



**Tose'e Ta'avon Bank**  
(Cooperative Development Bank)



**ANNUAL REPORT**

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Swiss



*In The Name of Allah*

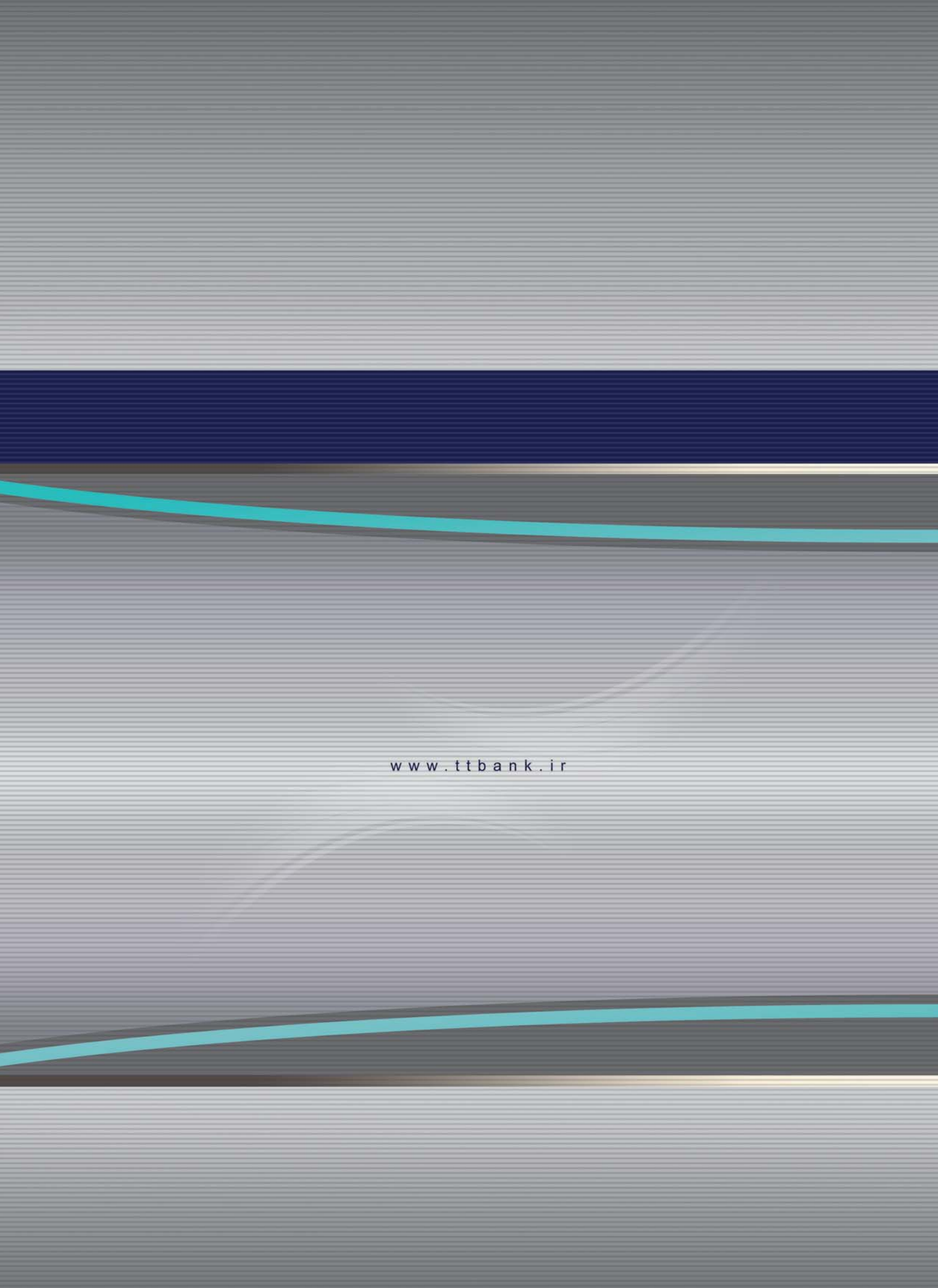


## Contents

	<b>Chapter I- Introduction</b>	<b>4</b>
	A message from Managing director	6
	Members of the board of directors	7
	Organizational chart	8
	Introduction to Tose'e Ta'avon Bank	10
	Mission and outlook of the bank	12
	<b>Chapter II- Risk Analysis and Anti Money Laundering</b>	<b>14</b>
	Introduction	16
	1- Risk management system in Tose'e Ta'avon Bank	16
	2- Pillars of risk management system	18
	3- Credit risk	20
	4- Liquidity risk management	21
	5- Operational risk management	23
	6- Market risk management	23
	7- Compliance risk management	24
	Anti money laundering	25
	<b>Chapter III- Report of the Bank's Performance Indices</b>	<b>28</b>
	1- Mobilization of resources	30
	2- Allocation of resources	32
	3- Branches network and employees' composition of Tose'e Ta'avo Bank	36
	4- Structure and composition of bank's human force	37



	<b>Chapter IV- Financial performance of the bank</b>	<b>40</b>
	Major items of profit and loss statement	42
	1- Composition of bank's joint incomes	42
	2- Composition of bank's non-joint incomes	43
	3- Depositors share from joint incomes	43
	4- Composition of bank charges considering profit paid to depositors	44
	5- Main Financial indices	44
	6- Non-current claim balance to facilities balance (NPL)	46
	7- Adjusted assets to risk	47
	8- Detailed enumeration of Bank's capital and capital adequacy	48
	<b>Chapter V- Financial Statements of the bank</b>	<b>50</b>
	Independent auditor & legal inspector report	52
	Financial statements of the bank	58



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**Tose'e Ta'avon Bank**  
(Cooperative Development Bank)

# Chapter I

Introduction to Tose'e Ta'avon Bank

**ANNUAL REPORT**  
2014-2015



## Message from Managing Director

Domestic and international transitions preyed on Iran economy in 2014 whereby continuation of subsidy orientation act and severe fluctuations in economic currents put the banking system resources to inconveniences.

However, 2014 was not an easy year for banking system, Tose'e Ta'avon Bank (Cooperative Development Bank) could despite all problems and by the help of our Lord and the bank gracious managers and employees, stabilize its position in the banking system as it used to be in last year.

Tose'e Ta'avon Bank specified major strategies or better to say the bank landscape toward becoming premier state financial institute and dominant bank in Middle East in rendering financial services and products including creativity and active presence in new banking services market, moving toward modern banking, reinforcement of bank participation in profitable investment plans, infrastructure development and using modern marketing approaches, supporting cooperation section, therefore necessary planning have been made by competent bank managers and staff toward fulfillment of formulated strategies.

We hope realization of strategies referred to and reinforcement of bank participation in profitable investment and national plans would supply stable benefits for the bank, making us capable to take significant steps to support national production and Iranian capital.



Managing Director



**Tose'e Ta'avon Bank**  
(Cooperative Development Bank)

Annual Report 2014-15



## Members of the Board of Directors



**Mohammad Ali Sahmani**

Managing Director  
& Chairman of the Board



**Hojatollah Mahdian**

Member of the Board of Directors



**Bahman khadem**

Member of the Board of Directors

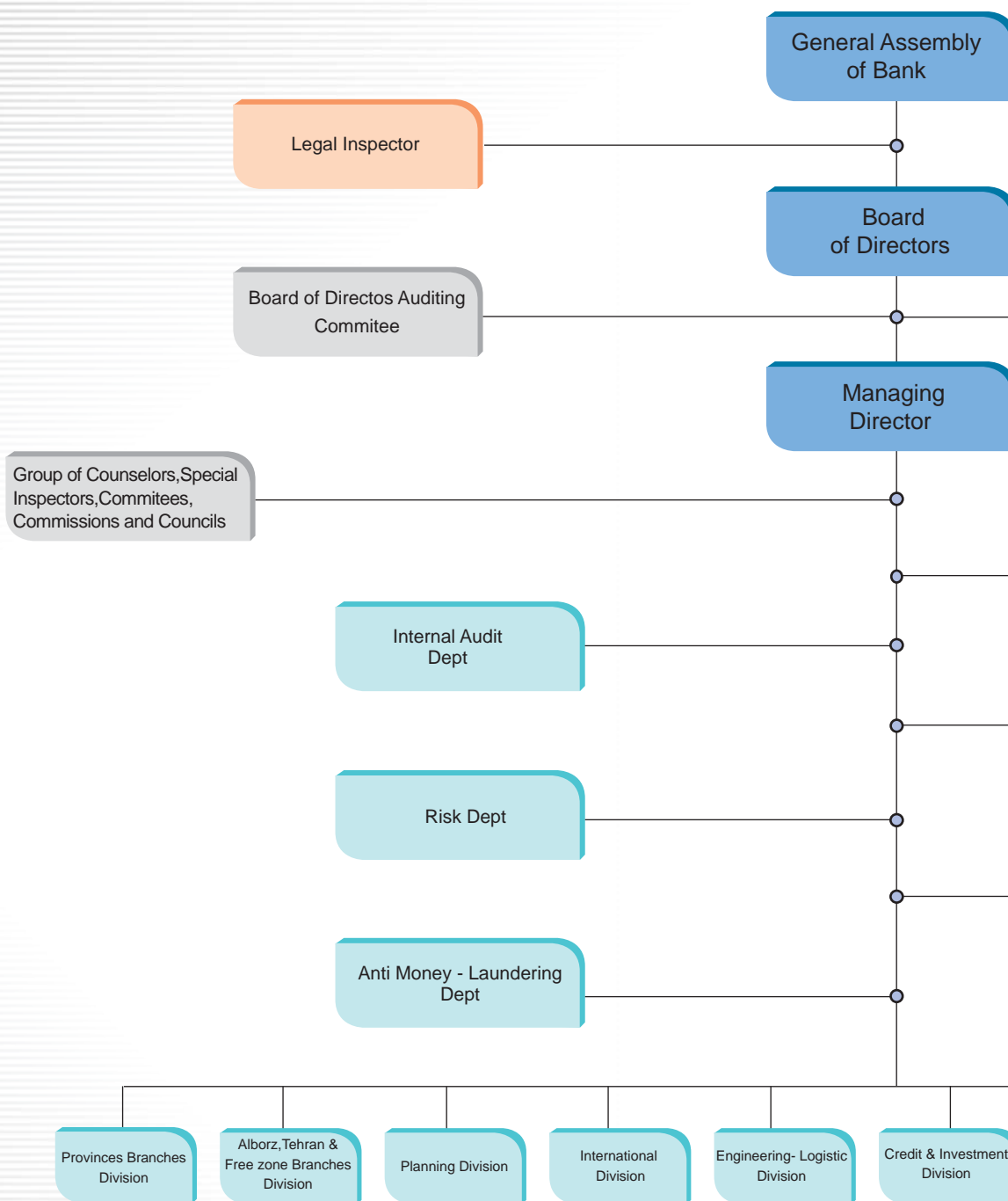


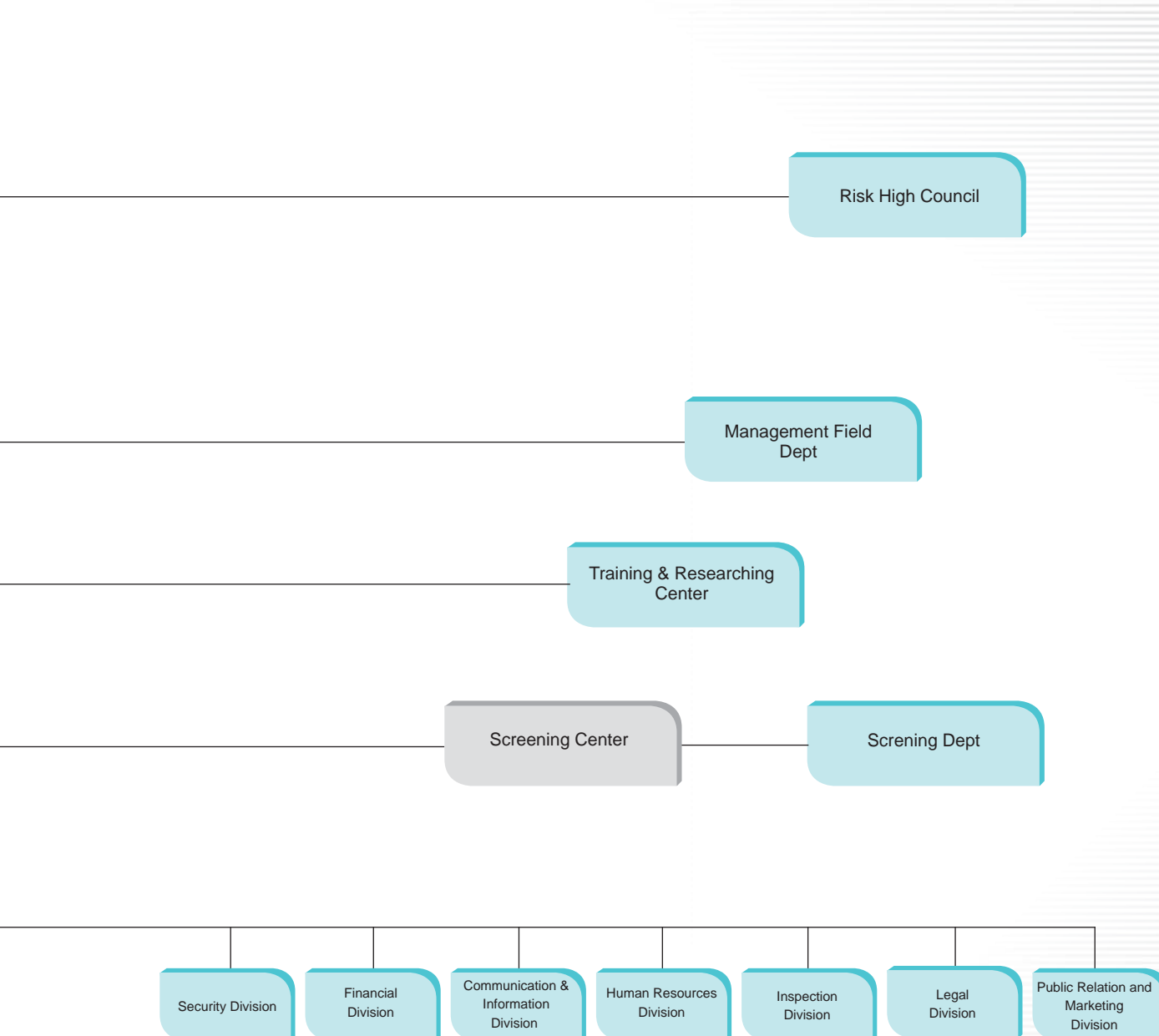
**Rahim Esmaeli Dana**

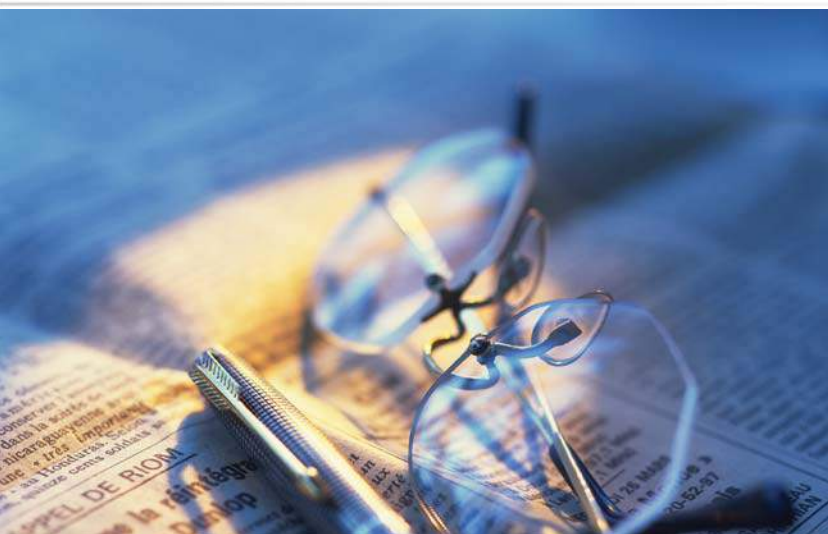
Member of the Board of Directors



## Organizational Chart







## Introduction to Tose'e Ta'avon Bank

### 1- Background:

In compliance with Item 5, Para “B”, Principal 44 of the Constitution and based on Para “F” Art 9, Amendment of 4th Economic, Social and Cultural Development Plan of the Islamic Republic of Iran and in execution of General Policies under Principal 44 of the Constitution, Tose'e Ta'avon Bank incorporated with the starting capital as per Rls.5000 billion from foreign currency reserve.

Articles of Association of the bank jointly recommended by Ministry of Cooperation and Ministry of Economic Affairs and Finance, passed by Council of Ministers and finally approved by President to be communicated for execution.

Likewise in execution of Note 1, Art “F”, aforesaid act and contents of Art 5, Articles of Association of Tose'e Ta'avon Bank and in compliance with minutes approved by Minister of Cooperation and Minister of Economic Affairs and Finance, Strategic Planning and Supervision Undersecretary to the Office of President, all facilities, assets and human forces of branches and superintendency departments along with part of Cooperation Association human force transferred to the bank, on the basis of which Tose'e Ta'avon Bank's activity officially started on August 23, 2009.

### 2- Subject of activity:

Bank activity, specified in Art 7, Articles of Association consisted from 33 paragraphs and 1 note, includes all banking operations.

### 3- Scope of activity (geographically):

According to Art 3, Articles of Association, main place of the bank is located at Tehran while the bank can establish branches or agency in and out of the country in compliance with relative regulations and law.



#### **4- Registered capital:**

As specified in Art 51, Articles of Association, the bank capital is amounted to Rls.5,115 billion, all as shares belonging to the government. Said capital is financed by the government from foreign currency reserve account and allocated to capital resources for cooperation sector according to Para "F", Art 9, Amendment of 4th Development Plan and in the same line with general policies of Principal 44 of the Constitution.

#### **5- Pillars of the bank:**

Tose'e Ta'avon Bank's pillars, as specified under Art 8, Articles of Association are consisted from:

##### **a) General assembly of the bank**

General assembly of Tose'e Ta'avon Bank is consisted from 6 members as following:

- 1- Cooperative, Labor and Social Welfare Minister (Chairman)
- 2- Finance and Economy Minister
- 3- Industry, Mine and Commerce Minister
- 4- Agricultural Jihad Minister
- 5- Road and Urbanization Minister
- 6- Planning and Supervision Undersecretary to the President Office

##### **b) Board of Directors and Managing Director**

##### **c) Legal Auditor (Inspector)**

Note: Auditing Organization acts as Legal Inspector or Auditor of the bank



## Mission and Outlook of the Bank:

### Mission Statement

As premier entity in financing cooperation sector, Tose'e Ta'avon Bank provides and allocates financial sources and renders modern banking services with the goal to facilitate national and international commercial exchanges using governmental and non-governmental resources.

### Outlook:

We, as the first option among those active in the field of cooperation, would try to empower cooperation sector financially in 10-year time span through increasing the market share, rendering better patterns for value creation in and out of the country by giving financial solutions, development of services and continuous improvement of productivity.



### Values:

Relying our Holy Lord assistance, bank values are specified as below considering customer-orientation principles (especially in cooperation sector), complying with professional ethics in organizational and individual fields:

- Meritocracy, transparency, creativity
- Responsibility and responsiveness, team working

### Ideal:

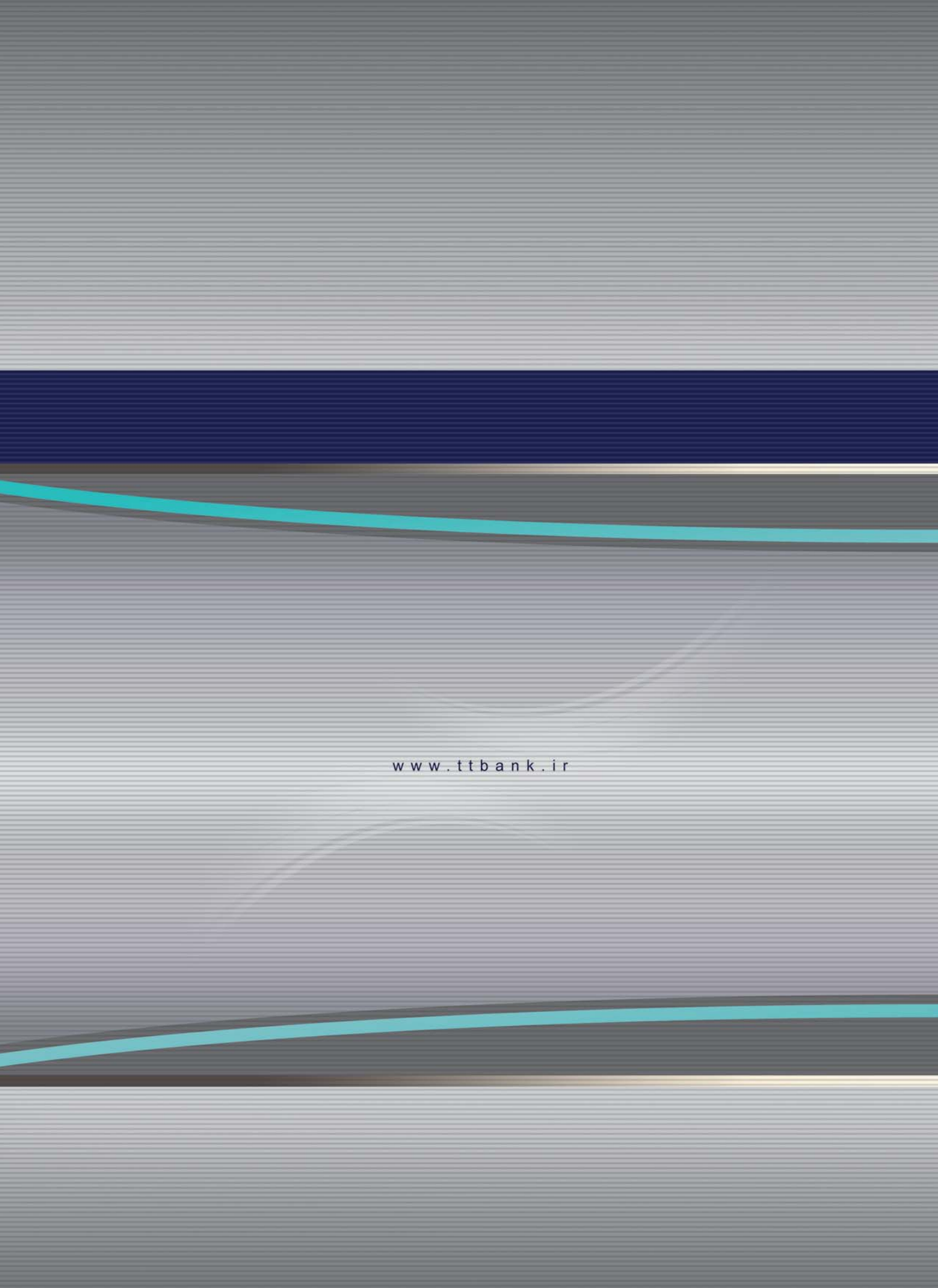
To improve cooperation sector share in the state economy we would try to support effectively those active in cooperation sector, entrepreneurs and value adding subjects as well as small and middle size institutions.

### **Macro objectives of the bank:**

- 1- Improve bank power in mobilizing optimized allocation of resources
- 2- Increase economy of bank activities and profitability
- 3- Increase productivity in development of banking services, protect and develop cooperation sector share in state economy
- 4- Improve bank position in state banking system
- 5- Raise active customers' share in cooperation sector (up to two third of customers active in cooperation sector)
- 6- Financing and allocation of resources to entrepreneurs, small and medium size institutions



- 7- Active presence and playing effective role in stock exchange, capital market, organizations and international financial bodies and assist cooperatives in this field



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## Chapter II

**Risk Analysis and Anti Money Laundering**

**ANNUAL REPORT**  
2014-2015



## Introduction:

Risk taking is prerequisite to bank activity while banks are known as Risk Taking Machines. Risks are created in banks for different reasons such as:

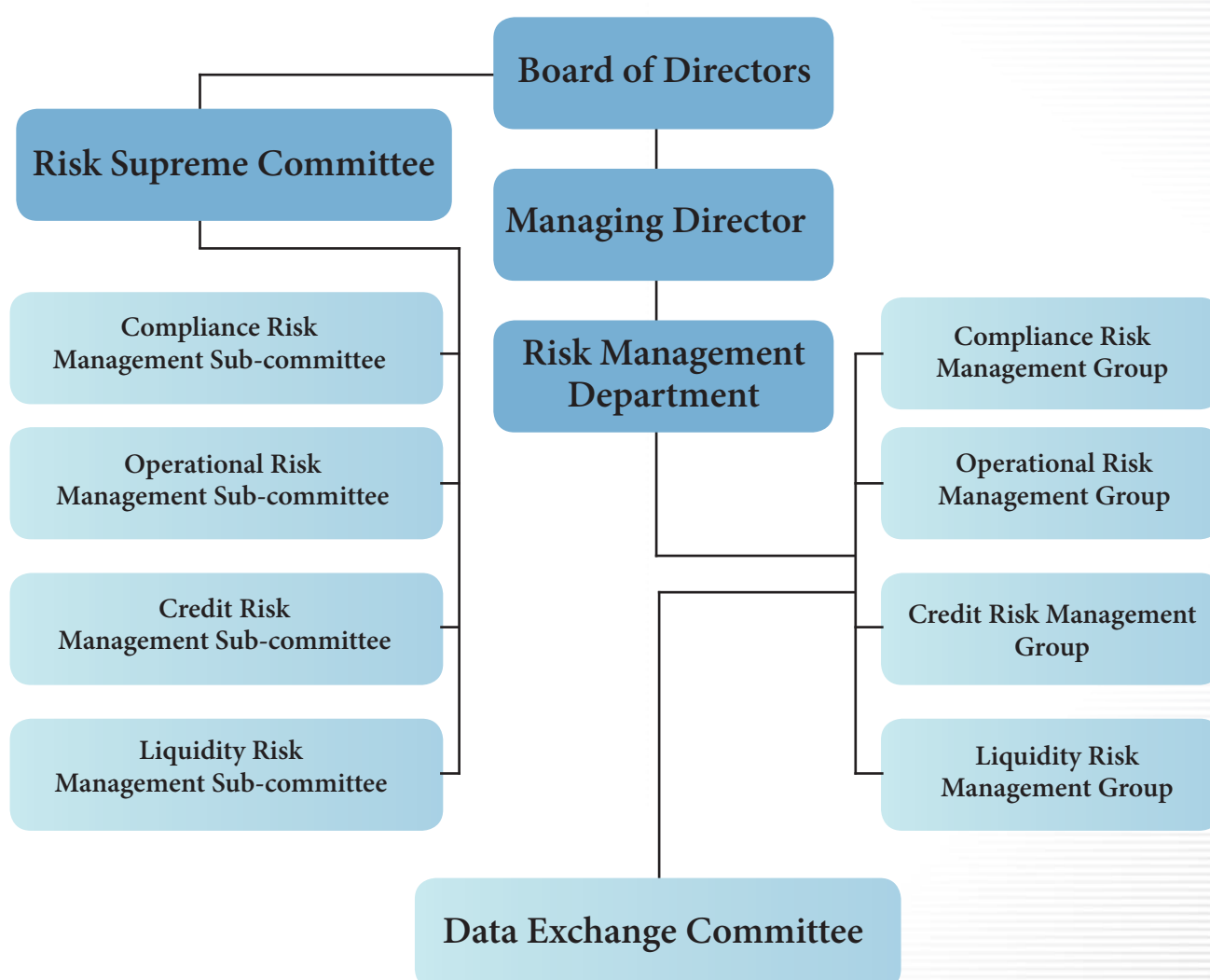
- Diversity of banking operations
- Different nature of banking operations
- Bank investment and limitation of investment rate
- Depositors' resource and abundance
- Difference in bank and depositors' benefit
- Assets (facilities) and liabilities (deposits) maturity
- Multiplicity and differences in financial status of facility recipients
- Numerous bank employees connected with financial sources
- Booking much number of financial operations and money transfer
- Bank missions and sovereignty

### 1- Risk Management System in Tose'e Ta'avon Bank:

Risk Management System in Tose'e Ta'avon Bank is an integral part to the bank cooperative sovereignty structure covering different levels of the organization such as Board of Directors, Risk Management Supreme Committee, Risk Management Subordinate Committees, Risk Management Department, executive units and Data Exchange Committee to Risk Management Department.



On such basis and considering ERM Trend approval in Risk Management System of Tose'e Ta'avon Bank by Risk Management Supreme Committee, all executive and provincial units of the bank have to identify, evaluate, manage and control the risks in this business fields. According to this system, main risks of the bank including liquidity, credit, operational, market and compliance risks are identified, measured, controlled and monitored by Risk Management Department. The evaluation would include all risks to which the bank may face as well as risks from affiliated companies.





## **2- Pillars of Risk Management System:**

### **a) Board of directors**

Bank policies and risk management framework are approved and communicated by Board of Directors. According to Tose'e Ta'avon Bank's Risk Management System, board of director is finally responsible for management of risks connected with the bank operation

### **b) Risk Management Supreme Committee:**

Risk Management Supreme Committee is a specialized committee formed by the bank board of directors in order to assist them in supervising effective management of risks to which the bank subject. The committee operates in the framework of powers, regulations, policies and duties specified by board of directors. The committee members are consisted from members of the board of directors, senior executive managers, scientific advisors in financial and banking risk management. The committee main objectives and responsibility is to supervise the bank risk management performance in different fields, render advisory services to board of directors regarding risk management, assure correct execution of risk management in the bank, perform necessary measures regarding the bank risk management and increase risk knowledge.

### **c) Risk management subordinate committees:**

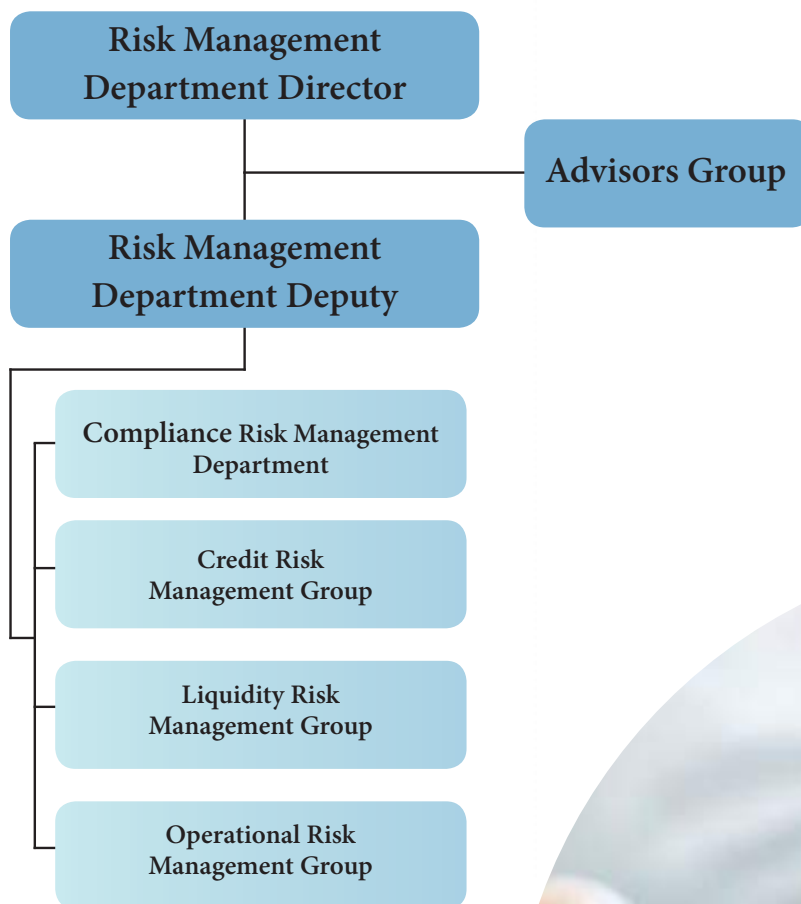
Risk management subordinate committees operate under risk management supreme committee supervision and are formed by the committee in the form of four committees to assist in effective management of the bank main risks:

- 1- Compliance Risk Management Subordinate Committee
- 2- Operational Risk Management Subordinate Committee
- 3- Credit Risk Management Subordinate Committee
- 4- Liquidity Risk Management Subordinate Committee

**d) Risk Management Department**

The process of identification, evaluation, analysis, control and monitoring the bank risks in five fields of Liquidity, Operational, Market and Compliance Risk Management is performed by risk management department in order to minimize the bank risk.

**Organization chart for Risk Management Department**



According to approved organization chart for Risk Management Department, the department is consisted from four Credit, Liquidity, Operational and Compliance Risk Management Units.





### **3- Credit Risk**

#### **3-1 Credit policies**

Credit policies by Tose'e Ta'avon Bank are formulated annually by Credit Affairs and Investment and then communicated to the bank in general being approved by board of directors

Below cases are specified in credit policies for 2014:

- 1- Determination of permitted consumption and profit rate for different economic sectors, cooperative and non-cooperative companies
- 2- Conditions for grant of facilities in the form of different contracts for natural and legal persons
- 3- Determination of credit requirements and regulations, regulations for collection of claims and supervisory regulations and standards
- 4- Determination of credit pillars and their scope of powers

#### **3-2 Executive units in credit risk management:**

Executive units in credit risk management of the bank are:

- a) Credit Risk Management Experts Group to Risk Management Department
- b) Credit and investment affairs
- c) Legal affairs
- d) Credit Risk Management Subordinate Committee
- e) Branches affair
- f) All credit pillars

#### **3-3 Methods of lowering credit risk:**

Bank has through supervision on the process of granted facilities and non-current claims using regular and periodical reports and following measures to decrease credit risk:

- Planning toward establishment of Customers' Internal Accreditation system
- Subtle and expert review of presented plans and periodical supervision on plans
- Possibility to pay installments through internet banking such as Mobile-Bank, Internet-Bank, .....
- Possibility to collect installments automatically on monthly basis by settlement of installments to customers account
- Notification of matured installments to debtors via SMS
- Determine min and max granted facilities against different collaterals and emphasizing on collection high liquidating collaterals



### **3-4 Required capital to cover credit risk:**

Required capital to cover credit risk is calculated based on Central Bank requirement on capital adequacy basis.

It is noteworthy that Risk Management Department has calculated the rate according to Ball-II Agreement

## **4- Liquidity Risk Management:**

Liquidity risk is resulted from the bank disability to pay liabilities in due date, perform commitments and disability to develop high-yield assets in conventional charges. In other words, when bank lacks the required liquidity, the bank is unable to collect enough fund with increased debts and/or assets liquidation quickly and for conventional charge. Such disability affect the bank profitability. Main reason for liquidity risk in banks may be non-compliance of debts and assets quantity and maturity which creates negative liquidity gap.

Currently, Risk Management Department of Tose'e Ta'avon Bank, using balance sheet analysis determines the bank liquidity condition on daily basis, calculates bank required liquidity for different tie periods and determines bank susceptibility from possible shocks in liquidity using important liquidity rates and Crisis Test tool.

Likewise, to determine the bank liquidity condition in future, the bank foresees input and output cash flows in a certain period using review of contacts maturity, historical behavior of cash flow and the bank liquidity gap in two levels of "Assets and Debts Maturity Conformation" and "the Bank Input and Output Sources Flow Behavior".

### **4-1 Liquidity Risk Management Policies:**

With the objective to maintain suitable liquidity level to respond unexpected output cash flow and prevent financing with significant charge, Tose'e Ta'avon Bank determined the following policies:

- Continuous survey of liquidity and main items of sources and consumption
- Evaluation and survey of the effect of possible shocks from economic alternatives on the bank sources and consumption
- Observation of bank customers' deposit behavior based on their effects on the bank liquidity
- Using liquidity gap tables indicating the bank liquidity condition based on different time classes
- Using crisis test tool and scenario analysis to study bank susceptibility in facing possible shock in liquidity

#### **4-2 Executive Units of Liquidity Risk Management:**

Executive units of liquidity risk management of the bank are:

- a) Sources and Consumption Supreme Committee**
- b) Liquidity Risk Management Subordinate Committee**
- c) Financial Affairs Management**
- d) Liquidity Risk Management Expert Group to Risk Management Department**



#### **4-3 Continued Activity Plan:**

The bank manages its liquidity on daily basis considering daily reports for sources and consumption, realization of the bank macro objectives and study of scales and rates

#### **4-4 Crisis Confrontation Plan:**

Under critical conditions, the bank performs below measures to manage consumptions

- Controlling bank consumption
- Applying persuasive policies to attract sources
- Evaluation of interbank market sources with the objective to supply necessary sources and to prevent the bank account to be debited by Central Bank
- Continuous evaluation of bank liquidity by Risk Management Supreme Committee, Sources and Consumption Supreme Committee, Liquidity Risk Management Subordinate Committee and Liquidity Risk Management Expert Group

#### **4-5 Measurement of Liquidity Risk:**

Risk Management Department currently produces below liquidity risk management monthly reports based on the bank balance sheet analysis:





### **6-1 Market Risk Management Policies:**

Risk Management Department study fluctuations in foreign currency market and interest rate in order to decrease possible damages from market rates, unexpected movement and fluctuations in prices considering the nature and composition of bank assets.

### **6-2 Bank strategies:**

- 1- The bank would manage its foreign currency portfolio market risk considering base capital
- 2- The bank would manage the market risks related to its activities and services
- 3- The bank would survey economic alternatives and use precautionary patterns to identify and anticipate the behavior of alternatives effective on market risk
- 4- The bank would evaluate and manage its profit rate

### **6-3 Market Risk Measurement:**

- 1- The bank measures foreign currency condition based on its base capital, calculates and manages necessary capital to cover market risk
- 2- The bank uses Duration Analysis Framework and measuring duration gap to measure profit rate risk

## **7- Compliance Risk Management:**

Compliance risk may endanger the bank reputation so Compliance Risk Management is counted as the main risk management activity in the bank. Establishment of a section independent from banking activities, namely Compliance Section is recommended.

Compliance section aim is to assist the bank in Compliance risk management. It is the risk which means supervisory or statutory embargo risk, financial damages, damages to the bank credit as the result of its disability to comply with law, regulations, requirements and executive standards.

### **7-1 Compliance Risk Management Unit:**

The unit is responsible to arrange measures and take care of complying regulations and law in order to maintain stability in banking operations, prevent risks facing the bank with penalties and legal or supervisory punishments, significant lose or damages to the bank reputation and credit.

### **7-2 Sources of regulations, provision and standards in compliance risk measurement:**

Compliance Risk Management Department of Tose'e Ta'avon Bank is established to guarantee stability, order and security in banking operations. The unit tries to give assurance of the bank performance in conformity with domestic and international regulations and provisions



## Anti Money Laundering:

Money laundering is an ill performance with destructive effects on human communities for globalization of economy and development of cultural relations. It happens in most of the countries but it has more destructive effect in developing nations for their small financial markets, seriously endangering their economic and political stability.

Islamic republic of Iran as a developing country faces serious challenge in fighting the most important source of money laundering, drug and contraband, for its common border with the golden source of drug. So Central Bank of the Islamic Republic of Iran and Anti-Money Laundering Supreme Council of the Ministry of Economy as the two supervisory wings on institutions active in the state monetary markets, provide necessary infrastructures to prevent and confront money laundering and supervise good performance of anti-money laundering regulations and provisions.





## Measures and Activities:

- 1- Establishing of Anti-money laundering and fighting with Financing of Terrorism committee in order to guide regulations for anti money laundering and fighting with financing of terrorism
- 2- Obtaining and communicating 13 instructions on fighting with financing of terrorism and money laundering to all bank units for execution
- 3- Providing communication with financial data undersecretary office (Supreme council for anti money laundering and fighting with financing of terrorism) for reporting suspicious transactions, settlements more than specified amount and answer to inquiries
- 4- Electing a person in each branch of Tose'e Ta'avon Bank in-charge of anti money laundering and fighting with financing of terrorism to supervise instruction good performance
- 5- Electing regional inspector in each province to supervise and inspect accurate execution of provisions on anti money laundering and fighting with financing of terrorism
- 6- Training employees of anti money laundering and fighting with financing of terrorism department
- 7- Training persons in-charge of anti money laundering and fighting with financing of terrorism, in each branch
- 8- Training other employees of general aspects of the case
- 9- Giving information to the bank customers
- 10- Designing and implementing specialized software for anti money laundering and fighting with financing of terrorism in order to identify suspicious transactions and online branch control
- 11- Accessibility of anti money laundering and fighting with financing of terrorism department employees to all financial systems to supervise branch operations
- 12- Inspecting branches to assure that contents of provisions and regulations are complied with
- 13- Reporting to supervisory authorities as required
- 14- Providing report facilities for cash transactions more than specified amount and suspicious transactions

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## Chapter III

Report of the Bank's Performance Indices

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2014-2015



## 1- Mobilization of Resources

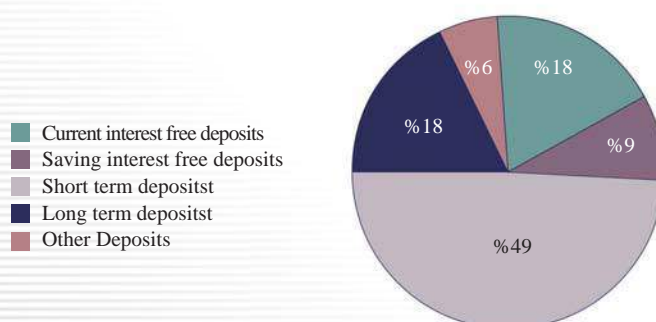
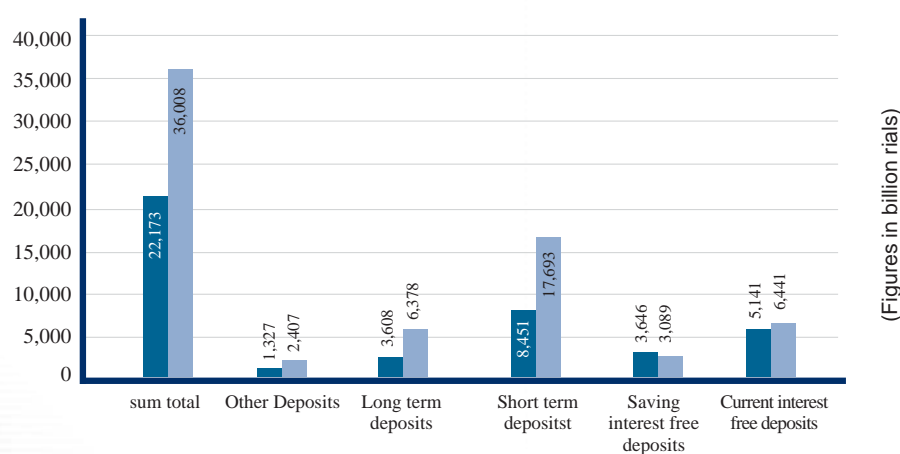
### 1-1 Balance and composition of Bank Deposits

The bank deposit balance on March 20, 2015 has been RIs.36,008 billion indicating 62% increase compared with the last year.

(Figures in billion rials)

Type of deposit	2014		2013		Changes %
	Amount	Share	Amount	Share	
Current interest free deposit (at sight)	6,441	17.9	5,141	23.2	25
Saving interest free deposit	3,089	8.6	3,646	16.4	-15
Short term investment deposit	17,693	49.1	8,451	38.1	109
Long term investment deposit	6,378	17.7	3,608	16.3	77
Other deposits	2,407	6.7	1,327	6.0	81
<b>Sum total</b>	<b>36,008</b>	<b>100</b>	<b>22,173</b>	<b>100</b>	<b>62</b>

Bar chart indicating number of deposit accounts by the bank customers (2013-2014)





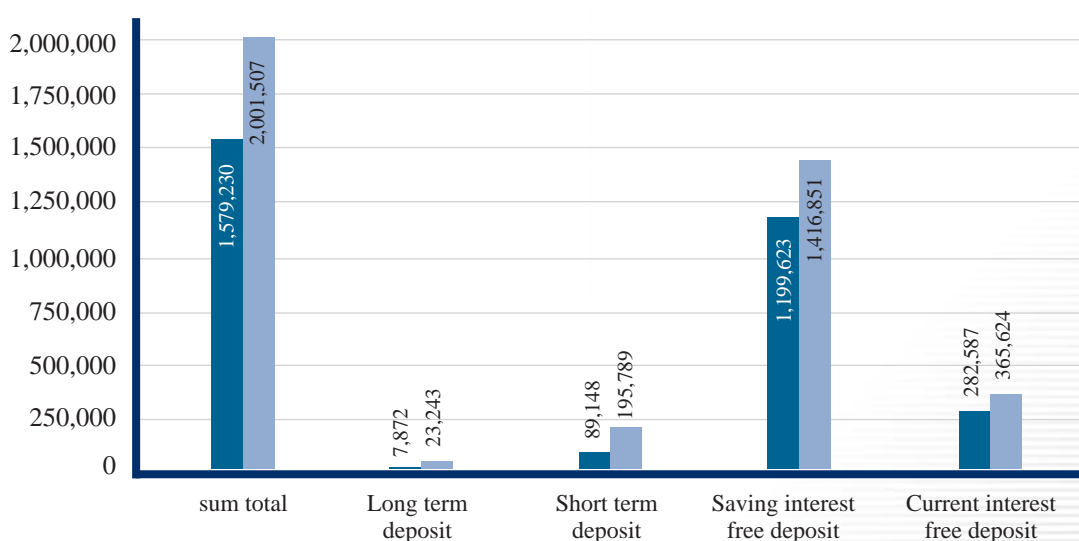
## 1-2 Number of bank deposit accounts

On March 20, 2015, bank had totally 2001507 deposit accounts indicating 27% increase (for 422277 deposit accounts) compared with deposit numbers on March 20, 2014.

### Number of bank customers' deposit accounts

Type of deposit	Number		Increase/ Decrease	Changes %
	2014	2013		
Current interest free deposit	365,624	282,587	83,037	29
Saving Interest free deposit	1,416,851	1,199,623	217,228	18
Short term deposit	195,789	89,148	106,641	120
Long term deposit	23,243	7,872	15,371	195
<b>Sum total</b>	<b>2,001,507</b>	<b>1,579,230</b>	<b>422,277</b>	<b>27</b>

Figure for number of bank customers' deposit accounts





## Allocation of Resources

### 2- Granted Facilities balance breakdown

Composition of non-governmental sector facilities based on current and non-current facilities.

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Current facilities	32,023	88.2	21,093	87.0	51.8
Overdue claims	666	1.8	640	2.6	4.1
Deferred claims	711	2.0	591	2.4	20.3
Letter of credits doubtful claims	0	0.0	0	0.0	*
L/Gs doubtful claims	150	0.4	166	0.7	-9.6
Facilities doubtful claims	679	1.9	621	2.6	9.3
Receivable profit	1,696	4.7	1,133	4.7	49.7
Receivable recognizance	374	1.0	0	0.0	*
<b>Total</b>	<b>36,299</b>	<b>100</b>	<b>24,244</b>	<b>100</b>	<b>50</b>
Is deduced:					
Coming years profit	4,410	*	2,463	*	81.0
General and private doubtful claims reserve	1,334	*	1,149	*	16.1
Advances from customers	0	*	0	*	*
<b>Net facilities and claims</b>	<b>30,555</b>	<b>*</b>	<b>20,659</b>	<b>*</b>	<b>47.9</b>

\* Current, overdue, doubtful and L/G facilities are calculated without collected profit

Granted facilities net balance of Tose'e Ta'avon Bank on March 20, 2013 was amounted to Rls.30,555 billion after deduction of coming years profit and doubtful claims reserve.



## 2-2 Composition of gross balance of facilities (non-governmental) on contract type basis.

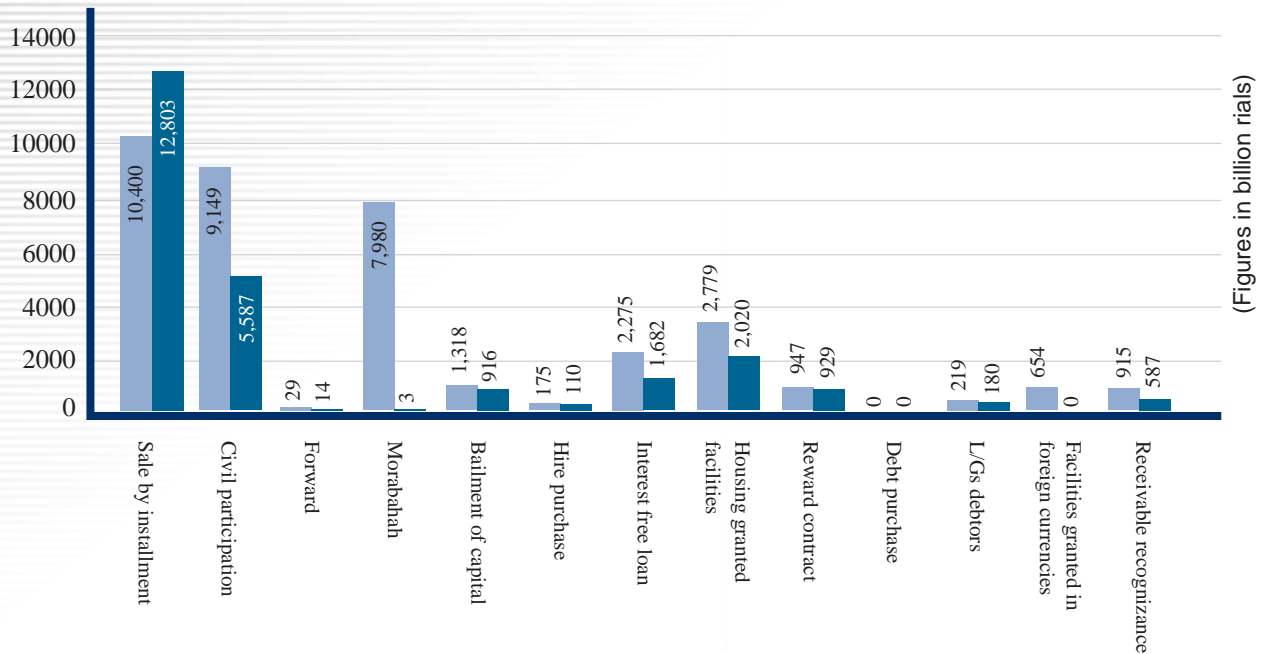
(figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Sale by installment	10,400	28.7	12,803	52.8	-18.8
Civil Participation	9,149	25.2	5,587	23.0	63.8
Forward	29	0.1	14	0.1	107.1
Murabahah	7,980	22.0	3	0.0	265900.0
Bailment of capital (Mozarebeh)	1,318	3.6	916	3.8	43.9
Hire purchase	175	0.5	110	0.5	59.1
Interest free loan	2,275	6.3	1,682	6.9	35.3
Housing granted facilities (Sale by installment, Participation, ...)	2,779	7.7	2,020	8.3	37.6
Reward Contract (Joaleh)	947	2.6	929	3.8	1.9
Debt purchase	0	0.0	0	0.0	*
Debtors of issued L/Gs	219	0.6	180	0.7	21.7
Facilities granted in foreign currencies	654	1.8	0	0.0	*
Receivable recognizance	374	1.0	0	0.0	*
<b>Total</b>	<b>36,299</b>	<b>100</b>	<b>24,244</b>	<b>100</b>	<b>50</b>

Most facilities granted by the bank are related to sale by installment forming 29% of total facilities granted. As indicated main facilities by the bank are granted in the form of exchange contacts in order to support cooperation sector development.



Figure for Granted facilities balance by the bank in Islamic contracts



## 2-3 Table for Granted facilities balance by the bank based on place of payment

### a) Governmental and non-governmental.

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Net Granted facilities balance and claim from non-governmental sector	30,555	100	20,659	100	47.9
Net Granted facilities balance and claim from governmental sector	*	*	*	*	*
Participation bonds	*	*	*	*	*
<b>Total</b>	<b>30,555</b>	<b>100</b>	<b>20,659</b>	<b>100</b>	<b>47.9</b>



## b) Sources supplied from

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Net balance of ordinary governmental facilities	*	*	*	*	*
Net balance of ordinary non-governmental facilities	30,555	94.3	20,659	92.9	47.9
Net balance of non-governmental obligatory facilities (managed funds)	1,858	5.7	1,590	7.1	16.9
Sum total granted facilities' net balance	32,413	100.0	22,249	100.0	45.7

As indicated in the above table 100% of facilities granted by the bank were paid to non-governmental sector. Rls.1,858 billion out of Rls.32,413 billion is related to technical aids, credits and managed funds.

## 2-4 Granted facilities by the bank to different economic sectors:

(Figures in billion rials)

Economic sector	Granted facilities				Growth %
	March 20, 2015		March 20, 2014		
	Amount	Share from total amount	Amount	Share from total amount	
Agriculture	4,922	23.5	4,396	32.7	12.0
Mine and industry	5,316	25.4	2,590	19.3	105.3
Housing and development	1,010	4.8	906	6.7	11.5
Services	5,383	25.7	3,796	28.2	41.8
Commercial	4,329	20.7	1,762	13.1	145.7
Sum total	20,960	100.00	13,450	100.0	55.8

Most facilities by the bank in 2014 are granted to services, mine and industry sectors for 25.7 and 25.4 respectively. Facilities granted in 2014 indicates 56% growth compared to that in the last year.



## 2-5 Statistics for Rials Projects Funded by National Development Fund to March 20, 2015.

(Figures in billion rials)

Description	Sent to National Development Fund		Approved by National Development Fund		Funds deposited by National Development Fund		Funds not deposited	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mine and Industry	21	830	18	797	10	484	8	313
Agriculture	88	947	78	799	33	299	45	500
<b>Total</b>	<b>109</b>	<b>1,777</b>	<b>96</b>	<b>1,596</b>	<b>43</b>	<b>783</b>	<b>53</b>	<b>813</b>

## 2-6 Composition of fixed assets

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Immovable properties	4,732	73.2	1,179	46.9	301.4
Movable properties	1,625	25.2	1,096	43.6	48.3
Intangible assets	104	1.6	241	9.6	-56.8
<b>Total</b>	<b>6,461</b>	<b>100.0</b>	<b>2,516</b>	<b>100.0</b>	<b>156.8</b>



## 3- Branches network and Employees' composition of Tose'e Ta'avo Bank:

Description	March 20, 2015	March 20, 2014
Number of branches	396	390
Number of staff employees	579	532
Number of line employees	2983	3030
Total number of employees	3562	3562
Line to total employees percentage	84%	85%
Staff to total employees percentage	16%	15%

Above table indicates that 84% of the bank employees are working in provincial managements and bank branches.

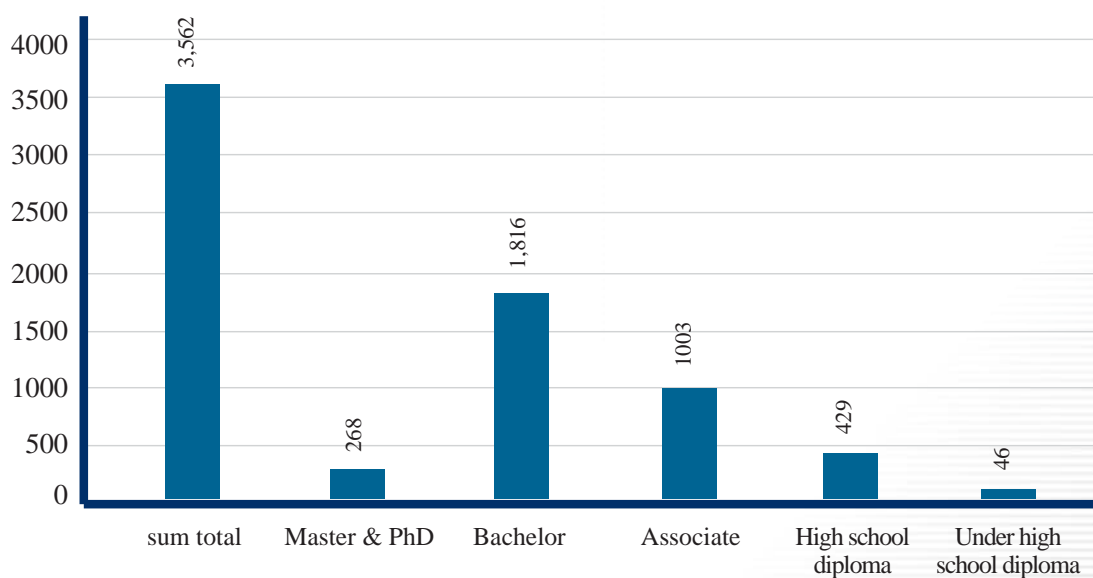


## 4- Structure and composition of bank's human force

### 4-1 Composition of bank's employee in terms of education on March 20, 2015.

Description	Staff	Line	Sum Total	Composition %
Under High School diploma	7	39	46	1.3
High School diploma	89	340	429	12.0
Associate degree	109	894	1003	28.2
Bachelor degree	276	1540	1816	51
Master and PhD	98	170	268	7.5
<b>Sum total</b>	<b>579</b>	<b>2983</b>	<b>3562</b>	<b>100</b>

Composition of bank's human force in terms of education





## 4-2 Employees holding university degrees

Description	Cooperative development bank	
	2014	2013
Number of employees holding university degrees	87	85
Number of employees holding high school diploma or lower degrees	13	15
<b>Sum total</b>	<b>100</b>	<b>100</b>

As indicated in table above 87% of the bank employees have university degrees.

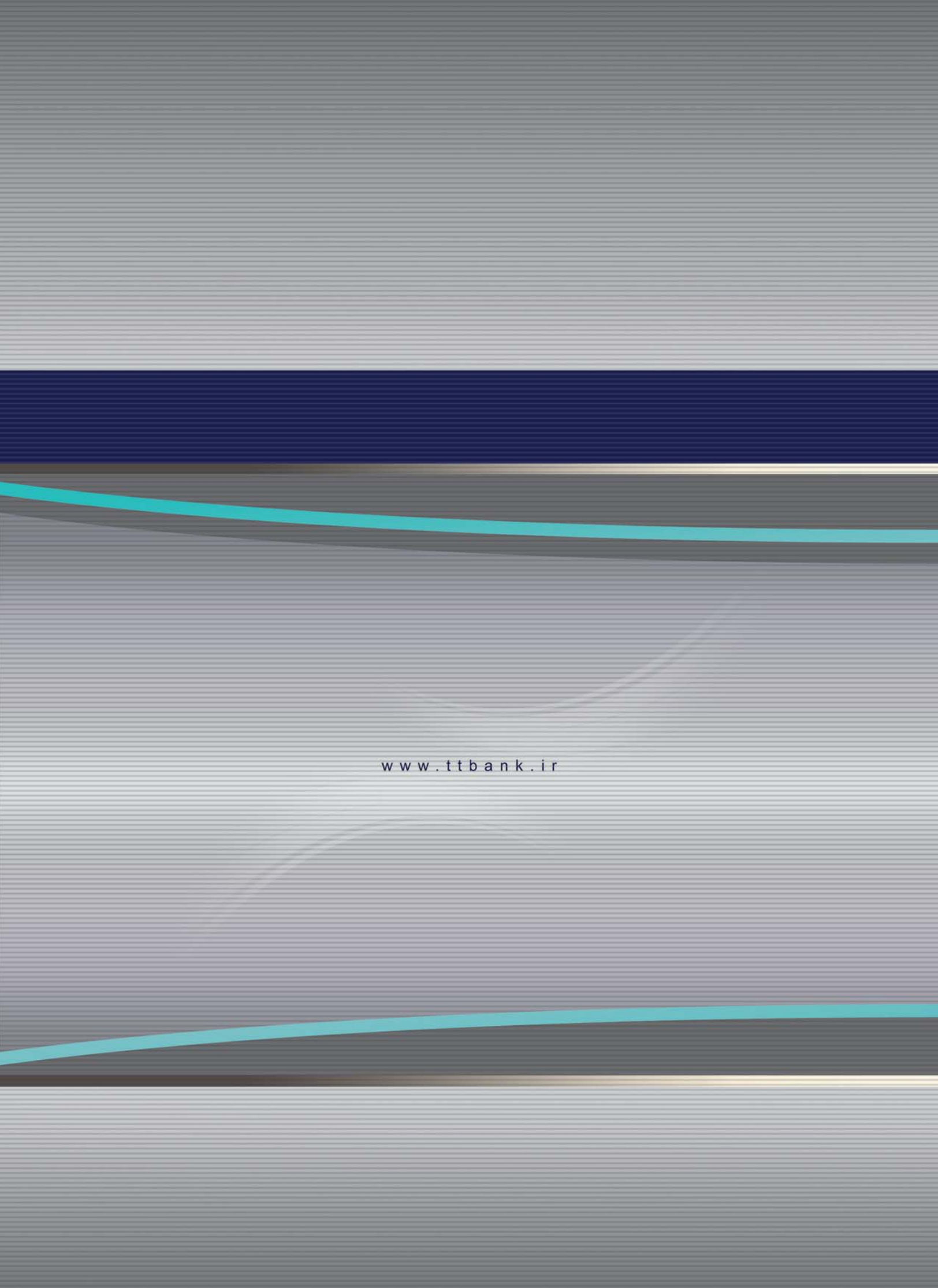
## 4-3 Human force of the bank in terms of sex in 2014:

As indicated in below statistical figure, 650 out of 3562 employees of the bank are female, forming 18% of total bank staff.

Description	Staff	Branches	Sum total	Composition (%)
Man	435	2477	2912	81.8
Woman	144	506	650	18.2
<b>Sum total</b>	<b>579</b>	<b>2983</b>	<b>3562</b>	<b>100.00</b>



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**Tose'e Ta'avon Bank**  
(Cooperative Development Bank)

## Chapter IV

Financial Performance of the Bank

**ANNUAL REPORT**  
2014-2015



## Major items of profit and loss statement

(Figures in billion rials)

Description	2014	2013	Changes %
	Amount	Amount	
Joint incomes	4,987	2,773	79.8
Depositors share from joint incomes	(2,966)	(1,142)	159.7
Bank share from joint incomes	2,020	1,631	23.9
Is added: Non-joint incomes	607	326	86.2
Total bank income	2,627	1,957	34.2
Is deducted: Bank charges	2,984	1,885	58.3
Profit (loss) before tax deduction	(356)	71	(601.4)
Is deducted: Tax	0	22	100.0
Net profit (loss)	(356)	50	812.0

### 1- Composition of bank's joint incomes:

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Profit received from Islamic Contracts facilities	3,916	78.5	2,470	89.1	58.5
Receivable recognizance	521	10.4	146	5.3	256.8
Profit from deposits	447	9.0	111	4.0	302.7
Profit from investment in companies	80	1.6	28	1.0	185.7
Other (legal deposit award)	23	0.5	17	0.6	35.3
<b>Total</b>	<b>4,987</b>	<b>100</b>	<b>2,772</b>	<b>100</b>	<b>80</b>



## 2- Composition of bank's non-joint incomes:

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Profit and recognizance for non-joint activities	64	10.5	7	2.1	814.3
Receivable commission	341	56.2	157	48.2	117.2
Result of foreign currency exchanges	110	18.1	99	30.4	11.1
Other incomes	92	15.2	63	19.3	46.0
<b>Total</b>	<b>607</b>	<b>100</b>	<b>326</b>	<b>100</b>	<b>86.2</b>

As indicated above joint income and non-joint income increased for 80% and 86% respectively compared to the last year.

## 3- Depositors share from joint incomes:

(Figures in billion rials)

Description	2014	2013
Depositors net sources	15,252	7,252
Total sources used	23,991	17,877
Depositors balance to total used sources	64%	41%
Total joint profit	4,964	2,756
Depositors share from joint income	3,155	1,118
Is added: Depositors share from legal deposit award	15	7
Depositors profit share	3,170	1,125
Is deduced: Attorney fee	418	200
Profit belonging to depositors' deposits	2,752	926



#### 4- Composition of bank charges considering profit paid to depositors

(Figures in billion rials)

Description	2014		2013		Changes %
	Amount	Share	Amount	Share	
Profit paid to depositors	2,966	49.9	1,142	37.7	159.7
Commissions fees and other profits paid	133	2.2	78	2.6	70.5
Employees' charges	1,690	28.4	1,134	37.5	49.0
Administrative and general charges	976	16.4	650	21.5	50.2
Doubtful claims charge	184	3.1	23	0.8	700.0
<b>Total</b>	<b>5,949</b>	<b>100</b>	<b>3,027</b>	<b>100</b>	<b>96.50</b>

#### 5- Main Financial indices:

(Figures in %)

Profitability indices	2014	2013
Return on equity (ROE)	-4.7	1
Return on assets (ROA)	-0.7	0.16



(Figures in %)

Operational profitability indices	2014	2013
Total efficiency (gross profit to total charges)	-11.9	3.8
Operational income to total income	77	83
Commission fee to total income	13	8.02
Net facilities balance to total assets	61	65
Total income to assets	5.3	6.1
Earning assets to total assets	87	92
Administrative and personnel charges to total income	101	91
Total operational charges to income	113	58
Total deposit profit to incomes from facilities	67	44

(Figures in %)

Controlling profitability indices	2014	2013
Capital adequacy	12.21	19.99
Fixed assets to total assets	12.7	7.1
Liability to total assets	84	84
Ownership ratio (capital to total asset)	10.2	16
Liability to total capital	8.3	5.3



Human force efficiency indices	2014 (Billion rials)	2013 (Billion rials)
Deposit per capita	10	6.2
Facilities per capita	10.2	6.8
Income per capita	0.7	0.5
Charges per capita	0.8	0.5

Branches efficiency indices	2014 (Billion rials)	2013 (Billion rials)
Deposit per capita	90	57
Facilities per capita	92	62
Income per capita	7	5
Charges per capita	7.5	5

## 6- Non-current claim balance to facilities balance (NPL):

(Figures in billion rials)

Year	Non-current claim balance (disregarding receivable profit and recognizance)	Granted facilities balance (disregarding receivable profit and recognizance)	Non-current claim balance to facilities balance (%)
2014	2,206	34,229	6.4
2013	2,018	23,112	8.7



## 7- Adjusted assets to risk:

(Figures in billion rials)

Above the line items	Risk weight	Balance at the end of the year	Adjusted on risk basis
Cash in hand	0	515	0
Funds in Transit	20	0.01	0.002
Claims from Central Bank	0	2,948	0
Claims from banks and credit institutes	20	4,388	878
Claims from government	0	17	0
Lease for possession and housing granted facilities	50	1,809	904
Other facilities paid	100	28,747	28,747
Other receivable accounts and instruments	100	2,048	2,048
Long term investment in subsidiary companies	100	562	562
Fixed tangible assets	100	6,357	6,357
Intangible assets	100	104	104
Other assets	100	2,540	2,540
Below the line items			
Customers' liabilities for issued letters of credit	100	0.5	0.5
Customers' liabilities for L.Gs	100	498	498
<b>Total adjusted assets on risk basis</b>		<b>50,534</b>	<b>42,639</b>



## 8- Detailed enumeration of Bank's capital and capital adequacy

(Figures in billion rials)

Description	On March 20, 2015	On March 20, 2014
Registered capital	5,115	5,115
Legal reserve	54	54
Other reserves	5	5
Accumulated profit	(433)	(76)
Total principal capital	4,741	5,098
Claims general reserve	464	318
Is deduced:		
Adjustments of capital (second class)	0	0
Total supplementary capital	464	318
Total basic capital	5,205	5,416
Total adjusted capital on risk basis	42,639	27,093
Capital adequacy ratio	12.21	19.99

Capital adequacy ratio is calculated according to circulars by Central Bank, through applying coefficient for any asset class in terms of risk, by dividing basic capital to adjusted assets on risk basis. As indicated under Art 3, Capital Adequacy regulations, the ratio should be min 8% in banking system while calculations indicate the ratio to be 12.21% in Tose'e Ta'avon Bank.



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(Cooperative Development Bank)

## Chapter V

Financial Statements of the Bank

**ANNUAL REPORT**  
2014-2015



## **Independent auditor & legal inspector report**

### **Islamic Republic of Iran**

### **Ministry of Finance and Economic Affairs**

#### **Audit Organization**

Independent auditor & legal inspector report to shareholders annual ordinary general assembly of Tose'e Ta'avon Bank.

#### **Introduction:**

1- Financial statements for Tose'e Ta'avon Bank, consisted from balance sheet on March 20, 2015, profit and loss, consolidated profit and loss and cash flow statements for fiscal year ending on above date and descriptive notes 1 to 45 audited by this organization.

#### **Board of Directors' responsibility toward financial statement**

2- Board of Directors of the bank is responsible for preparation of financial statements in compliance with auditing standards. The responsibility includes design, applying and keeping internal controls in preparation of financial statements in a manner that the mentioned statements be free from significant deviation resulted from fraud or mistake.

#### **Auditor and legal inspector's responsibility:**

3- This organization has to give assessments regarding the mentioned financial statements based on the audit in compliance with auditing standards. Said standards require the organization to observe professional behavioral requirements, plan & perform the audit to process in a manner to give reasonable assurance on lack of significant deviation in financial statements.

Auditing includes using methods to collect audit evidences regarding amounts and other information disclosed in financial statement. Selection of audit method depends on auditor's view including evaluation of the risk of significant deviation or mistake in financial statements. To evaluate the risks, internal controls in preparation and presentation of financial statements are studied in order to design suitable auditing method depending on the status quo, not to give assessments regarding the efficiency of bank's internal controls. As well, auditing include



evaluation of auditing procedures to be suitable and audited estimations by board of directors to be reasonable, and to evaluate financial statements' generality.

The organization believes that evidences from auditing process are enough and suitable for assessments to be made regarding financial statements.

Likewise, the organization, as legal inspector, is responsible to report non-observation of legal requirements specified in monetary and banking regulations, usury-free banking operations, amendment of Commerce Act and contents of the bank articles of association plus other subjects which may be necessary to Shareholders Ordinary General Assembly.

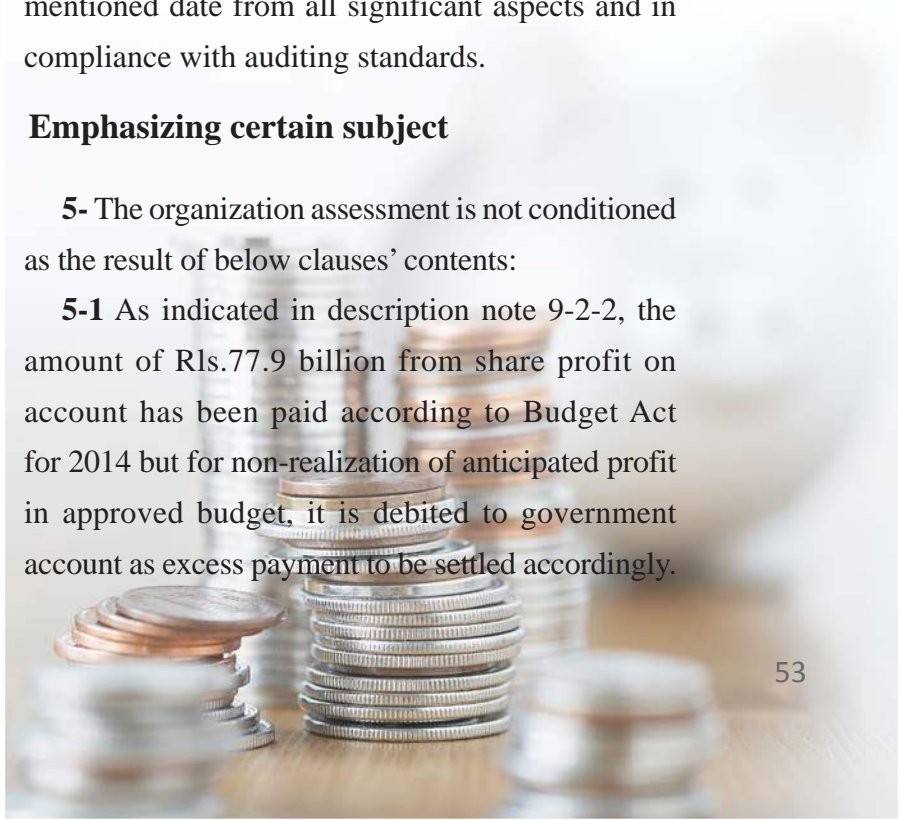
#### **Assessment:**

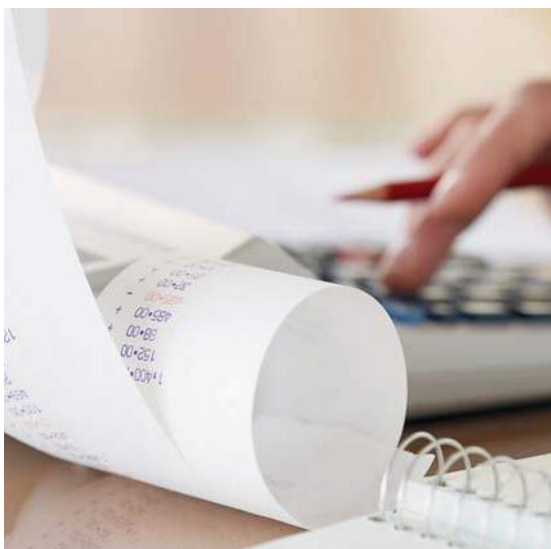
4- The organization believes that the mentioned financial statements indicate financial status of Tose'e Ta'avon Bank on March 20, 2015, its financial operation, cash flow for fiscal year ending on the mentioned date from all significant aspects and in compliance with auditing standards.

#### **Emphasizing certain subject**

5- The organization assessment is not conditioned as the result of below clauses' contents:

5-1 As indicated in description note 9-2-2, the amount of Rls.77.9 billion from share profit on account has been paid according to Budget Act for 2014 but for non-realization of anticipated profit in approved budget, it is debited to government account as excess payment to be settled accordingly.





**5-2** Rls.540 billion as branches debtor balance-transferred from cooperation fund, as defined under descriptive note 9-8, is related to received collateral transferred from the fund and not disposed yet.

### **Report on other legal requirements**

#### **Report on other duties of legal inspector**

**6-** Report on compliance of operation by Tose'e Ta'avon Bank with the budget communicated by Strategic Undersecretary to the President Office (which lack qualitative objectives) for fiscal year ending on March 20, 2015, on page 47 and prepared in execution of Art 2, Financial Regulations of the Government, as amended has been verified by this organization. With the exception of main deviation in charges, the organization faced no significant item indicating discrepancy of information presented in the mentioned report with approved budget and financial records presented by board of directors.

**7-** Contents of Art 106, Commerce Act are not observed regarding registration of general assembly minutes for meetings during 2013, including ordinary meeting dated July 2, 2013, extraordinarily held ordinary meeting dated December 22, 2014 and December 30, 2014 as well as extraordinary general meeting dated February 13, 2014.

**8-** Non-observation of legal requirements under 5th Development Plan and other regulations and provisions:



**8-1** Contents of Para D, Art 38 and Para B, E and C, Art 46, 79 and 213 Fifth Development Plan of the Islamic Republic of Iran regarding deduction of health insurance premium from the employee salary and depositing the same to Iran Health Insurance Organization account, connection to National Information Network, development and completion of databases, sending and receiving all inquiries electronically, production of spatial basic data and loading them on the infrastructure through spatial data, regular publication of changes in productivity and presentation of operation report of said items for the last year to Planning and Strategic Supervision Undersecretary Office, up to September 22.

**8-2** Contents of Para A, Note 7, Budget Act for 2014 and Para 5, 19 and 31, Executive Requirements, regarding complete settlement of managed funds balance and facilities profit subsidy not allocated to applicants to treasury up to March 20, 2015, presentation of information on execution of budget act for 2013 and 2014 on three month basis, registration of data regarding contractual and certain work contract employees in administrative system database, spending 1 to 3 percent of the bank credits on research and technology development.

**9-** Contents of Note 1, Art 11, passed in September 7, 2013 by Council of Ministers and executive circular no.1/7260/33287, dated November 10, 2004 by Ministry of Finance and Economic Affairs and Strategic Planning and Supervision Undersecretary to President Office, about midterm audit are not observed.

**10-** Contents of some circulars supervising the bank operation, monetary, credit and banking supervisory policies, state monetary and banking law specified below are not complied with:



Other items regarding non-observation of circulars issued by Central Bank are notified to the bank in a separate report.

No	Legal clauses	Contents of law	Cases of non-observation
1	Circular no.5072/SP, dated February 25, 2008 and Para F, Art 20, Monetary and Banking Law	Obtaining license from Central Bank to buy building, establish or close branch or counter	No license presented for 6 newly established branch and building
2	Art 1, Executive Instruction, note under Art 24, State Monetary and Banking Law	Planning to sell possessed securities within 2 years from security possession	Numerous cases
3	Art 3, Monetary and Banking Law, circular no.92/2435535, dated November 7, 2014 and 92/253194, dated October 19, 2014	Identification of beneficiary for calculation of net facilities granted and commitments	There is no infrastructure for identification of beneficiary in order to control max facilities maid and complete execution of Core Banking
4	Circular no.????, dated March 3, 2014 by Central Bank 93/33	Report of facilities for which a respite is granted	All facilities for which a respite is granted
5	Circular no.91/332502, dated February 28, 2013	Fixed assets to shareholders equity after deduction of consolidated profit and profit not finalized for 30%	30% proportion not observed

**11-** Contents of Art 21, 22 and 25, the act on Improvement of Administrative Health and Fighting with Corruption in Registration of financial and administrative software used by the bank in Informatics Supreme Council, authenticity of software and establishment of mechanized Customers Complaint System were not completely observed.

**12-** Calculation and distribution of difference between definite profit and on-account profit paid to different termed investment deposits in granted facilities subject of descriptive note 29-1 verified according to contents of circular no.126331, dated March 10, 2009 by Central Bank and no case of no-observation was seen.

**13-** Transactions specified under descriptive note 44 verified as all transaction subject of Art 129, Amendment to Commerce Act during reported fiscal year and notified to the organization by board of directors. Regarding said transactions, contents of above art on obtaining permit from board of directors and non-participation of beneficiary manager in vote has been complied with. In addition the organization faced no evidence indicating said transactions not to comply with commercial requirements and in ordinary process of bank operations.



**14-** Board of directors report subject of Art 232, Amendment to Commerce Act, regarding the activity and general status of the bank prepared to be presented to ordinary shareholders' general meeting verified by this organization. Based on investigations, the organization faced no significant case indicating the report information to contrast documents presented by the board of directors.

### **Report on other legal responsibilities of the auditor:**

**15-** In execution of Art 33, Executive Instruction on Anti-money Laundering by auditors, observation of the contents of said act and relative instructions and regulations were verified by this organization in the framework of communicated checklists by competent authority and auditing standards. With the exception of below items the organization found no significant evidences indicating non-observation of said regulations and provisions.

**15-1** In full identification of customers for basic services to be rendered, the component of "Determining Customer Activity Level" depended on issue of relative instruction by Central Bank Work Group for verification of the bank customer activities rate, subject of minutes no.91/249423, dated December 11, 2012 by the bank.

**15-2** Contents of Art 2, Regulation on How to keep commercial papers, documents and registers of banks and anti-money laundering instruction regarding 1st, 2nd and 3rd level documents databank and Para a, from 4th and 5th level in electronic format and not keeping documents of 3rd, 4th and 5th levels as digital images in the framework of integrated system.

July 11, 2015

Auditing Organization

Masoumeh Kousha

Flora Karimi



## Financial Statement of the Bank Ending on March 20, 2015

### Tose'e Ta'avon Bank Balance Sheet

( Represented )

Assets	Note	March 20, 2015	March 20, 2014	Liabilities:	Note	March 20, 2015	March 20, 2014
Cash	4	514,952,033,842	245,113,473,246	Liabilities to other Banks and Credit Institutes	14	326,819,292,079	485,455,107,412
Dues from Central Bank of Iran	5	2,947,898,063,489	2,176,774,165,440	Sight Deposits	15	8,175,376,177,757	6,223,781,028,567
Dues from Banks and Credit Institutes	6	4,388,446,809,587	2,748,897,376,347	Saving Deposits	16	3,089,396,355,764	3,646,094,808,591
Dues from Government	7	16,928,160,439	16,928,160,439	Investment Term Deposits	17	24,446,708,532,854	12,184,450,602,373
Granted Facilities & Claims from Nongovernmental Sector	8	30,555,994,722,849	20,659,364,072,972	Other Deposits and Advances	18	296,545,951,230	119,464,003,289
Other Accounts & Receivables	9	2,047,850,372,514	1,936,900,442,659	Tax Reserve	19	0	35,802,454,463
Long-Term Investments	10	561,914,500,000	265,800,000,000	Reserves and Other Liabilities	20	4,217,114,209,797	3,229,635,765,926
Fixed Tangible Assets	11	6,357,433,356,916	2,274,558,630,043	Redemption Reserve of Personnel Yearly Services	21	376,128,553,838	257,974,542,201
Intangible Assets	12	104,124,757,204	240,767,791,445	Items in Transit	22	1,518,590,244,144	743,671,514,920
Other Assets	13	2,539,749,173,659	1,459,321,640,870	Total Liabilities		42,446,679,317,463	26,926,329,827,742

#### Shareholders' Equity

	Capital	23	5,114,971,988,859	5,114,971,988,859
	Capital Increase in progress	24	2,847,417,445,460	0
	Legal reserve	25	54,371,305,658	54,371,305,658
	Other reserves	26	5,000,000,000	5,000,000,000
	Accumulated Profit		(433,138,106,941)	(76,2478,368,798)
	Total Shareholders' Equity		7,588,622,633,036	5,098,095,925,719
<b>Total Assets:</b>			<u>50,035,301,950,499</u>	<u>32,024,425,753,461</u>
	Total Liabilities and Shareholders' Equity:		<u>50,035,301,950,499</u>	<u>32,024,425,753,461</u>

Below the Line Items:

Below the Line Items:

Managed Funds and Other Similar Funds	40-1	2,739,506,821,750	2,297,406,525,948	Party to Managed Funds and Other Similar Funds	40-1	2,739,506,821,750	2,297,406,525,948
Customers' Commitments for L/Gs	40-2	2,490,937,315,588	822,035,389,622	Bank's Commitments for L/Gs & Issued Admissions	40-2	2,490,937,315,588	822,035,389,622
Customers' Commitments for L/Cs	40-3	2,505,934,055	7,140,935,532	Bank's Commitments for L/Cs	40-3	2,505,934,055	7,140,935,532
Other Customers' Commitments	40-4	390,805,821,775	787,903,519,466	Other Bank's Commitments	40-4	390,805,821,775	787,903,519,466
Disciplinary Accounts	40-5	96,216,366,559,491	64,218,805,424,877	Party to Disciplinary Accounts	40-5	96,216,366,559,491	64,218,805,424,877
Total Below the Line Items:		<u>101,840,122,452,659</u>	<u>68,133,291,795,445</u>	Total Below the Line Items:		<u>101,840,122,452,659</u>	<u>68,133,291,795,445</u>



## Tose'e Ta'avon Bank Profit and Loss Statement Fiscal Year Ending on March 20, 2015

### Profit and Loss Statement

( Represented)

Description	Note	March 20, 2015	March 20, 2014
		Rials	Rials
<b>A) Joint Incomes</b>			
Received Profit and Recognizance from Granted Facilities	27	4,437,293,497,102	2,616,741,750,216
Profit from Investments and Deposits	28	549,518,153,658	155,946,672,990
Total joint incomes		4,986,811,650,760	2,772,688,423,206
Profit Paid on Accounts for Investment Deposits	29	(2,966,439,989,028)	(1,142,106,586,892)
Bank's Share from Joint Incomes		2,020,371,661,732	1,630,581,836,314
<b>B) Non-Joint Incomes:</b>			
Profit and Recognizance from Non-Joint Activities	30	63,942,018,680	7,011,412,940
Commission Income	31	340,923,773,738	156,611,771,735
Income from FX Operations	32	110,136,243,620	99,739,033,435
Other incomes	33	91,609,764,221	62,709,324,541
Total Non- Joint Incomes		606,611,800,259	326,125,542,651
<b>Total incomes</b>		2,626,983,461,991	1,956,707,378,965
<b>Costs</b>			
Administrative and general Expenses	34	2,666,388,200,125	1,784,524,843,539
Cost of Doubtful Claims	35	184,494,398,586	23,402,054,317
Financial Costs	36	10,132,943,111	403,216,189
Other Costs	37	122,858,658,312	77,090,206,077
Total Costs		(2,983,874,200,134)	(1,885,420,320,122)
Profit (loss) before tax		(356,890,738,143)	71,287,058,843
Tax on Income	19	0	(21,760,432,077)
<b>Net profit (loss)</b>		<u>(356,890,738,143)</u>	<u>49,526,626,766</u>
Consolidated profit ( Loss ) account turnover			
Net profit		(356,890,738,143)	49,526,626,766
Consolidated profit at the beginning of the year		36,626,404,753	16,104,090,471
Service year adjustments	38	(112,873,773,551)	(107,125,644,849)
Adjusted profit (loss)		(76,247,368,798)	(91,021,554,378)
Allocable consolidated profit (loss)		(433,138,106,941)	(41,494,927,612)
Allocation of profit			
Legal reserve (15%)	24		(8,019,794,120)
Government dividends (10%)			(5,346,529,413)
Declared profit (40)			(21,386,117,653)
Total Allocations		0	(34,752,441,186)
Consolidated profit (loss) at the end of the year		<u>(433,138,106,941)</u>	<u>(76,247,368,798)</u>



## Tose'e Ta'avon Bank Profit and Loss Statement Ending on March 20, 2015

### Cumulative Profit Statement

( Represented)

Description	Note	March 20, 2015	March 20, 2014
		Rials	Rials
Net profit and loss		356,484,299,848	53,465,297,132
Excess to reevaluated assets	26	<u>2,847,417,445,460</u>	<u>0</u>
Cumulative profit for fiscal year		2,490,933,145,612	53,465,297,132
Annual Adjustments	38	<u>(112,873,773,551)</u>	<u>(111,064,312,215)</u>
Cumulative Profit since Last Year Report		<u>2,378,059,372,061</u>	<u>(57,599,015,083)</u>

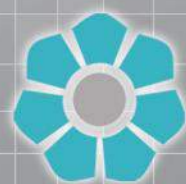
Descriptive notes are integral part to financial statements



## Tose'e Ta'avon Bank Cash Flow Statement Ending on March 20, 2015

Description	Note	March 20, 2015	March 20, 2014
		Rials	Rials
Operational Activities:			
Net Cash Inflow Resulting from Operational Activities	39	1,768,311,606,292	1,093,032,674,261
Income tax:			
Income Tax Paid	18	(93,227,431,035)	(69,298,966,343)
Investing activities:			
Funds paid for investments	9	(200,000,000,000)	
Net Funds from Selling Fixed Assets		2,817,459,793	28,014,956,108
Net Funds Paid for Buying Fixed Assets	10	(1,205,215,245,563)	(890,619,370,655)
Funds Paid for Buying Intangible Fixed Assets		<u>(2,847,828,891)</u>	<u>(34,013,896,500)</u>
Net Cash Outflow Resulting from Investment Activities		<u>(1,405,245,614,661)</u>	<u>(896,618,311,047)</u>
Net increase in cash Fund		269,838,560,596	127,115,396,871
Balance of the Cash Fund at the Begining of Fiscal Year		<u>245,113,473,246</u>	<u>117,998,076,375</u>
Balance of Cash Funds at the End of Fiscal Year	4	<u>514,952,033,842</u>	<u>245,113,473,246</u>
Non-cash Transaction	39-1	<u>207,000,000,000</u>	<u>114,971,988,859</u>





**TOSE'E TA'AVON BANK**  
(Cooperative Development Bank)

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