, Iran faced some of the hardest economic hardships in its history, which inevitably affected Karafarin Bank's operations. Some of such challenges include: the ongoing recession, continuance of CBI's policy on stabilising foreign currency rates, reducing inflation and interest rates, existence of unlicensed credit institutions, unfair competition among banks in attracting resources etc. However, I am pleased to announce that we have successfully overcome all such challenges. Thanks to adopting sound policies and to the support of our Board of Directors, the ongoing efforts of our dedicated and specialised personnel and the backing of our infrastructure, we have demonstrated an outstanding performance in line with Iran's banking laws and regulations.

During the reporting financial period, we drafted a strategic plan which focuses on becoming an agile and pioneering organisation in offering comprehensive financial solutions. Hence, our mission as a financial institution, is to make our best endeavour to improve the current business environment by offering comprehensive solutions to clients and to create sustainable wealth for our beneficiaries. We also feel the need to draft a new marketing strategy more than ever before.

Following Iran's landmark nuclear agreement with the P5+1, which was subsequently followed by the lifting of the sanctions, foreign companies have shown a keen interest to invest in this country's various economic sectors. Hence, having taken advantage of the arising opportunities from post-sanctions era, we have stepped up efforts towards re-establishing relations with foreign banks and corporations and we are confident that we shall see some positive results in this regard, during the upcoming year.

We believe that due to the incredible speed of technological advancement especially in the previous decade, the future of banking is based upon electronic banking. Hence, we are determined to further improve our ebanking services and to offer a wider variety and such products and services, more than ever before. In this regard, our main plan is to upgrade our core banking system next year. Our performance indicators and numerous distinctions in monetary sector clear show that Karafarin Bank remains to be a pioneering bank in developing banking services.

As a part of the value-creating activities that define our over-arching customer-oriented approach which lie at the heart of our progressive growth strategy, additional emphasis has been placed to provide secure electronic banking services to our valued customers and to implement a wide range of modern banking products and new service networks by creating new environments and branches. All these measures are aimed at asserting a stronger presence in society, enabling us to offer improved quality services.

During the previous year, Karafarin Bank became Iran's top bank in banking sector and ranked second among the top one hundred companies (IMI-100) listed on the Tehran Stock Exchange (TSE) in terms of transparency of financial information.

These achievements have undoubtedly resulted from the collective efforts of our colleagues and the trust and ongoing support of our shareholders. We firmly believe that with the continued support of our shareholders and customers, we will accomplish further growth and excellence whilst realising the Bank's greater objectives more than ever before that can lead to new business horizons and ensure customer and shareholder satisfaction.

Ataollah Ayatollahi

Board Of Directors' Report To The Annual Ordinary General Assembly Meeting For The Financial Year Ended 19.03.2016

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 19.03.2016.

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 emphasizing 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 06.07.2016, does not include any information whose non-provision could mislead the users.

Board Member	Position	Academic Background
Mr. Ataollah Ayatollahi	Vice-Chairman & Managing Director	BS in Irrigation & Construction
Mr. Fazlollah Moazzami	Member of the Board of Directors	MA in Accounting
Dr. Ali Baghayee	Member of the Board of Directors	PhD in Banking
Mr. Morteza Azizi	Member of the Board of Directors	BS in Industry
Dr. Mohammad Reza Farzin	Member of the Board of Directors	PhD in Economics
Dr. Javad Shekarkhah	Member of the Board of Directors	PhD in Accounting
Mr. Masoud Azmi Shabestari	Member of the Board of Directors	MBA

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ECONOMIC REVIEW 2015-16
ISLAMIC BANKING PRINCIPLES
IRAN'S BANKING SECTOR

Economic Review 2015-16 An Overview

Without any doubt, the most important economic and social event by the end of the Iranian solar year 1394 (19 March 2016), was the adoption of the Joint Comprehensives Plan of Action (JCPOA) as an international agreement on the nuclear program of Iran. This undoubtedly improved Iran's relations and collaboration with the international banking world and led to an era of optimism as far as the future of Iran's economic environment is concerned. However, this optimism was affected by unprecedented decline in oil prices, demand recession and limited banking finance. These circumstances discouraged the relative economic boom in 2014 and caused the 1.9 percentage point decline in economic growth from 2.9 percent in 2014 to 1 percent in 2015. Achieving one-digit inflation is another important event in 2015, which is blamed for intensifying the economic recession.

Real Sector

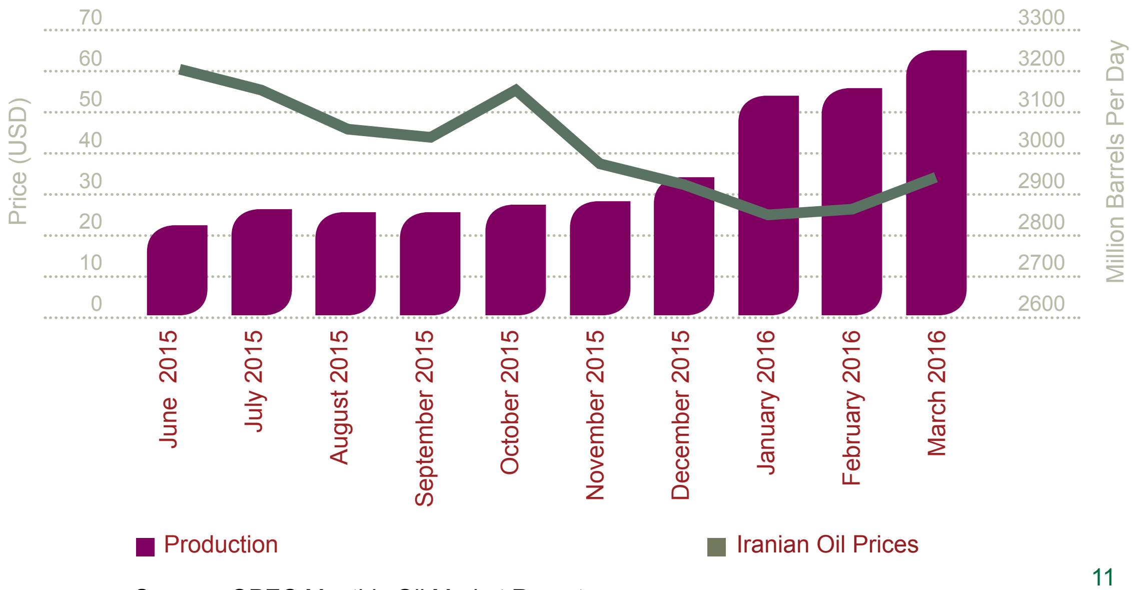
Concerning the real sector, the Iranian economy grew by 1 percent during the reporting period, which was 1.9 percent lower than the previous period. According to the Statistical Centre of Iran (SCI). Despite the economic growth in the recent years, the Iranian economy did not reach the growth level of 2011-12. Due to the economic downturn in the 2012-13 and 2013-14 years. Growth rate varied from 0.5% in the first quarter 2015 to 1.1% in the second quarter, 0.3% in the third quarter, and finally 2% in the fourth quarter. The agriculture sector experienced the highest growth rate and was the main contributor to the GDP growth of 5.4%. On the other hand, the manufacturing sector growth was -2.2% which reflects recession in this sector. Finally the service sector, which was the biggest contributor to the GDP, grew by 0.2% during the reporting financial period.

Oil Sector

Referring to the oil sector, the significant fall in oil prices from a peak of USD115 / barrel in June 2014 to under USD35 / barrel at the end of February 2016 did not allow Iran to benefit from the adoption of the JCPOA, followed by the lifting of oil sanctions.

The slow growth of emerging markets mainly China, the ongoing recession in Europe, growth in shale oil production in USA, the cold war and oil price wars between Saudi Arabia and Iran were the main contributors to falling oil prices.

Oil Prices & Production



Source: OPEC Monthly Oil Market Report

Employment

According to the SCI, during the first nine months of the year under review, unemployment rate reached 11%, which was 0.4% higher than the same period in the previous year. However, the 23.3% unemployment rate for the 15-29 age group underlines that fact that youth are much more under pressure. It is notable that SCI statistics are based on a minimum of 1 hour employment/week, which conforms to the approach of the International Labour Organisation (ILO).

Government

Government revenues were increased by 12% during the year under review, compared to the previous year. However, if we were to assume zero percent inflation rate, then government revenue increased by only 0.1%. Tax revenues were 12% higher than in the similar period in the previous year. Other revenues amount to 24%. Finally, oil and gas revenues were only 7% higher than in the similar period in the prior year. This was due to low oil prices. Referring to government spending, current expenditure increased by 19%, whilst capital expenditure decreased by approximately 8% over the previous year. Thus, the government faces a budget deficit amounting to IRR196 trillion, which is 53% higher than the prior year.

Financial Position of the Government (billion IRR)

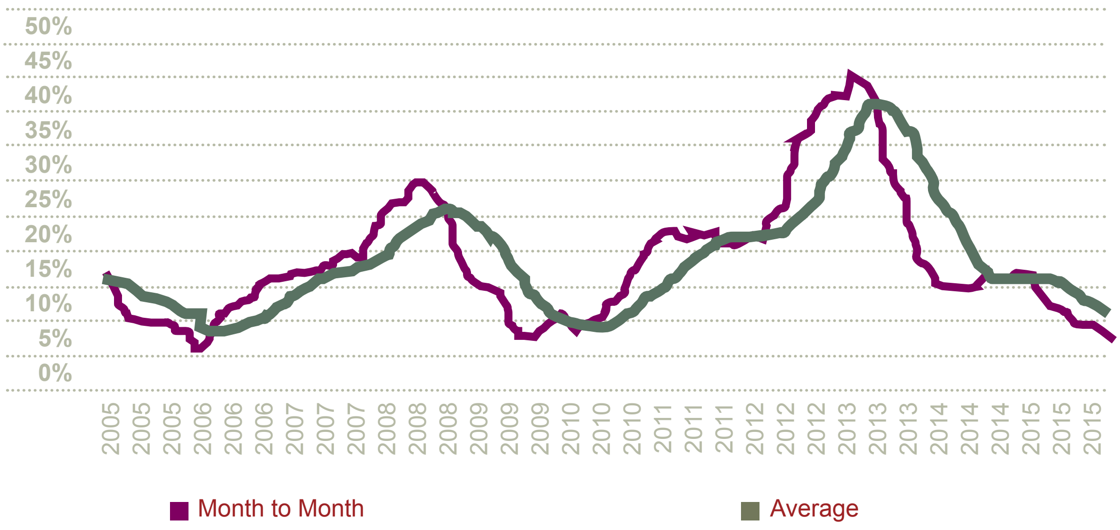
		Volume (IRR billion)			Composition (%)		Growth Rate (%)	
	Year	2013-14	2014-15	2015-16	2014-15	2015-16	2014-15 /2013-14	2015-16 /2014-15
Revenues	Taxes	494,249.5	709,651.9	791,890.5	44.1%	44.1%	44%	12%
	Oil& Gas	609,400.0	629,206.3	670,354.3	39.1%	37.3%	3%	7%
	Others	225,801.1	270,642.7	335,079.6	16.8%	18.6%	20%	24%
	Total	1,329,450.6	1,609,500.9	1,797,324.4	100%	100%	21%	12%
Expenditures	Current	1,197,646.9	1,438,316.0	1,706,885.4	82.8%	85.6%	20%	19%
	Capital	220,157.2	299,500.1	276,990.4	17.2%	13.9%	36%	-8%
	Revolving Fund	0.0	0.0	9,752.0	0.0%	0.5%	**	**
	Total	1,417,804.1	1,737,816.1	1,993,627.8	100%	100%	23%	15%
Budget Deficit	Operational Balance	-480,262.9	-460,722.3	-592,891.9	**	**	4%	-29%
	Capital Balance	391,909.4	332,407.1	396,588.5	**	**	-15%	19%
	Budget Deficit	-88,353.5	-128,315.2	-196,303.4	**	**	-45%	-53%

Inflation

According to the CBI, the average annual inflation rate reached 11.9%, which was 3.7 percentage points lower than the figure for the same period in the previous year. The month-to-month rate reached 8.3%, which is approximately half of the figure for the similar period in the past year.

A sharp drop in the annual inflation rate occurred as of September 2013. This trend continued until the end of March 2015, reaching the target of one-digit inflation rate. 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



Predictions imply that the beginning of 2016 shall be accompanied with one-digit average inflation rate. The main events contributing to the falling inflation rate include: limitations in growth of monetary aggregates, ongoing recession, declining national income, decreasing purchasing power, negative import inflation and expectations of future falling prices.

Monetary Situation

Throughout the year under review, almost all the major monetary aggregates experienced an upward trend. This was partially due to their considerable slow-down during the similar period for the past two years, essentially caused by the adoption of tight monetary policy reforms. Liquidity reached IRR7,823.8 trillion, a rise of 30%, compared to the mere 22.3% during the similar period last year. This increment in liquidity was due to a growth of 17.1% in money base, and 11% in money multiplier. The notable point that inconsiderably significant is that the growth in liquidity is in favour of long-term investment deposits. This type of deposit is not liquid enough to stimulate demand, therefore has less inflationary effects.

Within the components of the money base, net foreign assets and net CBI claims from government were increasing factors. Net foreign assets rose due to oil export increase, despite the falling oil prices as well as conversion premium on US Dollar to IRR. Growth in net CBI claims on government was due to withdrawal of government deposits from the CBI. Other net components and the CBI's claims on banks were descending factor of base money. This reduction was on account of private owned banks, since the state-owned banks were more indebted to CBI because of expansionary policies.

Monetary Aggregates (April – December)

	Balance at (IRR trillion)				Growth (%)			
	2013	2014	2015	2016	2013	2014*	2015	2016
Banking Deposits	4276.8	6061.4	7472.2	9800.9	30.4%	41.7%	23.3%	31.2%
Notes & Coins	371.6	391.9	421.8	457.1	6.6%	5.5%	7.6%	8.4%
Liquidity	4607	6395.5	7823.8	10172.9	30.0%	38.8%	22.3%	30%
Base Money	975.8	1184.9	1310.5	1535.7	27.6%	21.4%	10.6%	17.2%
Banking Credits	4138.9	5408.2	6309.1	7362.2	17.7%	30.7%	16.7%	16.7%
Money Multiplier	4.7	5.4	6.0	6.62	2.2%	14.3%	10.6%	0.6%

External Position

During the last 3 quarters of 2015, the balance of payments amounted to USD3.8 billion which was 55% lower than in the similar period in the previous year. The main components of the balance of trade remained positive and demonstrated a surplus of USD11.8 billion. However, this figure was 43% less than the similar period the year before. This was mainly due to falling oil prices which caused a decrease of 41% in oil and gas exports.

Balance of Payment (billion USD)

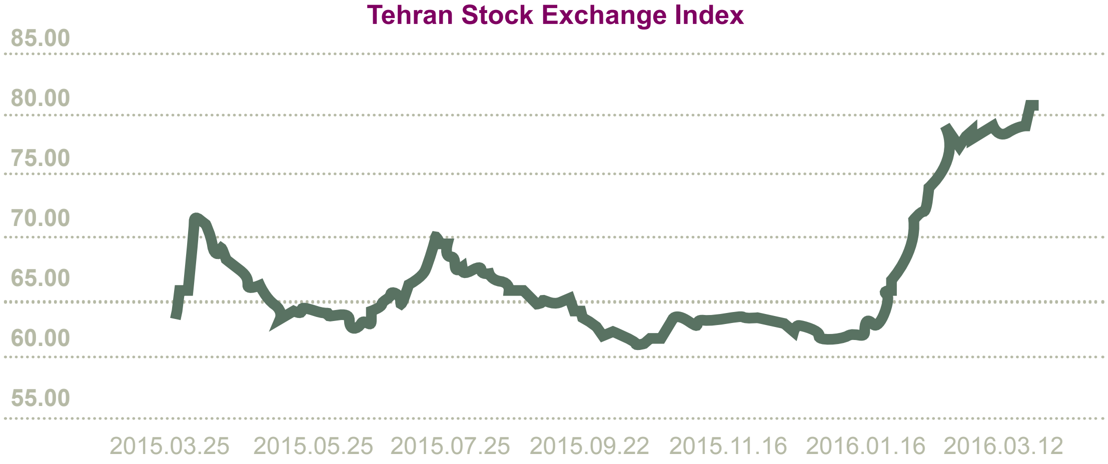
	Balance (billion USD)				(%) Growth		
	2012	2013	2014	2015	2013/12	2014/13	2015/14
Exports	67.1	73.4	69.1	50.4	9%	-6%	-27%
Oil & Gas	46.5	52.1	45.9	27.1	12%	-12%	-41%
Other Goods	20.6	21.3	23.2	23.3	3%	9%	0%
Imports of Goods	41.8	49.9	48.4	38.6	20%	-3%	-20%
Balance of Trade	25.4	23.4	20.7	11.8	-8%	-12%	43%
Services & Transfers	-3.3	-3.3	-3.8	-1.8	-1%	-17%	52%
Current Account	22.1	20.2	16.9	10	-9%	-16%	-41%
Capital Account	-11	-10.8	-4.6	2.1	1%	57%	-
Stats. Errors & Omissions	-5.5	-1.3	-4	-8.3	76%	-204%	-109%
Total Balance (Change in Reserves)	5.6	8.1	8.3	3.8	45%	3%	-55%

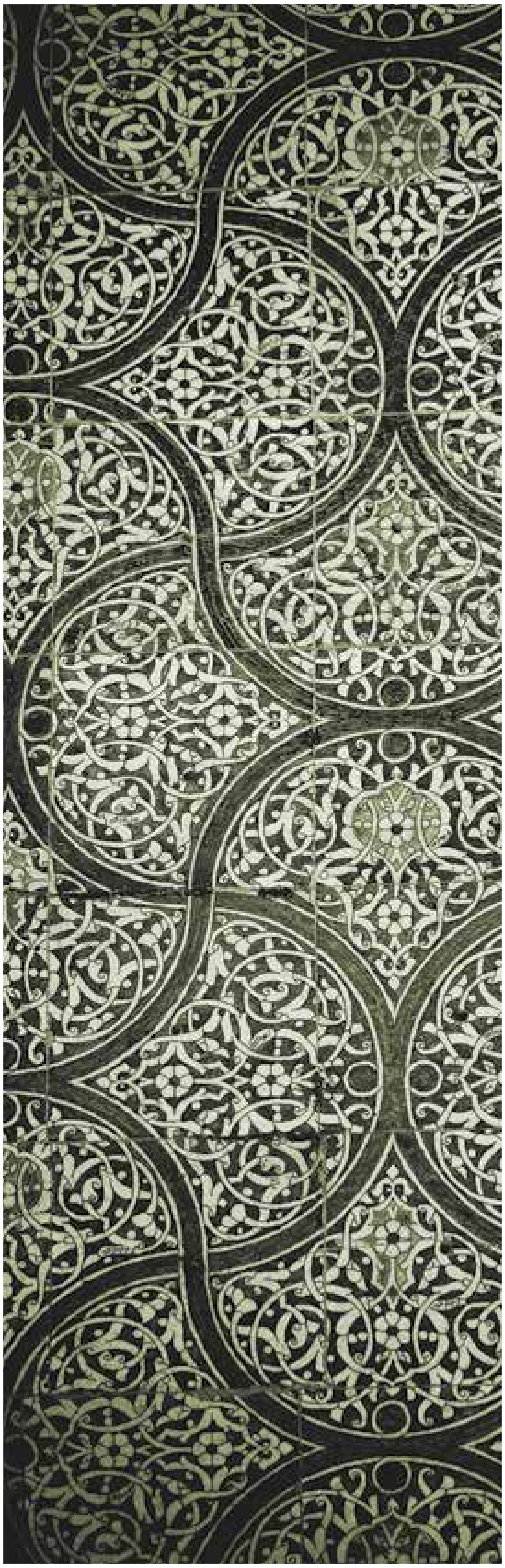
Tehran Stock Exchange (TSE)

During the last quarter of 2016, the downward trend of TSE index reversed reaching 80219 units by March 2016, representing a 28% gain. This was in contrast with its downward path in the year before, but remains far from the considerable performance of 2012 and 2013. It also led to rise in average P/E from 5.43 at the end of March 2015 to 7.45 by the same period in the following year.

It seems that the most important factor for this gain is Iran's landmark nuclear deal with western powers, which caused optimism among investors.

Tehran Stock Exchange Index





Islamic Banking Principles

Since the most basic element defining Islamic finance requires a proper comprehension of and 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

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 Gharz-al Hassaneh 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 Gharz-al Hassaneh 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 (Civil Partnership)

Under civil partnership 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. Civil partnership 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 Partnership)

In legal partnership, 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 Sale)

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

b. Ejareh-Besharte-Tamlik (Lease to Own)

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 (Forward Sale)

A Forward Sale 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 (Discounting)

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 Gharz-al Hassaneh funds from the customer) to make direct investments.

f. Mobarehe

Under the terms of Mobarehe, 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 banks, there are 7 Gharz-al Hassaneh 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.

The implementation of Joint Comprehensive Plan of Action (JCPOA) was especially crucial for Iran's banking system, since it would re-link Iranian banks with SWIFT, providing an opportunity for domestic banks to offer their clients a wide variety of banking products such as issuance of L/Cs and L/Gs, draft, bank guarantees, etc. In addition, these banking products and services all help reduce costs of transactions and monetary operations.

In spite of the enforcement of JCPOA, Iran's banking sector faced numerous challenges during the reporting financial period; one of which was the divergence of inflation and interest rates, which forced the banks to reduce their interest rates along with inflation. Furthermore, the shadow banking system (unlicensed financial institutions) also continued to undermine the legitimate banks.

During the twelve-month period ended December 2015, deposits in the banking system grew by 26.6% of which, and the share of private banks (under new classification) enjoyed a growth rate of 28.6%. This was 19.5 percentage points higher than in the similar period in 2014. During the same period, state-owned banks' deposits grew by 21.6%.

During the financial year, granted facilities grew by 13.1%. Of the total facilities granted, 8.4% was allocated towards the agriculture, 29.2% towards industry and mining, 10.3% to construction and real estate, 13.7% to commerce, 38.3% to the service and 0.1% towards miscellaneous sectors.

During the reporting financial period, the nonperforming loans reached IRR916.9 trillion, an 8.3% increase compared to the IRR725.8 trillion figure in the previous year. During the same period, nonperforming loans to total granted loans ratio experienced a rise from 11.6% in March 2015 to 13% in the following year.

This ratio which was 13.8% among the private banks in 2014-15 period increased to 15% in the following year. The same ratio increased from 8.8% in the state-owned banks in 2014-15 period to 10% in 2015-16 fiscal year.

2 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 greater market share.

Corporate Social Responsibilities

Karafarin Bank firmly believes that corporations have a moral duty to contribute to the development of societies from which they emerge and thrive. Therefore, we allocate a considerable portion of our revenues towards donating to charities, sports and social events etc.

Prizes, Distinctions & Achievements

Since its emergence, Karafarin Bank has made numerous achievements as a result of which, it was won several awards and prizes. In addition, there are several features that have set this Bank aside from other banks in Iran. These distinctions, prizes, and achievements during the recent years are outlined below:

- Second rank among Iran's top banks in terms of financial transparency, based on the assessment of the Securities & Exchange Organisation (2015-16 period).
- Obtaining the Excellence Award Customer Orientation at the nationwide Customer Satisfaction Conference (2015-16 period).
- Top Iranian bank in the banking sector among the top one hundred companies (IMI-100) listed in the Tehran Stock Exchange (TSE) in terms of sales (2014-15 period).
- Obtaining the top Iranian Bank Customer Orientation Crystal Award at the Third National TOPEX Festival (2015-16).
- Obtaining the Employment Creation Award from the Tehran Chamber of Commerce for Industries, Mines & Agriculture at the Second National Employment Creation, National Production & Economic Prosperity Conference (2015-16 period).
- Obtaining the International Organisational Success Chain Standard in banking industry from the European Union (2015-16 period).
- Third rank among Iranian banks in terms of the most favourable profit to capital ratio by the Banker (2015-16 period).
- 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 in terms of returns by the *Banker* (2014 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).
- First rank among Iran's top TSE listed banks in terms of financial transparency, awarded by the Securities & Exchange Organisation (2013-14 & 2014-15 periods).
- Obtaining the Twenty Fifth "Five Continents Award for Quality & Excellence granted by the French Management Union in Geneva" (2013-14 period).
- Obtaining a letter of gratitude and an award in the Fifth National Productivity Festival (2013-14 period).
- Being awarded the Corruption Combating Prize in the Fourth Annual Financial Fraud & Abuse Prevention Conference (2013-14 period).
- Obtaining Fourth Periodical National Financial Management Crystal Award (2013-14 period).
- Receiving a commendation in a competition relating to compliance with *Shariah Law* (usury-free banking) (2013-14 period).

Shareholders Composition

The Karafarin Bank's shareholders composition at the close of the financial period ended 19 March 2016 is stated below:

Shareholders Composition

Special Committees

The Bank includes the following specialised committees:

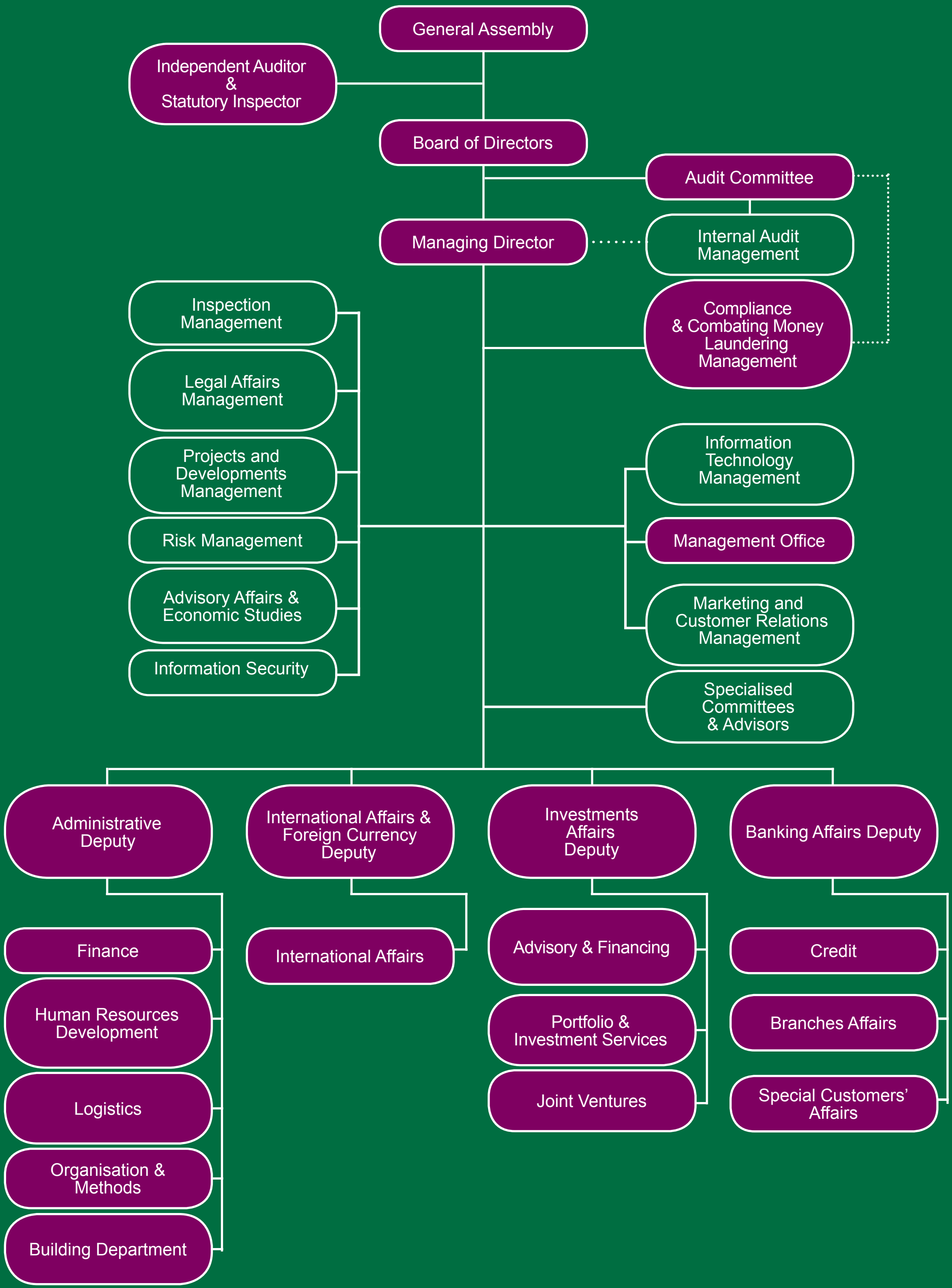
- Strategy Committee
- Planning Committee
- Management Council Committee
- Information Technology Committee
- Inspection & Audit Committee
- Nonperforming Loans Committee
- Nonperforming Loans Recovery Committee
- Assets, Liabilities & Risk Management Committee
- Planning, Development and Customer Relations & Human Resource Development Committee

Regulatory Environment

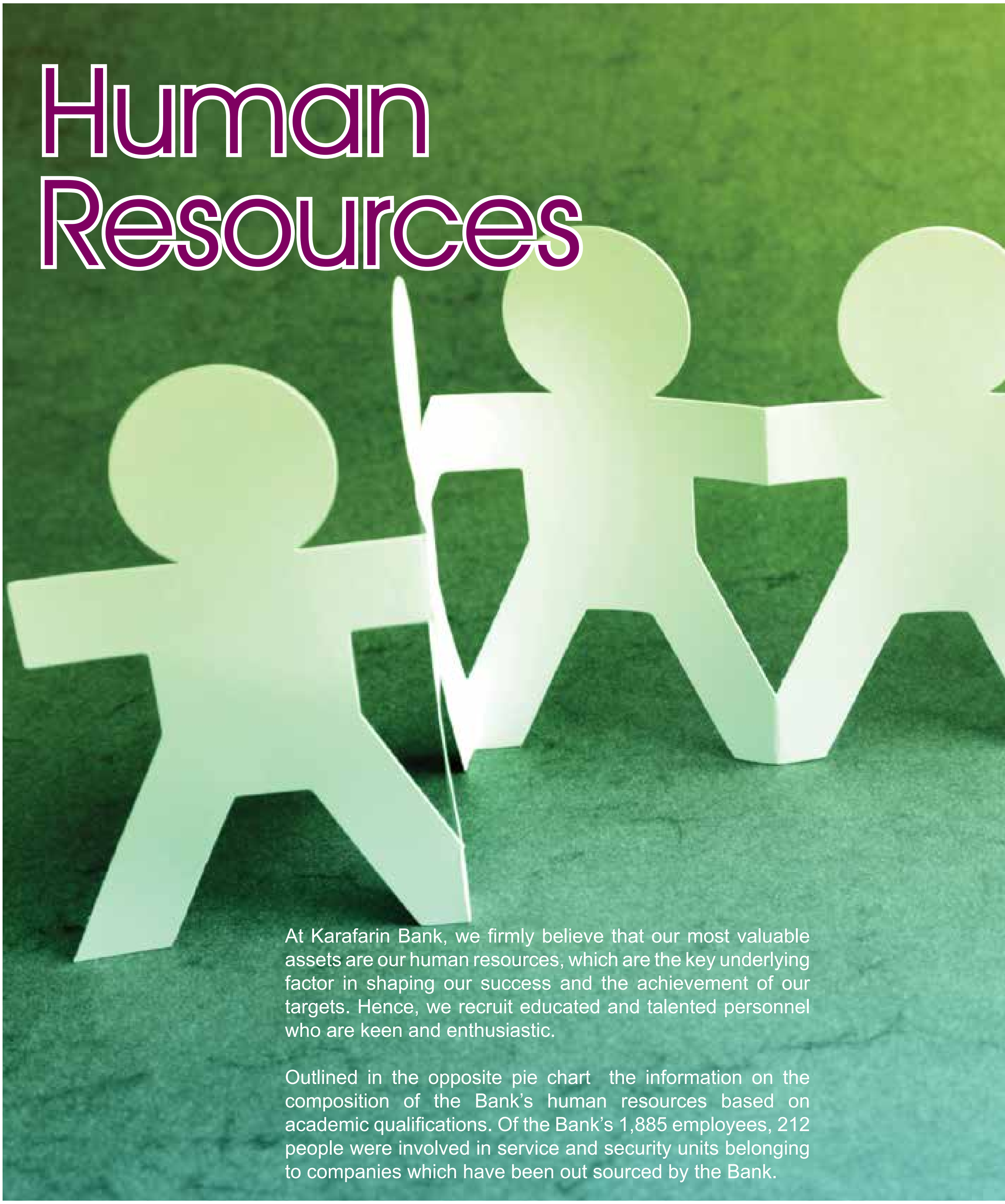
The main set of rules and regulations governing the activities of the Karafarin Bank are stated below:

- Circular 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

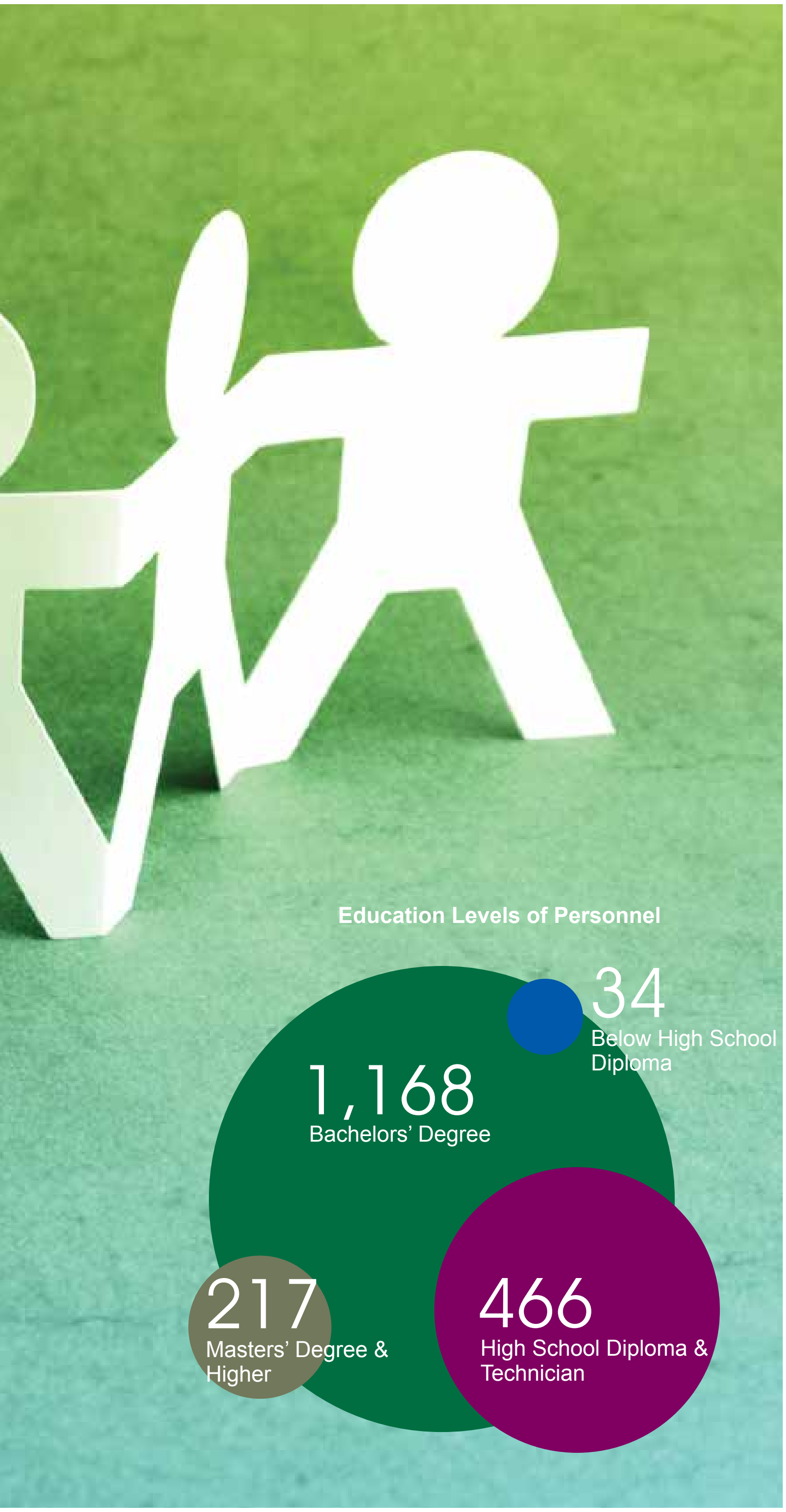


Human Resources



At Karafarin Bank, we firmly believe that our most valuable assets are our human resources, which are the key underlying factor in shaping our success and the achievement of our targets. Hence, we recruit educated and talented personnel who are keen and enthusiastic.

Outlined in the opposite pie chart the information on the composition of the Bank's human resources based on academic qualifications. Of the Bank's 1,885 employees, 212 people were involved in service and security units belonging to companies which have been out sourced by the Bank.



Capital

The Bank's initial share capital on the date of its incorporation was IRR30 billion (including 30 million shares at IRR1,000 par value). However, there have been several subsequent phases of increase in the Bank's capital that are outlined in the table below. 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	Percent	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

Development Plans

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

- Drafting an operational plan based on the strategic plan.
- Planning to expand the Bank's branch network to a total of 115 branches by March 2016.
- Boosting our international activities.
- Increasing the Bank's market share in issuance of IRR and foreign currency letters of guarantee.
- Boosting the use of modern financial tools for the purpose of increasing the Bank's market share.
- Enhancing the internal controls systems such as internal audit, control and risk management, compliance and AML systems, etc.
- Optmising investments in TSE-listed companies and optimising the management of the Bank's investment portfolio.
- Further investing in human resource development.
- Completing and upgrading various systems and infrastructure for the purpose of offering new banking products and services.
- Improving the banking network via eliminating or merging under performing branches.
- Planning to accelerate the pace of settlement of nonperforming loans via selling the repossessed properties.
- Further developing reporting based on business intelligence.
- Offering new internet banking services and developing various related reports and trouble shooting.
- Offering new services based on international card issuance.
  Offering new service cards to customers.
- Launching management terminals (monitoring and reporting) in the card services sector.
- Offering kiosk banking services.
- Further developing the Bank's building infrastructure.
- Launching projects that further secure the Bank's hardware, software and communication infrastructure.
- Further developing the Bank's online measurement terminals in service, hardware, software and operational data sectors.
- Launching the ISMS Project and its second phase which are based on ISO27001 standard.
- Introducing the BCP Project based on the ISO22301 standard.
- Launching the FIM & CM systems.
- Introducing a roadmap for the purpose of further improving data security.

3 PERFORMANCE

OPERATIONAL PERFORMANCE

Branches
Information Technology
Compliance & Anti-Money Laundering Department
Risk Management

FINANCIAL PERFORMANCE

Investments
Share Prices & Trading Information
Interest Rates of Investment Deposit Accounts
Paid Interest on Investment Deposits
Structural Distribution of Deposits
Major Items of Income Statement
Comparative Analysis of Interests Received from Granted Facilities, Deposits & Investment Revenues
EPS Forecast
Main Items of The Statement of Financial Position

OPERATIONAL PERFORMANCE

Branches

The following table outlines information on the number branches during the reporting period:

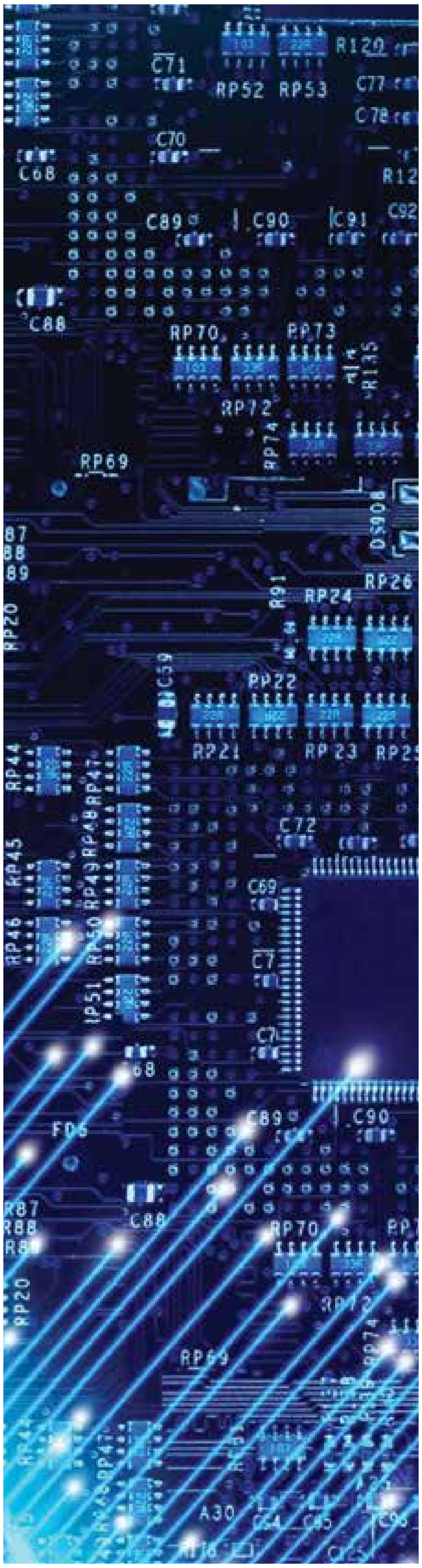
End of 2015-16 Period	Inaugurated Branches during the Year	End of 2014-15 Period
107	7	101

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 constantly look for means of enhancing the services we provide to our customers and to further improve the efficiency and security of our processes. One of the ways in which this may be achieved is to take advantage of the latest available technologies and to constantly remain up-to-date as far as information technology is concerned. Our Information Technology Department has taken numerous steps in this regard over the reporting period; some of which are stated below:

- Launching phase 1 of a service known as *Hamrah Bank*, which includes account, card and transaction tracking services.
- Launching phase 2 of *Hamrah Bank*, which includes cheques, deposit-related services, etc.
- Launching a gift card festival throughout all branches, where customers can obtain points.
- Introducing a system where customers can obtain interest-free marriage loans.
- Introducing a system where civil partnership loans which are funded by the National Development Fund, can be granted.
- Adjusting the collateral management process.
- Considerably reducing lease to own coverage from 1,050% to 4%.
- Introducing a new version of credit risk management terminal.
- Completing and launching all terminals as required by CBI.
- Introducing the means to make periodical payment orders.
- Introducing the means to make enquiries through the *Sheba* System.
- Launching a new management terminal which manages all events within the Bank and identifies discrepancies.
- Launching a short messaging system that specialises in deposit payments of Bank's personnel. This system helps the Bank in its quest to achieve human resource development.
- Launching a system which enables the Bank to exchange court verdicts.
- Reporting on balance sheets, cards transactions, AML and liquidity management based on business intelligence
- Launching a PIN PAD Project.
- Reducing EOC-EOD and KM-EOD by 1 hour and 50 minutes and EOM operations by 2 hour and 30 minutes.
- Eliminating an average of five thousand problems/month, faced by branch users.
- Launching the SWIFT 7 System.
- Launching a customer statement measurement system.
- Introducing a new portal for following up correspondence.
- Upgrading the Bank's Windows Servers from 2003 to 2008 version.



Furthermore, at Karafarin Bank, we spend a great deal of time and resources in ensuring our data remains safe and secure. Realizing the challenges by the speed of technological change and the increasingly sophisticated nature of cyber threats, we constantly take significant steps to bolster 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 threats. During the reporting financial period, this department has carried out numerous measures in this regard such as installing a configuration management system or launching the ISMS based on ISO27001 Standard. This department plans to expand the scope of its activities in the forthcoming year by installing other sophisticated systems such as the Data Leakage Prevention System, the Configuration & File Integrity Management System, Web Application Fire Wall, etc.

Furthermore, the Data Security Department carries out periodical penetration testing as an avenue for finding and eliminating vulnerabilities and provides constant training to staff in this regard. Some of the measures taken in reference with data security during the reporting financial period include:

- Implementing the ISMS Project.
- Prioritising the valuable assets of the Bank and identifying potential threats to them.
- Carrying out periodical penetration testing on the Bank's sensitive severs.
- Defining limitations and planning for the purpose of launching the BCP Project.
- Carrying out penetration testing on mobile banks.
- Drafting data security policies.
- Drafting and obtaining a documented methodology for assessing security risks and identifying acceptable risks.
- Upgrading security controls via replacing or upgrading management hardware.
- Identifying and reporting on vulnerabilities.
- Constantly training the Data Security Personnel.
- Measuring the Organisation's awareness on data security.
- Preparing a road map and prioritising the data security projects.
- Improving internal processes of the Data Security Department such as the Documents Management System, launching a Security Compromise Management System, identifying and valuing data assets.

Compliance & Anti-Money Laundering Department

The principal function of the Compliance & Anti-Money Laundering Department is to ensure the adequate implementation of rules, regulations, requirements and guidelines set forth by related bodies. The Compliance Department also aims at ensuring that the Bank's operations and procedures correspond with the monetary and banking laws and regulations whilst playing a supervisory role in order to further improve the Bank's current position in reference with combating money laundering.

Karafarin Bank has decided to revise and strengthen its Compliance & Anti-Money Laundering Department, which also complies with international standards. The main reason for this revision is that Karafarin Bank expects to boost its global operations, following the lifting of sanctions against Iran financial sector. This was part of its nuclear deal with the permanent members of the United Nations.
The main anti-money laundering (AML) measures taken by the Bank during the reporting period consist of two categories;

1. Measures Relating to External Bodies

Financial Information Unit

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

- Replying to all 624 enquiries of the Financial Information Unit in time.
- Preparing 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, on a monthly basis (1,468 cases in total).
- Reporting 2 suspicious cases 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 supervising the implementation of CBI's AML policies.

2. Measures Relating to the Bank's Internal Departments

Information Technology Department (Software)

- Supervising 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 these software play 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.

International Department

- Assessing the AML questioners received from corresponding banks abroad and complying them with the regulations and circulars set forth by the CBI.
- Assessing and approving the 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 to the queries of employees regarding AML and advising on methods of identification and reporting on suspicious cases.
- Supervising over the implementation of AML polices throughout the Bank, ensuring of compliance with instructions of CBI and Information Unit.
- Introducing the branches and executive units of the Bank via Compliance & AML portal.
- Cooperating with the Audit Management in carrying out branch inspections.
- 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 prerequisite of ensuring profitability and continuance of banking operations. At Karafarin Bank, we classify risks into four different categories, namely: credit risk, liquidity risk, interest risk as well as operational risk.

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 losses 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 financial facilities 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.

Customer Internal Credit Rating System (CICRS)

Customer credit rating plays a central role in credit risk management, since it leads to risk control and cost reduction relating to capital adequacy. Furthermore, customer credit rating can prevent possible future litigation costs.

As of April 2011, the Bank has operated an internal rating system to assess the credit worthiness of its customers. The procedures of CICRS require that all prospective applicants for loans and financial facilities submit the relevant 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.

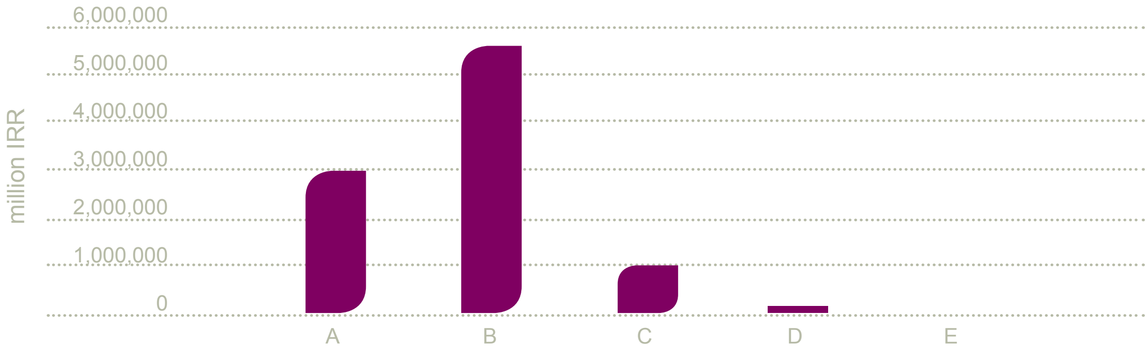
Amongst the various data used in the credit assessment process, customers' economic sector is perceived to be one of the most relevant sources of information. For each sector, CICRS identifies and measures a series of parameters that are important in ascertaining the credit standing of companies or individuals 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 table shows the distribution of facilities to legal persons according to their rating.

Ratio of Loans to the Balance of Facilities of Legal Customers

Original Balance

Individuals are rated by the Credit Committee on the basis of personal, professional, financial as well as credit information. In order to correspond the scores obtained 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 table demonstrates the distribution of facilities to individuals according to their rating.

Ratio of Loans to the Balance of Facilities to Individual Customers



Distribution of Collateral

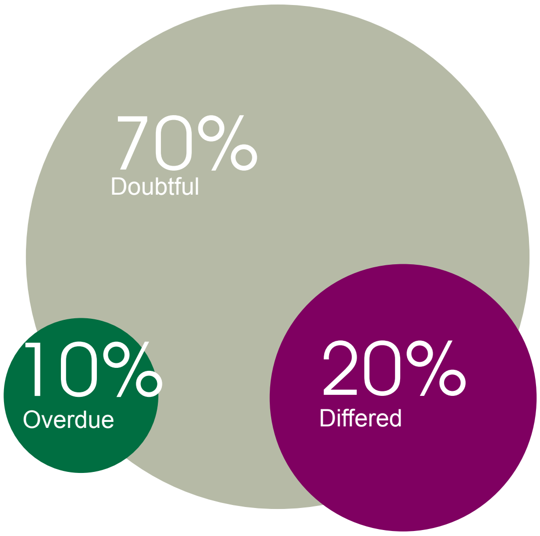
A collateral is the Bank's principal source for protection against potential cases of credit risk. The risk coverage of any collateral will be a function of its current market value and its liquidity. One of the main concerns of the Karafarin Bank in this regard is loss resulting from customer default. Hence, a comparison has been made between customer rating and low risk collateral (deposits, intangible assets, investment funds etc.). This comparison indicates that the more high risk a customer, the more low risk collateral should be obtained. The following table shows that less than 51% of total facilities granted have been covered by low risk collateral and the reminder have been covered via such collateral as promissory notes and binding contracts.

Credit Rank	Original Balance	Low Risk	Credit Risk without Coverage	Credit Risk Percentage without Coverage	Coverage Percentage of Low Risk Pledges
A	8,376,899	3,652,763	5,140,244	61%	39%
B	38,968,883	24,900,842	20,691,977	53%	47%
C	16,438,770	6,435,103	10,371,155	63%	37%
D	4,156,353	3,411,582	1,590,004	38%	62%
E	897,085	442,386	541,264	60%	40%
Without Rank	4,785,059	4,721,670	1,065,557	22%	78%
Status of Non-current Customer	7,819,482	17,479,716	445,930	6%	94%
Total	**81,442,531**	**61,044,061**	**39,846,132**	**49%**	**51%**

Non-Performing Facilities

The composition of the Bank's non-current receivables on financial facilities is reported annually, and based on CBI's classification guidelines. The ratio of Karafarin Bank's non-current facilities to total financial facilities at the end of the financial period was approximately 10%. Furthermore, Karafarin Bank allocated 75% of its credit facilities to legal persons and the remainder went towards individuals. The following pie chart demonstrates the breakdown of non-performing facilities.

Composition of Nonperforming Facilities



Market Risk

Market risk may be defined as the risk of losses 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.

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

Capital Exposed to Operational Risk (million IRR)	
Basic Indicator Approach (BIA)	3,214,377
Standard Approach (SA)	3,694,794
Advanced Measurement Approach (AMA)	1,478,613

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 the Loss Distribution Approach (LDA) as an Advanced Measurement Approach (AMA). The latter model yields greater precision and measurement accuracy but, at the same time, it involves more complexities and requires additional data. Since 2006, the Bank has been accumulating the underlying data needed for the AMA and this process is still ongoing within the Risk Management Department. The above table shows Karafarin Bank's CaR calculated via the aforementioned approaches:

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 done by avoiding certain ventures.
ii. Risk minimisation: here, the bank accepts a risk, while aiming to minimise 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. For those kind of risks which cannot be managed or reduced, the Bank must have sufficient insurance coverage, by doing so, a particular risk is shifted to insurance companies.

During the reporting financial period, Karafarin Bank continued its self-assessment program in order to control the risks of its operational units and upgraded its operational risk management software. The Bank has also revised its main risk indicators. As for the upcoming year, the main priority is to continue the self-assessment processes.

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 drafted 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:

	Beginning of 2015-16	Average Period	End of 2015-16
Cash Assets & the IRR Equivalent to Total Assets	15%	13%	11%
Cash Assets & the IRR Equivalent to Total Deposits	19%	24%	15%
Facilities to Total Deposits	196%	83%	89%
Facilities to 1-Year Deposits & Above	90%	142%	106%
Ratio of Runoff Deposits to Total Deposits	18%	11%	16%

The next table shows Karafarin Bank's liquidity reserves.

	(million IRR)	
	2014-15	2015-16
IRR Cash	374,721	480,726
Foreign Currency Cash	437,274	478,504
Sight Deposits at Central Bank (unlimited)	1,370,459	1,414,646
Sight Deposit at other Banks and Credit Institutes (unlimited)	14,809,610	11,222,217
Stamp Duty	2,698	1,897
Gold Coins	118	117
Short-Term Investments in Shares	1,871,785	2,952,441
Investments in Other Securities	87,017	47,000
Total	**18,953,682**	**16,597,549**

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 principal 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	Less than 1 Month	to 3 1 Months	3 Months to 1 Year	to 5 1 Years	Over 5 years	billion IRR No Maturity Date
Total Assets	23,325	38,528	14,103	862	0	45,093
Total Liabilities & Shareholders Equity	(1,859)	(7,009)	(48,697)	(6,552)	0	(58,985)
Gap	21,466	31,519	(34,593)	(5,690)	0	(13,892)
Accumulated Gap	21,466	52,985	18,392	12,702	12,702	(13,892)

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.

Treasury and Fund Management

The retention of cash assets (notes and coins) to accommodate demand from the Bank's customers contributes to lowering liquidity risk. However, excessive retention ratios will ultimately translate into lost opportunities in terms of potential returns on income-generating investments. Therefore, to establish a balance between these two conflicting objectives (i.e. liquidity adequacy and increasing profitability), the optimal level of cash holdings at any given time within the Bank's branches and treasury has been determined. This optimisation process is reviewed and updated periodically to reflect changes in the internal and external conditions of the Bank.

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 time-table for the implementation of LCR, starting from 60% in 2015. According to this time table, LCR should reach 100% by 2019. Karafarin Bank's LCR stood at 80% during the reporting financial period, which meets the mentioned time-table.

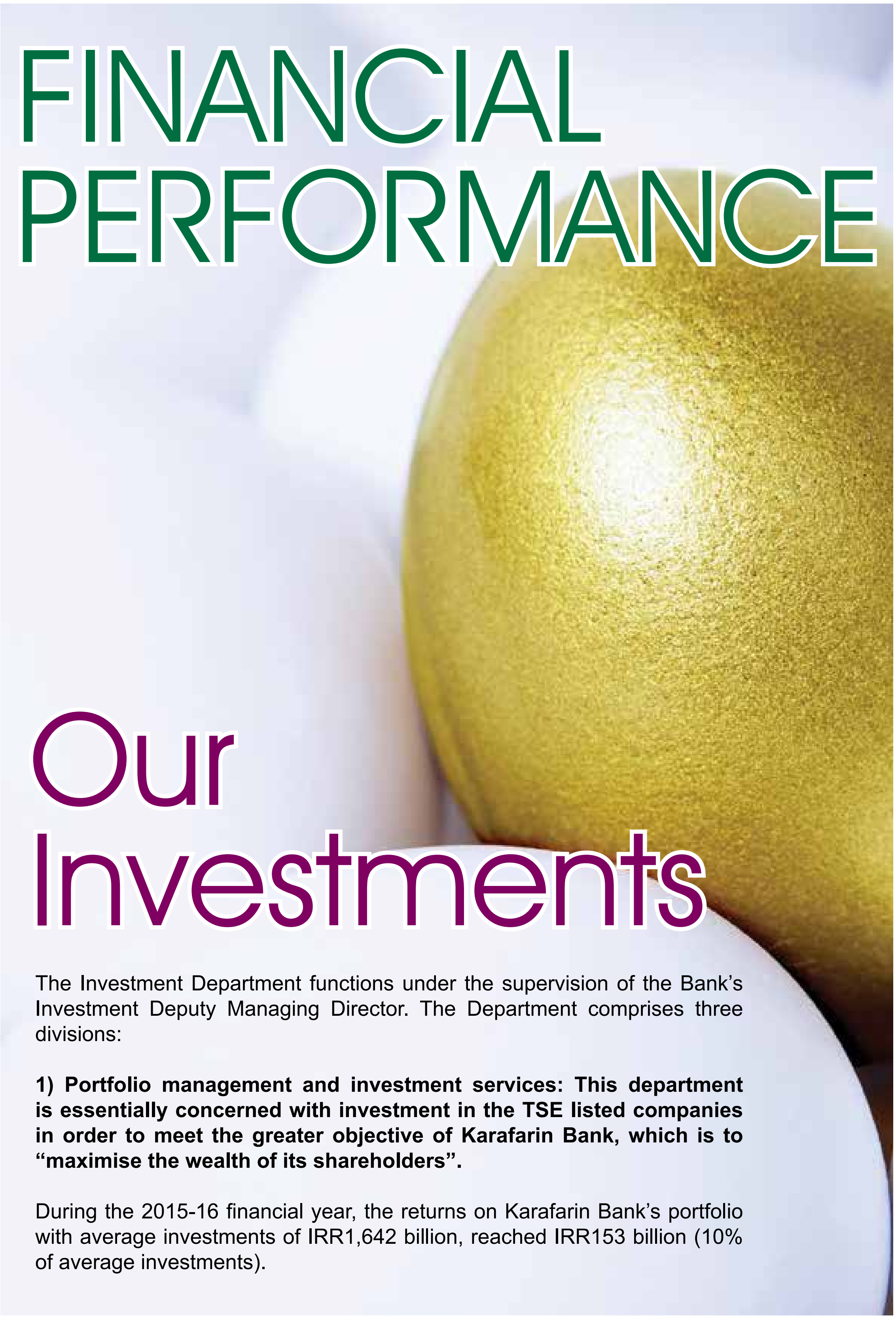
Stage III: Creating a liquidity buffer, whereby, the Risk Management Department uses various-economic models to forecast pessimistic and normal scenarios. Karafarin Bank forecasts wide scale withdrawals on three levels of treasury, SATNA and CHEKAVEK to calculate its liquidity buffer.

Capital Adequacy Risk

In order to ensure of sufficient capital coverage against risk, we use the Stress Test Method as well as a locally designed economic model. This model focuses on the effects of economic shocks on the Bank's profit and loss as well as its capital adequacy. In this regard, an important variable is the impact of foreign currency fluctuations on the Bank's capital adequacy in different scenarios. In the worst situation, where Karafrin Bank's non-performing facilities become doubtful claims, leading to the reduction of its capital, the Bank can nevertheless continue its operations under such circumstances.

Furthermore, based on the mentioned model, the Bank can sustain its profitability in a pessimistic scenario, where economic growth falls to 1% and money base growth reaches 5%, leading to increasing costs in comparison with income.

FINANCIAL PERFORMANCE



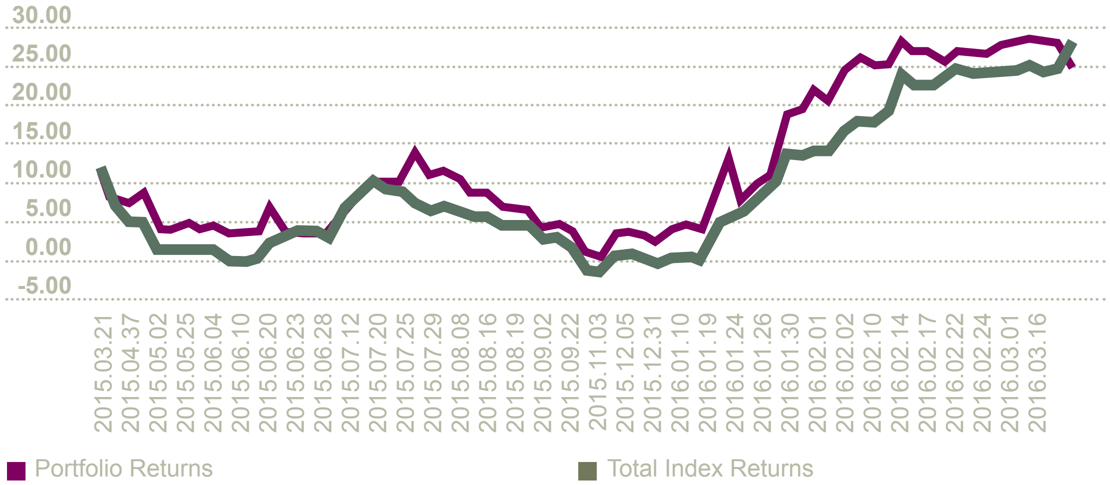
Our Investments

The Investment Department functions under the supervision of the Bank's Investment Deputy Managing Director. The Department comprises three divisions:

1) Portfolio management and investment services: This department is essentially concerned with investment in the TSE listed companies in order to meet the greater objective of Karafarin Bank, which is to "maximise the wealth of its shareholders".

During the 2015-16 financial year, the returns on Karafarin Bank's portfolio with average investments of IRR1,642 billion, reached IRR153 billion (10% of average investments).

A Comparison between Total Index & Karafarin Bank's Performance



2) Management of partnerships:

The main activities of the department are as follows:

a. Conducting analysis and reviews of participation projects referred to the Bank with a view to assess their projected risks and returns.
b. Monitoring the performance of the Bank's affiliated companies and its investment funds and developing recommendations for improvements in their operating processes.
c. Supervising the affiliated companies in respect of the development of strategic plans and ensuring their consistency with the Bank's over-arching objectives. Affiliated companies over the 2014-15 period are as follows:

A) 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 IRR50 billion. There are currently four firms which are managed by this company. These are: Karafarin Brokerage Mutual Fund (offering average returns of 23.76% in 2015-16), Arman Karafarin Company (with average returns of 20.08% in 2015-16), Karafarin Index Company (with average returns of 24.76% in 2015-16) as well as Amin Karafarin Company (offering average returns of 28.5% in 2015-16). Karafarin Bank fully owns this company.

B) Karafarin Insurance Company
The capital of Karafarin Insurance Company, which is to reach IRR1,500 in the near future currently stands at IRR1,200 billion and Karafarin Bank has a 20% stake in this company. This company operates with the aid of 1,847 agents throughout the country.

C) Karafarin Bureau de Change
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 which is fully owned by Bank Karafarin is IRR40 billion.

D) 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 the principal areas of this company's activities.
The capital of Karafarin Investment Company is IRR910 billion in which Karafarin Bank has a 54% ownership stake. This company currently oversees, Omid Karafarin Trading Development and Amin Etemad Karafarin Companies.

E) 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 endurable commodities as well as investing in the above fields of activity. The capital of this company currently stands at IRR100 billion.

F) 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.

G) Tamin Sarmaye Karafarin Company
This company provides funding for investors in Iran's capital market and acts as a financial intermediary.

3) Financing and advisory management:

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 reporting financial period are stated below:

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 IRR13,000 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. Internal Resources

In order to maximise the utility of our internal resources and granting long-term credit facilities, we have carried out the following measures during the reporting fiscal period.

- Offering long-term loans using the Bank's internal resources 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).
- 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.

Share Prices & Trading Information

The Bank gained listing on the Tehran Stock Exchange (TSE) on 27 January 2003. The shares have been coded as "vakar" and are 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 Price (IRR)	Capital (million IRR)
20.03.2014	977,289,355	2,628,626	232	232	18,456,188	2,546	7,250,000
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

Interest Rates Of Investment Deposit Accounts

Description	Interest Rate (%)		Statutory Deposit Rate (%)	
	2014-15	2015-16	2014-15	2015-16
Saving Gharz-al Hassaneh	0	0	10	10
Current Gharz-al Hassaneh	0	0	13.5	12
Short-Term Ordinary	10	10	13.5	12
Short-Term Special	18-14	18-14	13.5	12
Long-Term 1 to 5 Years	22	18	13.5	12
Deposit Certificate	22	20	13.5	12

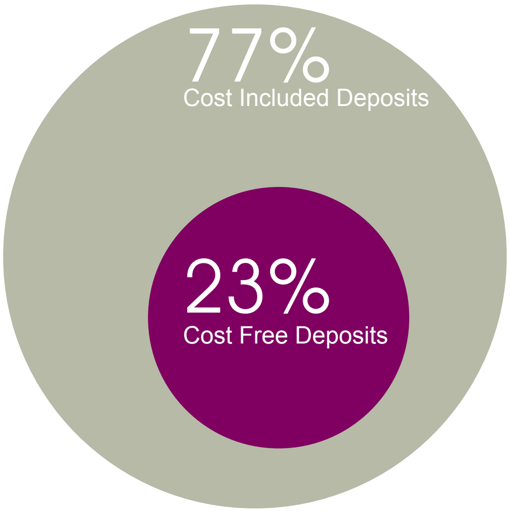
Paid Interest on Investment Deposits

Description	2013-14 (million IRR)	2014-15 (million IRR)	2015-16 (million IRR)	2014-15 to 2013-14 Change Percentage	2015-16 to 2014-15 Change Percentage
Short-Term	2,006,805	3,623,569	3,923,641	81%	8%
Short-Term Special	427,425	2,137,785	437,444	400%	(80%)
Long-Term 1 to 5 Years	5,814,935	7,840,921	9,982,493	35%	27%
Special Deposit Certificate for Public Investment	1,392,845	765,976	1,862,067	(45%)	143%
Forex Deposits	140,100	82,502	78,941	(41%)	(4%)
Total	9,782,110	14,450,754	16,284,585	48%	13%

Structural Distribution of Deposits

The following pie chart outlines the structure distribution of the Bank's deposits based on non-interest-bearing dichotomy, during the reporting period. Based on this classification, non-interest-bearing items which include current account and savings deposits and other accounts represent 23% and interest-bearing accounts which comprise short-term and long-term investment deposits account for the remaining 77% of the Bank's total deposits.

Composition of Deposits of 2015-16



Major Items Of Income Statement

(million IRR)

Description	2013-14			2014-15			2015-16		
	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 Facilities	19,001,328	81%	14%	16,652,950	80%	33%	12,495,163	86%	45%
Income from Investments & Deposits	2,100,384	12%	(31%)	3,061,978	15%	59%	1,927,575	9%	(13%)
Received Commission & Miscellaneous Revenues	1,032,946	7%	(5%)	1,091,560	5%	8%	1,012,278	5%	22%
Total Revenues	22,134,658	100%	6%	20,806,488	100%	35%	15,435,015	100%	33%
Paid Interest to Depositors	(16,284,585)	(64%)	13%	(14,450,754)	(69%)	45%	(9,932,644)	(74%)	40%
Cost of Doubtful Debts	(707,759)	(%2)	36%	(520,587)	(3%)	55%	(336,747)	(3%)	2%
Other Costs	(1,945,804)	(8%)	29%	(1,513,502)	(7%)	27%	(1,194,543)	(9%)	15%
Profit before Tax	3,196,510	26%	(26%)	4,321,646	21%	9%	3,971,082	14%	25%
Tax	(528,647)	(4%)	(15%)	(619,649)	(3%)	5%	(589,948)	(2%)	54%
Profit after Tax	2,667,863	22%	(28%)	3,701,997	18%	9%	3,381,134	12%	21%

Comparative Analysis Of Interests Received From Granted Facilities, Deposits & Investment Revenues

Description	2013-14 (million IRR)	2014-15 (million IRR)	2015-16 (million IRR)	2014-15 to 2013-14 Change Percentage	2015-16 to 2014-15 Change Percentage
Joint:					
Income from Islamic Contracts	9,839,306	14,239,313	15,104,767	45%	6%
Received Recognizance	2,298,841	2,314,710	3,766,000	1%	63%
Income form Investments & Deposits	1,840,659	3,057,452	2,093,787	66%	(32%)
Non-Joint:					
Income from Transactions	172,141	69,786	46,060	(59%)	(34%)
Received Recognizance	184,875	29,141	84,502	(84%)	190%
Income form Investments & Deposits	86,915	4,526	6,597	(95%)	46%

EPS Forecast

Description	Actual Performance of 2015-16	EPS Initial Forecast for 2015-16	% of Changes
Income from Granted Facilities	19,001,328	23,098,291	(18%)
Income from Investment in Shares of Other Companies	488,544	653,604	(25%)
Income from Investments & Participation Bonds	1,611,840	1,524,394	6%
Total	21,101,712	25,276,289	(17%)
Profit Payment of Investment Deposits	(16,284,585)	(18,295,672)	(11%)
Doubtful Debts Costs	(707,759)	(1,133,760)	(38%)
Received Commission & Result of Foreign Currency Transactions	857,888	956,985	(10%)
Net Operating Revenues	4,967,255	6,803,842	(27%)
Miscellaneous Revenues	175,058	385,950	(55%)
Financial & Commission Costs	(139,812)	(193,134)	(28%)
Administrative & General Costs	(1,805,991)	(1,757,017)	3%
Profit before Tax	3,196,510	5,239,641	(39%)
Tax	(528,647)	(893,806)	(41%)
Profit after Tax	2,667,863	4,345,834	(39%)
Net Profit to Total Operating Revenues	13%	17%	(26%)
No. of Shares - Thousand Shares	8,500,000	8,500,000	0%
Profit of Each Share after Tax - IRR *	314	511	(39%)

Main Items Of The Statement Of Financial Position

(million IRR)

Description	2013-14			2014-15			2015-16		
	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	13,831,500	16%	(19%)	17,113,162	15%	7%	15,977,315	11%	24%
Participation Bonds & Investment	3,890,151	4%	64%	2,373,565	2%	(39%)	3,899,427	3%	47.7%
Granted Facilities	81,260,142	58%	17%	69,311,354	62%	19%	58,281,424	66%	29%
Fixed Assets	10,168,460	9%	5%	9,651,535	9%	12%	8,606,410	8%	19%
Other Assets	14,156,992	13%	4%	13,623,443	12%	1%	13,493,317	11%	49%
Total Assets	123,307,245	100%	10%	112,073,059	100%	12%	100,257,893	100%	30%
Deposits	104,602,671	83%	11%	94,392,057	84%	14%	82,821,675	85%	36%
Other Liabilities	3,108,346	4%	5%	2,967,638	3%	(20%)	3,712,671	3%	(12%)
Total Liabilities	107,711,017	86%	11%	97,359,695	87%	13%	86,534,347	87%	33%
Shareholders' Equity:									
Capital	8,500,000	7%	%	8,500,000	8%	17%	7,250,000	7%	%
Statutory Reserve	3,241,164	2%	14%	2,840,984	3%	24%	2,285,685	3%	29%
Retained Profit	3,811,467	3%	15%	3,328,783	3%	14%	2,909,144	3%	8%
Surplus Assets Revaluation	43,597	1%	(%)	43,597	%	(97%)	1,278,718	0.04%	2,833%
Total Shareholders' Equity	15,896,227	14%	6%	14,713,365	13%	7%	13,723,547	13%	17%
Total Liabilities & Shareholders' Equity	123,307,245	100%	10%	112,073,060	100%	12%	100,257,893	100%	30%

4 INDEPENDENT AUDITOR'S REPORT

Farivaran Audit Firm
Certified Accountants Trusted by the Securities & Exchange Organisation

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 statement of financial position as at 20 March 2015 (29 Esfand 1394) 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 56.

Management's Responsibility for the Financial Statements

2- Management 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.

Basis for Qualified Opinion

4- The financial statements of this report have been prepared on the basis of "sample financial statements of banks and credit institutes' which have been notified via the Central Bank of the Islamic Republic of Iran (CBI) and the requirements of the supervising body. Instances such as presenting the investment depositors equity and liabilities separately on the balance sheet, presenting the performance of investment deposits as one of the major items of the financial statements, presenting the adjustments statement in shareholders' equity and failure to register retained earnings account turnover in the Profit and Loss Statement and including *the nonfinancial items in the explanatory notes of the financial statements, do not comply with accounting standards.*

Qualified Opinion

5- In our opinion, except for the contents of paragraph 4, 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 March 2016, and its financial performance and cash flows for the year then ended in accordance with Iranian Financial Reporting Standards.

Emphasis of Matter

6- As stated in note 8.3 to the financial statements, the Central Bank of Iran debited Karafarin Bank's current account IRR741 billion at the end of the Iranian calendar year 1390 (March 2012), for excess withdrawal. In addition, it has claimed the amount of IRR938 billion as penalties, due to the mentioned excess withdrawal. The Bank's follow-ups regarding determining the fate of amounts withdrawn have led to CBI's reviews and reconsideration for the 2011-12 and 2012-13 periods. The fate of the aforementioned withdrawal is dependent upon special reviews and decision of the CBI Effects of this paragraph have not resulted in qualifying our opinion.

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

Report on Other Duties of the Legal Inspector

7- Minute of the general assembly of the shareholders dated 1394/03/24 (14.06.2015) which refers to selection of the board of directors and the minute of the board of directors' meeting dated 1393/09/24 (15.12.2014) which refers to selecting a managing director and determining his scope of authority have not been registered at the Tehran Corporate Registration Department and thus, articles 106 and 124 of Commercial Code as Amended have not been complied.

8- Although article 64 of the Articles of Association of the Bank requires that board members should only be selected from natural persons, the current board of directors is composed of six members which are legal persons.

9- According to the Article 74 of the Articles of Association, the Board of Directors are required to select a chairman and a vice-chairman from among themselves in their first board meeting and within a maximum one week period as of the general assembly meeting. However, the contents of Article 74 have not been complied in this regard.

10- We have examined the transactions in note 54 of the financial statements which we have been notified of, via the Board of Directors. These transactions are liable to Article 129 of the Commercial Code of Iran. The aforementioned transactions have incurred according to the mentioned article, which refers to obtaining a license from the Board of Directors and the beneficiary board member, not taking part in the voting process. We did not encounter any event where the mentioned transactions have not taken place under ordinary course of business and banking operations conditions.

11- 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 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.

Report on other Duties of the Auditor

12- The following banking regulations and circulars have not been complied:

i. Considering the financial criteria of customers and their industry's conditions concerning their activities, for the purpose of classifying assets and failure to comply with the Claims Provision Instruction.
ii. The determined quorum of large-scale commitments and facilities granted to the beneficiaries of the unit with reference to three companies as well as the total commitments and credit facilities granted to related persons.
iii. Drafting an integrated instruction for the purpose of identifying and registering all large-scale facilities and commitments and any amendments that follow.
iv. The net fixed assets and repossessed collateral to shareholders equity ratio.
v. The investment limit in companies which are to provide revenues and in companies that are to expand the scope of banking services.
vi. Purchasing the shares of the Bank via its influential companies.
vii. Making inquiries regarding tax conditions of borrowers prior to granting facilities.
viii. Allocating 95% of Gharz-al Hassaneh resources towards Gharz-al Hassaneh facilities.
ix. Disclosing financial information in the notified financial statements.

13- The executive instruction of the Securities & Exchange Organisation referring to information disclosure have not been complied in the following instances:

i. Information regarding investment portfolio of the subsidiary company for first quarter of the year.
ii. The mid-term financial statements for the period ended 1394/06/31 (22.09.2015) of the companies under influence.
iii. The minute of the ordinary general assembly meeting dated 1394/04/30 (21.07.2015) following the meeting and registration.

14- Based on the Securities & Exchange Organisation's instruction, the shareholders' equity to total assets ratio of the listed companies in the primary market should be at least 20%. According to the financial statements of the reporting period, this ratio stands at 12%.

15- We have reviewed the financial reporting requirements of internal controls, under the framework of notified checklists.

16- 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, we did not encounter any significant event of breach of the mentioned regulations.

6 July 2016
Farivaran Audit Firm

Mohammad Saeed Asgharian	***Javad Bostanian***
800132	***800056***

Karafarin Bank (PJSC)
Consolidated Balance Sheet
At 19 March 2016

Assets	Note	Restated 20 March 2015	19 March 2016
		IRR million	IRR million
Cash	8	17,121,420	13,665,121
Dues from Other Banks & Credit Institutions	9	118,282	233,392
Granted Facilities & Dues from Non-Governmental People	10	70,194,238	81,587,481
Investment in Shares & Other Securities	11	3,316,555	4,553,792
Other Receivable Accounts	13	1,541,310	2,062,024
Tangible Fixed Assets	14	5,486,421	5,969,037
Intangible Assets	15	4,018,617	4,186,569
Legal Deposit	16	10,334,493	10,027,037
Other Assets	17	1,049,181	2,150,209
Total Assets		113,180,517	124,434,661
Clients' Commitments for Letters of Credit	48-1	2,831,467	4,387,485
Clients' Commitments for Issued Guarantees	48-2	22,097,589	20,069,171
Other Clients' Commitments	48-3	386,493,086	452,079,861
Managed Funds & Similar Items	48-4	402,749	197,394

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

Karafarin Bank (PJSC)
Consolidated Balance Sheet
At 19 March 2016

Liabilities, Equity for Owners of Investment Deposits & Shareholders' Equity	Note	Restated 20 March 2015	20 March 2016
		IRR million	IRR million
Liabilities:			
Dues to Other Banks & Credit Institutions	18	12,864,480	13,929,521
Clients' Deposits	19	6,232,718	14,520,490
Payable Dividend	20	88,233	79,444
Performance Tax Provision	21	766,689	475,402
Provisions & Other Liabilities	22	1,984,448	2,495,797
Provision for Termination Benefits	23	267,397	327,404
Total Liabilities		22,203,966	31,828,058
Equity for Owners of Investment Deposits:			
Term Investment Deposits	24	75,990,045	76,597,786
Payable Interest on Term Investment Deposits	25	12,108	12,075
Total Equity for Owners of Investment Deposits		76,002,153	76,609,861
Total Liabilities, Equity for Owners of Investment Deposits		98,206,119	108,437,920
Shareholders' Equity:			
Capital	26	8,500,000	8,500,000
Statutory Reserves	27	2,868,329	3,272,676
Other Reserves	28	5,045	5,660
Surplus of Assets Revaluation	29	43,597	43,597
Shareholders' Equity – with No Control	30	151,979	331,741
Retained Earnings		3,405,448	3,843,068
Total Shareholders' Equity		14,974,398	15,996,741
Total Liabilities, Equity for Owners of Investment Deposits & Shareholders' Equity		113,180,517	124,434,661
Bank's Commitments for Letters of Credit	48-1	2,831,467	4,387,485
Bank's Commitments for Issued Guarantees	48-2	22,097,589	20,069,171
Other Bank's Commitments	48-3	386,493,086	452,079,861
Managed Funds & Similar Items	48-4	402,749	197,394

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

Karafarin Bank (PJSC)
Consolidated Income Statement
For the Year Ended 19 March 2016

	Note	Restated 2014-15	2015-16	
		IRR million	IRR million	IRR million
Income from Granted Facilities & Investment	31	18,820,127	20,839,658	
Cost of Deposits' Profit	36	(14,325,492)	(16,132,464)	
Net Income from Facilities & Investment		4,494,634		4,707,194
Commission Income	37	681,258	662,126	
Commission Expense	38	(63,143)	(53,858)	
Net Commission Income		618,115		608,268
Net Investments Profit	32	748,333	224,411	
Net Profit of Foreign Currency Transactions	39	192,847	261,204	
Total Operating Revenues		941,180		485,615
Other Revenues	40	464,860		331,226
General & Administrative Expenses	41	(1,472,350)		(1,820,830)
Doubtful Debts Expenses	42	(527,648)		(710,473)
Financial Expenses	43	(254,029)		(320,756)
Depreciation Expenses	44	(87,550)		(98,652)
Interest before Considering Group's Quota from Interest of Affiliated Companies		4,177,212		3,181,591
Group's Quota from Interest of Affiliated Companies		68,754		30,321
Profit before Tax		4,245,966		3,211,912
Income Tax	21	(665,476)		(572,058)
Net Profit		3,580,490		2,639,854
Shareholders' Profit – with No Control		7,685		58,845
Earnings per Share (IRR)	50	433		311

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

Since the Comprehensive Income Statement is limited to the profit (loss) of the period and prior years' adjustments, the Comprehensive Income Statement is not presented.

Karafarin Bank (PJSC)
Statement of Changes in Consolidated Shareholders' Equity
For the Year Ended 19 March 2016

		2015-16							
	Note	**Capital**	**Flowing Capital Increase**	**Statutory Reserve**	**Other Reserves**	**Surplus of Assets Revaluation**	**Shareholders' Equity with No Control**	**Retained Profit**	**Total Shareholders' Equity**
		IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Balance at 21.03.2015		8,500,000	0	2,868,329	5,045	43,597	151,979	3,577,554	15,146,503
Net Profit								2,639,854	2,639,854
Prior Years' Adjustments	45							(172,105)	(172,105)
Total Profit		8,500,000	0	2,868,329	5,045	43,597	151,979	6,045,303	17,614,252
Distribution & Allocation									0
Statutory Reserve	27			404,347				(404,347)	0
Other Reserves	28				614			(614)	0
Minority Interest							179,763		179,763
Ratified Dividend	20							(1,797,273)	(1,797,273)
Total		**0**	**0**	**404,347**	**614**		**179,763**	**(2,202,235)**	**(1,617,511)**
Balance at 19.03.2016		**8,500,000**	**0**	**3,272,676**	**5,660**	**43,597**	**331,741**	**3,843,068**	**15,996,741**

Karafarin Bank (PJSC)
Statement of Changes in Consolidated Shareholders' Equity
For the Year Ended 19 March 2016

		2014-15							
	Note	Capital	Flowing Capital Increase	Statutory Reserve	Other Reserves	Surplus of Assets Revaluation	Shareholders' Equity with No Control	Retained Profit	Total Shareholders' Equity
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Balance at 21.03.2014		7,250,000	1,250,000	2,318,434	4,543	43,597	8,833	3,402,670	14,278,077
Net Profit								3,580,490	3,580,490
Prior Years' Adjustments	45							(473,254)	(473,254)
Total Profit		7,250,000	1,250,000	2,318,434	4,543	43,597	8,833	6,509,906	17,385,313
Capital Increase									
Capital Increase – Registered		1,250,000	(1,250,000)						0
Distribution & Allocation									
Statutory Reserve	27		549,894					(549,894)	0
Other Reserves	28			502				(502)	0
Minority Interest							**143,146**		**143,146**
Ratified Dividend	20							**(2,544,061)**	**(2,544,061)**
Total		**1,250,000**	**(1,250,000)**	**549,894**	**502**		**143,146**	**(3,104,458)**	**(2,410,915)**
Balance at 20.03.2015		**8,500,000**	**0**	**2,868,329**	**5,045**	**43,597**	**151,979**	**3,405,448**	**14,974,398**

Karafarin Bank (PJSC)
Consolidated Cash Flows Statement
For the Year Ended 19 March 2016

	Note	2014-15	2015-16	
		IRR million	IRR million	IRR million
Operating Activities				
Net Cash Inflow (Outflow) from Operating Activities	46	5,051,658		554,024
Profit Paid for Financing				
Profit Paid for Financial Facilities		(273,042)	(320,756)	
Paid Dividend		(2,557,462)	(1,806,063)	
Net Cash Outflow from Paid Profit for Financing		(2,830,505)		(2,126,819)
Income Tax				
Income Tax Paid		(870,604)		(848,507)
Investment Activities				
Funds Paid for Acquiring Tangible Fixed Assets		(1,192,761)	(690,261)	
Funds Received for Sales of Fixed Tangible Assets		81,739	1,452	
Funds Paid for Acquiring Intangible Assets		(140,105)	(102,035)	
Net Cash Inflow (Outflow) from Investment Activities		(1,251,128)		(790,843)
Net Cash Inflow (Outflow) before Financing Activities		99,422		(3,212,145)
Financing Activities				
Capital Increase		161,129	0	
Obtaining Loans		458,039	146,300	
Repayment of Principal Amounts of Loans		(22,977)	(536,548)	
Net Cash Inflow (Outflow) from Financing Activities		596,191		(390,248)
Net Increase (Decrease) in Cash		695,613		(3,602,393)
Cash at the Beginning of the Year		16,351,242		17,239,702
Effect of Foreign Exchange Differences		192,847		261,204
Cash at the End of the Year		17,239,702		13,898,513
Non-Cash Transactions	47	1,179,240		703,528

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

Karafarin Bank (PJSC)
Balance Sheet
At 19 March 2016

Assets	Note	Restated 20 March 2015	19 March 2016
		IRR million	IRR million
Cash	8	16,994,880	13,598,108
Dues from Other Banks & Credit Institutions	9	118,282	233,392
Granted Facilities & Dues from Non-Governmental People	10	69,311,354	81,260,142
Investment in Shares & Other Securities	11	2,373,565	3,890,151
Dues from Affiliated & Subsidiary Companies	12	951,463	664,106
Other Accounts Receivable	13	1,325,192	1,322,827
Tangible Fixed Assets	14	5,634,990	6,057,666
Intangible Assets	15	4,016,545	4,110,794
Legal Deposit	16	10,334,493	10,027,037
Other Assets	17	1,012,295	2,143,022
Total Assets		112,073,059	123,307,245
Clients' Commitments for Letters of Credit	48-1	2,831,467	4,387,485
Clients' Commitments for Issued Guarantees	48-2	22,097,589	20,069,171
Other Clients' Commitments	48-3	386,493,086	452,079,861
Managed Funds & Similar Items	48-4	402,749	197,394

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

Karafarin Bank (PJSC)
Balance Sheet
At 19 March 2016

Liabilities, Equity for Owners of Investment Deposits & Shareholders' Equity	**Note**	**Restated 20 March 2015**	**19 March 2016**
		IRR million	**IRR million**
Liabilities:			
Dues to Other Banks & Credit Institutions	18	11,799,513	13,254,802
Clients' Deposits	19	6,232,718	14,520,490
Payable Dividend	20	13,799	12,687
Performance Tax Provision	21	666,812	443,859
Provisions & Other Liabilities	22	2,012,436	2,319,440
Provision for Termination Benefits	23	262,482	320,285
Total Liabilities		20,987,760	30,871,564
Equity for Owners of Investment Deposits:			
Term Investment Deposits	24	76,359,826	76,827,379
Payable Profit of Term Investment Deposits	25	12,108	12,075
Total Equity for Owners of Investment Deposits		76,371,935	76,839,454
Total Liabilities, Equity for Owners of Investment Deposits		97,359,695	107,711,017
Shareholders' Equity:			
Capital	26	8,500,000	8,500,000
Statutory Reserves	27	2,840,984	3,241,164
Surplus of Assets Revaluation	29	43,597	43,597
Retained Earnings		3,328,783	3,811,467
Total Shareholders' Equity		14,713,365	15,596,227
Total Liabilities, Equity for Owners of Investment Deposits & Shareholders' Equity		112,073,059	123,307,245
Bank's Commitments for Letters of Credit	48-1	2,831,467	4,387,485
Bank's Commitments for Issued Guarantees	48-2	22,097,589	20,069,171
Other Bank's Commitments	48-3	386,493,086	452,079,861
Managed Funds & Similar Items	48-4	402,749	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 19 March 2016

	Note	Restated 2014-15	2015-16	
		IRR million	IRR million	IRR million
Joint Revenues				
Income from Granted Facilities	31	16,554,023	18,704,703	
Income from Deposits	31	1,840,294	1,504,181	
Net Investments Profit	32	1,121,340	488,544	
Total Joint Revenues		19,515,657		20,697,429
Bank's Resources Quota from Joint Revenues	33	3,981,826		3,097,469
Depositors' Quota from Joint Revenues before Deduction of Attorney Fees		15,533,832		17,599,960
Attorney Fees	34	(1,798,683)		(2,116,408)
Depositors' Quota from Joint Revenues		13,735,149		15,483,552
Bonus of Legal Interest of Investment Deposits	33	98,818		101,062
Final Allocated Interest to Investment Deposits		13,830,967		15,584,614
On-account Paid Interest to Investment Deposits	35	(14,368,252)		(16,205,644)
Difference of Payable Interest (Surplus of Paid Interest) to Depositors		(537,285)		(621,030)

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

Karafarin Bank (PJSC)
Income Statement
For the Year Ended 19 March 2016

	Note	Restated 2014-15	2015-16	
		IRR million	IRR million	IRR million
Income from Granted Facilities & Investment	31	18,593,587	20,613,168	
Cost of Deposits' Profit	36	(14,450,754)	(16,284,585)	
Net Income from Facilities & Investment		4,142,834		4,328,583
Commission Income	37	640,964	596,684	
Commission Expense	38	(63,143)	(53,858)	
Net Commission Income		577,821		542,826
Net Investments Profit	32	1,121,340	488,544	
Net Profit of Foreign Currency Transactions	39	192,847	261,204	
Total Operating Revenues		1,314,187		749,748
Other Revenues	40	257,749		175,058
General & Administrative Expenses	41	(1,345,410)		(1,694,440)
Doubtful Debts Expenses	42	(520,587)		(707,759)
Financial Expenses	43	(264)		(85,955)
Depreciation Expenses	44	(104,684)		(111,552)
Profit before Tax		4,321,646		3,196,510
Income Tax	21	(619,649)		(528,647)
Net Profit		3,701,997		2,667,863

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

Since the Comprehensive Income Statement is limited to the profit (loss) of the period and prior years' adjustments, the Comprehensive Income Statement is not presented.

Karafarin Bank (PJSC)
Statement of Changes in Shareholders' Equity
For the Year Ended 19 March 2016

		2015-16					
	Note	Capital	Flowing Capital Increase	Statutory Reserve	Surplus of Assets Revaluation	Retained Profit	Total Shareholders' Equity
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Balance at 21.03.2015		8,500,000	0	2,840,984	43,597	3,501,341	14,885,922
Net Profit						2,667,863	2,667,863
Prior Years' Adjustments	45					(172,558)	(172,558)
Total Profit		8,500,000	0	2,840,984	43,597	5,996,646	17,381,227
Distribution & Allocation							0
Statutory Reserve	27			400,179		(400,179)	0
Ratified Dividend	20					(1,785,000)	(1,785,000)
Total		**0**	**0**	**400,179**		**(2,185,179)**	**0**
Balance at 19.03.2016		**8,500,000**	**0**	**3,241,164**	**43,597**	**3,811,467**	**15,596,227**

Karafarin Bank (PJSC)
Statement of Changes in Shareholders' Equity
For the Year Ended 19 March 2016

		2014-15					
	Note	**Capital**	**Flowing Capital Increase**	**Statutory Reserve**	**Surplus of Assets Revaluation**	**Retained Profit**	**Total Shareholders' Equity**
		IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Balance at 21.03.2014		7,250,000	1,250,000	2,285,685	43,597	3,222,106	14,051,387
Net Profit						3,701,997	3,701,997
Prior Years' Adjustments	45					(490,020)	(490,020)
Total Profit		7,250,000	1,250,000	2,285,685	43,597	6,434,083	17,263,365
Capital Increase							
Capital Increase – Registered		1,250,000	(1,250,000)				0
Distribution & Allocation							
Statutory Reserve	27			**555,300**		**(555,300)**	**0**
Other Reserves	28					**0**	**0**
Ratified Dividend	20					**(2,550,000)**	**(2,550,000)**
Total		**1,250,000**	**(1,250,000)**	**555,300**		**(3,105,300)**	**(2,550,000)**
Balance at 20.03.2015		**8,500,000**	**0**	**2,840,984**	**43,597**	**3,328,783**	**14,713,365**

Karafarin Bank (PJSC)
Cash Flows Statement
For the Year Ended 19 March 2016

	Note	2014-15	2015-16	
		IRR million	IRR million	IRR million
Operating Activities				
Net Cash Inflow (Outflow) from Operating Activities	46	5,190,804		(277,281)
Interest Paid for Financing				
Interest Paid for Financial Facilities		(19,278)	(85,955)	
Dividend Paid		(2,558,533)	(1,786,111)	
Net Cash Outflow from Paid Profit for Financing		(2,577,811)		(1,872,066)
Income Tax				
Income Tax Paid		(802,910)		(736,762)
Investment Activities				
Funds Paid for Acquiring Tangible Fixed Assets		(1,053,707)	(650,682)	
Funds Received for Sales of Fixed Tangible Assets		2,832	6,644	
Funds Paid for Acquiring Intangible Assets		(137,659)	(39,347)	
Funds Received for Sales of Intangible Assets		0	26,628	
Net Cash Inflow (Outflow) from Investment Activities		(1,188,534)		(656,757)
Net Cash Inflow (Outflow) before Financing Activities		621,549		(3,542,866)
Financing Activities				
Capital Increase		14,879	0	
Net Cash Inflow (Outflow) from Financing Activities		14,879		0
Net Increase (Decrease) in Cash		636,428		(3,542,866)
Cash at the Beginning of the Year		16,283,887		17,113,162
Effect of Foreign Exchange Differences		192,847		261,204
Cash at the End of the Year		17,113,162		13,831,499
Non-Cash Transactions	47	1,179,240		703,528

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

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

1. HISTORICAL BACKGROUND OF ACTIVITIES

1.1. Overview

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

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.

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 legal framework, 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.
- 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 tax 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:

	2014-15	2015-16
Branches-Tehran Province	53	58
Branches-Other Provinces	46	47
Branches-Free Zones	2	2
	101	107

1.4. Employees

The number of employees at the end of the year is reported as follows:

	2014-15	2015-16
Head Office	556	575
Branches-Tehran Province	533	561
Branches-Other Provinces	534	521
Branches-Free Zones	17	16
Employees of the Service Companies	227	212
	1,867	1,885

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.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

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.

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

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..

7- SIGNIFICANT ACCOUNTING POLICIES

7-1- Investments

7-1-1- Method of Evaluation

Long-term investments are evaluated at cost less any accumulated value decrease of each investment and current short-term investments are evaluated at market value and other current investments are evaluated at lower of cost or market and net sale value of any of investments.

7-1-2- Method of Income Recognition

Investment income in subsidiaries and affiliated companies stocks is recognized at the time of dividend approval by investee's shareholders general assembly (up to financial statements approval) and income of other current and long-term investments is recognised at the time of dividend approval by investee's shareholders general assembly (up to date of balance sheet).

7-2- Fixed Tangible Assets

7-2-1- Fixed tangible assets are registered in accounts at cost basis. Improvements and major repairs expenses, which cause significant increase in capacity and useful life of fixed assets or improvement in output quality, are considered as capital expenditures and are depreciated during useful life of other related assets. Maintenance and minor repairs expenses, made in order to maintain or improve the expected economic benefits of trade unit to the extent of initial evaluated performance standards of assets, are considered as current expenses upon occurrence and mentioned in profit and loss account.

7-2-2- Depreciation on tangible 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 and Method	Depreciation Method
Buildings	7%	Declining
Installations	7%	Declining
Furniture and Fixtures	10-Year	Straight Line
Computer Equipment	3-Year	Straight Line
Transport Vehicles	25% & 35%	Declining

7-2-3- 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% of the rates as outlined in the above table.

7-3- Intangible Assets
Intangibles are reflected in financial statements at historical cost of acquisition after deduction of accumulated depreciation and devaluation. Goodwill is not subject to any amortisation. Administrative and operations software are amortised using the straight line method over a 5-year period.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

7-4- Income Recognition on Facilities, Commissions & Late Payment Penalties

According to the ratification of Money & Credit Council meeting no. 1044 dated 16 July 2005, announced through CBI circular number MB/772 dated 18 July 2005, recognition of granted facilities profit is by accrual method. In addition, based on circular number 94/258020 dated 30 November 2015, no accrual income is recognised for doubtful loans. Hence, the method for recognition of the Bank's income is as follows:

Interest, Granted Facilities & Commission	Recognition Method
Interest from Granted Facilities	
Current	Commitment
Overdue	Commitment
Deferred	Commitment
Doubtful	Cash
Penalty	
Current	Cash
Overdue	Cash
Deferred	Cash
Doubtful	Cash
Commission	
Commission of Issued Guarantees	Cash
Commission of Other Banking Services	Cash
Commission of Gharz-al Hassaneh Granted Facilities	Cash

7-5- 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 with respect to CBI circular 94/69643 dated 10 June 2015, joint income, joint facilities/resources and depositors' share from joint income are calculated and the results are reported in investment deposits performance statement.

7-6- Classification of Financial Facilities

The Bank evaluates and classifies its 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 number MB/2823 of 24 February 2007) and by considering 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.

A) 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.

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

C) 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 collect outstanding amounts.

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

• The Bank's management has made no judgment on the financial statements beyond the above circular.

7-7- Provision for Doubtful Dues

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 number 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 facilities' balances after deduction of those facilities that are subject to special provisions.

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

Classification	Factor (%)
Past Due Facilities	10
Deferred Facilities	20
Doubtful Facilities (based on customer-specific assessments of repayment ability)	50 to 100

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

• The Bank's management has made no judgment on the financial statements beyond the above manual.

7.8. 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 (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

7.9. 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.

7.10. Foreign Currency Exchange
All foreign currency monetary items are exchanged on the date of balance sheet at CBI rate and all non-monetary foreign currency items are registered at historical finished cost and are exchanged at the official exchange rate on the date of transaction. The differences resulting from the exchange of foreign currency items are identified as income or expenses and will be reflected in the income statement.

8. CASH

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Cash – IRR	8-1	379,620	480,746	374,721	480,726
Cash – Foreign Currency	8-2	437,881	481,225	437,274	478,504
Demand Deposit Held with Central Bank (not-limited)	8-4	1,370,460	1,414,645	1,370,460	1,414,645
Deposits Held with Other Banks & Credit Institutions (non-limited)	8-5	14,930,644	11,286,339	14,809,610	11,222,217
Stamp Duty		2,698	2,047	2,698	1,897
Gold Coins		118	117	118	117
		17,121,420	13,665,121	16,994,880	13,598,108

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 includes 7,922,577 US Dollars, 6,950,926 Euros, 69,598 British Pounds, 4,960 UAE Dirhams and 200 Swiss Francs.

8.3. A special audit has been carried out by the Bank's independent auditor and legal inspector during the reporting financial period and following correspondence with the CBI and coordination with associated authorities, which relate to settling the 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. Currently, further audits are being carried out on all foreign currency operations for the 2011-12 and 2012-13 financial periods, in order to clarify the measures of the CBI and to be refunded for the aforementioned amount.

8.4. Demand deposits held with Central Bank (not limited)

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Demand Deposits Held with Central Bank – IRR (not limited)	322,880	301,312	322,880	301,312
Demand Deposits Held with Central Bank – Foreign Currency (not limited)	1,047,580	1,113,333	1,047,580	1,113,333
	1,370,460	1,414,645	1,370,460	1,414,645

8.5. Deposits Held with Other Banks & Credit Institutions (not limited)

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Demand Deposits Held with Other Domestic Banks & Credit Institutions – IRR (not limited)	141,177	54,142	140,607	1,709
Demand Deposits Held with Other Domestic Banks & Credit Institutions – Foreign Currency (not limited)	673,144	593,491	662,520	592,706
Term Deposits Held with Other Domestic Banks & Credit Institutions – IRR (not limited)	3,859,840	112,027	3,750,000	101,123
Demand Deposits Held with Foreign Banks – Foreign Currency (not limited)	10,256,483	10,526,679	10,256,483	10,526,679
	14,930,644	11,286,339	14,809,610	11,222,217

8.6. Balance held at banks with withdrawal limitations (time as well as other limitations) has been classified under the heading of claims from other banks.

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

9. DUES FROM BANKS AND CREDIT INSTITUTIONS

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Dues from the Central Bank	9-2	56,599	148,601	56,599	148,601
Dues from Other Banks & Credit Institutions	9-3	61,683	84,791	61,683	84,791
Total		118,283	233,392	118,283	233,392

9.1. Balance held with banks which have no limitation for withdrawal are classified in cash.

9.2. Dues from the Central Bank.

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Other Dues	9-2-1	56,599	148,601	56,599	148,601
		56,599	148,601	56,599	148,601

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

9.3. Dues from Other Banks & Credit Institutions

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Payment of Issued Cheques of Other Banks		61,683	84,791	61,683	84,791
		61,683	84,791	61,683	84,791

10. GRANTED FACILITIES & DUES FROM NON-GOVERNMENTAL ENTITIES

	Group		Karafarin Bank								
	2014-15	2015-16	2014-15	2015-16							
	Net	Net	Net	Original Balance	Balance of Receivable Profit & Commission	Funds Received for Mozarabeh & Common Account of Joint Partnership	Profit of Future Years	Deferred Profit & Commission	Total	Provision for Doubtful Debts	Net
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	144,211	485,825	144,211	641,963	53,577	-	(80,967)	(2,382)	612,191	(126,367)	485,825
Joala (Commissions-Based Services)	153,664	22,869	153,664	280,076	95,017	-	(126,541)	(59)	248,493	(225,624)	22,869
Ijara Thumma al Bai (Hire Purchase)	903,865	335,655	20,981	26,320	6,587	-	(15,241)	(2,421)	15,245	(6,928)	8,317
Salaf	103,129	30,146	103,129	46,852	3,839	-	-	-	50,692	(20,545)	30,146
Mozarabeh	7,172,254	7,593,585	7,172,254	8,417,440	843,651	(1,107,809)	-	-	8,153,281	(559,696)	7,593,585
Mosharekat-e Madani (Joint Partnership)	58,513,896	70,040,320	58,513,896	70,750,480	4,131,846	(2,577,872)	-	-	72,304,454	(2,264,135)	70,040,320
Gharz-al Hassaneh	-	5,113	22	5,204	9	-	-	-	5,213	(100)	5,113
Other Granted Facilities – IRR	1,048,031	1,070,788	1,048,031	1,579,180	-	-	(492,085)	-	1,087,094	(16,306)	1,070,788
Granted Facilities – Foreign Currency	1,101,274	1,188,955	1,101,274	1,222,114	10,536	-	(12,958)	-	1,219,693	(30,738)	1,188,955
Debtors for Paid L/Cs	708,159	515,025	708,159	536,461	86	-	-	-	536,547	(21,522)	515,025
Debtors for Paid Guarantees	345,733	299,200	345,733	344,404	113	-	-	-	344,517	(45,317)	299,200
	70,194,216	81,587,481	69,311,354	83,850,495	5,145,260	(3,685,681)	(727,792)	(4,861)	84,577,421	(3,317,280)	81,260,142

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

Facilities	2015-16				
	Current	Overdue	Deferred	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Instalment Sales	557,518	-	880	137,141	695,540
Joala (Commissions-Based Services)	126,541	-	-	248,552	375,093
Ijara Thumma al Bai (Hire Purchase)	15,557	-	-	17,349	32,907
Bai' al-Salaf (Forward Contracts)	-	-	-	50,691	50,691
Mozarabeh	7,565,528	170,639	203,184	1,321,739	9,261,090
Mosharekat-e Madani (Joint Partnership)	67,769,641	1,422,625	1,981,394	3,708,667	74,882,328
Gharz-al Hassaneh	5,191	-	-	22	5,213
Other Granted Facilities – IRR	1,579,180	-	-	-	1,579,180
Granted Facilities – Foreign Currency	909,214	-	-	323,435	1,232,650
Debtors for Paid L/Cs	10,785	-	-	525,762	536,547
Debtors for Paid Guarantees	6,241	-	-	338,277	344,518
	78,545,397	1,593,264	2,185,458	6,671,637	88,995,756
Less:					
Profit of Future Years	(727,792)	-	-	-	(727,792)
Differed Profit & Commission	-	-	(4,861)	-	(4,861)
Funds Received for Mozarabeh	(1,107,809)	-	-	-	(1,107,809)
Common Account of Joint Partnership	(2,577,872)	-	-	-	(2,577,872)
Net Granted Facilities before Deduction of Provision for Doubtful Debts	74,131,924	1,593,264	2,180,597	6,671,637	84,577,422
General Provision for Doubtful Debts	(1,111,848)	(22,759)	(13,185)	(21,087)	(1,168,879)
Specific Provision for Doubtful Debts	-	(95,957)	(210,462)	(1,841,981)	(2,148,401)
	73,020,076	1,474,548	1,956,950	4,808,569	81,260,142

10.2. Flow of provision for doubtful debts is as follows:

	2014-15			2015-16		
	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	(907,556)	(1,181,377)	(2,088,934)	(1,080,566)	(1,528,954)	(2,609,520)
Provision for Current Year	(173,010)	(347,577)	(520,587)	(88,313)	(619,447)	(707,759)
Balance at the End of the Year	(1,080,566)	(1,528,954)	(2,609,520)	(1,168,879)	(2,148,401)	(3,317,280)

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

	2014-15	2015-16				
	Total	Current	Overdue	Deferred	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Domestic Resources	923,105	695,373	0	0	323,435	1,018,808
Foreign Currency Provision Account	199,488	203,305	0	0	0	203,305
	1,122,593	898,678	0	0	323,435	1,222,113

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

	2014-15	2015-16						
	Total	24% & More	21% to 24%	18% to 21%	15% to 18%	12% to 15%	Less than 12%	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
2015-16 & Before	69,308,020	13,144,461	308,044	0	6	95,848	22	13,548,381
2016-17	1,576	33,208,484	33,323,528	2,195	471,722	90	697,386	67,703,406
2017-18	630	804	317	0	0	0	0	1,120
2018-19 & After	1,128	0	0	0	0	0	7,235	7,235
	69,311,354	46,353,749	33,631,888	2,195	471,728	95,938	704,643	81,260,142
20.03.2015		67,375,988	1,180,861	3,391	6	737	750,371	69,311,354

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

	2014-15	2015-16
	IRR million	IRR million
Deposit	8,310,603	44,402,060
Participation Bonds & Shares	704,579	4,992,573
Binding Contracts	55,357,533	27,502,504
Land, Building & Machineries	3,558,310	3,195,976
Cheque & Promissory Note	1,004,040	922,775
Others	376,289	244,253
	69,311,354	81,260,142
Facilities & Unsecured Dues	-	-
	69,311,354	81,260,142

10.6. Flow of granted facilities and dues from non-governmental entities:

	Instalment Sales	Joala	Hire Purchase	Bai' al-Salaf	Mozarabeh	Joint Partnership	Gharz-al-Hassaneh	Other Granted Facilities – IRR	Granted Facilities 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
Original of Granted Facilities												
Balance at 20.03.2015	128,413	55,572	13,011	46,995	6,880,757	57,400,890	22	1,063,991	1,122,593	734,455	359,448	67,806,147
Granted during the Year	500,549	101,227	691	213,963	29,128,251	199,289,626	6,038	559,841	214,186	-	1,656,891	231,671,262
Settled during the Year	(70,348)	(3,322)	(5,043)	(214,106)	(28,699,377)	(188,517,907)	(855)	(536,738)	(127,623)	(197,994)	(1,671,934)	(220,045,248)
Balance at 19.03.2016	558,614	153,476	8,658	46,852	7,309,630	68,172,609	5,204	1,087,094	1,209,156	536,461	344,404	79,432,160
Interest of Granted Facilities												
Balance at 20.03.2015	61,297	100,212	8,466	57,927	527,457	3,336,059	-	-	21,515	1,795	-	4,114,727
Increase during the Year	108,919	17,741	10,458	5,357	3,343,844	24,341,252	9	-	161,865	571	113	27,990,128
Settled during the Year	(116,639)	(22,936)	(12,336)	(59,445)	(3,027,650)	(23,545,466)	-	-	(172,843)	(2,280)	-	(26,959,595)
Balance at 19.03.2016	53,577	95,017	6,587	3,839	843,651	4,131,846	9	-	10,536	86	113	5,145,260
Provision for Doubtful Debts												
Balance at 20.03.2015	(45,498)	(2,120)	(496)	(1,793)	(235,960)	(2,223,053)	-	(15,960)	(42,834)	(28,091)	(13,715)	(2,609,520)
Increase during the Year	(80,869)	(223,504)	(6,432)	(18,752)	(323,736)	(41,081)	(100)	(347)	12,096	6,569	(31,602)	(707,759)
Balance at 19.03.2016	(126,367)	(225,624)	(6,928)	(20,545)	(559,696)	(2,264,134)	(100)	(16,306)	(30,738)	(21,522)	(45,317)	(3,317,279)
Net Granted Facilities												
Balance at 20.03.2015	144,211	153,664	20,981	103,129	7,172,254	58,513,896	22	1,048,031	1,101,274	708,159	345,733	69,311,354
Balance at 19.03.2016	485,825	22,869	8,317	30,146	7,593,585	70,040,320	5,113	1,070,788	1,188,955	515,025	299,200	81,260,142

* Interest of facilities includes profit receivable of granted facilities.

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10.7. Granted facilities and dues from non-governmental entities based on type of client:

	2014-15			2015-16		
	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
Individuals	12,639,474	(488,642)	12,121,247	13,596,541	(753,567)	12,826,668
Legal Clients	57,308,984	(2,091,293)	55,217,691	69,893,787	(2,547,407)	67,346,380
Personnel	1,972,416	(29,586)	1,972,416	1,087,094	(16,306)	1,087,094
	71,920,874	(2,609,520)	69,311,354	84,577,422	(3,317,280)	81,260,142

11. INVESTMENT IN SHARES & OTHER SECURITIES

	Note	Group		Karafarin Bank					
		2014-15	2015-16	2014-15			2015-16		
		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
Investment Funds	11-1	26,223	1,390,296	26,223	-	26,223	1,390,296	-	1,390,296
Current Investment in Rapidly Transacted Shares in the Market	11-2	1,890,968	1,528,537	1,777,323	-	1,777,323	1,500,912	-	1,500,912
Investment in Other Shares	11-3	1,214,681	1,415,447	-	414,763	414,763	-	890,710	890,710
Investment in Other Securities	11-4	184,682	219,512	-	155,256	155,256	-	108,234	108,234
		3,316,555	4,553,792	1,803,547	570,019	2,373,565	2,891,208	998,944	3,890,151

11.1. Investment funds:

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Karafarin Index Fund	24,999	24,999	24,999	24,999
Investment Fund with Charisma Fixed Income	0	1,364,073	0	1,364,073
Amin Karafarin Fund	1,224	1,224	1,224	1,224
	26,223	1,390,296	26,223	1,390,296

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11.2. Investment in marketable shares:

	Group		Karafarin Bank					
	2014-15	2015-16	2014-15		2015-16			
	Cost	Cost	Cost	Net Sales Value	No. of Shares	Percent	Cost	Net Sales Value
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Shares of TSE Listed Companies								
Persian Gulf Petrochemical Industries Co.	425,708	343,825	425,708	547,494	82,092,998	0.164%	343,825	455,862
Mobin Petrochemical Co.	0	136,335	0	0	42,000,000	0.295%	136,335	167,664
Mapna Group Co.	1,184	77,715	1,184	1,034	10,000,000	0.100%	77,715	95,240
Civil Pension Fund Co.	23,612	22,362	23,612	26,466	19,443,750	0.072%	22,362	28,269
Jam Petrochemical Co.	57,517	57,011	57,517	50,040	6,392,499	0.067%	57,011	59,457
Tejarat Bank	317,551	99,480	317,551	254,450	88,000,000	0.193%	99,480	100,584
Ta'amin Pharmaceutical Investment Co.	3,756	3,756	3,756	3,140	660,000	0.023%	3,756	4,558
Fanavaran Petrochemical Co.	6,091	4,821	6,091	10,401	348,500	0.037%	4,821	5,598
Fajr Petrochemical Co.	0	4,701	0	0	348,000	0.014%	4,701	5,380
Ghadir Investment Co.	33,427	4,487	33,427	41,990	2,011,320	0.004%	4,487	4,674
Behshahr Industries Group Co.	0	279	0	0	207,221	0.161%	279	442
Behshahr Industries Development Co.	7,636	6,640	7,636	5,404	2,764,000	0.039%	6,640	6,758
Pardis Petrochemical Co.	12,355	12,865	12,355	10,660	1,342,275	0.032%	12,865	12,710
Iran Telecommunication Co.	1,083	1,083	1,083	773	300,000	0.001%	1,083	879
Sepahan Oil Co.	9,424	487	9,424	6,155	27,000	0.003%	487	236
National Development Group Investment Co.	3,930	5,231	3,930	5,122	2,427,777	0.015%	5,231	4,189
Ta'amin Oil & Gas Investment Co.	0	4,869	0	0	1,500,000	0.003%	4,869	3,509
Kermanshah Petrochemical Co.	5,467	5,214	5,467	4,156	984,411	0.028%	5,214	3,819
Kharazmi Investment Co.	0	67,697	0	0	50,410,000	0.403%	67,697	66,289
Bandar Abbas Oil Refinery Co.	5,792	2,896	5,792	1,872	200,000	0.001%	2,896	1,098
Esfahan Mobarakeh Steel Co.	7,403	8,992	7,403	5,067	4,283,331	0.006%	8,992	6,014
Tabriz Oil Refinery Co.	5,800	6,000	5,800	1,757	400,000	0.010%	6,000	2,396
Shazand Petrochemical Co.	10,600	10,600	10,600	7,035	1,890,000	0.038%	10,600	6,414
Fars & Khouzestan Cement Co.	8,193	8,193	8,193	4,124	2,100,000	0.047%	8,193	3,940
Mines & Metals Investment Co.	8,624	10,616	8,624	4,926	4,260,614	0.019%	10,616	6,059
Chador Malu Co.	9,445	9,445	9,445	4,728	1,377,144	0.008%	9,445	4,115
Pasargad Bank	18,480	19,964	18,480	13,111	8,904,000	0.018%	19,964	11,504
Parsian Oil & Gas Development Co.	71,703	149,171	71,703	50,773	52,450,785	0.130%	149,171	130,183
Shiraz Petrochemical Co.	64,053	64,436	64,053	44,470	13,581,665	0.266%	64,436	40,854
Khouzestan Steel Co.	89,966	68,318	89,966	65,660	20,694,618	0.143%	68,318	43,916
National Iranian Copper Industries Co.	150,988	110,470	150,988	103,723	40,517,142	0.093%	110,470	70,621
Esfahan Oil Refinery Co.	247,805	128,396	247,805	77,132	24,153,851	0.121%	128,396	76,568
Other Companies Co.	203,327	27,625	89,682	87,246			0	0
Total	1,810,920	1,483,981	1,697,276	1,438,906			1,456,356	1,429,797

	Group		Karafarin Bank					
	2014-15	2015-16	2014-15		2015-16			
	Cost	Cost	Cost	Net Sales Value	No. of Shares	Percent	Cost	Net Sales Value
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Shares of Listed Companies in Over-the-Counter Market								
Maroun Petrochemical Co.	29,396	3,754	29,396	50,769	199,500	0.005%	3,754	6,910
Sobhan Oncology Pharmaceutical Co.	0	175	0	0	60,000	0.02%	175	222
Rail Pardaz Seir Co.	0	35	0	0	32,000	0.002%	35	35
Tehran Oil Refinery Co.	4,559	4,912	4,559	1,596	653,378	0.008%	4,912	3,108
Zagros Petrochemical Co.	30,956	24,327	30,956	17,826	965,805	0.04%	24,327	9,682
Esfahan Steel Co.	15,136	11,352	15,136	6,420	3,000,000	0.038%	11,352	7,329
	80,048	44,556	80,048	76,611			44,556	19,957
Total	1,890,968	1,528,537	1,777,323	1,515,517			1,500,912	1,449,754

11.3. Long-term investments in other shares:

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Investment in Shares of Other Companies	11-3-1	737,319	943,451	414,763	890,710
Investment in Construction Projects		477,362	471,997	0	0
		1,214,681	1,415,447	414,763	890,710

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11.3.1. Investment in shares of other companies.

	Group				Karafarin Bank					
	2014-15		2015-16		2014-15		2015-16			
	Cost	Net Book Value	Cost	Net Book Value	Cost	Net Book Value	No. of Shares	% of Investment	Cost	Net Book Value
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million		Percent	IRR million	IRR million
Karafarin Bank Investment Co.	0	0	0	0	97,969	97,969	490,845,000	53.93%	490,845	490,845
Karafarin Leasing Co.	0	0	0	0	100,000	100,000	99,999,996	100%	100,000	100,000
Karafarin Bank Brokerage Co.	0	0	0	0	50,000	50,000	49,999,996	100%	50,000	50,000
Karafarin Insurance Co.	338,291	338,291	429,155	429,155	109,132	109,132	299,962,174	19.997%	162,165	162,165
Karafarin Bureau de Change	0	0	0	0	19,996	19,996	39,992,000	99.98%	39,992	39,992
Abnieh Gostar Construction Co.	2,602	2,602	2,350	2,350	4,900	4,900	4,899,999	49%	4,900	4,900
Iran Investment Co.	1,750	1,750	8,750	8,750	1,750	1,750	8,750,000	0.88%	8,750	8,750
Tehran Stock Exchange.	1,500	1,500	1,500	1,500	1,500	1,500	10,999,999	0.73%	1,500	1,500
Market outside TSE	1,500	1,500	1,500	1,500	1,000	1,000	4,000,000	1.3%	1,000	1,000
Iran Credit Ranking Consulting Co.	450	450	450	450	450	450	45,000	0.05%	450	450
Shaparak Electronic Payment Card Network Co.	700	700	700	700	700	700	1,100,000	0%	700	700
Omid Karafarin Trading Development Co.	19,131	19,131	17,278	17,278	0	0	0	0%	0	0
Amin E'etemad Karafarin Co.	1,786	1,786	1,613	1,613	0	0	0	0%	0	0
Mofid Economic Group	115,080	115,080	191,130	191,130	0	0	0	0%	0	0
Kardan Co.	27,366	27,366	30,408	30,408	27,366	27,366	0	0%	30,408	30,408
Kourosh Petrochemical Industries Development Co.	227,163	227,163	258,617	258,617	0	0	0	0%	0	0
	737,319	737,319	943,451	943,451	414,763	414,763	1,010,594,164		890,710	890,710

11.4. Investment in other securities:

	Type of Securities	Interest Rate	Group		Karafarin Bank	
			2014-15	2015-16	2014-15	2015-16
		Percent	IRR million	IRR million	IRR million	IRR million
Joint Investment Fund of Karafarin Brokerage with Fixed Income	Participation	20	79,767	126,622	63,517	28,500
Arman Karafarin Investment Fund with Fixed Income	Participation	20	36,676	31,656	23,500	18,500
Islamic Treasury Documents – Fifth Phase	Participation	-	0	54,174	0	54,174
Gole Gohar Participation Bonds	Participation	20	68,239	7,060	68,239	7,060
			184,682	219,512	155,256	108,234

12. DUES FROM AFFILIATED & SUBSIDIARY COMPANIES

	2014-15	2015-16		
	Net	Due Balance	Provision for Doubtful Debts	Net
	IRR million	IRR million	IRR million	IRR million
Dues from Subsidiary Companies	951,463	663,506	0	663,506
Dues from Affiliated Companies	0	600	0	600
	951,463	664,106	0	664,106

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12.1. Balance of dues from affiliated and subsidiary companies based on transactions:

Affiliated / Subsidiary Company	2015-16								
	Sales of Assets & Investments	Purchase of Assets & Investments	Purchase of Services	On-accounts Received	On-accounts Paid	Gharz-al-Hassaneh	Receivable Dividend	Paid Dividend	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	600	0	0	0	0	600
Karafarin Bank Investment Co.	0	0	0	0	0	0	44,086	0	44,086
Karafarin Leasing Co.	0	0	0	50,000	0	0	193,406	0	243,406
Karafarin Bank Brokerage Co.	0	0	0	36,232	0	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	38,273	0	0	2,619	0	40,892
Amin Etemad Karafarin Co.	0	0	0	600	0	0	0	0	600
Asr Amin Karafarin Co.	0	0	0	95	0	0	2,277	0	2,372
	6,957	0	0	125,800	0	0	531,349	0	664,106
Net Profit (Loss) of Transactions	13,344								

Affiliated / Subsidiary Company	2014-15								
	Sales of Assets & Investments	Purchase of Assets & Investments	Purchase of Services	On-accounts Received	On-accounts Paid	Gharz-al-Hassaneh	Receivable Dividend	Paid Dividend	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	0	0	53,033	0	53,033
Karafarin Bank Investment Co.	0	71,322	0	0	0	0	323,580	0	394,902
Karafarin Leasing Co.	0	0	0	0	0	0	162,406	0	162,406
Karafarin Bank Brokerage Co.	0	0	0	0	0	0	54,000	0	54,000
Karafarin Bureau de Change	0	0	0	0	0	0	279,944	0	279,944
Abnieh Gostar Karafarin Construction Co.	0	0	0	0	0	0	4,900	0	4,900
Tose'e Tejarat Omid Karafarin Co.	0	0	0	0	0	0	0	0	0
Amin Etemad Karafarin Co.	0	0	0	0	0	0	0	0	0
Asr Amin Karafarin Co.	0	0	0	0	0	0	2,277	0	2,277
	0	71,322	0	0	0	0	880,141	0	951,463
Net Profit (Loss) of Transactions	0								

Karafarin Bank (PJSC)
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12.1.1. Profit and loss of transactions with affiliated and subsidiary companies declared in Note 40.

13. OTHER RECEIVABLE ACCOUNTS

	Note	Group		Karafarin Bank			
		2014-15	2015-16	2014-15	2015-16		
		Net	Net	Net	Dues Balance	Provision for Doubtful Debts	Net
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Temporary Debtors	13-2	1,281,509	1,827,409	1,091,080	1,128,364	0	1,128,364
Prepayments		142,442	138,244	116,753	101,318	0	101,318
Receivable Dividend	13-1	116,685	95,936	116,685	92,709	0	92,709
Realised Profit of Participation Bonds		674	435	674	435	0	435
		1,541,310	2,062,024	1,325,192	1,322,827	0	1,322,827

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

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
TSE & Over-the-Counter Market Companies:				
Persian Gulf Petrochemical Industries Co.	58,881	20,842	58,881	20,842
Khouzestan Steel Co.	14,469	17,991	14,469	17,991
Parsian Oil & Gas Development Co.	5,353	12,336	5,353	12,336
Jam Petrochemical Co.	6,755	9,953	6,755	9,953
Shiraz Petrochemical Co.	0	9,507	0	9,507
Civil Pension Fund Investment Co.	9,157	6,481	9,157	6,481
National Iranian Copper Industries Co.	0	3,241	0	3,241
Ghadir Investment Co.	8,512	2,976	8,512	2,976
Pardis Petrochemical Co.	908	1,987	908	1,987
Iran Investment – Non-TSE	8,750	1,750	8,750	1,750
Mines & Metals Development Investment Co.	809	1,381	809	1,381
Stock Exchange	0	900	0	900
Chador Malu Mining& Industrial Co.	0	895	0	895
Ta'amin Pharmaceutical Investment Co.	375	528	375	528
Fars & Khouzestan Cement Co.	0	525	0	525
Behshahr Industries Development Co.	151	320	151	320
National Development Group Investment Co.	0	231	0	231
Cement Industries Development Investment Co.	0	208	0	208
Tehran Oil Refinery Co.	0	135	0	135
Iran Telecommunication Co.	0	120	0	120
Islamic Republic of Iran Shipping Lines	44	105	44	105
Other Companies	2,520	3,525	2,520	298
	116,685	95,936	116,685	92,709

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13.2. Balance of temporary debtors is as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Items related to Facilities:				
Judiciary & Dues Settlement Expenses	27,422	11,499	27,422	11,499
	27,422	11,499	27,422	11,499
Items not related to Facilities:				
Foreign Currency Temporary Debtors	870,709	939,617	870,709	939,617
Brokerage	8,829	839	8,829	839
Receivable Profit of Granted Facilities to Banks	4,434	0	4,434	0
Others	370,114	875,454	179,686	176,409
	1,254,087	1,815,910	1,063,658	1,116,865
	1,281,509	1,827,409	1,091,080	1,128,364

14. FIXED TANGIBLE ASSETS

	Group						
	Land	Building	Motor Vehicles	Furniture	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 21.03.2014	2,455,967	744,430	7,342	438,728	784,838	456,321	4,887,626
Increase during the Year	20,812	6,212	1,939	75,689	738,793	349,314	1,192,761
Sold	0	(78,855)	(158)	(9,427)	0	0	(88,439)
Transfers & Other Changes	29,414	109,573	0	0	(123,719)	(177,370)	(162,103)
Balance at 20.03.2015	2,506,193	781,361	9,124	504,991	1,399,911	628,265	5,829,845
Increase during the Year	124,796	0	0	65,370	203,377	296,717	690,261
Sold	0	0	(702)	(5,664)	0	0	(6,365)
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	1,533,009	746,704	6,396,542
Accumulated Depreciation & Retained Value Decrease							
Balance at 21.03.2014	0	123,104	4,171	147,486			274,761
Depreciation of the Year	0	15,474	936	59,141			75,551
Sold	0	0	(80)	(6,809)			(6,888)
Balance at 20.03.2015	0	138,578	5,027	199,818			343,424
Depreciation of the Year	0	23,213	1,016	64,421			88,650
Sold	0	0	(576)	(3,993)			(4,569)
Balance at 19.03.2016	0	161,791	5,467	260,246			427,505
Book Value							
At 21.03.2014	2,455,967	621,326	3,172	291,242	784,838	456,321	4,612,864
At 20.03.2015	2,506,193	642,783	4,096	305,172	1,399,911	628,265	5,486,421
At 19.03.2016	2,641,589	737,405	2,955	307,376	1,533,009	746,704	5,969,037

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	Karafarin Bank						
	Land	Building	Motor Vehicles	Furniture	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 21.03.2014	2,835,239	646,390	5,998	425,329	784,838	456,321	5,154,114
Increase during the Year	20,812	6,212	1,109	72,679	603,619	349,276	1,053,707
Sold	0	0	(158)	(9,296)	0	0	(9,454)
Transfers & Other Changes	29,414	109,573	0	0	(123,719)	(177,370)	(162,103)
Balance at 20.03.2015	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
Accumulated Depreciation & Retained Value Decrease							
Balance at 21.03.2014	0	167,060	3,631	142,666			313,357
Depreciation of the Year	0	37,159	585	57,152			94,896
Sold	0	0	(80)	(6,899)			(6,978)
Balance at 20.03.2015	0	204,219	4,137	192,919			401,275
Depreciation of the Year	0	43,369	695	62,010			106,074
Sold	0	(841)	(353)	(3,993)			(5,187)
Balance at 19.03.2016	0	246,747	4,479	250,936			502,162
Book Value							
At 21.03.2014	2,835,239	479,330	2,367	282,663	784,838	456,321	4,840,757
At 20.03.2015	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

14.1. Book value of revaluated lands based using cost price method is as follows:

	2014-15		2015-16	
	Based on Cost Price	Based on Revaluation	Based on Cost Price	Based on Revaluation
	IRR million	IRR million	IRR million	IRR million
Land	2,399,070	2,885,465	2,409,670	2,896,064
	2,399,070	2,885,465	2,409,670	2,896,064

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

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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	Software	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 21.03.2014	3,736,682	52,174	0	13,276	3,802,132	3,736,682	49,896	13,126	3,799,704
Increase during the Year	255,175	353	0	5,371	260,899	255,175	140	5,364	260,679
Balance at 20.03.2015	3,991,857	52,527	0	18,647	4,063,031	3,991,857	50,036	18,490	4,060,383
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	100,052	11,752	58,492	4,828	175,124	100,052	10,607	4,607	115,266
Sold	0	0	0	0	0	(15,539)	0	0	(15,539)
Balance at 19.03.2016	4,091,909	64,278	58,492	23,475	4,238,154	4,076,369	60,643	23,098	4,160,110
Accumulated Depreciation & Retained Value Decrease									
Balance at 21.03.2014	0	34,810			34,810	0	34,051		34,051
Depreciation of the Year	0	9,604			9,604	0	9,787		9,787
Balance at 20.03.2015	0	44,414	0	0	44,414	0	43,838	0	43,838
Balance at 21.03.2015	0	45,258			45,258	0	43,838		43,838
Depreciation of the Year	0	6,328			6,328	0	5,478		5,478
Balance at 19.03.2016	0	51,586	0	0	51,586	0	49,317	0	49,317
Book Value									
At 21.03.2014	3,736,682	17,364	0	13,276	3,767,322	3,736,682	15,845	13,126	3,765,653
At 20.03.2015	3,991,857	8,113	0	18,647	4,018,617	3,991,857	6,197	18,490	4,016,545
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

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

	2014-15		2015-16	
	Based on Cost Price	Based on Revaluation	Based on Cost Price	Based on Revaluation
	IRR million	IRR million	IRR million	IRR million
Business Location Goodwill	2,434,655	3,991,857	2,519,168	4,076,369
	2,434,655	3,991,857	2,519,168	4,076,369

16. STATUTORY DEPOSIT

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Statutory Deposit – Branches Deposits in Mainland		10,244,469	9,915,366	10,244,469	9,915,366
Statutory Deposit – Branches Deposits in Free Zones		90,024	111,671	90,024	111,671
		10,334,493	10,027,037	10,334,493	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.

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17. OTHER ASSETS

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Debtors for Term Foreign Currency L/Cs & Bills		116,866	51,983	116,866	51,983
Deposit for Rented Buildings		133,178	120,790	133,178	120,790
Repossessed Collaterals	17-1	729,495	1,913,589	723,476	1,907,569
Issuance Right for Cheques		1,573	902	1,573	902
Inventory of Movable Properties of Furniture		25,828	30,917	25,828	30,917
Inventory of Consumables		4,664	24,365	4,664	24,365
Inventory of Prints		5,014	4,969	5,014	4,969
Inventory of Password Machines		1,360	1,527	1,360	1,527
Others (Smart Cards)		31,203	1,167	337	0
		1,049,181	2,150,209	1,012,295	2,143,022

17.1. Repossessions

	2014-15	Acquired during the Year	Sold / Abandoned during the Year	2015-16
	IRR million	IRR million	IRR million	IRR million
Movable				
Equipment	430	900	(400)	930
Goods	103	0	(6)	98
Motor Vehicles	1,400	0	0	1,400
	1,933	900	(406)	2,428
Immovable				
Residential	642,431	928,109	(19,942)	1,550,599
Commercial/Office	45,921	2,093	0	48,014
Land	33,190	273,338	0	306,528
	721,542	1,203,540	(19,942)	1,905,141
	723,476	1,204,440	(20,347)	1,907,569
Retained Value Decrease	0			0
	723,476			1,907,569
Profit (Loss) from Sales	35,105			11,296

17.1.1. Profit (loss) from sales of repossessed collaterals has been reflected in profit (loss) statements and disclosed in Note 40.

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18. DUES TO BANKS & OTHER CREDIT INSTITUTES

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Central Bank of Iran					
Foreign Currency Demand Deposits		7,261,630	7,113,349	7,261,630	7,113,349
Foreign Currency Term Deposits		1,321,610	1,485,426	1,321,610	1,485,426
Debt for Purchasing Foreign Currency		1,097,936	1,083,479	1,097,936	1,083,479
Facilities Received from Central Bank – From Foreign Currency Reserve	18-1	108,946	130,874	108,946	130,874
		9,790,121	9,813,128	9,790,121	9,813,128
Domestic Banks & Credit Institutes					
Issued Bills of Other Banks		520,178	573,910	520,178	573,910
Demand Deposit of Banks held with Us		0	112,542	0	112,542
Foreign Currency Term Deposit of Banks held with Us		1,250,186	1,403,306	1,250,186	1,403,306
Facilities Received from Banks	18-2	1,064,967	1,674,719	0	1,000,000
Domestic Creditors – Checks Clearing		83,972	170,573	83,972	170,573
Others		155,056	181,342	155,056	181,342
		3,074,359	4,116,393	2,009,392	3,441,674
		12,864,480	13,929,521	11,799,513	13,254,802

18.1. Foreign currency financial facilities obtained from the CBI include 7 facilities with interest rates ranging from 2.9% to 5.6%.

18.2. Financial facilities in Iranian Rials include one facility obtained from the Export Development Bank of Iran with an 18.5% interest rate.

19. CLIENTS' DEPOSITS

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Individual Clients					
Demand & Similar Deposits	19-1	769,608	1,835,262	769,608	1,835,262
Savings & Similar Deposits	19-2	146,403	118,016	146,403	118,016
Other Deposits & Advances Received	19-3	58,651	68,442	58,651	68,442
		974,662	2,021,719	974,662	2,021,719
Companies					
Demand & Similar Deposits	19-1	1,225,958	8,290,556	1,225,958	8,290,556
Savings & Similar Deposits	19-2	243,655	230,850	243,655	230,850
Other Deposits & Advances Received	19-3	3,788,442	3,977,365	3,788,442	3,977,365
		5,258,056	12,498,771	5,258,056	12,498,771
		6,232,718	14,520,490	6,232,718	14,520,490

19.1. Demand & similar deposits

	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Current Gharz-al Hassaneh Deposits – IRR	1,738,096	10,024,177	1,738,096	10,024,177
Current Gharz-al Hassaneh Deposits – Foreign Currency	257,470	101,641	257,470	101,641
	1,995,566	10,125,818	1,995,566	10,125,818

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19.2. Savings & similar deposits

	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Saving Gharz-al Hassaneh Deposits – IRR	16,492	13,278	16,492	13,278
Saving Gharz-al Hassaneh Deposits – Foreign Currency	373,567	335,588	373,567	335,588
	390,058	348,866	390,058	348,866

19.3. Other deposits & advances received

	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Cash Deposit of Guarantees – IRR	1,875,669	1,619,729	1,875,669	1,619,729
Cash Deposit of Guarantees – Foreign Currency	113,826	158,851	113,826	158,851
Advances Received of L/Cs – IRR	13,891	23,000	13,891	23,000
Advances Received of L/Cs – Foreign Currency	1,831,446	2,229,406	1,831,446	2,229,406
Others (include 3,808 items)	12,262	14,820	12,262	14,820
Total	3,847,094	4,045,806	3,847,094	4,045,806

20. DIVIDEND PAYABLE

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Balance at the beginning of the Year	91,635	88,233	22,332	13,799
Paid during the Year	(2,557,462)	(1,806,063)	(2,558,533)	(1,786,111)
Ratified Dividend	2,554,061	1,797,273	2,550,000	1,785,000
	88,233	79,444	13,799	12,687

	Karafarin Bank					
	Cash Profit of each Share	Ratified Dividend	Balance at 20.03.2015	Dividend Paid during the Year	Capital Increase	Balance at 19.03.2016
	IRR	IRR million	IRR million	IRR million	IRR million	IRR million
Balance of Dividend Payable from Previous Years		8,242,500	10,253	(1,251)	2,490,111	9,003
Year Ended 20.03.2014	300	2,550,000	3,545	(910)	0	2,635
Year Ended 20.03.2015	210	1,785,000	0	(1,783,950)	0	1,050
Total			13,799	(1,786,111)	2,490,111	12,687

21. PROVISION FOR CORPORATE TAX

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Balance at the beginning of the Year	809,678	766,689	750,809	666,812
Corporate Tax Provision of the Year	665,476	572,058	619,649	528,647
Paid during the Year	(708,464)	(863,345)	(703,646)	(751,601)
Balance at the End of the Year	766,689	475,402	666,812	443,859

21.1. Income tax of the Bank for all years before 2012-13 has been finalized and settled. Summary of payable tax situation for years 2012-13 to 2015-16 is as follows:

IRR million

	2014-15	2015-16							Recognition Method
				Tax					
	Balance of Provision	Declared Profit (Loss)	Income Liable to Tax	Declared	Recognized	Final	Paid	Balance of Provision	
2012-13	100,219	3,177,000	1,912,266	382,453	911,742	535,809	502,672	0	Surveying Books
2013-14	16,895	3,971,082	2,949,742	589,948	722,825	765,400	721,727	0	Surveying Books
2014-15	619,649	4,321,646	3,098,244	619,649	911,552	0	619,649	0	Not Surveyed
2015-16	0	3,196,510	2,643,235	528,647	0	0	0	528,647	Not Surveyed
	736,762							528,647	
Tax Prepayment	(69,950)							(84,788)	
	666,812							443,859	

21.2. Legal actions which are being processed via the Taxation High Council and the Administrative Tribunal are currently underway as means of administration of justice to retrieve the Bank's rights in cases relating to 2003-04 and 2012-13 periods.

22. PROVISIONS & OTHER LIABILITIES

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Facilities Received from National Development Fund	22-1	18,000	610,013	18,000	610,013
Debts of the Bank for Term L/Cs		159,471	85,137	159,471	85,137
Provision for Allocated & Unpaid Expenses		252,476	276,395	237,154	255,865
Social Security Organisation		55,303	68,278	47,348	58,520
Cash Deposit of Matured Guarantees		6,490	5,231	6,490	5,231
Retention Deposit of Contractors		37,200	42,234	37,200	42,234
Debt of Clients for L/Cs		175,858	81,349	98,984	81,349
Foreign Exchange Bill of Clients		531,200	211,182	531,200	211,182
Other Liabilities		748,451	1,115,978	876,589	969,909
		1,984,448	2,495,797	2,012,436	2,319,440

22.1. Facilities received from National Development Fund at the date of balance sheet are as follows:

Received Amount	Type of Foreign Currency	Received Date	Final Due Date	No. of Installments	Interest Rate	* Balance of Facilities
IRR million					Percent	IRR million
IRR Facilities						
150,000	IRR	07.06.2015	07.12.2022	20	16	90,486
500,000	IRR	20.06.2015	18.06.2022	20	19	497,811
50,000	IRR	24.12.2014	30.11.2021	20	19	21,716

* Balance of facilities includes principal amounts and interest on facilities.

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23. PROVISION FOR EMPLOYEE WORK TERMINATION BENEFITS

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Balance at the beginning of the Year		187,673	267,397	183,720	262,482
Paid during the Year		(8,605)	(12,506)	(7,398)	(10,198)
Provided Provision during the Year	23-1	88,329	72,513	86,160	68,001
Balance at the End of the Year		267,397	327,404	262,482	320,285

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

24. TERM INVESTMENT DEPOSITS

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Long-Term Investment Deposits	24-1	47,306,736	62,757,204	47,306,736	62,757,204
Short-Term Investment Deposits	24-1	20,477,186	13,801,638	20,846,968	14,031,230
Short-Term Special Investment Deposits	24-1	8,206,122	38,944	8,206,122	38,944
		75,990,045	76,597,786	76,359,826	76,827,379

24.1. Growth in one-year deposits is due to ban in deposits for more than one year according to circular number 96593/93 dated 02.07.2014. The balance of deposits for more than one year is related to prior years.

	Karafarin Bank					
	2014-15			2015-16		
	IRR	Forex	Total	IRR	Forex	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Short-Term Investment Deposits	20,790,143	56,824	20,846,968	13,986,947	44,283	14,031,230
Short-Term Special Investment Deposits						
3-month	8,066,644	0	8,066,644	6,328	0	6,328
4-month	101,636	0	101,636	15,884	0	15,884
6-month	35,917	0	35,917	13,412	0	13,412
9-month	1,925	0	1,925	3,320	0	3,320
Long-Term Investment Deposits						
Deposit Guarantee	8,210,418	0	8,210,418	10,046,745	0	10,046,745
1-year	28,668,751	107,165	28,775,916	44,509,241	77,225	44,586,466
2-year	351,486	0	351,486	207,320	0	207,320
3-year	21,543	0	21,543	18,805	0	18,805
4-year	19,633	0	19,633	15,564	0	15,564
5-year	9,927,740	0	9,927,740	7,882,304	0	7,882,304
	76,195,837	163,989	76,359,826	76,705,870	121,508	76,827,379

* Payment refers to amounts paid to the Ministry of Economy & Financial Affairs.

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24.2. Long-Term investment deposits based on maturity date and interest rate.

	2014-15	2015-16						
	Total	More than 22%	19% to 22%	16% to 19%	13% to 16%	10% to 13%	10% & Less	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Matured	20,901,858	0	0	10	0	0	1,247	1,257
2015-16	46,899,509	0	0	0	0	0	13,997,435	13,997,435
2016-17	2,086,603	62,961	50,046,636	5,494,370	535,618	10	121,508	56,261,103
2017-18	1,590,793	146,753	1,281,567	8,067	0	0	0	1,436,388
2018-19	3,610,750	61,854	3,163,174	391	0	0	0	3,225,419
2019-20 & after	1,270,314	73,680	1,799,557	32,540	0	0	0	1,905,777
	76,359,826	345,249	56,290,934	5,535,378	535,618	10	14,120,190	76,827,379
20.03.2015		3,479,038	50,346,695	9,627,498	17,003	10	12,889,583	76,359,826

24.3. Flow of IRR investment deposits.

	Balance at 20.03.2015	Absorbed Deposits during the Year	Repayment of Deposits	Balance at 19.03.2016
	IRR million	IRR million	IRR million	IRR million
Long-Term Deposits				
Deposit Certificates	8,210,418	30,258,229	(28,421,903)	10,046,745
1-year	28,775,916	52,963,993	(37,153,443)	44,586,466
2-year	351,486	61,030	(205,195)	207,320
3-year	21,543	3,824	(6,562)	18,805
4-year	19,633	4,682	(8,751)	15,564
5-year	9,927,740	2,037,088	(4,082,524)	7,882,304
Short-Term Deposits	20,846,968	712,325,166	(719,140,903)	14,031,230
Special Short-Term Deposits	8,206,122	515,619	(8,682,797)	38,944
	76,359,826	798,169,631	(797,702,079)	76,827,379

25. PAYABLE INTEREST OF TERM INVESTMENT DEPOSITS

	Balance at 20.03.2015	On-account Interest during the Year	Difference in Final & On-account Profit	Interest during the Year	Balance at 19.03.2016
	IRR million	IRR million	IRR million	IRR million	IRR million
Short-Term Deposits	12,108	3,831,004	0	(3,831,037)	12,075
Special Short-Term Deposits	0	437,444	0	(437,444)	0
1-year Deposits	0	8,067,714	0	(8,067,714)	0
2-year Deposits	0	54,658	0	(54,658)	0
3-year Deposits	0	4,019	0	(4,019)	0
4-year Deposits	0	2,431	0	(2,431)	0
5-year Deposits	0	1,853,671	0	(1,853,671)	0
Deposit Guarantee	0	1,862,067	0	(1,862,067)	0
Paid Interest to Received Deposits from Banks	0	92,637	0	(92,637)	0
	12,108	16,205,644	0	(16,205,677)	12,075

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26. CAPITAL

The Bank's capital on the date of establishment was IRR30,000 million (comprising 30,000,000 shares with a face value of IRR1,000 per share). The Bank subsequently increased its capital level at various stages as outlined below; the capital was increased to IRR8,500 billion (comprising 8,500,000,000 million shares with a face value of IRR1,000 each).

Date	Increase in % Capital	Additional Capital (IRR million)	Capital Level (IRR million)	Source of Additional Capital
02.08.2001	233	30,000	100,000	Claims & cash contributions
22.12.2001	100	100,000	200,000	Claims & cash contributions
13.11.2004	75	150,000	350,000	Claims & cash contributions
26.09.2005	100	350,000	700,000	Claims & cash contributions
19.12.2007	50	350,000	1,050,000	Claims & cash contributions
22.12.2008	90	950,000	2,000,000	Claims & cash contributions
03.10.2010	50	1,000,000	3,000,000	Claims & cash contributions
11.09.2011	50	1,500,000	4,500,000	Claims & cash contributions
22.09.2012	61	2,750,000	7,250,000	Revaluation surplus & retained profit
28.05.2014	17	1,250,000	8,500,000	Claims & cash contributions

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

	2014-15		2015-16	
	No. of Shares	Ownership %	No. of Shares	Ownership %
Over 1%:				
Saba Ta'amin Investment Co. (Public Joint Stock)	750,806,695	8.8%	757,707,641	8.9%
Karafarin Insurance Co.	644,054,981	7.6%	644,054,981	7.6%
Tose'e Eghtesad Farda Co. (Private Joint Stock)	424,999,998	5.0%	424,999,998	5.0%
Ideh Gostar Dour Andish Co. (Private Joint Stock)	424,999,998	5.0%	424,999,998	5.0%
Negin Ganjineh Iranian Co. (Private Joint Stock)	424,999,998	5.0%	424,999,998	5.0%
Mehr Afarinan Doran Co. (Private Joint Stock)	424,999,998	5.0%	424,999,998	5.0%
Tadbir Investment Co. (Private Joint Stock)	424,931,033	5.0%	424,931,033	5.0%
Modabber Kesht Tous Agricultural Co. (Private Joint Stock)	298,520,693	3.5%	298,520,693	3.5%
Ayandeh Sazan Economic Development Co. (Private Joint Stock)	212,167,093	2.5%	212,167,093	2.5%
South Kar va Andisheh Co. (Ltd.)	106,250,423	1.3%	106,250,423	1.3%
Refah va Ta'amin Atieh Omid Inst.	94,626,283	1.1%	94,626,283	1.1%
Parsian Bank Financial Group Co. (Private Joint Stock)	89,703,946	1.1%	89,703,946	1.1%
Tous Asphalt Co.	85,232,617	1.0%	85,232,617	1.0%
	4,406,283,756	51.8%	4,413,194,702	51.9%
Others (Less than 1%):				
Individuals	1,874,077,374	22.0%	2,144,400,821	25.2%
Legal Entities (164 Shareholders)	436,859,505	5.1%	491,646,678	5.8%
Individuals (7,135 Shareholders)	1,782,779,365	21.0%	1,450,757,799	17.1%
	8,500,000,000	100%	8,500,000,000	100%

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27. STATUTORY RESERVES

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Balance at the Beginning of the Year	2,318,434	2,868,329	2,285,685	2,840,984
Transfer from Allocable Profit	549,894	404,347	555,300	400,179
Balance at the End of the Year	2,868,329	3,272,676	2,840,984	3,241,164

27.1. According to Clause A of Article 33 of Monetary & Banking Act and Article 108 of the Bank's Articles of Association, 15% of net interest for each year is considered as legal reserves following 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

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Balance at the Beginning of the Year	4,543	5,045	0	0
Transfer from Allocable Profit	502	614	0	0
Balance at the End of the Year	5,045	5,660	0	0

29. ASSET REVALUATION SURPLUS

Date	2014-15	2015-16		
	Balance of Asset Revaluation	Asset Revaluation Amount	Capital Increase	Balance of Asset Revaluation
	IRR million	IRR million	IRR million	IRR million
10.03.2012	43,597	2,043,597	(2,000,000)	43,597
19.03.2016	43,597	2,043,597	(2,000,000)	43,597

30. SHAREHOLDERS' EQUITY WITH NO CONTROL

	Group	
	2014-15	2015-16
	IRR million	IRR million
Capital	138,049	498,060
Capital Increase Funds	146,250	0
Statutory Reserve	13,624	12,577
Retained Profit (Loss)	59,159	5,642
Unrealised Profit from Sales of Group Fixed Assets	(205,104)	(184,537)
	151,979	331,741

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31. INCOME FROM GRANTED FACILITIES & DEPOSITS

	Note	Group					
		2014-15			2015-16		
		Joint	Non-Joint	Total	Joint	Non-Joint	Total
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Income from Granted Facilities	31-1	16,554,023	311,148	16,865,171	18,704,703	483,358	19,188,061
Income from Deposits	31-2	1,950,430	4,526	1,954,956	1,645,000	6,597	1,651,597
Total Income from Granted Facilities & Deposits		18,504,453	315,674	18,820,127	20,349,703	489,955	20,839,658

	Note	Karafarin Bank					
		2014-15			2015-16		
		Joint	Non-Joint	Total	Joint	Non-Joint	Total
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Income from Granted Facilities	31-1	16,554,023	98,927	16,652,950	18,704,703	296,625	19,001,328
Income from Deposits	31-2	1,936,112	4,526	1,940,638	1,605,243	6,597	1,611,840
Total Income from Granted Facilities & Deposits		18,490,135	103,453	18,593,587	20,309,947	303,222	20,613,168

31.1. Income from granted facilities

	Group									
	2014-15					2015-16				
	IRR			Foreign Currency (Non-Joint)	Total	IRR			Foreign Currency (Non-Joint)	Total
	Joint	Non-Joint	Total			Joint	Non-Joint	Total		
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	54,004	55,177	109,181	12,314	121,496	16,322	58,265	74,587	-	74,587
Joala	1,978	-	1,978	-	1,978	5,266	1,041	6,307	-	6,307
Hire Purchase	3,603	157,043	160,646	-	160,646	-	149,386	149,386	-	149,386
Mozarabeh	1,525,948	-	1,525,948	-	1,525,948	1,619,369	-	1,619,369	-	1,619,369
Joint Partnership	12,605,714	-	12,605,714	32,249	12,637,963	13,328,271	-	13,328,271	48,699	13,376,970
Bai’ al-Salaf	4,804	-	4,804	-	4,804	62,677	-	62,677	-	62,677
Recognition	2,314,710	-	2,314,710	29,141	2,343,851	3,624,535	176,979	3,801,514	48,987	3,850,501
Others	43,262	-	43,262	25,223	68,485	48,263	-	48,263	-	48,263
	16,554,023	212,221	16,766,244	98,927	16,865,171	18,704,703	385,671	19,090,375	97,686	19,188,061

	Karafarin Bank									
	2014-15					2015-16				
	IRR			Foreign Currency (Non-Joint)	Total	IRR			Foreign (Non-Joint)	Total
	Joint	Non-Joint	Total			Joint	Non-Joint	Total		
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Installment Sales	54,004	-	54,004	12,314	66,318	16,322	20,918	37,240	-	37,240
Joala	1,978	-	1,978	-	1,978	5,266	1,041	6,307	-	6,307
Hire Purchase	3,603	-	3,603	-	3,603	-	-	-	-	-
Mozarabeh	1,525,948	-	1,525,948	-	1,525,948	1,619,369	-	1,619,369	-	1,619,369
Joint Partnership	12,605,714	-	12,605,714	32,249	12,637,963	13,328,271	-	13,328,271	48,699	13,376,970
Bai' al-Salaf	4,804	-	4,804	-	4,804	62,677	-	62,677	-	62,677
Recognition	2,314,710	-	2,314,710	29,141	2,343,851	3,624,535	176,979	3,801,514	48,987	3,850,501
Others	43,262	-	43,262	25,223	68,485	48,263	-	48,263	-	48,263
	16,554,023	-	16,554,023	98,927	16,652,950	18,704,703	198,938	18,903,641	97,686	19,001,328

31.2. Income from deposits.

	Group									
	2014-15					2015-16				
	IRR			Foreign Currency (Non-Joint)	Total	IRR			Foreign Currency (Non-Joint)	Total
	Joint	Non-Joint	Total			Joint	Non-Joint	Total		
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Bonus of the Statutory Reserve (Quota of (Depositors & Bank	95,818	4,526	100,344	0	100,344	101,062	6,597	107,659	0	107,659
Interest on Term Deposits Held with Banks	1,790,593	0	1,790,593	0	1,790,593	1,479,207	0	1,479,207	0	1,479,207
Interest on Participation Bonds, Coins & Deposit Guarantee	64,020	0	64,020	0	64,020	64,731	0	64,731	0	64,731
	1,950,430	4,526	1,954,956	0	1,954,956	1,645,000	6,597	1,651,597	0	1,651,597

	Karafarin Bank									
	2014-15					2015-16				
	IRR			Foreign Currency (Non-Joint)	Total	IRR			Foreign Currency (Non-Joint)	Total
	Joint	Non-Joint	Total			Joint	Non-Joint	Total		
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Bonus of the Statutory Reserve (Quota of (Depositors & Bank	95,818	4,526	100,344	0	100,344	101,062	6,597	107,659	0	107,659
Interest on Term Deposits Held with Banks	1,776,274	0	1,776,274	0	1,776,274	1,439,450	0	1,439,450	0	1,439,450
Interest on Participation Bonds, Coins & Deposit Guarantee	64,020	0	64,020	0	64,020	64,731	0	64,731	0	64,731
	1,936,112	4,526	1,940,638	0	1,940,638	1,650,243	6,597	1,611,840	0	1,611,840

32. NET PROFIT (LOSS) OF INVESTMENTS

	Note	Karafarin Bank		Karafarin Bank				
		2014-15	2015-16	2014-15			2015-16	
		Total	Total	IRR (Joint)	Foreign Currency (Non-Joint)	Total	IRR (Joint)	Total
		IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Realised Profit (Loss) of Investments								
Dividend of Companies	32-1	387,476	167,586	760,483	-	760,483	431,719	431,719
Profit (Loss) from Sales of Shares of Companies	32-2	360,857	56,826	360,857	-	360,857	56,826	56,826
Total Realized Profit (Loss) of Investments		748,333	224,411	1,121,340	-	1,121,340	488,544	488,544
Profit (Loss) Value Increase (Decrease) of Investments								
Net Profit (Loss) Value Increase (Decrease) of Investments		-	-	-	-	-	-	-
Net Profit (Loss) of Investments		748,333	224,411	1,121,340	-	1,121,340	488,544	488,544

32.1. Dividend of companies describes as follows:

	Group		Karafarin Bank				
	2014-15	2015-16	2014-15		2015-16		
	Total	Total	IRR (Joint)	Total	IRR (Joint)	Foreign Currency (Non-Joint)	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Karafarin Bank Investment Co.	0	0	44,086	44,086	0	0	0
Karafarin Leasing Co.	0	0	50,000	50,000	31,000	0	31,000
Karafarin Bureau de Change	0	0	279,944	279,944	199,960	0	199,960
Karafarin Bank Brokerage Co.	0	0	30,000	30,000	35,000	0	35,000
Abnieh Gostar Co.	0	0	4,900	4,900	2,619	0	2,619
Karafarin Insurance Co.	63,112	7,199	63,112	63,112	7,199	0	7,199
Dividend of Long-Term Investments	63,112	7,199	472,042	472,042	275,778	0	275,778
Parsian Oil & Gas Development Group	13,853	26,420	13,853	13,853	26,420	0	26,420
Persian Gulf Petrochemical Industries Co.	58,881	20,842	58,881	58,881	20,842	0	20,842
Khouzestan Steel Co.	25,630	17,991	25,630	25,630	17,991	0	17,991
Esfahan Oil Refinery	35,166	13,598	35,166	35,166	13,598	0	13,598
Maroun Petrochemical Co.	15,431	10,950	15,431	15,431	10,950	0	10,950
Jam Petrochemical Co.	9,972	9,953	9,972	9,972	9,953	0	9,953
Shiraz Petrochemical Co.	8,702	9,507	8,702	8,702	9,507	0	9,507
Civil Pension Fund Investment Co.	9,157	6,481	9,157	9,157	6,481	0	6,481

	Group		Karafarin Bank				
	2014-15	2015-16	2014-15		2015-16		
	Total	Total	IRR (Joint)	Total	IRR (Joint)	Foreign Currency (Non-joint)	Total
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Zagros Petrochemical Co.	5,073	4,477	5,073	5,073	4,477	0	4,477
Ghadir Investment Co.	3,424	4,230	3,424	3,424	4,230	0	4,230
National Iranian Copper Industries Co.	17,296	3,241	17,296	17,296	3,241	0	3,241
Tejarat Bank	48,230	2,781	48,230	48,230	2,781	0	2,781
Shomal Excavation Co.	2,539	2,265	2,539	2,539	2,265	0	2,265
Pardis Petrochemical Co.	908	1,987	908	908	1,987	0	1,987
Fanavaran Petrochemical Co.	3,302	1,778	3,302	3,302	1,778	0	1,778
Behshahr Industries Development	1,824	1,775	1,824	1,824	1,775	0	1,775
National Development Group Investment	1,011	1,648	1,011	1,011	1,648	0	1,648
Pasargad Bank	1,696	1,484	1,696	1,696	1,484	0	1,484
Esfahan Mobarakeh Steel Co.	1,254	1,480	1,254	1,254	1,480	0	1,480
Mines & Metals Investment Co.	809	1,381	809	809	1,381	0	1,381
Shazand Petrochemical Co.	2,250	1,350	2,250	2,250	1,350	0	1,350
Sepahan Oil Co.	840	1,310	840	840	1,310	0	1,310
Iran Mobile Telecommunication Co.	0	1,278	0	0	1,278	0	1,278
Other Companies	57,112	17,728	20,082	21,189	7,736	0	7,736
Dividend of Short-Term Investments	324,364	165,933	287,334	288,441	155,940	0	155,940
Dividend of Companies	387,476	173,132	759,376	760,483	431,719	0	431,719

32.2. Profit (loss) from sales of shares of companies is as follows:

	2014-15				
	Profit (Loss)	Profit (Loss)	No. of Shares	Sales	Cost Price
	IRR million	IRR million	Shares	IRR million	IRR million
Profit (Loss) from Sales of Companies' Shares – IRR (Joint)					
Persian Gulf Petrochemical Industries Co.	42,345	94,293	17,609,005	181,454	139,109
Charisma Investment Fund Co.	30,989	0	921,000	1,246,382	1,215,392
Maroun Petrochemical Co.	21,360	7,050	1,355,662	47,001	25,642
MAPNA Co.	18,484	(46)	16,421,516	146,121	127,637
Tejarat Bank	14,357	2,009	193,471,208	232,429	218,071
Islamic Treasury Documents First Phase	5,995	0	184,879	184,879	178,884
Ghadir Investment Co.	5,943	18,833	15,064,653	37,930	31,987
Mobin Petrochemical Co.	5,746	0	9,100,000	35,269	29,523
Gole Gohar Participation Co.	5,119	0	73,426	79,139	74,020
Shomal Excavation Co.	2,755	251	3,080,000	13,741	10,986
Mobile Telecommunication Co.	2,627	0	924,594	15,111	12,484
Islamic Republic of Iran Shipping Lines	1,696	0	721,142	4,254	2,558
Pars Rent Participation Co.	1,088	0	50,000	52,366	49,802
MAPNA Co.	857	0	24,700	25,575	24,718
Fanavaran Petrochemical Co.	500	943	91,789	1,770	1,270
Civil Pension Fund	445	730	427,061	1,695	1,250
Persia Oil & Gas Participation	418	0	13,500	14,065	13,648
Behshahr Industries Group	253	0	690,737	1,183	930
Damavand Electricity Production Co.	170	0	26,500	2,140	1,970

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	2014-15				
	Profit (Loss)	Profit (Loss)	No. of Shares	Sales	Cost Price
	IRR million	IRR million	Shares	IRR million	IRR million
Amin Pharmaceutical Co.	152	0	287,016	819	667
Jam Petrochemical Co.	136	0	259,351	2,449	2,313
Hormozgan Steel Co.	122	0	455,000	671	549
Rightel Rent	118	0	26,500	26,637	26,519
MAPNA Assaluyeh Electricity Production Co.	100	0	90,000	1,042	942
Kharazmi Investment Co.	64	0	574,288	789	725
Iranian Petrochemical Co.	59	0	209,817	542	483
Pars Switch Co.	51	0	83,427	360	309
Industry & Mine Investment Co.	50	0	491,352	602	551
National Development Group Investment Co.	36	0	100,000	151	115
Khouzestan Cement Co.	(0)	0	4,000	18	18
Kimidarou Co.	(1)	0	15,000	97	99
Omid Rent Participation Co.	(5)	0	50,000	7,000	7,005
Sina Ceramic Tile Co.	(8)	0	7,384	29	37
Butane Industrial Co.	(10)	0	120,177	306	316
Kordestan Cement Co.	(62)	69	50,000	64	126
Kermanshah Petrochemical Co.	(70)	0	184,411	768	838
Cement Industries Development Co.	(134)	0	1,040,000	1,312	1,447
Tehran Cement Co.	(142)	25	94,499	188	329
Kordestan Cement Co.	(243)	69	200,000	261	504
Iran Chemical Industries Co.	(212)	0	900,000	4,267	4,479
Esfahan Mobarakeh Steel Co.	(261)	0	700,000	917	1,178
Oroumieh Cement Co.	(361)	(225)	80,000	310	672

	2014-15				
	Profit (Loss)	Profit (Loss)	No. of Shares	Sales	Cost Price
	IRR million	IRR million	Shares	IRR million	IRR million
Mines & Metals Development Investment Co.	(530)	0	804,326	1,118	1,648
Behshahr Industries Development Co.	(580)	(433)	1,796,600	2,730	3,310
Esfahan Steel Co.	(654)	0	1,000,000	3,130	3,784
Bandar Abbas Oil	(1,573)	0	200,000	1,323	2,896
Darab Cement Co.	(1,694)	0	1,559,997	1,818	3,512
Zagros Petrochemical Co.	(4,074)	0	265,324	2,689	6,764
Sepahan Oil Co.	(4,561)	0	846,607	6,975	11,536
Khouzestan Steel Co.	(8,776)	0	7,605,556	13,065	21,840
National Copper Industries Co.	(18,659)	0	14,860,752	21,859	40,518
Esfahan Oil Refinery Co.	(62,661)	0	22,734,733	56,748	119,409
Karafarin Bank Investment Co.	0	228,036	-	0	0
Other Companies	0	9,251	-	0	0
	56,826	360,857	317,897,489	2,483,498	2,425,197

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33. BANK'S RESOURCES QUOTA FROM JOINT REVENUES

Bank's resources quota from joint revenues calculated in the following manner:

33.1. Bank's resources quota from joint revenues.

Bank's Resources Ratio to Total Consumption (33-2)	Joint Revenues	Bank's Resources Quota from Joint Revenues
Percent	IRR million	IRR million
15.0%	20,697,429	3,097,469

33.2. Distribution of joint resources and consumptions between depositors and the Bank

Description	2014-15		2015-16		Details
	IRR million		IRR million		
Average Joint Consumptions (32-2-1)		78,443,559		82,962,692	Average of 52 Weeks
Average Balance of Investment Deposits (32-2-2)	71,947,305		80,426,132		Average of 52 Weeks
Less: Statutory Deposit of Investment Deposits	(9,508,770)		(9,879,204)		Average of 52 Weeks
Free Resources of Investment Deposits		62,438,535		70,546,928	
Bank's Resources Quota from Joint Consumptions (Surplus of Free Resources of Investment Deposits)		16,005,024		12,415,763	

33.2.1. Average joint consumptions.

Joint Consumptions Items	2014-15 Amount (Average)	2015-16 Amount (Average)
	IRR million	IRR million
Net Consumptions Related to Facilities	69,590,849	73,882,823
Net Consumptions Related to Participation Bonds	176,248	285,673
Net Consumptions Related to Deposits held with Other Banks	6,380,751	5,367,601
Net Consumptions Related to Investments	2,295,711	3,426,594
Net Consumptions Related to Joint Operations	78,443,559	82,962,692

33.2.2. Average investment deposits.

Joint Consumptions Items	2014-15 Amount (Average)	2015-16 Amount (Average)
	IRR million	IRR million
1-year	25,017,456	46,324,269
2-year	2,582,136	273,789
3-year	23,866	19,883
4-year	23,793	18,096
5-year	13,111,546	8,848,575
Short-Term Deposits	21,596,986	22,633,667
Special Short-Term Deposits	9,518,960	1,869,610
Received Deposits from Banks	72,563	438,242
Average Investment Deposits	71,947,305	80,426,132

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33.3. Bonus of statutory deposit of investment deposits is as follows:

	2014-15	2015-16
	IRR million	IRR million
Average Statutory Deposit of Investment Deposits	9,508,770	9,879,204
Bonus of Statutory Deposit (with the rate of 1% of Average Resources)	95,818	101,062

34. ATTORNEY FEE

Based on the minute dated 05.10.2015, the Bank's attorney fees for the 2015-16 financial period are the equivalent of 3% of the investment deposits.

Average Free Resources of Depositors	× Attorney Fee Rate	= Attorney Fee Amount
70,546,928	× 3%	= 2,116,408

34.1. Declared attorney fee.

	Declared Attorney Fee		Applied Attorney Fee
	Minimum	Maximum	
Rate – Percent	3	3	3
Amount – IRR million	2,116,408	2,116,408	2,116,408

35. ON-ACCOUNT INTEREST PAID TO INVESTMENT DEPOSITS

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Short-Term	3,479,294	3,678,883	3,604,555	3,831,004
Special Short-Term	2,137,785	437,444	2,137,785	437,444
Long-Term Deposits				
1-year	4,977,763	8,067,714	4,977,763	8,067,714
2-year	125,248	54,658	125,248	54,658
3-year	4,509	4,019	4,509	4,019
4-year	4,893	2,431	4,893	2,431
5-year	2,728,508	1,853,671	2,728,508	1,853,671
Deposit Certificate	765,976	1,862,067	765,976	1,862,067
Interest Paid to Received Deposits from Banks	19,013	92,637	19,013	92,637
	14,242,990	16,053,523	14,368,252	16,205,644

36. INTEREST ON DEPOSITS EXPENSES

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Interest on Investment Deposits – IRR	36-1	14,242,990	16,053,523	14,368,252	16,205,644
Interest on Foreign Currency Deposits		82,502	78,941	82,502	78,941
		14,325,492	16,132,464	14,450,754	16,284,585

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36-1- Reconciliation statement of on account interest paid for investment deposits (IRR) with investment deposits interest expenses:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
On Account Interest Paid for Investment Deposits (Note 35)	14,242,990	16,053,523	14,368,252	16,205,644
Plus (Less) Interest Difference Payable to Depositors (Interest Surplus Paid to Depositors) Cited from Investment Deposits Performance Statement	(537,285)	(621,030)	(537,285)	(621,030)
Actual Accrued Interest to Investment Deposits	13,705,706	15,432,493	13,830,967	15,584,614
Plus Interest Granted to Depositors (Equal to Surplus Interest Paid to Depositors)	537,285	621,030	537,285	621,030
IRR Investment Deposits Interest	14,242,990	16,053,523	14,368,252	16,205,644

37- COMMISSION INCOME

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Net Gharz-al Hassaneh Operations Commission	37-1	0	103	0	103
Issuance of Letters of Guarantee		406,379	338,448	406,379	338,448
Foreign Currency Operations		156,077	140,934	156,077	140,934
Managed Funds		822	822	822	822
Other Services		117,979	181,820	77,685	116,378
		681,258	662,126	640,964	596,684

37-1- Net Gharz-al Hassaneh operations commission is as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Commission Received from Gharz-al Hassaneh Facilities	0	103	0	103
Net Gharz-al Hassaneh Operations Commission	0	103	0	103

38- COMMISSION EXPENSES

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
SHETAB Project Commission	6,443	8,911	6,443	8,911
Clearing House Commission	2,309	907	2,309	907
Commission Paid for Card Services	28,531	36,475	28,531	36,475
Commission Paid for SHETAB Joint Fund	5,988	5,211	5,988	5,211
Commission Paid to the Correspondent-Foreign Currency	2,883	2,019	2,883	2,019
Commission Paid for L/C-Foreign Currency	16,315	0	16,315	0
Others	674	335	674	334
	63,143	53,858	63,143	53,858

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39- NET PROFIT (LOSS) of FOREIGN CURRENCY TRANSACTIONS

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Profit (Loss) of Forex	42,873	75,293	42,873	75,293
Profit (Loss) of Forex	149,974	185,911	149,974	185,911
	192,847	261,204	192,847	261,204

40- OTHER INCOME

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Penalty for Canceling Deposits		116,998	35,846	116,998	35,846
Professional Services Fees		97,838	102,358	97,838	102,358
Profit (Loss) from Tangible & Intangible Fixed Assets Sale	40-1	187	(344)	187	13,000
Income from Owned Properties Sale		35,105	11,296	35,105	11,296
Foreign Currency Sale		126,273	144,305	0	0
Others		88,460	37,765	7,622	12,559
		464,860	331,226	257,749	175,058

40-1- Profit from sale of fixed assets is as follows:

	Karafarin Bank				
	2014-15	2015-16			
	Profit (Loss)	Cost	Book Value	Sale Amount	Profit (Loss)
	IRR million	IRR million	IRR million	IRR million	IRR million
Building	0	3,861	3,020	5,175	2,155
Furniture	118	5,664	1,670	990	(680)
Vehicle	70	396	43	479	436
Goodwill	0	15,539	15,539	26,628	11,089
	187	25,460	20,273	33,273	13,000

40-2- Profit from the sale of tangible and intangible fixed assets is related to the sale of Kooh-e Noor estate to Karafarin Bureau de Change.

41- GENERAL & ADMINISTRATIVE EXPENSES

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Staff Expenses	41-1	939,871	1,187,603	866,640	1,093,448
Administrative Expenses	41-2	532,479	633,227	478,771	600,992
		1,472,350	1,820,830	1,345,410	1,694,440

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41-1- Staff expenses are detailed as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Salary & Benefits	735,809	969,882	681,143	893,913
Premium on Employer	94,904	127,897	88,760	120,198
Staff Work Termination & Retirement	94,202	78,931	89,309	72,264
Travel & Mission Allowance	9,092	8,041	6,288	6,028
Others	5,864	2,853	1,140	1,045
	939,871	1,187,603	866,640	1,093,448

41-2- Administrative expenses are detailed as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Mechanized Systems Expenses	92,398	111,996	90,195	109,850
Auditing Fee and Consultation Fee	109,305	100,249	97,083	104,186
Tangible Fixed Assets Repair & Maintenance	49,314	76,722	46,393	72,315
Utilities	48,771	67,487	46,212	64,822
Rent	55,760	49,789	52,000	50,579
Deposits Guarantee Fund Membership Fee	0	45,850	0	45,850
Supplies	35,679	38,277	33,394	35,965
Publication & Advertisements	24,715	19,336	24,121	18,464
Training Expenses	4,807	5,544	4,807	5,544
Assets and Cash Insurance Expenses	4,685	4,369	1,763	1,675
Reports & Official Forms Publication Expenses	216	268	152	188
Board of Directors Attendance Fee	2,197	3,442	650	693
Others	104,632	109,897	82,000	90,861
	532,479	633,227	478,771	600,992

42- DOUBTFUL DEBTS EXPENSES

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Specific Doubtful Debts Expenses	42-1	422,629	619,447	347,577	619,447
General Doubtful Debts Expenses	42-2	105,019	91,027	173,010	88,313
		527,648	710,473	520,587	707,759

42-1- Specific doubtful debts provisions are calculated as follows:

	2014-15	2015-16			
	Total	Overdue	Outstanding	Doubtful	Total
	IRR million	IRR million	IRR million	IRR million	IRR million
Balance at 19/03/2016	8,570,740	1,593,264	2,180,597	6,671,637	10,445,498
Less Securities Value with Coefficient in Effect					
Investment & Savings Deposits	(20,600)	(39,421)	(44,605)	(19,651)	(103,678)
Properties	(5,098,427)	(76,670)	(1,083,676)	(3,106,093)	(5,410,539)
Listed Companies Shares	(26,625)	(517,601)	0	(3,621)	(521,222)
	(5,145,652)	(633,693)	(1,128,282)	(3,129,366)	(6,035,440)
Specific Provision Calculation Basis Balance	3,425,088	959,571	1,052,314	3,542,271	5,554,157
Specific Provision Calculation Basis Coefficient-Percent		10%	20%	50% - 100%	
Specific Doubtful Debts Provision	1,528,954	95,957	210,463	1,841,981	2,148,401

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42-2- Specific doubtful debts expenses at the year ended 19/03/2016 are calculated as follows:

	Amount
	IRR million
Granted Facilities Balance as at 19/03/2016	84,577,422
Less	
Granted Facilities Balance for Which Specific Provision is taken	(6,652,169)
General Provision Calculation Basis Balance	77,925,252
General Provision Calculation Basis Coefficient-Percent	1.5
Specific Doubtful Debts Provision as at 19/03/2016	(1,168,879)
Specific Doubtful Debts Provision as at 19/03/2015	(1,080,566)
General Doubtful Debts Expenses	88,313

43- FINANCING EXPENSES

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Cost of Facilities Received from Other Banks & Credit Institutes	253,764	234,801	0	0
Cost of Facilities Received from the CBI	0	85,182	0	85,182
Late Payment Penalty Paid	264	773	264	773
	254,028	320,756	264	85,955

44- DEPRECIATION EXPENSES

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Tangible Fixed Assets Depreciation	75,551	88,650	94,727	106,305
Intangible Assets Depreciation	12,000	10,002	9,957	5,246
	87,551	98,652	104,684	111,551

45- PRIOR YEARS' ADJUSTMENTS

		Group		Karafarin Bank	
	Note	2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Errors Adjustments	45-1	(473,254)	(172,105)	(490,020)	(172,558)
		(473,254)	(172,105)	(490,020)	(172,558)

45-1- Errors adjustments are as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Corporate Tax Provision A for 2014-2015 and 2015-2016	(488,842)	(109,231)	(485,520)	(109,231)
Prior Years Deferred Expenses	15,588	(62,874)	(4,500)	(63,327)
	(473,254)	(172,105)	(490,020)	(172,558)

45-2- In order to obtain a better view of financial status and operation results, all the 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.

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46- PROFIT BEFORE TAX RECONCILIATION STATEMENT

Profit before tax reconciliation statement with net cash inflow resulted from operational activities is as follows:

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Profit (Loss) before Tax	4,245,966	3,211,912	4,321,646	3,196,510
Depreciation Expenses	87,550	98,652	104,684	111,552
Net Increase (Decrease) in Work Termination Benefits Provision	79,724	60,007	78,762	57,803
Profit (Loss) from the Sale of Tangible Fixed Assets & Intangible Assets	(187)	344	(187)	(13,000)
Financial Expenses	273,042	320,756	19,278	85,955
Net (Profit) Loss from F/X Cash Conversion	(192,847)	(261,204)	(192,847)	(261,204)
	4,493,248	3,430,467	4,331,335	3,177,616
Net Increase (Decrease) in Operating Liabilities				
Debt to Banks & Other Credit Institutions	(105,578)	1,455,289	(105,578)	1,455,289
Customers' Deposits	794,258	8,287,773	794,258	8,287,773
Operating Portion of Provisions & Other Liabilities	(743,236)	691,111	(667,189)	307,004
Long-Term Investment Deposits	10,708,367	607,741	10,899,703	467,552
Interest Payable to Long-Term Investment Deposits	(149,904)	(33)	(149,904)	(33)
	10,503,905	11,041,880	10,771,289	10,517,584

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Net Increase (Decrease) in Operating Assets				
Granted Facilities Claims from Non-State-Owned Entities	(11,067,677)	(12,096,771)	(11,031,683)	(12,652,316)
Investment in Stocks and Other Securities	1,179,478	(1,237,237)	1,525,861	(1,516,586)
Claims from Subsidiaries and Affiliated Companies	0	0	104,779	287,356
Other Receivables	931,253	(535,552)	494,305	(12,473)
Statutory Deposit	(1,007,210)	456,307	(1,007,210)	307,456
Operating Portion of Other Assets	18,662	(307,456)	2,128	(385,919)
	(9,945,495)	(13,918,323)	(9,911,820)	(13,972,481)
Net Inflow (Outflow) of Cash from Operating Activities	5,051,658	554,024	5,190,804	(277,281)

47- NON-CASH TRANSACTIONS

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Repossessions against Granted Facilities	1,179,240	703,528	1,179,240	703,528
	1,179,240	703,528	1,179,240	703,528

48- OFF-BALANCE SHEET ITEMS

48-1- L/C obligations

48-1-1- Bank's obligations for foreign currency L/Cs are as follows:

	Balance at the Beginning of Year			Opened During the Year			Settled (Canceled) During the Year			Rate Fluctuation During the Period	Balance at the End of Year		
Currency Type	Number	Foreign Currency Amount	IRR Equivalent	Number	Foreign Currency Amount	IRR Equivalent	Number	Foreign Currency Amount	IRR Equivalent	IRR Equivalent	Number	Foreign Currency Amount	IRR Equivalent
			IRR million			IRR million			IRR million	IRR million			IRR million
Sight													
EUR	198	17,884,516	539,325	52	53,682,398	1,811,104	24	51,403,407	1,732,396	66,216	226	20,163,506	684,249
EUR-Transactional	4	344,660	10,394	0	0	0	2	344,546	11,689	1,300	2	114	4
JPY	37	388,092,758	90,220	28	397,325,510	105,068	2	535,505,348	136,953	8,939	63	249,912,920	67,274
CHF	11	2,457,709	69,357	17	85,051,041	2,628,142	3	38,418,478	1,187,018	8,029	25	49,090,272	1,518,509
KRW	91	2,328,067,400	58,358	58	16,019,564,849	410,007	6	15,559,202,214	398,771	2,239	143	2,788,430,035	71,833
OMR	0	-	0	3	7,950,000	624,441	0	0	0	0	3	7,950,000	624,441
INR	170	905,512,009	406,575	89	1,841,836,886	838,713	14	2,271,411,242	1,033,519	3,831	245	475,937,653	215,600
CNY	180	240,524,843	1,086,932	157	526,794,896	2,463,930	25	584,340,608	2,740,336	41,242	312	182,979,131	851,768
CNY-Transactional	5	52,028	235	0	0	0	5	52,028	245	9	-	0	0
TRY	17	51,968,859	565,369	19	12,782,587	132,602	10	61,100,169	612,730	(46,717)	26	3,651,276	38,525
			2,826,764			9,014,006			7,853,657	85,089			4,072,202
Deferred Payment													
EUR	66	5,422	163	0	0	0	66	5,422	182	18	0	0	0
CNY	1	342,879	1,549	26	68,335,355	318,101	1	7,066,498	32,910	62	26	61,611,736	286,803
AED	15	337,391	2,572	0	0	0	15	337,391	2,752	181	0	0	0
KRW	4	16,669,511	418	1	500,451,042	12,892	5	517,120,553	13,317	7	0	0	0
INR	0	-	0	13	122,883,755	55,666	0	60,013,065	27,186	0	13	62,870,690	28,480
			4,702			386,660			76,347	268			315,283

48-1-2- The Bank's obligations for IRR L/Cs are as follows:

Description	2014-15	2015-16
	IRR million	IRR million
Balance at the Beginning of Year	8,709	0
Opened During the Year	0	10,217
Settled (Canceled) During the Year	(8,709)	(10,217)
Balance at the End of Year	0	0

48-2- L/G obligations

48-2-1- The Bank's obligations for foreign currency L/Gs are as follows:

	2014-15		2015-16	
	F/X Amount	IRR Equivalent	F/X Amount	IRR Equivalent
EUR	49,923,185	1,505,484	53,116,341	1,802,503
USD	1,059,287	29,654	1,016,794	30,748
CNY	-	-	12,412,372	57,780
		1,535,137		1,891,030

48-2-2- Bank's obligations for IRR L/Gs are as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Obligations for Issued L/Gs	20,562,451	18,178,140	20,562,451	18,178,140

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48-3- The Bank's other obligations are as follows:

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Securities for Granted Facilities (Promissory Notes-Deposits)	232,474,995	251,139,837	232,474,995	251,139,837
Securities for Immovable Properties Held by Bank	32,047,601	34,745,542	32,047,601	34,745,542
Shares & Securities Held by Bank	30,531,901	41,538,713	30,531,901	41,538,713
Hire Purchase Properties	115,242	80,614	115,242	80,614
Others	91,323,347	124,575,155	91,323,347	124,575,155
	386,493,086	452,079,861	386,493,086	452,079,861

48-4- Managed funds and similar items are as follows:

	Group		Karafarin Bank	
	2014-15	**2015-16**	**2014-15**	**2015-16**
	IRR million	**IRR million**	**IRR million**	**IRR million**
Facilities Granted from Managed Funds	402,749	197,394	402,749	197,394
	402,749	197,394	402,749	197,394

49- Capital commitments and contingent liabilities

49-1- Capital commitments resulted from contracts concluded and approved at balance sheet date are as follows:

	IRR million
Building Branches	111,513
Purchasing Vehicle	2,142
	113,655

49-2- The Bank has no contingent liabilities on balance sheet date.

50- 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	
	Fiscal year ended 19 March 2015	**Fiscal year ended 19 March 2016**
Net Profit-IRR million	3,580,490	2,639,854
Weighted Average of General Shares Number	8,277,397,260	8,500,000,000
Diluted Earnings per Share- IRR	433	311

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51- POST-BALANCE SHEET EVENTS

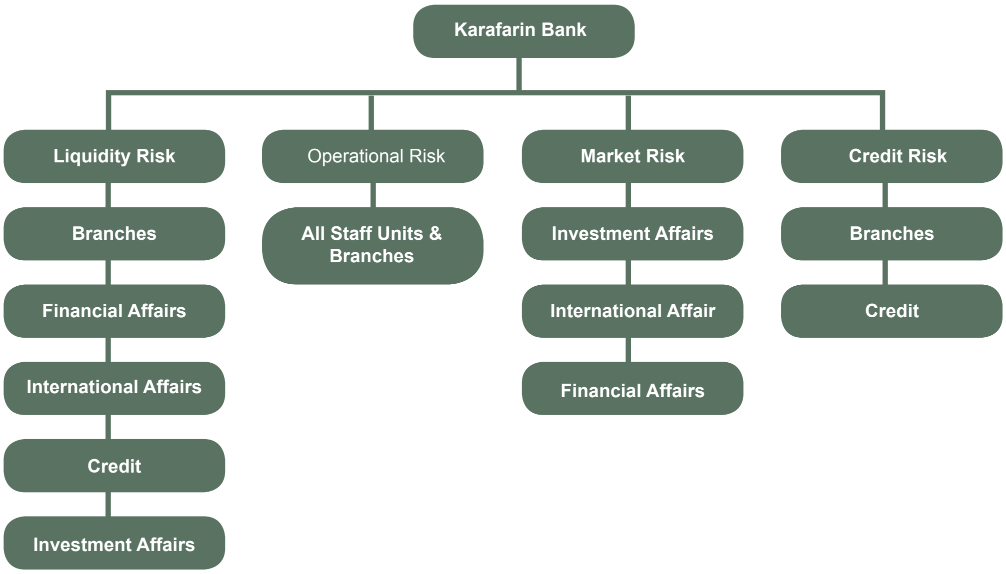
There were no significant post-balance sheet events until approval date of financial statements which need disclosure.

52- BANK'S RISKS

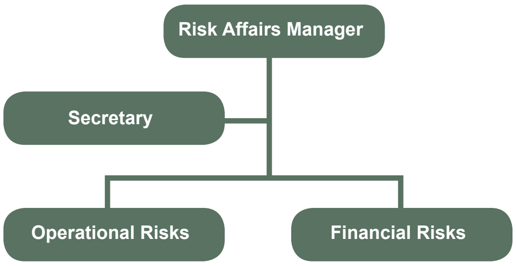
The Bank is exposed to the following risks:

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

52-1- The following diagram represents the relationship between different business areas and main risks each of which is exposed to.



52-2- Risk management structure



52-3- Credit risk

52-3-1- Definition

Credit risk is any loss resulted from inability of a borrower in paying back the facilities and meeting obligations. In other words, any potential loss arising from failing to partially or wholly meet commitments from receiving credit services by the counter-party (due to unwillingness, financial inability, barriers on the way of settlement…). Since the major part of Karafarin Bank's assets includes facilities granted to customers, credit risk is the most important challenge that may affect the bank.

52-3-2- Credit policies

Credit policies which are implemented in the Bank by the Risk Unit, Credit Unit and Inspection Unit and are as follows:

1-Facility 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 facility applicants
8-Investigating and upgrading value of facility applicants mortgage bond
9-Monitoring & reporting facility applicants customers' large exposures
10-Monitoring & reporting on facilities 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 facilities repayment with respect to securities quality
16-Calculating capital adequacy required for credit risk based on Basel II
17-Calculating related to credit facilities & commitments provisioning

52-3-3- Credit risk management executive units
Scope of implementing above policies especially branches, credit affairs management, credit information department, debt collection department, credit committees and other credit pillars.

52-3-4- Scope of authority for different levels of organisation to approve facilities & commitments

Karafarin Bank 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

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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 facilities & 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.
Prescribed limits for foreign currency facilities 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 facilities (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.

IRR billion

Type of Proposal/ Decision-Making Authority	Credit Committee		Credit High Committee		Board of Directors	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
IRR Facilities	Branch legal limit	20	20	50	50	Up to prescribed limit by CBI
Opening L/Cs	0	20	20	50	50	Up to prescribed limit by CBI
Issuing L/Gs	Branch legal limit	40	40	100	100	Up to prescribed limit by CBI

52-3-5- Credit risk reduction methods
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 facilities 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.

52-3-6- 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.
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 facilities 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.

52-3-7- Credit quality analysis
Bank assets quality including facilities and commitments and investments, type and amount and adequacy of received securities (granted facilities balance ratio to securities' updated value – LTV) is displayed in tables 52-3-7-1 to 52-3-7-4 from credit risk point of view.

52-3-7-1- Granted facilities and commitments and investments credit quality analysis based on the Bank's internal credit rating.

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52-3-7-1- Granted facilities and commitments and investments quality analysis based on the Bank's internal rating:

	Facilities Granted to Banks		Facilities Granted to Customers		Investments		Commitments for Guarantees & L/Cs	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
1st Degree-Low Risk	0	0	11,966,073	9,956,078	1,811,350	3,530,857	4,442,638	572,063
2nd Degree-Medium Risk	0	0	41,856,678	54,862,964	466,777	126,434	11,357,709	14,434,368
3rd Degree-High Risk	0	0	5,031,065	10,758,377	163,677	294,094	910,787	3,123,416
No Ratings	0	0	11,214,973	7,077,752	0	0	8,217,921	6,326,808
4th Degree-About to Be Categorized as Bad Debt	0	0	1,852,085	1,922,251	0	0	0	0
Total Gross Amount	0	0	71,920,847	84,577,422	2,441,804	3,951,385	24,929,055	24,456,655
Value Decrease Provision	0	0	(2,609,520)	(3,317,280)	0	0	0	0
Net Book Value	0	0	69,311,354	81,260,142	2,441,804	3,951,384	24,929,055	24,456,655

- Investments include all kinds of securities with ownership
- Rights characteristic such as all kinds of stocks
- To analyze credit quality of customers, facilities 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 facilities
2nd Degree: Customers with B & C Rates, Settled L/Gs and L/Cs
3rd Degree: Customers with E & D Rates and customers with outstanding & doubtful debts
No Rating: Customers who received facilities against deposits and old customers
4th Degree: Customers with over-5-year doubtful debts

52-3-7-2- Granted facilities and commitments and investments credit quality analysis based on assets levels:

	Facilities Granted to Banks		Facilities Granted to Customers		Commitments for Guarantees & L/Cs	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Current	0	0	63,824,508	73,638,542	24,929,055	24,456,655
Overdue	0	0	910,548	1,595,078	0	0
Outstanding	0	0	2,503,330	2,426,685	0	0
Doubtful	0	0	4,682,488	6,917,117	0	0
Total Gross Amount	0	0	71,920,874	84,577,422	24,929,055	24,456,655
Value Decrease Provision	0	0	(2,609,520)	(3,317,280)	0	0
Net Book Value	0	0	69,311,354	81,260,142	24,929,055	24,456,655

52-3-7-3- Quality of participation bonds and similar items:

Credit Quality Analysis

	2014-15	2015-16
	IRR million	IRR million
Governmental Bonds & Treasury Bills		
Islamic Treasury Bill-5th Stage	0	54,174
Non-Governmental Company Bonds		
Karafarin Mutual Fund with Fixed Income	63,517	28,500
Arman Karafarin Mutual Fund with Fixed Income	23,500	18,500
Gol Gohar Participation Bonds	68,239	7,060
	155,256	108,234

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52-3-7-4- Securities obtained from credit customers

Securities	2014-15	2015-16
	IRR million	IRR million
Facilities Granted to Individuals		
Short-Term Stocks	407,063	776,287
IRR Deposits	6,111,384	5,590,054
Foreign Currency Deposits	26,834	20,217
Immovable Properties Mortgaged by the Bank	12,506,081	12,982,190
Rented Immovable Properties	1,452	1,452
Machineries	1,170	1,170
Guarantees	17,024,678	18,466,176
Collected Cheques & Additional Pledged Cheques	3,486,938	3,400,820
Promissory Notes	12,702,164	14,263,943
Indispensable Contract	351,762	937,783
Investment Fund	345,256	259,005
	52,964,781	56,699,097
Facilities Granted to Legal Customers		
Short-Term Stocks	26,355,604	38,981,899
Unlisted Stocks	646,820	542,420
IRR Deposits	1,169,640	6,593,632
Foreign Currency Deposits	3,433	31,675
Immovable Properties Mortgaged by the Bank	18,137,475	20,295,362
Rented Immovable Properties	68,118	0
Machineries	28,281	61,818
Guarantees	130,571,563	162,188,733
Collected Cheques & Additional Pledged Cheques	62,623,913	61,395,471
Promissory Note	55,078,400	77,909,721
Indispensable Contract	79,599	47,631
Investment Fund	11,051,996	160,887
	305,814,842	368,209,250

52-3-7-5- Facilities balance based on ratio of facilities balance (less provisions) to liquidated value of securities.

Description	2014-15	2015-16
	IRR million	IRR million
Facilities Granted to Individuals		
Lower than 50%	60,499	298,583
51-70	97,883	95,265
71-90	1,474,743	477,400
91-100	220,189	1,156,971
Higher than 100%	9,916,000	11,744,490
Facilities Granted to Legal Customers		
Lower than 50%	154,783	232,009
51-70	561,501	891,948
71-90	8,360,457	5,770,744
91-100	374,807	2,277,026
Higher than 100%	48,090,492	58,315,706
	69,311,354	81,260,142

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

52-3-8- Credit risk concentration

52-3-8-1- Composition of facilities granted and investments in various economic sectors and their domestic and overseas concentration.

	Facilities Granted		Investments		Commitments for Guarantees & L/Cs	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Book Value	69,311,354	81,560,145	1,510,141	1,320,298	24,929,054	24,456,655
Facilities/Commitments Based on Economic Units						
Mine & Industry	17,367,415	34,067,481	1,059,436	1,067,163	5,413,060	4,820,136
Housing	8,807,882	12,617,614	0	0	7,558,559	8,366,641
Commercial	13,359,492	10,834,490	0	0	1,750,128	2,009,566
Services	22,872,652	7,839,050	0	95,240	2,366,691	2,484,305
Agriculture	621,160	1,826,548	0	0	91,989	90,432
Non-Profit & General Activity	1,788,640	1,628,667	0	0	14,427	23,218
Financial Intermediaries & Banks	2,352,396	11,003,118	1,314,129	2,727,748	105,078	89,345
None-Economic Sector	2,141,717	1,443,174	0	0	7,629,121	6,573,012
	69,311,354	81,260,142	2,373,565	3,890,151	24,929,054	24,456,655
Facilities/Commitments Based on Location						
Domestic	69,311,354	81,260,142	2,373,565	3,890,151	24,929,054	24,456,655
Overseas	0	0	0	0	0	0
	69,311,354	81,260,142	2,373,565	3,890,151	24,929,054	24,456,655

52-3-8-1-1- Composition of facilities granted, commitments and investments in various industries is as follows:

Description	2014-15	2015-16
	IRR million	IRR million
Facilities		
Buildings	8,915,719	12,317,611
Manufacturing Chemical Materials & Products	3,753,157	7,542,374
Financial Intermediation Except for Insurance	1,612,645	6,613,517
Motor Vehicle Production	2,521,550	6,666,141
Base Metals Production	3,296,994	6,246,632
Service Activities	22,337,364	5,051,615
Wholesale Except for Motor Vehicles	1,735,133	4,965,205
Financial Intermediation Peripheral Activities	764,831	3,980,966
Health & Social Work	1,375,335	2,443,675
Food & Beverage Industries	651,307	2,537,781
Manufacturing Other Non-Metal Mineral Products	579,982	2,361,558
Activities Related to Real Estates	16,761	1,992,092
Manufacturing Other Machineries & Equipment	972,408	2,088,089
Rubber & Plastic Products	320,085	2,007,063
Oil Refinery & Nuclear Fuel Production	-	1,666,591
Retails Except Motor Vehicles	1,359,986	1,827,299
Land Transportation through Pipelines	23,182	927,699
Agriculture, Hunting and Related Activities	460,630	1,776,812
Others	18,614,286	8,247,422
Investments		
Base Metals	65,660	44,373
Chemical, Petrochemical Industries and Petroleum Products	871,806	778,093
Metal Mines Exploration	105,146	73,323
Energy	-	171,374
Contract Work	-	95,240
Cement, Lime & Plaster	3,195	-
Banks & Credit Institutes	250,863	102,944

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Description	2014-15	2015-16
	IRR million	IRR million
Financial Intermediation	1,063,265	2,624,804
Oil & Gas Exploration Except Discovery	13,629	-
Commitments		
Buildings	7,558,559	8,366,641
Other Service Activities	1,998,857	2,053,618
Power, Gas and Water Provision	968,693	1,011,932
Other Business Activities	564,688	763,192
Textile Production	463,594	602,369
Computers and Related Activities	469,007	465,429
Food & Beverages Industries	396,268	407,082
Other Machineries & Equipment	252,017	384,264
Retails Except Vehicles	112,212	383,342
Wholesale Except Vehicles	403,135	347,003
Manufacturing Other Non-Metal Minerals	319,704	318,255
Crude Oil & Gas Exploration	368,587	316,815
Main Metals Production	214,574	303,100
Motor Vehicle Production	1,302,839	291,837
Manufacturing Chemicals & Products	337,252	283,686
Manufacturing Other Machineries & Equipment	274,685	275,660
Post & Telecommunications	131,684	131,551
Land Transportation through Pipelines	167,271	114,193
Others	8,625,431	7,636,684
Total	96,613,973	109,606,948

52-3-8-2- Distribution of facilities based on participatory contracts, exchange contracts and customer types.

		Facilities Granted during the Period		Facilities Balance at the end of Period	
		Amount	Ratio to Total	Amount	Ratio to Total
		IRR million	Percent	IRR million	Percent
Exchange Contracts	Individuals	7,085	0.00	499,113	0.61
	Legal Customers	500,000	0.23	698,129	0.86
Participatory Contracts	Individuals	38,015,841	17.30	13,216,386	16.26
	Legal Customers	181,242,704	82.47	66,846,513	82.26
		219,765,630		81,260,142	

52-3-9- Non-current facilities management method
With respect to the Bank's major credit policies towards non-current facilities loss and risk reduction and in line with circulars and instructions related to CBI, major parts of securities taken for facilities are properties and assets which are economically valuable and easily traded. Non-current facilities 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 facilities across banking system.

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52-3-9-1- Non-current facilities turnover

Description	2014-15	2015-16
	IRR million	IRR million
Non-Current Facilities Balance at the Beginning of the Year	8,234,893	8,570,740
Transferred to Non-Current During the Year	10,877,399	17,211,951
Non-Current Facilities Settled During the Year		
Cash Collected	(1,776,257)	(1,941,754)
Collected through Repossession	(703,528)	(1,179,640)
Settled through New Facilities	(8,061,767)	(12,215,799)
Non-Current Facilities Balance at the End of the Year	8,570,740	10,445,498

52-3-9-2- Distribution of non-current facilities based on economic sectors

	Non-Current Balance of Granted Facilities		Doubtful Debts Specific Provision		Net Non-Current Facilities and Commitments	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Partial Distribution of Non-Current Facilities						
Mine & Industry	2,845,203	4,913,333	(542,572)	(890,991)	2,302,631	4,022,341
Building	2,015,091	2,248,184	(107,837)	(163,976)	1,907,254	2,084,208
Commercial	967,168	981,211	(163,632)	(218,717)	803,536	762,495
Services	454,218	539,941	(214,096)	(351,726)	240,122	188,215
Agriculture	739,006	756,332	(165,562)	(268,356)	573,443	487,976
Non-Profit & General Activity	56,669	96,492	(14,503)	(22,476)	42,166	74,017
Financial Intermediation	624,450	296,862	(28,977)	(18,448)	595,472	278,414
No Economic Unit	868,937	621,855	(291,776)	(213,711)	577,161	408,144
Total	8,570,740	10,454,211	(1,528,954)	(2,148,401)	7,041,785	8,305,810

52-3-9-3- Repossessed assets balance

Description	2014-15	2015-16
	IRR million	IRR million
Movable Properties	1,933	2,428
Residential Estates	642,431	1,550,599
Office/Commercial Estates	45,921	48,014
Land	33,190	306,528
	723,476	1,907,569

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52-3-10- Capital required for covering credit risk

Capital required for covering credit risk of the Bank's assets is IRR 7,428,489 million. The related calculations are presented in table 52-3-10-1.

52-3-10-1- Calculation of capital required for covering credit risk

The table presents capital for covering credit risk with an objective to reach 8% capital adequacy. (risk*8%= allocated capital)

Basel I	2015-16			
Asset Type	Assets & Commitments	Risk Coefficient	Risk Level	Capital Allocated
	IRR million	Percent	IRR million	IRR million
Claims from Other Banks & Credit Institutes	84,791	20	16,958	1,357
Non-Governmental Participation Bond	54,060	100	54,060	4,325
Investment in Stocks	3,781,918	100	3,781,918	302,553
Receivable Accounts	1,986,933	100	1,986,933	158,955
Hire Purchase Facilities & Housing Facilities	985,064	50	492,532	39,403
Other Granted Facilities & Claims	80,275,077	100	80,275,077	6,422,006
Other Assets	2,143,022	100	2,143,022	171,442
Commitments for Issued L/Gs (liable to 20% conversion factor)	3,644,464	100	3,644,464	291,557
Commitments for Issued L/Gs (liable to 50% conversion factor)	34,135	100	34,135	2,731
Commitments for Issued L/Cs (liable to 20% conversion factor)	427,016	100	427,016	34,161
Total	93,416,480		92,856,115	7,428,489

This table presents the capital required for Credit Risk with an objective to reach 8% capital adequacy based on **Basel II Standard** and **Standard Model**.

Basel II	2015-16			
Asset Type	Assets & Commitments	Risk Coefficient	Risk Level	Allocated Capital
	IRR million	Percent	IRR million	IRR million
Non-Governmental Participation Bonds	54,060	20	10,812	865
Claims from Banks & Institutions	84,791	20	16,958	1,357
L/Gs & Commitments (with Conversion Factor 20% & 50%)	4,517,361	100	4,517,361	361,389
Risk in Case of Legal Default	37,777,667	100	37,777,667	3,022,213
Risk in Case of Real Default (over IRR5,000 million loans)	1,338,522	100	1,338,522	107,082
Risk in Case of Real Default (below IRR5,000 million loans)	2,221,870	75	1,666,403	133,312
Non-Current Facilities less Securities & Special Provision)	2,493,912	150	3,740,868	299,269
Total	48,629,724		49,096,898	3,927,752

52-4- 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.

52-4-1- 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.

52-4-2- 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 facilities and investment parallel to regulatory and supervisory requirements. This bylaw is for recognition, measurement, supervision, control and reporting of liquidity risk and profit rate.

52-4-3- 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.

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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.

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.

High Risk 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.

52-4-4- 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 .

52-4-5- 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.

52-4-5-1- Cash reserves
The Bank's cash reserves are as follows:

Description	2014-15	2015-16
	IRR million	IRR million
Cash – IRR	374,721	480,726
Cash – Foreign Currency	437,274	478,504
Sight L/C with CBI (unrestricted)	1,370,459	1,414,646
Deposits with Other Banks & Credit Institutions (unrestricted)	14,809,610	11,222,217
Stamp Duty	2,698	1,897
Gold Coins	118	117
Current Investment in Short-Term Stocks in the Market	1,777,323	1,500,912
Investment in Other Securities	155,256	108,234
	18,927,459	15,207,253

52-4-5-2- Cash ratios

	Beginning of Year	Period Average	End of Period
Cash and Cash Equivalent Assets to Total Assets	15%	13%	11%
Cash and Quasi-Cash Assets to Total Deposits	19%	18%	15%
Facilities to Total Deposits	84%	82%	89%
Facilities to One-Year and Over Deposits	90%	98%	106%
Escape Deposits to Total Deposits*	8%	11%	16%

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

- Escape deposits include deposits with no contractual maturity such as current and Gharz-al Hassanah savings deposits.

52-4-5-3- Assets and liabilities maturity analysis

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

2015-2016

	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Without Specified Maturity Date
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Assets							
Cash	13,598,108	13,598,108	0	0	0	0	0
Claims from Banks & Other Credit Institutions	233,392	233,392	0	0	0	0	0
Granted Facilities & Claims from Non-Governmental Persons	81,260,142	25,449,046	37,734,957	7,615,254	6,480	194	10,454,211
Investment in Stocks & Other Securities	3,890,151	0	0	2,891,208	0	0	998,944
Claims from Subsidiaries & Affiliated Companies	664,106	0	0	664,106	0	0	0
Other Receivable Accounts	1,322,827	0	0	0	0	0	1,322,827
Fixed Tangible 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	2,143,022	0	0	0	0	0	2,143,022
	123,307,245	39,392,692	38,649,777	17,489,861	861,580	194	26,913,141
Liabilities							
Debt to Banks & Other Credit Institutions	(13,254,802)	(1,000,000)	0	0	0	0	(12,254,802)
Customers' Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Payable Dividend	(12,687)	0	0	0	0	0	(12,687)
Corporate Tax Provision	(443,859)	0	0	(443,859)	0	0	0
Provisions & Other Liabilities	(2,319,440)	0	0	0	0	0	(2,319,440)
Work Termination Benefits Provision	(320,285)	0	0	0	0	0	(320,285)
Long-Term Investment Deposits	(76,827,379)	(859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(13,988,379)
Long-Term Investment Deposits Payable Interest	(12,075)	0	0	0	0	0	(12,075)
Total Liabilities	(107,711,017)	(1,859,270)	(7,009,373)	(48,862,423)	(6,551,792)	0	(43,428,159)
Total Equity	(15,596,227)						(15,596,227)
Total Equity & Liabilities	(123,307,245)	(1,859,270)	(7,009,373)	(48,862,423)	(6,551,792)	0	(59,024,386)
Gap	0	37,533,422	31,640,404	(31,372,563)	(5,690,212)	194	(32,111,246)
Accumulated Gap		37,533,422	69,173,826	37,801,264	32,111,052	32,111,246	0
Ratio of Gap to Base Capital		272%	(229)%	227%	(41)%	0%	(233)%
Ratio of Accumulated Gap to Base Capital		272%	501%	274%	233%	233%	0%

2014-15							
	Book Value	**Below One Month**	**Between 1 and 3 Months**	**Between 3 Months and 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Without Specified Maturity Date**
	IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Assets							
Cash	16,994,880	16,994,880	0	0	0	0	0
Claims from Banks & Other Credit Institutes	118,282	118,282	0	0	0	0	0
Granted Facilities & Claims from Non-Governmental Persons	69,311,354	16,309,318	36,121,383	8,306,687	3,032	194	8,570,740
Investment in Stocks & Other Securities	2,373,565	0	0	1,803,547	0	0	570,019
Claims from Subsidiaries & Affiliated Companies	951,463	0	0	951,463	0	0	0
Other Receivable Accounts	1,325,192	0	0	0	0	0	1,325,192
Fixed Tangible Assets	5,634,990	0	0	0	0	0	5,634,990
Intangible Assets	4,016,545	0	0	0	0	0	4,016,545
Statutory Deposit	10,334,493	1,219,701	1,315,956	4,786,720	198,343	0	2,813,773
Other Assets	1,012,295						1,012,295
	112,073,059	34,642,181	37,437,339	15,848,417	201,375	194	23,943,553
Liabilities							
Debt to Banks & Other Credit Institutes	(11,799,513)	(1,000,000)	0	0	0	0	(10,799,513)
Customers' Deposits	(6,232,718)	0	0	0	0	0	(6,232,718)
Payable Dividend	(13,799)	0	0	0	0	0	(13,799)
Corporatate Tax Provision	(666,812)	0	0	(666,812)	0	0	0
Provisions & Other Liabilities	(2,012,436)	0	0	0	0	0	(2,012,436)
Work Termination Benefits Provision	(262,482)	0	0	0	0	0	(262,482)
Long-Term Investment Deposits	(76,359,826)	(9,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(20,790,493)
Long-Term Investment Deposits of Payable Interest	(12,108)	0	0	0	0	0	(12,108)
Total Liabilities	(97,359,695)	(10,012,162)	(9,723,377)	(36,035,082)	(1,465,525)	0	(40,123,549)
Total Equity	(14,713,365)						(14,713,365)
Total Equity & Liabilities	(112,073,059)	(10,012,162)	(9,723,377)	(36,035,082)	(1,465,525)	0	(54,836,914)
Gap	(0)	24,630,020	27,713,961	(20,186,665)	(1,264,149)	194	(30,893,361)
Accumulated Gap		24,630,020	52,343,981	32,157,316	30,893,167	30,893,361	0
Ratio of Gap to Base Capital		179%	201%	(146%)	(9%)	0%	(224%)
Ratio of Accumulated Gap to Base Capital		179%	379%	233%	224%	224%	0%

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52-4-5-4- Financial liabilities contractual maturity analysis

52-4-5-4-1- The following table represents the Bank's financial liabilities maturities based on maturity mentioned in the contract.

	2015-16						
	Book Value	**Below One Month**	**Between 1 and 3 Months**	**Between 3 Months and 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Without Specified Maturity Date**
	IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Liabilities							
Debt to Banks & Other Credit Institutions	(13,254,802)	(1,000,000)	0	0	0	0	(12,254,802)
Customers' Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Payable Dividend	(12,687)	0	0	0	0	0	(12,687)
Long-Term Investment Deposits	(76,827,379)	(859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(13,988,379)
Payable Deposits of Long-Term Investment	(12,075)	0	0	0	0	0	(12,075)
Total	(104,627,433)	(1,859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(40,788,434)

	2014-15						
	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Without Specified Maturity
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Liabilities							
Debt to Banks & Other Credit Institutions	(11,799,513)	(1,000,000)	0	0	0	0	(10,799,513)
Customers' Deposits	(6,232,718)	0	0	0	0	0	(6,232,718)
Payable Dividend	(13,799)	0	0	0	0	0	(13,799)
Long-Term Investment Deposits	(76,359,826)	(9,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(20,790,493)
Payable Deposits of Long-Term Investment	(12,108)	0	0	0	0	0	(12,108)
Total	(94,417,964)	(10,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(37,848,631)

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52-4-5-4-2- The following table represents the Bank's foreign currency financial liabilities maturities based on maturity mentioned in the contract.

	2015-16					
	Below One Month	**Between 1 and 3 Months**	**Between 3 Months and 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Without Specified Maturity**
	IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Liabilities						
Debt to Banks & Other Credit Institutions	(7,225,631)	0	0	0	0	0
Customers' Deposits	(439,274)	(23,671)	(95,792)	0	0	0
Long-Term Investment Deposits	(494,623)	(2,316,896)	(77,214)	0	0	0
Payable Deposits of Long-Term Investment	(948)	(5,745)	(4)	0	0	0
Total	(8,160,476)	(2,346,313)	(173,010)	0	0	0

	2014-15					
	Below One Month	**Between 1 and 3 Months**	**Between 3 Months and 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Without Specified Maturity**
	IRR million	**IRR million**	**IRR million**	**IRR million**	**IRR million**	**IRR million**
Liabilities						
Debt to Banks & Other Credit Institutes	(7,408,050)	0	0	0	0	0
Customers' Deposits	(487,437)	(28,060)	(133,108)	0	0	0
Long-Term Investment Deposits	(451,242)	(2,048,433)	(68,545)	0	0	0
Payable Deposits of Long-Term Investment	(407)	(5,068)	(4)	0	0	0
Total	(8,347,137)	(2,081,561)	(201,657)	0	0	0

52-4-6- Plan to counter 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 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, facilities 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

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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.

52-5- Market risk
52-5-1- 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.
- Karafarin Bank will issue a framework for market risk according to which the limited structure of F/X 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.

52-5-2- Executive units of market risk management
Market risk evaluation in Karafarin Bank is divided as follows:
Stocks Risk: The risk arising from shares price fluctuations and its effects on value of the Bank's shares portfolio.

F/X Rate Risk: the risk arising from F/X rate fluctuations and its effects on foreign currency assets and liabilities value in IRR. F/X rate risk arises from a long- or short-term open position in a foreign currency.

52-5-3- Market risk measurement method
Two methods of Monte Carlo and history simulation are used to manage Karafarin Bank's market risk.

52-5-4- Analysis of the value at risk of investing in stocks and other investments with market. Having taken into account the historical simulation method for probable change percentage at market value, the value at risk for investing in stocks is provided in the following table:

Type of Investment	2014-15		2015-16	
	Probable Change at Market Value	Effect on Profit & Loss	Probable Change at Market Value	Effect on Profit & Loss
Investing in Short-Term Stocks	(-5.97,5.97)	78,539	(-3.81,3.81)	52,177
Other Investments (stating title)	-	0	-	0

52-5-5- Exposed to risk value of F/X rate analysis.

	USD	EUR	GBP	AED	CHF	SEK	KRW	JPY	CNY	TRY	INR	OMR	QAR	RUB
Cash	239,579	235,880	2,999	41	6	-	-	-	-	-	-	-	-	-
Claims from Banks & Other Credit Institutes	1,049,738	1,853,916	26,113	1,750,570	1,051,097	241	458,403	76,946	4,880,812	313,216	61,045	688,264	21,981	375
Granted Facilities & Claims from Non-Governmental Persons	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in Stocks & Other Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivable Accounts	169,473	275,944	-	475,968	170	-	22,208	12,762	-	48,730	19,460	-	-	-
Fixed Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	211,680	745,139	-	-	-	-	-	66,513	-	-	-	-	-	-
Total Foreign Currency Assets	1,670,470	3,110,878	29,112	2,226,579	1,051,273	241	480,612	156,221	4,880,812	361,946	80,506	688,264	21,981	375
Debt to Banks & Other Credit Institutions	(63,273)	(315,116)	0	(2,062,720)	(108,823)	0	0	0	(4,675,699)	0	0	0	0	0
Customers' Deposits	(110,698)	(389,496)	(3,379)	(40,155)	(18)	0	(11,652)	(3,093)	(156)	(91)	0	0	0	0
Payable Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions & Other Liabilities	(85,335)	(610,304)	(1)	(20,764)	(932,400)	0	(239,763)	(118,919)	(80,366)	(295,927)	(74,630)	(624,441)	0	0

	USD	EUR	GBP	AED	CHF	SEK	KRW	JPY	CNY	TRY	INR	OMR	QAR	RUB
Long-Term Investment Deposits	0	(755,914)	0	(1,403,306)	(494,623)	0	0	0	(234,890)	0	0	0	0	-
Total Liabilities & Foreign Currency Depositors' Equities	(259,306)	(2,070,830)	(3,380)	(3,526,945)	(1,535,863)	0	(251,414)	(122,012)	(4,991,110)	(296,019)	(74,630)	(624,441)	0	0
Net Assets (Liabilities) at 19 March 2016	(1,411,164)	(1,040,048)	(25,732)	1,300,366	484,590	(241)	(229,198)	(34,209)	110,298	(65,927)	(5,876)	(63,823)	(21,981)	(375)
IRR Equivalent of F/X Open Position	(1,411,164)	(1,040,048)	(25,732)	1,300,366	484,590	(241)	(229,198)	0	-	-	-	-	-	-
Ratio of F/X Open Position to Base Capital	-10%	-8%	0%	9%	4%	0%	-2%	0%	0%	0%	0%	0%	0%	0%
Net Assets (Liabilities) at 19 March 2015	(1,321,209)	(935,816)	(24,877)	1,160,834	446,451	(212)	(156,271)	(3,997)	37,331	(52,846)	39,602	(109)	(20,346)	(414)
Commitments for Opened L/Cs	-	684,252	-	-	1,518,509	-	1,138,570	71,833	67,274	38,525	244,080	624,441	-	-
Commitments for Issued L/Gs	30,748	1,788,019	-	-	-	-	57,780	-	-	-	-	-	-	-
Commitments for Funds Received from CBI & ECO Trade & Development Bank (Facilities)	-	1,012,723	-	-	1,609,617	-	-	-	-	-	-	-	-	-

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With respect to Historical Simulation Method & Standard Model and resulting potential change percent in F/X rate, value at risk for stock investment and other investment with market price are presented in the following table.

Foreign Currency	2014-15		2015-16	
	Potential Change in Market Price	Effect on Profit & Loss	Potential Change in Market Price	Effect on Profit & Loss
	Percent	IRR million	Percent	IRR million
USD	(-0.02,0.02)	282	(-0.05,0.05)	641
EUR	(-4.02,4.02)	35,615	(-4.7,4.7)	27,097
GBP	(-4.17,4.17)	1,076	(-3.39,3.39)	839
AED	(-0.08,0.08)	995	(-0.01,0.01)	1,020
JPY	(-4.26,4.26)	4,495	(-3.97,3.97)	5,089
CHF	(-4.08,4.08)	19,591	(-4.41,4.41)	20,129
CNY	(-1.944,1.944)	3,783	(-1.00,1.00)	1,425
OMR	(-0.38,0.38)	247	(-0.38,0.38)	0
INR	(-2.932,2.392)	89	(-2.94,2.94)	1,501
TRY	(-6.28,6.28)	4,778	(-6.28,6.28)	2,245

52-5-6- Capital required for covering market risk

Method of Measurement	Stock Risk		F/X Risk		
	Value at Risk	Required Capital Provision	Value at Risk	Required Capital Provision	Total Capital Provision for Market Risk
	IRR million	IRR million	IRR million	IRR million	IRR million
Historical Simulation Model	66,927	200,781	70,950	212,850	413,631
Standard Model	8%*(Opportunity Average)	138,699	8%*(Opportunity Sell or Buy)	214,531	353,230

*Other methods used by the Bank include the Monte Carlo Simulation

52-5-7- Analysis of asset & liabilities gap sensitive to interest rate

2015-16							
	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Non-Sensitive to Rate
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Assets							
Cash	13,598,108	13,598,108	0	0	0	0	0
Claims from Banks & Other Credit Institutions	233,392	233,392	0	0	0	0	0
Granted Facilities & Claims from Non-Governmental Entities	81,260,142	25,449,046	37,734,957	7,615,254	6,480	194	10,454,211
Investment in Stocks & Other Securities	3,890,151	0	0	2,891,208	0	0	998,944
Claims from Subsidiaries & Affiliated Companies	664,106	0	0	0	0	0	664,106
Other Receivable Accounts	1,322,827	0	0	0	0	0	1,322,827
Fixed Tangible 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	2,143,022	0	0	0	0	0	2,143,022
	123,307,245	39,392,692	38,649,777	16,825,755	861,580	194	27,577,247
Liabilities							
Debt to Banks & Other Credit Institutions	(13,254,802)	(1,000,000)	0	0	0	0	(12,254,802)
Customers' Deposits	(14,520,490)	0	0	0	0	0	(14,520,490)
Payable Dividend	(12,687)	0	0	0	0	0	(12,687)
Corporate Tax Provision	(443,859)	0	0	0	0	0	(443,859)
Provisions & Other Liabilities	(2,319,440)	0	0	0	0	0	(2,319,440)
Work Termination Benefits Provision	(320,285)	0	0	0	0	0	(320,285)
Long-Term Investment Deposits	(76,827,379)	(859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(13,988,379)

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	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Non-Sensitive to Rate
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Payable Deposits of Long-Term Investment	(12,075)	0	0	0	0	0	(12,075)
Total Liabilities	(107,711,017)	(1,859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(43,872,018)
Total Equity	(15,596,227)						(15,596,227)
Total Equity & Liabilities	(123,307,245)	(1,859,270)	(7,009,373)	(48,418,565)	(6,551,792)	0	(59,468,245)
Gap		37,533,422	31,640,404	(31,592,810)	(5,690,212)	194	(31,890,998)
Accumulated Gap		37,533,422	69,173,826	37,581,016	31,890,804	31,890,998	0

2014-15

	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Non-Sensitive to Rate
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Assets							
Cash	16,994,880	16,994,880	0	0	0	0	0
Claims from Banks & Other Credit Institutes	118,282	118,282	0	0	0	0	0
Granted Facilities & Claims from Non-State-Owned Entities	69,311,354	16,309,318	36,121,383	8,306,687	3,032	194	8,570,740
Investment in Stocks & Other Securities	2,373,565	0	0	1,803,547	0	0	570,019
Claims from Subsidiaries & Affiliated Companies	951,463	0	0	0	0	0	951,463
Other Receivable Accounts	1,325,192	0	0	0	0	0	1,325,192
Fixed Tangible Assets	5,634,990	0	0	0	0	0	5,634,990
Intangible Assets	4,016,545	0	0	0	0	0	4,016,545
Statutory Deposit	10,334,493	1,219,701	1,315,956	4,786,720	198,343	0	2,813,773
Other Assets	1,012,295	0	0	0	0	0	1,012,295
	112,073,059	34,642,181	37,437,339	14,896,954	201,375	194	24,895,016

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	Book Value	Below One Month	Between 1 and 3 Months	Between 3 Months and 1 Year	1 to 5 Years	Over 5 Years	Non-Sensitive to Rate
	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Liabilities							
Debt to Banks & Other Credit Institutes	(11,799,513)	0	0	0	0	0	(11,799,513)
Customers' Deposits	(6,232,718)	0	0	0	0	0	(6,232,718)
Payable Dividend	(13,799)	0	0	0	0	0	(13,799)
Corporate Tax Provision	(666,812)	0	0	0	0	0	(666,812)
Provisions & Other Liabilities	(2,012,436)	0	0	0	0	0	(2,012,436)
Work Termination Benefits Provision	(262,482)	0	0	0	0	0	(262,482)
Long-Term Investment Deposits	(76,359,826)	(9,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(20,790,493)
Payable Deposits of Long-Term Investment	(12,108)	0	0	0	0	0	(12,108)
Total Liabilities	(97,359,695)	(9,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(41,790,362)
Total Equity	(14,713,365)						(14,713,365)
Total Equity & Liabilities	(112,073,059)	(9,012,162)	(9,723,377)	(35,368,270)	(1,465,525)	0	(56,503,726)
Gap		25,630,020	27,713,961	(20,471,315)	(1,264,149)	194	(31,608,710)
Accumulated Gap		25,630,020	53,343,981	32,872,666	31,608,516	31,608,710	(0)

52-6- Operational risk.

52-6-1- Definition.

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

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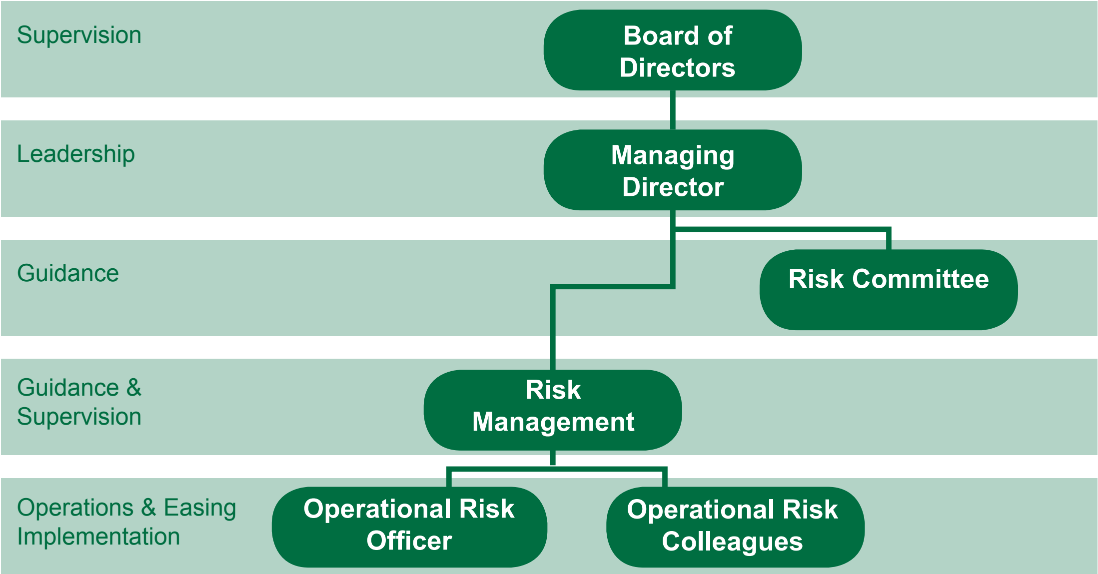
52-6-2- Executive units of Operational Risk Management.
Appropriate organisational structure for implementation and supervision on daily good performance and duties related to operating risk management has been shown in the figure below:



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.

52-6-3- 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.

52-6-4- Preparations to counter 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.

52-6-5- 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.

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.

52-6-6- Operating 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.

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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.

52-6-7- Required capital for covering operational risk
The Bank's capital at risk, based on its method in measuring operational risk is stated in the following table.

Measurement Method	Capital Exposed to Operating Risk
	IRR million
Base Index Method	3,214,377
Standard Method	3,694,794
Advanced Method	1,478,613

52-7- Capital management
52-7-1- Charter capital
Karafarin Bank's charter capital is IRR 16,602,065 million at the end of fiscal year ended 19 March 2016.

Description	2014-15	2015-16
	IRR million	IRR million
A) Main Capital		
Capital Less Capital Provided from Revaluation Surplus	6,500,000	6,500,000
Statutory Reserve	2,840,984	3,241,164
Accumulated Profit (Loss)	1,711,841	3,811,467
	11,052,826	13,552,631
B) Complementary Capital		
General Provision of Claims & Investments	1,080,566	1,168,879
Revaluation Surplus of Fixed Assets	2,000,000	2,000,000
	3,080,566	3,168,879
Less Complementary Capital Excess to Main Capital	0	0
Complementary Capital	3,080,566	3,168,879
Charter Capital before Deduction	14,133,392	16,721,510
C) Deduction from Charter Capital		
Investment in Other Banks & Credit Institutions	(336,032)	(119,444)
	(336,032)	(119,444)
Charter Capital	13,797,360	16,602,065

The Bank's charter capital influential for calculating discretionary ratios is IRR 13,797,360 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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52-7-2- Capital allocation

The Bank's total risk-weighted assets are IRR 103,024,575 million at the end of fiscal year ended 19 March 2016.

Description	2014-15			2015-16		
	Assets & Commitments	Risk Coefficient	Risk-Adjusted Assets & Commitments	Assets & Commitments	Risk Coefficient	Risk-Adjusted Assets & Commitments
	IRR million	Percent	IRR million	IRR million	Percent	IRR million
Cash	16,994,880	0	0	13,598,108	0	0
Statutory Deposit	10,334,493	0	0	10,027,037	0	0
Claims from CBI	56,599	0	0	148,601	0	0
Claims from Banks & Other Credit Institutions	61,684	20	12,337	84,791	20	16,958
Governmental Participation Bond	0	0	0	54,174	0	0
Non-Governmental Participation Bond	155,256	100	155,256	54,060	100	54,060
Investment in Stocks	2,218,310	100	2,218,310	3,781,918	100	3,781,918
Receivable Accounts	2,276,655	100	2,276,655	1,986,933	100	1,986,933
Loans & Hire Purchase Facilities and Housing Facilities	1,656,383	50	828,192	985,064	50	492,532
Other Loans & Granted Facilities and Claims	67,654,971	100	67,654,971	80,275,077	100	80,275,077
Net Fixed Assets & Goodwill	9,651,535	100	9,651,535	10,168,460	100	10,168,460
Other Assets	1,012,295	100	1,012,295	2,143,022	100	2,143,022
Commitments for Issued L/Gs (liable to conversion factor 20%)	3,983,805	100	3,983,805	3,644,464	100	3,644,464
Commitments for Issued L/Gs (liable to conversion factor 50%)	107,148	100	107,148	34,135	100	34,135
Commitments for Issued L/Cs (liable to conversion factor 20%)	197,226	100	197,226	427,016	100	427,016
Total Risk-Weighted Assets & Commitments			88,097,728			103,024,575

52-7-3- Capital adequacy ratio

The Bank's capital adequacy ratio was 16.11% at the end of fiscal year ended 19 March 2016.

	2014-15	**2015-16**
	IRR million	**IRR million**
Charter Capital	13,797,360	16,602,065
Total Risk-Weighted Assets & Commitments	88,097,728	103,024,575
Capital Adequacy Ratio (percent)	15.66%	16.11%

52-7-4- Degree of leverage

Degree of leverage is ratio of total assets of a bank to equities. The Bank's degree of leverage is 7.91 times at the end of fiscal year ended 19 March 2016.

	2014-15	**2015-16**
	IRR million	**IRR million**
Total Assets	112,073,059	123,307,245
Total Equities	14,713,365	15,596,227
Degree of Leverage	7.62	7.91

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53- OPERATIONAL UNITS

53-1- Basis for dividing units

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

53-2- Information regarding reportable operational sectors

Information related to any of reportable sectors is presented in the following table. The section's profit before tax is used as performance criteria.

Description	Retail Banking	Corporate Banking	Total
	IRR million	IRR million	IRR million
Granted Facilities Income & Deposits	20,613,168	0	20,613,168
Deposits Interest Expenses	(16,284,585)	0	(16,284,585)
Net Facilities & Deposit Income	4,328,583	0	4,328,583
Commission Income	596,684	0	596,684
Commission Expenses	(53,858)	0	(53,858)
Net Commission Income	542,826	0	542,826
Net Investments Profit (Loss)	488,544	0	488,544
Net F/X Transactions Profit (Loss)	261,204	0	261,204
Other Operational Income	175,058	0	175,058
Direct Expenses Attributable to Operational Unit	(707,759)	0	(727,759)
Each Unit Profit (Loss) before Unattributed General Expenses	217,047	0	217,047
Unattributed General Expenses to Units			(1,891,946)
Profit before Tax			3,196,510

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53-3- Geographical Concentration of Main Items in Assets, Liabilities and Income
While offering geographical information, assets' main items on location and liabilities and income are reported based on residence of bank counterpart in geographical areas.

	2015-16		
	Iran	Other Countries	Total
Assets			
Cash	13,598,108	0	13,598,108
Claims from Banks & Other Credit Institutes	233,392	0	233,392
Granted Facilities & Claims from Non-Governmental Persons	81,260,142	0	81,260,142
Investment in Stocks & Other Securities	3,890,151	0	3,890,151
Claims from Subsidiaries & Affiliated Companies	664,106	0	664,106
Other Receivable Accounts	1,322,827	0	1,322,827
Statutory Deposit	10,027,037	0	10,027,037
Fixed Tangible Assets	6,057,666	0	6,057,666
Intangible Assets	4,110,794	0	4,110,794
Other Assets	2,143,022	0	2,143,022
Total	123,307,245	0	123,307,245
Liabilities			
Debt to Banks & Other Credit Institutes	(13,254,802)	0	(13,254,802)
Customers' Deposits	(14,520,490)	0	(14,520,490)
Long-Term Investment Deposits	(86,827,379)	0	(86,827,379)
Long-Term Investment Deposits Profit Payable	(12,075)	0	(12,075)
Total	(104,614,746)	0	(104,614,746)
Income	22,134,658	0	22,134,658

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	2014-15		
	Iran	**Other Countries**	**Total**
Assets			
Cash	16,994,880	0	16,994,880
Claims from Banks & Other Credit Institutions	118,282	0	118,282
Granted Facilities & Claims from Non-Governmental Persons	69,311,354	0	69,311,354
Investment in Stocks & Other Securities	2,373,565	0	2,373,565
Claims from Subsidiaries & Affiliated Companies	951,463	0	951,463
Other Receivable Accounts	1,325,192	0	1,325,192
Statutory Deposit	10,334,493	0	10,334,493
Fixed Tangible Assets	5,634,990	0	5,634,990
Intangible Assets	4,016,545	0	4,016,545
Other Assets	1,012,295	0	1,012,295
Total	112,073,059	0	112,073,059
Liabilities			
Debt to Banks & Other Credit Institutions	(11,799,513)	0	(11,799,513)
Customers' Deposits	(6,232,718)	0	(6,232,718)
Long-Term Investment Deposits	(76,359,826)	0	(76,359,826)
Long-Term Investment Deposits Profit Payable	(12,108)	0	(12,108)
Total	(94,404,166)	0	(94,404,166)
Income	20,806,488	0	20,806,488

54- TRANSACTIONS WITH RELATED PARTIES

54-1- Changes in major shareholders (over 1 percent)
During fiscal year ended 19 March 2016, no change has occurred in shareholders of over 1 percent.

54-2- During 2015-2016, managers have had no dealings with Group companies.

54-3- Transactions with Affiliated persons during 2015-2016 are as follows:

IRR million

Description	Affiliated Person	Type of Affiliation	Transaction	Is it subject to Article 129 of Commercial Code?	Pricing Method	Transaction Amount	Gross Profit (Loss)	Claim Balance (Debt)
Cohort/Under Single Control Companies	Karafarin Bank Agency Co.	Subsidiary	Stock Trade Commission	-	Dealing Tariff at Stock Exchange	4,346	4,346	125,232
			Income from L/G Commission		According to Banking Tariffs	216	216	
			Issuing L/G		According to Credit Commission Instructions	30,247	0	
	Karafarin Exchange	Subsidiary & Joint Member of Board of Directors	Buying Foreign Currency	✓	According to Banking Tariffs	15,668	0	206,917
			Selling Foreign Currency & Services		According to Banking Tariffs	23,518,220	0	
			Rent Deposit		According to Market Customs	10,000	0	
			Paid Commission		According to Banking Tariffs	30,485	0	
			Building Purchase		According to Market Customs	31,803	0	
			Buying Foreign Currency		According to Banking Tariffs	15,669	0	
			Income from L/G Commission		According to Banking Tariffs	9	0	
			Issuing L/G		According to Credit Commission Instructions	4,000	0	
	Amin Etemad Karafarin Co.	Subsidiary & Joint Member of Board of Directors	Non-Current Debts Collection	✓	According to Contract	7,817	0	600
	Karafarin Leasing Co.	Subsidiary	Granted Facilities	✓	According to Credit Commission Instructions	100,000	0	243,406
	Abniyeh Gostar Karafarin Co.	Subsidiary & Joint Member of Board of Directors	Building & Reconstruction of Branches	✓	Cost plus Commission	38,272	0	40,892
	Karafarin Bank Investment Co.	Subsidiary & Joint Member of Board of Directors	Selling Goods & Services	✓	According to Market Customs	147,419	0	44,086
			Services Purchase		According to Banking Tariffs	2,262	0	
	Asr Amin Karafarin Co.	Subsidiary & Joint Member of Board of Directors	Dividend	-	According to Instructions	0	0	2,372

Description	Affiliated Person	Type of Affiliation	Transaction	Is it subject to Article 129 of Commercial Code?	Pricing Method	Transaction Amount	Gross Profit (Loss)	Claim Balance (Debt)
Affiliated Commercial Units	Karafarin Insurance Co.	Subsidiary	Income from L/G Commission	-	According to Banking Tariffs	36	36	600
			Issuing L/G		According to Credit Commission Instructions	70,655	0	
			Expenses of Renting Buildings for Branches		According to Market Customs	1,465	0	
	Ghande Lorestan	Under Common Influence	Granted Facilities		According to Credit Commission Instructions	279,899	27,372	92,624
	Abdolmahmood Zarrabi	Bank Shareholder	Granted Facilities	-	According to Credit Commission Instructions	94,484	5,815	25,737
			Income from L/G Commission		According to Banking Tariffs	8	8	0
			Issuing L/G		According to Credit Commission Instructions	3,968	0	0
	Kar-O-Andisheh Engineers Co.	Bank Shareholder	Granted Facilities	-	According to Credit Commission Instructions	682,113	42,496	443,104
			Opening L/Cs		According to Credit Commission Instructions	212,357	0	0
			Income from L/G Commission		According to Banking Tariffs	962	962	0
			Issuing L/G		According to Instructions	219,067	0	45,742
	Tadbir Mine & Industry Development	Joint Member of Board of Directors	Income from L/G Commission	✓	According to Banking Tariffs	18	18	0
			Issuing L/G		According to Credit Commission Instructions	8,403	0	1,591
			Granted Facilities		According to Credit Commission Instructions	3,522,783	235,094	1,171,399
	Alborz Balak Pharmaceutical Products Manufacturing Co.	Under Common Influence	Opening L/Cs	-	According to Credit Commission Instructions	649,831	43,251	219,064
			Granted Facilities	-	According to Credit Commission Instructions	42,081	0	0

Description	Affiliated Person	Type of Affiliation	Transaction	Is it subject to article 129 Commercial Code?	Pricing Method	Transaction Amount	Gross Profit (Loss)	Claim balance (Debt)
Other Affiliated Persons	Sobhan Oncology Pharmaceutical Company	Under Common Influence	Granted Facilities	-	According to Credit Commission Instructions	2,231,000	138,456	704,141
	KBC Co.	Under Common Influence	Granted Facilities	-	According to Credit Commission Instructions	878,215	123,466	9,986
			Issuing L/G		According to Credit Commission Instructions	15,713	0	0
			Income from L/G Commission		According to Banking Tariffs	56	0	0
			Opening L/Cs		According to Credit Commission Instructions	131,941	0	0
	Iran & East Co.	Joint Member of Board of Directors	Granted Facilities	√	According to Credit Commission Instructions	384,750	23,764	81,082
	Royal Sakhteman Aria Co.	Under Common Influence	Granted Facilities	-	According to Credit Commission Instructions	661,094	83,575	409,099
	Jahan Ara Arvand Steel	Under Common Influence	Granted Facilities		According to Credit Commission Instructions	67,800	3,883	70,228
	International Kar-O-Andisheh Co.	Under Common Influence	Income from L/G Commission	-	According to Banking Tariffs	3	3	0
			Issuing L/G	-	According to Credit Commission Instructions	2,608	0	
	Asphalt Toos Co. (Joint Venture)	Bank Shareholder	Issuing L/G	-	According to Credit Commission Instructions	34,989	0	0
			Income from L/G Commission		According to Banking Tariffs	50	50	

Karafarin Bank (PJSC)
Notes to the Financial Statements
For the Year Ended 19 March 2016

54-4- All the affiliated persons have had dealings with the Bank during the year.

55- Accumulated profit at the end of year
End of the year accumulated profit allocation is subject to Shareholders' Ordinary General Assembly approval:

	Amount
Statutory Duties	**IRR million**
Sharing at least 10% of 2015-2016 Net Profit according to article 90 of the Commercial Code as amended	266,786

56- Savings Gharz-al Hassaneh Operations Performance Statement

56-1- Gharz-a Hassaneh Resources & Facilities Balance Status

Savings Gharz-al Hassaneh Resources				
		2014-15		**2015-16**
		IRR million		**IRR million**
Savings Gharz-al Hassaneh Deposits-IRR	19-2	16,492		13,278
Total Gharz-al Hassaneh Resources		16,492	13,278	
Gharz-al Hassaneh Facilities				
Granted Facilities & Claims from Non-Governmental Persons (Before Provision)				
Ordinary Facilities		(61)		(5,258)
Total Granted Facilities & Claims from Non-Governmental Persons	10	(61)		(5,258)
Total Gharz-al Hassaneh Facilities		(61)	(5,258)	
Savings Gharz-al Hassaneh Resources Statutory Deposit		(1,649)	(1,328)	
Savings Gharz-al Hassaneh Deposits Liquidity Provision (5%)		(825)	(664)	
Gharz-al Hassaneh Resources to Facilities Surplus (Deficit)		13,957	6,028	

56-2- Net Gharz-al Hassaneh operations commission

	Note	Group		Karafarin Bank	
		2014-15	2015-16	2014-15	2015-16
		IRR million	IRR million	IRR million	IRR million
Commission Received from Gharz-al Hassaneh Granted Facilities		0	103	0	103
Gharz-al Hassaneh Deposits Mobilization Prizes Expenses		0	0	0	0
Net Gharz-al Hassaneh Operations Commission	37-1	0	103	0	103

56-3- Gharz-al Hassaneh granted facilities classification based on type of facilities

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Marriage	49	5,234	49	5,234
Others	13	24	13	24
	61	5,258	61	5,258

56-4- Gharz-al Hassaneh granted facilities classification based on customer type

	Group		Karafarin Bank	
	2014-15	2015-16	2014-15	2015-16
	IRR million	IRR million	IRR million	IRR million
Individuals	61	5,258	61	5,258
Legal Persons - Cooperative	0	0	0	0
Legal Persons- Others	0	0	0	0
	61	5,258	61	5,258