

IN THE NAME OF GOD

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FINANCIAL HIGHLIGHTS

BSI Group Consolidated Balance Sheet Highlights

US\$ mln	20.03.2006	20.03.2007	20.03.2008
Assets	28,034	34,610	43,067
Liabilities	24,604	31,322	39,678
Customer Deposits	17,346	21,455	29,589
Loans to Customers	15,927	19,774	24,453
Shareholders' Equity	3,430	3,278	3,389

Income Statement Highlights

US\$ mln	20.03.2006	20.03.2007	20.03.2008
Net Interest Income	1,946	2,253	2,982
Non-Interest Income	1,184	946	1,232
Operating Income	3,130	3,199	4,214
Operating Expenses	(1,508)	(1,647)	(2,588)
Operating Profit	1,623	1,552	1,626
Other Expenses	(649)	(777)	(935)
Provisions	(369)	(442)	(510)
Income Tax	(84)	(62)	(35)
* Net Profit	521	271	146

Key Ratio

US\$ mln	20.03.2006	20.03.2007	20.03.2008
* Expenses/Income	48.2%	51.5%	61.4%
* Net Profit/Operating Income	16.6%	8.5%	3.5%
* Return on Equity	15.2%	8.3%	4.3%
* Return on Assets	1.8%	0.8%	0.3%
Loans/Deposits	91.8%	92.2%	82.6%

***According to the proposition of Auditing Organization and the confirmation of Ministry of Economy & Finance Affairs, Bank Saderat Iran which is under process of privatization, in order to make their accounts more transparent, has allocated an amount of 5,278 billion Rials into books for staff's end of service provision (including 609 billion Rials as current year expenses and 4,669 billion Rials as previous years expenses).**

Besides, along with increasing cost of funds in banking system the bottom line figures of BSI has been affected.

Meanwhile profit resulted from banking operations as mentioned in the page 41 of BSI's Financial Statements, shows a growth rate of 10.3% in the year ended 20.3.2008 in comparison with the previous year

MESSAGE FROM THE CHAIRMAN & MANAGING DIRECTOR

On the 56th Anniversary of the Bank I am pleased to present you , on behalf of the Board of Directors, with the annual report of Bank Saderat Iran (BSI) for the fiscal year ended 20 March 2008 .

During the year 2007 the world economies demonstrated reasonable growth in the first two quarters. However, the housing market crisis in the United States and the subsequent credit squeeze restricted growth for the year to 3.6% compared with 3.9% in 2006.

In the second half of the year the financial services sector was challenged by a liquidity squeeze and the global economy lost growth momentum especially in the US.

Growth in the Iranian economy remained relatively strong in the year ending 20 March 2008 with a GDP growth rate of 6.9% slightly up in comparison with the preceding year which had shown a GDP growth rate of 6.2%.

The continuous high price of oil has enabled the Iranian Government to utilize funds from the oil stabilization fund to finance various infrastructure projects without being reliant on external finance. The high oil price and economic growth resulted in a current account surplus.

Various governments have continued to exert pressure on the banking community to cease handling Iranian trade or payment business. This has resulted in a reduction in the number of counterparty banks with whom the Bank trades. Fortunately , the bank has been able to establish new banking relationships with counterparties that view BSI as a valuable and reliable partner for establishing a long term relationship that will enable those banks to continue handling Iranian business to take advantage of the many opportunities that are available in Iran now and in the future .

Within a difficult economy and banking environment BSI performed well. During the year BSI Group registered a growth in its assets of 24.43% relative to previous year.

The consolidated profit of the bank for the year amounted to USD 146 mln. BSI Group was able to absorb USD 29,589 mln of deposits showing a 37.91% increase in comparison with the previous year. In return, BSI Group granted USD 20,664 mln financial facilities which illustrates a 22.8% growth compared to the year before.

BSI has the largest domestic and overseas branch network among all Iranian financial institutions. BSI Group now comprises 3273 domestic branches, 21 overseas branches and 2 independent subsidiaries, one in the U.K and one in Uzbekistan.

Additionally BSI is a shareholder in two joint-venture banks in Afghanistan and Bahrain. It is through these operating units that the Bank maintains its leading role amongst Iranian banks operating inside and outside the country. The main priority for all these units is to provide the best services to both our retail and corporate customers.

To this end all the 3273 branches across the country are equipped with the Sepehr computerized payment system. This enables the Branch to offer all the following retail banking services to our customers: 1700 ATM, 119,000 POS and more than 4.9m debit cards.

The automation of the Bank's activities which is continuing this year is aimed at providing better services for our customers while reducing personnel costs, increasing efficiency and speeding up banking transactions. We determined to further expand e-banking and mobile banking.

We continued the implementation of our customer-oriented Bank strategy, further improving the diversification of our revenues and maintaining a strong capital base.

BSI is a state -owned bank approaching privatization process. There will be a public offering of the Bank's shares in the near future.

BSI, over the almost 56 years of its life as a company, has played an important role in the development of the country and it is now also an active financial services operator in Iran.

Our success depends on the hard work, innovation and commitment of our employees and their talents and enthusiasm for serving the needs of our clients.

I would like to seize this opportunity to thank the bank's staff who remain the pillar of our success and which deserve all our appreciation and support and also all our customers who have put their trust in BSI .

**Dr. Hamid Borhani
Chairman & Managing Director**

MEMBERS OF THE BOARD OF DIRECTORS



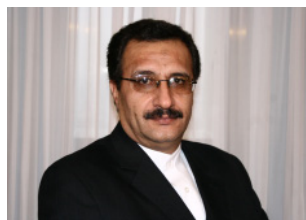
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GENERAL MANAGERS



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General Manager, BSI Provinces Affairs



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General Manager, Tehran Provinces Affairs



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General Manager, Scheme & Planning Affairs



Mr. Gholamali Shafiei
General Manager, Services & Support Affairs



Mr. Gholamreza Khalil Arjmandi
General Manager, Financial Affairs



Mr. Gholam Sourì
General Manager, International Affairs



Mr. Parviz Soltani
General Manager, Human Resources Affairs



Mr. Ahmad Mazaheri
General Manager, Credit & Investment Affairs