



Board of Directors



■ **Dr. Abdul-Hamid Ansari**
Chairman & Managing Director



■ **Mr. Ali Sedghi**
Member of the Board



■ **Dr. Mahmoud Bahmani**
Member of the Board



■ **Mr. Parviz Moghaddasi**
Member of the Board



■ **Mr. GholamHassan Zafarani**
Member of the Board

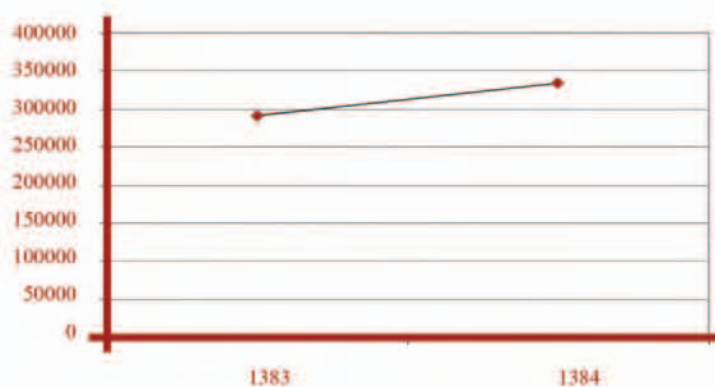


■ **Dr. Ramin Pashaifam**
Member of the Board

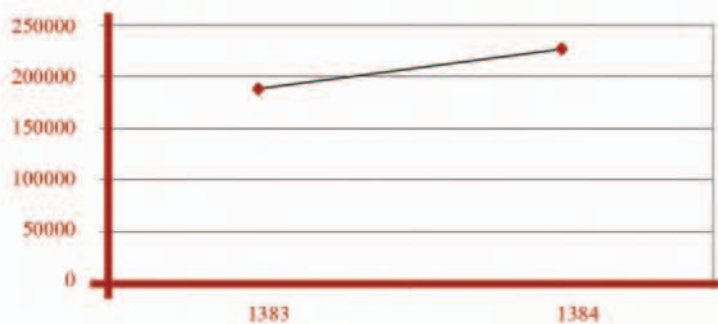
BANK MELLI IRAN

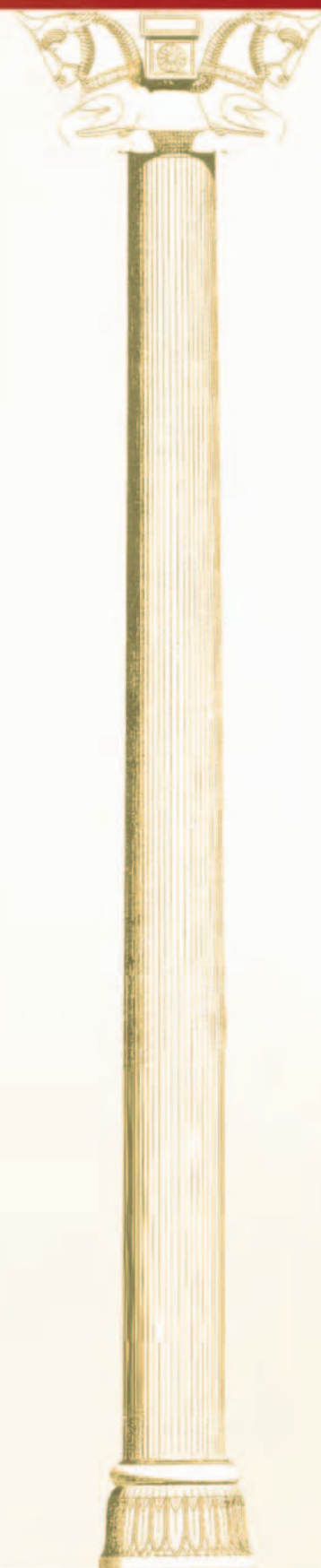
Highlights

Assets (Billion Rials)

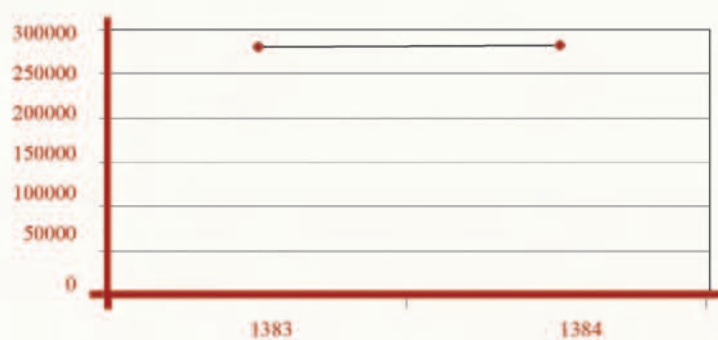


Deposits (Billion Rials)

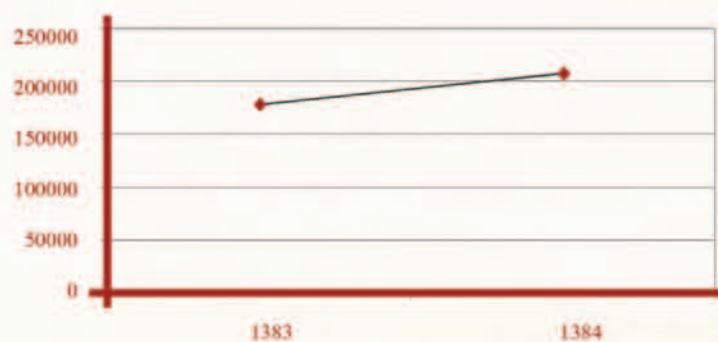




Stockholders' Equity (Billion Rials)



Net Facilities Extended (Billion Rials)



Strategic Goals

Any economic institution, which is in the process of managerial, supervisory and operational proceedings, determines its strategic goals in accordance with its objectives and points of view, where its activities in their current day-to-day operation are reflected in the strategic plan.

Hence, the entire operation and exercise must be planned and organized in tune with the determined strategic goals.

As the largest and most credible financial and monetary institution of the country, BMI has also recognized the necessity of determining its strategic goals and plans in order to sustain continuous prosperity while sustaining and creating a healthy competition environment to campaign with its competitors.

On this basis and with regard to the competitive environment of trade and transaction, the strategic goals of BMI have been defined as follows:

- Presenting Services with respect to latest Information Technology and Customer Satisfaction by rendering Special and High Quality Product and Services
- Profit Growth
- Continuous Financial Market Leadership
- Rendering Services to the Government as the Prominent and Substantial Customer
- Expansion of International Network
- Expansion of Electronic Banking

Mobilization of Resources

The following steps have been taken in order to implement the Government's Economic Policies in collecting the so called Surplus Cash in the hand of the general public and in order to carry out economic goals such as decreasing the ascending inflation rate and mobilizing deposits to finance a part of development programs of the country, attracting and pooling funds has been the top priority program of Bank Melli Iran:

- Devising plans to increase branch productivity;
- Rendering new banking services such as using efficient instruments in replacing and carrying cash with such tools as traveler's check and developing national current account with Integrating Banking System (CIBA) and expanding its pertinent services ;
- Promotion Measures such as dedicating precious prizes to holders of Gharzal-Hassane Deposit Accounts (Non-Interest Bearing Deposits);

Considering the abovementioned measures along with ceaseless efforts and aspiration of employees as well as the expeditious and competent services offered, the Bank resources by 20th March 2005 - except dues to the Central Bank - grew significantly up to 277,000 billion Rls (including other bank's deposits and reserves) acclaimed 16% increase in comparison with the previous year. This is a sign of Bank's success in attracting public confidence and acquiring augmented credibility in the country's banking network.

The table below demonstrates the portfolio of deposits on 2004/05 and 2005/06. As can be seen in the said table, the



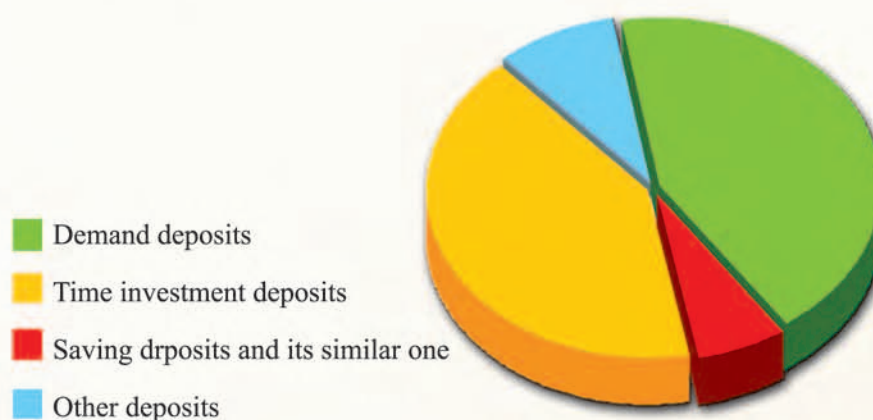
deposits of the private sector at the end of reporting year stood at 220,434 billion Rls .

Combination of Deposits at the End of 1384 (2005/06)

(Amounts in Billion Rls)

Description	2005/06		2004/05 (Revised)		% Increase
	Amount	% Share	Amount	% Share	
Demand Deposits	97,787	43.02	76,668	40.51	27.55
Saving & Similar Deposits	14,962	6.58	13,885	7.34	7.76
Long-term Investments Deposits	94,050	41.38	77,974	41.20	20.62
Other Deposits	20,513	9.02	20,727	10.95	(1.03)
Total	227,312	100	189,254	100	20.11

Combination of Deposits at the End of 1384 (2005/06)



Bank Melli Iran has been able to continue with the increasing trend of its deposits during 2005/06. The aggregate growth of private sector deposits during 2005/06 in comparison with the previous year was 21.21% (equivalent to Rls 38 568 billion).

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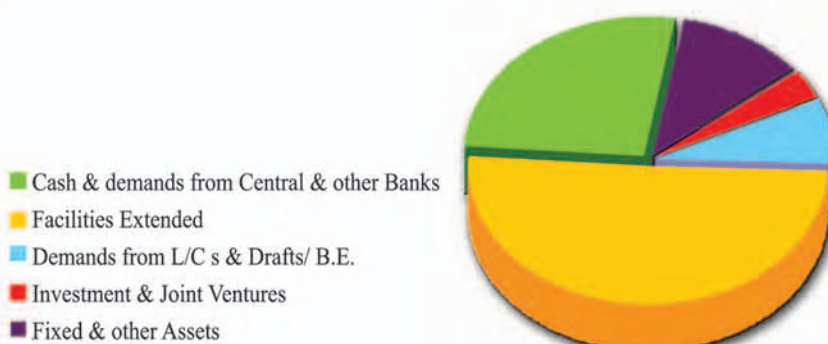
ASSETS

Bank Melli Iran Assets reached Rls 335,151 billion representing an increase of 15.09%, when compared with the previous year.

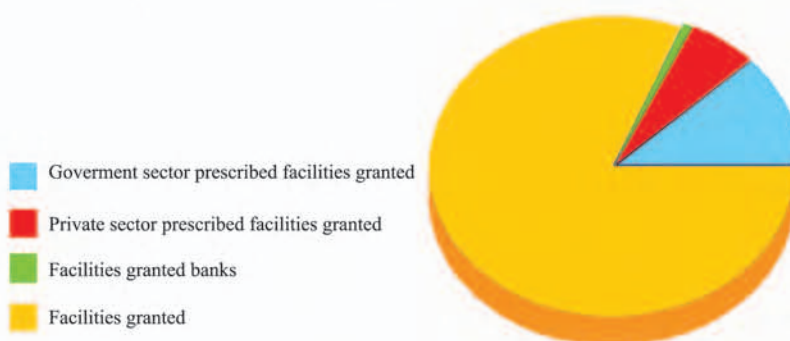
Description	2005/06		2004/05		% Increase
	Amount	% Share	Amount	% Share	
Cash with & demands from CBI & other Banks	89,537	26.72	57,906	19.88	54.62
Facilities Extended	169,302	50.52	135,805	46.64	24.67
Demand under L/Cs & Bank Drafts/B.E.	25,040	7.47	32,506	11.16	(22.97)
Investments & Joint Ventures	12,626	3.76	10,567	3.63	19.49
Fixed & Other Assets	38,646	11.53	54,429	18.69	(28.99)
Total	335,151	100	291,213	100	15.09

Definition of Assets at End of 2005/06

BMI took effective steps during 2005/06, in allocating its resources within framework of credit policy of Bank Markazi (Central Bank of the Islamic Republic of Iran). The issue is of very important and substantial concern to the Bank, due to Income Generating Capability.



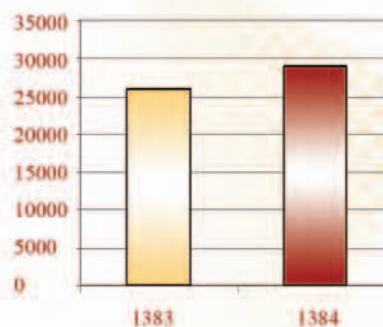
Despite the reduction in the amount and rate of prescribed facilities that is extended in accordance with various notes of the Budget Bill and Executive Decrees issued by the Office of President and Members of the Cabinet and under the Central Bank regulation, approximately 20% of the facilities extended in the loan portfolio of the Bank, comprises of prescribed facilities.



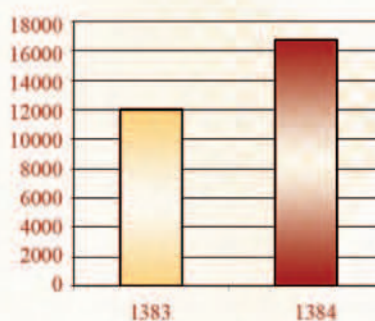
Net Facilities Granted to the Private Sector

The percentage of facilities extended to various economic sectors during 2005/06 is as follows:

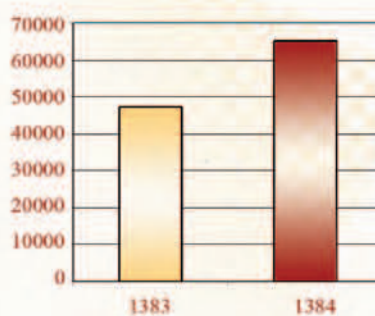
Construction & Housing



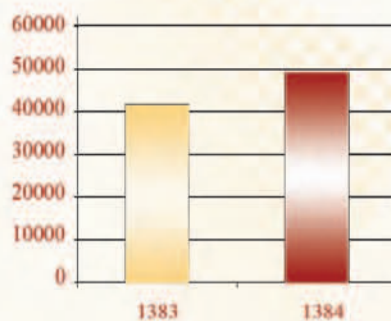
Agriculture



Trade & Services



Mining & Industry



The highest percentage of facilities extended to the private sector has been allocated toward Agriculture and Mining & Industry with 39.14% and 18.11% accordingly and the aggregate amount of facilities during 2005/06 in comparison with 2004/05 is 26.46%.

Investments

In accordance with the guidelines of financing of infrastructure development and national projects, participation bonds and presence in the capital market of the country as well as following the Government's economic policies and programs, the Bank's allocation of funds, including direct investments, legal participation, financial facilities extended and investment in the stock market are demonstrated in the table below:

Comparative Figures of the Bank's Investments during 2004/05 – 2005/06

(in billion RIs)

Description	2005/06		2004/05 (Revised)	
	Amount	%	Amount	%
Investments Listed in Tehran Stock Exchange (TSE)	6,096	48.28	4,871	46.09
Direct Investments	952	7.54	732	6.93
Other Investments	5,578	44.18	4,964	46.98
Total	12,626	100	10,567	100

Plans & Activities of the Bank during 2005/06

BMI introduced a number of optimized procedures in presenting products and services to its customers and the general public, who are in fact, the true owners of the Bank. Bank Melli Iran has also taken effective steps in the competition arena of the banking industry during recent years,

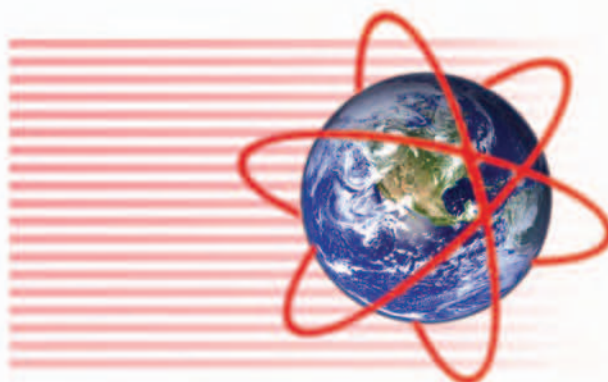
In this regard, Bank Melli Iran, along with world's modern banking services has taken steps in presenting new and special plans and activities in order to facilitate and expedite customer services among which are the followings:

- Contriving the Quality Management Systems (QMS) on the basis of ISO 9000 standards on CIBA (Bank Melli Iran Integrated Banking System) and receiving the DQS Certificate from Germany.

- Expansion of Electronic Banking Systems, including Centralized System (online – real-time) on the basis of expanded communication channels, establishing linkage with Internal Banking Systems (SHETAB) and International Banking Network.

- Executing Risk Management Plan: of very significant risks that banks encounter is credit risk or Non-Receipt of principal and interest of loans and facilities, which endangers the income generating and consequently profit of the Bank. On the basis of this plan, the Bank was enabled to take measures of credit rating of the customers and minimize the risk of impaired loans.

- Execution of Comprehensive Information System in Bank Melli Iran in order to revolutionize traditional banking procedures and eventually advancing towards creative and new banking practices which is presently applied in many on-going projects of various magnitudes.



International Affairs

During 2005/06, Bank Melli Iran continued its international activities under rules and regulations set forth by the Central Bank of Islamic Republic of Iran (CBI) and the Budget Bill in both fields of commercial and non-commercial sectors.

A. Documentary Letters of Credit

During 2005/06, the aggregate value of imports under import letters of credit reached to almost USD 5,184 million that demonstrates a 22.3% decrease compared to USD 6,670 million in the previous year.

In the reported year the Bank issued 1144 permit for refinancing letter of credit under refinancing agreements signed with its own correspondents amounting to some USD 634 million and another 368 permits were issued on the basis of refinancing agreements between the CBI and its correspondents amounting to some USD 208 million. In addition, USD 468.76 million was utilized from the Oil Stabilization Fund (OSF). This amount demonstrates a 16% decrease compared with 2004/05.



B. Forex & the Money Market

The total amount of forex transactions at the end of 1384 (2005/06) in Inter-bank, Intra-bank and subsidiary market (Free Zones) and international money market deposits, showed a 63.5% increase, from USD 28,870 million in 2004/05 up to USD 47,200 million in 2005/06. Furthermore, the interest resulted from these transactions stood at USD 69.4 million which has had a 21.3 percent increase when compared with USD 57.2 million of previous year.

C. International Card Services

During the reported year some 1612 Melli Trust Cards were issued. This clearly demonstrates a 29 percent increase (compared with the 1241 issued cards in the previous year) and illustrates familiarity and confidence of the public. Of the total number, some 857 pieces issued in USD (with total credit of USD 1,371,350) and 755 pieces in Euro (with total credit of Euro 918,000).



D.Foreign Letters of Guarantee

1.Export Sector

During the year under review the total amount of Export Guarantees issued, stood at almost USD 156,831 thousand, illustrating a growth of 38.79 percent by number and 63.11 percent increase by amount, compared with the previous year.

2.Import Sector

Most import letters of guarantees are issued upon the request of foreign applicants for Iranian projects which are issued as counter guarantees against credible foreign bank guarantees.

We have witnessed a remarkable growth in import sector as well as export sector during 2005/06.

The total volume of guarantees issued has increased by 94.48 percent in terms of amount and 20.26 percent in terms of number and hence the service charges had also risen by 25.40 percent.

There has also been some particular type of guarantees issued, such as four payment guarantees that are issued upon request of Sadra Co. each for USD 5,936,600, in support of their foreign contracts, another one for Euro 300 million in favor of Ministry of Communication and Information Technology upon request of the second operator of mobile phones that are unique in their type. As a result of these efforts, revenue of about Rls183,380 million has been generated for the Bank, demonstrating a 47.7 percent growth, in comparison with the previous year.

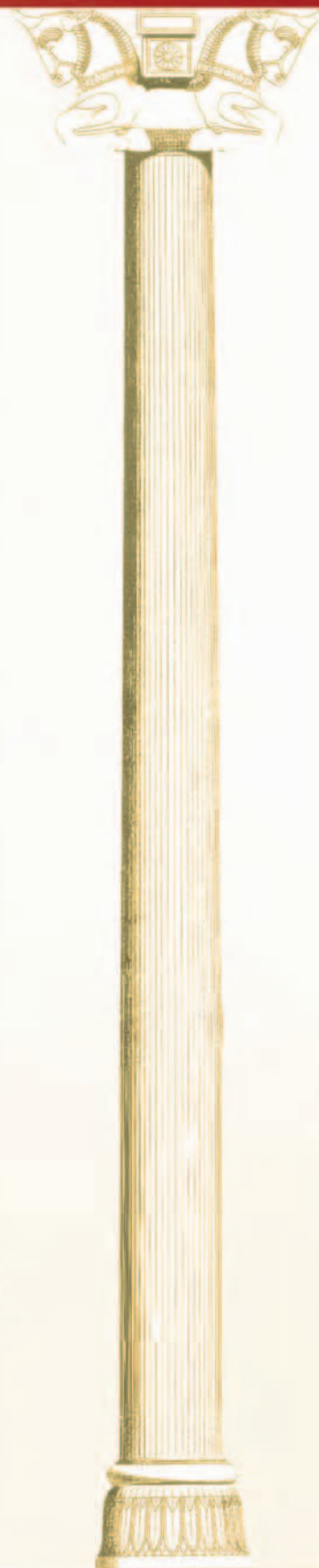


Table below briefly illustrates the total amount of import and O.S.F. L/Cs and as well as foreign guarantees:

Description	2005/06		2004/05		% Growth
	USD (million)	RIs (Billion)	USD (million)	RIs (Billion)	
Import letter of credit O.S.F. L/Cs	5,184 469	47,371 4,286	6,670 544	58,000 4,750	(18.32) (9.76)
Total	5,653	51,657	7,214	62,750	(17.68)
Foreign Guarantees	1,474	13,469	1,318	11,686	15.26

Description	2005/06			2004/05		
	Amount (USD million)	Profit (USD million)	Profit (Billion RIs)	Amount (USD million)	Profit (USD million)	Profit (Billion RIs)
Foreign Exchange Inter Bank Dealing	20,009	5.4	49	12,001	4.3	38
Payment of Foreign Exchange Commitments	30,600	10.4	95	15,819	23.5	208
Foreign Exchange Deposits with International Banking Network	1,600	53.6	490	1,050	29.4	260

E. SWIFT Network

A number of the Bank's branches have been connected to the SWIFT network, upon acquiring permission from the *International SWIFT Organization* and proper training of the employees. These measures have been carried out in order to optimize and update the usage of communication technology and in order to expedite transmission and receipt of telecommunicated messages. These new branches now can send and receive SWIFT message independently.

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F.Foreign Network & Free Zones Branches

By the end of 1384 (2005/06) the total number of active foreign branches were composed of 11 units in various capital cities of the world such as United Arab Emirates, Paris, Hamburg, Muscat, Baku and four subsidiaries in London, Moscow, Kabul and Manama (Bahrain) and three branches in Commercial – Industrial Free Zones of Kish, Qeshm and Chabahar.

Likewise, in accordance with the management policy for expanding the foreign branch network with emphasis on regional network growth and development, plans to establish new units in Iraq, Pakistan, Syria, Saudi Arabia, Malaysia and Kuwait are continuously pursued and it is hopefully expected that final steps for the inauguration of Iraq branch shall be concluded within the current year. This would reinforce the presence of the Bank in the region and facilitate the commercial transactions among above-mentioned countries and the Islamic Republic of Iran.

BMI Pioneer in On-the-Job Training

Considering the developments occurring in the banking industry, changes in rendering services, replacement of new procedures and specialization of banking affairs, the need for new on-the-job trainings and more attention toward new banking education in Bank Melli Iran has already been felt.

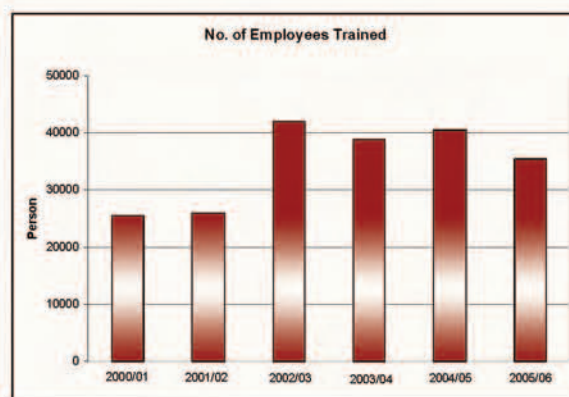
In view of the fact that efficient human resources are the greatest asset of each organization, planning and designs of educational programs in order to enhance the knowledge and awareness of employees in different levels of the organization of BMI, has always been given special attention and continuous efforts has been made in optimization and enhancement of the level of knowledge of the staff. With regard to training necessities and in addition to and in line with Islamic and local banking subjects, international banking subjects are also taught in order to improve and update employees' knowledge and enable them to properly interact with international banking system.

It is worth mentioning that on the basis of special training program and aside from accounting and other courses that are relevant to the general training subjects, particular courses that are relevant to each job are also considered. Upon launching this program, employees are enabled to undergo their educational requirement via e-education from remote regions.

The table and charts below display the number of employees who have received various training programs since 2000/01 until



2005/06. As the table shows the total number of employees who have been trained has risen from 25000 in 2000/01 up to 35000 in 2005/06. This increase occurred while the number of staff remained constant.



BMI Branches

The total number of active branches stood at 3204 with 112 franchise counter within the country by the end of 1384 (2005/06) while 11 branches and 4 subsidiaries were operating abroad.

Comparative bar chart of local and foreign branches of Bank melli Iran

