Bank Melli Iran

Hamburg branch

Disclosure Report 2025



Bank Melli Iran, Hamburg branch

Disclosure Report 2025

according to Article 433C, Section 2.
Regulation (EU) No 575/2013 (CRR)

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1. preamble

With this report as of December 31, 2025, we, as a non-listed company, disclose the following qualitative and quantitative information of Bank Melli Iran, Hamburg branch, hereinafter referred to as "BMI", as required by Article 433C paragraph 2 CRR (Capital Requirements Regulation) in conjunction with Implementing Regulation (EU) 2021/637 as of this reporting date, on an annual basis.

Legal basis CRR
Article 435 paragraph 1 letters a, e and f
Article 435 paragraph 2 letters a, b and c
Article 437(a)
Article 438, letters c, d and da
Article 442, letters c and d
Key parameters according to Article 447
Article 449a
Article 449b
Article 450, paragraph 1, letters a to d and h to k

The website of Bank Melli Iran, Hamburg branch (www.bankmelli.de) is used as the medium for disclosing this report. In accordance with Article 431 CRR, BMI has appropriate internal procedures in place that define how we comply with our disclosure obligations. This disclosure report has been prepared in accordance with these procedures and approved by management.

The quantitative data in this report are based on the relevant provisions of the German Commercial Code (HGB) and the Accounting Regulation for Credit Institutions (RechKredV), on the basis of which we prepared the supervisory notifications in accordance with CRR as of the balance sheet date. The disclosure report can be seen as a supplement to the commercial annual financial statements and the management report of BMI, as it essentially focuses on compliance with regulatory requirements. The requirements and information regarding the risk management objectives and processes are disclosed in detail in the BMI management report, which is part of the BMI 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)

Under this heading, 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 institution's risk profile and provide the concise risk statement in accordance with Article 435(1)(f) CRR. Furthermore, we 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 establishing the principles for risk management and for setting risk ceilings. Finally, we provide a statement, approved by the management body, on the adequacy of the risk management procedures in accordance with Article 435(1)(e) CRR, confirming that the risk management systems in place are appropriate in light of BMI's profile and strategy.

2.1 Strategies and procedures for managing risks

The bank only accepts risks that are consistent with its business and risk strategy. All risks must be evaluated with regard to their economic and legal implications and must be economically sustainable. The risks should be reduced to an acceptable minimum. The bank is aware that certain risks must be taken for profitable business operations.

The risk measurement methods used in our institution comply with common standards and are proportionate to the risk content of the positions. In accordance with Article 435(1)(e), we declare that the methods we employ are suitable for ensuring sustainable risk-bearing capacity. The established risk management systems are consistent with our institution's profile and strategy. We consider our risk management procedures to be as Appropriate and effective. The management board is responsible for developing the business and risk strategy. The overall bank strategy is reviewed at least annually by the management board and department heads as part of a strategic review process. Based on the current risk potential and the business and planning figures, the management board then defines the business strategy and the corresponding risk strategy, including the allocated risk coverage potential, for the coming fiscal 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 staff department reports directly to the executive management. The Risk Controlling department thus fulfills the function specified in AT 4.4.1 of the Minimum Requirements for Risk Management (MaRisk). Regular or ad-hoc communication takes place directly with the executive management and the specialist departments. The Risk Controlling department is granted all necessary authority and unrestricted access to all risk-relevant information. Notwithstanding the overall responsibility of the executive management, the Risk Controlling department is organizationally assigned to the Head of Market Operations.

2.3 Risk profile and risk categories of the BMI

Information regarding the risk profile, risk categories, and risk management system is disclosed in detail in BMI's management report, which is part of our annual report. The BMI annual report is also published on the website of Bank Melli Iran, Hamburg branch (www.bankmelli.de).

According to MaRisk, the main risks include:

- Address default risks (individual risk / country risk / migration risk)
- Market price risks (foreign exchange risk / interest rate risk)
- Liquidity risks
- Operational risks

As part of the risk inventory, it was determined that other risks do not currently pose any significant risks to our bank.

2.3.1 Address default risks

All borrowers are classified for risk assessment and portfolio management purposes. Credit risk management is the responsibility of the organizationally separate "Market" and "Back Office" departments, which approve all risk-relevant exposures.

Given the significant importance of lending, maximum partial loss limits for counterparty default risk are derived in three stages. The utilization of these partial loss limits is determined by the default probabilities and volumes, which are calculated using a simplified procedure for unexpected losses. Similarly, country risks are calculated based on the country rating.

The bank currently assesses counterparty default risks as a significant risk for it.

Concentration risks are considered separately. Because these risks arise both from the large portfolio held by the Bundesbank and from lending to customers based in Iran or to customers based in Germany with ties to Iran, we consider them significant.

Migration risk refers to the danger that the borrower's creditworthiness will deteriorate. Since 2024, for reasons of conservatism, the 2-year projected debt (PD) of the average ratings from the rating agencies Fitch and S&P has been used to calculate the PD. Accordingly, this risk is also included in the counterparty risk.

2.3.2 Market price risks

a) Foreign currency risk

The bank is a non-trading book institution and executes foreign exchange transactions on behalf of clients and to cover positions arising from client business. Open foreign exchange positions are valued at the mid-market rate. Foreign exchange risks are managed through a defined overall limit for open positions, counterparty limits , and a loss cap. The bank currently assesses foreign exchange risk as a material risk.

b) Interest rate risk

According to the risk inventory, this risk is no longer considered material, as no new business is possible due to EU sanctions. Therefore, no limit will be issued . The risk will nevertheless be reviewed quarterly by the Risk Management Committee. The regulatory report will be submitted via the reporting system.

2.3.3 Liquidity risks

The bank is integrated into the liquidity management system of its headquarters, which provides the branch with refinancing funds via the clearing balance. Due to its geographic and business focus, liquidity risks are only minimally affected by macroeconomic developments. The bank currently assesses liquidity risks as a significant risk for it.

2.3.4 Operational Risks

For the bank, operational risk refers to the risk of direct and indirect losses caused by the inadequacy or failure of internal processes, people, and systems, or by external events. Operational risks include legal risks. To measure operational risk and calculate limit utilization, the bank has chosen the new standardized approach supplemented by expert estimation (loss database). The types of risks occurring within the area of operational risk are categorized as people, processes, technologies, external influences, and legal risks, the risk assessment of which is represented by a traffic light system. Operational risks in business processes are mitigated by technical systems and clear rules that are continuously adapted to requirements. A key focus is on IT measures, for which detailed contingency plans are in place. Accumulated losses are listed monthly in the risk report according to their amount and frequency. Since these risks are not quantifiable, a buffer is maintained as a precautionary measure. The bank considers operational risks to be a material risk for it. The operational

risk of the EU/UN reactivating all Iran sanctions materialized at the end of September 2025. The US sanctions remain in place.

2.3.5 Other risks

Other risks include the potential for financial losses. The bank categorizes these risks as encompassing, among others, strategic risk, inter-risk concentrations, and reputational risk. Following evaluation, the bank classifies these other risks as not material.

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

Sustainability risks are included in credit/credit default risks, liquidity risks, operational risks, other risks, and concentration risks. This risk is not treated/considered a separate risk category but is indirectly incorporated into various other risk categories. Furthermore, these risks are taken into account when granting loans and are analyzed annually as part of the risk inventory. They are understood as part of the risks considered and are therefore included in the risk-bearing capacity.

2.3.7 Shadow banks (Art. 449b CRR)

For non-EU banks, the rule is that "credit institutions of a third country are exempt from the shadow banking regulations if that third country imposes supervisory and legal requirements on that institution which are at least equivalent to those of the Union." The EU Commission has classified certain countries as "equivalent" with regard to credit risk weighting under the CRR. This means that all Iranian banks and a large number of our correspondent banks fall under the term shadow banks.

For Iranian banks, the BMI has established appropriate and effective procedures and control mechanisms in accordance with BaFin Circular 08/2016. Furthermore, the credit back office, in conjunction with risk management, gathers timely information about individual banks by monitoring the English-language Iranian press. Additionally, the BMI management maintains constant communication with headquarters in Tehran on this matter.

As of December 31, 2025, the BMI reported aggregated loans to shadow banking companies amounting to EUR 30,646,000.

2.4 Information on intra-group transactions and transactions with related companies and persons

BMI Hamburg is a dependent company with no subsidiaries or holdings. As of December 31, 2025, related parties 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 Vermögensverwaltungsgesellschaft AG, Hamburg. With one exception, the aforementioned related parties held only relatively small balances with us during the 2025 financial year. The impact on our bank's risk profile from a single claim against a related party is comparatively minor.

3. Rules relating to corporate governance (Article 435 CRR, paragraph 2)

The managing directors within the meaning of Section 1 Paragraph 2 of the German Banking Act (KWG) are Mr. Mehran Dehghan, Hamburg, and Mr. Christian Ferchland, Kiel. In addition to his

management role at BMI, Mr. Dehghan holds a management mandate but no supervisory mandate, while Mr. Ferchland holds both a management and a supervisory mandate.

Our strategy for selecting members of the management board strictly adheres to the guidelines of the BaFin guidance note on managing directors pursuant to the German Banking Act (KWG), the Payment Services Supervision Act (ZAG), and the German Investment Code (KAGB) (current version dated December 29, 2020). We ensure their knowledge, skills, and experience through CVs, references from previous employers, and during our recruitment interviews. Furthermore, potential new managing directors naturally undergo the professional suitability and licensing procedures conducted by BaFin and the Deutsche Bundesbank.

In accordance with our diversity strategy, which complies with the German General Equal Treatment Act (AGG), we welcome applications from all individuals regardless of age, disability, gender, ethnic origin, religion/belief, or sexual orientation, provided they can demonstrate their fundamental suitability as a business manager and their knowledge, skills, and experience. Our business and risk strategy defines the following objectives for the management team: core business, new customers, network, annual results, growth, proprietary trading, and personnel. The degree of achievement for each objective is measured on a scale of 1 to 10 (10 being full achievement). The parameters for measuring these objectives are clearly defined in our business and risk strategy. The degree of achievement is redefined annually and analyzed and measured at the end of the year .

4. Own resources (Article 437 CRR)

The bank's equity consists solely of Common Equity Tier 1 capital. The bank currently holds no additional Tier 1 or Tier 2 capital. The following calculation provides an overview of the equity structure of Bank Melli Iran, Hamburg, as of December 31, 2025, and will be valid from the date of the financial statements as of December 31, 2025.

Common Equity Tier 1 (CET1) capital: Instruments and reserves		Amount in thousands of euros	Regulation (EU) No 575/2013 Reference to Article
1a	Capital instruments and the associated premium (corresponds to equity according to the commercial annual financial statements)	154,500	26 (1), 27, 28, 29
1a	Retained earnings (addition of EUR 5,900 will be included on the date of determination)	8,900	26 (1) (c)
3a	Fund for general banking risks (addition of EUR 900,000 will be included on the date of determination)	6,000	26 (1) (f)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments (corresponds to equity capital according to the commercial annual financial statements plus funds for general banking risks)	169,400	
8	Intangible assets (reduced by applicable tax liabilities) (negative amount)	-11	36 (1) (b), 37
17	Bad debt amounts	-1,999	36 (1) (d)
25a	Losses for the current financial year	0	36 (1) (a)
26	Regulatory adjustments to Common Equity Tier 1 capital, which are added to the deduction items under the transitional arrangements.	0	
27	Amount of items to be deducted from the additional core capital items that exceeds the institution's additional core capital (negative amount)	0	36 (1) (j)
28	Regulatory adjustments to Common Equity Tier 1 (CET1) capital overall	-2.010	
29	Common Equity Tier 1 (CET1) capital	167,390	

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

Balance sheet in published financial statements as of December 31, 2025	Amount in thousands of euros	Reference to equity structure
assets		
Intangible assets	-11	8
Settlement balance BMI Tehran	0	27
Loss for the current financial year	0	0
Regulatory adjustments to Common Equity Tier 1 capital, which are added to the deduction items under the transitional arrangements.	0	26
liabilities		
Capital instruments and the premium associated with them	154,500	1
Retained earnings	8,900	1
Fund for general banking risks	6,000	3a

5. Own resources requirements (Article 438d CRR)

The table lists the data relevant to our institution: total risk exposure amount and own funds requirements from operational risks. When determining the Address default risk The bank uses the standardized approach for 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 standardized 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 total risk amounts

		Total risk amount (EUR thousands)		Overall own funds requirements
		December 31, 2025	December 31, 2024	December 31, 2025
1	Credit risk without counterparty default risk	225,668	209,289	18,679
2	of which: Standard approach			
3	omitted			
4	omitted			
EU 4a	omitted			
5	omitted			
6	Counterparty default risk - CCR	0	0	0
7	of which: Standard approach	0	0	0
8	omitted			
EU	omitted			

8a				
EU 8b	omitted			
9	omitted			
10	omitted			
11	omitted			
12	omitted			
13	omitted			
14	omitted			
15	Settlement risk	0	0	0
16	omitted			
17	omitted			
18	omitted			
19	omitted			
EU 19a	omitted			
20	Position, currency and commodity position risks (market risk)	21,925	24,375	1,950
21	of which: Standard approach	0	0	0
22	of which: IMA standard approach	0	0	0
EU 22a	Large loans	193,097	0	0
23	Operational risk	21,950	24,838	1,987
EU 23a	of which: Basic indicator approach	21,950	24,838	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	omitted			
26	omitted			
27	omitted			
28	omitted			

6. Key parameters (Article 447 CRR)

The following table provides an overview of the key regulatory parameters required under Article 438 CRR and Article 447 CRR.

Compared to the previous year, the Common Equity Tier 1 (CET1) ratio, the Tier 1 capital ratio, and the total capital ratio have decreased significantly. They remain well above the required minimum levels. The decrease was due to the release of a large portion of the provisions pursuant to Section 340g of the German Commercial Code (HGB) combined with an increase in the total risk exposure amount.

Further data on the total risk amount are included in the table “Overview of total risk amounts”.

Information on the Liquidity Coverage Ratio (LCR) is included in the "Key Parameters" table.

We significantly exceed the minimum Net Stable Funding Ratio (NSFR) target.

EU KM1 - Key parameters

		December 31, 2025	December 31, 2024
	Available equity (EUR thousands)		
1	Common Equity Tier 1 (CET1) capital	167,390	181,754
2	Core capital (T1)	167,390	181,754
3	Total capital	167,390	181,754
	Risk-weighted position contributions (EUR thousands)		
4	Total risk amount	225,668	209,289
	Capital ratios (in % of risk-weighted position contribution)		
5	Common Equity Tier 1 (CET1) ratio	74.18	86.84
6	Core capital ratio	74.18	86.84
7	Total capital ratio	74.18	86.84
	Additional own funds requirements for risks other than the risk of excessive debt (in % of the risk-weighted position contribution)		
EU 7a	Additional own funds requirements for risks other than the risk of excessive leverage	2.50	2.50
EU 7b	of which: to be held in the form of CET1	1.41	1.41
EU 7c	of which: to be kept in the form of T1	1.88	1.88
EU 7d	SREP total capital requirement	11.50	11.50
	Combined capital buffer and total capital requirement (in % of the risk-weighted position contribution)		
8	Capital conservation buffer	2.50	2.50
EU 8a	Capital conservation buffers due to macro-supervisory 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	2.89	2.76
EU 11a	Total capital requirement	14,18	14.26
12	Available CET1 (%) after fulfillment of the total SREP capital requirement	65.36	78.10
	debt ratio		
13	Total risk position measure (EUR thousands)	499,465	482,923
14	Debt ratio (%)	36.00	37.64
	Additional own funds requirements for the risk of over-moderate debt (in % of the total risk exposure measure)		
EU 14a	Additional equity capital requirements to cover the risk of excessive leverage	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 buffer in the debt ratio as well as Total debt ratio (as a percentage of the total risk exposure measure)		
EU 14d	Buffer in the debt ratio	0.00	0.00
EU 14e	Total debt ratio	36.00	37.64
	Liquidity coverage ratio (values in thousands of euros or %)		
15	Total high-quality liquid assets (HQLA) (weighted average)	250,653	299,010
EU 16a	Cash outflows - Weighted total value	261,593	307,348
EU 16b	Inflows of funds - Weighted total value	65,305	70,967
16	Total net outflows	196,288	236,381
17	Liquidity coverage ratio (%)	127.70	127.26
	Structural liquidity ratio (values in thousands of euros or %)		
18	Total available stable refinancing	208,601	217,829
19	Total required stable refinancing	173,083	155,654
20	Structural liquidity ratio (NSFR in %)	120.52	139.94

7. Contractually serviced, non-performing and deferred risk positions as well as analysis of the age structure of overdue risk positions (Art. 442 c and d CRR)

a) Contractually serviced, non-performing and deferred risk positions

Type of risk position	Contractually served (TEUR)	Distressed (TEUR)	of which: Deferred (TEUR)	Total (EUR thousands)	EWB/Provision (TEUR)	Received collateral and financial
loan	484.767	29.040	0	513.807	5.900	0
off-balance-sheet risk positions	15	0	0	15	0	0

Overdue risk positions (EUR thousands)

Type of risk position	Not overdue or <=30 days	> 30 days <= 90 days	> 90 days <= 180 days	> 180 days <= 1 year	> 1 year >= 2 years	> 2 years <= 5 years	> 5 years <= 7 years	> 7 years	In total
loan	2.228	1.179	5.590		5.712	10.002			24.711

8. Remuneration policy (Article 450 CRR)

The basis for our bank's remuneration policy is the "Remuneration Regulations of Bank Melli Iran" in their current version. These regulations stipulate that all employees of our bank receive a fixed salary and that there are currently no performance-related or success-based compensation agreements. Therefore, the bank does not pay variable compensation. The head office in Tehran decides on the remuneration of the management board and the remuneration of Iranian civil servants. The remuneration for all other employees is determined by the executive management. The collective bargaining agreement provisions apply. Employment contracts for employees not covered by such agreements are individually negotiated, but are generally based on the applicable collective bargaining agreement for the private banking sector and public banks. The executive management can be considered the primary body responsible for remuneration oversight; however, due to the purely fixed remuneration described above, it is not required to intervene with regard to setting variable salary components.

We identified our management board and seven other employees as having a significant impact on our bank's risk profile. Personnel expenses in fiscal year 2025 amounted to €4,338 thousand for an average of 40 employees (11 of whom were part-time) and two managing directors. No employee received an annual salary of €1 million or more. We do not pay variable remuneration in accordance with Section 10 Paragraph 2 of the German Remuneration Regulation for Institutions (InstitutsVergV) or Section 87 Paragraph 1 Sentence 3 of the German Stock Corporation Act (AktG), nor did we withhold any remuneration. No severance payments were made in fiscal year 2025. Therefore, we did not complete tables EU REM 2 and EU REM 3. We have published the information required by table EU REM 2 above.

According to Table EU REM1, we have identified two employees in management positions who received a total of €468,000 in fixed monetary compensation in fiscal year 2025 (previous year: €447,000). Furthermore, we have identified seven other employees (previous year: seven) with a significant influence on our bank's risk profile who received a total of €770,000 in fixed monetary compensation in fiscal year 2025 (previous year: €775,000).

Table EU REM1 – Remuneration granted for the financial year 2025

			a	b	c	d
			Management body supervisory function	Management body/management function	Other members of the GL	Other identified employees
1	Fixed remuneration	Number of identified employees	0	2	0	7
2		Total fixed compensation (in thousands of euros)	0	468	0	770
3		Of which: monetary compensation (in thousands of euros)	0	468	0	770
4		(Not valid in the EU)				
EU-4 a		Of which: Shares or equivalent participations	0	0	0	0
5		Of which: instruments linked to shares or equivalent non-cash instruments	0	0	0	0
EU-5x		Of these: other instruments	0	0	0	0
6		(Not valid in the EU)	0	0	0	0
7		Of which: other positions	0	0	0	0
8		(Not valid in the EU)	0	0	0	0
9	Variable compensation	Number of identified employees	0	2	0	7
10		Total variable compensation	0	0	0	0
11		Of which: monetary compensation	0	0	0	0
12		Of this: retain	0	0	0	0
EU-13a		Of which: Shares or equivalent participations	0	0	0	0
EU-14a		Of this: retain	0	0	0	0
EU-13b		Of which: instruments linked to shares or equivalent non-cash instruments	0	0	0	0
EU-14b		Of this: retain	0	0	0	0
EU-14x		Of these: other instruments	0	0	0	0
EU-14y		Of this: retain	0	0	0	0
15		Of which: other positions	0	0	0	0
16		Of this: retain	0	0	0	0
17	Total compensation (2 + 10) in kEUR		0	468	0	770

9. Confirmation by the management (Article 431 paragraph 3 CRR)

The granted approval certifies that the present disclosure report has been prepared in accordance with the formal procedures and internal processes, systems and controls established by Bank Melli Iran, Hamburg.

Hamburg, July 10, 2026

Mehran Dehghan
CEO

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