

*In the Name of God,
The Compassionate,
The Merciful*

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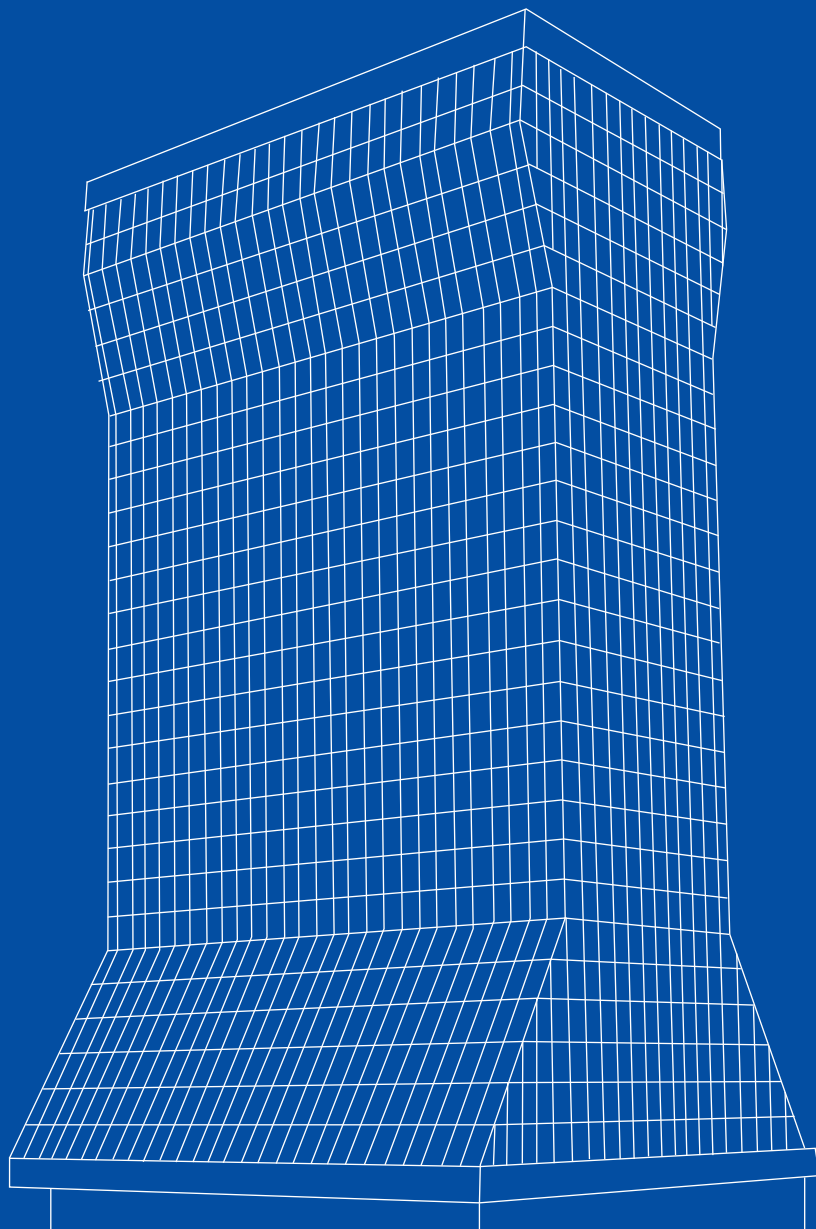
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CHAPTER ONE

INTRODUCTION TO THE BANK





MESSAGE OF BOARD OF DIRECTORS

Thanks the Lord for giving us again this success that with all efforts, assistance and collaboration of all the valuable employees of Tejarat Bank, we successfully passed through one more year and enhanced Tejarat Bank's pridelful history. During the preceding year, our homeland and its banking system faced with difficult conditions resulting from political and economic events as well as the fluctuations in various markets. Achieving the goals and implementing the Bank's plans in such circumstances surely might not be reached without rigorous plans and their continuous monitoring as well as monitoring the country's economic and political conditions. Accordingly in the past year; creating a think tank, forming workgroups for increasing commission fee revenues, improving the quality of credit assets, reducing the cost of money, foreign currency affairs, estates and investments, and flexible micro facilities, aiming at amelioration of balance sheet status and increasing the Bank's profitability, were put on the Bank's agenda, whose effect in the previous year can be seen as elimination of unnecessary branches, decreased costs of resources absorption, sales of excess and possessory properties, conversion of the Bank's operational loss into operational profit, rendering various new services and completion of the processes for transition to comprehensive banking.

Moreover, in the fiscal year 2018-19*, thanks to the admirable company of the esteemed shareholders, we increased the Bank's capital by 390% successfully sourced from assets revaluation and took a long step in exiting the Bank from the scope of Article 141 of the Amendment of Commerce Code, and drove the Bank to the position of the largest company in Tehran Stock Exchange and so we have given a worthy response to the shareholders trust.

Implementing the devised plans along with our coworkers' unaffected efforts during the fiscal year 2018-19, finally drove Tejarat Bank closer to its goal for gradual surpassing the loss trend. Achieving this goal is undoubtedly the Bank's first step for attracting satisfaction of the shareholders and stakeholders and protecting their interests. Applying the staff's unique experience and formulating operational and strategic plans like the previous years, Tejarat Bank will do its best to satisfy all beneficiaries of the Bank. It is worth mentioning that continuation of improving the resources portfolio with the aim of reducing the cost of money, augmentation of the return on facilities and trying to curb the growth of claims, increase of commission revenues, the sales of non-instrumental investments, and agility are among the main objectives for the fiscal year 2019-20.

* A fiscal year in Iran begins from the first day of spring and ends to the last day of winter, that is to say, from 20th or 21st of March of a year to 19th or 20th of the next year.

MEMBERS OF BOARD OF DIRECTORS



Mr. AMIRMASOUD RAZAZAN
Vice-Chairman of Board of
Directors



Mr. ALIREZA HAJALI
Chairman of the Board of
Directors



Mr. ABBAS
ASHRAFNEJAD
Board Member



Mr. ALI KEYLANI
Board Member



Mr. REZA DOLATABADI
Managing Director (CEO) &
Board Member



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.

1. HISTORY OF THE BANK

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 on Administrating 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 July 19, 1980.

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 for the first time, its stock was listed on Tehran Stock Exchange (T.S.E.).

Thanks to using the relative advantage of "expert human forces" and the advanced banking methods originating from the experiences of the integrated banks, Tejarat Bank has had the privilege of choosing and using the best banking systems and methods since its foundation. Benefitting from state-of-the-art software and hardware systems, having extensive international communications and specialized banking knowledge caused the Bank to be known as a major prestigious bank in Iran for many years and maintain its superiority in some fields such as letter of credits (LCs) and letter of guarantees (LGs). At present, with its capital amounting to IRR 223,926 billion, a staff consisting of 17,043 people, and use of modern technologies, Tejarat Bank serves the people and businesses by rendering services in its 1,478 branches and main branches countrywide.

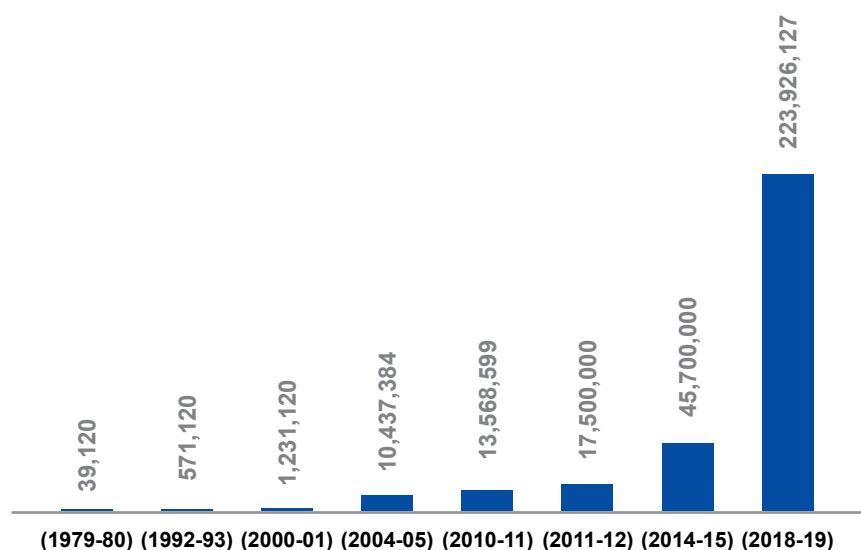
It is noteworthy that by March 20, 2019; just 17% of the Bank's stock remains in the government's possession.

2. 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 seven times as follows to IRR 223,926,127 million (consisting of 223,926,127,000 shares with nominal value of IRR 1,000 per share).

Source 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 the Banks	39,120	-	-	1979-80
Revaluation of Fixed Assets	571,120	532,000	1359.92%	1992-93
From the Special Bonds of Article 93 of the Third Development Plan Act	1,231,120	660,000	115.56%	2000-01
Surplus from revaluation of fixed assets	10,437,384	9,206,264	747.80%	2004-05
From cash, shareholders due receivables and retained earnings	13,568,599	3,131,215	30.00%	2010-11
From retained earnings	17,500,000	3,931,401	28.97%	2011-12
Surplus from revaluation of fixed assets	45,700,000	28,200,000	161.14%	2014-15
Revaluation of fixed assets & investments	223,926,127	178,226,127	389.99%	2018-19

Trend of Capital Increase during Different Years (IRR million)



The shareholders owning more than 1% of the Bank's stock at 2018-19 year-end are as listed in the following table:

Row	Name of Shareholder	Year ended Mrch 20, 2019	
		Number of Shares	Shareholding Portion %
	One percent and higher:		
1	Government of Islamic Republic of Iran (Ministry of Economic Affairs and Finance)	38,067,441,564	17.00
2	Saba Tamin Investment Co. (Public Joint Stock)	17,125,440,925	7.65
3	Privatization Organization – By representation (personnel's preference shares)	11,192,200,781	5.00
4	Tejarat Iranian Etemad Market-Making Special Investment Fund (BFM)	11,119,710,882	4.97
5	Tehran Province Investment Co. (Pvt)	9,109,884,794	4.07
6	Khorasan Razavi Province Investment Co. (Pvt)	7,271,501,926	3.25
7	Fars Province Investment Co. (Pvt)	6,166,016,082	2.75
8	Esfahan Province Investment Co. (Pvt)	5,621,790,014	2.51
9	Khoozestan Province Investment Co. (Pvt)	5,503,247,985	2.46
10	East Azerbaijan Province Investment Co. (Pvt)	4,645,170,800	2.07
11	Mehr 78 Support Services Co. Ltd.	4,573,590,693	2.04
12	Mazandaran Province Investment Co. (Pvt)	4,333,697,688	1.94
13	Market Development Joint Investment Co. (Pvt)	4,285,377,531	1.91
14	Kerman Province Investment Co. (Pvt)	4,224,862,737	1.89
15	South Mines Development Co.	3,919,932,200	1.75
16	Iran National Investment Co. (Pvt)	3,911,982,359	1.75
17	Guilan Province Investment Co. (Pvt)	3,909,983,529	1.75
18	West Azerbaijan Province Investment Co. (Pvt)	3,385,956,192	1.51
19	Macro International Services Co. (Pvt)	3,350,161,835	1.50
20	Sistan and Baluchestan Province Investment Co.(Pvt)	3,268,293,245	1.46
21	Kermanshah Province Investment Co. (Pvt)	2,956,165,889	1.32
22	Lorestan Province Investment Co. (Pvt)	2,809,954,975	1.25
23	Iran Health Insurance Organization	2,530,735,695	1.13
24	Golestan Province Investment Co. (Pvt)	2,469,635,454	1.10
25	Hamedan Province Investment Co. (Pvt)	2,346,735,210	1.05
	Others (Less than 1%):		
	Legal persons (317 shareholders)	28,127,589,321	12.56
	Real Shareholders (57,991 shareholders)	27,699,066,694	12.37
	Total:	223,926,127,000	100

3. MISSION, VISION, VALUES AND BELIEFS OF THE BANK

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:

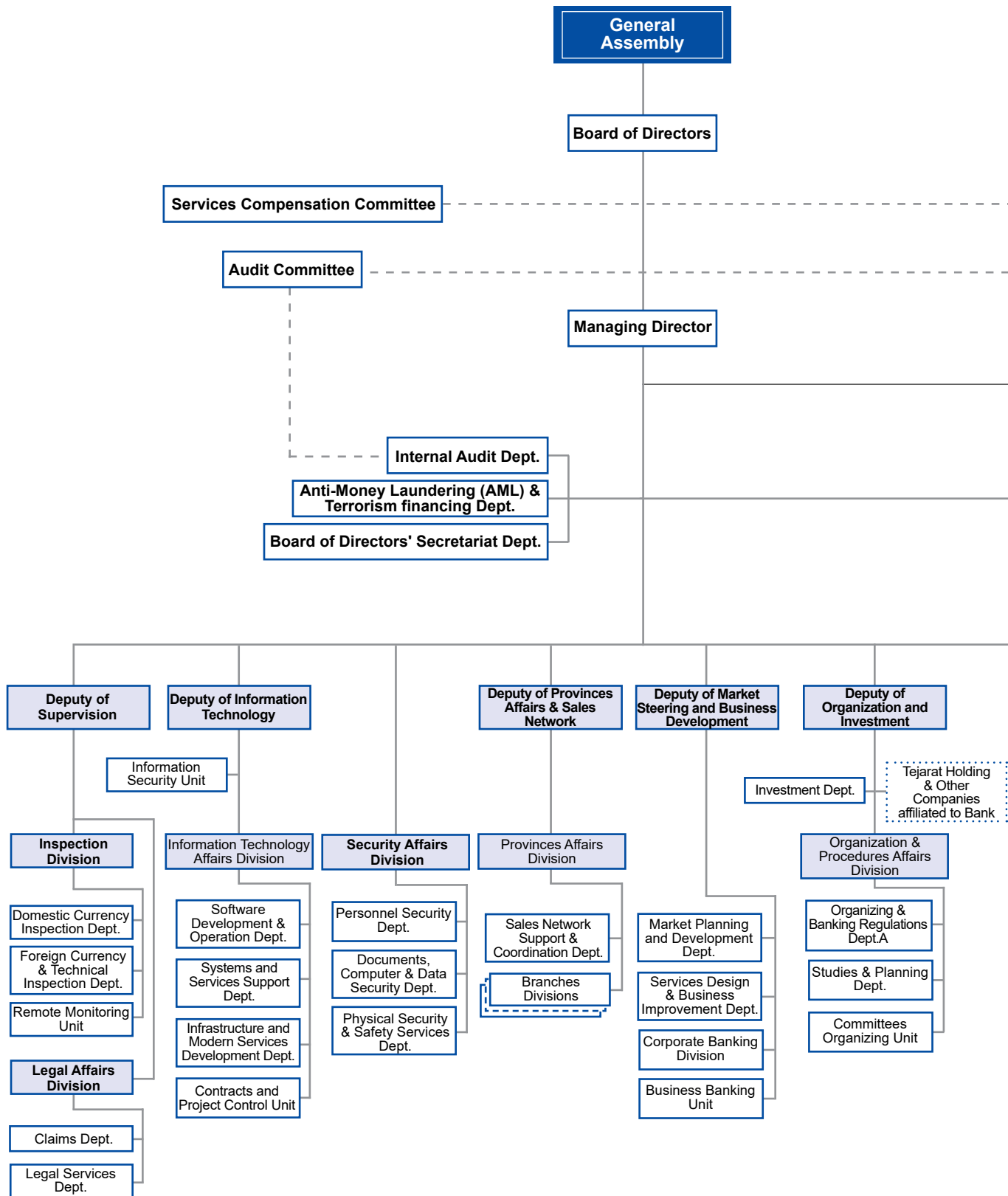
To be the first choice of clients in its prospective horizon, Tejarat Bank will be an accountable bank to meet the needs of clients through rendering the newest services at the shortest possible time.

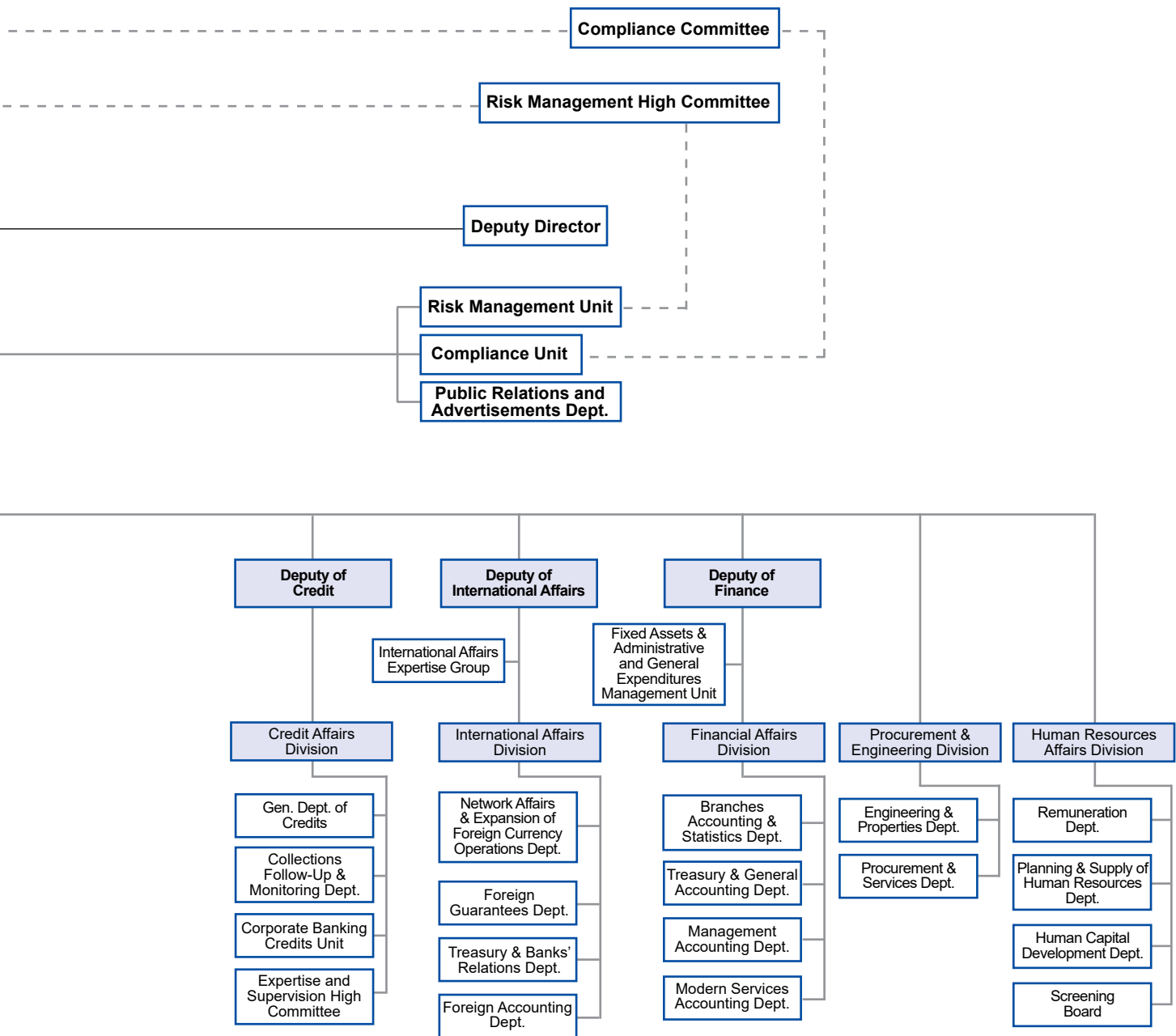
Values:

- 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.



4. ORGANIZATIONAL CHART





5. BANK'S MANAGEMENT BASED ON THE PRINCIPLES OF CORPORATE GOVERNANCE

Based on the new procedures in the 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 of banking 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 (CBI) on implementing the corporate governance principles in the Bank; a significant attention has been paid to the governance system of Tejarat Bank based on such principles. The principles of corporate governance cover all processes and structures that help the bank to manage and direct its affairs, with the aim of ensuring its secure and sound performance besides 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 give a general overview of the structure and areas of interest in the corporate governance, the actions taken in this area may be highlighted 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

According to the corporate governance principles and the directives provided by the CBI 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; the division of duties between the Board of Directors and the Executive Board was formed in Tejarat Bank. As such the Board of Directors is responsible for deciding on the Bank's macro policies and the Executive Board composed of specialist directors are assigned as responsible to execute the Bank's approved strategies and plans.

It is obvious that based on the "Directive on Corporate Governance in Non-Governmental Credit Institutions" communicated by the CBI, in line with the fulfillment of the Board of Directors' duties in the area of supervision and control, and 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 stakeholders' interests can be properly pursued. Such committees include "Risk Management High Committee", "Audit Committee", "Committee for Compensation of Services", "Committee for Management of Assets and Liabilities", "Committee for Strategic Planning" and "Compliance Committee", which act in the framework of the specified task descriptions. Also, in line with the execution of the requirements of the new directive on corporate governance of the companies admitted in Tehran's Stock Exchange and Iran Fara Bourse passed on July 18, 2018 by the Board of Directors of Stock Exchange

Organization; "the High Committee for Appointments" was formed in the Bank beside the "Committee for Compensation of Services".

With regard to the implementation of the risk management system; it should be mentioned that the risk management system was accomplished in conformity with the directive published by the **CBI (Central Bank of Iran)** titled "Guidelines for Effective Internal Control System in Credit Institutions". Within the framework of the 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" and "Market Risk Management Subcommittee". The "Risk Management High Committee" detects, examines and controls various risks facing the Bank through the above committees. These committees act expertly under the supervision of the "Risk Management High Committee" to meet its tasks efficiently and manage various risks. The Bank also formed the "Risk Management Unit" in line with management of its risks in the past years. Risk Management Unit is responsible for monitoring, measuring and controlling the most important risks facing the Bank.

In addition, the issue of internal control in Tejarat Bank within the framework of the prepared codes and based on the instruction titled "Guidelines for an Effective Internal Control System in Credit Institutions" is pursued by establishing an independent department for internal audit, as well as regular sessions of the "Audit Committee". Internal audit is actually an important part of the value creation chain in modern organizations that within the framework of the corporate governance plays an important role in the sustainable development of the organization.

6. TEJARAT BANK'S BRANCHES NETWORK

One of the major policies of the Bank in recent years has been the optimization of the branches network by reducing extra branches aiming at agility in the Bank and reduction of costs incurred by the unnecessary branches; so in 2018-19, in continuing the implementation of the "Optimization Program of Branches Network by Reducing the Unnecessary and Economically Unjustified Branches", the number of the Bank's domestic currency branches reduced to 1,438 from 1,610. Meanwhile, the plan for reducing the number of branches by 100 in 2019-20 is underway.

	Description	Domestic Currency Branches	Domestic Currency Counters	Domestic & Foreign Currency Branches	Foreign Currency Units	Foreign Currency Counters	Overseas Branches
2018-19	Regions of Tehran	267	72	9	14	4	-
	Regions of other Cities	1147	329	---	25	3	-
	Free Trade Zones	15	10	---	1	--	-
	Total	1429	411	9	40	7	2
2017-18	Regions of Tehran	305	79	8	14	3	-
	Regions of other Cities	1279	347	---	26	2	-
	Free Trade Zones	18	9	---	1	--	-
	Total	1602	435	8	41	5	2

Overseas Branches

Tejarat Bank has two overseas branches in France (Paris) and Tajikistan (Dushanbe) and a representative office in China (Beijing). Also, the Bank is the owner of more than 99% of the shares of T.C Bank (Trade Capital Bank, Belarus) and one of the major shareholders of PIB (Persia International Bank, London) and EIH (Europaeisch-Iranische Handelsbank).



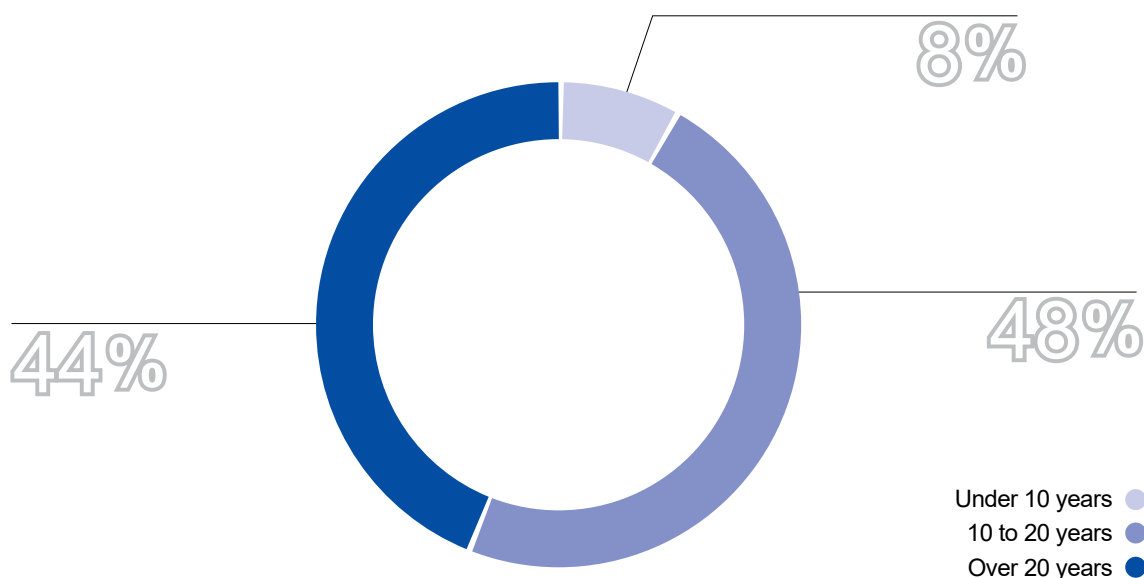
7. COMPOSITION OF HUMAN CAPITAL

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 dynamic and creative human resources has been one of the major strategic goals of Tejarat Bank during the recent years.

**Composition of Bank's Human Resources
In Terms of Education, Gender and Place of Service – Fiscal Year 2018-19**

Description	Bachelor Degree and Higher		Total	Associate Degree and Lower		Total	General Total
	Male	Female		Male	Female		
Back Office	2,224	760	2,984	1,254	159	1,413	4,397
Front Office	5,540	1,683	7,223	4,772	639	5,411	12,634
Total	7,764	2,443	10,207	6,026	798	6,824	17,031
Portion	46%	14%	60%	35%	5%	40%	100%








Analysis of Human Resources in Terms of Work Experience (%)



8. INTRODUCTION TO THE SUBSIDIARIES OF THE BANK

In order to complete its value chain, Tejarat Bank has established companies or invested in its subsidiaries that are listed in the following table. These companies in fact play an important role, directly or indirectly, in providing services to the Bank and its clients.

Company Name	Establishment Year	Last Registered Capital (IRR million)	Tejarat Bank's Ownership Percentage	Scope of Business
 Simorgh Tejarat Total Systems Co. www.stts.ir	2012-13	100,000	65% directly and indirectly	<ul style="list-style-type: none"> Study, design, consultation, technology transmission, installation and commissioning, repair and maintenance, building and support in the field of non-media and non-educational computer equipment, hardware and software systems in the field of IT
 Tejarat Exchange Co. http://tejarat-exchange.com	2009-10	50,000	100% directly and indirectly	<ul style="list-style-type: none"> Trading foreign currencies and gold coins minted by the CBI Conducting the operations related to bills of exchange through the domestic authorized banks and non-bank credit institutions Rendering foreign exchange services abroad through correspondents within the framework of the national regulations on foreign exchange.
 Kardan Investment Bank Co. www.kardan.ir	2013-14	2,000,000	50% directly and indirectly	<ul style="list-style-type: none"> Subscription, undertaking subscription, undertaking purchase of securities in secondary supplies at the limit of its affordability or through the formation of syndicates or other similar bodies Sub-activities including rendering services and consultation in the fields related to the main businesses and providing services of brokerage, dealing, portfolio and assets management, and investment funds management, etc.
 Tejarat Bank Brokerage Co. www.bt-broker.com	1993-94	180,000	100% directly and indirectly	<ul style="list-style-type: none"> Brokerage services, brokerage/dealing and market management on securities and commodities. Financial and consultation services on investment funds management, marketing, portfolio management, pricing, designing, and trading securities, etc.
 Kish Iran Credit Card Co. www.kiccc.com	2003-04	2,000,000	51.8% directly and indirectly	<ul style="list-style-type: none"> Developing and managing extensive payment service networks for payments to the banking system, insurance companies, and capital market. Marketing and installation and support for POS machines of various banks nationwide and rendering e-payment services for acceptors of bank cards.
 Tejarat Iranian Technologic Infrastructure Co. (ZAFTA) www.zafta.ir	1985-86	30,000	100% directly and indirectly	<ul style="list-style-type: none"> procurement, purchase, sale, import and export, commissioning, maintenance and support of all kinds of hardware, software and electronic, electrical, computer and mechanical equipment used in all kinds of office, commercial, production, financial, banking, stock exchange businesses, etc. Services of study, research, management, expertise, consultation, design, executive and regulatory implementation in any affairs related to the company's scope of business. Supply of expert forces required for state-owned and private banks, companies, institutions, organizations and natural persons and legal entities. Cooperation with specialized natural persons and legal entities in different ways including contracting, service purchase, remuneration and employment, legal participation and formation of a consortium, in order to perform the affairs related to the company's scope of business.

Company Name	Establishment Year	Last Registered Capital (IRR million)	Tejarat Bank's Ownership Percentage	Scope of Business
 Tejarat Services Co. http://www.portal.kh-tejarat.com	1984-85	10,000	100% directly and indirectly	<ul style="list-style-type: none"> Internal and external cleaning services, building decoration and rendering technical, professional and office services to all of the units of the Bank and other institutions. Import of raw materials and machinery related to the company's scope of business. Performing any permissible commercial affairs with regard to the company's scope of business and performing any services required by the banks or other institutions. Investing in other service, commerce and production companies and performing any computer services including hardware and software.
 Tejarat Insurance Co. http://tejaratinsurance.com/	2016-17	1,570,000	20% indirectly	<ul style="list-style-type: none"> Doing all direct insurance operations in various fields of insurance including life insurance, etc. according to the permits issued by the Central Insurance of I.R. Iran. Acquiring reinsurance coverage for issued policies. Investments by using the capital and technical and legal reserves and savings within the framework of the regulations approved by Insurance Supreme Council.
 Leasing Iran Co. www.leasingiran.com	1975-76	600,000	43.8% directly and indirectly	<ul style="list-style-type: none"> Buying any commodity and movable and immovable properties and assigning them to the applicants in the form of a contract of leasing or sale by installments. Sub-activities including trading various securities in order to manage liquidity within the framework of the related rules, regulations and directives. Granting hire-purchase facilities for various kinds of vehicles and mining, industrial road construction heavy machinery, production and service machinery, and medical, dentistry, devices and equipment, construction, etc.
 Iranian Investment Co. www.iic.co.ir	2003-04	3,600,000	100% directly and indirectly	<ul style="list-style-type: none"> Investing in stocks, shares, investment units, funds, or other securities.
 Tejarat Investment & Construction Co. www.ticc.ir	1985-86	3,000,000	100% directly and indirectly	<ul style="list-style-type: none"> Investment and establishing and founding production, industrial, agricultural and construction factories and units and administering them. Partnership in other companies, procurement of land, purchase of uncompleted projects, execution of construction and contractual operations of residential, commercial and office units. Consultation, design and supervision over construction operations.
 Tejarat Iranian Electronic Communications Development Co. (TATA) www.tiddev.com	2013-14	300,000	100% indirectly	<ul style="list-style-type: none"> Rendering expert and consultation services on computer, electronics, telecommunications and IT. Mechanization including analysis, production, implementation and control of software and hardware systems Execution of the Core Banking project in Tejarat Bank
 Tejarat Iranian IT Tadbirgaran Co. (TAFTA) www.taftaholding.ir	2013-14	10	100% directly and indirectly	<ul style="list-style-type: none"> Administering the affairs and investing in the shares of the companies operating in the field of IT to boost the advance in the Bank's missions. Study, design, consultation, technology transfer, installation and operation, maintenance and repair, production, manufacturing and support in the field of telecommunication computer and hardware equipment (both landline and mobile) and software in the field of IT and telecommunication, including virtual technologies, e-business, e-commerce, e-banking, e-insurance, e-health and the like. Business in the field of modern banking software including Mobile Bank, Internet Bank, Telephone Bank, and the like. Production, sales and support of software ordered by customer.

CHAPTER TWO

**THE BANK'S PERFORMANCE
IN FISCAL YEAR 2018-19**



1. THE ECONOMY OF IRAN IN 2018-19

1.1. Real Part

After experiencing a 3.9% economic growth in 2017-18, with the US's withdrawal from the JCPOA and the return of financial and economic sanctions in 2018-19, just like what happened in 2012-13 and 2013-14, the country's economy is suffering from inflation and recession. Based on the reports of the Statistical Center of Iran; the GDP at the fixed prices of 2011-12 reached IRR 7,130 trillion with petroleum and IRR 5,734 trillion without petroleum at the end of 2018-19. These figures were IRR 7,496 trillion with petroleum and IRR 5,874 trillion without petroleum at the end of the previous year which indicates a -4.9% growth of GDP with petroleum and -2.4% without petroleum at the end of 2018-9.

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

Compared to Fixed Prices of 2011-12	2017-18	2018-19
Agriculture Group's Value Added	1	-1.5
Industry Group's Value Added	2	-9.6
Petroleum Group's Value Added	2	-13.9
Service Group's Value Added	6.8	0
Economic Growth (with Petroleum)	3.9	-4.9
Economic Growth (without Petroleum)	4.6	-2.4

Source: Statistical Centre of Iran

Based on the fixed prices of 2011-12; the agriculture group's added value in 2018-19 is estimated at IRR 439 trillion, showing a decline of 1.5% compared with the previous fiscal year. During the same period, the value added of the industry group reached IRR 3,055 trillion, showing 9.6% decline compared with the previous fiscal year. Also the

added value of the oil and natural gas sector reached IRR 1,395 trillion showing a decline of 13.9% compared with the previous fiscal year. The main reason for the decline in value added of the oil sector is the oil sanctions imposed on the country in early November, 2018, due to return of sanctions.

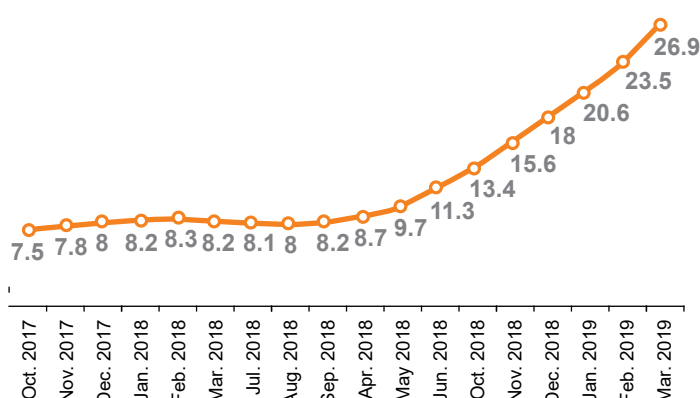
The only sector that did not face a decline in value added at 2018-19 year-end was the service sector that its value added amounting to IRR 3,647 trillion shows no change compared with the previous year.

1.2. Financial and Monetary Sector

In 2018-19 similar to the previous years, the approach of the **CBI (Central Bank of Iran)** as the monetary policymaker of the country was focused on the continuation of monetary discipline, liquidity growth management, and the policy of directing financial resources towards productive activities. In addition, the bank-centered nature of the financing system in the economy of Iran led the CBI to adopt the promotion of discipline and the restructuring of the national banking system as one of its priorities during the said fiscal year. In this regard, a special emphasis was made on the transparency in the financial statements of the banks.

Although the inflation rate was a single-digit number over the early months of 2018-19, but due to the rise in exchange rate in the country's exchange market, the inflation rate took an ascending trend and came to 26.9% at the end of the year.

Annual Inflation Rate over October 2017 to March 2019

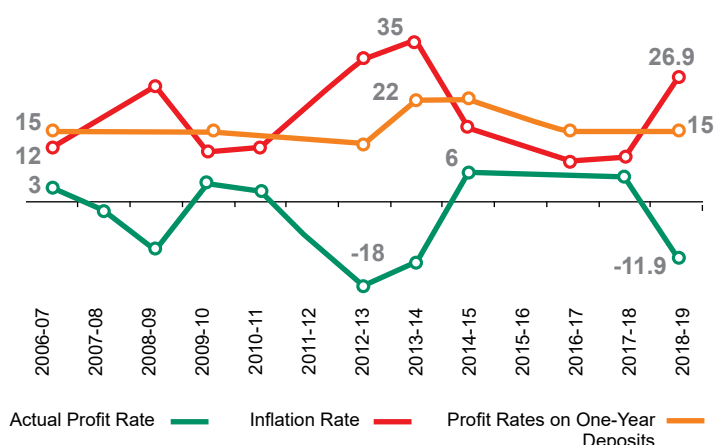


Source: Statistical Centre of Iran

The liquidity volume in the country, which had grown by 23.2% and 22.1% during the fiscal years 2016-17 and 2017-18, respectively, rose to IRR 18,828 trillion on March 20, 2019, showing a 23.1% growth compared to the previous fiscal year. The quasi-money constitutes the main portion (84.86%) of the liquidity in 2018-19, showing a 2.43% decline compared with its portion on the similar date of the previous year (87.29%). Also, the monetary base growing by 24.2% compared with March 20, 2018, came to IRR 2,570 trillion at March 20, 2019.

The readjustment of the deposits and facilities profit rates, which was adopted by the CBI in September 2017 to match the bank profit rates with the inflation rate, caused a decline in the actual profit rates on bank deposits. However, as the inflation rate was a single-digit number in 2017-18, the actual profit rates still remained positive. With the increased inflation rate in 2018-19, the actual profit on deposits declined and reached -11.9%.

Annual Inflation Rate over October 2017 to March 2019



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

On March 20, 2019, the total deposits and facilities balance of the banks and credit institutions amounted to IRR 20,673 and 15,090 trillion, showing growths by 25% and 20%, respectively, compared with the same date of the previous year.

In the field of credit policies, the CBI's main approach was to focus on providing the production units with working capital to operate the vacant capacities of the economy and to support the SMEs.

In 2018-19, the total volume of facilities paid by the banks to the economic sectors came to IRR 7,737.3 trillion showing growth by IRR 1,598.2 trillion (26%) compared with the previous fiscal year. The share of the facilities paid in the form of working capital in all the economic sectors in 2018-19 amounted to IRR 4,319.9 trillion, equaling 55.8% of the total facilities paid, which shows a growth by IRR 531.1 trillion (equal to 14%) compared with the performance in 2017-18. As it is seen in the table below, more than 78.7% (equal to IRR 1,643.3 trillion) of the facilities paid in the industry and mines sector amounting to IRR 2,089.3 trillion was paid to provide working capital, which indicates the priority of financing in this part and the banks' attention to this priority during the year under report.

Facilities paid in fiscal year 2018-19 separated in terms of economic sectors IRR Trillion / %

Economic Sector	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	132	22.7	150	7.2	486	46.9	41	3.7	314	10.9	0.2	3.3	1125	14.5
Provision of Working Capital	352	60.2	1643	78.7	146	14.1	824	73.2	1348	46.6	5	74.9	4319	55.8
Repair	1.5	0.3	5	0.3	82	8	4	0.4	61	2.1	0.02	0.3	155	2
Development	39	6.8	149	7.1	23	2.3	49	4.4	204	7.1	0.7	9.8	467	6
Purchase of Personal Goods	17	2.9	27	1.3	10	1	60	5.4	477	16.5	0.4	6.6	592	7.7
Purchase of Housing	3	0.5	6.7	0.3	260	25.1	9.5	0.8	43	1.5	0.2	2.8	322	4.2
Other	38	6.6	106	5.1	27	2.6	136	12.2	443	15.3	0.1	2.4	753	9.7
Total	585	100	2089	100	1037	100	1125	100	2892	100	7.4	100	7737	100

Source: Central Bank of Islamic Republic of Iran

2. TEJARAT BANK'S MAJOR ACHIEVEMENTS IN 2018-19

- Becoming the largest company in the Stock Exchange after the capital increase by IRR 223,926 billion sourced from revaluation of the assets
- Exiting from the operational loss and entering into operational profit by increasing facilities revenues and reducing costs of deposits
- 174% return on Tejarat Bank's shares in the Stock Exchange
- Reduction of money cost by 2.7%
- Securing the top rank in (domestic and foreign) LCs and (foreign currency and domestic currency) LG commitments in the major commercial banks' market
- Downsizing the number of the Bank's branches by 221 with the aim of reducing costs and reinvigorating the organization and realizing the Bank's macro objectives
- Acquiring the National Award as the Top Rank in Transparency and Honesty in rendering banking services in the Conference of National Production Strategy
- Acquiring the Golden Award of National Endurance in the Economic Development in the 16th Conference of the Heads and the Managers of Most Prominent Iranian Companies and Organizations
- Acquiring the Golden Award as the Most Profitable and Yielding Customer-Oriented Bank in 2018 in the Conference of National Endurance in Production and Services
- Acquiring the National Award as the Top Rank Bank in

the country for providing support facilities to production and services enterprises in the Conference of National Endurance in Production and Services

- Introduced as a Well-known Figure of Industry, Mines and Trade in the National Congress of Well-known Figures of Industry, Mines and Trade in 2018

- Receiving a Certificate of Appreciation from the Association of the Blind and Visually Impaired for Tejarat Bank's planning, taking action, and special attention and support of this appreciable and deserving group in various areas of banking

- Receiving a Certificate of Appreciation from the Resistance Economy Fraction of the Islamic Consultative Assembly for supporting the policies of Resistance Economy and boosting the small and medium sized enterprises

3. A SELECTION OF THE FINANCIAL INFORMATION

Title	Restated		
	2018-19	2017-18	2016-17
<u>A) Info on financial performance during the period (amounts in IRR billion)</u>			
Operating revenue	65,122	(6,004)	43,316
Non-operating revenue	4,210	2,481	2,479
Net profit (loss) – after deduction of tax	(5,521)	(60,859)	(7,472)
Annual adjustments	(24,041)	(5,793)	(11,855)
Attorney fees	2,694	0	14,342
<u>B) Info on financial status at the end of the period (amounts in IRR billion)</u>			
Total deposits	1,420,283	1,108,947	957,126
Total facilities	688,281	547,459	483,177
Total assets	1,942,874	1,345,746	1,202,596
Total liabilities	1,778,059	1,388,020	1,158,183
Registered capital	223,926	45,700	45,700
Total Equity	164,815	(42,274)	44,412
Cash fund resulting from operating activities	46,185	5,298	2,666
Cash at the end of the period	115,446	46,422	36,618
<u>C) Rate of return (%)</u>			
Rate of Return on Assets	(0.3)	(4.8)	(0.7)
Rate of Return on Equity	(9.0)	(5,693)	(15.3)
<u>D) Info on each share</u>			
Number of shares on the date of General Meeting – Million Shares	223,926	45,700	45,700
Earnings per Share (EPS) (IRR)			
<u>E) Other info</u>			
Number of employees – People (at end of fiscal year)	17,031	17,562	18,347
Number of branches	1,440	1,612	1,661
Number of main branches (Foreign Exchange units)	40	41	40

4. INTERNAL AUDIT AND ENHANCING THE BANK'S INTERNAL CONTROL SYSTEM

According to Article 1 of the Internal Audit Practice Code, internal auditing is an independent and impartial assurance and consulting activity that is planned to create added value and improve operations. By adopting a systematic approach to assess and improve the effectiveness of operating, risk management, and internal controls; the internal auditing helps in achieving the Bank's objectives.

According to Article 2 of the Code, the scope of the internal audit function should be determined in such a way as to identify, assess and advise on risks associated with the management, operations and internal control systems of the Bank in relation to the following considerations:

1. The reliability and correctness of the financial and operational information of importance, and timely delivery of the information to the users;
2. Cost-Effectiveness, Efficiency and Effectiveness of Operation;
3. Quality control processes;
4. Protection of assets;
5. Observance of the laws and regulations, procedures, guidelines, rules and requirements of the industry and the provisions of the contracts.

Internal Audit Annual Plan

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

Major Achievements of the Internal Audit Dept. in 2018-19

- In view of the calculations made regarding the time budget available to the Internal Audit Dept. and considering the priority of the identified risks (extracted from the comprehensive plan), the following cycles and units have been audited in 2018-19:
 - The IT cycle including the internet banking systems management, data center management;
 - The cycle of provisions and engineering;
 - Human resources management including processes and systems for compensation of services; processes and systems for human forces planning; processes for training and development of human resources
 - Inspection affairs management
 - The cycle of investment
 - Verifying the reliability of the report on analysis of the due dates of assets, debts and the data of Satrap Liquidity System
 - Tejarat Investment and Construction Holding
 - Pathology of macro risks in the area of IT
- Updating the data in the "Database Software" by the IT Auditors of the Internal Audit Dept.
- Reviewing the letter received from the management of the Independent Auditor, and collecting and



analyzing the replies of various units

- Reviewing the state of discrepancy between the balance of Foreign Currency Reserve Fund with the CBI and Tejarat Bank

Performance of the Audit Committee in 2018-19

The purpose of formation of the Audit Committee is to assist the Board of Directors in the fulfillment of its regulatory responsibilities in relation to financial reporting process, internal control system, internal audit process and the Bank's processes for monitoring the compliance with the ethical rules and regulations. In fact its duty is contributing in the fulfillment of the Board of Directors' regulatory responsibilities and its improvement to ensure the following:

1. The ability to rely on financial statements and financial reporting
2. The existence of an efficient and effective internal control system
3. The establishment of the internal audit unit and its continuing operation efficiently and effectively
4. The observance of the professional independence and competence of the independent auditors and the effectiveness of their performance
5. The observance of the laws and regulations governing the Bank's business and moral rules

Audit Committee Sessions

In 2018-19; the Audit Committee held 21 sessions in which the issues related to financial reporting, independent auditors, internal audit reports, and cases related to subsidiaries and holdings of the Bank were discussed and evaluated in compliance with Audit Committee's Code and, the major issues are as follows.

1. Reliability of the Financial Statements and Financial Reporting

- Examining the annual financial statements of the Bank and the Group for the fiscal year ending March 20, 2018, and the draft report of the Independent Auditor and important paragraphs thereof including claims from Government, non-performing loans, selling corporate stocks and the actuarial calculations
- Examining the latest measures taken to implement the reforms prescribed by the CBI in its letter of issuing permit for convening the General Meeting
- Reviewing the issue of the Bank's capital increase from the source of revaluation of assets and its different aspects in the many sessions of Audit Committee with the participation of authorities from Financial Deputyship and Independent Auditors and suggesting solutions to Board of Directors
- Examining the capital adequacy of the Bank after the capital increase from the source of revaluation of assets and suggesting solutions to Board of Directors
- Reviewing the Independent Auditor's special report on claims from Government in many sessions of the Audit Committee with the participation of authorities from Financial Deputyship and independent auditors
- Examining the issue of sale of the Bank's owned shares in the Stock Exchange (as prescribed by the Law on Elimination of Obstacles to Production and Promotion of the National Financial System approved in 2015, Article 16 – Para. b) and

emphasizing on the necessity of timely submission of the results of the taken measures including notice of auctions, holding auctions, non-existence of buyer to the CBI in order to obtain the permit for extension of selling deadline for tax exemption

2. Internal Controls Systems

- Review and approval of the performance reports of the Audit Committee and the Internal Audit Dept. in 2017-18"
- Review and approval of "the Report on the Progress in Implementing the Internal Controls Total System" related to the performance in 2017-18 to be presented to the CBI
- Review and approval of "the Internal Control Report for the period ending March 2018" to be presented to the Stock Exchange and Securities Organization
- Attempts to establish audit committees in holdings and companies of Stock Exchange, and promoting the quality of services rendered by such committees by qualifying the members proposed by the Audit Committee technically and professionally, holding sessions and examining the committees' performance

3. Internal Audit

- Review and approval of the "Annual Plan of Internal Audit"
- Review and approval of the internal audit reports of different sections of the Bank
- Revision of the Audit Committee's Code and Internal Audit Code

4. Independent Auditor

- Discussion and exchange of views with independent auditors in several sessions of the Audit Committee on various issues of financial reporting and the constraints facing them, the annual financial statements of the Bank and Group ending March 20, 2018, and biannual mid-term ending Sep. 22, 2018, the draft report of the independent auditor and legal inspector, the report of the independent auditor on the details of foreign currency resources and consumptions and assets and liabilities for the fiscal years ending March 19, 2012 and March 20, 2013.
- Providing the independent auditors with required documentation

5. IMPLEMENTATION OF TRANSPARENCY STANDARDS

One of the accepted, and of course indispensable, principles 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, in particular banks, is actually a guarantee of the soundness of their performance, thus eliminating the possibility of violations or disturbances in the financial system. Also, the observance of transparency in the provision of financial information is a major element in corporate governance. Therefore, the Central Bank of the Islamic Republic of Iran, by notifying "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 CBI through the Bank's website at certain intervals. The release of the information required by the CBI 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 the necessity of transparency in the domestic arena, the importance of international communication with foreign correspondents more than ever necessitates paying attention to transparency in the international arena. 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 the implantation of the corporate governance framework in banks (Circular No. 96/51935 of May 14, 2017), compilation of financial statements in accordance with the sample communicated by the CBI (IFRS) (Circular No. 97/233860 of Sep. 30, 2018), calculation of the capital adequacy in accordance with the Directive on Calculation of the Credit Institutions' Regulatory Capital and Capital Adequacy (Circular No. 97/31434 of Apr. 25, 2018), and Directive on Corporate Governance of the companies admitted in the Stock Exchange (Notice No. 97/B/440/037 of Nov. 03, 2018), as well as considering that the traditional regulatory approach of the CBI has been modified to a risk-based approach; Tejarat Bank has adopted the necessary plans to keep pace with such approaches and also to establish the risk management governance based on Basel II and Basel III standards.

The Bank's major strategy in the field of risk management is to achieve the Enterprise Risk Management (ERM), in such a way that in accordance with the Bank's Risk Appetite Document, all risks in the Bank's different business fields can be controlled and managed totally and relatedly 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, liquidity risk and market risk.

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 the issue of 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 that represent the status of credit risk are presented in the following table:

Credit Risk Indicators from 2016-17 to 2018-19 (%)

Title of Indicator	2018-19	2017-18	2016-17
Net Deferred and doubtful claims to total facilities and claims ratio	10.2	11.3	12.1
Net LCs and LGs claims to total liabilities for LCs and LGs ratio	0.9	1.2	1.5
Reserves adequacy ratio	58.7	58.6	59.4

As it can be seen in the table above, the Bank's claims ratio had a descending trend over the past three years. In addition, in order to cover more credit risk, some appropriate reserves have been allocated for this purpose, so that in 2018-19, the Bank's ratio of claims reserve showing an ascending trend was about 59%. In this regard, although some effective measures were 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, outsourcing the collection of nonperforming loans, etc., which caused a reduction in the claims and claims ratios, but due to the current stagflation conditions and the increased systematic risks, the situation of business, profitability and liquidity of debtor customers has not been improved yet, and as a result, the Bank is still facing the nonperforming loans (NPL) challenge.

The Bank aims to adequately manage the credit risk by covering its three areas including credit rating and validation of customers, credit portfolio (facilities and liabilities) 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 obtaining a credit rank for all credit clients,
- Revision and updating of the quantitative model of scoring and rating for natural and corporate customers in expertise and information reports in the Bank's internal validation system,
- Revision of the Bank's credit process based on credit risk as follows:
Systematizing the credit process from the stage of requesting facilities to the settlement or collection of claims,
Monitoring of the credit behavior and risk rating of customers periodically,
Outsourcing the collection of nonperforming loans (Separating the collection process of nonperforming loans from the facilities granting units),
- Holding the sessions of Special

Committee for Collection of the Bank's Claims regularly.

2. Operational Risk

The operational risk and its management have always been one of the major priorities of the Bank with regard to its wide range and high impact. Therefore, in accordance with the international standard procedures (in particular the standards of the Basel Committee), the risk management process in the Bank is carried out in two ways:

1. Identifying the Bank's Operational Risks by Risk Control Self-Assessment (RCSA) Method:

In 2018-19, the RCSA method was implemented in the Bank's International Banking domain and some appropriate risk control solutions have been developed and suggested in the Operational Risk and System Security Management Committee. Also, the fields in which the said method has been implemented are obliged to provide the Committee with their quarterly reports on the measures taken to reduce the identified risks.

2. Recording Operational Loss Events in the Operational Risk Management System (Loss Database)

With regard to the establishment of the database of losses and the measurement of operational risk in the Bank; the information registrar users of the relevant divisions have recorded about 2,387 operational risk losses in the operational risk management system by the end of 2018-19 year-end, based on which the risk management reports can be presented in terms of various items (geographic area, type of loss event, causes of loss event, etc.). Also, by entering the available data in the system in the coming years, we will be able to calculate the coverage reserve using this advanced method.

Coverage reserve required for operating risk based on the basic method (approved by the CBI) is provided in the following table:

**Coverage Reserve Needed for the Operational Risk
Amounts in IRR million**

Description	March 2018-19	March 2017-18	March 2016-17
Basic Method	5,778,986	3,512,449	2,830,508

The coverage reserve calculated based on the above method is used in the calculation of the capital adequacy ratio in compliance with the new guideline communicated by the CBI. One of the ongoing plans during the current year in the field of operational risk management, is the implementation of RCSA method in the field of the Bank's human capitals and completion of the Loss Database.

3. Liquidity Risk

According to the CBI's guideline on the "Minimum Requirements for Liquidity Risk Management in Credit Institutions", the liquidity risk is the likelihood of the credit institution's inability to provide cash resources and or increased cost of providing cash for the debts repayment and fulfillment of obligations. In this regard, the liquidity status (balance of the current account with the CBI and the balance of the deposits received from the interbank market) has been monitored since years ago. By analyzing the trend of the relevant indicators such as ratio of facilities to deposits; the Bank manages its resources and expenditures status by holding regular sessions of the Resources and Consumptions High Committee.

As shown in the table below, the Bank's ratio of loans to deposits shows a descending trend, indicating the Bank's special attention to the optimal management of resources and expenditures with the aim of avoiding liquidity shortages. Also, the Bank's ratio of cash assets to total deposits (which expresses the cash coverage of deposits) showing an ascending trend rose to 7% compared with the previous year, which is in a good status.

Year	2018-19	2017-18	2016-17
Ratio of Facility to Deposits (after Deduction of the Regulatory Deposit)	85.5%	88.8%	89.6%
Ratio of Cash Assets and the Like to Total Deposits	8.9%	4.8%	4.1%

In order to measure the liquidity risk based on due date categories, the liquidity risk assessment system based on the static gap table was operated and therefrom the Static Liquidity Gap Table, indicating the amount of liquidity deficit or surplus at the contractual due dates of resources and consumptions, was extracted. As measuring the liquidity risk based on the liquidity at risk (LAR) module requires the extraction of the Dynamic Liquidity Gap Table (realization of the liquidity gap's behavior), the related program has been on the agenda since 2018-19 and continues in 2019-20.

Also, for the better compliance of the Bank's liquidity management process with the requirements communicated by the CBI, the guideline for "Measuring and Monitoring the Liquidity Risk", "Stabilization and Diversification of the Financing Sources and Management of Accessibility to Market" and "Liquidity Risk Crisis Test" were compiled and presented to the Liquidity Risk Management Committee to be approved.

4. Market Risk

"Market risk" refers to 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 the Bank actively buys and sells assets, liabilities 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, liabilities and derivative contracts that can be quickly traded in organized markets; but long-term investment portfolio includes assets and liabilities that are non-cash and held for more than one period. Given the fact that the Bank's portfolio includes foreign currencies and stock, therefore the market risk will be assessed based on risks of these two types of assets.

4-1- Foreign Exchange Portfolio Risk

According to the standards of the Basel Committee and the calculations made, the Bank's foreign exchange portfolio risk (open position) is presented in the table below. Here, the historical simulation and bootstrap methods are used for the risk calculation.

Open Foreign Exchange Position (Portfolio) Risk of Tejarat Bank
(Amounts in IRR billion)

Description	2018-19	2017-18
Open Foreign Exchange Position before Deduction of Bartered Facilities	76,503	34,996
<u>Portfolio Risk:</u>		
Historical Simulation Method	348	144
Bootstrap Method	354	160
<u>Ratio of Coverage Reserve to the Bank's Capital Base*</u>	3.3	2.5
Open Foreign Exchange Position after Deduction of Bartered Facilities**	35,135	11,802
<u>Portfolio Risk:</u>		
Historical Simulation Method	159	41
Bootstrap Method	165	51
<u>Ratio of Coverage Reserve to the Bank's Capital Base</u>	1.43	0.77

* The amount of coverage reserve is derived from the maximum differential between the last day risk and the average risk of 60 days past.

** The purpose of the bartered facility is to clear the Bank's foreign currency liability from the foreign exchange reserve account with the account of claims from Government over the past years. Since the settlement of such facilities (a significant part of which has been in the claims headings) are generally carried out in domestic currency (Iranian Rial, IRR) in accordance with the incentives announced by the CBI; it is reasonable that such currency assets should be withdrawn from the Bank's open currency position.

4-2- Stock Trade Portfolio Risk

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

Stock Portfolio Risk Status (Amounts in IRR billion)

Description	2018-19	2017-18
Stock Portfolio	20,981	14,300
Stock Portfolio Risk:		
Historical Simulation method	434	167
Bootstrap method	406	163
Ratio of Coverage Reserve to the Bank's Capital Base (%) *	6.6	3.1

* The amount of coverage reserve is derived from the maximum differential between the last day risk and the average risk of 60 days past.

As it is seen, along with the increase in the value of the stock trade portfolio (in terms of Iranian Rials) in 2018-19 compared with 2017-18 year-end (due to rising stock prices), the stock portfolio risk increased, which may attributed not only to the increased value of portfolio but also to the price volatility of stocks, the more concentration in the stock portfolio and the interaction among the internal components in the trade portfolio. Also it can be seen that proportional to the increased value of the stock trading portfolio and its involved risk, the required coverage reserve was also increasing.

4-3- Market Risk (Total)

(Amounts in IRR billion)

Description	2018-19	2017-18
Banks Trading Portfolio (including foreign currency & stock)	61,128	49,296
Market Risk:		
Historical Simulation method	566	225
Bootstrap method	548	234
Ratio of Coverage Reserve to the Bank's Capital Base (%) *	7.5	4.1

As shown in the table above, following the increase in the value of the portfolios of stock and foreign exchange (open foreign exchange position), market risk increased last year compared to 2017-18 year-end.

It is noteworthy that as a result of the increase in the value of trading portfolio of the Bank compared with the end of 2017-18 (including the stock trading portfolio and the net open foreign exchange position), the return on portfolio (caused by rising prices) as well as the portfolio risk increased.

5. 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 risks

In 2018-19; the Risk Management High Committee held eight sessions, during which the most important cases were handled and the issued approvals are as follows:

- Decision-making with regard to the communication of the circular on determining the scope of powers of the bodies for determining the ultimate credit risk rank of the client
- Examining the new circular on the capital adequacy and the importance of the front office personnel's knowledge about it
- The comparative comparison of Tejarat Bank with other Stock Exchange banks in terms of the risk indicators on March 20, 2018.

- Examining the report on the current facilities collateral coverage status based on the collaterals risk coefficients specified in the new Directive on Capital Adequacy
- Examining the contents of the CBI's circular regarding the Directive on Credit Risk Management of Malaysian Finance and Credit Institutions
- Examining the risks reported by the subsidiaries of the Bank's financial holding in execution of the Code of Risk Management of the Bank's Subsidiaries and Holdings
- Evaluation of the possibility of compilation and implementation of the Risk Management Information System (RMIS)

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, has taken the following measures in this regard in 2018-19:

- Quality control of the Mobile Bank System
- Preparing the documentation for a way to implement the digital Certificate Authority (CA) of Tejarat Bank
- Designing and formulating the contractual requirements checklist to control the production accuracy and implementing the IT section's products
- Examining and commenting on the potential impacts of a scenario of global internet outage on the sustainability of the Bank's internet services
- Preparing and providing documentation for security of virtualization platform of VMware vSphere
- Modifying the NDA (Non-Disclosure Agreement) document by identifying risks such as giving information to companies or entities before concluding contracts or giving information to companies in bidding documents
- Modifying in providing individuals with access to the Bank's systems
- Gathering documentation related to preparing and formulating the gap analysis document and holding sessions with contracting companies in the field of security standards and choosing a contracting company to implement BCMS standard
- Implementing the Information Security Management System (ISMS) based on ISO 27001
- Conducting the Penetration Test projects to control the security level of the Banking systems available to the public



8. ENFORCEMENT OF THE COMPLIANCE STANDARDS

In accordance with the national and international standards, the primary task of the Compliance section, is to manage and reduce the likelihood of being subject to penalties, legal punishments, regulatory punishments, bearing significant losses and damage to the Bank's reputation. Considering that one of the major upstream documents is the Directive on Corporate Governance Requirements; Tejarat Bank adopted the necessary plans and measures to establish this system complying with the communicated directive, and approved and implemented the policies and procedures on the compliance with laws and regulations including reviewing the governance committees and the requirements related to the compliance risk management. In this regard, the effective measures taken to create the infrastructure that led to the implementation of the activities carried out in 2018-19 can be categorized as follows:

- a) Establishing the independence of the compliance section and direct access to the Bank's Board of Directors;
- b) Access to sufficient resources to effectively carry out the responsibilities;
- c) Using national and international advisers' services to achieve the specified objectives.

The major measures taken in the Compliance section of Tejarat Bank during the fiscal year 2018-19 are as follows:

- Applying the governance standards and pursuing proper implementation of the corporate governance requirements, including codifying the Bank's standard framework document and Compliance Code in accordance with such requirements
- Improving the Compliance Risk Management Process while studying and analyzing the gap between the Bank's current and desired status and developing control and regulatory measures with a precautionary approach in the area of compliance
- Preparation and review of circulars and directives on the compliance process in the Bank
- Developing tools and creating an appropriate context to provide the compliance section with access to sufficient resources to ensure proper implementation of the compliance process
- Providing a roadmap to branches and units on how to identify stakeholders, producers, and buyers in order to correctly execute the KYCC, KYC and EDD processes
- Regular holding of sessions of governance committee of compliance periodically
- Reducing the number the clauses in the bank audit report by interacting with auditors of the Audit Organization, inspectors of the National Inspection Organization, and upstream authorities for optimal compliance risk management in the Bank
- Providing the compliance policy and its approval by the Bank's Board of Directors and communicating it to all levels of the organization, as well as ensuring its establishment and implementation in all executive units (including front and back offices) with continuous monitoring and developing a systematic procedure to communicate with regulatory units for an effective compliance risk management
- Updating and approving new activities for the compliance unit
- Creating a strong culture of compliance as an integral part of the Bank's business and the governance body members, by holding training courses and allocating a space in the Bank's organizational portal

The Compliance Committee

In line with the Directive of the CBI and the principles of corporate governance, the "Compliance Committee" was formed in the Bank with the objective of overseeing the management of risks arising from non-compliance with the laws and regulations, codifying and approving the Compliance Policy, ensuring effective execution of the compliance procedures and adopting appropriate remedial and disciplinary actions.

In 2018-19, the Compliance Committee held 7 sessions to oversee the adequacy and effectiveness of the compliance risk management, in which 37 topics in the fields of finance, credit, risk, AML, internal audit, international affairs, legal affairs, investment, compliance, procedures, guidelines, reporting, transparency, and the like were discussed. Some of the topics and titles discussed at the Committee's meetings were as follows:

1. Review and analysis of all legal and regulatory issues emphasized in the preparation of financial statements with the participation of the relevant divisions and departments.
2. Review and identification of those noncompliance cases that affect the Bank's reputation.
3. Review of the Bank's performance in creating and operating the joint profit system in accordance with the related circular issued by the CBI
4. Examining the execution of the circulars prohibiting the specific cumulative depreciation of the customers' debts that are subject to a new moratorium, rescheduling or reclassification and accounting depreciation for them based on the previous level
5. Review of warnings served by regulatory authorities
6. Examining the state of the compliance with the individual limits for major facilities and liabilities of the Bank
7. Examining the quality of executing the Directive on Article 21 of the "Law on Elimination of Obstacles to Production" and the failure to notify this Directive in the Bank
8. Examining and analyzing the Bank's current and desired status

gap in the areas of corporate governance

9. Examining the compliance degree of the operational processes in the area of KYC Registry
10. Examining the maximum net facilities/liabilities for relevant bodies and reporting them and prescribing equal conditions for receiving facilities/liabilities for the relevant bodies
11. Examining the executive measures regarding Articles 16 and 17 of the “Law on Elimination of Obstacles to Production” which require selling the assets and investments of the Bank’s affiliates and subsidiaries and the measures taken by the Investment Department
12. Emphasizing the observance of some provisions of the Anti-Money Laundering Law and reviewing and approving the Bank’s new AML/CFT questionnaire
13. Examining the precautions for the Open Foreign Exchange Position and the impact of sanctions on the amount of cash banknotes available with the Bank
14. Examining the draft statement on how to observe the Islamic jurisprudential rules and principles in the Bank’s business to satisfy the Article 101 of the Corporate Governance Requirements

9. ANTI-MONEY LAUNDERING AND COMBATting THE FINANCING OF TERRORISM (AML/CFT)

In the recent decades, the global economy has faced the phenomenon of money laundering and its destructive effects on the economies of countries. Due to the development of banking products and services, more sophisticated financial relations, technological advancement and the increasing speed of monetary flows, banks and financial institutions in different countries have applied effective AML/CFT plans.

In line with the efforts of the Government of the Islamic Republic of Iran and international institutions to prevent money laundering and in order to implement the policies of the CBI, and also to take responsibility, show reverence for clientele, protect the interests of its customers and shareholders, and reduce operational risk; Tejarat Bank puts the necessary AML/CFT measures at the forefront of its business to provide a secure environment for dear customers.

In this regard, during 2018-19 like the routine of previous years, in addition to performing its duties and monitoring in accordance with the AML/CFT regulations and pursuing the assigned affairs; the Bank executed its AML/CFT plans with a focus on mechanizing the business processes in order to improve the results. Some major measures are as follows:

- Mechanization and systematic collection of the Suspicious Transaction Reports (STR)
- Identifying and deciding about offline and invalid accounts
- Examining and overseeing turnovers of non-resident foreign nationals’ accounts
- Responding to enquiries of judicial and regulatory authorities and enquiries of Financial Information Center
- Examining and following the 11 rules of AML/CFT system
- Currency Transaction Reports (CTR) for cash funds exceeding the prescribed limit
- Inspection of branches in provinces
- Holding training courses for instructors and new employees
- Holding training courses and briefings for the front office staff



10. THE BANK'S SERVICES FOR SOCIAL RESPONSIBILITIES

During the past years Tejarat Bank as a loyal economic corporation has been well-known in meeting its social responsibilities and plays a significant role in various areas such as school building, release of prisoners, financial support of charities, etc. Pursuing this attitude, Tejarat Bank carried out many services for fulfilling its social responsibilities in during 2018-19, including:

- Construction or completion of 13 schools in deprived areas of various provinces
- Construction or completion of 9 rural health houses in deprived areas of provinces of Yazd, Kurdistan, Hormozgan, Semnan, Ilam, South Khorasan
- Releasing 70 prisoners of unintentional crimes with cooperation of Iran Prisoners Release Organization (IPRO)
- Supply of clean drinking water by equipping and renovating water supply systems for rural areas in the provinces of Sistan va Baluchestan, Hormozgan and Kerman with a credit amounting to IRR 35 billion
- Purchase of white canes for the blind up to IRR 360 million
- Collaboration of the personnel of Tejarat Bank in collecting sacrifices (Nozurat) on the occasion of the anniversary of Arba'een of Imam Hussain (the third religious leader of Shias)

11. THE BANK'S SERVICES AND PRODUCTS

The services that are provided to the clients based on the conclusions and rules of Islamic Banking are categorized in five main sections that are:

- **Electronic Services** that include rendering internet banking services, internet payment services, card related internet services, Telephone Bank, Mobile Bank, various bank cards and e-wallets, SATNA and PAYA inter-bank transfer, and payment services at point of sales (POS, IPG).
- **Deposit Services** that include opening interest-free-loan (Qardh-ul-Hassanah) savings deposits, interest-free-loan (Qardh-ul-Hassanah) current deposits, short-term investment deposits, long-term investment deposits and various deposit schemes for clients.
- **Providing facilities and accepting commitments** that include granting facilities in the sectors of agriculture, process industry, industry and mine, construction, service, contracting and commerce, as well as issuance of LGs and opening domestic currency LCs for clients.
- **Providing foreign currency services** to clients that include opening interest-free foreign currency current deposits, interest-free foreign currency savings deposits and foreign currency term deposits for clients, as well as money exchange, issuance of account certificates for clients, rendering services for opening LCs and bills of exchange, issuance of various foreign currency LGs, etc.
- **Special Services of the Bank** that are providing rental safe boxes, online stock exchange system, etc.

11.1. Providing Electronic Products and Services

• **Debit and Hybrid Card:** Tejarat Bank in cooperation with Simorgh Tejarat Systems Co. provides its clients not only with magnetic cash cards but also with multi-purpose cards that are usable as e-wallets.

• **Group Card:** A group card is one of the multiple cards issued on a single account. The account holder as the group leader can define the group members and each one's chargeable sum at scheduled intervals. Such a member can use his/her own card to withdraw money, purchase goods, pay bills and buy mobile phone recharge. The platform of this service is currently used to issue family cards, revolving funds cards, tourist cards and World Food Program cards.

• **Subsidy Card of the World Food Program:** These cards are being issued at the request of the World Food Program to transfer cash subsidies of Afghan and Iraqi refugees resettled in camps.

• **Internet Banking (Natural and Corporate Customers):** Internet banking allows the customers to save their time and money by doing their bank affairs through the Internet not appearing in person at a branch. Presenting a diverse spectrum of banking services while observing the security and user friendliness, is among the features of Tejarat Internet Bank. FARA Internet Bank is one of the individual and customized 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, allows for linking with the customers' financial and accounting software systems.

• **Mobile Bank:** Due to the mobile penetration rate around the country and people's tendency to use the mobile banking; the new Mobile Bank service of Tejarat Bank was designed as user-friendly applications for all smart cellphones' operating systems to provide the clients of Tejarat Bank and other banks with a wide range of account-based and card-based services.

- **Point of Sales (POS) and Internet Payment Gate (IPG):** Tejarat Bank has provided the possibility for payments of goods and services at a physical and virtual point of sales through authorized payment service provider (PSP) companies and a wide network of online POS's and IPGs. Also, new generations of sales card readers such as PC-POS and PDA-POS with advanced options are provided to meet customers' needs. The statistics on the Bank's electronic services and products are listed in the following tables:

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

Description	2018-19	2017-18
Swift Branches	42	42
PINPAD	3,770	4,144
POS	361,962	346,301
ATM	3,596	3,786
Debit Cards Issued	4,476,338	4,598,815
Gift Cards Issued	1,151,773	967,688

Data on the number and amounts of transactions through electronic channels

Descriptio	2018-19		2017-18	
	Amount of Transactions (IRR billion)	Number of Transactions (IRR million)	Amount of Transactions (IRR billion)	Number of Transactions (IRR million)
POS	1,070,199	662	634,843	455
ATM	754,354	437	764,980	366
Mobile Bank	634,559	113	372,708	117
Internet Bank	339,437	8	256,062	8

- **Tourist Card:** One of the major needs of incoming tourists is the ease and security of carrying money, and the most appropriate tool for this need is a bank card. For this purpose, the new product of Tejarat Tourist Card has been designed. A foreign tourist may use all POS's and ATMs of Shetab and Shaparak Network during his/her stay.

- **Easy Shopping:** In order to provide new banking services and increase the Bank's commission fee revenues, and with the aim of increasing the purchasing power of clients and prosperity for business owners; Tejarat Bank has launched a network of buying and selling goods and services by installments titled Easy Shopping (Asan Kharid). Easy Shopping Network consists of a set of buyers and sellers of goods and services and any holder of an Easy Shopping card (buyer) can refer to a member seller of the Easy Shopping Network (Acceptor), and purchase his needed goods or service up to maximum IRR 2 billion and pay its price by installments. The number of installments and the price of goods are determined in an agreement between parties and the Bank guarantees the repayment of due installments to the seller. By adding the ability of revolving credit to the Easy Shopping plan, upon payment of each installment the credit is re-charged by the same amount of the paid installment.

11.2. Various Deposit Schemes

Tejarat Bank offers a broad range of bank deposits to meet the needs of customers. Opening 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 the services in this area. Some of those schemes are as follows:

- **Karamad Facilities:** Karamad Scheme was designed to provide distinctive and special credit service, especially to the holders of POS and IPG machines linked with Tejarat Bank accounts based on the quarterly and biannual average balance of the current, short-term and Qardh-ul-Hassanah accounts with preferential rates (between 2 to 18%).

- **Afra:** in Afra Scheme, the Murabaha credit card/Murabaha ordinary loan at preferential rates (10.5% and 13%) and with an 18-month repayment period is granted based on the biannual average balance of a current card account holder (natural persons and corporates). The ceiling of such facilities for natural persons is up to IRR 500 million and for corporates up to IRR 5 billion.

- **Immediate Facilities:** In order to meet customers' immediate needs, the Bank has facilitated the deposit-based facilities by providing the Immediate Facilities Scheme. In this scheme, any applicant client having opened a term deposit account in Tejarat Bank can be granted a loan amounting to 60 to 85% of the deposited amount without a guarantor in less than 24 hours. In the Immediate Facilities Scheme of Tejarat Bank, the loan is granted in the framework of a Murabaha contract. The maximum loan would be IRR 3 billion and the minimum interest rate on the loan would be 4%. In the past year, considering the customer needs assessments, Tejarat Bank designed some facilities schemes in order to create value

added in the assets of customers and optimize the use of the Bank's resources for boosting the domestic production.

11.3. Acceptance of the Commitments of LGs and LCs

Accepting the commitments including issuing LGs and opening LCs in both domestic and foreign currency are among the main business lines of Tejarat Bank, so that it is known as the pioneer bank in this field in Iran.

Statistics on Tejarat Bank's Commitments (IRR billion)

Description	2018-19	2017-18	2016-17
Balance of Commitments for Foreign Exchange LGs	107,427	62,134	48,735
Balance of Commitments for Rial LGs	192,581	149,972	138,675
Balance of Commitments for Foreign LCs	164,529	125,522	96,261
Balance of Commitments for Domestic LCs	70,913	24,720	14,953

11.4. Products Designed for Target Markets:

- Service package for health and treatment sector: in order to respond to a part of needs of the health and treatment market, a service package was designed and provided consisting of the following:

- Providing electronic payment service in the form of dynamic sharing
- Granting MedPay scheme (granting facilities to the centers of treatment services, physicians, the staff of treatment services centers)
- Instantaneous Scheme specific to physicians
- Experts Scheme

- Kariman Scheme: This scheme was designed to provide facilities to Sunnis, benefactors and philanthropists, corporates, and charities. In this scheme, a natural person or a legal entity opening an especial Qardh-ul-Hassanah (interest-free-loan) account may sign an agency contract with the Bank, and based on the contract and using the deposited funds, may nominate any natural person or public and charitable organization to be granted an interest free loan.

11.5. 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 transactions of capital market brokers
- Banking services for the blind
- System for Payame Noor University
- System for Management of funds of Iran Engineering Organization
- Indexed payments for insurance companies.

11.6. Rental Safe Boxes

One of the services of Tejarat Bank is to provide the customers with rental safe boxes in some branches to protect their assets and belongings.

11.7. Providing Financial Supermarket Services:

Financial supermarket services were put on agenda to complement the Bank's value chain and increase commission fee revenues, whereby a variety of financial services can be provided with the nature of insurance, brokerage, leasing, currency exchange, and so on. At present, insurance services are offered to clients through the Bank's selected branches and by representatives of Tejarat Nou Insurance Company.

12. INTERNATIONAL ACTIVITIES

The latest status of different types of foreign currency deposits with Tejarat Bank in 2018-19 is listed in the following table.

**Statistics on Foreign Currency Deposits
(Amounts in USD million)**

Description/year	2018-19	2017-18
Interest-Free-Loan Savings Deposit	204.7	140.4
Term Deposit	646.3	645.2
Current Interest-Free-Loan Deposit	298.9	190.7

It is noteworthy that, despite all difficulties and obstacles arising from unilateral sanctions, Tejarat Bank still has a good performance in the area of foreign exchange commitments in the banking network. A summary of the statistics in the field of the Bank's foreign exchange commitments in 2018-19 is shown in the following table:

**Statistics on Tejarat Bank's Commitments in Fiscal Year
2018-19
(Amounts in USD million)**

Description/year	2018-19		2017-18	
	Number	Price	Number	Price
Issued Foreign Exchange LGs during the Fiscal Year	226	246	227	231
Balance of All Issued Foreign Exchange LGs Commitments	941	1,434	944	1,652
Opened LCs within during the Fiscal Year	1,132	1,148	2,704	2,511
Balance of LCs Commitments	948	3,314	1,713	2,196
Inward Bills of Exchange	1,739	1,505	1,513	1,995
Outward Bills of Exchange	1,739	1,668	3,964	2,285

Due to the new conditions, the Bank has also mechanized the foreign exchange trading system at the free market rates and strengthened the foreign exchange trading section in the Bank.

13. HUMAN CAPITALS TRAINING AND DEVELOPMENT

In today's world, human capital is the most valuable resource of an organization, which provides potential for implementing strategies and plans and realizing organizational goals. As an organization enhances with the growth of its human capital, the staff training is considered as a major priority in Tejarat Bank. Accordingly, special training programs are offered to

staff every year. Also in recent years, in order to reduce the costs, the Bank has adopted an approach to conducting virtual training courses along with the in-service trainings. In 2018-19, totally 14,823 employees of the front and back offices passed 1,271,094 hours of training. The Bank's performance in human capital training and development during 2018-19 is as follows:

**Table of Tejarat Bank's
Performance in Human Resources
Development & Training
During Fiscal Year 2018-19**

Group	Number of Personnel (People)	Training Hours in 2018-19
Personnel of Back Office	2,006	152,998
Personnel of Front Office	12,817	1,118,096
Total	14,823	1,271,094

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 activity level of the branches network needs to be constantly improving. Accordingly, in order to implement the branches network optimization program, during the fiscal year 2018-19, the Bank merged 173 branches into other branches and transformed one counter into a branch with promoting its business. As a result, the domestic branches number from came to 1,438 at 2018-19 year-end from 1,610 at 2017-18. Also, with the closure of 48 counters, a total of 221 units of the Bank have been closed in line with the approach of reducing costs, improving the organization's agility and achieving the Bank's major objectives. This strategy is also on the agenda for the coming years with the aim of ameliorating organizational efficiency.

Tejarat Bank's Domestic Branches Network Classified in Terms of Provinces At 2018-19 Year-End

Row	Province	Number of Branches	Row	Province	Number of Branches
1	Alborz Province Branches Division	35	18	Qom Region Branches Division	29
2	East Azarbaijan Region Branches Division	58	19	Kurdistan Region Branches Division	28
3	West Azarbaijan Region Branches Division	47	20	Kermanshah Region Branches Division	43
4	Ardebil Region Branches Division	22	21	Kerman Region Branches Division	45
5	Esfahan Region Branches Division	94	22	Kohgiluyeh va Boyer-Ahmad Region Branches Division	12
6	Ilam Region Branches Division	16	23	Guilan Region Branches Division	45
7	Bushehr Region Branches Division	31	24	Golestan Region Branches Division	28
8	Chaharmahal va Bakhtiari Region Branches Division	15	25	Lorestan Region Branches Division	26
9	Khorasan Razavi Region Branches Division	89	26	Mazandaran Region Branches Division	57
10	South Khorasan Region Branches Division	16	27	Markazi Region Branches Division	28
11	North Khorasan Region Branches Division	11	28	Hormozgan Region Branches Division	36
12	Khuzestan Region Branches Division	97	29	Hamedan Region Branches Division	23
13	Zanjan Region Branches Division	23	30	Yazd Region Branches Division	25
14	Semnan Region Branches Division	23	Total in Provincial Regions		1,162
15	Sistan va Baluchestan Region Branches Division	36	Total in Tehran Province		276
16	Fars Region Branches Division	94	General Total of the Bank		1,438
17	Qazvin Region Branches Division	30			

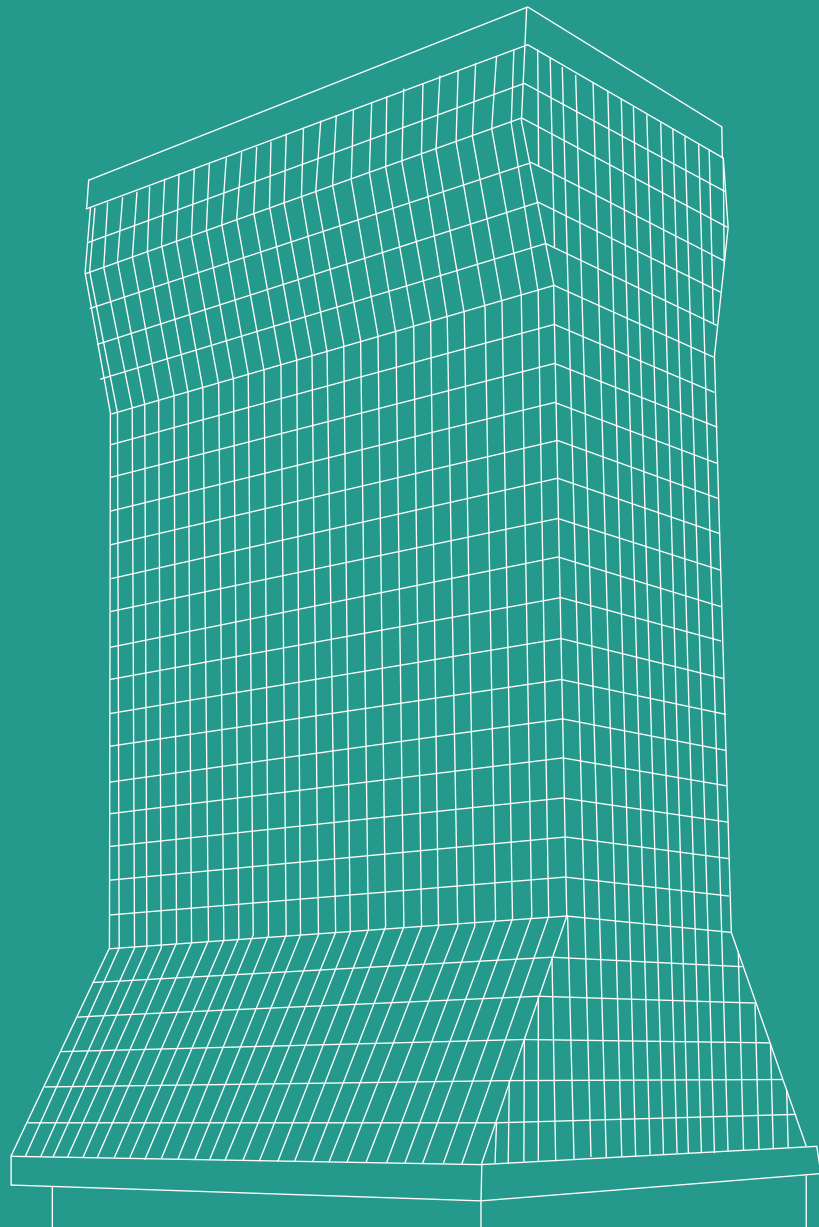
15. MAJOR PLANS AND MEASURES IN THE BANK'S OTHER FIELDS

Some other measures and plans that were on the agenda of different fields of the Bank to reach the Bank's objectives in 2018-19 are listed in the following table:

Field's Name	Major Programs and Measures Taken in 2018-19
Provinces	<ul style="list-style-type: none"> Downsizing of the branches number by 174
Inspection	<ul style="list-style-type: none"> Developing the Total System for Bank and Interbank Checks Encryption Improving the distance monitoring of branches' performance
International	<ul style="list-style-type: none"> Signing contracts with at least 6 authorized money exchange offices
Procurement & Engineering	<ul style="list-style-type: none"> Renovation of branches (120 branches and 5% of counters)
Risk Management	<ul style="list-style-type: none"> Quantizing the indices and factors effecting risk appetite and suggesting improvement solutions
Organization and Methods	<ul style="list-style-type: none"> Reviewing and updating the Bank's procedure of strategies Pathology and optimization of the services of Internet Bank Pathology and optimization of the Customer Relation Center (1554) Modeling and predicting turnover behavior of customers in banks
Investment	<ul style="list-style-type: none"> Completion of the capital of Tejarat Nou Insurance Company
Human Capitals	<ul style="list-style-type: none"> Implementing the Health Monitoring Plan in all provinces
Information Technology	<ul style="list-style-type: none"> Launching and operating the 7.1 version of SHETAB according to ISO8583 Conducting the Penetration Test of the Bank's Systems Developing the new Mobile Bank Equipping and operating the Bank's backup website
Financial	<ul style="list-style-type: none"> Capital increase sourced from the assets revaluation
Service Design & Product Development	<ul style="list-style-type: none"> Feasibility study on using a blockchain in rendering services
Corporate Banking Management	<ul style="list-style-type: none"> Developing corporate banking (according to the Corporate Banking Prospect Plan)
Anti-Money Laundering	<ul style="list-style-type: none"> Mechanizing the collection of Suspicious Transaction Reports (STR) from branches
Compliance Unit	<ul style="list-style-type: none"> Formulation of a standard framework for documents, preparation of the Procedure and Code of Compliance according to the principles of corporate governance

CHAPTER THREE

FUTURE GOALS & PLANS OF THE
BANK



This chapter details the Bank's strategic document including pivotal objectives, macro strategies, and operational plans for each unit of the Bank to be implemented next year. As we know, strategies need to be reviewed periodically based on their inherent nature. Scheduling such periods will be carried out considering many factors including changes in the macro environment, changes and developments in the specialized environment and organizational issues. In Tejarat Bank, this matter is scrutinized considering the aforementioned examinations as well as the internal and external comparative studies in the field of banking.

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

- Reviewing the macro environment of banking industry
- Reviewing and updating the Bank's strategic objectives according to its mission, vision and values.
- The strategic approach of Tejarat Bank to encounter severe changes in environmental variables
- Formulating essential pivots under the eight strategies 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 obstacles 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 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 customers, Tejarat Bank has determined the following core objectives, and by adopting strategies and operational programs, has focused all the efforts of the directors and employees to fully realize such objectives in certain scheduled time horizons. These objectives 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 services
- 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 MAJOR STRATEGIES

The strategies should be planned in such a way to include all aspects of the banking industry and define a clear line of future for the Bank in the special circumstances caused by the country's sanctions. The significant issue in implementing strategies and formulating pivots in Tejarat Bank is that the sentences and phrases are expressed in simple and unambiguous statements so that all the employees of Tejarat Bank may have an equal and common understanding of them and strive to proceed with actions to be maximally aligned with such strategies. Therefore in order to create a common understanding in the body of Tejarat Bank, it is necessary to formulate the concept of each strategy in an operational and executable way. Accordingly, the relevant pivots under each strategy were also defined so that they may, in addition to instilling a common organizational sense, play a significant role in making the strategies implementable as well. The list of the strategies of Tejarat Bank is as follows:

1. Market development and diversification in the provision of services
2. Development of the Bank's businesses based on the future banking evolutions
3. Making properties and investments profitable
4. Upgrading the level of credit performance
5. Upgrading the level of the Bank's performance in the international field
6. Upgrading the level of regulatory and control activities
7. Developing and optimizing the IT field
8. Development of the human capital

3. THE MAJOR PLANS FOR THE FOLLOWING YEAR

- Collaboration with Fintechs (FT's) and Startups

To support the fintechs and startups and to use their development and innovation capabilities in provision of services and development of businesses; Tejarat Bank defined a plan last year on collaboration with fintechs and startups. In the first phase of the plan, the strategies for the Bank's collaboration and interaction with such companies were formulated. In the second phase of the plan, the implementation of the first phase's yields including providing for its connectivity to the banking infrastructure, and supports such as investment, guidance and leading are on the agenda for the 2019-20.

- Integrated Electronic Securities System

In line with the policies of the CBI requiring the traditional process of buying and selling securities to be modified from physical form to the electronic form; the operation of the prescribed system is on the agenda.

- Implementation of Enterprise Risk Management (ERM)

Many plans have been put on the agenda and executed in the previous years to implement the ERM in the Bank. The pilot implementation of the Risk Appetite Document and the establishment of the Risk Management Information System (RMIS) are among the major plans to accomplish the Enterprise Risk Management in 2019-20.

- Making the Bank's Assets Productive through a Profit Generating Company

Making the Bank's assets productive is on the agenda in order to reduce the volume of possessory assets, avoid blocking the Bank's resources, create added value from stagnant and unsalable assets and diminish the toxic assets in the Bank's balance sheet. This approach not only results in disposition of the excess assets of the Bank but also will, in view of a macro perspective of the Resistance Economy policies, lead to job creation and GDP growth.

- Formulating the roadmap of digital banking

Nowadays, with the ascending effect of technology on people's daily lives, on the one hand, and the changed attitudes and behaviors of customers, on the other hand; banks have to change and transform more than ever before. In order to respond appropriately to this trend of market and technology, it is necessary for banks to transform their business to the digitalization approach, in order to, in addition to improving the customer satisfaction, optimize their costs and processes. Considering the importance of this approach, the Bank has introduced the Digital Banking Implementation Roadmap project as a major activity in the field of business and planning in 2019-20.

- Examining and presenting a pattern of using financing tools in the form of factoring

Considering that the financing of customers is a major mission of the Bank, therefore, after examining different methods, the issue of providing a model for using the financing tool of factoring is on the agenda. Factoring is one of the methods of financing through receivable accounts for financing of

small and medium-sized enterprises (SMEs). Financing through factoring is conducted by concluding a contract between the seller and the agent based on the claim transfer.

- Improving the information security in the Bank

With the development of information technology and considering the importance of customers' information; improving the level of information security and reducing the operational risk is on the Bank's agenda. Also in order to monitor and control round-the-clock and identify the security threats and to prevent risks and appropriately respond to computer security events; the design and implementation of centers for "security operations" and "computer rescue and relief" are in progress and about to be completed.

- Improvement of security / equipment of the Bank's sites

In order to prevent any interruption in providing services to customers; Tejarat Bank has presented some plans to improve the security of its main, backup and crisis sites. In this regard, the program for optimizing the mainframe-based software and hardware infrastructure at the sites can be mentioned.

- Project of Transition to Core Banking System

In order to optimize the operational infrastructure and develop a centralized system in the Bank, the Core Banking project has been put on the agenda since last year, during which the studies and preliminary measures were taken for executing the project. According to the time schedule, the five modules of customers and configuration, facilities and credits, accounts and deposits management, accounting and ledger, and cashier and treasury will be implemented by 2020-21 year-end.

- Re-branding in the Bank and defining the visual elements of the brand

This program aiming at improving the image of the Bank's brand and increasing the customer satisfaction with the level of services provided by the Bank is on the agenda. The study phases, examining the contact points and identifying the strategic elements of the brand (conceptual nature of the

brand) were carried out in 2018-19. Formulation of the strategy for the architecture of the brand, the strategy for the contact points, review of the visual/verbal/cultural nature of the brand, and then its intra- and extra-organizational implementation will be carried out in 2019-20.

- Implementation of the development phase of business banking

In order to move towards the comprehensive banking and change the business model, the initial studies of the program were conducted during the fiscal years 2017-18 and 2018-19. Since September 2018, the Business Banking Unit of the Bank has been established and this banking model was implemented as a pilot in one of the regions of Tehran. In 2019-20, the operational development of the business banking will be on the agenda for all regions of Tehran and some selected regions of other cities.

- Development of the validation system

Considering the successful implementation of the internal validation system in Tejarat Bank over the preceding years; in order to improve performance and increase the accuracy and speed in the facilities granting operations, the development of this system is on the agenda to include various dimensions such as eliminating the physical sending of documents for verification by credit authorities, establishing direct links with the system of the Official Gazette of Judiciary, management of executive approvals and approvals in progress and other cases. In this regard, some requirements such as systematic appointments of the credit approving authorities and mechanized issuance of the authority scope cards for the credit committees in the Bank are in progress in 2019-20. Obviously, the development and improvement of the system in the long run will lead to the control of the incurrence of non-performing loans (NPL), which will ultimately result in rising cash flow and thus improvement of the Bank's income status.

- Examining and implementing the digital (electronic) signature in the Bank

In order to implement the digital signature in the Bank and in the first phase of its usage in scanning branch documents and according to the CBI's requirement; it was so decided that all the required documents be scanned in order to prepare the electronic versions of the Bank's documents and then some of them should be eliminated and destroyed considering each one's creation date and classification.

It is also noteworthy that the digital signature infrastructure can be used for other operational systems, specifically in the section of services and banking products.



CHAPTER FOUR

GENERALITIES OF THE BANK 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 10 major banks of the country in 2018-19. 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.

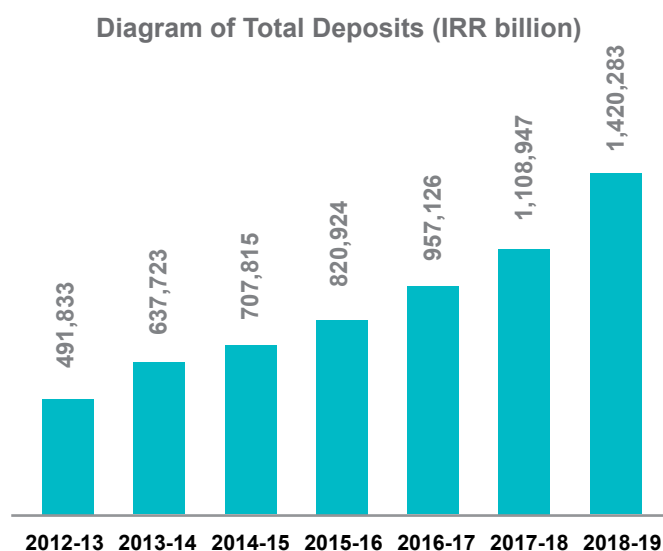
Time	Description	Number of Employees	Number of Branches	Domestic Currency Deposits	Net Facilities & Claims	LC Commitments	LG Commitments
March 2019	Tejarat Bank	17,031	1,438	1,261,562	522,534	339,903	300,510
	Portion of Total	11.3%	10.3%	11.7%	8.1%	17.3%	31.3%
	Ranking	4	6	4	6	2	1

* The 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 MAJOR VARIABLES' TREND

2.1. Deposits

The following diagram shows the Bank's total balance of foreign and domestic currency deposits during 2012-13 to 2018-19. As shown in the diagram, the balance of deposits at 2018-19 year-end came to IRR 1,420 trillion showing a 28.1% growth compared with 2017-18 year-end.

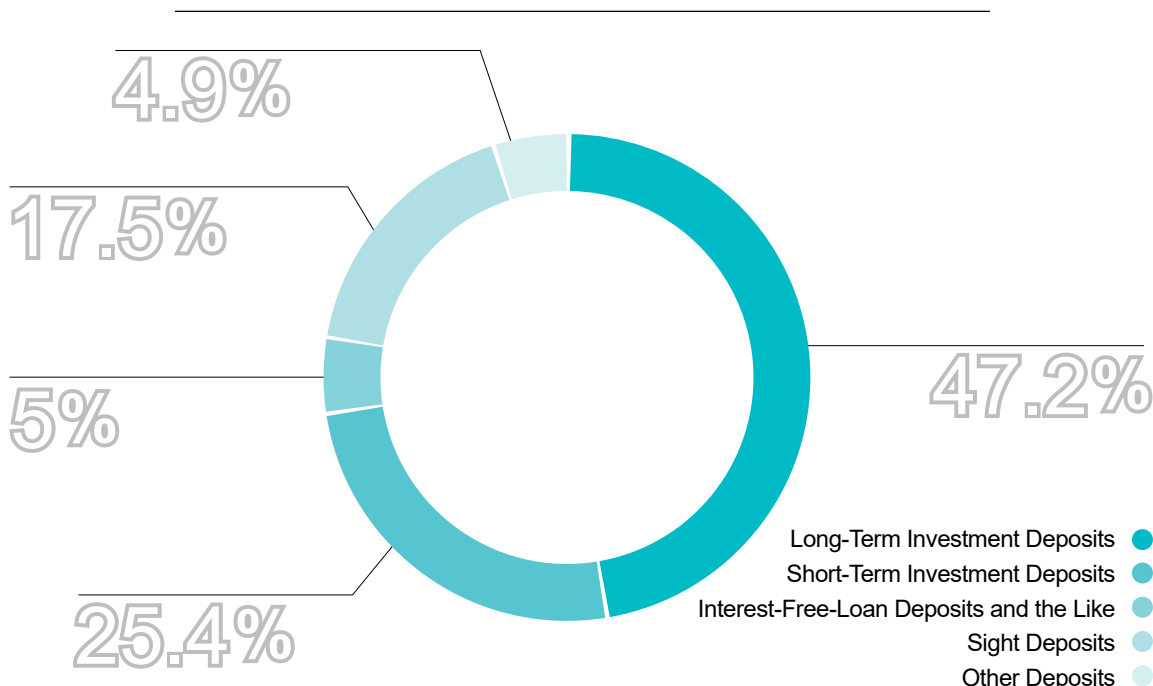


2.2. Composition of Deposits

The analysis of the Bank's deposits (foreign and domestic currency) at 2018-19 year-end is shown in the diagram below. According to the analysis of the Bank's deposits; the portion of the items with no cost including current deposits, savings deposits and others is equal to 27.4%; and the portion of the items with cost including short-term and long-term investment deposits is equal to 72.6%.

As the result of the planning made in 2018-19; the Bank has improved the composition of its deposit portfolio, so that the Bank's zero-cost deposits amounted to IRR 389 trillion on March 20th, 2019, from IRR 223 trillion on March 20th, 2018, growing by 75% compared with the same date of the previous year; and such deposits' portion of total deposits rose to 27% from 20% during the same period.

Analysis of Deposits at 2018-19 Year-End

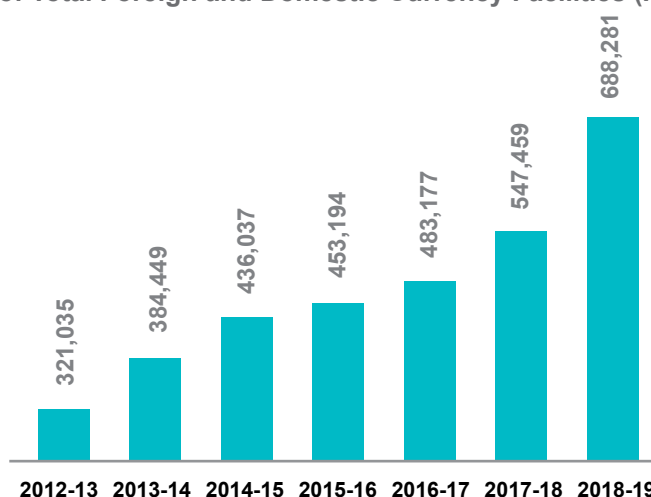


2.3. Facilities

The following diagram shows the growing trend of the total foreign and domestic currency facilities granted during 2012-13 to 2018-19. As shown in the diagram, the balance of facilities at 2018-19 year-end stood at IRR 688,281 billion growing by 25.7% compared with the previous fiscal year.

Also, in execution of the provisions of the State Budget Law (Clause V, Note 5) of 2018-19, an amount of IRR 12,160 billion of the debt to the CBI has been bartered with granted facilities and claims from non-governmental entities.

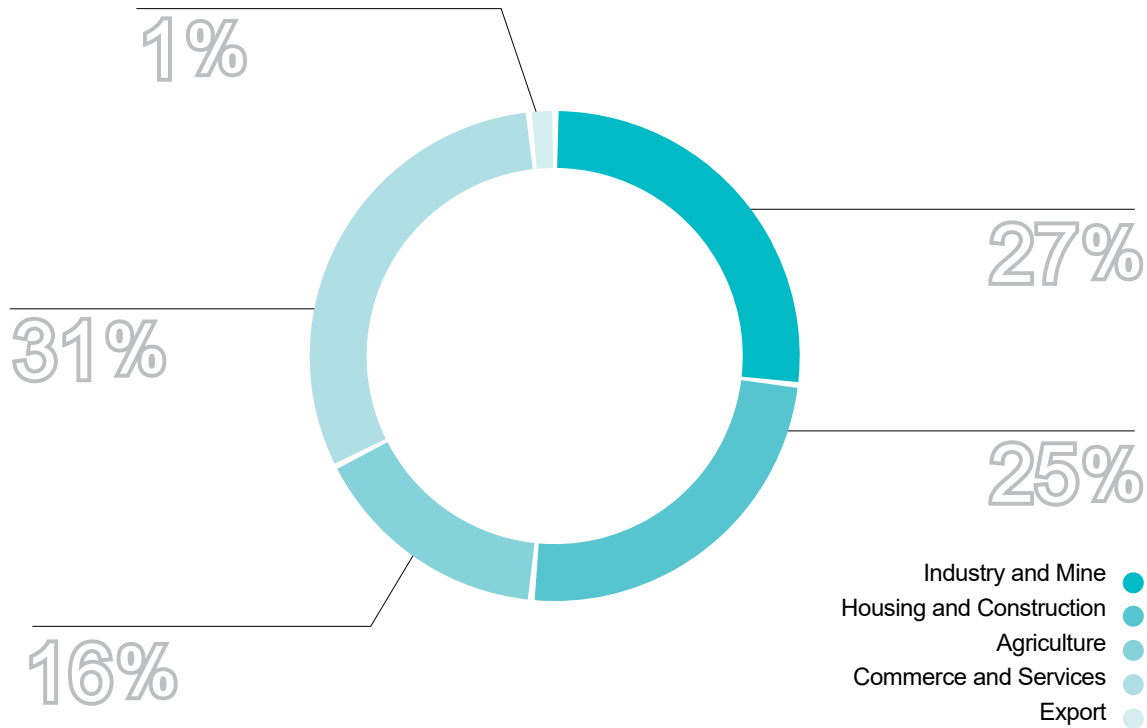
Diagram of Total Foreign and Domestic Currency Facilities (IRR billion)



2.4. Composition of Domestic Currency Facilities in terms of Sectors

The following diagram shows the sectorial distribution analysis of the facilities granted by the Bank in different economic sectors in 2018-19. As shown in the diagram; the major part of the facilities of the Bank (about 68%) are allotted to productive sectors (industry and mine, housing and construction, and agriculture), indicating the Bank's support of the productive and job creating sectors.

Analysis of Facilities in Different Economic Sectors in 2018-19



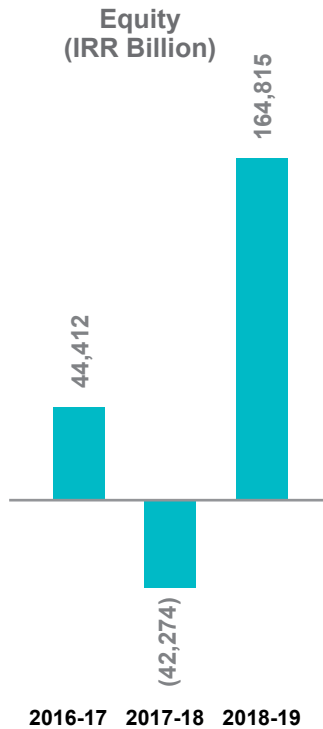
2.5. Equity

At the end of fiscal year 2018-19, the Bank's capital amounted to IRR 223,926 billion and the accumulated loss amounted to IRR 109,513 billion. The trend of changes in the components of the Bank's equity can be seen separately as follows.

Description / Year	2016-17	2017-18	2018-19
Capital	45,700	45,700	223,926
Retained Loss	(16,199)	(103,992)	(109,513)
Surplus from Revaluation of Assets	0	0	30,439
Other	14,912	16,017	19,963
Total Equity	44,412	(42,274)	164,815

In 2018-19, the Bank increased its capital by revaluation of assets to IRR 208,665,587 million, of which, based on the permit issued by the Stock Exchange Organization, the amount of IRR 178,226,127 million was identified as capital and the amount of IRR 30,439,460 million was transferred to under the topic of assets revaluation excess.

The Bank's 390% capital increase sourced from the assets revaluation not only made the Bank the largest company in the Stock Exchange but also provided it with an opportunity to exit from inclusion in the scope of Article 141 of the Commerce Code Amendment. Also, since raising capital sourced from cash input improves the profitability and regulatory ratios, in order to use this potential, the Bank has the feasibility study of raising capital from cash input on agenda. The trend of the Bank's equity changes is shown in the following diagram.

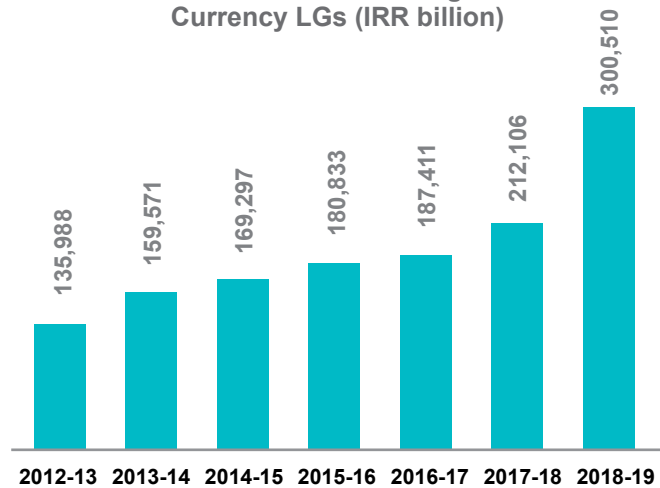


2.6. Commitments on LGs (Letters of Guarantee)

The following diagram shows the data on the balance of commitments on the issued LGs (foreign and domestic currency) during a seven-year period. As shown in the diagram, the balance of the commitments at 2018-19 year-end growing by 41.7% compared with 2017-18 year-end came to IRR 300,510 billion.

It is noteworthy that in terms of the definite and contingent LGs commitments, Tejarat Bank holds the first rank among all the governmental and private banks; so that Tejarat Bank accounts for 31.3% of the total LG commitments of the 10 major banks nationwide.

Balance of Commitments on Foreign and Domestic Currency LGs (IRR billion)

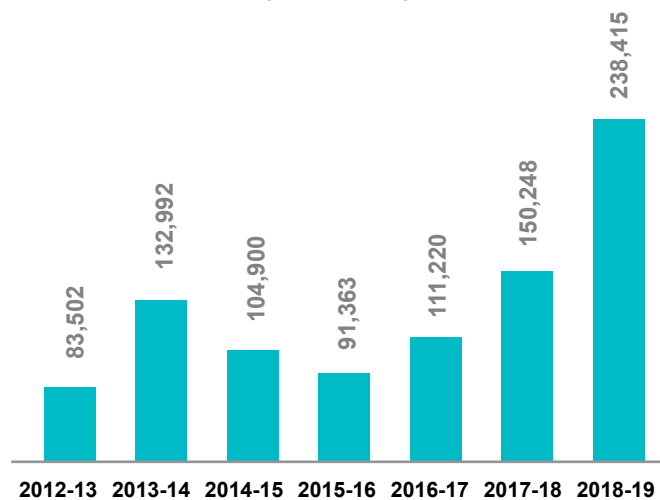


2.7. Commitments on LCs (Letters of Credit)

The following diagram shows the data on the balance of commitments on the issued LCs from 2012-13 to 2018-19. The balance of the commitments at 2018-19 year-end, growing by 58.7% compared with the previous fiscal year, came to IRR 238.415 billion.

Due to foreign exchange rate fluctuations in 2018-19, the balance of foreign LC commitments rose by 33% and the domestic LC commitments grew significantly by 187% compared with 2017-18 year-end.

Balance of Customers' Commitments for LCs (IRR billion)

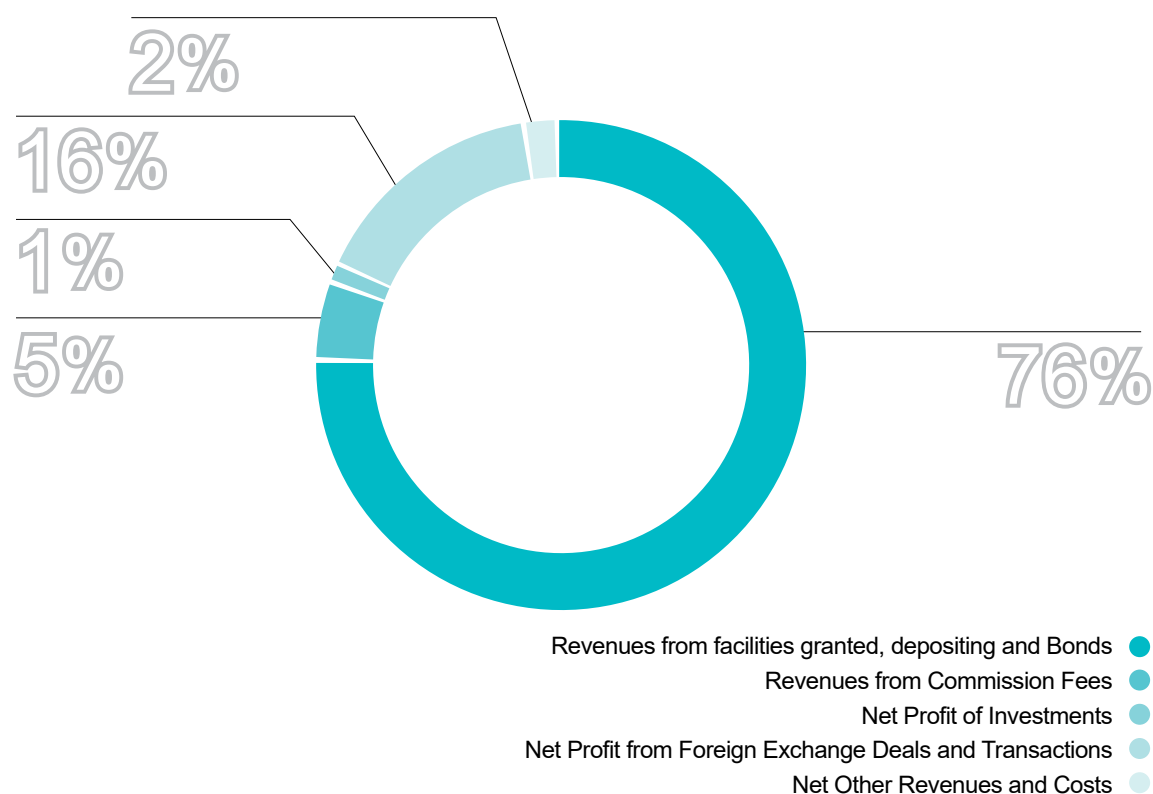


2.8. Income

The following table shows the Bank's total income as analyzed into components for 2017-18 and 2018-19. The Bank's total income, growing by 42.6%, rose to IRR 218,851 billion from IRR 153,462 billion in 2018-19 year-end. The portions of each component of the Bank's income in 2018-19 is shown in the diagram below.

Description / Fiscal Year	2017-18 Balance (IRR billion)	2016-17 Balance (IRR billion)	Ratio of Change (%)
Revenues from facilities granted, depositing and Bonds	124,473	165,240	32.8
Revenues from Commission Fees	7,745	11,206	44.7
Net Profit of Investments	10,215	2,344	(77.1)
Net Profit from Foreign Exchange Deals and Transactions	8,512	35,662	318.9
Other Operating Revenues and Costs	36	189	431.5
Net Other Revenues and Costs	2,481	4,210	70.3
Total Income	153,462	218,851	42.6

Analysis of Income in the Fiscal Year 2018-19

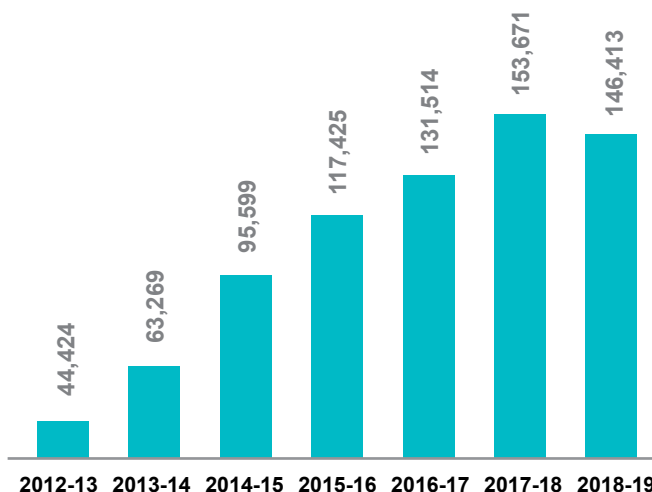


2.9. Profit Paid to Depositors

The following diagram shows the upward trend of the profit paid to depositors. The payable profit in 2018-19 declined by 4.7% compared with the preceding year and came to IRR 146,413 billion.

The Bank attempted to modify the composition of the deposits portfolio and thus reduce the cost of deposits in 2018-19. This resulted in a 2.3% decrease in the money cost rate of term deposits at 2018-19 year-end compared with the preceding year-end. The fall in the money cost rate, despite the 14% growth in the domestic currency term deposits, led to a 5% decline in the interim profit paid by March 20th, 2019.

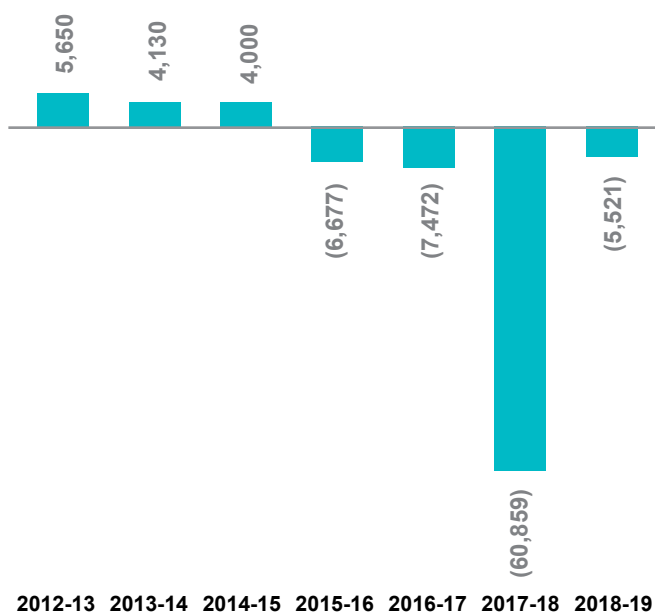
Trend of Profit Paid to Depositors (IRR billion)



2.10. Net Profit (Loss)

The following chart shows the trend of the net profit (loss) over the fiscal years 2012-13 to 2018-19. Its downward trend during the middle years is due to the conditions of sanctions and economic downturn.

Trend of Net Profit (Loss) (IRR billion)



3. THE MAJOR FINANCIAL INDICATORS AND RATIOS

3.1. Agents Efficiency Indicators

The efficiency indicators of branches and personnel during the fiscal years 2017-18 and 2018-19 are shown in the following table. These indicators witnessed a proper growth in 2018-19 compared with 2017-18, such that the deposits and loans per capita of personnel grew to IRR 81 billion and 39 billion in 2018-19 from IRR 62 billion and IRR 31 billion in 2017-18, respectively. Also, the branches' efficiency indicators enjoyed a relatively suitable growth in 2018-19 proportionate to the personnel per capita.

(Amounts in IRR million)

	Description / Fiscal Year	2017-18	2018-19	Percentage of Growth
Personnel	Deposits per capita	62,119	81,340	30.9
	Loans per capita	30,667	39,418	28.5
Branches	Deposits per capita	679,919	940,377	38.3
	Loans per capita	335,658	455,715	35.8

3.2. Operation Control Indicators

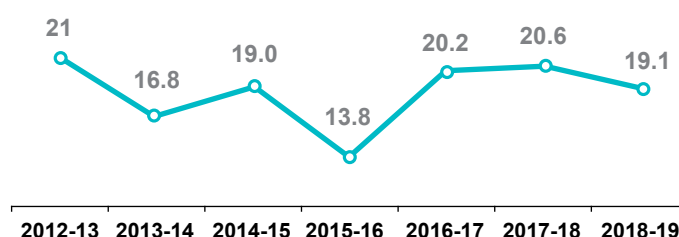
3.2.1. Ratio of Claims to Total Loans and Claims

The following diagram shows the trend of the ratio of claims to the total facilities and claims over a seven-year period ending the fiscal year 2018-19, indicating that the performance was more desirable in 2018-19 as compared with the fiscal years 2016-17 and 2017-18.

(Amounts in IRR billion)

Description / Fiscal Year	2017-18	2018-19
Claims	126,326	147,320
Total Loans and Claims	612,774	770,074
Ratio of Claims to Total Loans and Claims (%)	20.6	19.1

Ratio of Claims to Total Facilities and Claims (%)



3.2.2. Reserves Adequacy Ratio

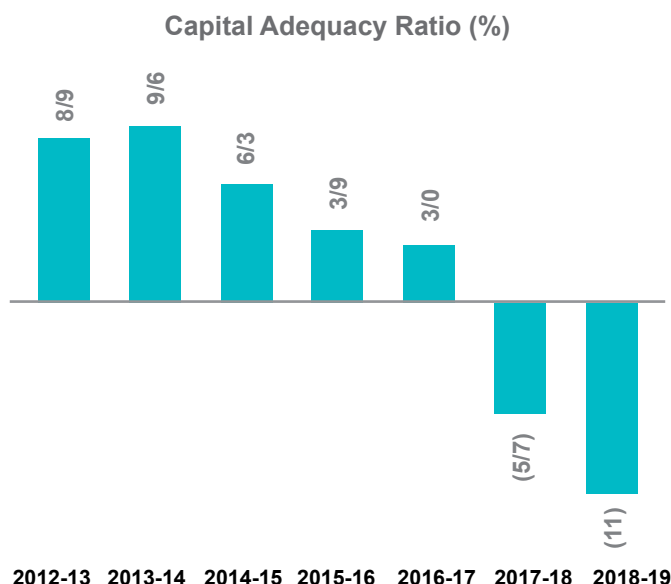
The following table shows the claims reserves adequacy ratio on March 20, 2019. This ratio actually shows that the claims special reserves equaling 58.7% of the claims have no real estate or deposit collaterals. In other words, for some IRR 123 trillion of the Bank's claims, whose collaterals are promissory notes, a special reserve for some USD 72 trillion is recorded in the accounts.

Amounts in IRR billion

Description / Fiscal Year	2018-19
Special Reserve for Doubtful Claims	72,087
Balance of Net Claims after Reduction of Real Estate and Deposit Collaterals	122,870
Reserves Adequacy Ratio (%)	58.7

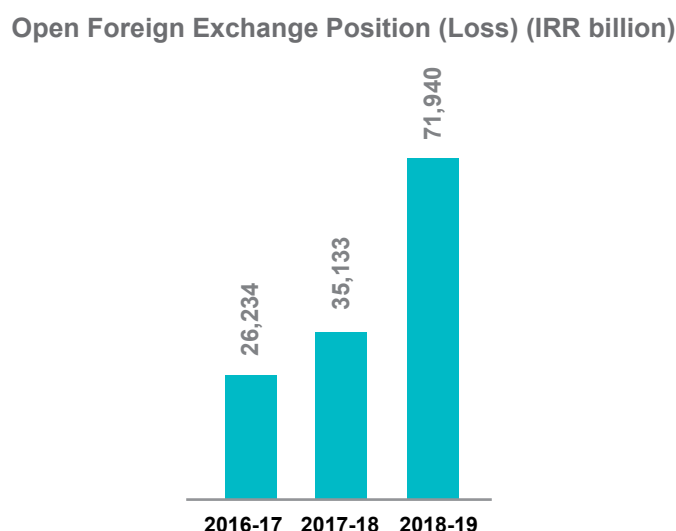
3.2.3. Capital Adequacy Ratio

Among the indicators showing the extent of risk coverage by banks is the capital adequacy ratio. In this regard, the values of the Bank's capital adequacy ratio for seven years ending March 20, 2019, are shown in the following chart. In order to maintain the upward trend of this indicator, raising the capital adequacy ratio to 12% has been defined as one of the strategic goals of the Bank and necessary planning for its realization using various methods including capital increase sourced from cash input is on the Bank's agenda.



3.2.4. Open Foreign Exchange Position

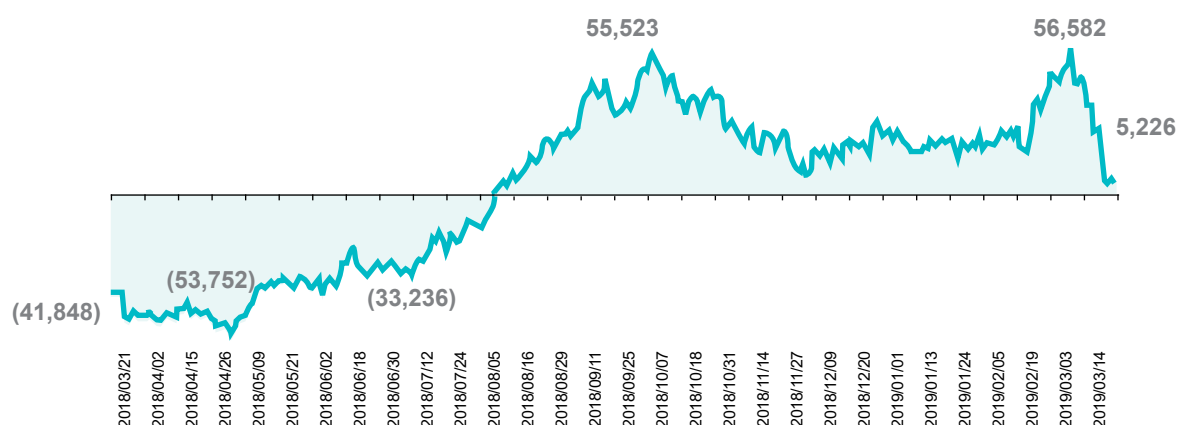
The following diagram shows the Bank's open foreign exchange position during the recent three fiscal years. According to the CBI, the exchange rate per each US dollar rose to IRR 75,000 in 2018-19 from IRR 37,690 in 2017-18, which led to identifying IRR 32,356 billion as profit from the conversion of foreign currency assets and debts, and the Bank's open foreign exchange position grew by more than two times.



3.2.5. Liquidity Status

The Bank's core liquidity refers to the cash funds available in the Bank's own fund or reachable via the CBI and other banks. Thanks to the plans, measures and efforts made in 2018-19, the Bank succeeded to improve the deposits mobilization and allocation process, which led to improved liquidity in the previous year. The daily liquidity fluctuation trend of the Bank is shown in the following diagram.

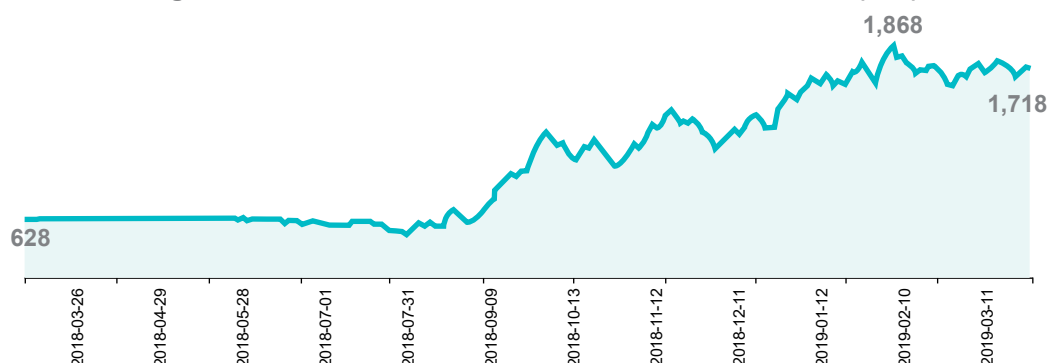
Diagram of the Bank's Daily Liquidity Fluctuation Trend in 2018-19 (IRR billion)



4. TREND OF STOCK PRICE

The trend of Tejarat Bank's stock price fluctuation in 2018-19 is shown in the following diagram. It shows that the shareholders' expectation of the improvement of the Bank's performance and realization of the capital increase last year was the main cause of the rising stock price trend in 2018-19. The annual return on Tejarat Bank's stock price equaled 174% which brought it among the top banks in the banking industry.

Diagram of the Bank's Stock Price Fluctuation in 2018-19 (IRR)

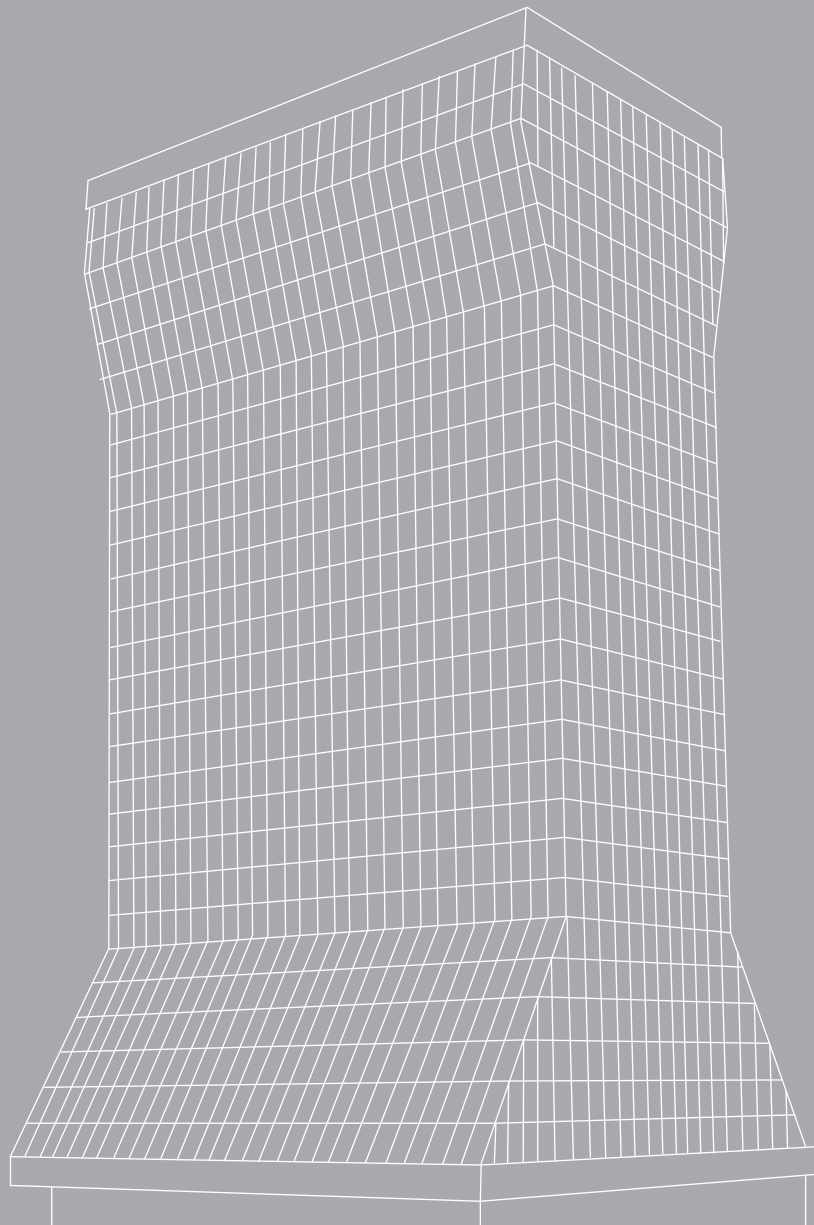


5. SUMMARY OF PERFORMANCE OF OTHER RATIOS

Indicator	Description	2018-19	Restated 2017-18
Business Ratios	Facilities to deposits ratio (after applying legal deductions) (%)	85.5	88.5
	Investments to total assets ratio (%)	7.8	3.4
Liquidity Ratios	Cash and liquidable assets to total assets ratio (%)	6.5	3.9
	Cash and liquidable assets to total deposits ratio (%)	8.9	4.8
	Deposit per capita in terms of branch (IRR billion)	940	680
Agents' Efficiency Indicators	Deposit per capita in terms of personnel (IRR billion)	81	62
	Income per capita in terms of personnel (IRR billion)	12.5	8.6
	Net profit per capita in terms of personnel (IRR million)	(316)	(3,409)
	Capital adequacy ratio (%)	(11.0)	(5.7)
Risk Indicators	Open Foreign Exchange Position (USD million)	959	932
	Net deferred and doubtful claims to total facilities and claims ratio (%)	10.2	11.3
	Net LG and LC claims to total LG and LC liabilities (%)	0.9	1.2
	Reserves adequacy ratio (special reserves of claims to total claims ratio) (%)	58.7	58.6
	Equity Ratio	8.5	(3.1)
Leverage Ratios	Debt ratio (total debts to total assets ratio) (%)	91	103.1
	Leverage ratio (total assets to Equity) (times)	11.8	(31.8)

CHAPTER FIVE

FINANCIAL STATEMENTS



Independent Auditor's Report
To Annual General Meeting of the Shareholders
Tejarat Bank (Public Joint Stock)

Report on the Financial Statements

Introduction

1. We have audited the accompanying consolidated financial statements of the Group and standalone financial statements of Tejarat Bank (Public Joint Stock) which comprise the balance sheets as at March 20, 2019, and the statements of profit and loss, comprehensive profit and loss, changes in proprietor's equity and cash flow statement for the fiscal year then ended, and explanatory notes 1 to 63.

Board of Directors' Responsibility for the Financial Statements

2. The Bank's board members are responsible for preparation and fair presentation of these financial statements in accordance with Iranian accounting standards; this includes design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Iranian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

4. Due from government account (note number 11 to the financial statements) includes the amount of 106,031 billion Rials overestimation and over-calculation of the rates of interests and penalties of those debts which are not acceptable by the Government (calculation of debt interest is done based on the Central Bank letter of instruction dated 19 March, 2019), over-calculation of the amount of 37,443 billion Rials which does not comply with relevant rules and regulations and at least the amount of 71,325 billion Rials has been resulted from over-calculation of principal and interest of granted facilities, bonds and differences of translation of multiple rates of exchange of foreign currencies to single-rate of exchange and we have not been provided with any evidential

matter which these over-calculations are acceptable by the Government. Adjustment of accounts is a must, but determination of conclusive amount of that is not possible for us at the present situation.

5. Examination of rescheduled granted facilities and noncurrent receivables shows us that they have not been classified properly and those receivables have deficit of impairment. In calculation of impairment of special doubtful receivables during recent years, the value of collateralized assets has been calculated based on the consumers price indexes of goods and services which have been announced by the Central Bank, these indexes are not a proper basis for calculation of impairment of receivables. Determination of impairment of bank's claims is a must, but due to inadequacy of information system of the bank and high volume of transactions and lack of comprehensive information about the value of collaterals, we are unable to determine the conclusive amount of those impairments.

6. Based on note 17-1, 18-1, 14-2, 29-2 and 30 to the consolidated financial statements, bank's assets including land, building, goodwill and investments have been increased against the capital of the bank and revaluation surplus accounts. In compliance with Iranian Accounting Standards consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances, but procedures of measurement of assets in the parent company have not been applied in the Group companies. Adjustment of the accounts in this regard is not possible for us at the present time.

7. Based on the contents of Article 34 of Articles of Association of Bank's Retirement and Disability Fund, deficit of Fund's resources must be financed by member banks. Based on the actuarial calculations, reporting bank's share of the Fund's deficit until the end of the year ended March 20, 2019 has been calculated for the amount of 76,730 billion Rials (until the end of the year ended March 20, 2018 the amount of 41,819 billion Rials). The bank has raised objection to the actuarial calculations at the time of privatization (end of the year ended March 20, 2009) and thereafter, and in this regard, has either paid for or made a provision for, just the amount of 23,669 billion Rials in the book of accounts. Adjustment of accounts in this regard is necessary, but determination of the financial amount of bank's share depends on the outcome of bank's objection.

8. As described in Note Number 25 to the financial statements, for income tax of the years ended March 20, 2017 and March 20, 2018, based on the issued preliminary tax assessment notices for those years the amount of 12,914 billion Rials has been claimed in total, income tax appeal has been submitted to tax appeal commissioner by the bank. And also, with respect to the declared loss of the bank for the reporting year, no income tax provision has been calculated and recorded in the book of accounts in this respect. In addition, on the basis of paragraph (B) and (P) of Article 17 of Act of Removing Production Barriers and Competiveness and Improving the Financial System of the Country for Activities which are not related to banking same as business ownership and stock ownership of other companies and possession of surplus real estates that are not essential for the operation of the bank, Iranian National Tax Administration has considered the bank taxable in this regard, Therefore, preliminary unsold surplus assets tax assessment notices for the years ended 20 March, 2017 and 20 March, 2018 have been issued by Tax Assessor respectively for the amounts of 9,215 billion Rials and 16,269 billion Rials which the bank has taken an appeal to the

Tax Appeal Commissioner for those assessments and also no tax provision has been provided in this regard in the book of accounts. Adjustment of accounts in this regard is a must, but conclusive amount of that depends on the result of bank's appeal to the tax authorities.

9. *With reference to the Directive Number 98/62847 dated 12 June 2019 of the Central Bank, monetary foreign currency assets and liabilities of the bank have been translated based on the exchange rates, equal to 85,000 Rials for each Euro and 75,000 Rials for each US dollar and for other currencies based on the exchange rate of Euro with those currencies at the end of the year and for this translation the amount of 32,351 billion Rials has been recorded to the account of net gain of foreign currency transactions (note number 44 to the financial statements) and the amount of 3,945 billion Rials to the account of foreign currency translation difference (note number 34 to the financial statements). In accordance with Iranian Accounting Standards when there are multiple rates of exchange for one kind of foreign currency, the exchange rate used to translate foreign currency should be proportional to future cash flows consumed for settlement of translation or related account balance would be settled. Therefore, the adjustment of accounts is a must, but determination of effect of the adjustments on the financial statements is not possible for us at the present situation.*

10. *We have not yet received the confirmation letters requested for sight foreign currency deposit accounts with foreign banks (restricted) and the account of facilities received from Foreign Currency Reserve Account (Explanatory Notes 10-3 and 26-3 to the financial statements) at the amounts of 5,104 billion Rials and 10.466 billion Rials respectively and we were not able to substantiate these balances through applying other auditing procedures. Further, the unfavorable discrepancy of the confirmation letters received with respect to other accounts receivable is 6,378 billion Rials. Since the nature of discrepancies is not known, we were not able to quantify possible impacts on the financial statements, had such discrepancies and other possible discrepancies been removed.*

Qualified Opinion

11. *In our opinion, except for the effects of the matters described in Paragraphs 4 to 9, and also except for the possible impact mentioned in Paragraph 10, the financial statements present fairly, in all material respects, the financial position of the Group and Tejarat Bank (Public Joint-Stock) as at March 20, 2019 and of their financial performance and their cash flows for the year then ended, in accordance with Iranian Accounting Standards.*

Emphasis of Matters

12. *As described in notes number 16-4-1 and 14-2-1-2 to the financial statements, shares of the National Investment Company of Iran have been transferred to the South Mines Development Company by the bank because of non-fulfillment of obligations by the buyer, the bank has filed a petition to the arbitration committee of Tehran Stock Exchange. Hearing session to the bank's petition has been held at 9 October, 2018, but the final verdict has not yet been issued by that committee. Also, arbitration committee of Tehran Stock Exchange has issued a binding final verdict for termination of contract and conviction of buyer and also, surrender of Fars Trade Power Plant Generating Company's shares to the bank, the process of implementation of the verdict by the enforcement offices and departments of the Iranian Documentation and Real Estate Agency is being followed. Our opinion is not qualified in respect of this matter.*

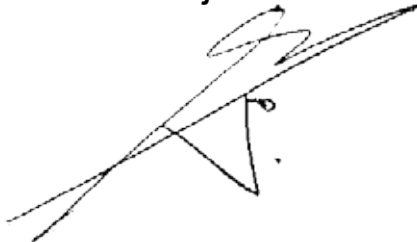
13. As reflected in note number 10-2-3 to the financial statements, based on the Central Bank's directives related to the fulfillment of previous years foreign currency obligation, the reporting bank has recorded its foreign currency obligation in bank's portal to the website of Central Bank by using semi subsidized rate of exchange (Called Marja'a rate of exchange) and has claimed the amount of 16,433 billion Rials in this regard from Central Bank (previous year the amount of 14,051 billion Rials), the result of Central Bank's examinations in this regard has not yet been announced to the bank, and a special audit is supposed to be conducted for these accounts. Also, as described in note number 10-2-2 to the financial statements, Central Bank has withdrawn the amount of 2,250 billion Rials from the bank's current account with that bank as foreign currency translation differences at the end of the year ended 20 March, 2012 with reference to the approval of Board of Five Members of Work-Group for Organizing Foreign Currency Issues. The bank has raised objection to this withdrawal and followed that issue, but up to the date of this report, this disagreement has not been settled and final result of this disagreement depends on the settlement of this issue with Central Bank's authorities. Our opinion is not qualified in respect of this matter.

Date: July 10, 2019
(19 Tir, 1398 Iranian Calendar)

Audit Organization

Majid Darabi

Vahid Ghassem Tohidi



Tejarat Bank (Public Joint Stock)
Consolidated Balance Sheet
At March 20, 2019

Annual Report
To Be Submitted to the
Annual General Meeting
For the Fiscal Year
Ending March 20th, 2019

Assets	Note	(Restated)		Liabilities & Equity	Note	(Restated)	
		March 20, 2019	March 20, 2018			March 20, 2019	March 20, 2018
		Rls. Million	Rls. Million			Rls. Million	Rls. Million
Assets				Liabilities			
Cash	9	127,609,203	53,365,168	Payables to banks and credit institutions	22	112,574,243	131,450,840
Receivables from banks and credit institutions	10	51,842,591	26,643,041	Customers' deposits	23	387,940,195	221,411,182
Due from Government	11	402,923,136	336,787,839	Dividend payable	24	764,706	492,019
Facilities granted and due from governmental sector	12	267,955	795,904	Provision for income tax	25	737,240	655,694
Facilities granted and receivables from non-governmental sector	13	682,212,866	539,669,986	Provisions and other liabilities	26	231,147,090	135,451,901
Investment in shares and other securities	14	94,286,920	33,766,240	Provision for staff termination benefits and post-retirement obligations	27	19,482,303	17,713,243
Receivables from affiliated and associated companies	15	6,276,261	922,443	Total liabilities before equity of holders of investment deposits		752,645,777	507,174,879
Other accounts receivable	16	90,108,908	74,162,252				
Tangible fixed assets	17	172,510,136	87,522,132	Equity of holders of investment deposits	28	1,028,314,644	883,919,991
Intangible assets	18	9,746,906	1,095,691	Total liabilities		1,780,960,421	1,391,094,870
Statutory deposit	19	144,728,599	112,902,249	Equity:			
Goodwill	20	951,629	1,017,523	Capital	29	223,926,127	45,700,000
Other assets	21	113,693,107	82,299,028	Adjustment of parent company's equity out of revaluation	29-2	(54,530,591)	0
				Surplus from revaluation of assets	30	30,439,460	0
				Parent company's shares owned by subsidiaries	31	(339,146)	(781,915)
				Legal reserve	32	9,320,524	8,607,647
				Other reserves	33	4,724,044	4,724,044
				Foreign currency translation differences	34	9,954,285	3,147,269
				Retained loss		(109,342,390)	(103,653,596)
				Total Proprietor's equity attributable to parent company's shareholders		114,152,313	(42,256,551)
				Minority interest	35	2,045,483	2,111,177
				Total equity		116,197,796	(40,145,374)
Total Assets		1,897,158,217	1,350,949,496	Total liabilities & equity		1,897,158,217	1,350,949,496
Customers' commitments for documentary credits	54-1	238,414,780	150,248,266	Bank's commitments for documentary credits	54-1	238,414,780	150,248,266
Customers' commitments for letters of guarantee issued	54-2	300,327,855	212,039,647	Bank's commitments for letters of guarantee issued	54-2	300,327,855	212,039,647
Customers' other commitments	54-3	129,724,118	50,261,873	Bank's other commitments	54-3	129,724,118	50,261,873
Contra- managed funds and corresponding	54-4	77,400,485	40,541,880	Managed funds and corresponding	54-4	77,400,485	40,541,880

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Consolidated Profit and Loss Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year Ended March 20, 2019	Year Ended March 20, 2018
		Rls. Million	Rls. Million
Income from facilities granted and deposits and debt bonds	36	164,339,577	123,763,326
Expense of interest on deposits	41	(145,515,812)	(152,900,966)
Net income from facilities and deposits		18,823,765	(29,137,640)
Income from commission	42	11,210,518	7,753,437
Expense of commission	43	(3,091,895)	(3,309,556)
Net income from commission		8,118,623	4,443,881
Net profit from investments	37	3,467,466	5,691,352
Net profit from foreign currency transactions and trading	44	35,658,204	8,517,423
Other operating income and expenses	45	5,133,173	6,740,294
Total operating income		71,201,231	(3,744,690)
Net other income and expenses	46	4,468,553	3,113,886
Administrative and general expenses	47	(40,919,865)	(34,240,140)
Expense of doubtful debts	48	(17,710,803)	(14,931,098)
Financial expenses	49	(16,857,486)	(6,454,425)
Expense of depreciation/amortization	50	(2,006,511)	(2,256,437)
Total expenses		(73,026,112)	(54,768,214)
Group's share of associated companies' profit	14-3-2	423,460	490,650
Loss before income tax		(1,401,421)	(58,022,254)
Income tax	25	(689,340)	(597,386)
Net loss		(2,090,761)	(58,619,640)
Loss attributable to:			
Parent company's shareholders		(2,509,693)	(59,151,445)
Minority interest from profit		418,932	531,805
Loss per share (IR Rials)			
Base Loss per Share (IR Rials)	56	(11)	(265)

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Consolidated Comprehensive Profit and Loss Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year ended March 20, 2019	Year ended March 20, 2018
		Rls. Million	Rls. Million
Net loss		(2,090,761)	(58,619,640)
Surplus from revaluation of assets	30	208,665,587	0
Transfer of surplus from revaluation of assets to capital account	30	(178,226,127)	0
Difference from uniform foreign exchange translation rate	34	6,807,016	48,583
Comprehensive profit (loss) of the fiscal period		35,155,715	(58,571,057)
Prior period adjustments	51	(29,710,356)	(2,908,556)
Comprehensive profit (loss) recognized since the previous reporting period		5,445,359	(61,479,613)
Minority interest from comprehensive profit of the fiscal period		402,562	527,855

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Consolidated Statement of Changes in Shareholders' Equity
For the Fiscal Year Ended March 20, 2019

Description	Note	March 20, 2019															
		Capital	Adjustment of Parent Company's Equity out of Revaluation		Surplus from Revaluation of Assets		Parent Company's Shares Owned by Subsidiaries		Legal Reserve	Other Reserves	Difference of Foreign Currency Translation Operation		Retained Loss	Total equity attributable to parent company		Minority Interest	Total Shareholders' Equity
		Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million
Balance on March 21, 2018		45,700,000	0	0	0	(781,915)	8,607,647	4,724,044	3,147,269	(73,959,610)	(12,562,565)	2,111,177	(10,451,388)				
Net loss		0	0	0	0	0	0	0	0	(2,509,693)	(2,509,693)	418,932	(2,090,761)				
Prior period adjustments	51	0	0	0	0	0	0	0	0	(29,693,986)	(29,693,986)	(16,370)	(29,710,356)				
Other Comprehensive Profits (Losses) after Tax																	
Surplus from revaluation of assets	30	0	0	30,439,460	0	0	0	0	0	0	30,439,460	0	30,439,460				
Foreign currency translation differences	34	0	0	0	0	0	0	0	6,807,016	0	6,807,016	0	6,807,016				
Total other comprehensive profits		0	0	30,439,460	0	0	0	0	6,807,016	0	37,246,476	0	37,246,476				
Total comprehensive profit		0	0	30,439,460	0	0	0	0	6,807,016	(32,203,679)	5,042,797	402,562	5,445,359				
Capital increase																	
Capital increase registered		178,226,127	0	0	0	0	0	0	0	0	178,226,127	0	178,226,127				
Adjustment of parent company's equity out of revaluation		0	(54,530,591)	0	0	0	0	0	0	0	(54,530,591)	0	(54,530,591)				
Parent company's shares owned by subsidiaries	31	0	0	0	442,769	0	0	0	0	0	442,769	0	442,769				
Distributed and allocated																	
Legal reserve	32	0	0	0	0	712,877	0	0	0	(712,877)	0	0	0				
Other changes		0	0	0	0	0	0	0	0	(2,466,224)	(2,466,224)	0	(2,466,224)				
Equity of minor shareholders created during the period		0	0	0	0	0	0	0	0	0	0	0	(36,256)				
Approved dividend	24	0	0	0	0	0	0	0	0	0	0	0	(432,000)				
Total		178,226,127	(54,530,591)	0	442,769	712,877	0	0	0	(3,179,101)	121,672,081	(468,256)	121,203,825				
Balance on March 20, 2019		223,926,127	(54,530,591)	30,439,460	(339,146)	9,320,524	4,724,044	9,954,285	(109,342,390)	114,152,313	2,045,483	116,197,796					

Continued

March 20, 2018												
Description	Note	Capital	Parent Company's Shares Owned by Subsidiaries		Legal Reserve	Other Reserves	Difference of Foreign Currency Translation Operation	Retained Loss	Total equity attributable to parent company		Minority Interest	Total Shareholders' Equity
			Rls. Million	Rls. Million					Rls. Million	Rls. Million		
Balance on March 21, 2017		45,700,000	(286,944)	7,421,842	4,724,044	3,098,686	(41,605,890)	19,051,738	1,513,139	20,564,877		
Net loss		0	0	0	0	0	(59,151,445)	(59,151,445)	531,805	(58,619,640)		
Prior period adjustments	51	0	0	0	0	0	(2,904,606)	(2,904,606)	(3,950)	(2,908,556)		
Other Comprehensive Profits (Losses) after Tax												
Surplus from revaluation of assets	30	0	0	0	0	0	0	0	0	0	0	0
Foreign currency translation differences	34	0	0	0	0	48,583	0	48,583	0	48,583	0	48,583
Total other comprehensive profits		0	0	0	0	48,583	0	48,583	0	48,583	0	48,583
Total comprehensive profit		0	0	0	0	48,583	(62,056,051)	(62,007,468)	527,855	(61,479,613)		
Parent company's shares owned by subsidiaries	31	0	(494,971)	0	0	0	0	(494,971)	0	(494,971)	0	(494,971)
Distributed and allocated												
Legal reserve	32	0	0	1,185,805	0	0	(1,185,805)	0	0	0	0	0
Other changes		0	0	0	0	0	1,194,150	1,194,150	0	1,194,150	0	1,194,150
Equity of minor shareholders created during the period		0	0	0	0	0	0	0	0	454,967	454,967	
Approved dividend	24	0	0	0	0	0	0	0	0	(384,784)	(384,784)	
Total		0	(494,971)	1,185,805	0	0	8,345	699,179	70,183	769,362		
Balance on March 20, 2018		45,700,000	(781,915)	8,607,647	4,724,044	3,147,269	(103,653,596)	(42,256,551)	2,111,177	(40,145,374)		

Tejarat Bank (Public Joint Stock)
Consolidated Cash Flow Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year Ended March 20, 2019	Year Ended March 20, 2018
		Rls. Million	Rls. Million
Operating activities			
Cash received for:			
Interest and penalty on facilities granted		162,914,610	121,742,575
Commission		11,210,518	7,753,437
Interest from deposits		1,424,967	2,020,751
Profit from investments		3,467,466	5,691,352
Other operating income		19,522,300	5,653,058
Cash paid for:			
Interest on deposits		(145,515,812)	(152,900,966)
Commission		(3,091,895)	(3,309,556)
Finance cost		(16,857,486)	(6,454,425)
Other operating expenses		(35,838,530)	(34,989,704)
Income tax		(440,005)	(373,681)
Cash outflow from operating activities before changes in operating assets and liabilities		(3,203,867)	(55,167,159)
Cash flows from changes in operating assets & liabilities:			
Net increase (decrease) in liabilities:			
Payables to banks and other credit institutions		5,402,264	61,735,977
Customers' deposits		166,529,014	42,790,397
Operating portion of provisions and other liabilities		102,171,277	747,379
Equity of holders of investment deposits		144,394,652	114,143,416
Net (Increase) Decrease in Assets:			
Receivables from banks and other credit institutions		(25,199,550)	(3,109,276)
Due from Government		(97,023,142)	(55,185,512)
Principal facilities granted and receivables from governmental persons		527,949	144,742
Principal facilities granted and receivables from nongovernmental persons		(151,486,362)	(63,943,362)
Investment in shares and other securities		242,115	2,282,502
Receivables from affiliated and associated companies		(5,353,818)	(3,023,587)
Other accounts receivable		(22,878,238)	10,335,371
Statutory deposit		(31,826,350)	(9,678,305)
Operating portion of other assets		(32,742,173)	(29,710,209)
Cash flows from changes in operating assets and liabilities		52,757,638	67,529,533
Net cash inflow from operating activities:	52	49,553,771	12,362,374
Investing Activities			
Cash paid for acquisition of tangible fixed assets		(4,272,757)	(9,710,811)
Proceeds from sale of tangible fixed assets		835,418	157,525
Cash paid for acquisition of intangible assets		(306,761)	(160,590)
Proceeds from sale of intangible assets		11,195	9,745
Net cash outflow from investing activities		3,732,905	(9,704,131)
Net cash inflow before financing activities		45,820,866	2,658,243
Financing Activities			
Treasury stock transactions		442,769	(494,971)
Dividend paid		(159,312)	499,005
Net cash inflow (outflow) from financing activities		283,457	(993,976)
Net cash increase		46,104,323	1,664,267
Cash balance at beginning of year		45,443,217	36,930,008
Effects of foreign currency rate fluctuations		25,086,655	6,848,942
Cash balance at end of year	52-1	116,634,195	45,443,217
Noncash transactions	53	254,930,262	1,942,486

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Balance Sheet
At March 20, 2019

Assets	Note	(Restated)		Liabilities & Equity	Note	(Restated)	
		March 20, 2019	March 20, 2018			March 20, 2019	March 20, 2018
		Rls. Million	Rls. Million			Rls. Million	Rls. Million
Assets			Liabilities				
Cash	9	126,140,390	52,825,707	Payables to banks and credit institutions	22	112,293,126	129,932,135
Receivables from banks and credit institutions	10	50,045,434	25,761,262	Customers' deposits	23	389,205,530	223,007,084
Due from Government	11	402,923,136	336,787,839	Dividend payable	24	363,457	365,581
Facilities granted and due from governmental sector	12	267,955	795,904	Provision for income tax	25	0	0
Facilities granted and receivables from non-governmental sector	13	688,013,358	546,662,827	Provisions and other liabilities	26	225,037,147	129,489,509
Investment in shares and other securities	14	150,987,922	46,418,510	Provision for staff termination benefits and post-retirement obligations	27	19,243,466	17,522,011
Receivables from affiliated and associated companies	15	19,652,057	21,342,070	Total liabilities before equity of holders of investment deposits		746,142,726	500,316,320
Other accounts receivable	16	82,654,488	60,164,969	Equity of holders of investment deposits	28	1,031,915,980	887,703,550
Tangible fixed assets	17	156,543,853	60,406,040	Total liabilities		1,778,058,706	1,388,019,870
Intangible assets	18	9,641,631	983,071	Equity			
Statutory deposit	19	144,728,599	112,902,249	Capital	29	223,926,127	45,700,000
Other assets	21	111,275,276	80,695,177	Surplus from revaluation of assets	30	30,439,460	0
				Legal reserve	32	7,089,102	7,089,102
				Other reserves	33	4,724,044	4,724,044
				Foreign currency translation differences	34	8,149,600	4,204,239
				Retained loss		(109,512,940)	(103,991,630)
				Total equity		164,815,393	(42,274,245)
Total Assets		1,942,874,099	1,345,745,625	Total liabilities & Equity		1,942,874,099	1,345,745,625
Customers' commitments for documentary credits	54-1	238,414,780	150,248,266	Bank's commitments for documentary credits	54-1	238,414,780	150,248,266
Customers' commitments for letters of guarantee issued	54-2	300,510,102	212,105,693	Bank's commitments for letters of guarantee issued	54-2	300,510,102	212,105,693
Customers' other commitments	54-3	129,724,118	50,261,873	Bank's other commitments	54-3	129,724,118	50,261,873
Contra- managed funds and corresponding	54-4	77,400,485	40,541,880	Managed funds and corresponding	54-4	77,400,485	40,541,880

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Profit and Loss Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year Ended March 20, 2018	
		Rls. Million	Rls. Million
Income from facilities granted and deposits and debt bonds	36	165,239,579	124,473,171
Expense of interest on deposits	41	(146,412,554)	(153,671,267)
Net income from facilities and deposits		18,827,025	(29,198,096)
Income from commission	42	11,206,293	7,744,877
Expense of commission	43	(3,106,542)	(3,313,607)
Net income from commission		8,099,751	4,431,270
Net profit from investments	37	2,343,857	10,214,911
Net profit from foreign currency transactions and trading	44	35,662,252	8,512,443
Other operating income and expenses	45	188,727	35,512
Total operating income		65,121,612	(6,003,960)
Net other income and expenses	46	4,210,073	2,480,990
Administrative and general expenses	47	(39,603,358)	(34,107,891)
Expense of doubtful debts	48	(17,614,332)	(15,197,371)
Financial expenses	49	(16,738,323)	(6,348,149)
Expense of depreciation/amortization	50	(896,982)	(1,682,376)
Loss before income tax		(5,521,310)	(60,858,757)
Income tax	25	0	0
Net loss		(5,521,310)	(60,858,757)
Loss per share (IR Rials)			
Base Loss per Share (IR Rials)	56	(25)	(272)
Diluted Earnings Per Share (IR Rials)		-	-

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Comprehensive Profit and Loss Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year ended March 20, 2019	Year ended March 20, 2018
		Rls. Million	Rls. Million
Net loss		(5,521,310)	(60,858,757)
Surplus from revaluation of assets	30	208,665,587	0
Transfer of surplus from revaluation of assets to capital account	30	(178,226,127)	0
Difference from uniform foreign exchange translation rate	34	3,945,361	1,105,553
Comprehensive profit (loss) of the fiscal period		28,863,511	(59,753,204)
Prior period adjustments	51	(24,041,295)	(5,792,993)
Comprehensive profit (loss) recognized since the previous reporting period		4,822,216	(65,546,197)

The accompanying notes form an integral part of the financial statements

Tejarat Bank (Public Joint Stock)
Statement of Changes in Shareholders' Equity
For the Fiscal Year Ended March 20, 2019

Description	Note	March 20, 2019						Total Shareholders' Equity
		Capital	Surplus from Revaluation of Assets	Legal Reserve	Other Reserves	Difference of Foreign Currency Translation Operation	Retained (Loss)	
		Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million	Rls. Million
Balance on March 21, 2018		45,700,000	0	7,089,102	4,724,044	4,204,239	(79,950,335)	(18,232,950)
Net loss		0	0	0	0	0	(5,521,310)	(5,521,310)
Prior period adjustments	51	0	0	0	0	0	(24,041,295)	(24,041,295)
Other Comprehensive Profits (Losses) after Tax								
Surplus from revaluation of assets	30	0	30,439,460	0	0	0	0	30,439,460
Foreign currency translation differences	34	0	0	0	0	3,945,361	0	3,945,361
Total other comprehensive profits		0	30,439,460	0	0	3,945,361	0	34,384,821
Total comprehensive profit		0	30,439,460	0	0	3,945,361	(29,562,605)	4,822,216
Capital Increase								
Capital increase registered	30	178,226,127	0	0	0	0	0	178,226,127
Distributed and allocated								
Legal reserve	32	0	0	0	0	0	0	0
Other reserves	33	0	0	0	0	0	0	0
Approved dividend	34	0	0	0	0	0	0	0
Total		178,226,127	0	0	0	0	0	178,226,127
Balance on March 20, 2019		223,926,127	30,439,460	7,089,102	4,724,044	8,149,600	(109,512,940)	164,815,393

Tejarat Bank (Public Joint Stock)
Statement of Changes in Shareholders' Equity
For the Fiscal Year Ended March 20, 2019

Continued

Description	Note	Year Ended March 20, 2018						
		Capital	Legal Reserve	Other Reserves	Difference of Foreign Currency Translation Operation			Total Shareholders' Equity
					Rls. Million	Rls. Million	Rls. Million	
Balance on March 21, 2017		45,700,000	7,089,102	4,724,044	3,098,686	(37,339,880)	23,271,952	
Net loss		0	0	0	0	(60,858,757)	(60,858,757)	
Prior period adjustments	51	0	0	0	0	(5,792,993)	(5,792,993)	
Other Comprehensive Profits (Losses) after Tax								
Foreign currency translation differences	34	0	0	0	1,105,553	0	1,105,553	
Total other comprehensive profits		0	0	0	1,105,553	0	1,105,553	
Total comprehensive profit		0	0	0	1,105,553	(66,651,750)	(65,546,197)	
Distributed and allocated								
Legal reserve	32	0	0	0	0	0	0	0
Other reserves	33	0	0	0	0	0	0	0
Approved dividend	24	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0
Balance on March 20, 2018		45,700,000	7,089,102	4,724,044	4,204,239	(103,991,630)	(42,274,245)	

Tejarat Bank (Public Joint Stock)
Cash Flow Statement
For the Fiscal Year Ended March 20, 2019

Description	Note	(Restated)	
		Year Ended March 20, 2019	Year Ended March 20, 2018
		Rls. Million	Rls. Million
Operating activities			
Cash received for:			
Interest and penalty on facilities granted		164,026,674	122,889,479
Commission		11,206,292	7,744,877
Interest from deposits		1,212,905	1,583,692
Profit from investments		2,343,857	10,214,911
Other operating income		18,087,218	4,548,080
Cash paid for:			
Interest on deposits		(146,412,554)	(153,671,267)
Commission		(3,106,542)	(3,313,607)
Finance cost		(16,738,323)	(6,348,149)
Other operating expenses		(39,151,723)	(41,834,642)
Cash outflow from operating activities before changes in operating assets and liabilities		(8,532,196)	(58,186,626)
Cash flows from changes in operating assets & liabilities:			
Net increase (decrease) in liabilities:			
Payables to banks and other credit institutions		5,402,264	64,396,057
Customers' deposits		166,198,446	35,740,746
Operating portion of provisions and other liabilities		95,547,638	1,249,198
Equity of holders of investment deposits		144,212,430	114,662,227
Net (Increase) Decrease in Assets:			
Receivables from banks and other credit institutions		(24,284,172)	(2,229,020)
Principal due from Government		(97,023,142)	(55,185,511)
Principal facilities granted and receivables from governmental persons		527,949	144,742
Principal facilities granted and receivables from nongovernmental persons		(156,727,361)	(62,576,078)
Investment in shares and other securities		682,612	(4,145,676)
Receivables from affiliated and associated companies		1,690,013	(7,100,787)
Other accounts receivable		(20,660,312)	6,258,643
Statutory deposit		(31,826,350)	(9,678,305)
Operating portion of other assets		(29,023,167)	(18,095,040)
Net other income and expenses		0	43,885
Cash flows from changes in operating assets and liabilities :		54,716,848	63,485,081
Net cash inflow from operating activities	52	46,184,652	5,298,455
Investing Activities			
Cash paid for acquisition of tangible fixed assets		(1,943,939)	(2,190,181)
Proceeds from sale of tangible fixed assets		794,829	157,525
Cash paid for acquisition of intangible assets		(285,820)	(106,873)
Proceeds from sale of intangible assets		11,192	9,744
Net cash outflow from investing activities		(1,423,738)	(2,129,785)
Net cash inflow before financing activities		44,760,914	3,168,670
Financing Activities			
Dividend paid		(2,124)	(188,454)
Net cash outflow from financing activities		(2,124)	(188,454)
Net cash increase		44,758,790	2,980,216
Cash balance at beginning of year		46,422,460	36,618,220
Effects of changes in foreign currency translation rates		24,265,249	6,824,024
Cash balance at end of year	52-1	115,446,499	46,422,460
Noncash transactions	53	254,930,262	1,942,486

The accompanying notes form an integral part of the financial statements

