# BANK MELLAT, HEAD OFFICE: TEHRAN – IRAN, İSTANBUL MAIN BRANCH, ANKARA AND IZMIR BRANCHES 2010 ANNUAL REPORT

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### **Opinion on Compliance for**

#### ANNUAL ACTIVITY REPORT

To the Board of Directors, Istanbul Turkey Head office, Ankara and Izmir Branches, Bank Mellat Head office in Tehran, Iran

We have audited the conformity of the financial data included in the annual activity report of Istanbul Turkey Head office, Ankara and Izmir Branches of Bank Mellat head office in Tehran, Iran ("Branch") prepared as of 31 December 2010 with the independent audit report arranged as of the end of the respective fiscal period as well as the accuracy of the same. The Branch management is responsible for the said annual activity report, the subject matter of the report. We, as the entity conducting the independent audit, are responsible for providing an opinion about the annual activity report audited in terms of the conformity of the financial data included in the annual activity report with previous financial statements and explanatory notes which were subject to independent audit.

The audit has been conducted according to the rules and principles on preparation and publication of annual activity report put into practice under the Banking Law no.5411 and the regulations on the principles of independent audit. Such regulations require that the audit is planned and executed in such manner for providing reasonable assurance as to whether annual activity report includes any significant error. We are confident that the audit conducted serves as a reasonable, satisfactory basis in shaping our opinion.

Our opinion is that the financial data included in the annual activity report enclosed herewith accurately reflects the data relating to the financial condition of Istanbul Turkey Head office, Ankara and Izmir Branches of Bank Mellat head office in Tehran, Iran as of 31 December 2010 according to the rules and principles specified in the regulations applicable under the Banking Law no.5411, article 40 with all the major aspects pertaining thereunto and such financial data is consistent with the data specified in the board of managers summary report and the financial statements and explanatory notes which were subject to an independent audit covering such independent auditor opinion provided by us.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş. Member of **DELOITTE TOUCHE TOHMATSU LIMITED** 

(Signature) Sibel Türker

Responsible Partner Chief Auditor, Independent Accountant and Financial Adviser

Istanbul, 16 May 2011

Member of Deloitte Touche Tohmatsu Limited

#### I. GENERAL PRINCIPLES OF ANNUAL ACTIVITY REPORT

1. Period of the Report : Year 2010

2. Commercial Title of the Branch : Bank Mellat- Headquarters Tehran-Iran, Istanbul

**Turkey Main Branch** 

3. Address of Bank Mellat Management : Taleghani Avenue. No: 327 Tehran – Iran

Center

Address of the Branch in Turkey : Büyükdere Cad. Binbirçiçek Sok No.1 34330

1. Levent - Istanbul / Turkey

4. Phone : (0212) 279 80 15

5. Fax : (0212) 284 62 14

6. Website : www.mellatbank.com

7. E-mail : mellat@mellatbank.com

#### **II. CONTENT OF THE ANNUAL ACTIVITY REPORT**

a) Introduction

1. Summary of Financial Details

**Balance Sheet (TRY Thousand)** 

MAIN ITEMS	2010	2010 2009	Increase/ (	Increase/ (Decrease)		
IVIAIN TEIVIS	2010	2009	Amount	( %)		
Cash & Due From Banks	550.743	128.291	422.452	329.29		
Loans	1.119.411	226.950	892.461	393.24		
Interest Bearing Securities	154.884	30.167	124.717	413.42		
Other Assets	9.614	9.601	13	0.14		
Total Assets	1.834.652	395.009	1.439.643	364.46		
Deposits	462.709	124.809	337.900	270.73		
Borrowed Funds	41.548	21.755	19.793	90.98		
Provisions (Tax and Other)	6.810	3.967	2.843	71.67		
Other Liabilities	1.223.458	170.831	1.052.627	616.18		
Equities	100.127	73.647	26.480	35.96		
Total Liabilities	1.834.652	395.009	1.439.643	364.46		

#### **Income Statement (TRY Thousand)**

MAIN ITEMS	2010	2009	Increase/ (Decrease)	
WAINTENS	2010	2003	Amount	( %)
Net Interest Income	21.665	15.827	5.838	36.89
Fees and Commissions (net)	15.162	9.846	5.316	53.99
Other Incomes (net)	4.693	2.810	1.883	67.01
Total Income	41.520	28.483	13.037	45.77
Other Operational Expenses	(7.856)	(5.541)	2.315	41.78
Provision for Loans and Other Receivables	(587)	(72)	515	715.28
Profit Before Tax	33.077	22.870	10.207	44.63
Tax Provision	(6.699)	(4.594)	2.105	45.82
Net Profit	26.378	18.276	8.102	44.33

#### 2. Historical Development of the Branch

Bank Mellat is a state-owned bank that was established in 1980 through nationalizing 10 private banks. It is located in Iran. As of March 20th, 2010 the equity of the bank, which has an asset size of 557.946 billion Iranian Rial, is 20.667 billion Iranian Rial as of the same date. The bank has branches in Turkey, Armenia and Korea, and subsidiary banks in England, Germany and Malaysia. Main purpose of these branches and banks out of Iran is to mediate foreign trade transactions between Iran and especially the abovementioned ones and the other third countries. The branch has been allowed to serve as a branch of a foreign bank, established in Turkey as per the resolution of Council of Ministers dated February 5<sup>th</sup>, 1981 and with number 82/2406.

Commencing its operations in April 16<sup>th</sup> 1982, Bank Mellat has three branches in Turkey- main branch in Istanbul, Ankara branch and Izmir branch.

#### 3. Partnership Structure of the Branch

Partnership Structure of Bank Mellat Tehran Iran that owns all of the capital of the Branch is as follows:

Share holder	Share Percentage (%)
Justice shares (Public share)	30,00
Islamic Republic of Iran	24,00
Social Security Institution of Iran	9,99
Future Trust Fund for Bank Mellat Staff	5,89
Saba Tamin Insurance Company	5,45
Privatization Administration	5,00
Other Shares Dealt in Stock Exchange	19,67
Total	100,00

#### 4. Changes in the Capital and Partnership Structure During the Accounting Period

No change has occurred on the paid-in capital and partnership structure of the Bank during the current period.

5. Titles of Real and Legal Persons with Qualified Share, and Details of Their Share

100 of the equity of the Branch owned by its sole shareholder: Bank Mellat residing in Tehran, Iran.

6. Disclosures Regarding The Shares Owned by the Chairman and Members of the Board of Managers, General Manager and Deputy General manager, if any

Chairman and members of the board of manager, general manager and deputy general managers have no shareholding.

7. Reviews of the Chairman of the Board of Managers and the General Manager about The Reporting Period and Their Future Expectations

#### 7.1. Review of the Chairman of the Board of Managers

The recovery process in foreign trade observed during the forth quarter of 2009 continued during the whole of 2010. This situation has reflected itself on the foreign trade volume between Turkey and Iran, as well.

The foreign trade volume between two countries, reaching 10,2 billion USD in 2008 has been significantly affected from the global financial crisis and declined to 5,4 billion USD. As for the current year, it exceeded the level in 2008 and reached 10,7 billion USD.

This is a very pleasing development for our Branch which holds the leading position in intermediating to and financing of foreign trade between the two countries.

Another significant development in the year 2010 is that the Central Bank of Republic of Turkey has included the Iranian Rial in the foreign currencies it makes transaction. Naturally Turkish Lira has too been included among the foreign currencies that the Central Bank of Islamic Republic of Iran makes transactions. Even though the effects have not been fully materialized yet, it is apparent that these decisions adopted by the authorities of both countries shall accelerate the foreign trade, investment and tourism activities between the countries.

With the knowledge and information concerning the markets in both countries, this Branch endeavors to present contemporary and swift service both in Turkey and in Iran. Our goal is to upgrade the quality of this service and increase customer satisfaction.

The management of the branch takes significant steps with regard to this goal and makes significant investments in order to make use of the modern technological facilities. Such works shall increasingly continue during the next periods.

On the other hand, taking such decisions at such a severe period due to international sanctions applied on the Iranian financial institutions is a significant indicator of our belief for the coming periods.

#### 7.2. Review of the General Manager

Balance sheet of the branch has shown a very rapid growth due to many various factors, especially at the second half of 2010. As an innate result, the number of transactions within the year increased enormously.

Despite such rapid growth, asset quality of the Bank has been preserved. As of the year end, there is no risk under close monitoring and non performing loans constitute 0,02 % of the total amount of credits. As per the legislation, full provision is allocated for all of the non performing loans. On the other hand, all of the loans in this category are secured through second category collateral. Taking into consideration the fact that the rate of conversion to non performing category of the sector is 3,6% at the end of December, 2010, the attention paid by our management to preserve the quality of our assets is obvious.

In cases of rapid growth while preserving the asset quality, it is natural experiencing declines in net interest margins and return on assets. Such a situation is experienced at our Branch in the current year. Despite such adverse events, asset profitability of our branch for the year 2010 on the basis of net profit is 20% more than the group average and 16% more than the sector. Our return on equity for the current year is quite above the averages of the group and the sector. It is important that these achievements have been attained during a period when significant decreases are experienced in Turkish Lira interest rates.

In the coming periods, our management shall focus its efforts on slowing and cooling down the growth, improving interest and profit margins, preserving the level of asset quality and controlling the operational expenses.

# 8. Remarks Regarding the Staff, Number of Branches, Service Type of Branch, Subject of Activity and Its Position in the Sector

The branch conducts various banking activities. Its main subject of activity is to act as an intermediary for the trade affairs with Islamic Republic of Iran and finance the same when necessary.

The Bank has three branches in Turkey, including the Main branch. Within the scope of permission granted, it handles all kinds of banking services through its branches. First and foremost it act as an intermediary for imports and exports transactions, opens deposit accounts in Turkish Lira and foreign exchange, conducts money transfers globally, handles the collection of checks and securities, deals with purchase and sales of foreign exchange and meets any kind of cash and non-cash credit demands. As quite a high percentage of the loans are secured by cash collateral in line with the existing policies pursued, the branch works with a capital adequacy ratio that is higher than the average of the sector.

As of December 31<sup>st</sup>, 2010, the number of the Branch's staff consists of 51 people (December 31<sup>st</sup>, 2009: 51 People).

#### b) Details Related to Management and Institutional Management Practices

#### 1. Board of Managers

Our branch operates as the Turkish branch of the bank that was established abroad. Our branch's vision, mission, short and long termed strategic targets were specified by the Board of Managers that was formed as per article 23 of Banking Law with number 5411 and which has similar authorities and liabilities to a board of directors.

The Board of Managers which consists of four members convenes at least four times a month and regularly reviews the policies and strategies specified, with reference to the continuously changing circumstances. Our Branch's Board of Managers also acts as the credit committee.

During the meeting, all written proposals and demands about the agenda are submitted for the approval of Board of Managers together with all necessary documents; the proposals and demands approved by the Board are communicated to the authorities to be implemented pursuant to the meeting. At the latest, the proposal approved by the Board is turned into resolution till the last day of the month the meeting is held and presented to the Chairman of the Board and Members for signing.

The curriculum vitae and work experiences of the Board of Managers members are stated below.

#### YOUNES HORMOZI SHEIKH TABAGH

#### Position: Chairman of Board of Managers.

Younes Hormozi Sheikh Tabagh completed his education in Allameh Tabatabee University in Iran. He started his banking career in 1976 and he served as -in order of- Chief of Loans, Deputy Manager for Foreign Exchange Accounting, Accounting Manager of Istanbul Branch, Deputy General manager for External Affairs, and General manager for Financial Affairs. Younes Hormozi Sheikh Tabagh, who left the office of General Manager which he had conducted since March 2003, in 2008, still works as the Chairman of Board of Managers.

#### **BAGHER MOHAGHEGH TOOSSI**

#### **Position:** General Manager and Member of Board of Managers.

Bagher Mohaghegh Toosi is a graduate of High Banking Establishment of Iran. He started his banking career in 1984, and during his duty he served as specialist, deputy chief for accounting, manager and regional manager. He commenced his position in our branch in September 2008 and left his position on 30.06.2010.

#### **KERAMATALLAH AHMADZADEH**

#### Position: Acting General Manager and Member of Board of Managers.

Kerametallah Ahmedzadeh is a graduate of High Banking Establishment of Iran. He commenced his banking career in 1989 and served as deputy chief and chief of external affairs, deputy manager of branch. He commenced his position in our branch in September 2008 and he has been working as Deputy General Manager and Member of Board of Managers since 01.07.2010.

#### **AHMET ARIÖZ**

# Position: Board of Managers Member and Deputy General Manager, Responsible for Internal Audit, Internal Control and Risk Management.

Ahmet Arioz who is a graduate of Ankara University Faculty of Political Sciences worked as Supervisor at T. Is Bank in 1973/06 - 1988/07. Pursuant to that he worked as Deputy Manager at T. Is Bank Galata Branch in 7.1988 – 11.1989, as Deputy General Manager at Faisal Financial Institution in 12.1989 – 11.1992, as Deputy General Manager at Cyprus Investment Bank in 01.1993 – 12.1995, as Deputy General Manager at Derbank in 01.1996 -05.1996 and as a supervisor at our bank between 1996 and 1999. Since 1999, he has been serving as the Member of Board of Managers and Deputy General Manager.

#### **HODJATOLLAH SHEIKHALESLAMI**

#### Position: Manager of Ankara Branch and Member of Board of Managers

Hodjatollah Sheikhaleslami who is a graduate of Iran Ministry of Finance, Economic Affairs commenced working in banking sector in 1990, and served as -in order-- foreign exchange accountant, deputy branch manager and finance manager. Hodjatollah Sheikhaleslami was appointed as Deputy General Manager of our Branch in 2005 and then he

was appointed as General Manager of Ankara Branch in October 2008. Since December 1<sup>st</sup> 2006, he has been serving as a member of Board of Managers.

#### 2. Top Management

General Manager is responsible for the management and operation of the Branch and the units thereof as per the basis and risk management principles identified by the Board of Managers. Details about the top management are stated below.

#### **KERAMATALLAH AHMADZADEH – Acting General Manager**

Stated at the Board of Managers chapter.

#### **BAGHER MOHAGHEGH TOOSSI - General Manager**

Stated at the Board of Managers chapter. He left his position on 30.06.2010.

#### **AHMET ARIOZ- Deputy General Manager**

Stated at the Board of Managers chapter.

#### **HODJATOLLAH SHEIKHALESLAMI - Manager of Ankara Branch**

Stated at the Board of Managers chapter.

#### **AHMAD JAMEHDOR - Deputy General Manager**

Ahmad Jamehdor is a graduate of Ankara Academy of Economical and Commercial Sciences, Department of Banking and Insurance. In his banking career he started in our bank in 1985 he served in the departments of current accounts, remittances, accounting, human resources, financial affairs He was appointed as Deputy General Manager in May 2009. He is the Deputy General Manager who is responsible for Financial Control, Treasury, Information Systems, Human Resources and Administrative Works.

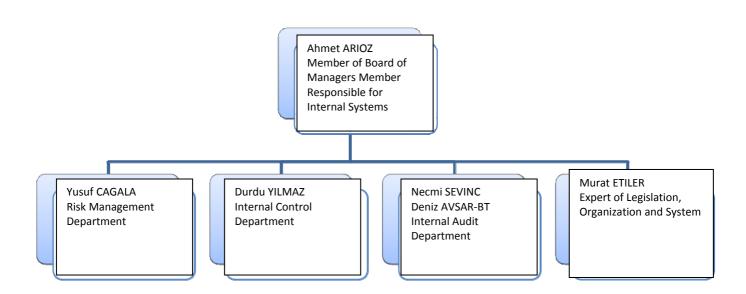
#### **MOHAMMAD REZA REZAI POUR - Deputy General Manager**

Mohammad Reza Rezai Pour is a graduate of Tehran Payame Nur University, Department of International Law. He joined Bank Mellat Tehran in 1999. He ascended to Deputy General Manager for External Affairs in 2006 and appointed to our branch in November 2009.

# 3. Information about the Activities Performed Within the Scope of Provisions of the Regulation on Internal Systems of Banks, and about the Managers of the Units Related to Internal Systems

Internal Audit, Internal Control and Risk Management systems are related to Board of Managers under the supervision and audit of the member who has no executive task and who is charge of internal systems. The member who is in charge of internal systems is liable to communicate any issue that may negatively affect the operation of the Branch to Board of Managers, through the reports he regularly receives from independent audit institution and internal control, internal audit and risk management departments.

Internal Audit, Internal Control and Risk Management Departments operate within the scope of Regulation approved by Board of Managers. Organization Chart of Internal Systems is as follows.



Vocational details about the staff working within the internal systems of the branch are given below.

**Necmi Sevinç, Internal Audit Department:** He has a Bachelors degree and 14 years of banking experience. He joined to the branch in January 2010 and promoted as unit manager on 22.03.2010.

Deniz E. Avsar: Computer engineer Avsar, commenced working in August 2010 as assistant auditor responsible for the audit of Information Systems.

Durdu Yılmaz, Internal Control Department: He has a Bachelors degree and 20 years of banking experience. She joined to our Branch in December 2008.

Yusuf Çagala, Risk Management Department: He has a Bachelors degree and 31 years of banking experience. He has been working at our Branch for more than four years.

Murat Etiler, Legislation Organization and System Department: He has a Bachelors degree and 20 years of banking experience. He has been working at our Branch for almost three years.

#### 4. Other Committees

Names, duties, authorizations and members of various committees in our branch are given in the below chart:

BOARD of MANAGERS

COMMITTEES

ASSET LIABILITY INFORMATION SYSTEMS RİSK

**Duties, authorization and liabilities** 

- Term coherence of assetliability
- Profit margin of asset
- Foreign exchange position
- Non-interest income-expense
- Liquidity
- Market evaluation
- Non-performing loan

- Planning and organization
- Installation and Implementation
- Supply and support
- Monitoring, evaluation
- Audit, control

- Building risk awareness
- Products to be used
- Risk limits (general)
- Risk limits (department, director)

Members

- General Manager (Chairman)
- Deputies General Manager
- General Manager (Chairman)
- 1 Board of Managers Member
- Deputies General Manager
- mSoft Representative
- General Manager (Chairman)
- Board of Managers Member in charge of Internal Systems
- Deputies General Manager
  - Risk Manager

The annual number of meetings held and resolutions taken by the respective committees are as follows.

COMMITTEE	NUMBER OF MEETINS	NUMBER OF RESOULUTIONS
ASSET LIABILITY	53	53
INFORMATION SYSTEMS	2	2
RİSK	12	12

#### 5. Information Regarding the Practices of Human Resources:

The trial period for the contractual staff to be employed in the branch is two months; the trial period for the staff to be employed as union member is for months. The candidacy of those who are understood to be useful for the Branch in this trial period is removed upon the proposal of respective branch manager and appointed as the permanent staff. The branch managers submit their demands regarding whether the service contract of the staff working in the trial period shall be continued or not at such a time that the demand be received by staff department at least 10 days before the end of such period. Service contracts of those who are understood to be not useful for the branch in this trial period are terminated upon the proposal of respective branch manager by the General Manager without any dismissal notice and indemnities.

Promotion means that the staff of the Branch is granted a title higher that s/he owns. Differences occur in the salaries through promotion of titles beginning from the officers. In order for the staff to be promoted s/he should:

- Complete the service period of the title s/he is currently holding;
- Be granted positive qualification;
- Bear the necessary capabilities and qualifications that a higher title requires;
- There should be a vacant position in the upper title.
- The staff should pass the exam to be applied when necessary.

In order to be promoted to an upper title of branch personnel;

- University graduates should serve minimum 3 years,
- High school graduates should serve minimum 4 years,

at their current positions. However, these periods may be extended for one year maximum, within the framework of the authorizations.

#### 6. Information about the transactions with the risk group of the Branch

#### 6.1. Information about the loans used by the risk group of the Branch

Loan Risk on the Risk Group Of The Branch	2010		2009	
(*) (**)	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables				
Opening Balance	152.648	6.330	152.198	6.200
Period-End Balance	621.744	16.172	152.648	6.330
Interest and Commission Incomes	11.480	1.901	8.163	1.031

<sup>(\*)</sup> Defined in paragraph 2 of article 49 of Law of Banking with number 5411.

<sup>(\*\*)</sup> The above information also covers the receivables from the banks as well as the loans.

#### 6.2. Information about the deposits of the risk group of the Branch

Risk Group Of The Branch (*)	2010	2009	
Deposit			
Opening	51.503	18.538	
Period End	347.620	51.503	
Deposit Interest Expenses	913	500	

(\*) Defined in paragraph 2 of article 49 of Law of Banking with number 5411.

#### 6.3. Information about the loans used from the risk group of the Branch

Risk Group Of The Branch (*)	2010	2009	
Loans Used			
Opening	186.055	177.330	
Period End	1.093.273	186.055	
Interest Expense Paid	15.292	7.729	

(\*) Defined in paragraph 2 of article 49 of Law of Banking with number 5411.

# 6.4. Information about the futures and option contracts with the risk group of the Branch, and other similar contracts

As of dates December  $31^{st}$  2010 and December  $31^{st}$  2009, the bank has no futures and option contracts with the risk group of the Branch, and other similar contracts.

#### 6.5. Information about the benefits to top management:

As of December 31<sup>st</sup>, 2010, the Branch made a payment of amount TRY 1.245 thousand to the top management (December 31<sup>st</sup>, 2009: TRY 810 thousand).

7. Information about Subjects of Activity Receiving Support Services and about People and Institutions Providing the Service

None

- c) Financial Details and Reviews Related to Risk Management
- 1. Reviews of Audit Committee Regarding Operation Internal Control, Internal Audit and Risk Management System and Information about the Activities Within the Accounting Period

#### 1.1. Works of Internal Systems Department

In 2010 the departments defined as Internal Systems which are in charge of internal control, internal audit and risk management conducted their works within the scope of working plans prepared and related internal regulations. The results of their studies, their views and remarks about the issues within the scope of their tasks and

responsibilities have been communicated through reports prepared to the Member of Board of Managers in charge of Internal System who serves as Audit Committee. The Member of Board of Managers in charge of Internal Systems conveyed the issues specified in the reports together with his own remarks to Board of Managers in the 6-months period.

On the other hand, although it is not subject to Internal Systems regulations Legislation, Organization and System Department which conducted its activities orderly and in accordance with the job and task descriptions prepared, is considered as a part of Internal Systems due to the structure and special status of our Branch.

Internal control, internal audit and risk management departments present their activities to the Branch as a report on a quarterly basis.

The details of the said departments are given below in the form of departments.

#### 1.2. Activities of Internal Control Department

Internal Control department of the Branch is organized to control the financial and operational risks so that they are always at reasonable levels. Implementation procedures related to financial and operational activities, work flows, duty segregations, transaction authorizations and limits are specified in written and communicated to all personnel. These arrangements are regularly reviewed and updated in accordance with the requirements. The workflows fully and appropriately meet the controls that may respond to the risks. Performance of all transactions in an active, accurate, regular and secure manner is ensured through operational duty definitions, transaction authorizations, approvals and limits, systematic and manual controls. Such activities have a determining role with regards that processes and controls behind the financial reports are confidential, efficient and effective in terms of financial reports' function and structure.

Internal control department working in connection with Board of Managers aims to keep the risks related to the activities of the Branch under control via sound, strong and effective internal control system within the framework of legislation and banking standards. Internal control department is liable to review, monitor and evaluate the compliance, sufficiency and effectiveness of the controls related to the activities of Branch, and to report the results to the authorized people.

Through these control activities, and reviews and evaluations carried out at all branches by focusing on risks, it is ensured the activities carried out via Branch's internal control system are performed in an efficient and effective manner and the results are communicated top the respective parties in a secure way.

Findings, views and suggestions obtained as a result of internal control activities should be evaluated by sharing them with the employees carrying out the activities. This method serves for both the elimination of deficiencies and problems and implementing the applicable and appropriate solutions that shall improve the activities.

Communication systems at the Branch are running effectively and securely and information systems perform the functions to meet the needs.

### 1.3. Activities of Internal Audit Department

Internal Audit Department of Bank Mellat carries out its work under the supervision of responsible member of board of Managers. Internal audit department refers to the task of auditing all activities at all branches, including internal control, risk management, legislation Masak compliance in accordance with law and other respective legislations and in-house strategies, policies, principles and targets. It carries out preliminary research, inspection and investigation with this respect, if necessary. The department carries out its work through remote access management as well as on site audit.

The reports prepared as a result of internal audit are transmitted to Branch's Board of Managers, Board of Managers' Member Responsible for Internal Systems, senior management and related departments and branches, and the precautions related to the identified issues are monitored by internal audit department.

Our branches, especially internal control, risk management, information systems, legislation, organization and system departments, were operationally and financially audited in 2010 for once more.

#### 1.4. Risk Management Activities

Risk monitoring and directing activities of the branch are carried out by this department. The department which is an integral part of Asset-Liability Committee and risk management monitors the loans, market, liquidity and operational risks that the Branch may be exposed to.

When risk categories exposed to in 2010 are evaluated, the examinations carried out indicate that risks other than operational ones are not that noteworthy.

#### 1.5. General Review

Although there was an increase in the risks, especially in the credit risk, general risk level of the Bank as of end of 2010 was at an acceptable level, when the nature of the loans and quality of the indemnities are taken into account. Development direction of the risks is stable.

#### 2. Independent Audit Report

BANK MELLAT, MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ

INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2010

Translated into English from the Original Turkish Report

#### CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Managers of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri:

We have audited the accompanying unconsolidated balance sheet of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri ("the Branch") as at December 31, 2010 and the related statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

The Branch's Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independent Auditor's Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

#### **Other Issue:**

The financial statements of the Branch for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on April 1, 2010.

#### Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş. Member of **DELOITTE TOUCHE TOHMATSU LIMITED** 

Sibel Türker Partner, SMMM

İstanbul, April 20, 2011

#### THE UNCONSOLIDATED FINANCIAL REPORT OF BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ AS OF DECEMBER 31, 2010

Headquarter's Address : Taleghani Avenue. No: 327 Tehran-Iran

Turkey Main Branch Address : Büyükdere Cd. Binbirçiçek Sk. No.1 34330 1.Levent-

İstanbul/Türkiye

Telephone : (0212) 279 80 15
Fax : (0212) 284 62 14
Website : www.mellatbank.com
E-mail address : mellat@mellatbank.com

The year end unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BRANCH
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BRANCH
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BRANCH
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communique on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

Younes Hormozi Sheikh	Keramatallah	Ahmet Arıöz	Hodjatollah
Tabagh	Ahmadzadeh		Sheikhaleslami
Chairman of the Board of Managers	Member of the Board of Managers and Deputy of General Manager		Member of the Board of Managers

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title: Yener Bozkurt / Accounting Department Chief

**Phone No** : (0212) 279 80 15 **Fax No** : (0212) 284 62 14

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Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **SECTION ONE**

#### **GENERAL INFORMATION**

I. INFORMATION ON THE BRANCH'S DATE OF FOUNDATION, INITIAL STATUS, BRANCH'S SHORT HISTORY WHICH COMPRISES OF CHANGES IN INITIAL STATUS:

Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri ("the Branch"), which is based in Tehran, Iran, established its branches in Istanbul, Ankara and Izmir on 18 August 1981, 23 February 1984 and 16 January 1992, respectively. The branches are registered under the scope of Foreign Capital Encouragement Law No. 6224, which permits the transfer of distributable profits to the Headquarter. The branches started operations after securing permission from the Treasury Undersecretariat in April 1982, May 1985 and October 1992, respectively.

II. EXPLANATION ABOUT THE BRANCH'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BRANCH WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BRANCH DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BRANCH BELONGS TO:

Capital owner of the Branch, Bank Mellat Tehran, Iran's partnership structure is presented below:

Shareholders	Share Percentage (%)
Justice share recipients (provincial investors)	30,00
Islamic Republic of Iran	24,00
Social Security Organisation of Iran	9,99
Bank Mellat's staff future security fund	5,89
Saba Tamin Investment Co.	5,45
Privatization Organisation	5,00
Other Shares Quoted on Stock Exchange	19,67
Total	100,00

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### **GENERAL INFORMATION (Continued)**

# III. EXPLANATION ON THE BRANCH'S CHAIRMAN AND MEMBERS OF THE BOARD OF MANAGERS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE CHANGES IN THIS SUBJECT AND SHARES OF THE BRANCH THEY POSSESS:

<u>Title</u>	Name	Responsibility	<b>Education Level</b>
Chairman of the Board of Managers:	Younes Hormozi Sheikh Tabagh	Chairman	Under Graduate
Members of Board of Managers:	Keramatallah Ahmadzadeh	Deputy of General Manager	Under Graduate
	Ahmet Arıöz	Vice General Manager.	Under Graduate
	Hodjatollah Sheikhaleslami	Ankara Branch Manager	Graduate
Assistant General Managers:	Ahmet Arıöz	Internal Control and Responsible of Audit Risk Management	Under Graduate
	Keramatallah Ahmadzadeh	Import, Export and Transactions Banking	Under Graduate
	Ahmad Jamehdor	Financial Controlling and Planning Human	Under Graduate
	Mohammad Reza Rezaei Pour	Resources Treasury Current Accounts, Teller, Loans and Intelligence	Under Graduate

The individuals above do not possess shares in the Branch.

#### IV. INFORMATION ON SHAREHOLDERS HAVING QUALIFIED SHARES:

Name/Commercial title	Share amounts	Share percentage	Paid-in capital	Unpaid portion
Justice share recipients (provincial investors)	16.097	%30,00	16.097	-
Islamic Republic of Iran	12.877	%24,00	12.877	-
Social Security Organisation of Iran	5.360	%9,99	5.360	-
Bank Mellat's staff future security fund	3.160	%5,89	3.160	-
Saba Tamin Investment Co.	2.924	%5,45	2.924	-
Privatization Organisation	2.683	%5,00	2.683	-
Other Shares Quoted on Stock Exchange	10.554	%19,67	10.554	-

# V. BRIEF INFORMATION ON THE BRANCH'S SERVICE TYPE AND FIELDS OF OPERATION:

The Branch operates in banking services and its core business activity is the financing the commercial activities between The Republic of Turkey and Islamic Republic of Iran.

As of December 31, 2010, the Branch has 51 employees (December 31, 2009: 51 employees).

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS

#### I. BALANCE SHEET

I	ASSETS	Note	31 I	December 20	)10	31 Г	31 December 2009				
	1100210	11000	TL	FC	Total		FC	Total			
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-a)	10.622	151.085	161.707	78	30.897	30.975			
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR	1 (2 11)	101022	1011000	1011/0/			201372			
II.	LOSS (Net)	(I-b)	_	-	-	-					
2.1	Trading Financial Assets		-	-	-	-	-				
2.1.1	Public Debt Securities		-	-	-	-	-				
2.1.2	Share Certificates		-	-	-	-					
2.1.3	Trading Derivative Financial Assets		-		-	-	-				
2.1.4	Other Marketable Securities Financial Assets Designated at Fair Value through Profit or Loss		-		-						
2.2.1	Public Debt Securities										
2.2.2	Share Certificates				_						
2.2.3	Loans		-	-	-	-	-				
2.2.4	Other Marketable Securities		_	-	_	- [	-				
III.	BANKS	(I-c)	119.019	236.016	355.035	24.988	72.328	97.316			
IV.	MONEY MARKETS	` '	34.001	-	34.001	-	-				
4.1	Interbank Money Market Placements		34.001	-	34.001	-	-				
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-				
4.3	Receivables from Reverse Repurchase Agreements		-	-	-		-				
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	133.883	21.001	154.884	30.167		30.167			
5.1	Share Certificates  Public Dobt Securities		102 650		103.659	20.167	-	30.167			
5.2	Public Debt Securities Other Marketable Securities		103.659 30.224	21.001	51.225	30.167		30.107			
VI.	LOANS AND RECEIVABLES	(I-e)	8.464		1.119.411	404	226.546	226.950			
6.1	Loans and Receivables	(1-0)	8.335	1.110.947	1.119.282	359	226.546	226.905			
6.1.1	Bank's Risk Group		40	420.301	420.341	35	132.902	132.937			
6.1.2	Public Debt Securities		-	- 120.301	.20.5 . 1	-	132.702	102.907			
6.1.3	Other		8.295	690.646	698.941	324	93.644	93.968			
6.2	Non-Performing Loans		172	-	172	60	-	60			
6.3	Specific Provisions (-)		(43)	-	(43)	(15)	-	(15)			
VII.	FACTORING RECEIVABLES		_	-	-	-	-				
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(I-f)			-		-				
8.1	Public Debt Securities		-	-	-	-	-				
8.2	Other Marketable Securities	(7)			-						
<b>IX.</b> 9.1	INVESTMENTS IN ASSOCIATES (Net) Consolidated Based on Equity Method	(I-g)	-		-	-	-				
9.1	Unconsolidated  Unconsolidated		-		-		-				
9.2.1	Financial Investments in Associates										
9.2.2	Non-Financial Investments in Associates		<u> </u>								
X.	SUBSIDIARIES (Net)	(I-h)	_				1				
10.1	Unconsolidated Financial Subsidiaries	(2 -1-)	_		_		-				
10.2	Unconsolidated Non-financial Subsidiaries		<u>-</u>	-1	-1	-1	-1				
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-i)	_		_						
11.1	Consolidated Based on Equity Method	()	_		_		1				
11.2	Unconsolidated		-	-	-	-	-				
11.2.1	Financial Joint Ventures		-	-	-	-	-				
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-				
XII.	FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-				
12.1	Financial Lease Receivables				-		-				
12.2	Operating Lease Receivables		-	-	_		-	-			
12.3	Other		-	-	-	-	-				
12.4	Unearned Income ( - ) HEDGING DERIVATIVE FINANCIAL ASSETS	(I l-)	-	-	-						
<b>XIII.</b> 13.1	Fair Value Hedge	(I-k)	-	-	-			•			
13.1	Cash Flow Hedge										
13.3	Foreign Net Investment Hedge						1				
XIV.	TANGIBLE ASSETS (Net)	(I-l)	8.905	-	8.905	9.026	1	9.026			
XV.	INTANGIBLE ASSETS (Net)	(I-m)	-1	-1	-1		1	,,,,,			
15.1	Goodwill			-	-		-				
15.2	Other		-	-[	-	-	-				
XVI.	INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-				
XVII.	TAX ASSET	(I-o)	427	-	427	425	-	425			
17.1	Current Tax Asset			-		<u>-</u> _	-				
17.2	Deferred Tax Asset		427	-	427	425	-	425			
ı	ASSETS HELD FOR RESALE AND RELATED TO	(I ~)	25		25	25		25			
VITTI		(I-p)	25	-	25 25			25			
XVIII.	Hold for Sala Durnosas										
18.1	Held for Sale Purposes  Related to Discontinued Operations		25		23	23	-				
	Held for Sale Purposes Related to Discontinued Operations OTHER ASSETS	(I-r)	236	21	257	-	  21	125			

 $The accompanying \ explanations \ and \ notes \ form \ an \ integral \ part \ of \ these \ financial \ statements.$ 

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### I. BALANCE SHEET

	LIABILITIES	Note	31 I	December 2010	)	31 December 2009				
			TL	FC	Total	TL	FC	Total		
I.	DEPOSITS	(II-a)	189.536	273.173	462.709	484	124.325	124.809		
1.1	Deposits of Bank's Risk Group		166.719	180.901	347.620	108	51.395	51.503		
1.2	Other		22.817	92.272	115.089	376	72.930	73.306		
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	-	-	-	-	-	-		
III.	FUNDS BORROWED	(II-c)		41.548	41.548		21.755	21.755		
IV.	MONEY MARKETS			-	-		-	-		
4.1	Funds from Interbank Money Market		<u>-</u> į	_		-	-	-		
4.2	Funds from Istanbul Stock Exchange Money Market	ļĻ					ļ			
4.3	Funds Provided Under Repurchase Agreements		-	-	-	-	-			
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-			
5.1	Bills		-	-	-	-	-			
5.2	Asset Backed Securities Bonds									
VI.	FUNDS	-	- I	-	- -	-	-			
6.1	Borrower Funds		-	-	-	-	-			
6.2	Other		-		-					
VII.	SUNDRY CREDITORS		34.112	1.173.332	1.207.444	6	165.580	165.586		
VIII.	OTHER LIABILITIES	(II-d)	488	15.526	16.014	394	4.851	5.245		
IX.	FACTORING PAYABLES	(11-u)	- 4001	13.320	10.014	3)4	7.031	3.243		
X.	FINANCIAL LEASE PAYABLES (Net)	(II-e)		-			_			
10.1	Financial Lease Payables	(11 c)								
10.2	Operational Lease Payables		_	_	_	_	-	_		
10.3	Other	· i	<u>-i</u>	_	-	<u> </u>	-1	_		
10.4	Deferred Financial Lease Expenses ( - )		_	-	-	-	-			
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-f)	-	-	-	-	-	_		
11.1	Fair Value Hedge		-	-	-	-	-	-		
11.2	Cash Flow Hedge		- 1	-	-	-	-	-		
11.3	Foreign Net Investment Hedge		- j'''	-		-	-1	-		
XII.	PROVISIONS	(II-g)	1.383	1.175	2.558	698	782	1.480		
12.1	General Loan Loss Provision		98	1.175	1.273	28	782	810		
12.2	Restructuring Provisions		-	-	-	- [	-	-		
12.3	Reserve for Employee Rights		529	-	529	470	-	470		
12.4	Insurance Technical Provisions (Net)		-	-	-	- ]	-			
12.5	Other Provisions		756	-	756	200	-	200		
XIII.	TAX LIABILITY	(II-h)	4.252	-	4.252	2.487	-	2.487		
13.1	Current Tax Liability		4.252	-	4.252	2.487	-	2.487		
13.2	Deferred Tax Liability		-			-				
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE	ar s								
14.1	AND DISCONTINUED OPERATIONS (Net) Held for Sale	(II-i)	-			- 1	-			
14.1	Discontinued Operations		-		-	-	-			
XV.	SUBORDINATED LOANS	(II-j)	-		-		-			
XVI.	SHAREHOLDERS' EQUITY	(II-k)	100.127		100.127	73.647		73.647		
16.1	Paid-in capital	(II-K)	53.655		53.655	53.655		53.655		
16.2	Capital Reserves		517		517	415	_	415		
16.2.1	Share Premium		-	_	-	-	_			
16.2.2	Share Cancellation Profits		_	-	-	_	-			
16.2.3	Marketable Securities Valuation Differences	(II-l)	517	-1	517	415	-1	415		
16.2.4	Tangible Assets Revaluation Differences		-	-	-	-	-	-		
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-		
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-		
	Bonus Shares from Investments in Associates, Subsidiaries									
16.2.7	and Joint Ventures (Business Partners)		-	-	- [	<u>-j</u>	- [			
16.2.8	Hedging Funds (Effective Portion)				-	-	-			
1660	Accumulated valuation differences from assets held for sale									
16.2.9	and from discontinued operations	-	-	-	- [	<u>-</u> j	-			
16.2.10	Other Capital Reserves	1	- 1 201	-	-	1 201	-	1.001		
16.3	Profit Reserves		1.301	-	1.301	1.301	-	1.301		
16.3.1	Legal Reserves		-	-			- [			
16.3.2	Status Reserves		1 201	-	1 201	1 201	-	1 201		
16.3.3	Extraordinary Reserves	-	1.301	-	1.301	1.301		1.301		
16.3.4	Other Profit Reserves Profit or (Loss)	+	44.654		44.654	18.276		10 27/		
16.4 16.4.1	Prior Years' Income or (Loss)		18.276	-1	18.276	10.2/0	- [	18.276		
16.4.1	Current Year Income or (Loss)		26.378	-	26.378	18.276		18.276		
10.4.2	TOTAL LIABILITIES AND SHAREHOLDERS'		20.370		20.370	10.2/0		10.4/0		
	EQUITY		329.898	1.504.754	1.834.652	77.716	317.293	395.009		

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

		Note	21 D	000mbe= 2010		21 D.	nombou 2000			
			31 D	ecember 2010 FC	Total	31 December 2009 TL FC T				
Α.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		1.234	104.530	105.764	530	72.486	73.01		
I.	GUARANTEES AND WARRANTIES	(IV-a-2, 3)	1.072	104.530	105.602	322	35.048	35.37		
1.1.	Letters of Guarantee		380	77.105	77.485	271	18.644	18.91		
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-			
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-		- 10.644	10.01		
1.1.3 1.2.	Other Letters of Guarantee		380	77.105	77.485	271	18.644	18.91		
1.2.1	Bank Acceptances Import Letter of Acceptance			-	-		-			
1.2.1	Other Bank Acceptances									
1.3.	Letters of Credit		641	27.425	28.066		16.404	16.40		
1.3.1	Documentary Letters of Credit		-	8.044	8.044	-	1.246	1.24		
1.3.2	Other Letters of Credit		641	19.381	20.022	-	15.158	15.15		
1.4	Prefinancing Given as Guarantee			-	-	-)	-			
1.5.	Endorsements			-	-	-				
1.5.1	Endorsements to the Central Bank of the Republic of Turkey			-	-					
1.5.2	Other Endorsements									
1.6 1.7	Securities Issue Purchase Guarantees									
1.8	Factoring Guarantees Other Guarantees		38	-	38					
1.9	Other Collaterals	<del></del>	13		13	51		5		
I.	COMMITMENTS	(IV-a-1)	162		162	208	37.438	37.64		
2.1.	Irrevocable Commitments	(1, 41)	162	-	162	208	37.438	37.64		
.1.1	Forward Asset Purchase Commitments		-	-	-	-	-			
2.1.2	Forward Deposit Purchase and Sales Commitments		-1	-	-	-				
.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-				
.1.4	Loan Granting Commitments		-	-	-		17.142	17.14		
.1.5	Securities Underwriting Commitments		-	-	-	-	-	_		
.1.6	Commitments for Reserve Deposit Requirements			-		-	20.296	20.29		
2.1.7	Commitments for Cheques		162		162	208		20		
2.1.8	Tax and Fund Liabilities from Export Commitments			-						
.1.9	Commitments for Credit Card Limits Commitments for Credit Cards and Banking Services Promotions			-						
.1.10	Receivables from Short Sale Commitments of Marketable Securities									
.1.11	Payables for Short Sale Commitments of Marketable Securities  Payables for Short Sale Commitments of Marketable Securities									
.1.12	Other Irrevocable Commitments of Marketable Securities		<u>-</u>							
.2.	Revocable Commitments			-	-	-	-			
.2.1	Revocable Loan Granting Commitments		-	-	-	-				
.2.2	Other Revocable Commitments		-	-	-	-	-			
II.	DERIVATIVE FINANCIAL INSTRUMENTS	(IV-b)	-	-	-	-	-			
.1.	Hedging Derivative Financial Instruments		-	-	-	-	-			
.1.1	Transactions for Fair Value Hedge			-	-	-	-			
.1.2	Transactions for Cash Flow Hedge		-	-			-			
.1.3	Transactions for Foreign Net Investment Hedge			-		-	-			
.2.	Trading Transactions Forward Foreign Currency Buy/Sell Transactions			-						
.2.1.1	Forward Foreign Currency Transactions-Buy		<u>-</u>							
.2.1.2	Forward Foreign Currency Transactions-Buy			-	-	-	_			
.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-1				
.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-			
2.2.2	Foreign Currency Swap-Sell		-	-	-	-				
.2.2.3	Interest Rate Swap-Buy		-	-	-					
.2.2.4	Interest Rate Swap-Sell		-	-		-	-			
.2.3.	Foreign Currency, Interest Rate and Securities Options		-	- <u>-</u>	-	-				
.2.3.1	Foreign Currency Options-Buy		-	-		-				
.2.3.2	Foreign Currency Options-Sell									
2.3.3	Interest Rate Options-Buy Interest Rate Options-Sell			-	-					
.2.3.4	Securities Options-Buy									
.2.3.6	Securities Options-Buy Securities Options-Sell									
.2.4.	Foreign Currency Futures			-						
.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-			
.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-1			
.2.5.	Interest Rate Futures		-	-	-	-	-			
.2.5.1	Interest Rate Futures-Buy		-	-	-	-]	-			
.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-			
2.6	Other					-				
	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		182	2.384	2.566	-	437	43		
V	ITEMS HELD IN CUSTODY		182	2.315	2.497	-	370	37		
.1	Customer Fund and Portfolio Balances Investment Securities Held in Custody		-							
.3	Checks Received for Collection	<del>-      </del>	182	2.315	2.497		370	37		
4	Commercial Notes Received for Collection		-102					37		
.5	Other Assets Received for Collection									
.6	Assets Received for Public Offering		-	-	-	-				
.7	Other Items Under Custody		-	-	-	-1				
.8	Custodians	]"""	-	-	-					
	PLEDGES RECEIVED			69	69		67	(		
1	Marketable Securities					-				
.2	Guarantee Notes			69	69	-	67	6		
.3	Commodity		-	-			-			
4	Warranty		-	-	-		-			
.5	Immovable Other Blodged Home									
.6	Other Pledged Items									
7 1.	Pledged Items-Depository ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES									
	ACCELLED INDELENDENT GUARANTEES AND WARRANTIES		1.416	106.914			7			

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### III. STATEMENT OF INCOME

	INCOME AND EXPENSE ITEMS	Note	1 January 2010 - 31 December 2010	1 January 2009 - 31 December 2009
I.	INTEREST INCOME	(III-a)	40.946	25.572
1.1	Interest on Loans	(III-a-1)	28.932	18.713
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	(III-a-2)	5.723	3.062
1.4	Interest Received from Money Market Transactions		312	-
1.5	Interest Received from Marketable Securities Portfolio	(III-a-3)	5.971	3.773
1.5.1	Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value Through Profit or Loss			<u> </u>
1.5.3	Available-for-sale Financial Assets		5.971	3.773
1.5.4	Held-to-Maturity Investments		-	-
1.6	Financial Lease Income		-!	-
1.7	Other Interest Income	dir i)	8	24
II.	INTEREST EXPENSE	(III-b)	(19.281)	(9.745)
2.1	Interest on Deposits	(III-b-4) (III-b-1)	(3.689)	(1.095)
2.2	Interest on Funds Borrowed	(III-D-1)	(15.592)	(8.650)
2.4	Interest Expense on Money Market Transactions Interest on Securities Issued	(III-b-3)	-	<del>-</del>
2.5	Other Interest Expenses	(111-0-3)	-	
III.	NET INTEREST INCOME (I + II)		21.665	15.827
IV.	NET FEES AND COMMISSIONS INCOME	<u> </u>	15.162	9.846
4.1	Fees and Commissions Received		15.197	9.861
4.1.1	Non-cash Loans	1	13.089	8.866
4.1.2	Other		2.108	995
4.2	Fees and Commissions Paid		(35)	(15)
4.2.1	Non-cash Loans		-	(13)
4.2.2	Other		(35)	(15)
V.	DIVIDEND INCOME	(III-c)	-1	-
VI.	TRADING INCOME/(LOSS) (Net)	(III-d)	4.086	2.117
6.1	Trading Gains / (Losses) on Securities		30	-
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		-	-
6.3	Foreign Exchange Gains / (Losses)	Ī	4.056	2.117
VII.	OTHER OPERATING INCOME	(III-e)	607	693
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		41.520	28.483
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(III-f)	(587)	(72)
Χ.	OTHER OPERATING EXPENSES (-)	(III-g)	(7.856)	(5.541)
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		33.077	22.870
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES	(III-h)		
X7X 7X	(XI++XIV)	- ATT IS	33.077	22.870
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(III-i)	(6.699)	(4.594)
16.1	Current Tax Provision		(6.830)	(4.448)
16.2 XVII.	Deferred Tax Provision  NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		131	(146)
	INCOME FROM DISCONTINUED OPERATIONS	+ -	26.378	18.276
XVIII.			-	-
18.1	Income on assets held for sale Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		_	-
18.3	Income on other discontinued operations			
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	
19.1	Loss from assets held for sale		-	
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(III-j)	26.378	18.276
	Earnings/(Loss) per share		0,4916	0,3406

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	31 December 2010	31 December 2009
I.	ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR		
	SALE FINANCIAL ASSETS	69	386
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the		
	fair value differences)	-	-
VI.	THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(25)	(51)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II++IX)	44	335
XI.	CURRENT YEAR PROFIT/LOSS	58	(133)
1.1	Net change in fair value of marketable securities (transfer to profit-loss)	58	(133)
1.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement		· -
1.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income		
	statement		-
1.4	Other		-
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X-XI)	102	202

### BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ

### NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	PRIOR PERIOD 01.01.2009-31.12.2009	Note	Paid-in Capital	Adjustme nt to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraord inary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund		Bonus Shares From Investment in Associates and Subsidiaries	Hedging	Held for Resale/ Discontinued Operations Revaluation Fund	Total Shareholders
I.	Prior Period Begining Balance		31.211	-	_	-	-	_	1.301	_	14.000	8.444	213		_	_	_	55.169
II	Corrections According to TAS 8			-	_	-	-	-	-	_	-	-[	-	-	<u>-</u>	-	-	-
2.1	The Effect of Correction of Errors		-	-	-	-	-	-	-	_	-	-	-	-	-	-	-	-
2.2	The Effects of Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)		31.211	-	-	-	-	-	1.301	-	14.000	8.444	213	-	-	-	-	55.169
	Changes during the period																	
IV.	Increase/Decrease due to the Merger		-[	-[	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	(V-a)	-	-	-	-	-	-	-	-	-	-	202	-	-	-	-	202
VI.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	- [	-	-	- [	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		- [	-	-	-[	-1	-	l -l	-	-	-[	-	-	-	_	-	
VII.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Intangible Assets Revaluation Differences		-	-1	-	- 1	-1	-	-	-	_	-[	-	-	-	_	-	
IX.	Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control (Joint vent.)		-	-	-	-	-	-	_	-	-	-	-	_	-	_	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Disposal of Assets		- 1	-1	-	-1	-1	-	-1	-	-	-1	-	-	<u> </u>	-	-	
XII.	The Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		_	-	-	_	-	-	<u>-</u>	-	_	_[	_	_	_	_	_	
XIV.	Capital Increase		22.444	-	_	-	-	_	-	_	-	(22.444)	-	-	_	_	-	-
14.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	_	-	-	-	-	<u> </u>
14.2	Internal Resources		22.444	-	_	-	-	_	-	_	-	(22.444)	-	-	-	_	-	-
XV.	Share Premium		_	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		- [	-	-	-	-	-	-	-		-	-	_	<u>-</u>	_	-	-
XVII.	Paid in-capital Adjustment Difference		-	-[	-	-	-	-	-	-	_	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	18.276	-	-	-	-	-	-	18.276
XX.	Profit Distribution	(V-c)	-	-	-	-	-	-	-	-	(14.000)	14.000	-	-	-	-	-	
20.1	Dividend Paid	[	-1	-	-	-[	-	-	-	-	_	-[	-	-	-	-	-	
20.2	Transfers to Reserves	(V-b)	-	-	-	-	-	-	-	-	(14.000)	14.000	-	-	-	-	-	
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I++XIV)		53.655	-1	_	-1	-1	-	1.301	-	18.276	-	415	-	-	-	-	73.647

# BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ

#### NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

	CURRENT PERIOD 01/01/2010 – 31/12/2010	Note	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Intangible Assets Revaluation	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transactions	Held for Resale/ Discontinued Operations Revaluation Fund	Total
I.	Prior Period End Balance		53.655	-	-	-	-	-	1.301	-	-	18.276	415	-	-	-		73.647
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
II.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
III.	Marketable Securities Valuation Differences	(V-a)	-	-	-	-	-	-	-	-	-	-	102	-	-	-	- [	102
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Entities Under Common Control (Joint vent.)		-	-	_	-	-	_	-	_	-	-		-	_	_	-	
VIII.	Foreign Exchange Differences	ļ	-	-	-	-,	-		-	_	_	-		ļ	<u>-</u>		-	
IX.	The Disposal of Assets		-	-	-	-	-		-	-	-	-		-	-	-	-	
Χ.	The Reclassification of Assets	ļ	-	-	-	-	-		-	-	ļ	-		ļ <del>-</del>	<u> </u>	ļ <del>.</del>	-	
XI.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	_	-	-	_	_	_	_	-		-	_	_		_
XII.	Capital Increase		-	-	_	-	_	_	-	-	-	-		-	_	-	-	_
12.1	Cash Increase		-	-	_	-	_	_	-	_	-	-		-	_	-	-	
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	'
XIII.	Share Premium		-	-	_	-	-	_	-	-	-	-		-	_	-	-	_
XIV.	Share Cancellation Profits																	
XV.	Paid in-capital Adjustment Difference		-	-	_	-	-	_	-	-	-	-		-	_	-	-	
XVI.	Other	ļ	-	-]	_	-	_	_	_	_	_	-		<u>-</u>	<u>-</u>	_	-	
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	26.378	-	-	-	-	-	-	26.378
XVIII.	Profit Distribution	(V-c)		- [	_	-	-	-	_	_	<u> </u>		-	-	<u>-</u>	<u> </u>	Įļ	_
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.2	Transfers to Reserves	(V-b)	-	- [	_	-	-	_	-	-			-	-	<u> </u> -	ļ	-	
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Period End Balance (I++XIV)	ļ	53.655	-	-	-	-	-	1.301	ļ	26.378	18.276	517		-	-	-	100.127

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### VI. STATEMENT OF CASH FLOWS

	STATEMENT OF CASH FLOWS	Note	31 December 2010	31 December 2009
Α.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit before changes in operating assets and liabilities		27.906	17.566
1.1.1	Interest received		34.155	27.852
1.1.2	Interest paid		(12.059)	(10.905)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		15.197	9.861
1.1.5	Other income  Collections from previously written-off loans and other receivables		637	693
1.1.7	Payments to personnel and service suppliers		(3.959)	(3.105)
1.1.8	Taxes paid		(5.506)	(3.103)
1.1.9	Other		(559)	(3.721)
1111)				
1.2	Changes in operating assets and liabilities		515.211	(3.322)
1.2.1	Net (increase) / decrease in trading financial assets		-	
1.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		- [	
1.2.3	Net (increase) / decrease in banks		-	(3.284)
1.2.4	Net (increase) / decrease in loans		(888.198)	(49.942)
1.2.5	Net (increase) / decrease in other assets  Net increase in bank deposits		(52)	(2.025)
1.2.6	Net increase in bank deposits  Net increase / (decrease) in other deposits		206.825 130.430	39.094 14.273
1.2.8	Net (decrease) in funds borrowed		13.216	(3.116)
1.2.9	Net increase / (decrease) in payables		13.210	(5.110)
1.2.10	Net increase in other liabilities		1.052.990	1.678
I.	Net cash provided from banking operations		543.117	14.244
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
П.	Net cash provided from investing activities		(122.344)	(6.039)
				, , , , , , , , , , , , , , , , , , ,
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)		-	-
	Cash obtained from sale of entities under common control, associates and subsidiaries			
2.2	(Joint Vent.)		-	-
2.3	Fixed assets purchases Fixed assets sales		(200)	(321)
2.4	Cash paid for purchase of investments available-for-sale		(137.172)	(23.585)
2.5	Cash obtained from sale of investments available-for-sale		15.017	17.863
2.7	Cash paid for purchase of investment securities		13.017	17.005
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	_
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		_	
			<u> </u>	
3.1	Cash obtained from funds borrowed and securities issued			-
3.2	Cash used for repayment of funds borrowed and securities issued			-
3.3	Capital increase  Dividends paid		- <u> </u>	-
3.5	Payments for finance leases	<u> </u>		-
3.6	Other		-	
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		1.611	(31)
V.	Net increase in cash and cash equivalents (I + II + III + IV)		422.384	8.174
VI.	Cash and cash equivalents at beginning of the period	(VI-a)	128.192	89.480
VII.	Cash and cash equivalents at end of the period (V + VI)	(VI-a)	550.576	97.654

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### VII. PROFIT DISTRIBUTION TABLE

		31 December 2010	31 December 2009
I.	DISTRIBUTION OF CURRENT YEAR INCOME (*)		
1.1	Current Year Income	33.077	22.870
1.2	Taxes And Duties Payable (-)	(6.699)	(4.594
1.2.1	Corporate Tax (Income tax)	(6.830)	(4.448
1.2.2	Income withholding tax	(0.830)	(4.446
1.2.3	Other taxes and duties (**)	131	(146
1.2.3	Other taxes and duties (	131	(140)
A.	NET INCOME FOR THE YEAR (1.1-1.2)	26.378	18.276
1.3	Prior Year Losses (-)	_	
1.4	First Legal Reserves (-)	_	-
1.5	Other Statutory Reserves (-)	-	
В.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A+(1.3+1.4+1.5)]	26.378	18.276
ъ.		20.376	10,27
1.6	First Dividend To Shareholders (-)	-	
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Preferred Shares	-	-
1.6.3	To Owners Of Preferred Shares (Preemptive Rights)		-
1.6.4	To Profit Sharing Bonds	_	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	_	_
1.7	Dividends To Personnel (-)		
1.8	Dividends To Board Of Directors (-)		
1.9	Second Dividend To Shareholders (-)		
1.9.1	To Owners Of Ordinary Shares		
1.9.2	To Owners Of Preferred Shares	-	-
1.9.3	To Owners Of Preferred Shares (Preemptive Rights)	-	-
	` i ë /	-	
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	-
1.13	Other Reserves	-	-
1.14	Special Funds	-	
II.	DISTRIBUTION OF RESERVES		
2.1	Distributed Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares		-
2.3.2	To Owners Of Preferred Shares	_	_
2.3.3	To Owners Of Preferred Shares	j	-
2.3.4	To Profit Sharing Bonds	_	_
2.3.5	To Holders Of Profit And Loss Sharing Certificates	_	
2.4	Dividends To Personnel (-)		
2.5	Dividends To Board Of Directors (-)		-
III.	EARNINGS PER SHARE		
3.1	To Owners Of Ordinary Shares	0,4916	0,3406
3.2	To Owners Of Ordinary Shares ( % )	-	-
3.3	To Owners Of Preferred Shares	_	-
3.4	To Owners Of Preferred Shares ( % )	_	
IX	DIMIDEND DED CHADE		
IV.	DIVIDEND PER SHARE		
4.1	To Owners Of Ordinary Shares		-
4.2	To Owners Of Ordinary Shares ( % )	-1	
4.3	To Owners Of Preferred Shares	_	
4.4	To Owners Of Preferred Shares ( % )		

<sup>(\*)</sup>Board of Managers is authorized about the distribution of the current period profit. As of date of these financial statements, the annual meeting of the Board of Managers has not been held.

<sup>(\*\*)</sup>The amount in other taxes and duties is the deferred tax benefit that is not subject to profit distribution.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### VIII. CONSOLIDATED FINANCIAL STATEMENTS OF THE BRANCH'S HEADQUARTER

As at 20 March 2010, the financial statements issued by the Headquarters of the Branch have been independently audited. The Headquarters of the Branch has not issued financial statements as at December 31, 2010 and December 31, 2009.

BANK MELLAT ( IRAN )  CONSOLIDATED COMPARATIVE BALANCE SHEET  (THOUSANDS OF USD)									
CURRENT PERIOD PRIOR PERIOD									
	(20 March 2010)	(20 March 2009) (*)							
Cash and cash equivalents	558.373	516.672							
Central bank	7.123.621	4.219.813							
Other assets	49.048.707	39.155.805							
Total Assets	56.730.701	43.892.290							
Deposits	39.274.187	28.551.480							
Other liabilities	15.355.186	13.416.477							
Shareholders' equity	2.101.328	1.924.333							
Total Liabilities	56.730.701	43.892.290							

BANK MELLAT ( IRAN ) CONSOLIDATED COMPARATIVE INCOME STATEMENT (THOUSANDS OF USD)									
CURRENT PERIOD PRIOR PERIOD (20 March 2010) (20 March 2009)									
Total income	3.162.532	2.595.306							
Interest expense on deposits	(2.232.858)	(1.613.968)							
Other income	1.362.920	1.158.453							
Total net income	2.292.594	2.139.792							
Total expenses	(1.812.610)	(1.761.009)							
Profit before tax	479.984	378.783							
Taxes payable	(103.676)	(98.110)							
Net Profit	376.308	280.672							

(\*)Restatements have been made.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### SECTION THREE

#### **EXPLANATIONS ON ACCOUNTING POLICIES**

#### I. EXPLANATIONS ON THE BASIS OF PRESENTATION:

The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Accounting Applications for Banks and Safeguarding of Documents:

The Branch maintains its books of accounts in Turkish lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code and Turkish tax legislation.

The financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No.26333 dated November 1, 2006, which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). The format and content of the financial statements to be disclosed to the public and related notes to these financial statements have been prepared in accordance with the "Communiqué Regarding Financial Statements to be disclosed to the Public and Related Disclosures" published in the Official Gazette No.26430 dated February 10, 2007.

The financial statements have been prepared in TL, under the historical cost convention and in accordance with inflation accounting except for the financial assets and liabilities carried at fair value.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Branch management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, appropriate corrections are made and the effects of these corrections are reflected in the income statement.

The accounting policies and valuation methods adopted in the presentation of these financial statements are in accordance with TAS. These accounting policies and valuation methods are explained in Notes II. to XXVII.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

# II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The Branch's operation scope involves all commercial banking operations and business lines described in the banking legislation.

The Branch invests the funds obtained through fixed rate deposits, loans from Head Office and cash guarantees to short-term, high interest bearing and relatively low risk bank placements and credit for banks. The Branch manages the liquidity risk by providing sufficient cash and cash equivalent sources for its current and contingent liabilities. In this context, the Branch aims at ensuring a liquidity structure which matches liabilities due.

The Branch protects itself from interest rate risk, currency risk and price fluctuations by its investments in short-term placements and provides cash collaterals.

The Branch takes a position according to the currency basket of the Central Bank of the Republic of Turkey ("CBRT") in order to protect itself against possible foreign exchange risks. The Branch with the change in the currency system to floating currency, limits the total foreign currency position in accordance with the legal limits because of the increasing uncertainties in the changing currency path.

As of December 31, 2010, rates used for translation of foreign currency balances into Turkish lira are TL1,5376 for USD, TL2,0551 for Euro and TL0,0189 for Yen.

#### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

As of December 31, 2010 and December 31, 2009, the Branch has no investments in associates and subsidiaries.

# IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

Derivative instruments are measured at fair value on initial recognition and are subsequently re-measured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged. As of December 31, 2010, the Branch has no derivative instruments that qualify for hedging purposes.

The Branch has no forward transactions, options or other derivative instruments.

#### V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognised in the income statement on an accrual basis using the effective interest method.

The Branch, ceases accruing interest income on non-performing loans and any interest income accruals from such loans are reversed and no income accounted until the collection is made according to the related regulation.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)** 

### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

All fees and commission income/expenses are recognised on an accrual basis, except for certain commission incomes and fees for various banking services which are accounted for as income at the time of collection. Borrowing fees and commission expenses paid to other financial institutions are recognised as operational costs and recorded using the "effective interest method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

#### VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Branch classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets is determined at inception according to Branch management's purpose of purchase.

### a. Financial assets at fair value through profit or loss:

This category has two sub categories: "Trading financial assets" and "Financial assets designated at fair value through profit or loss at initial recognition."

Trading financial assets are financial assets which were either acquired for generating a profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values can not be obtained from the fair market transactions, it is accepted that the fair value cannot be measured reliably and financial assets are measured using the official prices announced by the CBRT. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are classified as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of Section Three.

The Branch has no financial assets designated as financial assets at fair value through profit or loss.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

#### b. Loans and receivables:

Financial assets that are originated by the Branch by providing money, services or goods to borrowers are categorised as loans and receivables. Loans and receivables originated by the Branch are carried initially at cost and subsequently recognised at the amortised cost value calculated using the "effective yield method".

If the collectibility of any receivable is identified as limited or doubtful by the management through assessments and estimates, the Branch provides general and specific provisions for these loans and receivables in accordance with the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette dated November 1, 2006, No.26333 and the "Communiqué regarding the changes in the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 27119 dated January 23, 2009.

Provision expenses are deducted from the net income of the period. Uncollectible receivables are written-off after all the legal procedures are finalised. If there is a subsequent collection from a receivable that was already provisioned in the previous years, the recovery amount is deducted from specific provisions and included in the income statement.

#### c. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under "loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost, and subsequently carried at amortised cost using the "effective yield method"; interest earned whilst holding held-to-maturity securities is reported as interest income. Interest income from held-to-maturity financial assets is reflected in the income statement.

There are no financial assets that were previously classified as held-to-maturity but which can not be subject to this classification for two years due to the contradiction of classification principles.

The Branch has no financial assets that are classified as held-to-maturity as of December 31, 2010 and December 31, 2009.

#### d. Available-for-sale financial assets:

Financial assets available-for-sale consists of financial assets other than "Loan and receivables", "Held-to-maturity" and "Financial assets at fair value through profit or loss". Debt securities classified as available-for-sale financial assets are subsequently remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in shareholders' equity as "Marketable securities value increase fund", unless there is a permanent decline in the fair values of such assets or they are disposed of. When these securities are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

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#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective interest method", or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles regarding the accounting of provisions of loans and receivables are explained in detail in Note VII.b. of this section.

#### IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Branch has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

### X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

The Branch does not have any sales and repurchase agreements and securities lending transactions as of December 31, 2010 and December 31, 2009.

Securities subject to repurchase agreements ("repo") are classified as "Fair value difference through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Branch and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the "effective interest method".

Funds given against securities purchased under agreements ("reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" in the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method".

## XI. EXPLANATIONS ON ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS:

The Branch has no discontinued operations.

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated November 1, 2006, No.26333.

#### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Branch has no goodwill and other intangible assets at December 31, 2010 and December 31, 2009.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XIII. EXPLANATIONS ON TANGIBLE FIXED ASSETS:

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over of the cost of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings
Furniture, fixture and vehicles

50 years
5 years

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is writtendown immediately to its recoverable amount and the provision for the diminution in value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised over the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no pledges, mortgages or purchase commitments on property and equipment as of December 31, 2010 and December 31, 2009.

#### XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

The Branch has no leasing transactions as of December 31, 2010 and December 31, 2009.

#### XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the matching principle. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Branch, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

#### a. Defined Benefit Plans:

Under the Turkish Labour Law, the Branch is obliged to pay a certain employment termination benefit to the employees who have been retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law.

In accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") the reserve for employment termination benefits is calculated by using Projection Method based on personnel service completion time and previous experience gained. The reserve for employment termination benefits is discounted by the rate of return of the government bonds at the balance sheet date.

The Branch has no employees who are members of any foundation or likewise corporations.

#### b. Defined Contribution Plans:

In accordance with the law the Branch is obliged to pay a contribution fee to Social Security Institution ("The Institution") on behalf of the employees. The Branch has no other payment obligations to employees or "The Institution". These contribution fees are reflected to personnel expenses at the date of accrual.

#### c. Short-Term Benefits to Employees:

Vacation fees defined as "Short-Term Benefits to Employees" in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") are accrued in the periods that they were entitled to and they can not be discounted.

#### XVII. EXPLANATIONS ON TAXATION:

#### a. Current tax:

"Corporate Tax Law" ("New Tax Law") No.5520 was taken into effect after being published in the Official Gazette dated June 21, 2006 No.26205. Many clauses of the "New Tax Law" are effective from January 1, 2006. According to this Law, the corporate tax rate is 20% (2009: 20%). Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investments and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% after July 23, 2006. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

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#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XVII. EXPLANATIONS ON TAXATION (Continued)

#### a. Current Tax (Continued)

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if temporary prepaid tax remains, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholders' equity for five years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the twenty fifth day of the following fourth month after the closing of the accounting year to which they relate.

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

#### b. Deferred tax:

The Branch calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The calculated deferred tax assets and deferred tax liabilities are presented on a net basis in these financial statements.

#### XVIII. EXPLANATIONS ON BORROWINGS:

Trading financial liabilities and derivative instruments are valued at the fair value and other financial liabilities are carried at amortised cost using the "effective interest method".

#### XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Direct transaction costs regarding the issuance of share certificates are recorded under shareholders' equity after eliminating the tax effects. The Branch has no share certificates at as of December 31, 2010 and December 31, 2009.

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#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XX. EXPLANATIONS ON ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments. The Branch has no acceptances at as of December 31, 2010 and December 31, 2009.

#### XXI. EXPLANATIONS ON GOVERNMENT GRANTS:

The Branch has no government grants at as of December 31, 2010 and December 31, 2009.

#### XXII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings are available for profit distribution, subject to the written permission of BRSA.

#### XXIII. EXPLANATIONS ON EARNINGS PER SHARE:

Earning per share disclosed in the income statement is calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned.

	December 31, 2010	December 31, 2009
Distributable Net Profit to Ordinary Shares	26.378	18.276
Weighted Average Number of Issued Ordinary Shares (Thousand)	53.655	53.655
Earnings Per Share (Disclosed in full TL for nominal shares)	0,4916	0,3406

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

#### XXIV. EXPLANATIONS ON RELATED PARTIES:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VII of Section Five.

#### XXV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash, effectives and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

#### XXVI. EXPLANATIONS ON SEGMENT REPORTING:

Informations related with fields of operations of the bank prepared in line with the organizational and internal reporting structure of the branch and in accordance with "Turkish Accounting Standards related with Segment Reporting" ("TAS 14") are disclosed.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XXVI. EXPLANATIONS ON SEGMENT REPORTING (Continued)

The Branch manages its banking operations through three strategic business units: Retail banking, Corporate and Commercial banking and Treasury operations.

Retail banking provides deposits and loans to individual and small business customers. Other products and services include foreign currency exchange, cheques and bills and money orders.

Corporate and Commercial banking provided corporate and commercial customers financial solutions and banking services. Products and services include FC and TL loans, foreign trade finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, foreign exchange and deposits.

Treasury operations are managed by the Treasury Department. The Treasury Department has transactions such as purchases-sales of domestic marketable securities and TL and FC placement transactions.

Informations about the operating segments as of December 31, 2010 are presented on the table below.

	Retail	Corporate and			Total operations
	Banking	Commercial Banking	Treasury	Other	of the Branch
December 31, 2010					
Operating Revenue	(384)	29.898	12.006	_	41.520
Operating Revenue	(384)	29.898	12.006	-	41.520
Operating Profit	(880)	23.608	10.351	-	33.077
Profit Before Tax	<u>-</u>	_	_	_	33.077
Corporate Tax	_	-	-	-	(6.699)
Minority Rights	_	_	_	_	-
Net Profit	-	_	_	_	26.378
Segment Assets	129	1.119.282	705.627	-	1.825.038
Unallocated Assets	-	-	-	9.614	9.614
Total Assets	129	1.119.282	705.627	9.614	1.834.652
Segment Liabilities	6.063	1.705.638	-	16.014	1.727.715
Unallocated Liabilities	-	-	-	6.810	6.810
Shareholders' Equity	-	-	_	100.127	100.127
Total Liabilities	6.063	1.705.638	_	122.951	1.834.652

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### XXVI. EXPLANATIONS ON SEGMENT REPORTING (Continued)

	Retail	Corporate and			Total operations
	Banking	Commercial Banking	Treasury	Other	of the Branch
December 31, 2009					
Operating Revenue	(400)	22.048	6.835	-	28.483
Operating Revenue	(400)	22.048	6.835	_	28.483
Operating Profit	9		5.734	_	22.870
Profit Before Tax	<u> </u>	_	_	_	22.870
Corporate Tax	-	-	_	-	(4.594)
Minority Rights	-	-	_	-	-
Net Profit	-	-	-	-	18.276
Segment Assets	129	226.821	158.458		385.408
Unallocated Assets	-	-		9.601	9.601
Total Assets	129	226.821	158.458	9.601	395.009
Segment Liabilities	2.272	309.878	5.245	_	317.395
Unallocated Liabilities	-	-	-	3.967	3.967
Shareholders' Equity	_	_	-	73.647	73.647
Total Liabilities	2.272	309.878	5.245	77.614	395.009

#### XXVII. OTHER INFORMATION

The Branch has no other information as of December 31, 2010 and December 31, 2009.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **SECTION FOUR**

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH

#### I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO:

The capital adequacy ratio of the Branch is 28,92% (December 31, 2009: 49,14%), which is higher than the minimum required ratio stipulated in the legislation.

The capital adequacy ratio of the Bank is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" and "Regulation Regarding Banks' Shareholders Equity" published as of November 1, 2006 (together referred as "Regulation Regarding Capital Adequacy"). The following tables show the details of "risk weighted assets" and the calculation of "shareholders' equity" for the capital adequacy ratio calculation.

#### Information related to capital adequacy ratio:

	Risk Weights <sup>(1)</sup>					
	%0	%10	%20	%50	%100	
Amount subject to credit risk						
Balance sheet items (Net)	1.218.485	-	355.047	30.683	78.519	
Cash	7.529	-	_	-		
Matured marketable securities	-	-	_	-		
The Central Bank of the Republic of Turkey	49.711	-	_	-		
Domestic, foreign banks, foreign head offices and branches		-	354.880	-		
Interbank money market placements	34.000	-	-	-		
Receivables from reverse repurchase transactions	-]	-[	-	_		
Reserve requirements with the CBRT	104.456	-1	-	-		
Loans	1.011.480	-	_	30.447	68.791	
Non-performing receivables (Net)	-	-	_	-	129	
Lease receivables	-	-	_	_		
Available-for-sale financial assets	-	-	_	-		
Held-to-maturity investments	-	-	_	-		
Receivables from the disposal of assets	-	-	_	-		
Sundry creditors	-	-	_	-	35	
Interest and income accruals	7.800	-	167	236	529	
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	_		
Fixed assets	-	-	_	-	8.848	
Other assets	3.509	-	_	-	130	
Off-balance sheet items	1.116	-	_	_	61.728	
Non-cash loans and commitments	1.116	-	-	_	61.728	
Derivative financial instruments	_	-	-	-		
Non-risk weighted accounts			5			
Total Risk Weighted Assets	1.219.601	_	355.047	30.683	140.247	

(1) There are no assets weighted with 150% and 200% risk.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

#### Summary information about the capital adequacy ratio:

	December 31, 2010	December 31, 2009
Amount subject to credit risk "ASCR"	226.598	103.463
Amount subject to market risk "ASMR"	81.900	16.650
Amounts subject to operational risk "ASOR"	40.817	30.795
Shareholders' equity	101.011	74.152
Shareholders' equity /(ASCR+ASMR+ASOR) *100	28,92	49,14

#### Information about the shareholders' equity items:

CORE CAPITAL	December 31, 2010	<b>December 31,2009</b>
Paid-in capital	53.655	53.655
Nominal capital	53.655	53.655
Capital Commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share premium	-	-
Share cancellation profits	-	-
Legal reserves	-	-
First legal reserve (Turkish Commercial Code 466/1)	-	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	1.301	1.301
Reserves allocated by the General Assembly	-	-
Retained earnings	1.301	1.301
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-	-
Profit	44.654	18.276
Current year profit (net)	26.378	18.276
Prior year profit	18.276	-
Provisions for possible risks (up to 25% of core capital)	-	-
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	_	-
Primary subordinated loans up to 15% of core capital	-	-
Uncovered portion of loss with reserves (-)	_	_
Current period loss (net)	-	-
Prior periods loss	-	-
Special costs (-)	-	
Prepaid expenses (-) (1)	(80)	(52)
Intangible Assets (-) (1)	-	-
Deferred tax asset amount exceeding 10% of core capital (-)	-	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)		
Total Core Capital	99,530	73.180

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	December 31, 2010	December 31, 2009
SUPPLEMENTARY CAPITAL		
General Provisions	1.273	810
45% of the movables revaluation fund	-	-
45% of the immovables revaluation fund	_	-
Bonus shares of investment in associates, subsidiaries and joint ventures	_	
Primary subordinated loans that are not considered in the calculation of core capital	_	-
Secondary subordinated loans	_	-
45 % of Marketable Securities valuation fund	233	187
From associates and subsidiaries	-	-
From financial Assets Available for Sale	233	187
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	1.506	997
TIER III CAPITAL	_	-
CAPITAL	101.036	74.177
DEDUCTIONS FROM THE CAPITAL	25	25
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks in which 10% or more equity interest is exercised	-	-
Investments in Financial Institutions (Domestic, foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% of the total core and supplementary capital of the Bank	_	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Purchased From Them		
Loans extended as contradictory to articles 50 and 51 of the Law	-	-
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and are to be Disposed of Accordingly with Banking Law article 57 as they have been Held for More Than Five Years From the Acquisition Date	25	25
Other		
TOTAL SHAREHOLDERS' EQUITY	101.011	74.152

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### II. EXPLANATIONS ON CREDIT RISK:

**a.** This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to banks with high credibility rate and other financial institutions. The Branch requires additional guarantees from the real persons and entities that the Branch extends loans to who were assessed as high risk after performing detailed risk ratings on individual loans.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislated financial statements and other financial reports taken from borrowers of extended loans.

- **b.** At December 31, 2010, the Branch has no forward and option contracts or any other similar agreements.
- **c.** At December 31, 2010, the Branch has been faced with an insignificant amount of credit risk exposure.
- **d.** The Branch subjects the non-cash loans which are reimbursed, to the same risk weight as the loans matured, but not collected. Credit risk is defined broadly for contracts and positions bearing all types of cash and non-cash counterparty risk, and managed accordingly.
  - Rescheduled or restructured loans are monitored by the Branch according to the risk management and monitoring principles of the Branch. The financial conditions and commercial operations of the related customers are continuously analysed where interest and capital payments according to new payment plans are closely followed.
- **e.** The Branch's transactions in foreign countries with regard to banking operations and credit facilities are mainly held with corporations based in Islamic Republic of Iran, where the head office of the Branch is also based.
- **f.** The Branch is not active in international banking market.
- **g.** 1. The proportion of the largest 100 cash loan balances in the total cash loan portfolio of the Branch is 100% (December 31, 2009: 100%).
  - 2. The proportion of the largest 100 non-cash loan balances in the total non-cash loan portfolio of the Branch is 100% (December 31, 2009: 100%).
  - 3. The proportion of the cash and non-cash loan balances in the total assets and non-cash loans is 63% (December 31, 2009: 56%).
- **h.** The general provision amount provided for credit risk is TL1.273 thousand (December 31, 2009: TL810 thousand).

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

#### i. Distribution of the credit risk according to users and geographical regions:

	Loans granted to real persons and corporate entities		Loans gr Banks ar financial Ir	nd other	Marketable S	Securities (1)	Other Loans (2)		Off Balance Sheet (2)	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Loans concentration according to the type of borrowers				# 11111 # 1111 # 1111 # 111 # 1111 # 1111 # 1111 # 1111 # 1111 # 1111 # 1111 # 1111 # 1111 # ITIN # ITI	***************************************	***************************************				
Private Sector	9.030	8.849	16.938	-	51.225	-	-	-	72.682	19.577
Public Sector	-	-		-	103.659	30.167	_	-	-	-
Banks	-	-	1.093.285	217.940	_	-	355.035	97.316	32.485	52.944
Individual										
Customers	158	161	-	-	-	-		_	597	495
Share certificates	-	-	-	-	-	-	-	-	-	-
Total	9.188	9.010	1.110.223	217.940	154.884	30.167	355.035	97.316	105.764	73.016
Information according to geographical concentration										
Domestic	9.188	9.010	-	-	133.883	30.167	196.827	75.707	73.452	38.723
European Union Countries	-	-	-	-	-	_	2.918	16.674	-	-
OECD Countries	-1	_	-	-	-	_	3.017	1.362	-	-
Off-shore banking regions	-	_	-	-	-	-	-	-	-	-
USA, Canada								-		
Other Countries	-	-	1.110.223	217.940	21.001	-	152.273	3.573	32.312	34.293
Total	9.188	9.010	1.110.223	217.940	154.884	30.167	355.035	97.316	105.764	73.016

<sup>(1)</sup> Consists of available-for-sale financial assets.

#### j. Information according to geographical concentration:

	Assets	Liabilities	Non-cash loans	Capital Expenditures	Net profit
December 31, 2010	Assets	Liabilities	11011-Cash Ioans	Expenditures	rect pront
Domestic	511.835	147.656	73.290	-	26.378
European Union Countries	2.918	-	-	-	-
OECD Countries (1)	3.017	815	-	_	-
Off-shore Banking Regions	-	-	_	_	-
USA, Canada	-	-	-	-	-
Other Countries	1.316.882	1.686.181	32.312	_i	-
Associates, Subsidiaries and Joint ventures	-	-	-	_	-
Unallocated Assets/liabilities (2)	-	_	_	-	-
Total	1.834.652	1.834.652	105.602	_	26.378
December 31, 2009					
Domestic	155.460	22.528	18.219	398	18.276
European Union Countries	16.674	_	_	-	-
OECD Countries (1)	1.362	-	-	-	-
Off-shore Banking Regions	_	_	-	_	-
USA, Canada	-	-	-	-	-
Other Countries	221.513	298.834	17.151	-	-
Associates, Subsidiaries and Joint ventures	-	_	-	-	-
Unallocated Assets/liabilities (2)	-	_	_	4	-
Total	395.009	321.362	35.370	398	18.276

OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Transactions defined as loans according to the article number 48 of the law number 5411 other than those on the first three columns of the UCA.

OECD Countries other than EU countries, USA and Canada

<sup>(2)</sup> Unallocated assets/liabilities which could not be distributed according to a consistant principle

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

#### k. Information on amounts that are exposed to credit risk:

	December 31, 2010	<b>December 31, 2009</b>
Balance sheet items that are exposed to credit risk:		
Bank placements	355.035	97.316
Loans and advances to customers	1.119.411	226.950
-Corporate	1.119.253	226.789
-Consumer	158	161
Trading Securities	-	-
-Public Securities	-	-
-Share certificates	-	_
-Other marketable securities	-	_
-Derivative financial instruments	-	-
Investment Securities	154.884	30.167
-Public Debt Securuties	103.659	30.167
-Share certificates	-	-
-Other marketable securities	51.225	-
Receivables from financial leasing	-	-
Other assets	257	125
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	105.589	35.319
Loan commitments and other credit related liabilities	13	51

#### l. Loans and other receivables past due:

December 31, 2010	Corporate Loans	Consumer Loans	Total
Past due up to 30 days	-	_	-
Past due 30-60 days	-	-	-
Past due 60-90 days	-	-	-
Total	-	-	-

December 31, 2009	Corporate Loans	Consumer Loans	Total
Past due up to 30 days	107	6	113
Past due 30-60 days	144	2	146
Past due 60-90 days	-	-	-
Total	251	8	259

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

#### m. Debt securities, treasury bills and other eligible bills:

December 31, 2010  Moody's Credit Rating Model	Financial Assets At Fair Value Through Profit Or Loss (Net)	Available-for- sale Financial Assets (Net)	Held to Maturity Investments (Net)	Total
Aaa	_	-	-	_
Aa	-	-	-	_
A	-	-	-	-
Baa	-	-	_	_
Ba2 <sup>(1)</sup>	-	30.167	_	30.167
Total	_	30.167	_	30.167

<sup>(1)</sup> Securities consist of Republic of Turkey public bonds and treasury bills.

As of December 31, 2010 the Eurobond amounting to TL21.001 thousand was not rated and the bond amounting to TL30.224 thousand was rated by A- by JCR.

#### n. Sector concentrations for cash loans:

	December 31, 2010					December	31, 2009	
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-		_	-	-	-	-
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-[	-	-
Manufacturing	-	-	-	-	-	-	87.557	38,65
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-1	87.557	38,65
Electric, gas and water	-	-	-1	-	-	-1	-	_
Construction	-	-	5.170	0,47	-	-	-	-
Services	4.445	53,33	1.088.840	98,01	57	15,88	117.239	51,75
Wholesale and retail trade	-	-	-	-	57	15,88	49.127	21,68
Hotel, food and beverage services	_	_	_	_	_	_	_	_
Transportation and telecommunication	_	_	_	_	_	_	_	_
Financial Institutions	4.445	53,33	1.088.840	98,01	-	-	68.112	30,07
Real estate and renting services	-	-	-1	-	-	-	-	
Self-employment services	-	-	-	-	-	-1	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-1	-	-	-	-	-
Other	3.890	46,67	16.937	1,52	302	84,12	21.750	9,60
Total	8.335	100,00	1.110.947	100,00	359	100,00	226.546	100,00

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### III. EXPLANATIONS ON MARKET RISK:

The Branch defines the market risk as the fluctuations in its portfolio value with the changes in the parameters such as market prices, interest rate, currency rates and prices of common stocks. The measurement of market risk is significant for the Branch.

The Branch considers currency risk and interest rate risk as the main components of market risk. The table below shows how the market risk as of December 31, 2010 and 2009 is calculated in accordance with the Section 3 of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio", published in the Official Gazette No.26333 dated November 1, 2006, namely "Calculation of Market Risk with Standard Method".

#### a. Information on Market Risk:

	December 31, 2010	December 31, 2009
(I) Capital to be Employed for General Market Risk - Standard Method	923	257
(II) Capital to be Employed for Specific Risk - Standard Method	4.098	-
(III) Capital to be Employed for Currency Risk - Standard Method	1.531	1.075
(IV) Capital to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital to be Employed for Settlement Risk - Standard Method	_	_
(VI) Capital to be Employed for Market Risk Due to Options - Standard Method	_	_
(VII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measuring Model		_
(VIII) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	6.552	1.332
(IX) Amount Subject to Market Risk 12,5xVIII) or (12,5xVII)	81.900	16.650

#### b. Market risk table of calculated market risk during the month ends:

	De	cember 31, 20	10	December 31, 2009			
	Average	Maximum	Minimum	Average	Maximum	Minimum	
Interest Rate Risk	2.188	5.021	300	187	257	151	
Share Certificates Risk	_	_	-	-	-	_	
Currency Risk	1.303	1.531	1.089	1.021	1.140	860	
Commodity Risk	-	_	-	-	-	_	
Settlement Risk	_	_	-	_	-	_	
Option risk	-	_	-	-	-	-	
<b>Total Amount Subject to Risk</b>	3.491	6.552	1.389	1.208	1.397	1.011	

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### IV. EXPLANATIONS ON OPERATIONAL RISK:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2009, 2008 and 2007 year-end gross income balances of the Bank, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" effective from June 1, 2007, published in the Official Gazette No. 26333 dated November 1, 2006, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2010, the total amount subject to operational risk is TL40.817 thousand (December 31, 2009: TL30.795 thousand) and the amount of the related capital requirement is TL3.265 thousand (December 31, 2009: TL2.464 thousand).

#### V. EXPLANATIONS ON CURRENCY RISK:

Since floating exchange rates have been implemented, the Branch monitors its net foreign currency position continuously. The Branch does not have derivatives or net foreign currency investments to hedge its currency risk.

The Branch is taking a position according to the foreign currency basket of the CBRT to avoid foreign exchange risk. Foreign currency asset and liability management on price, liquidity and credit risks are performed in order to carry on profitability in the framework of the Branch's targeted risk and return profile. Measurable and manageable risks are taken on the basis of the prudential ratios.

The Branch's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

<u>USD</u>	<u>Euro</u>	<u>100 JPY</u>
TL1,5376	TL2,0551	TL1,8872
TL1,5460	TL2,0491	TL1,8933
TL1,5567	TL2,0437	TL1,8912
TL1,5416	TL2,0406	TL1,8731
TL1,5403	TL2,0260	TL1,8567
TL1,5392	TL2,0204	TL1,8529
	TL1,5376 TL1,5460 TL1,5567 TL1,5416 TL1,5403	TL1,5376       TL2,0551         TL1,5460       TL2,0491         TL1,5567       TL2,0437         TL1,5416       TL2,0406         TL1,5403       TL2,0260

The simple arithmetical averages of the Branch's foreign exchange bid rates for the last thirty days are:

USD: TL1,5123 Euro: TL1,9995 100 Japanese Yen: TL1,8116

#### Sensitivity for currency risk:

The sensitivity of the Branch for a possible change in exchange rates has been analized. In the table below, a 10% change in USD, Euro and Japanese Yen has been projected.

	Change in Exchange Rates	Impact on Pro	Impact on Profit / Loss (1)			
		December 31, 2010	December 31, 2009			
USD	10% increase	201	293			
	10% decrease	(201)	(293)			
Euro	10% increase	1.316	703			
	10% decrease	(1.316)	(703)			
Yen	10% increase	(19)	16			
	10% decrease	19	(16)			

<sup>(1)</sup> Before tax amounts have been presented.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### V. EXPLANATIONS ON CURRENCY RISK (Continued)

#### Information on the Branch's currency risk:

	Euro	USD	Yen	Other FC	Total
December 31, 2010					
Assets				i	
Cash (Cash in Vault, Effectives, Cash in Transit,		-			
Cheques Purchased) and Balances with the Central					
Bank of the Republic of Turkey	140.842	10.243	_	-	151.085
Banks	137.299	87.601	923	10.193	236.016
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Interbank Money Market Placements	-	-[	-[	-	-
Available-for-Sale Financial Assets	21.001				21.001
Loans and Receivables	538.664	-	10.038	565.711	1.114.413
Investments in Associates, Subsidiaries and Joint					
Ventures	-	-	-	-	-
Held to Maturity Securities	-	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	-	_	-	_	_
Intangible Assets	-	-	-	-	_
Other Assets	21	-[	-[	-	21
Total Assets	837.827	97.844	10.961	575.904	1.522.536
Liabilities					
Bank Deposits	173.280	16.461	1.094	15.456	206.291
Foreign Currency Deposits	63.883	2.379	1	619	66.882
Funds from Interbank Money Market	-	-	-	-	-
Borrowings	41.548	-1	-	-	41.548
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	530.611	76.971	10.051	555.699	1.173.332
Hedging Derivative Financial Liabilities	-	-1	- [	-	-
Other Liabilities	15.348	21		157	15.526
Total Liabilities	824.670	95.832	11.146	571.931	1.503.579
Net On-Balance Sheet Position	13.157	2.012	(185)	3.973	18.957
Net Off Balance Sheet Position	-	-	-	-	_
Financial Derivative Assets	-	- 1	-	-	-
Financial Derivative Liabilities	-	-!"	-	-[	-
Non-Cash Loans	104.039	491	-	-	104.530
December 31, 2009					
Total Assets	237.647	16.405	1.731	74.171	329.954
Total Liabilities	230.613	13.479	1.570	70.849	316.511
Net On-Balance Sheet Position	7.034	2.926	161	3.322	13.443
Net Off Balance Sheet Position	-	-	-	_	_
Financial Derivative Assets	-	-1	- [	-	-
Financial Derivative Liabilities	-	-1	-	-	-
Non-Cash Loans	34.347	701	-	_[	35.048

The table above summarizes the Branch's exposure to foreign currency exchange rate risk, categorised by currency. Foreign currency indexed assets, classified as Turkish lira assets according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of net foreign currency position. Therefore, as of December 31, 2010, foreign currency indexed loans amounting to TL3.466 thousand (December 31, 2009: TL162 thousand) that is recorded on the TL column in the balance sheet has not been included in the table above. Besides, general loan loss provision amounting to TL1.175 thousand (December 31, 2009: TL782 thousand) has also not been included in the table above.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### VI. EXPLANATIONS ON INTEREST RATE RISK

"Interest rate risk" is defined as the impact of interest rate changes on interest-sensitive assets and liabilities of the Branch.

The Branch evaluates interest rate in two dimensions. This is maturity risk originating from the differences of maturity structures and repricing risk originating from the fluctuations of net interest margin. Interest rate risk is managed using natural hedges that arise from offsetting interest rate sensitive assets with interest rate sensitive liabilities.

#### Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

- I						Non	
	Up to 1	1 – 3	3 – 12	1– 5	Over 5	Interest	
December 31, 2010	Month	Months	Months	years	years	Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank							
of the Republic of Turkey	10.485	-	_	-	-	151.222	161.707
Banks	117.439	2.004	- [	-	-	235.592	355.035
Financial Assets at Fair Value Through Profit or Loss	-	-	-	_	-	-	_
Interbank Money Market Placements	34.001	- 1	-	-	-	-	34.001
Available-for-Sale Financial Assets	_	53.011	69.801	32.072	-	-	154.884
Loans and Receivables	28.443	84.907	988.880	17.052	-	129	1.119.411
Held to Maturity Securities	-	-	-	-	-	-	_
Other Assets (1)	102	-	114	-	-	9.398	9.614
Total Assets	190.470	139.922	1.058.795	49.124	-	396.341	1.834.652
Liabilities							
Bank Deposits	1.001	100.435	-	-	-	291.359	392.795
Other Deposits	2.065	6.912	1.925	-	-	59.012	69.914
Funds From Interbank Money Market	-	-	-	_	-	_	<u>-</u>
Sundry Creditors	20.647	58.095	972.990	-	_	155.712	1.207.444
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other							
Financial Institutions	20.726	_	20.822	-	-	_	41.548
Other Liabilities (2)	16.010	3.760	-	41	-	103.140	122.951
Total Liabilities	60.449	169.202	995.737	41	_	609.223	1.834.652
Balance Sheet Long Position	130.021		63.058	49.083			242.162
Balance Sheet Short Position	130.021	(29.280)	03.038	42.003		(212.882)	(242.162)
Off-Balance Sheet Long Position	-	(43.400)	-	-	-	(212.002)	(242.102)
Off-Balance Sheet Short Position	-		-	-	-	-	-
Total Position	130.021	(29.280)	63.058	49.083		(212.882)	-
I Utai I USHUUII	130.021	(49.400)	05.030	47.003	-	(212.002)	

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

	Up to 1	1-3	3 – 12	1-5	Over 5	Non Interest	
December 31, 2009	Month	Months	Months	years	years	Bearing	Total
Assets			<u> </u>				
Cash (Cash in Vault, Effectives, Cash							
in Transit, Cheques Purchased) and							
Balances with the Central Bank of the	40					20.022	20.055
Republic of Turkey	42	-	-	-	-	30.933	30.975
Banks and Other Financial							
Institutions	40.596	-	-	-	-	56.720	97.316
Financial Assets at Fair Value							
Through Profit or Loss (Net)		-		-	-	-	-
Interbank Money Market Placements	- [	- [	- [	-	-	- [	-
Available-for-Sale Financial Assets							
(Net)	1.397	2.964	9.660	16.146	-	_	30.167
Loans and Receivables	21.349	31.067	174.381	108	-	45	226.950
Held to Maturity Securities (Net)	-	-	-	-	-	-	-
Other Assets (1)	- [	-	-[	-	-	9.601	9.601
Total Assets	63.384	34.031	184.041	16.254	-	97.299	395.009
Liabilities							
Bank Deposits	-	-	-	-	-	85.536	85.536
Other Deposits	4.392	6.456	1.384	-	-	27.041	39.273
Funds from Interbank Money Market	-	-	-[	-	-	_	-
Sundry Creditors	27.819	36.173	92.494	7.814	_	1.286	165.586
Marketable Securities Issued	_	-	-[	-	_	_[	-
Funds Borrowed From Other							
Financial Institutions	_	-	21.755	_	-	_	21.755
Other Liabilities (2)	5.245		-	- 1	-	77.614	82.859
Total Liabilities	37.456	42.629	115.633	7.814	-	191.477	395.009
Balance Sheet Long Position	25.928	-	68.408	8.440	-	-	102.776
Balance Sheet Short Position	-	(8.598)	-[	-	-	(94.178)	(102.776)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	25.928	(8.598)	68.408	8.440	-	(94.178)	-

<sup>(1) &</sup>quot;Other Assets" line includes Deferred Tax Assets, Tangible Assets, Assets Held for Resale and Other Assets.

#### Sensitivity for interest rates

	December 31, 2010	December 31, 2009
Change in interest rates		
(+) 1%	(850)	(172)
(-) 1%	866	173

The table above presents the possible effects of a change in interest rates by (+) 1% ve (-) 1% on current year profit and loss as of December 31, 2010 and 2009.

<sup>(2)</sup> Shareholders' equity is presented under "Other liabilities" item in the "Non interest bearing" column.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Effective average interest rates for monetary financial instruments:

Interest rates in the below tables are the weighted average rates of the related balance sheet items.

December 31, 2010	Euro	USD	Yen	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques	ĺ			
Purchased) and Balances with the Central Bank of the Republic				
of Turkey	-	-		5,00
Banks	0,75	2,05	-	6,45
Financial Assets at Fair Value Through Profit / Loss	_	_	_	-
Interbank Money Market Placements	-	_	-	1,50
Available-for-Sale Financial Assets	8,16	-	-	7,95
Loans and Receivables	5,82	-	2,59	9,84
Held to Maturity Securities	_	-	-	_
Liabilities				
Bank Deposits	-	-	-	6,30
Other Deposits	3,29	2,58		7,50
Funds From Interbank Money Market	-	-	-	_
Sundry Creditors	3,05	-	2,62	7,62
Marketable Securities Issued	-	-	_	-
Funds Borrowed From Other Financial Institutions	2,09	-	_	_

December 31, 2009	Euro	USD	Yen	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques				
Purchased) and Balances with the Central Bank of the				
Republic of Turkey	-	-	-	5,37
Banks	1,02	1,20	-	7,38
Financial Assets at Fair Value Through Profit / Loss	_	_	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	12,71
Loans and Receivables	6,78	8,17	3,00	9,98
Held to Maturity Securities	-	-	-	_
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	3,22	2,56	-	8,52
Funds From Interbank Money Market	-	-	-	-
Sundry Creditors	4,29	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,64	-	-	-

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### VII. EXPLANATIONS ON LIQUIDITY RISK:

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The Branch balances the maturities of the related assets and liabilities, keeps the mismatch of maturities under control. Major objective of the Branch's asset and liability management is to ensure that sufficient liquidity is available to meet the Branch's commitments to customers and to satisfy the Branch's own liquidity needs.

The most important funding resources of the Branch for long-term and short-term liquidity needs are the Tehran Headquarters and other banks.

#### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3 – 12 Months	1 – 5 years	Over 5 years	Unclassified	Total
December 31, 2010					-	-		
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey		104.456	111111111111111111111111111111111111111	1		_		161.707
Banks	304.859		2.004	_	_		_	355.035
Financial Assets at Fair Value Through Profit or Loss	-	-	2.001		-	-	_	_
Interbank Money Market Placements	-	34.001	-	-	-		-	34.001
Available-for-sale Financial Assets Loans and Receivables	_	28.443	36.172 84.907	65.637 988.880	53.075 17.052		120	154.884 1.119.411
Held-to-maturity Securities		20.443	04.707	766.660	17.032		12)	1.11/.711
Other Assets (1)		102		114	_		9.398	9.614
Total Assets	362.110		123.083	1.054.631	70.127			1.834.652
Liabilities								
Bank Deposits	291.359	1.001	100.435	-	-		-	392.795
Other Deposits	59.012	2.065	6.912	1.925	-	-	-	69.914
Funds Borrowed From Other Financial Institutions	-	20.726	-	20.822	-	-	-	41.548
Funds From Interbank Money Market	_	_	_	_	-		-	
Marketable Securities Issued	-	-		-	-	•	-	
Sundry Creditors	155.712			972.990	-	-	100110	1.207.444
Other Liabilities (2)	<b>-</b>	16.010			41		103.140	
Total Liabilities	506.083	60.449	169.202	995.737	41	-	103.140	1.834.652
Net Liquidity Gap	(143.973)	154.725	(46.119)	(58.894)	70.086	-	(93.613)	-
December 31, 2009								
Total Assets	77.877			184.124	16.254		9.107	395.009
Total Liabilities	115.343			115.633	7.814		73.647	395.009
Net Liquidity Gap	(37.466)	35.891	(10.816)	68.491	8.440	-	(64.540)	-

Assets that are necessary for banking activities and that can not be liquidated in the short-term, such as tangible assets, investments, subsidiaries, stationary, pre-paid expenses and non-performing loans, are classified in this column.

<sup>(2)</sup> Shareholders' Equity is presented under the "Other Liabilities" item in the "Unallocated" column.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

#### VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

#### Breakdown of financial liabilities according to their remaining contractual maturities:

December 31, 2010	Demand and Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total
Liabilities						
Deposit	350.724	108.519	1.952	-	-	461.195
Funds Borrowed From Other						
Financial Institutions	20.749	-	21.017	-	-	41.766
Sundry Creditors (1)	20.668	58.416	999.272	-	-	1.078.356
Total	392.141	166.935	1.022.241	-	-	1.581.317

December 31, 2009	Demand and Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total
Liabilities						
Deposit	116.974	6.486	1.404	-	-	124.864
Funds Borrowed From Other						
Financial Institutions	-	-	22.001	-	-	22.001
Sundry Creditors (1)	29.155	36.380	103.083	- [	-	168.618
Total	146.129	42.866	126.488	-	-	315.484

<sup>(1)</sup> Sundry Creditors include cash guarantees amounting to TL1.051.725 thousand (December 31, 2009:TL167.333 thousand) that have been obtained from Bank Mellat Iran Head Office in return for granting loans.

### VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

The expected fair value of the demand deposits represents the amount to be paid upon request. The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Branch. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Carrying	Value	Fair Value	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Financial Assets	1.629.330	354.433	1.650.902	364.333
Banks	355.035	97.316	355.112	97.320
Available-for-sale Financial Assets	154.884	30.167	154.884	30.167
Loans and Receivables	1.119.411	226.950	1.140.906	236.846
Financial Liabilities	1.711.701	312.150	1.711.992	314.432
Bank Deposits	462.709	124.809	462.216	125.060
Funds Borrowed From Other Financial				
Institutions	41.548	21.755	41.598	22.807
Sundry Creditors	1.207.444	165.586	1.208.178	166.565

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

## VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued)

TFRS 7, "Financial Instruments: Disclosures", requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

December 31, 2010	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss) (Net)				-
Public Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	-	-	_
Available-for-Sale Financial Assets (Net)	154.884			154.884
Public Debt Securities	103.659			103.659
Other Marketable Securities(1)	51.225			51.225
Total Assets	154.884			154.884
Trading Derivative Financial Liabilities	-	-	-	_
Hedging Derivative Financial Liabilities	_	_	_	_
Total Liabilities	-	-	-	-

## IX. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES AND FIDUCIARY ASSETS

The Bank does not perform buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

#### **SECTION FIVE**

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS:

- a. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT):
  - 1. Information related to cash and the account of CBRT:

	December 31	, 2010	December 31,	2009
	TL	FC	TL	FC
Cash	134	7.395	24	400
The CBRT	10.488	143.690	54	30.497
Other	-	-	-	_
Total	10.622	151.085	78	30.897

#### 2. Information related to the account of the CBRT:

	December	r 31, 2010	December	31, 2009
	TL	FC	TL	FC
Demand Unrestricted Account (1)	2	-	12	-
Time Unrestricted Account	-	-	-	-
Time Restricted Account	10.486	39.234	42	10.201
Reserve Requirement	-	104.456	-	20.296
Total	10.488	143.690	54	30.497

The TL reserve requirement booked as average has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA as of January 3, 2008.

#### 3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements" numbered 2005/1and "Change in Communiqué Regarding the Reserve Requirements" numbered 2008/7 published in the Official Gazette numbered 27075 dated December 5, 2008, the banks operating in Turkey are supposed to place reserves in the CBRT for their TL liabilities by (6%) and for their foreign currency liabilities by (11%) as USD and/or EUR. As of December 31, 2010 the interest rate on reserves held with CBRT is 5,0% for TL, no interest is recognized on foreign currency reserve requirements.

#### b. Information on financial assets at fair value through profit or loss:

As of December 31, 2010, the Branch does not have any financial assets at fair value through profit or loss (December 31, 2009: None).

#### c. Information on banks:

#### 1. Information on banks:

	December 31, 2010		December 31, 2009	
-	TL	FC	TL	FC
Banks				
Domestic	119.019	43.964	24.988	50.719
Foreign	-	5.918	-	16.674
Head Quarters and Branches Abroad	-	186.134	-	4.935
Other Financial Institutions	-	-	-	-
Total	119.019	236.016	24.988	72.328

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### c. Information on banks (Continued):

#### 2. Information on foreign banks account:

	Unrestricte	d Amount	Restricted Amount		
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	
EU Countries	5.918	16.674	-	_	
USA, Canada	_	-	-	-	
OECD Countries (1)	-	-	-	-	
Off-Shore Banking Regions	-	-	-	-	
Other	-	-	-	-	
Total	5.918	16.674	-	_	

<sup>(1)</sup> OECD countries except EU countries, USA and Canada.

#### d. Information on available-for-sale financial assets, net:

- 1. As of December 31, 2010 there are no available for-sale-financial assets subject to repo transactions (December 31, 2009: None).
- 2. As of December 31, 2010 there are no available-for-sale financial assets given as collateral/blocked amount (December 31, 2009: None).
- 3. Information on available-for-sale financial assets:

	Docombon 21, 2010	December 31, 2009
	December 31, 2010	December 31, 2009
Debt Securities	154.884	30.167
Quoted on Stock Exchange	103.659	30.167
Not Quoted	51.225	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	154.884	30.167

#### e. Information on loans:

1. Information on all types of loans and advances given to shareholders and employees of the Branch:

	December 31, 2010		December 31, 2009	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Branch's Shareholders	_	_	_	
Corporate Shareholders	-	-	-	
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Branch's				
Shareholders	-	-	_	-
Loans Granted to Branch's Employees	146	65	134	3(
Total	146	65	134	30

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

- e. Information on loans (Continued):
  - 2. Information on the first and second group loans, other receivables and loans that have been restructured or rescheduled and other receivables:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled	
Non Specialised Loans	1.119.282	-	-	-	
Discount and Purchase Notes	376.781	_	_	-	
Export Loans	5.170	_	_	-	
Import Loans	-	-	_	-	
Loans Granted to Financial					
Sector	716.504	-	-	-	
Foreign Loans	16.938	-	-	-	
Consumer loans	158	_	-	-	
Credit cards	-	_		-	
Precious Metal Loans	-	-	-	-	
Other	3.731	_		-	
Specialised Loans	-	-		-	
Other Receivables	-	-		-	
Total	1.119.282	-	-	-	

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Short-term Loans and Other				
Receivables	1.102.344	-	-	-
Non-specialised Loans	1.102.344	-	-	
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term				
Loans and Other Receivables	16.938	-	_	-
Non-specialised Loans	16.938	-	-	-
Specialised Loans	-	_		-
Other Receivables	-	-	-	-

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

- e. Information on loans (Continued):
  - 4. Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards:

		Long and medium	
	Short-term	term	Total
Consumer Loans - TL	12		12
Housing loans		-	
Automotive loans			_
Consumer loans			-
Other	12	-	12
Consumer Loans - FC indexed		_	
Housing loans		_	_
Automotive loans		-	_
Consumer loans			_
Other		_	_
Consumer Loans - FC		_	<u>.</u>
Housing loans		-	_
Automotive loans		-	_
Consumer loans	_	-	_
Other		-	
Consumer Credit Cards – TL		_	_
With installment		_	
Without installment		_	
Consumer Credit Cards – FC			
With installment			
Without installment			
Personnel Loans - TL		146	146
Housing loans			170
Automotive loans			
Consumer loans		3	3
Other		143	
Personnel Loans – FC indexed			143
Housing loans			
Automotive loans			
Consumer loans			
Other			
Personnel Loans-FC			
Housing loans			
Automotive loans			
Consumer loans			
Other	-		-
Personnel Credit Cards – TL			
With installment	-		-
Without installment	-	-	-
Personnel Credit Cards – FC	-	-	-
With installment		-	-
	-	-	-
Without installment Overdreft TL (Poel Person)	-	-	-
Overdraft-TL (Real Person)	-	-	-
Overdraft-FC (Real Person)	10		1 50
Total Consumer Loans	12	146	158

#### BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ

#### NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### e. Information on loans (Continued):

5. (i) Information on loans by types and specific provisions:

December 31, 2010	Corporate Loans	Consumer Loans	Total
Standart loans	1.119.124	158	1.119.282
Non-Performing loans	172	-	172
Specific Provisions (-)	(43)	-	(43)
Total	1.119.253	158	1.119.411

December 31, 2009	Corporate Loans	Consumer Loans	Total
Standart loans	226.744	161	226.905
Non-Performing loans	60	-	60
Specific Provisions (-)	(15)	-	(15)
Total	226.789	161	226.950

(ii) Fair value of collaterals (Loans and advances given to customers):

December 31, 2010	Corporate Loans	Consumer Loans	Total
Watch listed	-	-	-
Non-Performing loans	250	-	250
Total	250	-	250

December 31, 2009	Corporate Loans	Consumer Loans	Total
Watch listed	88	-	88
Non-Performing loans	74	-	74
Total	162	-	162

6. Information on commercial installment loans and corporate credit cards:

The Branch has no commercial installment loans and corporate credit cards.

7. Loans according to type of borrowers:

	December 31, 2010	December 31, 2009
Public	-	-
Private	1.119.282	226.905
Total	1.119.282	226.905

8. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers.

	December 31, 2010	December 31, 2009
Domestic Loans	385.840	8.965
Foreign Loans	733.442	217.940
Total	1.119.282	226.905

9. Loans granted to investments in associates and subsidiaries:

As of December 31, 2010 there are no loans granted to investments in associates and subsidiaries (December 31, 2009: None).

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### e. Information on loans (Continued):

10.(i) Specific provisions provided against loans:

	December 31, 2010	December 31, 2009
Loans and other receivables with limited collectibility	-	-
Loans and other receivables with doubtful collectibility	_	_
Uncollectible loans and other receivables	(43)	(15)
Total	(43)	(15)

#### (ii) Provisions related to loans:

	Corporate Loans
January 1, 2010	15
Allowance for impairment	28
Amount recovered during the period	-
Loans written off during the period as uncollectible	_
Exchange differences	-
December 31, 2010	43

	Corporate Loans
January 1, 2009	20
Allowance for impairment	-
Amount recovered during the period	(5)
Loans written off during the period as uncollectible	-
Exchange differences	-
December 31, 2009	15

- 11. Information on non-performing loans (Net):
- 11(i) Information on loans and other receivables rescheduled or restructured from non-performing loans:

The Branch has no loans and other receivables rescheduled or restructured from non-performing loans.

11(ii) Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
December 31, 2009	-	_	60
Additions (+)	108	112	112
Transfers from other categories of non-performing loans (+)		-	-
Transfers to other categories of non-performing loans (-)	(108)	(112)	-
Collections (-)	-	-	-
Write-offs (-)	_	_	-
Corporate and commercial loans	_	-	-
Consumer loans	-	-	-
Credit cards	_	-	-
Others	-	-	-
December 31, 2010	-	-	172
Specific provisions (-)	-		(43)
Net Balance on Balance Sheet	-	-	129

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### e. Information on loans (Continued):

- 11. Information on non-performing loans (Net) (Continued):
- 11(iii) Information on non-performing loans granted as foreign currency loans:

The Branch has no foreign currency loans and other receivables in non-performing loans.

11(iv) Information on non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited	Loans and Other Receivables with Doubtful	Uncollectible Loans and Other Receivables
December 31, 2010 (Net)	-	-	129
Loans to real and legal persons (Gross)	-	-	172
Specific provisions (-)	-	-	(43)
Loans to real and legal persons (Net)	-	-	129
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	_	_
Specific provisions (-)	-	-	_
Other loans and receivables (Net)	-	-	_
<b>December 31, 2009 (Net)</b>	-	-	45
Loans to real and legal persons (Gross)	-	-	60
Specific provisions (-)	-	-	(15)
Loans to real and legal persons (Net)	-	-	45
Banks (Gross)	-	-	_
Specific provisions (-)	-	-	_
Banks (Net)	-	-	_
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

#### 12. The policy followed for the collection of uncollectible loans and other receivables:

Uncollectible loans and other receivables are aimed to be liquidated through the collection of collaterals and legal procedures. The policy of the Branch regarding the writing-off the non – performing loans is as writing-off the ones that is proved as uncollectible.

#### f. Information on held-to-maturity securities:

As of December 31, 2010 and December 31, 2009, the Branch has no held-to-maturity securities.

#### g. Information on investments in associates (Net):

As of December 31, 2010 and December 31, 2009, the Branch has no investments in associates.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### h. Information on subsidiaries (Net):

As of December 31, 2010 and December 31, 2009, the Branch has no subsidiaries.

#### i. Information on joint ventures:

As of December 31, 2010 and December 31, 2009, the Branch has no joint ventures.

#### j. Information on finance lease receivables (Net):

As of December 31, 2010 and December 31, 2009, the Branch has no finance lease receivables.

#### k. Explanations on hedging derivative instruments:

As of December 31, 2010 and December 31, 2009, the Branch has no hedging derivative instruments.

#### l. Explanations on property and equipment:

			Other Tangible	
	Immovables	Vehicles	Fixed Assets	Total
December 31, 2009				
Cost	10.529	315	374	11.218
Accumulated depreciation	(1.973)	(42)	(177)	(2.192)
Net book value	8.556	273	197	9.026
December 31, 2010				
Net book value at beginning of the				
period	8.556	273	197	9.026
Additions	4	-	196	200
Disposals, net	-	(4)	(7)	(11)
Depreciation	(162)	(62)	(85)	(309)
Closing net book value	8.398	207	300	8.905
Cost at period end	10.533	311	533	11.377
Accumulated depreciation at period end	(2.135)	(104)	(233)	(2.472)
Closing net book value	8.398	207	300	8.905

#### m. Explanations on intangible assets:

As of December 31, 2010 and December 31, 2009, the Branch has no intangible assets.

#### n. Explanations on investment property:

As of December 31, 2010 and December 31, 2009, the Branch has no investment immovables.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

#### o. Explanations on deferred tax asset:

The Branch has no fiscal loss that can be deducted from current tax liability. Assets and liabilities, which are calculated over the temporary differences arising between applied accounting policies and valuation principles and tax legislation are accounted as TL427 thousand (December 31, 2009: TL425 thousand) on net basis to deferred tax assets.

	December 31, 2010		December	r 31, 2009
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Property, equipment and intangibles,				
net	1.433	287	1.453	291
Reserves for employment termination				
benefit	529	106	470	94
Court case provision	171	34	200	40
Total deferred tax asset	-	427	-	425
Total deferred tax liability	-	-	-	-
Deferred Tax Asset, net	-	427	-	425

#### p. Explanations on assets held for resale:

As of December 31, 2010, the net book value of assets held for resale is TL25 thousand (December 31, 2009: TL25 thousand).

#### r. Explanations on other assets:

Other assets amount to TL257 thousand (December 31, 2009: TL125 thousand) and do not exceed 10% of the total balance sheet, excluding off-balance sheet commitments.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES:

#### a. Information on deposits

1. Information on maturity structure of the deposits:

There are no deposits with seven days notification and accumulative deposits.

#### (i) December 31, 2010:

		Up to 1		3 – 6	6 month – 1	1 year and	
	Demand	Month	1 – 3 Months	Months	year	over	Total
Saving Deposits	270	80	2	3	10	-	365
Foreign Currency Deposits	56.078	1.355	1.664	1.113	6.671	-	66.881
Residents in Turkey	20.055	400	683	361	203	-	21.702
Residents Abroad	36.023	955	981	752	6.468	-	45.179
Public Sector Deposits	_	-	_	-	_	-	-
Commercial Deposits	2.489	3	-	-	_	-	2.492
Other Institutions Deposits	175	-	_	-	_	-	175
Gold Vault	_	-	_	-	_	_	-
Bank Deposits	291.370	1.001	100.425	-	_	-	392.796
The CBRT	_	-	-	-	_	-	-
Domestic Banks	10	_	_	-	_	-	10
Foreign Banks	291.351	1.001	100.425	-	-	-	392.777
Special Finance Institutions	9	-	_	-	_	_	9
Other	-	-	-	-	_	-	-
Total	350.382	2.439	102.091	1.116	6.681	-	462.709

#### (ii) December 31, 2009:

		Up to 1		3 – 6	6 month –	1 year and	
	Demand	Month	1 – 3 Months	Months	1 year	over	Total
Saving Deposits	36	146	-	2	10	-	194
Foreign Currency Deposits	26.802	3.514	1.288	931	6.341	-	38.876
Residents in Turkey	11.421	438	760	196	206	-	13.021
Residents Abroad	15.381	3.076	528	735	6.135	-	25.855
Public Sector Deposits	-	-	-	_	_	-	-
Commercial Deposits	187	-	-	_	-	-	187
Other Institutions Deposits	16	-	-	-	-	-	16
Gold Vault	-	-	-	_	-	-	-
Bank Deposits	85.536	-	-	_	-	-	85.536
The CBRT	_	-	-	_	-	_	-
Domestic Banks	-	_	-	_	_	-	-
Foreign Banks	85.249	-	-	_	-	-	85.249
Special Finance Institutions	287	-	_	_	-	-	287
Other	-	-	-	-	-	-	_
Total	112.577	3.660	1.288	933	6.351	_	124.809

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

#### a. Information on deposits

- 2. Information on saving deposits insurance:
  - (i) Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund:

	Under the Guarantee of Deposit Insurance				
	December 31, 2010	December31, 2009	December 31, 2010	December 31, 2009	
Saving Deposits	203	173	163	21	
Foreign Currency Saving Deposits	2.672	2.679	3.063	2.359	
Other Deposits in the Form of Saving Deposits	-	-	-	_	
Foreign Branches' Deposits under Foreign					
Authorities' Insurance	-	-	-	-	
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance	-		<b>-</b>	-	

(ii) Saving deposits which are not under the guarantee of deposit insurance fund: None (December 31, 2009: None).

(iii) Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	December 31, 2010	December 31, 2009
Foreign Branches' Deposits and other accounts	-	_
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	_	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	241	169
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004		_
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

#### b. Information on trading derivative financial liabilities:

As of December 31, 2010 and December 31, 2009, the Branch has no trading derivative financial liabilities.

#### c. Information on borrowings:

1. Information on banks and other financial institutions:

	December 31,	2010	December 3	31, 2009
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	_	_	_	-
From Foreign Banks, Institutions and Funds	-	41.548	-	21.755
Total	-	41.548	-	21.755

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

## **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

#### c. Information on borrowings (Continued):

#### 2. Information on maturity structure of borrowings:

	December 31	, 2010	December 3	31, 2009
	TL	FC	TL	FC
Short-term	-	41.548	-	21.755
Medium and Long-term	-	-	-	_
Total	-	41.548	-	21.755

The funding sources of the Branch are deposits and borrowings. Major funding sources are loans borrowed from the Headquarters and other Iranian financial institutions. Besides, as of December 31, 2010, in return for granting loans, the Branch has received cash guarantees from Bank Mellat Iran Head Office amounting to TL1.051.725 thousand (December 31, 2009: TL164.300 thousand), which has been recorded under sundry creditors on the balance sheet.

#### d. Information on other liabilities:

Other liabilities amount to TL16.014 thousand (December 31, 2009: TL5.245 thousand) and do not exceed 10% of the total balance sheet.

#### e. Information on financial leasing agreements:

As of December 31, 2010 and December 31, 2009, the Branch has no financial lease payables.

#### f. Information on hedging derivative financial liabilities:

None (December 31, 2009: None).

#### g. Information on provisions:

#### 1. Information on general provisions:

	December 31, 2010	December 31, 2009
General Provisions		
Provisions for Group I Loans and Receivables	900	518
Provisions for Group II Loans and Receivables	-	3
Provisions for Non Cash Loans	198	135
Other	175	154
Total	1.273	810

#### 2. Information on reserve for employee rights:

The provision for employee rights has been calculated by estimating the present value of the future probable obligation of the Branch arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	December 31, 2010	December 31, 2009
Discount rate (%)	4,66	5,92
Rate for the Probability of Retirement (%)	96	98

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## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

#### g. Information on provisions (Continued):

2. Information on reserve for employee rights (Continued):

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2.623,23 (January 1, 2010: TL2.427,04) effective from January 1, 2011 has been taken into consideration in calculating the reserve for employment termination benefits

Movements in the reserve for employment termination benefits during the periods are as follows:

	December 31, 2010	December 31, 2009
Prior Period Ending Balance	372	237
Provisions Recognised During the Period	80	135
Paid During the Period	(57)	-
Balance at the End of the Period	395	372

In addition as of, the Branch has provided a provision for unused vacation rights amounting to TL134 thousand (December 31, 2009: TL98 thousand).

3. Information on Provisions Related with Foreign Currency Difference of Foreign Indexed Loans:

As of December 31, 2010, the Branch has no provision related to foreign currency difference of foreign indexed loans (December 31, 2009: None).

4. Specific provisions for non-cash loans that are non-funded and non-transformed into cash:

As of December 31, 2010, the Branch has no specific provision for non-cash loans (December 31, 2009: None).

- 5. Information on other provisions:
  - (i) Information on provisions for possible risks:

As of December 31, 2010 and December 31, 2009, the Branch has no provisions for possible risks.

(ii) Other provisions if they exceed 10% of total provisions:

In the second quarter of 2007 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. As of December 31, 2009 the Branch had prudently provided a provision amounting to TL200 thousand. Since some of the lawsuits has been resulted in 2010, the Branch has provided a provision amounting to TL171 thousand for remaning lawsuits. The remaining TL585 thousand provision is composed of the disciplinary punishment of Ministry of Finance. This provision is classified in the balance sheet under "Other Provisions".

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

### h. Information on tax payable:

- 1. Information on current tax payable:
  - (i) Information on taxes payable:

	<b>December 31, 2010</b>	December 31, 2009
Corporate Tax Payable	3.760	2.218
Taxation of Marketable Securities	180	104
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	130	32
Foreign Exchange Transaction Tax	-	_
Value Added Tax Payable	8	2
Other	101	69
Total	4.179	2.425

### (ii) Information on premium payables:

	<b>December 31,2010</b>	December 31, 2009
Social Security Premiums – Employee	27	23
Social Security Premiums – Employer	41	35
Bank Social Aid Pension Fund Premiums – Employee	-	-
Bank Social Aid Pension Fund Premiums – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	_
Unemployment Insurance – Employee	2	1
Unemployment Insurance – Employer	3	3
Other	-	-
Total	73	62

### 2. Information on deferred tax liability:

As of December 31, 2010 the Branch has no deferred tax liability (December 31, 2009: None).

# i. Information on liabilities for property and equipment held for sale and related to discontinued operations:

None (December 31, 2009: None).

### j. Explanations on subordinated loans:

The Branch has no subordinated loans as of December 31, 2010 and December 31, 2009.

### k. Information on shareholders' equity:

1. Presentation of paid-in capital:

Since the entity has the status of a branch, paid-in capital is not received in exchange for shares.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

### k. Information on shareholders' equity (Continued):

2. The amount of paid-in capital, explanation on whether the registered share capital system is used, if this system is used the amount of registered share capital:

Capital system	Paid-in capital	Ceiling
Registered Share Capital	53.655	53.655

3. Information on share capital increases and their sources; other information on increased capital shares in current period:

None (December 31, 2009: TL22.444 thousand).

4. Information on share capital increases from capital reserves in current period:

None (December 31, 2009: None).

5. Information on capital commitments, the general purpose and the estimated sources needed for these commitments until the end of the fiscal year and the subsequent interim period:

None (December 31, 2009: None).

6. Information on income, profitability and liquidity of the Group by taking into consideration prior period indicators and uncertainities and their possible effects on shareholders' equity:

There is no adverse change expected in the profitability and liquidty of the Branch.

7. Summarised information about privileges given to shares representing the capital:

None (December 31, 2009: None).

### l. Information on marketable securities value increase fund:

	December	31, 2010	December	31, 2009
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	_
Valuation Difference	517	-	415	_
Foreign Currency Difference	-	-	-	_
Total	517	-	415	<u> </u>

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS:

### a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of December 31, 2010, all commitments of the Branch are irrevocable. The Branch's commitments for cheques is TL162 thousand (December 31, 2009: TL208 thousand).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Branch has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	December 31, 2010	December 31, 2009
Bank acceptance loans	_	_
Letters of credit	28.066	16.404
Other guarantees	51	51
Total	28.117	16.455

### (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	December 31, 2010	<b>December 31, 2009</b>
Revocable letters of guarantee	43	58
Irrevocable letters of guarantee	5.956	1.188
Letters of guarantee given in advance	71.486	16.999
Guarantees given to customs	_	670
Other letters of guarantees		-
Total	77.485	18.915

### 3. (i). Total amount of non-cash loans:

	<b>December 31, 2010</b>	December 31, 2009
Non-cash Loans Given for the Purpose of Obtaining Cash Loans	-	-
With Original Maturity of 1 Year or Less Than 1 Year	-	-
With Original Maturity of More Than 1 Year	-	-
Other Non-cash Loans	105.602	35.370
Total	105.602	35.370

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

# III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS (Continued):

### a. Explanations on off-balance sheet commitments (Continued):

(ii) Information on sectoral risk concentrations of non-cash loans:

	December 31, 2010			December 31, 2009				
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural			_				_	-
Farming and Raising livestock.	-	-	-	-	-	-	-	_
Forestry	-	-	-	-	-	-	-	-
Fishing	_	-	-	-	-	-	-	_
Manufacturing	4	0,37	1.328	1,27	2	0,62	727	2,07
Mining	-	-	31	0,03	-	-	54	0,15
Production	4	0,37	1.297	1,24	2	0,62	673	1,92
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	550	0,53	1	0,31	574	1,64
Services	54	5,13	65.407	62,57	30	9,32	32.396	92,43
Wholesale and Retail Trade	-	-	65.209	62,38	-	-	16.908	48,24
Hotel, Food and Beverage	-	-	-	-	-	-	_	-
Transportation and								
Telecommunication	-	-	31	0,03	-	-	33	0,09
Financial Institutions	-	-	167	0,16	30	9,32	15.455	44,10
Real Estate and Leasing								
Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	_	-
Health and Social Services	54	5,13	-	-	-	-	-	-
Other	1.014	94,50	37.245	35,63	289	89,75	1.351	3,85
Total	1.072	100,00	104.530	100,00	322	100,00	35.048	100,00

(iii). Information on non-cash loans classified in Group I and Group II:

December 31, 2010	Group	Group II		
	TL	FC	TL	FC
Non- Cash Loans				•••••••••••••••••••••••••••••••••••••••
Letters of Guarantee	380	77.105	-	-
Bank Acceptances	-	-	-	_
Letters of Credit	641	27.425	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	_
Other Commitments and Contingencies	51	-	-	_
Total	1.072	104.530	-	-

December 31, 2009	Gro	up I	Group II	
	TL	FC	TL	FC
Non- Cash Loans				
Letters of Guarantee	271	18.644	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	16.404	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	51	-	-	-
Total	322	35.048	-	-

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

# III. EXPLANATIONS AND NOTES RELATED TO OFF BALANCE SHEET ACCOUNTS (Continued):

### a. Explanations on off-balance sheet commitments (Continued):

### (iv). Maturity distribution of non cash loans:

December 31,2010 (1)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	128	27.938	-	-	28.066
Letter of Guarantee	61.869	15.616	-	-	77.485
Other	51	-	_	_	51
Total	62.048	43.554	-	-	105.602

December 31, 2009 (1)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	56	16.348	_	-	16.404
Letter of Guarantee	941	17.941	33	-	18.915
Other	51	-	-	-	51
Total	1.048	34.289	33	-	35.370

<sup>(1)</sup> The distribution is based on the original maturities.

### b. Explanations on derivative financial instruments:

The Branch has no derivative financial instruments as of December 31, 2010 and December 31, 2009.

### c. Explanations on contingent liabilities and assets:

In the second quarter of 2007 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. As of December 31, 2009 the Branch had prudently provided a provision amounting to TL200 thousand. Since some of the lawsuits has been resulted in 2010, the Branch has provided a provision amounting to TL171 thousand for remaning lawsuits. This provision is classified in the balance sheet under "Other Provisions".

### d. Explanations on activities carried out on behalf and account of other parties:

The Branch does not carry out trading, custody and fund management services on behalf of others and on their account. As of December 31, 2010 and 2009 the Branch has no trust transactions.

# BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ NOTES AND DISCLOSURES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT:

### a. Information on interest income:

### 1. Information on interest income on loans:

	December	r 31, 2010	December	31, 2009
	TL	FC	TL	FC
Short-Term Loans	80	27.737	124	18.564
Medium and Long-Term Loans	6	1.109	6	-
Interest on Non-Performing loans	-	-	17	2
Premiums Received from the Resource Utilisation				,
Support Fund	-	-	-	-
Total	86	28.846	147	18.566

### 2. Information on interest income on banks:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
From the CBRT	43	-	3	-
From Domestic Banks	4.008	1.653	2.044	863
From Foreign Banks	-	19	-	152
Headquarters and Branches Abroad	-	-	-	-
Total	4.051	1.672	2.047	1.015

### 3. Information on interest income on marketable securities:

	December 31,	December 31, 2010		2009
	TL	FC	TL	FC
From Trading Financial Assets	-	-[	-	-
From Financial Assets at Fair Value Through Profit or				
Loss	-	-	-	-
From Available-for-Sale Financial Assets	4.740	1.231	3.773	_
From Held-to-Maturity Investments	-	-[	-	_
Total	4.740	1.231	3.773	-

### 4. Information on interest income received from investments in associates and subsidiaries:

The Branch has no interest income received from investments in associates and subsidiaries as of December 31, 2010 and December 31, 2009.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

### b. Information on interest expense:

1. Information on interest expense on borrowings:

	December 31,	December 31, 2010		2009
	TL	FC	TL	FC
Banks	205	15.387		8.650
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	_[	300	-	921
Headquarters and Branches Abroad	205	15.087	_	7.729
Other Institutions	-	_	_	-
Total	205	15.387	-	8.650

2. Information on interest expense given to investments in associates and subsidiaries:

The Branch has no interest expense given to investments in associates and subsidiaries as of December 31, 2010 and December 31, 2009.

3. Interest expense on Securities Issued:

The Branch has no interest expense given to securities issued as of December 31, 2010 and December 31, 2009.

4. Maturity structure of the interest expense on deposits:

There are no deposits with seven days notification and accumulative deposits.

		Time Deposit					
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year	Total
TL							
Bank Deposits	315	2.078	- [	- [	-	-	2.393
Saving Deposits	21	8	<b>-</b> Î	- 1	1	-	30
Public Sector Deposits	-	- [	- [	-	- 1	-	_
Commercial Deposit	-	-	-	-	-	-	_
Other Deposits	-	- [	-	-	- [	-	_
Total	336	2.086	- [	-	1	-	2.423
FC							
Foreign Currency							
Deposits	-	34	76	28	227	-	365
Bank Deposits	779	122	- [	- 1		-	901
Gold Vault							-
Total	779	156	76	28	227	-	1.266
Grand Total	1.115	2.242	76	28	228	-	3.689

### c. Explanations on dividend income:

None (December 31, 2009: None).

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

### IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

### d. Explanations on trading loss/income (Net):

	<b>December 31, 2010</b>	December 31, 2009
Income	6.001	4.029
Income from Capital Market Transactions	30	-
Derivative Financial Transactions	_	-
Other	30	-
Foreign Exchange Gains	5.971	4.029
Loss (-)	(1.915)	(1.912)
Loss from Capital Market Transactions	_	-
Derivative Financial Transactions	_	-
Other	_	-
Foreign Exchange Loss	(1.915)	(1.912)
Net Income / Loss	4.086	2.117

### e. Explanations on other operating income:

There are no extraordinary items included in other operating income.

### f. Provision expenses related to loans and other receivables of the Branch:

	December 31, 2010	December 31, 2009
Specific Provisions for Loans and Other Receivables	27	_
III. Group Loans and Receivables	-	-
IV. Group Loans and Receivables	-	-
V. Group Loans and Receivables	27	-
General Provision Expenses	552	72
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	8	-
Financial Assets at Fair Value Through Profit or Loss	_	_
Available-for-sale Financial Assets	8	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities		
Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	_
Held-to-maturity Securities	-	_
Other	-	-
Total	587	72

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### IV. EXPLANATIONS AND NOTES RELATED TO ON INCOME STATEMENT (Continued):

### g. Information related to other operating expenses:

	<b>December 31, 2010</b>	December 31, 2009
Personnel Expenses	3.959	3.105
Reserve for Employee Termination Benefits	80	135
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	309	278
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	-	-
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1.251	1.190
Operational Leasing Expenses	-	-
Maintenance Expenses	49	47
Advertisement Expenses	21	23
Other Expenses	1.181	1.120
Loss on Sales of Assets	-	-
Other	2.257	833
Total	7.856	5.541

### h. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to TL21.665 thousand (December 31, 2009: TL15.827 thousand), net fee and commission income amounting to TL15.162 thousand (December 31, 2009: TL9.846 thousand) and total other operating expense amounting TL7.856 thousand (December 31, 2009: TL5.541 thousand).

### i. Explanations on tax provision:

- As of December 31, 2010, the Branch has a current tax expense of TL6.830 thousand (December 31, 2009: TL4.448 thousand) and deferred tax income of TL131 thousand (December 31, 2009: TL146 thousand expense).
- 2. Explanations on deferred tax income or expense arising from the temporary differences occurred or closed:
  - The Branch calculated deferred tax income of TL154 thousand (December 31, 2009: deferred tax expense of TL73 thousand) due to the occurrence of temporary differences, deferred tax expense of TL23 thousand (December 31, 2009: deferred tax income of TL219 thousand) due to the closing of temporary differences with a net deferred tax income of TL131 thousand (December 31, 2009: TL146 thousand deferred tax expense).
- 3. Explanations on reflection of temporary difference, financial loss, diminution of tax and exceptions on income statement:
  - As of December 31, 2010, the Branch has TL131 thousand deferred tax income due to the occurrence of temporary differences (December 31, 2009:TL146 thousand expense).

### j. Explanations on net income/loss for the period:

To understand the Branch's current year performance, the characteristics of income or expense items arising from common banking transactions, and the dimension and recurrence of these transactions are not required.

### k. Other items do not exceed 10% of the total income statement.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

### V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY:

### a. Explanation on profit distributions:

Retained earnings of the Branch can be distributed through the permission of the BRSA.

### b. Amounts transferred to legal reserves:

None (December 31, 2009: None).

### c. Information on capital increase:

None (December 31, 2009: TL22.444 thousand).

### d. Explanations on available-for-sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognised in current year profit or loss statement but recognised in the "Marketable securities value increase fund" account under shareholders' equity, until the financial assets are derecognised, sold, disposed of or impaired.

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# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### VI. EXPLANATIONS AND DISCLOSURES ON STATEMENT OF CASH FLOWS:

### a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and effectives together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market placements and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

- 2. Effect of a change on the accounting policies: None.
- 3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:
  - (i). Information on cash and cash equivalents at the beginning of the year:

	December 31, 2010	December 31, 2009
Cash	57.157	23.617
Cash and Effectives	425	237
Demand Deposits in Banks	56.732	23.380
Cash Equivalents	40.497	65.863
Interbank Money Market Placements	_	_
Time Deposits in Banks	40.497	65.863
Total Cash and Cash Equivalents	97.654	89.480

The total amount from the operations the in prior period gives the total cash and cash equivalents amount at the beginning of the current period.

(ii). Information on cash and cash equivalents at the end of year:

	December 31, 2010	December 31, 2009
Cash	516.576	57.157
Cash and Effectives	7.529	425
Demand Deposits in Banks	509.047	56.732
Cash Equivalents	34.000	40.497
Interbank Money Market Placements	-	-
Time Deposits in Banks	34.000	40.497
Total Cash and Cash Equivalents	550.576	97.654

b. Information on cash and cash equivalent assets of the Branch that are not available for free use due to legal restrictions or other reasons:

None (December 31, 2009: None).

c. Explanations on the other cash flow items and effect of changes in foreign exchange rates on cash and cash equivalents:

Decrease in the "Other" item amounting to TL559 thousand (December 31, 2009:TL3.721 thousand decrease) which is classified under "Cash flows from banking operations" consists mainly of items such as fees and commissions, foreign exchange gains/losses and other operating expenses excluding personnel expenses.

The effect of changes in the foreign currency rates on the cash and cash equivalents is calculated approximately TL1.611 thousand as of December 31, 2010 (December 31, 2009:TL31 thousand).

To conform to changes in presentation of financial statements as of December 31, 2010, the effects of the change in foreign exchange rates on cash and cash equivalents has been calculated as TL31 thousand and the related reclassifications have been made on comporative figures as of December 31, 2009.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### VII. EXPLANATIONS AND NOTES RELATED TO BRANCH'S RISK GROUP:

The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period:

### 1. December 31, 2010:

	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
Branch's Risk Group (1), (2)	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and Other Receivables						
Balance at the Beginning of the Period		-	-	-	152.648	6.330
Balance at the End of the Period		-	-	-	621.744	16.172
Interest and Commission						
Income Received		-	-	-	11.480	1.901

Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

### 2. December 31, 2009:

Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group		
Branch's Risk Group (1), (2)	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and Other Receivables						
Balance at the Beginning of the Period		-	-	-	152.198	6.200
Balance at the End of the Period		-	-	_	152.648	6.330
Interest and Commission						
Income Received		-	-	-	8.163	1.031

Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

### 3. Information on deposits of the Branch's risk group:

Branch's risk group <sup>(1)</sup>	Investments in Associates, Subsidiaries and Joint Ventures		Direct and Indirect Shareholders of the Branch		Other Real and Legal Persons That Have Been Included in the Risk Group	
Deposit	December 31, 2010	- '	/	: '	December 31, 2010	/
Balance at the Beginning of the Period	_	_	_	_	51.503	18.538
Balance at the End of the Period	-	_	-	-	347.620	51.503
Interest Expense on Deposits	_	_	-	_	913	500

Defined in the Subsection 2, article 49 of the Banking Act No. 5411.

<sup>(2)</sup> The information in table above includes banks as well as loans.

The information in table above includes banks as well as loans.

As of December 31, 2010, the TL120.364 thousand of the TL347.620 thousand included in balance sheet Deposits – Risk Group is composed of Iran Central Bank.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

# **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS** (Continued)

### VII. EXPLANATIONS AND NOTES RELATED TO BRANCH'S RISK GROUP (Continued):

The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued):

4. Information on borrowings from the Branch's risk group:

Branch's risk group (1)	Associates and	Associates and subsidiaries		Direct and indirect shareholders of the Branch		Other items that have been included in the risk group <sup>(2)</sup>	
	December 31,	December 31,	December 31,	December31,	December 31,	December 31,	
Borrowings	2010	2009	2010	2009	2010	2009	
Beginning of the Period	-	-	-	-	186.055	177.330	
End of the Period	-	_	-	-	1.093.273	186.055	
Interest Expense	-	-	_	-	15.292	7.729	

Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

5. Information on forward and option agreements and other similar derivative transactions with the Branch's risk group:

The Branch has no forward and option agreements and other similar derivative transactions as of December 31, 2010 and December 31, 2009.

6. Information on benefits provided to key management:

As of December 31, 2010, benefits provided to the Branch's key management amount to TL1.245 thousand (December 31, 2009: TL810 thousand).

# VIII. EXPLANATIONS RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BRANCH:

	Number	Number of Employees			
Domestic Branch	3	51			
			Country of Incorporation		
Foreign Rep. Offices	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	_	-	-	_	<u>-</u>

### IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS:

None.

<sup>(2)</sup> Includes cash guarantees amounting to TL1.051.725 thousand (December 31, 2009: TL164.300 thousand) that have been obtained from Bank Mellat Iran Head Office in return for granting loans and TL41.548 thousand (December 31, 2009: TL21.755 thousand) from Iran Central Bank which has been classified under sundry creditors on the balance sheet.

Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").

### **SECTION SIX**

### OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON THE BRANCH'S OPERATIONS:

None.

### **SECTION SEVEN**

### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT:

The unconsolidated financial statements as of December 31, 2010 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu).

The independent auditor's report dated April 20, 2011 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

None.

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### 3. Details Related to Financial Structure

Net period profit of Bank Mellat Turkey is TRY 26.378 thousand. As of December 31<sup>st</sup>, 2010 its equity is TRY 100.127 thousand and total assets are TRY 1.834.652 thousand.

### 3.1. Review Regarding the Financial Condition, Profitability, Solvency

As of December 31<sup>st</sup>, 2010 profitability ratios are as follows.

Profit Before Tax/ Total Asset	33.077 / 1.834.652	1.80%
Profit Before Tax/ Total Equity	33.077 / 100.127	33.04%
Profit Before Tax/ Paid-In Capital	33.077 / 53.655	61.65%

Bank Mellat has enough cash and similar to cash sources in order to fulfill its debts and liabilities.

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### 4. Information About Risk Management Policies Applied According to Risk Types

Norms, principles, policies, procedures, applications and controls that are developed in order to reasonably protect the achievement of targets set, and identification of limits and restrictions related to various risks form the risk management system of the Branch.

It is targeted to measure, evaluate and monitor the losses that may arise due to the risks to which the Branch is exposed, to minimize the expected losses, and lessen the frequency and intensity of the unexpected losses.

Board of Managers is authorized to identify the norms and principles, policies procedures, applications and limits regarding the risk management system. Board of Managers may assign such power to the members, committees to be established and senior managers of departments provided that the scope and restrictions are specified in written form.

Due to its activities, the Branch is primarily exposed to credit and operational risks, and then liquidity and market risks that are at a less significant size.

No modification occurred in the risk management policies of the Branch in 2010 and some financial products such as participation to syndication loans and purchasing bank bills are started to be used.

### 4.1. Principles and Policies of Credit Risk Management

- Board of Managers is authorized to grant credit. Board of Managers may assign its power of granting credit to General Manager as per the provisions of Law of Banking and related legislation.
- Board of Managers is authorized to specify the scope and terms of credit activities.
- Foreign trade, especially crediting the export transactions, is the most significant credit activity of the Branch. These transactions have priority at credit allocations and extensions.
- Although not widespread, loans may be granted for the financing of other issues taking the balance of risk versus profit, collateral and similar issues into consideration.
- Although it is not possible to completely avoid product and sector concentration at Branch's credit risk taken into
  consideration the targeted transaction types and customers, due attention is paid for the balanced distribution
  of credits to a large customer group.
- As a principle, the credits are opened against sound collaterals. Valuables other than physical and financial
  assets, which can be turned into cash easily and speedily, having an active market, with a low-possibility of
  impairment and whose value leaves no room for doubt, are not accepted as collateral.
- No credit is allocated to or used by people and companies that have no reasonable activity background, with
  insufficient information about their activities, that do not provide the information and documents within the
  specified time and content, whose management and/or owner has not enough knowledge, capability and
  transparency.
- While taking a credit resolution, credit demandant's reliability and standing, legal status, sector in which it
  operates, past activities, presence of repayment capacity, soundness of financial structure and sustainability of
  such should be taken into account as well as collaterals and guarantees to be obtained.
- Pricing of the credits is determined according to the degree of risk, and balance of risk versus profit should be
  observed at each credit transaction. Level of risk is used as the basic criterion while determining the price of
  credit.
- The Branch applies a provisioning policy that is coherent with riskiness levels of credits and that takes the changes in the riskiness levels into consideration.
- Sector and group limits and sub limits are monitored and reported on a daily basis.

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### 4.2. Principles and Policies of Operational Risk Management

Operational risk is defined as a risk of loss that arises out of insufficient or unsuccessful internal processes, people and systems, or external occurrences. Operational risks that have the potential of causing significant losses may result in such losses as system interruption or problems, types of business conduct, in-house fraud.

Operational event types have equal risk weights in the Branch. Principles, policies and implementations of operational risk are determined by taking the risk weight that is considered to be valid for the Branch into consideration. In the event that it is appropriate for event types and possible to apply, insurance technique is used so as to reduce the risk. Primary principles, policies and measures regarding the operational risk management of the Branch are as follows.

- In all activities of the Branch, the liabilities of those who decides and/or approves that the bank may be a party for any banking transaction and of those who are authorized to execute, perform and conclude the transaction are different from each other, and these responsibilities should not be allowed to coincide
- Approval of any kind of banking transaction and actual performance of such transaction are two functions that are completely separated from each other.
- Those who are authorized to have any purchase/sales and investment/borrowing relationship with any
  addressee and to determine price, term and such conditions about such relationships cannot be granted
  authorization to perform operational functions related to such transactions and to approve the transactions
  already performed.
- In addition to distinction between approval and performance tasks, operational transactions are subject to different approval limits in terms of transaction prices. General Manager is authorized to set different limits for different kinds of transactions and to determine application principles accordingly.
- The Branch supports its operational activities with an effective information processing system that warns the branch about the transformation of potential risks into actual risks, that strengthens operational productivity and reliability, and that enhances effectiveness control.
- The branch takes necessary precautions to ensure that the staff follows the developments in legislation and
  implementation, that they are informed about these developments on time, that the content and scope of these
  changes are understood, and that the effect of these changes on the activities are communicated to the staff.
  These works are supported through in house and external training events. Controls of coherence that are
  conducted, and adequacy and level of works about these issues are regularly monitored.
- The branch has an internal audit and internal control organization that are in compliance with the scope and frequency of the controls to be conducted. Sufficient number of employees that have appropriate qualifications necessary for works conducted in these departments is employed
- Internal control activities are supplementary to the daily operational activities of the Branch, and minimizing the operational risk is the main target of the internal control activities. With this respect, internal control works are performed with necessary frequency and scope.
- Internal control works, and frequency and quality of internal control activities are evaluated and controlled. Moreover, internal audit department conducts works about the developments related to risks, trends, issues to which importance and priority should be attached, and necessary precautions to be taken.
- Risks and problems that may arise due to unexpected events are managed within the framework of "Emergency Plan".
- Growth in the internal volume of the branch is digitized in terms of periods. In this way, work load on the operational staff, trends about the work load, relationships between work force and failures, deficiencies, contradiction are all analyzed, analysis results are assessed and necessary precautions are taken.
- Mistakes, failures, deficiencies and contradictions stated in the internal control, internal audit and independent audit reports are eliminated as soon as possible after the submission date of such reports. Trends about

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mistakes, failures, deficiencies and contradictions, and developments in the field of eliminating these factors are reported to Board of Managers quarterly.

### 4.3. Principles and Policies of Liquidity Risk Management

Liquidity Risk, which is defined to be not fulfilling the payment liabilities on a completely and timely basis as there is not cash on hand or cash entry that is at an enough level and of a characteristics to completely and timely meet the cash outflow arising out of the imbalance in cash flows, is managed within the framework of following principles and policies.

- Liquidity risk is taken into account at all assignment resolutions, including the credits.
- Liquidity management is performed in terms of the capital used.
- While determining the terms of credits supplied from the Headquarters Abroad and Branches, and from Other Banks Abroad, term structure of the Branch's assets should be taken into consideration.
- Concentration on the terms of assets and funds is avoided; attention is paid for the balanced distribution of terms in a year.
- The Branch pays attention that the deficit or excess of liquidity that may arise due to portions of terms.

### 4.4. Principles and Policies of Market Risk Management

General market risk refers to the possibility of loss that the Branch may be subject to due to currency risk, commodity risk, clearing risk. Following principles and policies are embraced.

- It has been resolved that the Branch shall not have active sales-purchase activities, shall not have a position of security or commodity that bears sales-purchase purpose, and that shall not use derivative tools.
- The Branch does not invest in financial assets other than Governmental Internal Borrowing and/or TCMB liquidity securities, although it is rare, it acquires assets representing the institutions with material securities and sound correspondents and local and foreign companies with satisfactory revenues.
- Structural interest risk to which the Branch may be subjected is maintained within the acceptable limits. Bank's interest incomes are ensured to be affected at minimum intensity through keeping the deficits that are sensitive to interest at proportions with shorter term.
- The Branch is exposed to clearing risk at a limited level due to its foreign exchange sales and purchases within the scope of foreign exchange management, and due to security purchase transactions within the scope of liquidity management. Due to clearing risk, the limits of addresses are assigned through the resolution of Board of Managers. Clearing risk is kept under control and reduced through operational methods.
- Rules and restrictions about the direction, amount and composition of Branch's foreign exchange position may be transferred to Asset Liability, Risk Committee or General Manager.
- Board of Managers and the committee in charge frequently review the principles and policies about the
  management of currency risk within the scope of economic developments in Turkey and in the world, and make
  the modifications they deem fit.

### 5. Information about Notes and Content of Rating

The branch has no note of rating.

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### 6. Summary of Financial Details (TRY thousand ) of Five Years Period Including Report Period

### **Balance Sheet**

ASSETS	2010	2009	2008	2007	2006
Cash on Hand	161.707	30.975	21.250	18.305	19.921
Due From Banks	389.036	97.316	89.375	64.546	61.986
Loans	1.119.411	226.950	181.724	105.021	122.619
Interest Bearing Securities	154.884	30.167	23.878	19.226	10.387
Other Assets	9.614	9.601	9.655	10.758	10.567
Total Assets	1.834.652	395.009	325.882	217.856	225.480
LIABILITIES					
Deposits	462.709	124.809	71.469	43.288	36.337
Borrowed Funds	41.548	21.755	26.519	36.324	67.931
Provisions (Tax and Other)	6.810	3.967	4.082	3.737	3.188
Other Liabilities	1.223.458	170.831	168.643	93.438	80.772
Equity	100.127	73.647	55.169	41.069	37.252
Total Liabilities & Equity	1.834.652	395.009	325.882	217.856	225.480

### **Income Statement**

MAIN ITEMS	2010	2009	2008	2007	2006
Net Interest Income	21.665	15.827	10.301	8.059	5.929
Fees and Commissions (net)	15.162	9.846	7.566	5.570	4.140
Other Incomes (net)	4.693	2.810	4.930	1.375	1.400
Total Operating Income	41.520	28.483	22.797	15.004	11.469
Other Operational Expenses	(7.856)	(5.541)	(4.693)	(4.533)	(4.971)
Provision for Loans and Other Receivables	(587)	(72)	(432)	(7)	(392)
Profit Before Tax	33.077	22.870	17.672	10.464	6.106
Tax Provision	(6.699)	(4.594)	(3.672)	(2.020)	(1.531)
Net Profit	26.378	18.276	14.000	8.444	4.575

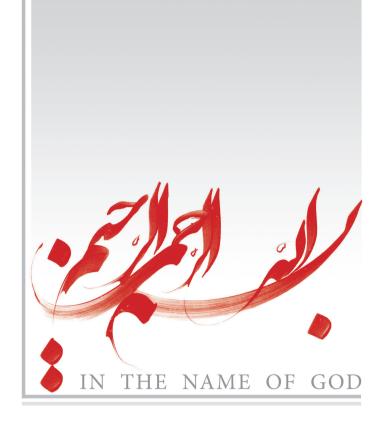
### **Other Details**

Total Number of Personnel:	51	51	50	49	50
Total Number of Branches	3	3	3	3	3

### 7. Bank Mellat Tehran-Turkish Translation of Iran Activity Report

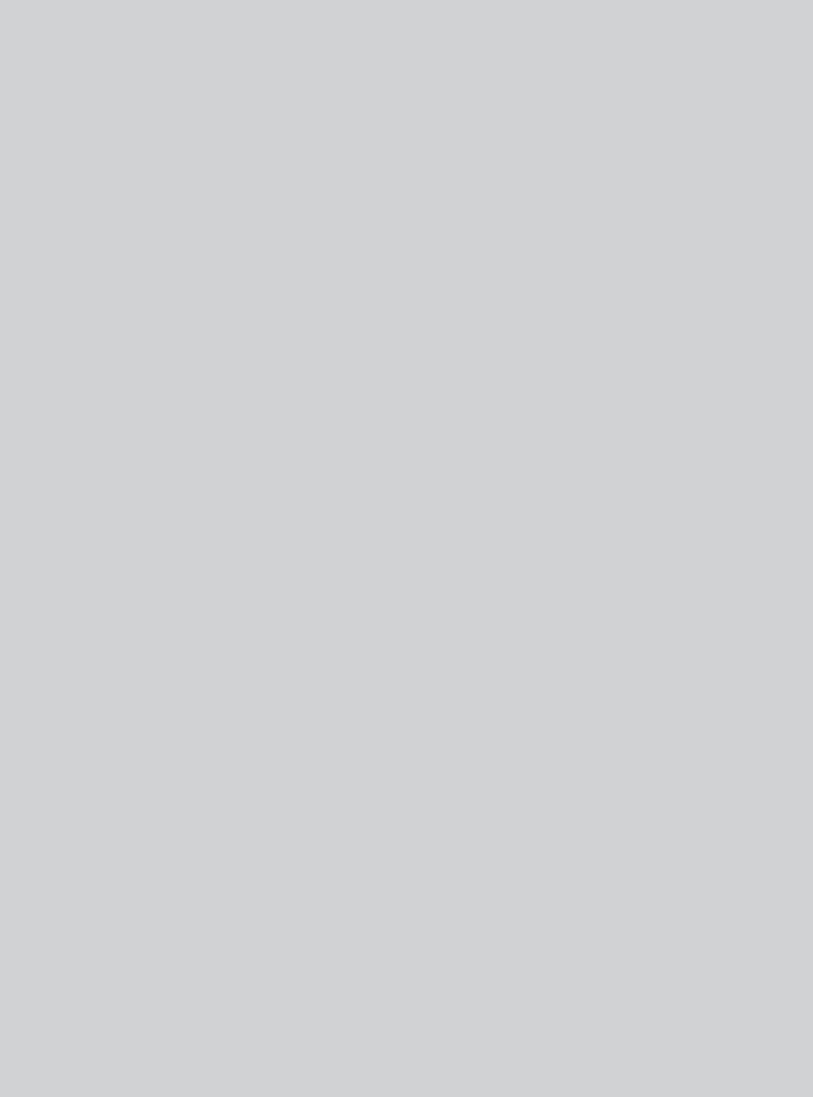


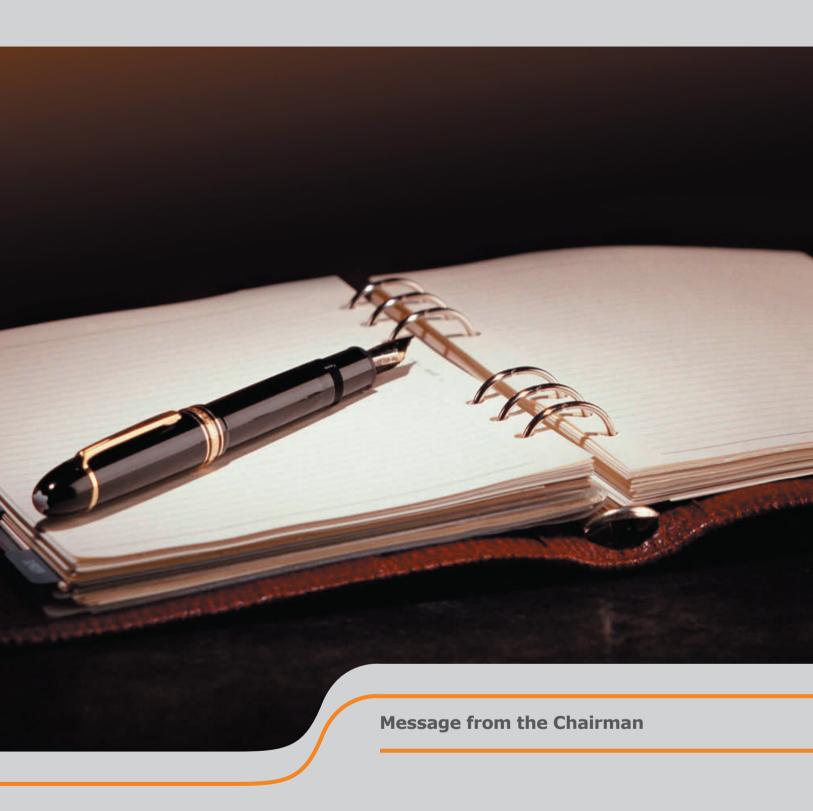
Annual Report - 2009/10



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### **Message from the Chairman**

Global economy passed 1388(2009/10) struggling to alleviate impacts of the 2007 second half crisis that witnessed the largest ever events of bankruptcy of the banks and market devaluation. Despite expansionary approach of monetary and financial authorities of the inflicted countries, implementing contractionary policies were the eminent features of the monetary policy of the Iranian economy, resulting in a 10% inflation and getting out of previous years more than 35% growth in the liquidity. Thus, during 1388(2009/10) liquidity of Iranian economy reached 2,355,889 billion Rials at 20<sup>th</sup> March 2010 compared to 1,901,366 billion Rials at 20<sup>th</sup> March 2009, having experienced a growth by 23.9%.

1388(2009/10) can be called as the year of intensifying competition in the monetary sector of Iranian economy, since on the one hand, establishment of the new privately run banks and public offering of some more state-owned banks in the stock market increased the market value of the banking industry and other financial and monetary institutions up to 15% of the total value of the stock market, and on the other hand, implementation of contractionary monetary policies caused more intensive competition in the banking system of the country.

In this context, it was far more difficult to retain and enhance the competitive position of the bank than the years when different policies and conditions were governing international and national economy. Despite the adverse conditions in1388(2009/10), thanks to unrelenting efforts of the committed employees and support of the valuable shareholders, bank Mellat managed to enhance its distinctive position in various operational areas of banking system of the country, so that it managed to realize its projected financial operations with positive adjustment of earning per share to 278 Rials.

This report covers some of the operational highlights of the bank in 1388 (2009/10) in three parts; that is, bank Mellat at a glance, management report, and financial statements in order to give a brief account of the bank's performance. Moreover, for the first time the detailed information of the bank and its subsidiaries are available for the distinguished stakeholders in the financial statements part. Finally, while thanking the Almighty for His blessings, I would like to express my gratitude towards my committed colleagues, distinguished shareholders and valuable customers who paved the way for the valuable achievements of the bank during the year under report through their trust and loyalty.



### **Bank's History**

As per the resolution dated 20/12/1979 of the General Assembly of Banks, by virtue of article 17 of the act on administering banks, bank Mellat was established on 22/07/1980 out of merger of 10 private banks and was registered under number 38077 in the companies' registrar.

Announcement of policies of article 44 of the constitution and the bank's getting enrolled in the privatization list caused the managers of the bank to arrange for setting up special committee to prepare for entering stock market.

So, by virtue of the resolution number T/68985 dated 24/07/2007 of the honorable Council of Ministers and decisions made in the extraordinary general meeting of banks dated 05/04/2008, the legal structure of the bank was converted to public joint stock company leading to its getting listed in Tehran Stock Exchange in the banks and financial institutions section on 10/02/2009 as the first stateowned bank and 448<sup>th</sup> listed company and ultimately 5 pct of its shares were offered to set the price on 18/02/2009.

### **Head office:**

No 276, Taleghani Ave., Tehran, Iran

Tel: (98 21) 82961
Fax: (98 21)8296 2700
Website: www.bankmellat.ir
Email: info@bankmellat.ir

### **Mellat Contact Center:**

**Tehran: 1556** 

provinces: (021) 82488

### **Shares affairs department:**

No 1443, shares affairs department, Financial Division, Vali-e-Asr Ave., Tehran 1591614311 Iran.

**Email:** saham@bankmellat.ir **Tel:** (98 21) 6697 0058-9 **Fax:** (98 21) 6697 0053



### **Chairman and Members of the Board of Directors**



Dr. Ali Divandari









Mohsen Fadavi

Mohammad Reza Saroukhani

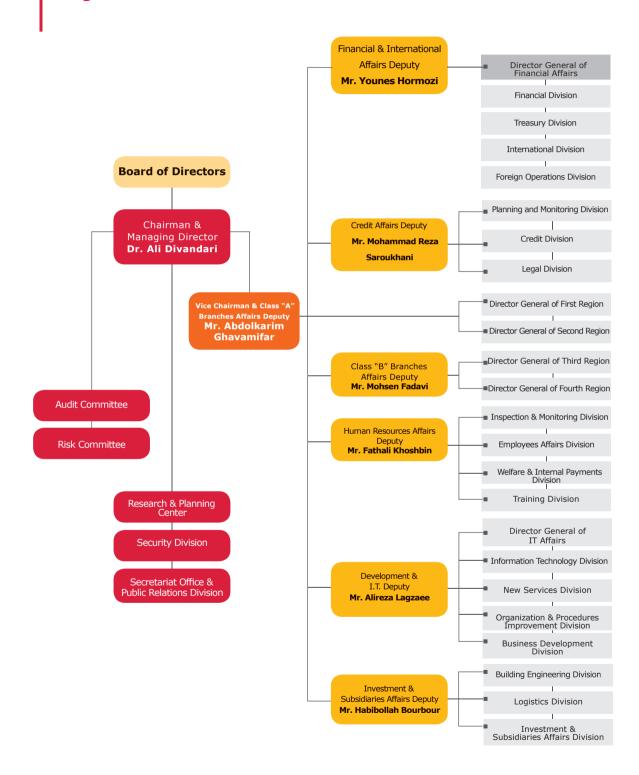
Younes Hormozi

Abdolkarim Ghavamifar

According to resolution dated 21/07/2009 of the ordinary annual general meeting, Members of the Board of Directors of the bank were elected according to the following table. Also, according to resolution of the Board of Directors, Dr. Ali Divandari was elected as the chairman of the bank.

Name	Position	Representing	Incumbency	period
Name	1 031011	Representing	Starting	Ending
Dr. Ali Divandari	Chairman & Managing Director	Government of the I.R. of Iran	21/07/2009	21/07/2011
Abdolkarim Ghavamifar	Board Member	Government of the I.R. of Iran and provincial investment brokerage Co.	21/07/2009	21/07/2011
Younes Hormozi	Board Member	Beh Pardakht Mellat Co.	21/07/2009	21/07/2011
Mohammad Reza Saroukhani	Board Member	Provincial investment brokerage Co.	21/07/2009	21/07/2011
Mohsen Fadavi	Board Member	Saba Tamin investment Co.	21/07/2009	21/07/2011

### **Organization Chart**



# Vision, Mission, Strategy and Targets

Vision& Mission	Strategy	Target
Streamlining economic activities in trade, industry & agriculture	Enhancing operational indicators	-Retaining and enhancing competitive position of the bank -Optimal management of customers deposits, optimizing allocations portfolio and adjusting over due loans -Increasing profitability and other incomes - Expanding rendering letter of guarantee and foreign currency services -Optimizing branches network
Thriving to be a proactive Iranian bank	Expanding information and communications technology	-Enhancing quality and speed of rendering banking services -Customers access to on line services -Moving toward electronic banking -Responding to the new needs of customers and rendering new services and products -Developing IT infrastructure and network
Creating unique added value for the customers	Enhancing quality of services	- Standardizing rendering services -Decentralizing and vesting authorities to expedite rendering services -Evaluating performance and strategic control on key activities
Providing society with effective services	Human resources development	- Enhancing human resources recruiting & retaining methods to increase customers satisfaction -Enhancing educational structure of human resources -Training, improving and empowering human resources -Increasing staff participation in decision makings through implementing suggestion and participation system -Institutionalizing and expanding scientific attitude in the bank through developing scientific and research activities
Providing quality services in the money market	Customer relationship management	- Identifying and attracting key customers -Streamlining customers access to banking services, leading to increasing customers satisfaction -Customer care

# PART 1: Bank Mellat at a Glance

### Bank Mellat at a Glance in 1388(2009/10)

Financial Highlights				
Description	Amounts in billion Rials			
Capital (13.1 bn * 1000-Rial shares)	13,100			
Assets	557,946			
Resources	388,080			
Allocation of Resources	309,885			
Income	44,508			
Expenses	39,787			
Profit before tax	4,721			
Net Profit	3,701			
Earning per share	278 Rials			
Dividend per share	241 Rials			

Total number of cards	issued
Various cards Issued	17,376,026

Branches and human resources				
Number of branches	1,819			
Number of employees	24,635			

E-banking systems
Mellat mobile banking
Internet banking
Phone banking
E-payment of bills
Cash purchase of agricultural products (wheat and rice)
E-payment of gas price in the gas stations

Deploying electronic technology				
ATM	2,351			
Branch POS	3,464			
Shop POS	176,691			
Advanced digital subscriber line	4,212			

POS Transactions			
Description	# transactions	transactions amount (million Rials)	
Shop based POS	27,216,405	27,775,596	

Cards issued based on their nature				
Card type	Number	Market share		
Debit card	8,494,392	12.5%		
Prepaid card	7,985,825	38.7%		

### 1)Bank's National Position

According to the latest rating announced by the Industrial Management Organization of the country, Bank Mellat ranked the second and fourth in terms of total assets and market capitalization respectively among 100 top companies of the country.

### Bank's competitive position among the domestic banks is as follows:

- -Ranking the first among the commercial banks in terms of total assets and staff per capita in absorbing four core deposits;
- -Ranking the first among the commercial banks in terms of total assets and branch per capita in absorbing four core deposits;
- -Ranking the first among the commercial banks in terms of balance of non-interest bearing current deposits in local currency;
- -Ranking the first among the commercial banks in terms of letters of credit issued;
- -Retaining the first position among the commercial banks in absorbing foreign currency resources;
- -Retaining the second position among the commercial banks in absorbing four core deposits in local currency;
- -Retaining the second position among the commercial banks in terms of total resources;
- -Retaining the second position among the commercial banks in terms of total allocated resources;

### 2) Bank's International Position

According to the July 2008 edition of The Banker magazine, bank Mellat ranked 557 in the world, showing an improvement by 94 units compared to the previous year of 651.

### 3)Bank's Market Share

Bank's position in the banking industry of the country in terms of resources and allocation of resources has been as following charts:

### Bank's share of total resources market

#### Amounts in billion Rials

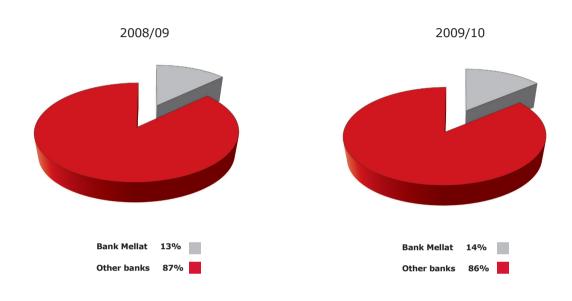
Year	Bank Mellat	Other private banks	State-owned banks	Total deposits	Bank's share
2008/09	279,878	920,206	793,132	1,993,216	14%
2009/10	385,782	1,096,087	986,177	2,468,046	16%

#### Bank's share of total facilities market

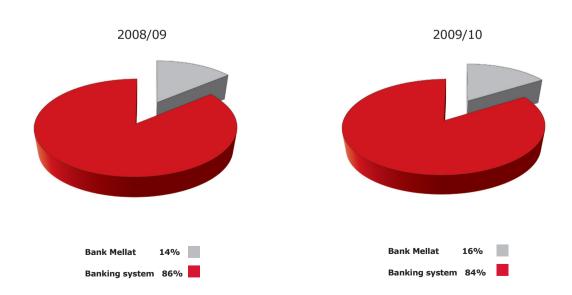
#### **Amounts in billion Rials**

Year	Bank Mellat	Other private banks	State-owned banks	Total facilities	Bank's share
2008/09	278,882	807,967	1,102,943	2,189,792	13%
2009/10	329,018	1,014,907	1,269,254	2,613,179	13%

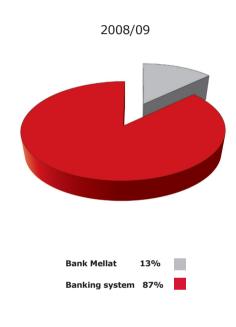
### Bank's share of total liquidity of the country

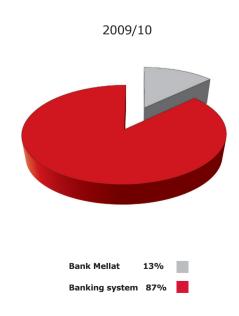


### Bank's share of total resources of the banking system

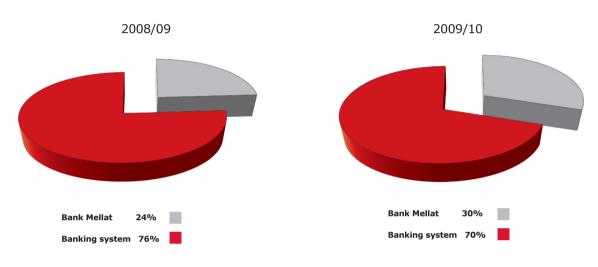


### Bank's share of total facilities granted by the banking system

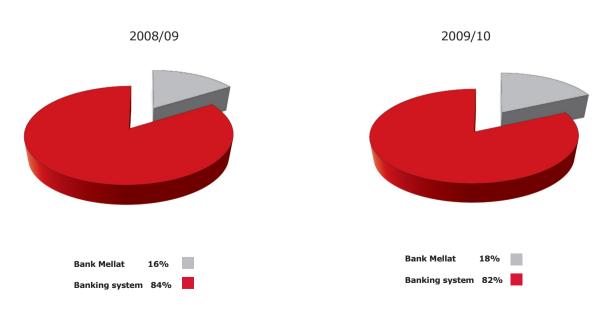




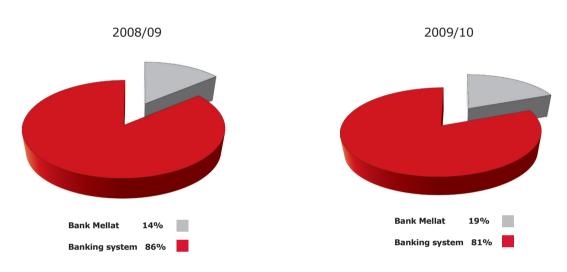
### Bank's share of the L/C market



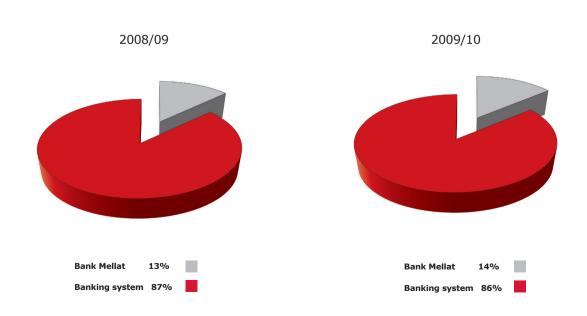
### Bank's share of the L/G market

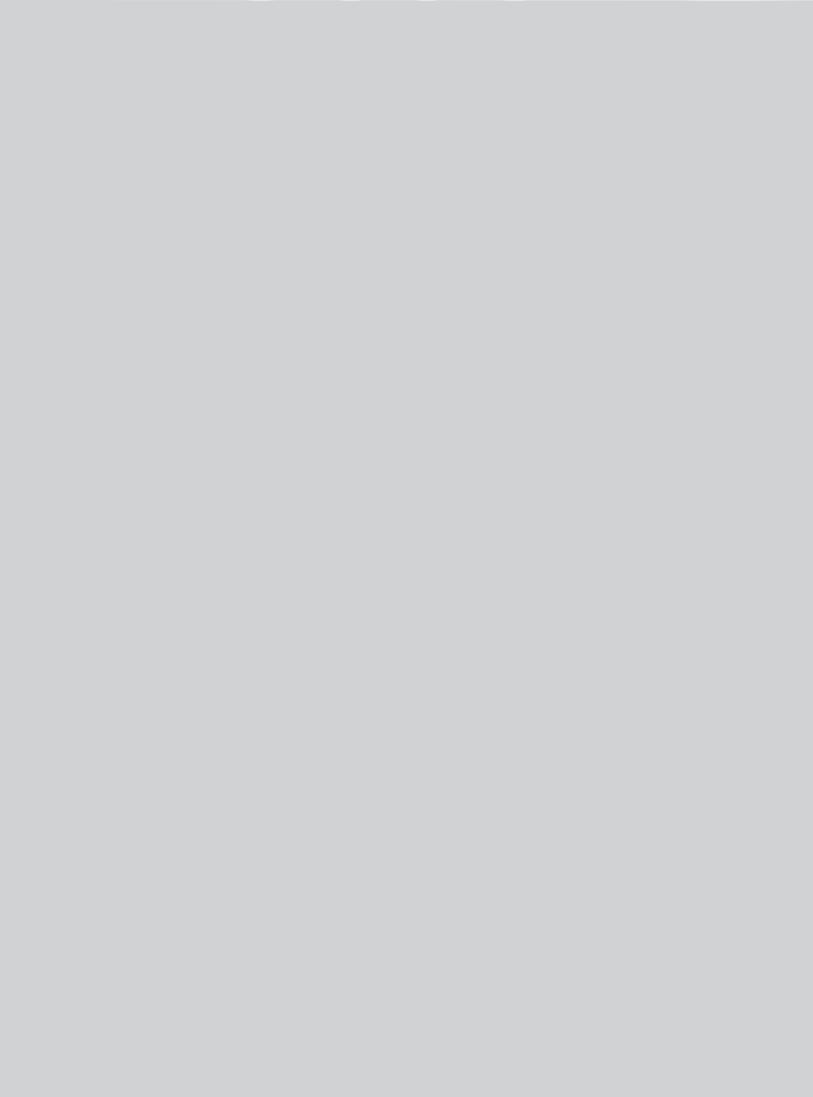


### Bank's share of the cards market



### Bank's share of the ATM's market







#### **Human Resources**

Recruiting human resources has always been a vital issue for organizations. Definitely, there are potential capabilities in these organizations that can be best used for corporate excellence.

Bank Mellat as a leading economic enterprise deploys this system as the main drive of its business, considering the fact that the role of human resources is so crucial in the banking industry that by deploying this scarce and unique source and creating motivation and participating spirit among the staff, it can retain and enhance its position.

Bank Mellat considers human resources as a huge and strategic asset, evaluating the staff according to humane standards and their capabilities. Currently the Bank enjoys 24,635 employees.

#### Composition of human resources based on the nature of employment

Nature of employment	2009/10	2008/09	2007/08	2006/07	2005/06
Official	24,046	24,100	23,948	22,789	22,940
Probationary	490	738	840	1,937	2,226
Contractual	99	125	199	342	276
Total	24,635	24,963	24,987	25,068	25,442

#### **Training performance**

#1	Trainees	Training duration (hr)	Conference duration (hr)	Realized man / hour	Realized per capita	Projected man / hour	Projected per capita	Growth
1	49646	67701	4246	2691137	109	1665137	67/61	62 %

#### Distribution of employees based on years of service (%)





#### **Infrastructures**

#### 1) Hardware & Telecommunication Infrastructures

Having due regard to necessity of development of telecommunication and data Infrastructures as essential base in rendering new banking services, bank Mellat has approached to design and implement a comprehensive plan with a 10-year vision. The bank enjoys an exclusive vast audio, video and data transmission network, connecting more than 2500 units in line and head quarters. Currently services such as core banking, electronic payment, ATMs, POSs, intranet services (FTP, WEB, e-mail), video conference, etc. are being rendered via this vast network. Salient features of this network are as follows:

- -It is connected to the worldwide internet network via several internet service providers of the country with a bandwidth of 100 mb/s;
- -Reliability and availability of the bank's vast network is around 99.5%;
- -Enjoying various telecommunication lines( fiber, cable, wireless, and satellite), it is highly expandable;
- -The network has a high security.

#### 2)Software Infrastructures

Given the extensive and diversified branch network of the bank across the state diversified requirements of the clients, the necessity of development of a comprehensive plan, capable of meeting future developments, was deeply felt more than before. In this context, the bank decided to design a road map to develop required software in a 10-year vision resulting in implementing the great plan of core banking. Deploying the state of the art technology and standards coupled with the experience of the top experts of the country, in its design and production are the salient features of this network. This paves the way for any future changes and customization of the services based on the discerning clients' needs.

#### 3)Performance Management System

The operational plan was devised in line with corporate dynamism in order to set the platform to make the functions and responsibilities transparent, and to bolster the sense of accountability in the bank. Later on, in order to direct the operational plan and strengthen the headquarter in supporting and guiding line units, the high council of strategy was established and subsequently, if deemed necessary, specialized committees were formed as side workshops of the council in order to provide creative ideas and approaches for realization of the plans' targets, provide practical plans for realization of strategic targets, manage and supervise operational plans of the various units.

#### E - Banking

#### **Internet banking services**

Having inaugurated new services in the internet banking website in 1387(2008/09), electronic account holders; including, Mellat electronic current account, non–interest bearing saving deposit, long and short-term investment deposit, can use various services by activating this service in the respective branch and going to the website www.bankmellat.ir and selecting "internet banking "option.

Internet banking services site has been designed so comprehensive that the users have access to more than 30 various banking services to handle their routing banking affairs through internet without referring to the branch.

#### **Mellat E-signature**

This technology has been designed to render special services to customers, using which Mellat electronic accounts holders can easily transfer funds up to 1 billion Rials via internet.

The technology is based on electronic signature process in which the messages exchanged via internet are encrypted by two series of figures.

This technology enables the user to transfer more than 50 million Rials funds using internet payment order, interbank (RTGS) payment orders, and salary and joint account payment orders services.

It is noteworthy that E-signature also enables the user to transfer up to 5 billion Rials to several people's accounts using group payment order service via internet banking site.

#### Internet shopping/ paying system

In an effort to increase productivity and efficiency of its cards(Mellat access card, Mellat gift card and Mellat voucher card ) and also other SHETAB member cards, bank Mellat has taken appropriate measures to provide a suitable platform to make internet shopping(paying via internet) operative using controlling parameters of the card since 21/01/2007.

Currently more than 500 credible companies, universities and organizations use internet shopping services of the bank

#### Core based facilities

Beside local currency accounts and banking services, core banking system caters for core based facilities as well. various Islamic contracts services, including civil partnership, profit-sharing, futures, installment sales, hire-purchase, Joaleh and gradual-remit civil partnership are rendered Core based to the customers.

#### Unique service of shop-based points of sale of the bank

All points of sale installed in shops and service centers of the bank have the feature of instant remittance of funds to the accepter's account. This unique feature of the bank has had great impact in increasing customer satisfaction.

#### E - Banking

# Producing and running the first office banking system

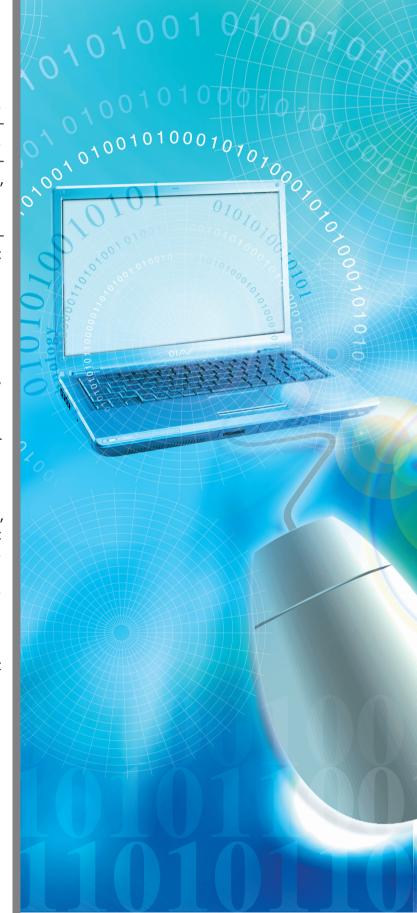
In line with rendering diversified services and meeting the needs of valuable customers, the first office banking system was produced and inaugurated to manage liquidity and funds of firms, organizations, institutions, etc. this system provides large organizations having various accounts, huge turnover, and various customers with financial transparency and optimal management of funds and liquidity.

This system has now been installed and inaugurated in all provincial telecommunication centers and Iranian telecommunication services offices and around 7000 users of these companies are using it in handling their daily routine business.

#### E-payment system for gas price

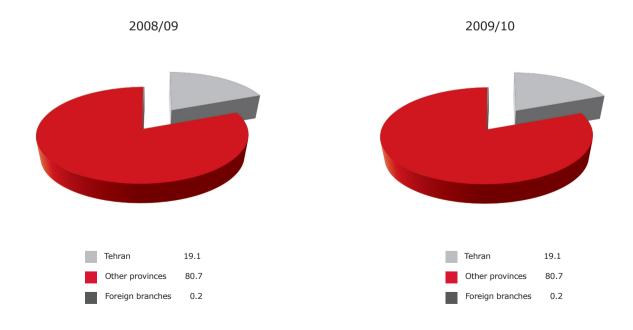
The first phase of the master plan for electronic payment system of gas price in the gas stations was inaugurated by the bank in collaboration with the national oil products delivery company. In this context, this system has made electronic payment of gas price possible in 900 gas stations across the country up to now. According to the program, the number of gas stations equipped with this system would increase to 1200 units by September 2010.

Moreover, the second phase of the project; that is, using the gas smart card's wallet services, is in the pipeline and projected to be operational in the second half of 1389(2010/11).

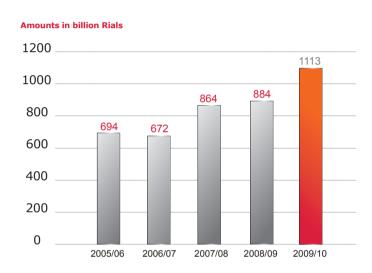


## Composition and number of domestic & foreign branches

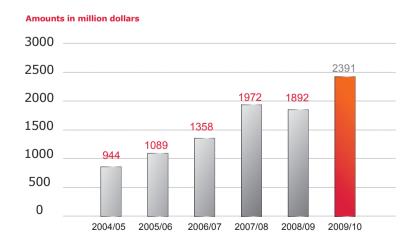
Location	2009/10	2008/09
Tehran	347	357
Other provinces	1,468	1,507
Foreign branches	4	4
Total	1,819	1,868



# Commissions received for rendering foreign currency services during 2005/06-2009/10



#### Balance of the L/G's (export & import) during 2004/05-2009/10



#### Contracts concluded with correspondent banks during 2007/08-2009/10

Facilities granted out of two step financing contract concluded with the IDB						
Contract date	Nature of facilities	Ceiling of facilities	Currency	Utilized amount		
16/891/405	Short term	18/000/000	Euro	16,891,405		

Facilities granted out of the contract concluded with the ECO bank for development and trade							
Contract date	Nature of facility	Ceiling of facility	Currency	Utilized amount			
05/03/2009	Short term	Open	USD	868,371			
30/04/2009	Medium term	15,000,000	USD	2,149,355			

#### Export refinance contracts concluded during 2009/10

Financier	Contract date	Nature of facility	Ceiling of facilities	Currency
Bank Mellat Istanbul branch	07/04/2009	Short term	10,000,000	Euro
PIB, Dubai branch	04/05/2009	Short term	10,000,000	Euro

#### **Projects financed by industrial segment during 2003/04-2009/10**

Industrial segment	Petrochemical	Steel	Automotive	Ship building	Cement	Oil & gas	Electricity	Other industries	Municipality	Total
# of projects	7	2	1	1	1	20	1	11	1	45
# of L/C's	15	2	4	1	1	25	1	11	-	60
Amount (million US\$)	1,478	245	49	71	56	4,204	288	564	240	7,196
Share %	20.54	3.41	0.68	0.98	0.78	58.42	4	7.84	3.34	100

In an effort to cooperate with Pars Oil & Gas Company to implement budget law of the country and for the first time in the banking history of the country, bank Mellat as the agent bank embarked to issue foreign currency denominated bonds for 1 billion Euros to finance phases 15-18 South Pars gas field.

The bonds had duration of three years, in bearer form and tax exempt and were introduced through bank's foreign branches and correspondents. They will bear an on-account profit of 8 pct P/A if retained up to final maturity date by the bondholder that will be paid out in certain dates depending on maturity of each coupon. In case of early redemption, the profit would be paid according the following table. The definite profit of the project would be calculated by the trustee of the project, Iran Auditing Organization, and announced in coordination with the Central Bank of the Islamic Republic of Iran. From the contingent difference between the definite and on-account profit maximum 1 pct would be paid out to the holders of the final settlement slip at the latest 5 months after the final maturity date of the bonds.

Redemption date	Applicable profit rate (%)
First year	5.5
Second year	6
Third year	7
Final maturity date	8 (on-account)

Facilities granted out of the OSF to private sector as working capital in 2009/10					
# of projects 13					
# of L/C's	42				
Amount (million US\$)	46.38				

# Facilities granted out of the OSF to private sector as fixed capital in 2009/10

(Amounts in billion Rials)	2009/10	2008/09	Change
Profit derived from foreign exchange	171	128	33%

Industrial segment	Ship building	cement	Other industries	Total
# of projects	1	1	1	3
# of L/C's	1	2	1	4
Amount (million US\$)	0.43	2.52	3.46	6.41

#### **International Network**

Currently, bank Mellat holds four foreign branches in Turkey (Istanbul, Izmir and Ankara), and South Korea (Seoul) as well as two subsidiaries namely Mellat Bank CJSC in the Republic of Armenia and Persia International Bank PLC, in London. The Bank also holds a 26.30 % stake in Europaisch-Iranische Handelsbank AG, in Hamburg, Germany as an associated bank.

Total gross profit of the foreign branches and subsidiaries of the Bank amounted to USD 77 million at the end of 1388(2009/10)

In line with expanding and enhancing international banking relations, the 'First East Export Bank" was established with a capital of 80 million Euros as the bank's subsidiary in Malaysia in early 2009.

#### Profit (loss) and capital of foreign branches & subsidiaries during 2007/08 -2009/10

Profit(loss)offoreignbranches&subsidiaries		Branch/ subsidiary	Capital of foreign branches & subsidiaries			
2007/08	2008/09	2009/10		2009/10	2008/09	2007/08
15.9	21	36.7	Seoul Branch	39	31	32.8
9	9.2	12.2	Turkey Branches	36	20.6	26.8
24.9	30.2	48.9	Total	75	51.6	59.6
1.3	2	(0.98)	Mellat Bank Yerevan	14.5	17.9	11.5
26.3	22.3	13	PIB, London	81	79.5	83.6
19.2	22.9	16.3	EIH, Hamburg	116.7	102	78.5
46.8	47.2	28.3	Total	212.2	199.4	173.6
71.7	77.4	77.2	Grand total	287.2	251	233.2

#### **Foreign Branches & Subsidiaries**

Branches	Subsidiaries
Seoul Branch	Persia International Bank PLC
The Keumkang Tower 13/14th Floors 889-13 Daechi-Dong Gangnam-KU, Seoul 135-280,Korea Tel: +82 (2) 558 4448 (9 lines) Fax: 557-4448. Telex: K36019-Mellat Swift: BKMTKRSE Website: www.bankmellat.co.kr	6 Lothbury, London EC2R 7HH Tel: +44 (207)606 8521 (10 lines) Fax: +44 (207)606 2020 Telex: 885426 Swift: PIBPGB2L Website: www.persiabank.co.uk
Istanbul Branch  Buyukdere Caddes Binbir Cicek Sok No.1 34330 Levent, Istanbul, Turkey Tel: +90(212)2798015 PBX Telex: 26023, 26502 MELT TR Fax: +90 (212) 2846214-2846657 Swift: BKMTTRIS Website: www.mellatbank.com	Dubai Branch  4th Floor,The Gate Building P.O.Box 119871,Dubai, UAE Tel: +9714 362 0811 (5Lines) Fax: +9714 362 0812 Swift: PIBPAEAD
Ankara Branch  Ziya Gokalp Bulvari No. 12, Kizilay, Ankara, Turkey P.O.Box: 79106425 Kizilay, Ankara Tel:+90 (312) 4354800-4331204 – 4340141 Fax:+90 (312) 4321726 Telex: 46915 BMEL TR. Swift: BKMTTRIS 100	Mellat Bank CJSC  #6 Amiryan Str. P.O.Box: 375010 P/N 24 Yerevan, Republic of Armenia Tel: (+37410) 581354, 581523, Fax: (+37410) 540885. Telex: 243303 MLTAR AM, 243110 BMYRAM Swift: BKMTAM 22 E-mail: mellat@maellatbank.am Website: www.mellatbank.am
Izmir Branch  Cumhuriyet Bulvari No. 88/A P.K.710 3521 Konak, Izmir, Turkey Tel: +90 (232) 4417400 Fax: +90 (232) 4417636 Telex: 53053 BMIZ TR. Swift: BKMTTRIS200	First East Export Bank (P.L.C) (FEE Bank)  Kuala Lumpur Office: Level 8 Pavilion KI, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia Tel: + 603 9205 7722 Fax: +603 9205 7727 Swift: FEEBMYKA Website: www.fee-bank.com

#### **Letters of credit**

In line with the foreign currency policies of the country and in order to realize its targets, Bank Mellat managed to issue more than six billion dollars of letters of credit.

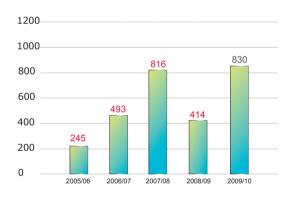
The income derived out of the respective operations; such as issuing, honoring, etc. amounted to 1,181 billion Rials.

#### Letters of guarantee

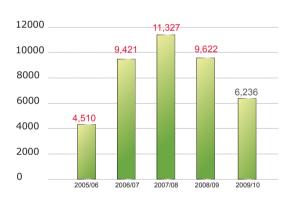
Issuance of the letters of guarantee constitutes one of the major activities of the banking system that is aimed at developing and streamlining presence of the Iranian businessmen in foreign trade.

A total number of 390 letters of guarantee worth 830 million dollars were issued in 1388 (2009/10) the commissions of which amounted to 29 million dollars.

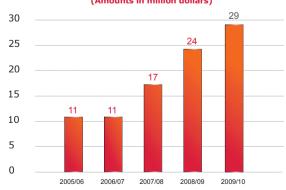
L/G's issued during 2005/06-2009/10 (Amounts in million dollars)



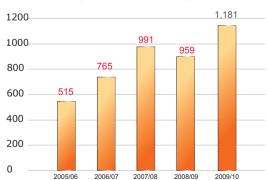
L/C's issued during 2005/06-2009/10 (Amounts in million dollars)



# Commissions received from issuing and extending L/G's during 2005/06-2009/10 (Amounts in million dollars)



# Commissions received from issuing L/C's during 2005/06-2009/10 (Amounts in billion Rials)



#### 1-Zabol cement co.

- Project location: Sistan-o-Baluchestan province, Zahedan
- Product: Portland cement
- •Capacity: 1 million tons per year
- Granted facilities:
- -30,310,000 Euros out of the oil stabilization fund
- -660 billion Rials including 500 billion Rials syndicated loan led by the bank (BIM, 150 billion Rials; bank Mellat 250 billion Rials; BSI, 100 billion Rials)
- -100 billion Rials syndicated loan led by the bank (BIM, 50 billion Rials; bank Mellat 50 billion Rials)
- -50 billion Rials short term facilities from internal resources of the bank
- -10 billion Rials as per note 3 to the 1382(2003/04) budget law (5 billion Rials from internal resources of the bank and 5 billion Rials out of article H of note 3 to the 1382(2003/04) budget law)
- Contract conclusion date:
- -In foreign currency: 01/08/2004, to be matured on 02/08/2009
- -In local currency: 22/01/2006, to be matured on 22/01/2011
- •Inauguration date: 30/04/2010

#### 2-International company for production and developing metals

- Project location: Khorasan Razavi province
- Product: sponge iron
- •Capacity: 800,000 tons per year
- •Granted facilities:
- -58,461,372 Euros out of the oil stabilization fund
- -125 billion Rials from internal resources of the bank
- •Contract conclusion date in foreign & local currency: 19/10/2006
- •Inauguration date: 16/03/2010

#### 3-MAPNA Asaluyeh power generating company

In line with expansion of private projects of power plants, this company intends to manufacture Asaluyeh power plant on build, operate, own basis (BOO) with a nominal capacity of 942 mega watt composed of six gas units in Bushehr province and was inaugurated in 1388(2009/10)

Having taken a fixed investment of 300 million Euros, bank Mellat has arranged facilities for 270 million Euros out of oil stabilization fund.

#### 4-Saba power & energy industries company

- Project location: Khouzestan province, Khorramshahr
- •Project company: Khorramshahr power generating plant
- •Capacity: first phase 500 mega watt
- •Granted facilities: 141,642,000 Euros out of the oil stabilization fund

Contract conclusion date: 04/08/2008Inauguration date: 1388(2009/10)

#### 5-Kermanshah petrochemical company

•Project location: Kermanshah province

•Product: urea granule

•Capacity: 660,000 tons per year

•Invested capital in machineries: 267,500,000 Euros

•Bank's contribution: 240,500,000 Euros out of the oil stabilization fund

Contract conclusion date: 11/09/2003Contract maturity date: 10/03/2008

Installment sale contract date: 10/03/2008Participation bonds issued: 500 billion Rials

•Inauguration date: 1388(2009/10)

#### 5-Saman-e-Gharb cement

•Capacity: 7000 tons per year

•Progress: 98/33 %

•Granted facilities: 53,700,000 Euros

#### 6-Sufian cement- Azarbayjan-e-Sharghi

•Capacity: 2,000 tons per year(capacity increase)

•Progress:100%

•Granted facilities: 300 billion Rials and 20,000,000 Euros

#### 7-Naeen cement

•Capacity: 4,800 tons per year

•Progress:98 %

•Granted facilities: 470 billion Rials and 29,710,000 Euros

#### 8-Nahavand cement

•Capacity: 3,300 tons per year

•Progress:85 %

•Granted facilities: 230 billion Rials and 22,900,000 Euros

#### 9-Peyvand Golestan cement

•Capacity: 3,300 tons per year

•Progress:85 %

•Granted facilities: 600 billion Rials and 24,270,000 Euros

#### 10-Gilan-e-sabz cement

•Capacity: 3,300 tons per year

Progress:70 %

•Granted facilities: 450 billion Rials and 23,700,000 Euros

#### 11-Dehloran cement

•Capacity: 3,300 tons per year

•Progress:60 %

•Granted facilities: 457 billion Rials and

29,900,000 Euros

#### 12-Phases 15 & 16 of south Pars gas field

South Pars gas field has been planned to be exploited in 28 phases by the ministry of petroleum. In this context, phases number 9, 10, 15, 16, 17 and 18 will be developed by South Pars Oil and Gas Company.

Bank Mellat has played a major role in financing the above mentioned development projects through financing out of oil stabilization fund, refinancing, issuing sight L/Cs etc.

#### 13-Phases 17 & 18 of south Pars gas field

Development of the phases 17 and 18 is aimed at daily producing 50 million cubic meters natural gas, 80,000 barrels of condensates, producing 1 million tons of ethane per year, producing 1.05 million tons of propane and butane liquefied gas (LPG), and producing 400 tons of sulfur per day.

Apart from financing this project, bank Mellat has approached for issuing one billion Euros of bonds in four lots, of which 750 million Euros have been issued and sold in three phases.

#### 14-Persian GulfStar Oil Company (PJSC)

Project location: Bandar Abbas

• Product: oil products; such as gasoline, condensate, etc.

•Capacity: 660,000 tons per year

•Capital investment required: 26,542 billion Rials

•L/C issued by the bank:478,500,000 Euros

•Progress: 40 %



#### 15-Fara Sakku Asaluyeh company

- Project subject and location: manufacturing oil products exporting terminal in CMB method in the Pars Special Energy Economic Zone in Asaluyeh- Bushehr province
- •Product: oil products; such as gasoline, condensate, etc.
- •Capital investment required: 268 billion Rials
- Facilities granted by the bank: 50 billion Rials
- •Start of construction: 20/04/2008

#### 16-Iran Natural Gas Company Liquefaction (Iran LNG)

- Project subject: Liquefaction of natural gas
   Location: 50 km porth west of Asaluveh
- •Location: 50-km north west of Asaluyeh
- Products & capacity:
- ■10.5 million tons LNG
- ■0.9 million tons LPG
- ■0.2 million tons light sweet condensate
- •Execution method: EPC
- •Granted facilities:
- -Leading a 900 million dollar syndicated facilities out of the oil stabilization fund, contributed by bank Melli Iran and bank Tejarat
- -Issuing sight L/C for 245 million Euros for manufacturing natural gas reservoirs
- -245 million Euros refinance L/C for power generating installations
- •Progress: 30 %

#### **Credit Products**

#### **Experts scheme**

In this scheme all physicians, dentists, veterinarians, radiologists, medical labs, pharmacies, engineers, lawyers, notary public and marriage and divorce registry offices can use the respective facilities for purchasing equipment, consuming materials, computer and office equipment and other required instruments.

#### Target:

- •Increasing bank's share from the income derived from financial turnover of the target group
- •Obtaining more stake from internal markets and increasing profitability and other incomes

#### **Armaghan scheme**

In this scheme all individuals can use the respective facilities for securing their micro needs through partially financing durable domestic home appliances, car and house repairing

#### Target:

•Obtaining more stake from internal markets and increasing profitability and other incomes

#### **Scheme for guilds accepting shop POS**

The niche market for this scheme is all guilds of the country, including businessmen, wholesaler and retailers having bank Mellat POS.

#### **Target:**

- •Increasing bank's share from the income derived from financial turnover of the target group
- •Obtaining more stake from domestic markets and increasing profitability and other incomes
- •creating connection between shop POSs and credit products

#### Credit package for gas stations

The niche market for this scheme is all gas stations equipped with bank Mellat electronic payment system for gas price and have received the gas price electronically.

#### **Target:**

- •Increasing bank's share from the income derived from financial turnover of the target group
- Obtaining more stake from domestic markets and increasing profitability and other incomes
- attracting creditworthy customers with low risk and high profit
- developing electronic payment culture

#### **Early repayment reward**

This product has been designed for the customers who take steps for early repayment of the facilities received as working capital under participation contracts (civil partnership and profit-sharing) all at once before maturity.

#### **Credit card project**

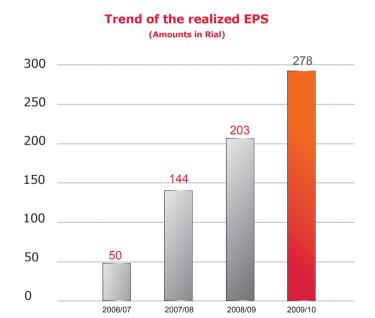
Calculating echeloned payment of loans project Updating credit directives

#### **Trend of the Bank's Shares in the Stock Market**

#### Trend of transactions and shares price

Bank's Shares got listed in Tehran Stock Exchange in the banks and other monetary and financial institutions group on 10/02/2009 under 'webmellat' symbol and its trend during the last two years has been as follows:

Financial year ending on	Traded shares	Value of the shares traded (million Rials)	the Days symbol was open	Market value (million Rials)	Share price (Rials)	Capital (billion Rials)
20/03/2009	767,109,765	806,208	19	13,899,100	1,061	13,100
20/03/2010	12,688,046,721	12,795,624	231	17,881,500	1,365	13,100

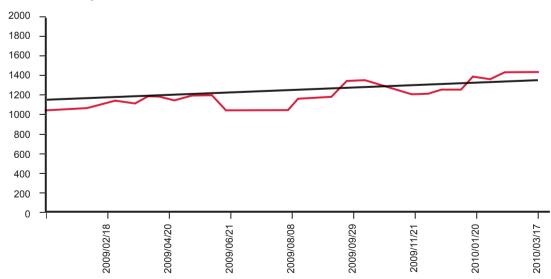


Total yield of each share from beginning of 1388(2009/10) up to the meeting date

## **Consolidated Profit & Loss Account**

Amounts in million Rials	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Total incomes	44,507,818	36,918,225
Total expenses	39,787,179	33,192,898
Profit (loss)before tax deduction	4,720,639	3,725,327
tax	1,019,650	964,913
Profit (loss) after tax deduction	3,700,989	2,760,414
Minority interest	60,741	101,217
Net profit	3,640,248	2,659,197
Number of shares (million)	13,100	13,100
EPS (Rial)	278	203

## Trend of price of the bank's shares from IPO until 17/03/2010



## **Non-consolidated Profit & Loss Account**

#### Realization ratio of the projected profit

Amounts in million Rials	Realization ratio (%)	2009/10 performance	2009/10 projection
Total incomes	103.5	44,193,709	42,702,572
Total expenses	102.4	39,463,221	38,520,760
Profit (loss)before tax deduction	113.1	4,730,488	4,181,812
Tax	102.1	960,515	941,000
Profit (loss) after tax deduction	116.3	3,769,973	3,240,812
Number of shares (million)		13,100	
EPS (Rial)	116.6	288	247

#### Bank's performance against previous year

Amounts in million Rials	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Total incomes	44,193,709	36,454,515
Total expenses	39,463,211	32,868,386
Profit (loss)before tax deduction	4,730,488	3,586,129
Tax	960,515	865,505
Profit (loss) after tax deduction	3,769,973	2,720,624
Number of shares (million)		13,100
EPS (Rial)	288	208

## Major investments

#### List of the companies in which the bank has more than 20% stake

sequence	Company	Stake (%)	Cost price (million Rials)	Subject of activity
1	Mellat bank Armenia	100	198,286	Commercial banking
2	Kheradmandan investment	99.9	8,496	Investment and providing related services
3	Bank Mellat brokerage	99.9	14,988	Investment and providing brokerage services
4	Bank Mellat printing	99.9	58,796	Printing and binding services
5	Mellat Behsazan	99.9	98,440	Designing and producing computer programs
6	BehsazMosharekatha-e-Mellat	99.9	809,878	Investing in the shares of companies
7	Mellat leasing	99.7	98,700	Investment and providing related services
8	Mellat exchange	79.9	23,999	Foreign exchang
9	Persia International Bank	60	677,880	Commercial banking
10	EIH	26.3	924,327	Commercial banking
11	Alborz insurance	20	520,289	Providing insurance services

#### **Corporate Governance**

Corporate governance includes a set of corporate instruments, regulations, processes and systems that are devised to more efficient and fair management of the companies. Therefore, strong corporate governance is vital for public companies as well as attracting and retaining public confidence. On the other hand, weak corporate governance can lead to losing market confidence and consequently decreasing profitability of the company. Having due regard to privatization of bank Mellat and in line with securing interests of stakeholders (staff, customers, shareholders) of the bank, research and planning center put devising corporate governance project in its agenda. In this context, and in order to design an appropriate corporate governance for the bank, while assessing the stock market code of conduct on corporate governance, reference was made to framework of corporate governance in foreign banks (emphasizing on Islamic banks). Finally, appropriate corporate governance was structured for the bank, considering conformity of its provisions with the Trade Law of the country.

# The process of designing corporate governance of bank Mellat can be illustrated in the following systematic approach.



Based on the above stated methodology and the Tehran Stock Exchange code of conduct on corporate governance, establishment of specialized committees were suggested for full realization of corporate governance of bank Mellat, consequently two committees of auditing and risk have been established based on the resolution of the board and are operating under supervision of the distinguished chairman of the bank

#### **Developing scientific & research activities**

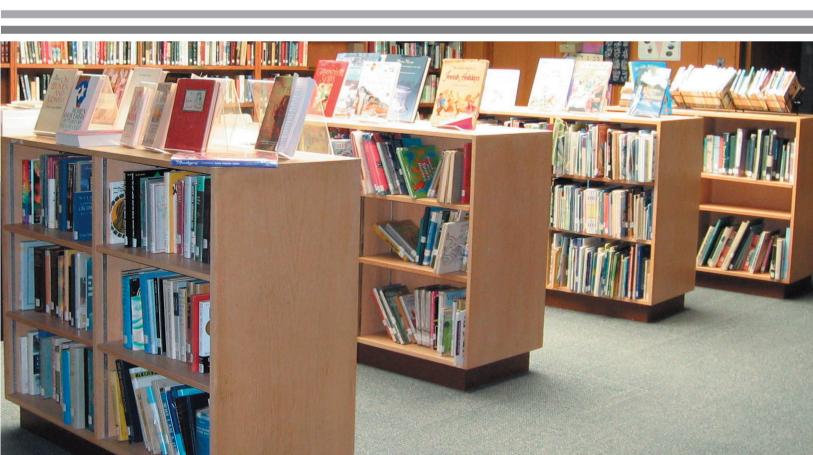
Strong research and development units are among the distinctive features of leading organization, so that they can create strategic advantages and render unique products and services through creating new ideas and ongoing innovation.

This is a considerable point in the banking environment of the world, as according to the findings, banking sector is among the top ten industries offering products based on research and development. Hence, those banks that have focused on R&D, have posted spectacular achievements in their records.

Bank Mellat, as a leading strategy-oriented private bank in the banking industry of the country, having been aware of the role of R&D years before its privatization, had attempted to detect bottlenecks, diagnose, find solutions, take feedbacks, etc. via developing scientific & research activities; thus, to steer the bank through deepening R&D and knowledge management. So, considering strategic targets of the bank, it has defined the research plans in a timely manner.

In line with the new conditions of the bank and emerging as the largest private bank of the country, the research and planning center has defined its research profile to support operational plan of the bank, realize its business plan, and draw new configurations in various operational areas (human resources, profitability, mitigating risk, etc.).

Moreover, in order to optimally exploit the scientific and specialized potential of the eminent academic and banking figures, the center has tried to pave the way to enjoy value adding capacities of the bank to realize projected strategic targets and profitability growth.

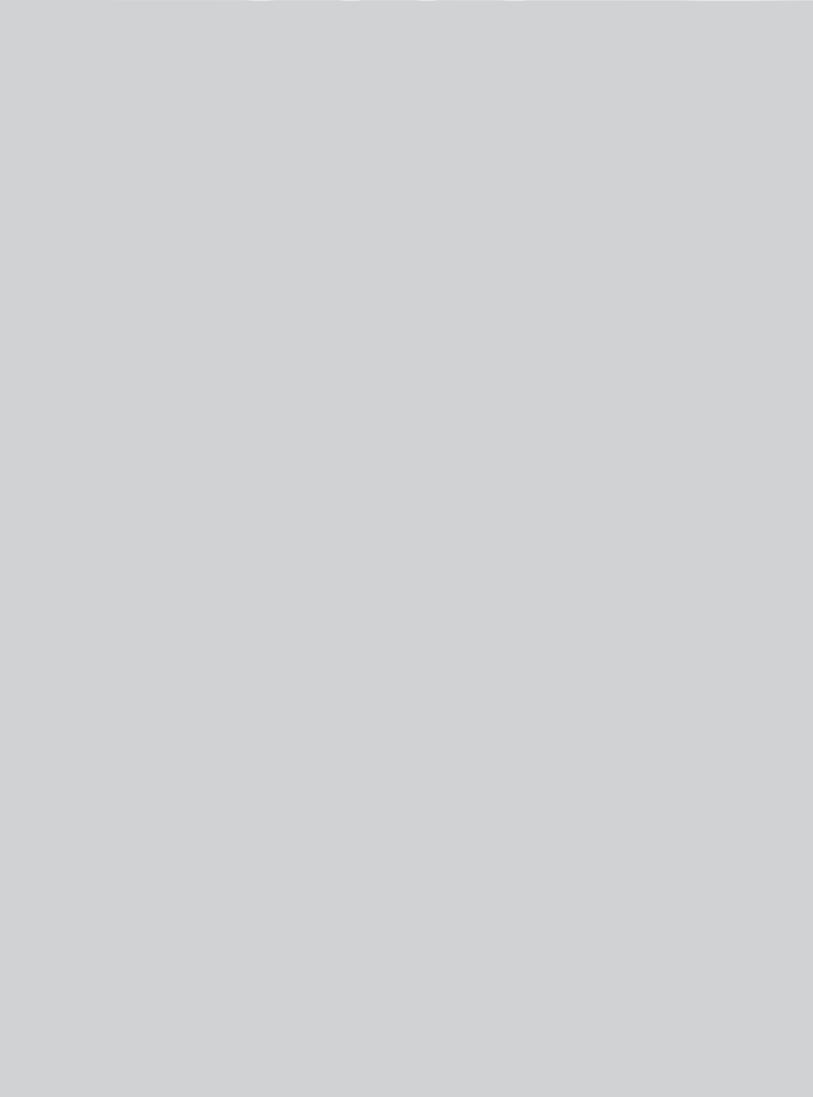


# Major research projects in the research and planning center

Group name	Projects
Planning	Diagnosing operational plan to improve bank's performance in line and headquarter and providing solution Measuring top managers' strategic behavior and factors affecting it Assessing and improving corporate governance of the bank in line with privatization Comparative assessment of organizational intelligence of the area managers in line with the operational plan
Optimal allocation of resources	Analyzing default risk in different market segments and providing a suitable pattern Optimizing the process of assuming obligations in the bank
Human resources	Optimal recruitment in terms of human resources management of the bank compared with the other competitors and planning for its improvement  Providing a win-win pattern to transform job relations of the staff with the bank from state-owned to privately-run
Productivity	Providing a suitable pattern to calculate productivity of each module of the bank(in the branch, department, area, and regional level) and suggesting reasonable approaches Using multi purpose models to simultaneously optimize financial targets of the bank based on MODM in optimizing yield rates
Financial assessment	Assessing bank's investors and shareholders behavior in the capital market Managing liquidity across the bank using financial clinic approach Assessing and recognizing approaches to measure profit quality and improving it Assessing value creating approaches using excess assets of the bank Assessing regulations and approaches to increase capital of the bank

# Major research projects in the research and planning center

Economic assessment	Assessing and recognizing in efficiency of the bank's regions and areas Economic analysis of the bank's strategic business risks  Assessing and providing an optimal foreign currency portfolio for the bank  Updating forecasting models of macro variables  Updating forecasting models of financial statements of the bank  Providing reports on the bank's rating indicators in the stock market  Assessing Iranian economic sectors in terms of investment priority  Assessing housing sector conditions  Assessing conditions of aluminum industry  Assessing conditions of automotive industry  Assessing conditions of cement industry
Marketing and advertising	Setting benchmarks for segment the market based on the bank's capabilities  Assessing segmentation strategies of the competitors and gathering new related ideas  Providing prototype of the initial segmentation based on field studies and market research  Providing prototype of customer value proposition for each market niche  Selecting segments that are most harmonious with the value creating chain of the bank  Producing initial identity card for each recognized segment  Providing road map to increase the bank's share in each segment
Participative management	Assessing and devising a model for evaluating and measuring professional behavior and ethical charter of the bank and introducing behavior standards license  Designing a system for measuring corporate image in the bank
Computer and IT	Designing and devising performance assessment system for the bank's IT department Optimally choosing the bank's competitive advantages in the IT section against other competitors Designing customers tracking system in the departments based on radio frequency identification



# Part 3: Financial Statements

## **The Independent Auditor's Report**

#### Ministry of Finance and Economic Affairs Auditing Organization

The independent auditor and legal inspector's report
To the ordinary general meeting of shareholders
Bank Mellat

This organization has audited the accompanying consolidated balance sheet of the group and bank Mellat as of march 20<sup>th</sup> 2010, the related statements of profit and loss, comprehensive statements of profit and loss and consolidated cash flows of the group and bank Mellat for the year then ended, together with accompanying notes from 1 to 56. These financial statements are the responsibility of the bank's management and responsibility of this organization is to express its opinion on these financial statements based on its audit and report on the points that are noncompliant with the legal requirements set by the monetary and banking act, usury – free banking act, amendment to the commercial code and provisions of the bank's articles of association.

This organization has conducted its audit based on auditing standards. Those auditing standards require this organization to plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles and policies used and significant estimates made by the board of directors, as well as evaluating the overall financial statements presentation. This organization believes that the conducted audit provides a reasonable basis for its opinion.

In the opinion of this organization, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the group and bank Mellat at march  $20^{th}$  2010 and the results of its operations and its cash flow for the year then ended in accordance with the accounting standards.

## **The Independent Auditor's Report**

The transactions indicated in the note 54 to the financial statements have been assessed as all transactions subject to article 129 of amendment to the Commercial Act, that have been conducted during the year under report and have been reported by the board of directors of the bank to this organization. Provisions of article 129 based on obtaining approval of the board of directors and refrain of the interested director from standing for balloting have been observed in conducting the above states transactions. Moreover, this organization has not noticed any evidence denoting deviation from reasonable commercial conduct and usual banking practice in these transactions.

The board of directors' report on the operation and general condition of the bank which has been arranged to be presented to the annual general meeting of shareholders has been assessed by this organization. With respect to the assessments made and considering the provisions of the accompanying notes this organization has not noticed any material cases indicating the noncompliance of the information of the said report with the documents presented by the board of directors.

27/06/2010

**Auditing organization** 

Alireza Fakhr Shafaee

**Bahram Sadughianzadeh** 

# Bank Mellat (Public Joint Stock Company) Notes to the consolidated financial statements For the financial year ending March 20<sup>th</sup> 2010

#### The ordinary general meeting of shareholders

We are honored to enclose herewith the consolidated financial statements together with the financial statements of the bank for the financial year ending March  $20^{th}$  2010. The financial statements are composed of the following elements:

#### A- The principal consolidated financial statements of the Group:

- Consolidated balance sheet
- Consolidated profit & loss account
- Changes in consolidated retained earnings (Loss) account
- Comprehensive consolidated profit & loss account
- Consolidated cash flow statement

#### B- the principal financial statements of bank Mellat:

- Non-consolidated balance sheet
- Non-consolidated Profit & loss account
- Changes in the non-consolidated retained earnings (Loss) account
- Comprehensive non-consolidated profit & loss account
- Non-consolidated cash flow statement

#### **C- Accompanying notes:**

- History of the bank's operations
- Accounting convention
- Summary of significant accounting policies
- Notes to the financial statements and other information

The consolidated financial statements of the Group and financial statements of bank Mellat have been prepared in accordance with the accounting standards and have been approved by the board of directors of the bank on 15/06/2010.

Members of the board of directors	Position	Signature
Dr. Ali Divandari	Chairman & Managing Director	(Singed)
Abdolkarim Ghavamifar	Board member	(Singed)
Younes Hormozi	Board member	(Singed)
Mohammad Reza Saroukhani	Board member	(Singed)
Mohsen Fadavi	Board member	(Singed)

# Consolidated Balance Sheet as at March 20<sup>th</sup> 2010

ASSETS	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Cash	6	5,491,595	5,081,469
Dues from the Central Bank	7	70,060,817	41,501,683
Dues from Banks & Credit Institutions	8	83,378,261	56,104,726
Dues from the Government	9	14,756,942	11,753,298
Loans & Advances to the Public Sector	10	13,083,012	10,447,263
Loans & Advances to the Subsidiaries	11	2,304,730	593,819
Loans & Advances to Other Parties	12	264,778,230	228,338,110
Dues for L/Cs & Time Drafts	13	73,801,707	53,155,682
Participation Bonds & the Like	14	5,882,092	3,316,226
Investments & Partnerships	15	4,562,964	3,646,351
Tangible Fixed Assets	16	13,979,162	12,756,061
Intangible Assets	17	1,158,486	1,217,532
Other Assets	18	4,708,451	3,768,449
Total Assets		557,946,449	431,680,669
Continuent Lightlities	51		
Contingent Liabilities :	וכ	440,000,004	400 044 050
Party to Liabilities for L/Cs		116,839,934	106,211,352
Party to Liabilities for L/Gs		55,866,023	45,293,328
Party to Other Liabilities		50,182,046	33,751,035
Managed Funds & the Like		3,372,669	3,039,844
Total		226,260,672	188,295,559

# Consolidated Balance Sheet as at March 20<sup>th</sup> 2010

		Alb	(Restated)
LIABILITIES & SHAREHOLDERS' EQUITY	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Dues to the Central Bank	20	24,136,240	33,536,246
Dues to Banks & Credit Institutions	21	36,876,865	22,982,225
Sight Deposits	22	125,310,927	87,230,463
Saving Deposits & the Like	23	28,512,688	20,696,568
Time Investment Deposits	24	203,759,160	147,951,441
Other Deposits	25	28,678,853	24,925,331
Tax Due	26	1,822,110	2,924,754
Provisions & Other Dues	27	6,971,926	6,944,617
Acceptances & Endorsements	28	74,925,591	53,965,159
Dividend Due	29	593,507	0
Severance Provisions	30	2,328,671	1,393,970
Items in Transit	19	2,671,117	9,508,510
Total Liabilities		536,587,655	412,059,284
Shareholders' Equity			
Capital (13,100 million shares, 1000 Rials each)	31	13,100,000	13,100,000
Reserves	32	2,878,613	1,875,038
Exchange Translation Gain (Loss)	33	328,989	30,040
Exchange Translation Reserve	34	928,665	928,665
Retained Earnings (Loss)		3,430,297	2,992,075
<b>Total Shareholders' Equity</b>		20,666,564	18,925,818
Minority Interest	35	692,230	695,567
Total Liabilities& Shareholders' Equity		557,946,449	431,680,669
Contingent Liabilities :	51		
Liabilities for L/Cs		116,839,934	106,211,352
Liabilities for L/Gs		55,866,023	45,293,328
Other Liabilities		50,182,046	33,751,035
Party To Managed Funds & The Like		3,372,669	3,039,844
Total		226,260,672	188,295,559

# Consolidated Profit & Loss Account for the Financial Year Ending on March 20<sup>th</sup> 2010

A-Income from both bank's & depositors resources:         Million Rials         Million Rials           Profit from granted facilities         36         29,680,383         24,843,509           Profit from granted facilities         37         1,423,115         681,327           Joint Incomes         31,103,498         25,524,836           Less:         0-racount profit of saving deposits         38         (21,960,157)         (15,873,374)           Surplus paid to depositors         39         0         0         0           Profit Paid to Depositors         (21,960,157)         (15,873,374)         8,651,462           B- Income from bank's own resources:         9,143,341         9,651,462           B- Income from bank's own resources:         70         0           Profit & Late Payment Charges Received         40         8,305,713         5,725,76           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total Incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         42         1,593,262         3,092,987           Total Incomes gained from bank's own resources         13,404,320         11,393,389		1		(Restated)
Profit from granted facilities         36         29,680,383         24,843,509           Profit from investments & partnerships         37         1,423,115         681,327           Joint Incomes         31,103,499         25,524,836           Less:         0         0           On-acount profit of saving deposits         38         (21,960,157)         (15,873,374)           Surplus paid to depositors         39         0         0           Profit Paid to Depositors         (21,960,157)         (15,873,374)           Bank's profit shares & fees received         9,143,341         9,651,462           B-Income from bank's own resources:         Frofit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826         3,092,987           Commissions received         41         3,505,345         2,574,826         3,092,987           Commissions received         41         3,505,345         2,574,826         3,092,987           Commissions received         41         3,505,345         2,574,826         3,092,987           Cotal incomes gained from bank's own resources         13,404,320         13,133,389         2,674,611         2,1044,851         2,674,611		Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Profit from Investments & partnerships   37	A-Income from both bank's & depositors resources:		Million Rials	Million Rials
Joint Incomes   31,103,498   25,524,836     Less:	Profit from granted facilities	36	29,680,383	24,843,509
Less	Profit from investments & partnerships	37	1,423,115	681,327
On-acount profit of saving deposits         38         (21,960,157)         (15,873,374)           Surplus paid to depositors         39         0         0           Profit Paid to Depositors         (21,960,157)         (15,873,374)           Bank's profit shares & fees received         9,143,341         9,651,462           Benk's profit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,339           Bank's total income         22,547,661         21,044,851           C-Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,782,022)         (17,319,524)           Bank's t	Joint Incomes		31,103,498	25,524,836
Surplus paid to depositors         39         0         0           Profit Paid to Depositors         (21,960,157)         (15,873,374)           Bank's profit shares & fees received         9,143,341         9,651,462           B-Income from bank's own resources:         Very 10,100         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C-Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Prinancial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650) <td>Less:</td> <td></td> <td></td> <td></td>	Less:			
Profit Paid to Depositors         (21,960,157)         (15,873,374)           Bank's profit shares & fees received         9,143,341         9,651,462           B-Income from bank's own resources:         Profit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826         20,909,987           Total incomes         42         1,533,262         3,092,987           Total income gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,366,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)	On-acount profit of saving deposits	38	(21,960,157)	(15,873,374)
Bank's profit shares & fees received         9,143,341         9,651,462           B- Income from bank's own resources:         Profit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,093,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         46         (487,632)         (47,19,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account	Surplus paid to depositors	39	0	0
B- Income from bank's own resources:           Profit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,339           Bank's total income         22,547,661         21,044,851           C- Expenses:         44         (1,800,940)         (8,525,522)           Doubtful loans expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203 <td>Profit Paid to Depositors</td> <td></td> <td>(21,960,157)</td> <td>(15,873,374)</td>	Profit Paid to Depositors		(21,960,157)	(15,873,374)
Profit & Late Payment Charges Received         40         8,305,713         5,725,576           Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         43         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (445,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)         3,700,989         2,760,414           Retained earnings	Bank's profit shares & fees received		9,143,341	9,651,462
Commissions received         41         3,505,345         2,574,826           Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)         4,760,414           Net profit(loss)         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,	B- Income from bank's own resources:			
Other Incomes         42         1,593,262         3,092,987           Total incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account         4         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,5	Profit & Late Payment Charges Received	40	8,305,713	5,725,576
Total incomes gained from bank's own resources         13,404,320         11,393,389           Bank's total income         22,547,661         21,044,851           C- Expenses:         2         2,547,661         21,044,851           C- Expenses:         3         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3.007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rlal)         278         203           Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginn	Commissions received	41	3,505,345	2,574,826
Bank's total income         22,547,661         21,044,851           C- Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3.007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700	Other Incomes	42	1,593,262	3,092,987
C- Expenses:         Administrative & general expenses         43         (10,800,940)         (8,525,522)           Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3,007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         2,946,098)         (717,226)	Total incomes gained from bank's own resources		13,404,320	11,393,389
Administrative & general expenses       43       (10,800,940)       (8,525,522)         Doubtful loans expenses       44       (3,531,071)       (5,041,289)         Financial expenses       45       (3,007,379)       (3,306,546)         Other expenses       46       (487,632)       (446,167)         Bank's total expenses       (17,827,022)       (17,319,524)         Profit before tax deduction       4,720,639       3,725,327         Less: tax       (1,019,650)       (964,913)         Net profit       3,700,989       2,760,414         Minority interest       60,741       101,217         Earning per share (Rial)       278       203         Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,26	Bank's total income		22,547,661	21,044,851
Doubtful loans expenses         44         (3,531,071)         (5,041,289)           Financial expenses         45         (3.007,379)         (3,306,546)           Other expenses         46         (487,632)         (446,167)           Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         (946,098)         (717,226)           Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368	C- Expenses:			
Financial expenses       45       (3.007,379)       (3,306,546)         Other expenses       46       (487,632)       (446,167)         Bank's total expenses       (17,827,022)       (17,319,524)         Profit before tax deduction       4,720,639       3,725,327         Less: tax       (1,019,650)       (964,913)         Net profit       3,700,989       2,760,414         Minority interest       60,741       101,217         Earning per share (Rial)       278       203         Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Administrative & general expenses	43	(10,800,940)	(8,525,522)
Other expenses       46       (487,632)       (446,167)         Bank's total expenses       (17,827,022)       (17,319,524)         Profit before tax deduction       4,720,639       3,725,327         Less: tax       (1,019,650)       (964,913)         Net profit       3,700,989       2,760,414         Minority interest       60,741       101,217         Earning per share (Rial)       278       203         Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Doubtful loans expenses	44	(3,531,071)	(5,041,289)
Bank's total expenses         (17,827,022)         (17,319,524)           Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368,155)         (661,265)           Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Financial expenses	45	(3.007,379)	(3,306,546)
Profit before tax deduction         4,720,639         3,725,327           Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368,155)         (661,265)           Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Other expenses	46	(487,632)	(446,167)
Less: tax         (1,019,650)         (964,913)           Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368,155)         (661,265)           Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Bank's total expenses		(17,827,022)	(17,319,524)
Net profit         3,700,989         2,760,414           Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         (946,098)         (717,226)           Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368,155)         (661,265)           Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Profit before tax deduction		4,720,639	3,725,327
Minority interest         60,741         101,217           Earning per share (Rial)         278         203           Changes in Consolidated Retained Earnings (Loss) Account           Net profit(loss)         3,700,989         2,760,414           Retained earnings at the beginning of year         3,524,862         1,625,356           Yearly adjustments         47         (333,653)         183,930           Adjusted retained earnings at the beginning of the year         3,191,209         1,809,286           Attributable profit         6,892,198         4,569,700           Profit allocation:         Legal reserve         (946,098)         (717,226)           Approved dividend         (2,368,155)         (661,265)           Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Less: tax		(1,019,650)	(964,913)
Earning per share (Rial)       278       203         Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Net profit		3,700,989	2,760,414
Changes in Consolidated Retained Earnings (Loss) Account         Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Minority interest		60,741	101,217
Net profit(loss)       3,700,989       2,760,414         Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Earning per share (Rial)		278	203
Retained earnings at the beginning of year       3,524,862       1,625,356         Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Changes in Consolidated Reta	ined Ear	nings (Loss) Account	
Yearly adjustments       47       (333,653)       183,930         Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Net profit(loss)		3,700,989	2,760,414
Adjusted retained earnings at the beginning of the year       3,191,209       1,809,286         Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Retained earnings at the beginning of year		3,524,862	1,625,356
Attributable profit       6,892,198       4,569,700         Profit allocation:       Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Yearly adjustments	47	(333,653)	183,930
Profit allocation:       (946,098)       (717,226)         Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Adjusted retained earnings at the beginning of the year		3,191,209	1,809,286
Legal reserve       (946,098)       (717,226)         Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Attributable profit		6,892,198	4,569,700
Approved dividend       (2,368,155)       (661,265)         Total deduction       (3,314,253)       (1,378,491)         Retained earnings at the end of year       3,577,946       3,191,209	Profit allocation:			
Total deduction         (3,314,253)         (1,378,491)           Retained earnings at the end of year         3,577,946         3,191,209	Legal reserve		(946,098)	(717,226)
Retained earnings at the end of year 3,577,946 3,191,209	Approved dividend		(2,368,155)	(661,265)
	Total deduction		(3,314,253)	(1,378,491)
Minority interest <u>147,649</u> <u>199,134</u>	Retained earnings at the end of year		3,577,946	3,191,209
	Minority interest		147,649	<u>199,134</u>

# Comprehensive Consolidated Profit & Loss Account for the Financial Year Ending on March 20<sup>th</sup> 2010

	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Net profit		3,700,989	2,760,414
Exchange translation gain (loss)	33	328,989	30,040
Comprehensive profit of the financial year		4,029,978	2,790,454
Yearly adjustments	47	(333,653)	183,930
Profit (loss) recognized from the previous financial year		3,696,325	2,974,384
Minority interest from comprehensive profit of the financial year		60,741	101,217

# Consolidated Cash Flow Statement for the Financial Year Ending on March 20<sup>th</sup> 2010

	(Restated)		
	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Operating activities:			
Net cash inflow (outflow) out of operating activities	48	16,366,774	(2,762,291)
Investments yield & profit paid for financing:			
Profit received(dividend, selling shares, bonds)		1,632,575	640,941
profit paid for financing		(2,403,261)	(1,719,819)
Payable dividend		(1,774,648)	0
Net cash inflow (outflow) out of Investments yield & profit paid for financing		(2,545,334)	(1,078,878)
Income tax:			
Income tax:		(2,122,294)	(1,100,245)
Investment activities:			
Funds paid for investments and legal partnerships		(1,114,000)	(6,200,577)
Funds received from desposing investments and legal partnerships		29	0
Funds paid for purchasing tangible fixed assets		(1,324,531)	307,093
Funds received from desposing tangible fixed assets		168,746	(408,835)
Funds paid for purchasing intangible fixed assets		(32,191)	(110,175)
Funds received from desposing intangible fixed assets		91,237	31,095
Net cash inflow (outflow) out of Investment activities		2,210,710	(6,381,399)
Net cash inflow (outflow) before financing activities		9,488,436	(11,322,813)
Financing activities:			
Receiving (settling) OSF facilities		4,593,279	(69,241)
Receiving (settling) external facilities		(880,609)	1,101,971)
Receiving (settling) facilities from the central bank		(13,848,130)	20,264,673
Receiving (settling) facilities from domestic banks		(502,332)	(997,668)
Net cash inflow (outflow) out of financing activities		(10,637,792)	18,095,793
Net cash increase(decrease)	49	(1,149,356)	6,772,980
Cash balance at the beginning of the year		8,012,550	1,239,570
Cash balance at the end of the year		6,863,194	8,012,550
Non-cash transactions	50	847,509	0

### **Non-consolidated Balance Sheet** as at March 20th 2010

			(Restated)
ASSETS	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Cash	6	5,296,956	5,021,991
Dues from the Central Bank	7	70,060,817	41,501,683
Dues from Banks & Credit Institutions	8	80,298,136	48,463,807
Dues from the Government	9	14,756,942	11,753,298
Loans & Advances to the Public Sector	10	13,083,012	10,447,263
Loans & Advances to the Subsidiaries	11	2,304,730	593,819
Loans & Advances to Other Parties	12	262,868,778	225,954,131
Dues for L/Cs & Time Drafts	13	73,801,707	53,155,682
Participation Bonds & the Like	14	6,232,457	3,643,084
Investments & Partnerships	15	5,332,100	4,295,410
Tangible Fixed Assets	16	13,914,075	12,696,501
Intangible Assets	17	1,158,486	1,217,532
Other Assets	18	4,857,329	3,928,812
Total Assets		553,965,526	422,673,013
Contingent Liabilities :	51		
Party to Liabilities for L/Cs		115,797,754	105,230,140
Party to Liabilities for L/Gs		55,258,183	44,792,399
Party to Other Liabilities		47,431,046	31,895,365
Managed Funds & the Like		3,372,669	3,039,844
Total		221,859,652	184,957,748

# Non-consolidated Balance Sheet as at March 20th 2010

(Restated)

LIABILITIES & SHAREHOLDERS' EQUITY	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Dues to the Central Bank	20	24,136,240	33,536,246
Dues to Banks & Credit Institutions	21	35,961,396	17,332,596
Sight Deposits	22	125,238,026	87,163,163
Saving Deposits & the Like	23	28,512,688	20,696,568
Time Investment Deposits	24	203,759,160	147,951,441
Other Deposits	25	26,849,401	22,901,296
Tax Due	26	1,822,110	2,882,094
Provisions & Other Dues	27	6,823,313	6,712,290
Acceptances & Endorsements	28	74,925,591	53,965,159
Dividend Due	29	593,507	0
Severance Provisions	30	2,328,671	1,393,970
Items in Transit	19	2,671,117	9,508,510
Total Liabilities		533,621,220	404,043,333
Shareholders' equity			
Capital (13,100 million shares, 1000 Rials each)	31	13,100,000	13,100,000
Reserves	32	2,876,064	1,873,266
Exchange Translation Gain (Loss)	33	192,667	(63,442)
Exchange Translation Reserve	34	928,665	928,665
Retained Earnings (Loss)		20,344,306	2,791,191
Total Shareholders' Equity		553,965,526	18,629,680
<b>Total Liabilities&amp; Shareholders' Equity</b>		553,965,526	422,673,013
Contingent Liabilities :	51		
Liabilities for L/Cs		115,797,754	105,230,140
Liabilities for L/Gs		55,258,183	44,792,399
Other Liabilities		47,431,046	31,895,365
Party To Managed Funds & The Like		3,372,669	3,039,844
Total		221,859,652	184,957,748

#### **Non-consolidated Profit & Loss Account** for the Financial Year Ending on March 20<sup>th</sup> 2010

for the Financial Year Ending on March 20 <sup>th</sup> 2010				
	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
A-Income from both bank's & depositors resources:		Million Rials	Million Rials	
Profit from granted facilities	36	29,680,383	24,843,509	
Profit from investments & partnerships	37	1,423,115	681,327	
Joint Incomes		31,103,498	25,524,836	
Deductions:				
On-acount profit of saving deposits	38	(21,960,157)	(15,873,374)	
Surplus paid to depositors	39	0	0	
Profit Paid to Depositors		(21,960,157)	(15,873,374)	
Bank's profit shares & fees received		9,143,341	9,651,462	
B- Income from bank's own resources:				
Profit & Late Payment Charges Received	40	8,141,562	5,164,847	
Commissions received	41	3,383,842	2,441,222	
Other Incomes	42	<u>1,564,807</u>	3,323,611	
Total incomes gained from bank's own resources		13,090,211	10,929,679	
Bank's total income		22,233,552	20,581,141	
C- Expenses:				
Administrative & general expenses	43	(10,559,823)	(8,422,903)	
Doubtful loans expenses	44	(3,531,071)	(5,041,289)	
Financial expenses	45	(2,927,823)	(3,088,024)	
Other expenses	46	(484,347)	(442,797)	
Bank's total expenses		(17,503,064)	(16,995,012)	
Profit before tax deduction		4,730,488	3,586,129	
Less: tax		(960,515)	(865,505)	
Net profit		3,769,973 288	<b>2,720,624</b> 208	
Earning per share (Rial)	ntoined			
Changes in the non-consolidated Re	etaineu			
Net profit(loss)		3,769,973	2,720,624	
Retained earnings at the beginning of year		3,124,191	1,247,514	
Yearly adjustments	47	(333,000)	185,246	
Adjusted retained earnings at the year beginning		2,791,191	1,432,760	
Attributable profit		6,561,164	4,153,384	
Profit allocation:				
Legal reserve		(946,098)	(717,226)	
Approved dividend		(2,368,155)	(644,967)	
Total deduction		(3,314,253)	(1,362,193)	
Retained earnings at the end of year		3,246,910	2,791,191	

# Comprehensive Non-consolidated Profit & Loss Account for the Financial Year Ending on March 20<sup>th</sup> 2010

	Note	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
		Million Rials	Million Rials
Net profit		3,769,973	2,720,624
Exchange translation gain (loss)	33	192,667	(63,442)
Comprehensive profit of the financial year		3,962,640	2,657,182
Yearly adjustments	47	(333,000)	185,246
Profit (loss) recognized from the previous financial year		3,629,640	2,842,427

# Non-consolidated Cash Flow Statement for the Financial Year Ending on March 20th 2010

(Restated) Note March 20th 2010 March 20th 2009 Million Rials Million Rials Operating activities: Net cash inflow (outflow) out of operating activities 48 16,178,230 (4,483,126)Investments yield & profit paid for financing: Profit received(dividend, selling shares, bonds) 1.633.917 638.743 Profit paid for financing (2,343,477)(1,503,054)Payable dividend (1,774,648)0 Net cash inflow (outflow) out of Investments yield & (2,484,208)(864,311)profit paid for financing Income tax: Income tax (2,020,499)(1,100,245)Investment activities: Funds paid for investments and legal partnerships (1,234,077)(4,654,352)Funds received from disposing investments and 29 legal partnerships Funds paid for purchasing tangible fixed assets (1,318,807)317,914 Funds received from disposing tangible fixed assets 173.563 (480,102)Funds paid for purchasing intangible fixed assets (10,774)(32,191)Funds received from disposing intangible fixed assets 91,237 31,095 Net cash inflow (outflow) out of Investment activities (2,320,246)(4,796,219)Net cash inflow (outflow) before financing activities 9,353,277 (11,243,901)Financing activities: Receiving (settling) OSF facilities 4,593,279 (69,241)Receiving (settling) external facilities (880,609)(1,101,971)Receiving (settling) facilities from the central bank (13,848,130)20,264,672 Receiving (settling) facilities from domestic banks (502,332)(997,668)Net cash inflow (outflow) out of financing activities (10,637,792)18,095,792 49 Net cash increase(decrease) (1,284,515) 6,851,891 Cash balance at the beginning of the year 7,953,071 1,101,180 Cash balance at the end of the year 6,668,556 7,953,071 Non-cash transactions 50 847,509 0

# Notes to the Consolidated Financial Statements for the Financial Year Ending on March 20th 2010

### 1- History of the bank's operations

#### 1-1 Generalities

According to resolution dated 20/12/1979 of the General Assembly of Banks, bank Mellat was established on 22/07/1980 out of merger of the following banks and was registered under number 38077 in the companies' registrar office:

Tehran, Daryoush, Beinolmelal Iran, Omran, Farhangian, Bimeh Iran, Pars, Tejarat Khareji, Iran-o-Arab, and Etebarat Taavoni va Tozie

According to decisions made in the extraordinary general meeting of banks dated 05/04/2008 and the resolution number T /68985 dated 24/07/2007 of the honorable Council of Ministers, the legal structure of the bank was converted to public joint stock company leading to its getting listed in Tehran Stock Exchange in the banks, financial institutions section on 10/02/2009, and ultimately 5% of its stock was introduced in an IPO on 18/02/2009. Presently, 20% of its stock belongs to the government, while the rest belongs to the private sector.

The bank's head office lies in Tehran and according to note 15-1-4 bank Mellat group comprises bank Mellat, Persia International Bank PLC, in London and Mellat Bank CJSC in the Republic of Armenia.

#### 1-2 Core business

According to article 2 of the articles of association, the core business of the bank includes conducting banking operations within the framework of the monetary and banking regulations of the country. The core business of Persia International Bank PLC and Mellat Bank CJSC are banking activities.

#### 1-3 Number of branches

Number of branches of the bank at the end of 1388 (2009/10) is as follows:

Geographical distribution	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Tehran	347	357
Other provinces	1460	1500
Free trade zones	8	7
Overseas	4	4
Total	1819	1868

#### 1-4 Employment profile

The average number of employees of the bank during 1388 (2009/10) has been as follows:

	Group		Bank	Mellat
Geographical distribution	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
Head office	2210	2551	2210	2551
Tehran branches	5623	5746	5623	5746
Provincial branches	16548	16412	16548	16412
Other	356	356	254	254
Total	24737	25065	24635	24963

### 2- Accounting Convention

Financial statements of the Bank have been prepared under historical cost convention and current values have also been applied when necessary.

#### 3- Consolidation Bases

Consolidated financial statements have been resulted from consolidation of financial statements of the bank Mellat and its subsidiaries after removing inter group transactions, balances and unrealized profit (loss) thereof.

### 4- Summary of Significant Accounting Policies

#### 4-1- Investments

#### 4-1-1 Evaluation Method

- 4-1-1-1 Long-lived assets are evaluated based on cost price less the provisioning for impairment loss of each. Long-lived assets in the subsidiaries and other investments in the consolidated financial statements are evaluated based on consolidation, equity method, and cost price less the provisioning for impairment loss of each investment respectively.
- 4-1-1-2 Liquid current assets in the financial statements of the bank and its subsidiaries are evaluated at the least cost price and net market of all assets, and other current assets in the financial statements of the bank and its subsidiaries are evaluated at their least cost price and net market value of each asset

#### 4-1-2- Income Recognition Method

4-1-2-1 Profit from investment in the subsidiaries and affiliated companies are recognized in the financial statements of the bank at the date of approval of their financial statements by the general meeting of shareholders (till the date of approval of the financial statements of the bank). Profit from investment in the subsidiaries and affiliated companies are recognized via consolidation and equity method respectively in the financial statements of the group.

4-1-2-2 Profit from investment in the other companies, current or long term, are Recognized at the date of approval of their financial statements by the general meeting of shareholders (till the balance sheet date).

#### 4-2- Tangible Fixed Assets

4-2-1-Tangible Fixed Assets, except the one indicated in 4-2-2 below, are posted based on cost price. The repairs and improvements leading to considerable increase in the capacity or estimated useful life of the fixed assets or essentially improve their utility are charged as capital expenses and depreciated during the remaining useful life of the underlying asset. Maintenance expenses incurred in partial repairing and retaining economic interests of the business unit as per initially evaluated performance standards, are considered as current expenses and carried to the profit (loss) of the period under report.

4-2-2- At the end of 1383(2004/05) by virtue of article 62 of the third five- year development plan, the premises of the bank were revaluated and registered in the books for the amount of 11,543 billion Rial and the resulted surplus, i.e. 10,637 billion Rials, has been added to the capital increase account of the government in the bank. 4-2-3- According to the resolution adopted in 1077<sup>th</sup> session of the Money & Credit Council on 17.02.2007, depreciation of fixed assets are recorded as per depreciation chart of article 151 of direct taxes law based on the following rates and depreciation methods:

Asset	Depresiation rate	Depressiation Mathed
Asset	Depreciation rate	Depreciation Method
Premises & installations	7%	Declining
Automobiles	25%	Direct line
Computer systems software	5 years	Direct line
PC hardware	3 years	Direct line
ATM	5 years	Direct line
POS	5 years	Direct line
Furniture	10 years	Direct line
Sorter	6 years	Direct line
Tele-communication equipment	3 years	Direct line
Module	4 years	Direct line

4-2-3-1 According to the note 10 of the code of conduct for depreciation, based on article 151 of direct taxes law, depreciation rate for the buildings revaluated at the end of 1383 (2004/05) is charged at 3.5% using declining method.

4-2-4 Tangible fixed assets of the PIB are depreciated within 3 years using direct line method.

#### 4-3- Good Will

By virtue of article 62 of the third five- year development plan, good will of the business units of the bank were registered in the books based on the revaluated prices in 1383(2004/05). According to the resolution adopted in 1077th session of the Money & Credit Council depreciation of fixed assets are recorded as per depreciation chart of article 151 of direct taxes law. So, no depreciation has been calculated for the good will since beginning of 1385 (2006/07).

#### 4-4- Consolidated Good Will

Business units are accounted based on their acquisition method. Surplus of cost price of acquired investments in the subsidiaries and affiliated companies over the group's stake in the net fair value of their recognized assets and liabilities at the acquisition date is recognized as good will and depreciated within 20 years using direct line method. The good will derived from acquiring assets in the affiliated companies is posted as book value of long term investment in the affiliated companies in the consolidated balance sheet.

#### 4-5- Income Recognition

According to directive number MB /772 dated 18/07/2005 of studies and regulation department of the Central Bank of the Islamic Republic of Iran and by virtue of the resolution adopted in 1044th session of the Money & Credit Council on 16/07/2005, All incomes of the Bank are recognized based on accrual assumption basis and reflected in the financial statements.

As per the above stated method, incomes of the Bank are recognized as follows:

Nature of income	Recognition method
Profit from granted facilities	Based on duration, outstanding debt and least expected profit
Late payment charges of installments	Based on duration, over due installments volume and Late payment charges rate
Commission of letters of guarantee	At the issue date of letters of guarantee
Commission of other banking services	At the time of rendering services

#### 4-6- Basis for determining Depositors' Profit Share from Joint Income

By virtue of the usury-free banking Act ratified on 30/08/1983 and its executive directives, and with due regard to the directives number 1799 dated 08.01.2004 of the Central Bank of the Islamic Republic of Iran, the profits derived from granting facilities, investment in stock and participation bonds that are recognized according to the prevailing accounting convention, is considered as joint income and the depositors' profit share will be determined in proportion to their net resources invested in the granted facilities.

#### 4-7- Foreign Currency Translation

#### 4-7-1 Domestic Accounts

According to the accounting standards on translation of foreign currency assets and liabilities, the translation difference of the year under report has been posted to the current profit (loss) account.

#### 4-7-2 Foreign Branches and Subsidiaries

All foreign currency monetary and non-monetary items (except shareholders' equity) of the foreign branches and subsidiaries are translated in the market rate at the balance sheet date and shareholders' equity is translated in the market rate at the creation date (historical rates). Profit (loss) items are translated at the average market rate on the transaction date.

The difference arisen from translation of the balance sheets of foreign branches and subsidiaries is posted in the shareholders' equity.

#### 4-8- Loans Classification

According to the resolution adopted in 1074th and 1077th session of the Money & Credit Council, loans granted by the bank are classified based on the delay period, customer's solvency, and the situation of the customer's industry as follows:

- 1-Outstanding
- 2-Overdue
- 3-Non performing
- 4- Doubtful

#### 4-9- Provisions for Doubtful Loans

According to the resolutions adopted in  $1074^{th}$  on 30.12.2006 and  $1077^{th}$  dated 17.02.2007 sessions of the Money & Credit Council, provisions for doubtful loans are calculated and posted in the books as follows:

4-9-1 Since beginning of 1385(2006/07) general provisions are calculated equal to 1.5% of the balance of total loans, except those for which specific provisions have been made.

4-9-2 Specific provisions are calculated and charged to the accounts proportionate to the category of the over due loans and thereafter they lose collateral coverage as follows:

Category	Provisions
Overdue loans	10 %
Non performing loans	20 %
Doubtful loans, given assessing customer's solvency	50-100 %
Loans that 5 years or more have passed from their maturity	100 %

#### 4-10- Severance Pay Reserve

The reserve for the staff severance pay is calculated and considered in the accounts equaling one month of their last salary and allowances for each year of service.

#### 4-11- Staff Leave Repurchase Reserve

The reserve for the staff reserved leave for the previous years and current year is calculated based on 15 days of their salary and benefits and considered in the accounts.

#### 4-12- Dues from the Government

The mandatory facilities granted under former Management & Planning Organization of the state, are regarded as dues from the government under following conditions: a-Non performing loans due to customer's insolvency, inadequate collaterals, or failure of the bank in collecting the debt;

b-The overdue loans relating to performing acquiring capital assets;

c-Loans granted to ministries and government organizations.

#### 5- Severance Pay Liabilities

The present value of the staffs' severance pay liabilities with respect to their years of service (including working, retired and pensioner staff) are calculated based on actuary assumptions and provisions are made proportionately.

#### 6- Cash

	Gro	oup	Bank I	Mellat
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Cash	5,262,299	3,756,263	5,067,660	3,696,785
Under collection (Rials)	12,939	1,156,173	12,939	1,156,173
Foreign currency	216,357	154,547	216,357	154,547
Under collection (foreign currency)	0	14,486	0	14,486
Total	<u>5,491,595</u>	5,081,469	5,296,956	5,021,991

<sup>6-1</sup> The cash on the balance sheet date includes all cash in depository and branches that has been counted and confirmed on March  $20^{th}$  2010.

#### 7- Dues from the Central Bank

Dues from the Central Bank are as follows:

Bank Mellat				
	March 20th 2010	March 20th 2009		
	million Rials	million Rials		
Legal reserves with the Central Bank	38,680,624	31,352,605		
Deposit in foreign currency with the Central Bank	30,090,139	7,222,460		
Dues from the Central Bank	1,064,099	2,776,314		
Legal reserves of the foreign branches	158,083	107,344		
Deposit of foreign branches with the central bank of hosting country	65,667	40,754		
Prepayment for purchasing foreign currency	2,205	2,205		
Total	70,060,817	41,501,683		

<sup>6-2</sup> The cash and those under collection have been adequately insured against risks of theft, fire & incidents.

7-1 Legal reserves deposited with the Central Bank have been determined as per note 3 to article 14 of the monetary and banking act and rate set by the Money & Credit Council and ratified by the central bank. The breakdown of the legal reserves is as follows:

	March 20 <sup>th</sup> 2010		March 20	) <sup>th</sup> 2009
	Rate (%)	million Rials	Rate (%)	million Rials
Short term and one year deposits	15,16	18,383,022	17	14,226,956
Sight and non- interest bearing deposits	10,17	13,687,205	10,20	12,072,658
Long term and 2-5 year deposits	10,12,13	6,017,778	11 to 15	4,523,448
L/G and housing deposits	17	506,064	20	496,265
L/Cs Prepayment	17	86,555	20	33,278
Total		38,680,624		31,352,605

### 8- Dues from Banks & Credit Institutions

	Group		Bank Mellat	
	March20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials	million Rials	million Rials
Cash with domestic banks after clearing	370,817	284,121	370,817	284,121
Sight deposit in foreign currency	17,656,870	15,203,089	15,908,350	7,461,538
Term deposit in foreign currency	12,378,380	10,005,464	11,046,775	10,106,097
Loans to domestic banks	4,517,002	2,965,321	4,517,002	2,965,321
Loans to foreign branches	8,058,328	5,928,990	8,058,328	5,928,990
Bank checks under collection	26,826,389	21,762,086	26,826,389	21,762,085
deposit with banks	13,638,360		13,638,360	0
Sub total	83,446,146	56,149,071	80,366,021	48,508,152
Less:				
General provisions for doubtful loans	(67,885)	(44,345)	(67,885)	(44,345)
Total	83,378,261	56,104,726	80,298,136	48,463,807

#### 9- Dues from the Government

Dues from government amount to 14,756,942 million Rials as follows:

	Bank Mellat					
	N	March 20th 2010		March 20 <sup>th</sup> 2009		
	Principal	Profit	Balance	Balance		
	million Rials	million Rials	million Rials	million Rials		
Dues from government in the head office	5,679,907	3,463,175	9,143,082	8,302,497		
Dues from government in branches	2,165,308	8,103,952	10,269,260	7,987,019		
Sub-total	7,845,215	11,567,127	19,412,342	16,289,516		
Less: Profit for the following years of mandatory loans pledged by government	0	(4,655,400)	(4,655,400)	(4,536,218)		
Total	7.845.215	6.911.727	14.756,942	11.753.298		

9-1 The breakdown of 9,143,082 million Rials of dues from government in the head office is as follows:

	Bank Mellat						
	N	March 20th 2009					
	Principal	Profit	Balance	Balance			
	million Rials	million Rials	million Rials	million Rials			
Karun 3 project	2,076,810	122,144	2,198,954	2,177,564			
Karun4 project	587,950	204,558	792,508	792,508			
Khuzestan energy project	163,052	73,374	236,426	236,426			
Metro project (1987-99)	0	1,316,976	1,316,976	1,060,093			
Khuzestan sewage Co.	43,000	93,977	136,977	136,977			
Deferred profit of mandatory loans	0	1,652,146	1,652,146	1,633,582			
Deficit of annual tax reserve (2007&2008)	2,037,657	0	2,037,657	1,929,657			
Staff Leave Repurchase Reserve up to March 20th 2009	735,690	0	735,690	335,690			
Other	35,748	0	35,748	0			
Total	5.679.907	3,463,175	9,143,082	8,302,497			

**Consolidated Financial Statements of the Group & Bank Mellat** 

**10- Loans & Advances to the Public Sector** Loans & Advances to the Public Sector amounting to 13,083,012 Million Rials are as follows:

	Loans & Ac the Publi	Loans & Advances to the Public Sector	Mandatory Loans to Public Sector	ndatory Loans to Public Sector	Housing loans to the Public Sector	loans to c Sector	Mandatory housing loans to Public Sect	Mandatory housing loans to Public Sector	Total loans & Advances to the Public Sector	k Advances lic Sector
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	Million Rials	Million Rials	Million Rials	Million Rials	MillionRials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials
Net loans granted in local currency	2,619,366	1,965,042	2,874,067	3,030,952	0	39,106	0	0	5,493,433	5,035,100
Net loans granted in foreign currency	912,803	1,153,501							912,802	1,153,501
Dues from L/Cs paid in local currency	67,735	178,334							67,735	178,334
Dues from L/Cs paid in foreign currency	3,987,994	2,204,656							3,987,994	2,204,656
Receivable late payment charges	930,853	351,297							930,853	351,297
Receivable Profit	1,854,392	1,642,219							1,854,392	1,642,219
	588	588							288	588
Less: provisions for doubtful loans	(121,675)	(121,675)	(43,111)	(45,464)					(164,786)	(118,431)
	10,252,056	7,422,669	2,830,956	2,985,488	1011	39,106	10	1011	13,083,012	10,447,263

10-1 Loans & Advances to the Public Sector are classified based on the delay period, customer's solvency, and the situation of the customer's industry as follows:

Category	Loans & Advances and housing loans to the Public Sector	Mandatory Loans to the Public Sector	Total
Outstanding	4,876,546	2,856,276	7,732,822
Overdue	1,773,832	0	1,773,832
Non performing	1,097,391	0	1,097,391
Doubtful	2,625,962	17,791	2,643,753
Less: provisions for doubtful loans	(121,675)	(43,111)	(164,786)
Grand total	10,252,056	2,830,956	13,083,012

#### 11- Loans & Advances to the Subsidiaries

Bank Mellat						
		March 20 <sup>th</sup> 2010				
	balance	Profit for the following years	Provisions	Net	Net	
	million Rials	million Rials	million Rials	million Rials	million Rials	
Installment sales	1,844,993	645,374	38,068	1,161,551	46,031	
Civil partnership	967,221	0	15,626	951,595	547,788	
Forward	,25,848	0	6,175	19,673	0	
Hire purchase	116,534	0	0	116,534		
Receivables for L/Cs in local currency	5,364	0	1,609	3,755	0	
Receivables for L/Cs in foreign currency	73,746	0	22,124	51,622	0	
Total	3,033,706	645,374	83,602	2,304,730	593,819	

11-1 as per directive of the Money & Credit Council above stated loans are classified as follows:

Bank Mellat							
	March 20 <sup>th</sup> 2010						
	Outstanding	Overdue	Nonperforming	Doubtful	Total		
	million Rials	million Rials	million Rials	million Rials	million Rials		
Installment sales	1,807,517	8,316	0	29,160	1,844,993		
Civil partnership	950,421	15,954	0	846	967,221		
Forward	5,542	0	0	20,306	25,848		
Hire purchase	116,534	0	0	0	116,534		
Receivables for L/ Cs in local currency	0	0	0	5,364	5,364		
Receivables for L/Cs in foreign currency	0	0	0	73,746	73,746		
Sub total	2,880,014	24,270	<u></u>	129,422	3,033,706		
Less:							
Profit for the following years	(645,374)	-	-	-	(645,374)		
General provisions	(43,321)	-	-	-	(43,321)		
Specific provisions	0	(1,455)	0	(38,826)	(40,281)		
Total	2,191,319	22,815	<u></u>	90,596	2,304,730		

### 12- Loans & Advances to Other Parties

	Group		Bank Mellat	
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Installment sales	99,968,980	111,169,383	99,968,980	111,169,383
Joaleh	1,448,085	1,237,119	1,448,085	1,237,119
Hire purchase	5,668,801	5,614,997	5,668,801	5,614,997
Forward	4,737,204	10,441,195	4,737,204	10,441,195
Profit sharing	12,894,767	8,530,595	12,894,767	8,530,595
Civil partnership	85,603,911	32,542,620	85,603,911	32,542,620
Non-interest bearing	14,183,352	10,789,151	14,183,352	10,789,151
Receivables for L/Cs	12,183,973	9,810,207	12,183,973	9,810,207
Receivables for L/Gs	1,296,599	1,120,923	1,296,599	1,120,923
foreign currency loans	12,374,689	23,931,491	12,374,689	23,931,491
Loans granted by foreign branches	8,535,268	2,419,016	8,535,268	2,419,016
Other loans	3,959,045	8,347,433	3,973,149	8,347,434
Loan and advances to customers	1,923,556	2,383,980		
Total	264,778,230	228,338,110	262,868,778	225,954,131

12-1 Loans & advances granted to the other parties by the bank are as follows:

Bank Mellat						
			March 20th 2009			
	balance	Profit for the following years	Provisions	Net	Net	
	million Rials	million Rials	million Rials	million Rials	million Rials	
Installment sales	120,039,565	16,567,428	3,503,157	99,968,980	111,169,383	
Joaleh	1,851,159	264,190	138,884	1,448,085	1,237,119	
Hire purchase	7,262,690	1,049,001	544,888	5,668,801	5,614,997	
Forward	5,121,443	-	384,239	4,737,204	10,441,195	
Profit sharing	13,940,675	-	10,045,908	12,894,767	8,530,595	
Civil partnership	90,933,042	-	5,329,131	85,603,911	32,542,620	
Non-interest bearing	15,333,778	-	1,150,426	14,183,352	10,789,151	
Receivables for L/Cs	14,212,066	-	2,028,093	12,183,973	9,810,207	
Receivables for L/Gs	1,401,768	-	105,169	1,296,599	1,120,923	
Foreign currency loans	19,902,223	0	7,527,534	12,374,689	23,931,491	
Loans granted by foreign branches	9,227,445	0	692,177	8,535,268	2,419,016	
Other loans	4,295,415	0	322,266	3,973,149	8,347,434	
Total	303,521,269	17,880,619	22,771,872	262,868,778	225,954,131	

12-2 as per directive of the Money & Credit Council, above stated loans are classified as follows:

Bank Mellat					
		March 20 <sup>th</sup> 2	2010		
	Outstanding	Overdue	Nonperforming	Doubtful	Total
	million Rials	million Rials	million Rials	million Rials	million Rials
Installment sales	97,459,527	2,581,220	6,589,134	13,409,684	120,039,565
Joaleh	1,474,845	38,588	98,186	239,540	1,851,159
Hire purchase	5,762,601	153,820	391,397	954,872	7,262,690
Forward	4,095,381	107,294	273,015	645,753	5,121,443
Profit sharing	11,139,429	287,241	730,890	1,783,115	13,940,675
Civil partnership	73,371,935	2,007,337	4,974,321	10,573,449	90,933,042
Non-interest bearing	12,774,507	268,581	719,203	1,571,487	15,333,778
Receivables for L/Cs	9,205,479	31,142	94,868	4,880,577	14,212,066
Receivables for L/Gs	1,282,105	52,023	13,046	54,594	1,401,768
Foreign currency loans	15,575,741	1,011,343	852,297	2,462,842	19,902,223
Loans granted by foreign branches	5,266,266		3,961,179		9,227,445
Other loans	4,295,416				4,295,415
Less:					
Profit for the following years	(17,880,619)	0	0	0	(17,880,619)
General provisions	(3,357,339)	0	0	0	(3,357,339)
Specific provisions	0	(523,573)	(3,298,721)	(15,592,239)	(19,414,533)
Total	220,465,274	6,015,016	15,398,815	20,989,674	262,868,778

12-3 Loans & advances to the other parties by the pledged collateral:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Collateral	million Rials	million Rials
Building	103,197,231	97,617,149
Machineries	78,915,530	76,699,189
Check and promissory note	106,356,193	80,453,695
Participation bonds	12,146,061	10,727,159
Other assets	2,906,254	2,681,890
Total	303,521,269	268,178,982

### 13- Dues for L/Cs & Time Drafts

Bank Mellat						
	March 20th 2010	March 20th 2009				
	million Rials	million Rials				
Dues from L/Cs & time drafts	74,925,591	53,965,159				
Less:						
General provisions for doubtful loans	(1,123,884)	(809,477)				
Total	73,801,707	53,155,682				

**14- Participation Bonds & the Like**This entry includes balance of participation bonds and securities as follows:

	Gro	oup	Bank Mellat			
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009		
	million Rials	million Rials	million Rials	million Rials		
Public participation bonds	2,763,429	1,917,673	2,763,429	1,917,673		
Private participation bonds	2,917,737	1,248,580	2,917,737	1,248,580		
Securities	577,576	503,159	551,291	476,831		
Sub-total	6,258,742	3,669,412	6,232,457	3,643,084		
Less:						
PIB's bonds with the bank	(376,650)	(353,186)	-	-		
Total	5,882,092	3,316,226	-	-		

### 15- Investments & Partnerships

	G	roup	Bank Mellat			
	March20 <sup>th</sup> 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20th 2009		
	million Rials	million Rials	million Rials	million Rials		
Investments & partnerships	5,439,130	4,436,714	5,332,100	4,295,410		
Less: investments in the subsidiary	(876,166)	(790,363)	-	-		
Total	4,562,964	3,646,351	5,332,100	4,295,410		

### 15-1 Investments & partnerships of the bank are as follows:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Investment in the listed companies	739,767	119,487
Legal partnerships & direct investments:		
Legal partnerships	257,004	243,225
direct investments	2,246,675	1,821,251
Sub-total	2,503,679	2,064,476
Foreign Investment	2,365,704	2,191,168
Sub-total	5,609,150	4,375,131
Less:		
Impairment provision	(277,050)	(79,721)
Total	5,332,100	4,295,410

# 15-1-1 Investment in the listed companies Investments in the listed companies are as follows:

		March 20 <sup>th</sup> 2010									
	# of shares	Stake Nominal value Cost price			Market price	Cost price					
			million Rials	million Rials	million Rials	million Rials					
Mellat Investments Co	97,219,984	9.72%	96,712	96,712	42,680	96,712					
Other companies	108,161,204	-	-	643,055	432,438	22,775					
Sub-total	-	-	96,712	739,767	475,118	119,487					
Impairment provision	-	-	-	(264,657)	-	(67,299)					
Book value of the listed companies share	-	-	96,712	475,110	475,118	52,188					

15-1-2 Investment in the other companies Investment in the other companies is as follows:

			March 20 <sup>th</sup> 20		March 20 <sup>th</sup> 2009		
	# of shares	Stake % Cost price Impairme provisi			Net	Cost price	Net
			million Rials	million Rials	million Rials	million Rials	million Rials
Ahwaz sugar Co.	25,499,980	49.9	25,914	7,000	18,914	25,879	18,879
Refah chain stories	45,918,820	10.2	107,813	0	107,813	107,813	107,813
Amin finance Co.	100,000,000	10	100,000	0	100,000	100,000	100,000
Other companies	7,859,000	32.3	23,277	120	23,157	9,533	6,529
Total			257,004	7,120	249,884	243,225	233,221

15-1-3 Direct investment Direct Investment in the other companies is as follows:

		March 20 <sup>th</sup> 2009					
	# of shares	Stake %	Cost price	Impairment provision	Net	Cost price	Net
			million Rials	million Rials	million Rials	million Rials	million Rials
Mellat Behsaz mosharekatha Co.	849,796,000	99.9	809,878	0	809,878	809,878	809,878
Mellat Behsazan Co.	9,998,960	99.9	99,990	1,550	98,440	99,990	98,440
Mellat construction Co.	4,999,952	99.9	50,000	0	50,000	50,000	50,000
Mellat printing Co.	6,499,936	99.9	52,396	3,600	58,796	39,397	35,797
Mellat brokerage Co.	14,988,000	99.9	14,988	0	14,988	14,988	14,988
Tehran-Saveh free way Co.	1,099,998	54.9	10,999	0	10,999	10,999	10,999
Mehr-e-Iran gharz-al- hasaneh Co.	2,310,000,000	15.4	1,073,725	0	1,073,725	770,000	770,000
Mellat exchange Co.	23,999,100	79.9	23,999	0	23,999	23,999	23,999
Banks surplus assets sales Co.	2,000,000	10	2,000	0	2,000	2,000	2,000
Mellat leasing Co.	98,700,000	98.7	98,700	0	98,700	0	0
Total			2,246,675	5,150	2,241,525	1,821,251	1,816,101

- 15-1-3-1 With regard to the fact that assets, liabilities, income and expenses of the subsidiaries are less than one percent of the bank's accounts, they have been disregarded from consolidation
- 15-1-3-2 Increase in the cost price of investment in Mehr-e-Iran gharz-al-hasaneh Bank Company is due to non cash equity of the bank in the current year.

### 15-1-4 foreign investments include:

		March 20 <sup>th</sup> 2010									
	# shares	Stake%	Stake% Cost price		Cost price	Cost price Impairment provisions		Cost price	Net		
			In foreign currency		Million Rials	Million Rials	Million Rials	Million Rials	Million Rials		
EIH	81,508,952	26.31	81,508,952	EURO	924,327	0	924,327	813,971	813,971		
SWIFT Co.	26,325	Less than 0.001	39,107	EURO	248	0	248	559	559		
PIB	60,000,000	60	60,000,000	EURO	677,880	0	677,880	677,880	677,880		
Mellat Bank Yerevan		100	6,850,000,000	Armenian Dram	198,286	0	198,286	160,486	160,486		
Other	40,205,480	35.3	45,142,822	EURO	564,963	123	564,840	538,272	538,149		
Total					2,365,704	123	2,365,581	2,191,168	2,191,045		

### 16- Tangible Fixed Assets of the Group and the Bank

	Cost price			Accumulated depreciation				Book value				
	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials
	Balance on March 20 <sup>th</sup> 2009	Assets added during the period	Assets disposed of during the period	Adjustments	Balance on March 20 <sup>th</sup> 2010	Balance on March 20 <sup>th</sup> 2009	Depreciation of the financial year	Depreciation of the assets disposed of	Adjustments	Balance on March 20th 2010	Balance on March 20th 2010	Balance on March 20th 2009
Group	16,367,280	2,172,040	(249,003)	17,804	18,308,121	3,611,219	780,193	(63,040)	587	4,328,959	13,979,162	12,756,061
Bank Mellat	16,302,778	2,166,315	(245,896)	16,648	18,239,845	3,606,277	775,179	(62,493)	6,808	4,325,770	13,914,075	12,696,501

16-1 by virtue of article 62 of the third five- year development plan, the ratio of the non-depreciated amount of the bank's immovable assets to its capital and reserves (directive of the note to article 34 of the monetary and banking act) are as follows:

	March 20 <sup>th</sup> 2010 ( in billion Rials)
non-depreciated immovable assets	13,134
Less:	
Revaluation of immovable assets	(9,434)
Written off & surplus	(1,550)
Total	2,150
Capital and reserves	16,837
Less: Revaluation of immovable assets	(9,434)
Total capital and reserves of the bank after deducting revaluation	7,403
Ratio of non-depreciated immovable assets to capital and reserves	29 %

#### 16-2- Tangible fixed assets of the bank are as follows:

Cost price or revaluation amount					Accumulated depreciation					Book value		
	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials
Land	390,853	52,362	(1,556)	195,903	637,563						637,563	390,853
Building & installations	12,410,204	46,516	(149,466)	531,772	12,839,027	2,569,619	429,563	(33,416)	4,354	2,970,119	9,868,908	9,840,585
Computer equipment	920,945	36,427		262,949	1,220,321	127,364	241,851			369,214	851,107	793,582
Cars	97,134		(13,641)	30,247	113,740	60,076	16,727	(12,341)		64,641	49,278	37,058
Furniture	913,447	71,930	(17,104)	101,627	1,069,899	849,218	87,039	(16,736)	2,454	921,975	147,924	64,229
Total	14,732,583	207,235	(181,797)	1,122,498	15,880,550	3,606,277	775,179	(62,493)	6,808	4,325,770	11,554,780	11,126,306
Under completion assets	1,055,394	1,122,810		(708,265)	1,469,940						1,469,940	1,055,394
Orders and capital prepayments	189,510	487,676	(64,128)	(74,776)	538,282						538,282	189,510
Capital items in warehouse	325,290	348,593		(322,809)	351,074						351,074	325,290
Total	1,570,195	1,959,079	(64,128)	(1,105,850)	2,359,296						2,359,296	1,570,195
Grand total	16,302,778	2,166,315	(245,896)	16,648	18,239,845	3,606,277	775,179	(62,493)	6,808	4,325,770	13,914,075	12,696,501

### 17- Intangible Assts

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Good will	1,158,486	1,217,532
Good will	1,158,486	1,217,532

#### 18- Other Assets

	Gro	up	Bank	Mellat
	March 20 <sup>th</sup> 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Interim receivables (in Rial)	30,036,869	2,436,877	3,218,961	2,622,646
Interim receivables (in foreign currency)	13,917	315,732	13,917	315,732
Interim receivables abroad	61,338	31,231	61,338	31,231
Commercial receivables	19,621	16,001		
Sub-total	3,131,745	2,799,841	3,294,216	2,969,609
Foreclosed collaterals	1,029,038	445,078	1,029,038	445,078
Receivable commissions	362,059	336,821	362,059	336,821
Inventory	156,276	164,079	156,274	164,079
Tax stamp	27,307	35,817	27,307	35,817
Deposits for telephone, lease online	44,714	21,778	44,714	21,778
Public warehouses	201	201	201	201
Gold and silver	8,313	982	8,313	982
Managers' loan	1,410	949	0	0
Prepayment	9,101	5,899	0	0
Tax transferred to the following years	3,080	2,557	0	0
Sub-total	4,773,244	3,814,002	4,922,122	3,974,365
Less:				
Doubtful loans provisions	(64,592)	(45,352)	(64,592)	(45,352)
Impairment losses provision for investments in public warehouses	(201)	(201)	(201)	(201)
Total	4,708,451	3,768,449	4,857,329	3,928,812

### 18-1 Interim receivables in Rial include the following items

	Group		Bank Mellat	
	March 20 <sup>th</sup> 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials	million Rials	million Rials
Receivable from Mr. Ganji, for selling Mellat investment Co shares	127,082	107,339	127,085	107,339
Receivable dividend from investments in listed companies	115,642	57,294	115,642	57,294
Special cases authorized by the management	107,363	102,731	107,363	102,731
On-account payments and dues from companies	1,602,768	1,204,249	1,602,768	1,204,249
Tax prepayment	177,695	48,836	328,874	316,130
Participation bonds profit	522,651	389,796	522,651	389,796
Staff debt for advances on salary and on-account received funds	208,462	151,173	208,462	151,173
Other items	175,206	375,459	206,119	293,934
Total	3,036,869	2,436,877	3,218,961	2,622,646

#### 19- Items in Transit

Items in Transit on the balance sheet date are as follows:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009		March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	Receivables	Receivables		Payables	Payables
	Million Rials	Million Rials		Million Rials	Million Rials
H/O account (local currency)	195,452,183	140,440,364	H/O account (local currency)	219,781,024	120,951,160
H/O account (foreign currency)	49,866,312	25,630,508	H/O account (foreign currency)	51,136,751	24,761,369
Internal receivables (local currency)	69,543,253	14,469,608	Internal payables (local currency)	58,847,300	48,420,839
Internal receivables (foreign currency)	1,885,406	647,921	Internal payables (foreign currency)	3,740	9,271
Internal receivables (foreign branches)	17,881	15,420	Internal payables (foreign branches)	12,553	35,402
Foreign currency sight deposits with foreign branches	2,948,161	2,481,427	Payment orders at the counters of the branches in local currency	45,094	909,105
Sight deposits of foreign branches with each other	30,410	14,953	Sight deposit of the head office	1,726,810	2,452,195
Capital paid to foreign branches in foreign currency	723,592	538,273	Capital of foreign branches	723,592	538,273
Foreign currency time deposits with foreign branches	5,303,794	1,719,038	Time deposit of the head office	5,341,171	1,551,028
Foreign currency transactions counter value in Rials account	0	4,380,269	Surplus resources of free zones branches	01,745,171	1,256,121
Surplus resources	1,745,171	1,256,121	Foreign currency position	0	4,380,269
Dues from the head office	9,176,540	4,162,620			
	336,692,703	195,756,522		339,363,820	205,265,032
	2,671,117	9,508,510		0	0
	339,363,820	205,265,032		339,363,820	205,265,032

### 19-1 Internal Receivables include the following items:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Internal accounts between bank's units	4,788,145	869,300
Mellat card of ATM	1,074,226	1,137
Inter unit electronic documents with attachment	57,090	90,446
Withdrawals from Mellat electronic current account	16,658,135	0
Withdrawals from current account number 20400	22,760,070	4,661,217
Settling clearing house results(RTGS)	2,498,006	2,007,295
Paid to clearing house (RTGS) for department	16,583,598	4,661,413
Payables for staff medical expenses	3,584	7,303
Core unit	2,557,451	100,000
Other items	2,562,948	2,071,497
Total	69,543,253	14,469,608

### 19-1-1 Internal accounts between bank's units include the following items:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
local payment orders	1,240,418	3
Honoring payment orders issued by other units	1,066,186	556,410
Revolving account of the branches	2,481,541	312,887
Total	4,788,145	869,300

#### 19-2 Internal payables include the following items:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Internal accounts between bank's units	3,108,46	2,319,859
Dividend share of bank Mellat and CBI from installment sales of non exempt foreign currency	3,953	12,016
Transferring funds to Mellat electronic current account, Mellat card, SHETAB, and POS	149,743	400,994
Participation bonds profit	435,260	335,224
Inter unit electronic documents with attachment	90,987	152,121
Funds remitted to Mellat electronic current account	0	26,999,691
Funds derived from disposing fixed assets	40,805	70,434
Clearing house	9,393,754	6,361,538
Settling results of the clearing house	21,988,421	1,318,043
Funds remitted to current account number 20400	20,078,950	3,136,378
Non-interest bearing and welfare fund of the staff	29,018	23,746
Land and housing subsidy	1,213,058	1,085,714
SMEs subsidy	1,116,943	2,082,077
Other items	1,197,992	4,123,004
Total	58,847,300	48,420,839

#### 20- Dues to the Central Bank

Dues to the Central Bank amounting to 24,136,240 million rials are as follows:

	Bank Mellat		
	March 20th 2010	March 20th 2009	
	million Rials	million Rials	
Dues to the Central Bank for foreign currency exchange difference- non exempt cases	75,283	124,188	
Facilities received from the Central Bank	7,748,782	21,596,912	
Facilities received from OSF	16,540,351	11,947,072	
Dues to the Central Bank for public deposits	-	0	
Sub-total	24,364,416	33,668,172	
Less: funds received from the Central Bank for managed float rate of foreign currency difference	(228,176)	(131,926)	
Total	24,136,240	33,536,246	

#### 20-1 Facilities received from the Central Bank are as follows:

		Bank Mellat	
		March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
Contract subject	Contract number	million Rials	million Rials
Covering finance L/Cs foreign currency difference	3253	126,082	332,241
Facilities paid to agricultural services holding company	3343	1,000,000	1,000,000
Buying Iran check from the Central Bank	3366	0	7,151,971
Dues from the government	3370	4,622,700	4,622,700
Participation bonds held to maturity	3389	0	5,490,000
Mehr housing plan	3395	2,000,000	3,000,000
Total		7,748,782	21,596,912

#### 21- Dues to Banks & Credit Institutions

	Group		Bank Mellat	
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Non-interest bearing current accounts (after clearing)	128,983	170,109	128,983	170,109
Non-interest bearing current account of non bank credit institutions	1,818,086	1,923,162	1,818,086	1,923,162
Foreign currency sight deposit of local banks	5,048,802	2,285,387	5,048,802	2,285,387
Foreign currency sight deposit of foreign banks	2,802,830	6,073,728	2,802,830	545,098
Foreign currency time deposit of local banks	25,648,991	10,926,838	25,648,991	10,962,838
Foreign currency time deposit of foreign banks	0	46,838	0	46,838
Loans received from banks	0	502,332	0	502,332
Dues to foreign banks for foreign currency loans	52,223	932,832	52,223	932,832
Deposits of other banks	1,376,950	120,999	461,481	0
Total	36,876,865	22,982,225	35,961,396	17,332,596

<sup>21-1</sup> As per the directive number TB 54/4 dated 12/05/2002 of credits and banking information department of the Central Bank of the Islamic Republic of Iran, the account for loans received from OSF is created and prepayments for L/Cs issued out of OSF is transferred thereto.

<sup>21-2</sup> The amount of 52 billion Rials dues to foreign banks is for the foreign currency finance loans received for repairing and reconstruction of broken down buildings in some of the provinces and its interest rate is Libor + 2.5%.

### 22- Sight Deposits

Sight deposits are as follows:

	Group		Bank Mellat	
	March 20 <sup>th</sup> 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Non-interest bearing current accounts	75,764,904	55,035,294	75,764,904	55,035,294
Non-interest bearing foreign currency current accounts	23,962,711	8,272,051	23,962,711	8,206,569
Customers' current accounts	170,300	100,653	170,300	100,653
Unallocated managed funds	321,787	275,232	321,787	275,232
Bank checks sold	15,210,361	15,926,220	15,210,361	15,926,220
Local currency payment orders at our counters	170,175	342,131	170,175	342,131
Foreign currency payment orders at our counters	6,077	839	6,077	839
Unclaimed balances in Rials	324,150	212,049	324,150	212,049
Unclaimed balances in Foreign currencies	1,672	1,754	1,672	1,754
Civil partnership joint account	1,916,660	1,341,147	1,916,660	1,341,147
Interim payables in Rials	5,206,858	3,125,805	5,206,858	3,125,805
Interim payables in Foreign currencies	1,628,191	2,153,307	1,628,191	2,153,307
Interim payables abroad	106,528	167,030	106,528	441,539
Payable profit and commissions	516,001	274,509	446,042	-
Savings of the staff	1,610	624	0	-
Other items	2,942	1,818	1,610	624
Total	125,310,927	87,230,463	125,238,026	87,163,163

### 23- Saving Deposits & the Like

Saving deposits & the like are as follows:

	Bank Mellat		
	March 20 <sup>th</sup> 2010 March 20 <sup>th</sup> 2		
	million Rials	million Rials	
Non-interest bearing saving accounts	18,764,659	15,122,920	
Non-interest bearing saving accounts in foreign currencies	9,452,680	5,341,596	
Other	295,349	232,052	
Total	28,512,688	20,696,568	

### **24-Time Investment Deposits**

Time Investment Deposits are as follows:

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20th 2009	
	million Rials	million Rials	
Time Investment Deposits	98,509,481	67,455,278	
Short term Investment Deposits	76,601,518	48,787,756	
Special short term Investment Deposits	19,234,990	26,750,072	
Civil servants savings (staff share)	304,566	231,897	
Civil servants savings (government's share)	306,682	233,280	
Time Investment Deposits in foreign currencies	8,546,956	4,307,478	
Time Investment Deposits of foreign branches	254,967	185,680	
Total	203,759,160	147,951,441	

## **25- Other Deposits**

	Gro	up	Bank	Mellat
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials	million Rials	million Rials
Advance payment for the L/Cs received from private customers	18,875	15,243	18,875	15,243
Advance payment for the L/Cs received from governmental customers	7,056	8,070	7,056	8,070
Advance payment for the L/Cs received from governmental customers in foreign currency	13,635,062	12,292,643	13,635,062	12,292,643
Advance payment for the L/Cs received from private customers in foreign currency	8,578,908	7,090,706	8,578,908	7,090,706
Advance payment received from private customers for other loans	4,635	21,075	4,635	21,075
Cash collateral for L/Gs received from private customers in Rial	3,300,936	2,745,045	3,300,936	2,745,045
Cash collateral for L/Gs in foreign currency	764,902	566,948	764,902	566,948
Advance payment for local L/Cs received from private customers	539,027	161,566	539,027	161,566
Other deposits	1,829,452	2,024,035	-	-
Total	28,678,853	24,925,331	26,849,401	22,901,296

#### 26-Tax Due

	Gro	oup	Bank	Mellat
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Balance at the beginning of the year	2,791,754	446,453	2,749,094	433,457
Reserves for year operation tax	1,019,650	964,913	960,515	865,505
Tax adjustments	133,000	2,062,657	133,000	2,062,657
Paid during the year	(1,770,499)	(133,708)	(1,770,499)	(133,708)
Sub-total	2,173,905	3,340,315	2,072,110	3,227,911
Less: Tax advance payments	(351,795)	(415,561)	(250,000)	(345,817)
Balance at the end of the year	1,822,110	2,924,754	1,822,110	2,882,094

#### 26-1 Tax Reserve

Bank's tax has been announced definite, settled and the clearance bill has been issued for the bank by tax authorities by the end of 1384(2005/06).

Summary of the tax situation of the bank for its operations from 1385(2006/07) up to end of 1388 (March  $20^{th}$  2010) is as follows:

	Stated	Taxable		tax			March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	Recognition method
year	profit (loss)	income	Stated	Recognized	Definite	Settled	Reserve balance	Reserve balance	
2006/07	1,381,926	3,380,147	845,037	2,741,440	2,738,190	2,558,816	2,93,130	1,929,657	Definite
2007/08	3,101,060	2,257,394	564,348	2,014,815	0	565,449	370,301	299,749	Recognized
2008/09	3,586,130	2,957,800	798,505	133,000	0	665,505	448,164	998,505	Stated
2009/10	4,730,490	2,162,290	960,515	0	0	250,000	960,515	0	Stated
Total							2,072,110	3,227,911	
Less: Tax advance payment							(250,000)	(345,817)	
Grand total							1,822,110	2,882,094	

26-2 as per commitment of the Ministry of Finance and Economic Affairs, the unexpected debts up to the floatation of the bank's shares (18/02/2009) is for the account of the government; hence the tax reserves deficit for 1385(2006/07) has been posted as due from government based on the definite bill for 1,774 billion Rials, so the above tax reserves deficit is mainly due to return of doubtful debts expenses which will be the same for the next two years. Also correspondences of banks with the Ministry of Finance and Economic Affairs indicates acceptance of the issue by that ministry as the acceptable tax.

26-3 as per the tax recognition sheet number 2223/251/081 dated 22/07/2009 for 1386 (2007/08) the amount of 2,015 bullion Rials has been announced as the tax debt of the bank, which has been objected by the bank as per article 239 of the direct taxes law and requested for assessment in dispute settlement board.

26-4 tax reserves for 1388(2009/10) has been calculated and posted in to the accounts as per accounting profit. It is noted that since accepting specific doubtful loans provisions has been questioned by the tax department, negotiations with the tax authorities is under process to make it acceptable. So, till then the bank will have a contingent debt for 2,347,790 million Rials as the specific doubtful loans expenses.

### 27- Provisions & Other Dues

	Gro	oup	Bank	Mellat
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Commissions received for following years of L/Gs	309	96,701	309	96,701
Deficit of profit paid to depositors	10,190	10,161	10,190	10,161
Other provisions	1,146,100	1,549,112	1,064,580	1,573,558
Other provisions of foreign branches	2,379	1,368	2,379	1,368
Provisions for 40% stated profit	503,812	503,812	503,812	503,812
Other liabilities	12,040	20,277	-	-
Payable bonds	431,703	589,682	-	-
Banks' pension fund	4,174,792	3,791,000	4,174,792	3,791,000
Provisions for repurchasing staff leaves	1,067,251	735,690	1,067,251	735,690
Sub-total	7,348,576	7,297,803	6,823,313	6,712,290
Less: PIB's bonds held with the bank	(376,650)	(353,186)	-	-
Total	6,971,926	6,944,617	-	-

### 27- 1 Other provisions are as follows:

	Gro	oup	Bank	Mellat
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Administrative expenses provisions	59,227	103,750	59,227	103,750
Staff expenses provisions	208,127	131,106	208,127	131,106
Non-interest bearing deposits rewards provisions	675,013	633,812	675,013	633,812
Special short term deposits provisions	96,135	678,812	96,135	678,812
Other provisions	107,598	1,632	26,078	26,078
Total	1,146,100	1,549,112	1,064,580	1,573,558

#### 28- Acceptances & Endorsements

	Bank Mellat		
	March 20th 2010	March 20th 2009	
	million Rials	million Rials	
Acceptances & endorsements of deferred L/Cs & B/Es	56,538,985	46,541,813	
Refinance loans received from foreign banks	6,434,880	3,616,260	
Refinance loans received from foreign branches of the bank	11,951,726	3,807,086	
Total	74,925,591	53,965,159	

#### 29- Dividend Due

Financial year	Approved dividend	Dividend paid up to beginning of 1387(2008/09)	Dividend paid during 1387(2008/09)	March 20 <sup>th</sup> 2009	Dividend paid during 1388 (2009/10)	Balance on March 20 <sup>th</sup> 2010
	million Rials	million Rials	million Rials	million Rials	million Rials	million Rials
1386(2007/08)	644,967	0	503,812	0	193,490	(52,333)
1387(2008/09)	2,227,000	0	0	0	1,581,157	645,840
Total	2,871,967	0	503,812	0	1,774,647	593,507

#### **30- Severance Provisions**

Balance of Severance provisions is as follows:

	Bank Mellat		
	March 20th 2010	March 20th 2009	
	million Rials	million Rials	
Balance at the beginning of the year	1,393,970	1,269,016	
Provisions for the financial year	981,668	204,472	
Paid during the financial year	(46,967)	(79,518)	
Balance at the end of the year	2,328,671	1,393,970	

#### 31-Capital

31-1- the bank's capital was 33,500 million Rials at its inception (including 33,500,000 share each having a nominal value of 1,000 Rials) that has been gradually increased to 13,100,000 million Rials (including 13,100,000,000 share each having a nominal value of 1,000 Rials) up to 1384(2005/06).

Capital increase date	Capital increase(%)	Capital increase amount	New capital amount	Capital increase method
		million Rials	million Rials	
01/09/1993	1,706	571,500	605,000	Revaluation of fixed assets
01/09/2001	104.8	634,000	1,239,000	Special participation bonds under third 5-year development plan
10/08/2005	957.3	11,861,000	13,100,000	Fixed assets revaluation & translation of foreign exchange assets and liabilities

31-2- capital adequacy ratio that is derived from core capital of the bank divided by the risk weighted assets, according to the Basel committee requirements should be at least 8 percent. capital adequacy ratio of the bank is as follows:

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Paid up capital	1,891,500	1,891,500
Legal reserves	2,737,309	1,831,114
Other reserves	1,191,584	3,070,812
Retained earnings	3,246,910	2,791,191
Total tier one capital	9,067,303	9,584,617
General provisions & fixed assets revaluation reserves	15,193,991	14,295,928
Less: tier two capital adjustments	(6,126,688)	(4,711,311)
Total core capital	9,067,303	9,584,617
Less: investments	(924,327)	(2,374,333)
Total core capital after deducting investments	17,210,279	16,794,901
Total risk weighted assets (note 31-4)	236,361,359	224,674,736
Capital adequacy ratio	7.67 %	7.47 %

**Consolidated Financial Statements of the Group & Bank Mellat** 

0 0 0 million Rials 234,132 10,793,032 618,749 3,013,479 8,401,611 94,592,268 14,253,900 28,040,725 224,674,736 56,492,186 3,390,934 3,795,471 Risk weighted assets 1,048,251 Risk coefficient March 20<sup>th</sup> 2009 100 100 100 100 50 20 20 20 20 20 50 0 0 0 0 20 Conversion coefficient 20 20 50 28,040,725 million Rials 3,885,614 1,170,659 3,001,220 53,965,159 3,093,745 3,013,479 94,592,268 14,253,900 34,914,134 757,295,710 282,460,928 67,087,741 24,851,424 84,773,340 15,181,882 16,803,221 26,206,271 2,588 million Rials 0 0 0 0 7,851,513 11,257,739 140,957,028 16,017,438 30,934,090 3,697,752 236,361,360 Risk weighted assets 1,943,871 16,069,597 984,424 6,645,320 March 20<sup>th</sup> 2010 100 100 100 100 20 20 20 20 20 20 20 50 % 0 0 0 0 0 Conversion coefficient 20 % 20 20 12,939 0 Assets million Rials 5,319,637 88,528,114 76,239,913 3,173,072 80,347,985 7,851,513 140,957,028 16,017,438 30,934,090 50,799,549 9,719,354 22,515,477 92,443,802 24,610,589 676,051,781 26,581,281 Total risk weighted assets Lease purchase & housing loans Net fixed assets and good will Liabilities for more than one year L/Gs after deducting cash deposits Dues from the Central Bank Dues from the Government Liabilities for less than one year L/Gs after deducting cash deposits Dues from Banks & Credit Institutes Other loans & advances Liabilities for L/Cs after deducting prepayments Participation bonds Internal accounts Items in Transit Other liabilities Other assets Receivables Investments

31-3- Risk weighted assets

#### 32- Reserves

Balance of reserves is as follows:

	Group		Bank	Mellat
	March 20 <sup>th</sup> 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Internal legal reserves	2,753,182	1,807,084	2,753,182	1,807,084
External legal reserves	55,179	36,760	52,630	34,988
Other internal legal reserves	3,137	3,137	3,137	3,137
Other external legal reserves	30,196	14,447	30,196	14,447
External revaluation reserves	36,919	13,610	36,919	13,610
Total reserves	2,878,613	1,875,038	2,876,064	1,873,266

#### 33- Exchange Translation Gain (loss)

In execution of articles A-4 and C-4 of the directive number MB/1844 dated 19/01/2004 of the Central Bank of the Islamic Republic of Iran, exchange translation of assets and liabilities of foreign branches has resulted in 193 billion RIs and reflected in the shareholder's equity in the balance sheet.

	Group		Bank	Mellat
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Exchange translation gain (loss)	328,989	30,040	192,667	(63,442)

#### 34- Exchange Translation Reserve

	Bank Mellat		
	March 20 <sup>th</sup> 2010 March 20 <sup>th</sup> 2009		
	million Rials	million Rials	
Exchange translation reserve	928,665	928,665	

### **35- Minority Interest**

	Group		
	March 20 <sup>th</sup> 2010 March 20 <sup>th</sup> 20		
	million Rials	million Rials	
Capital	1,105,748	1,105,748	
Retained earnings (loss)	369,124 479,83		
Exchange translation gain (loss)	255,706 135,33		
Total	1,730,578	1,738,916	
Minority stake	40% 40%		
Minority interest	692,230 695,56		

35-1 Minority interest is related to private sectors shareholders' 40% stake in the PIB plc.

#### **36-Profit from Granted Facilities**

	Group		
	March 20 <sup>th</sup> 2010 March 20 <sup>th</sup> 2		
	million Rials	million Rials	
Installment sales	12,198,562	9,814,443	
Joaleh	253,862	165,733	
Hire purchase	562,003 331,61		
Forward	210,507 1,351,94		
Profit sharing	1,091,964	370,254	
Civil partnership	7,313,684	4,309,266	
Public mandatory ordinary loans	309,581 661,124		
Inter bank loans profit	193,113	90,951	
Late payment charges	7,547,107	7,748,177	
Total	29,680,383 24,843,50		

### **37- Profit from Investments and Partnerships**

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Profit derived from investments:		
Profit derived from investment in listed companies	128,166	46,154
Impairment of the investments in listed companies	(197,358)	(48,206)
Net profit (loss) derived from investments in listed companies	(69,192)	(2,052)
Profit derived from placements:		
Legal reserves profit	309,222	316,877
Profit derived from investment in bonds	1,183,085	366,502
Sub total	1,492,307	683,379
Total	1,423,115	681,327

### 37-1 Profit derived from investment in listed companies

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Dividend	126,197	34,958
Profit derived from selling shares	1,969	11,196
Total	128,166	46,154

#### 37-1-1 Breakdown of profit derived from investment in listed companies

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Mellat printing Co.	10,000	8,300
Mellat Behsazan Co.	17,998	6,999
Mellat investment Co.	3,014	0
Amin investment Co.	18,000	10,000
Mellat exchange Co.	1,297	0
Refah chain stories	8,265	6,888
Mellat leasing Co.	36,554	-
Other investments	31,069	2,771
Total	126,197	34,958

37-1-2 Profit derived from selling shares of the companies is due to selling shares of Mellat Investment Co.

### 38- On-account Profit of Saving Deposits

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	
One-year deposits	2,219,941	1,719,728	
Two- year deposits	444,768	398,932	
Three- year deposits	270,086	266,415	
Four- year deposits	68,991	25,493	
Five- year deposits	8,513,505	6,631,302	
Profit of short term deposits	5,806,702	3.608,393	
Profit of special short term deposits	2,902,266	3,027,411	
Profit of One-year investment certificates of deposit	1,733,898	195,700	
Total	21,960,157	15,873,374	

### 38-1 On-account profit of saving deposits is as follows:

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	On-account (%)	Definite (%)	
Ordinary short term and housing deposits	9	9	
Special short term (6-month)	12	16	
Special short term (9-month)	12	-	
One –year deposits	14.5	15	
One –year certificate of deposit	15	19	
Two- year deposits	15.5	16	
Three- year deposits	16	17	
Four- year deposits	17	18	
Five- year deposits	17.5	19	

#### 39- Surplus Paid to Depositors

Difference between definite and on-account profit of saving deposits of the customers has been calculated based on directive number MB/22243 dated 26/04/2009 of the Central Bank of the Islamic Republic of Iran.

	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials
Average of granted facilities	186,316,644	167,669,711
Average of investments	2,269,048	2,031,305
Average of participation bonds	5,008,251	2,389,254
Total	193,593,943	172,090,270
Less: net resources of depositors		
Average of short term deposits	66,407,635	47,668,264
Average of special short term deposits	21,534,994	20,035,183
Average of one-year deposits	24,579,759	12,926,640
Average of two-year deposits	2,858,181	2,590,214
Averageof three-year deposits	1,660,395	1,645,295
Average of four-year deposits	388,753	166,062
Average of five-year deposits	50,867,912	41,648,967
Total average of investment deposits	168,297,629	126,680,625
Total average of legal reserves of investment deposits	(20,022,067)	(17,850,580)
Net resources of depositors	(148,275,562)	(108,830,045)
Bank's resources	45,318,381	63,260,225
Depositors' profit share	76.59 %	63.24 %
Granted facilities profit	29,745,613	24,843,509
Participation bonds profit	1,183,085	366,502
Profit derived from investment	(69,191)	(2,052)
Total joint income	30,859,507	25,207,959
Depositors' profit share	23,635,609	15,941,536
Reward for legal reserves of investment deposits	236,837	199,116
Deposits profit	23,872,446	16,140,652
Agency fee received	(1,912,288)	(267,278)
Profit payable to depositors	21,960,158	15,873,374
On-account profit paid to depositors during the year (note 36)	(21,960,158)	(15,873,374)
Deficit (surplus) profit paid to depositors	0	0

#### **40- Profit and Late Payment Charges Received**

	Group		Bank	Mellat
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Profit(old transactions)	44,994	772	44,994	772
Profit(foreign branches)	838,481	636,748	838,481	636,748
Late payment charges received from other claims	4,688,562	3,089,102	4,950,946	3,089,102
Inter bank loans profit	501,824	452,664	0	0
Delay payment charges received from for- eign currency private loans	312,123	159,491	312,123	159,491
Profit received from foreign currency private loans	302,342	620,122	302,342	397,627
Profit received from foreign currency investments	322,666	231,491	321,324	229,293
Profit received from foreign currency placements	193,804	333,477	272,850	450,180
Profit of free resources of free trade zones branches	537,775	191,338	537,775	191,338
Placements with other banks	547,335	0	547,335	0
Other profits	15,807	10,371	13,392	10,296
Total	8,305,713	5,725,576	8,141,562	5,164,847

#### **41- Commissions Received**

	Group		Bank Mellat	
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Commissions of issued L/Cs	44,994	958,850	1,181,078	958,850
Commissions of issued L/Gs	838,481	602,255	763,079	602,255
Commissions of utility bills	4,688,562	63,304	85,455	63,304
Commissions of bank payment orders (SHETAB)	501,824	224,465	413,807	224,465
Commissions of non interest bearing loans	312,123	175,380	281,323	175,380
Commissions of foreign branches	302,342	126,664	156,406	126,664
Commissions of governmental accounts	322,666	73,275	66,538	73,275
Commissions of other banking services	557,659	350,633	436,156	217,029
Total	3,505,345	2,574,826	3,383,842	2,441,222

41-1 Rate of commissions for various services on March 20th 2010 is as follows:

Service	Rate
Issuance of L/Cs	0.5 up to 3 percent
Issuance of L/Gs	0.05 up to 2 percent
Managed funds	one percent
Payment orders	250 up to 100,000 Rials

- 41-1-1 commission for issuance of L/Gs is received from 0.5 up to 3 percent in accordance with the collateral.
- 41-1-2 commission for issuance of L/Cs is received from 0.05 up to 2 percent.
- 41-1-3 commission received from managed funds is one percent of the net loans.
- 41-1-4 commission for payment orders varies from 250 up to 100,000 Rials depending on its nature.

#### **42- Other Incomes**

	Group		Bank Mellat	
	March 20 <sup>th</sup> 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Result of internal foreign exchange	262,572	374,897	262,572	374,897
Result of foreignexchangeof foreignbranches	19,085	43,394	19,085	43,393
Result of translation of for eign currency accounts	601,802	2,418,203	687,031	2,424,451
Miscellaneous incomes	703,429	248,656	589,745	473,032
Miscellaneous incomes of foreign branches	6,374	7,837	6,374	7,837
Total	1,593,262	3,092,987	1,564,807	3,323,611

#### 42-1 Miscellaneous incomes are as follows:

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20th 2009	
	million Rials	million Rials	
Post, telegraph and telephone	18,229	27,386	
Profit derived from disposing fixed assets	327,760	204,717	
Other items	243,756	240,928	
Total	589,745	473,032	

#### 42-1-1 Profit derived from selling fixed assets are as follows:

		March 20 <sup>th</sup> 2010		March 20 <sup>th</sup> 2009	
	Cost price	Book value	Sales price	Profit (loss)	Profit (loss)
	million Rials	million Rials	million Rials	millionRials	million Rials
Khorramabad Shaghayegh branch	7,252	5,445	20,004	14,560	0
Ostad Motahhari property	2,966	2,437	13,500	11,063	0
Kermanshah Azadi Square branch	4,050	2,336	32,571	30,235	0
Karaj municipality branch	1,605	1,605	12,500	10,895	0
Chehelmetri property	1,605	855	32,571	31,716	-
Property in Shariati street in Rasht	2,031	1,609	96,108	94,499	-
Other	167,772	143,858	297,868	134,792	204,717
Total	186,742	158,143	505,121	327,760	204,717

#### **43- Administrative and General Expenses**

	Group		Bank Mellat	
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials	millionRials	million Rials
Staff expenses	7,869,379	6,033,199	7,628,262	5,930,579
Other administrative expenses	2,931,561	2,492,323	2,931,561	2,492,323
Total	10,800,940	8,525,522	10,559,823	8,422,903

#### 43-1 Staff expenses include the following items:

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	
Salary and wages	1,179,200	1,074,824	
Allowances	2,294,569	1,917,589	
Welfare, groceries, health	410,567	263,527	
Saving and retirement	1,675,848	1,560,622	
New year's gift and bonus	253,682	91,857	
Severance bonus	981,668	204,471	
Incentive	707,254	369,356	
Repurchasing staff leaves	79,422	400,000	
Staff expenses of foreign branches	46,052	48,334	
Total	7,628,262	5,930,579	

<sup>43-1-1</sup> from 1,675,848 million Rials saving and retirement expenses, 383,792 million Rials is related to Bank Mellat staff pension fund.

<sup>43-1-2</sup> considering the government's commitment in the last year in repurchasing staff leaves, 400,000 million Rials was adjusted and posted in the account of dues from government.

## 43-2 Administrative expenses include the following items:

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	
Contractual services	1,144,431	950,328	
Consumable items	141,613	173,799	
Telecommunications	115,248	112,742	
Leasing premises and tax	91,047	71,148	
Water, electricity and fuel	97,688	97,289	
Business trip and missions	67,007	53,996	
Calculators	230,652	193,713	
Depreciation	772,642	596,479	
Other expenses	202,153	143,997	
Administrative expenses of foreign branches	69,078	98,833	
Total	2,931,561	2,492,323	

## **44- Doubtful Loans Expenses**

	Bank Mellat		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	
Specific doubtful loans expenses	2,347,790	5,459,251	
General doubtful loans expenses	1,183,281	(417,962)	
Total	3,531,071	5,041,289	

44-1 Considering note 4-9-2, Specific doubtful loans provisions has been calculated as follows:

	Bank Mellat				
	Over due loans	Non performing loans	doubtful loans	Total	
	million Rials	million Rials	million Rials	million Rials	
Balance at the year end	6,562,859	18,697,536	36,711,335	61,971,730	
Less: collaterals value, ap	oplying coefficier	nts			
Saving & investment deposits	(26,057)	(37,395)	(127,160)	(190,612)	
Participation bonds	(55,423)	(93,488)	(317,899)	(466,810)	
Properties & machinery	(1,231,099)	(2,073,048)	(5,912,927)	(9,217,074)	
Balance of Specific provisions basis	5,250,280	16,493,605	30,353,349	52,097,234	
Specific provisions calculation basis coefficient	10 %	20 %	50-100 %	-	
Specific provisions coefficient for non performing loans	525,028	3,298,721	15,631,064	19,454,813	
Specific provisions coefficient for non performing loans of the last year	(380,500)	(2,098,177)	(14,628,346)	(17,107,023)	
Expenses of Specific provisions for non performing loans	144,528	1,200,544	1,002,718	2,347,790	

44-2 Considering note 44-1, general doubtful loans provisions has been calculated as follows:

	March 20 <sup>th</sup> 2010
	million Rials
Balance of the loans granted on March 20th 2010	383,425,530
Less:	
Balance of the loans specific provisions	(61,971,730)
Balance of general provisions basis	321,453,800
General provisions calculation basis coefficient	1.5 %
General provisions for non performing loans	4,821,807
General provisions for non performing loans of the last year	(3,638,526)
Expenses of general provisions for non performing loans	1,183,281

### **45.Financial Expenses**

	Group		Bank	Mellat
	March 20th 2010	March 20th 2009	March 20 <sup>th</sup> 2010	March 20th 2009
	million Rials	million Rials	million Rials	million Rials
Expenses of the loans received	2,406,261	3,038,304	2,343,477	2,821,540
Banking services commissions expenses	604,118	268,242	584,346	266,484
Total	3,007,379	3,306,546	2,927,823	3,088,024

#### **46- Other Expenses**

Other expenses of the bank amounting to 484,347 million Rials (442,797 million Rials in the previous year) are related to non interest bearing savings of the depositors.

46-1 as per article 2 of the directive on granting prizes to non interest bearing saving accounts approved on  $534^{th}$  session of the Money & Credit Council dated 05/08/1984, the maximum amount that can be allocated to this purpose would be determined by the Money & Credit Council.

#### **47- Yearly Adjustments**

#### 47-1 Yearly adjustments include the following items

	Gro	up	Bank	Mellat
	March 20 <sup>th</sup> 2010 March 20 <sup>th</sup> 2009		March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009
	million Rials	million Rials	million Rials	million Rials
Income tax reserve adjustments	(333,000)	0	(333,000)	0
Other items	(653)	183,930	0	185,246
Total	(333,653)	183,930	(333,000)	185,246

## 48- Net Cash Inflow (Outflow) out of Operating Activities

Profit reconciliation before tax deduction or net cash inflow (outflow) out of operating activities is as follows:

	Gr	oup	Bank Mellat		
	March20th2010	March 20th 2009	March20th2010	March 20th 2009	
Operating activities:	million Rials	million Rials	million Rials	million Rials	
Profit before tax	4,720,639	3,725,327	4,730,488	3,586,129	
Depreciation expenses	780,193	626,329	775,179	624,259	
Investments impairment losses	197,358	0	197,358	0	
Profit derived from investments & legal partnerships	(1,632,575)	(640,941)	(1,633,917)	(638,743)	
Profit and commissions paid to loans received	2,403,261	1,515,102	2,343,477	1,298,337	
Exchange translation profit	298,949	0	256,109	0	
Severance pay expenses	934,701	124,954	934,701	124,954	
Total	7,702,526	5,350,771	7,603,395	4,994,936	
Net increase (decrease) in operational liabiliti	ies:				
Dues to the Central Bank	(145,155)	(5,489,932)	(145,155)	(5,489,931)	
Dues to Banks & Credit Institutes	15,277,581	4,186,695	20,001,741	2,166,005	
Sight Deposits	38,080,464	(16,311,019)	38,074,863	(16,298,918)	
Saving Deposits & the Like	7,816,120	1,251,892	7,816,120	1,251,891	
Time Investment Deposits	55,807,179	27,312,254	55,807,719	27,312,254	
Other Deposits	3,753,522	526,643	3,948,105	260,154	
Provisions & Other Dues	132,935	2,688,318	167,722	2,356,536	
Items in transit	(6,837,393)	8,510,472	(6,837,393)	8,510,472	
Acceptances & Endorsements	20,960,432	(4,561,761)	20,960,432	(4,561,761)	
Total	134,846,225	18,113,562	139,804,154	15,606,702	
Net increase (decrease) in operational assets	<b>:</b> :				
Dues from the Central Bank	(30,246,436)	(971,596)	(30,246,436)	(971,594)	
Dues from Banks & Credit Institutes	(27,145,715)	(16,303,314)	(31,706,507)	(14,278,252)	
Dues from the Government	(3,003,644)	(4,341,762)	(3,003,644	(4,341,762)	
Loans & Advances to the Public Sector	(2,635,479)	4,133,569	(2,635,749)	4,133,569	
Loans & Advances to the other parties	(36,440,120)	(30,046)	(36,914,647)	(30,046)	
Loans & Advances to the subsidiaries	(1,710,911)	(17,258,717)	(1,710,911)	(18,386,126)	
Participation Bonds & the Like	(2,565,866)	98,308	(2,589,373)	514	
Operational stake in other assets	(1,878,511)	(1,446,406)	(1,776,027)	(1,104,407)	
Items in transit	0	5,331,579	0	5,331,579	
Dues from L/Cs & Time Drafts	(20,181,977)	4,561,761	(20,646,025)	4,561,761	
Total	(126,181,977)	(26,226,624)	(131,229,319)	(25,084,764)	
Cash inflow (outflow) out of operational activities	16,366,774	(2,762,291)	16,178,230	(4,483,126)	

48-1 As per note to the attachment number 3 of the standard number 2 of accounting, due to the fact that operational profit is not recognized in the sample profit &loss account of Money Credit Council, so in the above reconciliation statement profit before tax deduction has been selected to adapt with cash inflow (outflow) due to operational activities. It is understood that in this case the items that are separately categorized in the other main entries, have been considered in converting profit before tax deduction to net cash flow out of operational activities.

#### 49- Net Cash Increase (Decrease)

Net increase (decrease) in cash reflected in the cash flow statement is as follows:

	Gı	oup	Bank	Mellat	Group	Bank Mellat
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	Changes during 2009/10	Changes during 2009/10
	million Rials	million Rials	million Rials	million Rials	million Rials	million Rials
Cash	5,491,595	5,081,469	5,296,956	5,021,991	410,126	274,965
Current account with the Central Bank	1,064,099	2,776,314	1,064,099	2,776,314	(1,712,215)	(1,712,215)
Current account with the hosting central bank	65,667	40,754	65,667	40,754	24,913	24,913
Balance with the domestic banks after clearing	370,817	284,121	370,817	284,121	86,696	86,696
Balance of domestic banks with us after clearing	(128,984)	(170,108)	(128,983)	(170,109)	41,124	41,126
Cash balance at the end of the year	6,863,194	8,012,550	6,668,556	7,953,071	(1,149,356)	(1,284,515)

#### **50- Non cash Transactions**

Major non cash transactions of the bank are as follows:

	Bank Mellat
	March 20 <sup>th</sup> 2010
	million Rials
Foreclosure of 94 properties against bank's claims	542,871
Transferring 23 units of the bank's properties to the Mehr Gharz-ol-hasaneh Bank	304,638
Total	847,509

### **51- Contingent Liabilities**

	Gro	oup	Bank Mellat			
	March 20th 2010	March 20th 2009	March 20th 2010	March 20th 2009		
	million Rials	million Rials	million Rials	million Rials		
Liabilities for issued L/Cs	116,839,934	106,211,352	115,797,754	105,230,140		
Liabilities for L/Gs and acceptances in local and foreign currency	55,866,023	45,293,328	55,258,183	44,792,399		
Other Liabilities	50,182,046	33,751,035	47,431,046	31,895,365		
Managed Funds & The Like	3,372,669	3,039,844	3,372,669	3,039,844		
Total	226,260,672	188,295,559	221,859,652	184,957,748		

### 51-1 Breakdown of liabilities for issued L/Cs is as follows:

	Gro	oup	Bank Mellat		
	March20 <sup>th</sup> 2010	March20 <sup>th</sup> 2009	March20 <sup>th</sup> 2010	March20 <sup>th</sup> 2009	
	million Rials	million Rials	million Rials	million Rials	
Bank's liabilities for the issued L/Cs	113,759,817	103,680,162	112,845,111	102,695,950	
Branches liabilities for L/Cs issued at the counters of foreign branches	422,076	0	422,076	493,316	
Liabilities for the locally issued L/Cs	2,499,917	1,642,616	2,477,619	1,642,616	
Branches liabilities for L/Cs issued by the other domestic banks at the counters of and confirmed by foreign branches	152,948	0	152,948	394,258	
Customers' liabilities for the L/Cs/ party to liabilities	5,176	888,574	-	-	
Total	116,839,934	106,211,352	115,797,754	105,230,140	

## 51-2 Liabilities for L/Gs and acceptances are as follows:

	Gro	oup	Bank Mellat		
	March 20 <sup>th</sup> 2010	March20 <sup>th</sup> 2009	March20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	million Rials	million Rials	
Liabilities for L/Gs and acceptances in local currency	31,427,834	26,301,424	31,085,890	26,301,424	
Liabilities for L/Gs and acceptances in foreign currency	16,901,143	11,692,175	16,717,254	11,191,246	
Branches liabilities for the issued L/Gs	657,629	0	65,474	0	
Bank's Liabilities for C/Gs issued in foreign currency	6,879,417	7,299,728	6,804,565	7,299,729	
Total	55,866,023	45,293,328	55,258,183	44,792,399	

### 51-3 Breakdown of other liabilities is as follows:

	Gro	oup	Bank Mellat		
	March20 <sup>th</sup> 2010	March20 <sup>th</sup> 2009	March20 <sup>th</sup> 2010	March20th2009	
	million Rials	million Rials	million Rials	million Rials	
Liabilities for the contracts concluded with the management and planning organization	24,259,774	17,519,360	22,929,843	17,519,360	
Liabilities for the contracts concluded in foreign currency	1,278,305	6,643,786	1,208,228	4,788,116	
Liabilities for the contracts concluded for transactions	14,018,564	4,734,906	13,250,060	4,734,906	
Liabilities for the rescheduling contracts	4,590	14,609	4,338	14,609	
Liabilities for underwriting bonds	10,620,611	4,838,375	10,038,375	4,838,375	
Liabilities for credit cards	202	0	202	-	
Total	50,182,046	33,751,036	47,431,046	31,895,365	

#### 51-4 Managed funds and the like are as follows:

	Bank	Mellat	Group		
	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2010	March 20 <sup>th</sup> 2009	March 20 <sup>th</sup> 2009	
	million Rials	million Rials	million Rials	million Rials	
Loans granted out of managed funds	2,811,883	2,869,314	2,811,883	2,869,314	
Unallocated managed funds	546,489	156,263	546,489	156,263	
Loans granted out of inter bank funds	12,602	12,602	12,602	12,602	
Loans granted out of special non interest bearing deposits	1,695	1,665	1,695	1,665	
Total	3,372,669	3,039,844	3,372,669	3,039,844	

#### **52- Liabilities and Debts**

The bank has had no other contingent liabilities and capital debts at the balance sheet date.

#### **53- Post Balance Sheet Date Events**

No material event has occurred after the balance sheet date.

### **54- Transactions with the Subsidiaries**

Subsidiary	Affiliation nature	Transaction description	Transaction amount	Balance of debt
A- Transactions s commercial act	ubject to article 129 of	the amendment to	million Rials	million Rials
Mellat Behsazan Co.	Joint board member	Procuring software, after sales services and advance payments	79,836	33,172
Mellat exchange Co.	Joint board member	Trading foreign currencies and doing wire transfers	13,118,538	7,775,838
Mellat Behsaz mosharekatha Co.	Board member	On account payments for subsidiaries, accepting debts of subsidiaries, remuneration of the companies managers Shares of subsidiaries	88,953	170,155
Mellat construction Co.	Board member	Bilateral transaction	5,199	1,581
Mellat printing Co.	Board member	Printing and publication	2,000	2,000
B- Other subsid	iaries			
Behsaz Jahan Mofarrah welfare Co.	Affiliated to Mellat Behsaz mosharekatha Co.	Leasing welfare facilities such as hotel and restaurant	3,840	488
Behsaz Mellat Andisheh Co.	Affiliated to Mellat Behsaz mosharekatha Co.	Collecting over due loans	10,228	(1,589)
Mellat leasing Co.	Joint board member	Leasing cars renting offices,	2,269,202	2,261,824
Other transactions	Affiliated to Mellat Behsaz mosharekatha Co.	Granting loans	421,669	287,606

- 54-1 Fair value of the above transactions has no material difference with the transaction amount.
- 54-2 Other transactions include Mellat Beh Pardakht Co., Yas-e-Arghavani system engineering Co., Shaghayegh software engineering Co., Yas-e-Arghavani industries, Almasehsaz, and Mellat Behsazan services Co.
- 54-3 Mellat leasing Co transactions is related to settling debts of Iran Khodro against delivering cars to Mellat leasing Co and renting of the office.

#### 55- Retained Earnings at the end of the Year

	Bank Mellat
	million Rials
Legal mandate: Distributing at least 10% of the net profit of 1388(2009/10) as per article 90 of the amendment to commercial act	376,997
Proposal of the board of directors: Dividend proposed by the board	3,015,978

## **56- Foreign Currency Position**

Monetary assets and liabilities and foreign currency liabilities at the end of the year are as follows:

	USD	EURO	GBP	AED	CHF	CAD	JPY	AUD	SKR	DKR
Cash	10,328,802	6,139,342	810,472	645,575	210,880	5,180	0	0	0	0
Dues from other Banks & Institutes	1,769,909,483	2,105,893,251	50,999,894	1,581,825,917	11,654,539	15,000	2,785,841,977	0	13,100,897	9,519,189
Loans & Advances	576,759,485	5,238,020,392	1,026,883	3,716,532,811	20,035,416	248,423	41,376,425,898	0	1,185,300	98,226,515
Other	615,012,504	1,791,565,610	4,600,839	482,042,360	8,943,054	878,054	38,611,548,561	2,768,386	0	61,463,399
Total foreign currency Assets	2,972,010,274	9,141,618,595	57,438,088	5,781,046,663	40,843,889	1,146,974	82,773,816,436	2,768,386	14,286,197	169,209,103
Deposits received	1,921,484,296	2,601,887,038	40,309,742	743,958,697	4,584,796	1,081,237	751,432,543	1,497,823	1,902,693	56,426
Loans received	228,240,102	1,846,299,488	3,123,748	2,666,462,490	9,122,290	248,423	4,426,147,948	0	0	0
Other	486,915,238	4,973,031,40	11,560,340	2,014,424	21,333,523	266,061	43,512,397,541	763,700	34,513,456	98,235,484
Total foreign currency liabilities	2,636,639,636	9,421,217,933	54,993,560	5,424,501,611	35,040,609	1,595,721	48,689,978,032	2,261,523	36,416,149	98,291,910
Foreign currency position	335,370,638	(279,599,338)	2,444,528	356,545,052	5,803,280	(448,747)	34,083,838,404	506,863	(22,129,952)	70,917,193
Liabilities for L/Cs	209,547,439	7,752,709,127)	17,565,519	1,325,658,955	4,312,563	71,395	14,609,735,667	0	12,560,548	1,423,607
Liabilities for L/Gs	233,115,496	1,043,516,592	72,301	64,551,292	0	0	703,899,166	0	0	0



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