

In the name of God



TEJARAT BANK

ANNUAL REPORT
FISCAL YEAR 2016-17

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CHAPTER ONE

Introduction to Tejarat Bank



Message of Board of Directors

Dear Shareholders,

With all due diligence and, of course, with the sympathy of our valuable colleagues in Tejarat Bank, and despite all the difficulties and problems facing the banking system last year; we are proud that for another year we could take a step towards the Bank's advancement. Undoubtedly, this achievement could not be possible if it was not supported by dear shareholders who are always supporters of the Board of Directors in pursuit of the great goals of Tejarat Bank. Understanding that was important form oving from traditional banking to modern banking with a special attention to the development of e-services, reducing the branches network, changing the business model by looking at the comprehensive banking experience in the world and improving regulatory and monitoring activities, which must be strictly put in the agenda of different units of the Bank; the hardworking organization of Tejarat Bank reached good achievements in this area during the past year.

Establishing a corporate banking model in line with changing the Bank's business model and moving towards new ideas in electronic services, especially in the field of payments, were some of the good actions which were taken in Tejarat Bank by employing a lot of intellectual capitals. Last year like the previous years, in addition to retaining its top position in accepting LC and LG commitments with emphasis on the implementation of Resistive Economy Policies; the Bank had an active presence in the homeland's all economic areas and manufacturing sectors. Restoring the correspondent relationships with 73 banks in different countries, improving the Bank's rank by three steps among the top 100 companies in 2016-17, ranking first among the major Iranian banks in terms of implementing anti-money laundering policies, receiving the Social Responsibility Silver Medal, and introducing new services in the area of payment were among other honors that resulted in promoting the Bank's position.

The present report indicates the general status of the Bank's business in 2016-17 based on audited documents in order to provide a clear image of Tejarat Bank's performance. With more and more efforts, with the support of valuable shareholders, and with the help of our diligent colleagues; it is hoped that we will achieve more honors for our Bank in 2017-18.

Members of Board of Directors



Mr. H. SAMIE
Chairman of the Board of
Directors



Mr. M. E. MOGHADDAM NODEHI
Board Member & Managing
Director (CEO)



Dr. GH. MOZAFARI
Board Member



Mr. A. ASHRAFNEJAD
Vice-Chairman of Board of
Directors



Mr. A. R. HAJALI
Board Member



History of the Bank

The New East Bank was the first bank of the modern pattern which started its activities in 1887 at the east side of Imam Khomeini (Toop Khaneh) Sq. where Tejarat Bank is located now. Although the Bank's activities did not last more than one year and it was replaced with Shahi Bank; this motion instituted the basis for modern banking in Iran.

Before the victory of the Islamic Revolution of Iran; 36 banks were active in Iran; some owned by the Government and some were private, owned wholly by Iranians or jointly by Iranians and foreigners.

After the victory of the Islamic Revolution; on June 7, 1979, the Revolution Council nationalized all country's banks merging some of them with each other. By virtue of the legal bill of managing the Banks affairs approved on Oct. 17, 1979, Tejarat Bank was constituted from merger of 11 private domestic banks and domestic-foreign joint banks with its capital amounting to IRR 39 billion; and it was registered with the Company Registration Office on December 20th, 1979 as public stock. Then in the year 1981, by the incorporation of Bank of Iran-o-Russ, the Bank's capital increased to IRR 41 billion.

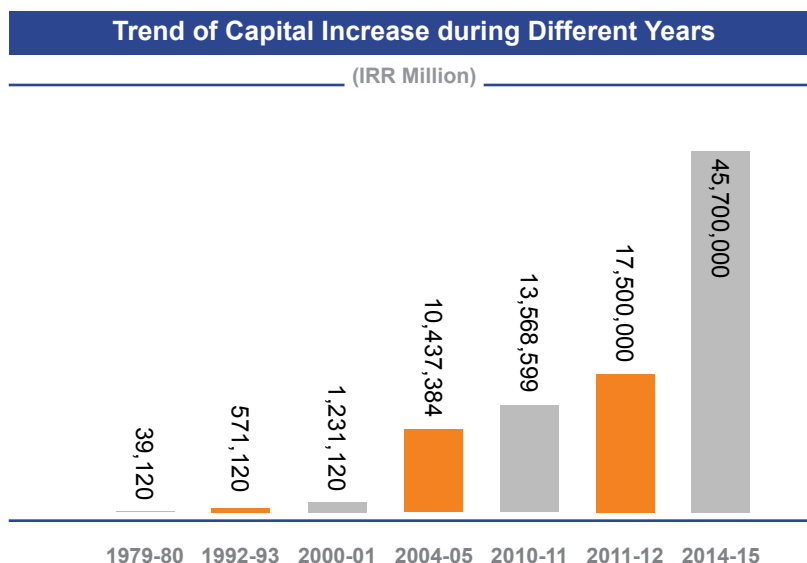
After proclamation of the Law Amending Some Articles of the Fourth Economic, Social and Cultural Development Plan and in execution of the general policies of Article 44 of the Constitutional Law of Islamic Republic of Iran; Tejarat Bank was included among the companies to be assigned; and then on May 18, 2009, Tejarat bank's stock were supplied for the first time in Tehran Stock Exchange (T.S.E.). It is noteworthy that by March 19, 2016; only less than 17% of the Bank's stock remains in the government's possession.



Capital and Composition of shareholders

At its establishment, the Bank's capital was IRR 39,120 million (consisting of 39,120,000 shares with nominal value of IRR 1,000 per share) which has increased since then in six stages as follows reaching IRR 45,700 billion (consisting of 45.7 billion shares with nominal value of IRR 1,000 per share).

Resource of Capital Increase	Amount of New Capital (IRR Million)	Amount of Capital Increase (IRR Million)	Capital Increase Ratio (%)	Fiscal Year of Capital Increase
Merger of Banks	39,120	-	-	1979-80
Surplus from Revaluation of Fixed Assets	571,120	532,000	1360%	1992-93
From the Special Bonds of Article 93 of the Third Development Plan	1,231,120	660,000	115.6%	2000-01
Surplus from revaluation of fixed assets	10,437,384	9,206,264	747.8%	2004-05
From cash, shareholders due receivables and retained earnings	13,568,599	3,131,215	30%	2010-11
From retained earnings	17,500,000	3,931,401	28.9%	2011-12
Surplus from revaluation of fixed assets (executive operation for the capital increase was performed in 2013 and it was registered on June 17, 2014)	45,700,000	28,200,000	161.1%	2014-15



The shareholders having more than 1% of the Bank's shares on March 20, 2017 and the approval date of the report are as follows:

Specifications of Shareholders having more than 1% of the Bank's shares					
Row	Name of Shareholder	Mar. 19, 2017		Date of Sending Report: July 18, 2017	
		Number of Shares	%	Number of Shares	%
1	Provincial Edalat Stock investment companies (30 companies)	18,279,999,697	40	18,279,999,697	40
2	Government of Islamic Republic of Iran	7,769,000,000	17	7,769,000,000	17
3	Saba Tamin Investment Co. (Public Joint Stock)	3,493,548,396	7.64	3,493,548,396	7.64
4	Privatization Organization – By Proxy (Preferential Shares of Personnel)	2,284,162,116	5	3,493,548,396	5
5	Tadarokat Karamad Pouya Abrisham Trading Co.	1,581,441,812	3.47	1,585,241,812	3.47
6	Mehr 78 Support Services Co. (Ltd.)	1,064,506,401	2.33	1,064,506,401	2.33
7	National Investment Company of Iran (Public Joint Stock)	1,039,272,097	2.27	1,039,272,097	2.27
8	Tejarat Market Management Investment Fund (BFM)	1,005,205,218	2.20	858,553,477	1.88
9	South Mines Development Company	1,537,445,253	3.36	800,000,000	1.75
10	Saman Iranian Investment Company	-	-	737,445,253	1.61
11	Macro International Services Company	683,718,323	1.5	683,718,323	1.5
12	Iran Health Insurance Organization	516,485,606	1.13	516,485,606	1.13
13	Joint Investment Fund for Capital Market Development	479,551,482	1.05	490,490,632	1.07
	Other Corporate Shareholders (194 shareholders)	3,742,946,112	8.19	3,700,741,711	8.11
	Total of Corporate Shareholders (236 shareholders)	43,477,282,513	95.13	43,303,165,521	94.76
	Natural Person Shareholders (44,458 shareholders)	2,222,717,487	4.87	2,396,834,479	5.24
	Total:	45,700,000,000	100	45,700,000,000	100



Mission, vision, values and beliefs

Mission:

Tejarat Bank, as one of the greatest commercial banks in the region, has an effective presence in the domestic, regional and global markets and aims to create value for clients, especially valuable clients, through designing and innovating new services. Its good reputation, skilled human resources and capability to provide banking services especially in the field of commitments allow the Bank— within the framework of the Monetary and Banking Laws and Regulations – to promote its profitability and meet the interests of all stakeholders and play an effective role in the country's economic growth and banking system advancement.

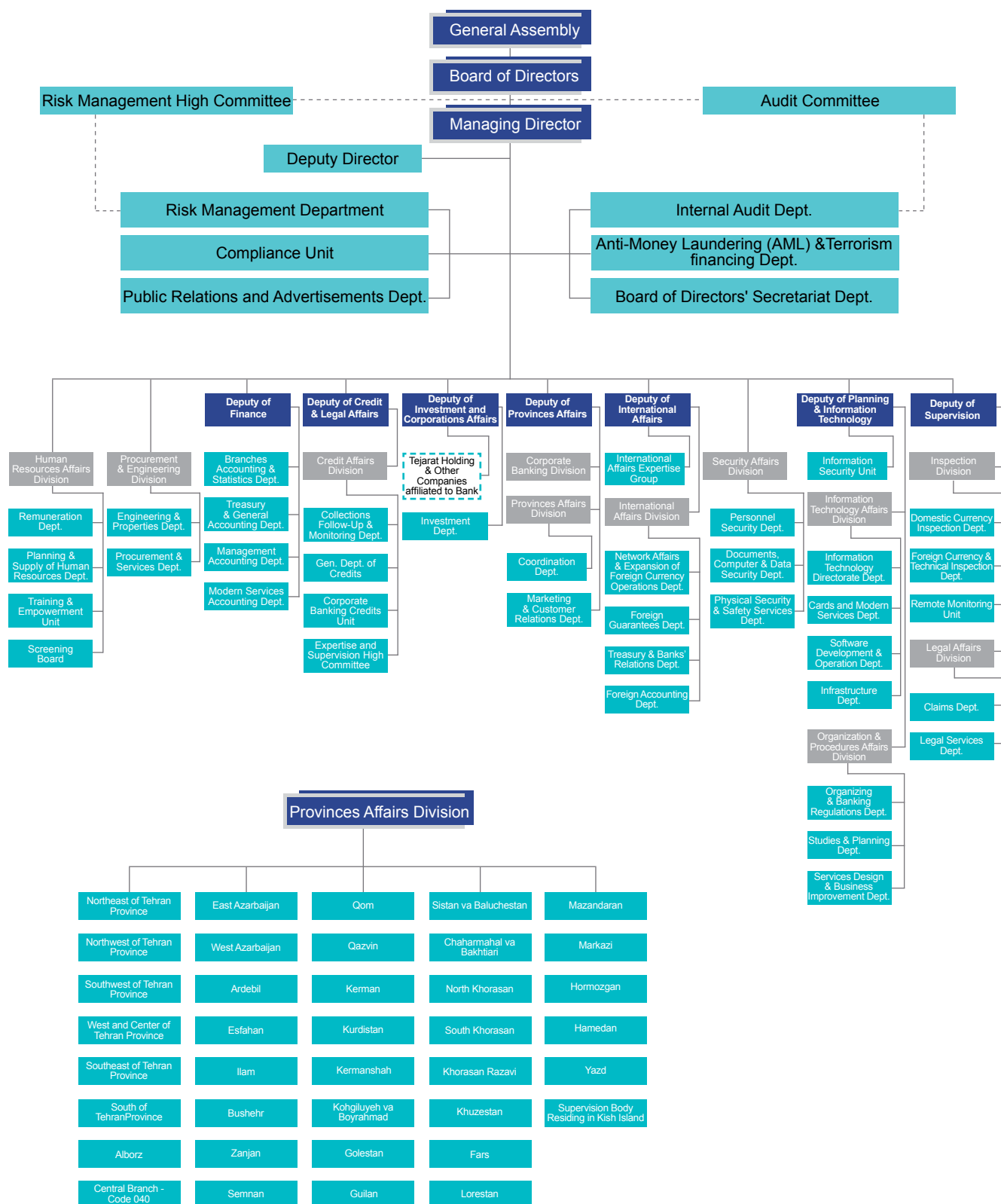
Vision:

To be the first choice of clients in its prospective horizon, Tejarat Bank will be an accountable bank to meet the needs of clients through rendering the newest services at the shortest possible time.

Values:

- 1) Committed to observance of professional and legal principles;
- 2) Committed to value creation for all stakeholders;
- 3) Committed to observance of customer orientation and accountability principles;
- 4) Committed to collaborative management and organizational learning;
- 5) Committed to transparency and honesty.

Organizational Chart



Bank's Management Based on the Principles of Corporate Governance

Based on new procedures in international banking, which strictly emphasize the observance of the principles of corporate governance in order to secure the interests of stakeholders through ensuring the proper functioning of all bank units, risk management and institutionalization of internal control processes, and also in compliance with the repeated emphasis of the Central Bank of the Islamic Republic on implementing the corporate governance principles in the Bank; a considerable attention has been paid to the governance system of Tejarat Bank based on such principles. The principles of corporate governance covers all processes and structures that help the bank to manage and direct its affairs, with the aim of ensuring its secure and sound performance beside enhancing the return on equity. These principles, which are based on a system of accountability and responsibility of members of the Board of Directors and the Executive Board, are a set of duties and responsibilities that must be taken up by the Bank's bodies to ensure accountability and transparency.

In order to provide an overall view to the structure and areas of interest in the corporate governance in Tejarat Bank, we can highlight the actions taken in this area as follows:

- Separating the duties of Board of Directors from those of Executive Board
- Establishing corporate governance committees
- Implementing the risk management principles
- Strengthening the internal audit system in the Bank
- Transparency of financial information

The division of duties between the Board of Directors and the Executive Board has been taken place in Tejarat Bank, according to the corporate governance principles and the guidelines provided by the Central Bank of I. R. Iran and in conformity with the Bank's new Articles of Association (the template statute for private commercial banks approved by the Money and Credit Council) and also to have a more efficient decision-making system. As such the Board of Directors is responsible for deciding on the Bank's macro policies and an Executive Board composed of specialist directors has been assigned as responsible to execute the Bank's approved strategies and plans.

It is obvious that in line with the fulfillment of the Board of Directors' duties in the area of control and supervision in compliance with the current requirements and advices; some committees must be formed under the supervision of the Bank's Board of Directors, so that the pursuit of the stakeholders' interests can be done well. Such committees include "Risk Management High

Committee", "Audit Committee", "Specialized Committee for Human Capital", "Specialized Committee for Management of Assets and Liabilities", "Specialized Committee for Planning and Evaluation of Plans Performance", and "High Committee of Information Technology", which are active in the framework of the task descriptions determined.

With regard to the implementation of the risk management system in Tejarat Bank; it should be mentioned that the risk management system has been accomplished almost in conformity with the directive issued by the Central Bank of Iran titled "Guidelines for Effective Internal Control System in Credit Institutions". Within the framework of this system; in addition to creating the "Risk Management High Committee" and its subcommittees titled the "Credit Risk Management Subcommittee", "liquidity Risk Management Subcommittee", "Operational and System Security Risk Management Subcommittee", "Market Risk Management Subcommittee" and the "Compliance Risk Management Subcommittee" which had been established in previous years; an independent unit titled "Risk Management Dept." has been established, too. This department as an executive unit was vested with the responsibility of monitoring, measuring and controlling the most important risks facing the Bank.

In addition, the issue of internal control in Tejarat Bank has been prepared in the form of some codes and is being pursued based on the instruction titled "Guidelines for an Effective Internal Control System in Credit Institutions", in the form of establishing an independent department for internal audit, as well as ongoing sessions of the "Audit Committee". Internal audit is in fact one of the value chain circles in modern organizations that plays an important role in the organization's sustainable development within the framework of corporate governance. The scope of internal auditing operations should be determined in such a way as to identify, assess and advise on the risks pertaining to governance, operations and internal control systems of the Bank in relation to the following:

1. Reliability and correctness of the significant financial and operational information and providing timely information to the users,
2. The affordability, efficiency and effectiveness of operations,
3. The quality of control processes,
4. Assets protection, and
5. Compliance with laws and regulations, bylaws, instructions, industry rules and requirements and provisions of contracts.

Tejarat Bank's Branches Network

During the last fiscal year, one of the most important measures taken in the area of the Bank's branches network and, of course, to serve the major and corporate customers of the Bank, was the implementation of the corporate banking business model in Tejarat Bank, for which a separate structure of separate branches network has been dedicated. The new structure, along with the Bank's branches network is responsible for the executive operation of providing services to customers in the target markets. Considering that one of the major policies of Tejarat Bank in recent years has been the optimization of the branches network through reduction of extra branches; so in the fiscal year 2016-17, in continuing the implementation of the program "Optimization of Branches Network by Reducing the Branches that Are Unnecessary and without Economic Justification", the number of the Bank's domestic currency branches was decreased to 1659 from 1715.

Tejarat Bank's Branches Network

	Description	Rial Branches	Rial Counters	Rial & Foreign Currency Branches	Main Branches	Foreign Currency Counters	Overseas Branches
2016-17	Regions of Tehran	322	78	7	14	3	-
	Regions of other Cities	1,322	333	-	25	2	-
	Free Trade Zones	15	7	-	1	-	-
	Total	1,659	418	7	40	5	2
2015-16	Regions of Tehran	331	80	7	14	3	-
	Regions of other Cities	1,369	328	-	25	2	-
	Free Trade Zones	15	7	-	1	-	-
	Total	1,715	415	7	40	5	2





Overseas Branches

Tejarat Bank has two overseas branches in France (Paris) and Tajikistan (Dushanbe). The Bank is also one of the major shareholders of PIB (Persia International Bank, London), EIH (Europaeisch-Iranische Handelsbank, Hamburg) and T.C Bank (Trade Capital Bank, Belarus).

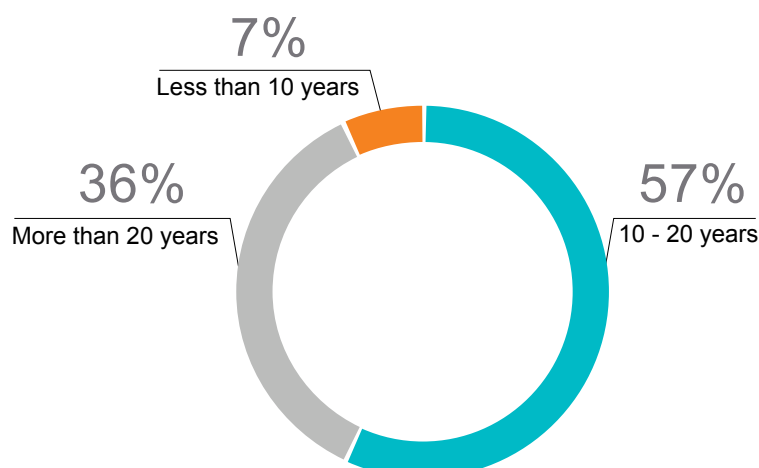
7- Composition of Human Capital

Human resources management scholars believe that leading organizations in the new millennium can be more responsive to the needs of the organization, only through the use of advanced human resource development models and the strategies to develop the staffing capabilities. Accordingly, improving the quality of human resources has been one of the major strategic goals of Tejarat Bank during the recent years.

Information on the Composition of Bank's Human Resources
In Terms of Education, Gender and Place of Service – 2016-17







Description	B.S. Degree and Higher		Total	High School Diploma and Undergraduates		Total	General Total
	Male	Female		Male	Female		
Back Office	2,154	731	2,885	1,733	201	1,934	4,819
Front Office	4,876	1,507	6,383	6,373	768	7,141	13,524
Total	7,030	2,238	9,268	8,106	969	9,075	18,343
Portion	76%	24%	100%	89%	11%	100%	100%

Human Resources Composition in Terms of Working Experience



8- Introduction to the Subsidiaries of Tejarat Bank

In order to complete its value chain, Tejarat Bank has established some companies or invested in its several subsidiaries. The following table shows the companies' specifications. Indeed, these companies directly and indirectly play role in providing services to the Bank and customers.

Name of Company	Foundation Year	Latest Registered Capital (IRR Million)	Tejarat Bank's Ownership Portion (%)	Field of Activity
 Tejarat Insurance Co. www.tejaratinsurance.com	2015-16	2,500,000	38% Indirect	<ul style="list-style-type: none"> - Performing direct insurance operation in various fields of life insurance and others - Acquiring reinsurance from inside or outside the country - Accepting reinsurance from domestic or foreign insurance institutions.
 Leasing Iran Co. www.leasingiran.com	1975-76	600,000	42%	Purchase of various goods, movables and immovables and assigning them to applicants as lease contracts or sale by installments
 Kardan Finance Co. www.kardan.ir	2013-14	2,000,000	39.92%	Rendering financial services in five fields of financing, guarantee and commitment, investment, consultancy, and merger and possession
 Tejarat Bank Brokerage Co. www.bt-broker.com	1994-95	60,000	100%	<ul style="list-style-type: none"> - Services of brokerage, dealing and portfolio management including: dealings of securities admitted in the exchange market and OTC, commodity exchange, future dealings in securities exchange and commodity exchange, market making and market management of securities and commodities - Financial and consultancy services including: management of investment funds, consultancy in supplying and admitting, marketing, portfolio management service, pricing securities, investment and risk management
 Tejarat Exchange Co. www.tejarat-exchange.com	2003-04	50,000	100%	Buying and selling foreign exchange and gold coins in cash and performing operations related to bills of exchange through banks and authorized non-bank credit institutions and rendering foreign exchange services abroad by correspondents
 Iran Kish Credit Card Co. www.irankish.com	2003-04	1,310,000	52%	The major business of the Company is marketing, installation and support of bank POS's throughout the country and rendering e-payment services to acceptors of bank cards

Name of Company	Foundation Year	Latest Registered Capital (IRR Million)	Tejarat Bank's Ownership Portion (%)	Field of Activity
 Simorgh Tejarat Total System www.stts.ir	2012-13	100,000	65% Indirect	Study, design, consultancy, technology transfer, installation, operating, maintenance, manufacturing and support in the field of computer equipment and hardware systems and non-media and non-educational software in the field of information technology
 Tejarat Consulting Engineers Co. www.tejaratce.ir	1985-86	30,000	100%	Rendering services in the field of information technology and informatics affairs including provision, purchase, sale, import and export, operating, maintenance and support of various hardware, software, electronic, electrical, computer and mechanical equipment used in various official, commercial, service, production, financial, banking, stock market and other economic activities
 Iranian Investment Co. http://iic.co.ir	2003-04	3,600,000	100%	Investment in stock, sharing, investment units, funds and securities
 Tejarat Service Co. http://www.portal.kh-tejarat.com	1984-85	120	100%	Performing any kind of services related to interior decoration and exterior facing of buildings and rendering technical, professional and administrative services to all units of the Bank and other institutions
 Iranian Tejarat Electronic Telecommunication www.tiddev.com	2013-14	10	100% Indirect	- Rendering professional and consultancy services in the fields of computer, electronic, telecommunication, and information technology - Mechanization including analysis, manufacturing, implementation and operation of software and hardware systems - Implementing the Core Banking project of Tejarat Bank
 Tadbirgaran IT Tejarat Iranian www.tafta.ir	2013-14	10	100% Indirect	Administration of Affairs and investing in the stock of active companies in IT sector in order to yield synergy in the advancement of the Bank's missions

CHAPTER TWO

Tejarat Bank's Performance In Fiscal Year 2016-17



1- The Economy of Iran in the Fiscal Year 2016-17

1.1- Real Part

The fiscal year 2016-17 was the year of lifting international sanctions. The execution of the Joint Comprehensive Plan of Action (JCPOA), in spite of its operational weaknesses, led to positive developments in the economy of Iran, most notably the significant increase in oil production and exports and the relative stability of markets.

The stable situation of most markets and the growing trend of macroeconomic variables indicate that the economy of Iran experienced positive developments in 2016-17. Gross domestic product at constant prices of 2011-12 increased from IRR 5,946 trillion in 2015-16 to IRR 6,691 trillion in 2016-17, indicating an economic growth of 12.5% for the fiscal year 2016-17. Undoubtedly, one of the developments that has had a significant impact on the economic growth during the fiscal year under review has been the increase in the production and export of crude oil and gas condensate by removing barriers to exports after execution of the JCPOA. Execution of the JCPOA and the subsequent increase in crude oil production and exports led to the growth of 61.6% of added value in oil sector in 2016-17. Increasing the export of crude oil through rising production, in addition to direct impact on GDP, indirectly and through the state budget, is considered as an effective stimulus to the growth of other economic sectors of the country. In addition to the high growth of the value added of the oil sector in 2016-17, the value added growth of most economic sectors was positive. Beside the increase in the oil sector's share after the improvements resulting from removing the economic sanctions, increase in value added share of non-oil sectors, with regard to the country's dependence on oil revenues, was very promising and, given the goals set for achieving average annual economic growth of 8% in the Sixth Development Plan will be a durable basis for sustained economic growth in the coming years.

Percentage of Change (Growth) of GDP in terms of Economic Sectors

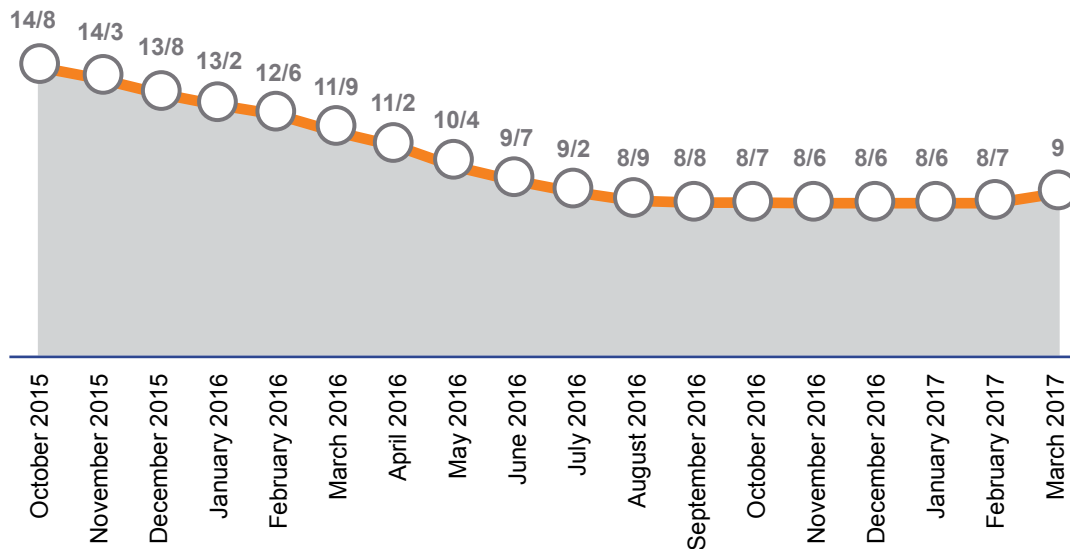
Fixed Price of 2011-2012	2015-16	2016-17
Agriculture Sector Value Added	4.6	4.2
Petroleum Sector Value Added	7.2	61.6
Industries & Mines Sector Value Added	-6.1	2.2
Services Sector Value Added	-2.3	3.6
Economic Growth (with Petroleum)	-1.6	12.5
Economic Growth (without Petroleum)	-3.1	3.3

According to the statistics of the Central Bank of the Islamic Republic of Iran for the fiscal year 2016-17; the growth of the construction sector is estimated at -13.1%. This sector contributes significantly to the economic growth of the country due to its close relationship with upstream and downstream sectors of the economy. In spite of the government's efforts to get out this sector of recession, the housing sector has experienced stagnation for the fifth consecutive year in 2016-17.

1.2- Financial and Monetary Sector

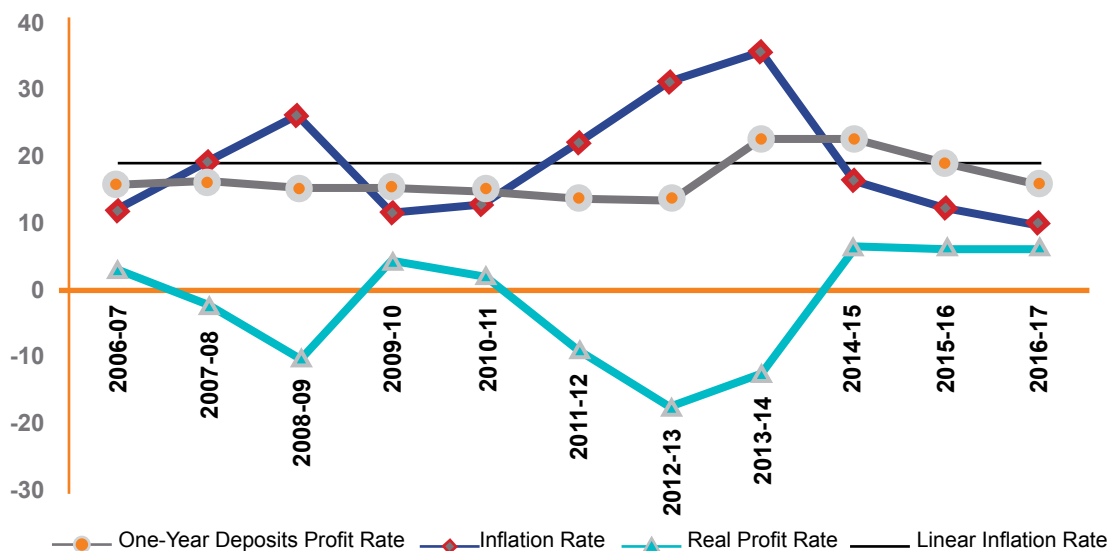
In the fiscal year 2016-17, the Central Bank's approach to monetary policy has been on the continuation of monetary discipline, liquidity growth management, and the directing of financial resources towards productive activities. In addition, the bank-centered system of financing in the economy of Iran, has made one of the priorities of the Central Bank of the Islamic Republic of Iran in 2016-17, the improvement of the banking system and promotion of its regulatory powers. In this regard, the reform of the banking system was designed to include three areas including solving the problem of cash flow and freezing of assets, organizing government debts and the capital increase of banks.

With the continuation of decreasing trend of inflation over the fiscal years 2014-15 and 2015-16, and following the disciplined approach to monetary and fiscal policies and a significant improvement in inflation expectations, this decline continued during the fiscal year 2016-17, such that the inflation rate decreased from 11.9% in March 2016 to 9% in March 2017.



Source: Central Bank of Islamic Republic of Iran: Report of Consumer Goods and Services Price Index

The liquidity volume in the country, which grew by 22.3% and 30% in the fiscal years 2014-15 and 2015-16, respectively, increased by 23.2% and amounted to IRR 12.534 trillion in March 2016-17. The major part of the liquidity (87%) in the fiscal year 2016-17 was quasi-money, indicating people's increased tendency to depositing as compared to the figure of 2015-16 (86.5%). Also, the monetary base growing by 13% compared to March 2015, reached over IRR 1,734 trillion in February 2017. With the stoppage of the uptrend of the inflation rate from the middle of the fiscal year 2013-14 and the gradual decrease of the inflation rate over the subsequent years; in 2016-17, the banking system readjusted the profit rates on deposits and facilities to match them with the inflation rates, so that the profit rates on bank deposits was set at a maximum of 18% for one-year deposits and the profit rate for partnership and non-partnership loan contracts was set at a maximum of 15%. However, due to the credit shortage in the banking system due to problems in the banks' balance sheets (such as high volume of non-performing loans and claims from the public sector), bank profit rates did not enjoy a real decline, and the problem of competition among the banks in attracting deposits through offering higher interest rates still persists.



Source: Central Bank of Islamic Republic of Iran: Report of Consumer Goods and Services Price Index and Regulatory-Policy Packages

The total balances of deposits and facilities of the banks and credit institutions at the end of the fiscal year 2016-17 amounted to IRR 12,728 and 9,866 trillion, showing growths by 19.9% and 24.6%, respectively, as compared to 2015-16.

In the field of credit policies, the main approach of the Central Bank was to focus on the provision of working capital for production units to exploit the vacant capacities of the economy and to support small and medium enterprises.

The total volume of facilities at the end of the fiscal year 2016-17 was IRR 5,483 trillion. The share of the facilities paid in the form of working capital in all sectors of economy during the fiscal year 2016-17 was IRR 3,512 trillion, equaling 64% of the total paid facilities, which increased by IRR 878 trillion (equivalent to 33%) as compared to the performance in the fiscal year 2015-16. As it is seen in the table below, more than 82% (equaling IRR 1,325 trillion) of the IRR 1,609 trillion facilities paid in the industry and mining sector was paid to provide working capital. Except for the housing and building sector, this approach is also seen in other sectors of the economy.

Facilities paid in fiscal year 2016-17 separated in terms of economic sectors

Economic Sector	IRR Trillion / %													
	Agriculture		Industry & Mine		Housing and Construction		Commerce		Services		Miscellaneous		Total Sectors	
Purpose of Receiving	Amount	Portion of Total	Amount	Portion of Total	Amount	Portion of Total	Amount	Portion of Total	Amount	Portion of Total	Amount	Portion of Total	Amount	Portion of Total
Establishment	68	14.6	128	7.9	77	15.3	27	3.7	234	10.7	0.9	25.3	534	9.7
Provision of Working Capital	336	72	1,325	82.3	140	28	519	71.7	1,190	54.6	1	38.3	3,512	64
Repair	1	0.3	4	0.3	61	12.2	2	0.3	21	1	0.007	0.2	90	1.6
Development	29	6.1	64	4	17	3.4	24	3.3	106	4.9	0.08	2.4	239	4.4
Purchase of Personal Goods	14	3.1	34	2.1	14	2.8	45	6.2	374	17.2	0.1	3.5	482	8.8
Purchase of Housing	1	0.2	7	0.4	178	35.6	10	1.4	24	1.1	0.02	0.8	221	4
Other	17	3.7	47	2.9	14	2.8	97	13.3	230	10.5	1	29.5	405	7.4
Total	466	100	1,609	100	501	100	724	100	2,179	100	3	100	5,483	100

Source: Central Bank of Islamic Republic of Iran

2- Major Achievements of Tejarat Bank in Fiscal Year 2016-17

- Ranking first in having the highest portion of the L/Gs commitments balance (35.39% of L/Gs commitments of the five major commercial banks including Tejarat Bank, Bank Mellat, Bank Saderat, Bank Melli, and Bank Sepah)
- Ranking first in having the highest portion of the domestic LCs commitments balance (37.41% of domestic LCs commitments of the five major commercial banks)
- Ranking second in having the highest portion of the foreign LCs commitments balance (28.03% of foreign LCs commitments of the five major commercial banks)
- Ranking second in terms of deposit per employee and per branch among the five major commercial banks
- Rising by 3 steps among the hundred top companies in the fiscal year 2016-17 (rising to 7th rank)
- Disclosing new e-services including Sabz-Pardaz, Tejarat-Pay, and Virtual Banking Integrated Services
- Setting-up of bank services specific for the blind in the Bank's selected branches
- Ranking first in combating money laundering (AML measures), among all the major banks of the country
- Receiving the silver medal of social responsibility
- Receiving the Trophy of the Twelfth Festival of Champions of the Industry
- Receiving the Silver Falcon of the National Advertising Festival in the section of Resistance Economy for Promoting the Consumption of Inland Goods and Reducing Imports
- Receiving the Golden Falcon of the National Advertising Festival in the section of Environmental Advertising and Press Release

3- A Summary of the Financial Information

Title	2016-17	Restated	
		2015-16	2014-15
A. Information on Financial Performance during the Period(amounts in IRR billion)			
Operational income	180,772	147,990	115,889
Non-operational income	2,479	5,787	9,980
Net profit – after tax	(3,018)	(6,697)	5,774
Annual adjustments	(11,855)	(816)	(7,650)
Cash from operating activities	4,424	22,519	(4,698)
B. Information on Fiscal Status during the End of Period (amounts in IRR billion)			
Total Deposits	954,271	804,423	703,075
Total Facilities	484,096	453,194	436,037
Total assets	1,208,290	1,040,237	920,826
Total debts	1,158,084	987,107	860,237
Registered Capital	45,700	45,700	45,700
Total Equity of Shareholders	50,205	53,130	60,589
C. Return Rate (percent)			
Return on Assets	(0.3)%	(0.7)%	0.6%
Return on equities	(5.8)%	(11.8)%	9%
D. Information on Each Share			
Number of shares at the time of the assembly (million shares)	45,700	45,700	45,700
The first forecast of earnings per share (IRR)	167	194	162
The last forecast of earnings per share (IRR)	(93)	158	111
Actual earnings per share (IRR)	(66)	(146)	88
Last price per share on the confirmation report date (IRR)	637	1,002	1,143
Book value per share (IRR)	1,099	1,163	1,326
The ratio of price to the real income per share (times)	(10)	(7)	13
E. Other Information			
Number of personnel	18,343	18,756	19,065
Total number of branches (including overseas branches)	1,661	1,717	1,811
Number of main branches	40	40	39

4-Internal Audit and Enhancing the Bank's Internal Control System

Based on Article 15 of the Internal Audit Code and in accordance with the objectives and tasks defined in this Code; the annual internal auditing plan is prepared at the end of each year by the Internal Audit Dept. and submitted to the Audit Committee for approval.

One of the most important achievements of internal audit in 2016-17 was "the evaluation and improvement of the effectiveness of internal controls." In this regard, the Internal Audit Regulation, Comprehensive Internal Audit Program, Comprehensive Risk Assessment Report, and the Comprehensive Internal Controls Evaluation Report are prepared and approved by the Audit Committee. The executive achievement of the project is a change in the internal audit methodology, so that based on the new methodology, the audits of various bank units over a period of approximately three years, are put in a cyclically-based and risk-based agenda of the Internal Audit Dept. Also, "the Standardization of the Auditors' Reports According to the Specific Pattern of Authorized Firms for Internal and External Audit" as another strategic plan was accomplished and finalized by the Internal Audit Department.

Along with the Internal Audit Department's continuous execution of the audit of different units of the Bank and performing its related duties; the Bank's Audit Supervisory Pillar, i.e. the Audit Committee has a special position. This committee's major measures in different fields during the year under report are as follows:

■ Financial Reporting

- Review and discussion of the committee members in many meetings on some matters related to the draft report of financial statements and the report of the Bank's independent auditor and inspector
- Follow up of the assignments set at the annual General Assembly (with the emphasis on the program of the Central Bank of I. R. Iran)
- Review and discussion of the provision of the necessary facilities and infrastructures for the implementation of International Financial Reporting Standard (IFRS) in the Bank
- Emphasis on the holding of general assemblies of subsidiaries affecting on the consolidation, by June 21st.

■ Internal Controls

- Reviewing and approving "the Performance Report of the Audit Committee and the Internal Audit Department"
- Review and approval of "the Progress Report of the Implementation of the Comprehensive Internal Control System"
- Reviewing and approving the draft of "Internal Control Report for the Period Ended March 19, 2016"
- Examining and approving the products of the project "Assessing and Improving the Effectiveness of Internal Controls", including the Internal Audit Regulation, the Comprehensive Internal Audit Program, the Comprehensive Risk Assessment Report and the Comprehensive Internal Controls Assessment
- During the various meetings of the Audit Committee, discussions were made on issues related to affiliated subsidiaries, such as the reports of their shareholder assemblies, the status of the Bank's holdings, and the performance of the audit committees of the holdings and the companies admitted in the Stock Exchange.

■ Internal Audit

- Reviewing and approving the "Annual Plan of Internal Audit"
- Reviewing and approving the "Internal Audit Reports of different sections of the Bank, including the credit cycle, the IT cycle, the funds cycle and case reports"
- Reviewing and approving the "New Structure of the Internal Audit Department"
- Reviewing and approving the "Database Software Related to the performance of the Audit Committee and the Internal Audit Dept."

■ Independent Auditor

- Discussion on consolidated financial statements for the fiscal year ending March 19, 2016 and the draft report of the Bank's independent auditor and the statutory inspector with the participation of senior directors and representatives of Audit Organization
- Review of the Independent Auditor's Report and the Legal Inspector of the Bank and some subsidiaries
- Discussions on how to apply appropriate supervision over the selection of independent auditors in subsidiaries, considering that the audit firms of such companies must be necessarily of first class and trustees of the Securities and Exchange Organization.

5. Implementation of Transparency Standards

One of the accepted principles and of course indispensable in modern financial markets is the need to pay attention to the issue of transparency. The observance of transparency in all aspects of financial and non-financial performance of companies and, in particular, banks is, in fact, a guarantee of the soundness of their performance, thereby the scope for violations or disturbances in the financial system is eliminated. Also, the observance of transparency in the provision of financial information is one of the main corporate governance elements. Therefore, the Central Bank of the Islamic Republic of Iran, by announcing "the Rules on the Minimum Standards of Transparency and Public Disclosure by Credit Institutions" in 2014, required the banks to release information related to the transparency within the framework set forth in the directive. In this regard, Tejarat Bank proceeded with releasing and updating the information required by the Central Bank through the Bank's website at certain intervals. The release of the information required by the Central Bank may help the Bank's shareholders and stakeholders to monitor the performance of the Bank for the purpose of the tasks assigned to them and in compliance with the Statute.

In addition to its necessity in the domestic arena, also the issue of international communication with foreign correspondents more than ever necessitates to pay attention to transparency in the international dimension.

In this regard, in addition to inserting the financial information and other performance reports of the Bank in English on the Bank's website, the exchange of information needed by foreign correspondents on various aspects of the Bank's performance is carried out in specific forms, which helps to the restoration of correspondent relations.

6- Report on the Bank's Risk Analysis

In line with the emphasis of the Central Bank of Islamic Republic of Iran on the necessity of establishing a corporate governance framework in banks, as well as changing its supervisory approach from the traditional approach to a risk-based approach; Tejarat Bank has worked more than ever to comply with these approaches as well as to establish the risk management based on Basel 2 and Basel 3 standards. The Bank's main strategy in the field of risk management is to achieve the integrated risk management (ERM), in such a way that all risks in different areas of the business of the Bank can be controlled and managed in a coherent and consistent manner by the relevant units. This process is directed by the Risk Management High Committee through increasing the capacities and activities of the Risk Management Subcommittees in the areas of credit risk, operational risk, compliance risk, liquidity risk and market risk.

6.1- Credit Risk

The issue of improving credit risk management has always been one of the main priorities of Tejarat Bank. In this regard, considering the importance of nonperforming loans (NPL), the Bank has always tried to consider improving the credit risk management, reducing non-performing loans and covering sufficient reserves as its main objectives. In this regard, some of the Bank's performance indicators are presented in the following table that represent the status of credit risk:

Credit Risk Indicators during Fiscal Years 2014-15 to 2016-17 (%)

Title of Indicator	2016-17	2015-16	2014-15
Deferred and doubtful claims to total facilities and claims ratio (%)	12.2	13.5	13.1
LCs and LGs receivables to total liabilities for LCs and LGs ratio (%)	3.7	3.7	3.7
Reserves adequacy ratio (%)	58.7	44.2	43.7

As it can be seen in the table above, the ratio of bank claims in the facility sector was increasing over the past three years, albeit it slightly improved in the fiscal year 2016-17 as compared to 2015-16. In this regard, although effective measures have been taken in recent years, including holding of regular sessions of the Special Committee for Collection of the Bank's Claims, continuous monitoring of the status of claims in the regional departments, reviewing the scope of the powers of the regional departments in forgiveness of delay penalties, etc., and to some extent, such measures have partly prevented the overgrowth of claims and claims ratios, however, despite the fact that the country's economy is exiting the recession and enjoys a positive economic growth, due to lack of growth in some sectors of the economy, the debtor customers' profitability did not much improve, and as a result, the Bank continued to face the challenge of high claims ratio and growth of claims. Obviously, with regard to the policies of

the Iranian Government and Central Bank, in the coming years, the situation will improve for growth of all sectors of the economy. In spite of the high claims ratio, as the Bank has allocated adequate reserves to cover the credit risk, the Bank's claims reserves ratio was about 49% in 2016-17.

The Bank aims to adequately manage the credit risk by covering its three areas including credit rating and validation of customers, credit portfolio management, and determining the credit risk's limits and potential. The following are among the measures taken or ongoing for managing the credit risk:

- Establishing validation system for natural and corporate customers and training the relevant users
- Revision and updating of the quantitative model of scoring and rating for corporate customers in expert and information reports in the Bank's internal validation system.
- Revision of the Bank's credit process based on credit risk.
- Conduct regular meetings of the Special Committee for Collection of the Bank's Claims.

6.2- Operational Risk

At present, the risk management process in the Bank is carried out in two ways:

- 1- Identification of operational risks of the Bank using the risk control self-assessment (RCSA) method.
- 2- Recording operational loss events in the Operational Risk Management System (Loss Database).

In the fiscal year 2016-17, the RCSA method was implemented in the legal, logistical and engineering fields and some appropriate risk control strategies were developed and approved by the Operational Risk Management Subcommittee and the Risk Management High Committee.

Regarding the second method, with regard to the establishment of the database of losses and the measurement of operational risk in the Bank; about 1900 operational risk losses by the end of the fiscal year 2016-17 were registered in the operational risk management system by the information registrar users of the relevant divisions, based on which the risk management reports can be presented in terms of different items (geographic area, type of loss event, cause of loss event, etc.). Also, based on such reports, the operational risk coverage reserve has been calculated using the advanced method of the Basel Committee.

Coverage reserve required for operating risk based on the basic method and advanced method is described in the following table:

Capital Needed to Cover Operational Risk

Description	Amounts in IRR Million		
	March 2016-17	March 2015-16	March 2014-15
Basic Method	2,608,667	2,895,926	2,944,136
Advanced Method	500,119	-	-

Considering that the calculation basis of the basic method is the average gross income of three fiscal periods, so because this average for the fiscal year 2016-17 is lower as compared to those of the fiscal years 2015-2015 and 2014-15, the calculated coverage reserve had a decreasing trend. The coverage capital calculated based on each of the above methods is used in the calculation of the Basel II capital adequacy ratio with a coefficient of 12.5 in the denominator of the ratio.

6.3- Liquidity Risk

The liquidity risk refers to the probable loss because of the incompatibility of the cash inflows and outflows. The probable loss from the surplus of cash resources is the cost of its maintaining, and on the other hand, the deficit in free resources imposes the risk of financing with high rates and/or the risk of lack of resources to the Bank. In this regard, the liquidity situation (current account balance with the Central Bank and the Bank's net revenues and expenditures in the interbank market) has been monitored since years ago. By analyzing the relevant indicators trend such as the ratio of net loans and claims to net deposits; the Bank manages its resources and expenditures status by holding continuous sessions of the Resources and Expenses High Committee.

As shown in the table below, the trend of the Bank's ratio of loans to deposits was rising, which, considering the 12.5% regulatory deposit ratio and the 3% required cash reserves, indicates an increase in the Bank's liquidity risk. One of its major reasons was the increase in government claims as one of main expenditures of the Bank, such that, regardless of this segment of expenditures, the ratio has declined, indicating the Bank's special attention to the optimal management of resources and expenditures with the aim of avoiding a deficit to the Central Bank.

Net Loans and Claims to Deposits Ratio (after Deduction of Statutory Deposit) - %

2014-15	2015-16	2016-17
88%	87%	92%

The Bank also operated the project of gap-based liquidity risk analysis this year which had been started since previous years. Upon resolving the last remaining information conflicts in the system, the gap-based liquidity risk analysis will be performed in two static and dynamic situations. Also, a program called the executive mechanism of asset-liability management has been defined for the coming year, which aims to develop the necessary mechanisms based on Basel 2 and 3. In this regard, the preparation of the Precautionary Plan, the Liquidity Shield and Due Date Limits Instruction, and the Interest Rate Risk Management Instruction are among the provisions included therein, by implementation of which, the Bank will have a specific program for managing liquidity crises.

6.4- Compliance Risk

In accordance with the approved indicators for monitoring the risk situation of the Bank's compliance (based on the most important notification circulars of the Central Bank of the Islamic Republic of Iran) in the Risk Management Subcommittee; the risk management reports of the Bank are prepared quarterly by the Risk Management Department, and submitted to the committee for decision making. In this regard, separately for each season during the fiscal year 2016-17, a report was prepared and submitted to the Committee. This will greatly lead to the compliance of the Bank's operation with the domestic and foreign laws and standards. Also, the Bank's compliance risk based on the latest regulations and circulars issued by the supervisory authorities (in particular the Central Bank of Iran) as well as the communicated instructions' impacts on the Bank's operations were examined and due decisions were made by the Risk Management Compliance Committee.

6.5- Market Risk

"Market risk" refers to the risk of adverse fluctuations in market prices or rates of the assets included in the Bank's trading portfolio. By definition, market risk occurs when an institution actively buys and sells assets, debt and derivatives, not when it holds such items for long-term investment, financing and security purposes. In other words, the market risk is related to the Bank's trading portfolio, not to its banking activities portfolio. The trading portfolio includes assets, debts and derivative contracts that can be quickly traded in organized markets; but long-term investment portfolio includes assets and liabilities that are non-cash which are held for more than one period. Given the fact that the Bank's portfolio includes foreign currencies and stock, in this section the risk of these two types of assets is considered.

6.5.1- Foreign Exchange Portfolio Risk

Since an indicator for assessing the foreign exchange portfolio risk of the Bank is the ratio of open foreign exchange position to the capital base; the trend of this ratio over the past three years is presented in the following table.

The Ratio of Open Foreign Exchange Position to Capital base of the Bank

(IRR billion)

Description	2016-17	2015-16	2014-15
Open Foreign Exchange Position *	7,478	516	-2,804
Capital base**	24,161	27,986	42,902
Open Foreign Exchange Position to Capital base Ratio (%)	30.95%	1.84%	-6.53%

* The open foreign exchange position is calculated and presented after the deduction of the loans bartered with the Government. Indeed, since almost all of the loans bartered with the government are settled in Rials by using the incentives provided by the Central Bank, and the related exchange rate remains constant, actually all the foreign exchange loans with the government are not affected by the risk of fluctuating foreign exchange rates currencies, therefore, they have been deducted from the balance of open foreign exchange position.

** The last capital base approved by the Central Bank as per letter No. 341008/95 dated Jan. 16, 2017 amounts to IRR 53,917 billion.

- As it is seen, the Bank's open exchange position and its ratio to the capital base increased during the fiscal year 2016-17 as compared to the fiscal year 2015-16. Part of this increase can be attributed to the increase in the transaction rates of foreign currencies in the fiscal year 2016-17 compared to the fiscal year 2015-16, but its major part is due to the increase in the Bank's foreign exchange assets to cover the more foreign currency liabilities and transfers in the post-sanctions conditions. Also for calculations of the foreign exchange portfolio risk; the risk measurement system based on the advanced method was put into operation in the year under report. According to the results extracted therefrom, the foreign exchange risk (after deducting the bartered loans) and the coverage reserve for the period ending March 19, 2017 amounted to IRR 68 and 647 billion, respectively. Also, the acceptance limit for the foreign exchange rates risk amounts to IRR 1036 billion.

6.5.2- Stock Portfolio Risk

According to the explanations presented in the market risk section and according to the standard of Basel Committee; to calculate the stock portfolio risk, the transactions portfolio is used. In this section, the historical simulation method and advanced models are used to calculate the risk.

The Ratio of Stock Portfolio Status to the Capital base

(IRR Billion)

Description	2016-17	2015-16
Stock Portfolio	10,860	11,201
Stock Portfolio Risk	200	191

As it is seen, during the year under report, despite the depreciation of the stock trading portfolio as compared to the end of the fiscal year 2015-16, the stock portfolio risk increased, which may, in addition to the price volatility of each of the portfolio components, be attributed to their interaction in the stock portfolio.

6.6- Risk Management High Committee

This committee has been formed to assist the Board of Directors in the following cases:

- Development of general strategies for managing various risks in the Bank
- Determination and suggestion of the risk limits
- Control of the Bank's risks
- Analysis of the current and future status of the risks

The most important cases handled and approvals issued by the committee in the fiscal year 2016-17 are as follows:

- Reviewing the risks identified in the area of information technology and approving the proposed control measures
- Approving the model for the risk management process in the Bank
- Approving the model for measuring the general risk of customers and emphasizing on the implementation of its pilot phase
- Confirmation of the results of the foreign currency portfolio risk measurement system and emphasizing on developing its executive instruction
- Reviewing the identified risks in the legal area of the Bank and approving the proposed control measures
- Approving the plan for implementing the Information Technology governance based on Cobit 5 Standard
- Reviewing the status of the Bank's capital base and making due decisions





7- Information Security Unit

Along with the expansion of the use of PCs and the emergence of computer networks and the Internet, the lives of computers and their users have undergone fundamental changes. Nowadays, the dangers and threats of attackers, who attempt to disrupt, destroy, or cause damage to internal, organizational, intranet and Internet networks, have become daily problems. On the other hand, data and information are considered as one of the major and valuable assets for any organization; so their preservation and protection is a vital issue for organizations. Therefore, the issue of security and its creation in the electronic communications world is of special importance, in particular for today's banks and institutions, whose major businesses depend on computers and computer networks. Accordingly, the Information Security Unit of the Bank, under the supervision of the Vice-Chancellor of Information Technology, takes actions in this regard as follows:

- Implementation of the Information Security Management System (ISMS)
- Security Operation Center (SOC)
- Computer Security Incident Response Team (CSIRT)
- Network security upgrade
- Provision of Secure Sockets Layer (SSL) Certificate
- The Influence Test of a number of the major systems of the Bank
- Training and cultural development of the Bank's personnel

8- Execution of the Compliance Standards

In compliance with the Central Bank of the Islamic Republic of Iran's emphasis and also the rules announced by the Banking Supervision Committee

of the Bank for International Settlement (Basel); the Bank's Compliance Unit, as an independent entity, bears the task of controlling, supervising and matching the organization's performance with the laws, regulations, and internal and external circulars. The Compliance Unit's objective is to assist the Bank in the field of the compliance risk management. Such a risk can be realized as the risk of legal or regulatory sanctions, financial losses, or damages to a bank's credibility as a result of its inability to comply with applicable laws, regulations, rules and standards. Sometimes the compliance risk may be referred to as the risk of banking operations' correctness, because a bank's credibility is closely related to its adherence to the rightness of the banking operations as well as fair transactions.

Accordingly, in pursuance of the implementation of the Central Bank of the Islamic Republic of Iran's approvals on the continuous control and monitoring of the compliance risk, and in order to avoid violations of international laws and regulations; the Independent Compliance Unit was established in the Bank, whose measures taken in this unit are as follows:

- Applying some corrective measures in the field of KYC (Know Your Customer) process
- Assessing, mobilizing and provision of the software required for the Compliance Unit
- Managing the User Accounts of the C6 System by the individuals based in the foreign compliance sections of exchange units
- Establishing procedural unity in the executive processes of compliance along with all related sections (foreign exchange units, foreign-domestic currencies branches and domestic currency branches)
- Online training of the staff on compliance with the requirements to properly implement the applicable laws, regulations and standards through the use of the introduced software and sites.

9-Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

The anti-money laundering process in Tejarat Bank is conducted under the direct supervision of the independent department of anti-money laundering (AML Dept.) for the purpose of planning and conducting the Bank's units in the area of combating money laundering. Some of the duties of this department include monitoring of all conducted transactions, timely reporting and answering to the related external regulatory units outside the Bank –such as Financial Intelligence Unit (FIU) of the Central Bank of Islamic Republic of Iran, correction of necessary processes, updating the previous customized instructions in response to the applied modifications and developing the AML circulars. In addition, considering the importance of execution of the AML/CFT rules and standards; the necessary trainings are provided to all the front office and back office employees, holding specialized training courses in form of case studies and workshops on various AML issues in different areas.

Some of the measures taken for combating money laundering and correcting the related processes during the fiscal year 2016-17 are as follows:

- Provision of the software for collecting data on those who deposit cash funds with the foreign currency units exceeding the prescribed ceiling
- Eliminating the deficiencies and conflicts in the data of base service recipients using the two "Main" and "AMX" data sources as well as improving the data quality level of the base services in accordance with the format of the Ministry of Economic Affairs and Finance
- Determining applied indicators and providing a suitable model for determining the level of customer activity
- Creating an appropriate model for classifying the customers risk (general risk) based on three categories of customers with low risk, moderate risk and high risk
- Creating a database of rental safe-deposit boxes as well as providing the right and flexible software to receive reports on the boxes and direct monitoring of them
- Eliminating the bugs in Anti-Money Laundering (AML) Comprehensive Software deficiencies and determining the appropriate pattern for reporting and establishing the process for examining suspicious transactions and operations.
- Culturing and informing colleagues for their more familiarity with the issue and process of money laundering as well as relevant laws and regulations
- Applying control measures and supervisory inspections to enforce anti-money laundering laws and regulations in the regions of Tehran and other cities (totally 256 cases),

10. The Bank's Activities in the Field of Social Responsibilities

In the past years Tejarat Bank has been known as a responsible business enterprise in the face of social responsibility and played a significant role in supporting vulnerable social strata. In the fiscal year 2016-17, Tejarat Bank continued to carry out many activities to fulfill its social responsibility, including the following:

- Promoting the Bank's role in the social responsibility arena focusing on environmental protection
- Contribution to constructing two new schools in deprived areas to continue the Bank's approach to supporting education in the homeland and establishing schools in different provinces of homeland.
- Construction of 5 rural health houses in deprived provinces
- Equipping and automation of 79 schools in earthquake hit areas of Bushehr and East Azarbaijan provinces
- Collaboration with international charity organizations, including participation in the World Food Program
- Allocating the budget of the Bank's promotional gifts in the fiscal year 2016-17 to public affairs, such as constructing schools and health homes for less developed provinces
- Collaboration with charity organizations and associations (Mahak Charity Organization, Welfare Organization, etc.)
- Support for programs, projects and scientific and research conferences in universities as well as Khwarizmi International Award
- Supporting green businesses and signing memorandum of understanding with the Department of Environmental of Iran
- Cooperation in holding of the International Event of Sustainable Development Young Pioneers
- Supporting the Tuesdays Without Cars Campaign
- Culturalizing inside and outside the organization in line with environmental protection and organizing environmental education campaigns with two approaches of less paper consumption and reducing air pollution



11-Bank's Services and Products Portfolio

11.1- Electronic Services and Products Virtual Banking

The virtual banking system is designed and implemented to provide a wide range of remote banking services on the Internet. At present, the main services of the system include the following, but in the near future, other remote banking services will also be added to them:

- Applying for loans on the Internet in two parts of the microfinances and loans for special businesses
- Opening a variety of short- and long-term investment accounts and Qardh-ul-Hassana (Interest-free-loan) savings accounts
- Selling foreign exchange for students
- Money transfer services
- Paying bills
- Buying a cell phone charge
- Requesting for issuance of a checkbook
- Requesting for issuance of an account statement in English

Internet Banking for Natural Customers

Internet banking (third generation) has provided the customers a chance to save their time and budget and to do their banking activities through the Internet not in person. Presenting a diverse spectrum of banking services while observing the security and user convenience, is among the features of third generation of Tejarat Bank Internet.

Internet Bank for Special Corporate Customers (FARA)

FARA Internet Bank is one of the dedicated and order-based services of Tejarat Bank which is designed and launched to offer services to valuable corporate customers. This service is web-based, and in addition to its unique features, has the ability to link with financial software and customer accounting systems.

Mobile Bank

Due to the prevalence of cellphones in the country and people's tendency to mobile banking service; Tejarat Bank's mobile banking system provides user-friendly applications for all operating systems, with various account and card-based services.

Tejarat-Pay

Tejarat-Pay is one of the modern tools of payment on mobile, consisting of Tejarat-Pay's buyer and acceptor apps, which allows the user to purchase and perform the transaction using a two-dimensional QR code. This tool can replace the debit cards and POS systems.

Green-Pay

Green-Pay is a mobile app for managing and paying bills of utility companies allowing possibilities such as paying through all *Shetab* cards, receiving bills through SMS and comparing energy usage.

ATMs Network

With about 3700 ATMs, Tejarat Bank has made it possible for customers in all parts of the country to reach the card services and *Shetab* network. Using several methods of provision and procurement, Tejarat Bank is developing its ATM network throughout the country.

Issuance of Various Bank Cards

Currently, to meet the needs of customers; various magnetic and smart cards based on its function including cash cards, purchase cards, group cards, gift cards, credit cards, E-wallet cards, citizen cards, cards common with customers, etc. are presented.

Point of Sales (POS)

In order to cover the general and special needs of customers at the point of sale of goods and services, Tejarat Bank has established electronic money exchange services through PSP companies around 250,000 fixed and mobile

POS devices across the country. Also, using the new tools and technologies such as M-POS and PDA-POS machines is included in the Bank's plans for the coming year.

Internet Payment Gateway (IPG)

In order to cover the general and specific needs of active customers in e-commerce, the electronic money exchange services are provided through the Payment Service Providers (PSP companies).

Statistics on the number of Tejarat Bank's electronic services & tools

Description	2016-17	2015-16
Swift Branches	42	41
PINPAD	4,271	4,439
POS	273,527	257,629
ATM	3,684	3,689
Debit Cards Issued	7,232,532	1,600,684
Gift Cards Issued	985,413	1,034,533

Data on the number & amounts of transactions through electronic channels

Description	2016-17		2015-16	
	Number of Transactions (Million)	Amount of Transactions (IRR Billion)	Number of Transactions (Million)	Amount of Transactions (IRR Billion)
POS	417	514,027	298	287,160
ATM	276	896,234	298	871,776
Mobile Bank	71	448,034	54	297,857
Internet Bank	20	582,345	13	380,500
Electronic Payment Gateway	6	18,087	4	7,294

11.2- Various Domestic and Foreign Currency Deposits and Granting Loans

Tejarat Bank offers a broad range of bank deposits tailored to the needs of customers. Various domestic currency deposits (interest-free-loan savings accounts, interest-free-loan current accounts and short- and long-term investment deposits) and various foreign currency deposits (foreign currency interest-free-loan savings accounts, foreign currency interest-free-loan current accounts and foreign currency term investment deposits) are among them. In this regard, we can mention the schemes named Zomorod (Emerald), Aqiq (Agate), Morvarid (Pearl), and Yaghoot (Ruby).

Providing various loans to different economic sectors (agriculture and conversion industries, industry and mining, construction, contracting and services and commerce), different individuals and businesses under Islamic banking contracts are one of the services of Tejarat Bank. In this regard, we can mention the credit package specific for the capital market activists named Char-Soog (Bazar) Scheme and the credit package specific for the holders of POS devices and Internet Payment Gateways named Chortekeh (Abacus) Scheme.

11.3- Acceptance of the Commitments of LGs and LCs

Accepting the commitments including issuing LGs and opening LCs both in domestic and foreign exchange are among the main business lines of Tejarat Bank, having the biggest portion in the country's banking network and keeping to bathe pioneer in this area for several years.

Statistics on Tejarat Bank's Commitments (IRR Billion)

Description	2016-17	2015-16	2014-15
Balance of Commitments for Foreign Exchange LGs	48,735	47,955	43,252
Balance of Commitments for Rial LGs	138,675	132,878	126,044
Balance of Commitments for Foreign LCs	96,261	82,440	89,397
Balance of Commitments for Internal LCs	14,954	8,919	15,500

11.4- Easy Buy Service:

In order to increase the Bank's commission fee revenues portion and to meet the customers' retail banking needs through improving the compatriots' buying power; Tejarat Bank has launched the 'Easy Buy Service'. This service enables the Bank's customers to buy goods and services by installment up to IRR 200 million from the stores and institutions being members of the network.

11.5- Insurance and Investment Services:

- Providing the services of Tejarat Nou Insurance Company at Selected Branches
- Trading stock at branches that have brokerage counters

11.6- Customized Services for Customers

In order to keep customers satisfied and according to their transactions with the Bank; Tejarat Bank designs and offers some customized services including:

- System for settlement of capital market brokers funds
- System for administration of funds of Iran Engineering Organization
- System for double ID payments



12- International Arena Activities:

Regarding elimination of international sanctions and improvement of economic situation in the fiscal year 2016-17, the international arena activities were also increased dramatically. The most measures taken in this regard are as follows:

- Negotiating the necessary contracts with international banks on the finance services
- Concluding refinance contracts with international banks
- Examining of the grant of financial facilities to specific projects proposed by some European banks
- Follow up on the lawsuit filed against the European Union (The case of sanctions against Tejarat Bank)
- Performing the necessary correspondence to restore the previous correspondent relations and creating new banking relations in Europe and Asia, which resulted in active correspondent relations with 73 banks in Italy, Turkey, Germany, Spain, France, Switzerland, China, Austria, Russia, the United Kingdom, the United Arab Emirates, Belgium, Japan, Korea, Denmark, Armenia, Czech, Sweden, Afghanistan, Singapore, Slovakia, India, Belarus, Oman, Kazakhstan, Finland, Norway, Taiwan, Malaysia, Azerbaijan, Indonesia and Greece.

It is noteworthy that despite all of the problems and challenges originating from international sanctions, Tejarat Bank has had an acceptable performance in terms of foreign exchange commitments in the banking network. The next table summarizes the Bank's statistics on foreign exchange commitments during the fiscal year 2016-17:



Statistics on Tejarat Bank's Commitments in Fiscal Year 2016-17 (IRR Billion)

(Figure in USD Million)

Description/year	2016-17		2015-16	
	Number	Price	Number	Price
Issued Foreign Exchange LGs during the Fiscal Year	260	306	176	200
Balance of All Issued Foreign Exchange LGs Commitments	1,023	1,505	1,023	1,588
Opened LCs within a Year	2,562	1,803	1,014	672
Balance of LCs Commitments	1,097	2,969	706	2,726
Inward Bills of Exchange	964	768	481	322
Outward Bills of Exchange	910	567	908	374
Bills of Exchange Issued for Import of Goods	2,652	854	1,814	433



13- Human Resources Development and Training

In today's world, human capital as the most valuable resources of an organization, gives meaning to an organization and provides ground for realizing organizational targets. As an organization grows with the growth of its human capital, employee training has been considered as one of the main priorities of Tejarat Bank. On this basis, specific training programs are planned for employees each year. In total, in the fiscal year 2016-17, a total of 680,315 training hours for personnel were held, totaling 58,937 people per person / period. The Bank's educational performance for training and development of human capital in the fiscal year 2016-17 is as follows:

Table of Tejarat Bank's Human Resources Development & Training Performance in Fiscal Year 2016-17

Group	Personnel Number in Region	Training Target per Capita (Hours)	Trained Personnel (People/ Course)	Performance of Training Courses (Hours)			12-month performance until 20/03/2017 (Hours)
				Professional	General	Practical	
Tehran Regions Divisions	3,507	73	8,118	114,032	13,786	340	128,157
Provincial Regions Divisions	12,275	73	44,945	416,731	69,420	2,438	488,589
Back Office Units	2,561	73	5,874	42,145	2,453	18,971	63,569
Total	18,343	73	58,937	572,908	85,659	21,749	680,315

14- Optimization of the Branches Network

In order to realize the Bank's strategies and considering the importance of the branches network as the Bank's executive arm, the branches network activity level should be constantly improved. Accordingly, the organization's agility and identification of unnecessary and loss-making branches have always been on the agenda. In the fiscal year 2016-17, 56 branches, which were not economically justified based on financial and economic ratios and regional potential, were merged into other branches or converted into counters with reduced activity, and 5 branches were moved to areas with higher potentials to use environmental capacities. This procedure will be continued for the coming years to improve our organizational efficiency.

15- Major Plans and Measures in the Bank's Other Fields

Some other measures and plans that were on the agenda of different fields of the bank to reach the bank's objectives in the fiscal year 2016-17 are listed in the following table:

Field's Name	Major Programs and Measures Taken in the Fiscal Year 2016-17
Provinces	<ul style="list-style-type: none"> • Potential Analysis of Regions, Planning of Services Distribution Channels, and Preparation of Branches Planning Document • Optimizing the branches network by eliminating unnecessary branches and moving branches to be accessible in developing regions with high economic potential. • Measuring the overall and partial efficiency of service delivery agents
Credit	<ul style="list-style-type: none"> • Establishing the system for the duties communicated by the Government (loans for specific strata, loans for renovation of urban decay, etc.) • Developing the Customer Credit Rating Comprehensive System • Establishing the liabilities contra account for the issuance of approvals
Marketing	<ul style="list-style-type: none"> • Developing the e-wallet market • Launching the corporate banking • Designing the road map for implementing the new generation of 24/7 branches
Inspection	<ul style="list-style-type: none"> • Mechanized control and obtaining systemic reports of profits and commission fees not accounted in granting loans and providing banking services. • Developing the mechanized integrated system of the encryption of bank checks and interbank checks across the country • Establishing the mechanized system for controlling the affairs related to debtors who are banned from travelling abroad • Completing the mechanized system for inspection reports
Procurement & Engineering	<ul style="list-style-type: none"> • Renovation of branches (100 branches) • Sales of the surplus real estates and possessory properties
Legal	<ul style="list-style-type: none"> • Removing barriers to selling the surplus and possessory properties that have legal obstacles
Public Relations & Advertising	<ul style="list-style-type: none"> • Improving the quality level and developing communication channels for the Clients Contact Center • Measuring and analyzing customer satisfaction level
Organization and Methods	<ul style="list-style-type: none"> • Designing the complementary phases of virtual banking • Optimization the network; procurement, storage and distribution of consumables • Scanning and organizing the Bank's documents (front office and back office) • Implementing the Phase II of the Comprehensive Clearing System
Investment	<ul style="list-style-type: none"> • Assigning the stocks of the Bank's affiliated companies • Making productive the Bank's possessory properties • Establishing and launching a financial holding
Human Capitals	<ul style="list-style-type: none"> • Establishing the human resources monitoring system based on Standard 34000 • Completing the Health Care System (Phase of Hospitals) • Implementing the Bank's Personnel Performance Management System • Assessing needs, designing and implementing the Comprehensive Plan for Training and Empowering the Directors and Deputy Directors of Branches Divisions and Heads of Distinguished Branches Ranked A • Reviewing and Reforming the Jobs Classification System (front office and back office)
Information Technology	<ul style="list-style-type: none"> • Upgrading the switch card software to Shetab's 7th version • Comprehensive Monitoring System (for the monitoring of Telephone Bank, Mobile Bank and Internet Bank) • Completing the Comprehensive Card Management System • Designing and implementing the Computer Rescue Center • Optimizing the Mainframe Disk Management System • Implementing and putting into operation of the Electronic Daily Register System • Activating and receiving the fees of SMS messages through remote services • Comprehensive POS Holders Management System • Promoting the bandwidth of telecommunication lines at the level of branches, regions, back office buildings and interprovincial lines • Upgrading and improving the virtual infrastructure (SAN) on the main and support sites
Financial	<ul style="list-style-type: none"> • Developing Financial Information System (FIS) • Establishing and developing the Resources And Expenditures Monitoring Dashboard • Testing and Implementing the Asset and Liability Management (ALM) System • Complying with the International Financial Reporting Standards (IFRS) in the Bank's financial statements

CHAPTER THREE

Future Goals & Plans of Tejarat Bank



This chapter details the Bank's major objectives as well as the operational plans carried out by each unit of the Bank during the past year. With the increasing uncertainties, changes and dynamics of the competitive environment; the use of modern approaches seems necessary to forecast the future and formulate the strategies for the banking industry. In Tejarat Bank, using the Future Strategic Planning Approach, the pivotal goals and strategies have been revised to further adapt to current environmental conditions and probable future scenarios.

Generally, the Bank's strategic document deals with the following items:

- Analysis of key factors affecting the banking industry with Futuristic Future Approach in developing the Bank's Strategic Document
- Reviewing and updating the Bank's strategic objectives according to its mission, vision and values.
- The Strategic Approach of Tejarat Bank in the face of severe changes in environmental variables
- Identification of the strategic areas that are ahead of the Bank

In the past year, as usual, the Bank's operational plans were prepared for its different units; and the performance of each operational field (credit, financial, international, legal, human resources, investment, risk management, AML, etc.) are evaluated in details at three-month intervals. During such evaluations; the barriers and difficulties in implementing each one of the plans are determined and tried to be removed in collaboration with the related units, so that such plans may be implemented on time. This process is in fact a continuous workflow which then will lead to implementing the strategies and finally to realizing the macro-level objectives of the Bank.

1- The Bank's Pivotal Objectives

In order to realize its future perspective document, in which the Bank is visualized as the first choice

of costumers, Tejarat Bank has determined the following core objectives, and adopting strategies and operational programs, has focused all the efforts of directors and employees to fully realize such objectives in certain scheduled time horizons. These objective are as follows:

- Enhancing the Bank's portion in the country's liquidity
- Enhancing the Bank's portion in the total liabilities of the banking network
- Reducing the Bank's non-performing loans
- Upgrading the level of e-banking service
- Improving the level of customers satisfaction
- Improving staff's efficiency
- Enhancing the ratio of non-joint income to total income of the Bank
- Improving the efficiency and the operating profit margin
- Improving the profitability of the Bank's Investments
- Improving the level of internal controls and financial health
- Growth of profitability

2- The Bank's Pivotal Strategies

Using the new strategic futures approach and using the knowledge and experience of a group of experts, the main strategies of the Bank were developed in various areas. The pivotal strategies for achieving the above goals are as follows:

- Market development and diversification in the provision of modern financial and banking services
- Optimization of the allocation portfolios (facilities, investments, obligations, etc.)
- Optimization of the Bank's performance in the international transactions market with the aim of leading the market in this area
- Optimization of the Bank's structure and processes as well as the separation of its business lines
- Development of Bank's Infrastructure factors (including: IT, manpower, control and monitoring)

3- The Major Plans for Next Year

Branding in the Bank

A brand is a symbol of a comprehensive commitment of a bank and a descriptor of the face and identity of the bank to customers. The brand is used as a symbol for the bank, and, in addition to creating a distinction for its customers and stakeholders, it also transmits the values and attitudes of the bank and its services. In this regard, and in view of the widespread developments in the market and in order to enhance the brand of Tejarat Bank, the above program is set as one of the strategic projects of the Bank in the coming year. The implementation of this project, which will be carried out by a team consisting of Studies and Planning Dept., Marketing and Customers Relations Dept., Public Relations and Advertising Dept., and the Secretariat of Board of Directors, will definitely contribute to the promotion of the name and brand of Tejarat Bank.

Optimization of services distribution channels

In recent years, we have seen dramatic changes in the business model of the banking industry. Along with technological changes, the Bank's services are also on the move from face to face interactions with clients to remote interactions using new technologies. These changes will pave the way for banks to grow and bring them with new capabilities tailored to meet the customers' needs. Therefore, in order to provide optimal services through the distribution channels and aiming at identifying and eliminating existing deficiencies, integrating the services provided through the channels, and ultimately improving the performance of each channel, this project was defined as one of the strategic projects of the Bank, which results insignificant financial returns for the Bank.

Implementing the Core Banking System

Considering with the development and expansion of electronic services; the need for the qualitative development of such services is felt more than ever. Responding to this need by implementing the Core Banking was a major priority during the recent years. Accordingly, planning to choose a distinct product in this ground was put on the agenda. After negotiating with competent companies in this field, the Bank ultimately initiated its serious negotiations with one of the leading companies on implementing the Core Banking, and forming a team of internal specialists has quickened the process of buying and implementing the system.

In addition, considering the importance of the IT area and the necessity for quickening the related processes; a committee entitled "Information Technology High Committee" was organized in the Bank's structure to facilitate and quicken the process of provision and implementation of the Core Banking system.

Improving the Process of Designing, Producing and Selling Services

Considering the increasing importance of the promotion of the Bank's competitive ability and the need for agility in providing timely services to customers; the revision of the Bank's process for designing, producing and rendering services, with the aim of increasing efficiency, was defined as one of the strategic projects of the Bank for next year. In this project, all stages for developing a product are examined in a working group consisting of relevant units, to ultimately determine the improvement programs.

Design, set up and deploy business banking

In order to change the business model of the Bank, which aims to increase the level of commission fee revenues, the new customers' grouping and development of earnings resources were put into agenda, and after the experience of establishing the corporate banking management in the Bank, the second phase of re-engineering of the business model of the Bank in the coming year titled "Designing, Operating and Establishing the Business Banking" is underway. In the project, focusing on small and medium-sized enterprises (SMEs), it will attempt to design and deliver services tailored to this group of customers by deeply understanding their business, grouping them and eventually assessing their needs. Considering the role of such enterprises in creating value added as well as their significant number in the country's economy and taking into account the global experience in the banking for small and medium-sized enterprises; the need to develop this part of the Bank's comprehensive business model is felt more than ever.

Formation of Audit Committees for Subsidiaries and Relation with Audit Committee

In view of the instruction for the establishment of the internal control system and the formation of the Audit Committee in the Bank's subsidiaries, and also in accordance with Article 10 of this instruction; in order to monitor the performance of the Bank's subsidiaries, the companies admitted to the stock exchange and the holding companies are required to form an audit committee. The confirmation of the competence of the members of the Audit Committee and monitoring their performance in the Bank's companies admitted in the stock exchange and Holdings is among the duties of the Bank's Audit Committee. Also, holding continuous meetings with such companies' audit committees and receiving the reports on their performance are of the responsibility of the Internal Audit Dept.

Reviewing the Implementation of the Foreign Currency Hedging Using the Foreign Exchange Future Contract Method for Customers

One of the main necessities for the development of commerce and enhancing the security of the financial exchanges of the country's merchants is the creation of methods and the use of appropriate covert instruments for managing the risk of fluctuations of the currency exchange rates in the foreign exchange market. In this regard, the Central Bank of the Islamic Republic of Iran by communicating the "Executive Directive of Foreign-Domestic Currency Futures", allowed its subordinate banks to use the forward contracts to cover the risk of foreign currency fluctuations of their customers. Since this is a new financial instrument with its specific requirements in the country's banking system, this program is in the agenda for implementation of foreign currency forward contracts in Tejarat Bank.

Integration of the Existing claims Collection Systems

The recession conditions in the country's economic activities in recent years caused a large part of the loans granted to be transferred to under the claims heading. Therefore, in order to expedite the collection of claims, part of this activity is outsourced by ordering to specialized companies outside the Bank. This program was put into the agenda in order to optimize and expedite the process of assigning the claims to the collecting companies and because of the need to create control and monitoring of the information of the claims files as an integrated system between the Bank and collecting companies. Some of the advantages of implementing this project are as follows:

- Gathering the non-current contracts that are not collected systematically not involving the user
- Sending information to the collecting companies based on predefined categorizations
- Possibility for work procedures reporting (being collected, settled, and returned)
- Possibility for commission calculation reporting

Launching the Comprehensive Integrated System for Protecting and Preserving the Digital Assets of Tejarat Bank

The project is designed for the integrated management of the data and information stored and for easy access to the backup in the Bank. In this regard, in order to maintain and protect the vital part of the Bank's information, an anti-ransomware and magnetic bomb-resistant layer was created this year. Another goal of the program is the preparation and maintenance of a backup for all existing servers, as well as to produce a central backup, which will be on the agenda for the upcoming year.

Concluding a Service Level Agreements (SLA) and Collaboration Contracts with Capital Bonding Companies, Brokerage Institutions, Currency Traders, Leasing Institutions and Providing Performance Reports

Due to the change in banking business in recent years, Tejarat Bank has implemented corporate banking. In this regard, in order to provide a diverse range of services based on customer needs, there should be comprehensive interactions between corporate banking customers and subsidiaries and, if necessary, non-equity companies. Setting up a framework for these interactions, mainly based on multilateral contracts between the bank, the customer and the providers of services, under the title of the service level agreement (SLA), as well as a trilateral contract to provide valuable customer service chains, is on the Bank's agenda. The main objective of the program, in addition to improving customer satisfaction by providing customer-oriented services, is to identify the framework for the Bank's relationship with the customers and companies.

Design and Implementation of the Bank's Stock Portfolio Risk Software

The main objective of this program is to measure market risk by focusing on the stock portfolio of Tejarat Bank, which according to Basel II and III Guidelines on how to estimate market risk and the position of measuring the value of the stock portfolios at risk in the market risk and its role in calculation of the capital adequacy is on the agenda. One of the major outcomes of the program is to obtain a system report of the stock market portfolio risk status and to calculate the covering capital for this portfolio. In addition, the results can be used in the completion of the IFRS reports.

Debt Issuance Program

The increasing growth of the capital market and the requirements of changes in the banking models in various banking fields, including financing, have in recent years caused the formation of some common groundwork between the money market and capital markets. In order to use the financing opportunities through new instruments and also the synergy between the Bank and the capital market; Tejarat Bank put in the agenda for the fiscal year 2017-18 there lease of bonds in two forms of issuing mortgage bonds by turning its mortgage loans into bonds and issuing Lease *Sukuk* (an Islamic financial instrument) to finance the Bank. Some of the positive results of such programs will be the financing of the Bank to grant loans to customers, balancing resources and consumptions of the Bank, and improving the regulatory ratios.

CHAPTER FOUR

Generalities of Tejarat Bank's Financial Performance

1- The Bank's Position in the Banking Industry

The following table shows the Bank's position in terms of various important indicators of performance among the 10 major banks of the country in the fiscal year 2016-17. This year, as in previous years, Tejarat Bank managed to maintain its prime position in the field of LG commitments being remarkably superior to other competitors.

Time	Description	Number of Employees	Branches	Private Domestic Currency Resource	Net Facilities & Claims	LC Commitments	LG Commitments
March 2017	Total ten Banks*	161,772	14,845	7,163,489	4,737,372	716,228	616,351
	Tejarat Bank	18,343	1,659	929,604	484,096	111,220	187,411
	Portion in Total	11.3%	11.2%	12.9%	10.2%	15.5%	30.4%
	Ranking	4	5	4	6	3	1

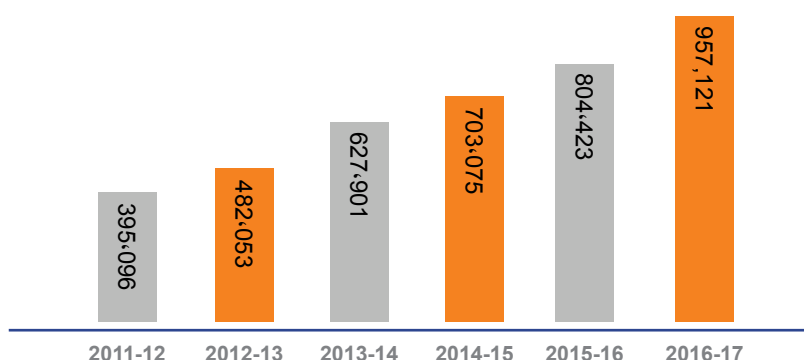
* Ten banks included in the comparison are Bank Melli Iran, Bank Saderat Iran, Bank Mellat, Bank Sepah, Maskan Bank, Agriculture Bank of Iran, Refah K. Bank, Bank of Industry and Mine, Export Development Bank of Iran, and Tejarat Bank; among which the data of general ledger are exchanged.

2- Analysis of the Main Variables

2.1- Deposits

The following diagram shows the Bank's total balance of foreign and domestic currency deposits during the fiscal years 2011-12 to 2016-17. As it is observed, the balance of deposits at the end of the fiscal year 2016-17 amounted to IRR 957,121 billion experiencing a 19% growth compared to the end of fiscal year 2015-16.

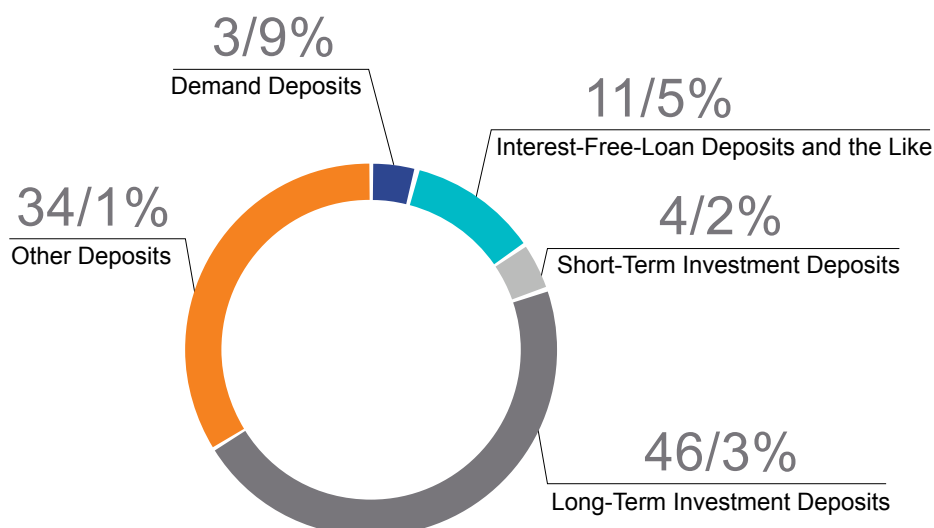
Diagram of Total Deposits up to March 20th 2017



2.2- Composition of Deposits

The composition of the Bank's deposits (foreign and domestic currency) at the end of the fiscal year 2016-17 is shown in the diagram below. According to the composition of the Bank's deposits; the portion of the items with no cost including current deposits, savings deposits and others is equal to 19.6%; and the portion of the items with cost including short-term and long-term investment deposits is equal to 80.4%. The long-term deposits' higher portion, because of the more durability of such sort of deposits, will provide more possibility to use the Bank's resources for longer periods for granting loans.

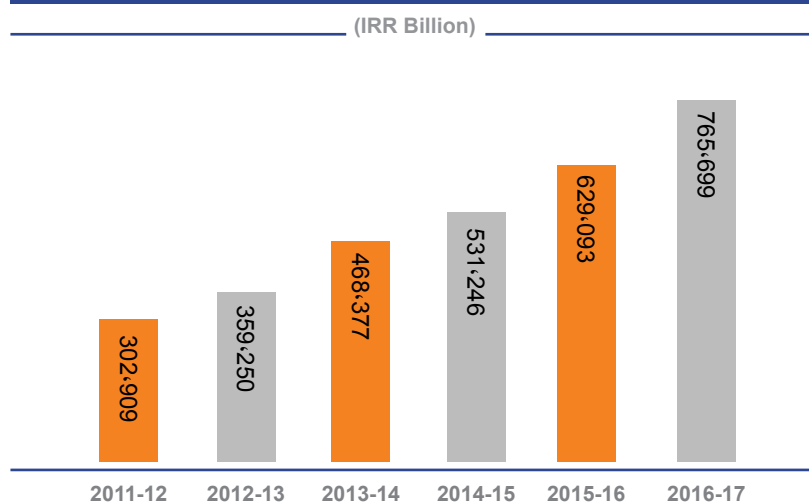
Composition of Deposits at the End of Fiscal Year 2016-2017



2.3- Facilities

The following diagram shows the growing trend of the total foreign and domestic currency facilities during the fiscal years 2011-12 to 2016-17. As it is observed, the balance of facilities at the end of the fiscal year 2016-17 experiencing a 21.7% growth compared to the previous fiscal year amounted to IRR 765,699 billion.

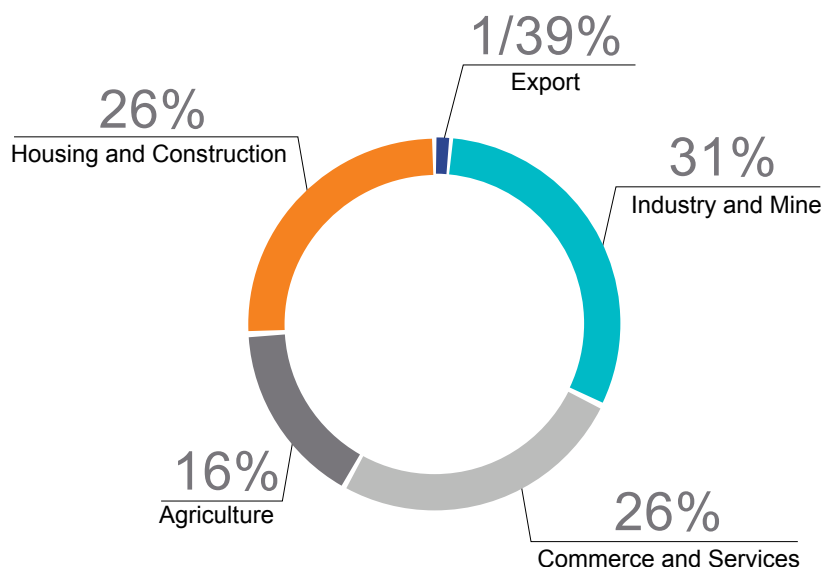
Diagram of Total Foreign and Domestic Currency Facilities



2.4- Composition of Domestic Currency Facilities Divided by Sector

The following diagram shows the composition of the facilities granted by the Bank in different economic sectors during the fiscal year 2016-17. As it is observed; the major part of the facilities (about 72.2%) of the Bank was allotted to generating sectors (industry and mine, housing and construction, and agriculture), indicating the Bank's support of the production sector and job creating.

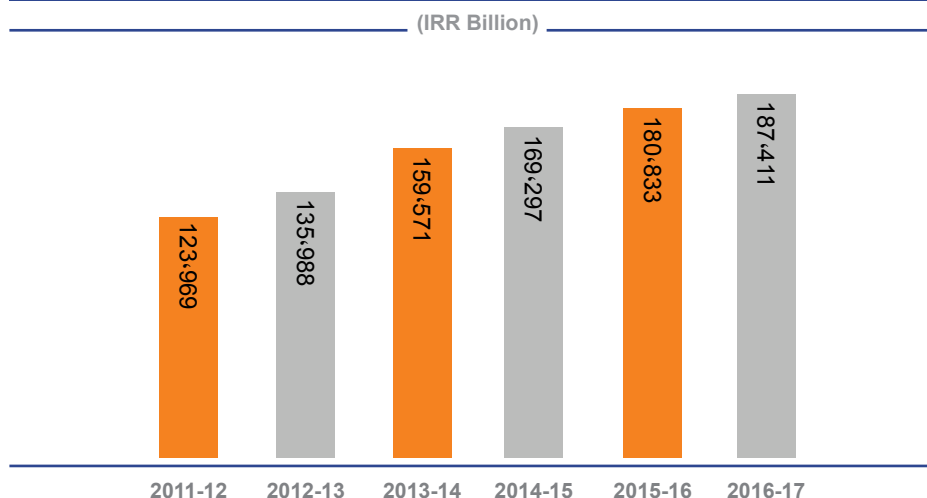
Composition of Facilities in Different Economic Sectors in Fiscal Year 2016-17



2.5- Commitments on LGs (Letters of Guarantee)

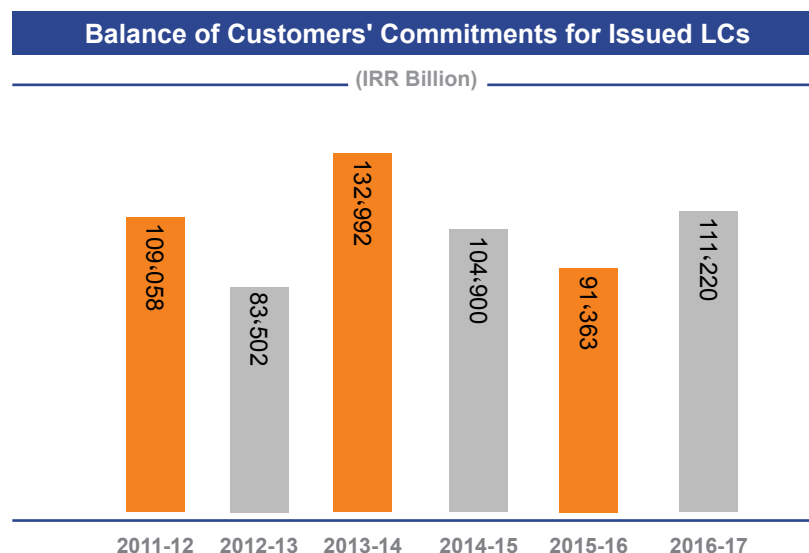
The following diagram shows the data on the balance of commitments on the issued LGs (foreign and domestic currency) during a five-year period. As it is observed, the balance of the commitments at the end of the fiscal year 2016-17 growing by 3.6% compared to the end of the fiscal year 2015-16 amounted to IRR 187,411 billion. It is noteworthy that in terms of the LG commitments, Tejarat Bank holds the prime position among all the governmental and private banks; so that from the total LG commitments of the country's 10 major banks, Tejarat Bank has a 30.4% portion.

Balance of Commitments on Issued Foreign and Domestic Currency LGs



2.6- Commitments on LCs (Letters of Credit)

The following diagram shows the data on the balance of commitments on the issued LCs during the fiscal years 2011-12 to 2016-17. As it is observed; the balance of the LCs, due to the hard condition of sanctions, underwent a reduction compared to the previous year; however, Tejarat Bank holds the prime position among the 5 major commercial banks.

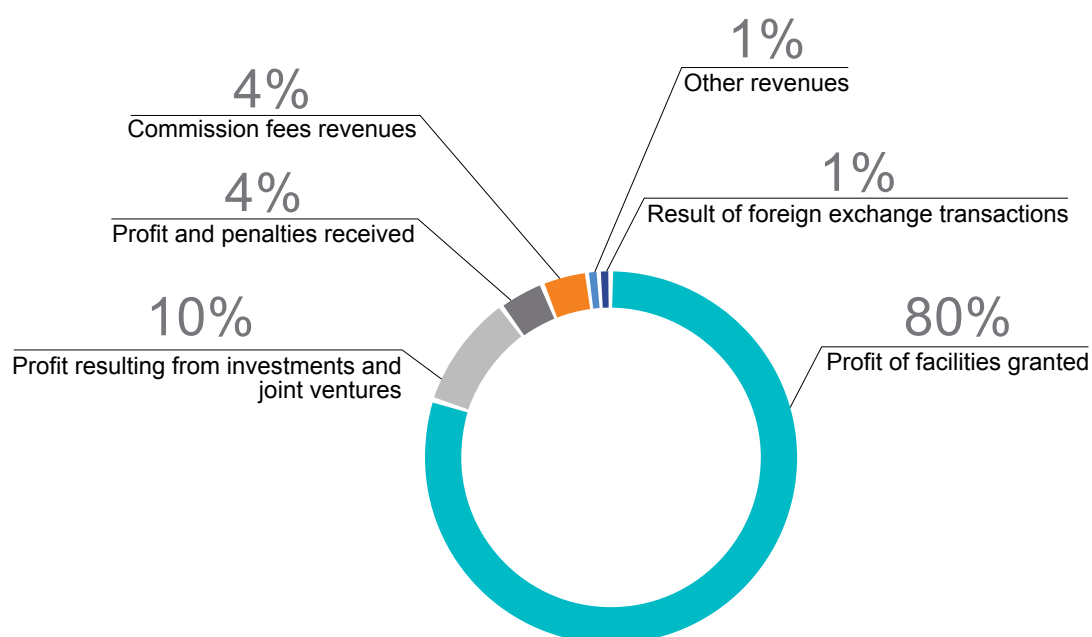


2.7- Income

The following table shows the Bank's total income in the fiscal years 2015-16 and 2016-17 analyzed into components. The Bank's total income, experiencing a 19.2% growth, increased from IRR 153,777 billion to IRR 183,251 billion in the fiscal year 2016-17. The portions of each component of the Bank's income in the fiscal year 2016-17 is provided in the diagram below.

Description / Fiscal Year	2016-17 Balance	2015-16 Balance	Ratio of Change (%)
Profit of facilities granted	108,745	146,933	35.1
Profit resulting from investments and joint ventures	22,769	17,814	(21.8)
Total joint revenues	131,513	164,746	25.3
Profit and penalties received	7,623	7,208	(5.4)
Commission fees revenues	6,769	6,045	(4.7)
Result of foreign exchange transactions	2,085	2,312	10.9
Other revenues	5,787	2,535	(56.2)
Total non-joint revenues	22,264	18,504	(16.9)
Total Income	153,777	183,251	19.2

Analysis of Income in the Fiscal Year 2016-17

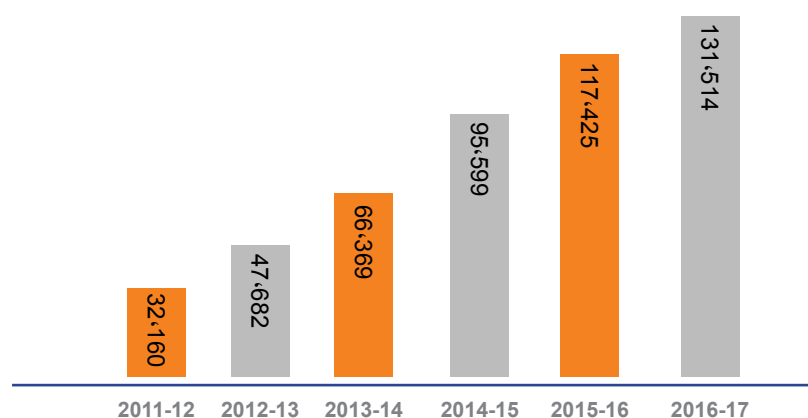


2.8- Profit Paid to Depositors

The following diagram shows the upward trend of the profit paid to depositors. The payable profit in the fiscal year 2016-17 grew by 12% compared to the previous year and amounted to IRR 131,514 billion.

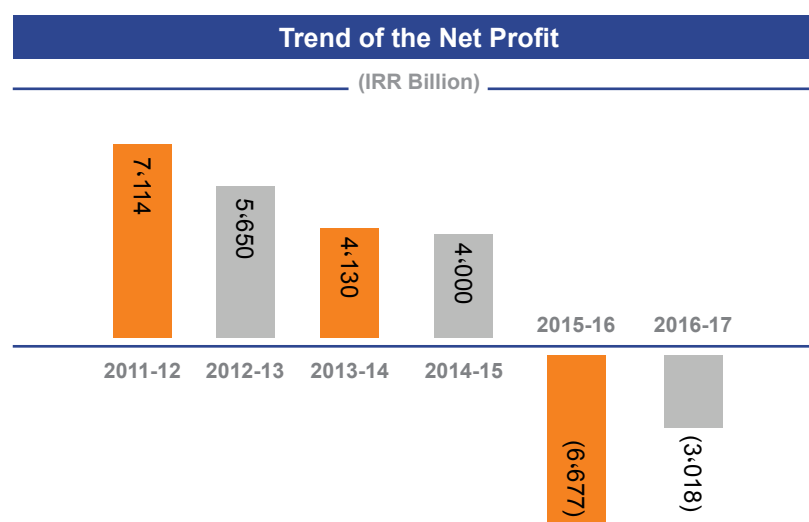
Trend of the Profit Paid to Depositors

(IRR Billion)



2.9- Net Profit (Loss)

The following diagram shows the trend of the net profit (loss) during the fiscal years 2011-12 to 2016-17. The downward trend of the net profit during this period was because of the sanctions and the country's economic recession. However, the Bank has compensated the decrease of profit in the fiscal year 2015-16 by managing the consumptions and has started its upward trend for the coming years.



3- The Major Indicators and Financial Ratios

3.1- Profitability Indicators

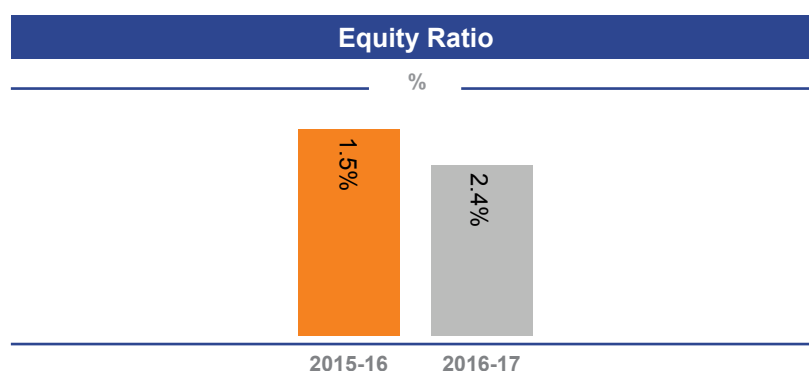
The following table shows the major return indicators, i.e. return on equity (ROE) and return of assets (ROA), during the fiscal years 2015-16 and 2016-17.

Description / Fiscal Year	2015-16	2016-17
Return on Equity (ROE)	-11.7	-5.8
Return on Assets (ROA)	-0.7	-0.3

3.2- Equity Ratio

The following diagram shows the equity ratio of the Bank in the fiscal years 2015-16 and 2016-17. This ratio, which is obtained from dividing the equity to total assets, indicates the shareholders' portion from the Bank's total assets.

Amounts in IRR Billion		
Description / Fiscal Year	2015-16	2016-17
Equity	53,130	50,205
Assets	1,040,237	1,208,290
Equity Ratio (%)	5.1	4.2



3.3- Agents' Efficiency Indicators

The efficiency indicators of branches and personnel during the fiscal years 2015-16 and 2016-17 are shown in the following table. These indicators witnessed a proper growth in 2016-17 compared to 2015-16, such that the deposits, loans and income per capita of personnel from IRR 43, 24, and 8 billion in the fiscal year 2015-16 reached IRR 52, 26 and 10 billion in the fiscal year 2016-17, respectively. Also the branches' efficiency indicators enjoyed a relatively suitable growth in the fiscal year 2016-17 proportionate to the personnel per capita.

Amounts in IRR Million

Description / Fiscal Year		2015-16	2016-17	Percentage of Growth
Personnel	Deposits per capita	42,889	52,024	21.3
	Loans per capita	24,163	26,391	9.2
	Income per capita	8,199	9,990	21.8
Branches	Deposits per capita	469,052	575,208	22.6
	Loans per capita	264,253	291,800	10.4
	Income per capita	89,561	110,326	23.2

3.4- Operation Control Indicators

3.4.1- Ratio of Claims Having Strong Collaterals to Total Claims

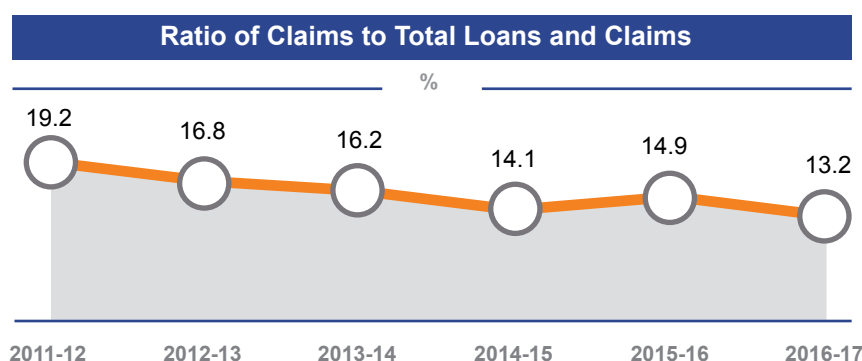
The following table shows the ratio of claims having strong collaterals (collaterals including savings and investment deposits and real estates) to total claims on March 20, 2017. Although all the loans and claims of the Bank are covered with secure and reliable 120% collaterals, but the mentioned ratio refers to those claims that have stronger collaterals with very high levels of collectability.

Description / Fiscal Year	2016-17
Savings and Investment Deposits	8,761
Real Estates	24,234
Total Claims Having Strong Collaterals	32,994
Claims Balance	108,783
Ratio of Claims Having Strong Collaterals to Total Claims (%)	30.3

3.4.2- Ratio of Claims to Total Loans and Claims

The following diagram shows the trend of the ratio of claims to total loans and claims during the six year period ending to March 20, 2017. Although due to the sanctions conditions and inflationary recession, the fiscal year 2016-17 was a very difficult year in the country's economy, and under such conditions, the customers of banks encountered difficulties in repayment of their loans.

Description / Fiscal Year	2015-16	2016-17
Net Claims	67,487	63,787
Total Net Loans and Claims	453,194	484,096
Ratio of Claims to Total Loans and Claims (%)	14.9	13.2



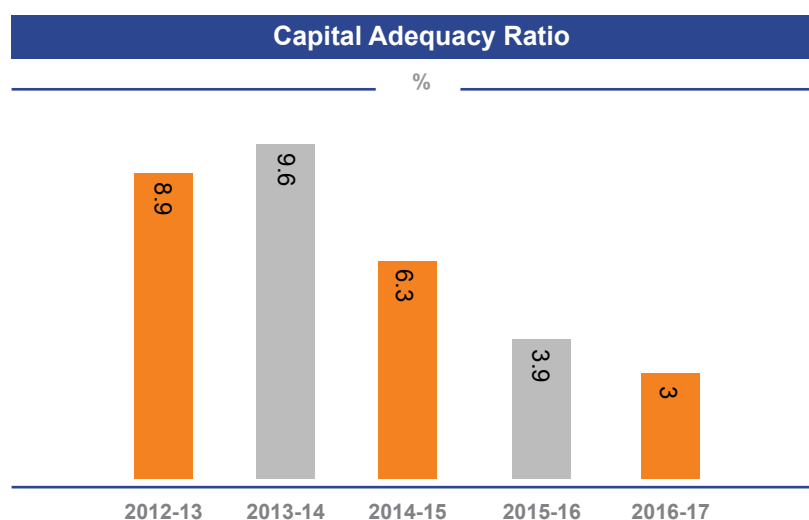
3.4.3- Reserves Adequacy Ratio

The following table shows the claims reserves adequacy ratio on March 20, 2017. This ratio actually shows that the claims special reserves equaling 58.7% of the claims lack real estate or deposit collaterals. In other words, for some IRR 76trillion of the Bank's claims whose collaterals are promissory notes, about IRR 45trillion as the special reserve has been included in the accounts.

Description / Fiscal Year	2016-17
Special Reserve for Doubtful Claims	44,500
Balance of Net Claims after Reduction of Real Estate and Deposit Collaterals	75,788
Reserves Adequacy Ratio (%)	58,.7

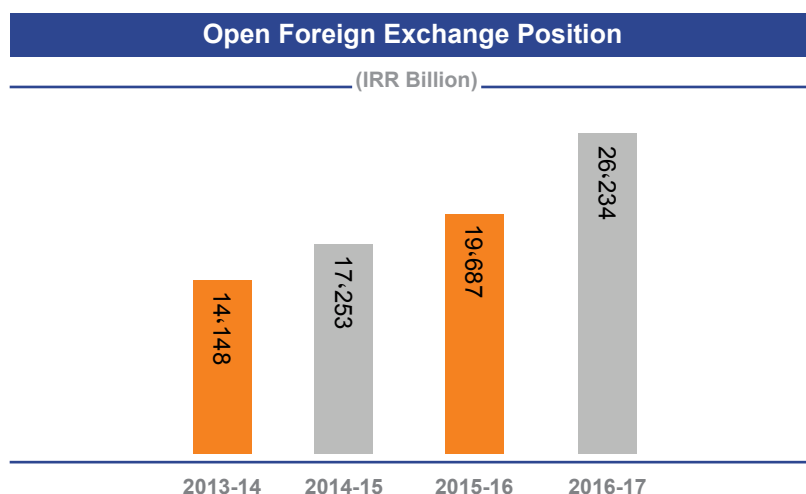
3.4.4- Capital Adequacy Ratio

The capital adequacy ratio is one of the indicators used by the banks to indicate the extent to which they have covered the risks. In this connection, the capital adequacy ratio during the five fiscal years ended March 20, 2017 is shown in the following diagram. In order to continue the ascending trend of this indicator; a major strategy of the Bank has been decided to reach the capital adequacy ratio of 12%, and the necessary plans for its realization using various methods including capital increase is in the Bank's agenda.



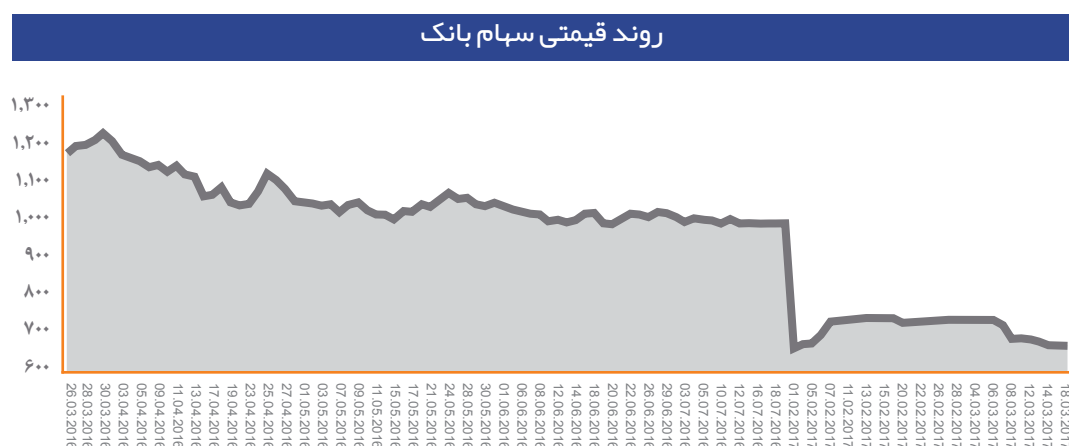
3.4.5- Open Foreign Exchange Position

The following diagram shows the Bank's open foreign exchange position during the recent three fiscal years. Using the available potentials and in order to control the market risk; Tejarat Bank has tried to take necessary controls and actions to adjust its open foreign exchange position to the limits prescribed in the directives communicated by the Central Bank of Iran and to control the market risk in the area of foreign exchange by prediction of the trends of various foreign currencies prices.



4- The Trend of Stock Price

The following diagram shows the trend of the Bank's stock price during the fiscal year 2016-17.



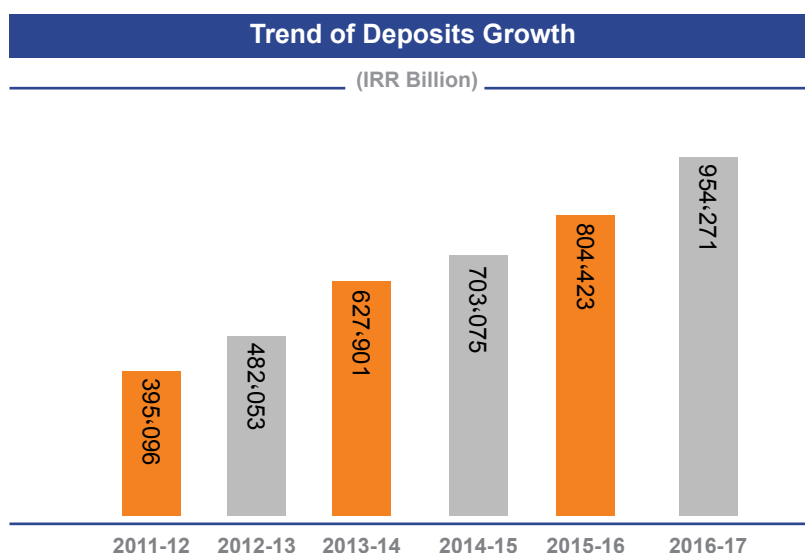
5- Abstract of the Bank's Performance

Title	2016-17	Restated	
		2015-16	2014-15
A. Information on Financial Performance during the Period (amounts in IRR billion)			
Operational income	180,772	147,990	115,889
Non-operational income	2,479	5,787	9,980
Net profit (loss) – after tax deduction	(3,018)	(6,697)	5,774
Annual adjustments	(11,855)	(816)	(7,650)
Cash from operating activities	4,424	22,519	(4,695)
B. Information on Fiscal Status during the End of Period (amounts in IRR billion)			
Total assets	1,208,290	1,040,237	920,826
Total debts	1,158,084	987,107	860,237
Registered Capital	45,700	45,700	45,700
Total equity of shareholders	50,205	53,130	60,589
C. Return Rate (%)			
Return on assets	(0.3)%	(0.7)%	0.6%
Return on equities	(5.8)%	(11.7)%	9.2%
D. Information on Each Share			
Number of shares at the time of the assembly (million shares)	45,700	45,700	45,700
The first forecast for earnings per share (IRR)	167	194	162
The last forecast for earnings per share (IRR)	(93)	158	111
Actual earnings per share (IRR)	(66)	(146)	88
Cash earnings per share (IRR)	0	0	10
Last price per share on the confirmation report date (IRR)	637	1,002	1,143
Book value per share (IRR)	1,099	1,163	1,326
The ratio of price to the real income per share (times)	(10)	(7)	13
E. Other Information			
Number of personnel (end of fiscal year)	18,343	18,756	19,065
Total number of branches	1,661	1,717	1,811
Number of main branches	40	40	39

6- Abstract of the Bank's Performance

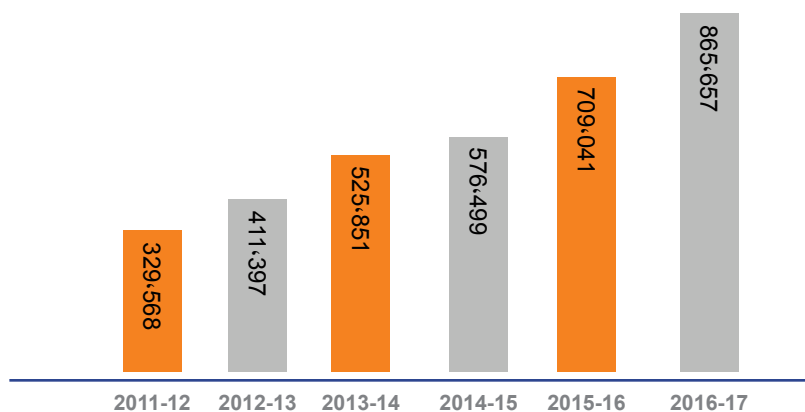
Indicator	Description	2016-17	2015-16 (Restated)
Activity Ratio	Ratio of loans to deposits (%)	49.1	55.3
	Ratio of income generating assets to total assets	3.1	3.8
Efficiency ratios	Return on equity (ROE) (%)	(5.8)	(11.7)
	Return of Assets (ROA) (%)	(0.3)	(0.7)
Liquidity Ratio	Liquidity ratio (%)	4.1	4.7
Indicators of Agents' Efficiency	Deposit per capita based on branches (IRR Billion)	575	469
	Deposit per capita based on personnel (IRR Billion)	52	43
	Income per capita based on personnel (IRR Billion)	10.0	8.2
	Net profit per capita based on personnel (IRR Million)	(165)	(357)
Risk Criteria	Capital adequacy ratio (%)	3.0	3.9
	Open foreign exchange position (USD Million)	809	651
	Ratio of total claims of contracts loans to total of loans and claims of contracts loans (%)	12.2	13.5
	Ratio of LG and LC claims to total LG and LC commitments (%)	4.0	4.3
	Adequacy of reserves ratio (ratio of special reserves of claims to total claims) (%)	58.7	44.2
Equity	Ratio of equity to total assets (%)	4.2	5.1
Leverage Ratios	Liability ratio (ratio of total liabilities to total assets) (%)	95.8	94.9
	Leverage ratio (ratio of total assets to equity) (times)	24.1	19.6

7- Trend of Major Variables



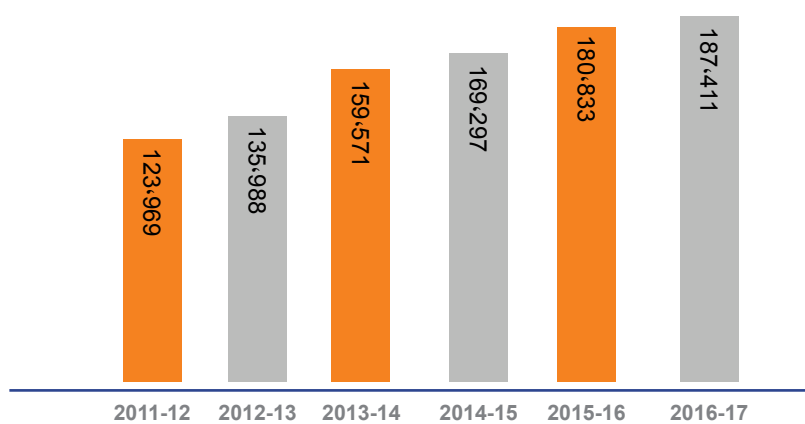
Trend of Consumptions Growth

(IRR Billion)



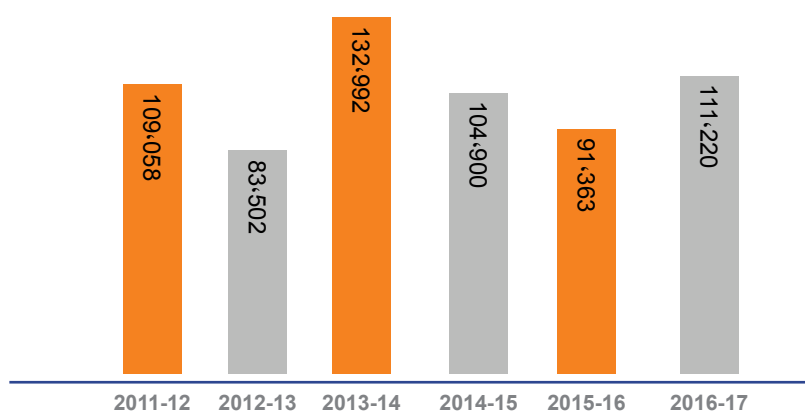
Trend of LG Commitments Balance Growth

(IRR Billion)



Trend of LC Commitments Balance Growth

(IRR Billion)



CHAPTER FIVE

Financial Statements

**Islamic Republic of Iran
In the Name of God, the Almighty
Ministry of Economic Affairs and Finance
Audit Organization**

**Report of Independent Auditor and Legal Inspector
to Ordinary General Meeting of Shareholders of
Tejarat Bank (Public Joint Stock Company)**

Report on the Financial Statements

Introduction:

1- Consolidated Financial Statements of the Group and Tejarat Bank (Public Joint Stock Company), including the balance sheets dated March 20, 2017 and the statements of turnover of investment deposits, profit and loss, comprehensive profit and loss, changes in the equity, and cash flows for the fiscal year ending the same date, as well as the explanatory notes Nos. 1 to 68, were audited by the Audit Organization.

Responsibility of Board of Directors against financial statements

2- The compilation of the financial statements complying with the sample financial statements attached to the Circular No. 95/420418 dated March 16, 2017 of the Central Bank of Iran is a responsibility of the Bank's Board of Directors. This responsibility includes planning, applying and keeping the internal controls related to preparing the financial statements to ensure that such statements are free from any material deviances resulting from frauds or errors.

Responsibility of auditor and legal inspector

3- Our responsibility is to give comments on the financial statements based on accounting performed in compliance with the audit standards. The standards require us to comply with the professional manner requirements and to plan and execute the process of audit to reasonably ensure that there are no significant deviances in the financial statements.

The audit includes some procedures to find evidences on the amounts and other data disclosed in the financial statements. The procedures selected for the audit depends on the auditor's assessment on risks of significant deviances resulting from frauds or errors in the financial statements. To assess such risks; the internal controls related to compiling and submitting the financial statements are perused for the purpose of designing some proper audit methods for the existing conditions rather than for the purpose of giving comments on the effectiveness of the Bank's internal controls. The audit also includes assessment on the suitability of the applied accounting procedures and the reasonability of the accounting estimates made by the Board of Directors as well as the assessment on the entirety of the financial statements submission.

We (as the Audit Organization) are convinced that the evidences obtained for the purpose of accounting are sufficient and suitable to provide conditional comments on the financial statement. Also as the legal inspector; we are responsible to report the cases of breach of the legal requirements prescribed in the Monetary and Banking Law, Non-Usury Banking Law, Commerce Code's Amendment, and the Bank's statute as well as other necessary cases to the Ordinary General Meeting of Shareholders.

The Fundamentals of Conditional Comments

4- According to the provisions of Article 34 of the statute of the Retirement and Disability Fund of Banks Employees, the shortfall of resources of the Fund must be financed by the member banks. On the strength of the actuarial calculations, the contribution of the bank under report in the shortfall of the Fund's resources has been claimed to be IRR 28,043 billion until the end of fiscal year 2016-17 (which was IRR 36,218 billion until the end of fiscal year 2015-16). It is noteworthy that, while objecting the criteria considered in the actuarial calculations at the time of privatization (fiscal year 2008-09) and thereafter, the Bank has set the reserve for this purpose at IRR 8,001 billion in the accounts. Accordingly, the provision of a sufficient reserve in the accounts would be necessary, however, the adjustment extent in the accounts is subject to the outcome of the Bank's objection.

5- The major items under the heading of Claims from Government (explanatory note No. 11 to the financial statements) are as follows:

5-1- The above-mentioned heading including the amount of IRR 45,310 billion for the profit and penalties exceeds the rates specified in the clients' contract. According to the fundamentals for determining the amount of the banks' claims from the Government in the related audit reports; as the rates specified in the clients' contracts shall be basis for the calculations, thus the extra

calculated amount must be adjusted in the accounts, and if such an adjustment is made, the account of claims from Government and the account of accumulated loss will decrease and increase, respectively, by the amount of IRR 45,310 billion.

5-2- The claims from Government including the principal and profit accrued totally amounting to IRR 25.512 billion is related to the participation bonds of the Ministry of Petroleum, for which no proofs of its guarantee by the Government have been provided to the Audit Organization. Therefore, the accuracy of classifying such amount under the heading of the Bank's claims from Government is not proven for the Audit Organization.

6- Other receivable accounts including the claims originating from assigning investments (explanatory note 16-3 to the financial statements) amounting to IRR 16,364 billion are for the sale of shares of the Iranian National Investment Company and Iran Carpet Company, for which IRR 12,215 billion was identified as the dividend, of which IRR 4,195 billion is the future years' portion. In addition, in the previous fiscal year, the amount of IRR 26,218 billion for the sale of shares of Tejarat Fars Power Generation Company and Faryab Mines Company and a property named Milad Noor Shopping Center in Bandar Abbas has been recorded in the accounts. For the grace period and arrangement for selling by installments of the mentioned companies' shares, a profit amounting to IRR 14,643 billion has been identified, despite the fact that in accordance with accounting standards, the profit should be recognized during the installments period. In the fiscal year under report, only IRR 4,643 billion of the above amount was returned and the account of accumulated profit at the beginning of the fiscal year was adjusted. Also, in the fiscal year 2014-15, 2 plots of land along with their permitted floor area ratio (FAR) belonging to Tejarat Bank were exchanged for three plots of land with their permitted FAR owned by City Bank, and from which an amount of IRR 7,112 billion was identified as profit, not complying with the accounting standards. In the past fiscal year, the land plots were assigned to the subsidiaries of these two banks at the same primary price. Accordingly, if the accounts are adjusted, the accumulated loss of the reported fiscal year will increase by amount of IRR 21,307 billion.

7- The Bank has not provided the Group's financial statements for the fiscal year under report, which is, considering the importance of the subsidiary trade units' financial statements, contrary to accounting standards.

8- The cases of non-disclosure of information in the financial statements as compared to those required in the sample financial statements attached to the Circular No. 95/420418 dated March 16, 2017 of the Central Bank of Islamic Republic of Iran are as follows:

8-1- claims from the Government (explanatory note 11 to the financial statements), separated to principal, profit and penalties,

8-2- classification of claims from subsidiaries and affiliates in accordance with the Directive approved by the Money and Credit Council,

8-3- information on the temporary debts as items related and non-related to facilities (explanatory note 16-4 to the financial statements),

8-4- disclosure of natural and corporate clients in the note of Clients' Deposits, the subject of explanatory note 22 to the financial statements amounts of facilities received from the National Development Fund (explanatory note 26-1 to the financial statements),

8-5- information on investment deposits received from banks and credit institutions (explanatory note 28-5 to the financial statements),

8-6- comparative information on the share of the Bank's resources from the joint income for fiscal year 2015-16 (explanatory note 40-1 to the financial statements),

8-7- calculation of the stated attorney fee as in details of short-term deposits, special short-term deposits, one-year, two-year, three-year, four-year and five-year general deposit certificates, and investment deposits received from banks and credit institutions (explanatory note 41-1 to the financial statements),

8-8- information on the specific doubtful claims separated in terms of doubtful up to 5 years and more than 5 years (explanatory note 51-1 to the financial statements),

8-9- information on the intangible assets depreciation costs (explanatory note 53 of financial statements),

8-10- information on the properties exchanged during the fiscal year 2016-17 including the nature of property, the nature of relationship of the counterparty, the nature of the acquired assets, and their book values and appraisal prices,

8-11- information on the liabilities for LCs broken down by type of the collaterals' nature and the liabilities undertaken without a collateral, the subject of explanatory note 57-5-2 to the financial statements,

8-12- information on transactions with affiliated entities including amounts of transactions, and the gross profit and loss of the transactions (explanatory note 64-3 to the financial statements), and

8-13- information on the major facilities and liabilities, including the nature of relationship as a client, date of granting, nature of collateral, the Board's approval number and date (explanatory note 68 to the financial statements).

9- Due to the lack of information on the Bank's risks as explained in the explanatory note 62 to the financial statements, ensuring its proper presentation based on the criteria applied in the mentioned note is not possible.

Contingent Comment

10- Excluding the effects of the items included in paragraphs 5, 4-1 and 6 to 8 as well as the probable effects of items included in paragraphs 5-2 and 9; we believe that according to the accounting standards, the aforesaid financial statements in terms of all its important aspects have been prepared in compliance with the sample financial statements attached to the Circular No. 95/420418 dated March 16, 2017 of the Central Bank of I. R. Iran.

Emphasis on a Particular Issue

11- As detailed in explanatory note 26-5 to the financial statements, according to the provisions of the Regulation on Dues for Membership in Deposits Guarantee Fund, the annual membership fee has been prescribed to be 0.25% of the average weekly balance of all deposit accounts in the previous fiscal year up to the Fund's insurance ceiling. Up to the present report's date, the Fund has not stated the Bank's contribution in the annual membership fee, however, the Bank has included an amount of IRR 920 billion for its reserve in the accounts. Our comments are not contingent on the effects of the contents of the present paragraph.

12- As described in the note 10-2-1 to the financial statements; referring to directives No. 60/1038 dated Feb. 21, 2013 and No. 60/1015 dated Dec. 07, 2103 of the Central Bank of Iran on the fulfillment of the previous foreign currency liabilities and having recorded foreign currency liabilities at the reference rate in the Bank's system; the Bank under report has claimed for dues from the Central Bank of Iran amounting to IRR 11,139 billion (IRR 6,167 billion for the preceding year), for which the result of the investigations made by the Central Bank of Iran has not been communicated as yet and the case is subject to special auditing. Also as detailed in the Explanatory Note 16-4-3 to the financial statements; the Central Bank of Iran, on the strength of the approval of the Five-Member Committee for Regulating Foreign Currency Issues, withdrew an amount of IRR 2,250 billion from the Bank's account as the difference of the foreign currency rates, at the end of the fiscal year 2011-12. The Bank has protested against the withdrawal and has taken some measures to pursue the case, but the issue has not resolved as yet, and its final result is subject to reaching a final settlement with the authorities of the Central Bank of Iran. Our comments are not contingent on the effects of the contents of the present paragraph.

13- As detailed in the explanatory note 25-1 of the financial statements; according to the issued Tax Assessment Letter, the amount of IRR 3,290 billion has been claimed for the performance tax of the fiscal year 2015-16, which was objected by the Bank and for which no reserve is recorded in the accounts. Also the tax payable on the performance of the fiscal year 2016-17, considering that for which the Bank has declared a loss, has not been calculated and included in the accounts. The determination of the amount of tax is subject to deciding by tax authorities. Our comments are not subject to the contents of this clause.

14- As detailed in the explanatory note 16-4-2 to the financial statements; the amount of misused money discovered in the Bank is IRR 767 billion, for which a reserve amounting to IRR 370 billion

is included in the accounts. Also, the financial misuse discovered during the fiscal year under report amounted to IRR 442 billion (compared to IRR 41 billion in the previous fiscal year) from which IRR 409 billion has already been collected (compared to IRR 38 billion in the previous fiscal year). Our comments are not subject to the contents of this clause.

Other explanatory notes

15- The independent auditor and legal inspector's report on the financial statements prepared in accordance with accounting standards was issued on July 10, 2017, and this report is also submitted to the General Meeting of Shareholders in accordance with the rules of the Central Bank of Iran.

Report on other legal and regulatory requirements

Report on other duties of legal inspector

16- The cases of failure to comply with the circulars and approvals of the Central Bank during the fiscal year under report have been reported in a separate letter to the Central Bank of Iran (The Office for Supervision of Financial Status of Banks).

17- Due to the lack of proper collection of installments of the granted facilities, the non-performing loans exceed 20% of the total facilities and the overdue, delayed and doubtful claims had a growth of 13%. In addition, the Bank's facilities with effective profit rate is 12 to 24%, but the cost of money in the current fiscal year and previous fiscal year end was 21.4 and 23.58%, respectively. The over withdrawal and facilities from the Central Bank of Iran grew by IRR 27,370 billion equal to 62% as compared to the previous fiscal year end. Meanwhile, according to the explanatory note 62-7-3 of the financial statements and considering the capital base decrease by the amount of IRR 24,161 billion (the amount of IRR 27,986 billion for the previous fiscal year); the data on single beneficiaries and macro facilities and liabilities continued to be provided on the basis of the amount of the capital base of previous fiscal year (IRR 53,917 billion). In addition, according to the explanatory note 62-3-10 of the financial statements, the amount of capital required for the credit coverage of the Bank's assets is IRR 70,744 billion, but at present, the total equity is IRR 50,205 billion. It is noteworthy that the ratio of net fixed assets to equity is 2.5 times the limit prescribed by the Central Bank of Iran and the capital adequacy ratio has fallen to 3% in the current fiscal year from 3.9% in 2015-16, and also the base capital has decreased by 14%. Meanwhile, 50% of the balance sheet items have a 100% risk, such that the frozen and blocked assets in the sections of claims from the Government and other headings of claims amount to IRR 316,230 billion and IRR 120,131 billion, respectively. The Bank's loss (without considering the effects of the deficit of doubtful claims reserve, actuary, etc.) increases continuously and no specific program for profitability of the Bank and exit from the prevailing condition has been provided to this organization.

18- The accumulated losses balance of the Bank at the balance sheet's date amounted to IRR 10.406 billion, which, if the financial effects of this report's paragraphs are considered, will exceed the registered capital.

19- The provisions of the articles 21 and 22 of the Law on Promoting the Administrative Integrity and sub-articles thereof, which require the banks to register their financial and office software applied with the High Council of Informatics, are not complied with

20- The cases of failure to comply with the "Law on Eliminating Barriers to Competitive Production and Promoting the Homeland's Financial System" in the fiscal year under report are as follows:

20-1- The provisions of paragraph (a) of Article 16 of the "Law on Eliminating Barriers to Competitive Production and Promoting the Homeland's Financial System" in full, which stipulate the annual assignment of at least 33% of its assets, including movable and immovable properties, and goodwill owned by the Bank and its affiliated companies and are surplus at the discretion of the Council of Money and Credit and the Central Bank of Iran;

20-2- The provisions of Article 16 of the "Law on Eliminating Barriers to Competitive Production and Promoting the Homeland's Financial System", which stipulate the assignment of the Bank and its affiliated companies' shares in the firms running non-banking businesses;

20-3- The provisions of the Executive Bylaw for the part (b) of Note 1 to paragraph (b) of Article 17 of the "Law on Eliminating Barriers to Competitive Production and Promoting the Homeland's Financial System", which stipulate the transfer of the List of Properties and Assets Owned through Compulsory Acquisition to the Central Bank of Iran quarterly;

20-4- The provisions of the implementing regulation of article (b) of article 17 of the “Law on Eliminating Barriers to Competitive Production and Promoting the Homeland’s Financial System”, which stipulate the declaration of the audited list of immovable properties and information of shares owned by the Bank by the end of the fiscal year;

20-5- Provisions of the Executive Order of Article 21 of the “Law on Eliminating Barriers to Competitive Production and Promoting the Homeland’s Financial System” which stipulate the opening of a special account at the request of the unit receiving the facilities;

20-6- The provisions of article 47 of the “Law on Eliminating Barriers to Competitive Production and Promoting the Homeland’s Financial System”, which stipulate granting facilities to the agricultural sector to the extent determined by the Central Bank of the Islamic Republic of Iran;

21- The cases of non-compliance with the legal requirements stipulated in the Commercial Code Amendment and the provisions of the Bank’s statute in the fiscal year under report are as follows:

21-1- The provisions of Note 2 to Article 241 of the Commercial Code Amendment, which stipulate that the Bank’s Board Members may not simultaneously be appointed as managing director or a board member of any other company, which wholly or partially belongs to the Government or non-governmental public organizations or institutions;

21-2- The provisions of Articles 107 and 112 of the Commercial Code Amendment as well as the provisions of Articles 58 and 66 of the Bank’s statute, which stipulate that the number of members of the board of directors of a public joint stock company should not be less than five people, and in such circumstances, the remaining managers shall immediately invite the general assembly to hold a meeting and complete the members of the board director;

21-3- The provisions of Note 2 of Article 7 of the Bank’s statute, which stipulate that the Bank may not have more than one percent of shares of any other Bank or Credit Institution;

21-4- The provisions of Article 57 and Note 1 of Article 81 of the Bank’s Statute, which stipulate that the majority of members and the Chairman of Board of Directors must be non-executive;

21-5- The provisions of Article 116 of the Bank’s statute, which require the Board of Directors to call for an Extraordinary General Meeting of Shareholders in order to make a decision in the event of a reduction in the Bank’s capital adequacy ratio to less than 50% of the limit prescribed by the Central Bank of Iran;

21-6- The provisions of Article 118 of the Bank’s statute regarding the inclusion of sufficient devaluation appropriate to each category of assets;

21-7- The provisions of Article 132 of the Bank’s statute regarding the Bank’s investment in shares and other securities in the framework of the rules of Central Bank of Iran;

21-8- The provisions of Article 135 of the Bank’s statute regarding granting facilities to applicants having non-performing loan records; and

21-9- The Bank’s follow-ups for fulfilling the requirements set out in the Ordinary General Meeting of Shareholders held on October 17, 2016, regarding paragraphs 4 to 6, 12 to 14, 19 and 25 of the present report, as well as the implementation of the core banking system, have failed to reach a result.

22- The transactions detailed in the explanatory note 64-3 to the financial statements titled as “all the transactions subject to article 121 of the Commercial Code Amendment” which have been realized during the fiscal year under report, and informed to the Audit Organization by the Bank’s Board of Directors, were examined. For the mentioned transactions; the provisions of the above said article, which require the Bank to get permit from the Board of Directors for such transactions and to avoid participation of any beneficiary director in the voting, have been complied with. In addition, no evidences attracted our attention indicating that the said transactions were performed in unsuitable commercial conditions and incompatible with the routine banking operations.

23- The report of the Board of Directors on the Bank’s business and general status, the subject of the article 232 of the Commercial Code Amendment, compiled to be submitted to the Ordinary General Meeting of Shareholders, was perused by Audit Organization. According to

the investigation carried out and according to the information inserted in paragraphs 4, 5-1 and 6-8 of the present report; no cases attracted our attention indicating considerable evidences of contradiction between the information specified in the mentioned report and the documents and instruments presented by the Board of Directors.

Report on Other Legal and Regulatory Responsibilities of the Auditor

24- The rules and regulations ordained by the Securities and Exchange Organization (SEO) have not been complied with in the fiscal year under report as detailed below:

Row	Legal Articles and Clauses	Executive Directives	Provisions of Legal Articles	Cases of Non-compliance
1	Clauses 1 to 4, 6, 7 and 10 of Article 7 and Articles 9, 10 and 13	Directive on Disclosure of Information of Companies Enlisted in the Securities and Exchange Organization approved on July 25, 2007	Disclosure of audited financial statements within maximum 2 months after the end of the fiscal year, disclosure of the board's report at least 10 days before the general meeting's session, disclosure of 3-, 6-, and 9-month interim unaudited financial information and statements within maximum 30 days after every 3-month period, disclosure of 6-month interim audited financial statements within maximum 60 days after the end of the fiscal period and consolidated within maximum 75 days after the end of the fiscal period, the auditor's commenting on the future management plans and the forecast of the annual performance of the main Bank and the consolidate annual performance of the Group within maximum 20 days after submitting the information by the releaser and the forecast data for actual 3-, 6-, 9-month and annual performance within 30 days after the end of every 3-month period, the presentation and disclosure of financial statements and the forecast of the annual performance of the Bank and the financial statements of its subsidiaries and the information of investments portfolio of the subsidiaries, whose main business is investing in securities, at different times during the reported financial period, the immediate disclosure of the decisions of the General Assembly (maximum before the transactions commencement hour of the day after the date of the meeting), the disclosure of the minutes of the General Assembly submitted to the Company Registration Authority within maximum one week after the registration notification, and immediate disclosure of any change in the accounting methods or procedures along with its reasons and financial effects.	Failure to observe the deadlines specified in the mentioned Directive
2	Articles 5, 9 and 18	Disciplinary Directive for Issuers Admitted in Tehran Stock Exchange approved on Jan. 31, 2009	The dividend payment approved by the General Assembly during the legal deadline and the reasons for the loss and future plan for eliminating barriers and profitability within a maximum of two months after the presentation of the audited annual financial statements, the audit report's paragraphs due to the failure to make important adjustments in profit and Loss and or publisher's dividends.	Non-compliance with the provisions of the legal article on distributing the approve dividend within the legal deadline, failure to provide reasons for the loss-making and future plans for removing barriers and profitability and failure to make important adjustments in the profit and loss.
3	Clauses 3 and 7 of Article 6	Directive on Admittance of Securities in Tehran Stock Exchange approved on Dec. 22, 2007	Floating shares and equity to total assets ratio shall be at least 20% and 30%, respectively.	Failure to meet the ratio stipulated in the mentioned Directive

Row	Legal Articles and Clauses	Executive Directives	Provisions of Legal Articles	Cases of Non-compliance
4	Article 12	Directives for internal controls approved by the Securities and Exchange Organization on May 05, 2012	Disclosure of the Board's Internal Controls Report in the Stock Exchange Organization's System and the Requirements for the Disclosure of Information and the Approval of Transactions of Stock Exchange Issuers' Affiliates	Non-disclosure of internal controls report in the Stock Exchange, and failure to disclose information and approve transactions of affiliates in full
5	Articles 28 and 49	The sample Articles of Association of public joint stock companies listed in Tehran Stock Exchange approved on Sep. 01, 2007	Call for convening the General Assembly to complete the board of directors and to submit a report on the company's general activity and status to the Inspector within a maximum of three months after the end of the fiscal year.	Failure to comply with the provisions of the relevant regulations

25- In execution of article 33 of the Anti-Money Laundering Directive by the auditors; the compliance with the provisions of the mentioned law and its related regulations and directives within the framework of the checklists communicated by the relevant authorities and the auditing standards were examined. In this regard, excluding the failure to comply with some provisions of the Anti-Money Laundering Law and executive bylaw and related directives, including inserting clients' postal codes, clients' activity levels, classification of clients based on probable risk due to effective indices, reassessment of clients' activity and periodic monitoring of accounts exposed to higher risk, no important cases of failure to comply with the provisions of the above-mentioned law and regulations were observed by this Audit Organization.

26- The detailed calculations related to the difference between the finalized profit and the interim profit paid on investment deposit accounts disclosed in the explanatory notes 40 to 43 of the financial statements, were examined for their compliance with the provisions of the Central Bank of Iran's circular No.126331 dated March 09, 2009, and letter No. 94/69383 dated June 10, 2015. In this regard, except for paying profit to depositors in some cases exceeding the rates prescribed by the Central Bank of Iran, no cases were observed indicating any failure to comply with the provisions of the mentioned circular.

July 19, 2017

Audit Organization

M. DARABI

M. MEHRABI

Tejarat Bank (Public Joint Stock Company)
Balance Sheet
For the Fiscal Year Ending March 20, 2017

Figures in IRR Million

Assets	Note	March 20, 2017	(Restated) March 19, 2016	Debts, Rights of Investment Depositors and Equity	Note	March 20, 2017	(Restated) March 19, 2016
Assets:							
Debts:							
Cash	9	39,504,324	38,176,644	Dues to Banks and Other Credit Institutions	21	64,968,231	69,401,719
Claims form Banks and Other Credit Institutions	10	21,280,502	28,000,431	Customers' Deposits	22	188,074,031	192,572,872
Claims form the Government	11	281,602,329	175,899,599	Dividends Payable	23	554,036	600,954
Governmental Claims and Granted Loans	12	940,646	871,148	Debt Bonds	24	0	0
Nongovernmental Claims and Granted Loans	13	483,155,761	452,322,750	Performance Tax Reserve	25	0	902,313
Investments in Stock and other Securities	14	36,853,167	39,648,158	Reserves and Other Liabilities	26	118,775,169	93,616,134
Claims from Subsidiary Companies & Affiliates	15	14,599,533	10,328,203	Reserve for Employees' End of Service Rewards and Commitments	27	15,651,548	12,877,920
Other Accounts Receivable	16	99,959,169	79,947,997	Total Liabilities		388,023,015	369,971,912
Tangible Fixed Assets	17	62,525,274	63,617,221				
Intangible Assets	18	829,147	831,802	Rights of Investment Depositors:			
Statutory Deposit	19	103,223,944	81,074,383	Time Investment Deposits	28	766,196,729	611,850,548
Other Assets	20	63,815,896	69,518,521	Profits Payable to Time Investment Deposits	29	3,864,591	5,284,565
				Total Rights of Investment Depositors:		770,061,320	617,135,113
				Total Debts and Rights of Investment Depositors		1,158,084,335	987,107,025
				Equity:			
				Capital	30	45,700,000	45,700,000
				Increasing Working Capital	31	0	0
				Reserve Spent for Stock	32	0	0
				Statutory Reserve	33	7,089,101	7,089,101
				Other reserves	34	4,724,044	4,724,044
				Surplus from Revaluation of Assets	35	0	0
				Difference in Foreign Exchange Conversion	36	3,098,686	3,004,949
				Retained Profit		(10,406,474)	(7,388,262)
				Treasury's Stock	37	0	0
				Total Debts, Rights of Investment Depositors, and Equity:		50,205,357	53,129,832
Total Assets		1,208,289,692	1,040,236,857	Total Debts and Equity		1,208,289,692	1,040,236,857
Customers' Liabilities for LCs	57-1	111,219,685	91,362,969	Bank's Liabilities for LCs	57-1	111,219,685	91,362,969
Customers' Liabilities for LGs	57-2	187,410,745	180,833,088	Bank's Liabilities for LGs	57-2	187,410,745	180,833,088
Other Liabilities of Customers	57-3	40,051,138	29,582,017	Other Liabilities of Bank	57-3	40,051,138	29,582,017
Administered Funds and the Like	57-4	29,244,377	27,316,513	Administered Funds and the Like	57-4	29,244,377	27,316,513

Tejarat Bank (Public Joint Stock Company)
Investment Deposits Turnover Statement
For the Fiscal Year Ending March 20, 2017

Amounts in IRR Million

Description	Note	2016-17	2015-16
Joint Income			
Revenue from Granted Facilities	38	146,932,731	108,744,574
Revenue from Depositing and Debt Bonds	38	1,202,409	6,206,799
Net Profit (Loss) of Investments	39	16,611,323	16,561,985
Total Joint Income		164,746,463	131,513,358
Bank's Resources Share from Joint Income	40	(15,213,068)	(9,660,582)
Depositors' share from Joint Income before Deduction of Attorney Fee		148,720,531	121,157,684
Reward of Statutory Deposit of Investment Deposits	40	812,864	695,092
Attorney Fee	41	(18,147,284)	(4,579,101)
Depositors' Share in Joint Income		131,386,111	117,273,675
Compensation for cost of surplus free resources of depositors to common costs	42	0	0
Finalized profit accrued to investment deposits		131,386,111	117,273,675
Interim profit paid to investment deposits	43	(131,386,111)	(117,273,675)
Remaining profit payable (surplus profit paid) to depositors		0	0

Tejarat Bank (Public Joint Stock Company)
Profit and Loss Statement
For the Fiscal Year Ending March 20, 2017

Amounts in IRR Million

Description	Note	2016-17	(Restated) 2015-16
Revenue from Granted Facilities, Depositing and Debt Bonds	38	155,343,120	122,574,332
Cost for Profit of Deposits	44	(131,514,115)	(117,424,515)
Net Revenue from Facilities and Depositing		23,829,006	5,149,817
Commission Fees Income	45	6,449,743	6,769,305
Commission Fees Cost	46	(1,862,546)	(1,862,800)
Net Commission Fees Income		4,587,197	4,906,505
Net Profit (Loss) from Investments	39	16,611,323	16,561,985
Net Profit (Loss) from Foreign Exchange Transactions	47	2,312,087	2,084,690
Other Operational Revenues & Costs	48	(20,563)	20,622
Total Operational Income		18,902,847	18,667,297
Net Other Revenues & Costs	49	2,478,668	5,786,745
General and Administrative Expenses	50	(28,634,064)	(27,099,134)
Costs of Doubtful Claims	51	(15,599,205)	(6,812,235)
Financial Costs	52	(6,182,237)	(6,729,184)
Depreciation Costs	53	(2,400,424)	(546,377)
Profit (Loss) before Income Tax		(3,018,212)	(6,676,566)
Income Tax	25	0	0
Net Profit (Loss)		(3,018,212)	(6,676,566)
Earnings Per Share (IRR)	59	(66)	(146)

Tejarat Bank (Public Joint Stock Company)
Comprehensive Profit and Loss Statement
For the Fiscal Year Ending March 20, 2017

Amounts in IRR Million

Description	Fiscal Year ending Mar. 20, 2017	Fiscal Year ending Mar. 19, 2016
Net Profit (Loss)	(3,018,212)	(6,676,566)
Surplus of Revaluation of Assets	0	0
Difference in Foreign Exchange Conversion of Operations Abroad	93,737	315,804
Comprehensive Profit of the Fiscal year	(2,924,475)	(6,360,762)
Annual Adjustments	(11,854,690)	(816,387)
Comprehensive Profit Identified as of the Reporting Date of the Previous Fiscal Year	(14,779,165)	(7,177,149)

Tejarat Bank (Public Joint Stock Company)
Equity Changes Statement
For the Fiscal Year Ending March 20, 2017

Amounts in IRR Million

2016-17										
	Capital	Working Capital Increase	Reserve Spent for Stock	Legal Reserve	Other Reserves	Assets Revaluation Surplus	Currency Exchange Operation Difference Abroad	Retained Profit	Treasury Stock	Total Equity
IRR Millions										
Balance on March 20, 2016	45,700,000	0	0	7,089,101	4,724,044	0	3,004,949	4,466,428	0	64,984,522
Net profit								(3,018,212)		(3,018,212)
Annual adjustments	54							(11,854,690)		(11,854,690)
Other comprehensive profit (loss) after tax deduction										
Surplus of revaluation of assets	35									
Difference in foreign exchange conversion	36						93,737			93,737
Other comprehensive profits tax										
Total other comprehensive profit	0	0	0	0	0	0	93,737	0	0	93,737
Total comprehensive profit	45,700,000	0	0	7,089,101	4,724,044	0	3,098,686	(10,406,474)	0	50,205,357
Capital increase										0
Capital increase registered	31									0
Capital increase not registered	31									0
Treasury stock										0
Purchase of treasury stock	37									0
Sale of treasury stock	37									0
Distribution and allocation										0
Statutory reserve	33			0				0		0
Other reserves	34				0			0		0
Share profit										0
Earnings per share approved	23									0
Total	0							0		0
Balance on Mar. 20, 2017	45,700,000	0	0	7,089,101	4,724,044	0	3,098,686	(10,406,474)	0	50,205,357

Continued

2015-16										
	Capital	Working Capital Increase	Reserve Spent for Stock	Legal Reserve	Other Reserves	Assets Revaluation Surplus	Currency Exchange Operation Difference Abroad	Retained Profit	Treasury Stock	Total Equity
IRR Millions										
Balance on March21, 2015	45,700,000	0	0	7,089,101	4,724,044	0	2,689,144	561,691	0	60,763,979
Net profit								(6,676,566)		(6,676,566)
Annual adjustments	55							(816,387)		(816,387)
other comprehensive profit (loss) after tax deduction										0
Surplus of revaluation of assets	35					0				0
Difference in foreign exchange conversion	36						315,805			315,805
Other comprehensive profits tax										0
Total other comprehensive profit	0	0	0	0	0	0	315,805	0	0	315,805
Total comprehensive profit	45,700,000	0	0	7,089,101	4,724,044	0	3,004,949	(6,931,262)	0	53,586,832
Capital increase										
Capital increase registered	31									0
Capital increase not registered	31									0
Treasury stock										0
Purchase of treasury stock	37									0
Sale of treasury stock	37									0
Distribution and allocation										0
Statutory reserve	33			0				0		0
Other reserves	34				0			0		0
Share profit										0
Earnings per share approved	23							(457,000)		(457,000)
Total	0	0	0	0	0	0	0	(457,000)	0	(457,000)
Balance on Mar. 19, 2016	45,700,000	0	0	7,089,101	4,724,044	0	3,004,949	(7,388,262)	0	(53,129,832)

Tejarat Bank (Public Joint Stock Company)
Cash Flow Statement
For the Fiscal Year Ending March 20, 2017

Amounts in IRR Million

Description	Fiscal Year 2016-17	(Restated) Fiscal Year 2015-16
Operational Activities		
Cash Received for:		
Profit and Penalties from Granted Facilities	153,831,856	116,065,035
Commission Fees	7,022,862	7,291,012
Profit from Depositing	1,511,265	6,509,297
Profit from Investment	16,534,075	20,774,387
Other Revenues	4,173,056	374,551
Cash Paid for:		
Deposits Profit	(131,514,115)	(117,424,515)
Commission Fees	(2,435,665)	(2,384,506)
Financial Cost	(6,182,237)	(6,729,184)
Other Operational Costs	(25,167,672)	(20,891,288)
Income Tax	(1,410,422)	(5,038,804)
Cash Inflow (Outflow) Resulting from Operating Activities before Changes in Assets and Operational Liabilities	16,363,002	(1,454,015)
Cash Flows Resulting from Changes in Assets and Operational Liabilities:		
Net Increase (Decrease) in Liabilities and Deposits:		
Due to Banks & Other Credit Institutions	(3,228,742)	19,319,400
Clients' Deposits	(4,498,841)	1,251,931
Reserves and Other Liabilities' Operational Share	24,451,959	(20,245,217)
Term Investment Deposits	154,346,181	97,342,963
Profit Payable to Term Deposits	(1,419,974)	415,013
Net Increase (Decrease) in Assets:		
Claims from Banks & Other Credit Institutions	6,887,137	(179,129)
Claims from Government	(107,312,415)	(55,960,858)
Principal of Granted Facilities and Claims from Governmental Entities	(70,557)	17,680,994
Principal of Granted Facilities and Claims from Non-governmental Entities	(44,655,269)	(41,104,640)
Investment in Stock and other Securities	2,872,238	30,160,427
Claims from Subsidiary and Affiliated Companies	(4,331,902)	
Other Receivable Accounts	(18,655,952)	(29,260,347)
Statutory Deposit	(22,149,560)	(4,011,432)
Other Assets' Operational Share	5,642,785	8,973,301
Net Other Revenues& Costs	184,043	(409,723)
Cash Flows resulting from Changes in Assets & Operational Liabilities:	(11,938,869)	23,972,683

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Description	Fiscal Year 2016-17		(Restated) Fiscal Year 2015-16
	IRR Million	IRR Million	IRR Million
Net Cash Inflow (Outflow) resulting from Operational Activities		4,424,133	22,518,668
<u>Investment Activities</u>			
Funds Paid for Acquiring Tangible Fixed Assets	(1,739,397)		(844,344)
Funds Received for Selling Tangible Fixed Assets	788,734		5,259,874
Funds Paid for Acquiring Intangible Fixed Assets	(69,719)		0
Funds Received for Selling Intangible Fixed Assets	54,828		41,243
Net Cash Inflow (outflow) Resulting from Investment Activities		(965,554)	4,456,773
Net Cash Inflow (outflow) before Financing Activities		3,458,579	26,975,441
<u>Financing Activities</u>			
Cash Capital Increase	0		0
Treasury Stock Trading	0		0
Funds Resulting from Spending Stock	0		0
Paid Dividend	(46,918)		(3,684,174)
Receiving Financial Facilities	0		0
Repayment of Principal of Financial Facilities	0		0
Net Cash Inflow (Outflow) Resulting from Financing Activities		(46,918)	(3,684,174)
Net Cash Increase (Decrease)		3,411,661	23,291,267
Cash Balance at the Beginning of the Fiscal Year		34,085,792	8,437,659
Effect of Changes in Foreign Exchange Rates		(879,235)	2,356,866
Cash Balance at the end of the Fiscal year		36,618,218	34,085,792
Non-Cash Transactions		1,849,377	1,871,121

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

9- Cash

TEJARAT BANK	2016-17	2015-16
	IRR Million	IRR Million
Fund's Balance– Domestic Currency	4,939,404	5,093,043
Fund's Balance – Foreign Currency	13,321	19,367
Foreign Cash and Banknote	1,669,234	1,694,777
Sight Deposit with Central Bank (Not Limited)	1,195,736	1,957,237
Sight Deposit with Other Banks and Credit Institutions (Not Limited)	31,686,629	29,412,220
Total	39,504,324	38,176,644

10- Claims from Banks & Credit Institutions

Description	Note	2016-17	2015-16
		IRR Million	IRR Million
Claims from Central Bank of Iran	10-2	11,328,208	6,370,688
Claims from other Banks & Credit Institutions	10-3	9,952,294	21,629,743
Total		21,280,502	28,000,431

10-2- Claims from Central Bank of Iran

Description IRR Million	2016-17	2015-16
	IRR Million	
Central Bank Debt for Covering the Resources Involved in Finance Exchange Rate Facilities	66,977	66,977
Commission Fees Received for Keeping Government Accounts	33,769	48,203
Difference in Floating Exchange Rate up to Unification	87,826	87,826
Prepaid Account with Central Bank for Buying Foreign Currency	150	150
Central Bank Debt for Difference between Transactional and Reference Rates of Foreign Exchange	11,139,486	6,167,532
Total	11,328,208	6,370,688

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

10-3- Claims from other Banks and Credit Institutions

Description	2016-17	2015-16
	IRR Million	IRR Million
Sight deposits with other banks and domestic credit institutions – Rial (limited)	0	0
Sight deposits with other banks and domestic credit institutions –Forex (limited)	0	0
Term deposits with other banks and domestic credit institutions – Rial (limited)	1,492,861	594
Term deposits with other banks and domestic credit institutions – Forex (limited)	1,916,804	339,348
Sight deposits with foreign banks – Forex (limited)	0	0
Loans and credits given to Iranian banks (by overseas branches)		
Term deposits with foreign banks – Forex (limited)	4,702,579	8,939,099
Term deposits with foreign banks (overseas branches)	61,408	851,685
facilities Granted to other banks and credit institutions	333,909	11,313,856
Coverage forex deposits with foreign banks	0	0
Exchange of Instruments (Clearing Room)	0	0
Term deposits with branches of Iranian banks	1,394,040	0
Paying other banks' checks issued	50,693	185,161
Sight deposits with foreign banks and financial institutions (overseas branches)	0	0
Total	9,952,294	21,629,743

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

11- Claims from Government

Description	2016-17						2015-16	
	Balance of Principal, Coming Years Profit & Deferred Profit	Balance of Commission Fees Receivable	Balance of Penalties Receivable	Coming Years' Profit	Deferred Profit and Commission Fees	General Reserve for Doubtful Claims	Net	Net
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Government' Debt for Its Undertaken Deferred Instalments	77,341,891	0	57,875,343	0	0	(2,028,259)	133,188,975	82,840,723
Account of Hire Purchase Facilities	16,249	0	8,025	0	0	(364)	23,910	21,146
Participation Bonds	69,653,890	0	53,458,176	0	0	(1,846,681)	121,265,385	79,854,074
Account of Amounts Paid for Debts of Working and Retired Ex-prisoners of War	0	0	0	0	0	0	0	64,482
Government' Debt due to Change in Depreciation Reserve Calculation Method of Fiscal Year 2008-09 and earlier	0	0	0	0	0	0	0	12,578
Government' Debt for Foreign Exchange Rates Unification	1,452,516	0	0	0	0	(21,788)	1,430,728	1,289,373
Government' Debt for Its Undertaken Profit Share	44,848,827	0	11,484,793	(30,288,867)	0	(390,671)	25,654,082	11,796,425
Government' Debt for Extending Damaged Farmers' Loans	90,129	0	0	(50,283)	0	(598)	39,248	20,798
Total	193,403,502	0	122,826,337	(30,339,150)	0	(4,288,361)	281,602,329	175,899,599

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

12- Facilities Granted and Claims from Governmental Bodies

Description	2016-17										2015-16	
	Balance of Principal, Coming Years Profit & Deferred Profit	Balance of Commission Fees Receivable	Balance of Penalties Receivable	Mudaraba and Civic Participation Joint Account	Coming Years' Profit	Deferred Profit and Commission Fees	Total	Reserve for Doubtful Claims	Net IRR Million	Net IRR Million	Net IRR Million	Net IRR Million
Sales by Installment	4,780	0	0	0	0	0	11,577	(174)	11,403	4,725		
Jaaleh (Reward Contract)	0	0	0	0	0	0	0	0	0	0		
Hire Purchase	0	0	0	0	0	0	0	0	0	8,217		
Salaf (Futures Deal)	0	0	0	0	0	0	0	0	0	0		
Mudaraba (Bailment)	0	0	0	0	0	0	0	0	0	0		
Civic Participation	0	0	0	0	0	0	0	0	0	0		
Factorage	0	0	0	0	0	0	0	0	0	0		
Murabaha (Cost-Plus Sale)	0	0	0	0	0	0	0	0	0	0		
Istisna (Contract of Manufacturing)	0	0	0	0	0	0	0	0	0	0		
Qardh-ul-Hassana (Interest-Free Loan)	0	0	0	0	0	0	0	0	0	0		
Other Facilities Granted in IRR	2,277	0	0	0	0	0	2,277	(34)	2,243	2,178		
Facilities Granted in Foreign Exchange	0	0	0	0	0	0	0	0	0	0		
Debtors for Liability on LCs Paid	941,117	0	0	0	0	0	941,117	(14,117)	927,000	856,028		
Debtors for Liability on LGs Paid	0	0	0	0	0	0	0	0	0	0		
Debtors for Liability on Credit Cards Paid	0	0	0	0	0	0	0	0	0	0		
Total	948,174	6,818	0	0	(21)	0	954,971	(14,325)	940,646	871,148		

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

13- Facilities Granted and Claims from Non-Governmental Entities

Description	2016-17										2015-16	
	Balance of Principal, Coming Years Profit & Deferred Profit	Balance of Commission Fees Receivable	Balance of Penalties Receivable	Mudaraba and Civic Participation Joint Account	Coming Years' Profit	Deferred Profit and Commission Fees	Total	Reserve for Doubtful Claims	Net	IRR Million	IRR Million	IRR Million
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Sales by Installment	132,551,230	3,219,382	1,050,880	0	(23,711,578)	(3,335,887)	109,774,027	(3,214,302)	106,559,725	56,321,908		
Jaaleh (Reward Contract)	32,464,557	75,290	28,253	0	(11,603,179)	(10,980)	20,953,941	(528,201)	20,425,740	20,717,533		
Hire Purchase	3,935,950	510,196	1,593	0	(2,305,192)	(6,199)	2,136,348	(63,949)	2,072,399	1,603,122		
Salaf (Futures Deal)	114,059	10,334	5,696	0	0	(6,629)	123,460	(5,868)	117,592	522,944		
Mudaraba (Bailment)	245	13,124	158	0	0	0	13,527	(27)	13,500	241		
Civic Participation	220,859,520	28,714,272	8,652,539	(657,696)	0	(6,192,222)	251,376,413	(30,665,900)	220,710,512	264,177,438		
Factorage	33,074,477	3,032,659	182,103	0	(1,443,147)	0	34,846,092	(607,805)	34,238,287	36,205,432		
Murabaha (Cost-Plus Sale)	20,842,638	162,357	26,292	0	(4,670,046)	(27,045)	16,334,196	(374,812)	15,959,384	5,685,714		
Istisna (Contract of Manufacturing)	0	0	0	0	0	0	0	0	0	0		
Qardh-ul-Hassana (Interest-Free Loan)	35,906,148	0	0	0	(657,764)	0	35,248,384	(580,315)	34,668,069	28,488,983		
Other Facilities Granted in IRR	291,383	0	199	0	0	0	291,582	(40,401)	251,181	226,828		
Facilities Granted in Foreign Exchange	47,425,599	1,258,278	850,551	0	(35,140)	(1,496,704)	48,002,584	(7,946,292)	40,056,292	26,759,230		
Debtors for Liability on LCs Paid	6,957,818	0	260,992	0	0	0	7,218,810	(3,137,894)	4,080,916	6,921,301		
Debtors for Liability on LGs Paid	7,690,476	0	278,551	0	0	(273,290)	7,695,737	(4,207,257)	3,488,480	4,583,475		
Debtors for Liability on Credit Cards Paid	470,107	0	0	0	0	0	470,107	(7,621)	462,486	27,908		
Other Foreign Exchange Facilities – Overseas Branches	51,198	0	0	0	0	0	51,198	0	51,198	80,693		
Total	542,635,405	36,995,892	11,337,807	(657,696)	(44,426,046)	(11,348,956)	534,536,406	(51,380,644)	483,155,761	452,322,750		

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

14- Investment in Stock& Other Securities

Description	2016-17			2015-16		
	Current	Long-term	Total	Current	Long-term	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Current investment in fast tradable stock in market	10,325,314	2,078,728	12,404,042	10,325,337	5,617,978	15,943,315
Investment in other stock	0	24,449,125	24,449,125	0	23,435,721	23,435,721
Investment in other securities	0	0	0	0	269,122	269,122
Total	10,325,314	26,527,853	36,853,167	10,325,337	29,322,821	39,648,158

15- Claims from Subsidiaries & Affiliated Companies

Description	2016-17		2015-16	
	Balance of Claim	Reserve for Doubtful Claims	Net	Net
	IRR Million	IRR Million	IRR Million	IRR Million
Claims from Subsidiaries	10,087,243	(69,154)	10,018,090	6,229,539
Claims from Affiliates	4,588,643	(7,200)	4,581,443	4,098,664
Total	14,675,886	(76,354)	14,599,533	10,328,203

16- Other Receivable Accounts

Description	2016-17			2015-16		
	Balance of Claim	Reserve for Doubtful Claims	Net	Balance of Claim	Reserve for Doubtful Claims	Net
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Dividend receivable	708,744	0	708,744	1,144,207	0	1,144,207
Debt of participation bonds issuers	13,498,165	0	13,498,165	13,656,066	0	13,656,066
Profit and penalties receivable of participation bonds	3,755,617	0	3,755,617	1,836,424	0	1,836,424
Profit and commission fees receivable (overseas branches)	10,380	0	10,380	912	0	912
Profit receivable for foreign exchange LGs	221,840	0	221,840	207,363	0	207,363
Reserve of profit receivable for foreign exchange LGs	(176,055)	0	(176,055)	(155,203)	0	(155,203)
Net claims from assignment of investments	39,032,772	(585,492)	38,447,281	21,888,388	(397,984)	21,490,403
Temporary Debtors / IRR	40,837,929	(612,569)	40,225,360	35,749,619	(552,603)	34,197,016
Temporary Debtors / Forex	3,275,561	(49,133)	3,226,427	6,664,832	(99,972)	6,564,860
Temporary Debtors (Foreign Branches)	41,408	0	41,408	5,949	0	5,949
Total	101,206,361	(1,247,194)	99,959,169	80,998,555	(1,050,559)	79,947,997

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

17- Tangible Fixed Assets

Description	Land	Building	Vehicles	Furniture and Equipment	Assets under Completion	Orders and Capital Advances	Capital Items in Stock	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
<u>Tangible Fixed Assets Inland:</u>								
<u>End Cost</u>								
Balance on Mar. 21, 2015	2,318,958	38,114,770	137,720	3,103,487	44,259	546,701	26,669	44,292,564
Increase during Fiscal Year	0	2	132,069	50,703	14,374,933	154,204	0	14,711,911
Sold	(210)	(81,648)	(17,781)	0	(12,272,272)	0	0	(12,371,912)
Transfers & Other Changes	179,328	1,262,983	0	125,920	18,162,990	(70,255)	0	19,660,965
Balance on Mar. 19, 2016	2,498,076	39,296,107	252,008	3,280,109	20,309,910	630,650	26,669	66,293,528
Increase during Fiscal Year	4,687	158,936	38,186	243,291	1,077,834	214,427	2,036	1,739,396
Sold	(557,654)	(467,899)	(3,308)	0	0	0	0	(1,028,861)
Transfers & Other Changes	678,617	1,399,677	0	(23,188)	(957,032)	(621,717)	0	476,358
Balance on Mar. 20, 2017	2,623,726	40,386,821	286,886	3,500,212	20,430,712	223,361	28,704	67,480,421
<u>Accumulated Depreciation & Devaluation</u>								
Balance on Mar. 21, 2015	0	863,632	81,724	1,481,400				2,426,756
Year's Depreciation & Devaluation	0	141,157	45,166	360,053				546,377
Sold	0	(1,008)	(17,090)	0				(18,098)
Transfers & Other Changes	0	0	0	(205,751)				(205,751)
Balance on Mar. 19, 2016	0	1,003,782	109,800	1,635,702	0	0	0	2,749,284
Year's Depreciation & Devaluation		1,039,643	17,805	1,267,672				2,325,119
Sold		(6,656)	(3,123)	0				(9,779)
Transfers & Other Changes		0	0	(35,532)				(35,532)
Balance on Mar. 20, 2017	0	2,036,769	124,481	2,867,841	0	0	0	5,029,092

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
For the Fiscal Year Ending March 20, 2017

Continued

Description	Land		Building		Vehicles		Furniture and Equipment		Assets under Completion		Orders and Capital Advances		Capital Items in Stock		Total	
	IRR Million		IRR Million		IRR Million		IRR Million		IRR Million		IRR Million		IRR Million		IRR Million	
Tangible Fixed Assets Abroad:																
End Cost																
Balance on Mar. 21, 2015	0		248,864		2,354		77,657		0		0		0		0	328,875
Increase during Fiscal Year	0		0		0		1,447		0		0		0		0	1,447
Sold	0		0		0		(11,519)		0		0		0		0	(11,519)
Transfers & Other Changes	0		27,909		55		7,491		0		0		0		0	35,455
Balance on Mar. 19, 2016	0		276,773		2,409		75,076		0		0		0		0	354,258
Increase during Fiscal Year							5,095									5,095
Transfers & Other Changes			7,554		71		2,041									9,666
Balance on Mar. 20, 2017	0		284,327		2,480		82,212		0		0		0		0	369,019
Accumulated Depreciation & Devaluation																
Balance on Mar. 21, 2015	0		183,366		1,845		67,968									253,179
Year's Depreciation & Devaluation	0		9,346		41		2,307									11,694
Sold	0				0		(13,101)									(13,101)
Transfers & Other Changes	0		21,299		168		8,043									29,510
Balance on Mar. 19, 2016	0		214,011		2,054		65,217									281,282
Year's Depreciation & Devaluation			3,665		34		2,440									6,139
Transfers & Other Changes			5,823		57		1,773									7,653
Balance on Mar. 20, 2017	0		223,499		2,145		69,430									295,074
Book Value																
On Mar. 21, 2015	2,318,958		37,316,636		56,505		1,631,776		14,374,933		546,701		26,669		56,272,178	
On Mar. 19, 2016	2,498,076		38,355,087		142,563		1,654,267		20,309,910		630,650		26,669		63,617,221	
on Mar. 20, 2017	2,623,726		38,410,879		162,739		645,153		20,430,712		223,361		28,704		62,525,274	

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
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18- Intangible Assets

Description	Goodwill	Software	Public Services Royalty	(Overseas)	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
End Cost					
Balance on Mar. 21, 2015	647,317	293,101	42,992	259	983,669
Increase during Fiscal Year	240	0	16,863	486	17,589
Sold	(7,428)	0	0	0	(7,428)
Transfers & Other Changes	34,883	0	0	(57)	34,826
Balance on Mar. 19, 2016	675,012	293,101	59,856	688	1,028,656
Balance on Mar. 20, 2016	675,012	293,101	59,856	688	1,028,656
Increase during Fiscal Year	15,700	52,481	1,538	453	70,173
Sold	(6,431)	0	0	0	(6,431)
Transfers & Other Changes	8,961	0	0	26	8,987
Balance on Mar. 20, 2017	693,242	345,582	61,394	1,167	1,101,385
Retained Depreciation & Devaluation					
Balance on Mar. 21, 2015	0	196,689		169	196,858
Year's Depreciation	0	0		33	33
Transfers & Other Changes	0	0		(37)	(37)
Balance on Mar. 19, 2016	0	196,689		165	196,854
Balance on Mar. 20, 2016	0	196,689		165	196,854
Year's Depreciation	0	75,304		74	75,378
Transfers & Other Changes	0	0		6	6
Balance on Mar. 20, 2017	0	271,993		245	272,239
Book Value					
On Mar. 21, 2015	647,317	96,412	42,992	90	786,811
On Mar. 19, 2016	675,012	96,412	59,856	523	831,802
on Mar. 20, 2017	693,242	73,589	61,394	922	829,147

Tejarat Bank (Public Joint Stock Company)
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19- Statutory Deposit

Description	2016-17	2015-16
	IRR Million	IRR Million
Statutory deposit – main land branches' deposits - IRR	102,637,053	80,515,907
Statutory deposit – free areas branches' deposits - IRR	586,012	557,751
Statutory Deposit with Central Banks of Other Countries (Foreign Exchange)	879	725
	103,223,944	81,074,383

20- Other Assets

Description	2016-17	2015-16
	IRR Million	IRR Million
net debts to clients for term LCs	55,089,727	51,160,767
possessory collaterals	8,484,305	6,526,910
Items in transit	0	11,610,979
Gold and silver	14,214	14,246
Tax stamp	5,730	5,750
General storage	212,399	191,957
Deposits with organizations	9,520	7,911
	63,815,896	69,518,520

Tejarat Bank (Public Joint Stock Company)
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21- Dues to Banks and other Credit Institutions

Description	2016-17	2015-16
	IRR Million	IRR Million
Central Bank of Iran		
Term deposit – foreign exchange	33,970	2,576,435
Liabilities for over-withdrawal from current account	37,162,277	18,799,932
Facilities received from the Central Bank for the Supreme Leader's Travel	347,000	258,000
Equivalent to the facility received from the settlement account	62,955	175,123
Facility received – IRR	7,782,714	13,501,143
Facility received – foreign exchange	0	26,411
Current account of Governmental institutions and companies (agency)	927,092	252,358
Sight foreign exchange deposit with Central Banks (overseas)	165,017	0
	46,481,025	35,589,401
Domestic Banks and Credit Institutions		
Sight deposits of non-bank credit institutions – IRR	4,567	1,095
Sight deposits of banks after clearing	13,637	79,523
Sight deposits - foreign exchange	2,354,938	3,877,118
Sight deposits of Iranian banks (overseas branches) – foreign exchange	225,220	15,542
Payment of the Bank's issued checks by other banks	1,258,757	1,481,075
Facilities received - IRR	1,243,023	1,211,271
Interbank account (after clearing)	2,980,000	16,500,893
Interbank account of <i>Shetab</i> Plan	10,284,339	9,510,177
	18,364,480	32,676,694
Foreign Banks		
Sight deposits - foreign exchange	122,718	117,566
Term foreign exchange deposits of foreign banks	0	1,018,050
Sight deposits of foreign banks (overseas branches)	9	8
	122,727	1,135,623
Total	64,968,231	69,401,719

Tejarat Bank (Public Joint Stock Company)
Notes to the Financial Statements
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22- Clients' Deposits

Description	Note	2016-17	2015-16
		IRR Million	IRR Million
Sight deposits and the like	22-1	110,116,565	125,737,084
Savings deposits and the like	22-2	40,536,511	37,585,580
Other deposits and advance payments	22-3	37,420,956	29,250,208
Total		188,074,031	192,572,872

22-1- Sight Deposits and the Like

Description	2016-17	2015-16
	IRR Million	IRR Million
Current interest-free (Qardh-ul-Hassana) deposits - IRR (natural person clients)	34,897,078	39,569,928
Current interest-free (Qardh-ul-Hassana) deposits - IRR (corporate clients)	49,959,427	36,836,809
Current interest-free (Qardh-ul-Hassana) deposits - foreign exchange (natural person clients)	98,003	100,181
Current interest-free (Qardh-ul-Hassana) deposits –foreign exchange (corporate clients)	4,921,529	3,705,283
Various bank checks sold	2,206,133	3,888,228
Current accounts of clients (overseas branches)	2,545,009	66,954
Opened LCs deposits	0	0
Remittances borne by the Bank - IRR	207	205
Remittances borne by the Bank - foreign exchange	154	17
Administered funds not spent	2,348	1,641
Temporary creditors - IRR	4,122,033	4,118,010
Temporary creditors - foreign exchange	9,840,272	36,315,095
Balance not claimed - IRR	1,393,328	1,051,115
Balance not claimed - foreign exchange	39,939	36,756
Balance not claimed (overseas branches)	1,185	1,085
Temporary Creditors (overseas branches)	89,919	45,777
Total	110,116,565	125,737,084

Tejarat Bank (Public Joint Stock Company)
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22-2- Savings Deposits and the Like

Description	2016-17	2015-16
	IRR Million	IRR Million
Savings interest-free (Qardh-ul-Hassana) deposits - IRR (natural person clients)	35,270,616	32,794,607
Savings interest-free (Qardh-ul-Hassana) deposits - IRR (corporate clients)	1,246,453	687,524
Savings interest-free (Qardh-ul-Hassana) deposits - foreign exchange (natural person clients)	536,014	628,078
Savings interest-free (Qardh-ul-Hassana) deposits –foreign exchange (corporate clients)	2,017,714	2,153,951
Youth specific interest-free (Qardh-ul-Hassana) deposits - (natural person clients)	1,295,524	1,113,368
Youth specific interest-free (Qardh-ul-Hassana) deposits - (corporate clients)	51	46
Special interest-free (Qardh-ul-Hassana) deposits –not spent (corporate clients)	164,713	204,554
Savings deposits (overseas branches)	5,426	3,451
Total	40,536,511	37,585,580

22-3- Other Deposits & Advance Payments

Description	2016-17	2015-16
	IRR Million	IRR Million
Cash deposits of LGs - IRR	22,492,254	15,939,295
Cash deposits of LGs - foreign exchange	1,721,250	1,860,954
Advance payments of LCs - IRR	2,113,228	1,245,965
Advance payments of LCs - foreign exchange	11,025,715	10,131,736
Advance payment by clients for other facilities / Governmental sector	68,509	72,258
Total	37,420,956	29,250,208

23- Dividend Payable

Description	Cash Dividend of Each Share	Approved Dividend	Balance on Mar. 19, 2016	Dividend Payable for the Period Ending March 20, 2017	Capital Increase from the Source of Claims	Balance on Mar. 20, 2017
	IRR	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Previous Years			451,487	1,939	0	449,548
Year ending Mar. 20, 2015	10	457,000	149,467	44,979	0	104,488
Year ending Mar. 19, 2016	0	0	0	0	0	0
Total			600,954	46,918	0	554,036

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25- Performance Tax Reserve

Description	2016-17	2015-16
	IRR Million	IRR Million
Balance at the beginning of the fiscal year	902,313	5,952,868
Performance tax reserve of the fiscal year	0	0
Modification of previous years' performance tax reserve	0	0
Approved during the fiscal year	(902,313)	(5,038,804)
	0	914,064
Tax pre-payments	0	(11,751)
Balance at the End of the Fiscal Year	0	902,313

26- Reserves and Other Debts

Description	2016-17	2015-16
	IRR Million	IRR Million
Facility received from National Development Fund	17,067,802	928,810
The Bank's debt for LCs and time Bills of Exchange	57,536,270	52,019,989
Facility received from the Foreign Exchange Reserve Fund	7,653,623	7,314,281
Profit and commission fee payable - overseas branches	803	3,135
Reserve for redeeming leaves of personnel	2,067,336	2,067,336
Reserve for Discrepancies in <i>Shetab</i> Network	151,528	151,528
Reserve for payable costs	1,127,864	743,372
Collection of other banks' checks (assigned by clients)	30,705	480
Revaluation reserve (overseas)	45,923	43,234
Next years' profit and commission fee (LGs in IRR)	1,111,925	992,154
Next years' profit and commission fee (LGs in foreign exchange)	231,427	152,537
On account of selling foreign currencies in IRR	6,917,953	15,840,337
Funds from selling participation bonds	3,795,310	315,939
Reserve for awards of interest-free-loan savings	756,670	521,707
Subsidy of Government's profit share	10,182	10,182
Other reserves account (overseas branches)	642	0
Reserve for deposit LGs fund membership fee	919,845	1,107,981
Reserve for profit of facilities received from the Central Bank	3,976,150	1,271,159
Prepayments for selling real estate	8,574,377	10,131,973
Items in transit	6,798,834	0
Total	118,775,169	93,616,134

Tejarat Bank (Public Joint Stock Company)
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27- Reserve for Staff's End of Service Rewards and Retirement Liabilities

Description	2016-17			2015-16		
	Reserve for end of service rewards	Reserve for staff's retirement liabilities	Total	Reserve for end of service rewards	Reserve for staff's retirement liabilities	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Balance at the beginning of fiscal year	6,820,016	6,057,904	12,877,920	5,279,870	6,185,716	11,465,585
Paid during the fiscal year	(725,183)	(57,276)	(782,459)	(205,417)	(127,812)	(333,229)
Reserve provided during the fiscal year	1,556,088	2,000,000	3,556,088	1,745,564	0	1,745,564
Balance at the end of fiscal year	7,650,921	8,000,628	15,651,548	6,820,016	6,057,904	12,877,920

28- Term Investment Deposits

Description	2016-17	2015-16
	IRR Million	IRR Million
Long-Term Investment Deposits	320,508,322	331,911,392
Short-Term Investment Deposits	233	248
Special Short-Term Investment Deposits	209,702,729	29,439,075
Forex Time Deposits	2,850,131	2,830,175
Total	766,196,729	611,850,548

29- Profit Payable to Term Investment Deposits

Description	Balance on Mar. 19, 2016	Interim Profit of Fiscal Year Paid	Difference Between Interim and Final Profit	Profit Payable during Fiscal Year	Balance on Mar. 20, 2017
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Public Investment Special Deposit Certificate	7,604	0	0	982	6,622
Investment Deposit of Morvarid (Pearl) Scheme	5,276,961	2,173,556	0	3,592,548	3,857,969
Total	5,284,565	2,173,556	0	3,593,530	3,864,591

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30- Capital

Source of Capital Increase	Amount of New Capital	Amount of Increase	Percent of Increase	Date of Capital Increase
	IRR Million	IRR Million	%	
Merger of banks	39,120	0	0	1979-1980
Reappraisal of fixed assets	571,120	532,000	1,359.92	1992-1993
Special participation bonds, the subject of article 93 of the 3 rd economic plan	1,231,120	660,000	115.56	2000-2001
Surplus of reappraisal of fixed assets	10,437,384	9,206,264	747.80	2004-2005
Cash provided, due receivables of shareholders and retained earnings	13,568,599	3,131,215	30.00	2010-2011
Retained profit	17,500,000	3,931,401	28.97	2011-2012
Surplus of fixed assets revaluation	45,700,000	28,200,000	161.14	2014-15

33- Legal Reserve

Description	2016-17	2015-16
	IRR Million	IRR Million
Balance at the beginning of fiscal year	7,089,101	7,089,101
Transfer from allocable profit	0	0
Balance at the end of fiscal year	7,089,101	7,089,101

34- Other Reserves

Description	2016-17	2015-16
	IRR Million	IRR Million
Balance at the beginning of fiscal year	4,724,044	4,724,044
Decrease	0	0
Transfer from allocable profit	0	0
Balance at the end of fiscal year	4,724,044	4,724,044

36- Difference in Foreign Exchange Conversion

Description	2016-17	2015-16
	IRR Million	IRR Million
Difference in Foreign Exchange Conversion of Overseas Operations		
Profit and loss resulting from conversion of cash balances in fiscal years 2004-05 and 2005-06	93,853	93,853
Operation in France	2,243,881	2,156,350
Operation in Tajikistan	37,052	30,846
	2,374,786	2,281,049
Result of legal variations in foreign exchange rates	723,900	723,900
Total	3,098,686	3,004,949

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38- Revenues from Granted Facilities, Depositing and Debt Bonds

Description	2016-17			2015-16		
	Joint	Non-Joint	Total	Joint	Non-Joint	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Revenues from granted facilities	146,932,731	6,899,124	153,831,856	108,744,574	7,320,461	116,065,035
Revenues from Depositing and Debt Bonds	1,202,409	308,856	1,511,265	6,206,799	302,498	6,509,297
Total Revenues from Granted Facilities, Depositing	148,135,140	7,207,980	155,343,120	114,951,373	7,622,958	122,574,332

39-Net Profit (Loss) of Investments

Description	2016-17			2015-16		
	Domestic Currency Joint	Foreign Currency Non-Joint	Total	Domestic Currency Joint	Foreign Currency Non-Joint	Total
	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million	IRR Million
Realized Profit (Loss) of Investments						
Profit (loss) from sales of shares of companies and investment funds	13,117,419	0	13,117,419	15,389,320	0	15,389,320
Dividend of shares of companies and investment funds	3,416,656	0	3,416,656	5,385,066	0	5,385,066
Total Realized Profit (Loss) of Investments	16,534,075	0	16,534,075	20,774,387	0	20,774,387
Profit (Loss) Increase (Decrease) in Value of Investments						
Net profit (loss) of Increase (decrease) in investments value	77,248	0	77,248	(4,212,402)	0	(4,212,402)
Net Profit (Loss) of Investments	16,611,323	0	16,611,323	16,561,985	0	16,561,985

40-Bank Resources' Share from Joint Income

Description	Ratio of Bank Resources to Total Expenses	Joint Income	Bank Resources' Share from Joint Income
	%	IRR Million	IRR Million
2016-17	9.3	164,746,463	15,213,068
2015-16	7.3	131,513,358	9,660,582

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41- Attorney Fee

The Bank's attorney fee was calculated based on the letter No. 94/69383 dated May 24, 2015, which prescribes 3% for the fiscal year of 2016-17.

Average Free Resources of Depositors × Attorney Fee Rate = Attorney Fee Amount

Average Free Resources of Depositors	Attorney Fee Rate	Attorney Fee Amount
624,583,543	2.9	18,147,284

43- Interim Profit Paid to Investment Deposits.

Description	2016-17	2015-16
	IRR Million	IRR Million
Short-term deposits	40,431,754	38,763,805
Special short-term deposits	15,816,699	7,769,374
Special three-month short-term deposits	3,813,167	2,089,209
Special four-month short-term deposits	29,974	71,971
Special nine-month short-term deposits	30,410	114,367
Profits paid to depositors of Kardan special three-month short-term deposits	0	1,173
Long-term Deposits		
One-year deposits	51,768,337	45,046,790
Two-year deposits	437,977	1,886,379
Three-year deposits	335,639	559,016
Four-year deposits	78,914	110,988
Five-year deposits	16,955,525	19,800,552
Term deposits of banks and other credit institutions	1,431,703	790,953
Profits paid to the Government employees' savings	256,012	269,098
Difference between interim and finalized profit	0	0
Total	131,386,111	117,273,675

44- Cost for Profit of Deposits

Description	2016-17	2015-16
	IRR Million	IRR Million
Profit of domestic currency investment deposits	131,386,111	117,273,675
Profit of Foreign currency deposits	128,004	150,840
Total	131,514,115	117,424,515

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45- Commission Fees Income

Description	2016-17	2015-16
	IRR Million	IRR Million
Net commission fees of interest-free-loan operations	236,118	164,312
Opened LCs	776,678	545,349
Opened LGs	2,945,942	2,718,419
Foreign exchange operations	35,858	30,303
Bank remittances	49,380	46,729
Reviewing customers' credit records	8,512	6,571
Credit card subscription	39,889	314,072
<i>Shetab</i> plan	1,092,124	437,354
Other services	1,265,244	2,506,194
Total	6,449,743	6,769,305

46 – Commission Fees Cost

Description	2016-17	2015-16
	IRR Million	IRR Million
Commission fees of <i>Shetab</i> plan	932,945	1,248,533
Commission fees paid to <i>Shetab</i> and <i>Shaparak</i>	571,037	442,672
Commission fees paid to PSP companies	249,000	133,740
Commission fees paid to remittances	320	708
Other	109,244	37,147
Total	1,862,546	1,862,800

47 –Net Profit (Loss) from Foreign Exchange Transactions

Description	2016-17	2015-16
	IRR Million	IRR Million
Profit (loss) from selling and buying foreign currencies	897,204	1,128,070
Profit (loss) from conversion of foreign currencies	1,414,882	956,620
Total	2,312,087	2,084,690

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48 – Other Operational Revenues & Costs

Description	2016-17	2015-16
	IRR Million	IRR Million
Revenues of Overseas Branches		
Revenues from granted facilities and depositing	40,562	27,376
Commission fee revenues	15,881	3,733
Profit and loss of foreign exchange transactions	(971)	47,538
Miscellaneous revenues	484	15,773
Costs of Overseas Branches:		
Cost of doubtful claims of overseas branches	(800)	0
Commission fee costs	(253)	(101)
General and administrative costs	(69,214)	(62,024)
Depreciation costs	(6,252)	(11,673)
Net Profit (Loss) of Overseas Branches	(20,563)	20,622

49 – Net Other Revenues & Costs

Description	2016-17	2015-16
	IRR Million	IRR Million
Profit (loss) resulting from selling tangible and intangible fixed assets	1,427,386	5,079,284
Profit (loss) resulting from selling real estate collaterals	80,698	56,226
Revenue from reviewing customers' credit records	163,037	135,149
Extra for informative report	47,523	57,137
Revenue from issuing and replacing Tejarat Cards	96,880	86,851
Miscellaneous revenues	663,144	372,098
Total	2,478,668	5,786,745

50—General and Administrative Costs

Description	2016-17	2015-16
	IRR Million	IRR Million
Personnel costs	20,903,166	20,099,059
Administrative costs	7,730,898	7,000,075
Total	28,634,064	27,099,134

51 – Doubtful Claims Expenses

Description	2016-17	2015-16
	IRR Million	IRR Million
Special doubtful claims costs	13,226,551	6,137,934
General doubtful claims costs	2,356,284	649,406
Bad debts costs	16,370	24,895
Total	15,599,205	6,812,235

Tejarat Bank (Public Joint Stock Company)
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52–Financial Costs

Description	2016-17	2015-16
	IRR Million	IRR Million
Profit Paid for Facilities Received from the Central Bank	4,624,058	6,305,995
Penalty for over-withdrawal from the Central Bank	846,625	143,778
Profit Paid for Facilities Received from the Development Fund	131,153	64,963
Miscellaneous	579,553	206,386
Remuneration paid for revaluation of immovable units	849	8,063
Total	6,182,237	6,729,184

53–Depreciation Costs

Description	2016-17	2015-16
	IRR Million	IRR Million
Depreciation of tangible fixed assets	2,400,424	546,377
Total	2,400,424	546,377

54 – Annual Adjustments

Description	2016-17	2015-16
	IRR Million	IRR Million
Correction of errors	(11,854,690)	(816,387)
Total	(11,854,690)	(816,387)

57 – Off Balance Sheet Items

57-1- Liabilities for domestic and foreign currency LCs

Description	2016-17	2015-16
	IRR Million	IRR Million
The Bank's liabilities for LCs	96,261,764	82,440,311
The Bank's liabilities for domestic LCs	14,953,690	8,919,095
The Bank's liabilities for LCs (overseas branches)	4,230	3,563
Total	111,219,685	91,362,969

57-2- Liabilities for issued domestic and foreign currency LGs

Description	2016-17	2015-16
	IRR Million	IRR Million
The Bank's liabilities for issued LGs – IRR	138,675,443	132,877,966
The Bank's liabilities for issued LGs – Forex	48,735,302	47,955,122
Total	187,410,745	180,833,088