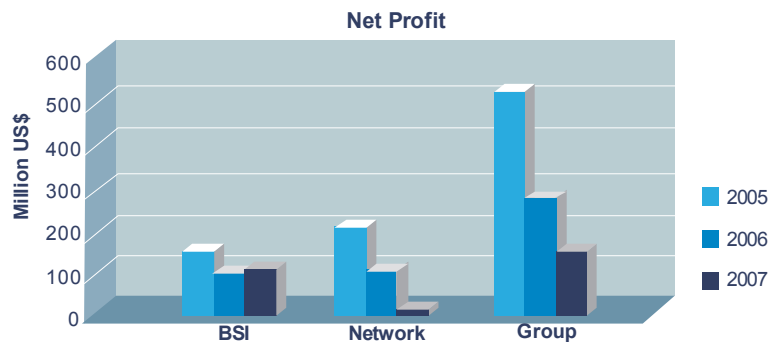
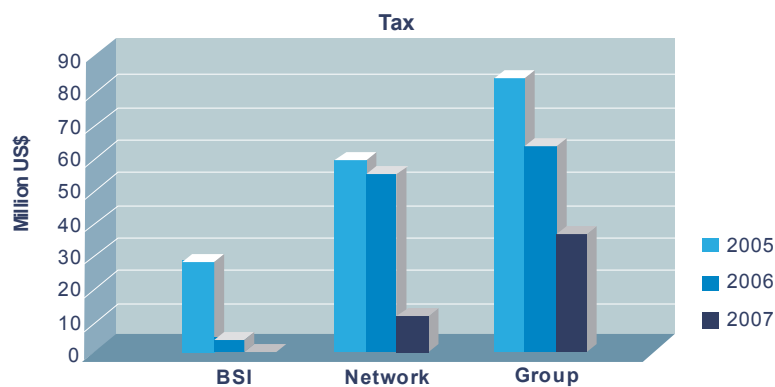
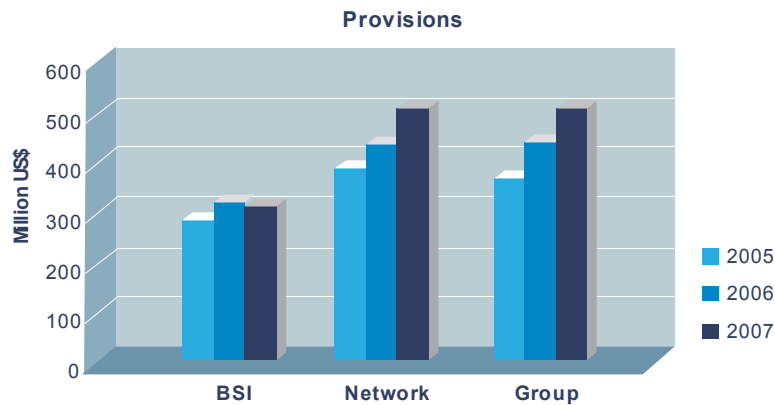
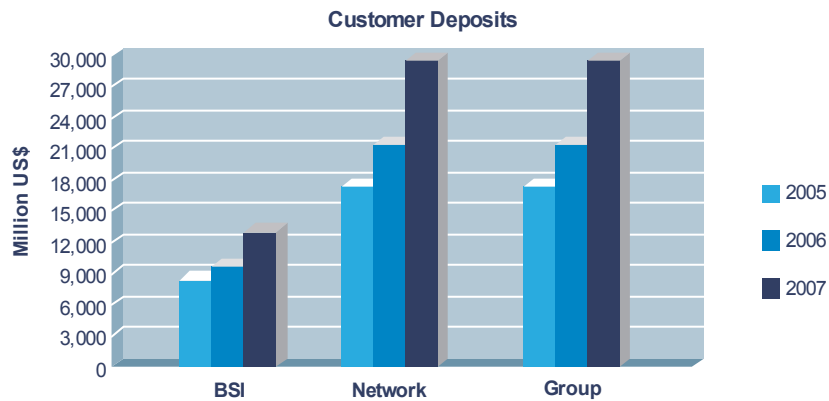


BSI Group's operating income experienced a growth of 32%, from Rls 29,434 billion (US\$ 3,199 mln) in 2006 to Rls 37,801 billion (US\$ 4,214 mln) in 2007. Meanwhile operating expenses grew by 57% from Rls 15,156 billion (US\$ 1,647 mln) in 2006 to Rls 23,218 billion (US\$ 2,588 mln). The increase in operating expenses is mainly due to personnel costs, provision for doubtful debts and administrative expenses.

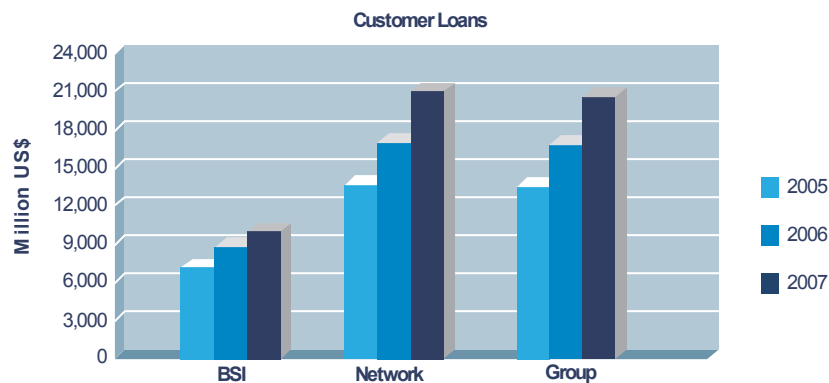


*According to the proposition of Auditing Organization and the confirmation of Ministry of Economy & Finance Affairs, Bank Saderat Iran which is under process of privatization, in order to make their accounts more transparent, has allocated an amount of 5,278 billion Rials into books for staff's end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

Meanwhile profit resulted from banking operations of BSI's Financial Statements, shows a growth rate of 10.3% in the year ended 20. March 2008 in comparison with the previous year .



BSI Group offers short- medium and long- term deposit accounts in both Rials as well as foreign currencies. Depositors include individuals, small, medium and large corporations. In 2006, customer deposits increased by 37.91% in value of accounts. At balance sheet date BSI Group held RIs 265,414 billion (US\$ 29,589 mln) deposit accounts.



BSI offers different types of credit facilities all following the principles of Islamic, usury- free banking. Customers include individuals as well as corporations engaged across the entire spectrum of economic activities. The majority of loans are secured by some type of collateral including residential or commercial properties, share of companies listed on the Tehran Stock Exchange and other negotiable instruments.

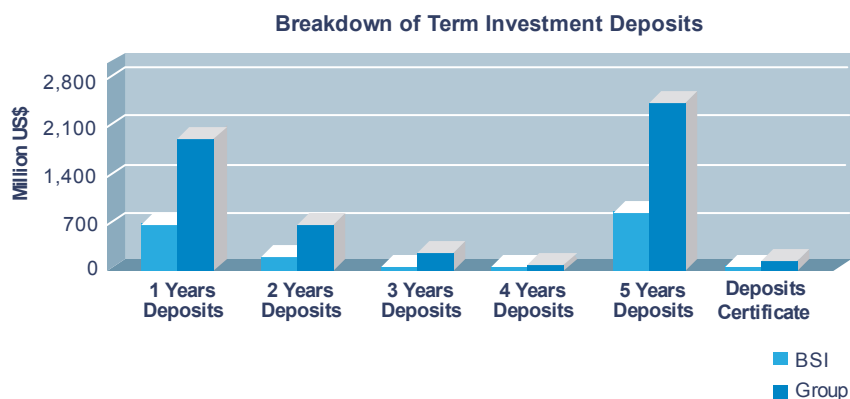
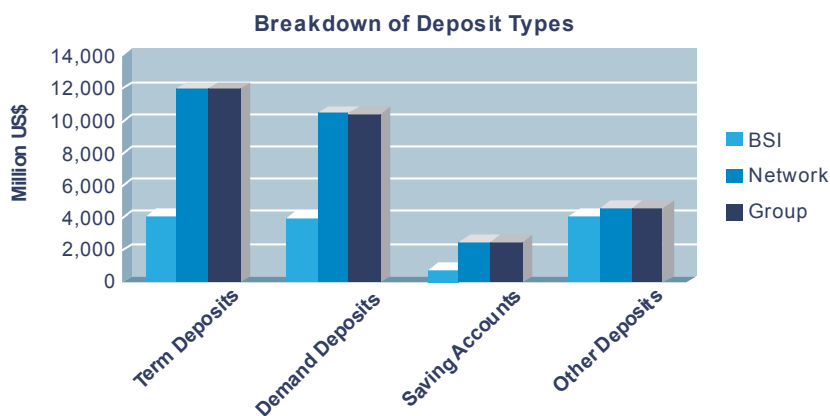
In 2007, the volume of customer loans increased by 23.66 % to reach RIs 219,341 billion (US\$ 24,453 mln).

Deposits Received

At the balance sheet date, BSI Network had RIs 265,516 billion (US\$ 29,600 mln) in deposits out of which Rials 117,206 billion (US\$ 13,067 mln) were held in accounts with BSI Tehran and the rest in accounts with the provincial subsidiaries. The deposits are categorized into term deposits, Gharz-Al-Hassaneh (demand deposits, saving accounts) and other deposits.

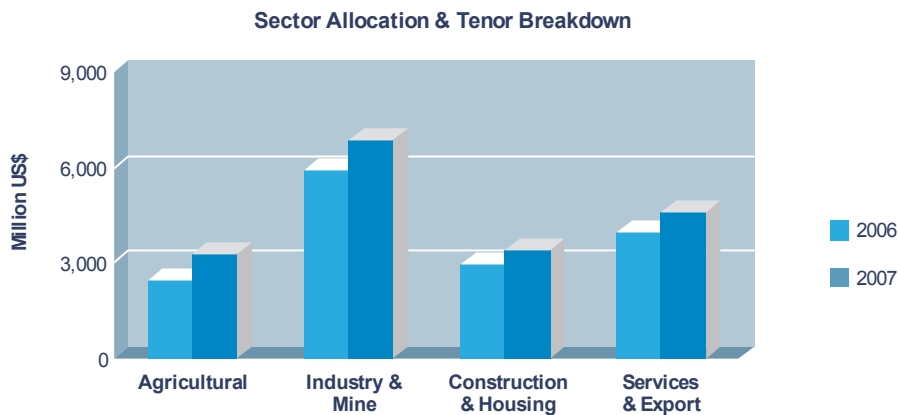
On a network level, demand deposits consist mainly of current account(48%) and travellers' checks(26%). In BSI Tehran current account constitute only 45% of the demand deposits and travellers' check 28%. The balance is made up temporary creditors and transfers to the bank.

Other deposits on a network level consist largely of Forex term deposits (80%) and advance payments under letters of credit (11%) . In BSI Tehran these two categories account for 88% and 8% respectively.



Inter-Bank Loans

BSI Network has paid 34% of its loans to the trade sector followed by loans to the Industry and Mine sector (33%), to the construction and housing sector (16%) and loans to the agriculture sector (16%).

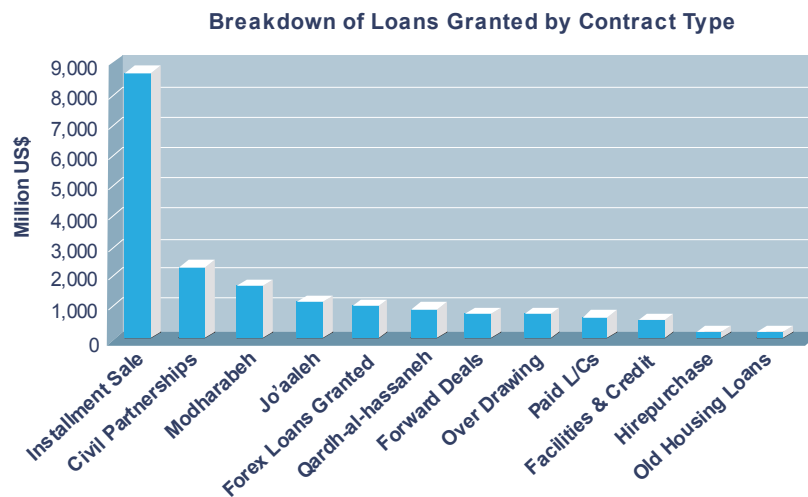


Breakdown of Loans Granted by Contract Type

The facilities granted by the public sector consist 2% of the whole facilities, the most of which is related to Instalment Sale (35%), Mozarebe (21%), Jo'aleh (20%) respectively according to the contracts.

The facilities granted by the private sector consist 82% of the whole facilities, the most of which is related to Instalment Sale (47%), Civil Partnership (13%), Mozarebe (9%) and Jo'aleh (6%), respectively.

Meanwhile, 16% of the whole facilities granted is related to due under letters of credit and Forex Bills.



Facilities Granted

At the balance sheet date, BSI Network had RIs 222,527 billion (US\$ 24,809 mln) in customer loans out of which RIs 109,738 billion (US\$ 12,235 mln) were disbursed by BSI Tehran and the rest by provincial subsidiaries.

SOCIAL RESPONSIBILITY

Executing the anti-money laundering regulations prevents unexpected transfer of massive funds obtained from illegal transactions in and out of our country and hinders economic imbalance.

Imposing the essential controls acceptable to the international accredited institutes (such as FATF, IMF, UN, ...) facilitates the international trade and correspondence relations with foreign banks and will result in attracting foreign investments, improving the production trend and employment level and finally attracting the public satisfaction along with the increase in credit, power and safety of our country's economy.

Another important point which has strongly been emphasized by FATF is the staff training not just once but periodically while updating all of the network staff concerning money laundering and other financial crimes and the ways of fighting them. This is pursued by BSI with determination and based on the conducted negotiations, a comprehensive training program has been prepared for BSI staff, which is now under operation.

According to the investigations made by the international accredited organizations including Wolfsberg Group and FATF, the most effective and drastic method for fighting money laundering in the banks is utilizing "a systematic risk based approach " and controlling the reports prepared by the said system. Risk based approach not only controls exchanged amounts at a banking system but keeps all banking activities in check by scrutinizing risky bottlenecks including repeated banking operations in an account or rate of funds withdrawal and remittance and other predicted factors.

Establishing an Anti-Money Laundering Section in Internal Inspection and Auditing Department, preparing anti-money laundering regulations for overseas branches including Bank Saderat PLC and Persian Gulf Zone according to Managing Director's emphatic order and under his direct supervision , training about 2000 BSI staff, equipping all 3273 branches with SEPEHR online system in order to optimize the controlling systems, and holding numerous seminars attended by the representative of MHA international counseling institute from England and Iranian economic, banking and Judiciary experts are of the unique measures of BSI in connection with anti-money laundering and other financial crimes.

RISK MANAGEMENT

Considering the recent development and major economic events during recent decades, the fast and fundamental changes in technology and important role of banking in promoting economic goals of countries, BSI established a special committee named Basel Committee on Banking Supervision in 1974 to investigate banking issues. In Basel I, minimum capital adequacy and credit risks have been discussed. In 2004, the committee completed Basel II, which contained a more developed set of guidelines than Basel 1 and was emphasized to be properly implemented.

According to Basel II regulations, the amount of each bank precautionary capital will be determined based on loan risk-taking and other assets. Therefore, it is possible to facilitate the access to minimum ratio of capital adequacy and to reduce banking risks by means of management and strategic guidelines for managing and controlling the risks. Globalization necessities and regular cooperation of banks at the international level make it inevitable for Iranian banks to implement Basel II regulations.

Therefore, to improve the operational level and banking services appropriate to the latest standards of international banking, "The Guidelines to Implement Basel II" conference with presence of the banking experts was held. In the 2-day seminar, held through International Affairs and Risk Management Committee's efforts, a Swiss expert explained about the details of Basel II regulations and at the end of the seminar, international certificates were awarded to all the participants. It is worth mentioning that BSI Persian Gulf Regional Office has started to perform Basel II regulations since 2005.

OUTLOOK

In spite of various straitened circumstances, restrictions and sanctions against our economy and banking system, we are confident about our future and are taking a steady movement forward to accomplish our mission.

We are determined to grow at a faster pace and react properly to new challenges, being vigilant about the probable threats.

We aspire to make further progress in our career and optimistically look ahead. We are seriously investigating how to exploit the opportunities and domestic economy to achieve better level of efficiency. Ultimately, we appreciate our staff and customers who help us to make progress and develop.