Bank Melli Iran

Hamburg branch

Disclosure Report 2024

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in accordance with ARTICLE 433C ABS. 2 of Regulation (EU) No. 575/2013 (CRR)

Contents

1. Preamble

With this report as at December 31, 2024, we, as an unlisted company, disclose the following qualitative and quantitative information of Bank Melli Iran, Hamburg branch, hereinafter referred to as "BMI", as required by Article 433C (2) CRR (Capital Requirements Regulation) in conjunction with the Implementing Regulation (EU) 2021/637 as at this reporting date on an annual basis.

Legal basis CRR
Article 435 (1), (a), (e) and (f)
Article 435 (2) (a), (b) and (c)
Article 437 (a)
Article 438(c), (d) and (da)
Article 447
Article 449a
Article 449b
Article 450 (1), (a) to (d) and (h) to (k)

The website of Bank Melli Iran, Hamburg branch (www.bankmelli.de) is used as the disclosure medium for this report. In accordance with Art. 431 CRR, BMI has appropriate internal procedures in which we have defined how we comply with our disclosure obligations. This Disclosure Report has been prepared in accordance with these procedures and has been approved by the Management Board.

The quantitative disclosures in this report are based on the corresponding provisions of the German Commercial Code (HGB) and the German Accounting Ordinance for Banks (RechKredV), on the basis of which we prepared the regulatory reports in accordance with CRR as at the reporting date. The disclosure report can be seen as a supplement to the annual financial statements under commercial law and the management report of BMI, as it essentially focuses on compliance with regulatory requirements. The requirements and information regarding risk management objectives and processes are disclosed in detail in BMI's management report, which is part of BMI's annual report. The website of Bank Melli Iran, Hamburg branch (www.bankmelli.de) is also used as a medium for disclosing BMI's annual report.

2. Risk management objectives and policy (Article 435 CRR)

In this section, we describe the general qualitative information on our risk management objectives and our risk management policy. We explain the relationship between our bank's business model and the components of our bank's risk profile and provide a concise risk statement in accordance with Article 435 (1) (f) CRR. We also explain our strategies and procedures for managing the existing risk categories in accordance with Article 435 (1) (a) CRR as well as the criteria and approach for determining risk management principles and for setting risk limits. We also provide a statement on the adequacy of risk management procedures in accordance with Article 435 (1) (e) CRR, approved by the management body, that the risk management systems in place are appropriate to BMI's profile and strategy.

2.1 Strategies and procedures for managing risks

The Bank only accepts risks that are in line with the business and risk strategy. All risks must be evaluated in terms of their economic and legal risk and must be economically viable. The risks should be reduced to an acceptable minimum. The Bank is aware that certain risks must be taken in order to operate profitably.

The risk measurement procedures applied in our company comply with current standards and are based on the risk content of the positions within the framework of proportionality. In accordance with Art. 435 Para. 1 e, we declare that the procedures we use are suitable for ensuring our risk- bearing capacity in the long term. The risk management systems in place correspond to the profile and strategy of our company. We consider our risk management process to be appropriate and effective. The Executive Board is responsible for drawing up the business and risk strategy. The overall bank strategy is reviewed at least once a year by the Management Board and the department heads as part of a strategy process. Based on the current risk potential and the business and budget figures, the Management Board then determines the business strategy and the consistent risk strategy, including the risk coverage potential provided for the coming financial year. The Bank's strategic objectives are communicated to employees via the Bank's intranet.

2.2 Structure and organization of the risk management function

The Risk Controlling department is responsible for identifying, inventorying, evaluating, monitoring and communicating risks. This department reports directly to the Management Board. The Risk Controlling department therefore performs the formal function in accordance with AT 4.4.1. of the Minimum Requirements for Risk Management (MaRisk). Regular or ad hoc communication takes place directly with the Management Board and the respective specialized departments. The Risk Controlling department is granted all necessary powers and unrestricted access to all risk-relevant information. Without prejudice to the overall responsibility of the Management Board, the Risk Controlling department is organizationally assigned to the Chief Risk Officer.

2.3 Risk profile and risk categories of BMI

Information regarding the risk profile, the risk categories and the risk management system is disclosed in detail in BMI's management report, which forms part of our annual report.

In accordance with MaRisk, material risks include

- Counterparty default risks (individual risk / country risk / concentration risk / migration risk)
- Market price risks (foreign currency risk / interest rate risk)
- Liquidity risks
- Operational risks

As part of the risk inventory, it was determined that other risks do not currently represent any significant risks for our bank; in the case of market price risks, foreign currency risks are now classified as significant.

2.3.1 Counterparty default risks

All borrowers are classified for the purposes of risk assessment and portfolio management. The management of credit risks is the responsibility of the "Front Office" and "Back Office" divisions, which are separated in terms of organizational structure and which vote on all risk-relevant exposures.

In view of the great importance of the lending business, maximum sub-loss limits for counterparty default risk are derived in three stages. The utilization of the sub-limit for counterparty default risks is derived from the default probabilities and volumes, which are used to calculate unexpected losses using a simplified procedure. Similarly, country risks are calculated using the country rating. The Bank currently considers counterparty default risks to be a material risk.

Concentration risks are considered separately. Due to the fact that the concentration risks arise from the high amount of deposits at the Bundesbank on the one hand and from lending to customers based in Iran or customers based in Germany with a connection to Iran on the other, we consider them to be significant.

Migration risk is the risk that the borrower's credit rating will deteriorate. Since 2024, the 2-year PD of the mean values of the ratings from the rating agencies Fitch and S&P has been used to calculate the PD for reasons of conservatism. Accordingly, this risk is also included in the credit risk.

2.3.2 Market price risks

a) Foreign currency risk

The Bank is a non-trading book institution and conducts foreign exchange trading transactions on behalf of clients and to cover positions arising from client business. Open foreign currency positions are valued at the mid-market rate. Foreign currency risks are managed by means of a fixed overall limit for open positions, counterparty limits and the granting of an upper loss limit. The Bank currently considers foreign currency risk to be a significant risk.

b) Interest rate risk

The bank's asset and debt structure are characterized by transactions with predominantly short fixed-interest periods. This allows the Bank to react very quickly to changes in interest rates on the capital market. Interest rate risks are calculated using the net present value method. Although interest rate risks have not been quantitatively assessed as significant in the past, the bank still considers this risk to be a significant risk in qualitative terms, as the planning has always provided for and continues to provide for the expansion of interest-bearing business.

2.3.3 Liquidity risks

The bank is integrated into the liquidity management of the head office, which provides the branch with refinancing funds via the clearing balance. Due to the geographical and business focus, liquidity risks are little affected by macroeconomic developments. The bank currently considers liquidity risks to be a significant risk.

2.3.4 Operational risks

For the Bank, operational risk refers to the risk of direct and indirect losses caused by the inappropriateness or failure of internal processes, people and systems or by external events. Operational risks include legal risks. To measure operational risk and calculate the utilization of the limit, the Bank has chosen the basic indicator approach in accordance with CRR, Articles 315 and 316 CRR, supplemented by an expert estimate (loss database). The risk types occurring in the area of operational risk are divided into the categories of people, processes, technologies, external influences and legal risks, the risk assessment of which is presented using a traffic light system. Operational risks in business processes are limited by technical systems and clear rules that are constantly adapted to requirements. One focus is on measures in the IT area, for which detailed emergency plans are in place. The loss events that have occurred are listed monthly in the risk report according to amount and frequency. As these risks cannot be quantified, a buffer is maintained as a precautionary measure. The bank currently considers operational risk to be a significant risk, particularly due to the reactivation of all Iran sanctions by the USA. In the 2021 financial year, the above-mentioned emergency plans were expanded to include the "pandemic" emergency. The bank currently assesses operational risks as a material risk for it.

2.3.5 Other risks

Other risks include the risk of asset losses. The Bank includes both strategic risk and reputational risk under these risks. After evaluation, the Bank classifies other risks as not material.

2.3.6 Disclosures on ESG risks (Art. 449a CRR)

Sustainability risks are included in credit/default risks, liquidity risks, operational risks, other risks and concentration risks. This risk is not treated/seen directly as a risk type, but flows indirectly into various risk types. Furthermore, these risks are taken into account when granting loans and analyzed annually as part of the risk inventory. They are seen as part of the risks under consideration and are therefore taken into account in the risk-bearing capacity.

2.3.7 Shadow banks (Art. 449b CRR)

For non-EU banks, "credit institutions of a third country are exempt from the shadow banking rules if the third country imposes prudential and legal requirements on that institution that are at least equivalent to those of the Union". With regard to "equivalence" in the course of credit risk weighting, the EU Commission has defined countries as "equivalent" in accordance with the CRR. CRR countries as "equivalent". This means that all Iranian banks and a large number of our correspondent banks fall under the term "shadow banks".

BMI has defined appropriate and effective procedures and control mechanisms for Iranian banks in accordance with BaFin Circular 08/2016. In addition, the credit back office works together with Risk Controlling to collect timely information on individual banks by monitoring the English- language Iranian press. In addition, the management of BMI is in constant contact with the head office in Tehran on this topic.

As at December 31, 2024, BMI reported aggregated loans to shadow banking companies in the amount of EUR 10,716 thousand.

2.4 Information on intra-group transactions and transactions with related parties

BMI Hamburg is a dependent company that does not have any subsidiaries or equity investments. Related parties as at December 31, 2024 are the two managing directors, Mr. Dehghan and Mr. Ferchland, as well as Melli Bank plc, London, Melli Bank plc, Hong Kong, MIR Business Bank, Moscow, and Denarius Vermögenverwaltungsgesellschaft AG, Hamburg. With one exception, the above-mentioned related parties/companies only held balances of a comparatively small amount with us in financial year 2024. However, the impact on our bank's risk profile of a single receivable from a related party is comparatively low.

3. Rules on corporate governance (Article 435 CRR, (2))

The managing directors within the meaning of Section 1 (2) KWG are Mr. Mehran Dehghan, Hamburg, and Mr. Christian Ferchland, Kiel. In addition to the management of BMI, Mr. Dehghan has one management mandate and no supervisory mandate and Mr. Ferchland has one management mandate and one supervisory mandate.

Our strategy for selecting members of the Executive Board is based strictly on the requirements of the BaFin bulletin on managing directors in accordance with the KWG, ZAG and KAGB (current version dated 29.12.2020). We ensure their knowledge, skills and experience on the basis of CVs, references from previous employers and as part of our recruitment interviews. Furthermore, potential new managing directors naturally undergo the professional suitability and licensing procedure by BaFin and the Deutsche Bundesbank.

In accordance with our diversity strategy, which is in line with the General Equal Opportunities Act (AGG), we address all people regardless of their age, degree of disability, gender, ethnic origin, religion/world view and sexual identity as part of the job offer, provided they can prove to us their fundamental suitability as a business manager and their knowledge, skills and experience. In accordance with our business and risk strategy, the targets set for management are core business, new customers, network, annual result, growth, proprietary trading and personnel, with the respective degree of target achievement measured on a scale of 1 to 10 (10 being full target achievement). The parameters for measuring the aforementioned targets are firmly defined in our business and risk strategy. The target achievement levels are redefined annually and analyzed and measured at the end of the year.

4. Own funds (Article 437 CRR)

The Bank's own funds consist solely of common equity tier 1 capital. The Bank does not currently have any items from additional Tier 1 capital or supplementary capital. The following calculation provides an overview of the capital structure of Bank Melli Iran, Hamburg as at December 31, 2024 and is valid from the date of adoption of the annual financial statements as at December 31, 2024.

	Common equity tier 1 capital (CET 1): Instruments and reserves	**Amount in TEUR**	**Regulation (EU) No 575/2013 Reference to Article**
1a	capital instruments and the premium associated with them (corresponds to equity in accordance with commercial law). Annual financial statements)	154.500	26 (1), 27, 28,29
1a	Retained earnings	8.900	26 (1) c
3a	Fund for general banking risks (addition of EUR 4,600 thousand) becomes part with determination date)	23.000	26 (1) f
6	Common Equity Tier 1 capital (CET 1) before regulatory adjustments (corresponds to equity in accordance with commercial law) Annual financial statements plus fund for general banking risks)	186.400	
8	Intangible assets (less corresponding tax liabilities) (negative amount) is recognized as a component with Determination date	-9	36 (1) b, 37
25a	Losses for the current financial year	0	36 (1) a
28	Regulatory adjustments to common equity tier 1 capital (CET 1) in total	-9	
29	Common equity tier 1 capital (CET 1)	186.391	

A breakdown between the balance sheet under commercial law and the allocation of the equity structure in the calculation of Common Equity Tier 1 capital (CET1) is shown in the following table.

Balance sheet in published financial statements as at 31.12.2024	KEUR	Reference to equity structure
Assets		
Intangible assets	-9	8
Clearing balance BMI Tehran	0	27
Loss for the current financial year	0	0
Regulatory adjustments to Common Equity Tier 1 capital that are added to the deduction items as part of the transitional provisions	0	26
Liabilities		
Capital instruments and the premium associated with them	154.500	1
Retained earnings	8.900	1
Fund for general banking risks	23.000	3a

5. Own funds requirements (Article 438 d CRR)

The table shows the data on the total risk amount relevant to our Bank. When determining counterparty default risk, the Bank uses the standardized approach to credit risk in accordance with Part 3 Title II Chapter 2 of the CRR, operational risk is determined using the basic indicator approach in accordance with Part 3 Title III of the CRR and market risk is determined using the standard methods in Part 3 Title IV of the CRR. The total risk amount for operational risk increases slightly due to higher interest income. The adequacy of internal capital is assessed using the risk- bearing capacity concept described in the risk report of the management report.

Table EU OV1 - Overview of the total risk amounts

	Total amount at risk (TEUR)			**Own funds Total requirements**
		31.12.2024	31.12.2023	31.12.2024
1	Credit risk without counterparty default risk	209.289	207.556	16.743
2	of which: standard approach			
3	Not applicable			
4	Not applicable			
EU 4a	Not applicable			
5	Not applicable			
6	Counterparty default risk - CCR	0	0	0
7	of which: standard approach	0	0	0
8	not applicable			
EU 8a	Not applicable			
EU 8b	not applicable			
9	Not applicable			
10	not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	0	0	0
16	not applicable			
17	Not applicable			
18	Not applicable			
19	Not applicable			
EU 19a	Not applicable			
20	Position, currency and commodity risks (market risk)	24.375	0	1.950
21	of which: standard approach	0	0	0
22	thereof: IMA standardized approach	0	0	0
EU 22a	Large loans	0	0	0
23	Operational risk	24.838	24.250	1.987
EU 23a	of which: basic indicator approach	24.838	24.250	1.987
EU 23b	of which: standard approach	0	0	0
EU 23c	of which: Advanced measurement approach	0	0	0
24	Amounts below the deduction thresholds (with a risk weight of 250%)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			

6. Key parameters (Article 447 CRR)

The following table EU KM1 contains an overview of the key regulatory parameters required in accordance with Article 438 CRR and Article 447 CRR.

Compared to the previous year, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the total capital ratio have increased. They remain well above the required minimum ratios. The reason for the increase was the rise in contingency reserves in accordance with Section 340g HGB with a simultaneous increase in the total risk amount due to new business.

Further data on the total risk amount can be found in the table "Overview of total risk amounts".

In the case of the leverage ratio, the shifting of Bundesbank balances into loans to banks in the form of time deposits in particular leads to an increase in the total risk position measure.

Information on the liquidity coverage ratio (LCR) can be found in the "Key parameters" table.

We clearly exceed the minimum net stable funding ratio (NSFR).

EU KM1 - Key parameters

		31.12.2024	31.12.2023
	Available equity (kEUR)		
1	Common equity tier 1 capital (CET1)	181.754	174.254
2	Core capital (T1)	181.754	174.254
3	Total capital	181.754	174.254
	Risk-weighted position contributions (TEUR)		
4	Total amount at risk	209.289	207.556
	Capital ratios (in % of the risk-weighted position contribution)		
5	Common equity tier 1 ratio (CET1 ratio)	86,84	83,95
6	Core capital ratio	86,84	83,95
7	Total capital ratio	86,84	83,95
	Additional own funds requirements for risks other than the risk of excessive leverage (as a % of the risk-weighted exposure contribution)		
EU 7a	Additional capital requirements for risks other than the risk of excessive indebtedness	2,50	2,50
EU 7b	of which: to be held in the form of CET1	1,41	1,46
EU 7c	of which: to be held in the form of T1	1,88	1,95
EU 7d	SREP total capital requirement	11,50	13,00
	Combined capital buffer and total capital requirement (as % of the risk-weighted exposure contribution)		
8	Capital conservation buffer	2,50	2,50
EU 8a	Capital conservation buffer due to macro-prudential risks or systemic risks at the level of a member state	0,00	0,00
9	Institution-specific countercyclical capital buffer	0,75	0,75
EU 9a	Systemic risk buffer	0,00	0,00
10	Not applicable		
EU 10a	Buffer for other systemically important institutions	0,00	0,00
11	Combined capital buffer requirement	2,76	2,59
EU 11a	Total capital requirement	14,26	15,59
12	CET1 available after fulfillment of the SREP total capital requirement (%)	78,10	73,54
	Debt ratio		
13	Total exposure measure (kEUR)	482.923	533.036
14	Debt ratio (%)	37,64	32,69
	Additional own funds requirements for the risk of excessive leverage (as a % of the total risk exposure measure)		
EU 14a	Additional capital requirements for the risk of excessive indebtedness	0,00	0,00
EU 14b	of which: to be held in the form of CET1	0,00	0,00
EU 14c	SREP total debt ratio	3,00	3,00
	Requirement for the leverage ratio buffer and total leverage ratio (as a % of the total exposure measure)		
EU 14d	Buffer for the debt ratio	0,00	0,00
EU 14e	Total debt ratio	37,64	32,69
	Liquidity coverage ratio (values in EUR thousand or %)		
15	Total high-quality liquid assets (HQLA) (weighted value - average)	299.010	398.423
EU 16a	Cash outflows - weighted total value	307.348	375.115
EU 16b	Cash inflows - weighted total value	70.967	69.187
16	Total net cash outflows	236.381	305.927
17	Liquidity coverage ratio (%)	127,26	130,44
	Structural liquidity ratio (values in EUR thousand or %)		
18	Total available stable refinancing	217.829	185.507
19	Total required stable refinancing	155.654	129.263
20	Structural liquidity ratio (NSFR in %)	139,94	143,51

7. Remuneration policy (Article 450 CRR)

Our Bank's remuneration policy is based on the current version of the "Bank Melli Iran Remuneration Directive". This states that all employees of our bank receive fixed remuneration and that there are currently no contracts for performance-oriented remuneration. The bank therefore does not pay any variable remuneration. The head office in Tehran decides on the remuneration of the management bodies and the remuneration of Iranian expatriate employees. Remuneration for all other employees is determined by the management. Collective agreements are in place. The employment contracts for employees who are not subject to collective agreements are drawn up individually, but are generally based on the applicable collective agreement for the private banking industry and public banks. The main body responsible for overseeing remuneration can generally be described as the management, which, however, does not have to take action with regard to the determination of variable salary components due to the purely fixed remuneration described above.

We have identified our management and seven other employees as having a significant influence on the risk profile of our bank. Personnel expenses amounted to EUR 4,283 thousand in the 2024 financial year for an average of 39 employees (including 11 part-time employees) and two managing directors. No employee received an annual salary of EUR 1 million or more. We do not pay any variable remuneration in accordance with Section 10 para. 2 InstitutsVergV or Section 87 para. 1 sentence 3 AktG and have not retained any remuneration. No severance payments were made in the 2024 financial year. We have therefore not completed tables EU REM 2 and EU REM3. We have published the information required in accordance with table EU REMA above.

In accordance with table EU REM1, we identified two employees as members of the management body with a management function who received fixed monetary remuneration totaling EUR 447 thousand in the 2024 financial year (previous year: EUR 410 thousand). We also identified seven (previous year: seven) other employees with a material influence on the risk profile of our bank who received fixed monetary remuneration totaling EUR 775 thousand in the 2024 financial year (previous year: EUR 717 thousand).

Table EU REM1 - Remuneration granted for the 2024 financial year

			a	b	c	d
			Management body Supervisory function	Management body Management function	Other members of GL	Other identified employees
1	Fixed remuneration	Number of employees identified	0	2	0	7
2		Total fixed remuneration (in kEUR)	0	447	0	775
3		Of which: monetary remuneration (in kEUR)	0	447	0	775
4		(Does not apply in the EU)				
EU-4 a		Of which: shares or equivalent investments	0	0	0	0
5		Of which: instruments linked to shares or equivalent non-cash instruments	0	0	0	0
EU-5x		Of which: other instruments	0	0	0	0
6		(Does not apply in the EU)	0	0	0	0
7		Of which: other items	0	0	0	0
8		(Does not apply in the EU)	0	0	0	0
9	Variable remuneration	Number of employees identified	0	2	0	7
10		Total variable remuneration	0	0	0	0
11		Of which: monetary remuneration	0	0	0	0
12		Of which: retained	0	0	0	0
EU-13a		Of which: shares or equivalent investments	0	0	0	0
EU-14a		Of which: retained	0	0	0	0
EU-13b		Of which: instruments linked to shares or equivalent non-cash instruments	0	0	0	0
EU-14b		Of which: retained	0	0	0	0
EU-14x		Of which: other instruments	0	0	0	0
EU-14y		Of which: retained	0	0	0	0
15		Of which: other items	0	0	0	0
16		Of which: retained	0	0	0	0
17	Total remuneration (2+ 10) in kEUR		0	447	0	775

8. Confirmation of the management (Article 431 (3) CRR)

This release certifies that this Disclosure Report has been prepared in accordance with the formal procedures and internal processes, systems and controls established by Bank Melli Iran, Hamburg.

Hamburg, 15.04.2025

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