

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

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# CHAPTER ONE

## Introduction to Tejarat Bank

## MESSAGE OF BOARD OF DIRECTORS

We thank the Lord for passing another year with remarkable success in the performance of Tejarat Bank and adding another golden leaf to the glorious history of this great bank of our dear nation. As we all know, last year was undoubtedly one of the most difficult years for the Iranian economy that we have faced in recent years. This year, Iran's economy experienced many ups and downs, among them the issue of stagflation may be considered the most important feature of the present era of Iran's economic history. In addition, the issue of a full embargo on Iran's oil, deepening stagflation, listing Iran on the FATF blacklist, rising energy carriers prices, rising inflation and declining household purchasing power, lack of development and efficiency in the national production and negative changes in many economic indicators of the country created difficult conditions for the country's economy.

However, benefiting from its great potentials such as its skilled and motivated manpower, taking advantage of its extensive branch network, focusing on the target markets, moving towards the integrated banking system and customer classification, designing new services and products, beside continuing the operating costs reduction approach such as reducing the interest rates on deposits and closing unnecessary branches of the bank in order to boost the productivity; Tejarat Bank leaving the loss mode not only became profitable, but

also increased its market share. So that the ratio of the Bank's deposits to the country's liquidity at the end of fiscal year 1398 (March 19, 2020)\* grew by 6.0 percent compared with the same date of last year and reached 4.7 percent. Moreover, last year, Tejarat Bank was able to maintain its first position in terms of its share of the total revocable and irrevocable LC liabilities balance in the country, as well as its share of the total LG liabilities balance in the country.

A major achievement is that Tejarat Bank has become one of the largest companies in Tehran Stock Exchange and achieved the first among the companies in terms of volume and number of transactions, which indicates the trust of the Bank's valuable shareholders in its performance to improve profitability, so that the number of Bank's individual shareholders on March 19, 2020 with a growth of 128% reached more than 132,000 people.

Moving towards the implementation of digital banking and deepening retail banking will be two major approaches of the Bank in the fiscal year 2020-21 to get a larger market share and to strengthen our competitiveness, which is hoped to be properly achieved with the support of valuable shareholders and the unremitting efforts of the Bank's capable employees.



\* 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 20<sup>th</sup> or 21<sup>st</sup> of March of a year to 19<sup>th</sup> or 20<sup>th</sup> of the next year.

## MEMBERS OF BOARD OF DIRECTORS



Mr. AMIRMASOUD RAZAZAN  
Chairman of the Board of  
Directors



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



Mr. ALI KEYLANI  
Vice-Chairman of Board  
of Directors



Mr. ABBAS. ASHRAFNEJAD  
Board Member



Mr. MORTEZA TORK TABRIZI  
Board Member

## 1- HISTORY OF THE BANK

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

Before the victory of the Islamic Revolution of Iran; 36 banks were active in Iran; some owned by the Government and some were private, owned wholly by Iranians or jointly by Iranians and foreigners. After the victory of the Islamic Revolution; on June 7, 1979, the Revolution Council nationalized all of the country's banks and merged 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; then it was registered with the Company Registration Office on July 19, 1980.

After proclamation of the Law Amending Some Articles of the Fourth Plan of Economic, Social and Cultural Development 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 its comparative advantage in terms of "specialized manpower" and advanced banking methods originating from the integrated banks' experiences; 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 16,286 people, and use of modern technologies, Tejarat Bank serves the people and businesses by rendering services in its 1,411 branches and main branches countrywide.

It is worth noting that by March 19, 2020; only 17% of the Bank's stock remains in the government's possession.



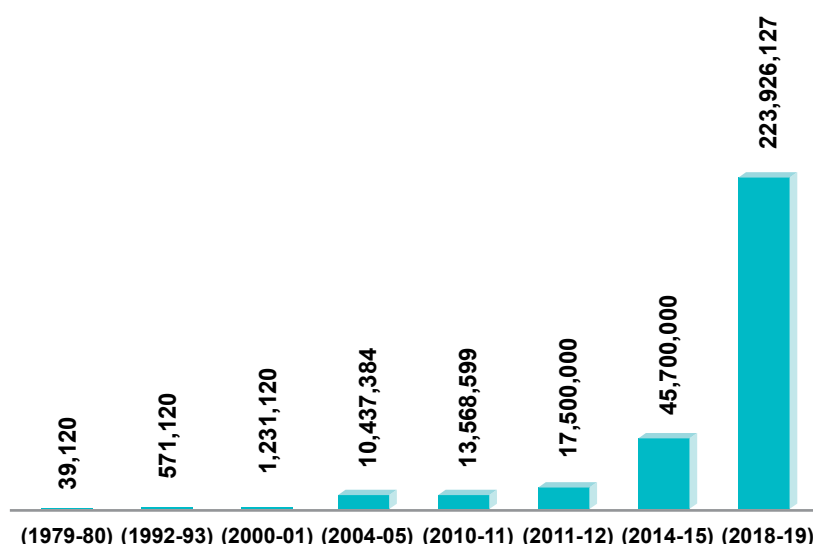


## 2- CAPITAL AND ANALYSIS OF SHAREHOLDERS

At its establishment, the Bank's capital was sum of IRR 39,120 million (consisting of 39,120,000 shares each one representing a nominal value of IRR 1,000) which has increased since then seven times as follows amounted to IRR 223,926,127 million (consisting of 223,926,127,000 shares each one representing a nominal value of IRR 1,000).

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 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
Excess 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
Excess 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 of the Bank up to March 19, 2020 are as listed in the following table:

Row	Name of Shareholder	Number of Shares	%
1	Government of Islamic Republic of Iran (Ministry of Economic Affairs and Finance)	38,067,441,564	17
2	Saba Tamin Investment Co. (Public Joint Stock)	20,060,944,757	9
3	Privatization Organization – By Proxy (Preferential Shares of Personnel)	11,191,214,036	5
4	Tejarat Market Management Investment Fund (BFM)	13,877,052,177	6
5	Investment Company of Tehran Province (Private Joint Stock)	9,109,884,794	4
6	Investment Company of Khorasan Razavi Province (Private Joint Stock)	7,271,501,926	3
7	Investment Company of Fars Province (Private Joint Stock)	6,166,016,082	3
8	Investment Company of Esfahan Province (Private Joint Stock)	5,621,790,014	3
9	Investment Company of Khuzestan Province (Public Joint Stock)	5,503,247,985	2
10	Investment Company of East Azerbaijan Province (Public Joint Stock)	4,645,170,800	2
11	Investment Company of Mazandaran Province (Private Joint Stock)	4,333,697,688	2
12	Investment Company of Kerman Province (Private Joint Stock)	4,224,862,737	2
13	South Mines Development Company (Private Joint Stock)	3,919,932,200	2
14	Investment Company of Guilan Province (Private Joint Stock)	3,909,983,529	2
15	Investment Company of West Azerbaijan Province (Private Joint Stock)	3,385,956,192	2
16	Investment Company of Sistan va Baluchestan Province (Private Joint Stock)	3,268,293,245	1
17	Investment Company of Kermanshah Province (Private Joint Stock)	2,956,165,889	1
18	Market Development Joint Investment Fund	2,159,755,860	1
19	Investment Company of Lorestan Province (Private Joint Stock)	2,809,954,975	1
20	Investment Company of Golestan Province (Private Joint Stock)	2,469,635,454	1
21	Investment Company of Hamedan Province (Private Joint Stock)	2,346,735,210	1
22	Mehr 78 Support Services Co. (Private Joint Stock)	1,605,409,593	1
23	Total of Corporate Shareholders (760 shareholders)	32,505,377,062	14.52
24	Natural Person Shareholders (132,405 shareholders)	32,516,103,231	14.52
<b>Total:</b>		<b>223,926,127,000</b>	<b>100</b>

### 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

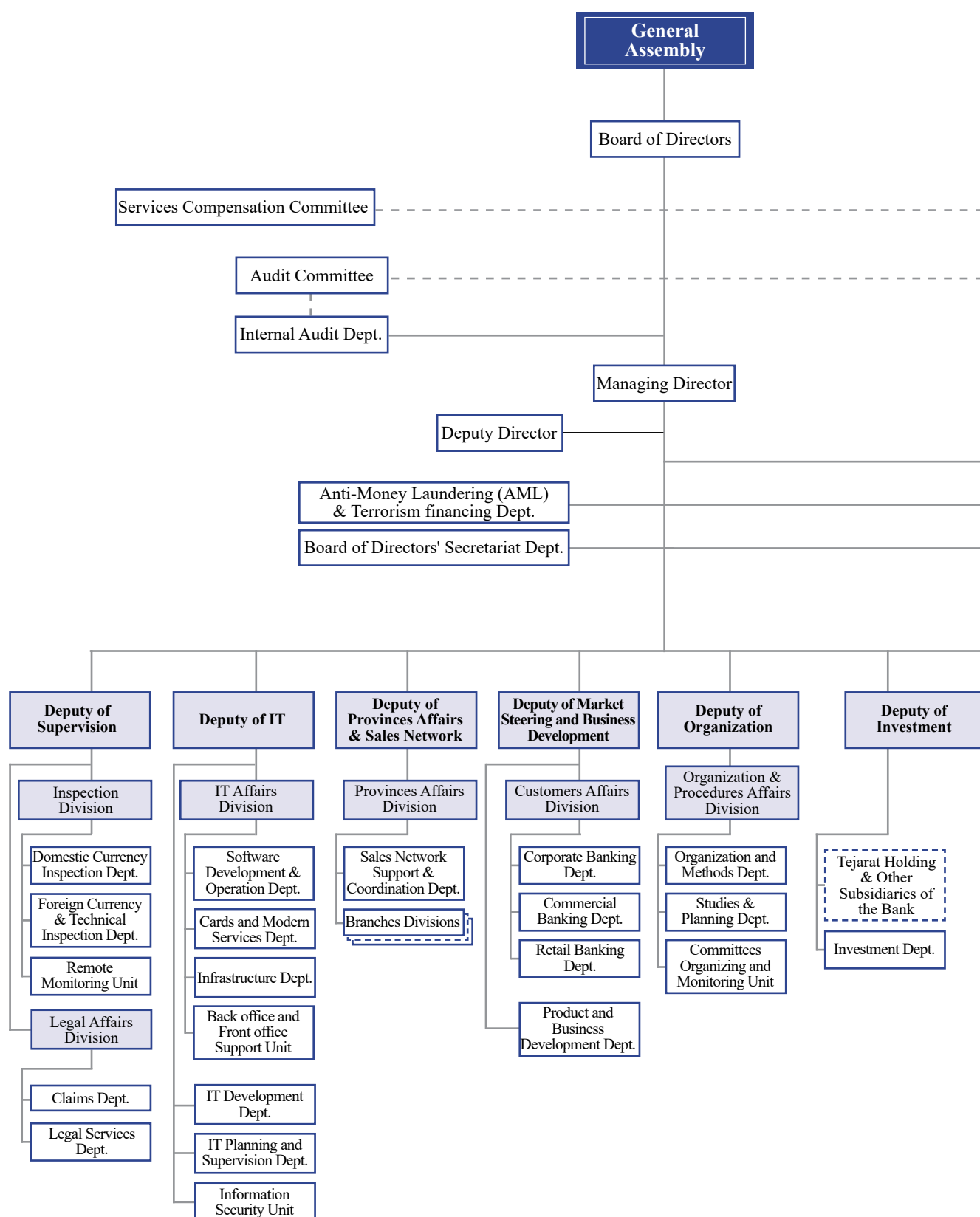
1. Committed to observance of professional and legal principles;
2. Committed to value creation for all stakeholders;
3. Committed to observance of customer orientation and accountability principles;
4. Committed to collaborative management and organizational learning;
5. Committed to transparency and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

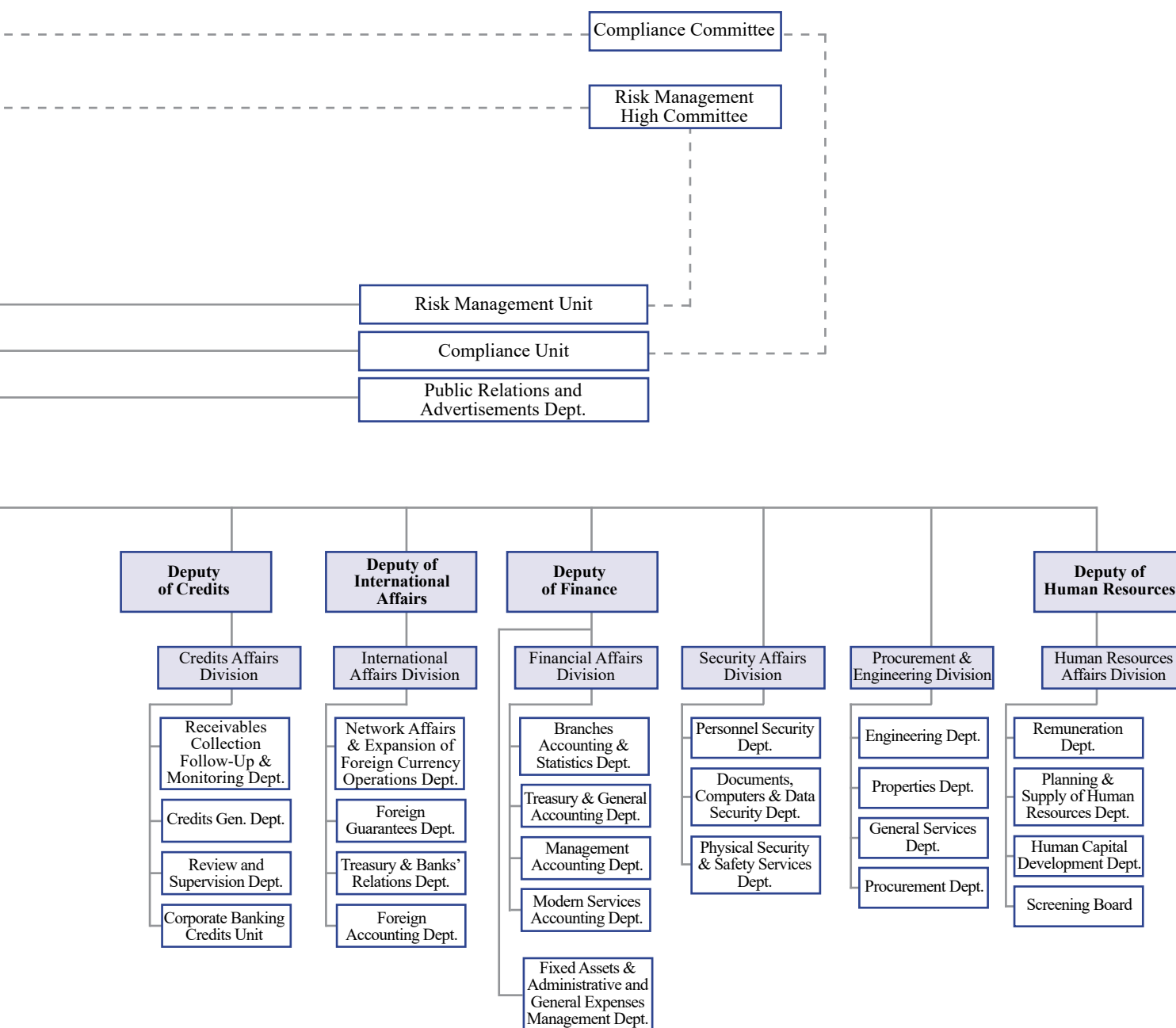
#### Tejarat Bank's Code of Ethics

We, the employees of Tejarat Bank, believe that:

- Adherence to ethical principles and observance of justice, honesty, trustworthiness and responsibility is the guarantor of the bank's credit and reputation.
- Meeting customer needs guarantees mutual benefit; and with our service spirit and applying the customer orientation strategies and principles, we promise a better tomorrow for our customers.
- Satisfying the customer in a calm and tidy environment and handling their complaints with patience and openness is a major principle in our business.
- Efforts to improve the quality of services and improve promptitude, accuracy and precision based on modern banking technology is one of our main duties.
- The capitals of minor and major shareholders are a trust with us, and we seek to create value and profitability for the Bank's shareholders by being honest and responsible, adopting appropriate strategies and decisions, and committing to the principles of disclosure and transparency.
- Human capital is one of the most valuable assets of the Bank and we are responsible to use this asset to achieve successful results for the Bank and customers by participatory management, organizational learning and creating a team work environment.
- Fairness towards competitors is essential and competition must be based on the principles of professional ethics.
- As a major commercial bank of the nation, Tejarat Bank is responsible to the society and fulfilling its social responsibilities plays an important role in the success and sustainable development of the country.
- Achieving the lofty goals of the Bank depends on the compliance with laws and regulations, and we are committed to the compliance with the country's religious and cultural principles and the principle of equality of all before the law.
- In order to protect the national interests, it is necessary to comply with the laws and regulations against money laundering and terrorist financing, so we put it at the forefront of our tasks.

## 4- ORGANIZATIONAL CHART





## 5- BANK'S MANAGEMENT SYSTEM BASED ON CORPORATE GOVERNANCE PRINCIPLES

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 are "Risk Management High Committee", "Audit Committee", "Committee for Compensation of Services", "Appointments Committee", "Strategic Planning Committee" and "Compliance Committee", which act in the framework of the specified task descriptions.

With regard to the implementation of the risk management system; it should be mentioned that the risk management system was established in conformity with the directive published by the **CBI (Central Bank of Iran)** titled "Guidelines for Effective Internal Control System in Credit Institutions", and within its framework, the "Risk Management High Committee" and its subcommittees titled "Credit Risk Management Subcommittee", "Liquidity Risk Management Subcommittee", "Operational and System Security Risk Management Subcommittee" and "Market Risk Management Subcommittee" were formed. 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. The scope of internal audit operations should be determined in such a way as to identify and evaluate the risks related to the management, operations and internal control systems of the bank in the following cases and provide the necessary recommendations in relation to them:

- Reliability and accuracy of important financial and operational information and timely provision of such information to users,
- Economic efficiency and effectiveness of the operations,
- Quality control processes,
- Protection of assets, and
- Observance of laws and rules, regulations, instructions, directives and requirements of the industry and the provisions of contracts.

## 6- TEJARAT BANK'S NETWORK OF BRANCHES

One of the major advantages of Tejarat Bank is its broad network of branches, which provides customers with access to all banking services. The network of branches includes Rial branches and counters, foreign exchange-rial branches, foreign exchange units and counters and branches abroad, the details of which are given in the table below.

	Description	Domestic Currency Branches	Domestic Currency Counters	Domestic & Foreign Currency Branches	Main Branches	Foreign Currency Counters	Overseas Branches
2019-20	Regions of Tehran	252	76	8	14	3	-
	Regions of other Cities	1,093	317	5	26		-
	Free Trade Zones	13	9				-
	Total	1,358	402	13	40	3	2
2018-19	Regions of Tehran	267	72	9	14	4	-
	Regions of other Cities	1,149	329		25	3	-
	Free Trade Zones	13	10		1		-
	Total	1,429	411	9	40	7	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).



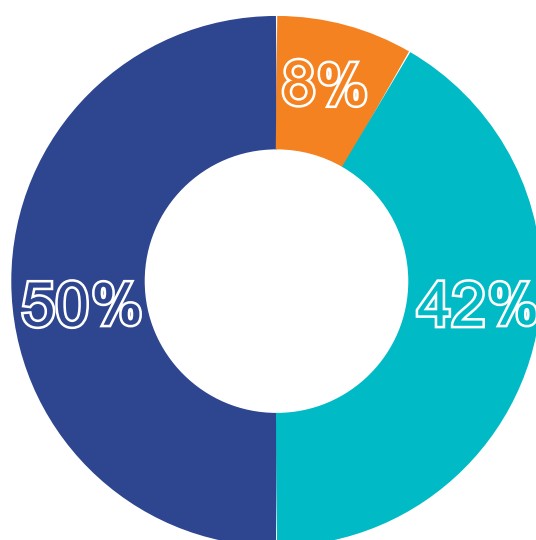
## 7- ANALYSIS OF HUMAN CAPITAL

Attention to human capital in Tejarat Bank has always been a major factor in achieving the goals and advancing the Bank's plans. So, one of the honors of Tejarat Bank is its experienced and skilled human resources in the current dynamic environment. In this regard, the development of creative and dynamic human resources through strengthening the succession system, improving incentive systems and optimizing the performance appraisal system has been one of the most important strategic goals of the Bank in recent years.

**Analysis of Bank's Human Resources  
in terms of Education, Gender and Place of Service – Fiscal Year 2019-20**

Description	Bachelor Degree and Higher			Associate Degree and Lower			General Total
	Male	Female	Total	Male	Female	Total	
Back Office	2,274	753	3,027	1,084	136	1,220	4,247
Front Office	5,636	1,676	7,312	4,155	572	4,727	12,039
Total	7,910	2,429	10,339	5,239	708	5,947	16,286
Portion	48.5%	15%	63.5%	32%	4.5%	36.5%	100%

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









Under 10 years ●  
10 to 20 years ●  
Over 20 years ●



## 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. In fact, most of the companies, directly or indirectly, play remarkable roles in providing services to the Bank and its customers.

Company Name	Establishment Year	Last Registered Capital (IRR million)	Tejarat Bank's Ownership Percentage	Scope of Business
 Simorgh Tejarat Total Systems Co. <a href="http://www.stts.ir">www.stts.ir</a>	2012-13	250,000	86% directly and indirectly	<ul style="list-style-type: none"> <li>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</li> </ul>
 Tejarat Exchange Co. <a href="http://tejarat-exchange.com">http://tejarat-exchange.com</a>	2009-10	50,000	100% directly	<ul style="list-style-type: none"> <li>Trading foreign currencies and gold coins minted by the CBI</li> <li>Conducting the operations related to bills of exchange through the domestic authorized banks and non-bank credit institutions</li> <li>Rendering foreign exchange services abroad through correspondents within the framework of the national regulations on foreign exchange.</li> </ul>
 Kardan Investment Bank Co. <a href="http://www.kardan.ir">www.kardan.ir</a>	2013-14	2,000,000	50% directly and indirectly	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
 Tejarat Bank Brokerage Co. <a href="http://www.bt-broker.com">www.bt-broker.com</a>	1993-94	180,000	100% directly	<ul style="list-style-type: none"> <li>Brokerage services, brokerage/dealing and market management on securities and commodities.</li> <li>Financial and consultation services on investment funds management, marketing, portfolio management, pricing, designing, and trading securities, etc.</li> </ul>
 Kish Iran Credit Card Co. <a href="http://www.kiccc.com">www.kiccc.com</a>	2003-04	2,600,000	48.55% directly	<ul style="list-style-type: none"> <li>Developing and managing extensive payment service networks for payments to the banking system, insurance companies, and capital market.</li> <li>Marketing and installation and support for POS machines of various banks nationwide and rendering e-payment services for acceptors of bank cards.</li> </ul>
 Tejarat Iranian Technologic Infrastructure Co. (ZAFTA) <a href="http://www.zafta.ir">www.zafta.ir</a>	1985-86	30,000	100% directly	<ul style="list-style-type: none"> <li>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.</li> <li>Services of study, research, management, expertise, consultation, design, executive and regulatory implementation in any affairs related to the company's scope of business.</li> <li>Supply of expert forces required for state-owned and private banks, companies, institutions, organizations and natural persons and legal entities.</li> <li>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.</li> <li>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.</li> <li>Import of raw materials and machinery related to the company's scope of business.</li> <li>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.</li> <li>Investing in other service, commerce and production companies and performing any computer services including hardware and software.</li> </ul>
 Tejarat Services Co. <a href="http://www.portal.kh/-tejarat.com">http://www.portal.kh/-tejarat.com</a>	1984-85	10,000	100% directly	

Company Name	Establishment Year	Last Registered Capital (IRR million)	Tejarat Bank's Ownership Percentage	Scope of Business
 Tejarat Nou Insurance Co. <a href="http://tejaratinsurance.com/">http://tejaratinsurance.com/</a>	2016-17	1,570,000	20.07% indirectly	<ul style="list-style-type: none"> <li>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.</li> <li>Acquiring reinsurance coverage for issued policies.</li> <li>Investments by using the capital and technical and legal reserves and savings within the framework of the regulations approved by Insurance Supreme Council.</li> </ul>
 Iranian Investment Co. <a href="http://www.iic.co.ir">www.iic.co.ir</a>	2003-04	3,600,000	100% directly	<ul style="list-style-type: none"> <li>Investing in stocks, shares, investment units, funds, or other securities.</li> </ul>
 Tejarat Investment & Construction Co. <a href="http://www.ticc.ir">www.ticc.ir</a>	1985-86	3,000,000	100% directly	<ul style="list-style-type: none"> <li>Investment and establishing and founding production, industrial, agricultural and construction factories and units and administering them.</li> <li>Partnership in other companies, procurement of land, purchase of uncompleted projects, execution of construction and contractual operations of residential, commercial and office units.</li> <li>Consultation, design and supervision over construction operations.</li> </ul>
 Tejarat Iranian Electronic Communications Development Co. (TATA) <a href="http://www.tiddev.vom">www.tiddev.vom</a>	2013-14	300,000	100% indirectly	<ul style="list-style-type: none"> <li>Rendering expert and consultation services on computer, electronics, telecommunications and IT.</li> <li>Mechanization including analysis, production, implementation and control of software and hardware systems</li> <li>Execution of the Core Banking project in Tejarat Bank</li> </ul>
 Tejarat Iranian IT Tadbirgaran Co. (TAFTA) <a href="http://www.taftaholding.ir">www.taftaholding.ir</a>	2013-14	10	100% directly and indirectly	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Business in the field of modern banking software including Mobile Bank, Internet Bank, Telephone Bank, and the like.</li> <li>Production, sales and support of software ordered by customer.</li> </ul>
 Tossee Peygard Sadegh <a href="http://tpstejarat.com/">http://tpstejarat.com/</a>	2012-13	100	30% indirectly	<ul style="list-style-type: none"> <li>Accepting representation of natural and legal persons for collection of claims and other financial referrals.</li> <li>Collection of Tejarat Bank's overdue receivables from indebted customers.</li> </ul>
 Chabok Tejarat Asia <a href="http://www.tejaratclub.ir">www.tejaratclub.ir</a>	2013-14	1,000	100% indirectly	<ul style="list-style-type: none"> <li>Managing Tejarat Bank's customers club</li> </ul>
 Bahrehbardaran Tejarat Iranian <a href="https://www.betico.ir/">https://www.betico.ir/</a>	2013-14	100,000	100% directly and indirectly	<ul style="list-style-type: none"> <li>Managing and implementing industrial projects and bringing them to profitability, as well as conducting feasibility study on the maintenance or transfer of the units.</li> </ul>

# CHAPTER TWO

**Tejarat Bank's Performance in Fiscal Year 2019-20**

# 1- THE ECONOMY OF IRAN IN 2019-20

## 1.1- Real Part

After experiencing a -4.7% economic growth in 2018-19, with the continuation of the financial and economic sanctions in 2018-19, just like what happened in 2012-13 and 2013-14, the country's economy entered in the mode of inflationary stagnation. The major cause of such a situation is the continuation of economic and financial sanctions that have been imposed on the country's economy since the fiscal year 2018-19. Based on the reports of the Statistical Center of Iran; the GDP at the fixed prices of 2011-12 reached IRR 7,037 trillion with petroleum and IRR 6,121 trillion without petroleum in the fiscal year 2019-20. These Diagrams were IRR 7,567 trillion with petroleum and IRR 6,157 trillion without petroleum in the previous fiscal year, which indicates a 7% decline of GDP with petroleum and 0.6% decline without petroleum in the fiscal year 2019-20. The widespread outbreak of COVID 19 pandemic in the country in early 2020 led to the widespread closure of many businesses. Among the major effects of the outbreak of coronavirus in the country are the reduction of foreign trade, the reduction of oil sales and the reduction of the added value of the services sector. Also considering the government support packages for corporations affected by corona and the probable reduction of the tax revenues due to business closures; the intensified deficit in the government budget should be added to the mentioned problems.

### Percentage of Change (Growth) of GDP in Terms of Economic Sectors

At the Fixed Prices of 2011-12	2018-19	2019-20
Agriculture Group's Value Added	-1.5	3
Petroleum Group's Value Added	-14.1	-35
Industry & Mines Group's Value Added	-9.5	-14.7
Service Group's Value Added	0.2	-0.3
Economic Growth (with Petroleum)	-4.7	-7
Economic Growth (without Petroleum)	-2.1	-0.6

Source: Statistical Centre of Iran

Based on the fixed prices of 2011-12; the service group's added value in 2019-20 is estimated at IRR 3,753 trillion, showing a decline of -0.3% compared with the previous fiscal year. During the same period, the value added of the petroleum group reached IRR 915 trillion, showing 35% decline compared with the previous fiscal year. The main reason for the decline in value added of the petroleum sector is the oil sanctions imposed on the country in early November, 2018, and yet it continues.

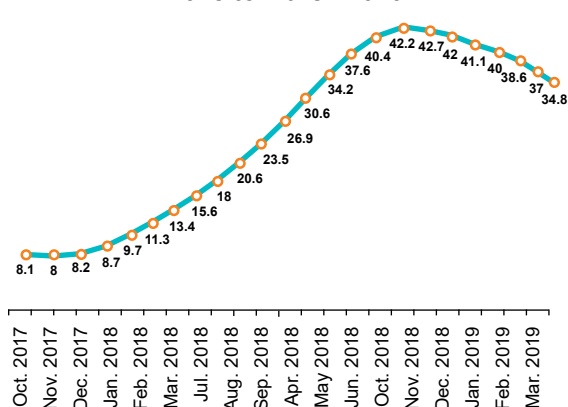
Also, the value added of the industry group reached IRR 2,816 trillion in 2019-20, showing -14.7% decline compared with the previous fiscal year. The only sector that faced growth in value added at 2019-20 year-end was the agriculture sector that its value-added reached IRR 476 trillion showing 3% growth.

## 1.2- Monetary Sector

Establishing stability in the foreign exchange market, supporting the financing of production units and starting the necessary measures for the reformation of the banking system were among the plans of the CBI in 2019-20. During this fiscal year, the CBI was supposed to launch an organized foreign exchange market, and some steps were taken in this regard. One of the important actions of the CBI in 2019-20 were the unveiling of the Productive Credit Certificate Project titled "GAM" in order to support production and the inauguration of the open market operations to manage interest rates in the interbank market and finally control the liquidity and curb inflation.

Although the inflation rate was a single-digit number over the early months of the fiscal year 2018-19, but due to the rise in exchange rate in the country's exchange market, the inflation rate took an ascending trend and this trend continued until September 2019-20. So that the annual inflation rate reached 42.7 percent in this month. Then the inflation rate mainly went downhill, so that the annual inflation rate in March 2017 decreased by 34.8%. (Diagram 1).

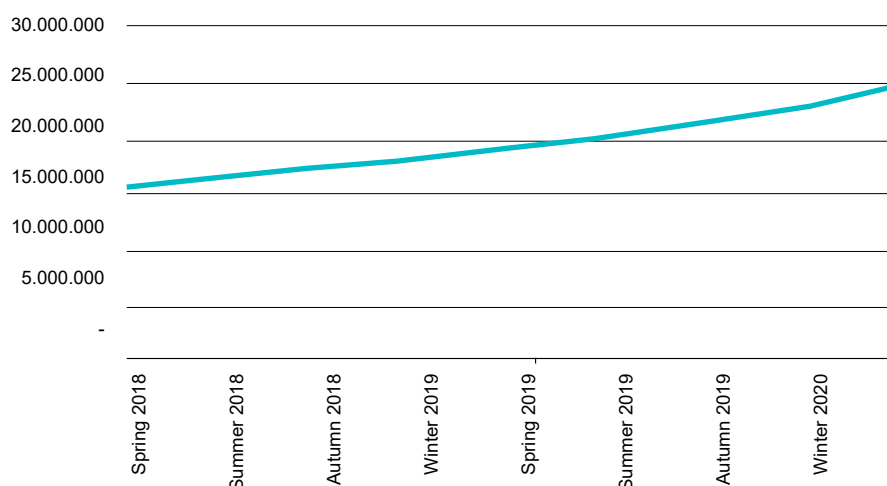
Diagram 1) Annual Inflation Rate over Apr 2018 to March 2020



Source: Statistical Centre of Iran

The liquidity volume in the country, which had grown by 22.1% and 23.2% during the fiscal years 2017-18 and 2018-19, respectively, rose to IRR 24,721 trillion on March 19, 2020, showing 31.3% growth compared with the previous fiscal year. Except for the fiscal year 2013-14, this liquidity growth rate unique among the years of the recent decade.

**Diagram 2) Seasonal Trend of Liquidity during Fiscal Years 2018-19 to 2019-20**



Source: Central Bank of Iran

The quasi-money constitutes the main portion (82.7%) of the liquidity in 2019-20, showing a 2.1% decline compared with its portion on the similar date of the previous year (84.8%). Also, the monetary reached IRR 3,525.2 trillion at the end of the fiscal year 2019-20.

**The Major Monetary and Credit Diagrams (IRR Billion)**

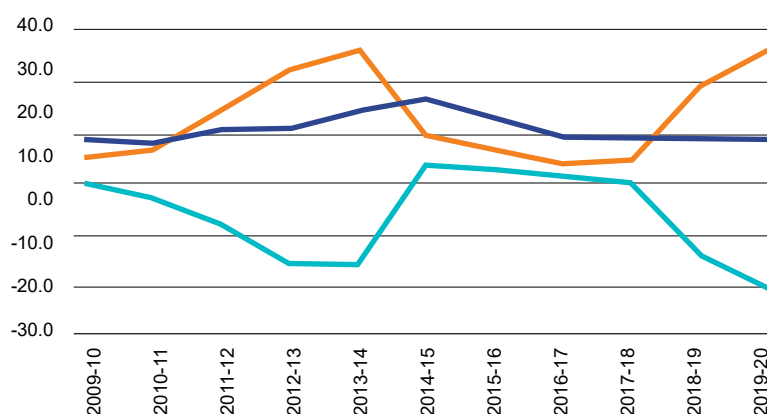
	March 2019	March 2020	Change Ratio (%)
Monetary Base	2,650	3,525.2	33
Liquidity	18,828.9	24,721.5	31.3
Money	2,852.3	4,273	49.8
Quasi-money	15,976.6	20,448.5	28

Source: Central Bank of Iran

The total balance of deposits and facilities of banks and credit institutions in the fiscal year 2019-20 amounted to IRR 27,162 and 19,355 trillion, respectively, which compared to the previous year, respectively shows an increase of 31.39 and 28.26 percent, respectively.

The CBI started the readjustment of the deposits and facilities profit rates in September 2017. Although it caused a reduction in the real profit rate on deposits, however, as the inflation rate was a single-digit number in the fiscal year 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%. The downward trend in the real profit rate on deposits continued after the increase in inflation to 34.8% at the end of fiscal year 2019-20, so that it reached -19.8%. (Diagram 3)

**Diagram 3) Comparison of profit rate with inflation rate over 2009 to 2019**



Source: Statistical Centre of Iran, Central Bank of Islamic Republic of Iran

Actual Profit Rate — Inflation Rate — Profit Rates on One-Year Deposits —

In 2019-20, the total volume of facilities paid by the banks to the economic sectors came to IRR 9,750 trillion showing growth by IRR 2,012 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 2019-20 amounted to IRR 5,261 trillion, equaling 54% of the total facilities paid, which shows a growth by IRR 941 trillion (equal to 21.7%) compared with the performance in 2018-19.

68.3% of the total IRR 3,172 trillion facilities in the industry and mines sector was paid for financing of working capitals, indicating the banks pay attention to and put priority on financing of this part during the year under report.

A review on the purpose of paying bank facilities in 2019-20 shows that 11.5 percent of the total facilities equaling IRR 1,119 trillion was allocated to establishing economic units. IRR 255 trillion equal to 2.6 percent has been paid for repairs. Also, the development of units constitutes 13.6 percent share amounting to IRR 1,329 trillion in the facilities. Thus, 27.7% of the facilities, equivalent to IRR 2,703 trillion, or about one third of the bank facilities, have been allocated to creation, development and repairs, which have an effective role in increasing production, job creation and production prosperity.

Also, loans for purchasing personal goods, which contributes to the growth of demand for the purchase of goods, reached 11.3% of facilities, equivalent to IRR 8.802 trillion. Due to the recession in the housing sector, the Housing loans accounted for 2.9 percent of the total facilities amounting to IRR 212 trillion.

**Purpose of the Facilities Paid in Economic Sectors in Fiscal Year 2019-20 (IRR Trillion / %)**

Economic Sector	Purpose of Receiving	Agriculture		Industry & Mine		Housing and Construction		Commerce		Services		Miscellaneous		Total Sectors	
		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		164	21.9	363	11.4	98	14.2	72	3.9	422	12.8	0.226	3.6	1,119	11.5
Provision of Working Capital		465	62.2	2,167	68.3	170	24.8	710	38.4	1,743	53.1	5	87.5	5,261	54
Repair		4	0.5	18	0.6	144	21	5	0.3	84	2.6	0.1	1.6	255	2.6
Development		69	9.3	554	17.5	40	5.8	160	8.6	505	15.4	0.338	5.4	1,329	13.6
Purchase of Personal Goods		11	1.5	46	1.5	2	0.3	883	47.7	159	4.8	0.066	1.1	1,102	11.3
Purchase of Housing		2	0.3	13	0.4	225	32.8	5	0.3	37	1.1	0.016	0.3	282	2.9
Other		32	4.2	11	0.3	8	1.1	16	0.8	335	10.2	0.037	0.6	402	4.1
Total		747	100	3,172	100	687	100	1,851	100	3,286	100	6	100	9,750	100

Source: Central Bank of Islamic Republic of Iran

### 1.3- Developments Related to the Banking System in 2019-20

Early fiscal year 2019-20, the Monetary and Credit Council adopted the "Open Market Operations" guideline, aimed at controlling profit rate fluctuations within the range set by the policymaker and creating a platform for implementing monetary policies based on inflation rate targeting. Using the tools of open market operations, the Central Bank of Iran (CBI) replaced the use of authoritative profit rate control methods with using the market mechanism. Accordingly, the budget law for the fiscal year 2019-20 allows the CBI to manage the banks' debts by requiring collaterals for such debts before the end of the current fiscal year and to convert at least 50 percent of the banks' debts to the Central Bank to issued bonds of the Treasury. The CBI was allowed to accept part of the banks' statutory deposits in the form of treasury bills from banks with the approval of the Monetary and Credit Council.

Also, a review on the interbank market performance indicates profit rates decrease in this market in fiscal year 2019-20. According to the Central Bank's report on the performance of the Rial interbank market; the weighted average profit rate in this market was 19.7% in 2018-19, which reached 18.9% in 2019-20 (decreased by 4%). The most important positive effect of this rate reduction for the banking system will be the reduction of the money cost.

One of the most important events in the last months of 2019-20 was the inclusion of the country in the FATF blacklist. This led to an increase in the exchange rate late last year due to concerns about rising transaction and

money transfer costs between Iranian and foreign banks; so that the exchange rate for each US dollar, which had reached IRR 110,000 at the beginning of 2019-20, rose again and exceeded IRR 160,000.

The Corona virus widespread outbreak nationwide was one of the other important events in 2019-20, which had its own consequences for the banking system. The negative effects of this virus on the country's economy were such that the CBI, as the custodian of the country's monetary policy, took the following measures:

- Increasing the cash withdrawal ceiling to IRR 5 million, to reduce referrals to bank branches
- Increasing the card to card transfer limit from IRR 30 million to IRR 100 million
- Granting a three-month grace period to repay facility installments to groups affected by the corona
- Providing support packages for businesses affected by the coronavirus outbreak
- Granting a three-month grace period for repayment of Qardh-ul-Hassanah (Interest-Free) facilities

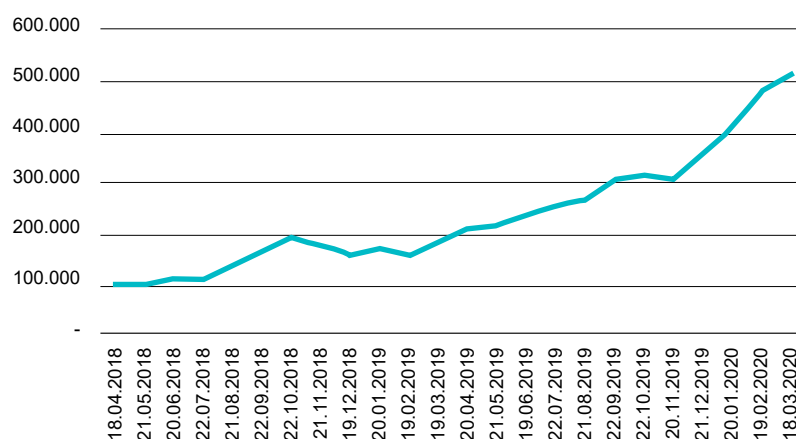
The banking system is one of the sectors that the corona outbreak will have a significant impact on its current and future performance. Among the most important harmful effects are as follows:

- Due to the problems caused by the outbreak of Corona for businesses, banks are expected to face a reduction in the facilities return rates, especially in the establishment and development facilities, which in turn reduces the ability of banks to grant new facilities and results in continuation of the current recession.
- Providing support plans and packages to affected businesses and vulnerable groups by the government, whose financings will be undertaken by the banks, imposes an additional financial burden on banks in the form of mandatory facilities. In this regard, the financial burden resulting from the three-month delay in receiving the installments of the facilities should also be considered.

## 1.4- Capital Market

During the fiscal year 2019-20, the capital market experienced a growth of 187% of the total index and was able to attract a large amount of the investment demand. The depth of the capital market grew so much during the fiscal year under report, such that individuals' desire to buy and sell stocks by obtaining a stock exchange code increased sharply. Following the increase in the profitability of the capital market, people invested part of their capital in stock exchange activities, which resulted in diminishing inflammation of parallel markets such as housing, gold, coins and foreign exchange to some extent.

**Diagram 4) Total Monthly Index of Tehran Stock Exchange from April 2018 to March 2020**



Source: Tehran Stock Exchange Co.



## 2- TEJARAT BANK'S MAJOR ACHIEVEMENTS IN 2019-20

- The Bank's share of the country's total liquidity increased from 6.8% in the fiscal year 2018-19 to 7.4% in the fiscal year 2019-20.
- The balance of Qardh-ul-Hassanah domestic currency current deposits increased by 149% compared with the fiscal year 2018-19.
- The low-cost domestic currency deposits portion in the Bank's deposits portfolio increased by 10% and bringing it to 32.8% of the Bank's deposit portfolio.
- One percent reduction in the cost of money in March 2020 compared with March 2019.
- 68% growth in net commission revenues in March 2020 compared with March 2019.
- 631% increase in joint venture profits resulting from the Bank's investments and depositing in the fiscal year 2019-20 compared with the fiscal year 2018-19.
- Strengthening the Bank's liquidity shield and, consequently, a 494% growth of revenues resulting from depositing in the interbank market with maximum use of the available capacity. 25% reduction in financial expenses for the current fiscal year compared with the previous fiscal year.
- 25% reduction in financial expenses in March 2020 compared with March 2019.
- Save on administrative costs compared with the inflation over the past three years.
- Maintaining the positive open foreign exchange position of one billion dollars and earning a gross

income of IRR 14,249 billion from its exchange.

- Exiting from the period losses in the fiscal year 2019-20 after 4 years and also reduction of accumulated losses by 2%.
- Converting the loss of IRR 753 billion into a profit of about IRR 8 trillion in the consolidated balance sheet of the Bank and its subsidiaries.
- Consolidation of the Bank's first place in the irrevocable and revocable LC liabilities (domestic and foreign) among the five major banks (Bank Melli Iran, Bank Mellat, Bank Saderat and Bank Sepah) with a growth of 7% and gaining a share of about 30% among these five major banks.
- Consolidation of the Bank's first place in LG liabilities (domestic and foreign currency) among the five major banks (Bank Melli Iran, Bank Mellat, Bank Saderat and Bank Sepah) with a growth of 37% and gaining a share of more than 38% among these major five banks.
- Receiving a Certificate of Appreciation and a Trophy from the National Festival of KAMA (Book of Iranian Disabled People).
- Receiving a Certificate of Appreciation and a Trophy from Iran Export Development Summit (Exportex Iran Summit)
- Inauguration of Tejarat Bank's Growth and Innovation Center under the title of Trade Innovation Window (TIWIN) to support fintechs and startups.

## 3- A SELECTION OF THE FINANCIAL INFORMATION

Title	2019-20	2018-19	2017-18
<b>A) Info on financial performance during the period (amounts in IRR billion)</b>			
Operating revenue	81,220	65,122	(6,004)
Non-operating revenue	3,561	4,210	2,481
Net profit (loss) – after deduction of tax	2,314	(5,521)	(60,859)
Annual adjustments	0	(24,041)	(5,793)
Attorney fees	1,497	2,697	0
<b>B) Info on financial status at the end of the period (amounts in IRR billion)</b>			
Total deposits	1,982,305	1,428,879	1,108,947
Total facilities	879,762	688,281	547,459
Total assets	2,482,030	1,918,280	1,345,746
Total liabilities	2,343,580	1,783,904	1,388,020
Registered capital	223,926	223,926	45,700
Total Equity	138,449	134,376	(42,274)
Cash fund resulting from operating activities	13,900	63,174	5,298
Cash at the end of the period	110,608	96,646	46,422
<b>C) Rate of return (%)</b>			
Rate of Return on Assets	0.1	(0.3)	-
Rate of Return on Equity	1.7	(12)	-
<b>D) Info on each share</b>			
Number of shares on the date of General Meeting – Million Shares	223,926	223,926	45,700
Real Earnings per Share (EPS) (IRR)	10	(25)	(272)
Latest price per on the confirmation date of the report	3,630	1,719	597
Ratio of price to real Earnings per Share	351	(70)	(2)
<b>E) Other info</b>			
Number of employees – People (end of fiscal year)	16,278	17,031	17,562
Number of branches	1,371	1,440	1,612
Number of main branches (Foreign Exchange units)	40	40	41



## 4- INTERNAL AUDIT AND ENHANCING THE BANK'S INTERNAL CONTROL SYSTEM

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. 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.

### Major Measure Taken by the Bank in the Area of Internal Audit in 2019-20

The purpose of internal audit activity is to create added value and improve the Bank's operations in such a way as to ensure compliance with laws and regulations, the quality of control processes and the realization of objectives. Based on the new audit methodology, the internal audit has evaluated the Bank's risks as macro scale and in a qualitative manner, then with a cycle-based approach with the aim of identifying the root causes of weaknesses and shortcomings, has conducted its corrections in various areas, the most important of which are:

- Receivables collection cycle
- Inspection cycle
- Investment cycle
- Legal Affairs Management
- Network management cycle
- Money laundering cycle
- Diagnosis of defects in the foreign exchange remittance process
- Examination of the Systems in the International Division

### Performance of the Audit Committee in 2019-20

The purpose of establishing the Audit Committee is to help fulfill and improve the supervisory responsibilities of the Board of Directors in order 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 2019-20; the Audit Committee held 22 sessions in which the issues related to financial reporting, internal controls, independent auditor, internal audit reports, and the issues related to the Bank's holdings and subsidiaries were discussed and reviewed in compliance with Audit Committee's Code.

### A. Reliability of the Financial Statements and Financial Reporting

- Review of the annual financial statements of the Bank and the group for the fiscal year ending March 20, 2019 and the independent auditor's draft report and its important clauses.
- Follow up on the tasks set by the Annual General Meeting of Shareholders
- Review of the interim financial statements for the six-month period ending September 22, 2019 and the draft report of the independent auditor.
- Review of the complexities of the process of consolidating the financial statements of the fiscal year 2019-20 with regard to the Bank's capital increase sourced from the excess of fixed assets and investments revaluation in the financial year 2018-19
- Review of the issue of transferring

shares of companies owned by the Bank through the stock exchange (according to paragraph b of Article 16 of the Law on Removing Barriers to Production and Improving the Country's Financial System, approved in 2015) and providing the necessary guidelines.

- Examining the Bank's open tax files with the Tax Affairs Organization and suggesting guidance directives.
- Reviewing the performance of audit committees of the Bank's holdings.
- Providing consulting services regarding the preparation of the Bank's consolidated financial statements.

### B. Internal Controls Systems

- Review and approval of the performance reports of the Audit Committee and the Internal Audit Dept. for the fiscal year 2018-19"
- Review and approval of the "Internal Controls Report for the fiscal period ending March 20, 2019" to be presented to the Stock Exchange and Securities Organization.
- Examining the performance of the audit committees of the Bank's holdings and attempt for improving the quality of services rendered by such committees.

### C. 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

### D. Independent Auditor

- Interaction with independent auditors on various issues of financial reporting and the constraints facing them, the Bank and Group's annual financial statements for the year ending March 20, 2019 and mid-term financial statements for semiannual ending Sep. 22, 2019, as well as the draft report of the independent auditor and legal inspector.
- Providing the required documentation to independent auditors.

## 5- IMPLEMENTATION OF TRANSPARENCY STANDARDS

One of the accepted, and of course, inviolable principles in modern financial markets is the necessity of transparency. 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 (CBI), 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 prescribed intervals.

## 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. 98/436758 of Mar. 07, 2020), 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.

### 6.1- Credit Risk

The issue of improving credit risk management has always been one of the main priorities of Tejarat Bank. In this regard, considering the importance of nonperforming loans (NPL), the Bank has always tried to consider 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 2017-18 to 2019-20 (%)**

Title of Indicator	2019-20	2018-19	2017-18
Net Deferred and doubtful claims to total facilities and claims ratio	7.3	10.2	11.3
Net LCs and LGs claims to total liabilities for LCs and LGs ratio	0.7	0.9	1.2
Reserves adequacy ratio	60.6	58.7	58.6

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 2019-20, the Bank's ratio of claims reserve showing an ascending trend was about 61%. 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 processes based on credit risk control as follows:
  - a) Systematizing the credit process from the stage of requesting facilities to the settlement or collection of claims,
  - b) Monitoring of the credit behavior and risk rating of customers periodically,
  - c) Calculating the probability of default corresponding to the ranks in the internal credit rating system to calculate the expected loss rate related to the customer's credit risk.
  - d) Supporting the approach of granting micro-facilities with the priority of issuing credit cards to reduce the risk of credit portfolio concentration.
  - e) Determining and monitoring the credit risk limits according to the indices of Nonperforming Loans ratio (NPL ratio) in granting facilities and commitments and the facility concentration index at the level of regional branches division, according to the Bank's risk appetite document.
  - f) Outsourcing the collection of NPLs (Separating the collection of NPLs from the granting units of such facilities).
- Holding the sessions of Special Committee for Collection of the Bank's Claims regularly.

## 6.2- 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 by using the Risk Control Self-Assessment (RCSA) method.

In 2019-20, the RCSA method was implemented in the Bank's human resources domain and some appropriate risk control solutions have been developed and suggested in the Operational Risk and System Security Management Committee.

The 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 2019-20	March 2018-19
Basic Method	11,433,650	8,668,479

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 identification of the services risks of the Bank and developing the RBA (Risk Based Approach) Model.

## 6.3- 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 trend of ratio of loans to deposits indicates 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) is in a good condition.

Year	2019-20	2017-18	2016-17
Ratio of Facility to Deposits (after Deduction of the Regulatory Deposit)	75.9%	84.9%	88.8%
Ratio of Cash Assets to Total Deposits	6.5%	7.5%	8.4%

In order to measure the liquidity risk based on due date categories, the liquidity risk assessment system based on the gap table, which indicates the amount of liquidity deficit or excess at the resources and consumptions contractual due dates, was extracted. Also, for better compliance of the Bank's liquidity management process with the requirements communicated by the CBI, some directives 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 developed.

## 6.4- 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, the market risk will be assessed based on risks of these two types of assets.

#### 6.4.1- 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. For the risk calculation, the historical simulation and bootstrap methods are used.

It is noteworthy that in all calculations related to the open currency position and the risk therefrom, the exchange rates of IRR 90,000 and 75,000 were applied for the periods ending March 19, 2020, and March, 20, 2019 (for each US dollar), respectively.

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

Description	2019-20	2018-19
Open Foreign Exchange Position before Deduction of Bartered Facilities	84,704	71,632
<u>Portfolio Risk:</u>		
Historical Simulation Method	364	349
Bootstrap Method	364	354
Ratio of Coverage Reserve to the Bank's Capital Base*	6	3.4
Open Foreign Exchange Position after Deduction of Bartered Facilities**	41,351	33,077
<u>Portfolio Risk:</u>		
Historical Simulation Method	185	159
Bootstrap Method	192	165
Ratio of Coverage Reserve to the Bank's Capital Base***	3.2	1.43

\* 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.

\*\*\* The latest base capital of the Bank as approved by the Central Bank of the Islamic Republic of Iran is equal to IRR 53,000 billion. Therefore, this Diagram is the basis for calculating the ratios listed in the table above.

#### 6.4.2- 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	2019-20	2018-19
Stock Portfolio	26,508	20,981
<u>Stock Portfolio Risk:</u>		
Historical Simulation method	694	434
Bootstrap method	653	406
Ratio of Coverage Reserve to the Bank's Capital Base (%) *	13.4	8.1

\* The amount of coverage reserve is derived from the maximum differential between the last day risk and the average risk of 60 days past. The latest base capital of the Bank as approved by the Central Bank of the Islamic Republic of Iran is equal to IRR 53,000 billion. Therefore, this Diagram is the basis for calculating the ratios listed in the table above.

As it is seen, along with the increase in the value of the stock trade portfolio (in terms of Iranian Rials) in the fiscal year under report (2019-20) compared with 2018-19 year-end (due to rising stock prices), the stock portfolio risk increased, which may be attributed to the increased value of the portfolio, 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.

### 6.4.3- Market Risk (Total)

(Amounts in IRR billion)

Description	2019-20	2018-19
Banks Trading Portfolio (including foreign currency & stock)	111,212	92,613
Market Risk:		
Historical Simulation method	758	566
Bootstrap method	749	548
Ratio of Coverage Reserve to the Bank's Capital Base (%) *	15.2	9.2

\* The latest base capital of the Bank as approved by the Central Bank of the Islamic Republic of Iran is equal to IRR 53,000 billion. Therefore, this Diagram is the basis for calculating the ratios listed in the table above.

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 with 2018-19 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 2018-19 (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.

## 7- 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 2019-20; the Risk Management High Committee held eight sessions, during which the most important cases were handled and the issued approvals are as follows:

- Planning and deciding on the prioritization and identification of risks of the Bank's services.
- Review of the performance report of Credit Risk Management Committee.
- Deciding on how the Bank's units should have access to information systems.
- Evaluation of the risk appetite document in June and September 2019.
- Review of the problems of the Bank about foreign exchange and international affairs.
- Discussing and reviewing the issue of risks at the Bank's counter in Imam Khomeini Airport.
- Review of the risks associated with the implementation of Articles 19 and 20 of the Unclaimed Balances Directive.
- Review of the Bank's existing systems in the risk management area.
- Discussing and reviewing the issue of the crisis test.
- Review of plans and policies of the risk management unit in the fiscal year 2019-20.
- Review of programs and actions taken to promote the risk culture.



## 8- 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 Deputy of Information Technology, has taken the following measures in this regard in 2019-20:

- Implementation and establishment of the standard of Information Security Management System (ISMS) based on ISO27001 in some of the Bank's staff divisions
- Carrying out internal audits in some of the Bank's staff divisions
- Obtaining the necessary permits and provision of an RFP in order to hold a tender for the implementation and establishment of the standard of Business Continuity Management System (BCMS) based on the ISO22301 in the Bank
- Penetration test for the Internet Banking System
- Penetration test for the Organizational Solution System
- Penetration test for the Internet Account Certificate Inquiry System
- Penetration test for the Internet Portal System
- Penetration test for the Dividend System
- Penetration test for the Working and Retired Colleagues Profile System
- Penetration test for Hamraz System (OTP)
- Purchase of equipment, conceptual and detailed design for the Bank's Main Data Center Security Upgrade Project (Phase 2 - WAN security)
- Purchase of equipment, conceptual and detailed design for the Bank's backup Data Center Security Upgrade Project (Phase 1 - DMZ area)
- Launching the first phase of the Information Security Operations Center (SOC)
- Physical separation of Internet from intranet (internal network)
- Preparing a model to produce software for coding decentralized organizational documents to comply with the classification of organizational documents
- In-service training of personnel about the information security area through the inclusion of the materials of the Certified Secure Computer User (CSCU) course in the periodic exam of Bank's employees
- Interact with the Presidential Strategic Afta Center and other higher authorities in order for continuous upgrade and improvement of the information security of the Bank, services and customers.

## 9- IMPLEMENTATION 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. Therefore, Tejarat Bank has developed and implemented the following plans and measure in the area of compliance with the laws and regulations in order to establish the compliance standard process:

- Applying governance standards and pursuing the proper implementation of corporate governance requirements, including the development of the directive on conflict of interest management in the Bank in accordance with the above requirements.
  - Improving the compliance risk management process while reviewing and analyzing the gap between the current and favorable situation of the Bank and developing control and supervisory measures with a preventive approach in the area of compliance with laws and regulations.
  - Development and revision of circulars and directives regulating the compliance process in Tejarat Bank.
  - Development of appropriate tools and context for Compliance Unit's access to sufficient resources to ensure proper implementation of the compliance process.
- In the meantime, in order to ensure the effectiveness of compliance risk management strategies, the following measures were taken during the fiscal year 2019-20:
- Holding regular meetings of the governance committee for the observance of rules and regulations (Compliance Committee) on a periodic basis in order to identify the compliance risks, exchange views in order to make decisions by the Bank's senior officials on such compliance risks, change in laws and regulations, and important matters affecting the good reputation of the Bank
  - Examining the Bank's circulars and directives in terms of compliance with laws, regulations and standards and analyzing the gap between the current situation in the Bank and the desired situation
  - Establishing a classified database with the ability to search, separate and provide a report of the provisions of the mandatory directives separately by the responsible units so that it is possible to get a general / partial status of the trend of compliance / non-compliance with the provisions of the circulars issued by higher authorities
  - Completion and follow-up of the audit organization's checklists in order for the auditor to comment on the 26 supervisory cases prescribed by the Central Bank of the Islamic Republic of Iran
  - Promoting and institutionalizing the culture of compliance with rules and regulations in the Bank by creating and updating the organizational portal in the intranet platform to reflect and teach the related topics

- Examining and identifying instances of conflict of interest in the Bank in order to strengthen control procedures and preventive measures in order to manage the compliance risk effectively
- Developing directive for the conflict of interest management in accordance with international and domestic requirements
- Interacting with companies supplying services related to compliance and information technology in the field of deliberation about sanctions and avoiding violation of international and domestic regulations in order to implement control and regulatory requirements
- Upgrading the sanctioned individuals and institutions control system in order to optimize the control of the list of sanctioned individuals to enable all foreign exchange units and some staff units to obtain information of stakeholders, producers and buyers.

## 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 this regard, during the fiscal year

2019-20, the Compliance Committee held seven sessions in accordance with domestic and international requirements and within framework of the authority, Rules and policies set by the Board of Directors to monitor the adequacy and effectiveness of the compliance risk management and assist the Board in effectively managing the risk of non-compliance with laws and regulations (compliance risk), in which more than 25 cases including issues in the areas of supervision affairs (including risk, anti-money laundering, compliance with laws and regulations, and internal audit), credit affairs, foreign exchange and international affairs, legal affairs, financial and tax affairs, investment, policy making and planning, procedures and directives, reporting, transparency and public release of information, conflict of interest management and the like were discussed and analyzed. Some of the topics and issues discussed in the sessions of the committee are as follows:

- Periodic reporting on the results of follow-ups and actions made by divisions and departments in resolving important cases of non-compliance
- Examining and surveying those cases of non-compliance that affect the good reputation of the Bank and making decision on each one of them
- Review and exchange views on how the Bank should have access to the lists of sanctioned individuals and institutions, political people, and dual-used goods in order to properly

identify customers and determine their related risk based on the Regulation on Combating the Financing of Terrorism

- Review of 25 regulatory requirements prescribed by the Central Bank of the Islamic Republic of Iran regarding the compliance / noncompliance with laws and regulations and making decision for each one of them
- Discussion and exchange of views on the measures taken to reduce the number of important cases of noncompliance with the laws and regulations of the Audit Organization
- Review of the measures taken in order to strictly execute the rules and regulations regarding Article 7 of the Amendment to the Anti-Money Laundering Law
- Review of how to implement the executive rules of direct tax law and audited financial statements, the subject of Note 8 under Article 816 of the Direct Taxes Law in the Bank
- Review of how to respond to the risk regarding the warning of the Stock Exchange and Securities Organization to the subsidiaries and how to implement the rules regulating the minimum standards of transparency and public release of information in such companies
- Review and decide regarding the international standards governing on the Corruption Reporting Protection Act (WPA)
- Review and provision of the reports of responsible units of the Bank's regarding the measures taken to address the noncompliance issues stated in the reports of the Audit Organization.

## 10- ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM (AML/CFT)

Money laundering is one of the deleterious economic activities, and such activities negatively affect not only the economies of countries, but also their social and political relations. For this reason, the study of negative effects and how to combat it is on the agenda of economic policy makers, and in this regard, given the widespread negative effects and consequences of money laundering on the economy; the measures taken by the Bank to combat money laundering and terrorist financing are as follows:

- Developing circulars and directives under the laws and regulations of combating money laundering and

terrorist financing

- Supervising the proper implementation of directives in the field of combating money laundering and terrorist financing
- Apply systematic controls on entering complete and correct customer information based on national ID code (for individuals), national index code (for corporates) and comprehensive index code (for foreign nationals)
- Adding two rules to the comprehensive anti-money laundering (AML) software including controlling the accounts of individuals under 18 and over 70 and individuals with a turnover of more than IRR 40 billion
- Prevention of cash payments above

the prescribed ceiling in the branch system

- Preparation of suspicious transaction reports (STR) systematically and sending them to regulatory authorities
- Controlling the accounts of foreign nationals with annual credit turnover of more than IRR 5 billion
- Inspection of high-risk areas and reporting to senior officials of the Bank
- Controlling the reports of transactions over IRR 10 billion for corporates and IRR 2 billion for natural persons according to the directive of the Central Bank of the Islamic Republic of Iran (Directive on Entities' Transactions Transparency).

## 11- ACTIVITIES OF THE BANK IN THE SOCIAL RESPONSIBILITIES AREA

During the past years Tejarat Bank as a loyal economic corporation has been well-known in meeting its social responsibilities and played a significant role in various areas such as school building, release of prisoners, financial support of charities, etc. Tejarat Bank pursued this attitude in 2019-20 and provided many services to fulfill its social responsibilities, among which the following can be mentioned:

- Collecting cash donations through the Bank's online platforms, including mobile banking, ATMs and internet banking, by holding an advertising campaign and informing the Red Crescent account number on the Bank's social pages and virtual media, and creating a bank teaser to collect public donations
- Allocation of IRR 5 billion from savings in the advertising budget of Tejarat Bank to support affected compatriots by depositing it in the 9999 account of the Iranian Red Crescent
- Signing a memorandum of understanding with the Schools Renovation Organization to construct 3 schools in 3 flood-affected provinces
- Donation of IRR 10 billion to the Iranian Prisoners Release Organization for the release of involuntary crime prisoners
- Inauguration of 7 schools in less privileged parts of the country (Vapag village in Sistan and Baluchestan province, Murdfel village and Agol Bechai village in Khuzestan province, Kurobon Hesar village in Hormozgan province, Poshtemajin village in Ilam province, Panzan village in Kohgiluyeh and Boyer-Ahmad province, Shorshoreh village in Khandabcity of Markazi province)
- Inauguration of 3 health houses in Sarkhanghi village of Bandar Abbas city and Cheshme Kabud and Faryab in Ilam province
- Opening of 10 special counters for the blind in different parts of the country and appreciation of the Bank by the Association of the Blind
- Inauguration of the rural drinking water sanitation project in Sistan and Baluchestan province and sanitation of drinking water for 204 villages
- Other actions of the Bank in the field of providing the facilities for marriage interest-free-loans, occurrence of natural disasters, housing in villages and renovation of worn-out urban texture, Imam Khomeini Relief Foundation, Welfare Organization, and needful prisoners are as detailed in the following table:

Statistics on the number and amount of facilities paid in Tejarat Bank's different sections of social responsibilities area

(Amounts in IRR billion)

Description	During Fiscal Year 2019-20		During Fiscal Year 2018-19	
	Number	Amount	Number	Amount
Marriage Interest-Free-Loans	75,097	23,506	84,342	13,198
Flood in Apr. 2019 (Interest-Free) - 1 <sup>st</sup> Phase	20,094	3,552	0	0
Flood in Apr. 2019 – 2 <sup>nd</sup> Phase	9,526	2,153	0	0
Rural Housing	13,228	4,349	10,410	2,175
Imam Khomeini Relief Foundation	6,771	2,547	2,621	449
Renovation of Worn-out Urban Texture	67	29	64	49
Welfare Organization	2,523	750	1,638	268
Needful Prisoners	419	294	365	181
Total Paid Amount	127,725	37,181	99,440	16,320



## 12- GROUPING THE BANK'S CUSTOMERS ACCORDING TO THE NATURE OF THEIR BUSINESS

In Tejarat Bank, the business model has been developed in line with the Bank's macro strategies, market development, and diversification of services. Considering the recent developments in the business environment and in line with its goals and strategies; Tejarat Bank has changed its attitude from the product-oriented approach to the customer-oriented approach. Accordingly, the Bank has established the "Deputyship of Market Steering and Business Development" and intends to consider the groups of customers and their needs and then design and provide its services to meet the needs of the identified group of customers more than before. Among the parts of the business model of Tejarat Bank, corporate banking, commercial banking and retail banking parts can be mentioned.

## 13- THE BANK'S SERVICES AND PRODUCTS

Services that can be provided to customers based on the contracts and rules of the Islamic banking are classified into the following five major parts as follows:

- Electronic services including Internet Banking and Internet Payment services, internet services for debit and credit cards, telephone bank, mobile bank, various types of bank cards and electronic wallets, Satna and Paya interbank remittance, point-of-sale payment services (POS, IPG)
- Deposit services that include opening Qardh-ul-Hassanah (interest-free) savings deposit accounts, Qardh-ul-Hassanah current deposit accounts, short-term investment deposit accounts, long-term investment deposit account and a variety of deposit plans for customers.
- Providing facilities and accepting commitments including granting facilities in the sectors of agriculture and conversion industries, industry and mining, construction, services and contracting, and commerce. Also, issuing various types of guarantees and opening domestic LCs in Iranian Rial for customers.
- Providing foreign exchange services to customers including opening Qardh-ul-Hassanah current foreign currency deposits and savings and long-term foreign currency deposits for customers. Also, buying and selling foreign currency, issuing account certificates for customers, providing services for opening LCs and bills of exchange, issuing various types of foreign exchange guarantees, etc.
- Special services of the Bank including rendering rental Safe Box, online stock exchange transaction system, etc.

### 13.1- Providing Electronic Products and Services

- Cash and Hybrid Card: Tejarat Bank, in cooperation with Simorgh Tejarat Company, in addition to providing magnetic cash cards to customers, provides a multi-purpose card which is capable to provide a bank wallet.
- Group Card: Using the Group Card, it is possible to issue multiple cards on one account. The account holder, as the head of the group, defines the members in the group and the required amounts to be charged in the cards at desired intervals.

• Internet Banking (for natural persons and corporates): Internet Banking allows customers to do their banking affair through the Internet without need to refer to a bank counter saving time and money. Fara Internet Bank is one of the exclusive customized services of Tejarat Bank, designed and put in operation in order to provide services to valuable corporate customers.

Internet Remittance: In this plan, Tejarat Bank customers (holders of an account with Tejarat Bank and its Internet password) can order for issuance of a remittance of money through remote portals (without using a checkbook) and receiving the remitted money by the beneficiary through the branches fund up to the ceiling of IRR 830 million on a commission fee basis.

• Mobile Bank: Considering the penetration rate of cellphones in the country and the growing trend of Mobile Banking, the new Mobile Bank of Tejarat Bank is a user-friendly application for all operating systems to offer a variety of account- and card-based services for the customers of Tejarat Bank and other banks. In addition, it has recently been possible to register remotely with in Bank's Mobile service.

• Points of Sale (POS) and Internet Payment Gateways (IPG): Tejarat Bank has made it possible to pay for goods and services at physical and virtual points of sale through payment service providers (PSP) companies and an extensive POS and IPG network. Also, new generations of store card readers are offered in the form of PC-POS and PDA-POS with advanced capabilities to meet the needs of customer.

• MPOS Product: This tool is a new version of store card readers that allows doing banking transactions by connecting to the recipient's smartphone or tablet. This device is used to facilitate the payment process in businesses and improve security for payments in Shapark network.

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

Description	2019-20	2018-19
Number of PINPAD Machines	3,669	3,770
Number of POS Machines	418,298	361,962
Number of ATMs	3,582	3,597
Number of Debit Cards Issued	9,894,500	4,260,347
Number of Gift Cards Issued	1,451,785	1,510,894

**Data on the number and amounts of transactions through the Bank's electronic channels**

Description	2019-20		2018-19	
	Amount of Transactions (IRR billion)	Number of Transactions (IRR million)	Amount of Transactions (IRR billion)	Number of Transactions (IRR million)
POS	1,571,207	1,509	1,206,778	1,250
ATM	394,794	200	399,420	277
Mobile Bank	1,063,918	131	634,559	112
Internet Bank	407,786	8	339,437	8
IPG	21,933	0.9	7,856	2

● **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.

## 13.2- Providing Various Types of Deposit Schemes

Considering the needs of customers and in order to provide various banking services, Tejarat Bank has provided the following facility schemes:

● **Specialists Scheme:** This scheme is designed to meet the needs of specialists, including specialist physicians, dentists, pharmacists, notary publics, lawyers of the Bar Association, engineers of the Civil Engineering Organization, general physicians, and engineers working in petrochemical companies. Accordingly, customers can benefit from such facilities at a rate of 18% and repayment periods of 6, 18 and 24 months up to a ceiling of IRR 5 billion.

● **Farda Scheme:** In this scheme, facilities equal to 2 times the amount of one-year long-term investment deposit and up to IRR 10 billion will be paid to the customers in target market at the same time as the opening of the deposit. The facility would be on a normal Murabaha contract basis at a rate of 15% and repayment periods of 12, 24 and 36 months. The profit rate of the customer's deposit in this scheme would be 5%.

● **Forsat Scheme:** In this scheme, based on 2 and 3 month deposits in the debit card current accounts (with a separate account title), facilities are granted to the target market customers on a normal Murabaha contract basis.

● **Kariman Scheme:** In this scheme, all natural persons and corporates can open a special loan account, and based an agency agreement to be concluded with the Bank, they can introduce any natural person or charity non-profit institution to receive interest-free-loan facilities from deposited funds up to IRR 1.5 billion at a commission fee rate of 2% and a repayment period of 60 months.

● **Forsat Nou Scheme 1:** The target market of such facilities is the general public. In this scheme, all new customers will be granted Murabaha facilities up to IRR 500 million at a rate of 18%.

● **Forsat Nou Scheme 2:** The target market of these facilities are old customers having resources with the Bank. In

this scheme, the branches can grant facilities up to a maximum of IDR 1 billion to the old customers who have had previous resources with the Bank at a rate of 18% and a maximum repayment period of 36 months.

- **Store terminal facility scheme:** In this scheme, facilities may be granted to all individuals and corporates based on the average balance of an account (current account with/without checkbook, short-term investment account, and interest-free-loan account) linked with the POS/IPG of the customer and based on the number of POS/IPG transactions. Such facilities may be paid based on the one- to six-month average balance of the customer's account, up to 4 times the average of the account, at a rate of 18%.
- **Stock Exchange Assistant Package:** In this scheme, in line with the missions and duties of brokerage companies and within the framework of licenses given by the Stock Exchange and Securities Organization and to finance the deficit of their funds with the barter room, facilities may be granted to active brokerage companies to finance them with making commitments within the framework of banking rules and regulations.
- **Legal Instant Scheme:** In this scheme, any entity having opened a long-term investment deposit account with profit rates of 5, 10 and 15% and receiving interest on the deposit can receive facilities for the period that their funds are kept with the Bank.

### **13.3- Services Based of Business Development**

#### **● Financial Supermarket Development Project (Cooperation with Tejarat Nou Insurance Company in Branches)**

In order to complete the value chain of the Bank, the provision of financial supermarket services, including insurance and capital market services, was put on the agenda. In the insurance section, all types of insurance services are provided to customers by some selected branches of the Bank cooperating with Tejarat Nou Insurance Company. Other insurance services such as the debit balance life insurance and capital market services are also being planned.

#### **● Phoenix Project**

The Phoenix Network is a platform based on distributed ledger technology consisting of decentralized hosts that allows the issuance of a variety of tokens by trusted publishers. Hosts, as members of the Phoenix Network, operate this network decentrally and are able to monitor, validate, and record all of their users' transactions and operations. It should be noted that the Phoenix Network, as a participatory institution of members, coordinates current operations and network development. Tejarat Bank, represented by Modern Business Development Company (Techno Tejarat Co.) as the host of Phoenix Network, has started its activity and the products based on Phoenix Network will be activated soon.

#### **● Launching Tejarat Bank's Growth and Innovation Center**

In order to support fintechs and start-ups and use their potential for development and innovation in providing services and developing business in the fiscal year 2019-20, Tejarat Bank inaugurated a growth and innovation center called the Tejarat Innovation Window. Accordingly, the framework of the Bank's interaction and cooperation with this group of companies has been structured, and while creating the bases for connection to the banking infrastructure and preparing the Boom Tejarat platform, supports like investment, guidance, conduction and steering will also be provided.

## 14- CREDIT AREA ACTIVITIES

Beside focusing on raising the return on facilities and lowering the claims ratio, Tejarat Bank has pursued certain policies in the field of credits. The major policies and plans of the Bank in the fiscal year 2019-20 were as follows:

- Prioritizing the consideration of granting facilities for semi-finished projects in which Tejarat Bank has participated in order to prevent the creation of claims
- Improving the level of predicting customers' credit behavior based on reliable information
- Priority of granting working capital and short-term facilities for production units
- Using the resources of the National Development Fund in granting facilities giving priority to organizational customers
- Entering supplementary development projects (in oil, gas and petrochemical industry) by using the resources of the National Development Fund on a syndicate basis to distribute risk
- Diminishing the liquidity risk of collaterals based on the risk weights specified in the capital adequacy instruction
- Improving the quality of the credit portfolio in terms of internal rating
- Reducing the time of reviewing the requested facilities in all pillars of credit
- Increasing the share of SME facilities/liabilities in the Bank's credit portfolio
- Matching the granted facilities with the volume of the required commitments when reviewing the applications
- Maximum use of the possibility of outsourcing the claims collection cases and institutionalizing the issue at the regional levels

In this regard, in order to support domestic businesses and in order to facilitate the economic activities of its customers who operate in various economic sectors, Tejarat Bank has attempted to provide facilities commensurate with the customers' needs.

Also, accepting commitments including issuing letters of guarantee (LG) and opening letters of credit (LC) both in domestic and foreign currency sections has been one of the strengths of Tejarat Bank's business and it has always shown as the pioneer bank in this area.

### Statistics on Tejarat Bank's Commitments (Amounts in IRR billion)

Description	2019-20	2018-19
Balance of Commitments for Foreign Currency LGs	121,553	107,427
Balance of Commitments for Domestic Currency LGs	289,635	192,581
Balance of Commitments for Foreign LCs	181,024	164,529
Balance of Commitments for Domestic LCs	101,840	70,913

## 15- INTERNATIONAL ACTIVITIES

Due to the imposition of international restrictions and sanctions in recent years, a large number of foreign banks severed their correspondent relations with many Iranian banks and closed or deactivated the Iranian banks' foreign currency accounts; so that the active foreign correspondents of Tejarat Bank were limited to Iranian banks abroad and foreign branches of domestic banks, which has caused difficulties and disorders in providing foreign exchange services to the Bank's customers. Therefore, in order to facilitate the provision of foreign exchange services, Tejarat Bank entered into a cooperation (agency) agreement and opened foreign currency accounts with domestic banks (especially non-sanctioned ones) which are still connected to the SWIFT system, and on the other hand, concluded cooperation agreements with some domestic banks. In addition, in order to facilitate the transfer and payment of funds, the Bank have signed new cooperation contracts with some authorized and reputable exchange offices or extended the previous ones.

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

Description/year	2019-20	2018-19
Interest-Free-Loan Savings Deposit	278	205
Term Deposit	612	647
Current Interest-Free-Loan Deposit	209	299

It is worth mentioning that, despite all difficulties and obstacles arising from unilateral sanctions, Tejarat Bank still has had a good performance in the area of foreign exchange commitments in the banking network. Since in the current situation, most of the import of goods to the country is done by using bills of exchange. As it can be seen, the bills of exchange issued at the place of goods order registration during the fiscal year 2019-20 has increased by about 81% compared with the previous year. A summary of the statistics in the field of the Bank's foreign exchange commitments in 2019-20 is shown in the following table:

### Statistics on Tejarat Bank's Commitments in Fiscal Year 2019-20 (Amounts in USD million)

Description/year	2019-20		2018-19	
	Number	Price	Number	Price
Issued Foreign Exchange LGs during the Fiscal Year	119	143	226	246
Balance of Commitments for All Issued Foreign Exchange LGs	849	1,350	941	1,434
Opened LCs during the Fiscal Year	26	207	1,132	1,148
Balance of Commitments for LCs	300	4,310	648	2,196
Inward Bills of Exchange	1,825	1,008	1,739	1,995
Outward Bills of Exchange	3,304	1,627	3,946	2,285
Bills of Exchange Issued at the Place of Goods Order Registration	13,033	2,850	7,219	1,426

It is added that in order to speed up the executive process of affairs and improve the foreign exchange operations efficiency in the international arena and to avoid possible operational risks, establishing a comprehensive foreign exchange system is on the agenda since the fiscal year 2019-20.

## 16- 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 2019-20, totally 12,609 employees of the front and back offices completed 397 training courses in total duration of 61,991 hours. The Bank's performance in human capital training and development during 2019-20 is as follows:

**Table of Tejarat Bank's Performance in Human Resources Development & Training  
During Fiscal Year 2019-20**

Group	Number of Personnel (People)	12-Month Training Courses up to March 19, 2020 (Hours)
Personnel of Back Office	2,006	152,998
Personnel of Front Office	12,817	1,118,096
Total	14,823	1,271,094



## 17- OPTIMIZATION OF THE BRANCHES NETWORK

Given the constant changes in the business models of banks, as well as the need to move to digital banking, which greatly reduces the need for a branch network, it is necessary for the banks to consider making appropriate changes in the branch network and the way they provide services for customers toward remote services. In this regard, one of the main policies of Tejarat Bank in recent years has been to optimize the branches network through eliminating unnecessary branches, with the aim of improving the bank's agility, reducing operating costs, converting fixed assets into productive assets to improve the capital adequacy ratio, and improving the indices of deposits per capita in terms of employees and branches.

In continuation of this plan, 118 banking units (including 72 branches and 46 counters) were closed in the fiscal year 2019-20. Also, 5 branches and 25 counters were opened and 12 branches were changed to counters. Thus the number of branches of the Bank reduced from 1,438 to 1,371. Along with reducing the number of its branches, Tejarat Bank is also trying to illustrate a clearer outlook to the functions of its branches by developing the digital banking roadmap.

**Tejarat Bank's Domestic Branches Network Classified in Terms of Provinces  
(At 2019-20 Year-End)**

Row	Province	Number of Branches	Row	Province	Number of Branches
1	Alborz Province Branches Division	33	18	Qom Region Branches Division	28
2	East Azarbaijan Region Branches Division	57	19	Kurdistan Region Branches Division	27
3	West Azarbaijan Region Branches Division	43	20	Kermanshah Region Branches Division	38
4	Ardebil Region Branches Division	21	21	Kerman Region Branches Division	45
5	Esfahan Region Branches Division	92	22	Kohgiluyeh va Boyrahmad Region Branches Division	12
6	Ilam Region Branches Division	15	23	Guilan Region Branches Division	43
7	Bushehr Region Branches Division	31	24	Golestan Region Branches Division	27
8	Chaharmahal va Bakhtiari Region Branches Division	14	25	Lorestan Region Branches Division	26
9	Khorasan Razavi Region Branches Division	87	26	Mazandaran Region Branches Division	55
10	South Khorasan Region Branches Division	16	27	Markazi Region Branches Division	24
11	North Khorasan Region Branches Division	11	28	Hormozgan Region Branches Division	35
12	Khuzestan Region Branches Division	89	29	Hamedan Region Branches Division	22
13	Zanjan Region Branches Division	21	30	Yazd Region Branches Division	24
14	Semnan Region Branches Division	22	Total in Provincial Regions		1,111
15	Sistan va Baluchestan Region Branches Division	36	Total in Tehran Province		260
16	Fars Region Branches Division	89	General Total of the Bank		1,371
17	Qazvin Region Branches Division	28			



## 18- THE BANK'S MAJOR PLANS AND MEASURES IN DIFFERENT AREAS

Some other measures and plans that were on the agenda of different fields of the Bank to reach the Bank's objectives in 2019-20 are listed in the following table:

Name of Area	Major Programs and Measures Taken in 2018-19
Business and Market Steering Area	<ul style="list-style-type: none"> <li>● Establishment of Techno-Tejarat Growth and Innovation Center (implementing cooperation mechanism with fintechs and start-ups)</li> <li>● Feasibility study of implementing electronic account statement project</li> <li>● Customer needs assessment in the target market</li> <li>● Provision of cardless services on ATMs</li> </ul>
Credit Area	<ul style="list-style-type: none"> <li>● Development of the credit rating system</li> <li>● Implementation of domestic LCs program</li> <li>● Upgrading and completing the data of the legal cases total system</li> </ul>
Human Capital and Branches Network Area	<ul style="list-style-type: none"> <li>● Review of human resource development system with educational approach based on Standard No. 29990</li> <li>● Review and redesign of the performance management system</li> <li>● Development and completion of the human resources database of the Bank</li> <li>● Relocation of foreign exchange units</li> </ul>
IT Area	<ul style="list-style-type: none"> <li>● Improving the Information Security in the Bank               <ul style="list-style-type: none"> <li>- Separating Internet from Intranet</li> <li>- Assessing the security vulnerabilities of Tejarat Bank data centers</li> </ul> </li> <li>● Mobile development of the bank</li> <li>● Operating the dynamic password system</li> <li>● Making online all impersonal accounts of branches</li> <li>● Implementing the IT governance system based on existing standards</li> <li>● Establishment of the centralized and integrated banking and switch cards system</li> </ul>
Financing and Investment Area	<ul style="list-style-type: none"> <li>● Implementing the financial data dashboards (liquidity board, financial performance report of regions, resources and expenditures, etc.)</li> <li>● Developing a comprehensive directive on managing holdings and subsidiaries' performance</li> <li>● Developing the Cost-Benefit software and upgrading the computation model with risk approach</li> <li>● Deciding on the Bank's claims from the subsidiaries</li> <li>● Separation and transparency LCs and LGs commission fees (foreign and domestic currency)</li> </ul>
Organization and Methods Area	<ul style="list-style-type: none"> <li>● Developing of the Bank's code of ethics</li> <li>● Preparation of manpower balance</li> <li>● Optimizing the model of setting the Bank's objectives (foreign and domestic currency deposits and commitments)</li> <li>● Review and implementation of digital (electronic) signature system in the Bank</li> <li>● Review of credit processes to shorten the service delivery time</li> <li>● Scanning and organizing documents of branch</li> </ul>
Risks and Internal Control Area	<p>Developing framework for scenario analysis and crisis test of liquidity risk</p> <p>Implementing the risk-weighted coverage software for collaterals of facilities and liabilities</p> <p>Model extraction and measurement of price fluctuations risk in the portfolio of fixed income securities</p> <p>Upgrading and implementing the final phase and developing remote control system</p> <p>Developing directive for managing conflicts of interest in the Bank</p> <p>Full implementation of the AML/CFT directives communicated by the CBI</p> <p>Identifying risks of the Bank's services</p>



# CHAPTER THREE

## Future Goals & Plans of Tejarat 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 is 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 FISCAL YEAR 2020-21

- **Develop a business model for the project of design and development of SCF platform**

The purpose of the program is to develop the Bank's business lines. For this purpose, the Supply Chain Finance (SCF) was developed and the design and production of the platform is underway.

- **Designing and implementing the wallet platform based on 2D barcode (QR CODE) technology**

Due to the high cost of micropayments in Shaparak online network, the design and implementation of a wallet platform based on the 2D barcode (QR CODE) technology was put on the agenda, and for this purpose, negotiations with the country's banks to form a technology-based wallet consortium 2D barcode is in progress.

- **Developing a business model for implementing Tejarat Boom**

In order to create open banking business lines under the trademark of "Tejarat Boom", the related strategies have already been developed and in order to have an active presence in this field and implement a business platform, conclusion of a contract is underway.

- **Project of implementing, developing and establishing the social banking**

In order to establish social banking, a roadmap has been developed and a favorable social banking model has been designed. The contract for the production and implementation of the platform will be pursued in the fiscal year 2020-21.

- **Definition of a project based on the Phoenix network**

According to the results of a study project on doing business in the Blockchain technology, the Bank entered the Phoenix project in two areas of shareholding in Phoenix Company and its network hosting. Modern Business Development Company (Techno Tejarat Co.) has started its activities as the host of Phoenix Network and the products based on Phoenix Network will be activated soon.

- **Developing the Bank's strategy for the social responsibility area**

Social responsibility includes policies that combine business practices and values with the interests of all stakeholders, including customers, employees, investors and the environment, and lead to the creation of social values. The development of the strategy in this area should be in such a way that benefits the long-term interests of both the Bank and the community at the same time and to a large extent leads to the effectiveness of the Bank's activities.

- **Establishing the Risk Management Information System (RMIS)**

Due to the wide scope of activities and the diversity of services, the establishment of information systems in order to improve control and monitoring activities as well as monitoring of potential risks along with the preparation of the related profiles is of importance for the Bank and the program is on the agenda. By preparing the recognition document, the steps for purchasing the software and implementing the system is underway.

- **Providing a total risk management model at the level of front office units (focusing on credit risk)**

Investigating the operational and credit risk management patterns and processes in the front office units (the first line of defense) in accordance with the CBI directives and comparing them with some successful domestic and foreign banks with the aim of extracting the most appropriate method and pattern for the Bank will be done in fiscal year 2019-20.

- **Implementation of the comprehensive credit system (SAB)**

Implementation and execution of this software allows the production of various reports with the stakeholder group in the system (with the possibility of creating a 360-degree view of the customer) that will improve the level of credit performance as well as the level of control and monitoring activities.

- **Developing a roadmap for implementing digital banking**

The major project of digital banking, as one of the important projects of the Bank, which is also emphasized by the Ministry of Economic Affairs and Finance, has been on the agenda since last year and is scheduled to be implemented after the development of its roadmap, processes and operational implementation phases in the fiscal year 2020-21.

- **Organizing and scanning documents of the Bank's branches and units**

Due to the emphasis of the Central Bank of Iran on the requirement of preparing reliable electronic records of documents, in case of implementation of the project, the archive period for branch documents will be reduced from 15 years to 3 years and consequently lead to the freeing up many archive spaces all over the Bank, accelerating access to documents and saving time and cost.

- **Establishing a comprehensive safety and health system**

After the successful implementation of the plan of health monitoring of the Bank's employees in the past years and also continuing it to be aware of the health status of staff in order to respond appropriately and provide the best banking services to customers and shareholders; the preparation and establishment of the comprehensive safety and health system is on the Bank's agenda.

- **Establishing the system of centralized and integrated banking and switch card**

This program is one of the most important plans of the Bank with the aim of creating a centralized and integrated banking system which has been put on the Bank's agenda, in order to address the problems in developing the existing systems, multiplicity of information and systems, incoordination and strong interdependence among systems, and complexity of new changes required in the Bank's business in the systems.

**Establishing Business Continuity Management System (BCMS)**

Due to the continuously growing cyberspace threats and the nature of the Bank's business, which is in a momentary relationship with the customers, the continuity of the Bank's services is of great importance. Accordingly, in order to standardize the business nonstop continuity management process, this program was put on the Bank's agenda, with the aim of nonstop continuity of the Bank's services at the time of probable occurrence of crisis.

- **Preparation of a comprehensive security plan (Security Master Plan)**

This program is on the agenda due to the upstream requirements and with the aim of developing a comprehensive security plan as a strategic document in the field of information security of the Bank.

- **Putting the CA and digital signature system**

Electronic authentication in branches and issuance of digital signature certificates and providing security in information exchange by providing various security services, such as keeping information confidentiality, ensuring data accuracy, authenticating users, registering and issuing documents, and controlling access to information sources, are of the main objectives of this program



# **CHAPTER FOUR**

## **Generalities of Tejarat Bank Financial Performance**

## 1- THE BANK'S POSITION IN THE 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 2019-20. 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.

**Table (1) – Tejarat Bank's Position in the Industry**

Time	Description	Number of Employees	Number of Branches	Domestic Currency Deposits	Net Facilities & Claims	LC Commitments	LG Commitments
March 2019	Tejarat Bank	16,278	1,371	1,830,006	689,759	296,956	346,400
	Portion of Total	11.2%	10.3%	13.1%	8.1%	17.1%	33.5%
	Ranking	4	5	4	7	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 table 2 shows that the Bank's total balance of foreign and domestic currency deposits at 2018-19 year-end was IRR 1,428,879 billion that came to IRR 1,982,305 billion at 2019-20 year-end showing a 39% growth.

**Table (2) – Total Deposits (Foreign and Domestic Currency) (IRR Billion)**

Description	2019-20			2018-19	2017-18
	Portion (%)	Changes compared to previous year (%)	Balance		
Sight Deposits	24.9	98.8	494,147	248,597	129,700
Savings Deposits & the Like	5	38.2	99,121	71,723	51,020
Short-Term Investment Deposits	24.4	31.4	484,438	368,735	241,637
Long-Term Investment Deposits	40.8	20.4	807,829	670,837	644,303
Total Main 4 Deposits	95	38.7	1,885,535	1,359,892	1,066,660
Other Deposits & Advance Payments	5	40.3	96,770	68,986	42,287
Total Deposits	100	38.7	1,982,305	1,428,879	1,108,947

As it can be seen in the table below, the growth of the total domestic currency (Rial) deposits in the fiscal year 2019-20 has continued, so that balance of these deposits showed 43% growth compared with the previous fiscal year and amounted to IRR 1,829,066 billion. Also, the growth of interest-free domestic currency (Rial) current account deposits like previous fiscal year has continued its growth in the fiscal year 2019-20, and because of the Bank's focus on absorbing and keeping such group of low-cost deposits and increasing the portion of such deposits in its deposit portfolio, these deposits with a growth of 149% reached IRR 419,391 billion.

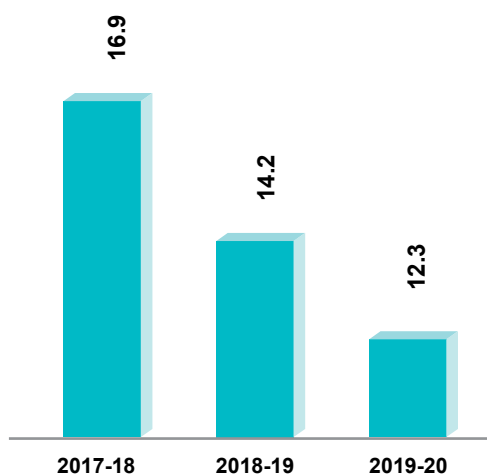
On the other hand, the low-cost deposits' portion from the total Rial Deposits grew from 17.6% in March 2018 increasing by 5.2% and 10% reached 22.8% and 32.8% in the March 2019 and March 2020, respectively.

**Table (2-2) – Total Domestic Currency Deposits (IRR Billion)**

Description		2019-20		2018-19		2017-18		
		Portion (%)	Changes compared to previous year (%)	Balance	Balance	Portion (%)	Balance	Portion (%)
Sight Deposits	Interest-Free Current Deposits	22.9	149	419,391	168,696	13.2	97,878	9.4
	Other	1.8	75	32,804	18,771	1.5	11,025	1.1
Interest-Free Deposits & the Like	Interest-Free Savings Deposits	4	31	71,335	54,472	4.3	44,041	4.2
	Other	0.1	43	2,715	1,893	0.15	1,683	0.16
Other Deposits & Advance Payments		4	52	72,970	47,957	3.7	29,783	2.8
Total Low-Cost Deposits		32.8	105	599,215	291,789	22.8	184,409	17.6
Investment Term Deposits	Short-Term Investment Deposits	25.9	30	473,517	363,750	28.4	240,333	23
	Long-Term Investment Deposits	41.4	21	756,335	625,054	48.8	621,291	59.4
Total Deposits		100	43	1,829,066	1,280,593	100	1,046,032	100

## 2.2- Money Cost

Due to the dramatic increase in the share of low-cost deposits, the money cost for the total deposits reduced from 16.9% in the fiscal year 2017-18 and reached 14.2% and 12.3% in the fiscal years 2018-19 and 2019-20, respectively. In other words, the Bank has succeeded to decrease the cost of absorbing resources by 4.6% within 2 years.

**Diagram 1 - Money Cost for Total Deposits (%)**




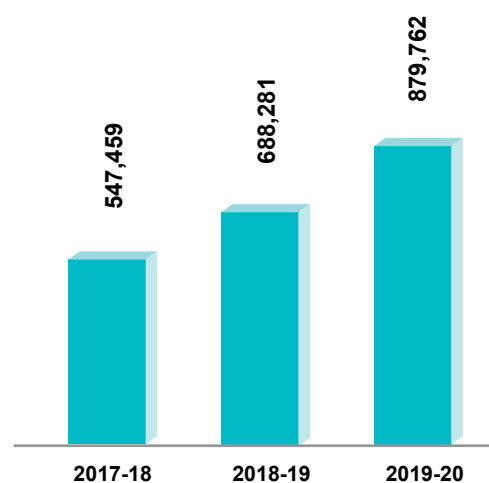
## 2.3- Facilities

As shown in table 4, the total balance of the Bank's granted facilities and claims from governmental and nongovernmental entities at the end of fiscal year 2018-19 stood at IRR 688,281 billion that came to IRR 879,762 growing by 28% compared with the end of fiscal year 2019-20.

**Table (3) – Net Granted Facilities and Claims (IRR Billion)**

Description	2019-20		2018-19	2017-18
	Changes compared to previous year (%)	Balance		
Net Granted Facilities and Claims from Governmental and Nongovernmental Entities	27.8	879,762	688,281	546,663

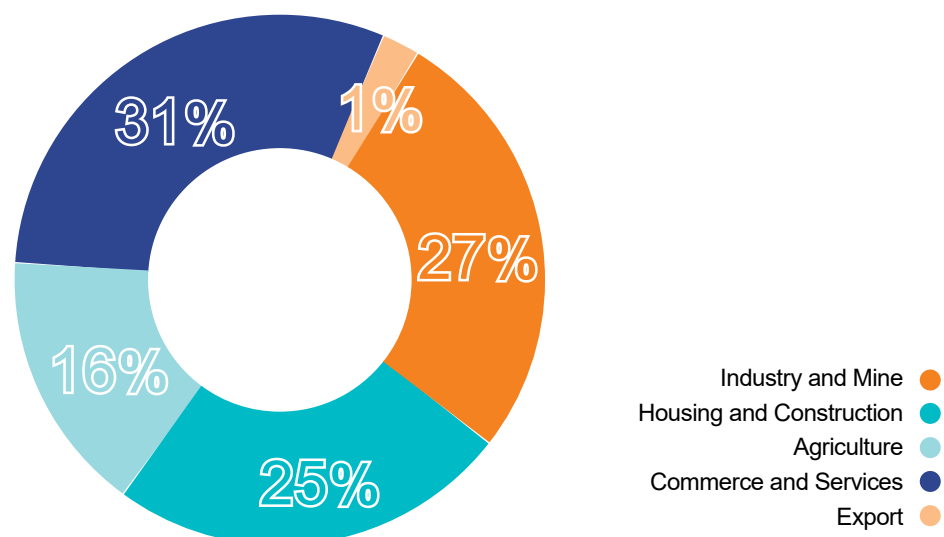
**Diagram 2 - Granted Facilities and Claims from Governmental and Nongovernmental Entities (IRR Billion)**



## 2.4- Analysis 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.

**Diagram 3 - Analysis of Facilities in Different Economic Sectors in 2019-20**



## 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.

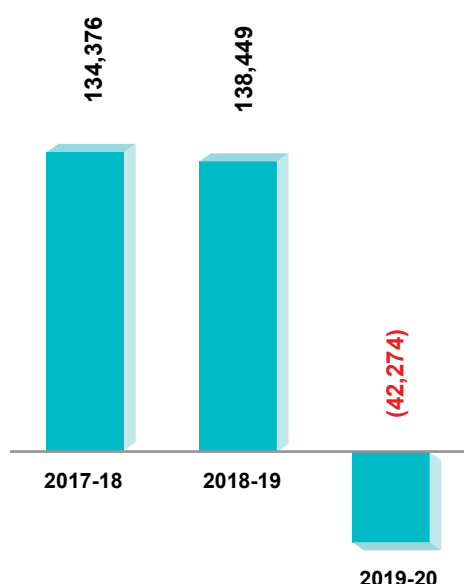
**Table (4) – Equity (IRR Billion)**

Description / Year	2019-20	2018-19	2017-18
Capital	223,926	223,926	45,700
Retained Loss	(107,199)	(109,513)	(103,992)
Other	21,722	19,963	16,017
Total Equity	138,449	134,376	(42,274)

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.

**Diagram 4 - Equity (%)**



## 2.6- Commitments on LGs (Letters of Guarantee)

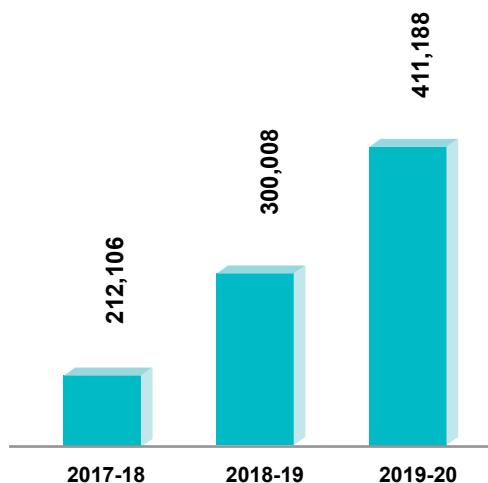
The following diagram shows the data on the balance of commitments on the issued LGs (foreign and domestic currency) during a three-year period. As shown in the diagram, the balance of the commitments at the end of fiscal year 2018-19 growing by 37% compared with the end of fiscal year 2017-18 came to IRR 411,188 billion. It is noteworthy that the domestic and foreign currency LGs grew by 50% and 13%, respectively compared with the previous fiscal year.

Because of the competitive advantage of Tejarat Bank in rendering services of LGs, Tejarat Bank accounting for 34% of the total LG commitments holds the first rank among 10 major banks of the country. The Bank considers keeping the increasing trend of such commitments balance of in the fiscal year 2020-21 and hold its first rank.

**Table (5) – Commitments on LGs (IRR Billion)**

Description	2019-20			2018-19	2017-18
	Portion (%)	Changes compared to previous year (%)	Balance		
Commitments on LGs – Domestic Currency	70.4	50.4	289,635	192,581	149,972
Commitments on LGs – Foreign Currency	29.6	13.1	121,554	107,427	62,134
Total	100	37.1	411,188	300,008	212,106

**Diagram 5 - Balance of Commitments on the Issued LGs (foreign and domestic currency)**



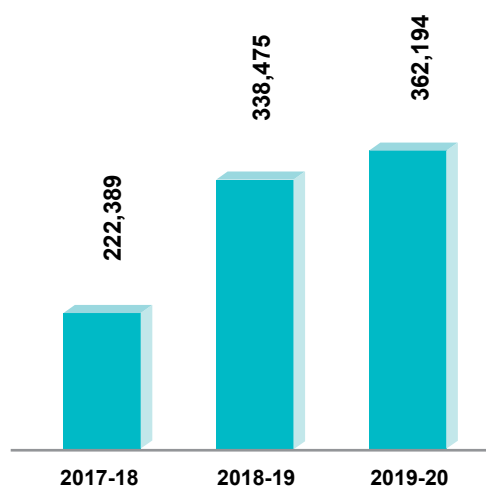
## 2.7- Commitments on LCs (Letters of Credit)

The balance of the commitments on LCs at 2017-18 was IRR 338,485 billion that came to IRR 362,194 at 2018-19 and 2019-2020.

**Table (6) – Commitments on LCs (IRR Billion)**

Description	2019-20			2018-19	2017-18
	Portion (%)	Changes compared to previous year (%)	Balance		
Commitments on LCs - Domestic Currency	28.1	43.6	101,840	70,913	24,720
Commitments on LCs - Foreign Currency	71.9	-2.7	260,354	267,562	197,669
Total	100	7	362,194	338,475	222,389

**Diagram 6 – The Bank's Commitments on LCs.**



The balance of the Bank's foreign currency LC commitments (excluding conversion of foreign currencies) has decreased compared with the end of last year due to unfair conditions in international sanctions. However, the Bank focusing on domestic LCs succeeded to maintain its position in the LC market, so that the balance of the Bank's domestic LC commitments has increased by 44% compared with the end of previous fiscal year to the amount of IRR 101,840 billion.

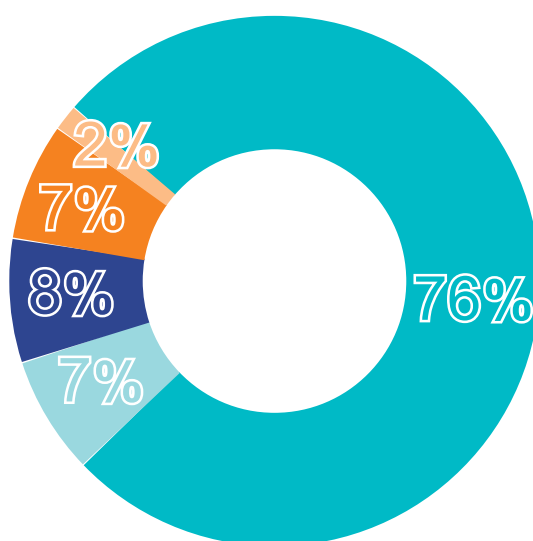
## 2.8- Revenues

The following table and diagram No. 7 shows the analysis of the Bank's revenues.

**Table (7) – Revenues (IRR Billion)**

Description / Fiscal Year	2019-20 Balance (IRR billion)	2018-19 Balance (IRR billion)	Ratio of Change (%)
Revenues from facilities granted, depositing and Bonds	195,119	164,728	18.4
Revenues from Commission Fees	17,719	11,206	58.1
Net Profit of Investments	21,850	2,344	832.2
Net Profit from Foreign Exchange Deals and Transactions	18,041	35,662	(49.4)
Other Operating Revenues and Costs	595	700	(15)
Net Other Revenues and Costs	3,561	4,210	(15.4)
Total Income	256,885	218,851	17.4

**Diagram 7 - Analysis of Revenues in the Fiscal Year 2019-20**



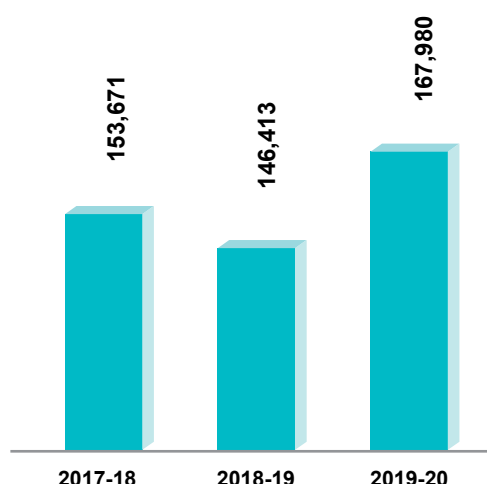
- Revenues from facilities granted, depositing and Bonds ●
- Revenues from Commission Fees ●
- Net Profit of Investments ●
- Net Profit from Foreign Exchange Deals and Transactions ●
- Net Other Revenues and Costs ●

As can be seen, the Bank's income has increased by 17% in the fiscal year 2019-20, in which the net commission fee revenue has increased by 58%, because one of the main policies of the Bank in 2019-20 was to focus on providing commission fee based services, systematizing them and the more monitoring on receiving commission fees for the services provided by the branches. On the other hand, the profit from the Bank's investments increasing by 832% compared with the end of the previous fiscal year and has reached IRR 21.850 billion. It should be noted that most of the revenues has been in line with the implementation of the Law on Removal of Barriers to Competitive Production and Promotion of the Country's Financial System) and meeting the duties provided in Articles 16 and 17 of the mentioned law. In fiscal year 2019-20, the Bank has put the transfer of its non-instrumental investments on agenda, by which and adopting policies in order to boosting profitability of the non-instrumental companies, the Bank reached suitable profitability from selling investments and dividends of stock.

## 2.9- Profit Paid to Depositors

The Diagram below shows the trend of dividends paid to depositors. The dividends paid in the fiscal year 2019-20, with an increase of 15% compared to the previous fiscal year, amounted to IRR 167,980 billion. The increase in interest payments compared with the same period in the previous fiscal year, despite the reduction in the cost of money for term deposits, is simply due to the increase in the balance of deposits absorbed during the fiscal year.

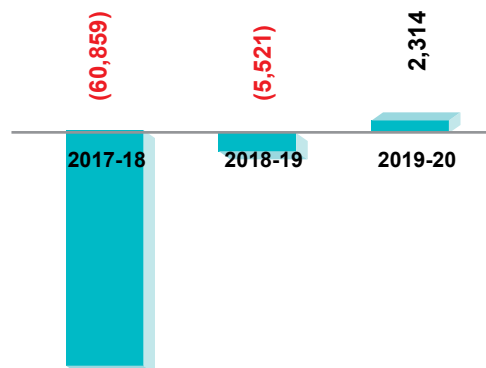
**Diagram 8 - Trend of Profit Paid to Depositors  
(IRR billion)**



## 2.10- Net Profit (Loss)

The following chart shows the trend of the net profit (loss) over the fiscal years 2017-18 to 2019-20. The Bank's net loss in March 2019 decreased by 91% compared to the end of March 2018 to about IRR 5,521 billion, and despite the issuance of a loss statement and the Bank's forecasts to exit the loss in 1400, fortunately with the realization of a profit of IRR 2,314 billion, the Bank succeeded to lose money in the fiscal year 2019-20 after 4 years, that is, even 2 years earlier than the forecast of the mentioned document.

It should be noted that the most important factor in improving the bank's performance compared to last year is the reduction of the average cost of money (deposit costs) and profitable sales of investments.

**Diagram 9 - 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 2018-19 and 2019-20 are shown in the following table. These indicators witnessed an impressive growth in 2019-20 compared with 2018-19, such that the per capita deposits, facilities and loans of personnel grew to IRR 119, 53 and 15 billion in 2019-20 from IRR 89, 39, 12 billion in 2018-19, respectively. Also, the per capita deposits, facilities and loans of branches enjoyed 50%, 38% and 27% growths compared with the fiscal year 2018-19 and reached IRR 1,417, 629 and 184 billion in 2019-20.

**Table (8) – Agents Efficiency Indicators (IRR Million)****Amounts in IRR million**

Year / Indicator		2019-20	2018-19	Percentage of Growth
Personnel	Deposits per capita	119,517	81,832	46.1
	Loans per capita	53,042	39,418	34.6
	Income per capita	15,488	12,534	23.6
Branches	Deposits per capita	1,417,958	946,277	49.8
	Loans per capita	629,301	455,815	38.1
	Income per capita	183,752	144,934	26.8

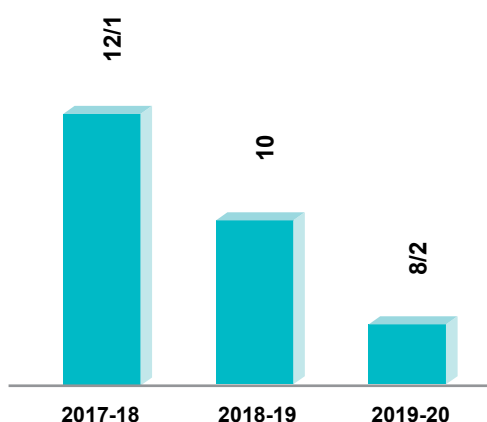
#### 3.2- Operation Control Indicators

##### 3.2.1- Ratio of Nonperforming Loans (NPL) to the Total Loans and Claims

The following diagram shows the trend of the ratio of nonperforming loans (NPL) to the total loans and claims over a three-year period ending fiscal year 2019-20. As it is seen, at the end of fiscal year 2019-20, this ratio reached the least amount over the past three years and decreasing by about 2% compared with previous fiscal year has reduced to 8.2%.



**Diagram 10 - Ratio of Nonperforming Loans (NPL)**



### 3.2.2- Reserves Adequacy Ratio

The following table shows the claims reserves adequacy ratio on March 19, 2020. At present, the adequacy ratio of the Bank's reserves is 61%, which is in a good situation compared with the banking network. As can be seen, this ratio has improved by 2% compared to the previous fiscal year.

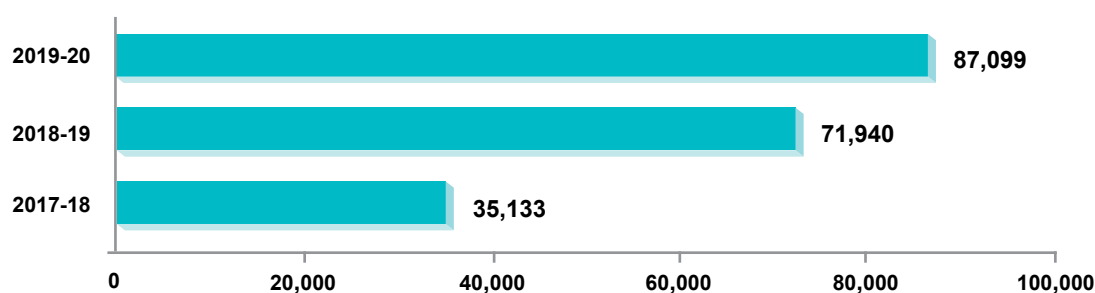
**Table (9) – Reserves Adequacy Ratio (IRR Million)**

Year / Description	2019-20	2018-19
Special Reserve for Doubtful Claims	84,458	72,087
Balance of Net Claims after Reduction of Real Estate and Deposit Collaterals	139,257	122,870
Reserves Adequacy Ratio (%)	60.6	58.7

### 3.2.3- Open Foreign Exchange Position

The following diagram shows the Bank's open foreign exchange position over the past three fiscal years. According to the CBI, the exchange rate per each US dollar rose to IRR 90,000 in 2019-20 from IRR 75,000 in 2018-19, which led to identifying IRR 14,249 billion as profit from the conversion of foreign currency assets and debts.

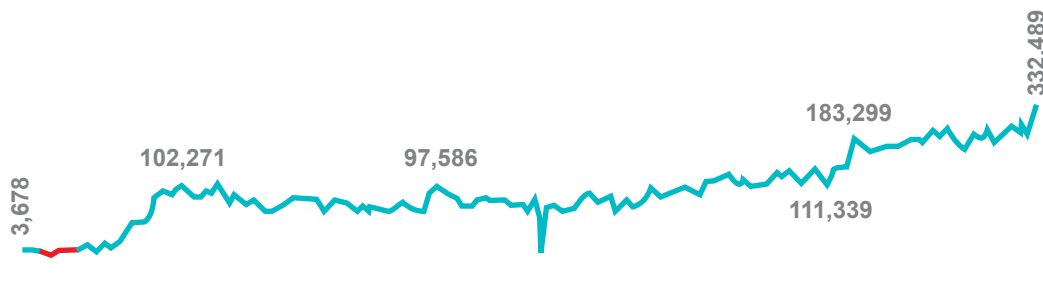
**Diagram 11 - Open Foreign Exchange Position (IRR billion)**



### 3.2.4- 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. The daily liquidity fluctuation trend of the Bank is shown in the diagram 12.

**Diagram 12 - The Bank's Daily Liquidity Fluctuation Trend in 2019-20 (IRR billion)**

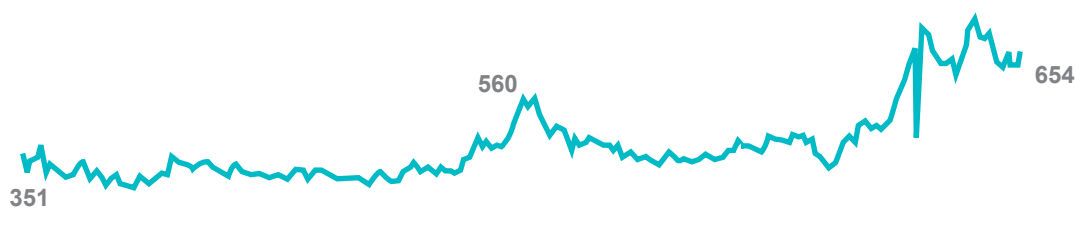


The planning, actions and efforts made in the fiscal year 2019-20, led to improvements in the process of equipping and allocating deposits and strengthening the Bank's liquidity, so that the Bank succeeded to consume its excess resources in the interbank market at a reasonable rate of return.

## 4- TREND OF STOCK PRICE

The trend of Tejarat Bank's stock price fluctuation in 2019-20 is shown in the following diagram. In the fiscal year 2019-20, the trading days were 229 days, in which the symbol of Tejarat Bank was open for 216 days and it was closed for 13 trading days for various reasons.

**Diagram 13 - The Bank's Stock Price Tren (IRR)**



The table below shows that Tejarat Bank shares were priced at IRR 654 on March 19, 2020, which considering the capital increase at the end of previous fiscal year, it had a return of 86%. It should be noted that at the end of previous fiscal year, Tejarat Bank has increased its capital by 390% from IRR 65.700 billion to IRR 223.924 billion.

**Table (10) – Comparison of Stock Price of Tejarat Bank at beginning and end of the period (Amount in IRR)**

Price on Mar. 20, 2019 (considering the capital increase)	Price on Mar. 19, 2020	Annual Changes	Annual Rate of Return (%)
351	654	303	86.3

# CHAPTER FIVE

**Independent Auditor's and Legal Inspector's Report  
Together with Financial Statements of the Bank and Group**

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ایالتی و محلی حکومتوں سے ملنے والی رقمیں  
 ریاستہائے متحدہ عرب امارات میں  
 ۲۰۱۹-۲۰۲۰ کے مالی سال کے لیے

رقم	۲۰۲۰	رقم (ایالتی حکومتوں سے)	
		۲۰۲۰	۲۰۱۹
ایالتی حکومتوں سے ملنے والی رقمیں		۲۳۸,۵۴۴,۷	(۲۹۳,۷۵۹)
ایالتی حکومتوں سے ملنے والی رقمیں		-	۷۷۱,۹۳۳,۸۷۷
ایالتی حکومتوں سے ملنے والی رقمیں		-	(۷۷۱,۹۳۳,۸۷۷)
ایالتی حکومتوں سے ملنے والی رقمیں	۲۳	۸۷۵,۸۷۷,۷	۹۱۰,۷۰۸,۹
ایالتی حکومتوں سے ملنے والی رقمیں		۸۸,۷۷۷,۰۷	۸۵۹,۷۵۰,۹
ایالتی حکومتوں سے ملنے والی رقمیں	۱۵	۸۰۸,۷۷۷,۷	(۷۷۱,۹۳۳,۸۷۷)
ایالتی حکومتوں سے ملنے والی رقمیں		۸۸۷,۷۷۷,۷	(۷۷۱,۹۳۳,۸۷۷)
ایالتی حکومتوں سے ملنے والی رقمیں		۷۷۷,۷۷۷	۷۷۷,۷۷۷

ایالتی حکومتوں سے ملنے والی رقمیں

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1.  $\text{H}_2\text{O}$  is a polar molecule. It has a bent shape, with the oxygen atom at the vertex and the hydrogen atoms at the ends of the bonds. The oxygen atom is more electronegative than the hydrogen atoms, so it pulls the shared electrons closer to itself. This creates a partial negative charge on the oxygen atom and a partial positive charge on each hydrogen atom. The overall molecule is polar, with a net dipole moment.

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*Journal of Management Education*, 39(6), 708–724  
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Student Body: 100 (100% participation)

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Example 1. We study

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1. *Identify the main idea of the passage.*  
 2. *Identify the supporting details.*  
 3. *Identify the author's purpose.*  
 4. *Identify the author's tone.*  
 5. *Identify the author's point of view.*  
 6. *Identify the author's bias.*  
 7. *Identify the author's audience.*  
 8. *Identify the author's style.*  
 9. *Identify the author's structure.*  
 10. *Identify the author's language.*

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Abstracts of the following papers are included in this Special Issue:

