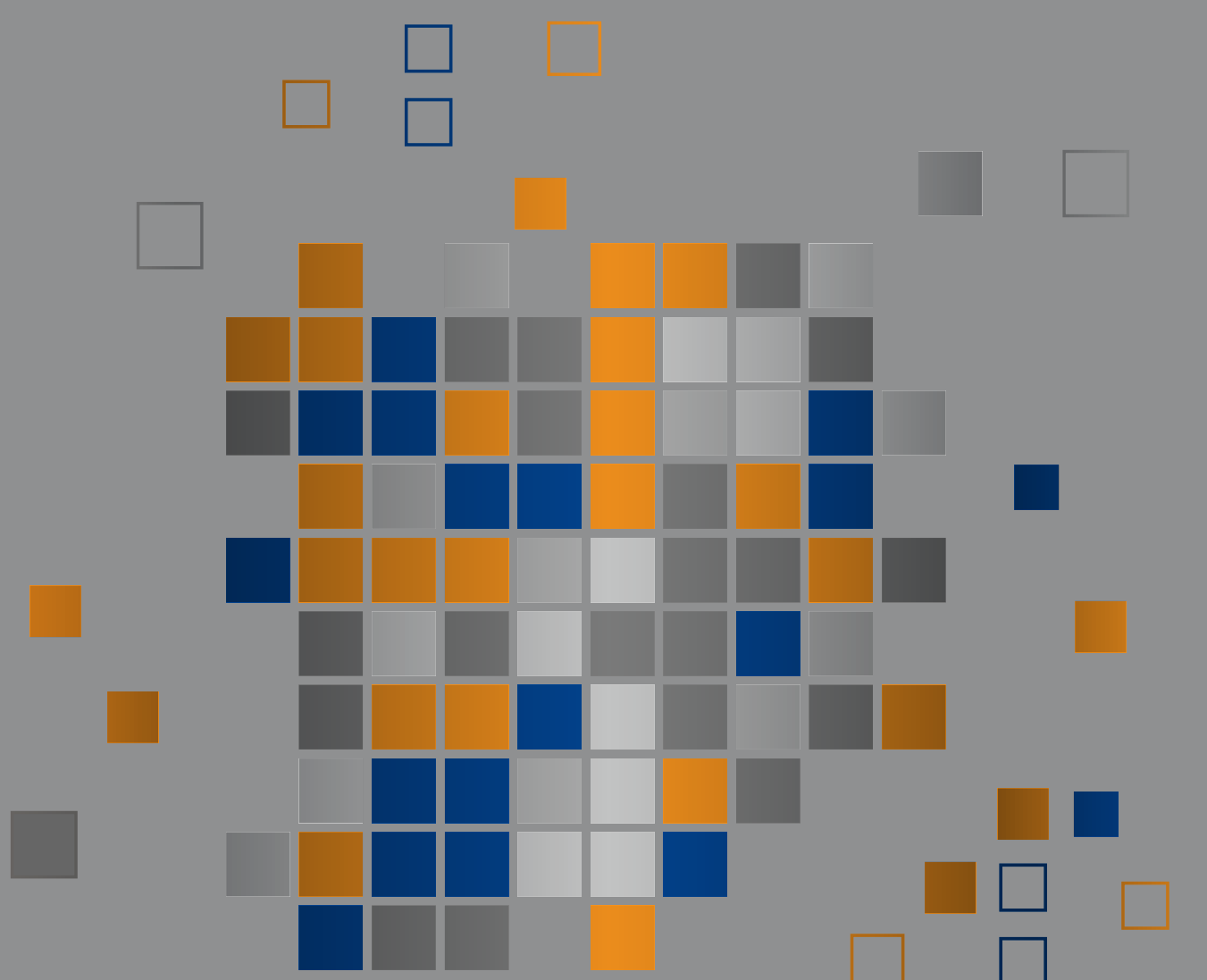




ANNUAL REPORT

FOR THE YEAR ENDED
MARCH 20,

2025



بانک خاورمیانه
Middle East Bank



ANNUAL REPORT

FOR THE YEAR ENDED MARCH 20, 2025

FINANCIAL HIGHLIGHTS

Table 1. Financial Highlights*

IRR million

	2025	2024	2023	2022	2021
Outstanding Loans	964,308,235	695,636,615	496,225,974	355,437,367	239,995,924
Deposits	1,175,638,177	733,144,857	532,203,488	387,843,822	335,742,821
Total Assets	1,476,214,429	1,000,663,169	673,588,739	523,805,356	402,546,914
Net Profit	76,953,300	51,675,025	29,887,572	20,578,075	16,626,702
Basic EPS	1,029	690	854	823	1,108
Guarantees	827,621,354	479,660,314	245,163,937	124,570,656	92,753,012
Letter of Credit	25,044,046	23,244,182	22,738,577	3,066,333	1,144,390
Capital Adequacy Ratio (percent)	14.40	13.20	14.07	13.51	12.08

*Selected Financial Data for Fiscal Years ending 2021 through 2025

This is the annual report of Middle East Bank (“MEB”, “we”, “our”, “us” or “the Bank”), domiciled in Tehran, Iran. The report covers the Iranian calendar year 1403, spanning from March 19, 2024 to March 20, 2025, which in the report we may interchangeably refer to as “1403”, “the year ended March 20, 2025”, “the fiscal year ending March 20, 2025” or “the Iranian year ending March 20, 2025”.

The first chapter (“Executive Summary”) includes a brief overview of the Bank, followed by a message from our Chairman discussing recent events and developments for the year under review. In this chapter we also outline key financial highlights, balance sheet overview and supplementary financial tables.

The second chapter (“Corporate Overview”) describes the Bank’s corporate governance structure, financial and trust building strategies, our competitive environment, shareholders, human capital, information technology and a brief description of our subsidiaries and affiliated companies.

In the third chapter (“Business Segment Operations”) we discuss our front-line business operations, and the products and services we offer. These include Checking, Savings and Deposits, Corporate Credit, International Banking Services and Investment Banking.

The fourth chapter (“Managing Risk”) is dedicated to our risk management and compliance activities. Here, we discuss the Bank’s risk management governance and the management of strategic risk, compliance risk, credit risk, market risk, operational risk, capital adequacy and liquidity risk.

In the fifth chapter (“Auditor’s Report and Audited Financial Statements”), the Independent Auditor’s Report and the Bank’s financial statements with supplementary notes are provided.

In the last chapter “Annual Survey of the Iranian Economy (2023/24)” is provided.

Note:

At the date of this report, Mar. 20, 2025, according to the official exchange rate published by the Central Bank of Iran, IRR1 million was equivalent to €1.34 (IRR1 billion = €1,344)

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1. EXECUTIVE SUMMARY

1-1. Overview

Founded in 2012 and headquartered in Tehran, Middle East Bank ("MEB") defines itself primarily as a corporate bank. Our business strategy is centered on providing financing and investment solutions to small and medium-sized enterprises, corporations and high net-worth individuals. Rather than focusing on proliferation of branches, we seek to leverage on our unparalleled domestic position in customer service and technology to deliver our services to clients across the country, often through online banking

and distance banking. Thanks to a dedicated management team, combined with a highly skilled and motivated workforce, we have during a relatively short time-period following the Bank's inception managed to establish ourselves as one of the safest and most profitable banks in Iran. Officially incorporated at the Company Registration Office of Tehran with registration number 430795, the Bank is listed on the Tehran Stock Exchange (TSE) under the ticker "vkhavar".

1-2. Message from the Chairman

The ecopolitical headwinds in the year 1403 made that year far challenging. However, thanks to our innovative practices and team working, we were able to get through that year successfully. Focusing on the three areas of corporate, digital as well as international banking, Middle East Bank has performed notably in financial indices as well as digital solutions. Bearing a desirable capital adequacy ratio in line with the Basel Committee standards, MEB is known as the most trusted bank in Iran.

The financial statements of MEB suggest an after-tax profit margin of IRR76,953 billion in 1403 which stands 49 percent above that of the year 1402. Given the persistent profitability of MEB and also the banks' requirement by the Central Bank to rise their capital to IRR200,000 billion till the end of the year 1405, part of MEB's retained earning is allocated to capital rise as in previous years. In this regard, in the General Assembly, a 60 percent rise in MEB's capital was approved by the shareholders to rise the Bank's capital from IRR75,000 billion to IRR120,000 billion.

Transparency has always served as an indispensable part of MEB priorities and occupying the first place in the year ending in the last day of summer 1403 in the ranking of the

Iranian banks by the Securities and Exchange Organization justifies that. MEB shares were traded in 229 trading days of 1403 with 87.01 percent free-float shares in Tehran Stock Exchange.

In addition to its core business, Middle East Bank has also has paid attention to its social responsibility by participating in health and educational affairs that all, are reflected in the financial statements. Also, in our strategy, we aim to attract new customers through modern ways including digitalization of processes, expanding interactions with fintech companies and preparing ground for ecosystem banking. For MEB, facilitating the financing of businesses has been of high importance and to fulfil this goal, we seek for higher quality banking services and a wide variety of solutions to our clients.

Our achievements are undoubtedly resulted from the trust of our customers, the support of our shareholders, the sincere efforts of our experts, and the members of the board of directors. I would like to thank every one of them. I hope that we will follow the same path to gain even more honor and maintain the reputation of Middle East Bank.

Parviz Aghili Kermani
Chairman of the Board

1-3. Financial and Operational Performance

A summary of the Bank's financial and operational performance in 2023 until 2025 is given below.

■ Principal Items of Statement of Financial Position

the principal items and brief explanation of some items are given below.

Table 2. Principal items of statement of financial position

Description	March 20, 2025	percentage of total	Increase (Decrease) percent	March 19, 2024	percentage of total	Increase (Decrease) percent	March 20, 2023	percentage of total
	IRR million			IRR million			IRR million	
A) Assets								
Cash	158,699,802	11	113	74,565,147	7	33	56,172,739	8
Due from banks and financial institutions	159,233,719	11	60	99,499,500	10	128	43,586,449	6
Credit facilities granted to non-governmental entities	964,308,235	65	39	695,636,615	70	40	496,225,974	74
Investments in share and other securities	59,951,152	4	86	32,171,135	3	56	20,645,834	3
Fixed assets	28,663,964	2	34	21,417,222	2	238	6,344,818	1
Statutory deposit	84,365,982	6	40	60,377,564	6	41	42,702,374	6
Other Assets	20,991,575	1	24	16,995,986	2	115	7,910,552	1
Total assets	1,476,214,429	100	48	1,000,663,169	100	49	673,588,740	100
B) Liabilities								
Customers' deposits	1,175,638,177	79	60	733,144,857	73	38	532,203,488	79
Due to banks and financial institutions	39,217,798	3	(53)	83,876,261	8	144	34,406,871	5
Other liabilities	73,940,505	5	21	61,174,825	6	99	30,706,797	5
Total liabilities	1,288,796,480	87	47	878,195,943	88	47	597,317,156	89
C) Shareholders' equity								
Share capital	75,000,000	5	50	50,000,000	5	43	35,000,000	5
foreign exchange translation differences for foreign operations	6,710,946	0	84	3,639,990	0	61	2,260,240	0
Retained earnings and legal reserve	106,061,917	7	53	69,108,617	7	75	39,433,592	6
Shares owned and Premium of the shares owned by market maker fund (Treasury shares)	(354,914)	0	26	(281,381)	0	(33)	(422,248)	0
Total shareholders' equity	187,417,949	13	53	122,467,226	12	61	76,271,584	11
Total liabilities and shareholders' equity	1,476,214,429	100	48	1,000,663,169	100	49	673,588,740	100
D) Customers' commitments:								
Letter of credit	25,044,046	3	8	23,244,182	4	2	22,738,577	8
Issued guarantees	827,621,354	84	73	479,660,314	81	96	245,163,937	85
Other commitments	129,296,830	13	47	87,859,093	15	356	19,262,644	7
Managed funds	7,946,339	0.8	797	885,600	0	100	-	0

■ Credit facilities granted

The total amount of credit facilities granted and receivables from non-governmental entities (before provisions) comprises IRR619,563 billion in domestic currency facilities and IRR375,174 billion in foreign

currency facilities, reflecting increases of 31.3% and 58.3%, respectively, compared to the previous year-end. The 65% share of granted facilities in total assets indicates the Bank's commitment to allocating resources to its core intermediary role while managing resources to optimally safeguard shareholders' interests. The non-performing

loan (NPL) ratio of 4.8% on 03/20/2025 demonstrates the bank's adherence to rigorous credit assessment controls, ensuring that precision and quality are not compromised for the sake of growth.

■ Investments

Out of IRR59,951 billion in investments in equities and other securities, IRR56,765 billion pertains to investments in participation bonds and government Islamic treasury bills, which the Bank has allocated a portion of its excess resources to at an appropriate rate of return for liquidity management and liquidity risk mitigation purposes. Additionally, IRR3,186 billion relates to long-term investments in Middle East Bank Brokerage Co., Dadeh Pardazan Simaye Aftab Co., Middle East Currency and Exchange Services Co., Middle East Life Insurance Co., The Instrument in Support of Trade and Financing Between Iran and Europe Co.(INSTEX), and Middle East Sun Leasing Co.

■ Fixed Assets

The majority of the balance of fixed assets pertains to the land and buildings of the Bank's branches and headquarters. Additionally, the 2 percent share of net fixed assets in total assets reflects the Bank's commitment to maximizing the allocation of resources to productive assets. As of 20 March 2025, out of 17 domestic branches (including one digital banking branch), 13 are owned by the Bank, and 3 are leased.

■ Deposits

The Bank's deposits comprise IRR709,856 billion in domestic currency deposits and IRR424,984 billion in foreign currency deposits, reflecting growth of 55.1 percent and 69.6 percent, respectively, compared to the previous year-end. The total deposits, including accrued interest payable, increased by 60.4 percent compared to the previous year, amounting to IRR1,175,638 billion, primarily driven by the attraction of ordinary short-term, one-year, and three-year deposits.

■ Principal Items of Income Statement

The principal items and brief explanation of some items are shown in the following table:

Table 3. Principal items of income statement

Description	Year ended March 20, 2025	percentage of total income	Increase (Decrease)	Year ended March 19, 2024	percentage of total income	Increase (Decrease)	Year ended March 20, 2023	percentage of total income
	IRR million		percent	IRR million		percent	IRR million	
A) Income								
Interest income on credit facilities granted	144,685,859	63	52	94,947,200	68	59	59,572,460	71
Interest income on deposit in banks and non-bank credit institutions	11,620,308	5	56	7,434,407	5	18	6,278,144	8
Income from investments in debt securities	8,400,928	4	59	5,277,734	4	5	5,018,544	6
Income (loss) from investments in share and other securities	2,669,987	1	100	0	0	-100	798,000	1
Income on statutory deposit	837,105	0	81	462,996	0	38	335,592	0
Fees and commission income	17,578,087	8	92	9,169,306	7	82	5,045,912	6
Net foreign exchange transactions income	11,176,961	5	64	6,815,277	5	66	4,104,821	5
Income (loss) from investments related to non-banking activities	192,592	0	161	73,843	0	-68	233,062	0
Other non-operating income	149,677	0	12029	1,234	0	-99	171,055	0
Other operating income	31,328,066	14	116	14,532,975	10	717	1,778,810	2
Total income	228,639,570	100	65	138,714,972	100	66	83,336,400	100
B) Expenses								
Interest expense on deposits	(112,177,755)	49	66	(67,509,963)	49	55	(43,649,934)	52
Administration and general expenses	(15,955,988)	7	58	(10,129,812)	7	63	(6,219,509)	7
Provision for bad and doubtful debts	(17,514,726)	8	275	(4,676,086)	3	100	(2,341,083)	3
Fees and commission expense	(902,839)	0	36	(662,476)	0	60	(413,886)	0
Total expenses	(146,551,308)	64	77	(82,978,337)	60	58	(52,624,412)	63
Profit before tax	82,088,262	36	47	55,736,635	40	81	30,711,988	37
Income tax	(5,134,962)	2	26	(4,061,610)	3	393	(824,417)	1
Net income after tax	76,953,300	34	49	51,675,025	37	73	29,887,572	36

■ Income

Interest income on credit facilities granted, amounting to IRR144,686 billion, has increased by 52 percent compared to the previous year, constituting 63 percent of the bank's total income. Of the IRR144,686 billion, IRR133,135 billion is related to income from rial facilities (including penalties), with the remaining IRR11,551 billion pertaining to foreign currency facilities. As detailed in the table analyzing fluctuations in income from rial facilities granted to customers based on volume and rate, the increase in the volume of facilities granted has led to an increase in revenue of IRR38,162 billion, while the increase in the effective rate of facilities granted has contributed to an additional IRR9,143 billion in the aforementioned revenues. Consequently, an overall increase of IRR47,305 billion in income from rial facilities granted has been recorded compared to the same period last year.

■ Expenses

■ Interest Expense

The increase in the volume of deposits has led to an increase in expenses of IRR29,839 billion, while the increase in deposit rates has resulted in an additional IRR9,809 billion in interest expenses paid. It should be noted that the IRR39,648 billion increase in interest expenses paid on rial deposits during the 12 months of the current year compared to the same period in 1402 (the year ended March 19, 2024) is primarily due to the attraction of high-cost three-year deposits driven by depositors' preference to maximize returns amid the country's recessionary conditions, as well as Middle East Bank's efforts to maintain its share of the banking deposit market. Despite numerous challenges, the bank remains committed to its strategy of balancing its resource portfolio and attracting stable deposits at the lowest cost.

■ Provision for Bad and Doubtful Debts

The expense for doubtful debts during the year 1403 (the year ended March 20, 2025) amounts to IRR17,515 billion (previous year IRR4,676 billion), of which IRR13,647 billion pertains to the specific provision for doubtful debts (previous year IRR1,664 billion) and IRR3,867 billion relates to the general provision for doubtful debts (previous year IRR3,012 billion). The provision for credit facilities granted has been recorded in the accounts in accordance with

the “Guidelines on Calculating Provisions for Receivables of Credit Institutions” approved by the Money and Credit Council (pursuant to CBI circular No. 01/239021 dated December 14, 2022).

■ Financial and Operational Indices

Summary of financial and operational indices for years 2021 to 2025 are as below:

Table 4. Summary of financial indices

Description	Percent				
	March 20, 2025	March 19, 2024	March 20, 2023	March 20, 2022	March 20, 2021
Capital adequacy ratio*	14.4	13.2	14.1	13.5	12.1
Loans to deposits	77	90	89	88	71
Loans to total assets	65	70	74	68	60
Return on assets-before deductions for tax	7	6.7	5.1	4.4	6.1
Return on assets-after deductions for tax	6.2	6.2	5.0	4.4	5.4
Liability ratio	87	88	89	90	91
Total deposits to capital (times)	15	14	15	15	22
Return on capital	103	103	85	82	111
Return on equity	50	52	46	45	56
Non-performing loans ratio**	4.8	3.9	2.8	1.3	1.1
Interest expense on deposits to interest received from credit facilities granted, deposits, and debt securities	68	62	61	66	63
Interest paid to average balance of deposits-LCY	14.8	13.3	10.8	11.4	10.4
Interest received to average balance of loans-LCY	23.6	21.9	18.5	18.2	18.5
Interest expense on deposits to total expenses	77	81	83	84	75
Bad debt expenses to total expenses	12.0	5.6	4.4	4.9	7.1
Total expenses to total incomes	66	63	64	67	64
Interest income on credit facilities granted, deposits, and debt securities to total incomes	72	78	86	85	77
Commission income to total incomes	8	7	6	5	5
Net foreign exchange transactions income to total expenses	5	5	5	3	7
Other income and expenses to total incomes	14	10	2	4	9
Income (loss) from investments in share and other securities to total incomes	1	0	1	3	2

* The capital adequacy ratio calculations from the years 2021 to 2023 were conducted in accordance with CBI circular No. 98/436758 dated 03/07/2020, while for the years 2024 and 2025, the calculations are based on the latest CBI circular No. 02/21758 dated 04/25/2023.

**The non-performing loans ratio calculations according to CBI circular No. 02/172745 dated 10/12/2023 are done on net basis.

Table 5. Summary of operational indices

Description	IRR million				
	2025	2024	2023	2022	2021
Total income per branch (average no.)	12,702,198	7,706,387	4,762,080	3,663,179	2,817,262
Net profit per branch (average no.)	4,275,183	2,870,835	1,707,861	1,210,475	1,007,679
Total deposits per branch (average no.)	63,046,626	39,353,952	30,172,358	22,762,002	20,059,936
Total loans per branch(average no.)	48,793,225	35,479,114	26,764,353	20,089,570	14,183,639
Total income to the number of personnel	293,504	198,732	131,238	106,270	86,725
Net profit to number of personnel (average no.)	98,785	74,033	47,067	35,116	31,020
Total deposits to the number of personnel (average no.)	1,456,790	1,014,858	831,522	660,331	617,517
Total loans to the number of personnel (average no.)	1,127,443	914,934	737,600	582,803	436,623

■ Deposits

Summary of the Bank's performance in absorbing deposits in 2024 and 2025:

Table 6. Developments of Rial resources

Description	Mobilization of Rial customers' resources					
	March 20, 2025			March 19, 2024		
	Number	Amount (IRR million)	Percentage of Total	Number	Amount (IRR million)	Percentage of Total
Short-term investment deposits	923,478	232,560,238	33	547,561	119,602,537	26
Special Short-term investment deposits	9	877,085	0	9	21,160	0
One-year deposits and deposit certificate	2,279	189,369,380	27	1,138	33,714,886	7
Two-year deposits	959	3,048,357	0	1,709	17,530,147	4
Three-year deposits	1,655	164,756,156	23	1,957	200,739,646	44
Current deposits	13,138	86,499,318	12	12,196	62,969,484	14
Deposits of issued Guarantees		29,174,492	4		20,820,437	5
LCs' advances		1,506,031	0		890,098	0
Others		2,064,666	0		1,519,990	0
Total	941,518	709,855,723	100	564,570	457,808,385	100

Table 7. Developments of foreign resources

Description	Mobilization of foreign currency resources					
	March 20, 2025			March 19, 2024		
	Number	Amount (IRR million)	percentage of total	Number	Amount (IRR million)	percentage of total
Saving and current deposits	2,174	143,884,719	34	1,949	81,593,332	33
Special short-term investment deposits	12	119,584	0	22	116,036	0
Long-term investment deposits	79	236,891,643	56	124	149,189,070	60
Deposits of issued Guarantees		383,936	0		463,340	0
Others*		43,703,669	10		19,200,979	8
Total	2,265	424,983,551	100	2,095	250,562,757	100

*The main increase in others, amounting to 17,000 billion Rials, is related to issued remittances.

Chart 1. Interest bearing deposits and Non-Interest bearing Rial deposits

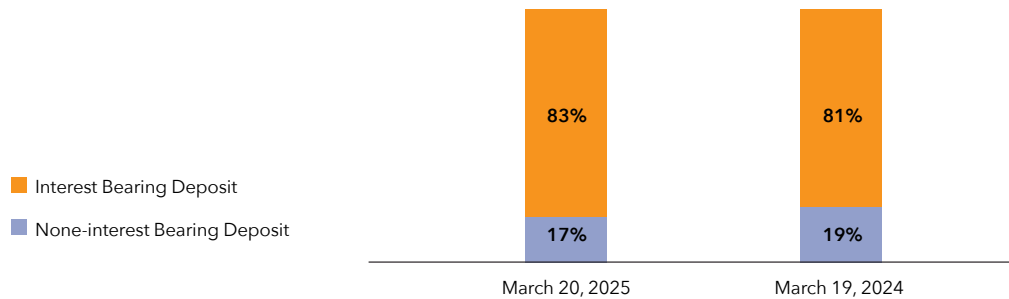


Table 8. Comparative analysis of fluctuations of interest's expense on Rial deposits due to volume and rate

Description	March 20, 2025	March 19, 2024
Average balance of deposits (IRR million)	637,602,346	413,282,326
Interest expenses on Rial deposits (IRR million)	94,672,279	55,024,149
Weighted average interest rate on deposits (before subtracting statutory deposit)	14.8%	13.3%
Increase in interest expenses (IRR million)	39,648,130	20,929,649
Increase in interest expense due to volume(IRR million)	29,839,025	10,579,699
Increase (decrease) percentage	75.3%	50.5%
Increase (decrease) in interest expense due to rate (IRR million)	9,809,104	10,349,950
Increase (decrease) percentage	24.7%	49.5%

■ Extended Facilities

A summary of Bank's performance in extending facilities to customers is as below:

Table 9. Comparative analysis of fluctuations of interest income on customers' Rial loans due to volume and rate

Description	March 20, 2025	March 19, 2024
Average balance of loans (IRR million)	578,819,138	390,406,333
Average balance of current and past due loans-daily (IRR million)	554,152,591	379,918,706
Interest income from loans (IRR million)	130,517,786	83,212,437
Weighted average rate of interest (percent)	23.6	21.9
Increase in interest income (IRR million)	47,305,349	34,341,879
Increase in interest income due to volume (IRR million)	38,161,917	19,158,232
Percentage Increase (decrease)	81	56
Increase (decrease) in interest income due to rate (IRR million)	9,143,431	15,183,647
Percentage Increase (decrease)	19	44

2. CORPORATE OVERVIEW

Licensed by the Central Bank of Iran (CBI), Middle East Bank started its operations on 2 November 2012 with an initial capital of IRR4 trillion. We define ourselves primarily as a corporate bank, i.e., our business strategy is focused on providing financing and investment solutions to small and medium-sized enterprises, corporations and high net-worth individuals. Rather than focusing on proliferation of branches, we seek to leverage on our unparalleled domestic position in customer service and technology to deliver our services to clients across the country, often through online banking and distance banking. We outline the Bank's strategies for attracting funding and extending credit facilities in the section titled our Strategy on relevant pages.

In order to facilitate the imports/exports requirements of our customers, we embarked on a rigorous due diligence process in 2017 with the German Federal Financial Supervisory Authority (BaFin) aimed at establishing our first foreign branch in Munich. BaFin's approval of MEB is a testimony to our strong corporate governance, risk management policy, strict compliance regime, adherence to international standards and regulations, as well as the Bank's overall financial health.

We are committed to maintaining our position as a frontrunner among Iranian banks through embracing the latest international banking standards and best practices, deploying new and innovative technologies to enable our business and further our strategic goals, and by adhering to sound banking practices. Our risk management policy strictly prohibits us from engaging in non-banking activities such as speculation in foreign exchange, real-estate, commodities and equity markets.

2-1. Corporate Governance

■ Board of Directors

The Board of Directors is composed of five members and one alternate members. It has ultimate responsibility for the Bank's business strategy, financial stability, key personnel decisions, internal governance structure, risk management and compliance. Its duties include establishing goals and strategies for the Bank's operations, approving its risk appetite, ensuring the existence of proper internal controls, maintaining an effective risk management and compliance framework,

overseeing the internal audit function, and continuously monitoring the Bank's financial position.

The Board regularly reviews and approves policies intended to ensure risks undertaken by the Bank in pursuit of its business objectives are prudent and properly managed. To this end, the internal audit and control functions frequently report to the Board on risk and compliance related matters, ensuring that the Bank's business strategies are properly aligned with its overall risk profile.



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Parviz Aghili Kermani (3)

Chairman

Ph.D. Finance, University of Wisconsin-Madison, USA
MBA, University of Wisconsin-Madison, Madison, USA

Akbar Komijani (4)

Vice Chairman

Ph.D. Economics, University of Wisconsin- Milwaukee, USA
M.Sc. Economics, University of Wisconsin- Milwaukee, USA

Javad Javadi (2)

Member of the Board of Directors and Managing Director
EMBA, Aalto University, Finland

Gholam Ali Kamyab (1)

Member of the Board of Directors

MBA, University of Bridgeport, USA

Abdolkarim Ghavamifar (5)

Member of the Board of Directors

M.Sc. Banking Management, Iran Banking Institute

■ Alternate Member

Farzaneh Rajaei Salmasi

Alternate Member of the Board of Directors

M.Sc. Computer Engineering, Sharif University of Technology

■ Executive Board

Javad Javadi

Managing Director

EMBA, Aalto University, Finland

Majid Nourmohammadi

Deputy Managing Director

M.Sc. Financial Management, University of Tehran

Alireza Lagzaee

Assistant Managing Director, Planning and Organizational Development Division

M.A. Banking Management, Iran Banking Institute

Masoud Soltan Zali

Assistant Managing Director, Credits and Corporate Banking Division

M.Sc. Financial Management, Shahid Beheshti University, Tehran

Saeed Abedi

Assistant Managing Director, Technology Division

M.Sc. Information Technology Management, Tarbiat Modares University, Tehran

Vahid Azmoon

Assistant Managing Director, Branch Affairs Division

B.Sc. Industrial Management, Azad University, Tehran

Faezeh Mohammadi

Assistant Managing Director, Finance Division

M.Sc. Accounting, Alzahra University, Tehran

Tanya Yaghmaei

Assistant Managing Director, International Banking Division

B.A. French- Language Translation, Azad University, Tehran

■ Advisors and Senior Managers

Mehdi Nedjati, Ph.D

Executive Advisor to the Managing Director, Technology Services
Ph.D. Computer Science, University College London, UK

Ali Khalili Sadatloo

Advisor to the Managing Director, Legal Affairs
B.A. Law, University of Tehran

Pouyandeh Abedi

Senior Manager, Trade Finance Operations Department
M.Sc. Marketing, University of Birmingham, UK
M.Sc. Business Management, Allameh Tabatabai University

Banafsheh Adabi

Senior Manager, Credit Operations Department
B.Sc. Computer Engineering- Hardware, Islamic Azad University, Tehran

Hamidreza Akefi Moghadam

Senior Manager, Finance Department
B.Sc. Accounting, Iran University of Economic Science

Mohammad Akbaripour

Senior Manager, Core Applications Development Department
M.Sc. Computer Engineering- Software, Arak University

Morteza Akbarpour

Senior Manager, Systems Analysis Department
B.Sc. Computer Engineering- Software, Islamic Azad University, Tehran

Majid Akhavan

Senior Manager, Credit I Department
M.Sc. Business Management, Science and Research Branch, Islamic Azad University, Tehran

Amir Ardalan Alaedini

Senior Manager, Human Capital Department
M.Sc. Information System Management, Shahid Beheshti University, Tehran

Majid Alimadadi

Senior Manager, Electronic Banking Services Department
M.Sc. Information Technology Management, Payame Noor University, Tehran

Mohammadreza Arefipour

Senior Manager, International Treasury and Support Services Department
B.Sc. Accounting, Iran Banking Institute

Siavash Asadi Ghajarloo

Senior Manager, Planning and Innovation Department
M.Sc. Computer Engineering- Software, Multimedia University, Malaysia

Ardeshir Dadgar

Designated Manager, IT Planning and Development Department
M.Sc. Industrial Engineering, University of Science and Technology

Alireza Ghadamyari

Senior Manager, Business Analytics Department
M.Sc. Computer Engineering-Software, Amirkabir University of Technology

Arash Falaki

Designated Manager, Software Quality Department
M.Sc. Information Technology Management, Malek Ashtar University of Technology

Ali Farzam Jam

Senior Manager, Branch Affairs Department
M.Sc. Economic Sciences, University of Tehran

Gholamreza Hassanalizadeh

Senior Manager, Legal Department
M.A. Private Law, Azad University, Tehran

Amir Jafari

Senior Manager, Security Department
M.Sc. Computer Engineering, Sheffield Hallam University, UK

Farzam Jahanmanesh

Designated Manager, Information Technology Department
M.Sc. Information Technology Management, Payame Noor University

Hossein Karami

Senior Manager, Risk Management Department
M.Sc. Socio-Economic Systems Engineering, Sharif University of Technology, Tehran

Mohsen Karimi

Senior Manager, Communication Department
M.A. Social Communications, Azad University, Tehran

Mohammad Mahdi Khalaji

Senior Manager, Organization & Procedures Department
B.Sc. Industrial Engineering, Azad University

Sahar Khalilnezhad

Senior Manager, Planning and Credit Monitoring Department
DBA, University of Tehran

Abbas Khosropour

Senior Manager, Procurement & Logistics Department
Diploma in Economics

Reza Mahdavi Vaziri

Senior Manager, Business Intelligence Department
B.Sc. Computer Engineering- Software, Azad University, Tehran

Reza Mardani

Senior Manager, Retail Banking Department
M.Sc. Aerospace Engineering, Sharif University of Technology

Laleh Mehradpay

Senior Manager, Procurement and Logistics Department
M.Sc. Socio-Economic Systems Engineering, Mazandaran University of Science and Technology

Hamid Nouri Khoshkanab

Senior Manager, Digital Banking Department
M.Sc. Industrial Engineering, Sharif University of Technology, Tehran

Majid Rahimi

Senior Manager, Long Term Finance Department
M.Sc. Chemical Engineering, Iran University of Science and Technology (IUST)

Farzaneh Rajaei Salmasi

Senior Manager, Compliance & AML Department
Alternate Member of the Board of Directors
M.Sc. Computer Engineering, Sharif University of Technology, Tehran

Gholamreza Sadegh Vishkaei

Senior Manager, Inspection Department
Designated Manager, Internal Audit Department
M.Sc. Business Management, Tarbiat Modares University, Tehran

Hossein Soltanabadi

Manager, Economic Research Center
Master of Economic Sciences, University of Mazandaran

Mohsen Soltani Mohammadi

Senior Manager, Operations Department
M.Sc. Information Technology, University of Qom

Hedieh Tabrizi

Senior Manager, Credit II Department
EMBA, Aalto University, Finland

Maryam Taleb Beydokhti

Senior Manager, Auxiliary Systems Department
B.Sc. Computer Engineering- Software, Bu-Ali Sina University, Hamedan

■ Board Committees

The Board of Directors may delegate certain decision-making and approval functions to committees made up of members of the board along with independent members with specified sets of duties. Committees make recommendations for action to the full board, which retains collective responsibility for decision making. These committees represent an essential part of the corporate governance process and have independent charters outline the duties, responsibilities and expectations of the committee, clear reporting procedures and scope. MEB's Board committees are listed as below:

■ Nominations and Remuneration Committee

The Nominations and Remuneration Committee aims to ensure the Bank's effectiveness in attracting, retaining, promoting and compensating key employees. This is achieved by devising efficient compensation criteria tied to key performance metrics and monitoring their proper implementation throughout the organization. The decisions taken by this committee are effective regarding the board of directors, managing director, deputy managing director, executive board and senior managers of the units associated with corporate governance. The committee comprises 3 or 5 non-executive members of the board of directors and independent members.

■ Compliance Committee

The main responsibility of the Compliance Committee is to supervise and monitor the Bank's ongoing compliance with domestic regulations and international standards. As part of its mandate, the committee continuously oversees the Bank's policies, actions and procedures from a compliance standpoint. The committee regularly reviews and updates the Bank's corporate governance documentation and issues relevant directives to various business units on compliance related matters.

The Compliance Committee comprises of one non-executive member of a board as a chairman, and two independent members. Senior Manager of the Compliance & AML Department acts as committee secretary. Depending on the meeting agenda, the committee may issue mandatory invites to managers and relevant personnel from other departments, as attendees without voting rights.

■ Corporate Governance Committee

The main role of Corporate Governance Committee is to provide a platform for the Board to deal with specific issues that require specialised areas in corporate governance matters. This committee comprises of members of the Board, the Managing Director and his Deputy, chairmen of Compliance Committee, Audit Committee, Risk Management Committee and some other senior managers, as well as senior managers of Compliance Department, Risk management Department and Audit Department. Depending on the meeting agenda, the committee may issue mandatory invites to managers and relevant personnel from different departments, as attendees without voting rights.

■ Audit Committee

The Audit Committee of Middle East Bank was established on December 8, 2013, in accordance with the requirements of Circular No. MB/1172 of the Central Bank of Iran and Article 10 of the Internal Controls Directive of the Securities and Exchange Organization, approved on May 5, 2012, shortly after the Bank's formation, with the approval of its charter by the Bank's Board of Directors.

The purpose of forming this committee is to assist the Board of Directors in fulfilling its supervisory responsibilities to ensure reasonable assurance regarding:

- The effectiveness of governance processes, risk management and internal controls;
- The integrity of financial reporting;
- The effectiveness of internal auditing;
- The independency and the effectiveness of the external audit;
- Compliance with laws, regulations and requirements.

As one of the most critical supervisory components of Middle East Bank, the Audit Committee oversees the proper execution of financial reporting processes, the internal control structure, the performance of the internal auditor and the activities of the external auditor. In addition, on behalf of the Board of Directors, it safeguards the interests of shareholders and depositors by ensuring the Bank's accountability.

The Audit Committee consists of one non-executive member of the Board of Directors and three independent and professional members. In 2024, the committee held 10 meetings to carry out its duties and responsibilities.

■ Information Technology Committee

The Board Information Technology Committee is the focal point of knowledge and expertise and the highest

authority on information technology of Middle East Bank. It was set up according to the CBI Guideline "The Minimum Oversight Requirements Regarding the Information Technology Risks of the Credit Institutions" and the Board of Directors' meeting minutes dated February 27, 2022, with the aim of developing policies, exercising general supervision and making strategic decisions regarding the IT issues, and has the following responsibilities:

- To make decisions for the board of directors of the Bank, regarding general approaches and strategies on information technology issues;
- To review and examine the proposals on improving the key procedures of information technology;
- To exercise general supervision over decisions taken for the IT area, through screening the key performance indicators (KPIs).

The Committee works under the board of directors and its members consist of the managing director, one non-executive director, and three independent experts in information technology. The non-executive director chairs the committee and the Bank's IT deputy acts as the secretary of which.

■ Risk Committee

In accordance with the guidelines outlined by the Central Bank of Iran (CBI) and the corporate governance principles of Basel 3, the Risk Committee is composed of a non-executive member of the Board serving as a director, an Executive Board member or the CEO, the Senior Risk Officer, and independent members. Risk Officer is responsible for reporting material risk-related issues to other committee members, as well as executing various resolutions issued by the committee. Key responsibilities of the Risk Committee include:

- Adopting sound policies for correct identification, assessment and mitigation of material risks, including strategic risk, credit risk, liquidity risk, market risk, operational risk, legal risk and reputational risk;
- Examining and verifying current and new processes for risk detection, mitigation and control;
- Establishing the necessary framework within the Bank for proper analysis, forecasting and reporting of capital adequacy and liquidity;
- Evaluating the effects of the Bank's capital management strategy and credit policy on its capital adequacy and liquidity status;
- Reviewing and updating the Bank's corporate governance documentation related to risk management on an ongoing basis, including the Risk Policy, Risk Strategy,

Risk Appetite, Risk Department Charters and various underlying documents;

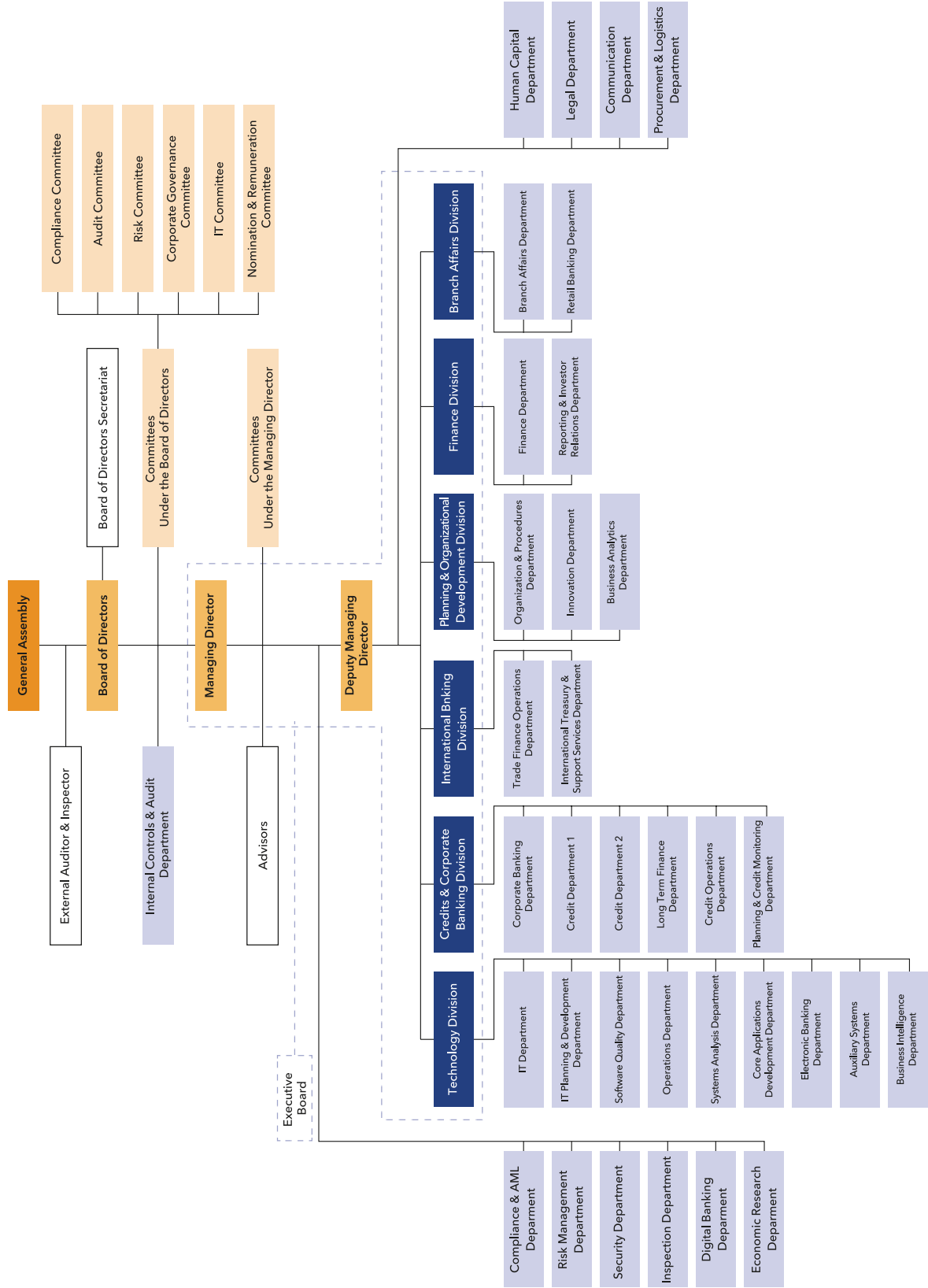
- Examining the Bank's current situation concerning the established risk exposure limits and enacting relevant mitigation plans to address violation of such limits;
- Educating and advising the management team and various business units comprising the first line of defense, in respect of their respective responsibilities relating to proper risk management, mitigation and reporting; and
- Advising the Board of Directors on adopting proper internal policies for risk management in line with regulatory requirements and international standards.

■ Other Committees

The Bank also relies on various management-level committees to make business decisions with due regards to risks and returns. These committees receive their authority either through the Board, a Board committee, another management committee or from one or more executive officers. Listed in alphabetical order below, these committees include:

- Central Credit Committee
- Complaints Committee
- Debt Collection Committee
- Human Resources and Compensation Committee
- Information Security and Data Protection Committee
- Information Security Steering Committee
- Inspection Committee
- Internal Rules and Regulations Committee
- Liquidity Risk Committee
- Logistics Committee
- Marketing and Public Relations Committee
- Operational Risk Management Committee
- Specialized Building Committee
- Supreme Credit Committee
- Supreme Trade Commission
- Trades Commission
- Training and Development Committee
- Workplace Health and Technical Safety committee

Organizational Structure



2-2. Our Strategy

Middle East Bank's 5-year Strategy is among its key upstream document. The Board of Directors, through this document, designs and envisages MEB's destination, and illuminates the way to guide the organizational values in the journey to reach such destination.

■ Vision

We will continue to be the most trusted bank of Iran.

■ Mission

Value creation for all stakeholders, including shareholders, customers and society, so as to be integrated into the corporate, environmental and social governance through empowering skilful, knowledgeable and responsible staff by applying cutting-edge technologies in a transparent, accountable and law-abiding ecosystem.

■ Values

In Middle East Bank, we have defined seven core values: meritocracy, accountability and transparency, pragmatism, trustworthiness, reliability, innovation and social and environmental responsibility to achieve our objectives and vision and to accomplish our missions.

■ Meritocracy

- Ensuring employment of the best human capital at the expected levels, with respect to the needs of each level, training such assets and preparing them to accept future responsibilities in their designed career path;
- Regular monitoring of the human capital merits, taking into account the best practices and an uncompromising attitude vis-à-vis mediocrity at any level.

■ Transparency and Accountability

- Applying the principle of transparency in all of the Bank's processes and procedures and providing any information requested by the regulatory and supervisory bodies within the framework of regulations governing the Bank's activities;
- Holding all the staff, at any level, accountable to internal and external supervisory bodies, in accordance with the regulations governing the Bank's operations.

■ Pragmatism

- Prioritizing result-oriented-ness by providing clear definitions of the objectives and constantly monitoring them;
- Innovation in offering practical solutions with the purpose of meeting the needs of stakeholders, within the compliance framework.

■ Trustworthiness

- Prioritizing the responsibilities of the Bank vis-à-vis shareholders, customers, society and the environment and considering the stakeholders' best interests in decisions and operations;
- Continuous performance improvement of the staff to master the business environment and maintain professional conduct and skills, ensuring that the best method of action in promoting professional trustworthiness in interaction with stakeholders is recognized;
- Continuous process improvement with a view to guaranteeing the reflection of updated commercial and legal obligations therein for the purpose of designing and preserving a structure wherein the proper performance of the Bank and its staff would be possible, guaranteed and subject to monitoring within the framework of compliance with rules and regulations and based on the stakeholders' best interests under any circumstances;
- Continuous inspection of proper conduct of all colleagues in all levels as well as the designed processes, with zero tolerance towards any misconduct;
- Compliance awareness, adherence to laws and regulations, prioritizing commitment to and abiding by them in all conditions without compromise;
- Full and transparent cooperation with supervisory/regulatory bodies.

■ Reliability

- Close and continuous relationship with the customers for better understanding of their businesses and supporting them in various conditions;
- Assuming responsibility and fostering correct judgement and decision-making capacity to empower stakeholders;

- Forming services based on the customers' needs and foresight of future needs.

■ Innovation

- Continuous process improvement and organizational innovation;
- Mastering technological developments and taking on commitment to use such developments to streamline processes and offer new services to customers;
- Envisaging stakeholders' needs with respect to technological changes.

■ Social and Environmental Sustainability and Responsibility

- Aligning decisions with the sustainable development goals of the country;
- Awareness of the consequences of decisions and setting accurate goals with due attention to their social and environmental externalities;
- Encouraging stakeholders to effectively contribute to sustainable development goals with a local approach;
- Transparency in structures, decisions, performance and monitoring of performance.

■ Strategic goals

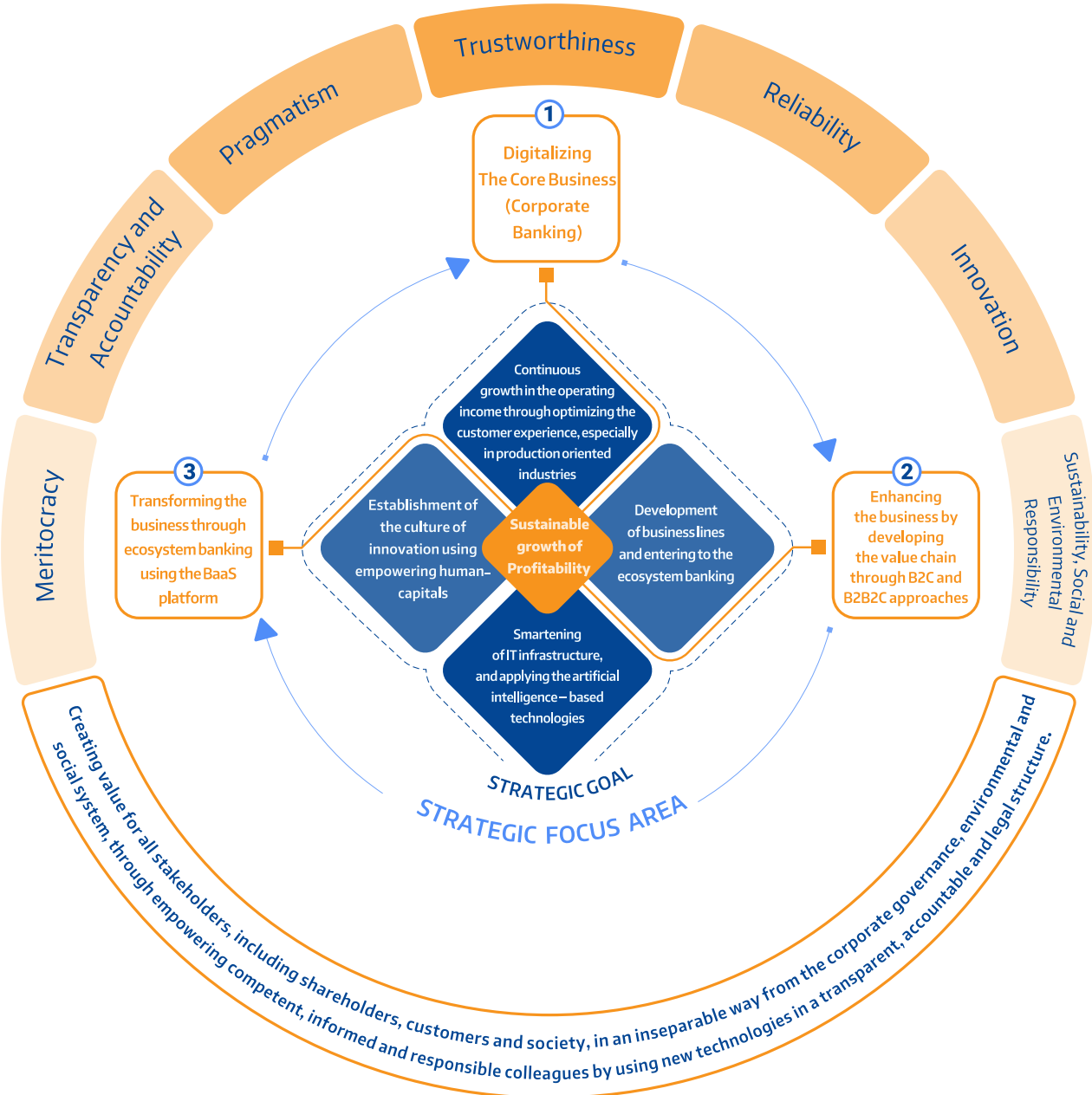
- Continuous growth in profitability;
- Continuous growth in the operating income through optimizing the customer experience, especially in production-oriented industries;
- Development of business lines and entering to the ecosystem banking;
- Establishment of the culture of innovation using empowering human capitals;
- Smartening of IT infrastructure, and applying the artificial intelligence-based technologies.

■ Strategic Focus Areas:

- Digitalizing The Core Business (Corporate Banking);
- Enhancing the business by developing the value chain through B2C and B2B2C approaches;
- Transforming the business through ecosystem banking using the BaaS platform.

■ Strategic Principles

The fundamental elements of Middle East Bank's strategic framework are illustrated in the following diagram:



2-3. Social and Environmental Responsibilities

Corporate social responsibility is a category of business ethics concepts and is concerned with their role in improvement of social and environmental services. As a responsible organization, Middle East Bank is actively pursuing transparency and providing information to its stakeholders. We considerably pay attention to social responsibility as well as sustainability of the ecosystem, in the present and for the future and we promote this approach. Middle East Bank, as an active company in Iran and global business environment believes that a better world would be achieved through collective efforts of individuals, organizations, governments, and international institutions. Such responsibilities go beyond economic considerations and law requirements which drive social benefits. With this point of view, we try our best to act in line with our social responsibility and participate in achieving a sustainable development. In that regard we try our best to fulfill our social and environmental responsibilities towards the society. Middle East Bank is active in the social and environmental areas as follows:

■ Social areas

- Academic educational support for newly admitted students in underprivileged areas by Mehrgiti Charity Foundation
- Financial support for the "Kindness Backpack" project by Mehrgiti Charity Foundation
- Financial support for the "Mehr Project" (stationery supplies) in underprivileged areas by Koodakan Charity
- Financial support for the Jame'e-ye Yavari-ye Farhangi Association to print 1,000 educational packages for elementary school teachers
- Financial sponsorship of the 9th ICT Challenge programming competition
- Financial support for the commemoration ceremony of the Faculty of Management, University of Tehran
- Participation in the restoration and reconstruction project of schools in Sistan and Baluchestan province by Salam Charity Foundation
- Construction of a 6-classroom girls' boarding high school, Omid-e-Khavaremaneh 6, in Rask County, Sistan and Baluchestan Province, by Mehrgiti Charity Foundation
- Financial support for the reconstruction of a school in Islamshahr

- Financial support for Raad Al-Ghadir Charity Institute for the education of people with disabilities
- Providing marriage, childbirth and housing deposit facilities to eligible individuals
- Financial support for Moshfeghin-e-Mehrgostar Charity Foundation to provide Nowruz livelihood packages
- Financial support for Salam Charity Foundation to provide Nowruz livelihood packages
- Financial support for Dast-haye-Mehraban (Kind hands) Charity Foundation to provide Nowruz livelihood packages
- Financial support for acquiring electric beds for MS patients, Kahrizak Charity Foundation, Tehran
- Financial support for providing hygiene items for Kahrizak Charity Foundation, Mohammadshahr
- Financial support for providing an ambulance for Abu Ali Sina Organ Transplantation Hospital
- Financial support for providing oxygen Tank for Dast-haye-Mehraban (Kind hands) Charity Foundation
- Financial support for providing ventilator for Mofid Children's Hospital
- Financial support for providing incubator and craniotomy for Baharloo Hospital
- Financial support for Mofid Children's Hospital to acquire two defibrillator devices
- Financial support for cancer patients
- Financial support for Mahak Children's Hospital to restore the operating room
- Financial support for the EB Home NGO, supporting patients with butterfly-skin (EB)
- Financial support for Iran Specific Patients and Transplant Sport Federation, Alborz Province
- Financial support for providing sport equipment for Imam Reza assisted living facilities, Rudsar, Gilan Province

■ Environmental areas

- Adjusting lighting in office areas and outdoor premises, with emphasis on using natural light
- Shutting down cooling and heating systems after office hours
- Transitioning to electronic correspondence and eliminating paper use in administrative communications
- Avoiding any decorative lighting on the bank's exterior facade to reduce energy consumption

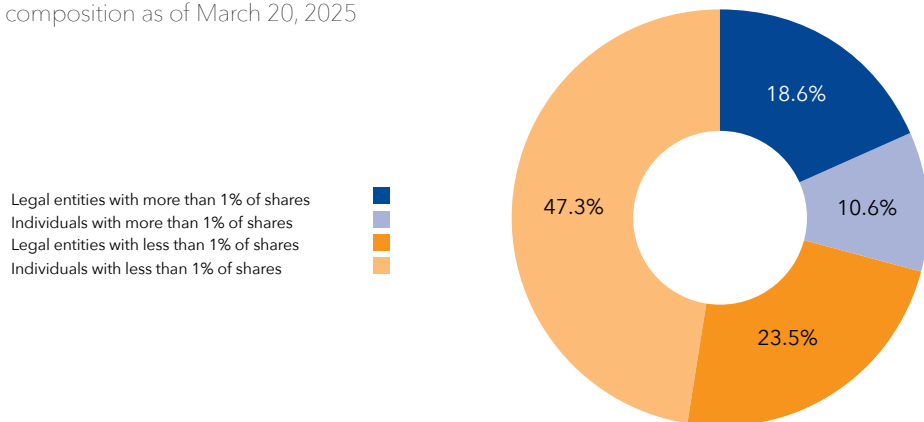
2-4. Shareholders

MEB had 18,537 separate shareholders as of Mar. 20, 2025. Our shareholder composition is illustrated in the in the table and pie chart below.

Table 10. MEB shareholder composition as of March 20, 2025

Type	Shareholders	Shares	Ownership
Legal entities with more than 1% of shares	8	13,929,717,357	18.6%
Individuals with more than 1% of shares	8	7,955,454,528	10.6%
Legal entities with less than 1% of shares	337	17,653,350,887	23.5%
Individuals with less than 1% of shares	18,184	35,461,477,228	47.3%
Total	18,537	75,000,000,000	100.0%

Chart 2. MEB shareholder composition as of March 20, 2025



The following table illustrates the historical performance of our shares on the Tehran Stock Exchange from March 20, 2019 up to March 20, 2025.

Table 11. Historical performance of MEB on the tehran stock exchange

Iranian Year Ending	Number of Traded Shares	Value of Traded Shares (IRR million)	Trading Days	Market Value (IRR million)	Year-end Share Price (IRR)	Registered Capital
March 20,2019	2,038,971,017	4,889,715	229	21,665,000	3,095	7,000,000
March 19,2020	2,126,468,610	9,928,259	226	69,640,000	6,964	10,000,000
March 20,2021	4,174,597,852	49,309,398	237	141,000,000	9,400	15,000,000
March 20,2022	2,984,982,596	18,506,129	234	136,500,000	5,460	25,000,000
March 20,2023	3,895,896,989	17,777,795	233	161,000,000	4,600	35,000,000
March 19,2024	5,487,218,989	22,777,209	236	170,250,000	3,405	50,000,000
March 20,2025	7,851,249,339	23,889,797	229	225,000,000	3,000	75,000,000

2-5. Human Capital

Employees are the most valuable assets of any organization. We want our people to be inspired to live our purpose and values every day. Having highly engaged, capable, and accountable teams is essential for delivering the Bank's strategy and creates the greatest impact on our customers, communities, and shareholders. We want our employees to do meaningful work, collaborate with great colleagues, and unlock both individual and collective potential. We actively work to attract and retain talented individuals, particularly top graduates from leading universities, to ensure long-term success. The Human Resources (HR) Department partners with employees to keep them motivated and to help them achieve their full professional potential. This includes managing workforce requirements, training and development, ongoing performance evaluations, compensation and benefits, as well as managing all aspects of the employee relations.

■ Ongoing Professional Development

Human Resources Department has always prioritized empowering employees and managers to achieve the Bank's strategic objectives. In 2024, as in previous years, efforts were made to enhance the Bank's human capital by providing suitable platforms for blended learning (in-person and virtual) and administering specialized examinations to meet the interests of all stakeholders.

Based on comprehensive training needs assessment, a total of 309 courses were conducted across diverse fields, including management, banking, credit, security, finance and accounting, foreign exchange, internal banking systems, Central Bank regulations, Banking Law, anti-money laundering, monetary economics and banking, risk management, auditing, and soft skills. The average training hours per employee amounted to 41 person-hours.

Furthermore, to strengthen managerial competencies and

soft skills, the establishment of the Assessment Centers for managers and soft skills development programs were among the key pillars of the 2024 training agenda, playing a vital role in empowering the Bank's human capital.

■ Health and Wellbeing

To enhance employees' quality of work life, the Human Resources Department implemented a comprehensive and targeted set of initiatives in 2024. In this regard, the Employee Healthcare Fund was reviewed and enhanced to improve quality, accessibility, and coverage by increasing the service fees and scope available to the employees and their families.

Another key initiative was the implementation of periodic health check-up programs for all employees, aimed to continuously monitoring physical health, early identification of health risks, and promoting a culture of wellness in the workplace. Regarding employee welfare, a range of diverse services were provided to enhance engagement and satisfaction. These initiatives included subsidies for sports and wellness facilities, housing loan assistance, credit cards, and corporate events, as well as provision of life and accident insurance coverage for all employees

These measures reflect the organization's long-term and committed approach to improving employees' well-being and quality of life, recognizing human capital as a central element for organizational sustainability and development.

■ Employees

Out of our total workforce of 808 people settled in Iran (as of March 20, 2025), 51% held a bachelor's degree and 47% had a master's degree or Ph.D.

Table 12. Distribution of employees across MEB's headquarters and branches

	Year ended March 20, 2025	Year ended March 19, 2024	Year ended March 20, 2023	Year ended March 20, 2022	Year ended March 20, 2021	Year ended March 19, 2020
Headquarters	588	522	450	416	375	328
Tehran Branches	162	150	146	136	127	121
Branches in Other Provinces	58	54	53	50	50	48
Branches in Other Countries	12	11	10	8	10	9
Total	820	737	659	610	562	506

Chart 3. Employees by age and gender as of March 20, 2025*

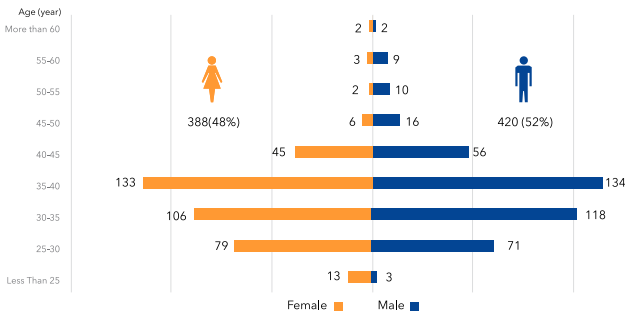


Chart 4. Employees by gender and posting as of March 20, 2025*

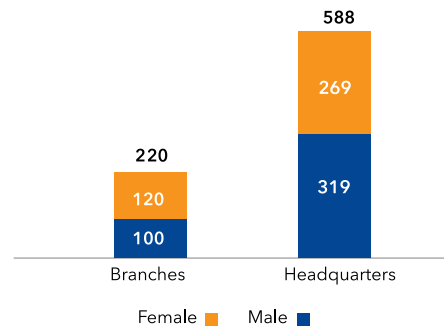


Chart 5. Employees by education as of March 20, 2025*

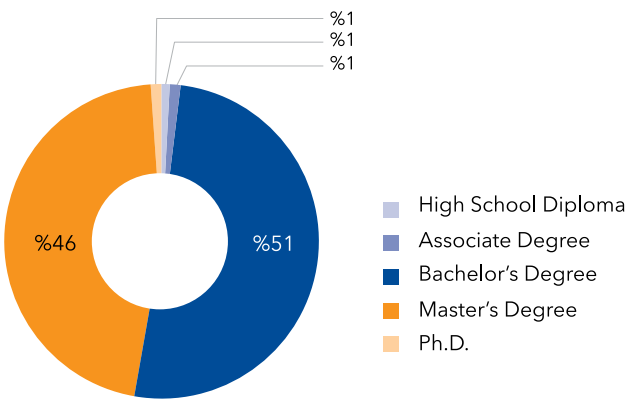
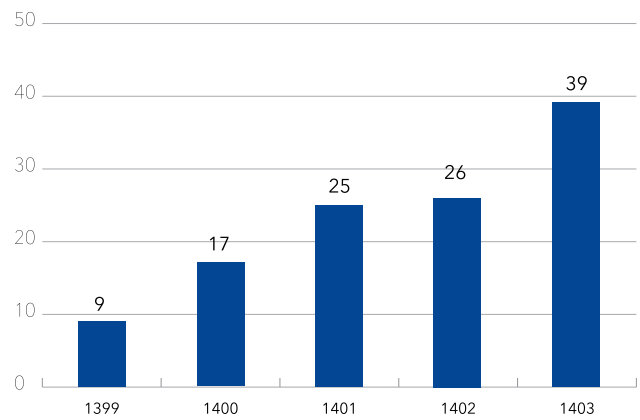


Chart 6. Average training hours per employee as of March 20, 2025*



2-6. Information Technology

Information technology is rapidly transforming financial services around the world, and Iran is no exception. The relationship between customers and their bank is fundamentally changing to facilitate ever increasing needs for mobility and ease of access, regardless of income, geography or technological familiarity. We are a frontrunner among the Iranian banks in deploying innovative new technologies to enable our business and further our strategic goals. Over the past few years, we have made significant changes in how we work with our clients across every channel: when visiting our branches, when using their computers or mobiles, or when they call us. Each of these points of contact has been revolutionized by new technology.

Mobile and Online Banking

We do not view information technology merely as a digital infrastructure for facilitating customer transactions but rather as a tool for attracting a new customer base that appreciates the innovative, practical and high-quality banking services that we and our affiliate companies provide through our integrated online platforms and mobile applications. Today, nearly eight in 10 of our clients use our secure online/mobile banking platforms, helping them reduce fees, make payments, transfer money between accounts, track their finances and manage their spending and budgeting. They can also choose to navigate our online banking and mobile apps in either Persian or English.

* Twelve employees of Munich branch are not included in charts 3 to 6.

■ Using Technology to Connect with Clients

Despite the myriad of possibilities provided through new technology, we still acknowledge the value of face-to-face meetings, especially when it comes to making big financial decisions. To this end, we continually invest in the latest technologies for our branches, making them ideal places to visit for clients in need of expert advice. By leveraging on our technological capabilities, our customer advisors and relationship managers can instantly obtain all-round views of our clients' businesses, empowering them to provide tailored advice around the specific objectives and requirements of each client. The information technology department works hand-in-hand with our various business divisions to design functionally rich, secure and dependable systems, centered on client requirements.

■ Investing in Tomorrow

Our core banking, internet and the mobile services have all recently undergone major overhauls, incorporating new functionalities, updated operating environments and enhanced security systems.

Our Open Banking platform has been expanded to accommodate the ever-increasing requirements of our corporate customers, whilst incorporating the latest industry-standard protocols for authorization and data security.

The functionality of our Trade Finance system has similarly been significantly improved to increase efficiency and client satisfaction within this important business area for the Bank.

Over the past year, we have also made significant investments in building a new, state-of-the-art data operations center to cater for the Bank's growth and business requirements. Equipped with a new range of servers, network and storage devices, this new data center is expected to accommodate the Bank's expansion over the next five to ten years.

All this said, we realize that we are just on the cusp of an era where financial services and technology are becoming increasingly intertwined. We constantly work to maintain our leading edge domestically by keeping abreast of

new technologies from the use of machine learning and artificial intelligence for mitigating risk, AML optimization, fraud detection and strategic decision making, to the emergence of block-chain and smart contracts.

This reporting period was another year with numerous regulatory and statutory requirements enforced on the Banking system by the Central Bank of Iran. These requirements have put a great deal of pressures on banks and in particular on the technology departments of them to devise and develop computer systems to fulfil the regulatory needs. A significant portion of technology resources are allocated to fulfil these needs. The Banking technology in Iran has now become one of the most complicated and intertwined computer systems found anywhere in the developed or the developing economies. With the IT personnel numbers rising and the IT costs spiralling steeply for the Banking system.

Amongst the many systems developed for the regulatory requirements of the Central Bank during the reporting period the followings can be named.

Application to enable Immediate payments service for retail (small) amounts (pol system).

A number of enhancements to the electronic cheque payment system (CHAKAVAK), including, beneficiary details registration and verification, put/release holds on cheques, cancelling /reinstating cheques, putting maximum limits on cheque amounts, transfer, clearing/returning a cheque, etc.

On the client verification platform, client or potential client details such as birth certificate details, mobile telephone ownership registration, company registration details (for corporates) etc. are checked and verified in real time before client details can be used to open an account or transactions are carried out.

On the client transactions reporting, various transaction details such as monthly summary sums, set maximum transaction limits for different client categories are prepared and sent out to CBI on a regular period. International Transaction Reporting Systems are based on the last CBI requirements.

The technology group continues to support the MEB business goals and targets. User IT requirements are managed through a set of developed platforms with weekly development reporting on project progress to MEB's business managers.

During the reporting period, the Bank Governance systems and subsystems have been enhanced to conform with internationally accepted standards. Generative Artificial Intelligence applications have been developed which will be enhanced as this technology matures. Further enhancements have been made to the trade finance suite of programs. The Business Intelligence unit use Natural Language Processing to identify target clients for specific product offering. Customer Lift Time Value is used to identify the most valuable clients for the Bank.

With strong adherence to the pillars of MEB's technology of functionality, integrity, accessibility and availability, the MEB technology and its systems continue to be one the most functionally rich systems and one of the most secure platforms in the country. During the reporting period a third data center was commissioned for operation. This data center is located in Esfahan and is being used as a contingency operation center should the main data center and the back-up data center become inaccessible. The overall systems availability statistics for the MEB bank continues to be close to the figure of 100 percent.

2-7. Cybersecurity

The increasing digital landscape security threats and the critical nature of technological banking services make safeguarding of valuable assets and information technology security levels crucial at various levels. As many of the services provided by the Bank are implemented using information technology, including customer service and other activities, the Bank obliges to comply with national legal, statutory, and regulatory organizations and all cyber-attacks and cases are reported to the relevant security institutions of the country to ensure that timely action is taken.

To protect information assets and ensure a secure environment for accessing information, Middle East Bank has implemented an Information Security Management System (ISMS) and continuously improves it. The ISMS, which is based on international security standards in the financial sector such as PCI DSS and ISO/IEC 27001, aims to strengthen the Bank's information infrastructure by relying on regular risk assessment reports, evaluations, preventive and corrective measures, and frequent audits. All activities in this field are periodically reported and reviewed in Security Steering Committee meetings, attended by the Managing Director and senior managers, to enhance the efficiency of information security processes. Additionally, due to these efforts for implementing the ISMS, the Bank succeeded in obtaining the ISO 27001:2022 certificate, approved by Iran's Presidential Strategic Management Center for Cybersecurity (AFTA), in the year 1403.

The Cybersecurity Department takes proactive measures to enhance the overall security posture of the organization on a regular basis. The team conducts regular vulnerability assessments and penetration tests to identify potential weaknesses in the Bank's infrastructure and applications. Furthermore, a vulnerability management program has

been designed and implemented to continuously monitor and inform all administrators about newly released security vulnerabilities and necessary updates to reduce security risks.

Along with these technical measures, the Cybersecurity Department also focuses on training Bank employees. As part of this effort, Middle East Bank has designed and conducted an information security awareness program. This program involves providing training on topics such as password management and social engineering tactics. By adopting a comprehensive approach to security, the Bank can effectively mitigate risks and protect the integrity of the systems and data.

The Cybersecurity Department at Middle East Bank has implemented an incident response system to identify, analyze, and respond to security incidents. All network activities, servers, clients, databases, applications, and other systems logs are continuously monitored and analyzed in the Security Operations Center (SOC) to detect any unusual activity that could lead to a security incident or intrusion into information systems.

Moreover, the Bank's Cybersecurity Department conducts regular threat hunting activities to proactively search for potential indicators of compromise or suspicious activity in the Bank's systems and networks. This involves using advanced techniques to analyze logs and events and identify potential threats that may have gone unnoticed by other security measures. The SOC team works closely with incident response team to ensure that any threats are quickly detected and mitigated.

In addition to the defensive measures, Middle East Bank actively executes red teaming exercises to evaluate the effectiveness of security controls and incident response

procedures. These exercises play a crucial role in identifying weaknesses in the security infrastructure and subsequently improving defensive strategies.

The Bank's service provision, receipt of services from third parties, and allocation of access rights are conducted within a specific legal framework. All third-party access requirements and limitations in terms of physical, system, process, technology, and information resources are precisely and

transparently detailed in the contractual framework. Before providing services to third parties, the Bank thoroughly assesses the security vulnerabilities associated with these services and communicates the results to address any identified vulnerabilities. The persistent efforts by Middle East Bank in cybersecurity demonstrate its commitment to the security and privacy of customer and other stakeholder information.

2-8. Subsidiaries and Affiliated Companies

The results of the Bank's investments in shares at March 20, 2025 are given below.

Table 13. Investment in listed shares

IRRmillion

Description	Cost	Market Value	Dividend
MEB Life Insurance	240,000	3,916,800	48,000

Table 14. Investment in Unlisted Shares

Description	Number of Total Shares	Percentage of Paid-up Capital	Percentage of Bank's Ownership	Cost
Dadeh Pardazan Simaye Aftab	30,000,000	100	100	30,000
MEB Brokerage Co.	749,999,000	100	75	665,930
MEB Currency Exchange	1,999,990,000	100	100	1,747,991
Middle East Sun Leasing Co.	499,999,995	100	100	500,000
INTEX	220,000	100	11	2,200

■ Dadeh Pardazan Simaye Aftab Co. (DSA)

DSA was incorporated on February 5, 2013, with a capital of 30,000 IRR million. The DSA's initial mission was the localization and customization of the acquired banking system for MEB. Subsequently, DSA was given the responsibility of operating and maintaining the MEB's entire information technology requirements. These include information technology, hardware, and network services. DSA operates from MEB's Operations Center and provides the full spectrum of technology services, including banking software application, system software, hardware, network services, enhancements, and maintenance and project management.

■ Middle East Bank Brokerage Co.

Middle East Bank Brokerage Company was established in March 1995. The company's previous name was "SAHAM POUYA", and the new owners of the company changed the name to the current name in 2013. The Company's major activities include brokerage, trading, market making, and financial and consulting services.

■ Middle East Bank Currency Exchange Co.

Middle East Bank Currency Exchange Company was incorporated on February 2, 2015. Its primary activities include the purchase and sale of foreign currency in

cash, trading of gold coins minted by the Central Bank of the Islamic Republic of Iran, handling foreign currency remittances through domestic banks and authorized non-banking credit institutions, and providing cross-border currency services through agents, all in compliance with applicable currency regulations.

■ Middle East Sun Leasing Co.

Middle East Sun Leasing Company was incorporated on December 8, 2024, under registration number 643049. Its primary activities include providing customer financing through the acquisition of movable and immovable assets

by the company and transferring them to the customer solely under lease-to-own or installment sale contracts, in compliance with the Law on Interest-Free Banking Operations and related regulations and guidelines.

■ Middle East Life Insurance Co.

The establishment of Middle East Bank Life Insurance Co. was authorized by the Supreme Insurance Council September 2012 and the underwriting process was completed in March 2016 via OTC Third Market. This company with the capital of IRR2,400,000 million provides all the services related to life insurance.

3. BUSINESS SEGMENT OPERATIONS

3-1. Checking, Savings and Deposits

The ability to raise capital effectively and cost-efficiently is a prerequisite for any successful bank. As a customer-oriented Bank, we constantly strive to improve our customer satisfaction by offering a range of innovative and bespoke client services, as well as maintaining an unparalleled quality of service at all our branches.

■ Online/Mobile Banking

We employ the latest technologies to streamline clients' banking operations as far as possible, in line with domestic regulations and international banking standards. Our widely available online banking platform and mobile applications allow clients to safely access the vast majority of their banking services around the clock, without the need to visit any branch or ATM.

■ Open Banking

MEB is one of the leading banks in Iran that provides Open Banking services to its corporate clients. Our Open Banking APIs provide a secure interface for third-party developers to build applications (such as banking portals and accounting systems) that can access our financial services, thereby improving MEB's reach and desirability among corporate account holders.

■ Branches

The core objective of our branches is to gather surplus funds from individuals and companies, which we can subsequently direct towards profitable businesses in need of capital, in line with the Bank's credit policy. To this end, we operate 17 branches throughout Iran, in addition to one overseas branch in Germany.

To improve the quality of services and customer satisfaction, we regularly conduct quality controls and onsite visits at all our branches.

■ Distance Banking

Another distinguishing feature of MEB is our extensive use of distance banking, as part of which we offer to visit key customers at their own venues to carry out their banking requirements with minimal disruption to their business activities. This service is provided by specifically trained branch officers in compliance with domestic laws and regulations, and by observing relevant concerns with regards to security, proper due diligence, KYC and compliance. At present, approximately 28 percent of our deposits emanate from our distance banking customers.

■ Banking as a Service

One of the key strategic objectives of Middle East Bank is the digitalization and intelligent transformation of its traditional corporate banking products. To achieve this goal, the Bank is actively pursuing the implementation of an ecosystem-based banking model, leveraging its Banking-as-a-Service (BaaS) infrastructure, and developing a comprehensive financial super-application. The overarching aim of these initiatives is to expand the Bank's financial ecosystem and enable businesses to access customized banking services seamlessly, without the need for complex infrastructure. In that regard, Middle East Bank has introduced two key approaches to enhance and streamline financial service delivery to business clients:

■ Bsun Application

The Bsun platform serves as an advanced digital gateway providing a full range of banking and financial services to corporate and institutional clients. Its mission is to address all financial needs efficiently and online, offering customers a wide suite of personalized digital services—from account opening and card issuance to various financing and lending solutions, all delivered seamlessly within a unified digital experience.

■ Banking-as-a-Service (BaaS)

Through dedicated APIs, businesses with strong technical capabilities can directly integrate Middle East Bank's services into their own platforms. This model allows partners to independently offer customized financial products—including account opening, card issuance, and lending services—built upon the Bank's robust BaaS infrastructure.

Through these strategic initiatives, Middle East Bank continues to strengthen its position as a leader in digital transformation and ecosystem-based banking. By combining BaaS infrastructure, innovative digital platforms, and customer-centric operational excellence, the Bank is shaping a scalable, intelligent, and future-ready financial ecosystem.

Table 15. Deposit collection performance

	March 20, 2025	March 19, 2024	March 20, 2023	Mar. 20, 2022	Mar. 20, 2021
No. of Clients	892505	541,589	347,978	232,731	56,170
Deposits (IRR billion)	677,110	434,576	355,532	240,981	208,244
Average Interest Paid (percent)	14.52	14.32	9.03	10.87	12.19

Table 16. Composition of MEB's deposits

Date	IRR billion		
	Account types		
	Short term	Long term	Current
March 20, 2025	233,437	357,174	86,499
March 19, 2024	119,623	251,984	62,969
March 20, 2023	112,620	149,643	93,269
March 20, 2022	95,867	97,321	47,793
March 20, 2021	65,289	104,224	38,731

3-2. Corporate Banking

Middle East Bank, through a specialized corporate-banking approach and close engagement with clients, addresses a broad range of short- and long-term funding needs by deploying a targeted mix of credit facilities, commitments, and innovative financial instruments.

Services are delivered within the framework of statutory requirements, Central Bank regulations, and internal credit policies, with full adherence to prudence, transparency, and risk management, so that asset quality is preserved while creating a durable competitive edge for clients. A key feature of this model is assigning a dedicated credit officer to each client. This streamlines credit assessment and also strengthens oversight of fund utilization, while deepening purposeful, ongoing client relationships and enhancing the banking experience. Drawing on expertise, flexibility, and a tailored service approach, the Bank acts as a trusted financial partner to clients and supports the sustainable growth of their business.

The Credit and Corporate Banking Division selects credit clients with care—mindful of portfolio growth, macroeconomic conditions, and systemwide collections challenges—based on five core principles that underpin acceptance decisions and help sustain portfolio quality while lowering collection risk:

- Initial customer due diligence (identity, history, and business activity).
- Full customer due diligence (comprehensive review of financial structure, shareholders, and revenue model).
- Ongoing monitoring of the customer's status (tracking financial and credit performance).
- Mapping counterparties linked to the obligor (review of key buyers/suppliers and their credit standing).
- Identification of connected parties and assessment of compliance with large-exposure limits.

■ Short-Term Financing

In line with macroeconomic policies and Central Bank regulations, the Bank channels financial resources through short-term financing and working-capital lines for the production, services, and trade sectors. Instruments include facilities for purchasing raw materials, machinery and equipment, receivables/payables financing, supply-chain finance, import finance, issuance of letters of credit, and all forms of bank guarantees. Working-capital funding can utilize resources deposited by the National Development Fund of Iran as a short-term financing tool for clients. Following assessment of clients' needs, credit scoring, and capacity evaluation, tailored financing solutions are proposed to clients. The overarching goal is to bridge liquidity gaps, meet funding business needs in a timely manner, and support economic activity – within banking rules and supervisory requirements.

■ Long-Term Financing

To meet clients' capital-expenditure needs, the Bank has designed and implemented several long-term financing channels:

1. Financing Development Project

The main source is National Development Fund, extended as long-term loans. Proposals are analyzed by the Long-Term Financing Department, which designs a facility structure suited to each project's risk profile. A two-stage review is applied: first, non-coverable risks are identified, if any exist, the engagement is declined promptly; second, projects undergo a comprehensive economic, technical, financial, and environmental assessment. Facility structure, repayment, collateral, and guarantees are then designed to match the project's risks.

2. Guaranteeing Debt Securities (Sukuk)

To expand capital market tools and enable long-term funding for businesses, the Bank evaluates the requests to act as the guarantor for debt securities, including Ijara and Murabaha Sukuk, allowing issuers to raise competitively priced funds through the capital market.

3. Escrow-Account Mechanism for Construction Projects

Inspired by international best practice, the Bank has designed an Escrow Account to finance construction through the units' pre-sale. By this mechanism, buyers' proceeds are deposited into the escrow at the Bank; disbursements to the developer are made in line with verified physical progress reports. This simultaneously provides assurance that funding will be available when needed and to buyers that a banking guarantee mitigates pre-sale risks.

■ Credit and Corporate Banking Division

The Credit and Corporate Banking Division at the Bank was operationalized to implement the Bank's credit policies, steer resources, and deploy financial instruments to provide short- and long-term financing with due regard to profitability and associated risk.

Despite domestic and international economic shifts, foreign exchange volatility, and tight monetary policy in the previous financial year, the Division, through an analysis driven approach, process reengineering, stronger controls, and policy frameworks, charted a steady, purposeful course in managing large-exposure credits and long-term finance for projects. Focus areas included upgrading portfolio quality, optimizing client response times, developing innovative funding tools, and leveraging smart systems. The Division's overarching priorities include the wider use of innovative instruments, expansion and refinement of supply-chain finance, and scaling digital credit to boost efficiency and responsiveness to diverse client and market needs.

Chart 7. Short-term (IRR and FX) – amounts in IRR Billion

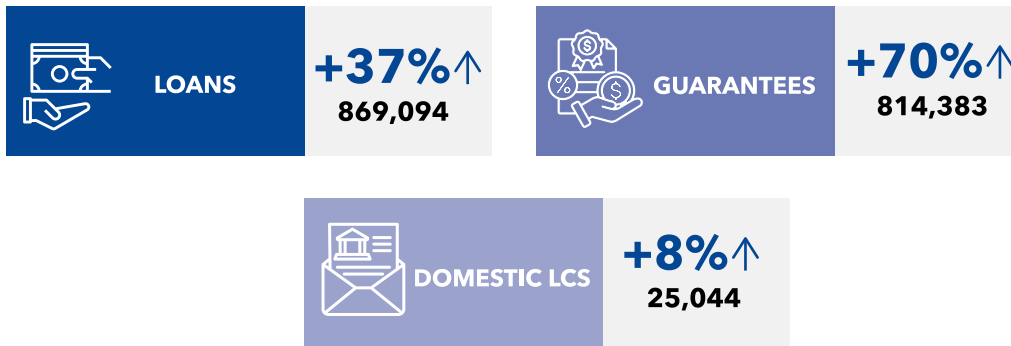
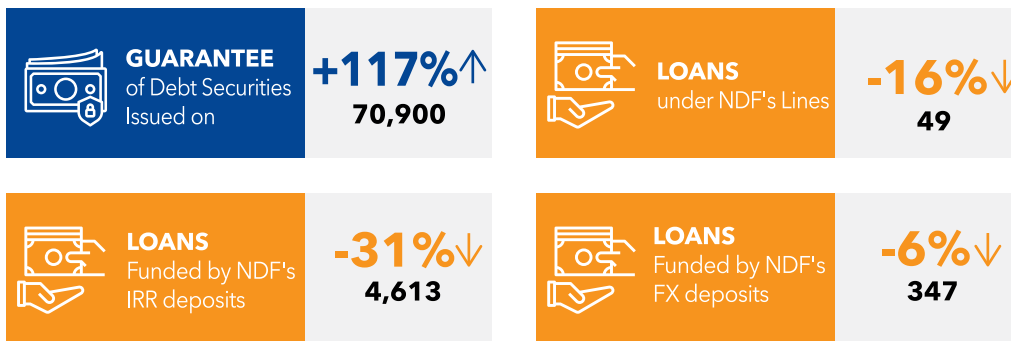


Chart 8. Long-term – FX amounts in USD millions; IRR amounts in IRR billions



■ Performance of the Division by Product

All activities authorized by the Credit and Corporate Banking Division are presented as the Division's performance in financial year 1403 in Table 1.

Table 17. The Credit and Corporate Banking Division Performance by Type

IRR billion

	Balance as of 20 March 2025	Balance as of 19 March 2024	Percentage Change
Short-term			
Total loan balance ¹	272,376	455,514	29
FX loan balance	86,697	180,944	56
Guarantees	50,253	461,906	71
FX Guarantees	8,353	17,754	50
Domestic LCs ²	1,449	23,244	8
Total loan balance (IRR & FX)	14,717	636,458	37
Total contingent liabilities (IRR & FX)	21,669	502,904	67
Long-term			
Loans under NDF ³ 's FX liens (USD million)	49	59	-16
Loans funded by NDF's FX Deposits (USD million)	347	370	-6
Loans funded by NDF's FX Deposits (IRR billion)	4,613	6,680	-31
Guarantees of capital-market debt securities (IRR billion)	70,900	32,640	117

1. Total loan principal outstanding (IRR); accrued interest and penalties are excluded.
 2. Domestic LCs represent issued and unexpired instruments outstanding at the end of the period.
 *NDF: National Development Fund of Iran

■ Performance of the Division in Policy-mandated Lending

In line with its commitment to fulfilling social responsibilities and adhering Central Bank mandates, the Bank surpassed its allocated quotas in the financial year 1403. During the year, it extended marriage loans, IRR7,808 billion and childbearing loans, amounting to IRR503 billion, demonstrating the Bank's commitment to supporting various segments of society and actively contributing to the achievement of national economic and social objectives.

Furthermore, 1,064 tenancy-deposit facilities were disbursed to applicants referred via the Ministry of Roads and Urban Development system, supporting tenants access to finance.

In the pharmaceutical production and distribution sector at 1403, the Bank allocated substantial credit in line with its role in financing strategic industries. Total Loans to pharmaceutical companies in the year under review amounted to IRR293,263 billion, of which IRR152,444 billion belonged to entities introduced by competent authorities, and IRR140,819 billion Rials to other pharma firms, representing a 142 percent annual increase and emphasizing the Bank's strategic commitment during a year of unusual macroeconomic and foreign exchange

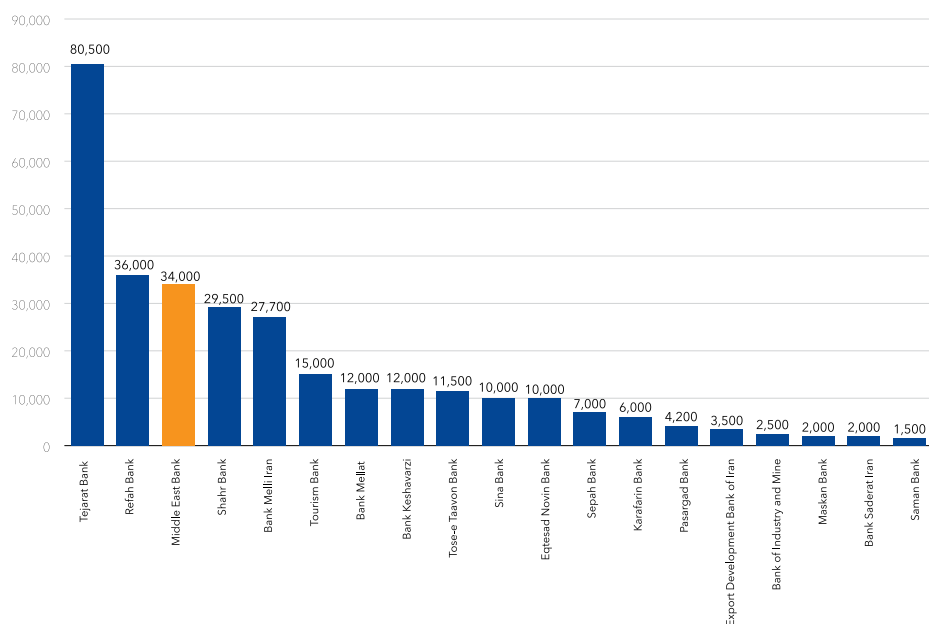
conditions.

■ Performance of Division in Guaranteeing Debt Securities

In recent years, growth in the capital markets, together with liquidity constraints in the money market on mobilizing long-term funding has driven enterprises to utilize capital market channels for long-term financing. In this context, banks play a pivotal role as guarantors, providing credit enhancement to cover the issuer's (originator's) credit risk and enhance the attractiveness of the Debt Securities for investors.

As at the financial year 1403, the Bank's outstanding guarantee commitments stood at IRR70,000 billion emphasizing the Bank's prominent role in supporting corporate financing via the capital-market. During the financial year 1403, the Bank maintained an active presence in the debt market. After guaranteeing IRR34,000 billion of Debt Securities (Murabaha and Ijara) issued during the year, the Bank, ranking third among domestic banks by guaranteed issuance volume and accepting IRR4,900 billion of Salam and Tabi' (put-style) instruments.

Chart 9. Bank rankings by guarantees of capital-market debt securities issued between March 20, 2024 and March 20, 2025* -IRR billions



* The time interval corresponds to the year 1403 in the Persian Calendar.

** The rankings exclude guarantees for short-term securities (e.g., Salaf and Tabee').

■ Distribution of Credit Portfolio by Industry

One of the Bank's core objectives is to maintain a leading position in corporate banking and to provide comprehensive coverage of the productive sectors of the

economy. We pursue this through close engagement with corporations, a granular understanding of their financial and capital structures, and the delivery of tailored solutions across a full suite of financing instruments. Table 2 shows the distribution of the Bank's credit portfolio by various industries.

Table 18. Credit portfolio by Industry (as of 20 March 2025)

	IRR billion	
	Loan principal outstanding	Contingent liabilities (IRR & FX)
Consumer goods (non-durables) & Durables	33,842	3,991
Healthcare & Pharmaceuticals	38,852	3,714
Industrial Equipment	41,985	80,094
Forestry, Paper & Wood Products	7,121	1,174
Electricity & Water Distribution Services	5,530	20,045
Transportation Services	4,702	5,114
Communication Services & Infrastructure	379	3,483
Automotive & Parts Manufacturing	34,690	14,484
Construction & Related Industries	12,913	235,622
Other Industries	140,276	188,863
Individuals (Retail)	33,232	1,689
Financial Institutions	34,511	12,798
Metals & Mining	35,098	58,687
Chemicals, Plastics & Rubber	25,166	7,387
Oil, Gas & Refining	14,028	189,686
Food, Beverage & Tobacco	124,751	12,597
Total	587,078	839,427

■ The Financial Year of 1404 Priorities – Credit & Corporate Banking

In the year ahead, informed by a deep understanding of macroeconomic developments, evolving client needs, and supervisory expectations, the Division will focus on strengthening portfolio resilience, expanding innovative financing solutions, and streamlining operational processes. Key priorities include:

- Expanding supply-chain finance (SCF) programs;
- Broadening the use of Innovative Financing Instruments;
- Increasing the Bank's share of the client's credit wallets (share of wallet);
- Digitization and embedding intelligent and analytics driven capabilities in credit products and services;
- Design and deploying a dedicated Small and Medium-sized Enterprises (SMEs) banking platform;
- Designing and developing Banking-as-a-Service (BaaS) business models in corporate banking.

3-3. International Banking Services

Providing outstanding foreign currency services to customers is one of the top priorities of Middle East Bank. Our International Division has been well placed to identify new business opportunities and facilitated foreign currency transactions for importing humanitarian goods (food, medicine and medical equipment). Furthermore, we maintained to secure food and pharmaceutical supply of the country by issuing foreign currency facilities, bank guarantees, documentary collections, remittances and letters of credit in foreign currencies.

It is impossible to develop international banking relations under the current situation without expanding the correspondent relationship network of MEB. After opening a full-fledged branch in Germany in 2018, which is the first and most significant representative of an Iranian private bank in Europe, we were able to facilitate humanitarian transactions for importers without any intermediaries and at minimal cost.

Table 19. International Operations from 19 March 2024 to 20 March 2025*

IRR million

Activities	Year ended March 20,2025	Year ended March 19,2024
Facilities from Bank Sources	26,677,845	136,858
National Development Fund Facilities	0	0
Refinance Facilities	1,878,540	4,563,417
Guarantees Issued	0	0
Letters of Credit Issued	0	0
Outward remittances Facilitated and Collections	1,071,643,521	667,198,382
Inward Remittances Facilitated	79,111,103	47,547,750

* The time interval corresponds to the year 1403 based on the Persian Calendar.

4. MANAGING RISK

Risk is an intrinsic part of all our business activities. If not properly managed, risks can cause significant financial and reputational damage to the Bank, as well as exposing it to regulatory repercussions such as litigation, penalties, sanctions, and legal. To safeguard our business and ensure we can continue deliver for our shareholders, we take a comprehensive approach to risk management. Our risk management framework comprises a cohesive set of policies and procedures designed to effectively identify, measure, monitor and ultimately control risks within the Bank. This is complemented by an articulated Risk Appetite Statement, which is reviewed and approved annually by the Board.

We classify risk into seven main categories, as follows:

- **Strategic risk** arises from fundamental business decisions made by directors and senior management. This includes business objectives formulated around incorrect assumptions, flawed business plans, suboptimal execution strategies and failure to respond to changes in the business environment, including regulatory, macroeconomic and competitive factors.
- **Compliance risk** stems from the Bank's failure to comply with applicable laws and regulations, as well as the Bank's own code of conduct. If left unmitigated, such risks can damage the Bank's reputation and lead to regulatory repercussions including litigation, financial penalties and legal, loss of business and sanctions.
- **Credit risk** is the risk of economic loss emanating from the failure of the Bank's credit customers to meet their obligations in a timely manner.
- **Market risk** is the risk that the Bank's assets, liabilities or earnings may be negatively impacted by changes in market

conditions, such as fluctuations in interest rates, equities and foreign exchange.

- **Operational risk** covers a wide range of risks resulting from inadequate or failed internal processes, systems, people and policies.
- **Liquidity risk** is the risk that the Bank may be unable to meet its short-term financial obligations. This can occur due to the inability to convert assets into cash in a timely manner without a loss of capital or income.
- **Reputational risk** refers to the potential for a damage to the Bank's reputation and/or social capital, leading to financial losses and a reduction in market share.

We continuously seek to foster a sound risk management culture throughout the organization. We actively work to educate all employees on developing a risk-focused mindset by encouraging sound risk-taking activities within our risk appetite. Being able to manage risk well is critical to our long-term success, and it is something we expect from our executive management and the Board. Table 29 illustrate some of the Bank's key risk metrics as of 20 March 2025.

Table 20. MEB Key Risk Metrics as of 20 March 2025

Selected Risk Ratios	Percentage
Doubtful Loans / Total Loans ¹	2.47
Common Equity Tier 1 CAR ² (Basel 3 Standardised)	14.40
Total Capital CAR ² (Basel 3 Standardised)	15.44
Basel 3 Leverage Ratio ²	8.12
Loans to Deposit Ratio ³	85
Liquidity Coverage Ratio (LCR) ⁴	99.3

1. See note 54-3-7-2 of the Financial Statements

2. See Pillar 3 Regulatory Capital Disclosure

3. See note 54-4-5-2 of the Financial Statements

4. See Pillar 3 Liquidity Coverage Ratio (LCR) Disclosure

■ Risk Management Framework

Our risk management framework includes a cohesive set of written policies and procedures, designed to effectively identify, classify and manage the risks facing the Bank and facilitate the execution of its business strategies in line with our long-term objectives. In addition to defining clear roles and responsibilities for the management of risk throughout the Bank, the framework establishes our:

- Risk-bearing capacity;
- Risk appetite; and
- Capital allocation strategy.

This is supported by an effective internal controls structure, comprising a set of systems and processes intended to ensure compliance with the Bank's policies and procedures, as well as to improve the transparency and reliability of our financial reporting.

■ Risk Bearing Capacity

Understanding the Bank's overall risk-bearing capacity helps formulate the borders of our risk appetite and facilitates a sound capital allocation strategy. Risk-bearing capacity measures the amount of economic capital available to the Bank for absorbing risk. Economic capital is the amount of risk capital assigned to cover the impact of unexpected losses, estimated using our internal risk models. We employ a three-stage process to determine the Bank's overall risk-bearing capacity:

1. Calculation of the risk-bearing capacity potential;
2. Planning allocation of capital in accordance with the capacity; and
3. Monitoring of and reporting the Bank's adherence to its risk-bearing capacity.

We are in the process of adopting and integrating the Internal Capital Adequacy Assessment Process ("ICAAP") and Liquidity Adequacy Assessment Process ("ILAAP") within the organization in a proportional manner.

■ Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is composed of internal processes to ensure that the Bank possesses adequate capital to cover all material risks. The process runs in parallel to the calculation of required regulatory capital and leads to the determination of required economic capital in accordance with the Bank's risk bearing capacity.

■ Liquidity Adequacy Assessment Process (ILAAP)

ILAAP focuses on the assessment and management of liquidity risk and funding mismatch within the Bank. The ILAAP framework essentially brings various liquidity risk measures, including maturity and liquidity gaps, HQLA buffers, liquidity contingency funding plans, LCR and NSFR into a common liquidity-risk governance framework.

■ Risk Appetite

Our Risk Appetite Statement articulates the types and quantities of risk the Bank is willing to own in pursuit of its business and strategic objectives. It establishes strict limits, as well as key thresholds with respect to capital adequacy, liquidity risk, market risk, operational risk, compliance risk and reputational risk. Our executive management review and approve the Risk Appetite Statement by taking into consideration the risk-adjusted returns of each line of business, and submit their recommendations annually to the Board for approval. The risk function continuously monitors the implementation of our risk appetite across the organization, requiring all front-line units to regularly report the status of their compliance with their respective risk limits.

Table 21. Key MEB Risk Limits

Percent

Indicator	Risk Limit		
	Satisfactory	Caution	Unsatisfactory
Capital Adequacy			
CAR - Central Bank of Iran	> 13.0	> 10.5	< 10.5
CAR - Basel 3 Standardized	> 13.0	> 10.5	< 10.5
CET1 CAR - Basel 3 Standardized	> 8.0	> 6.5	< 6.5
CET1 CAR - Central Bank of Iran	> 8.0	> 6.5	< 6.5
Regulatory Capital to Economic Capital	> 120	> 100	< 100
Basel Leverage Ratio	> 7.5	> 4	< 4
Credit Risks			
Exposure to the Largest Customer / CET1	< 10.0	< 25.0	> 25.0
Exposure to Top 20 Customers / CET1	> 8.0	> 15.0	< 15.0
Exposure to Top 20 Customers / Total Loans	< 25.0	< 40.0	> 40.0
Doubtful Loans / Total Loans	< 2.0	< 5.0	> 5.0
Non-Performing Loans / Total Loans	< 5.0	< 10.0	> 10.0
Net Profit / Equity	> Inflation	Inflation	< Inflation
Expected Credit Loss	< 2.0	< 3.0	> 3.0
Liquidity Risks			
Total Loans / Total Deposit (IRR)	< 80.0	< 85.0	> 85.0
Bonds and Reserve Requirements / Total Deposit (IRR)	> 20.0	> 15.0	< 15.0
Top 100 Depositors / Total Deposit (IRR)	< 40.0	< 50.0	> 50.0
LCR - Central Bank of Iran	> 100	> 90	< 90
LCR - Basel III	> 110	> 100.0	< 100.0
Net Stable Funding Ratio	< 110.0	< 100.0	> 100.0
Positive Liquidity Gap - Month (IRR)	> 6	> 3	< 3
Market Risks			
Short-Term Equity Investment / Total Asset	< 1.0	< 2	> 2
Net Interbank Deposit Liabilities / Regulatory Capital	< 10.0	< 20.0	> 20.0
Duration of Bond Portfolio - Year	< 1	< 3	> 3
Treasury Bonds / Total Bonds	> 90.0	> 80.0	< 80.0
Corporate Bonds / Total Bonds	< 10.0	< 20.0	> 20.0
Net Open Position in Currencies - Central Bank of Iran	< Regulation	Regulation	> Regulation
Individual Investment Limit / Base Capital	< 2	< 5	> 5
Aggregate Investment Limit / Base Capital	< 15	< 20	> 20
Operational Risks			
Number of unresolved IT risks	< 20	< 25	> 25
Number of identified and unresolved IT risks	< 25	< 30	> 30
Number of unresolved internal process risks	< 20	< 25	> 25
Number of identified and unresolved internal process risks	< 25	< 30	> 30
Number of unresolved product and service development review forms	<= 3	<= 4	> 4
Munich Branch			
Investment in Foreign Fixed Income / Capital	> 50.0	> 40.0	< 40.0

■ Capital Allocation

Our capital allocation strategy takes into consideration return objectives and financial resources, which must align with our risk-bearing capacity and risk appetite. The success of our business operations, as measured by risk-adjusted returns, tells us the extent to which the Bank has satisfied its risk appetite. Consequently, management sets financial objectives for each line of business by allocating capital and setting a target risk-adjusted return on capital

("RAROC") for each line of business. The amount of capital allocated to each line of business is based on its unique risk profile. As the business environment continues to change, capital allocations and operating limits are regularly reviewed as part of our overall governance processes.

In the following sections, we discuss how MEB manages risk in more detail, including the Bank's risk management governance and specific methods, procedures and analyses with regards to the major categories of risk.

4-1. Risk Management Governance

The Board oversees our risk management governance, safeguarding that MEB's business activities are:

- Consistent with the Bank's strategic plans and objectives;
- In line with the Bank's risk appetite and risk management framework;
- Subject to adequate internal controls, risk and compliance monitoring.

■ Laws and Regulations

Risk identification, classification and quantification can be a complex and often times subjective process. Consequently, the CBI, in its capacity as the national banking regulator and supervisory body, provides a standardized framework for all Iranian banks to properly identify, manage and disclose their risks in accordance with published guidelines and requirements. Banks are required by law to report their risks to CBI on a regular basis in order to facilitate transparency and instill public confidence. In addition to our compliance with CBI regulations, we also adhere to various other laws and regulations, including:

- Requirements of the Deposit Guarantee Fund;
- Various domestic laws and regulations concerning tax, AML, CFT;
- Other regulations passed by the Money and Credit Council;
- Our Munich branch is required to abide by BaFin regulations and German/EU law.

Our financial statements are prepared in line with the standards of CBI and the Securities and Exchange Organization of Iran ("SEO") and published on the CODAL website (Computer Database of All Listed Companies) on a semi-annual basis. We maintain statutory reserves of 10 to 15 percent in line with CBI regulations, in addition to various other reserves, including:

- General loan-loss reserves of 1.5 percent and
- Specific provisions for bad and doubtful loans as follows:
 - 10 percent for overdue loans (between 2 and 6 months overdue)
 - 20 percent for outstanding loans (between 6 and 18 months overdue)
 - 50 percent of doubtful loans (over 18 months overdue)

We report our financial statements in accordance with both CBI reporting standards and IFRS. A key difference between CBI reporting standards and IFRS lays within their respective approaches in calculating the fair value and facility reserves.

■ Three Lines of Defense

To facilitate the development and implementation of our risk management framework, the Board has adopted the three lines of defense within our risk management governance. We assign clear ownership and accountability across each line of defense, as described below:

■ Front Line Units

We classify all risk bearing units as the first line of defense. This includes all front-line business units, as well as Information Technology, Finance and Treasury, Branch Affairs, Credit Operations and Public Relations Departments. These units are the owners of the risk generated through their activities and are responsible for proper identification and managements of such risks.

■ Control Functions

Studies indicate that sound and effective internal controls - in their capacity as the second line of defense - constitute one of the most crucial factors safeguarding the health and long-term success of any financial institution. Led by the Risk Management and Compliance functions, our internal control structure also includes other control functions such as Legal, IT security, Inspections, Human Resources and certain activities within Finance and Treasury. Control functions oversee the activities of executive officers and front-line units to ensure proper management of risk and compliance with laws and regulations.

The Risk Management function develops and implements meaningful risk management frameworks that include written policies and procedures outlining how risks are to be effectively identified, classified and managed throughout the organization. It interfaces with the first line of defense to prevent unacceptable exposures or breaches in risk limits. The Senior Risk Manager regularly reports the status of material risk exposures, risk limit breaches and changes to our risk bearing capacity to the Risk Committee and the Board.

The Compliance and AML Department independently assesses compliance risk, and evaluates the Bank's

adherence to applicable laws and regulations. This includes identifying compliance issues, monitoring and reporting on the compliance status for all the Bank's business activities. Our compliance officers collaborate with front line business units, as well as other control functions, to ensure the day-to-day business operations of the Bank remain compliant.

■ Internal Audit

The Internal Audit Department, as the third line of defense in the internal control system of Middle East Bank, serves as the highest supervisory authority prior to the Bank's Board of Directors. It is supposed to assure the Board of Directors and senior management regarding the effectiveness of the Bank's internal control system which is fulfilled through quarterly evaluations of internal controls and reporting of the Bank's risks by various units in the first and second lines of defense, as well as identifying areas for improvement and reporting them to the Audit Committee and the Board of Directors.

The internal controls of the Bank, including preventive controls/activities designed to prevent any misconduct or misrepresentation and detective controls/activities (for identifying violations, fraud, errors, non-compliance, etc.) aimed at detecting potential misconduct and misrepresentations, have been designed and implemented at the Bank. These controls encompass measures in operational activities, network and information and communication systems controls, financial reporting systems, and controls related to compliance with laws and regulations at Middle East Bank.

Control activities are daily ongoing activities designed within the Bank's operational processes. As ongoing and operational processes change, the aforementioned activities are also aligned with appropriate flexibility to adapt to changes in the Bank's operational procedures in a timely manner.

In order to strengthen the internal control system, the following cases are continuously monitored and evaluated:

- Development, approval, updating and continuous reviewing of policies, procedures, and operational guidelines along with supervision of their implementation;
- Establishment of necessary mechanisms for identifying

and managing risks and monitoring them effectively and continuously;

- Improvement of communication and the accurate and timely flow of reliable information, as well as enhancement of the reporting and information dissemination system to relevant authorities in a timely and reliable manner;
- Ensuring compliance at all levels of the Bank with laws, regulations, supervisory requirements, guidelines, circulars, and their effective implementation.

On the other hand, to establish an efficient and effective internal control system at Middle East Bank, apart from implementing a corporate governance system and forming specialized units and committees, the following measures have been taken to manage risks associated with the operations and to ensure the establishment of the internal control system in the Bank:

- Utilizing the RCSA model to identify, manage and monitor operational risks, relying on the self-assessment method by first-line defense managements;
- Utilizing a confidential whistleblowing system that while maintaining confidentiality and anonymity of the reporter, enables employees at all levels to report any deficiencies, inefficiencies or non-compliance with the bank's current guidelines and operational procedures;
- Utilizing an employee fraud detection system to identify any suspicious transactions in which one of the parties (either the transferor or the transferee) is the Bank's employee.

■ Delegation of Authority

Our risk management governance stipulates that the Board may delegate certain decision-making and approval functions to executive officers and committees, as described by the Bank's various committee charters, minutes of meetings, job descriptions and resolutions. To this end, MEB has established a number of board and management-level committees in accordance with CBI directives and international guidelines.

4-2. Strategic Risk Management

Strategic risk is inherent in every business. It arises primarily from misinformed assumptions concerning internal and external factors, ill-devised business plans, inappropriate execution strategies, and failure to respond to changes in the business environment in a timely manner.

We address strategic risk within our risk management framework, which is reviewed and approved annually by the Board, and consistent with our risk appetite, capital allocation strategy, compliance policy and liquidity requirements. Relevant processes are in place for the Board and executive management to formally assess the

strategic risk implications of significant business decisions, such as material capital allocations, strategic initiatives, restructurings, acquisitions, divestments and new products and services. We regularly review and update our financial forecasts in line with changes in macro-economic conditions, regulatory environment, competitive factors, as well as the Bank's capital and liquidity positions. Overseen by the Board, our executive management directs the business units to execute our strategic plans, consistent with our core operating principles and designed to optimize return on our targeted risk appetite whilst safeguarding the financial health of the Bank.

4-3. Compliance Risk

Our Compliance & AML Department was established with the aim to maintain the reputation of the Bank and ensure we remain fully compliant with international and domestic banking laws and regulations. We actively seek to avoid risky transactions that could result in money-laundering and terrorism financing. Our compliance policies focus on two core areas:

- Constantly monitoring our Bank's full adherence to international and domestic laws and regulations;
- Ensuring all our employees are fully equipped to understand and comply with the important concepts of code of ethics, fair lending practices, information protection, and financial crime. This includes Anti-Money Laundering (AML), Countering Financing of Terrorism (CFT), Sanctions, and Anti-Bribery and Corruption (AB&C).

■ Compliance Function

The organizational structure of our compliance function has been formulated by the Board of Directors (BoD), as part of which our Compliance Committee was setup to assist the BoD in monitoring the ongoing activities and overall effectiveness of the Bank's compliance function. Our Compliance & AML Department is responsible for ensuring the Bank's adherence to all applicable domestic and international laws, regulations and standards. This

includes identifying compliance risks, assessing, controlling, monitoring and reporting any material risks and relevant issues to the Compliance Committee and BoD. The Director of Compliance & AML Department is responsible for finding solutions to address any identified risks, incorporating new regulations into the Bank's compliance policy, and overseeing staff training programs.

■ Compliance Control Framework

The responsibilities of the compliance function are carried out under a structured compliance control framework that aims to minimize the Bank's compliance risks. A key component of any compliance framework is compliance risk assessment. Compliance risks arise primarily from non-conformance with applicable regulations. In order to control and reduce such risks and thereby avoid legal, financial and reputational damage to the Bank, we adhere to all applicable national and international laws and regulations.

Any relevant findings from our compliance risk assessment process are reported to the Compliance Committee and BoD, along with any recommendations regarding additional checks and controls to enhance and the Bank's compliance control framework. Our compliance control framework includes the implementation and review of policies and procedures, compliance monitoring and testing, and training.

■ Anti-Money Laundering and Countering the Financing of Terrorism

Our Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) programs are conducted in line with international efforts to combat money laundering, financing terrorism and other criminal acts. The Bank has in place a range of protective measures against suspicious activities, high risk transactions and high-risk customers such as Politically Exposed Persons (PEPs). Using our automated monitoring systems, we conduct Customer Due Diligence (CDD), and in high-risk situations, Enhanced Due Diligence (EDD) on clients and transactions. Our AML program complies with the Central Bank of Iran's Anti-Money Laundering regulations and the guidelines of the Financial Intelligence Unit (FIU). It is also in line with the money laundering recommendations of the Financial Action Task Force (FATF).

Our AML requirements apply to all the Bank's business units and its subsidiaries. Staff and senior managers are required to comply with these regulations to prevent misusing MEB's name, our products or services for money laundering and financing terrorism purposes. The work of our Compliance & AML Department is regularly reviewed to ensure that the Bank continues to employ the safest, most up-to-date compliance practices.

■ AML/CFT And Compliance Enhancement Project

In accordance with the Bank's policy, and to safeguard the expansion of our international banking operations, we initiated the AML/CFT compliance enhancement project in 2016. International consultancy firm KPMG was hired to assess and advise the Bank on international best practices regarding proper adherence and implementation of compliance regulations, AML/ CFT in addition to a wide range of other fields.

In recent years, we have continued to enhance our compliance function, focusing on improving policies and procedures, software development, and employee training. During the year under review, our main focus has been on enhancing our processes for identifying financial crimes such as fraud, bribery and corruption. We have developed a "whistleblowing" portal to allow all employees to report any fraudulent or non-compliant activities by their colleagues. We also continued expanding our policies and procedures in the fields of AML and CFT. Additionally, we have made changes to the Bank's international trade policy, the most

important of which was limiting our international trade to humanitarian goods.

■ Know Your Customer (KYC)

MEB has developed effective KYC procedures for proper assessment of new and existing clients. Our procedures apply not only to our individual and corporate customers, but also to any direct or indirect beneficiaries.

Our KYC procedures start with intensive checks before accepting a client and continue in the form of regular reviews. KYC also provides valuable insights with respect to clients' risk tolerance, financial knowledge and financial position, enabling our banking advisors and relationship managers to provide appropriate advice tailored around each customer.

■ Customer Compliance Risk Categorization

Based on information we obtain from clients, such as history with the Bank, field of activity, financial transparency and nationality, we are able to analyze their client-specific compliance risks and assign them a compliance risk category. For customers classified as high-risk, enhanced due diligence and ongoing monitoring is conducted.

Enhanced Due Diligence

We require Enhanced Due Diligence (EDD) for all high-risk clients and transactions. This higher level of due diligence is required to mitigate compliance risks associated with situations where we perceive there may be an increased possibility of money laundering or terrorist financing.

We consider a number of situations as "high risk", such as not meeting clients face-to-face, or when dealing with a Politically Exposed Person (PEP). When EDD is required, our compliance officers often request additional information and documentation from clients to complete the process, before allowing them to access the Bank's services.

■ Suspicious Transaction Reporting (STR)

The Compliance & AML Department is required to report any suspicious transactions or activities to the FIU. Our employees are trained to inform the Compliance & AML Department in case they suspect money laundering or terrorist financing is taking place at the Bank. Such suspicious activities are reviewed by a team of qualified compliance officers who ultimately decide whether to report them to the FIU. Suspicious activities are detected in two ways:

- Our automated AML software, which has the ability to

detect suspicious transactions based on their volume, frequency and pattern according to pre-defined rules. This software is under continuous development;

- Employee reports concerning suspicious customer behaviours and activities, which are evaluated in accordance with CBI guidelines.

■ Sanctions

At MEB, we are committed to comply with international economic and trade sanction acts, not simply out of requirement, but because it is the right thing to do. In line with the Bank's business policy, we adhere to most important sanction regimes and forego any business that would breach any Iranian sanctions. Despite the Joint Comprehensive Plan of Action (known as JCPOA, reached on July 14, 2015 by the P5+1), the United State unilaterally quit the Plan on Nov. 4, 2018 and subsequently reimposed sanctions against financial institutions in Iran. These sanctions resulted in most Iranian banks being labelled as SSDN (subject to secondary sanction) and consequently losing their access to SWIFT. MEB however, is labelled SDN, and therefore still able to transfer funds via SWIFT and conduct legitimate business operations with foreign banks. It should be noted however, that banks such as MEB labelled as SDN are only allowed to conduct international trade transactions in the field of humanitarian goods.

■ International Trade

At MEB, we require compliance confirmation for all services related to international trade. These include, but are not limited to imports and exports activities and any other international transaction over ten thousand dollars. Our Compliance & AML Department conducts due diligence on all parties, beneficiaries and goods involved in an international transaction prior to approval.

We evaluate compliance risks involved in Letters of Credit (LC), Bank Guarantees (BG) or SWIFTS. As part of this process, we review:

- Applicants;
- Any goods involved in the transaction;
- Seller, buyers and manufacturers of the goods;
- Third parties such as agencies, shipping lines, carriers, insurance companies and surveyors;
- Constantly improving our automated compliance systems to enhance the performance and effectiveness of our compliance reviews of international trade customers.

■ Anti-Bribery and Corruption

MEB's zero-tolerance approach to bribery and corruption complements our core values of integrity and the standards of behaviour expected from all our employees. We are committed to comply with all anti-corruption and anti-bribery regulations in Iran and internationally.

■ Software Applications and Tools

■ Compliance Screening Tool (CST)

Our Compliance Screening Toolkit (CST) relies on a range of domestic and international databases to check and vet our clients, including:

- International sanction lists;
- Interpol list;
- CBI black list;
- Fraudulent persons; and
- Other restricted persons announced by legal authorities.

■ AML Software

Through the use of advanced AML software, we can detect suspicious transactions, potentially involving money laundering activities. Our AML software incorporates rules and guidelines issued by CBI's in addition to MEB's own set of standards and policies to detect suspicious changes in customer behavior and financial activities. Another function of our AML software is the Customer Compliance Risk Categorization, whereby customers are assigned relevant compliance risk categories to determine whether they require enhanced due diligence.

■ PEP Screening Tool

This tool uses advanced database searches to provide information on Politically Exposed Persons (PEPs). MEB customers are regularly screened using this tool, and if recognized as PEPs, they must undergo enhanced due diligence by the Bank.

■ Employee Awareness and Training

At MEB, we work hard to ensure all employees are aware of relevant laws and regulations concerning their line of work. Significant changes in compliance policy or procedures are communicated in a timely manner to all the Bank's employees and senior management. As part of our employee awareness training, all new employees must familiarize themselves with the key concepts of compliance,

AML/CFT, AB&C and sanctions. Our employee training programs are held at least twice a year.

■ Whistleblowing

Through our whistleblowing portal, we provide a platform for employees to notify senior management of any misconduct or irregularities within their department without fear of reprisals. Whistleblowers can report any violation, crime or wrongdoing anonymously, by providing sufficient information to allow compliance officers to contact their department to investigate the matter.

■ Reporting

We have trained compliance officers present at all our branches and business departments. The role of the compliance officers is to ensure their respective business unit adheres to all compliance and AML/CFT policies of

the Bank, submitting regular reports to the Compliance & AML Department. The Senior Manager of the Compliance & AML Department is in turn required to provide monthly and quarterly reports to the Bank's Compliance Committee and BoD respectively. The Compliance & AML Department is also required to regularly submit reports concerning their activities to financial regulators and supervisors such as the Central Bank and Financial Intelligence Unit.

■ Ethics and Integrity

MEB's compliance culture is anchored in our code of ethics, which seeks to ensure the Bank carries out its business in accordance with highest standards of ethical and professional conduct. All MEB employees are required to take part in our annual compliance training program that includes our code of ethics, along with other relevant courses in the fields of compliance and AML.

4-4. Credit Risk

Credit risk is the risk of economic loss emanating from the failure of the Bank's credit customers to meet their obligations in a timely manner. Several products expose us to significant credit risk, including loans, bank guarantees, letters of credit, debt securities and assets within the trading book. Recent adverse macroeconomic events in Iran may affect our credit portfolio, including US sanctions, the onset of the COVID-19 pandemic, declining GDP and consumer spending, coupled with high inflation, volatile FX markets and uncertainty concerning interest rates. Increases in default rates among our credit customers would result in increased charge-offs and provisions for credit losses.

■ Credit Assessment

At MEB, credit risk management for each customer begins with a preliminary assessment of the customer's financial profile, credit history, business outlook, management and ownership structure. Using our industry-specific empirical rating models, and based on available data, we assign each customer a risk rating ranging from AAA to C/CC. Our ratings reflect customers expected annualized probability of default ("PD") for the coming financial year. We monitor

and review individual credit ratings on an ongoing basis to reflect changes in general risk profiles of our clients. As part of the credit assessment process, we consider a range of factors, including customers' credit risk rating, collateral, industry concentrations, aggregate amount of credit lines extended to affiliated/group companies, as well as clients' relationship with the Bank.

■ Credit Risk Policy

MEB's credit policy follows CBI regulations as well as guidelines from the Basel Committee on Banking Supervision ("BCBS"). The Bank's overall credit risk appetite is contingent on the credit-to-deposits ratio, capital adequacy measures, liquidity measures and CBI regulations.

Corporate clients constitute the core of MEB's credit customers. The Bank also welcomes individual business owners (sole traders) registered with the Chamber of Commerce and in possession of tax codes. We develop and maintain strong long-term banking relationships with all our credit customers.

The purpose of the majority of our credit facilities is to assist its clients with their short-term working capital financing requirements. Our international activities are mainly focused on the importation of raw materials and spare parts for companies operating within the food and pharmaceutical sectors. Occasionally, we also engage in syndicated funding activities where funding is sourced through the capital market or the National Development Fund (NDF).

The Credit Department performs its own evaluation on its customers before submitting their information to be assessed by our credit risk officers. As part of our credit risk policy, we seek to maintain an average Moody's equivalent credit risk rating above "B2" (similar to S&P/Fitch rating of "B") in respect of our overall credit portfolio. Customers with lower credit ratings are typically required to post additional collateral to mitigate their elevated default probability. We manage concentrations of large loans on an ongoing basis to ensure they adhere with CBI limitations for "significant loans". Additionally, our credit risk policy applies a look-through approach to our credit customers, by considering the Bank's aggregate exposures to the various stakeholders (such as their management teams, Boards and shareholders) in order to evaluate the quality of their long-term relationships with the Bank.

■ Credit Approval Process

Depending on their nature and scope, our credit approvals may take place either at branch level, or at the Bank's headquarters within the Central Credit Committee, Supreme Credit Committee or Board Committee. Note 54-3-4 of the Financial Statements details our organizational hierarchy for credit approvals. For information about the various stages involved in the Bank's credit approval process, see note 54-3-2 of the Financial

Statements.

■ Credit Risk Exposures

■ Total Asset Balances

As of 20 March 2025, the Bank's total consolidated assets were approximately IRR1,549 trillion, up IRR508 trillion from 20 March 2024. The primary driver behind the increase in total assets balances was:

- Increase in loans driven by strong demand for corporate credit lines;
- Hike in FX rates.

■ Cash and Cash Equivalents

For more information regarding cash and cash-equivalent assets of Bank, see note 24 of the Financial Statements.

■ Loans and Leases

Commercial loans and leases increased approximately by IRR269 trillion, driven by strong demand for corporate loans and hikes in FX rates.

As of 20 March 2025, around 6.3 percent of the Bank's loan exposures are defined as non-performing, out of which:

- 0.8 are between 2 and 6 months past their due date;
- 3 are between 6 and 18 months past their due date;
- 2.5 are considered doubtful.

For information regarding amounts and breakdown of the Bank's non-performing loan exposures, please refer to note 54.3.7.2 of the Financial Statements. For more information regarding credit quality, concentrations, collateral, industry distributions and management of loans and leases, see note 54.3 ("Credit Risk") of the Financial Statements.

Table 3 illustrates Breakdown of performing and non-performing loan exposures.

Table 22. Breakdown of performing and non-performing loan exposures

Loan Status	Description	Exposure Amount (Percentage of Total)
Current	< 2 months late payment	93.7
Overdue	2 to 6 months late payment	0.8
Suspended	6 to 18 months late payment	3.0
Doubtful	> 18 months late payment	2.5
Total		100

■ Debt Securities

Debt securities, including investments in Islamic Treasury Bills, Governmental Bonds and Corporate Bonds, totaled approximately IRR60 trillion as of 20 March 2025. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create economically attractive returns on these investments. For more information on debt securities, see note 29.3 of the Financial Statements.

■ Equity and Subordinated Debt

The Bank made a strategic decision to exit its equity-trading portfolio in 2019 primarily due to regulatory and capital adequacy treatments of such assets. Total equity holdings on the banking book stood at around IRR1.8 trillion as of 20 March 2025, up from approximately IRR1.5 trillion the previous year. For more information on the Bank's equity investments, see note 29.1 and 29.2 of the Financial Statements.

■ Off-Balance Sheet Exposures

The Bank's total off-balance sheet exposures increased to IRR990 trillion as of 20 March 2025, from around IRR591 trillion the previous year. For more information regarding the Bank's off-balance sheet exposures, see note 50 of the Financial Statements.

■ Concentration of Credit Exposures

The bulk of our loan exposures are concentrated around the 100 largest customers of the Bank. In order to mitigate such concentration risk, we exercise great caution in extending credit facilities by carefully considering each customer financial situation, credit rating, management structure, shareholders and past knowledge about the customer's credit history. Another mitigating factor is our practice of always ensuring we hold sufficient collateral for customers based on the size of their credit exposure and their expected probability of default, implied by their assigned credit rating. This serves to minimize our loss- given-default, and hence the overall expected loss of our credit portfolio. Table 32 illustrates the industry composition of our loan portfolio as of 20 March 2025.

Table 23. Industry composition of MEB's Loan Portfolio as of Mar. 20,2025 Percent

Industry	Share of Loan Portfolio
Beverages, Food, and Tobacco	22.0
Healthcare and Pharmaceuticals	21.9
Consumer Goods and Durable Consumer Goods	4.7
Mining and Metals	7.4
Automotive and Parts Manufacturing	6.2
Other Industries	7.0
Financial	6.0
Natural Person (Individual)	5.9
Chemicals, Plastics, and Rubber	4.8
Industrial Equipment	5.6
Construction and Related Industries	2.1
Oil, Gas, and Refining	1.1
Communication Services and Infrastructure	1.8
Forestry, Paper, and Wood Industries	1.6
Transportation Services	0.9
Electricity and Water Distribution Services	0.4
Energy: Electricity	0.6
Total	100.0

For additional information on the geographic and industry distribution of our credit exposures, refer to notes 54-3-8-1 ("Distribution of credit facilities and investments by economic sector") and 54.2 ("Geographical concentration of major items of assets, liabilities and income") of the Financial Statements.

■ Credit Risk Rating System

The Bank's primary risk rating system consists of a range of industry-specific credit rating models based empirical customer performance data. Such data includes the customers' financial statements, late payment history and other customer-specific information. The credit risk team periodically updates and calibrates the models based

on the Bank's historical default experience with existing customers, resulting in generally consistent default probabilities across risk ratings between different industry categories.

■ Determining Credit Risk Parameters

MEB's capital risk parameters are regularly back-tested and benchmarked to evaluate their ongoing performance and suitability. Through back testing, we are able to validate the appropriateness of each parameter by comparing its predicted values to the actual results. We then benchmark parameters against external standards or through alternative measurement methodologies to determine their validity.

■ Probability of Default (PD)

Probability of default or PD, is an empirical estimate of the average annualized default rate of a customer across different business cycles, including upturns and downturns. Our method of estimating PD aligns our risk ratings with the definition of default according to Basel 3. We define "default" either as write-offs, debt restructurings, or arrears on payment obligations of more than 90 consecutive days.

■ Exposure-at-Default (EAD)

The exposure-at-default or EAD, is an empirical estimate of the amount of exposure that is outstanding to an obligor, when that obligor defaults, based on statistical analyses of historical data.

■ Loss-Given-Default (LGD)

We define loss-given-default or LGD, as the estimated economic loss (in percentage terms of the EAD) that the Bank would expect to incur if the customer (or any obligor within the customer's rating category) were to default within a one-year horizon. For the F-IRB approach, we assume a 45 percent LGD for all obligors, in line with Basel guidelines.

■ Credit Risk Mitigation

The Bank manages the size and risk profile of its loan portfolio through diversification with respect to obligor -and industry concentrations. We proactively maintain our credit management practices and standards to meet the constantly changing economic environments in Iran and abroad.

The Bank manages the size and risk profile of its loan portfolio through diversification with respect to obligor -and industry concentrations. We proactively maintain our credit management practices and standards to meet the constantly changing economic environments in Iran and abroad.

Our credit decisions are primarily based on borrowers' credit standing and their debt servicing ability rather than collateral postings and/or guarantees. Nevertheless, we use collateral and third party guarantees whenever possible to mitigate credit risk, and monitor collateral values on an ongoing basis.

The main types of collateral accepted by the Bank include cash, marketable securities, real estate, equipment and trade receivable cheques. The practice of using trade receivable cheques as collateral allows us to monitor the cash flow and business performance of the borrower on an ongoing basis. Additionally, we often require personal guarantees and collaterals from the primary stakeholders of our corporate customers (e.g. principal residences of key shareholders and directors), as a form of ethical assurance that they intend to fulfill their credit obligations vis-a- vis the Bank.

The Bank recognizes the credit risk mitigation ("CRM") effects of qualifying collaterals, as described in Basel 3, with eligible haircuts within its regulatory capital calculations. These include primarily cash deposits and marketable securities posted by the borrowers. For further information on credit risk mitigation and its effect on our Risk Weighted Assets, please refer to the Credit Risk Mitigation section of our Pillar 3 Regulatory Capital Disclosure.

4-5. Market Risk

■ Overview

Factors such as interest rates, foreign exchange rates, inflation, tax regulations, commercial laws, political decisions and capital markets may all significantly impact our profitability. In this section, we discuss the risk that the Bank may sustain negative effects on the value of its assets, liabilities or earnings due to changes in market conditions. Market risk is especially relevant to our trading book, including bonds and equities, as well as our foreign exchange exposures.

The ALCO committee governs the Bank's market risk. The committee members meet on a weekly basis to update senior management and provide recommendations on market risk related matters. The Bank's market risk framework comprises policies and practices, validation and valuation procedures and valuation models. We are in the process of implementing a comprehensive approach to monitoring and stress testing market risk to ensure it remains well capitalized, even under adverse market conditions.

■ Regulatory Reporting of Market Risk

The Bank currently adopts an approach similar to the Basel 3 Simplified Standardized Approach (published January 2019) for the calculation of regulatory market risk, albeit adjusted with regards to the Iranian economy. We outline the calculations in note 54-7-2-2 of the Financial Statements.

■ Internal Measurement of Market Risk

Separate from regulatory reporting, the Risk Management Department employs a range of models to monitor the Bank's market risk on an ongoing basis, in line with sound market practices. Financial exposures are measured and controlled by our internal market risk models, including interest rates, foreign exchange, and equity risk.

Our VaR models assumes that observed historical changes could predict future movements in market rates. We base

our VaR calculation on a one-percent probability (one tail) using daily standard deviations over a 10-day horizon. Complementing our VaR estimates, we also perform stress testing under various macro-economic scenarios to identify the Bank's vulnerability to event risk. The purpose of these tests is to provide the Bank an early-warning mechanism of in the case of systemic shocks.

■ Interest Rate Risk

Partially owing to recent debt market developments in Iran, the Bank faces an increased level of interest rate risk. MEB may face the prospect of losing funds by abiding regulatory limits on interest rates while other banks deviate significantly from such regulations.

■ Interest Rate Risk on Trading Book (IRRTB)

The only assets on the Bank's trading book as of 20 March 2025 consisted of corporate and government bonds. Despite the still relatively small size of the secondary bond market in Iran, we have witnessed a notable increase in volume expect IRRTB to constitute a larger part of our overall market risk going forward. Due to the nature of these assets, their values may change due to a range of factors including yields, market liquidity, inter-market correlations and market volatility. Table 33 illustrates the effect of parallel shift in interest rates on the trading book.

■ Interest Rate Risk on Banking Book (IRRBB)

MEB does not use floating rates, or significant optionality (e.g. early repayment) within its loan portfolio. Consequently, Bank's profitability may suffer in the short term due to increases in regulatory interest rates. Table 34 illustrates the effect of parallel shift in interest rates on the banking book.

Table 24. IRRTB Stress Testing: Sensitivity of Market Values due to Parallel Shifts in the Yield Curve

IRR million

Category	MEB Consolidated			
	400 bp Decrease	200 bp Decrease	200 bp Increase	400 bp Increase
20 March 2025				
Fixed Income Securities	1,334,631	652,733	(660,991)	(1,294,132)
20 March 2024				
Fixed Income Securities	546,301	272,090	(258,146)	(514,577)

Table 25. IRRBB Stress Testing: Sensitivity of Income due to Parallel Shifts in the Interest Rates

IRR million

Category	MEB Consolidated			
	400 bp Decrease	200 bp Decrease	200 bp Increase	400 bp Increase
20 March 2025				
Loans	(7,651,300)	(3,825,650)	3,825,650	7,651,300
Fixed Income Securities	1,334,631	652,733	(660,991)	(1,294,132)
Deposits	1,766,603	883,302	(7,359,776)	(14,719,553)
Total	(4,550,066)	(2,289,615)	(4,195,117)	(8,362,385)
20 March 2024				
Loans	(12,667,443)	(6,333,721)	6,333,721	12,667,442
Fixed Income Securities	546,301	272,090	(258,146)	(514,577)
Deposits	1,026,723	513,362	(5,299,116)	(10,598,232)
Total	(11,094,419)	(5,548,269)	776,459	1,554,633

Foreign Exchange Risk

Our profitability and balance sheet are highly sensitive to foreign exchange rate fluctuations. MEB's foreign exchange risk emanates primarily from off-balance sheet commitments related to imports of goods. We do not seek to engage in speculative foreign exchange activities. Occasionally however, the Bank ends up with open long or short positions, mainly because of our foreign exchange denominated credit facilities extended through the NDF, as well as due to import/export activities of our customers.

The value of the Iranian Rial over the coming year will be highly dependent on policies adopted by the government. Many such policies adopted over the previous year have been counterproductive and served to further devalue the Iranian Rial in the face of US sanctions, including the adoption of a multi-rate, state-regulated foreign exchange mechanism, as well as export restrictions on various types of products.

In the short term, we expect to witness a continued high inflation rate and a temporary rebound of Iranian Rial during 2025, bringing its value in line with PPP expectations. Certain fiscal policies could help reduce the level of inflation and currency devaluation over the coming years, such as abandoning the policy of subsidized imports and centralized price-setting policies for certain products, unifying the foreign exchange rate in order to incentivize

exporters to repatriate their money using free-market rates, as well as removing export restrictions for certain products.

For MEB, the result of a devaluing domestic currency is a double-edged sword. On one hand, it increases the value of foreign currency assets on our balance sheet. On the other hand, it increases the risk of default for many of our credit customers who will see demand for their products diminish due to higher prices.

- The Tables within note 54-5-5-2 of the Financial Statements illustrate the possible effects on the Bank's income due to foreign exchange risk under the single-asset and variance-covariance VaR models.
- The Tables within note 54-5-6 of the Financial Statements illustrate the expected amount of capital required to cover foreign exchange risk under the single-asset and variance-covariance VaR models.

Equity Risk on the Banking Book

As of 20 March 2025, the aggregate equity exposure of the Bank was restricted to strategic investments in ME Life Insurance Company, MEB Brokerage, MEB Currency Exchange and MEB Information Technology Company. The two Tables in note 54- 5-6 of the Financial Statements illustrate the VaR measure and corresponding regulatory capital requirement for our equity exposures using the single-asset VaR method, as well as the variance-covariance VaR method.

4-6. Operational Risk

■ Overview

Operational risk covers a wide range of risks resulting from inadequate or failed internal processes, systems, people and policies. Despite its name, operational risk is not limited to our operations functions. It can occur anywhere in the Bank, including third-party business processes. The effects of operational risk often extend beyond financial losses and may result in significant reputational implications for the Bank.

In accordance with Basel guidelines, we classify operational risk into seven categories, as listed below:

- Internal fraud;
- External fraud;
- Employment practices and workplace safety;
- Clients, products, and business practices;
- Damage to physical assets;
- Business disruption and systems failures;
- Execution, delivery, and process management.

We use these categories to identify and assess operational risks as part of its Risk and Control Self-Assessment framework, explained below.

■ Risk and Control Self-Assessment Framework

The operational risk assessment process follows the Risks and Controls Self-Assessment (RCSA) methodology, according to which:

- Each of the Bank's branches and risk-taking units has a designated RCSA representative, responsible to conduct the process within their unit in close co-ordination with a risk officer.
- The designated RCSA representatives determine the frequency and severity of identified operational risks and divide them into two categories: "material risks" and "non-material risks".
- The heads of all risk-taking units (in co-ordination with the relevant risk officers) are required to verify all identified "material risks" within their unit and propose mitigation procedures to control such risks.
- The Risk Management Department classifies all residual

risks that remains unhedged following the application of the Bank's mitigation procedures as a "material risks" and include them within its Risk Inventory.

By applying the RCSA process, we have identified numerous material operational risks within various sections of the Bank and its branches to date.

■ Risk Inventory

The Bank's Risk Inventory is a multi-disciplinary process according to which various types of risks are collected, identified and assessed at all levels of the Bank. Our risk inventory process comprises credit risk, market risk, operational risk, liquidity risk, concentration risk, legal and compliance risk and reputational risk. The Risk Inventory provides a detailed catalogue of all identified risks - categorized according to risk type - within the Bank, along with relevant mitigation procedures.

■ Employee Self-Appraisal and Reporting

At MEB, we employ a self-appraisal system to identify insufficient control mechanisms and potential operational risks. As part of this process, business unit employees within the first line of defense are encouraged to report any potential operational risks that they encounter within their line of work to the second line of defense, through the online Operational Risk Reporting Portal. Additionally, we also use an Employee Fraud and Misconduct Reporting System aimed at detecting unusual transactions or suspicious behavior by Bank employees.

We treat reports received through the Operational Risk Reporting Portal or the Employee Fraud and Misconduct Reporting System with outermost confidentiality, to encourage whistleblowers to come forward without having to worry about potential consequences from their managers or colleagues. This system has enabled us to identify numerous operational risk cases to date in various areas of the Bank and its branches.

■ New Product and Services Process

The Bank's New Product and Services Process ("NPSP") ensures that operational risk emanating from new products and services within the Bank, its branches or third parties can be properly identified and mitigated through a multi-disciplinary, multi-departmental framework.

■ Information Security

Banks face a range of cyber security threats, including hackers seeking to access confidential customer information, making unauthorized transactions, damaging databases and information systems, as well as disrupting banking services.

Such cyber threats can result in significant reputational damage for the Bank, as well as financial losses and the possibility of legal litigation. To mitigate such risks, we have made substantial investments over recent years in cyber security aimed at enhancing our capabilities to prevent cyber-attacks, leakage of confidential customer information, unauthorized penetration into our databases and payment systems. This includes the implementation of an Information Security Management System, based on international standards including ISO 27001 and PCI DSS.

Through ongoing awareness programs and personnel training, we aim to ensure all our staff have sufficient knowledge regarding information security in order to detect and report any external interference within our systems.

Our Information Security Department has devised a comprehensive framework for identifying, evaluating and responding to any unusual activities and vulnerabilities within our data infrastructure systems including our network, servers, datacenters, banking software, mobile applications, web-based services, open banking interfaces and other systems. Our Security Steering Committee meets on a regular basis and provides a forum through which the Information Security Department can report all material security risks to the CEO and senior management.

■ Operational Risk Capital Charge

Operational risk constitutes a significant component in our calculation of total risk-weighted assets, used in our capital adequacy calculations under the Basel 3 Standardized and F-IRB approaches. To calculate our operational risk capital charge, we use the Updated Standardized Measurement Approach ("USMA") as per Basel 3 guidelines, according to the USMA approach, we first calculate a value for the Bank's business indicator ("BI") based on the its interest income and interest expenses, interest earning assets, services incomes, and net profit/loss on the trading book and banking books. We then convert the calculated BI amount into the business indicator component ("BIC") and map it to the required operational risk capital charge in accordance with Basel 3 guidelines. However, as the Bank's BIC is less than EUR1 billion, adjustments of the Bank's operational risk capital charge using the Internal Loss Multiplier ("ILM") component does not apply. The USMA model uses three-year averages of each of the above components.

- Interest income includes income from loans and advances, securities held to maturity as well as the trading portfolio, in addition to other income emanating from interest on the Bank's statutory deposits;
- Interest expenses relate mainly to deposits;
- Interest earning assets consist of total gross outstanding balances of loans and other assets such as fixed income securities;
- Services income includes various fees and commissions charged by the Bank in respect of its products and services;
- Financial income relates to realized and unrealized gains and losses on assets measured at either fair value or through amortized costs.

Table 35 illustrates our operational risk capital charge calculation, as of 20 March 2025, using the USMA method.

Table 26. Operational risk capital charge calculation using the USMA method

Factor	Sub-Factor	2023	2024	2025	Average
Interest income, except for financial and operating lease	Interest income form loans and advances	59,572,460	94,947,200	144,685,859	
	Interest income form assets held to maturity	6,278,519	7,439,932	11,625,900	
	Interest income form trading assets	5,027,598	5,277,735	8,400,928	
	Other interest income	335,592	462,996	837,105	
	Total	71,214,169	108,127,863	165,549,792	114,963,941
Interest expenses, except for financial and operating lease	Interest expenses from deposits	43,894,320	68,264,714	112,928,869	75,029,301
Interest earning assets (balance sheet item, not P&L)	Total gross outstanding loans, advances, and interest bearing securities (including government bonds) measured at the end of each financial year	515,751,815	726,652,345	1,022,210,044	754,871,401
Dividend income	Dividend income from investments in stocks and funds not consolidated in the bank's financial statements, including dividend income from non-consolidated subsidiaries, associates and joint ventures.	1,152,035	535,251	709,895	799,060
Fee and commission income	Income received from providing advice and services. Includes income received by the bank as an outsourcer of financial services.	6,090,030	10,809,401	19,264,243	12,054,558
Fee and commission expenses	Expenses paid for receiving advice and services. Includes outsourcing fees paid by the bank for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (eg logistical, IT, human resources)	471,241	662,476	902,839	678,852
Other operating income	Income from ordinary banking operations not included in other BI items but of similar nature (income from operating leases should be excluded)	171,619	1,867	149,625	107,704
Other operating expenses	Expenses and losses from ordinary banking operations not included in other BI items but of similar nature and from operational loss events (expenses from operating leases should be excluded)	2,566,010	223,515	1,190,193	1,326,573
Net profit (loss) on the trading and banking book	Realized net profit/loss on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities)	6,789,695	10,048,542	13,890,800	
	Unrealized net profit/(loss) on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities) measured at fair value or amortized cost through profit and loss	6,779	-	-	
	Net profit/loss from exchange differences	4,371,560	15,154,977	33,348,451	
	Total	11,168,034	25,203,519	47,239,251	27,870,268
Business Indicator (BI)		59,035,066			
Business Indicator Component (BIC)		7,084,208			
Operational Risk Capital Charge (IRR million)		7,084,208			

4-7. Capital Management

■ Overview

MEB manages its capital position according to its risk appetite, ensuring the Bank has sufficient capital at all times to support its business activities in line with its overall business strategy. The Bank's corporate governance processes incorporate capital management as an integral factor in the formulation of our business strategy, risk appetite and risk limits.

We periodically conduct an Internal Capital Adequacy Assessment Process (ICAAP) to capital adequacy based on our current risk exposures. ICAAP is a prospective estimation of the Bank's resources and capital needs under standard and stressed economic/ market scenarios.

■ Capital Adequacy

MEB was well capitalized as of 20 March 2025, exceeding all regulatory capital requirements. MEB measures and reports its capital adequacy ratio (CAR) in accordance with three separate models:

- CBI regulations;
- Basel 3 Standardized approach; and
- Basel 3 Foundation-IRB approach.

Within this section, we outline our capital adequacy calculations according to Basel 3 guidelines. For information

on the Bank's capital adequacy calculations based on CBI regulations, see note 54-7-3 of the Financial Statements.

■ Basel 3 Capital Adequacy Framework

The Basel 3 regulatory framework provides two principal methods for calculating capital adequacy: The Standardized Approach and the Internal Ratings Based (IRB) approaches. Basel further divides the IRB approaches into the Foundation IRB approach (F-IRB) and the Advanced IRB approach (A-IRB). At present, MEB calculates its capital adequacy according to the Standardized Approach, and adopts the F-IRB approach on a partial basis for a subset of asset classes including corporate loans, specialized lending exposures and off-balance sheet items.

■ Capital Structure

Basel 3 defines capital within two tiers, Tier 1 capital and Tier 2 capital. Tier 1 is further composed of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1). At MEB, we do not presently utilize capital instruments qualifying as AT1 Capital. Hence, our Tier 1 Capital is comprised entirely of CET1 capital. MEB's total capital as per Basel 3 is the sum of the Bank's Tier 1 and Tier 2 capital.

Table 36 presents the capital composition of the Bank as measured under the Basel 3 Standardized approach as of 20 March 2025. Investment in financial institutions were below the 10 percent Tier 1 capital threshold, hence no capital deduction was necessary in respect of such investments.

Table 27. MEB Capital Composition as of 20 March 2025

	IRR million March 20, 2025
Common shares	75,000,000
Retained earnings	80,417,718
Regulatory reserves	33,078,665
Other disclosed reserves	7,171,515
Non-Voting Stock	597,611
Goodwill & Intangible Assets	(217,874)
Investments in financial firms above 10% of Tier 1	-
Other Regulatory adjustments	(555,690)
Tier 1 Capital	195,491,945
Re-evaluation Reserves	-
General Loss Provisions up to 1.25% of RWA	14,117,358
Other Regulatory adjustments	-
Tier 2 Capital	14,117,358
Total Capital under the Standardised Approach	209,609,303

■ Basel 3 Regulatory Capital Ratios

Table 37 illustrates the MEB capital ratios under the Basel 3 Standardized and Foundation-IRB approaches.

Table 28. Summary of Basel 3 regulatory capital ratios

	Basel 3	
	Standardised	Foundation IRB
Regulatory Capital		
Tier 1 capital	195,491,945	195,491,945
Total capital ¹	209,609,303	204,285,079
Assets		
Risk Weighted Assets	1,357,264,640	1,465,522,295
Capital Ratios		
CET1/Tier 1 CAR	14.4%	13.3%
Total Capital CAR	15.4%	13.9%
Basel III Leverage Ratio ²	8.1%	8.1%

¹ Tier 1 capital / (balance sheet exposures + converted off-balance sheet exposures).

■ Risk Weighted Assets

The Basel 3 Standardized and F-IRB approaches comprise estimates of credit risk, market risk and operational risk.

■ Standardized Approach

Under the Standardized approach, we estimate credit risk by classifying all credit exposures and risk positions into pre- defined Basel 3 categories and sub-categories, with stated risk weights for each.

Market risk applies to covered positions that include securities trading, foreign exchange (FX) and commodity

exposures. We calculate the market risk capital according to CBI standards, which are relatively similar to the guidelines set forth by the Basel 3 Simplified Standardized Approach (published January 2019), albeit adjusted with regards to the Iranian economy. For details regarding our market risk capital calculations, see note 54-7-2-2 of the Financial Statements.

We measure operational risk using the new Standardized approach for calculating operational risk capital charge, published by the Basel Committee in December 2017.

Table 10 illustrates the Bank's Risk Weighted Assets under the Basel 3 Standardized approach, as of 20 March 2025.

Table 29. Risk weighted assets under basel 3 standardised approaches as of March 20, 2020 IRR million

Risk and Exposure Type	Exposure Pre-CRM	Exposure Post-CRM	RWA
Sovereigns	56,756,871	56,756,871	-
Banks	274,766,306	274,766,306	151,121,468
Corporates & SMEs	543,464,127	348,517,720	311,114,145
Exposures Covered by Real Estate	5,071,778	3,649,563	729,913
Retail	27,210,490	21,587,061	16,659,661
Specialized Lending	357,725,355	332,642,835	432,435,686
Subordinated debt and equity	572,435	572,435	1,431,088
Other Assets ¹	53,150,977	53,150,977	52,933,103
Defaulted Exposures	62,687,794	26,819,518	-
TOTAL ON BALANCE SHEET EXPOSURES			966,425,063
Guarantees equal to or less than one year	827,621,354	758,427,090	120,137,019
Guarantees with maturity over one year	114,798,238	114,798,238	57,399,119
Letters of Credit (Sight)	25,044,046	19,634,093	2,946,781
Letters of Credit (Usance)	-	-	0
Other Commitments	22,444,931	22,444,931	6,594,071
TOTAL OFF BALANCE SHEET EXPOSURES			187,076,990
Market risk	9,216,799		115,209,988
Operational Risk	7,084,208		88,552,600
TOTAL RISK WEIGHTED ASSETS (RWA)			1,357,264,640

■ Foundation IRB Approach

In addition to the Basel 3 Standardized approach, we voluntarily report our capital position according to the Basel F-IRB approach using empirical models to estimate probability of default.

Our application of the F-IRB approach applies to the

corporate exposure class and specialized lending exposures for all on-and-off balance sheet exposures. Table 39 illustrates the historical default probabilities per risk rating category, and the total exposure to each category as a percentage of the Bank's total corporate loan portfolio.

Table 30. Historical default probabilities and exposure percentages per risk category Percent

Rating	Expected Default Probability	Percentage of Total Corporate Exposures
A	0.5	4.8
BBB	1.0	12.10
BB	2.2	27.10
B	5.5	36.2
CCC	15.0	8.80
C/CC	27.0	0.30
No Rate	15.0	6.30
Individuals	21.0	4.40
Total		100

As of the 20 March 2025, the weighted average rating for the Bank's corporate portfolio was "B". The Bank's F-IRB Capital Adequacy Ratio was 15.44 percent, as illustrated in Table 39.

■ Capital Scenario Stress Testing

We regularly conduct capital scenario stress-tests to better understand our sensitivities to certain economic and business scenarios, including market conditions that are

more severe than anticipated. Capital stress testing helps us develop a comprehensive understanding of potential impacts of on- and off- balance sheet risks and how they impact our financial resiliency.

Table 40 illustrates the impact on the Bank's F-IRB capital adequacy ratio under various credit stress testing scenarios. Credit exposures included in our stress tests include corporates, specialized lending and all rated off-balance sheet commitments.

Table 31. F-IRB stress testing

Percent

Stress Scenarios	Rated BBB and Above	Rated Between BB and B	Rated CCC	Rated C/CC or Unrated	Corporate Portfolio Risk Weight	F-IRB CAR
Base Case ¹	16.9	63.3	9.1	10.7	109.0	15.4
Scenario 1 (mild stress) ²	0.0	16.9	63.3	19.8	130.0	12.9
Scenario 2 (moderate stress) ³	0.0	3.0	30.8	66.2	149.0	11.3
Scenario 3 (severe stress) ⁴	0.0	0.0	16.9	83.1	156.0	10.8

1- Base Case Scenario:

a. Assuming asset composition and risk weights are equivalent to that of Mar. 20, 2020.

2- Stress Scenario 1 (mild stress):

a. Downgrading all rated corporate exposures by three notches.

b. Assuming all exposures rated CCC+ and below become C/CC.

3- Stress Scenario 2 (moderate stress):

a. Downgrading all corporate exposures by six notches.

b. Assuming all exposures rated B+ and below become C/CC.

c. Assuming the all specialized lending exposures deteriorate by one cardinal (in accordance with Basel's supervisory slotting criteria for specialized lending¹)

4- Stress Scenario 3 (severe stress):

a. Downgrading all performing corporate exposures by nine notches.

b. Assuming all exposures rated BB+ and below become C/CC.

c. Assuming the all specialized lending exposures deteriorate by two cardinals (in accordance with Basel's supervisory slotting criteria for specialized lending²)

4-8. Liquidity Risk

■ Overview

Liquidity risk is the risk that the Bank may be unable to meet its cash flow obligations and collateral requirements under various economic conditions, particularly in financial crisis scenarios. This usually occurs due to insufficient amount of High-Quality Liquid Assets ("HQLA") held by the Bank relative to its liabilities, or as a result of maturity mismatches between its assets and liabilities.

Our primary liquidity risk management objective is ensuring the Bank can meet its financial obligations at all times, including during times of economic stress. To

this end, we continuously assess and monitor our liquidity position under expected and stressed market conditions. Our liquidity risk strategy seeks to ensure liquidity-related incentives and risks are properly aligned, and safeguard the Bank's access to a well-diversified and stable funding base. Our liquidity contingency plans outline the Bank's possible responses to various liquidity-related stress scenarios with varying degrees of severity, including emergency funding strategies and communication procedures.

We disclose our liquidity position and liquidity management strategy within the notes of the Financial Statements:

1. According to Basel's slotting criteria for Project Finance, cardinals range from 1 (strong) to 5 (default). Risk weights are 70 percent, 90 percent, 115 percent and 250 percent for cardinals 1 to 4 respectively. If a project is deemed to be in default and assigned a cardinal of 5, the full amount of the exposure should be provisioned for and hence deducted from the Bank's capital.

2. According to Basel's slotting criteria for Project Finance, cardinals range from 1 (strong) to 5 (default). Risk weights are 70 percent, 90 percent, 115 percent and 250 percent for cardinals 1 to 4 respectively. If a project is deemed to be in default and assigned a cardinal of 5, the full amount of the exposure should be provisioned for and hence deducted from the Bank's capital.

- Liquidity ratios table within note 54-4-5-2;
- Asset/liability maturity analysis within note 54-4-5-3;
- Analysis of contractual maturities of financial liabilities within note 54-4-5-4;
- Maturity breakdown of FX liabilities within note 54-4-5-4-2;
- The Bank's liquidity crisis management strategy is explained within note 54-4-6.

Within this section, we focus on the Bank's Liquidity Coverage Ratio ("LCR"), including the composition of our HQLA and funding sources. We conclude our discussion with an overview of the Bank's foreign currency management and liquidity management strategies.

■ LCR Requirements and Disclosures

In November 2010, the Basel committee introduced the liquidity coverage ratio as part of their guidelines to improve banks' ability to withstand temporary stressed liquidity conditions. Accordingly, the CBI, in its capacity as the national banking regulator and supervisory body in Iran, published its framework for calculating LCR on 17 October 2017.

The LCR requires banks to hold sufficient HQLA, consisting of cash and assets that can be easily converted into cash, in

order to meet their projected liquidity needs over a 30-day stress scenario. Implementation of the LCR provides banks a cushion of cash in the event of a financial crisis and allows their national supervisors time to take corrective action to resolve the liquidity crisis in an orderly manner. Expressed as a percentage, the LCR is calculated by dividing the bank's HQLA with the projected net cash outflows over a stressed 30-day timeframe.

As part of the CBI's liquidity framework, Iranian banks were required to maintain a minimum LCR of 60 percent for 2017, gradually increasing by 10 percent per annum to reach 100 percent in 2021. As of 20 March 2025, the CBI's minimum regulatory LCR threshold was 100 percent.

■ Key Components of the LCR

The key components of the Bank's LCR include the amount and composition of HQLA assets, as well as cash inflows and outflows, stemming primarily from changes in deposits, credit facilities and the Bank's securities portfolio. The Bank's LCR was 99.3 percent as of 20 March 2025, as illustrated by Table 41.

Table 32. Key Components of the LCR as of March 20, 2025

	IRR million
	Weighted
High-Quality Liquid Assets	
Level 1 Assets	87,673,404
Level 2A Assets	0
Level 2B Assets	0
Total HQLA	87,673,404
Cash Outflow Amounts	
Retail Deposits	16,234,518
Wholesale Deposits	229,088,805
Other Dues Within 30 Days	0
Other Funding and Commitments	107,732,894
Total Cash Outflow	353,056,217
Cash Inflow Amounts	
Retail and Wholesale Cash Inflows	225,465,986
Cash Inflows from financial institutions ¹	81,497,706
Other Inflows	2,176,580
Total Cash Inflow	309,140,272
HQLA Amount	87,673,404
Total Net Cash Outflow Amount (Incl. 75 percent Cap on Inflows)	88,264,054
LCR	99.3%

■ Composition of HQLA

MEB identifies HQLA in accordance with Basel 3 guidelines, MEB identifies HQLA in accordance with CBI guidelines, which classify HQLA into three groups: Level 1 assets, Level 2A assets and Level 2B assets.

- Level 1 assets include cash, central bank deposits and certain qualifying marketable debt securities issued or guaranteed by sovereigns, central banks and multilateral development banks that are subject to a zero percent risk weight according to CBI's capital adequacy regulations. Such assets qualify to be included in HQLA with zero haircut.
- Level 2A assets are subject to a 15 percent haircut. These include marketable debt securities issued by certain listed companies and public institutions, as well as marketable debt securities issued or guaranteed by sovereigns, central banks and multilateral development banks that are subject to a 20% risk weight according to CBI's capital adequacy regulations.
- Level 2B assets include certain debt securities and publicly traded common equities that do not qualify as Level 2A assets. Such assets are subject to haircuts between 25 percent and 50 percent and may not exceed 15 percent of total HQLA.

For more information regarding the composition of HQLA, see note 54-4 of the Financial Statements.

■ Funding Sources

The Bank funds its assets primarily through retail and wholesale customer deposits. We consider the majority of our deposits to be a stable, low-cost and consistent source of funding. The Finance Department manages the Bank's day-to-day financing needs and may under stressed market conditions resort to fund its liquidity requirements through interbank loans. The Bank's government and corporate bond portfolio acts as a secondary source of funding. The Bank can sell such securities on the secondary market to generate additional liquidity in times of distress. For more information regarding funding sources, see note 54-4-5-1 of the Financial Statements.

■ Foreign Currency Management

Due to the prevailing economic environment in Iran, both our HQLA and net cash outflows are predominantly denominated in IRR.

- For information regarding foreign currency denominated investment deposits, see note 35-1 of the Financial Statements.
- For information regarding changes in foreign currency denominated investment deposits, see note 35-1-4 of the Financial Statements.
- For information regarding maturity breakdown of foreign currency denominated liabilities, see note 54-4-5-4-2 of the Financial Statements.
- For information regarding the status of foreign currency denominated assets and liabilities, see note 54-5-5 of the Financial Statements.

■ Liquidity Risk Management

We take a comprehensive approach to liquidity management to ensure the Bank can sustain higher-than-expected net cash outflows, even under stressed conditions. The Finance Department monitors and manages the Bank's liquidity position on a day-to-day basis, whilst our ALCO committee governs liquidity risk as a whole. The committee members meet on a weekly basis to update senior management and provide recommendations on liquidity related matters, including changes in our liquidity gap and LCR. Our liquidity risk framework comprises a cohesive set of policies and practices, as well as valuation procedures and stress-testing models maintained by the Risk Management Department.

In addition to the LCR, the Bank employs a number of other quantitative indicators to manage its liquidity risk and determine its optimal asset-liability structure, including:

1. Cash inflows, outflows and liquidity gap changes;
2. Loan-to-deposits ratio;
3. Net open foreign currency positions;
4. Regulatory foreign currency limits;
5. List of funding sources;
6. Breakdown of top 100 depositor

For more information on the Bank's various liquidity ratios, see the "Liquidity ratios" table within note 53-4-5-2 of the Financial Statements.

■ Liquidity Stress Testing and Contingency Planning

We use liquidity stress testing to assist us in determining the appropriate amounts of liquidity to maintain throughout

the year. As part of our liquidity stress testing process, we analyse potential contractual and contingent cash outflows. We evaluate our Bank's liquidity positions and requirements under a range of scenarios under different time horizons and with varying levels of severity. Our liquidity scenarios incorporate market-wide and bank-specific events and are

based on our historical experience, experience of failed financial institutions and regulatory guidance. Our liquidity contingency plans outline the Bank's possible responses to various liquidity-related stress scenarios with varying degrees of severity, including emergency funding strategies and communication procedures.

4-9. Internal Audit Department

Based on the latest corporate governance guidelines of the Basel Committee published in 2015, internal audit is identified as one of the 13 principles of corporate governance. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It assists a bank in achieving its goals by providing a structured and systematic approach to evaluating and enhancing the effectiveness of governance processes, risk management, and internal controls.

Internal audit activities can be summarized in the following areas: evaluating performance, ensuring the adequacy and effectiveness of the internal control system, reviewing the financial reporting process to ensure the quality and accuracy of reliable, relevant, useful and transparent financial information for decision-making, ensuring accountability in corporate governance, and preventing, detecting, and correcting issues that impact the quality and accuracy of reports, particularly financial statements.

The Internal Audit Department of Middle East Bank was established in 2012 under the direct supervision of the Board of Directors of the Bank. Following the formation of the Audit Committee in 2013, this Department began to operate under its oversight. In 2018, inspection processes were separated from the Internal Audit Department, and the Inspection, Internal Audit, and Internal Controls Management units were established at Middle East Bank to enhance the Bank's corporate governance system.

Additionally, in 2024, the name of the unit "Internal Audit and Controls Department" was changed to "Internal Audit Department". In 2024, the Internal Audit Department acted in line with its approved plan.

**AUDITOR'S REPORT &
AUDITED FINANCIAL STATEMENTS**

5





Dash & Co.

Iranian Certified Public Accountants
#24, 3rd west Alley, Shahid Norooz poor St,
Panjtan Ave. Northern Sardaar Jungle Ave.,
Upper than Shahid Abshenasan Hwy,
Tehran-Iran
Tel: +98 21 44846601-10
Email: Info@Dashiacpa.com

***Independent Auditor's and Legal Inspector's Report
To the Annual General Meeting of
Middle East Bank (Public.J.S.CO)***

Audit report of financial statements

Qualified Opinion

1- We have audited the consolidated and separate financial statements of **Middle East Bank (Public.J.S.CO)** -"the Bank"-which comprise the statements of financial position as of March 20, 2025, the statements of profit or loss, comprehensive income, changes in equity, and cash flows for the fiscal year then ended and explanatory notes 1 to 60 to the financial statements.

In our opinion, except for the effects of the matters set out in the Paragraph 2 of the Basis for qualified opinion section, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and "the Bank" as of March 20, 2025, and the financial performance and cash flows of the Group and "the Bank" for the financial year then ended, in accordance with accounting standards.

Basis for Qualified Opinion

2- As disclosed in explanatory note 38, the income tax of the "Bank", up to the end of the fiscal year ended March 2019 (except for the fiscal year March 2017), while following the tax proceedings for income tax of the fiscal years 2016, 2018 and 2019, has been finalized and settled with the relevant authorities.

Furthermore, the income tax claimed by the Tax Affairs Organization for the performance of the " Bank" for the fiscal years March 2017 and March 2020 to March 2024, amounts to IRR 12.856 billion more than amounts paid and reserves included in the accounts (mainly due to disagreements regarding the sharing of specific and general costs, currency exchange rates, exemptions resulting from capital increases from retained earnings, applicable tax rates, etc.) for the aforementioned fiscal years. However, the " Bank" has deemed the tax provisions recorded in the accounts sufficient, given the objections raised regarding the bases and calculations of the tax demanded as well as the submitted petitions.

In addition, provision included in the accounts for the tax on the performance of the " Bank" for the fiscal year under review, based on the declared profit and considering the zero tax rate for that portion of the profit amounting to IRR 45.000 billion, that will be used for capital increase in the next fiscal year ended March 2026 and in compliance with the governing requirements and regulations in this respect (Tax exemption benefits for capital increase from undistributed profits for the year ended March 2025, subject of paragraph S, article 14, chapter 4 of the "Finance, Production and Infrastructures Act", approved by the Islamic Consultative Assembly on March 12, 2024).

In light of the above, the deficit in tax reserves recognized in the accounts is evident, and therefore any necessary adjustment to the accounts upon final rulings by the tax authorities on the reported financial statements will result in a decrease in the consolidated and separate retained earnings of the "Bank" at the beginning of the year.



Dash & Co.

Iranian Certified Public Accountants
 #24, 3rd west Alley, Shahid Norooz poor St.
 Panjtan Ave. Northern Sardaar Jungle Ave.,
 Upper than Shahid Abshenasan Hwy,
 Tehran-Iran
 Tel: +98 21 44846601-10
 Email: Info@Dashiaepa.com

3- We conducted our audit in accordance with auditing standards. Our responsibilities under those standards are described in the section on Auditor's Responsibilities and Legal Review in the Audit of Financial Statements.

We are independent of the Group in accordance with the ethical requirements of the Code of Professional Conduct of the Iranian Certified Public Accountants and has fulfilled its other ethical responsibilities in accordance with those requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide the basis for a qualified opinion.

Key Audit Matters

4- Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion. In addition to the item stated in paragraph 2 of the basis for the qualified opinion section, the following matter has been identified as a key audit matter to be communicated in the auditor's report:

Key Audit Matter	How the matters were addressed
<p>Classification and recognition of loan loss provisions and receivables: The amounts of general and specific provisions for loans and receivables as of March 20, 2025 are IRR 14,368 billion and IRR 16,608 billion, respectively, which is disclosed in Explanatory Note 19, have been audited.</p> <p>As stated in Explanatory Notes 7-8 and 7-9 to the financial statements, the classification and recognition of provisions for granted loans and receivables have been carried out in accordance with the directives of the Central Bank of the Islamic Republic of Iran. Full implementation of these directives, considering the relative complexity of related calculations, requires taking into account factors such as time, the financial position of customers, industry or field of activity, as well as the valuation of collateral (based on adjustments for the general level of prices and/or valuation reports by</p>	<p>The audit procedures for evaluating the accuracy of the approach taken and the calculations in identifying and measuring the general and specific provisions for the "Bank's" loans and receivables included, but were not limited to, the following:</p> <p>1-Understanding the process of classification and recognition of provisions for granted loans and receivables, and the internal controls overseeing it.</p> <p>2-Verifying the accuracy of classifications and calculations performed based on relevant components, in accordance with the applicable instructions.</p> <p>3-Assessing the method and accuracy of allocating the value of joint collaterals.</p> <p>4-Tracing and sample based-checking the "appraised value of collaterals" with the "expert reports."</p>




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official experts, founded on their assumptions, pricing models, and judgments).

Given the above, any changes in the components underlying the estimation of provisions may lead to significant adjustments in the calculated provisions. Accordingly, this matter has been identified as a Key Audit Matter.

5-Evaluating the impact of confirmations letter received from the "Bank's" legal counsel and related legal cases on the classification of granted facilities, receivables, and the related provisions.

6-Reviewing "facilities" from the perspective of "changes in classifications."

Emphasis of Matter

- 5- Draw the attention of the General Assembly of Shareholders to the contents of explanatory notes 3-26 and 7-38, respectively, regarding the "Status of extension of contracts of loans granted to companies introduced by the National Iranian Oil Company from foreign currency deposits resources of the "National Development Fund" And the method of identifying the "bank's" profit share; and "the bank's objection to the tax demanded with the subject matter of "the law of leap in Housing production" for the years from March 2023 to March 2025", considering ambiguities in the validity of the tax claim bases raised against the Bank.

The provisions of this paragraph did not affect our opinion.

Other matter

- 6- This report is a translation of the Farsi version of the audit report and has been prepared for uploading on the Bank's website.
- 7- The consolidated and separate financial statements of the Bank for the year ended March 19, 2024 were audited by another auditor, who issued a qualified opinion report in it's report dated July 6, 2024.

Responsibilities of the Board of Directors for the Financial Statements

- 8- The Board of Directors is responsible for preparation and fair presentation of the consolidated and separate financial statement in accordance with accounting standard and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements of the Bank, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is either an intention to liquidate the Bank or to cease operations, or there is no realistic alternative but to do so.

**Dash & Co.**

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 #24, 3rd west Alley, Shahid Norooz poor St.
 Panjtan Ave. Northern Sardaar Jungle Ave.,
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Auditor and legal inspector's Responsibilities for the audit of Financial Statements

9- Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but even by performing an audit in accordance with auditing standards, all material misstatements, if any, may not be detected. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ❖ Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and bank's internal control.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ❖ Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank or the group to cease to continue as a going concern.
- ❖ Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- ❖ Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the business activities within the entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.



Dash & Co.

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Meanwhile, the timing and the planned scope of the audit and the major findings of the audit, including the important weaknesses of the internal controls that have been identified during the audit, are communicated to those charged with governance.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safe guards.

From the matters communicated to management, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such a communication. In addition, we are responsible as legal inspector of the bank to report any non-compliance with requirements of the Amendment of the Commercial Code and Articles of Association of the bank to the ordinary annual meeting of shareholders.

Report on Other Legal and Regulatory Requirements

Report on Other Duties of Legal Inspector

- 10- The cases of non-compliance with the legal requirements stipulated in the "Amendment of the Commercial Code" and the Articles of Association of the "Bank" are as follows:
- 10-1-The provisions of the Note to Article 58 and Articles 130 and 132 of the "Articles of Association", concerning respectively: "In addition to electing the main members of the Board of Directors, the General Assembly must elect two other individuals as alternate members of the Board of Directors" ("The Bank" has one alternate member) "Compliance with the rules and regulations imposed by the Central Bank".
- 10-2-The Bank's follow-up to carry out the tasks stipulated in the Annual General Meeting of Shareholders dated July 19, 2024, regarding the matters mentioned in paragraphs 2 and 13 of this report, have not reached a final conclusion.
- 11- The transactions included in explanatory note 56 have been reviewed as all transactions covered by Article 129 of the Commercial Code Amendment that were carried out during the fiscal year and were notified to this institution by the Board of Directors. The aforementioned transactions were carried out in compliance with the procedures stipulated in the mentioned legal article regarding obtaining permission from the Board of Directors and the non-participation of the interested director in the voting process. This institution has not come to its attention any evidence indicating that the transactions in question were not conducted on proper commercial terms and in the normal course of the Bank's operations.

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12- We have reviewed the Board of Director's report on bank activity and general status, the subject of Article 232 of the Amendment to the Commercial Code, which was prepared for submission to the Ordinary General Meeting of Shareholders, has been reviewed by us. Based on the investigations carried out, we have not been drawn to any significant matter that indicates a discrepancy between the information contained in the aforementioned report and the documents and evidence provided by the Board of Directors.

Report on Other Legal and Regulatory Requirements

- 13- Regarding the rules and regulations issued by the Securities and Exchange Organization (SEO), the provisions of Clause 10-2 and note 5 of Article 7 of "**The Executive Instructions on Disclosure of Information by Listed Companies**" registered with the Securities and Exchange Organization, the subject of "Auditing Interim Financial Statements of Subsidiaries (One Case) and Timely Disclosure of Audited Financial Statements of Subsidiaries" And the provisions of Notes 1, 2 and 6 of Article 14 of "**The Corporate Governance Guidelines for Listed Companies**", Registered with the Securities and Exchange Organization, concerning respectively, "The number of committee members must be 3 or 5 (Audit Committee has 4 members)", "The majority of committee members must be independent non-board members (Risk and Compliance Committee)", and "No individual may simultaneously serve on more than three committees of listed companies registered with the organization or financial institutions (one of the members of the Risk Committee)", respectively, have not been complied with.
- 14- The Bank's internal controls over financial reporting as of March 20, 2025 have been reviewed in accordance with the requirements of the Securities and Exchange Organization (SEO). Based on the review conducted and considering the inherent limitations of internal controls, This institution's opinion has not addressed any significant issue that indicates the existence of weaknesses in the internal controls governing financial reporting (with the exception of the provisions of Article 10 of the Internal Controls Directive approved by the SEO: "The number of members of the Audit Committee must comply the requirements of the SEO), as defined under chapter two of the aforementioned directive.
- 15- In compliance with the provisions of Article 41 of "The Corporate Governance Guidelines", the payments of the "Bank" charitable contributions and social responsibilities disclosed in the "Board of Directors' Activity" and "Management Interpretation" reports have been reviewed us. In this regard, the opinion of this institution has not been drawn to any noteworthy point.
- 16- In compliance with the provisions of Article 17 of "**The Disciplinary Instructions for Firms Listed on the Tehran Stock Exchange**" regarding the "Forecast of Dividend Amount" and the provisions of Article 18 of this guideline, as well as the requirements of Articles 90 and 240 of the "Amended Commercial Code", The attention of the Ordinary General Assembly of Shareholders is drawn to the contents of Explanatory Note 38, regarding "the application of a zero tax rate on that portion of the profit of the year ended March 2025 in the amount of IRR 45,000 billion, which will be used for capital increase during the year ended March 2026".."

**Dash & Co.**

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17- Regarding the process of calculating the membership fee of the "Deposit Guarantee Fund". we have not encountered any case indicating non-compliance with the provisions of the "Regulations on the Amount and Method of Collecting Membership Fees in the Deposit Guarantee Fund" and the "Guidelines on the Method of Calculating and Paying Annual Membership Fees for Credit Institutions for the year ended March 2025".

It is remarkable that a separate report on the subject of the provisions of Article 21 of the aforementioned regulations will be sent to the said "Fund".

18- Cases of non-compliance with the instructions and circulars of the Central Bank of the Islamic Republic of Iran in the fiscal year under report shall be notified to the Central Bank in a separate letter.

19- In implementing the provisions of Article 4 of the Executive Procedure for Auditors in Evaluating the Implementation of Anti-Money Laundering and Terrorist Financing Regulations in Commercial Companies and Non-Commercial Institutions, the subject of Article 46 of the Executive Regulations of Article 14 of the Anti-Money Laundering Law, compliance with the provisions of the law and the aforementioned regulations within the framework of the checklists notified by the relevant authority and auditing standards. It has been evaluated by this institution and no cases of non-compliance were observed

Tehran: July 02, 2025

Dash & Co.

Iranian Certified Public Accountants
 S.H.Arab zadeh A.Eslami Ganzagh

S.H. Arab Zadeh



MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED MARCH 20, 2025

IRR million

Description	Note	March 20, 2025	March 19, 2024 (Revised)
Interest income on credit facilities granted	9	144,685,859	94,947,200
Interest income on deposit in banks and non-bank credit institutions	10	11,625,900	7,439,932
Income from investments in debt securities	11	8,400,928	5,277,735
Income (loss) from investments in share and other securities	12	-	-
Interest on statutory deposit	13	837,105	462,996
Total operating income		165,549,792	108,127,863
Interest expense on deposits	14	(112,928,869)	(68,264,714)
Gross profit (loss)		52,620,923	39,863,149
Fees and commission income	15	19,264,243	10,809,401
Fees and commission expense	16	(902,839)	(662,476)
Net foreign exchange transactions income	17	13,890,800	10,048,542
Administrative and general expenses	18	(17,414,546)	(11,485,770)
Provision for bad and doubtful debts	19	(17,504,528)	(4,674,726)
Other operating income	20	34,538,644	14,931,462
		31,871,774	18,966,433
Net operating profit (loss)		84,492,697	58,829,582
Income (loss) from investments in non-banking activities	21	709,895	535,251
Other non-operating income	22	149,625	1,867
Profit before tax		85,352,217	59,366,700
Income tax	38	(6,314,659)	(4,878,817)
Net Profit		79,037,558	54,487,883
Profit attributable to:			
Shareholders of the parent company		78,941,614	54,371,831
Non-controlling interests		95,944	116,052
		79,037,558	54,487,883
EPS (Rials)			
Operating EPS (Rials)		1,045	720
Non-operating EPS (Rials)		11	7
Basic EPS (Rials)	23	1,056	727

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 20, 2025

Description	Note	IRR million	
		March 20, 2025	March 19, 2024
Net Profit		<u>79,037,558</u>	<u>54,487,883</u>
Other comprehensive income			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operations	44	3,070,956	1,379,750
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		<u>3,070,956</u>	<u>1,379,750</u>
Total comprehensive income		<u>82,108,514</u>	<u>55,867,633</u>
Total comprehensive income attributable to:			
Shareholders of the parent company		82,012,570	55,751,581
Non-controlling interests		95,944	116,052
		<u>82,108,514</u>	<u>55,867,633</u>

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 20, 2025

IRR million

Description	– Note	(Revised)		(Revised)
		March 20, 2025	March 19, 2024	March 21, 2023
Assets:				
Cash	24	265,423,774	131,741,331	77,137,308
Due from banks and non-bank credit institutions	25	122,289,111	77,332,396	40,952,463
Credit facilities granted to non-governmental entities	26	964,030,355	694,846,734	495,730,754
Due from subsidiaries and associates	27	-	-	828
Other accounts receivable	28	5,961,043	4,630,114	7,653,661
Investments in share and other securities	29	60,037,617	33,310,793	20,875,075
Non-current assets held for sale	30	1,430,984	425,591	686,106
Property, plant and equipment	31	29,706,485	22,513,407	7,300,511
Intangible assets	32	217,874	177,124	229,810
Statutory deposit	33	84,365,982	60,377,564	42,702,374
Other assets	34	15,834,591	15,549,302	3,953,536
Total assets		1,549,297,816	1,040,904,356	697,222,428
Liabilities and shareholders' equity:				
Liabilities:				
Customers' deposits	35	1,212,795,223	729,821,153	529,592,699
Due to banks and non-bank credit institutions	36	41,742,798	86,117,331	37,051,386
Dividends payable	37	182,440	80,097	61,074
Income tax provision	38	10,668,123	9,464,253	6,741,026
Other liabilities and accruals	39	86,528,656	85,645,877	43,306,343
Staff termination benefits	40	1,670,757	1,063,305	691,061
Total liabilities		1,353,587,997	912,192,016	617,443,588
Shareholders' equity:				
Share capital	41	75,000,000	50,000,000	35,000,000
Legal reserve	42	33,078,665	21,367,901	13,599,037
Other reserves	43	259,793	291,131	197,461
Foreign exchange translation differences for foreign operations	44	6,710,946	3,639,990	2,260,240
Retained earnings		80,417,718	53,149,881	28,677,405
Shares owned by market maker fund (Treasury shares)	45	(555,690)	(435,296)	(494,729)
Premium of the shares owned by market maker fund (Treasury shares premium)	46	200,776	153,915	72,481
Total equity attributable to shareholders of the parent company		195,112,208	128,167,522	79,311,895
Non-controlling interests		597,611	544,818	466,944
Total shareholders' equity		195,709,819	128,712,340	79,778,839
Total liabilities and shareholders' equity		1,549,297,816	1,040,904,356	697,222,428
Letters of credit	50-1	25,044,046	23,244,182	22,738,577
Issued guarantees	50-2	827,621,354	479,660,314	245,163,937
Other commitments	50-3	129,296,830	87,859,093	19,262,644
Managed funds	50-4	7,946,339	885,600	-

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 20, 2025

		March 20, 2025							IPR million			
Description	Note	Share capital	Capital increase in progress	Legal reserve	Other reserves	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares premium)	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Revised Balance at March 20, 2024		50,000,000	-	21,367,901	291,131	3,639,990	53,149,881	(435,296)	153,915	128,167,522	544,818	128,712,340
Net profit for the year ended March 20, 2025		-	-	-	-	-	78,941,614	-	-	78,941,614	95,944	79,037,558
Foreign exchange translation differences for foreign operation	44	-	-	-	-	3,070,956	-	-	-	3,070,956	-	3,070,956
Total comprehensive income		-	-	-	-	3,070,956	78,941,614	-	-	82,012,570	95,944	82,108,514
Share capital increase-Registered		25,000,000	(25,000,000)	-	-	-	-	-	-	-	-	-
Capital increase in progress		-	25,000,000	-	-	-	(25,000,000)	-	-	-	-	-
Purchase of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	-	(132,014)	-	(132,014)	-	(132,014)
Sale of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	-	11,620	-	11,620	-	11,620
Profit from the sale of shares owned by market maker fund (Treasury shares)	46	-	-	-	-	-	-	-	46,861	46,861	-	46,861
Legal reserve	42	-	-	11,710,764	-	-	(11,715,561)	-	-	(4,797)	4,796	(1)
Other reserves	43	-	-	-	(31,338)	-	41,784	-	-	10,446	(10,446)	-
Dividends	37	-	-	-	-	-	(15,000,000)	-	-	(15,000,000)	(37,500)	(15,037,501)
Total		25,000,000	-	11,710,764	(31,338)	-	(51,673,777)	(120,394)	46,861	(15,067,884)	(43,150)	(15,111,035)
Balance at March 20, 2025		75,000,000	-	33,078,665	259,793	6,710,946	80,417,718	(555,690)	200,776	195,112,208	597,611	195,709,819

The accompanying notes are an integral part of these financial statements.

Continued on next page

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 20, 2025

											IRR million	
											March 19, 2024	
Description	Note	Share capital	Capital increase in progress	Legal reserve	Other reserves	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares premium)	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Balance at March 21, 2023		35,000,000	-	13,599,037	197,461	2,260,240	32,904,530	(494,729)	72,481	83,539,020	466,944	84,005,964
Prior years adjustments (correction of error)	47	-	-	-	-	-	(4,227,125)	-	-	(4,227,125)	-	(4,227,125)
Revised Balance at March 21, 2023		35,000,000	-	13,599,037	197,461	2,260,240	28,677,405	(494,729)	72,481	79,311,895	466,944	79,778,839
Net profit for the year ended March 19, 2024		-	-	-	-	-	54,371,831	-	-	54,371,831	116,052	54,487,883
Foreign exchange translation differences for foreign operation	44	-	-	-	-	1,379,750	-	-	-	1,379,750	-	1,379,750
Total comprehensive income		-	-	-	-	1,379,750	54,371,831	-	-	55,751,581	116,052	55,867,633
Share capital increase-Registered		15,000,000	(15,000,000)	-	-	-	-	-	-	-	-	-
Capital increase in progress		-	15,000,000	-	-	-	(15,000,000)	-	-	-	-	-
Purchase of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	-	(167,736)	-	(167,736)	-	(167,736)
Sale of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	-	227,169	-	227,169	-	227,169
Profit from the sale of shares owned by market maker fund (Treasury shares)	46	-	-	-	-	-	-	-	81,434	81,434	-	81,434
Legal reserve	42	-	-	7,768,864	-	-	(7,774,463)	-	-	(5,599)	5,599	-
Other reserves	43	-	-	-	93,670	-	(124,893)	-	-	(31,223)	31,223	-
Dividends	37	-	-	-	-	-	(7,000,000)	-	-	(7,000,000)	(75,000)	(7,075,000)
Total		15,000,000	-	7,768,864	93,670	-	(29,899,356)	59,433	81,434	(6,895,955)	(38,178)	(6,934,133)
Balance at March 19, 2024		50,000,000	-	21,367,901	291,131	3,639,990	53,149,881	(435,296)	153,915	128,167,522	544,818	128,712,340

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 20, 2025

		IRR million	
Description	Note	March 20, 2025	March 19, 2024
Operating activities:			
Cash inflows(outflows)from operating activities	48	146,705,404	69,761,809
Paid tax		(5,110,789)	(2,157,524)
Net Cash inflows(outflows)from operating activities		141,594,615	67,604,285
Investing activities:			
Acquisition of fixed assets		(8,332,621)	(15,830,822)
Disposal of fixed assets		-	-
Acquisition of intangible assets		(235,379)	(361,680)
Disposal of non-banking investments		167,861	239,074
Disposal of non-current assets held for sale		149,625	-
Dividends received from non-banking investments		47,394	284,750
Interest received from other non-banking investments		134,668	11,442
Net cash inflow from investing activities		(8,068,452)	(15,657,237)
Net cash inflow before financing activities		133,526,163	51,947,049
Financing activities:			
Capital increase		-	-
Proceeds from sale of shares owned by market maker fund (Treasury shares)		58,481	308,603
Acquisition of shares owned by market maker fund (Treasury shares)		(132,014)	(167,735)
Dividends paid		(14,935,156)	(7,055,975)
Net cash inflow(outflow) from financing activities		(15,008,689)	(6,915,108)
Net increase (decrease) in cash		118,517,474	45,031,941
Cash at beginning of the year		131,741,331	77,137,307
Effect of exchange rate on cash		15,164,969	9,572,083
Cash at end of the year		265,423,774	131,741,331
Non-cash transactions	49	1,128,917	159,485
More information about the cash flows resulting from the interest:			
Interest on credit facilities granted		135,457,107	81,871,736
Interest on deposit in banks and financial institutions		12,590,829	7,826,620
Interest expense of investment deposits		(96,903,681)	(48,064,173)
Dividends		47,394	284,750

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
STATEMENT OF PROFIT OR LOSS
YEAR ENDED MARCH 20, 2025

IRR million

Description	Note	March 20, 2025	March 19, 2024
			(Revised)
Interest income on credit facilities granted	9	144,685,859	94,947,200
Interest income on deposit in banks and non-bank credit institutions	10	11,620,308	7,434,407
Income from investments in debt securities	11	8,400,928	5,277,734
Income (loss) from investments in share and other securities	12	2,669,987	-
Interest on statutory deposit	13	837,105	462,996
Total operating income		168,214,187	108,122,337
Interest expense on deposits	14	(112,177,755)	(67,509,963)
Gross profit (loss)		56,036,432	40,612,374
Fees and commission income	15	17,578,087	9,169,306
Fees and commission expense	16	(902,839)	(662,476)
Net foreign exchange transactions income	17	11,176,961	6,815,277
Administrative and general expenses	18	(15,955,988)	(10,129,812)
Provision for bad and doubtful debts	19	(17,514,726)	(4,676,086)
Other operating income	20	31,328,066	14,532,975
		25,709,561	15,049,184
Net operating profit (loss)		81,745,993	55,661,558
Income (loss) from investments in non-banking activities	21	192,592	73,843
Other non-operating income	22	149,677	1,234
Profit before tax		82,088,262	55,736,635
Income tax	38	(5,134,962)	(4,061,610)
Net Profit		76,953,300	51,675,025
EPS (Rials)			
Operating EPS (Rials)		1,024	689
Non-operating EPS (Rials)		5	1
Basic EPS (Rials)	23	1,029	690

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 20, 2025

Description	Note	IRR million	
		March 20, 2025	March 19, 2024
Net Profit		<u>76,953,300</u>	<u>51,675,025</u>
Other comprehensive income			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operations	44	3,070,956	1,379,750
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		<u>3,070,956</u>	<u>1,379,750</u>
Total comprehensive income		<u>80,024,256</u>	<u>53,054,775</u>

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 20, 2025

IRR million

Description	Note	March 20, 2025	March 19, 2024	March 21, 2023
			(Revised)	(Revised)
Assets:				
Cash	24	158,699,802	74,565,147	56,172,739
Due from banks and non-bank credit institutions	25	159,233,719	99,499,500	43,586,449
Credit facilities granted to non-governmental entities	26	964,308,235	695,636,615	496,225,974
Due from subsidiaries and associates	27	1,959,323	800,322	1,007,507
Other accounts receivable	28	1,990,246	928,653	2,329,507
Investments in share and other securities	29	59,951,152	32,171,135	20,645,834
Non-current assets held for sale	30	1,430,984	425,591	686,106
Property, plant and equipment	31	28,464,051	21,249,042	6,116,967
Intangible assets	32	199,913	168,180	227,851
Statutory deposit	33	84,365,982	60,377,564	42,702,374
Other assets	34	15,611,022	14,841,420	3,887,432
Total assets		1,476,214,429	1,000,663,169	673,588,740
Liabilities and shareholders' equity				
Liabilities:				
Customers' deposits	35	1,175,638,177	733,144,857	532,203,488
Due to banks and non-bank credit institutions	36	39,217,798	83,876,261	34,406,871
Dividends payable	37	182,440	80,097	61,074
Income tax provision	38	9,611,396	8,647,047	6,105,027
Other liabilities and accruals	39	62,635,155	51,478,414	23,911,990
Staff termination benefits	40	1,511,514	969,267	628,706
Total liabilities		1,288,796,480	878,195,943	597,317,156
Shareholders' equity:				
Share capital	41	75,000,000	50,000,000	35,000,000
Legal reserve	42	32,802,142	21,259,146	13,507,891
Foreign exchange translation differences for foreign operations	44	6,710,946	3,639,990	2,260,240
Retained earnings		73,259,775	47,849,471	25,925,701
Shares owned by market maker fund (Treasury shares)	45	(555,690)	(435,296)	(494,729)
Premium of the shares owned by market maker fund (Treasury shares premium)	46	200,776	153,915	72,481
Total shareholders' equity		187,417,949	122,467,226	76,271,584
Total liabilities and shareholders' equity		1,476,214,429	1,000,663,169	673,588,740
Letters of credit	50-1	25,044,046	23,244,182	22,738,577
Issued guarantees	50-2	827,621,354	479,660,314	245,163,937
Other commitments	50-3	129,296,830	87,859,093	19,262,644
Managed funds	50-4	7,946,339	885,600	-

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 20, 2025

Description	Note	Year ended March 20, 2025							IRR million
		Share capital	Capital increase in progress	Legal reserve	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares premium)	
Revised Balance at March 20, 2024		50,000,000	-	21,259,146	3,639,990	47,849,471	(435,296)	153,915	122,467,226
Net profit for the year ended March 20, 2025		-	-	-	-	76,953,300	-	-	76,953,300
Foreign exchange translation differences for foreign operation	44	-	-	-	3,070,956	-	-	-	3,070,956
Total comprehensive income		-	-	-	3,070,956	76,953,300	-	-	80,024,256
Share Capital increase-Registered		25,000,000	(25,000,000)	-	-	-	-	-	-
Capital increase in progress		-	25,000,000	-	-	(25,000,000)	-	-	-
Purchase of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	(132,014)	-	(132,014)
Sale of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	11,620	-	11,620
Profit from the sale of shares owned by market maker fund (Treasury shares)	46	-	-	-	-	-	-	46,861	46,861
Legal reserve	42	-	-	11,542,996	-	(11,542,996)	-	-	-
Other reserves	43	-	-	-	-	-	-	-	-
Dividends	37	-	-	-	-	(15,000,000)	-	-	(15,000,000)
Total		25,000,000	-	11,542,996	-	(51,542,996)	(120,394)	46,861	(15,073,533)
Balance at March 20, 2025		75,000,000	-	32,802,142	6,710,946	73,259,775	(555,690)	200,776	187,417,949

The accompanying notes are an integral part of these financial statements.

Continued on next page

MIDDLE EAST BANK (PJSC)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 20, 2025

		March 19, 2024						IRR million	
Description	Note	Share capital	Capital increase in process	Legal reserve	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares premium)	Total equity
Balance at March 21, 2023		35,000,000	-	13,507,891	2,260,240	30,154,763	(494,729)	72,481	80,500,646
Prior years adjustments (correction of error)	47	-	-	-	-	(4,229,062)	-	-	(4,229,062)
Revised Balance at March 21, 2023		35,000,000	-	13,507,891	2,260,240	25,925,701	(494,729)	72,481	76,271,584
Net profit for the year ended March 19, 2024		-	-	-	-	51,675,025	-	-	51,675,025
Foreign exchange translation differences for foreign operation	44	-	-	-	1,379,750	-	-	-	1,379,750
Total comprehensive income		-	-	-	1,379,750	51,675,025	-	-	53,054,775
Share Capital increase-Registered		15,000,000	(15,000,000)	-	-	-	-	-	-
Share Capital increase in progress		-	15,000,000	-	-	(15,000,000)	-	-	-
Purchase of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	(167,736)	-	(167,736)
Sale of shares owned by market maker fund (Treasury shares)	45	-	-	-	-	-	227,169	-	227,169
Profit from the sale of shares owned by market maker fund (Treasury shares)	46	-	-	-	-	-	-	81,434	81,434
Legal reserve	42	-	-	7,751,255	-	(7,751,255)	-	-	-
Other reserves	43	-	-	-	-	-	-	-	-
Dividends	37	-	-	-	-	(7,000,000)	-	-	(7,000,000)
Total		15,000,000	-	7,751,255	-	(29,751,255)	59,433	81,434	(6,859,133)
Balance at March 19, 2024		50,000,000	-	21,259,146	3,639,990	47,849,471	(435,296)	153,915	122,467,226

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 20, 2025

IRR million

Description	Note	March 20, 2025	March 19, 2024
Operating activities:			
Cash inflows(outflows)from operating activities	48	96,317,582	32,920,363
Paid tax		(4,170,614)	(1,519,588)
Net Cash inflows(outflows)from operating activities		92,146,968	31,400,775
Investing activities:			
Acquisition of tangible assets		(8,298,654)	(15,713,356)
Disposal of tangible assets		-	-
Acquisition of intangible assets		(219,705)	(100,829)
Disposal of non-current assets held for sale		149,677	-
Dividends received from non-banking investments		162,593	73,843
Net cash inflow(outflow) from investing activities		(8,206,089)	(15,740,342)
Net cash inflow(outflow) before financing activities		83,940,879	15,660,433
Financing activities:			
Proceeds from sale of shares owned by market maker fund (Treasury shares)		58,478	308,603
Acquisition of shares owned by market maker fund (Treasury shares)		(132,014)	(167,735)
Dividends paid		(14,897,657)	(6,980,976)
Net cash inflow(outflow) from financing activities		(14,971,193)	(6,840,108)
Net increase (decrease) in cash		68,969,686	8,820,325
Cash at beginning of the year		74,565,147	56,172,739
Effect of exchange rate on cash		15,164,969	9,572,083
Cash at end of the year		158,699,802	74,565,147
Non-cash transactions	49	1,128,917	159,485
More information about the cash flows resulting from the interest:			
Interest on credit facilities granted		135,987,246	82,038,209
Interest on deposit in banks and financial institutions		12,435,359	7,821,095
Interest expense of investment deposits		(96,152,567)	(47,287,816)
Dividends		162,592	73,843

The accompanying notes are an integral part of these financial statements.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

1. Introduction

1-1. Background

The group comprises Middle East Bank (Public Joint Stock Company) and its subsidiary companies. Middle East Bank (Public Joint Stock Company) - ("the Bank") was established with the permit of the Central Bank of Iran ("CBI") under license number 91/184904 in October 2012 and registered with the Tehran Registrar of Companies under registration number 430795 and National ID number 10320826196 in the same month. The Bank's operation license as a commercial bank was issued by the CBI on 1st November 2012. The stock of the Bank was registered with the OTC on 5th December 2012, and on 16th March 2015, it was listed as the four hundred and ninety-first company admitted to the secondary market of the Tehran Stock Exchange (TSE). As of 18th September 2024, the Bank's shares have been listed and traded on the secondary board of the first market of the TSE. The Bank's Head Office is located at No. 2, 5th St, Ahmad Qasir (Bucharest) Ave, Tehran, Iran.

1-2. Bank's main activity

The Bank's main activities, as stipulated in Article No. 3 of its Articles of Association, encompass banking operations within the framework of the country's monetary and banking regulations. Additionally, its subsidiaries mainly engage in banking fields such as leasing, foreign exchange, computer software design and development, brokerage, and maintenance services for developed software.

1-3. Number of branches

The number of the Bank's branches at the year end is as follows:

	March 20, 2025		March 19, 2024	
	End of the year/ period	Average*	End of the year/ period	Average*
Tehran branches	12	12	12	12
Other provinces' branches	5	5	5	5
Overseas Branches	1	1	1	1
	18	18	18	18

*Average means the monthly average during the reporting year

1-4. Employees

The number of employees is as follows:

	Consolidated and Parent Co.			
	March 20, 2025		March 19, 2024	
	End of the period	Average*	End of the period	Average*
Head office	588	556	522	486
Tehran branches	162	155	150	148
Other provinces' branches	58	55	54	54
Overseas Branches	12	12	11	11
Bank's employees	820	778	737	699
Contracting services	291	271	252	251
Group companies	96	102	107	117
Total	1207	1151	1096	1067

1-4-1. The increase in the number of employees in March 2025 compared to the previous year was undertaken to meet the Bank's staffing requirements.

*Average means the monthly average during the reporting year

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

2. New and amended accounting standards

2-1. The significant effects of implementing the newly approved and amended standards that are not yet mandatory are as follows:

2-1-1. Accounting Standard No. 43, "Revenue from Contracts with Customers," is effective for all financial statements for which the period begins on or after 03/21/2025. The objective of this standard is to establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. To achieve this objective, an entity must recognize revenue in a manner that reflects the transfer of promised goods or services to customers at the amount for which the entity expects to receive those goods or services in the future. The recognition and measurement requirements of this standard also apply to other revenues earned in the ordinary course of business, including other non-operating revenues. Based on management's assessment, the requirements of the standard will not have a significant impact on the consolidated and separate financial statements.

3. The Basis of preparation consolidated financial statements

The parent company (the Bank's) and the group's consolidated financial statements are prepared based on the Iranian Accounting Standards and the Central Bank of Iran's regulations in accordance with the latest version of financial statements' sample released by CBI on April 2022 and its subsequent amendments in September 2024. Details of accounting policies, including changes during the year, are included in notes 3 to 8.

3-1. Basis of consolidation

The consolidated financial statements are the result of aggregation of the financial statements of the parent company and its subsidiaries after adjustments for intergroup transactions and elimination of unrealized profit and losses.

The subsidiaries consolidated are "Dadeh Pardazan Simaye Aftab Co." "Middle East Bank Brokerage Co." "Middle East Currency Exchange Co. and "Middle East Sun Leasing Co." The financial year of the subsidiaries ends on 20 March 2025.

The Bank includes the income and expenses of the subsidiaries in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiaries.

Consolidated financial statements are prepared using same accounting standards for transactions and other similar events that occur under similar conditions.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. When the proportion of the equity held by non-controlling interests changes, the carrying amount of the controlling and non-controlling interests area adjusted to reflect the changes in their relative interests in the subsidiary. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

When the group loses control over a subsidiary, a gain or loss is recognized in the consolidated income statement, calculated as the difference between (a) the aggregate fair value of the consideration received and the fair value of any remaining interests, and (b) the net carrying amount of assets (including goodwill) at the date of loss of control, less non-controlling interests, and attributed to the owners of the parent company. All amounts previously recognized in other comprehensive income related to that subsidiary are accounted for in the same manner as if the group had directly disposed of the related assets and liabilities of the subsidiary. The fair value of any remaining investment in the former subsidiary at the time of losing control is considered the initial recognition cost for subsequent accounting of the investment.

3-2. Consolidation goodwill

3-2-1. Business combinations are calculated using the acquisition method. Goodwill based on the excess of the sum of the consideration transferred to the fair value at the date of acquisition, plus the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previous ownership interests in the acquiree at the date of acquisition (phased combinations) is measured on the net amount of acquired identifiable assets and assumed

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

liabilities at the date of acquisition, and is depreciated on a straight-line basis over 20 years.

3-2-2. If the net amounts of identifiable acquired assets and assumed liabilities at the acquisition date exceed the aggregate fair value of the consideration transferred at the acquisition date, the amount of non-controlling interests in the acquired entity, and the fair value of the acquirer's previous ownership interests in the acquired entity (in step acquisitions), the aforementioned excess, after rechecking the accuracy of recognition and measurement methods for these items by the acquiring entity, is recognized in the consolidated income statement as a gain from a bargain purchase at the acquisition date and attributed to the acquiring entity.

3-2-3. Non-controlling interest at the date of acquisition is measured by the amount of a proportional share of the recognized amounts of the acquiree's net identifiable assets.

3-2-4. The shares of the parent company acquired by the subsidiary company are reflected as cost in the accounts and in the consolidated balance sheet as a reduction of equity under the heading "Shares of the parent company in subsidiary ownership".

4. Functional and presentation currency

These consolidated financial statements are presented in Iranian Rials which is the Bank's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

5. Manager's judgments in implementation of accounting estimates and policies.

In preparing financial statements, the Bank's management has made judgments, estimates and assumptions to determine the amounts recognized in the financial statements. Actual results may be different from estimates. The underlying assumptions are based on historical records, and are reviewed on an ongoing basis. The areas that management uses judgments and estimates are as follows:

5-1. Determination of control over investees; including Dadeh Pardazan Simaye Aftab Co., Middle East Bank Brokerage Co., Middle East Currency Exchange Co, and Middle East Sun Leasing Co.

5-2. Recognition and measurement of contingent liabilities

5-3. Investments in debt securities are considered as long term investments and the related accounting policy is cost less than impairment.

5-4. Provisions for tax income and doubtful debts have been recorded in the accounts in accordance with the regulations of the Central Bank of Iran and the judgment of the Bank's Board of Directors.

6. Measurement

6-1. Consolidated financial statements have been prepared based on historical costs except for investment in listed shares which are measured at LCM.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

7. Significant Accounting policies

7-1. Investments

7-1-1. Income evaluation and recognition

	Consolidated	Parent
Measurement:		
Long term investments:		
Investment in subsidiaries	Consolidated	Cost less impairment losses
Investment in associates	Equity method	Cost less impairment losses
Other Non current investments	Cost less impairment losses	Cost less impairment losses
Short term investments:		
Investment in listed shares	LCM (lower of cost and net realizable value) For trading investments	LCM (lower of cost and net realizable value) For trading investments
Revenue recognition:		
Investment in subsidiaries	Consolidation	when dividend is approved in the annual general meeting of the investee(until the date of approval of the financial statement)
Investment in associates	Equity method	when dividend is approved in the annual general meeting of the investee(until the date of approval of the financial statement)
Other short term & long term investments in shares	when dividend is approved in the annual general meeting of the investee(until the date of approval of the Statement of financial position date)	when dividend is approved in the annual general meeting of the investee(until the date of approval of the Statement of financial position date)
Investment in other securities	When the interest is realized (According to the effective interest rate)	When the interest is realized (According to the effective interest rate)

7-1-2. Equity Method for Investments in Associates and Joint Ventures

7-1-2-1. Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

7-1-2-2. Under the equity method, investments in associates and joint ventures are initially recognized at cost in the consolidated statement of financial position and are subsequently adjusted to recognize the Group's share of profit or loss and other items of comprehensive income of the associate and joint venture.

7-1-2-3. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in the associate or joint venture (which includes long-term interests that are, in principle, part of the Group's net investment in the associate or joint venture), the Group ceases to recognize its share of the excess losses. The excess losses are recognized only to the extent of the Group's legal or constructive obligations or payments made on behalf of the associate or joint venture.

7-1-2-4. Investments in associates and joint ventures are accounted for using the equity method from the date the investee becomes an associate or joint venture. At the time of acquisition of an investment in an associate or joint venture, the excess of the cost of the investment over the Group's share of the fair value of its identifiable net assets is recognised as goodwill in the carrying amount of the investment and is amortised on a straight-line basis over 20 years, and the excess of the Group's share of the fair value of its identifiable net assets and liabilities over the cost of the investment is recognised as a bargain purchase gain and recognised in the profit or loss of the period in which the investment is acquired.

7-1-2-5. The Group ceases to use the equity method when an investment in an associate or joint venture is derecognised and the investment is classified as held for sale. When the Group retains an interest in a former associate or joint venture and that retained interest is a financial asset, the Group measures the retained interest at its fair value at that date and this fair value is used as the initial recognition cost for the subsequent accounting of the investment. The difference between the carrying amount of the investment in an associate or joint venture when the equity method is derecognised and the fair value of the retained interest and any gain on disposal of a portion of the interest in the

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

associate or joint venture is recognised in profit or loss. In addition, the Group recognises all amounts previously recognised in other comprehensive income relating to investments in associates or joint ventures in the statement of profit or loss or retained earnings, as appropriate, on the same basis that the associates or joint ventures would be required to do if they directly disposed of the related assets and liabilities.

7-1-2-6. When a group company conducts a transaction with an associate or joint venture of the group, profits and losses arising from the transaction with the associate or joint venture are recognized in the group's consolidated financial statements only to the extent of the interests of the group's non-affiliated investors in the associate or joint venture.

7-1-2-7. To apply the equity method, the most recent financial statements of the Group's associates or joint ventures are used. When the end of the Company's reporting period is different from the end of the reporting period of the associates or joint ventures, the associates or joint ventures prepare financial statements for the Company's use as of the same date as the Company's financial statements, unless it is impracticable to do so.

7-1-2-8. If the financial statements of the Group's associates or joint ventures used to apply the equity method are prepared as of a date that is different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. However, the difference between the end of the reporting period of the associates or joint ventures and the end of the Company's reporting period is not more than three months. The length of the reporting periods and any differences between the ends of the reporting periods are the same in different periods.

7-2. Property, plant and equipment

7-2-1. P.P.E are measured at cost. Major repairs and improvement expenses that considerably increase the capacity or useful life of P.P.E or improve the quality of asset return are capitalized and depreciated during the remaining useful life of the respective assets, whereas minor repairs and maintenance expenses which restore the expected economic useful life of the assets, are recognized as an expense in income statement.

7-2-2. Depreciation of P.P.E is calculated based on Article 149 of Iranian Direct Taxation Act of 2015 (amended) as follows:

Asset	Depreciation Rate	Basis
Buildings	25 years	Straight line
Installations	6,8&10 years	Straight line
Elevator installations and radio equipment	15%	Reducing balance
Electrical and mechanical installation	12% and 20%	Reducing balance
Computer hardware	3,5,6,8&10 years	Straight line
Office furniture	3,5,6,8&10 years	Straight line
Motor vehicles	6 years	Straight line
Leasehold improvements	During the lease term	Straight line

7-2-3. In the case of acquiring or using the fixed assets during the month, the calculation of depreciation will be started from the next month. depreciation amount of any depreciable assets that are inactive or temporarily unused (except for buildings and construction facilities) for more than six consecutive months in a financial period, calculated equal to 30% of the depreciation rate that are reflected in the above table. In this case, if the depreciation is calculated based on the period, 70% of the period when the asset has not been used will be added to the remaining period determined for the depreciation of the asset in this table.

7-3. Intangible assets

Intangible assets except the goodwill of the place of business are measured at cost. Goodwill is not depreciated due to its indefinite useful life, its impairment test is performed at the end of each financial year and reserve is considered. Computer softwares are depreciated during one, three or five years on the straight line basis.

MIDDLE EAST BANK (PJSC)
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YEAR ENDED MARCH 20, 2025

7-4. Non-current assets held for sale

7-4-1. Non-current assets will be classified as held for sale if its carrying amount will be recovered principally through a sale transaction instead of through continuing use;

The conditions for a non-current asset to be classified as held-for-sale are as follows:

The assets must be available for immediate sale in their present condition and its sale must be highly probable;

The actions required to complete the planned sale will have been made, and it is unlikely that the plan will be significantly changed or withdrawn;

The sale should be completed, or expected to be within a year from the date of the classification.

For the sale to be highly probable, management must be committed to selling the asset and must be actively looking for a buyer. It is possible that the sale may not be completed within one year, but the delay effectively must be caused by events beyond the entity's control and the entity must still be committed to selling the asset.

7-4-2. Non-current assets held for sale are measured "lower of book value and net realizable value".

7-4-3. There were no non-current assets held for sale during the reporting period.

7-5. Impairment of assets

7-5-1. At the end of each reporting period, if there is any indication that an asset may be impaired, an impairment test is performed. In this case, the recoverable amount of the asset is estimated and compared with its carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

7-5-2. Impairment testing of intangible assets with indefinite useful lives is performed annually, regardless of the presence or absence of any indication that they may be impaired.

7-5-3. The recoverable amount of an asset (or cash-generating unit) is the higher of its fair value less costs of disposal (net selling price) and its value in use. Value in use is the present value of the estimated future cash flows from an asset, discounted at a pre-tax rate that reflects the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted.

7-5-4. Only if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and the difference is recognized immediately in the profit and loss statement as an impairment loss, unless the asset is revalued, in which case it results in a reduction of the revaluation surplus.

7-5-5. If the recoverable amount increases since the last loss was recognized, which indicates a reversal of an impairment loss on the asset (cash-generating unit), the carrying amount of the asset is increased to the new recoverable amount, up to the carrying amount that would have been had no impairment loss been recognized in prior periods. The reversal of an impairment loss on the asset (cash-generating unit) is also recognized immediately in the profit and loss statement, unless the asset is revalued, in which case it results in an increase in the revaluation surplus.

MIDDLE EAST BANK (PJSC)
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7-6. Loan's interest, fee and penalty revenue recognition

Recognition of bank's revenues is in accordance with the latest CBI's regulations

Loan's interest, fee and penalty	Revenue recognition
Loan's interest	
Current/Deferment current	Accrual basis
Past due/Deferment past due	Accrual basis
Outstanding/Deferment outstanding	Cash basis
Doubtful/Deferment doubtful	Cash basis
Penalty	
Current/Deferment current	Cash basis
Past due/Deferment past due	Cash basis
Outstanding/Deferment outstanding	Cash basis
Doubtful/Deferment doubtful	Cash basis
Fee	
guaranties and L/Cs	Based on time factor-Accrual basis
Other bank services	At the time of performing-Cash basis
Loan's fee (Gardh-UI Hasan)	Cash/Accrual basis

7-7. The basis for determining the depositors' share of the joint income:

In the implementation of the Interest-Free Banking Operations Law approved on 08/30/1983 and the regulations and executive instructions of the aforementioned law, and in accordance with the latest regulations notified by the Central Bank at the time of preparing the financial statements, mutual income, usage of mutual sources, and depositors' share of the mutual income are calculated and disclosed in Note 14.

7-8. Classification of loans

Loans are classified in accordance with the CBI's regulation No. 2823/MB dated 02/24/2007 and based on time as below, customers' financial states and their industry and business. The classification of loan portfolio is as follows. Also, Emhal facilities are classified in the corresponding classes.

Classification	Principal & interest (PI) outstanding in months from the due date or the date of payment termination
Current	PI < 2
Past due	2 < PI < 6
Outstanding	6 < PI < 18
Doubtful	PI > 18

* Management has not applied any judgments over the CBI's regulations.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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7-9. Provision for bad and doubtful debts

Provisions for bad and doubtful debts are provided in accordance with the CBI's regulations as follows:

1. General provision is calculated amounting to 1.5% of the total loan portfolio at the end of each year, except for the balance of loans for which specific provision is calculated.
2. Specific provision- depending on the classification of the non-performing loans, the Bank is required to provide specific provisions, after allowing for the value of collaterals based in below table:

Classification	Specific percentage
Past due loans	10%
Outstanding	20%
Doubtful debt (regarding to the clients refund power)	50-100%

* Management has not applied any judgments over the CBI regulations.

7-10. Provision for staff termination benefits

Staff termination benefits are provided at the rate of one month salary and other remunerations for each year of service.

7-11. Obligations of staff pension benefits

The employees are covered by social security fund so no staff pension benefits plans provision has taken into account.

7-12. Foreign Currencies

7-12-1. Items related to internal operations

Foreign currency items at the exchange rate issued by CBI circular No. 03/323007 dated 03/19/2025 based on the ETS remittance purchase rate of Iran's foreign exchange and gold exchange center on 03/18/2025 (744,036 Rials per Euro and 681,203 Rials per Dollar) on the statement of financial position date and non-monetary items recorded at the historical rate based on the rate of transactions and the differences arising from the settlement or exchange of monetary items are recognized as income or expense in the period in which they are incurred and reported in the statement of profit or loss. The exchange rates used at the date of the statement of financial position are as follows:

Balances and related transactions	Currency	Exchange rate	The reason for using the rate
Foreign currency items related to basic, essential goods, medicine, necessities and medical equipment (list of group one subject approved 63793 dated 08/07/2018 by the Council of Ministers)	EUR	CBI	IRR 308,486
Other monetary items	USD	CBI	IRR 681,203
Other monetary items	EUR	CBI	IRR 744,036
Other monetary items	AED	CBI	IRR 185,487
Other monetary items	Other currencies	CBI	ETS remittance purchase rate of Iran's foreign exchange and gold exchange center on 03/18/2025
Non-monetary items	EUR	(ETS) on the date of the transaction	

7-12-2. Items related to foreign operation

Monetary assets and liabilities are exchanged at rates stated by CBI circular No. 03/323007 dated 03/19/2025, (744,036 Rials per Euro). The income and expenses of foreign operation are translated into IRR at the average rates of reporting period. All resulting differences are recognized in the statement of comprehensive income and are classified under shareholders' equity in the Statement of financial position. In addition, differences in the monetary items that are inherently part of the net investment in foreign operations are recognized in the statement of comprehensive income and are classified under the shareholders' equity until they are disposed.

MIDDLE EAST BANK (PJSC)
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7-12-3. If the balance of the bank's retained earnings (losses) before the allocation of reserves is a credit, the profit from currency conversion (after eliminating possible tax effects) is not divisible and is used to increase the bank's capital. Also, if the aforementioned goodwill represents a loss, the profit from the conversion of monetary items will only reduce the accumulated loss.

7-13. Shares owned by market maker fund (Treasury shares)

7-13-1. Buying and selling of bank shares through a dedicated market maker fund based on the regulations for maintaining the stability of the capital market and protecting the rights of investors and shareholders approved by the Supreme Council of the Stock Exchange and Securities on 09/10/2020 in order to increase liquidity for the holders of securities and regulating the supply and demand of the market and managing the range of price fluctuations are assigned to the companies.

7-13-2. The shares owned by market maker fund (treasury shares) are recognized and recorded in the books by the cost method on the date of acquisition and are presented as a decreasing amount in the shareholders' equity of the financial position statement. At the time of purchase, sale, release or cancellation of the company's equity Instrument, no profit or loss is recognized in the profit and loss statement. The extra of paid or received amount must be recognized directly in the shareholders' equity section.

7-13-3. At the time of selling shares owned by market maker fund (treasury shares), no amount is recognized in the profit or loss statement and the comprehensive income statement. The net difference between the sales amount and the book amount is recognized in premium (deficit) of the shares owned by market maker fund (treasury shares) in the shareholders' equity section. At the reporting date, the debit balance in the premium (deficit) on shares held by the dedicated market-making fund (treasury shares) account is transferred to the accumulated profit (loss) account. The credit balance in the aforementioned account, up to the amount of the previous deficit on shares held by the dedicated market-making fund (treasury shares), is credited to that account, and the remainder is presented as premium on shares held by the dedicated market-making fund (treasury shares) in the statement of financial position under the equity section, and upon the sale of all shares held by the dedicated market-making fund (treasury shares), it is transferred to the accumulated profit (loss) account.

7-13-4. When only a part of the total shares owned by market maker fund (treasury shares) is transferred, the book value of each share is calculated based on the average cost price of the total shares owned by market maker fund (treasury shares).

7-14. Income tax

The tax expense is the sum of current and deferred taxes, for transactions and other events recognized in profit or loss, any related tax effects are also recognized in profit or loss. For transactions and other events recognized outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside profit or loss (either in other comprehensive income or directly in equity, respectively)

7-15. Interest expense

Interest expense is recognized and reported in accordance with money and credit council regulations.

7-16. "Other items" in the accompanying notes

The amount and nature of items that listed under the heading "Other" are low important.

8. Changes in accounting policies

The bank has presented the accounting procedures mentioned in Note No. 7, observing the consistency of the procedure in all the periods reported in the financial statements.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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10. Interest income on deposit in banks and non-bank credit institutions

		Consolidated										IRR million
		March 20, 2025					March 19, 2024					
Note		LCY		FCY (Non-mutual)	Total	LCY		FCY (Non-mutual)	Total	FCY (Non-mutual)		Total
		Mutual	Non-mutual			Mutual	Non-mutual			Mutual	Non-mutual	
10-1	Deposit interest income from other banks and internal credit institutions	11,539,971	-	-	11,539,971	7,377,456	-	-	7,377,456	-	-	7,377,456
	Deposit interest income from foreign banks	-	-	85,929	85,929	-	-	-	-	62,476	-	62,476
	Total	11,539,971	-	85,929	11,625,900	7,377,456	-	-	7,377,456	62,476	-	7,439,932
IRR million												
		Parent Co.										IRR million
		March 20, 2025					March 19, 2024					
Note		LCY		FCY (Non-mutual)	Total	LCY		FCY (Non-mutual)	Total	FCY (Non-mutual)		Total
		Mutual	Non-mutual			Mutual	Non-mutual			Mutual	Non-mutual	
10-1	Deposit interest income from other banks and internal credit institutions	11,534,379	-	-	11,534,379	7,371,931	-	-	7,371,931	-	-	7,371,931
	Deposit interest income from foreign banks	-	-	85,929	85,929	-	-	-	-	62,476	-	62,476
	Total	11,534,379	-	85,929	11,620,308	7,371,931	-	-	7,371,931	62,476	-	7,434,407

10-1. The average deposit rate of interbank market in year ended March 2025 was approximately 24%.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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11. Income from investments in debt securities

Publisher-Bonds' type	Consolidated										IRR million
	March 20, 2025					March 19, 2024					
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Total	Mutual		Non-mutual	Total	Mutual	Non-mutual		
Islamic treasury bonds	4,646,664	-	4,646,664	-	4,646,664	2,628,249	-	2,628,249	-	2,628,249	2,628,249
Murabaha	3,754,264	-	3,754,264	-	3,754,264	2,498,481	-	2,498,481	-	2,498,481	2,498,481
First Ordibehesht intermediary-Manfaat	-	-	-	-	-	108,084	-	108,084	-	108,084	108,084
Tejarat bank-Gam	-	-	-	-	-	20,305	-	20,305	-	20,305	20,305
Refah kargaran bank-Gam	-	-	-	-	-	18,281	-	18,281	-	18,281	18,281
Sepah bank-Gam	-	-	-	-	-	4,039	-	4,039	-	4,039	4,039
Mellat bank-Gam	-	-	-	-	-	296	-	296	-	296	296
Income from investments in debt securities	8,400,928	-	8,400,928	-	8,400,928	5,277,735	-	5,277,735	-	5,277,735	5,277,735

Publisher-Bonds' type	Parent Co.										IRR million
	March 20, 2025					March 19, 2024					
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Total	Mutual		Non-mutual	Total	Mutual	Non-mutual		
Islamic treasury bonds	4,646,664	-	4,646,664	-	4,646,664	2,628,248	-	2,628,248	-	2,628,248	2,628,248
Murabaha	3,754,264	-	3,754,264	-	3,754,264	2,498,481	-	2,498,481	-	2,498,481	2,498,481
First Ordibehesht intermediary-Manfaat	-	-	-	-	-	108,084	-	108,084	-	108,084	108,084
Tejarat bank-Gam	-	-	-	-	-	20,305	-	20,305	-	20,305	20,305
Refah kargaran bank-Gam	-	-	-	-	-	18,281	-	18,281	-	18,281	18,281
Sepah bank-Gam	-	-	-	-	-	4,039	-	4,039	-	4,039	4,039
Mellat bank-Gam	-	-	-	-	-	296	-	296	-	296	296
Total	8,400,928	-	8,400,928	-	8,400,928	5,277,734	-	5,277,734	-	5,277,734	5,277,734

MIDDLE EAST BANK (PJSC)
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12. Income(loss) from investments in share and other securities

IRR million

	Note	Parent Co.	
		March 20, 2025	March 19, 2024
		Mutual	Mutual
Dividends of companies and units of investment funds	12-1	2,669,987	-
Profit (loss) resulting from the transfer of company shares and units of investment funds		-	-
Net income (loss) of investments		-	-
Net income (loss) of investments in share and other securities		2,669,987	-

12-1. Dividends of companies and units of investment funds

IRR million

	Parent Co.	
	March 20, 2025	March 19, 2024
	Mutual	Mutual
Middle East Bank Currency Exchange Co.	2,669,987	-
Dividends of companies and units of investment funds	2,669,987	-

13. Interest on statutory deposit

IRR million

Description	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
	Interest on statutory deposit of investment deposits	720,400
Interest on statutory deposit of other sources	116,705	74,527
Total	837,105	462,996

13-1. The interest on statutory deposits of other sources includes the interest on statutory deposits of special deposit.

13-2. Average of statutory deposit and related interest

IRR million

Description	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
	Average of statutory deposit of investment deposits	70,593,429
Interest on statutory deposit of investment deposits	720,400	388,469
Average of statutory deposit of other sources	13,304,169	8,732,881
Interest on statutory deposit of other sources	116,705	74,527

13-2-1. The interest on statutory deposits of other sources includes the interest on statutory deposits of special deposit.

MIDDLE EAST BANK (PJSC)
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14. Interest expense on deposits

IRR million

Description	Note	Consolidated	
		March 20, 2025	March 19, 2024
Mutual income			
Interest income on credit facilities granted	9	127,162,390	85,092,540
Interest income on deposit in banks and non-bank credit institutions	10	11,534,379	7,371,931
Income from investments in debt securities	11	8,400,928	5,277,734
Net income(loss) from investments in share and other securities	12	2,669,987	-
Income(loss) from non-banking investments	21	192,592	73,843
Total of mutual income		149,960,276	97,816,048
Bank's share of mutual income	14-1	(41,014,196)	(33,229,015)
Depositors' share of mutual income before deduction of the bank's commissions		108,946,080	64,587,033
Bank's commissions	14-2	(14,373,442)	(9,039,755)
Depositors' share of mutual income		94,572,638	55,547,278
Income on statutory deposit of investment deposits	13	720,400	388,469
Depositors' interest income		95,293,038	55,935,747
Interest expense on investment deposits		95,293,038	55,935,747
Interest expense on special deposit certificate		2,594,027	386,395
Interest expense on foreign currency deposits		14,290,690	11,187,821
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		751,113	754,751
Interest expense on deposits		112,928,869	68,264,714
Interest payable(overpaid) to investment deposits	14-4	155,933	7,242,093

IRR million

Description	Note	Parent Co.	
		March 20, 2025	March 19, 2024
Mutual income			
Interest income on credit facilities granted	9	127,162,390	85,092,540
Interest income on deposit in banks and non-bank credit institutions	10	11,534,379	7,371,931
Income from investments in debt securities	11	8,400,928	5,277,734
Net income(loss) from investments in share and other securities	12	2,669,987	-
Income(loss) from non-banking investments	21	192,592	73,843
Total of mutual income		149,960,276	97,816,048
Bank's share of mutual income	14-1	(41,014,196)	(33,229,015)
Depositors' share of mutual income before deduction of the bank's commissions		108,946,080	64,587,033
Bank's commissions	14-2	(14,373,442)	(9,039,755)
Depositors' share of mutual income		94,572,638	55,547,278
Income on statutory deposit of investment deposits	13	720,400	388,469
Depositors' interest income		95,293,038	55,935,747
Interest expense on investment deposits		95,293,038	55,935,747
Interest expense on special deposit certificate		2,594,027	386,395
Interest expense on foreign currency deposits		14,290,690	11,187,821
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		-	-
Interest expense on deposits		112,177,755	67,509,963
Interest payable(overpaid) to investment deposits	14-4	155,933	7,242,093

Interest expense on deposits is calculated based on mutual income and the cost of resources in the bank, and consolidation adjustments are not effective in it. Therefore, in some items of the group, the resources of the parent company (the bank) have inevitably been used.

MIDDLE EAST BANK (PJSC)
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14-1. Bank's share of mutual income

Bank's share of mutual income is as follows:

14-1-1. Bank's share of mutual income

Year/period	Bank's share of resource to mutual usages(14-1-2)	Mutual income	Bank's share of mutual incomes
	Percentage	IRR million	IRR million
March 20, 2025	27.4%	149,960,276	41,014,196
March 19, 2024	34.0%	97,816,048	33,229,015

14-1-2. Distribution of mutual resources and mutual usages between bank and depositors

Description	IRR million		Notes
	March 20, 2025	March 20, 2025	
Average of mutual usages (14-1-2-1)	659,483,812	456,352,246	52 weeks average
Average of depositors' investment deposits (14-1-2-2)	549,708,153	339,178,746	52 weeks average
less: average of statutory deposit of investment deposits	(70,593,429)	(37,853,569)	52 weeks average
Free resources of investment deposits	(479,114,724)	(301,325,177)	
Bank's share of mutual usages (Surplus free resources from investment deposits)	180,369,088	155,027,069	

* Bank's share of mutual usages is mutual usages minus free resources of investment deposits. If the total of investment deposits' free resources are more than mutual usages, the excess is called excess of free resources of investment deposits.

14-1-2-1. Average of mutual usages

Mutual usages items	IRR million	
	March 20, 2025 Amount(average)	March 19, 2024 Amount(average)
Net usages related to granted facilities	573,221,022	400,012,032
Net usages related to participation bonds	31,834,541	23,573,849
Net usages related to term deposit in other banks	52,960,000	31,479,904
Net usages related to investments in share and other securities	1,468,249	1,286,461
Total usages related to mutual operation	659,483,812	456,352,246

14-1-2-2. Average balance of investment deposits:

Investment deposits	IRR million	
	March 20, 2025 Amount(average)	March 19, 2024 Amount(average)
general deposit certificate	9,608,712	23,456,144
One -year deposits	65,248,127	15,460,543
Two- years deposits	8,380,760	56,494,454
Three- years deposits	240,353,392	101,002,051
Short term deposits	213,073,647	137,056,831
Term deposits of banks and non-bank credit institutions	13,004,808	5,509,231
Special short investment deposits	38,707	199,492
Average of investment deposits	549,708,153	339,178,746

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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14-2. The Bank's commission

The Bank's commission rate was published in public newspaper, as 3 percent for the fiscal year ended March 20, 2025 and the amount is calculated as below:

Bank's commission = Average of free resources of depositors * Commission rate

$$14,373,442 = 479,114,724 * 3\%$$

14-2-1. Declared and applied bank's commission

	Declared and applied bank's commission	
	Rate	IRR million
general deposit certificate	3.0%	205,228
One- year deposits	3.0%	1,737,058
Two- years deposits	3.0%	218,673
Three- years deposits	3.0%	6,259,795
Short term deposits	3.0%	5,561,504
Investment deposits of banks and non-bank credit institutions	3.0%	390,144
Special short term deposits	3.0%	1,040
Total for the year ended March 20, 2025		14,373,442
Total for the year ended March 19, 2024		9,039,755

* Given the bank's full coverage of bank's commission, the declared and applied bank's commission are equal.

14-3. Interest on-account paid to investment deposits

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Short term deposits				
Short term deposits	7,969,060	4,264,688	8,014,410	4,266,909
Special short term deposits	4,560	32,491	4,560	32,491
Long term deposits				
General deposit certificate	1,774,344	4,296,453	1,774,344	4,296,453
One- year deposits	15,508,992	2,438,820	15,508,992	2,438,820
Two- years deposits	1,856,403	12,602,447	1,856,403	12,602,447
Three-years deposits	64,919,544	23,758,539	64,919,542	23,758,539
	92,032,903	47,393,438	92,078,251	47,395,659
Term deposits of banks and other credit institutions	3,855,316	2,054,969	3,058,854	1,297,996
Interest on-account paid to investment deposits	95,888,219	49,448,407	95,137,105	48,693,655

14-4. Interest payable (overpaid) to investment deposits

Description	Note	IRR million	
		Parent Co.	
		March 20, 2025	March 19, 2024
Ultimate interest to depositors		95,293,038	55,935,747
Interest paid on account	14-3	(95,137,105)	(48,693,655)
Interest payable (overpaid) to investment deposits		155,933	7,242,093

MIDDLE EAST BANK (PJSC)
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15. Fees and commission income

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024 (Revised)	March 20, 2025	March 19, 2024 (Revised)
Net commission of Gardh-UI Hasan (Non-interest-bearing) facilities	15-1	575,333	245,311	575,333	245,311
L/Cs issuance fees		660,184	508,638	660,184	508,637
Guarantees issuance fees		7,676,530	4,705,481	7,676,530	4,705,481
Managed funds		99,853	10,800	99,853	10,800
Granting facilities fees		7,149,286	2,699,682	7,149,286	2,699,681
Participation and guarantee fee		719,615	235,608	719,615	235,608
SHETAB (inter bank ATM settlement)		126,639	78,403	126,639	78,403
Share trading fees		1,686,157	1,640,095	-	-
Other services		570,646	685,384	570,647	685,384
Fees and commission income		19,264,243	10,809,401	17,578,087	9,169,306

15-1. Net commission of Gardh-UI Hasan facilities is as follows:

IRR million

	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Commission of Gardh-UI Hasan facilities	575,333	245,311
Net commission of Gardh-UI Hasan facilities	575,333	245,311

16. Fees and commission expenses

IRR million

	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Fees for national payment systems-card based	837,850	605,255
Fees for national payment systems-account based	62,372	55,390
Fees for national payment systems-cheque based	1,765	1,256
other	852	575
Fees and commission expenses	902,839	662,476

17. Net foreign exchange transactions income

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Income from foreign currency transactions		11,297,091	7,495,849	11,176,961	6,815,277
Income from foreign exchange operations	17-1	80,346,542	288,144,723	-	-
Cost of foreign exchange operations	17-1	(77,752,833)	(285,592,030)	-	-
Net foreign exchange transactions income		13,890,800	10,048,542	11,176,961	6,815,277

17-1. Income and cost of foreign exchange operation is related to purchase and sale of foreign exchange by the Middle East Currency Exchange Co. for better presentation and avoiding overstatement of the group income, foreign exchange operations are reported on a gross basis.

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18. Administrative and general expenses

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024 (Revised)
Personnel expenses	18-1	11,257,684	7,193,274	10,296,392	6,610,176
Administrative expenses	18-2	4,822,690	3,509,014	4,387,968	2,777,855
Depreciation and amortization	18-3	1,334,172	783,482	1,271,628	741,781
Total administrative and general expenses		17,414,546	11,485,770	15,955,988	10,129,812

18-1. The details of personnel expenses are as follows:

IRR million

		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Wages, salaries and allowances	18-1-1	9,322,146	5,992,154	8,558,190	5,493,543
Insurance employer contribution	18-1-1	1,018,816	688,494	926,408	622,807
Staff termination and pension benefits	18-1-1	778,612	418,562	674,364	400,516
Travel and mission	18-1-1	32,660	34,432	31,980	33,678
Health and treatment of employees	18-1-1	105,450	59,632	105,450	59,632
Total personnel expenses		11,257,684	7,193,274	10,296,392	6,610,176

18-1-1. The increase in personnel expenses in March 2025 compared to the previous year was implemented in accordance with the resolution of the Ministry of Cooperatives, Labour, and Social Welfare.

18-2. The details of other administrative expenses are as follows:

IRR million

		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Rent		274,885	224,253	266,185	210,293
Training and research		54,764	9,595	54,764	9,595
Communications, telecommunications, and postal services		287,781	138,858	287,781	138,858
Insurance expense		30,710	33,264	19,785	13,516
Audit fee		21,252	19,559	21,252	14,360
Consulting fee		117,736	89,037	59,230	76,464
Transportation		83,640	25,457	82,705	24,714
Energy and Water		79,683	23,484	77,336	22,204
Repair and maintenance of fixed assets		232,113	166,691	231,410	165,122
Consumable items		501,917	365,883	620,751	357,769
Board of directors bonus		42,900	47,200	31,400	37,200
Contractors' fee payment	18-2-1	1,446,907	1,010,425	1,434,708	1,000,434
Membership fee in Deposit Guarantee Fund		104,437	95,727	104,437	95,727
Membership fee in associations		22,651	22,510	9,475	11,006
Software support services		402,175	207,736	402,175	207,737
Registration and legal expense		448	37	449	37
Value added tax expense		246,220	-	-	-
Others		872,471	1,029,298	684,125	392,819
Total		4,822,690	3,509,014	4,387,968	2,777,855

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18-2-1. The majority of the amounts pertain to expenses related to workplace security and the costs of service personnel.

18-3. Depreciation and amortization

		IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Fixed assets depreciation	18-3-1	1,137,532	618,696	1,083,656	581,281
Intangible assets amortization		196,640	164,786	187,972	160,500
Total depreciation and amortization		1,334,172	783,482	1,271,628	741,781

18-3-1. The reason for the increase in depreciation expense this year is the change in classification from current assets to tangible fixed assets related to the building next to Building 1 in Bucharest.

19. Provision of bad and doubtful debts

		IRR million			
		Consolidated		Parent Co.	
Note		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Specific provision of bad and doubtful debts	19-1	13,647,345	1,664,239	13,647,345	1,664,239
General provision of bad and doubtful debts	19-2	3,857,183	3,010,487	3,867,381	3,011,847
Total provision of bad and doubtful debts		17,504,528	4,674,726	17,514,726	4,676,086

19-1. Specific provision of bad and doubtful debts is calculated as follows:

		IRR million				
		Consolidated and Parent Co.				
		March 20, 2025				March 19, 2024
		Past due	Outstanding	Doubtful debt before 5 years	Doubtful debt after 5 years	Total
Net of non-current facilities and claims before deduction of provision of bad and doubtful debts-non governmental (note 27-1)		8,115,371	29,998,937	23,852,991	720,497	62,687,796
Other accounts receivables (note 29-2)		202,226	13,488	4,024	277,211	496,950
Total before deduction of collaterals' value		8,317,597	30,012,425	23,857,015	997,708	63,184,746
Less : adjusted collaterals' value						
Machinery		-	-	-	-	(3,885,775)
Real states		(1,080,102)	(4,534,832)	(4,191,952)	(41,632)	(9,848,518)
Total of adjusted collaterals' value		(1,080,102)	(4,534,832)	(4,191,952)	(41,632)	(19,231,014)
Basis of specific provision calculation		7,237,495	25,477,593	19,665,063	956,076	53,336,228
Specific provision calculation factor of-%		10%	20%	50%	100%	
Specific provision of amended and deferment facilities		-	974,934	55,354	-	1,030,288
Specific provision of other receivables		723,750	4,120,585	9,777,178	956,076	15,577,589
Specific provision of bad and doubtful debts		723,750	5,095,519	9,832,532	956,076	16,607,877
Less: specific provision of bad and doubtful debts balance at prior year-end		(480,764)	(762,541)	(1,110,721)	(606,506)	(2,960,532)
Specific provision of bad and doubtful debts expense		242,986	4,332,978	8,721,811	349,570	13,647,345

* According to Note 3 of Article 2 of the CBI Circular No. 01/239021 dated 12/14/2022, for facilities that after 5 years or more from the due date of repayment, the credit institution is not able to collect the receivable amount from the collateral, for the reasons outside of its control, the total balance of the facilities after deducting the value of the collaterals mentioned in paragraphs 2-2-3 to 2-2-6 of the mentioned circular is the basis of calculation.

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19-1-1. The information related to facilities that after 5 years or more from the due date of payment of principal and interest, the credit institution has not been able to collect the claims from the collateral due to reasons beyond its control, is as follows:

Facilities' number	maturity date	Collateral type	Reasons for non-receipt	March 20, 2025				IRR million		
				Principal	interests	Penalty	balance	Provision for bad and doubtful debts*	balance	Provision for bad and doubtful debts
No. 1001/50/106/044430634 - Kourosh and Behvaad Trading and Production Company in the form of Mudarabah contract	1-Feb-2016	real state	19-1-1-1	14,342	176	2,035	16,553	248	16,553	248
No. 7201/50/202/2222261188 - Pak Fars Meat Products Manufacturing and Packaging company in the form of Mosharekat Madani contract	26-Mar-2018	real state	19-1-1-2	1,921	11	267	2,199	33	2,199	33
No. 7201/50/202/2222261189 - Pak Fars Meat Products Manufacturing and Packaging company in the form of Mosharekat Madani contract	26-Mar-2018	real state		3,219	219	476	3,914	59	3,914	59
No. 1001/50/106/044430514 - Kazem Bi Parva in the form of Mudarabah contract	19-Nov-2015	real state		986	70	146	1,202	18	1,202	18
No. 1001/50/106/044430532 - Kazem Bi Parva in the form of Mudarabah contract	2-Dec-2015	real state		5,000	349	742	6,091	91	6,091	91
No. 1001/50/106/044430533 - Kazem Bi Parva in the form of Mudarabah contract	2-Dec-2015	real state		3,500	244	520	4,264	64	4,264	64
No. 1001/50/106/044430609 - Kazem Bi Parva in the form of Mudarabah contract	16-Jan-2016	real state	19-1-1-3	778	54	116	948	14	948	14
No. 1001/50/106/044430614 - Kazem Bi Parva in the form of Mudarabah contract	23-Jan-2016	real state		1,000	69	150	1,219	18	1,219	18
No. 1001/50/106/044430653 - Kazem Bi Parva in the form of Mudarabah contract	20-Feb-2016	real state		839	59	127	1,025	15	1,025	15
Total				31,585	1,251	4,579	37,415	561	37,415	561

*Due to the full coverage of the collateral, for the above facilities, only the general provision is considered.

19-1-1-1. According to the court stop order, the legal proceeding will be stopped until the final court order.

19-1-1-2. Regarding the case of Pak Fars Meat Products Manufacturing and Packaging company, according to the decree No. 14001239000885920 dated 01/23/2022, Branch 6 of the Shiraz Legal Court, the suspension of executive operations has been issued.

19-1-1-3. The case has been halted due to an order to suspend executive operations issued by Branch 39 of the Sadr Judicial Complex. The case was reviewed by Branch 79 of the Provincial Appeals Court, resulting in a verdict of acquittal. Therefore, a request to resume executive actions was submitted to Branch 39 of the Sadr Judicial Complex. Additionally, a request to lift the suspension was sent to the Tehran and Fasham Enforcement Departments. The court hearing is scheduled for 09/06/2025.

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19-2. The general provision of doubtful receivables expense, granting facilities and receivables is calculated as follows:

	IRR million	
	Parent Co.	
	March 20, 2025	March 19, 2024
Credit facilities granted-non governmental (note 27-1)	994,736,726	708,665,041
Customer debts for LCs after deduction of advances(Note 35-1)	12,815,597	11,409,445
Due from subsidiaries and associates (note28)	2,039,329	839,636
Other accounts receivables (note29)	2,314,398	3,252,214
Less:		
Balance of loans that specific provision has been calculated for	(54,066,598)	(24,152,315)
Basis of general provision calculation	957,839,452	700,014,021
General provision calculation factor-%	1/5	1/5
General provision for bad and doubtful debts	14,367,592	10,500,210
Less: general provision for bad and doubtful debts at March 19, 2024	(10,500,210)	(7,488,363)
General provision for bad and doubtful debts expense	3,867,381	3,011,847

20. Other operating income

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Profit (loss) of foreign currency exchange of operational currency assets and liabilities	33,348,451	15,154,977	30,137,873	14,756,490
Profit(Loss) of overseas branch	1,190,193	(223,515)	1,190,193	(223,515)
Total	34,538,644	14,931,462	31,328,066	14,532,975

21. Income (loss) from investments related to non-banking activities

	Note	IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Dividends of companies and investment funds	21-1	579,099	296,188	192,592	73,843
Income (loss) from sale of investments in companies and investment funds	21-2	167,861	239,063	-	-
Net profit (loss) from the increase (decrease) in investments value	21-3	(37,065)	-	-	-
Total		709,895	535,251	192,592	73,843

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21-1. Dividends of corporations and investment funds' units are as follows:

		IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
		Mutual-Rial	Non-mutual-Rial	Mutual-Rial	Non-mutual-Rial
Middle East Life Insurance Co.	29-2-1	434,099	268,304	48,000	71,996
National Pension Fund Investment (Holding)		3,250	2,616	-	-
Bandar Abbas Oil Refinery Co.		2,445	2,860	-	-
Social Security investment Co.		1,350	6,152	-	-
Tehran Stock Exchange Co.		631	-	-	-
Persian Gulf Investment Bank		502	-	-	-
Iran Office Machines Co.		437	-	-	-
Iran Fara Bourse Co.		336	-	-	-
Mellat Bank		205	-	-	-
Soojmiran		173	-	-	-
Bank Saderat Iran		108	-	-	-
Tekado (Public Joint Stock)		91	-	-	-
Yakom Financial Intermediation Investment Fund-Stocks		48	-	-	-
FKA animal husbandry and agriculture Co.		-	514	-	-
Mobarakeh Steel Company		-	1,241	-	-
Middle East Bank Brokerage Co.		-	-	142,500	-
Other		756	3,059	-	-
Corporation dividends		444,431	284,746	190,500	71,996
Karafarin Bank Ofogh fund		-	-	-	-
Middle East Bank Ofogh mutual fund		98,838	11,442	2,092	1,847
Middle East Bank Ofogh Roshan Investment fund		35,830	-	-	-
Other		-	-	-	-
Investment funds' units interest		134,668	11,442	2,092	1,847
Total		579,099	296,188	192,592	73,843

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21-2. The profit (loss) from sale of investments in companies and units of investment funds is as follows:

	Consolidated			
	March 20, 2025	March 19, 2024		
	Number of shares/ investment unit	Book value	Profit (loss)	Profit (loss)
Profit (loss) from sale of investments in companies shares - Rial				
Mobarakeh Steel Company	-	-	-	6,812
Social Security Investment Co.	30,000,000	38,845	(3,220)	15,714
Iran Khodro Disel Co	-	-	(2,332)	11,043
Iran Khodro Investment Co.	12,500,000	47,437	12,977	-
Saipa Investment Co.	15,000,000	44,725	54,006	9,336
Stock Exchange Co.	16,638,202	25,840	2,176	-
Iran Saderat Bank	87,188,989	52,198	(260)	-
Mellat Bank	18,755,449	27,523	(2,186)	-
Persian Gulf Capital Funding	897,903	898	(6,245)	-
Bandar Abbas Oil Refinery Co.	3,500,000	40,018	(9,243)	-
Saman Insurance	3,318,000	18,505	(3,509)	-
Tehran Oil Refining Company	6,916,666	14,407	2,462	-
Iran Farabourse	8,446,428	62,085	(4,271)	-
Others	-	-	(13,422)	61,405
Total	203,161,637	372,481	26,933	104,310
Profit (loss) from sale of investment fund units - Rial				
Market Development Mutual Fund	-	-	45,988	22,984
Petro Daryoush-B Investment Fund	5,000,000	71,873	156	-
Leveraged Charisma Investment Fund	2,800,000	74,064	8,923	68,156
Ofogh Roshan Investment Fund	-	-	-	26,490
Salam-Farabi Fund	-	-	-	11,857
Lotus Gold Fund	-	-	18,516	4,610
Hammers-D Brand Investment Fund	-	-	3,794	-
Leveraged Mofid-S Investment Fund	-	-	3,112	-
Bidar Value Creation Investment Fund-Stocks	-	-	784	-
Mana Yield-D Investment Fund	-	-	5,303	-
Orchid Investment Fund-Fixed	-	-	12,041	-
Daryaye-abi-firoze Investment Fund -Stocks	-	-	378	-
Mofid Gold Backed Investment Fund	-	-	(2,734)	-
Yakom Financial Intermediation Investment Fund-Stocks	153,000	42,017	(5,514)	-
Leveraged Firoze Moj-S Investment Fund	1,000,000	26,424	21,621	-
Leveraged Narenj Investment Fund	-	-	25,864	-
Others	-	-	2,751	656
Total	8,953,000	214,378	140,983	134,753
Profit (loss) from sale of option transactions - Rial				
Call option for Power-17000-14030702	-	-	555	-
Call option for Power-16000-14030702	-	-	(390)	-
Call option for Basama-9000-14030904	-	-	(221)	-
Total	-	-	(55)	-
Grand total	212,114,637	586,859	167,861	239,063

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21-3. Net profit (loss) from the increase (decrease) in investments value

	Consolidated				
	Number of shares/ investment unit	March 20, 2025		March 19, 2024	
		Book value	Net realizable value	Profit (loss)	Profit (loss)
Leveraged Charisma Investment Fund	2,800,000	74,064	67,383	(6,680)	-
Stock Exchange	16,638,202	25,840	52,955	27,115	-
Yakom Financial Intermediation Investment Fund-Stocks	153,000	42,017	39,670	(2,347)	-
Iran Farabourse	8,446,428	62,085	39,625	(22,460)	-
Saipa Co.	15,000,000	44,725	43,890	(835)	-
Social Security Investment	30,000,000	38,845	38,835	(10)	-
Persian Gulf Capital Supply	897,903	898	1,560	662	-
Mellat Bank	18,755,449	27,523	39,058	11,535	-
Iran Saderat Bank	87,188,989	52,198	48,050	(4,148)	-
Bandar Abbas Oil Refining Company	3,500,000	40,018	31,431	(8,587)	-
Saman Insurance	3,318,000	18,505	30,290	11,785	-
Tehran Oil Refining Company	6,916,666	14,407	15,809	1,403	-
Sina Bank	8,242,516	19,212	16,144	(3,068)	-
Tejarat Bank	110,187,622	47,269	45,216	(2,053)	-
Parsian Bank	26,500,000	82,246	74,624	(7,622)	-
Iran Khodro	12,500,000	47,437	47,925	488	-
Saipa Investment Group	11,895,656	48,128	37,649	(10,479)	-
Iran Khodro Investment Development	2,200,000	10,575	9,322	(1,253)	-
Saharkhiz Saffron Investment Fund	261,414	9,987	11,676	1,689	-
Petro Daryoush-B Investment Fund	5,000,000	71,873	64,688	(7,186)	-
Leveraged Bidar Investment Fund	3,000,000	47,464	37,875	(9,589)	-
Leveraged Firoze Moj-S Investment Fund	1,000,000	26,424	20,999	(5,425)	-
Total	374,401,845	851,741	814,676	(37,065)	-

22. Other non-operating income

	Note	IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Profit (loss) from disposal of fixed and intangible assets		149,880	633	149,944	-
Others		(255)	1,234	(267)	1,234
Total other non-operating income		149,625	1,867	149,677	1,234

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23. Earning per share

23-1. Basis of EPS calculation

Description	IRR million	
	Consolidated	
	March 20, 2025	March 19, 2024
Operating profit	84,492,697	58,829,582
Tax effects	(6,290,724)	(4,878,461)
	78,201,973	53,951,121
Non operating profit	859,520	537,118
Tax effects	(23,935)	(356)
	835,585	536,762
Net profit before tax	85,352,217	59,366,700
Total tax effects	(6,314,659)	(4,878,817)
Non-controlling interests' share of net income	(95,944)	(116,052)
Net Profit - Attributable to owners of the parent company	78,941,614	54,371,831

Description	IRR million	
	Parent Co.	
	March 20, 2025	March 19, 2024
Operating profit	81,745,993	55,661,559
Tax effects	(5,105,027)	(4,061,412)
	76,640,966	51,600,147
Non operating profit	342,269	75,076
Tax effects	(29,935)	(197)
	312,334	74,879
Net profit before tax	82,088,262	55,736,635
Total tax effects	(5,134,962)	(4,061,610)
Net Profit	76,953,300	51,675,025

23-1-1. Weighted average number of shares

Description	No. of shares	
	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024 (Revised)
weighted average number of ordinary shares	75,000,000,000	75,000,000,000
Weighted average number of treasury shares	(187,607,969)	(112,629,898)
weighted average number of shares	74,812,392,031	74,887,370,102

23-2. According to the origin of the Capital increase in progress that is retained earnings (Approved in the Extraordinary General Assembly of Shareholders dated 07/18/2024), the access date of mentioned source is the base of weighted average number of ordinary shares calculation.

23-3. Diluted earnings per share

Diluted earnings per share is obtained by dividing the profit belonging to ordinary shareholders by the weighted average number of ordinary shares after adjusting the dilutive effect of all potential ordinary shares. At the end of March 20, 2025 and March 19, 2024 , there is no profit reducing factor.

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24. Cash

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Cash in hand-LCY		192,437	196,692	191,570	196,692
Cash in hand- FCY		7,064,129	3,946,510	7,050,165	3,938,717
Unrestricted current deposits with CBI	24-3	105,663,207	45,907,413	105,663,207	45,907,413
Unrestricted balances with other banks and non-bank credit institutions	24-4	152,504,001	81,690,716	45,794,860	24,522,325
Total		265,423,774	131,741,331	158,699,802	74,565,147

24-1. Local and foreign cash in hand in the Bank's branches up to IRR 8,046,549 million are insured against theft and fire.

24-2. Cash in hand-FCY included USD 2,070,278 , EUR 7,463,653, AED 446,632 , INR 5,600 , OMR 32,and GBP 4,200.

24-3. Unrestricted balances with CBI

IRR million

	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Unrestricted current deposits with CBI-LCY	11,721	9,138
Unrestricted current deposits with CBI-FCY	169,539	166,107
Unrestricted current deposits with other countries' central banks	105,481,947	45,732,168
Total	105,663,207	45,907,413

24-4. Unrestricted balances with other banks and non-bank credit institutions

IRR million

	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Unrestricted current deposits with other local banks and non-bank credit institutions-LCY	857,647	239,848	30,407	37,707
Unrestricted current deposits with other local banks and non-bank credit institutions-FCY	123,385,851	66,911,113	17,505,926	9,948,662
Unrestricted term deposits with other local banks and non-bank credit institutions-LCY	1,976	3,799	-	-
Unrestricted term deposits with other local banks and credit institutions-FCY	5,783,120	-	5,783,120	-
Unrestricted current deposits with foreign banks-FCY	22,475,407	14,535,956	22,475,407	14,535,956
Total	152,504,001	81,690,716	45,794,860	24,522,325

24-5. Restricted balances are classified in due from banks and financial institutions note.

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25. Due from banks and non-bank credit institutions

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Due from CBI	25-2	26,806	40,809	26,806	40,809
Due from other banks and financial institutions	25-3	122,262,305	77,291,587	159,206,913	99,458,691
Total		122,289,111	77,332,396	159,233,719	99,499,500

25-1. Unrestricted balances are classified as cash.

25-2. Due from CBI

IRR million

	Note	Consolidated and Parent Co.	
		March 20, 2025	March 19, 2024
Restricted current deposits with CBI-FCY		425	20,619
Restricted current deposits with other countries' central banks	25-2-1	4,964,869	2,828,345
Less: CBI's balance in our accounts (Note 36)	25-2-1	(4,964,869)	(2,828,345)
Others		26,381	20,190
Total		26,806	40,809

25-2-1. Since these amounts have been provided by the Central Bank and the related risks and rewards do not belong to the bank, they have been presented on a net basis after being offset against the related obligations.

25-3. Due from other banks and non-bank credit institutions

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Restricted current deposits with other local banks and non-bank credit institutions-FCY		24,849,333	5,053,345	61,793,941	27,220,449
Restricted term deposits with other local banks and non-bank credit institutions-LCY	25-3-1	75,540,000	38,400,000	75,540,000	38,400,000
Restricted term deposits with other local banks and non-bank credit institutions-FCY		17,066,943	5,934,564	17,066,943	5,934,564
Restricted current deposits with foreign banks-FCY	25-3-2	56,179,196	83,428,192	56,179,196	83,428,192
Less: CBI balance in our accounts (Note 36)	25-3-2	(52,252,284)	(55,728,902)	(52,252,284)	(55,728,902)
Other banks checks		140,400	40,000	140,400	40,000
Due from other banks due to PAYA transactions		588,840	36,564	588,840	36,564
Others		149,877	127,824	149,877	127,824
Total		122,262,305	77,291,587	159,206,913	99,458,691

25-3-1. Restricted term deposits with other local banks and credit institutions are related to interbank deposits that its maturity date is 03/25/2025.

25-3-2. Since these amounts have been provided by the Central Bank and the related risks and rewards do not belong to the bank, they have been presented on a net basis after being offset against the related obligations.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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26. Credit facilities granted from non-governmental entities

IRR million

	Consolidated									
	March 20, 2025					March 19, 2024				
	Principal balance	Fee and interest receivable balance	Penalty receivable balance	Mudharaba and Mosharekat Madani received fund	Future interests	Deferred fee and interest	Total	Provision for bad and doubtful debts	Net balance	Net balance
Installment sales	9,235,188	90,124	4,415	-	(3,757,570)	(8,159)	5,563,998	(84,582)	5,479,416	5,888,606
Wakala	8,236,396	814,094	2,561	-	(466,222)	(15,529)	8,571,300	(128,570)	8,442,730	6,254,727
Mudharaba	133,594	10,858	15,656	-	-	(10,858)	149,250	(118,419)	30,831	125,604
Mosharekat Madani (civil partnership contracts)	3,035,870	213,465	62,744	-	-	(13,742)	3,298,337	(229,570)	3,068,767	9,082,986
Debt purchase	93,156,089	4,931,672	28,330	-	(11,879,446)	(25,793)	86,210,852	(1,320,489)	84,890,363	66,852,807
Murabaha	519,283,589	15,684,487	3,147,211	-	(47,536,500)	(2,766,426)	487,812,361	(13,223,046)	474,589,315	364,364,089
Gardh-Ul Hasan	16,656,243	13,331	-	-	(2,369,042)	-	14,300,532	(216,034)	14,084,498	6,490,239
Foreign currency facilities	301,761,728	90,743,605	295,706	-	(17,627,261)	-	375,173,778	(9,628,242)	365,545,536	232,728,773
Debtors for paid L/Cs	8,157,136	-	293,854	-	-	-	8,450,990	(4,062,424)	4,388,566	764,442
Debtors for paid guarantees	2,609,226	-	85,400	-	-	-	2,694,626	(1,379,042)	1,315,584	519,680
Debtors for paid credit cards	2,801,143	18,899	152	-	(591,314)	(290)	2,228,590	(33,841)	2,194,749	1,774,781
Total	965,066,202	112,520,535	3,936,029	-	(84,227,355)	(2,840,797)	994,454,614	(30,424,259)	964,030,355	694,846,734

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MIDDLE EAST BANK (PJSC)
 NOTES TO THE FINANCIAL STATEMENTS
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Note	Parent Co.										IRR million
	March 20, 2025					March 19, 2024					
	Principal balance	Fee and interest receivable balance	Penalty receivable balance	Mudaraba and Mosharekat Madani received fund	Future interests	Deferred fee and interest	Total	Provision for bad and doubtful debts	Net balance	Net balance	
Installment sales	9,235,190	90,124	4,415	-	(3,757,570)	(8,159)	5,564,000	(84,582)	5,479,418	5,888,604	
Wakala	8,236,396	814,091	2,561	-	(466,222)	(15,529)	8,571,297	(128,570)	8,442,727	6,254,727	
Mudaraba	133,594	10,858	15,656	-	-	(10,858)	149,250	(118,419)	30,831	125,604	
Mosharekat Madani (civil partnership contracts)	3,035,870	213,465	62,744	-	-	(13,742)	3,298,337	(229,570)	3,068,767	9,082,987	
Debt purchase	93,156,089	4,931,672	28,330	-	(11,879,444)	(25,793)	86,210,854	(1,320,489)	84,890,365	66,852,807	
Murabaha	519,563,589	15,686,599	3,147,210	-	(47,536,500)	(2,766,426)	488,094,472	(13,227,277)	474,867,195	365,153,970	
Gardh-UI Hasan	16,656,243	13,331	-	-	(2,369,042)	-	14,300,532	(216,034)	14,084,498	6,490,239	
Foreign currency facilities	301,761,728	90,743,605	295,706	-	(17,627,261)	-	375,173,778	(9,628,242)	365,545,536	232,728,773	
Debtors for paid L/Cs	8,157,136	-	293,854	-	-	-	8,450,990	(4,062,424)	4,388,566	764,442	
Debtors for paid guaranteees	2,609,226	-	85,400	-	-	-	2,694,626	(1,379,042)	1,315,584	519,680	
Debtors for paid credit cards	2,801,143	18,899	152	-	(591,314)	(290)	2,228,590	(33,842)	2,194,748	1,774,782	
Total	965,346,204	112,522,644	3,936,028	-	(84,227,353)	(2,840,797)	994,736,726	(30,428,491)	964,308,235	695,636,615	

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
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26-1. Classification of credit facilities to and amounts due from non-governmental entities according to CBI's regulations is as below(note 7-8):

IRR million					
	Parent Co.				
	March 25, 2025				
	Current loans	Past due loans	Outstanding loans	Doubtful loans	Total
Installment sales	9,236,699	-	-	93,030	9,329,729
Wakala	8,801,538	-	-	251,510	9,053,048
Mudaraba	-	-	-	160,108	160,108
Mosharekat Madani (civil partnership contracts)	3,109,387	-	-	202,692	3,312,079
Debt purchase	97,884,343	298	231,450	-	98,116,091
Murabaha	492,778,357	8,872,567	30,099,351	6,647,123	538,397,398
Gardh-UI Hasan	16,654,790	12,752	1,687	345	16,669,574
Foreign currency facilities	382,429,336	-	2,229,312	8,142,391	392,801,039
Debtors for paid L/Cs	433,060	-	-	8,017,930	8,450,990
Debtors for paid guarantees	231,682	-	-	2,462,944	2,694,626
Debtors for paid credit cards	2,817,889	1,679	274	352	2,820,194
Total	1,014,377,081	8,887,296	32,562,074	25,978,425	1,081,804,876
Less					
Future interests	(82,328,151)	(104,520)	(959,872)	(834,810)	(84,227,353)
Deferred fee and interest	-	(667,405)	(1,603,265)	(570,127)	(2,840,797)
Net loans before deduction of provision for bad and doubtful loans	932,048,930	8,115,371	29,998,937	24,573,488	994,736,726
General provision for bad and doubtful loans	(13,981,139)	(10,573)	(56,596)	(69,050)	(14,117,358)
Specific provision for bad and doubtful loans	-	(703,527)	(5,093,968)	(10,513,638)	(16,311,133)
Balance at March 20, 2025	918,067,791	7,401,271	24,848,373	13,990,800	964,308,235
Balance at March 19, 2024	668,215,857	6,686,633	13,064,609	7,669,516	695,636,615

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

26-2. Turnover of provision for bad and doubtful loans is as below:

IRR million						
	Parent Co.					
	March 20, 2025			March 19, 2024		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Opening balance	10,272,268	2,756,161	13,028,429	7,389,781	1,313,280	8,703,061
Increase (decrease) during the year	3,845,090	13,554,973	17,400,062	2,882,487	1,442,881	4,325,368
Closing balance	14,117,358	16,311,133	30,428,491	10,272,268	2,756,161	13,028,429

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

MIDDLE EAST BANK (PJSC)
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26-3. Classification of foreign currency loans according to payment sources is as below:

IRR million

	Consolidated and Parent Co.					March 19, 2024
	March 20, 2025					
	Current loans	Past due loans	Outstanding loans	Doubtful debt	Total	
Internal resources	6,665,857	-	1,783,449	-	8,449,306	8,287,767
CBI and other bank resources	6,536,918	-	-	-	6,536,918	2,436,207
National development fund	346,860,123	-	-	3,699,189	350,559,312	222,004,799
Total	360,062,898	-	1,783,449	3,699,189	365,545,536	232,728,773

26-3-1. The major foreign currency loans pertain to amounts allocated in previous years under clause (L) of Note (2) of the year ended March 2016 Budget Law, amounting to \$500 million through the foreign currency deposits of the National Development Fund. These loans were granted to private and cooperative contractors and manufacturers engaged with the National Iranian Oil Company (NIOC), as introduced by the company, and were fully disbursed to the designated companies through Middle East Bank. During the years 1399 (year ended March 2021), 1400 (year ended March 2022), 1401 (year ended March 2023), and 1403 (year ended March 2025), repayments of \$50 million, \$40 million, \$40 million, and \$23 million, respectively, were settled, resulting in a remaining principal balance of \$346 million by the end of 1403 (year ended March 2025). Additionally, in 1404 (year ended March 2026), \$5 million of the aforementioned claims was recovered. It is worth noting that, under the contract between the Bank and NIOC, repayment of debts related to the foreign currency facility agreements, including principal, interest, and applicable penalties, is guaranteed and committed by NIOC in accordance with the terms of the respective contracts. The initial contract term was 36 months, which was extended to 60 months (until June 2020) through an amendment. Subsequently, another amendment extended the repayment term of these loans until 1403/10/19 (9 January, 2025). Furthermore, pursuant to the national budgets for year ended March 2023, March 2024, and March 2025, the repayment period for banks' claims regarding the principal and interest of facilities paid to private and cooperative contractors and manufacturers associated with NIOC for financing upstream oil and gas projects has been extended. Additionally, in 1403 (year ended March 2025), \$18 million of the aforementioned claims (related to interest) was recovered. In light of ongoing correspondence regarding the extension of the contracts, the guarantee provided by NIOC, and communications between NIOC, the esteemed Presidency of the Islamic Republic of Iran, and the Plan and Budget Organization, concluded with a letter dated 1404/02/27 (17 May, 2025) requesting a two-year deferral for the repayment of facilities received from the National Development Fund for upstream oil industry projects, these loans continue to be reported as current assets. However, since 1402 (year ended March 2023), the Bank has recognized revenue in its accounts up to the amount of Interest expense on the National Development Fund's deposit.

26-3-2. The amount presented in the above table is net after deduction for relevant provisions (according to note 26).

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26-4. Classification of credit facilities granted to and amounts due from non-governmental entities according to its maturity and interest rate is as below:

	Note	Parent Co.							IRR, million
		March 20, 2025						March 19, 2024	
		24% and more	21-24%	18-21%	15-18%	12-15%	12% and less	Total	
March 20, 2025 and before	26-4-1	3,245,727	58,532,878	328,269	4,411,459	182	9,719,337	76,237,852	35,427,658
year ended March 2026		-	514,150,766	903,759	1,212,478	1,019,488	341,345,789	858,632,280	633,476,580
year ended March 2027		-	5,797,578	438,735	49,775	62,409	7,323,772	13,672,269	13,127,427
year ended March 2028		-	323,061	-	1,338,428	129,028	6,228,469	8,018,986	26,633,379
year ended March 2029 and after		-	2,472,683	-	1,099,960	1,540,931	33,061,765	38,175,339	-
Total credit facilities granted to and amounts due from non-governmental entities before deduction of provision		3,245,727	581,276,966	1,670,763	8,112,100	2,752,038	397,679,132	994,736,726	708,665,044
General provision for bad and doubtful loans		(47,202)	(8,064,967)	(22,486)	(121,679)	(41,281)	(5,819,743)	(14,117,358)	(10,272,268)
Specific provision for bad and doubtful loans		(98,926)	(11,955,116)	(96,004)	(182)	-	(4,160,905)	(16,311,133)	(2,756,161)
Balance at March 20, 2025		3,099,599	561,256,883	1,552,273	7,990,239	2,710,757	387,698,484	964,308,235	
Balance at March 19, 2024		9,024,786	428,203,465	468,017	11,141,832	2,213,945	244,584,570	695,636,615	

25-4-1. The majority of the amount stated in the column of "24% and more" is related to the loans (including principal and receivable interest) from term deposit certificate, special investment (special) according to CBI's letter number 02/276200 dated 01/30/2024.

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

26-5. Classification of credit facilities granted to and amounts due from non-governmental entities according to its collaterals is as below:

IRR million

	Parent Co.					
	March 20, 2025			March 19, 2024		
	Balance	Provision	Net	Balance	Provision	Net
Deposits	124,074	(5,142)	118,932	490,603	(9,233)	481,370
participation bonds and other securities guaranteed by government and CBI	1,425	(21)	1,404	487,865	(7,318)	480,547
Participation bonds and other securities guaranteed by other banks	-	-	-	978,738	(14,681)	964,057
Listed shares	66,306,123	(994,592)	65,311,531	50,719,713	(760,796)	49,958,917
Land and building	230,495,312	(4,374,185)	226,121,127	165,130,969	(2,860,726)	162,270,243
Machinery	23,400,128	(323,252)	23,076,876	9,574,122	(143,612)	9,430,510
Check and promissory notes	352,769,974	(9,951,319)	342,818,655	9,083,878	(592,988)	8,490,890
Binding contract	321,005,334	(14,756,986)	306,248,348	471,674,707	(8,655,640)	463,019,067
Total credit facilities and claims (with security)	994,102,370	(30,405,497)	963,696,873	708,140,595	(13,044,994)	695,095,601
Without collateral	634,356	(22,994)	611,362	556,408	(15,394)	541,014
Total credit facilities granted to and amounts due from non-governmental entities	994,736,726	(30,428,491)	964,308,235	708,697,003	(13,060,388)	695,636,615

MIDDLE EAST BANK (PJSC)
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26-6. Turnover of credit facilities granted to and amounts due from non-governmental entities is as below:

	Parent Co.										IRR million	
	Installment sales	Wakala	Mudaraba	Mosharekat Madani	Debt purchase	Murabaha	Gardh-Ul Hasan	Foreign currency facilities	Debtors for paid L/Cs	Debtors for paid guarantees		Debtors for paid credit cards
Principal												
Balance at March 19, 2024	5,888,557	5,797,704	122,736	9,167,786	64,137,124	361,255,354	6,586,132	182,231,051	852,087	798,728	1,786,794	638,624,053
Increase during the year	3,595,396	9,199,878	-	-	196,801,660	2,605,341,887	9,103,201	26,288,666	66,439,751	41,215,303	1,334,078	2,959,319,820
Decrease during the year	(4,014,492)	(7,242,937)	-	(6,145,658)	(179,687,932)	(2,497,336,578)	(1,402,132)	(41,995,927)	(59,134,702)	(39,404,805)	(911,333)	(2,837,276,496)
Foreign exchange effect	-	-	-	-	-	-	-	117,610,677	-	-	-	117,610,677
Balance at March 20, 2025	5,469,461	7,754,645	122,736	3,022,128	81,250,852	469,260,663	14,287,201	284,134,467	8,157,136	2,609,226	2,209,539	878,278,054
Interest and penalty*												
Balance at March 19, 2024	89,724	552,436	26,514	159,659	3,733,746	10,719,877	3,640	54,710,001	17,923	13,182	15,289	70,040,991
Increase during the year	725,541	1,363,221	-	3,212,387	19,287,074	105,856,966	579,521	11,550,889	1,032,794	1,267,899	339,705	145,215,997
Decrease during the year	(720,726)	(1,099,005)	-	(3,095,837)	(18,060,818)	(97,742,034)	(569,830)	(12,410,513)	(756,863)	(1,195,681)	(335,943)	(135,987,250)
Foreign exchange effect	-	-	-	-	-	-	-	37,188,934	-	-	-	37,188,934
Balance at March 20, 2025	94,539	816,652	26,514	276,209	4,960,002	18,833,809	13,331	91,039,311	293,854	85,400	19,051	116,458,672
Provision for bad and doubtful loans												
Balance at March 19, 2024	(89,677)	(95,413)	(23,646)	(244,458)	(1,018,063)	(6,820,261)	(99,533)	(4,212,279)	(105,568)	(292,230)	(27,301)	(13,028,429)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs during the year	-	-	-	-	-	-	-	-	-	-	-	-
Increase or decrease during the year	5,095	(33,157)	(94,773)	14,888	(302,426)	(6,407,016)	(116,501)	(5,415,963)	(3,956,855)	(1,086,812)	(6,542)	(17,400,062)
Balance at March 20, 2025	(84,582)	(128,570)	(118,419)	(229,570)	(1,320,489)	(13,227,277)	(216,034)	(9,628,242)	(4,062,423)	(1,379,042)	(33,843)	(30,428,491)
Net balance												
Balance at March 19, 2024	5,888,604	6,254,727	125,604	9,082,987	66,852,807	365,153,970	6,490,239	232,728,773	764,442	519,680	1,774,782	695,636,615
Balance at March 20, 2025	5,479,418	8,442,727	30,831	3,068,767	84,890,365	474,867,195	14,084,498	365,545,536	4,388,567	1,315,584	2,194,747	964,308,235

*This amount includes interest of granted facilities and delay penalty.

Penalties and interest of loans after outstanding and doubtful classes have not been taken into accounts, in accordance with note 7-6.

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

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26-6-1. Loans interest and penalty movement is as below:

	Parent Co.										IRR million	
	Installment sale	Wakala	Mudaraba	Mosharekat Madani	Purchase of debt	Murabaha	Gardh-UI Hasan	Foreign currency facilities	Debtors for paid L/Cs	Debtors for paid guarantees		Debtors for paid credit cards
interest and commission receivable												
Balance at March 19, 2024	82,421	548,958	10,859	136,656	3,722,593	10,183,198	3,640	54,314,346	-	-	15,189	69,017,859
Increase during the year	679,948	1,248,580	-	3,114,828	18,796,688	96,995,872	575,333	10,322,848	-	-	337,334	132,071,431
Decrease during the year	(672,245)	(983,447)	-	(3,038,019)	(17,587,609)	(91,492,471)	(565,642)	(10,957,551)	-	-	(333,624)	(125,630,608)
Foreign exchange effect	-	-	-	-	-	-	-	37,063,962	-	-	-	37,063,962
Balance at March 20, 2025	90,124	814,091	10,859	213,465	4,931,672	15,686,599	13,331	90,743,605	-	-	18,899	112,522,644
penalty receivable												
Balance at March 19, 2024	7,303	3,478	15,655	23,003	11,154	535,679	-	395,655	17,923	13,182	100	1,023,132
Increase during the year	45,593	114,641	-	97,559	490,387	8,861,095	4,188	1,228,041	1,032,794	1,267,899	2,369	13,144,566
Decrease during the year	(48,481)	(115,558)	-	(57,818)	(473,210)	(6,249,564)	(4,188)	(1,452,962)	(756,863)	(1,195,681)	(2,318)	(10,356,642)
Foreign exchange effect	-	-	-	-	-	-	-	124,972	-	-	-	124,972
Balance at March 20, 2025	4,415	2,561	15,655	62,744	28,331	3,147,210	-	295,706	293,854	85,400	151	3,936,028
Interest and penalty												
Balance at March 19, 2024	89,724	552,436	26,514	159,659	3,733,746	10,718,877	3,640	54,710,001	17,923	13,182	15,289	70,040,991
Balance at March 20, 2025	94,539	816,652	26,514	276,209	4,960,003	18,833,809	13,331	91,039,311	293,854	85,400	19,050	116,458,672

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

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26-7. Classification of credit facilities granted to non-governmental entities according to types of customer is as below:

IRR million						
	Parent Co.					
	March 20, 2025			March 19, 2024		
	Gross balance	Provision for bad and doubtful loans	Net balance	Gross balance	Provision for bad and doubtful loans	Net balance
Related natural persons*	-	-	-	-	-	-
Related corporate customers	-	-	-	-	-	-
Staff	4,274,049	(64,111)	4,209,938	4,529,631	(68,046)	4,461,585
Natural persons	30,393,981	(486,661)	29,907,320	17,929,746	(291,842)	17,637,904
Corporate customers	960,068,696	(29,877,719)	930,190,977	686,205,667	(12,668,541)	673,537,126
Total	994,736,726	(30,428,491)	964,308,235	708,665,044	(13,028,429)	695,636,615

* The basis for determining related parties is the limits explained in the accounting standards.

** As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 26-8.

26-8. Loans to subsidiaries

IRR million						
	Weighted average Interest rate	March 20, 2025				March 19, 2024
		Current	Non-performing	Provision for bad and doubtful loans	Total	Total
		%				
Consolidated subsidiaries						
Middle East Bank Brokerage Co.	23	<u>282,111</u>	<u>-</u>	<u>(4,232)</u>	<u>277,879</u>	<u>789,880</u>

27. Due from subsidiaries and associates

IRR million									
		Consolidated			Parent Co.				
		March 20, 2025			March 19, 2024	March 20, 2025			March 19, 2024
		Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Due from subsidiaries-LCY	27-1	-	-	-	-	1,989,913	(30,590)	1,959,323	800,322
Due from associates-LCY	27-1	-	-	-	-	-	-	-	-
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,989,913</u>	<u>(30,590)</u>	<u>1,959,323</u>	<u>800,322</u>

* According to the following note, the payable amount to the Middle East Life Insurance Co. is transferred to note 39.

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27-1. Gross balance of due from subsidiaries and associates according to intergroup transactions is as follows:

Name of Company	Parent Co.										IRR million
	March 20, 2025										
	Sales of assets and investments	Purchase of services	Received advances	Prepayments	Security Deposits	Dividends receivable	Total	Provision of doubtful debts	Net		
Dadeh Pardazan Simaye Aftab Co.	-	(49,416)	-	40,906	-	-	(8,510)	(614)	(9,124)		
Middle East Life Insurance Co.	-	(649)	-	-	(30,000)	-	(30,649)	-	(30,649)		
Middle East Currency Exchange Co.	-	-	-	433	-	1,967,993	1,968,426	(29,526)	1,938,900		
Middle East Bank Brokerage Co.	-	-	-	-	-	29,997	29,997	(450)	29,547		
Net Profit	2,923,316	(50,065)	-	41,339	(30,000)	1,997,990	1,959,264	(30,590)	1,928,674		

Name of Company	Parent Co.										IRR million
	March 19, 2024										
	Sales of assets and investments	Purchase of services	Received advances	Prepayments	Security Deposits	Dividends receivable	Total	Provision of doubtful debts	Net		
Dadeh Pardazan Simaye Aftab Co.	-	(26,719)	40,619	-	-	-	13,900	(611)	13,289		
Middle East Life Insurance Co.	-	(633)	-	-	-	-	(633)	-	(633)		
Middle East Bank Currency Exchange Co.	-	-	1,021	-	-	797,996	799,017	(11,984)	787,033		
Middle East Bank Brokerage Co.	-	-	-	-	-	-	-	-	-		
Total of amounts due from subsidiaries and associates	1,802,285	(27,352)	41,640	-	-	797,996	812,284	(12,595)	799,689		
Net Profit	1,802,285	(27,352)	41,640	-	-	797,996	812,284	(12,595)	799,689		

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27-2. Classification of Due from subsidiaries and associates according to CBI's regulations is as below (note7-9)

	IRR million				
	Parent Co.				
	March 19, 2024				
	Current	Past due	Outstanding	Doubtful debt	Total
Due from subsidiaries-LCY	1,989,913	-	-	-	1,989,913
Due from associates-LCY	-	-	-	-	-
Due from subsidiaries- FCY	-	-	-	-	-
Due from associates-FCY	-	-	-	-	-
Due from subsidiaries and associates before deduction of provision of doubtful debts	1,989,913	-	-	-	1,989,913
General provision for bad and doubtful debts	(30,590)	-	-	-	(30,590)
Specific provision for bad and doubtful debts	-	-	-	-	-
Balance at March 20, 2025	1,959,323	-	-	-	1,959,323
Balance at March 19, 2024	800,322	-	-	-	800,322

28. Other accounts receivable

Note	IRR million							
	Consolidated				Parent Co.			
	March 20, 2025			March 19, 2024	March 20, 2025			March 19, 2024
	Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Participation bonds interest	1,426,675	(21,400)	1,405,275	306,071	1,426,675	(21,400)	1,405,275	306,071
Receivable from staff	218,243	(619)	217,624	172,623	41,292	(619)	40,673	105,216
Temporary debtors	4,640,281	(302,137)	4,338,144	4,151,420	846,431	(302,133)	544,298	517,366
Total	6,285,199	(324,156)	5,961,043	4,630,114	2,314,398	(324,152)	1,990,246	928,653

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28-1. Temporary debtors are as follow:

IRR million

Note	Consolidated				Parent Co.			
	March 20, 2025		March 19, 2024		March 20, 2025		March 19, 2024	
	Balance	Net	Balance	Net	Balance	Net	Balance	Net
Related to loans								
Legal and debt collection costs	49,581	16,983	123,254	104,637	49,581	16,983	123,254	104,637
Total	49,581	16,983	123,254	104,637	49,581	16,983	123,254	104,637
Not related to loans								
Murabaha securities of Ministry of Agriculture-Jahad	56,000	-	56,000	-	56,000	-	56,000	-
Middle East Bank Brokerage Co. clients	3,743,670	3,743,670	3,611,803	3,611,803	-	-	-	-
Corporate debtors	486,850	477,374	256,101	252,593	465,902	456,427	233,850	230,342
Natural person debtors	249,119	65,083	298,628	168,085	249,119	65,083	298,628	168,085
Others	55,061	35,034	662,024	14,302	25,829	5,805	14,594	14,302
Total	4,590,700	4,321,161	4,884,556	4,046,783	796,850	527,315	603,072	412,729
Temporary debtors balance	4,640,281	4,338,144	5,007,810	4,151,420	846,431	544,298	726,326	517,366

28-2. Other accounts receivable classification based on CBI regulations is as follow (note 7-9):

IRR million

	Parent Co.				
	March 20, 2025				
	Current	Past due	Outstanding	Doubtful debt	Total
Participation bonds interest	1,426,675	-	-	-	1,426,675
Receivable from staff	41,292	-	-	-	41,292
Temporary debtors	349,481	202,226	13,488	281,236	846,431
Other accounts receivable before deduction of bad and doubtful debts provision	1,817,448	202,226	13,488	281,236	2,314,398
General provision for bad and doubtful debts	(27,261)	-	(85)	(64)	(27,410)
Specific provision for bad and doubtful debts	-	(20,223)	(1,550)	(274,969)	(296,742)
Balance at March 20, 2025	1,790,187	182,003	11,853	6,203	1,990,246
Balance at March 19, 2024	728,546	2,642	92,613	104,852	928,653

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29. Investments in share and other securities

IRR million							
Consolidated							
Note	March 20, 2025			March 19, 2024			
	Short term	Long term	Total	Short term	Long term	Total	
Investment in listed shares	29-1	572,385	50	572,435	605,737	50	605,787
Investment in other shares	29-2	-	1,285,494	1,285,494	-	899,395	899,395
Investment in other securities	29-3	52,035,886	6,143,803	58,179,689	29,224,202	2,581,409	31,805,611
Total		52,608,271	7,429,346	60,037,617	29,829,939	3,480,854	33,310,793

IRR million							
Parent Co.							
Note	March 20, 2025			March 19, 2024			
	Short term	Long term	Total	Short term	Long term	Total	
Investment in listed shares	29-1	-	-	-	-	-	-
Investment in other shares	29-2	-	3,186,121	3,186,121	-	1,166,629	1,166,629
Investment in other securities	29-3	52,035,886	4,729,145	56,765,031	29,224,202	1,780,304	31,004,506
Total		52,035,886	7,915,266	59,951,152	29,224,202	2,946,933	32,171,135

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29-1. Investment in listed shares are as follow:

29-1-1. Investment in listed shares

		Consolidated						
		March 20, 2025			March 19, 2024			
Origination	No. of shares	Percentage of investments	Cost	Net realizable value	Market value	Cost	Net realizable value	Market value
		%	IRR million	IRR million	IRR million	IRR million		
Shares of companies listed on the stock exchange:								
Saipa Co.	15,000,000	0%	44,725	43,891	44,280	230,947	263,744	266,126
Social Security investment Co.	30,000,000	0%	38,845	38,835	39,180	25,098	23,003	23,211
Persian Gulf Investment	897,903	0%	898	1,560	1,574	18,755	16,218	16,365
Mellat bank	18,755,449	0%	27,523	39,058	39,405	23,863	23,975	24,191
Pension Fund	-	0%	-	-	-	27,413	21,100	21,290
Saderat bank	87,188,989	0%	52,198	48,050	48,477	13,856	14,471	14,602
Bandar Abbas Oil Refinery	3,500,000	1%	40,018	31,431	31,710	21,741	17,963	18,126
Iran Khodro Diesel	12,500,000	0%	47,437	47,925	48,350	21,458	19,345	19,520
Iran Fara Bourse Co.	8,446,428	1%	62,085	39,625	39,977	68,955	57,075	57,591
Securities Exchange	16,638,202	0%	25,840	52,955	53,425	27,295	77,605	78,306
Paris Khodro	-	0%	-	-	-	25,490	16,345	16,493
Urmia Cement Co.	-	0%	-	-	-	32,599	31,637	31,922
Soojmiran	-	0%	-	-	-	11,297	9,940	10,030
Sina Bank	8,242,516	0%	19,212	16,144	16,287	-	-	-
Tejarat Bank	110,187,622	0%	47,269	45,216	45,618	-	-	-
Parsian Bank	26,500,000	0%	82,246	74,624	75,287	-	-	-
Saipa Investment Group	11,895,656	0%	48,128	37,649	37,983	-	-	-
Iran Khodro Investment Development	2,200,000	0%	10,575	9,322	9,405	-	-	-
Saman Insurance	3,318,000	1%	18,505	30,290	30,559	-	-	-
Tehran Oil Refining Company	6,916,666	0%	14,407	15,810	15,950	-	-	-
Others	-	-	-	-	-	56,970	62,573	63,138
Total			579,911	572,385	577,467	605,737	654,994	660,911
Add (Less):			-	-	-	-	-	-
Cost adjustment			-	-	-	-	-	-
Total			579,911	572,385	577,467	605,737	654,994	660,911

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29-1-2. Long-term investment in listed shares

	Consolidated								
	March 20, 2025				March 19, 2024				
	Origination	No. of shares	Percentage of investments	Cost	Accumulated decrease in value	Book value	Market value	Book value	Market value
		%	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million	IRR million
Shares of companies listed on the stock exchange									
Central Depository and Funds Settlement Company	Purchase	6,825,000	-	50	-	50	8,475	50	6,825
Total				50	-	50	8,475	50	6,825

29-2. Investment in other shares

	Note	The origin of creation	No. of shares	Percentage of investments	Consolidated					
					March 20, 2025			March 19, 2024		
					Cost	Accumulated decrease in value	Book value	Market value*	Book value	Market value*
			percent	IRR million	IRR million	IRR million		IRR million		
Middle East Life Insurance Co. - Associate	29-2-1	establishment	479,999,996	20%	1,283,294	-	1,283,294	3,916,800	897,195	1,985,760
The Special Trade and Finance Institute (STFI)		establishment	220,000	11%	2,200	-	2,200	-	2,200	-
Total					1,285,494	-	1,285,494	3,916,800	899,395	1,985,760

29-2-1. Group share from associate company's net assets: (Including equity method)

	IRR million	
	Consolidated	
	March 20, 2025	March 19, 2024
Balance at beginning of the period	897,195	700,892
Share from associate company's net profit	434,099	268,303
Profit receivable / received during the period	(48,000)	(72,000)
Balance at end of the period	1,283,294	897,195

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29-2-2. Summary of financial information of the associate company:

IRR million

	Consolidated							
	March 20, 2025				March 19, 2024			
	Total assets	Total liabilities	Total income	Net Profit	Total assets	Total liabilities	Total income	Net Profit
Middle East Life Insurance Co.	<u>28,212,521</u>	<u>21,919,722</u>	<u>13,899,093</u>	<u>2,301,578</u>	<u>17,562,361</u>	<u>13,366,904</u>	<u>9,730,539</u>	<u>1,210,457</u>

29-2-3. The equity method has been applied with respect to Middle East Life Insurance Company based on its unaudited financial statements. However, historical data indicates that the audited financial statements of the company have not materially differed from the unaudited financial statements.

Note	The origin of creation	No. of shares	Percentage of investments	Parent Co.					
				March 20, 2025				March 19, 2024	
				Cost	Accumulated decrease in value	Book value	Market value*	Book value	Market value*
			%	IRR million	IRR million	IRR million		IRR million	
Middle East Bank Brokerage Co.	Purchase	749,999,000	75%	665,930	-	665,930	-	665,930	-
Dadeh Pardazan Simaye Aftab Co.	29-2-4 establishment	30,000,000	100%	30,000	-	30,000	-	10,500	-
Middle East Currency Exchange Co.	Purchase and establishment	1,999,990,000	100%	1,747,991	-	1,747,991	-	247,999	-
Middle East Life Insurance Co.	establishment	479,999,996	20%	240,000	-	240,000	3,916,800	240,000	1,985,760
The Special Trade and Finance Institute (STFI)	establishment	220,000	11%	2,200	-	2,200	-	2,200	-
Middle East Sun Leasing Co.	establishment	499,999,995	100%	500,000	-	500,000	-	-	-
Total				<u>3,186,121</u>	<u>-</u>	<u>3,186,121</u>	<u>3,916,800</u>	<u>1,166,629</u>	<u>1,985,760</u>

* Except for Middle East Life Insurance Company, no reliable market is available to determine the market value of other investments.

29-2-4. At the Statement of financial position date 100% of investment in Dadeh Pardazan Simaye Aftab Co. has been paid.

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29-3. Investment in other securities:

Issuer	Note	The origin of creation	Type of bond	Average of interest rate %	Status	IRR million			
						Consolidated		Parent Co.	
						March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Government or governmental corporations									
Ministry of Economic Affairs and Finance		Purchase	Bonds & Participation	33.58%	Free	35,179,229	36,238	35,179,229	36,238
Ministry of Economic Affairs and Finance	29-3-2	Purchase	Bonds & Participation	33.58%	Without collateral for open market operations	-	17,513,940	-	17,513,940
Ministry of Economic Affairs and Finance	29-3-1 /29-3-2	Purchase	Islamic treasury bonds	32.70%	Free	21,577,642	13,446,168	21,577,642	13,446,168
Other companies and investment funds									
Middle East Bank Ofoh mutual fund	29-3-3	Purchase	Preferred Investment units	30.5%	Free	198,152	259,658	7,000	7,000
Middle East Ofoh roshan mutual fund		Purchase	Preferred Investment units		Free	4,020	2,160	1,160	1,160
Market Development Fund		Purchase	Ordinary investment units		Free	478,354	520,139	-	-
Ahrom-Charisma Investment Fund		Purchase	Ordinary investment units		Free	67,383	4,430	-	-
First intermediary		Purchase	Ordinary investment units		Free	39,670	22,878	-	-
Others						635,239	-	-	-
Total						58,179,689	31,805,611	56,765,031	31,004,506

29-3-1. Islamic treasury documents are securities without coupons issued by the Ministry of Economic Affairs and Finance on behalf of the government.

29-3-2. The Islamic treasury, Bonds ,and Participation with the status “as collateral for open market operations” designated as collateral are utilized in the open market operations of the Central Bank.

29-3-3. Interest rates in the table above are the annual predicted rates determined by mutual funds.

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29-4. Investment in banking and non-banking activities is as follows:

	IRR million			
	Parent Co.			
	March 20, 2025		March 19, 2024	
	Book value	Exceeding the prescribed limits	Book value	Exceeding the prescribed limits
Investments related to banking activities and other authorized activities				
Middle East Currency Exchange Co.	1,747,991	-	247,999	-
Middle East Sun Leasing Co.	500,000	-	-	-
Dadeh Pardazan Simaye Aftab Co.	30,000	-	10,500	-
The Special Trade and Finance Institute (STFI)	2,200	-	2,200	-
Fixed income securities-Ministry of Economic Affairs and Finance	56,756,871	-	30,996,346	-
	59,037,062	-	31,257,045	-
Investment related to non-banking activities				
Middle East Bank Brokerage Co.	665,930	-	665,930	-
Middle East Life Insurance Co.	240,000	-	240,000	-
Middle East Bank Ofogh mutual fund	7,000	-	7,000	-
Middle East Ofogh roshan mutual fund	1,160	-	1,160	-
	914,090	-	914,090	-
Total	59,951,152	-	32,171,135	-

29-5. According to the regulations issued by the Central Bank supervising the investments of banks and non-banking credit institutions (instructions for investing in shares and other securities) on the date of the financial statement, this bank has 914,090 million Rials of investments related to non-banking activities. Obviously, any investment related to non-banking activities will be subject to penalties under Article 17 of the Law on Removing Obstacles to Competitive Production and Improving the Country's Financial System and other related laws and regulations.

It should be noted that according to the approval dated 02/18/2024 of the board of directors, the sale of non-bank investments has been approved after receiving the judicial expert report.

Subsequently, the judicial expert report was obtained, and following the discussion of the report at the board of directors' meeting dated 12/18/2024, the sale of shares of Middle East Bank Brokerage Company through an auction was approved. In this regard, the process of obtaining a report from a panel of three official judicial experts according to the CBI Circular No. 02/317016 dated 03/14/2024 and the sale through auction is currently underway. Additionally, with respect to the sale of shares of Middle East Life Insurance Company (Public Joint Stock), the judicial expert report has been obtained, and the necessary actions are being pursued and implemented. Following the completion of the sale process for Middle East Bank Brokerage Company, the necessary steps for the disposal of the aforementioned funds will be undertaken.

It is worth mentioning that, pursuant to Note 1 of Article 17 of the Law on Removing Obstacles to Competitive Production and in accordance with Section 6-2, Paragraph B of Article 8 of the Seventh Five-Year Development Plan of the Islamic Republic of Iran, if the credit institution disposes of the real estate and shares specified in Clause (2-2) of this paragraph by the end of the third year of the plan, the Iranian National Tax Administration is obliged to suspend the imposition of taxes under Paragraph (B) of Article 17 of the Law on Removing Obstacles to Competitive Production.

29-6. The permissible limits of investment in banking and other permitted securities subject to the guidelines for investment in securities are as follows:

	IRR million
Regulatory capital	121,004,228
Permissible investment limit for each legal entity (5% of regulatory capital)	6,050,211
The total investment limit (20% of regulatory capital)	24,200,846
Organizational unit responsible for the implementation of regulations	Reporting & Investor Relations Department

* According to Article 10 of the Investments regulation (Circular No. 01/239017 dated 12/14/2022), investment in securities issued or guaranteed by the government or CBI (except shares) is excluded from the scope of this regulation.

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30. Non-current assets held for sale and related debts

	Note	IRR million	
		Consolidated and Parent Co.	
		March 20, 2025	March 19, 2024
Collateral in possession	30-1	1,430,984	425,591

30-1. Collateral in possession

The composition of the balance of collateral in possession :

	IRR million						
	Consolidated and Parent Co.						
	March 20, 2023	Additions	Sale/Transfer	March 19, 2024	Additions	Sale/Transfer	March 20, 2025
Immovable property							
Residential	686,106	159,485	(420,000)	425,591	1,128,917	(123,524)	1,430,984
	686,106	159,485	(420,000)	425,591	1,128,917	(123,524)	1,430,984
Accumulated value reduction	-			-			-
Net of collateral in possession	686,106			425,591			1,430,984

30-1-1. The aging schedule of the Immovable collateral in possession:

	IRR million	
	March 20, 2025	March 19, 2024
	Less than one year from the date of acquisition	1,128,917
One to two years from the date of acquisition	35,961	119,550
More than two years from the date of acquisition	266,106	46,000
Total	1,430,984	425,591

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31. Fixed assets

	Consolidated								IRR million
	Land	Buildings	Installations & equipment	Motor vehicles	Office furniture	Lease hold improvements	Assets under construction	Orders and capital prepayments	Total
Cost									
Balance at March 21, 2023	2,172,115	2,365,298	1,736,372	57,103	354,130	83,479	1,266,395	1,134,724	9,169,616
Additions during the year	4,066,793	9,696,844	987,858	10,190	275,646	26,999	616,270	149,153	15,829,753
Disposals	-	-	(1,472)	(28)	(5,398)	-	-	-	(6,898)
Adjustments	1,387,166	(361,459)	14,378	-	-	3,370	(234,455)	(809,000)	-
Effect of movement in exchange rates	-	-	-	-	7,967	-	-	-	7,967
Balance at March 19, 2024	7,626,074	11,700,683	2,737,136	67,265	632,345	113,848	1,648,210	474,877	25,000,438
Balance at March 20, 2024	7,626,074	11,700,683	2,737,136	67,265	632,345	113,848	1,648,210	474,877	25,000,438
Additions during the year	-	-	541,224	16,735	87,800	-	201,047	7,479,670	8,326,476
Disposals	-	-	-	-	(650)	-	-	-	(650)
Adjustments	604,258	1,166,173	153,744	-	-	8,187	(1,594,636)	(337,726)	-
Effects of currency exchange differences	-	-	-	-	15,730	-	-	-	15,730
Balance at March 20, 2025	8,230,332	12,866,856	3,432,104	84,000	735,225	122,035	254,621	7,616,821	33,341,994
Accumulated depreciation									
Balance at March 21, 2023		488,529	1,090,952	25,840	183,459	80,325			1,869,105
Depreciation during the year		145,054	405,113	9,019	50,803	9,739			619,728
Disposals		-	(1,472)	(28)	(4,880)	-			(6,380)
Other transfers and changes		-	-	-	-	-			-
Effect of movement in exchange rates		-	-	-	4,578	-			4,578
Balance at March 19, 2024	-	633,583	1,494,593	34,831	233,960	90,064	-	-	2,487,031
Balance at March 20, 2024		633,583	1,494,593	34,831	233,960	90,064			2,487,031
Depreciation during the year		469,690	550,335	11,089	83,194	25,033			1,139,341
Disposals		-	-	-	(388)	-			(388)
Effect of movement in exchange rates		-	-	-	9,524	-			9,524
Balance at March 20, 2025	-	1,103,273	2,044,928	45,920	326,290	115,097	-	-	3,635,508
Book value									
Balance at March 21, 2023	2,172,115	1,876,769	645,420	31,263	170,671	3,154	1,266,395	1,134,724	7,300,511
Balance at March 19, 2024	7,626,074	11,067,100	1,242,543	32,434	398,385	23,784	1,648,210	474,877	22,513,407
Balance at March 20, 2025	8,230,332	11,763,583	1,387,176	38,080	408,935	6,939	254,621	7,616,821	29,706,485

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MIDDLE EAST BANK (PJSC)
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IRR million

	Parent Co.								
	Land	Buildings	Installations & equipment	Motor vehicles	Office furniture	Lease hold improvements	Assets under construction	Orders and capital prepayments	Total
Cost									
Balance at March 21, 2023	2,140,774	1,230,753	1,710,543	39,881	323,720	83,480	1,266,395	1,134,724	7,930,270
Additions during the year	4,066,793	9,696,844	941,098	-	213,843	26,999	616,270	149,153	15,711,000
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	653,653	372,054	14,378	-	-	3,370	(234,455)	(809,000)	-
Effect of movement in exchange rates	-	-	-	-	7,967	-	-	-	7,967
Balance at March 19, 2024	6,861,220	11,299,651	2,666,019	39,881	545,530	113,849	1,648,210	474,877	23,649,237
Balance at March 20, 2024	6,861,220	11,299,651	2,666,019	39,881	545,530	113,849	1,648,210	474,877	23,649,237
Additions during the year	-	-	534,259	-	83,240	-	201,047	7,475,713	8,294,259
Disposals	-	-	-	-	-	-	-	-	-
Adjustments	604,257	1,166,173	153,744	-	-	8,188	(1,594,636)	(337,726)	-
Effects of currency exchange differences	-	-	-	-	15,731	-	-	-	15,731
Balance at March 20, 2025	7,465,477	12,465,824	3,354,022	39,881	644,501	122,037	254,621	7,612,864	31,959,227
Accumulated depreciation									
Balance at March 21, 2023		469,203	1,076,492	22,070	165,214	80,324			1,813,303
Depreciation during the year		129,747	395,772	5,038	42,017	9,739			582,313
Disposals		-	-	-	-	-			-
Effect of movement in exchange rates		-	-	-	4,579	-			4,579
Balance at March 19, 2024		598,950	1,472,264	27,108	211,810	90,063			2,400,195
Balance at March 20, 2024		598,950	1,472,264	27,108	211,810	90,063			2,400,195
Depreciation during the year		453,910	532,189	4,748	69,575	25,034			1,085,456
Disposals		-	-	-	-	-			-
Effect of movement in exchange rates		-	-	-	9,524	-			9,524
Balance at March 20, 2025		1,052,860	2,004,453	31,856	290,909	115,097			3,495,175
Book value									
Balance at March 21, 2023	2,140,774	761,550	634,051	17,811	158,506	3,156	1,266,395	1,134,724	6,116,967
Balance at March 19, 2024	6,861,220	10,700,701	1,193,755	12,773	333,720	23,786	1,648,210	474,877	21,249,042
Balance at March 20, 2025	7,465,477	11,412,964	1,349,568	8,025	353,592	6,940	254,621	7,612,864	28,464,051

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31-1. According to the notified regulations of the Central Bank, which oversees the provision of excess assets (net fixed assets ratio), on the date of financial reporting, this bank does not have assets in excess of the prescribed limits. Obviously, any excess assets will be subject to penalties under Article 17 of the Law on Removing Obstacles to Competitive Production and Improving the Country's Financial System and other related laws and regulations.

31-2. Tangible fixed assets of the bank up to the value of 24,489.316 million Rials are insured against possible risks caused by fire, flood and earthquake.

31-3. Necessary measures to obtain ownership documents of the central office building are being followed.

32. Intangible assets

	IRR million			
	Consolidated			
	Software	Software development	Right to use public services	Total
Cost				
Balance at March 21, 2023	847,207	385,981	8,964	1,242,152
Additions during the year	108,096	686	1,313	110,095
Disposals	-	-	(8)	(8)
Adjustments	686	(686)	-	-
Effect of movement in exchange rates	-	251,592	-	251,592
Balance at March 19, 2024	955,989	637,573	10,269	1,603,831
Balance at March 20, 2024	955,989	637,573	10,269	1,603,831
Additions during the year	15,669	218,376	1,328	235,373
Disposals	-	-	-	-
Adjustments	-	-	-	-
Effect of movement in exchange rates	-	446,138	-	446,138
Balance at March 20, 2025	971,658	1,302,087	11,597	2,285,342
Accumulated amortization				
Balance at March 21, 2023	626,361	385,981		1,012,342
Amortization during the year	162,773	-		162,773
Effect of movement in exchange rates	-	251,592		251,592
Balance at March 19, 2024	789,134	637,573	-	1,426,707
Balance at March 20, 2024	789,134	637,573	-	1,426,707
Amortization during the year	6,651	187,972		194,623
Effect of movement in exchange rates	-	446,138		446,138
Balance at March 20, 2025	795,785	1,271,683	-	2,067,468
Book value				
Balance at March 21, 2023	220,846	-	8,964	229,810
Balance at March 19, 2024	166,856	-	10,269	177,124
Balance at March 20, 2025	175,874	30,404	11,597	217,874

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IRR million

	Parent Co.			
	Software	Software development	Right to use public services	Total
Cost				
Balance at March 21, 2023	839,817	385,982	8,784	1,234,583
Additions during the year	99,002	686	1,141	100,829
Adjustments	686	(686)	-	-
Effect of movement in exchange rates	-	251,592	-	251,592
Balance at March 19, 2024	939,505	637,574	9,925	1,587,004
Balance at March 20, 2024	939,505	637,574	9,925	1,587,004
Additions during the year	-	218,376	1,329	219,705
Disposals	-	-	-	-
Adjustments	-	-	-	-
Effect of movement in exchange rates	-	446,138	-	446,138
Balance at March 20, 2025	939,505	1,302,088	11,254	2,252,847
Accumulated amortization				
Balance at March 21, 2023	620,750	385,982		1,006,732
Amortization during the year	160,500	-		160,500
Effect of movement in exchange rates	-	251,592		251,592
Balance at March 19, 2024	781,250	637,574	-	1,418,824
Balance at March 20, 2024	781,250	637,574	-	1,418,824
Amortization during the year	-	187,971		187,971
Disposals	-	-		-
Effect of movement in exchange rates	-	446,138		446,138
Balance at March 20, 2025	781,250	1,271,683	-	2,052,933
Book value				
Balance at March 21, 2023	219,067	-	8,784	227,851
Balance at March 19, 2024	158,255	-	9,925	168,180
Balance at March 20, 2025	158,255	30,405	11,254	199,913

33. Statutory deposit

IRR million

	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Statutory deposit - deposits of mainland branches	84,365,982	60,377,564

33-1. Statutory deposit has been deposited with CBI in accordance with paragraph 3 of Article 14 of banking and monetary law.

MIDDLE EAST BANK (PJSC)
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34. Other assets

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
LCs and collections debtors-net	34-1	12,623,363	11,238,303	12,623,363	11,238,303
Prepayment		638,020	848,652	638,020	848,652
Rental deposits		500,100	459,278	500,100	459,278
Consumables		307,037	127,441	307,037	127,441
Tax stamps		688	299	688	299
Consolidated goodwill (net)	34-2	26,850	28,861	-	-
Others		1,738,533	2,846,468	1,541,814	2,167,447
Total		15,834,591	15,549,302	15,611,022	14,841,420

34-1. LCs and collections debtors-net

IRR million

	Note	Consolidated and Parent Co.	
		March 20, 2025	March 19, 2024
Debtors for term letters of credit-LCY		13,879,201	12,266,187
Debtors for term letters of credit and Documents against acceptance-FCY		146,918	-
Debtors for current letters of credit-FCY		-	-
Debtors for current letters of credit-LCY		-	-
Total debtors for LCs		14,026,119	12,266,187
Less:			
Term letters of credit advance-LCY		(1,210,522)	(856,742)
General provision for bad and doubtful debts	34-1-2	(192,234)	(171,142)
Total		12,623,363	11,238,303

34-1-1. Letters of credit debtors maturity is up to six months in accordance with CBI's regulations.

34-1-2. The movements for general provision for bad and doubtful debts are as follows:

IRR million

	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Opening balance	171,142	38,323
Recoveries	(171,142)	(38,323)
Increase (decrease) during the year	192,234	171,142
Closing balance	192,234	171,142

34-2. goodwill

IRR million

	Consolidated	
	March 20, 2025	March 19, 2024
Opening balance	40,225	40,225
Opening accumulated amortization	(11,364)	(9,353)
Opening book value	28,861	30,872
Amortization	(2,011)	(2,011)
Closing balance	26,850	28,861

MIDDLE EAST BANK (PJSC)
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35. Customers' deposits

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Natural customers:					
Sight deposits	35-1	2,863,724	1,463,838	2,863,724	1,463,838
Saving deposits	35-2	909,354	631,561	909,354	631,560
Other deposits and advances	35-3	166,975	35,106	166,975	35,106
Total deposits of natural customers		3,940,053	2,130,505	3,940,053	2,130,504
Corporate customers:					
Current deposits	35-1	246,711,822	116,250,522	207,819,141	117,664,380
Saving deposits	35-2	64,189,394	43,796,980	64,371,657	45,239,847
Other deposits and advances	35-3	31,032,179	22,395,035	31,085,979	22,422,929
Total deposits of corporate customers		341,933,395	182,442,537	303,276,777	185,327,156
Customers' term investment deposits	35-4	866,921,775	545,248,111	868,421,347	545,687,197
Total		1,212,795,223	729,821,153	1,175,638,177	733,144,857

35-1. Sight deposits and similar deposits for natural and corporate customers

IRR million

	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Sight deposits-LCY	85,664,107	61,555,625	86,499,317	62,969,483
Sight deposits-FCY	78,215,409	35,721,925	78,603,708	35,721,925
Bank checks sold	1,046,971	976,150	1,046,971	976,150
Remittance-FCY	83,559,397	19,136,618	43,443,207	19,136,618
Temporary creditors-FCY	260,462	64,361	260,462	64,361
Temporary creditors-LCY	829,200	259,681	829,200	259,681
Total	249,575,546	117,714,360	210,682,865	119,128,218

35-2. Saving deposits and similar deposits for natural and corporate customers

IRR million

	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Gardh-UI Hasan deposits-FCY	65,098,748	44,428,541	65,281,011	45,871,407

35-3. Other deposits and advances

IRR million

	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Guarantee issuing deposits -LCY	29,120,693	20,792,544	29,174,492	20,820,438
Guarantee issuing deposits -FCY	383,936	463,340	383,936	463,340
LCs' advances-LCY	1,506,031	890,098	1,506,031	890,098
Others	188,494	284,159	188,495	284,159
Total	31,199,154	22,430,141	31,252,954	22,458,035

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35-4. Customers' term investment deposits

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Term investment deposits:					
Long-term investment deposits	35-4-1	592,765,537	401,173,750	594,065,537	401,173,750
Short-term investment deposits	35-4-1	232,360,666	119,163,451	232,560,238	119,602,537
Special short-term investment deposits	35-4-1	996,668	137,195	996,668	137,195
Investment deposits received from banks and credit institutions	35-4-1	10,494,343	37,384,994	7,969,343	35,143,924
Total term investment deposits		836,617,214	557,859,390	835,591,786	556,057,406
Investment deposits' interest payable:					
Long-term investment deposits	35-4-2	40,604,576	23,879,129	40,604,576	23,879,129
Short-term investment deposits	35-4-2	193,931	889,379	193,931	889,379
Special short-term investment deposits	35-4-2	397	5,207	397	5,207
Investment deposits received from banks and credit institutions	35-4-2	26,611	340,214	26,611	340,214
		40,825,515	25,113,929	40,825,515	25,113,929
		877,442,729	582,973,319	876,417,301	581,171,335
Deducted: principal and interest of investment deposits received from banks and credit institutions (transfer to "debt to banks and credit institutions" Note No. 36)		(10,520,954)	(37,725,208)	(7,995,954)	(35,484,138)
Customers' term investment deposits		866,921,775	545,248,111	868,421,347	545,687,197

35-4-1. Term investment deposits based on currency are as follows:

IRR million

	Consolidated					
	March 20, 2025			March 19, 2024		
	IRR	FCY	Total	IRR	FCY	Total
Investment deposits received from banks and credit institutions	2,525,000	7,969,343	10,494,343	13,941,070	23,443,924	37,384,994
Short-term investment deposits	232,360,666	-	232,360,666	119,163,451	-	119,163,451
Special short-term investment deposits:						
Three-month deposits	856,375	74,509	930,884	200	81,306	81,506
Three-month to six-month deposits	20,710	45,074	65,784	20,960	34,730	55,690
Total special short-term investment deposits	877,085	119,583	996,668	21,160	116,036	137,196
Long-term investment deposits:						
general deposit certificate	-	-	-	12,561,002	-	12,561,002
Special deposit certificate	-	-	-	9,969,982	-	9,969,982
One-year deposits	188,069,380	613,181	188,682,561	11,183,902	494,580	11,678,482
Two-year deposits	3,048,357	-	3,048,357	17,530,147	-	17,530,147
Three-year deposits	164,756,157	236,278,462	401,034,619	200,739,646	148,694,490	349,434,136
Total long-term investment deposits	355,873,894	236,891,643	592,765,537	251,984,679	149,189,070	401,173,749
Total term investment deposits	591,636,645	244,980,569	836,617,214	385,110,360	172,749,030	557,859,390

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IRR million

	Parent Co.					
	March 20, 2025			March 19, 2024		
	IRR	FCY	Total	IRR	FCY	Total
Investment deposits received from banks and credit institutions	-	7,969,343	7,969,343	11,700,000	23,443,924	35,143,924
Short-term investment deposits	232,560,238	-	232,560,238	119,602,537	-	119,602,537
Special short-term investment deposits:						
Three-month deposits	856,375	74,509	930,884	200	81,306	81,506
Three- month to six-month deposits	20,710	45,074	65,784	20,960	34,730	55,690
Total special short-term investment deposits	877,085	119,583	996,668	21,160	116,036	137,196
Long-term investment deposits:						
general deposit certificate	-	-	-	12,561,002	-	12,561,002
Special deposit certificate	-	-	-	9,969,982	-	9,969,982
One- year deposits	189,369,380	613,181	189,982,561	11,183,902	494,580	11,678,482
Two-year deposit	3,048,357	-	3,048,357	17,530,147	-	17,530,147
Three-year deposit	164,756,157	236,278,462	401,034,619	200,739,646	148,694,490	349,434,136
Total long-term investment deposits	357,173,894	236,891,643	594,065,537	251,984,679	149,189,070	401,173,749
Total term investment deposits	590,611,217	244,980,569	835,591,786	383,308,376	172,749,030	556,057,406

35-4-1-1. Term investment deposits according to maturity and interest rate

IRR million

	Consolidated							March 19, 2024
	March 20, 2025							
	More than 22%	19%-22%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	1,044,005	7,809,164	21,582,638	2,367,451	228,810	198,028,598	231,060,666	199,299,741
Year ended March 2025	177,728,853	6,753,370	20,710	1,762,450	856,375	245,180,570	432,302,328	153,534,577
Year ended March 2026	73,323,490	1,564,699	-	-	-	-	74,888,189	200,175,072
Year ended March 2027	93,437,894	78,137	-	1,000,000	-	-	94,516,031	1,000,000
Year ended March 2028	-	-	-	1,500,000	1,000,000	1,000,000	3,500,000	3,500,000
Year ended March 2029 and after	-	-	-	350,000	-	-	350,000	350,000
	345,534,242	16,205,370	21,603,348	6,979,901	2,085,185	444,209,168	836,617,214	557,859,390
March 19, 2024	230,306,693	27,912,682	1,243,780	6,283,556	200	292,112,479	557,859,390	

IRR million

	Parent Co.							March 19, 2024
	March 20, 2025							
	More than 22%	19%-22%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	1,044,005	7,809,164	21,582,638	2,367,451	228,810	199,528,170	232,560,238	197,497,757
Year ended March 2025	177,728,853	6,753,370	20,710	1,762,450	856,375	245,180,570	432,302,328	153,534,577
Year ended March 2026	70,798,490	1,564,699	-	-	-	-	72,363,189	200,175,072
Year ended March 2027	93,437,894	78,137	-	1,000,000	-	-	94,516,031	1,000,000
Year ended March 2028	-	-	-	1,500,000	1,000,000	1,000,000	3,500,000	3,500,000
Year ended March 2029 and after	-	-	-	350,000	-	-	350,000	350,000
	343,009,242	16,205,370	21,603,348	6,979,901	2,085,185	445,708,740	835,591,786	556,057,406
March 19, 2024	228,065,623	27,912,682	1,243,780	6,283,556	200	292,551,565	556,057,406	

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35-4-1-2. Movements of investments deposits-LCY

IRR million

	Consolidated			
	March 19, 2024	New Deposits	Principal repayment	March 20, 2025
general deposit certificate	12,561,002	-	12,561,002	-
Special deposit certificate	9,969,982	-	9,969,982	-
One year deposits	11,183,902	285,681,733	108,796,255	188,069,380
Two-year deposits	17,530,147	100,615	14,582,405	3,048,357
Three-year deposits	200,739,646	218,168,132	254,151,621	164,756,157
Short-term deposits	119,163,451	17,359,034,767	17,245,837,552	232,360,666
Special short-term deposits	21,160	858,197	2,272	877,085
Investment deposits received from banks and non-bank credit institutions	13,941,070	471,369,349	482,785,419	2,525,000
Total	385,110,360	18,335,212,793	18,128,686,508	591,636,645

IRR million

	Parent Co.			
	March 19, 2024	New Deposits	Principal repayment	March 20, 2025
general deposit certificate	12,561,002	-	12,561,002	-
Special deposit certificate	9,969,982	-	9,969,982	-
One year deposits	11,183,902	285,681,733	107,496,255	189,369,380
Two-year deposits	17,530,147	100,615	14,582,405	3,048,357
Three-year deposits	200,739,646	218,168,132	254,151,621	164,756,157
Short-term deposits	119,602,537	17,359,034,767	17,246,077,066	232,560,238
Special short-term deposits	21,160	858,195	2,270	877,085
Investment deposits received from banks and non-bank credit institutions	11,700,000	438,865,000	450,565,000	-
Total	383,308,376	18,302,708,442	18,095,405,601	590,611,217

35-4-1-3. Movements of investments deposits-FCY

	Consolidated and Parent Co.					
	March 19, 2024	New Deposits	Principal repayment	March 20, 2025	March 20, 2025	March 19, 2024
	Currency amount	Currency amount	Currency amount	Currency amount	IRR million	IRR million
Long-term deposits						
USD	370,888,067	-	23,300,200	347,587,867	236,777,897	149,051,384
EUR	295,188	-	146,400	148,788	110,704	129,214
AED	77,424	-	61,024	16,400	3,042	8,472
Ordinary & Special short-term deposits						
USD	54,550	-	18,700	35,850	24,421	21,923
EUR	215,000	-	87,100	127,900	95,162	94,113
Investment deposits received from banks and credit institutions						
EUR	53,557,467	34,565,297	77,411,801	10,710,963	7,969,343	23,443,924
Total investments deposits-FCY					244,980,569	172,749,030

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35-4-1-4. The composition of depositors of investment deposits is as follows:

	Parent Co.			
	March 20, 2025		March 19, 2024	
	No.	Amount	No.	Amount
	Investor	IRR million	Investor	IRR million
Deposits-LCY				
Corporate person	4,791	450,983,756	4,226	266,204,252
Natural person	886,247	139,627,461	535,962	105,404,124
Investment deposits received from banks and credit institutions	-	-	2	11,700,000
Total	891,038	590,611,217	540,190	383,308,376
Deposits-FCY				
Corporate person	4	236,351,234	4	148,770,140
Natural person	51	659,993	71	534,966
Investment deposits received from banks and credit institutions	3	7,969,342	5	23,443,924
Total	58	244,980,569	80	172,749,030
Grand Total	891,096	835,591,786	540,270	556,057,406

35-4-2. Investment deposits' interest payable

	Parent Co.				
	March 19, 2024	On account advance interest	The difference between final interest and on account advance interest	Interest paid during the year	March 20, 2025
Short-term deposits	889,379	8,014,410	13,199	(8,723,057)	193,931
Special short-term deposits	5,207	4,560	8	(9,378)	397
general deposit certificate	681,007	1,774,344	2,922	(2,458,266)	7
Special certificate of deposit	38,704	2,594,027	4,273	(2,637,003)	1
One- year deposits	264,340	15,508,992	25,545	(15,052,211)	746,666
Two-year deposits	2,043,532	1,856,400	3,058	(3,886,555)	16,435
Three-year deposits	4,465,583	64,919,544	106,928	(68,560,972)	931,083
Five-year deposits	8	-	-	-	8
Investment deposits received from banks and credit institutions	12,515	3,058,854	-	(3,044,758)	26,611
Foreign currency deposits	16,713,654	10,052,905	-	12,143,817	38,910,376
Total	25,113,929	107,784,036	155,933	(92,228,383)	40,825,515

35-4-2-1. According to Circular No. 94/69383 dated 06/10/2015, the procedure for determining the portion of each type of investment deposit from the difference of final interest and paid interest was approved in the meeting No.433 dated 05/12/2023 of the board of directors.

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36. Due to banks and non-bank credit institutions

IRR million

	Note	Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Due to CBI:					
Sight deposit-FCY		43,233,754	50,334,302	43,233,754	50,334,302
Term deposit-FCY		20,594,291	10,692,411	20,594,291	10,692,411
Foreign currency purchase		-	-	-	-
Repurchase agreement		-	30,270,111	-	30,270,111
Less: CBI's balance in MEB's accounts (Note 26)		(57,217,153)	(58,557,247)	(57,217,153)	(58,557,247)
Total amounts due to CBI		6,610,892	32,739,577	6,610,892	32,739,577
Due to local banks and non-bank credit institutions:					
Sight deposits-FCY		24,214,769	15,270,209	24,214,769	15,270,209
Paya payments order		47,659	24,300	47,659	24,300
SHETAB transactions		348,524	358,037	348,524	358,037
Investment deposits received from banks and credit institutions (transfer of "term investment deposit")	35-4	10,494,343	37,384,994	7,969,343	35,143,924
Interest payable on investment deposits received from banks and credit institutions (transfer of "term investment deposit")	35-4	26,611	340,214	26,611	340,214
Total amounts due to local banks and non-bank credit institutions		35,131,906	53,377,754	32,606,906	51,136,684
Total amounts due to banks and other non-bank credit institutions		41,742,798	86,117,331	39,217,798	83,876,261

37. Dividends payable

IRR million

	Dividend per share	Dividend	Consolidated and Parent Co.			
			March 19, 2024	Paid dividend during the year	offsetting with staff loans	March 20, 2025
previous years		7,380,000	16,335	(79)	-	16,256
Year ended March 20, 2021	300	3,000,000	8,658	(32)	-	8,626
Year ended March 20, 2022	200	5,000,000	18,471	(1,426)	-	17,045
Year ended March 20, 2023	200	7,000,000	36,633	(6,454)	-	30,179
Year ended March 19, 2024	300	15,000,000	-	(14,863,412)	(26,254)	110,334
Total			80,097	(14,871,403)	(26,254)	182,440

The method of payment of the bank's annual performance profit has been announced through the Kodal website, which is often deposited into the shareholders' accounts through the Central Securities Depository and Settlement Company. Also, the reason for the non-settlement of the above unpaid profit balance is the lack of access to the relevant shareholder's account number for the purpose of settling their claims.

38. Income tax provision

IRR million

	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Opening balance	9,464,253	6,675,033	8,647,048	6,105,027
Income tax for the current year	6,314,659	4,766,375	5,134,962	4,061,610
Extra precautionary provision	-	180,369	-	-
Paid during the year	(5,110,789)	(2,157,524)	(4,170,614)	(1,519,590)
Tax reserve for related performance	10,668,123	9,464,253	9,611,396	8,647,047
Tax prepayments	-	-	-	-
Closing balance	10,668,123	9,464,253	9,611,396	8,647,047

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38-1. The Bank's tax position for the years 2016 to 2025 is as follows:

Fiscal year	IRR million								Method of assessment"
	March 20, 2025 - IRR million		Tax					March 19, 2024	
	Declared profit	Taxable income	Declared	As assessed	Final	Paid	Provision balance	Provision balance	
19 Mar. 2016	1,500,519	931,454	139,718	327,879	327,879	327,879	-	179,633	Assessment the Books
20 Mar. 2017	2,197,088	866,397	173,279	514,821	-	173,279	-	-	Assessment the Books
20 Mar. 2018	2,729,781	1,838,123	275,718	676,836	556,279	556,279	-	317,782	Assessment the Books
20 Mar. 2019	6,798,249	3,823,015	400,952	1,184,942	1,184,942	1,184,942	-	731,647	Assessment the Books
19 Mar. 2020	9,680,162	6,883,276	1,032,491	2,088,673	-	1,032,491	-	-	Assessment the Books
March 20, 2021	18,690,660	7,359,809	1,619,158	3,067,010	-	1,619,158	-	-	Assessment the Books
March 20, 2022	20,578,076	-	-	2,111,844	-	-	-	-	Assessment the Books
March 20, 2023	30,711,989	7,597,943	1,519,588	7,094,051	-	1,519,589	-	-	Assessment the Books
March 19, 2024	55,736,633	14,707,751	2,941,550	9,741,652	-	2,941,550	-	2,941,550	
March 20, 2025	82,088,262	20,539,849	5,134,962	-	-	-	5,134,962	-	
Extra precautionary provision							4,476,434	4,476,435	
Provision before deduction of tax prepayments							9,611,396	8,647,047	
Tax prepayments							-	-	
							9,611,396	8,647,047	

38-2. The income tax of the current financial year has been provided on the basis of declared income, after deductions for legal exemptions and taking into account zero rate tax on that portion of the profit of March 2025 which is planned to be used for the purpose of share capital increase during year ended March 2026 (subject to Clause "S" of Article 14 of Chapter 4 of the Finance, Production and Infrastructures Act approved on 03/12/2024, and the notification dated 04/30/2025, by the Islamic Parliament of I.R.Iran.

38-3. The bank's income tax up to the end of the year March 2015 has been finalized and settled, and the related files have been closed. The income tax for the fiscal years ended March 2016, March 2018, and March 2019 has been finalized and settled; however, tax litigation procedures are under progress in the Board under Article 251 Bis and the Administrative Justice Court. The total amount of paid and payable for the fiscal years ended March 2016 to March 2024 is 12,855,548 million Rials less than the sum of the tax assessments issued by the Tax Administration Office. The bank has protested the issuance of the tax assessments for the mentioned years, and the case is under review in various stages of tax litigation. For this reason, according to the opinion of the management, the necessary reserve has been included in the reserve account for taxes and accumulated profits.

IRR million		
Paid and payable tax	assessed/definite tax	Surplus claimed by the Tax Administration
13,831,602	26,687,151	12,855,548

The major difference between declared and assessed tax for the years ended March 2016 to March 2024 is as follows:

- Considering part of the interest paid to depositors as non-acceptable for tax purposes;
- Allocating part of the interest paid to depositors to tax-exempt and non-taxable income;
- Reversal of repo costs;
- Reversal of losses from the Munich branch;
- Reversal of part of the cost of doubtful receivables;
- Considering the foreign exchange translation differences of foreign operations as taxable;

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- Non-application of tax exemptions under Article 143 of the Direct Taxes Law;
 - Non-application of tax discounts under Note 7 of Article 105 of the Direct Taxes Law;
 - Incomplete application of the zero tax rate for the portion of profit planned for share capital increase;
 - Double calculation of the exchange rate of monetary items at the rate of the Nima system at reporting intervals.
- Regarding the interest paid to depositors, according to the decisions of the General Board of the Administrative Justice Court dated 08/23/2022 and 04/15/2025, accepting definitive interest as an acceptable cost, the matter has been determined in favor of the banks. Regarding the cost of doubtful receivables, primarily related to the non-acceptance of costs for facilities guaranteed by the National Iranian Oil Company, according to Circular No. 93/349105 dated 03/16/2015 of the Ministry of Economic Affairs and Finance, only the costs of receivables for facilities guaranteed by the government are considered acceptable tax costs, whereas the National Iranian Oil Company is regarded as a state-owned company. Regarding the profit from foreign exchange translation, pursuant to the resolution of the 42nd session of the Economic Coordination Council dated 01/25/2022, the calculation and collection of tax on profits from the translation of foreign currency assets are mandated based on the rate announced by the Central Bank of the Islamic Republic of Iran to the Tax Administration Office. This has been confirmed by the General Board of the Administrative Justice Court's ruling No.140331390000249368 dated 04/23/2024. Given that the Central Bank announced the exchange rate for assets and liabilities at the end of March 2023 equivalent to the rate of the Iran Currency and Gold Exchange Center, the dispute in this regard was resolved by the end of March 2023. However, as the Tax Administration Office's calculations of taxable income involve double taxation, the matter is under review in tax litigation procedures. It should be noted that the above matters are also being pursued through the Association of Banks and Private Credit Institutions.

38-4. The assessed tax regarding "removing barriers to competitive production law" for the years ended March 2018, March 2022 and March 2023 amount to 46,260, 61,920 and 107,209 million Rials respectively.

38-5. Income tax expense in the statement of profit or loss:

	IRR million	
	March 20, 2025	March 19, 2024
Operations in progress:		
current tax	5,134,962	4,061,609
Income tax expense for the current year	5,134,962	4,061,609
Income tax expense of previous years	-	-
Total	5,134,962	4,061,609

38-6. The reconciliation of income tax expense and profit multiplied by the applicable tax rate(s) is as follows:

	Note	IRR million	
		March 20, 2025	March 19, 2024
Profit from continuing operations before tax		82,088,263	55,736,633
Profit (loss) of discontinued operations before tax		-	-
Profit before tax		82,088,263	55,736,633
Income tax expense calculated with an applicable tax rate of 16% (March 2024 with an applicable tax rate of 16%)		13,134,122	8,917,862
The effect of tax-exempt income:			
Profit from participation bonds		(1,344,149)	(844,437)
Profit from investments		(458,013)	(11,816)
Income from the sale of immovable properties		(23,991)	-
Income tax expense calculated with an effective tax rate of 16% (March 2024 with an applicable tax rate of 16%)		11,307,970	8,061,609
The effect of the zero tax rate for share capital increase under Clause "S" of Chapter 4 of the Finance, Production, and Infrastructures Act, after the effect of the tax discount under Note 7 of Article 105.		(6,173,008)	(4,000,000)
Income tax of continuing operations		5,134,962	4,061,609
Income tax/ tax effects of discontinued operations		-	-

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38-7. According to Note 5 to Article 4 of the Law of Leap in Housing Production, the Tax Administration Organization is obliged to collect a tax equal to twenty percent of the unfulfilled obligation from banks and credit institutions in the form of the annual budget in case of non-compliance with this article. For the first, second, and third years of implementation of the law (Year ended March 2023, March 2024, and March 2025), the Tax Administration Organization has claimed 7,650, 9,800, and 10,940 billion Rials, respectively, for taxes from the Middle East Bank, and the bank's protest against the said demand sheet is under review in the tax dispute resolution bodies. It is necessary to explain that, in accordance with the executive instructions for granting facilities under the Law for Housing Production Development, approved in cooperation with the Central Bank of Iran and the Ministry of Roads and Urban Development and communicated to the banks, any request for receiving facilities must be registered in the system of the Ministry of Roads and Urban Development. Therefore, one of the requirements of the law is its demand-oriented nature, and the realization and implementation of this law primarily require the existence of effective demand within the framework of applicant registration and compliance with the arrangements stipulated in the executive instructions. This bank has faced no restrictions in allocating resources; however, due to the lack of introduction of applicants through the system of the Ministry of Roads and Urban Development, it has not been possible for the bank to fulfill its legal obligations. In this regard, on 01/06/2025, a joint meeting was held with the Parliament's Construction Committee, the Ministry of Roads and Urban Development, the Central Bank, and the operating banks. The minutes of this meeting, including the attached table on the statistics of applicants with cash contributions, do not mention Middle East Bank, which confirms the bank's claim of not receiving applicant referrals from the Ministry of Roads and Urban Development. Furthermore, in response to the banks' protests against the unlawful and unfair tax demands due to the lack of applicant referrals by the Ministry in proportion to the assigned quotas, another meeting was held on 02/11/2025 at the Court of Auditors, attended by the Attorney General, senior representatives of the Ministries of Economic Affairs and Finance, Roads and Urban Development, and the Central Bank. It was decided that the Ministry of Roads and Urban Development, in coordination with the Central Bank, should determine the unfulfilled commitments of banks and report them to the Tax Administration Organization. However, as of the preparation and approval of this bank's financial statements, no action has been taken by the Ministry. Therefore, the Tax Administration Organization, disregarding the fact that the inability to enforce the legal ruling stems from the lack of introduction of qualified individuals by the Ministry of Roads and Urban Development, and that the bank is not non-compliant with the law in this regard, has issued a tax demand letter. The bank's protest is currently under review in the tax dispute resolution process. It is worth noting that, recently, in a lawsuit filed with the Administrative Justice Court, a ruling was issued in favor of some banks due to the lack of applicant referrals through the system, a situation similar to that of Middle East Bank.

39. Other liabilities and accruals

	Note	IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Received loans from National Development Fund	39-1	30,036,890	20,659,908	30,036,890	20,659,908
Debts for long term LCs-LCY	39-2	13,879,201	12,437,007	13,879,201	12,437,007
Customers' prepayments for unearned fees and income related to LCs and BGs fees and commission		5,706,391	3,722,536	5,706,391	3,722,536
Contractors performance deposit		58,660	42,239	58,660	42,239
Social security		623,585	214,371	602,448	203,838
Payable Membership fee of Deposit Guarantee Fund		104,437	95,727	104,437	95,727
Withholding tax payable		171,939	137,668	95,932	44,243
Provision of employee benefits		359,510	232,175	326,196	218,009
Current accounts of brokerage customers		2,105,879	2,467,085	-	-
Current accounts of exchange customers		21,650,926	31,577,742	-	-
Others		11,684,321	14,059,419	11,678,083	14,054,907
Total		86,528,656	85,645,877	62,635,155	51,478,414

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39-1. Received loans from the National Development Fund at the Statement of financial position date are as follows:

Consolidated and Parent Co.									
Amounts received	March 20, 2025					March 19, 2024			
	Currency	Receipt date	Due date	No. installment	interest rate	Balance-currency	Balance million IRR	Balance-currency	Balance million IRR
1,067,672	USD	2017/12/08	2026/09/10	18	4.0	-	-	29,115	11,701
561,310	USD	2018/02/02	2026/09/10	18	4.0	-	-	561,310	225,578
3,988,989	USD	2018/02/22	2026/09/10	18	4.0	-	-	3,988,989	1,603,083
1,997,247	USD	2018/03/09	2026/09/10	18	4.0	-	-	1,997,247	802,648
1,803,051	USD	2018/04/27	2026/09/10	18	4.0	1,065,066	725,526	1,803,051	724,605
475,922	USD	2018/05/18	2026/09/10	18	4.0	475,922	324,200	475,922	191,262
945,070	USD	2018/05/25	2026/09/10	18	4.0	945,070	643,784	945,070	379,802
1,680,568	USD	2018/09/07	2026/09/10	18	4.0	1,680,568	1,144,808	1,680,568	675,382
578,140	USD	2018/09/28	2026/09/10	18	4.0	578,140	393,831	578,140	232,341
607,634	USD	2018/10/29	2026/09/10	18	4.0	607,634	413,922	607,634	244,194
3,826,090	USD	2021/10/11	2026/09/10	18	4.0	3,826,090	2,606,344	3,826,090	1,537,618
13,729,441	USD	2017/12/22	2024/12/17	5	2.0	7,080,903	4,823,532	7,080,903	2,845,652
554,390	USD	2019/12/18	2024/12/17	5	2.0	554,390	377,652	554,390	222,797
16,240	USD	2021/02/24	2029/09/17	12	3.5	16,240	11,063	16,240	6,527
158,317	USD	2021/02/24	2029/09/17	12	3.5	158,317	107,846	158,317	63,624
41,537	USD	2021/03/14	2029/09/17	12	3.5	41,537	28,295	41,537	16,693
467,221	USD	2021/03/14	2029/09/17	12	3.5	467,221	318,273	467,221	187,766
19,649,922	USD	2021/04/17	2029/09/17	12	3.5	19,649,922	13,385,586	19,649,922	7,896,852
3,473,428	USD	2023/01/07	2028/01/07	*	5.5	3,473,428	2,366,109	3,473,428	1,395,891
3,473,441	USD	2023/01/30	2028/01/07		5.5	3,473,441	2,366,119	3,473,441	1,395,896
						44,093,889	30,036,890	51,408,535	20,659,908

*For the received mana facilities from the National Development Fund (the last two rows), since the period of participation has not yet ended, the number of installments is currently unknown.

39-2. Debts for LCs amounted to IRR 13,897 billion is related to the LCs that their documents have been sent to the buyers and the Bank has guaranteed the payment in the maturity. Generally in the maturity date Bank will fund from the buyer and pays debts.

40. Staff termination benefits

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Opening balance	1,063,305	691,061	969,267	628,706
Paid during the period	(87,129)	(71,279)	(74,633)	(59,955)
Provision for the period	694,581	443,523	616,880	400,516
Closing balance	1,670,757	1,063,305	1,511,514	969,267

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41. Share capital

At date of establishment, the bank's capital was 4,000,000 million Rials (including 4,000 million shares with a nominal value of 1,000 Rials per share). Bank's capital has increased to 75,000,000 million Rials (including 75,000 shares with a nominal value of 1,000 Rials per share) at the end of March 20, 2025 in several stages.

Date of capital increase registration	Percent of capital increase	Amount of capital increase	Amount of new capital	Source of capital increase
	percent	IRR million	IRR million	
At date of establishment		4,000,000		
July 12, 2017	25	1,000,000	5,000,000	Cash and payable to shareholders
December 27, 2017	20	1,000,000	6,000,000	Retained earnings
February 25, 2019	16.6	1,000,000	7,000,000	Retained earnings
October 23, 2019	42.8	3,000,000	10,000,000	Retained earnings and other reserves
September 9, 2020	50	5,000,000	15,000,000	Retained earnings
November 29, 2021	66.66	10,000,000	25,000,000	Retained earnings
January 1, 2023	40	10,000,000	35,000,000	Retained earnings
December 24, 2023	42.85	15,000,000	50,000,000	Retained earnings
December 10, 2024	50	25,000,000	75,000,000	Retained earnings

41-1. Composition of shareholders at Statement of financial position date is as follows:

	March 20, 2025		March 19, 2024		
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	
		%		%	
1% and more			1% and more		
Atiyeh maskan Co. (Private Joint Stock)	3,750,000,000	5.0%	Atiyeh maskan Co. (Private Joint Stock)	2,500,000,000	5.0%
Kia Asa Tejarat Toos Co. (Private Joint Stock)	3,686,824,635	4.9%	Kia Asa Tejarat Toos Co. (Private Joint Stock)	2,416,838,414	4.8%
Radis electronic Co. (Private Joint Stock)	1,982,379,779	2.6%	Natural person	1,249,999,975	2.5%
Natural person	1,790,649,305	2.4%	Radis electronic Co. (Private Joint Stock)	1,098,109,285	2.2%
Pars Tousheh Investment Co.(PJSC)	1,132,354,561	1.5%	Pars Tousheh Investment Co.(PJSC)	754,903,041	1.5%
Natural person	1,091,219,244	1.5%	Sepahan Industry Group (PJSC)	680,352,235	1.4%
Natural person	965,849,979	1.3%	Natural person	643,899,986	1.3%
Iran Insurance Co (Private Joint Stock)	944,509,590	1.3%	Iran Insurance Co (Private Joint Stock)	629,673,060	1.3%
Natural person	911,887,479	1.2%	Natural person	627,321,145	1.3%
Moj Firoz Industry and Trade Development Investment Co. (public stock)	869,457,159	1.2%	Natural person	607,924,986	1.2%
Natural person	830,375,161	1.1%	Natural person	598,181,612	1.2%
Natural person	815,795,307	1.1%	Industry and Trade Development Investment Company (public shares)	554,182,917	1.1%
Sam Group Co. (Private Joint Stock)	806,249,979	1.1%	Sam Group Co. (Private Joint Stock)	537,499,986	1.1%
Natural person	776,000,000	1.0%	Natural person	516,679,996	1.0%
Natural person	773,678,053	1.0%	Natural person	515,785,369	1.0%
Iran national investment Co.(PJSC)	757,941,654	1.0%	Iran national investment Co.(PJSC)	505,294,436	1.0%
Others (less than 1%)			Others (less than 1%)		
Corporations (337 shareholders)	17,653,350,887	23.5%	Corporations (313 shareholders)	11,294,042,207	22.6%
Natural persons (18,184 shareholders)	35,461,477,228	47.3%	Natural persons (19,382 shareholders)	24,269,311,350	48.5%
Total	75,000,000,000	100%	Total	50,000,000,000	100%

MIDDLE EAST BANK (PJSC)
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41-2. The reconciliation of the number of shares at the beginning and at the end of the year:

	Parent Co.	
	March 20, 2025	March 19, 2024
	No. of shares	No. of shares
Balance at beginning of the period	50,000,000,000	35,000,000,000
Share capital increase from retained earnings	25,000,000,000	15,000,000,000
Balance at end of the period	75,000,000,000	50,000,000,000

41-3. The shares in the ownership of subsidiaries and associated

	March 20, 2025		March 19, 2024	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares
Middle East Life Insurance Co.	-	0.0%	37,000,791	0.1%
Total	-	0.0%	37,000,791	0.1%

41-4. The bank's capital adequacy ratio on the date of the financial statement is equal to 14.35% which is at least 8% based on the requirements of the Central Bank. Therefore, this bank has achieved the minimum capital adequacy ratio. Detailed information has been disclosed in the description of Note No. 54-7 (Capital Management).

42. Legal reserve

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Opening balance	21,367,901	13,599,037	21,259,146	13,507,891
Transferred from net profit	11,710,764	7,768,864	11,542,996	7,751,255
Closing balance	33,078,665	21,367,901	32,802,142	21,259,146

42-1. According to Article 33 of the Money and Banking Regulation and Article 108 of the Bank's articles of association, 15 percent of net profit is allocated to legal reserve annually. Annual allocation is compulsory till it equals the Bank's capital.

43. Other reserve

Other reserves in the consolidated Statement of Financial Position relate to Middle East Bank Brokerage Co., as required by the Securities and Exchange Organization's circular No. 110200273, dated 07/08/2020. These reserves were transferred from retained earnings and are non-distributable for as long as the company remains operational. They may be transferred to capital subject to compliance with the regulations of the Securities and Exchange Organization and upon obtaining its approval.

44. Foreign exchange translation differences for foreign operation

	IRR million	
	Consolidated and parent Co.	
	March 20, 2025	March 19, 2024
Foreign exchange translation differences for foreign operation in Germany	3,639,990	2,260,240
Total	3,639,990	2,260,240
Result of legal changes in the exchange rate	3,070,956	1,379,750
Foreign exchange translation differences	6,710,946	3,639,990

MIDDLE EAST BANK (PJSC)
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45. Shares owned by market maker fund (Treasury shares)

The buying and selling of the bank's shares through a dedicated market maker fund is conducted pursuant to the Regulations for Maintaining Capital Market Stability and Protecting the Rights of Investors and Shareholders, approved by the Securities and Exchange Organization on 09/10/2020. This obligation is imposed on companies to enhance liquidity for security holders, regulate market supply and demand, and manage the range of price fluctuations.

	March 20, 2025				March 19, 2024	
	No.	Amount	Sales premium	Sales Deficit	No.	Amount
		IRR million	IRR million	IRR million		IRR million
Additions during the year	45,709,974	132,014,180,360	-	-	35,795,929	167,735,386,658
Share capital increase	77,025,025	-	-	-	41,039,465	-
Disposals during the year	(5,504,000)	(11,620,377,903)	5,281,990,671	-	(38,534,643)	(227,168,729,499)
Net purchase (sale) during the year	117,230,999	120,393,802,457	5,281,990,671	-	38,300,751	(59,433,342,841)
Opening balance	145,439,512	435,295,904,696			107,138,761	494,729,247,537
Closing balance	262,670,511	555,689,707,153			145,439,512	435,295,904,696

46. Premium of the shares owned by market maker fund (Treasury shares premium)

	March 20, 2025		March 19, 2024	
	No.	Amount	No.	Amount
		IRR million		IRR million
Opening balance	221,587,979	153,914,879,045	183,053,336	72,480,987,449
Profit from sale	5,504,000	5,281,990,671	38,534,643	81,433,891,596
Loss on sale	-	-	-	-
Balance brought forward	-	41,578,806,747	-	-
Closing balance	227,091,979	200,775,676,463	221,587,979	153,914,879,045

47. Reclassification

47-1. Correction of errors:

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Tax income	-	(4,229,062)	-	(4,229,062)
Provisions and other liabilities	-	1,938	-	-
Adjustments to provisions and other liabilities	-	(4,227,125)	-	(4,229,062)

47-2. Changes in accounting policies

During the reporting period, there have been no changes in accounting policies.

47-3. Reclassification:

47-3-1. To provide an appropriate representation of the financial position and results of operations, all relevant comparative information in the comparative financial statements has been adjusted and restated. Consequently, some comparative items may not align with the financial statements presented in the previous fiscal year.

MIDDLE EAST BANK (PJSC)
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47-3-2. Restatement of the financial statements dated 03/19/2024.

IRR million

	Consolidated			
	Financial Statements	Adjustments		(Revised)
	March 19, 2024	Reclassification	Total	March 19, 2024
Statement of financial position:				
Other accounts receivable	7,352,525	(2,722,411)	(2,722,411)	4,630,114
Other assets	12,826,891	2,722,411	2,722,411	15,549,302
Due to banks and non-bank credit institutions	99,084,796	(12,967,465)	(12,967,465)	86,117,331
Income tax provision	5,235,191	4,229,062	4,229,062	9,464,253
Other liabilities and accruals	72,680,350	12,965,527	12,965,527	85,645,877
Retained earnings	57,377,005	(4,227,125)	(4,227,125)	53,149,881
Statement of profit or loss:				
Fees and commission income	10,838,457	(29,056)	(29,056)	10,809,401
Fees and commission expense	(738,691)	76,215	76,215	(662,476)
Administrative and general expenses	(11,438,611)	(47,159)	(47,159)	(11,485,770)

IRR million

	Parent Co.			
	Financial Statements	Adjustments		(Revised)
	March 19, 2024	Reclassification	Total	March 19, 2024
Statement of financial position:				
Other accounts receivable	3,003,635	(2,074,982)	(2,074,982)	928,653
Other assets	12,766,438	2,074,982	2,074,982	14,841,420
Due to banks and non-bank credit institutions	96,843,726	(12,967,465)	(12,967,465)	83,876,261
Income tax provision	4,417,985	4,229,062	4,229,062	8,647,047
Other liabilities and accruals	38,510,949	12,967,465	12,967,465	51,478,414
Retained earnings	52,078,533	(4,229,062)	(4,229,062)	47,849,471
Statement of profit or loss:				
Fees and commission income	9,198,361	(29,055)	(29,055)	9,169,306
Fees and commission expense	(738,691)	76,215	76,215	(662,476)
Administrative and general expenses	(10,082,652)	(47,160)	(47,160)	(10,129,812)

MIDDLE EAST BANK (PJSC)
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48. Cash inflows (outflows) from operating activities

	IRR million			
	Consolidated		Parent Co.	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Net profit	79,037,558	54,487,883	76,953,300	51,675,025
Adjustment				
Depreciation and amortization	1,334,172	783,482	1,271,628	741,781
Income tax expense	6,314,659	4,878,817	5,134,962	4,061,610
Net increase (decrease) in provision of staff termination benefits	607,452	372,244	542,247	340,561
Financial expense	-	-	-	-
Net non-operating other (incomes) and expenses	(149,625)	(1,867)	(149,677)	(1,234)
Loss (Profit) of investments related to non-banking activities	(167,861)	239,063	-	-
Net Loss (Profit) of investments	(37,065)	296,188	-	-
(profit) shares of companies and units of investment funds (related to non-banking activities)	(145,000)	-	(162,593)	(73,843)
Assets impairment loss	-	-	-	-
Effect of exchange rate fluctuation on foreign operations' cash	(15,164,969)	(9,572,083)	(15,164,969)	(9,572,083)
	<u>71,629,321</u>	<u>51,483,727</u>	<u>68,424,898</u>	<u>47,171,817</u>
Changes of operating assets and liabilities				
Increase (decrease) in due to banks and financial institutions exception of received facilities	(44,374,533)	49,065,944	(44,658,463)	49,469,390
Increase (decrease) in customers' deposits	482,974,070	200,228,454	442,493,320	200,941,369
Increase (decrease) in operating provisions and other liabilities	882,779	42,341,472	11,156,741	27,566,424
Decrease (increase) in due from banks and credit institutions	(44,956,715)	(36,379,933)	(59,734,219)	(55,913,051)
Decrease (increase) in credit facilities granted from non-governmental entities	(269,183,621)	(199,115,980)	(268,671,620)	(199,410,641)
Decrease (increase) in investment in shares	(26,726,824)	(12,435,718)	(27,780,017)	(11,525,301)
Decrease (increase) in due from subsidiaries and associates	-	828	(1,159,001)	207,185
Non-current assets held for sale	(1,005,393)	260,515	(1,005,393)	260,515
Decrease (increase) in other accounts receivable	(1,330,929)	3,023,548	(1,061,593)	35,978
Decrease (increase) in statutory deposit	(23,988,418)	(17,675,190)	(23,988,418)	(17,675,190)
Decrease (increase) in other assets	2,785,667	(11,035,857)	2,301,347	(8,208,132)
Total	<u>75,076,083</u>	<u>18,278,083</u>	<u>27,892,684</u>	<u>(14,251,454)</u>
Net cash inflow from operating activities	<u>146,705,404</u>	<u>69,761,809</u>	<u>96,317,582</u>	<u>32,920,363</u>

49. Non-cash transactions

Non-cash transactions during the year are as follows:

	Note	IRR million			
		Consolidated		Parent Co.	
		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Acquisition of assets in return for granted facilities	49-1	1,128,917	159,485	1,128,917	159,485
Total		<u>1,128,917</u>	<u>159,485</u>	<u>1,128,917</u>	<u>159,485</u>

49-1. In the reporting year, the following assets were acquired by the bank.

IRR million						
Consolidated and Parent Co.						
Type of property owned	Customer relationship	Receivable amount at the time of acquisition	Expert value of acquired property	Payment by the customer/Bank forgiveness	Payment for the surplus value of the property acquired	Balance (debt) after acquisition
Residential property	Unrelated customer	1,128,917	(1,128,917)	-	-	-
		<u>1,128,917</u>	<u>(1,128,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>

MIDDLE EAST BANK (PJSC)
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50. Off-Statement of financial position items

50-1. The bank's commitment for Letters of credit - LCY

Type of credit	Consolidated and Parent Co.							
	Opening balance		Issued during the period		Paid during the period		Closing balance	
	No.	IRR million	No.	IRR million	No.	IRR million	No.	IRR million
Sight	7	667,117	24	10,431,381	(21)	(10,268,638)	10	829,861
Term	178	22,577,065	454	121,111,604	(384)	(119,474,484)	248	24,214,185
Total	185	23,244,182	478	131,542,985	(405)	(129,743,122)	258	25,044,046

50-2. The bank's commitment for Issued guarantees - LCY/FCY

50-2-1. Guarantees-FCY

	Consolidated and Parent Co.			
	March 20, 2025		March 19, 2024	
	FCY	IRR million	FCY	IRR million
EUR	26,528,509	19,738,166	27,329,796	11,963,181
USD	9,147,073	6,231,013	14,410,073	5,791,077
Total		25,969,179		17,754,258

50-2-2. Guarantees-LCY

	IRR million	
	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Commitments for issued guarantees-LCY	801,652,175	461,906,056

50-3. Other commitments

	IRR million	
	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024 (Revised)
Commitments for participation bonds guarantee	114,798,238	59,146,235
Commitments for credit cards	9,811,113	7,064,121
Others	4,687,479	21,648,737
Total	129,296,830	87,859,093

50-4. Managed funds and other

	IRR million	
	Consolidated and Parent Co.	
	March 20, 2025	March 19, 2024
Loans paid from managed funds	7,946,339	885,600
Unused managed funds	-	-
Total of managed funds and other	7,946,339	885,600

MIDDLE EAST BANK (PJSC)
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50-5. Commitments for letter of credits and guaranties by type of collateral:

Type of collaterals	IRR million	
	March 20, 2025	March 19, 2024
Deposits	7,252,866	4,278,639
Participation bonds and other securities with guaranties of other banks	23,371	18,909
Listed shares	7,380,896	5,514
Land and building	39,185,319	12,510,939
Checks and promissory notes	794,763,051	472,243,051
Total commitments with colaterals	848,605,503	489,057,052
Without collateral	4,059,897	13,847,444
Total commitments for letter of credits and guaranties	852,665,400	502,904,496

51. Capital commitments, contingent liabilities and contingent assets

51-1. Contingent liabilities

Description	IRR million	
	March 20, 2025	March 19, 2024
Due to Social Security Organization	-	46,509

52. Events after the reporting date

From the date of financial position to the date of approval of the financial statements, no event that requires disclosure in financial statements (in accordance with Section 5 of the Minimum Standards of Transparency and Public Disclosure by Credit Institutions) has occurred.

53. Board's offer for dividend

53-1. The BOD's offer for dividend is 18,750,000 million IRR (250 Rials per share).

53-2. The Board of Directors has proposed this amount, considering the proposed capital increase, the amount transferable to the capital from the undistributed profit of year ended March 2025, and the available profit for distribution.

53-3. The financial resources to pay the dividends will be provided from the bank's liquidity.

MIDDLE EAST BANK (PJSC)
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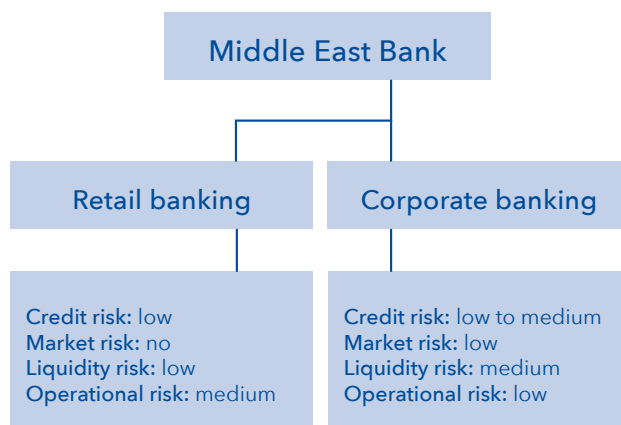
54. Bank risks

Bank faces the following types of risk:

- **Credit risk**
- **Liquidity risk**
- **Market risk**
- **Operational risk**

level of influence of risks on different types of banking is illustrated by the following chart.

54-1. The relation between types of banking and the associated major risks.

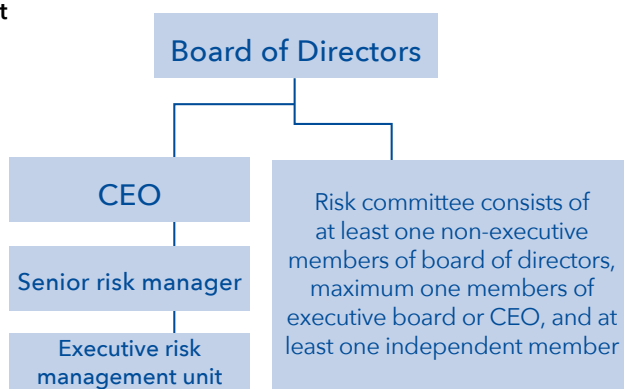


54-2. Risk management structure is as follows:

Risk Management in MEB consists of Risk Committee (RC) and risk management department. The duties of the RC are modeled based on the Basel document entitled "Guidelines - corporate governance principles for banks", issued in October 2014. The RC consists of selected Board members and the head of risk department (or senior risk manager - SRM). SRM is responsible for reporting risk related matters to RC, discussing relevant information with members of the RC/Board members, as well as executing various resolutions of RC.

Risk department operates under the guidance of risk committee (RC) and carries the policies set forth by the RC. The risk department is headed by the SRM and employs four additional risk analysts. The risk analysts and SRM share the duties of credit risk modeling, credit risk rating and liquidity risk measurements.

Risk Management Structure Chart



MIDDLE EAST BANK (PJSC)
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54-3. Credit risk

54-3-1. Credit risk definition

Any inability or willingness of credit customers to repay principal and interest of facilities or not to perform obligations that result in bank income reduction or cause expenses, is known as credit risk.

54-3-2. ME Bank's policies regarding credit risk

MEB's credit extension policies ensure CBI's rules and regulations are properly implemented. MEB's primary credit clients are incorporated entities with whom MEB develops and maintains strong long-term banking relationships. However, natural persons who manage their business activities personally and are not under a legal umbrella are welcomed and treated as proprietorships. Concentration of MEB's credit is in short-term requirements of its clients; namely inventory and receivable financing. Even international activities are limited to the importation of raw materials, spare parts and finished goods. MEB occasionally arranges and participates in syndicated guarantee loans.

The general principles of Middle East Bank for credit rating:

1. Knowing the client and his/her credibility. Credit measurement is performed such that it is an indicator of ability and capacity of the client in paying back the loans. Making sure that the loan usage is monitored, and that the resources for repayment are identified and recognized by the bank.
2. The approved loans are valid for at most one year. The branches are required to periodically check the documents and financial statements in order to make sure that documents are compliant with the loans' covenants.
3. The interest rate charged, and the required collaterals depend on the clients credit worthiness and client's history with the bank.
4. Bank makes sure that the collaterals are unencumbered and have high degree of liquid ability.
5. Clients' receivable checks from their own customers and identifying the validity of these checks confirms the clients business viability and these checks can be endorsed for collection by the bank. These receivable checks constitute one method of loan repayment.
6. The level of activity of the deposit and current accounts of the borrower are periodically checked in order to verify that the level of activity is conforming with the loan covenants.
7. The credit quality and operations of the client are periodically checked to make sure that the borrower is conforming with loan covenants.
8. The borrowers are credit risk rated by the risk department. The capacity of the borrower is also evaluated and then the credit committees set loan conditions and collaterals accordingly.
9. For SMEs and corporate borrowers, the audited financial statements are required to obtain a reasonably good credit risk rate .
10. Collateral quality and amount is dependent on the credit risk rate evaluation of the risk department. Borrowers with bad credit risk rate are required to provide substantially higher level of liquid collaterals.
11. MEB has set its policy to maintain a minimum weighted average credit rating of B- for its loan portfolio.
12. In general, approval and extension of large credit loans are concentrated in MEB's headquarter.
13. It is the policy of the Bank that after the Credit Department evaluates a borrower to be credit worthy, it must inform the risk department and provide all required information to risk department for proper credit risk rating. The credit risk rate should be taken in consideration for setting covenants and collaterals of the loan.
14. The risk department periodically reports to the Risk Committee and to the Board. The reports discuss the portfolio concentrations in credit risk, industry, borrower type, collaterals, etc.

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54-3-3. Executive units of risk department

The risk management department is an executive unit and it has no separate sub-units for specific risk types, instead, the risk analysts are assigned different tasks by the SRM and cover all risk types including credit risk.

54-3-4. Different levels of institutional authority to approve loans and commitments

In general, Middle East bank's credit issuance decision makings are centralized at the headquarter. Considering the amount of credit requested, approvals will be carried out by the following authorities:

1. Branches: Based on first-type collaterals, for credit facilities up to 4 billion Rials (in case of providing "short-term/ long-term special investment deposits" or "fixed-income investment fund bonds of the Middle East Bank brokerage" up to 50 billion Rials) and for obligations up to 8 billion Rials, and based on second-type collaterals, for credit facilities up to 2 billion Rials and obligations up to 4 billion Rials. Since the Middle East Bank's approach is to provide banking services to corporate customers, the branches' credit committee should utilize the aforementioned authorities to attract, strengthen, and expand the existing depositor customers of the branch.
2. Central credit committee - Based on first and second type collaterals, for credit facilities up to 1% of regulatory capital and for commitments (without applying coefficients) up to 2% of regulatory capital.
3. Supreme credit committee - Based on first and second type collaterals, for credit facilities up to 10% of regulatory capital and for commitments (without applying coefficients) up to 20% of regulatory capital. (total of credit facilities and commitments by applying coefficients should not exceed 10% of regulatory capital)
4. Board of directors-The limits of the Board of Directors' authority in granting facilities / commitments is in addition to the total facilities and commitments of the Supreme Credit Committee for major facilities and commitments, related persons, trade unions and consortiums.

54-3-5. Methods of credit risk mitigation

Currently, considering the lack of appropriate financial instruments, the only way to soothe the credit risk is to take collaterals and guarantees at the discretion of the decision makers considering the analysis of financial statements and the credit rate of the client performed by the risk management department, past behavior of the client, payment history, visiting the business site by account officers, and monitoring the usage of the loan. Moreover, the presence of seasoned lawyers of ME Bank in charge of designing contracts and following up law cases helps ME Bank to reduce the credit risk to a great extent.

54-3-6. Credit rating procedure

More than 95% of ME Bank's loan takers are legal entities and giving loan to natural persons are done based on their business activities.

Besides from complying with the CBI rules, all customers seeking loans and commitments must be assessed by risk departments in terms of credit risk and this assessment must be done independently of credit department. Credit risk scoring of the customers is carried out based on the following major elements: 1- Three years of financial statements 2-Risk management department's assessment of the customers' cash flow from operating activities to pay back the principal and interest portions of the loans. 3- Qualitative elements including competition ability and managerial ability 4- Past payment behavior

The summary of loans and commitment credit granting procedure to legal and natural persons running business is as follows:

1. Submitting request, information, and the required documents through CARM system which is available at the bank's website (<http://carm.middleeastbank.ir>), it includes the company registration and management information, operational licenses, history, and financial information.
2. After filling the required information by the customer, the relationship manager check the data and contact the customer for any additional information or corrections.
3. Having the case completed by the relationship manager, the case will be referred to risk department to find a primary risk score.

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4. The customers information gets processed by a computer program to produce the primary risk score.
5. The credit status of the customer is then analyzed more precisely by risk analysts to obtain the final risk score.
6. The risk score obtained by risk management department will play a key role for credit granting and specifying collaterals.
7. Loan granting process for natural persons is usually considered regarding a specified business activity. Their tax declaration is the base of risk management department analysis.
8. The equity ratio of the customer must meet the CBI's standard.

54-3-7. Credit quality analysis

The quality of bank assets, including loans, commitments and investments, the type and amount of collaterals taken and adequacy of collaterals taken (loan to value ratio) is illustrated by the notes from 54-3-7-1 to 54-3-7-5 from risk department point of view.

54-3-7-1. Analysis of credit quality of loans and funded commitments and investments based on the bank's internal credit rating

The credit quality analysis table is prepared without considering the value of collaterals and is based on a review of financial statements, the ability to repay principal and interest on loans, and the past payment behavior of customers. "Level 1 - Low Risk" loans are facilities where customers have fully repaid their debts on time at maturity and hold a credit rating from B to AAA. Additionally, foreign currency facilities from the National Development Fund are classified under this category. "Level 2 - Medium Risk" loans are those where customers have fully repaid their debts on time at maturity and hold a credit rating from CCC- to B-. "Level 3 - High Risk" loans include facilities where customers have fully repaid their debts on time at maturity and hold a credit rating from C to CC, as well as all past-due, delinquent, and doubtful loans.

Regarding the risk level of commitments for each customer, the same risk level assigned to their loans is applied. For investments, long-term investments are classified as low risk, while short-term investments (including companies listed on the Tehran Stock Exchange and over-the-counter markets) are classified as medium risk.

IRR million

	Credit quality analysis					
	Loans		Investments		Commitments	
	March 25, 2025	March 19, 2024	March 25, 2025	March 19, 2024	March 25, 2025	March 19, 2024
level 1 - low risk	709,721,063	369,471,525	3,186,121	1,166,629	674,076,654	151,240,146
level 2 - medium risk	207,902,975	309,360,592	-	-	164,936,561	342,454,663
level 3 - high risk	77,112,688	29,832,927	-	-	13,652,185	9,209,687
Total gross amount	994,736,726	708,665,044	3,186,121	1,166,629	852,665,400	502,904,496
Provision for bad and doubtful loans	(30,428,491)	(13,028,429)	-	-		
Book value	964,308,235	695,636,615	3,186,121	1,166,629		

*Investments include any type of securities with ownership rights such as stocks.

54-3-7-2. Analysis of credit quality of loans granted to customers based on asset classes

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	IRR million			
	Loans		Commitments	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Current	932,048,932	678,391,731	852,665,400	502,904,496
Past due	8,115,370	7,181,431	-	-
Outstanding	29,998,937	13,880,138	-	-
Doubtful	24,573,487	9,211,744	-	-
Total gross amount	994,736,726	708,665,044	852,665,400	502,904,496
Provision for bad and doubtful loans	(30,428,491)	(13,028,429)	-	-
Book value	964,308,235	695,636,615	852,665,400	502,904,496

54-3-7-3. Credit quality of participation bonds, Islamic Treasury Bonds, and Investment Fund Units

	IRR million	
	Analysis of credit quality	
	March 20, 2025	March 19, 2024
Issued by the Governmental and CBI		
Ministry of Economic Affairs and Finance	56,756,871	30,996,346
	56,756,871	30,996,346
Issued by the Non-governmental sector		
Ofogh Middle East Bank fixed income fund	7,000	7,000
Ofogh Roshan Middle East mutual fund	1,160	1,160
	8,160	8,160
Total	56,765,031	31,004,506

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54-3-7-4. Types and amounts of customers' collaterals

Collaterals' type	IRR million	
	March 20, 2025	March 19, 2024
Collaterals from natural persons' loans		
Participation bonds\sukuk	12,776	17,364
Listed shares	2,191,095	2,514,120
Deposit	10,543	80,858
Land and real estates	12,207,379	13,701,576
Checks	30,095,420	23,308,589
Promissory notes	23,608,151	4,554,672
Machinery	12,000	12,000
Stand-alone legally binding contract	35,525,765	20,330,498
	103,663,129	64,519,677
Collaterals from corporate customers' loans		
Participation bonds\sukuk	747,307	652,226
listed shares	350,398,582	201,456,493
Deposit	7,312,915	8,299,045
Land and real estates	328,590,234	146,796,486
Checks	4,937,570,666	2,308,289,202
Promissory notes	37,210,088	7,577,518
Stand-alone legally binding contract	962,567,015	532,839,848
Machinery	24,095,018	12,229,990
	6,648,491,825	3,218,140,808
Total	6,752,154,954	3,282,660,485

* Above amounts are based on the Bank's valuer expert report.

54-3-7-5. Loans classification(net) according to collateral's market value is as below:

Description	IRR million	
	March 20, 2025	March 19, 2024
Loans to natural persons		
Less than 50%	30,040,015	18,370,542
51-70%	2,515,422	905,700
71-90%	1,141,100	2,500,795
91-100%	237,039	270,973
More than 100%	183,682	51,479
	34,117,258	22,099,489
Loans to corporate customers		
Less than 50%	601,269,189	466,942,188
51-70%	-	731,406
71-90%	8,833,045	-
91-100%	-	4,594,392
More than 100%	320,088,743	201,269,140
	930,190,977	673,537,126
	964,308,235	695,636,615

* The amount considered in the calculations is the updated fair value of the collateral, taking into account the liquidity coefficients mentioned in the Asset Classification and Provisioning Circular. This table discloses the collateral coverage available to the bank for customer debt balances.

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54-3-8. Credit risk concentration

MEB's credit risk management mostly concentrates on short-term loans that provide manufacturing, commercial or contracting firms and business owners with their working capital. Furthermore, investment companies and stock brokerage firms can get loan in order to facilitate their own customers investment activities in the condition that they bring all their banking activities to MEB. Generally, Future operational cash flow forecast must confirm firms' ability to reimburse principal and interest of the loan received. Thus, credit risk management's concentration is in its minimum level for personal loans, mortgages, usage loans or long-term project financing. Although MEB might contribute in national projects with other banks as syndication to ensure project's profitability.

At the moment, risk management department does not rate individuals and brokerage firms based on financial statements, but tries to cover the risk by substantiating customer's reputation, experience, history of its activity with MEB and other banks and obtaining guarantees. Risk management department is developing internal rating models to cover brokerage firms, leasing companies, investment companies, currency exchange firms and individuals.

On average, facility applicants have B or higher credit rate. Based on definition, at the moment customer with B or higher credit rate has ability to reimburse received loans. Although bad economic situations of the country might cause these kind of customers face difficulties. The range of Middle East Bank customers credit rate is from AA to C. Average rate of customers credit, regardless of the amount of collateral, is between B and BB.

Collateral received from customers with credit rates lower than average are much higher than those with credit rates higher than average (B to AA). Amount of collateral based on credit rates ensure risk management they expected loss would be lower than one percent.

If loans or commitments concentration increases in a specific area, bank tries to control or decrease loans and commitments in that area. Risk management department periodically prepares reports about loans concentration in different areas for risk committee/board of directors.

Risk appetite amount in Middle East Bank differs based on the level of loans and deposits and other existing risks. For instance, if the loan to deposit ratio exceeds approximate level of 85%, bank tries to lower this ratio by carefully selecting customers and maintaining its liquidity position at a favorable level. Also, if bank notices that average risk factor of loans exceeds its usual level (based on capital adequacy ratio calculation in Basel III), it prefers to give loans to customers with higher credit rates.

Giving Loans and making commitments take place by considering relationships in any kind and by observing huge loans and commitments regulation approved by Money and credit council.

54-3-8-1. Loan and investment distribution based on economic sectors and geography

		IRR million					
		Loans		Investment in shares		Commitments of guaranties and L/Cs	
Note		March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
	Book value	964,308,235	695,636,615	3,186,121	1,166,629	852,665,400	502,904,496
Amount of loans based on economic sectors							
	Industrial	652,003,979	479,037,096	-	-	245,758,983	136,071,834
	Housing	21,447,914	11,842,018	-	-	227,875,536	138,519,707
	Commercial	127,117,525	94,501,731	-	-	51,693,928	51,818,509
	Services	66,133,127	51,254,583	3,186,121	1,166,629	128,526,611	55,761,824
	Agriculture	3,957,884	1,564,602	-	-	-	-
	Mining	73,583,381	48,252,902	-	-	197,121,491	120,473,495
	Others	20,064,425	9,183,683	-	-	1,688,851	259,127
	Total	964,308,235	695,636,615	3,186,121	1,166,629	852,665,400	502,904,496
Amount of loans/commitments inside/outside of the country							
	Inside the country	964,307,363	695,635,977	3,186,121	1,166,629	852,665,400	502,904,496
	Outside the country	872	638	-	-	-	-
	Total	964,308,235	695,636,615	3,186,121	1,166,629	852,665,400	502,904,496

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54-3-8-1-1. Distribution of loans, commitments and investments based on the type of industry is as follows:

Description	IRR million	
	March 20, 2025	March 19, 2024
Loans		
Automobile and parts	33,666,964	26,031,704
Mineral and metal industries	33,517,306	33,831,684
Chemical and petrochemical industries	314,185,608	35,818,734
Food and Drug	166,025,620	141,666,151
Energy	4,783,233	164,470,583
Contracting	3,192,503	3,128,002
Telecommunications, Computers and related industries	4,677,202	5,627,470
Others	91,955,543	68,462,768
Subtotal	652,003,979	479,037,096
Commitments		
Automobile and parts	96,038,888	16,822,613
Mineral and metal industries	35,682,519	47,527,125
Chemical and petrochemical industries	1,296,808	3,108,208
Food and Drug	16,060,868	12,691,532
Energy	38,830,509	2,698,580
Contracting	2,740,520	821,121
Telecommunications, Computers and related industries	3,947,342	998,823
Others	51,161,529	51,403,832
Subtotal	245,758,983	136,071,834
Total	897,762,962	615,108,930

54-3-8-2. Loans according to profit sharing contracts, trading contracts and customer type

		March 20, 2025			
		Loans increase during the period		Loans balance at the Statement of financial position date	
		Amount	Percentage of total	Amount	Percentage of total
		IRR million		IRR million	
Trading contracts	Natural persons	167,122,933	6%	34,102,730	4%
	Corporate customers	2,792,196,887	94%	907,076,641	96%
		2,959,319,820	100%	941,179,371	98%
Profit sharing contracts	Natural persons	-	0%	14,527	0%
	Corporate customers	-	0%	23,114,337	100%
		-	0%	23,128,864	2%
		2,959,319,820	100%	964,308,235	100%
		March 19, 2024			
		Loans increase during the period		Loans balance at the Statement of financial position date	
		Amount	Percentage of total	Amount	Percentage of total
		IRR million		IRR million	
Trading contracts	Natural persons	99,390,911	5%	22,084,962	3%
	Corporate customers	2,020,630,104	95%	652,746,751	97%
		2,120,021,015	100%	674,831,713	97%
Profit sharing contracts	Natural persons	-	0%	14,527	0%
	Corporate customers	9,000,000	100%	20,790,375	100%
		9,000,000	0%	20,804,902	3%
		2,129,021,015	100%	695,636,615	100%

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54-3-9. Managing of non performing loans

The committee of "Supervision and collection of loans and receivables" meets every week to follow through with the status of the Non-performing loans, and the required legal actions in order to collect bad loans and receivables. The committee members are the managing director, the deputy to managing director, legal advisor to managing director, the assistant managing director in credit department, the managers of the credit department, the manager of finance department, the manager of legal department, and the manager of credit operations department.

The decisions made in this committee are sent to relevant departments to follow through. The loans and receivables that are late for more than 60 days are categorized as overdue and will be put on the committee's agenda for decision making.

In case the follow-up efforts with the client do not yield results, the case will be referred to the bank's legal department. After referral to the legal department, executive and judicial actions will be pursued in accordance with applicable laws and regulations, leading, as the case may be, to the acquisition or liquidation of claims. If no buyer is found for the company during the registered or judicial auction, the bank, based on its discretion and interests, will acquire full ownership of the collateralized or seized assets or enter into a partnership with the owner proportional to the amount of its claims. After the acquisition of the collateral or seized assets by the Middle East Bank, the acquired assets will be sold through a public auction and liquidated in compliance with the regulations of the Central Bank of the Islamic Republic of Iran.

54-3-9-1. Non performing loan movements is as below

Description	IRR million							
	March 20, 2025				March 19, 2024			
	Principal	Interest	Penalty	Total	Principal	Interest	Penalty	Total
Opening Balance	28,312,495	1,320,402	640,414	30,273,311	14,570,816	191,630	368,177	15,130,623
Transferred to non-current during the year	85,416,195	4,943,989	4,980,370	95,340,554	52,758,131	3,641,009	1,752,391	58,151,531
By foreign exchange translation	3,997,381	82,859	51,366	4,131,606	4,778,896	172,259	139,530	5,090,685
During the Period								
By cash	(49,813,356)	(2,739,234)	(2,151,527)	(54,704,117)	(35,623,405)	(2,105,664)	(1,472,307)	(39,201,376)
By asset possession	(787,882)	(67,396)	(46,234)	(901,512)	(60,000)	(4,709)	(7,930)	(72,639)
Roll over	(10,644,128)	(749,154)	-	(11,393,282)	(8,111,943)	(571,342)	-	(8,683,285)
waived of penalties	-	-	(58,764)	(58,764)	-	(2,781)	(139,447)	(142,228)
Closing Balance	56,480,705	2,791,466	3,415,625	62,687,796	28,312,495	1,320,402	640,414	30,273,311

54-3-9-2. Distribution of non performing loans based on economic sectors

Distribution of non performing loans	IRR million					
	Balance of non-performing loans		Specific provision		Net balance of non-performing loans	
	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024	March 20, 2025	March 19, 2024
Industry	54,634,304	19,822,139	(14,043,084)	(1,147,943)	40,591,219	18,674,196
Housing	452,478	1,442,738	-	(79,429)	452,478	1,363,310
commercial	3,452,933	5,868,141	(1,861,321)	(1,114,992)	1,591,612	4,753,149
Services	2,435,827	1,202,053	(374,485)	(389,879)	2,061,342	812,174
Agriculture	574,836	607,772	-	-	574,836	607,772
others	1,137,418	1,330,468	(32,243)	(23,918)	1,105,176	1,306,549
Total	62,687,796	30,273,311	(16,311,133)	(2,756,161)	46,376,663	27,517,150

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54-3-9-3. Balance of possessed assets

Description	IRR million	
	March 20, 2025	March 19, 2024
Residential real estates	1,430,984	425,591

54-3-10. Capital needed to cover credit risk

The amount of capital needed to cover the credit risk of the assets is IRR91,367,448 million and its calculations presented in table 54-3-10-1.

54-3-10-1. Calculation of needed capital to cover credit risk is as below:

	Note	IRR million	
		March 20, 2025	March 19, 2024
Credit risk weighted assets	54-7-2-1	1,142,093,104	849,830,354
Risk factor-%		8%	8%
Needed capital to cover credit risk		91,367,448	67,986,428

54-4. Liquidity risk

54-4-1. Liquidity risk definition

Liquidity risk is caused by bank's inability to repay its short-term liability. Liquidity risk is usually intensified by the lack of enough assets with high liquidity and because of the inability to liquidate other assets fast to repay short-term liability.

54-4-2. Liquidity management policy

In order to control liquidity risk or be sure of the bank's ability to repay its short-term debt, its needed to define bank's asset management and resource collection.

MEB's asset management policy, as last years is based on giving short-term loans to firms and establishing long-term relationships with corporate clients. For financial year ended March 20, 2025, bank's short-term loans portfolio (before impairment loss deduction) comprised 66% of its total asset. Major part of this portfolio (40% of bank's total assets) was allocated to short-terms loans to provide working capital for firms and individuals who run businesses for buying raw materials, sales on credit, etc. Also 26% of bank's total assets related to long-term loans (NDF loans). Corporate clients would be rated based on their financial reports, cash flows and ability to repay principal and interest of the given facility from their revenues. Long-term investments comprises 0.5% of total asset and include investment on life insurance company, brokerage firm, currency exchange company and investment company in order to facilitate other financial needs of clients beside investment on an IT firm to develop bank's systems. Because of the economic situations, MEB has continued its conservative approach of liquidity management by maintaining highly liquid assets (cash and cash equivalent, contribution bonds or other assets with active market) composing 14% of total asset. About 2% of banks asset consist of fixed, intangible and other assets which are employed for bank's main operations.

MEB's resources are mainly collected from 3 sources: 1- Cash flows from corporate clients and individuals related to those clients 2- Customers who have good long-term relationship with MEB for their asset management and 3-Other customers with low amount deposits.

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54-4-3. Executive units for liquidity risk management

MEB's risk management department has one executive unit and does not have different units for each risk of the bank. Risk department's experts cover other risks of the bank by switching responsibilities assigned by the senior risk manager.

54-4-4. Liquidity risk assessment methodology (Including Foundations and Assumptions)

Liquidity risk assessment is conducted based on several traditional models and Basel III frameworks. Traditional models include the loans-to-deposits ratio, the ratio of highly liquid assets to total assets, and the liquidity gap ladder. Basel III models comprise the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR reflects the bank's ability to cover deposit outflows under stressed conditions for a 30-day period. According to the Central Bank of Iran's "Minimum Requirements for Liquidity Risk Management of Credit Institutions," this ratio must be at least 100%. On 03/20/2025, this ratio stood at 79%.

54-4-5. Liquidity risk control & monitoring procedures

To ensure that the bank's path is aligned with defined policies in 54-4-2 note and to control liquidity risk and managing cost and resource, finance department every day provides the seniors managers of the bank with a status report of deposits, given loans, bank's various assets and liabilities, assets profitability and cost of resources. Every week costs and resources status would be reviewed with the presence of senior managers and based on these reports decisions would be made in order to progress the affairs. In appropriate times, risk management department prepares reports about calculation of liquidity gap, liquidity coverage ratio and net stable funding ratio to senior managers and board of directors. Based on defined acceptable ratios including liquidity ratios, necessary decisions would be made for liquidity management. For liquidity risk, these decisions include decrease or increase in loans amount which causes increase or decrease in bank's liquid assets. MEB tries loans to resources ratio not to be more than 85%. In case of liquidity gap, bank maintains a significant positive balance for the period less than 3 months.

54-4-5-1. Liquidity reserves

Description	IRR million	
	March 20, 2025	March 19, 2024
Due from CBI	105,663,207	45,907,413
Cash and due from other banks	53,036,595	28,657,734
Governmental bonds	56,756,871	30,996,346
Non-governmental bonds	8,160	8,160
Total	215,464,833	105,569,653

54-4-5-2. Liquidity ratios:

Description	Percent				
	At the beginning of the year	Average	Maximum	Minimum	At the end of the year
Cash and cash equivalent to total assets	11%	12%	15%	11%	15%
Cash and cash equivalent to total deposits	15%	16%	19%	14%	19%
Net cash equivalents to total deposits *	8%	13%	16%	9%	16%
Loans to total deposits	98%	91%	98%	85%	85%
Loans to long-term deposits	174%	171%	191%	162%	162%
Non-maturity deposits to total deposits**	37%	40%	43%	37%	41%

Cash and cash equivalent include cash, bonds and etc. which have active liquid market.

* Net liquid assets include cash, cash equivalent and investments which have active liquid market excluding other banks deposit, issued debts securities and other liabilities with less than one month maturity.

** Non-maturity deposits include deposits which have no contractual maturity like current deposits, saving deposits and short-term deposits.

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52-4-5-3. Assets and liabilities maturity analysis

The following table illustrates the maturity of assets and liabilities according to the date that is possible to be withdrawn or settled:

	March 20, 2025						IRR million
	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity	
Assets:							
Cash	158,699,802	-	-	-	-	-	158,699,802
Due from banks and non-bank credit institutions	159,233,719	-	-	-	-	-	159,233,719
Credit facilities granted to non-governmental entities	94,308,235	475,060,765	280,380,636	38,543,122	8,974,082	67,421,054	994,736,726
Investments in share and other securities	59,951,152	283,941	51,750,786	4,722,145	3,186,121	7,000	59,951,152
Due from subsidiaries and associates	1,959,323	1,959,323	-	-	-	-	1,989,913
Other accounts receivable	1,990,246	793,233	165,679	(245,008)	305,909	319,898	2,314,397
Non-current assets held for sale	1,430,984	-	-	1,430,984	-	-	1,430,984
Property, plant and equipment	28,464,051	-	-	-	-	28,464,051	28,464,051
Intangible assets	199,913	-	-	-	-	199,913	199,913
Statutory deposit	84,365,982	2,933,345	33,006,602	31,880,843	12,206,522	6,103	84,365,982
Other assets	15,611,022	9,445,521	1,427,400	1,139,060	-	1,539,333	15,803,255
Total assets	1,476,214,429	424,892,657	483,857,229	77,471,146	24,672,634	97,957,352	1,507,189,894
Liabilities:							
Due to banks and non-bank credit institutions	(39,217,798)	(24,610,954)	(7,870,480)	(3,861,830)	-	-	(39,217,798)
Customers' deposits	(1,175,638,177)	(113,260,800)	(336,324,033)	(278,266,065)	(269,246,807)	(75,861,596)	(1,175,638,177)
Dividends payable	(182,440)	(182,440)	-	-	-	-	(182,440)
Income tax provision	(9,611,396)	-	(5,134,962)	-	-	(4,476,434)	(9,611,396)
Other liabilities and provisions	(62,635,155)	(25,938,978)	(2,234,427)	(21,184,716)	(138,454)	(6,713,370)	(62,635,155)
Staff termination benefits	(1,511,514)	-	-	-	-	(1,511,514)	(1,511,514)
Total liabilities	(1,288,796,480)	(163,993,172)	(341,432,994)	(294,293,353)	(102,817,330)	(88,562,914)	(1,288,796,480)
Total shareholders' equity	(187,417,949)	-	-	-	-	(187,417,949)	(187,417,950)
Effects of provisions	-	(2,323,831)	(9,408,760)	(4,926,895)	-	(761,507)	(30,975,464)
Total cash outflows from off-statement of financial position items	(49,098,112)	(31,677,119)	(31,677,119)	(4,926,895)	-	(761,507)	(49,098,112)
Total liabilities and shareholders' equity	(1,525,312,541)	(350,841,754)	(329,373,836)	(299,220,248)	(102,817,330)	(276,742,370)	(1,556,288,006)
Gap	258,575,654	133,015,475	37,989,575	(221,749,102)	(78,144,696)	(178,785,018)	
Accumulated gap	258,575,654	391,591,129	429,580,704	207,831,602	129,686,906	(49,098,112)	
Gap to regulatory capital ratio	129%	66%	19%	-11%	-39%	-89%	
Accumulated gap to regulatory capital ratio	129%	195%	214%	104%	65%	-24%	
Gap to CBI regulatory capital ratio	214%	110%	31%	-183%	-65%	-148%	
Accumulated gap to CBI regulatory capital ratio	214%	324%	355%	172%	107%	-41%	

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	March 19, 2024						IRR million	
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years		Non-specific maturity
Assets:								
Cash	74,565,147	74,565,147	-	-	-	-	-	74,565,147
Due from banks and non-bank credit institutions	99,499,500	99,499,500	-	-	-	-	-	99,499,500
Credit facilities granted to non-governmental entities	695,636,615	56,671,009	319,157,758	251,037,420	23,008,496	8,434,023	37,327,909	708,665,040
Investments in share and other securities	32,171,135	1,160	-	29,216,042	1,780,304	1,166,629	7,000	32,171,135
Due from subsidiaries and associates	800,322	760,808	-	-	39,514	-	-	812,916
Other accounts receivable	928,653	480,074	22,698	320,119	-	105,184	578	3,252,214
Non-current assets held for sale	425,591	-	-	-	425,591	-	-	425,591
Fixed assets	21,249,042	-	-	-	-	-	21,249,042	21,249,042
Intangible assets	168,180	-	-	-	-	-	168,180	168,180
Statutory deposit	60,377,564	559,616	787,985	7,236,935	45,658,452	3,396,929	2,737,647	60,377,564
Other assets	14,841,420	8,698,404	3,857,285	758,168	586,867	-	940,696	12,937,579
Total assets	1,000,663,169	241,235,718	323,825,726	288,568,684	71,499,224	13,102,765	62,431,052	1,014,123,908
Liabilities:								
Due to banks and non-bank credit institutions	(83,876,261)	(59,342,943)	(22,063,853)	(2,469,465)	-	-	-	(83,876,261)
Customers' deposits	(733,144,857)	(93,735,549)	(203,769,741)	(80,816,645)	(276,175,904)	(78,382,002)	(265,016)	(733,144,857)
Dividends payable	(80,097)	(80,097)	-	-	-	-	-	(80,097)
Income tax provision	(8,647,047)	-	-	(4,061,609)	-	-	(4,585,438)	(8,647,047)
Other liabilities and provisions	(51,478,414)	(20,798,254)	(4,589,120)	(3,079,540)	(7,184,193)	(8,171,460)	(7,655,847)	(51,478,414)
Staff termination benefits	(969,267)	-	-	-	-	-	(969,267)	(969,267)
Total liabilities	(878,195,943)	(173,956,843)	(230,422,714)	(90,427,259)	(283,360,097)	(86,553,462)	(13,475,568)	(878,195,943)
Total shareholders' equity	(122,467,226)	-	-	-	-	-	(122,467,226)	(122,467,226)
Effects of provisions	-	-	-	-	-	-	-	(13,460,739)
Total cash outflows from off-statement of financial position items	(28,550,261)	(1,735,808)	(5,653,016)	(18,209,309)	(2,572,955)	-	(379,173)	(28,550,261)
Total liabilities and shareholders' equity	(1,029,213,430)	(175,692,651)	(236,075,730)	(108,636,568)	(285,933,052)	(86,553,462)	(136,321,967)	(1,042,674,169)
Gap	65,543,067	87,749,996	179,932,116	333,225,179	118,791,351	45,340,654	(73,890,915)	
Accumulated gap	65,543,067	153,293,063	153,293,063	66%	135%	-162%	(28,550,261)	
Gap to regulatory capital ratio	49%	49%	66%	135%	-162%	-56%	-57%	
Accumulated gap to regulatory capital ratio	49%	49%	115%	252%	89%	33%	-22%	
Gap to CBI regulatory capital ratio	83%	83%	112%	229%	-273%	-93%	-94%	
Accumulated gap to CBI regulatory capital ratio	83%	83%	195%	423%	151%	58%	-36%	

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54-4-5-4. Contractual maturity analysis of financial liabilities

54-4-5-4-1. The following table illustrates financial liabilities according to their maturity that mentioned in related contract.

IRR million

	March 20, 2025						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and non-bank credit institutions	(39,217,798)	(24,610,954)	(2,874,534)	(7,870,480)	(3,861,830)	-	-
Customers' deposits	(1,175,638,177)	(4,702,017)	(282,818,950)	(201,872,935)	(177,896,272)	-	(508,348,003)
Received loans from NDF	(30,036,890)	(5,356,051)	(691,805)	(3,196,605)	(20,792,429)	-	-
Total	(1,244,892,865)	(34,669,022)	(286,385,289)	(212,940,020)	(202,550,531)	-	(508,348,003)

IRR million

	March 19, 2024						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and non-bank credit institutions	(83,876,261)	(59,342,943)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(733,144,857)	(44,915,264)	(171,639,643)	(50,686,937)	(214,502,053)	(821,277)	(250,579,683)
Received loans from NDF	(20,659,908)	(191,291)	(385,338)	(1,780,407)	(6,591,650)	(8,171,460)	(3,539,762)
Total	(837,681,026)	(104,449,498)	(194,088,834)	(54,936,809)	(221,093,703)	(8,992,737)	(254,119,445)

54-4-5-4-2. The following table illustrates foreign currency financial liabilities according to their maturity that mentioned in related contract.

IRR million

	March 20, 2025						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and non-bank credit institutions	(38,821,615)	(24,214,771)	(2,874,534)	(7,870,480)	(3,861,830)	-	-
Customers' deposits	(463,893,924)	(489,808)	(274,350,800)	(620,983)	(1,071,393)	-	(187,360,940)
Received loans from NDF	(30,036,890)	(5,356,051)	(691,805)	(3,196,604)	(20,792,430)	-	-
Total	(532,752,429)	(30,060,630)	(277,917,139)	(11,688,067)	(25,725,653)	-	(187,360,940)

IRR million

	March 19, 2024						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and non-bank credit institutions	(41,511,298)	(16,977,980)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(266,948,712)	(76,898,505)	(188,896,304)	(473,073)	(41,059)	(437,462)	(202,309)
Received loans from NDF	(20,659,908)	(191,291)	(385,338)	(1,780,407)	(6,591,650)	(8,171,460)	(3,539,762)
Total	(329,119,918)	(94,067,776)	(211,345,495)	(4,722,945)	(6,632,709)	(8,608,922)	(3,742,071)

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54-4-6. Program to cope with crisis (liquidity crisis)

Middle East Bank, according to special circumstances of Iran economics during 2025 and recently years in which MEB has been established, follow a high conservative policy to liquidity management and capital preservation. To be aware of these policies can be referred to 54-4-2 and 54-4-4 notes.

Accumulated gap for less than 3 months period is IRR391,591,129 million which is 195% of the bank's capital. This indicates the liquidity status of bank for less than 3 months is in good position.

54-5. Market risk

54-5-1. Market risk definition

Market risk in MEB raised from 3 causes: 1-Changing the value of short-term investments in listed and unlisted shares. 2-Change in deposits and loans interest rates and 3-Change in foreign Currencies Exchange rates.

At March 20, 2025 the bank has no short term investment in listed and unlisted shares.

The interest rate change risk is a small part of the bank's risks, and the reason is mandatory deposit and facility interest rate for all active banks in Iran, and considering that the bank does not have a significant investment in stocks, the most significant component of market risk for the MEB is exchange rate risk.

Foreign exchange rate risk at the MEB arises from commitments related to letters of credit and remittance obligations of importing clients. The MEB deliberately avoids maintaining open foreign currency positions and promptly procures the necessary foreign currency to fulfill client-related obligations, although short-term open currency positions may arise during the currency acquisition process. The MEB does not engage in foreign exchange transactions to capitalize on potential currency price fluctuations.

54-5-2. Executive units for market risk management

Risk management in MEB consists of integrated executive department and has not a separate unit for each type of risk. Risk experts by rotating in various responsibility that assigned by the senior risk management (SRM), in addition to market risk, cover other type of risks faced by bank.

54-5-3. Method of market risk calculation

Market risk arises from stock investment calculated by Basel III and sharp model. According to Basel III, market risk can be calculated using the Value at Risk (VaR) methodologies. The "Value at Risk" calculation must be done based on 99% probability (one tail) using daily standard deviation and 10 days horizon time. Each bank must meet, on a daily basis, capital requirement illustrated as the higher of previous day's value at risk or an average of the daily value at risk in 60 working days. According to Basel III notes, the capital requirement equals to VaR Amount $\times (3 + X)$ with X between 0 and 1. Regarding portfolio situation we assumed that the amount of X equals to one. According to this calculation method, the risk factor for the stock portfolio is obtained.

54-5-4. Value-at-risk analysis of investments in stocks and other marketable investments

The amount of value at risk for investments in stocks and other market-priced investments with an expected loss within a period of 10 days with a probability of 1% is provided according to the single asset method.

Calculation of value at risk according to variance-covariance method (within 10 days and 1% probability)

Type of investment	March 20, 2025		March 19, 2024	
	Possible changes in market price	Impact on profit and loss	Possible changes in market price	Impact on profit and loss
	%	IRR million	%	IRR million
Investment in listed shares	0%	-	0%	-
Investment in other securities	0%	-	0%	-

* The price volatility of securities is significantly limited, and their value may only decline when interest rate expectations undergo substantial changes. Consequently, the potential loss of the bond portfolio can only be assessed under various scenarios of interest rate decreases or increases. It is noteworthy that a significant portion of the bonds are held to maturity, and thus, no profit or loss is typically anticipated for them.

Regarding Middle East Insurance, the recorded value in the bank's books is substantially lower than the market value, and in the short term, no loss is expected for the bank from this position.

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54-5-5. Foreign Currency VaR Analysis

The bank's foreign currency position as of March 20, 2025 is as follows:

	Consolidated						
	March 20, 2025						
	US Dollar	Euro	Emirates AED	British pound	Swiss Franc	Japanese Yen	Other currency
Cash	21,128,445	43,821,985	131,806,553	4,272	35,847	202,653	
Due from banks and non-bank credit institutions	14,591,607	152,626,102	93,544,916	-	18,104,699	-	
Credit facilities granted to non-governmental entities	527,802,480	10,544,290	21,099,735	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	-	-	-	-	
Other accounts receivable	1,254	-	1,575	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	202,620	-	-	-	-	
Total assets-FCY	563,523,787	207,194,996	246,452,779	4,272	18,140,546	202,653	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	9,147,073	25,922,324	-	-	-	-	
Customers' other commitments	-	-	-	-	-	-	
Total of customers' commitments-FCY	9,147,073	25,922,324	-	-	-	-	
Total of foreign currency assets and customers' commitments	572,670,859	233,117,320	246,452,779	4,272	18,140,546	202,653	
Rial equivalent of total of foreign currency assets and customers' commitments - IRR million	390,182,976	173,495,618	45,837,593	3,781	14,023,658	929	19,980,064
Due to banks and non-bank credit institutions	(556,512)	(88,085,348)	(2,185,291)	-	(18,088,470)	-	
Customers' deposits	(475,875,770)	(61,953,780)	(91,806,257)	(4,200)	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(48,871,048)	(6,615,917)	(64,079,140)	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
Total liabilities-FCY	(525,303,330)	(156,655,045)	(158,070,688)	(4,200)	(18,104,699)	-	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(9,147,073)	(26,528,509)	-	-	-	-	
Bank's other commitments	-	-	-	-	-	-	
Total of Bank's commitments-FCY	(9,147,073)	(26,528,509)	-	-	-	-	
Total of foreign currency liabilities and Bank's commitments	(534,450,402)	(183,183,554)	(158,070,688)	(4,200)	(18,104,699)	-	
Rial equivalent of total of foreign currency liabilities and Bank's commitments - IRR million	(364,098,911)	(136,338,979)	(29,429,655)	(3,715)	(13,995,946)	-	(16,506,951)
Foreign currency open position at March 20, 2025	38,220,457	49,933,766	88,382,090	72	35,847	202,653	-
Foreign currency open position at March 20, 2025- IRR equivalent	26,084,065	37,156,639	16,407,937	66.06	27,711	929	3,473,113
Foreign currency open position to base capital at March 20, 2025 - Percentage	13%	19%	8%	0%	0%	0%	2%
Foreign currency open position to regulatory capital (base of other prudential ratios) at March 20, 2025 - Percentage	22%	31%	14%	0%	0%	0%	3%

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	Consolidated						
	March 19, 2024						
	US Dollar	Euro	Emirates AED	British pound	Swiss Franc	Japanese Yen	Other currency
Cash	20,835,676	69,901,625	196,765,474	72	36,171	336,653	
Due from banks and non-bank credit institutions	500,000	146,425,044	35,262,723	-	16,229	-	
Credit facilities granted to non-governmental entities	561,394,538	23,039,999	11,363,174	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	-	-	-	-	
Other accounts receivable	6,858	14,197	1,109	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	5,160	-	-	-	-	
Total assets-FCY	582,737,072	239,386,025	243,392,480	72	52,400	336,653	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	14,410,073	26,641,814	-	-	-	-	
Customers' other commitments	-	45,137,862	-	-	-	-	
Total of customers' commitments-FCY	14,410,073	71,779,676	-	-	-	-	
Total of foreign currency assets and customers' commitments	597,147,145	311,165,701	243,392,480	72	52,400	336,653	
Rial equivalent of total of foreign currency assets and customers' commitments - IRR million	239,996,343	116,363,344	26,763,418	40	23,821	908	5,466,764
Due to banks and non-bank credit institutions	-	(87,020,232)	(3,429)	-	-	-	
Customers' deposits	(473,239,282)	(55,314,642)	(30,755,863)	-	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(63,289,252)	(59,624,303)	(136,747,474)	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
Total liabilities-FCY	(536,528,534)	(201,959,177)	(167,506,766)	-	(16,229)	-	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(14,410,073)	(27,329,796)	-	-	-	-	
Bank's other commitments	-	(45,137,862)	-	-	-	-	
Total of Bank's commitments-FCY	(14,410,073)	(72,467,658)	-	-	-	-	
Total of foreign currency liabilities and Bank's commitments	(550,938,607)	(274,426,835)	(167,506,766)	-	(16,229)	-	
Rial equivalent of total of foreign currency liabilities and Bank's commitments - IRR million	(221,420,744)	(100,291,138)	(18,453,599)	-	(7,378)	-	(4,144,362)
Foreign currency open position at March 19, 2024	46,208,538	36,738,866	75,885,714	72	36,171	336,653	-
Foreign currency open position at March 19, 2024- IRR equivalent	18,575,599	16,072,205	8,309,819	40	16,443	908	1,322,402
Foreign currency open position to base capital at March 19, 2024 - Percentage	14%	12%	6%	0%	0%	0%	1%
Foreign currency open position to regulatory capital (base of other prudential ratios) at March 19, 2024 - Percentage	24%	20%	11%	0%	0%	0%	2%

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	Parent.Co						
	March 20, 2025						
	US Dollar	Euro	Emirates AED	British pound	Swiss Franc	Japanese Yen	Other currency
Cash	8,600,761	36,908,019	59,419,925	4,200	35,847	202,653	
Due from banks and non-bank credit institutions	14,591,607	152,626,102	93,544,916	-	18,104,699	-	
Credit facilities granted to non-governmental entities	527,802,480	10,544,290	21,099,735	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	-	-	-	-	
Other accounts receivable	1,254	-	1,575	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	202,620	-	-	-	-	
Total assets-FCY	550,996,102	200,281,031	174,066,151	4,200	18,140,546	202,653	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	9,147,073	25,922,324	-	-	-	-	
Customers' other commitments	-	-	-	-	-	-	
Total of customers' commitments-FCY	9,147,073	25,922,324	-	-	-	-	
Total of foreign currency assets and customers' commitments	560,143,175	226,203,355	174,066,151	4,200	18,140,546	202,653	
Rial equivalent of total of foreign currency assets and customers' commitments - IRR million	381,571,211	168,303,439	32,287,008	3,715	14,023,658	929	19,492,125
Due to banks and non-bank credit institutions	(556,512)	(88,085,348)	(2,185,291)	-	(18,088,470)	-	
Customers' deposits	(475,875,770)	(61,953,780)	(91,806,257)	(4,200)	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(44,093,889)	(296,074)	-	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
Total liabilities-FCY	(520,526,171)	(150,335,202)	(93,991,548)	(4,200)	(18,104,699)	-	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(9,147,073)	(26,528,509)	-	-	-	-	
Bank's other commitments	-	-	-	-	-	-	
Total of Bank's commitments-FCY	(9,147,073)	(26,528,509)	-	-	-	-	
Total of foreign currency liabilities and Bank's commitments	(529,673,244)	(176,863,711)	(93,991,548)	(4,200)	(18,104,699)	-	
Rial equivalent of total of foreign currency liabilities and Bank's commitments - IRR million	(360,815,002)	(131,592,968)	(17,434,210)	(3,715)	(13,995,946)	-	(16,506,951)
Foreign currency open position at March 20, 2025	30,469,931	49,339,644	80,074,603	-	35,847	202,653	-
Foreign currency open position at March 20, 2025- IRR equivalent	20,756,209	36,710,471	14,852,798	-	27,712	929	2,985,174
Foreign currency open position to base capital at March 20, 2025 - Percentage	10%	18%	7%	0%	0%	0%	1%
Foreign currency open position to regulatory capital (base of other prudential ratios) at March 20, 2025 - Percentage	17%	30%	12%	0%	0%	0%	2%

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	Parent.Co						
	March 19, 2024						
	US Dollar	Euro	Emirates AED	British pound	Swiss Franc	Japanese Yen	Other currency
Cash	3,167,896	38,086,970	59,052,603	-	36,171	336,653	
Due from banks and non-bank credit institutions	500,000	146,425,044	35,262,723	-	16,229	-	
Credit facilities granted to non-governmental entities	561,394,538	23,039,999	11,363,174	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	-	-	-	-	
Other accounts receivable	6,858	14,197	1,109	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	5,160	-	-	-	-	
Total assets-FCY	565,069,292	207,571,370	105,679,609	-	52,400	336,653	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	14,410,073	26,641,814	-	-	-	-	
Customers' other commitments	-	45,137,862	-	-	-	-	
Total of customers' commitments-FCY	14,410,073	71,779,676	-	-	-	-	
Total of foreign currency assets and customers' commitments	579,479,365	279,351,046	105,679,609	-	52,400	336,653	
Rial equivalent of total of foreign currency assets and customers' commitments - IRR million	232,879,429	102,523,073	11,564,414	-	23,821	908	5,198,471
Due to banks and non-bank credit institutions	-	(87,020,232)	(3,429)	-	-	-	
Customers' deposits	(473,239,282)	(55,314,642)	(30,755,863)	-	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(51,408,535)	(31,374,075)	(5,131,990)	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
Total liabilities-FCY	(524,647,817)	(173,708,949)	(35,891,282)	-	(16,229)	-	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(14,410,073)	(27,329,796)	-	-	-	-	
Bank's other commitments	-	(45,137,862)	-	-	-	-	
Total of Bank's commitments-FCY	(14,410,073)	(72,467,658)	-	-	-	-	
Total of foreign currency liabilities and Bank's commitments	(539,057,890)	(246,176,607)	(35,891,282)	-	(16,229)	-	
Rial equivalent of total of foreign currency liabilities and Bank's commitments - IRR million	(216,634,968)	(88,001,494)	(3,927,547)	-	(7,378)	-	(4,144,362)
Foreign currency open position at March 19, 2024	40,421,475	33,174,439	69,788,327	-	36,171	336,653	-
Foreign currency open position at March 19, 2024- IRR equivalent	16,244,461	14,521,579	7,636,867	-	16,443	908	1,054,109
Foreign currency open position to base capital at March 19, 2024 - Percentage	12%	11%	6%	0%	0%	0%	1%
Foreign currency open position to regulatory capital (base of other prudential ratios) at March 19, 2024 - Percentage	21%	18%	10%	0%	0%	0%	1%

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54-5-5-1. Summary of foreign currencies' open position

	March 20, 2025	March 19, 2024
Positive open position of all foreign currencies-IRR million	75,333,293	39,474,367
Open position of all foreign currencies-IRR million	75,333,293	39,474,367
Positive open position of all foreign currencies to base capital-percent	38%	30%
Positive open position of all foreign currencies to regulatory capital (base of other prudential ratios)-percent	62%	50%

54-5-5-2. Analysis of foreign exchange risk on profit or loss

Method 1: Single asset VaR

According to the method of calculating the value at risk of foreign exchange assets and liabilities in accordance with the "variance-covariance" and "Single asset" method, Daily expected VaR based on CBI rates and free market rates is calculated in below table.

Potential market price changes are calculated 10 days horizon time and 99% loss probability.

Currency Type	March 20, 2025		Currency Type	March 19, 2024	
	Potential change in market price	Impact on profit and loss		potential change in market price	Impact on profit and loss
	Percent	IRR Million		Percent	IRR million
USD	(-4,+4)	1,922,021	USD	(-3,+3)	1,246,106
CHF	(-5,+5)	2,814	CHF	(-10,+10)	3,918
EUR	(-5,+5)	3,911,492	EUR	(-9,+9)	3,044,714
JPY	(-5,+5)	99	JPY	(-9,+9)	211
AED	(-4,+4)	1,375,138	AED	(-4,+4)	808,158
CNY	(-6,+6)	349,131	CNY	(-9,9)	-
Others	(-4,+4)	-	Others	(-6,6)	223,187
Total		7,560,695			5,326,294

Method 2: value at risk using variance-covariance method

According to the method of calculating the value at risk of foreign exchange assets and liabilities in accordance with the "variance covariance" and "Single asset" method, Daily expected VaR based on CBI rates and free market rates is calculated in below table.

probable changes interval in market price has been calculated within 10 days and 99% confidence.

Currency Type	March 20, 2025		Currency Type	March 19, 2024	
	probable changes in market price	Value at risk		probable changes in market price	Value at risk
	Percent	IRR Million		Percent	IRR million
USD	(-4,+4)	1,922,021	USD	(-3,3)	1,246,106
CHF	(-5,+5)	2,814	CHF	(-10,10)	3,918
EUR	(-5,+5)	3,911,492	EUR	(-9,9)	3,044,714
JPY	(-5,+5)	99	JPY	(-9,9)	211
AED	(-4,+4)	1,375,138	AED	(-4,4)	808,158
CNY	(-6,+6)	349,131	CNY	(-9,9)	-
Others	(-4,+4)	-	Others	(-6,6)	223,187
Total		7,560,695	Total		5,326,294
Diversification effect		(645,246)	Diversification effect		(1,649,904)
Total		6,915,449			3,676,390

The values are presented in this note are calculated based on the average of daily standard deviation of the rate announced by the Central Bank and free market exchange rate in the last 24 months.

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54-5-6. The amount of required capital to cover market risk:

54-5-6-1. The amount of required capital to cover market risk using a single asset method:

IRR million

Measurement method	Stock risk		Foreign exchange risk		Total contingency reserved for market risk*
	"Value at risk (10days)"	contingency reserved	"Value at risk (10days)"	contingency reserved	
Normal Var model	-	-	7,560,695	30,242,780	30,242,780

54-5-6-2. The amount of required capital to cover market risk using variance-covariance method:

IRR million

Measurement method	Stock Risk		Foreign Exchange Risk		Total contingency reserved for market risk*
	"Value at risk (10days)"	contingency reserved	"Value at risk (10days)"	contingency reserved	
Normal Var model	-	-	6,915,449	27,661,796	27,661,796

*This amount of capital calculated according to the Basel instructions to calculate the required capital risk of exchange rate fluctuations and equivalent to 4 times the value at risk of 10 days in the foreign exchange basket.

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54-5-7. Interest rate sensitive asset and liability gap analysis

IRR million

	March 20, 2025						Insensitive to rate
	Amount	Maturities up to one month	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	
Assets							
Cash	158,699,802	-	-	-	-	-	158,699,802
Due from banks and non-bank credit institutions	159,233,719	159,233,719	-	-	-	-	-
Credit facilities granted to non-governmental entities	964,308,235	93,928,576	475,060,765	280,380,636	38,543,122	8,974,082	67,421,054
Investments in share and other securities	59,951,152	1,160	283,941	51,750,786	4,722,145	3,186,120	7,000
Due from subsidiaries and associates	1,959,323	-	-	-	-	-	1,959,323
Other accounts receivable	1,990,246	-	-	-	-	-	1,990,246
Non-current assets held for sale	1,430,984	-	-	-	-	-	1,430,984
Fixed assets	28,464,051	-	-	-	-	-	28,464,051
Intangible assets	199,913	-	-	-	-	-	199,913
Statutory deposit	84,365,982	2,689,807	3,509,592	30,485,849	31,922,561	12,223,628	3,534,545
Other assets	15,611,022	-	-	-	-	-	15,611,022
Total assets	1,476,214,429	255,853,262	478,854,298	362,617,271	75,187,828	24,383,830	279,317,940
Liabilities							
Due to banks and non-bank credit institutions	(39,217,798)	(24,610,954)	(2,874,534)	(7,870,480)	(3,861,830)	-	-
Customers' deposits	(1,175,638,177)	(113,260,800)	(336,324,035)	(278,266,065)	(269,246,807)	(102,678,876)	(75,861,594)
Dividends payable	(182,440)	-	-	-	-	-	(182,440)
Income tax provision	(9,611,396)	-	-	-	-	-	(9,611,396)
Other liabilities and accruals	(62,635,155)	(5,353,288)	(691,805)	(3,196,604)	(20,792,430)	-	(32,601,028)
Staff termination benefits	(1,511,514)	-	-	-	-	-	(1,511,514)
Total liabilities	(1,288,796,480)	(143,225,042)	(339,890,374)	(289,333,149)	(293,901,067)	(102,678,876)	(119,767,972)
Shareholders' equity	(187,417,949)	-	-	-	-	-	(187,417,949)
Total liabilities and shareholders' equity	(1,476,214,429)	(143,225,042)	(339,890,374)	(289,333,149)	(293,901,067)	(102,678,876)	(307,185,921)
Liquidity gap		112,628,220	138,963,924	73,284,122	(218,713,239)	(78,295,046)	(27,867,981)
Cumulative liquidity gap		112,628,220	251,592,144	324,876,266	106,163,027	27,867,981	-

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IRR million

	March 19, 2024						
	Amount	Maturities up to one month	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	Insensitive to rate
Assets							
Cash	74,565,147	-	-	-	-	-	74,565,147
Due from banks and non-bank credit institutions	99,499,500	99,499,500	-	-	-	-	-
Credit facilities granted to non-governmental entities	695,636,615	54,572,143	321,256,624	251,037,420	23,008,496	8,434,023	37,327,909
Investments in share and other securities	32,171,135	1,160	-	29,216,042	1,780,304	1,166,629	7,000
Due from subsidiaries and associates	800,322	-	-	-	-	-	800,322
Other accounts receivable	928,653	-	-	-	-	-	928,653
Non-current assets held for sale	425,591	-	-	-	-	-	425,591
Fixed assets	21,249,042	-	-	-	-	-	21,249,042
Intangible assets	168,180	-	-	-	-	-	168,180
Statutory deposit	60,377,564	539,198	758,490	7,452,189	47,239,530	3,514,559	873,598
Other assets	14,841,420	-	-	-	-	-	14,841,420
Total assets	1,000,663,169	154,612,001	322,015,114	287,705,651	72,028,330	13,115,211	151,186,862
Liabilities							
Due to banks and non-bank credit institutions	(83,876,261)	(59,342,943)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(733,144,857)	(93,735,549)	(203,769,741)	(80,816,645)	(276,175,904)	(78,382,002)	(265,016)
Dividends payable	(80,097)	-	-	-	-	-	(80,097)
Income tax provision	(8,647,047)	-	-	-	-	-	(8,647,047)
Other liabilities and accruals	(51,478,414)	(13,159,609)	(385,338)	(1,780,407)	(6,591,650)	(8,178,623)	(21,382,787)
Staff termination benefits	(969,267)	-	-	-	-	-	(969,267)
Total liabilities	(878,195,943)	(166,238,101)	(226,218,932)	(85,066,517)	(282,767,554)	(86,560,625)	(31,344,214)
Shareholders' equity	(122,467,226)	-	-	-	-	-	(122,467,226)
Total liabilities and shareholders' equity	(1,000,663,169)	(166,238,101)	(226,218,932)	(85,066,517)	(282,767,554)	(86,560,625)	(153,811,440)
Liquidity gap	-	(11,626,100)	95,796,182	202,639,134	(210,739,224)	(73,445,414)	(2,624,578)
Cumulative liquidity gap	-	(11,626,100)	84,170,082	286,809,216	76,069,992	2,624,578	-

54-6. Operational risk

54-6-1. Operational risk definition

Potential losses due from internal bank processes which are not well defined or are not carried out completely .

Samples of operational risk are losses due to intentional or unintentional breakdowns, losses due to bank software application bugs and errors, losses due to events outside the Bank, or losses due to legal issues.

Losses due to strategic decisions or damages resulting from strategic decisions are not considered operational risk.

54-6-2. executive units for operational risk management

Middle East Bank risk management has an executive unit and has no separate unit for each of the Bank's risks. Risk department experts cover the bank's other risks by changing the responsibilities periodically. In addition, the Bank has recruited experienced advisors in operational risk assessments, whom analyze different parts of the bank, with the cooperation of Bank's risk experts.

54-6-3. Intentional and unintentional human errors preventive measure

Internal audit, compliance department and risk management department each have control and monitoring systems and report separately to board of directors on the implementation of the bank's internal rules, current issues, problems or process improvement methods.

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Human capital Management holds training courses to familiarize employees with the rules and regulations of the Bank.

Also, all employees are required to sign a commitment to carry out tasks correctly in terms of morality and in accordance with the Bank's rules and regulations.

Managers are responsible for the errors of their own staff and the effectiveness of managers in controlling the errors of their staff is examined in terms of lack of human errors.

54-6-4. Program to cope with crisis (crisis testing)

The crises of banking operations can be divided into the following groups: The crisis due to failure of information security systems, crisis due to failure of data communication lines, crisis due to physical damages to the Bank's information systems, crisis due to inaccessibility of the Bank's employees to their activity place for setting up banking systems. Middle East Bank has created replicated information system in different buildings in Tehran and keeps several copies of the Bank's database in several location. The Bank also is setting a site for catastrophic events outside Tehran where information is copied with a few hours delay.

Additionally, Middle East Bank holds training courses and operational safety drills and exercises for critical events.

54-6-5. Operational risk measurement method

The risk weight for operational risk is measured using, the "Standardized approach" announced by the CBI regulation No 02/21758 dated 04/25/2023. In this approach 15% of the last 3 years income average is calculated as needed capital to cover operational risk and then multiplied by 12.5. The result is added to the total risk weights of other risks such as credit risk and market risk for foreign exchange risk weights.

52-6-6. Operational risk control & monitoring procedures

Operational risk management consultants and risk management department issue reports which would be reviewed in risk committee and board of directors committees and based on reported recommendations, necessary orders would be given by risk committee and bank's CEO in order to establish better controls. Also internal audit, compliance and legal departments have their specific monitoring's and make risk department aware of probable operational problems in the bank and risk management department executes necessary arrangements to solve the problems by presenting these reports to credit risk committee. Periodic reports of the result of implementing new controls would be presented to risk committee and risk committee gives necessary orders to reduce operational risks.

52-6-7. Necessary amount of capital to cover operational risk

Based on Bank's method to measure operational risk, capital exposed to this risk is:

Measurement method	Capital exposed to operational risk IRR million
Base on CBI regulation	11,224,856

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54-7. Capital management

54-7-1. Regulatory capital

Basic capital at Statement of financial position date is IRR 200,580,110 million and presented as follows:

Description	IRR million	
	March 20, 2025	March 19, 2024
Tier I Capital		
Paid Capital	75,000,000	50,000,000
Share premium	-	-
Retained earnings (Accumulated Profit/Loss)	73,259,775	47,849,471
Legal reserve	32,802,142	21,259,146
Other reserves	6,911,722	3,793,905
Total tier 1 Capital before regulatory adjustments	187,973,639	122,902,522
Less: Regulatory adjustments		
Cost of shares owned by market maker fund (Treasury shares)	(555,690)	(435,296)
Intangible assets (Except goodwill)	(199,913)	(168,180)
The minimum cost of mutual investments in shares of credit institutions or non-subsidiary financial institutions	(7,000)	(120,447)
50% Net book value of investments more than limits	(453,545)	(396,822)
Total Regulatory adjustments	(1,216,148)	(1,120,745)
Tier I capital after regulatory adjustments	186,757,491	121,781,777
Tier II Capital		
General provision for bad and doubtful debts up to 1.25% of risk weighted assets	14,276,164	10,500,210
Total of Tier II Capital	14,276,164	10,500,210
Less: Regulatory adjustments		
50% Book value of investments more than limits	(453,545)	(396,822)
Tier II capital after regulatory adjustments	13,822,619	10,103,388
Less: An increase in Tier II capital over Tier I capital	-	-
Tier II capital countable for regulatory capital	13,822,619	10,103,388
Total regulatory capital	200,580,110	131,885,165
The base capital of the bank	121,004,228	78,686,399

*The calculation of regulatory capital and risk-weighted assets of the bank on 03/20/2025 and 03/19/2024 is in accordance with the Central Bank of Iran regulation No. 02/21758 dated 04/25/2023.

The base capital of the bank for calculation of prudential ratios, up to the date of financial statements approval is amount to IRR 121,004,228 million.

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54-7-2. Capital allocation

54-7-2-1. Total Credit risk weighted assets at the Statement of financial position date equals to IRR 1,142,093,104 million.

Description	March 20, 2025				March 19, 2024			
	Amount IRR million	Conversion factor		Adjusted amount IRR million	Risk factor %	Risk weighted commitments and assets		Needed capital IRR million
		%				IRR million	IRR million	
Cash	7,241,735	100		7,241,735	-	-	-	-
Statutory deposit	84,365,982	100		84,365,982	-	-	-	-
Due from CBI	208,065	100		208,065	-	-	-	-
Due from banks and financial institutions (in form of deposits, loans and securities purchases)-Capital Adequacy more than 8	118,518,146	100		118,518,146	20	23,703,629	1,896,290	676,922
Due from banks and financial institutions (in form of deposits, loans and securities purchases)-Capital Adequacy 5 to 8	10,323,347	100		10,323,347	30	3,097,004	247,760	48,063
Due from banks and financial institutions (in form of deposits, loans and securities purchases)-Capital Adequacy 3 to 5	350,459	100		350,459	40	140,184	11,215	489,637
Due from banks and financial institutions (in form of deposits, loans and securities purchases)-Capital Adequacy 1 to 3	8,664,817	100		8,664,817	70	6,065,372	485,230	1,15,901
Due from banks and financial institutions (in form of deposits, loans and securities purchases)-Capital Adequacy less than 1	28,424,835	100		28,424,835	100	28,424,835	2,273,987	1,443,969
Government institutions and companies and public non-government institutions (in the form of loans and securities purchases) or claims which are guaranteed by the mentioned institutions - without credit rating	324,894,151	100		324,894,151	75	243,670,613	19,493,649	12,099,680
Due from companies accepted in the Tehran Stock Exchange and the first and second markets of Iran Fara Bourse Co. (in the form of loans or legal partnership) - without credit rating	69,222,352	100		45,257,605	100	45,257,605	3,620,608	45,798,955
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans more than 1000 billion Rials - without credit rating	426,852,634	100		266,548,746	150	399,823,118	31,985,849	24,480,927
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -AAA to -AA	2,808,787	100		2,295,504	50	1,147,752	91,820	12,070
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -A to -A	6,137,460	100		4,594,876	75	3,446,157	275,693	384,870
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -BBB to -BBB	55,410,596	100		36,701,442	100	36,701,442	2,936,115	2,996,262
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -BB to -B	9,766,753	100		6,683,364	150	10,025,046	802,004	1,035,953
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -below -B	665,668	100		208,558	200	417,115	33,369	34,790
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) - without credit rating	8,966,452	100		6,072,865	150	9,109,297	728,744	885,878
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -A to -A	90,405	100		90,405	50	45,202	3,616	3,261
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -BBB to -BBB	606,898	100		351,808	90	316,628	25,330	82,146
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -BB to -B	372,566	100		258,799	120	310,558	24,845	17,531
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -below -B	52,168	100		52,168	170	88,686	7,095	-

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Description	March 20, 2025				March 19, 2024			
	Amount	Conversion factor	Adjusted amount	Risk factor	Risk weighted commitments and assets	Needed capital	Risk weighted commitments and assets	Needed capital
	IRR million	%	IRR million	%	IRR million	IRR million	IRR million	IRR million
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Riels- without credit rating	11,799,409	100	9,061,364	90	8,155,228	652,418	2,400,845	192,068
Due from other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 2 billion Riels- without credit rating	12,065,889	100	9,599,407	100	9,599,407	767,953	6,619,614	529,569
The balance of the principal and interest of the facilities granted for the purchasing and repairing of residential properties, if the residential property is mortgaged by a credit institution	4,064,547	100	1,290,695	50	645,348	51,628	3,077,952	246,236
Net of non-current dues (principal, interest and penalties after deduction of related specific provision)-amount of specific provision less than 20% of non-current dues balance	17,060,998	100	17,060,998	100	25,591,497	2,047,320	40,294,421	3,223,554
Net of non-current dues (principal, interest and penalties after deduction of related specific provision)-amount of specific provision more than 20% to 50% of non-current dues balance	19,458,121	100	19,458,121	100	19,458,121	1,556,650	19,554	1,564
Net of non-current dues (principal, interest and penalties after deduction of related specific provision)-amount of specific provision more than 50% of non-current dues balance	9,830,554	100	9,830,554	50	4,915,277	393,222	317,326	25,386
Due from subsidiaries and associates	1,989,913	100	1,989,913	100	1,989,913	159,193	812,916	65,033
Other current accounts receivable	1,817,450	100	1,817,450	100	1,817,450	145,396	2,846,221	227,698
Net of fixed assets	28,464,051	100	28,464,051	100	28,464,051	2,277,124	21,249,042	1,699,923
Other on Statement of financial position items	18,743,066	100	18,743,066	100	18,743,066	1,499,445	14,169,862	1,133,589
Claims including deposits and facilities granted or the purchase of securities from other governments, central banks and non-governmental public institutions in other countries Credit rating + AAA to -AA	105,481,947	100	105,481,947	-	-	-	-	-
Claims including deposits and facilities granted or the purchase of securities from development banks	30,922	100	30,922	-	-	-	-	-
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + AAA to -AA	16,817,036	100	16,817,036	20	3,363,407	269,073	622,042	49,763
Claims including facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + A to -A	53,266	100	53,266	50	26,633	2,131	21,151	1,692
Claims including facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + BBB to -B	12,728,059	100	12,728,059	100	12,728,059	1,018,245	12,776,917	1,022,153
Claims including facilities granted or the purchase of securities from credit institutions and financial institutions of other countries without credit rating	8,361,645	100	8,361,645	100	8,361,645	668,932	28,226,114	2,258,089
Issued letter of credit Commitments with collaterals other than commodity after deduction of advances	23,538,022	50	9,112,433	100	9,112,433	728,995	11,110,676	888,854
Issued guarantees Commitments after deduction of cash deposits	798,062,926	20	124,974,070	100	124,974,070	9,997,926	76,949,369	6,155,950
Commitments of transaction contracts and guarantee bonds	114,798,238	50	37,858,663	100	37,858,663	3,028,693	13,455,651	1,076,452
Other commitments	14,498,593	100	14,498,593	100	14,498,593	1,159,889	8,954,481	716,360
Total					1,142,093,104	91,367,452	849,830,354	67,986,430

* The calculation of regulatory capital and risk-weighted assets of the bank on 03/20/2025 and 03/19/2024 is in accordance with the CBI regulation No. 02/21758 dated 04/25/2023. On-balance-sheet items on 03/20/2025 and 03/19/2024 are first adjusted based on the type of collateral received in accordance with Article 14 of the CBI regulation No. 02/21758 dated 04/25/2023 and then multiplied by the applicable risk weights. Off-balance-sheet items on 03/20/2025 and 03/19/2024 are first aligned with on-balance-sheet items using conversion factors, then adjusted based on the type of collateral received in accordance with Article 14 of the CBI regulation No. 02/21758 dated 04/25/2023, and finally weighted with the relevant risk factors.

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54-7-2-2. Total of market risk weighted assets at the Statement of financial position date equals to IRR 115,209,983 million.

Description	March 20, 2025		
	Amount	Risk factor	Needed amount of capital to cover the market risk
	IRR million	%	IRR million
Trading shares	-	8	-
Total cost of trading debt securities-specific risk	56,756,871	5	2,837,844
Trading debt securities-general risk-mature till one month or less	-	-	-
Trading debt securities-general risk-mature till 1 to 3 months	283,941	0.2	568
Trading debt securities-general risk-mature till 3 to 6 months	23,186,174	0.4	92,745
Trading debt securities-general risk-mature till 6 to 12 months	28,564,612	0.7	199,952
Trading debt securities-general risk-mature till 1 to 2 years	4,722,145	1.25	59,027
Trading debt securities-general risk-mature till 2 to 3 years	-	1.75	-
Trading debt securities-general risk-mature till 3 to 4 years	-	2.25	-
Trading debt securities-general risk-mature till 4 to 5 years	-	2.75	-
Trading debt securities-general risk-mature till 5 to 7 years	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	75,333,293	8	6,026,663
Total of capital needed to cover market risk			9,216,799
Factor			12.5
Market risk weighted assets			115,209,983

Description	March 19, 2024		
	Amount	Risk factor	Needed amount of capital to cover the market risk
	IRR million	%	IRR million
Trading shares	-	8	-
Total cost of trading debt securities-specific risk	30,996,346	5	1,549,817
Trading debt securities-general risk-mature till one month or less	-	-	-
Trading debt securities-general risk-mature till 1 to 3 months	-	0.2	-
Trading debt securities-general risk-mature till 3 to 6 months	8,969,782	0.4	35,879
Trading debt securities-general risk-mature till 6 to 12 months	20,246,261	0.7	141,724
Trading debt securities-general risk-mature till 1 to 2 years	1,780,304	1.25	22,254
Trading debt securities-general risk-mature till 2 to 3 years	-	1.75	-
Trading debt securities-general risk-mature till 3 to 4 years	-	2.25	-
Trading debt securities-general risk-mature till 4 to 5 years	-	2.75	-
Trading debt securities-general risk-mature till 5 to 7 years	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	39,474,367	8	3,157,949
Total of capital needed to cover market risk			4,907,623
Factor			12.5
Market risk weighted assets			61,345,293

54-7-2-3. Total of operational risk-weighted assets at the Statement of financial position date equals to IRR 140,310,696 million.

Description	March 20, 2025			March 19, 2024		
	Amount	Risk factor	Needed amount of capital to cover the operational risk	Amount	Risk factor	Needed amount of capital to cover the operational risk
	IRR million	%	IRR million	IRR million	%	IRR million
Average income of the past three years	74,832,371	15	11,224,856	45,492,542	15	6,823,881
Factor			12.5			12.5
Operational risk weighted assets			140,310,696			85,298,516

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54-7-3. Capital adequacy ratio

Capital adequacy ratio at March 20, 2025 is 14.35% .

	IRR million	
	March 20, 2025	March 19, 2024
Regulatory Capital	200,580,110	131,885,165
Credit risk weighted assets	1,142,093,104	849,830,354
Market risk weighted assets	115,209,983	61,345,293
Operational risk weighted assets and obligations	140,310,696	85,298,516
Total Risk weighted assets	1,397,613,783	996,474,163
Tier I Capital to risk weighted assets- ratio	13.4%	12.2%
Capital adequacy ratio	14.4%	13.2%

54-7-3-1. The increase in the capital adequacy ratio in March 2025 compared to the previous year is primarily driven by enhanced profitability during the year. The Bank's initiative to increase capital from the undistributed profits of March 2024 has enabled it to benefit from the zero tax rate under the Production and Infrastructure Financing Law while preventing cash outflows, thereby contributing to further profitability growth.

54-7-4. Leverage ratio

leverage ratio is shareholders' equity to total assets and for the financial year ended March 20, 2025 is 12.7%.

	IRR million	
	March 20, 2025	March 19, 2024
Total shareholders' equity	187,417,949	122,467,226
Total assets	1,476,214,429	1,000,663,169
Leverage ratio	12.7%	12.2%

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55. Operational segments

55-1. Base of classification of segments

55-2. Information about reportable operating segments

information related to each reportable parts are shown in the below table. Profit before tax of the segment is used as criterion of segment performance.

IRR million

Description	March 20, 2025		
	Treasury and banking operations	International banking	Total
incomes earned from outside of the bank			
Interest income on credit facilities granted and deposits	152,909,104	12,635,096	165,544,200
Interest expense on deposits	(102,124,850)	(10,052,905)	(112,177,755)
Net interest income on credit facilities granted and deposits	50,784,254	2,582,191	53,366,445
Fees and commission income	16,742,100	835,987	17,578,087
Fees and commission expense	(840,468)	(62,371)	(902,839)
Net fees and commission income	15,901,632	773,616	16,675,248
Net income (loss) from investment	2,862,579	-	2,862,579
Net foreign exchange transactions income	-	11,176,961	11,176,961
Total other operating income	-	31,328,066	31,328,066
	2,862,579	42,505,027	45,367,606
Net income earned from outside of the bank	69,548,465	45,860,834	115,409,299
Net income between different parts of the bank	125,678	(125,678)	-
Total income of operational parts of the bank	69,674,143	45,735,156	115,409,299
Doubtful debts of operational parts expenses	(12,135,460)	(5,379,266)	(17,514,726)
Other expenses attributable to operational parts	(11,047,512)	(2,257,580)	(13,305,092)
Profit(loss) of every parts before non-attributable general expenses	46,491,171	38,098,310	84,589,481
Non attributable General expenses to segments			(2,501,219)
Profit before tax			82,088,262

IRR million

Description	March 19, 2024		
	Treasury and banking operations	International banking	Total
incomes earned from outside of the bank			
Interest income on credit facilities granted and deposits	98,758,785	9,363,552	108,122,337
Interest expense on deposits	(59,639,755)	(7,870,208)	(67,509,963)
Net interest income on credit facilities granted and deposits	39,119,030	1,493,344	40,612,374
Fees and commission income	8,352,117	817,189	9,169,306
Fees and commission expense	(662,476)	-	(662,476)
Net fees and commission income	7,689,641	817,189	8,506,830
Net income (loss) from investment	73,843	-	73,843
Net foreign exchange transactions income	-	6,815,277	6,815,277
Total other operating income	-	14,532,975	14,532,975
	73,843	21,348,252	21,422,095
Net income earned from outside of the bank	46,882,514	23,658,785	70,541,299
Net income between different parts of the bank	44,682	(44,682)	-
Total income of operational parts of the bank	46,927,196	23,614,103	70,541,299
Doubtful debts of operational parts expenses	(2,944,036)	(1,732,050)	(4,676,086)
Other expenses attributable to operational parts	(6,114,212)	(1,336,432)	(7,450,644)
Profit (loss) of every parts before non-attributable general expenses	37,868,948	20,545,621	58,414,569
Non attributable General expenses to segments			(2,677,934)
Profit before tax			55,736,635

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55-3. Geographical concentration of major items of assets, liabilities and income

Assets are reported by location and income and liabilities are reported based on domicile of the bank's counterparty in geographical areas

IRR million

	March 20, 2025							Total
	Iran	Germany	China	Switzerland	Oman	Turkey	Others	
Assets								
Cash	30,742,449	122,298,982	25,775	4,073,120	504,941	509,408	545,127	158,699,802
Due from banks and non-bank credit institutions	143,718,197	5,345,401	2,988,253	(1,010,104)	1,302,194	4,673,912	2,215,866	159,233,719
Credit facilities granted to non-governmental entities	964,307,350	885	-	-	-	-	-	964,308,235
Investments in share and other securities	59,951,152	-	-	-	-	-	-	59,951,152
Due from subsidiaries and associates	1,959,323	-	-	-	-	-	-	1,959,323
Other accounts receivable	1,990,246	-	-	-	-	-	-	1,990,246
Non-current assets held for sale	1,430,984	-	-	-	-	-	-	1,430,984
Fixed assets	28,449,796	14,255	-	-	-	-	-	28,464,051
Intangible assets	199,913	-	-	-	-	-	-	199,913
Statutory deposit	84,365,982	-	-	-	-	-	-	84,365,982
Other assets	15,427,175	183,847	-	-	-	-	-	15,611,022
Total assets	1,332,542,567	127,843,370	3,014,028	3,063,016	1,807,135	5,183,320	2,760,993	1,476,214,429
Liabilities								
Due to banks and non-bank credit institutions	(39,217,798)	-	-	-	-	-	-	(39,217,798)
Customers' deposits	(1,099,827,918)	(75,810,259)	-	-	-	-	-	(1,175,638,177)
Dividends payable	(182,440)	-	-	-	-	-	-	(182,440)
Income tax provision	(9,483,355)	(128,041)	-	-	-	-	-	(9,611,396)
Other liabilities and accruals	(62,225,786)	(409,369)	-	-	-	-	-	(62,635,155)
Staff termination benefits	(1,511,514)	-	-	-	-	-	-	(1,511,514)
Total liabilities	(1,212,448,811)	(76,347,669)	-	-	-	-	-	(1,288,796,480)
Total operating income	75,420,838	1,190,193	-	-	-	-	-	76,611,031
Total other income and expenses	342,269	-	-	-	-	-	-	342,269

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IRR million

	March 19, 2024							Total
	Iran	Germany	China	Switzerland	Oman	Turkey	Others	
Assets								
Cash	13,180,932	58,524,907	15,285	1,942,391	298,256	431,634	171,742	74,565,147
Due from banks and non-bank credit institutions	48,958,317	17,452,891	1,776,044	4,318,092	1,533,037	24,142,277	1,318,842	99,499,500
Credit facilities granted to non-governmental entities	695,635,968	647	-	-	-	-	-	695,636,615
Investments in share and other securities	32,171,135	-	-	-	-	-	-	32,171,135
Due from subsidiaries and associates	800,322	-	-	-	-	-	-	800,322
Other accounts receivable	928,653	-	-	-	-	-	-	928,653
Non-current assets held for sale	425,591	-	-	-	-	-	-	425,591
Fixed assets	21,240,116	8,926	-	-	-	-	-	21,249,042
Intangible assets	168,180	-	-	-	-	-	-	168,180
Statutory deposit	60,377,564	-	-	-	-	-	-	60,377,564
Other assets	14,508,073	333,347	-	-	-	-	-	14,841,420
Total assets	888,394,851	76,320,718	1,791,329	6,260,483	1,831,293	24,573,911	1,490,584	1,000,663,169
Liabilities								
Due to banks and non-bank credit institutions	(83,876,261)	-	-	-	-	-	-	(83,876,261)
Customers' deposits	(698,920,491)	(34,224,366)	-	-	-	-	-	(733,144,857)
Dividends payable	(80,097)	-	-	-	-	-	-	(80,097)
Income tax provision	(8,647,047)	-	-	-	-	-	-	(8,647,047)
Other liabilities and accruals	(51,302,883)	(175,531)	-	-	-	-	-	(51,478,414)
Staff termination benefits	(969,267)	-	-	-	-	-	-	(969,267)
Total liabilities	(843,796,046)	(34,399,897)	-	-	-	-	-	(878,195,943)
Total operating income	51,823,463	(223,515)	-	-	-	-	-	51,599,948
Total other income and expenses	75,077	-	-	-	-	-	-	75,077

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56. Transactions with related parties

56-1. Changes of major shareholders (more than one percent)

During the financial period ended March 20, 2025, there was no change in the ranking of shareholders with more than one percent.

56-2. Transactions with managers

IRR million

		March 20, 2025							March 19, 2024	
Related party	Transaction type	Is it subject to Article 129 of Trade Act?	Transaction amount during the reporting year*	Maximum balance throughout the year	Balance at the end of the year	Collateral type	Collateral amount	Income (loss) of transaction	Balance at the end of the year	Income (loss) of transaction
Board members/ Executive	Bank					Real state/Checks /Stand-alone legally binding contract				
		Mortgages	✓	-	1,329	1,260	5,440	83	1,322	53
		Car Loans	✓	10,000	10,125	9,596	24,300	547	-	-
		Credit card	✓	1,162	459	-	4,200	15	-	-
		Deposit	✓	(23,003)	(623,601)	(86,553)	-	(15,226)	(63,550)	-
	Other facilities		-	-	-	-	-	-	177	
Managing Directors (excluding Board Members)	Bank					Real state /Stand-alone legally binding contract				
		Mortgages	×	-	1,447	-	3,400	98	2,800	128
		Car Loans	×	10,000	20,250	18,385	38,600	1,716	10,000	52
		Credit Card	×	5,831	8,347	7,555	42,000	986	4,712	602
		Deposit	×	(1,393)	(188,621)	(9,336)	-	(194)	(7,943)	-
	Other facilities		4,900	21,904	19,469	Real state/Checks /Stand-alone legally binding contract/shares	23,211	1,205	23,871	1,789
	Net		<u>7,497</u>	<u>(748,361)</u>	<u>(39,624)</u>		<u>141,151</u>	<u>(10,771)</u>	<u>(28,788)</u>	<u>2,801</u>

*The management includes the members of the Bank's Board of Directors and Executive Board.

*Transaction amounts of facilities and credit card are equal to amounts during the reporting year

* Transactions with related persons have been considered according to their tenure.

* All transactions with related parties have been conducted in the normal course of transactions and there has been no significant difference from the conditions governing real transactions.

56-3. Group's transactions with related parties during the period are as follows:

IRR million

		March 20, 2025				Balance at March 19, 2024
Group	Related party	Relationship	Is it subject to Article 129 of Trade Act?	Insurance premium	Balance at March 20, 2025	
Middle East Life Insurance Co.	Middle East Bank	Shareholder	×	11,932	1,778	704
	Middle East Bank Brokerage Co.	Other	×	-	129,145	528
	Mohammad Ebrahim Amin	Board member and managing director	✓	25,260	2,989	1,364
	Mahdi Norouzi	Chairman of the board	✓	6,845	3,944	2,509

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56-4. Transactions with related parties during the period are as follows:

IRR million

March 20, 2025										
Group	Related party	Relationship	Transaction subject	Is it subject to Article 129 of Trade Act?	Pricing method	Transaction amount	Gross profit (loss)	Balance at March 20, 2025	Balance at March 19, 2024	
Subsidiaries	Dadeh Pardazan Simaye Aftab Co.	Subsidiaries	Payments related to the personnel supply agreement	x	According to the contract	39,499	(39,499)	(8,511)	13,901	
	Middle East Bank Brokerage Co.	Subsidiaries	Murabaha and Wakala Loans*		Bank's BOD	20,858,000	259,930	282,111	801,909	
			Issuance and extension of guarantees	x	OGM	537,993	7,883	(4,165)	537,993	
			Dividend		Instruction of the SEO	30,000	30,000	30,000	-	
	Middle East Currency Exchange Co.	Subsidiaries	Commission fees for the purchase and sale of securities			11,183	-	-	-	
			Payments related to foreign currency and gold coin trades		According to the approval of the Money and Credit Council of CBI	1,211,083	4,185	40,268,544	22,942,367	
			Dividend	x	OGM	2,669,986	2,669,986	1,967,991	797,996	
			Other		Bank's BOD	-	-	433	1,020	
	Associate	Middle East Life Insurance Co.	Associates	Issuance and extension of guarantees		Bank's BOD	1,000,000	2,763	(11,404)	-
				Payment for bank employee insurance	x	According to the contract	11,932	(11,932)	(649)	(316)
Other related parties	Iran Industry Investment Co.	Shareholder above 5%	Deposit for rental property			-	-	(30,000)	-	
			Murabaha and Wakala Loans	x	Bank's BOD	125,600	8,550	22,087	54,811	
	Farzan shimi sanat Co.	Shareholder above 5%	Issuance and extension of guarantees	x	Bank's BOD	-	30	-	8,106	
			Extension of guarantees		Bank's BOD	15,000	4,305	8,283	-	
	Natural person	Shareholder above 5%	Extension of guarantees		Bank's BOD	1,879	18	(7)	32,037	
	Boursiran Brokerage	Shareholder above 5%	Murabaha and Wakala Loans	x	Bank's BOD	54,635,000	232,061	1,003,016	833,886	
			Issuance and extension of guarantees			500,000	6,759	(2,899)	500,000	
	Saba Niroo Toos	Joint board member	Murabaha and Wakala Loans	✓	Bank's BOD	5,410,185	254,861	1,421,743	-	
			Issuance and extension of guarantees			204,728	1,183	(99)	-	
	Marvdasht Co.	Shareholder above 5%	Murabaha and Wakala Loans	x	Bank's BOD	2,000,000	111,496	1,681,084	-	
Persoon Bam International Pharmaceutical Co.	Joint board member	Murabaha and Wakala Loans	✓	Bank's BOD	2,510,191	399,173	571,164	-		
Sobh pharmaceutical group	Joint board member	Murabaha and Wakala Loans	✓	Bank's BOD	795,124	68,366	234,050	119,446		
		Issuance and extension of guarantees			440	1	-	-		

* The provision related to subsidiaries and associates has been disclosed in note 27 (Due from subsidiaries and associates).

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56-5. The balance of related parties with no transactions during the period is as follows:

					IRR million	
Related party	Relationship	Receive (Payment)	Adjustments	Balance at March 20, 2025	Balance at March 19, 2024	
Tavous Middle East Financial Group	Joint Board of Directors	-	-	982	919	
Lamiran	Shareholder above 5%	-	-	-	96,092	
Aseman investment Co.	Joint Board of Directors	-	-	-	419,883	

57. Retained earning at the year-end

Allocation of the closing of the retained earning is subject to approval of the annual general meeting:

		IRR million
		Amount
Legal		7,695,330
10% of net profit of the year ended March 20, 2025 according to commercial law		
the most attributable profit (Balance of retained earnings at the end of the year after deducting the effects of foreign exchange translation, net of tax)		49,149,478

Following the CBI circular No. 03/323007 dated 03/19/2025, the profit arising from the foreign exchange translation of monetary items at the rate of IRR 744,036 per EUR and IRR 681,203 per USD (compared to IRR 437,734 per EUR and IRR 401,877 per USD in the previous year) is not considered distributable profit and may only be allocated to the bank's capital account. This amount for the year 2025, equivalent to IRR 24,110,298 million, has been deducted from retained earnings in the calculation of the maximum distributable profit.

		IRR
Proposal by the board of directors		Amount
Board's offer for dividend		250

In accordance with the Article 240 of the Amendment to the Commercial Code and Article 111 of the Articles of Association, the payment of approved dividends will be made within 4 months following the decision of the General meeting regarding dividend distribution. The dividends are held by the fund until payment and will be paid to shareholders upon their request.

58. Statement of Gardh-UI Hasan Saving deposits Operations- LCY (Non interest bearing deposits)

58-1. Balance of recourses and usage of Gardh-UI Hasan Saving deposits

				IRR million	
Recourses from Gardh-UI Hasan Saving deposits	Note	March 20, 2025	March 19, 2024		
Gardh-UI Hasan resources					
Gardh-UI Hasan Savings Deposits - LCY		-	-		
Gardh-UI Hasan Current Deposits - LCY		86,499,317	62,969,483		
Total of Gardh-UI Hasan resources		86,499,317	62,969,483		
Gardh-UI Hasan usages					
Credit facilities granted to non-governmental entities (before deduction of provision)		(14,300,532)	(6,589,773)		
Total of Gardh-UI Hasan usages	26	(14,300,532)	(6,589,773)		
Statutory deposit of Gardh-UI Hasan Current Deposits		(12,974,898)	(7,400,998)		
Liquidity provision of Gardh-UI Hasan Current Deposits (40%)		(34,599,727)	(25,187,793)		
Surplus (shortage) of resources to usages of Gardh-UI Hasan		24,624,160	23,790,920		

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58-2. Net fee of Gardh-UI Hasan operations

		IRR million	
	Note	March 20, 2025	March 19, 2024
Received fee of Gardh-UI Hasan credit facilities granted	15-1	575,333	245,311
Net fee of Gardh-UI Hasan operations		575,333	245,311

58-3. Classification of Gardh-UI Hasan credit facilities granted by subject of facilities

	IRR million	
	March 20, 2025	March 19, 2024
Marriage	13,197,434	5,769,600
Childbirth	1,103,098	820,173
Total	14,300,532	6,589,773

58-4. Classification of Gardh-UI Hasan credit facilities granted based on customers type

	IRR million	
	March 20, 2025	March 19, 2024
Natural persons	14,300,532	6,589,773
Total	14,300,532	6,589,773

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59. Information on loans and commitments of related persons

Net balance of loans and commitments of related persons (pursuant to CBI circular No. 94/241742 dated 11/16/2015 on March 2025 (amounts in million IRR)

Row	Name	Examples of related parties according to the second chapter of the regulations						Loan/debt				Total balance of net of loans and commitments and stock price				Collaterals' situation		IRR million								
		1-2	2-2	3-2	4-2	5-2	6-2	7-2	8-2	9-2	Paid amount-principal	Balance(after deduction of cash received from Mozarebeh and Mosharekat Madani)		Type of debt or contract	Duration of contract (month)	Breathing period (month)	Rate of interest / commission		Gross commitments	Received cash advance	Net	Net of commitments adjusted with conversion ratio	Total net of loans and commitments	Collateral type	collateral amount	
1	Legal Person								57,707	57,707	57,707	57,707	57,707	57,707	57,707	57,707	57,707	-	-	-	-	-	57,707			
									57,707	57,707	57,707	57,707	57,707	57,707	57,707	57,707	57,707	-	-	-	-	-	57,707			
									21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	3	-	23	-	-	21,600	Enforceable Contract/Others	884,502	
									21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	3	0	23	-	-	21,600	-	884,502	
									21,166	17,766	17,766	17,766	17,766	17,766	17,766	17,766	17,766	60	1	15	-	-	17,766	Real state/Enforceable Contract/Others	40,869	
									21,166	17,766	17,766	17,766	17,766	17,766	17,766	17,766	17,766	60	1	15	-	-	17,766	-	40,869	
									433	433	433	433	433	433	433	433	433	-	-	-	-	-	433			
									1,297,994	1,297,994	1,297,994	1,297,994	1,297,994	1,297,994	1,297,994	1,297,994	1,297,994	-	-	-	-	-	1,297,994			
									1,298,427	1,298,427	1,298,427	1,298,427	1,298,427	1,298,427	1,298,427	1,298,427	1,298,427	-	-	-	-	-	1,478,427			
									15,000	7,919	7,919	7,919	7,919	7,919	7,919	7,919	12	-	23	-	-	7,919	Enforceable Contract/Others	33,000		
									15,000	7,919	7,919	7,919	7,919	7,919	7,919	7,919	12	-	23	-	-	8,220	Gardh-UJ Hasan Savings Deposits/ Investment Deposits	95		
									10,000	9,540	9,540	9,540	9,540	9,540	9,540	9,540	60	1	15	-	-	9,540	Enforceable Contract/Others	24,300		
									10,000	9,540	9,540	9,540	9,540	9,540	9,540	9,540	60	1	15	-	-	9,540	-	24,300		
									13,391	12,435	12,435	12,435	12,435	12,435	12,435	12,435	60	1	15	-	-	12,435	Enforceable Contract/Others	31,760		
									13,391	12,435	12,435	12,435	12,435	12,435	12,435	12,435	60	1	15	-	-	12,435	-	31,760		

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MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

IRR million

Row	Name	Examples of related parties according to the second chapter of the regulations								Loan/debt						Total balance of net of loans and commitments and stock price				Collaterals' situation							
		1-2	2-2	3-2	4-2	5-2	6-2	7-2	8-2	9-2	Paid amount-principal	Balance(after deduction of cash received from Mozarebeh and Mosharekat Madani)		Type of debt or contract	Duration of contract (month)	Breathing period (month)	Rate of interest / commission	Gross commitments	Received cash advance	Net	Net of commitments adjusted with conversion ratio	Total net of loans and commitments	Collateral type	collateral amount			
11	Legal Person									2,000,000	1,649,242	1,649,242	Facilities	12	-	23						1,649,242	1,649,242	Enforceable Contract/Others	4,295,528		
										2,000,000	1,649,242	1,649,242		12	-	23						1,649,242	1,649,242		4,295,528		
12													Temporary Debtors														
13	Legal Person									280,000	280,000	280,000	Facilities	1	-	23							280,000	280,000	Enforceable Contract/Others	616,000	
14										280,000	280,000	280,000	Commitments	1	-	23							280,000	280,000			
										280,000	280,000	280,000		1	-	23							280,000	280,000			
15	Legal Person									1,000,000	1,005,759	1,005,759	Facilities	1	-	23							1,005,759	1,005,759	Enforceable Contract/Others	2,200,000	
16										1,000,000	1,005,759	1,005,759	Commitments	1	-	23							1,005,759	1,005,759			
										1,000,000	1,005,759	1,005,759		1	-	23							1,005,759	1,005,759			
17	Natural Person									1,700	1,259	1,259	Housing facilities	175	-	7							1,259	1,259	Real state/Enforceable Contract/Others	5,500	
										1,700	1,259	1,259		175	-	7							1,259	1,259			
18	Natural Person									16,787	14,262	14,262	Facilities	60	-	7							14,262	14,262	Enforceable Contract	16,155	
										16,787	14,262	14,262		60	-	7							14,262	14,262			
20	Natural Person									2,044	1,781	1,781	Facilities	60	-	15							1,781	1,781	Enforceable Contract/Others	4,497	
										2,044	1,781	1,781		60	-	15							1,781	1,781			
										4,737,822	4,377,695	4,377,695										2,039,872	204,175	1,835,697	367,139	4,744,835	8,152,206
										2,039,106	2,660,917	2,660,917										1,103,008	88,574	1,014,434	202,887	2,863,804	8,192,742

Regulatory capital at reporting date	121,004,228
Permissible loans and commitments of related persons limit for each person (3% of regulatory capital)	3,630,127
Permissible total loans and commitments of related persons limit (40% of regulatory capital)	48,401,691

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MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 20, 2025

60. Information of major loans and commitments

Information major of loans and commitments in accordance with council of money and credit (CBI's circular No. 92/242553 dated 11/07/2013) are as below:

IRR million

Beneficiary	Major loans and commitments					Collaterals' situation		
	Loans		Commitments		Cost of share	Total 4=1+2+3	Type	Value
	PL (1)	NPL (2)	Gross	Net (3)				
1	11,298,414	-	11,298,414	1,048,307	-	12,346,722	Stocks/Checks /Deposits/Stand-alone legally binding contract	79,945,786
2	13,935,618	-	13,935,618	-	-	13,935,618	Real state /Factory/Checks /Stand-alone legally binding contract	39,177,968
3	12,048,018	-	12,048,018	14,775,501	-	26,823,519	Stocks/Checks /Deposits/Stand-alone legally binding contract	180,509,711
4	15,961,256	-	15,961,256	975,274	-	16,936,531	Factory/Real state /Checks/Deposits/Stand-alone legally binding contract	67,682,168
5	13,019,530	-	13,019,530	-	-	13,019,530	Real state/Factory/Checks /Stand-alone legally binding contract	21,739,063
6	13,396,140	-	13,396,140	10,606	-	13,406,746	Stocks/Checks/Stand-alone legally binding contract	39,195,214
7	17,783,726	-	17,783,726	204,120	-	17,987,846	Real state/Factory/Machinery/Checks /Stand-alone legally binding contract	53,063,799
8	13,870,246	-	13,870,246	359,340	-	14,229,585	Machinery/Factory/Real state/Promissory notes/ Checks /Stand-alone legally binding contract	56,986,067
9	12,153,209	-	12,153,209	3,115,353	-	15,268,563	Factory/Checks /Stand-alone legally binding contract	54,488,008
10	11,251,453	-	11,251,453	6,823,500	-	18,074,953	Real state/Factory/Checks/Deposits /Stand-alone legally binding contract	79,935,562
11	1,797,297	8,450,268	10,247,565	2,130,905	-	12,378,470	Real state/Factory/Checks/Deposits /Stand-alone legally binding contract	54,067,864
12	412,201	23,266,766	23,678,966	53,467	-	23,732,433	Real state /Checks/Deposits/Stand-alone legally binding contract	53,349,077
13	7,294,133	-	7,294,133	4,902,585	-	12,196,718	Factory/Stocks/Checks/Stand-alone legally binding contract	61,581,191
14	11,598,509	-	11,598,509	1,508,262	-	13,106,772	Real state/Promissory notes/Checks /Stand-alone legally binding contract	65,197,742
15	17,267,341	-	17,267,341	158,502	-	17,425,843	Real state /Checks/Deposits/Stand-alone legally binding contract	54,279,246
16	324,615	-	324,615	17,347,115	-	17,671,729	Real state/Promissory notes/Checks/Deposits / Stand-alone legally binding contract	98,352,934
17	1,110,235	-	1,110,235	15,235,637	-	16,345,872	Checks/Deposits/Stand-alone legally binding contract	118,244,308
18	-	-	-	18,992,943	-	18,992,943	Checks /Deposits	115,057,520
Total	174,521,941	31,717,034	206,238,975	87,641,417	-	293,880,393		1,292,853,229

Regulatory capital as the basis for other prudential ratios	121,004,228
Reporting threshold for major loans and commitments of credit institutions	12,100,423
Individual limit for major loans and commitments	24,200,846
Number of violations of the individual limit for major loans and commitments	1
Total violations of the individual limit for major loans and commitments	2,622,673
Aggregate limit for major loans and commitments	968,033,827
Total major loans and commitments	293,880,393
Violation of the aggregate limit for major loans and commitments	-

ANNUAL SURVEY OF
THE IRANIAN ECONOMY

6



EXECUTIVE SUMMARY

The positive economic growth rate of Iran that had started from 1399 onwards -mainly thanks to the Oil sector- extended to the first 9 months of 1403. However, in the aftermath of the inauguration of the new US Administration, Iran's GDP growth rate slowed down from the second half of 1403 and even some international institutions such as the World Bank forecasted GDP contraction for the country in 1404.

The preliminary estimates of the Central Bank of Iran (CBI) suggest 3.1 percent expansion in Iran's GDP in the first 9 months of 1403¹ at constant 1400 prices. In the first 9 months of 1403, the Oil sector contributed to Iran's GDP growth rate by only 0.5 percentage point, the lowest contribution of that sector from 1400 onwards. Moreover, the share of Oil sector in GDP growth rate followed a downward path in various quarters of 1403 and registered 0.8 percentage point in spring and 0.6 percent in summer. However, in fall 1403 that sector had no contribution to the Iranian economy. As for the demand side of the economy, the Private Consumption Expenditures grew by 3.3 percent in the first 9 months of 1403 at constant 1400 prices. From a quarterly perspective, the Private Consumption Expenditures, respectively, grew by 1.5 percent, 2.3 percent and 6.2 percent in the first three quarters of 1403. On the contrary, the Government Consumption Expenditures that had contracted in 1402 at constant 1400 prices, expanded 0.2 percentage point less than the Private Consumption Expenditures in the first 9 months of 1403. The Gross Fixed Capital Formation expanded by 3.4 percent in the first 9 months of 1403 at constant 1400 prices due to the expansion of its all three components of Machinery, Construction and Other.

On the basis of the Statistical Center of Iran (SCI) report, the GDP growth rate in 1403 as a whole registered 3.0 percent at constant 1400 prices, 1.6 percentage points below that of 1402. From a quarterly viewpoint, in the year 1403, Iran's GDP grew by 4.6 percent in spring, by 3.1 percent in summer, by 1.6 percent in fall, and by 2.9 percent in winter. Moreover, the growth rate of the Extraction of Oil and Natural Gas that in a downward path registered 10.3 percent, 6.2 percent, and 2.0 percent, respectively, in spring, summer, and fall 1403, reversed course and in winter of the same year rose to 6.2 percent, causing the annual expansion of that subsector to reach 6.2 percent in 1403. As for the Non-oil GDP growth rate, the corresponding figure in the SCI report registered 2.1 percent in 1403.

On the basis of the CBI, in the first 9 months of 1403, the Iranian Oil sector grew by 6.0 percent only, far below its 20.3 percent expansion in the same period of 1402. Given lack of official data on Iran's oil exports, the Tanker Trackers website reported Iran's oil exports in 1403 around 1.6 million barrels per day (mbpd), which is above the levels in the critical years of the sanction era. Since the second half of 1399 and coinciding with the beginning of Joe Biden's presidency, the downward trend in Iran's oil exports reversed course and it gradually increased, still below its levels prior to the US withdrawal from the JCPOA in 1397. In 1403, the oil exports of the country experienced 1.6 percent annual growth rate which is highly vulnerable to political, military and diplomatic risks that might change its path in 1404. The country's total crude oil production of 3.3 mbpd seems to be the maximum production capacity, and given the technical limitations and the aging of equipment and oil wells, further increases in production are not achievable in the short-run. Even though the Iranian Oil sector slightly improved in 1403, better political relation and new investments are highly required if this improvement is to continue.

In 1403, the unemployment rate fell by 0.5 percentage point compared to its preceding year, registering 7.6 percent. In the same period, the participation rate fell by 0.3 percentage point to 41.0 percent. The employment ratio (the ratio of employed to working age population) has remained unchanged, signaling that job opportunities have moved in proportion with the population growth, the decline in unemployment rate is owed to the fall in participation rate.

In the Budget Law of 1403, IRR28,371 trillion was legislated for the Government General Budget (including General Sources as well as Dedicated Revenues), 25.3 percent above that of the Budget Law of 1402. Moreover, IRR37,416 trillion was legislated for Budget of State-owned Companies, banks, and Profit Institutions affiliated to the Government in 1403 Law, indicating 29.7 percent rise compared to the 1402 Law.

1. The latest CBI data on the Iranian National Accounts while preparing this Report covered till the first 9 months of 1403.

Hence, the Total Government Budget in 1403 Law reached IRR64,587 trillion, up 29.3 percent from that of 1402 Law. In 1403, the actual Government General Sources and Uses, respectively, registered IRR30,800.0 trillion and IRR31,200.0 trillion with realization ratios of 120.2 percent and 121.7 percent. This 1.5 percentage points gap between the 2 realization rates translates to IRR400.0 trillion Overall Budget Deficit that has been financed through the revolving funds with the CBI. The General Revenues of Government (tax revenues and other) in 1403 reached IRR15,839 trillion, accounting for 99.1 percent of the legislated figure in the Law. Given the actual Government General Expenditures of IRR23,356.9 trillion in the same period (124.3 percent of the legislated) the Operating Balance Deficit to registered IRR7,518 trillion. The disposal of Non-financial Assets realized 55.9 percent of its approved figure in 1403 Law to reach 3,601.1 trillion in 1403. In 1403 as a whole, 59.6 percent of the legislated Acquisition of Non-financial Assets (development expenditures) was materialized at IRR2,386 trillion. Subsequently, the Net Disposal of Non-financial Assets in 1403 is supposed to have a surplus of IRR1,215.3 trillion. The Net Disposal of Financial Assets in 1403 experiences 355.9 percent realization ratio to reach IRR11,360.1 trillion. In the year 1403, Issuance of Government Debt Securities as well as the NDF, respectively, formed 42.2 percent and 37.6 percent of Disposal of Financial Assets in total. Moreover, the Acquisition of Financial Assets in 1403 reached IRR2,812 trillion, accounting for 99.3 percent of the legislated figure in 1403 Law, of which, 79.0 percent was spent for principal repayment of the matured Government Debt Securities. Accordingly, IRR8,547.8 trillion is estimated for the Net Disposal of Financial Assets in 1403, accounting for 27.8 percent of the actual General Sources of Budget in 1403.

The CBI in cooperation with the Ministry of Economic Affairs and Finance started to hold the weekly auctions of Government Debt Securities in Money Market and Capital Market from mid-spring and till the end of the 7th month of the year, all the Government Debt Securities (approved for the whole year) were issued. Hence, the Government request for Issuance of another IRR2,700 trillion Debt Securities was consented. The CBI held 38 rounds of auctions in 1403 with IRR4,746.0 trillion Murabaha Securities issued and the accumulated supply of IRR10,321.4 trillion. Out of the supplied Securities, IRR2,139.1 trillion was demanded by banks and non-bank credit institutions and IRR2,057.1 of that demand was approved by the Ministry of Economic Affairs and Finance. During 1403, IRR2,442.6 trillion of auctioned Government Debt Securities were sold in the Capital

Market. Accordingly, in 1403 the traded Government Debt Securities through auctions reached IRR4,499.7 trillion to stand 190.1 percent above the IRR1,551.1 trillion in 1402. Note that IRR246.3 trillion (5.2 percent) of the total figure for Issuance of Debt Securities is considered price discount as interest payment. Given the IRR246.3 trillion price discount, in fact the Government has raised IRR4,499.7 trillion from the IRR4,746.0 trillion Securities issued. On the basis of the Ministry of Economic Affairs and Finance, IRR3,191.0 trillion of Government Debt Securities has been purchased by banks and non-bank credit institutions in 1403 that is totally distinct from the reported figure of the CBI. A comparison between the reported figures of the aforementioned authorities reveals that the banks and non-bank credit institutions have purchased IRR1,133.9 trillion in the Capital Market, not directly through the auctions in the Money Market. Hence, the share of banks and non-bank credit institutions in purchase of Government Debt Securities registered 70.9 percent in 1403.

During the first 9 months of 1403, the Balance of Payments (BoP) declined compared to that of the same period of 1402, despite the considerable rise in the Current Account. The surplus of Goods Account thanks to the rise in oil and non-oil exports with the imports remaining stable, caused the Current Account to reach USD16.2 billion in the first 9 months of 1403. The USD14.0 billion decline in the Capital Account in the first 9 months of 1403 also could not prevent the fall in BoP from falling due to the severe fall in the errors and omissions in the period under discussion. Although the smaller figure for Errors and Omissions translates to more accuracy of BoP calculations, this smaller figure has caused the BoP to register USD712 billion in the first 9 months of 1403, down 41.9 percent from that of the same period of 1402.

The customs trade deficit fell to USD14.5 billion in 1403 from USD16.8 billion in 1402, due to faster growth of exports than imports in 1403. In the same year, customs goods exports of Iran expanded by 10.0 percent in weight and by 15.6 percent in value and the customs goods imports of the country contracted by 0.8 percent in weight, while in terms of value expanded by 8.2 percent. Natural Gas, Liquefied Propane, and Liquefied Butane were the top 3 exports items of Iran in 1403, while Crude Oil, Cattle Feed Corn as well as Smart Phones were the top 3 imported items of the country in the same period.

The Iranian free market for foreign exchanges was highly volatile during 1403, mainly due to the political developments

in various scales of domestic, regional and international. The USD price in the Iranian free market opened the first trading day of 1403 at IRR619 thousand and by 58.1 percent rise, closed that year at IRR978 thousand. The USD/IRR bill and remittance exchange rates in Iran Center for Exchange of Currency and Gold (secondary market) that were changing slightly in the first 8 months of 1403, severely increased from the beginning of fall 1403. Meanwhile, from the early fall 1403, another market was launched in the secondary market known as the Commercial Foreign Exchange Market, in which limited foreign exchange transactions took place at higher prices than the previous official ones. However, it was planned that from the beginning of the 2nd month of winter 1403 all foreign exchange transactions (except for imports of essential goods) materialize in the newly established market, translating to putting an end to the previous official market exchange rates.

At the end of 1403, the Liquidity rose by 29.1 percent to IRR101,742.3 trillion. The monthly growth rate of Liquidity averaged 2.2 percent in 1403 to stand above the average rate of 1.8 percent in 1402. From a quarterly view point, Liquidity grew by 2.0 percent a month on average in spring, by 2.8 percent in summer and by 1.9 percent in fall and winter 1403. Hence, the rise in average of monthly growth rate of Liquidity could be attributed to the higher expansion of this monetary aggregate in summer 1403 and the fall in legal reserves of the banks with the CBI aiming for allocation of mandatory loans. An examination of Liquidity by its components reveals that Money (notes and coins as well as sight deposits), interest-free deposits and short-term deposits formed 55.9 percent of the Liquidity at the end of the 11th month of 1403. At the same point, the three-year deposits constituted 21.8 percent of the Liquidity, below the 23.7 percent share of sight deposit. All in all, during 1403, investment in long-term deposits has not been that appealing for investors.

At the end of the 11th month of 1403, the Monetary Base reached IRR12,729 trillion, indicating 16.6 percent rise from the end of 1402 and 22.0 percent from the same point in 1402. Among the components of Monetary Base, the CBI Net Foreign Assets enjoyed the highest expansion of 51.9 percent compared to the end of 1402. Contrary to the first 11 months of 1402 that the CBI Foreign Assets were converted to IRR using the USD/IRR exchange rate of 42 thousand, from the last month of 1402 onwards, probably the Weighted USD/IRR exchange rate has been used in that regard. Hence, converting CBI Net Foreign Assets at the end of the 11th months of 1403 to USD by the latter exchange rate, that

component of the Monetary Base at that point has not only expanded from the end of 1402, but has also contracted between those two points of time. Given these explanations, in fact the CBI claims on banks with 25.4 percent growth rate and 17.9 percentage points share has been the main driver of the M0 growth rate at the end of the 11th month of 1403 compared to the end of 1402, followed by Net CBI Claims on the Public Sector with 8.8 percentage points contribution to M0 growth rate in the same period.

The downward path of the annual CPI inflation that had started from the early 1402 maintained till the 11th month of 1403. On the basis of the SCI, this rate that had registered 38.8 percent in the 1st month of 1403, reached its low of 32.0 percent in the 11th month of that year and eventually closed the year 1403 at 32.5 percent. Even though the CPI inflation data is not officially issued by the CBI, the annual CPI inflation rate was calculated 35.8 percent for the last month of 1403, above the corresponding figure of the SCI report at 32.5 percent. Note that despite the difference between these 2 rates, they have followed similar trends. An examination of monthly CPI inflation rates by various cost deciles reveals that the bottom cost deciles have incurred more inflation pressure than the other deciles in 7 months of 1403 - notably in the 11th month of that year- in providing their basic needs. The CBI data on PPI suggests that the annual PPI inflation rate that had started to decline from winter 1402, fell below 30 percent at end of summer 1403 and registered its low of 26.5 percent in the 10th month of that year and finally closed 1403 at 27.6 percent. The SCI also reported 31.7 percent for the annual PPI inflation -ending the last day of winter 1403- following a downward path. Even though the PPI inflation rate reported by the SCI is above that of the CBI, they have follows similar trends.

In 1403, the TSE and OTC Overall Indices, respectively, expanded by 23.5 percent and 7.1 percent. The TSE market capitalization registered IRR89,562 trillion at the end of 1403, up 14.3 percent from that of the end of 1402, of which, 96.3 percent was attributed to the Stock market. In 1403, the total value of transactions in TSE grew by 14.8 percent, below the annual CPI inflation rate of that year. The value of transactions in ETFs, Debt Securities, and Derivatives, respectively, grew by 81.6 percent, 16.7 percent and 102.4 percent, while in Stocks, the value of transactions declined by 25.1 percent in the same year. During 1403, IRR11,569 trillion was financed via TSE and OTC in total, indicating 47.8 percent rise compared to 1402. The Iranian capital market provided 16.2 percent of the funds raised by businesses given the IRR59,659 trillion

financing via the money market. Note that IRR6,039 trillion of the funds raised from the capital market was attributed to public finance through sales of Government Debt Securities, hence by taking this figure apart, the 16.2 percent share of the capital market in financing businesses declines to 8.5 percent.

The economic freedom of various economies is assessed by some international organizations and the Fraser Institute as well as the Heritage Foundation are as such. The Fraser Institute issues an index which is presented in its Economic Freedom of the World (EFW) report. The index is derived from five areas including "Size of Government", "Legal Structure and Property rights", "Sound Money", "Freedom to Trade Internationally" and "Regulation Policies in Credit Market, Labor Market, and Business". The most recent report of the Fraser institute was published in 2024, assessing 165 countries worldwide in 2022. According to the survey, in 2022, ascending by 2 places from 2021, Iran ranked as 158th with the total score of 4.63 (out of 10). Despite this promotion, Iran is still placed among the worst 10 countries regarding

economic freedom, followed by Argentina, Myanmar, Algeria, Syria, Sudan, and Zimbabwe. The report of 2025 of Heritage Foundation surveys 184 countries worldwide from 1st of July 2023 to 30th of June 2024. Among the 176 countries under survey in 2025 report, with 1.3 improvement, Iran scored 42.5 (out of 100), but stood at the same place of 169th just like in its 2 preceding years, followed by Burundi, Eritrea, Sudan, Zimbabwe, Venezuela, Cuba, and North Korea. Moreover, among the 14 countries of MENA, Iran occupied the worst place. In addition, Iran Chamber of Commerce, Industries, Mines, and Agriculture (ICCIMA), also goes over the business environment in Iran. The ICCIMA report of winter 1403 suggests that the national indicator of business environment in Iran has reached 6.01 in winter 1403, below the 6.04 in winter 1402, but above the 5.96 in fall 1403. In other words, in the last quarter of 1403, the business environment has improved compared to winter 1402 but has worsened compared to fall 1403. The national indicator business environment ranges from 0 to 10, with 10 pertaining to the worst state.

1. REAL SECTOR

The Iranian economy faced various headwinds including budget deficit, highly-volatile foreign exchange market, imbalance banks, vague regulations, unnecessary Government intervention, energy crisis, more pressures due to sanctions as well as various uncertainties in the year 1403. Despite such circumstances, on the basis of the latest CBI data on the Iranian national accounts while preparing this Report, the positive economic growth rate of Iran that had started from 1399 onwards - mainly thanks to the Oil sector - extended to the first 9 months of 1403. However, in the aftermath of the inauguration of the new US Administration, Iran's GDP growth rate slowed down from the second half of 1403 and even some international institutions such as the World Bank forecasted GDP contraction for the country in 1404.

The preliminary estimates of the CBI suggest that Iran's GDP registered IRR154,167 trillion in the first 9 months of 1403 at current prices, indicating 3.1 percent expansion at 1400 constant prices. Should the Oil sector be excluded, this GDP growth rate declines to 2.9 percent in the same period. In the first 9 months of 1403, the Oil sector contributed to Iran's GDP growth rate by only 0.5 percentage point, the lowest contribution of that sector from 1400 onwards. Moreover, the share of Oil sector in GDP growth rate followed a downward path in various

quarters of 1403 and registered 0.8 percentage point in spring (Q1), 0.6 percentage point in summer (Q2) and almost zero in fall (Q3). Accordingly, decreasing GDP growth rate in winter 1403 and its succeeding quarters due to weaker role of the Oil sector in the Iranian economy seems plausible, mainly due to the new US Administration approach towards Iran. Table 1 presents the details of GDP growth rate in recent years by various sectors of the Iranian economy.

Table 1. GDP Growth Rate at Constant 1400 Prices by Various Sectors of the Iranian Economy (percent)

	1399	1400	1401	1402	1403				Share in Growth in the First 9 Months of 1403	Share in Total in the First 9 Months of 1403 (at current prices)
					Q1	Q2	Q3	First 9 Months		
Agriculture	2.6	-4.3	3.7	0.8	3.2	3.8	4.1	3.7	0.5	14.7
Oil and Gas	11.3	13.9	9.6	18.8	9.9	7.8	0.1	6.0	0.5	8.4
Industries and Mining	12.1	2.7	8.9	5.1	2.8	1.0	3.4	2.4	0.8	27.5
Services	0.5	5.7	1.2	4.0	5.1	2.5	4.3	3.0	1.3	49.4
Non-oil GDP (at basic prices)	4.7	3.4	4.2	4.0	2.5	2.3	3.9	2.9	-	91.6
GDP (at basic prices)	5.1	4.0	4.6	5.0	3.1	2.7	3.6	3.1	3.1	100.0

Source: Central Bank of Iran

As for the demand side of the economy, the Private Consumption Expenditures grew by 3.3 percent in the first 9 months of 1403 at constant 1400 prices. The continuous contraction of the Private Consumption Expenditures from the second half of 1396 till the end of 1399 - roughly corresponding to the first Trump's Administration - reversed course and from 1400 onwards - roughly corresponding to the Biden's Administration - started to rise. From a quarterly perspective, the Private Consumption Expenditures at constant prices, respectively, grew by 1.5 percent, 2.3 percent and 6.2 percent in the first three quarters of 1403. On the

contrary, the Government Consumption Expenditures that had contracted in 1402 at constant 1400 prices, expanded 0.2 percentage point less than the Private Consumption Expenditures in the first 9 months of 1403.

After a continuous fall during 1390s, from 1399 onwards, the Gross Fixed Capital Formation started to expand in the Iranian economy and registered 3.4 percent growth rate in the first 9 months of 1403 at constant 1400 prices. Note that Gross Fixed Capital Formation at constant 1400 prices during the first 9 months of 1403 still amounts less than that of the

initial years of 1390s. All in all, the 3 subgroups of the Gross Fixed Capital Formation, including Machinery, Construction and Other expanded during the first 9 months of 1403 with

respective growth rates of 4.1 percent, 2.7 percent, and 2.9 percent. Table 2 presents the GDP growth rate from the demand side by its components.

Table 2. GDP Growth Rates from the Demand Side at Constant 1400 Prices

	1399	1400	1401	1402	1403				Share in Total in the First 9 Months of 1403 (at current prices)
					Q1	Q2	Q3	First 9 Months	
Private Consumption	-0.5	6.5	5.3	1.6	1.5	2.3	6.2	3.3	43.8
Public Consumption	-0.3	9.0	-0.8	-0.6	-3.4	4.4	7.9	3.1	12.0
Gross Fixed Capital Formation	4.6	4.5	9.2	6.3	2.2	3.3	4.4	3.4	23.9
Machinery	3.7	14.4	14.7	6.2	0.2	4.3	6.3	4.1	12.5
Construction	4.2	-3.1	3.5	7.0	4.2	2.4	1.6	2.7	11.0
Other	39.6	-3.1	22.1	-4.4	-2.0	4.3	6.9	2.9	0.5
Exports of Goods and Services	-10.0	5.6	7.7	13.2	12.0	5.1	6.3	7.6	22.2
Imports of Goods and Services	-20.9	22.0	8.8	1.5	0.8	-0.2	-9.2	-3.1	24.0
GDP at Market Prices	4.4	4.1	4.4	5.3	3.9	3.5	3.9	3.7	100.0

Source: Central Bank of Iran

In addition to the CBI, the SCI also issues data on the Iranian national accounts. On the basis of the SCI report, the GDP growth rate in 1403 as a whole registered 3.0 percent at constant 1400 prices, 1.6 percentage points below that of 1402. From a quarterly viewpoint, in the year 1403, Iran's GDP grew by 4.6 percent in spring, by 3.1 percent in summer, by 1.6 percent in fall, and by 2.9 percent in winter. On the basis of the SCI, the growth rate

of the Extraction of Oil and Natural Gas that in a downward path registered 10.3 percent, 6.2 percent, and 2.0 percent, respectively, in spring, summer, and fall 1403, reversed course and in winter of the same year rose to 6.2 percent, causing the annual expansion of that subsector to reach 6.2 percent in 1403. As for the Non-oil GDP growth rate, the corresponding figure in the SCI report registered 2.1 percent in 1403.

1-1. Agriculture

According to the national accounts of Iran in the CBI books, the Agriculture sector encompasses Farming, Forestry, Hunting, Animal Husbandry, Aviculture, Horticulture, and Fishery activities. However, in the preliminary report of the CBI on the developments of the real sector of the economy, all subsectors of Agriculture sector were not investigated and only annual growth rates of 14.8 percent, 8.4 percent, and 4.5 percent were reported for Farming products, Horticultural products and Livestock products in the first 9 months of 1403, respectively. However, the aforementioned expansions are neither consistent with the 3.7 percent expansion of the Agriculture sector as a whole, nor with the corresponding figure of the SCI in that regard in the first 9 months of 1403. Contrary to the CBI, in the SCI categorization, the Agriculture sector contains 2 subsectors of "Agriculture, Horticulture, Hunting, and

Forestry" as well as "Fishery". The Fishery that accounts for a negligible share in GDP, grew by 3.2 percent in 1403 at constant 1400 prices and is almost dependent of the rest of the economic sectors. The Agriculture, Hunting, and Forestry also grew by the same rate of 3.2 percent in 1403, causing the Agriculture sector to expand by 3.2 percent in the year 1403 as a whole and far above its 2.4 percent contraction in 1402. The SCI report suggests positive growth rates of 2.3 percent, 3.1 percent, 4.2 percent, and 2.5 percent in the Agriculture sector in the 4 consecutive quarters of 1403, respectively. The CBI has also reported positive growth rates for the Agriculture sector in the first 3 quarters of 1403 at 3.2 percent, 3.8 percent, and 4.1 percent, respectively, a little above those in the SCI report. Hence, it seems that contrary to its preceding year, in 1403 the Agriculture sector has enjoyed a desirable climate. On

the basis of the weather stations, during the water year 1402-1403 (from beginning of 1402Q3 to the beginning of 1403Q3), the total rainfalls have increased by 22.3 percent compared to its preceding water year. The CBI data suggests that in the year 1402, the Agriculture sector had expanded by 0.8 percent only, at constant 1400 prices.

The share of the Agriculture sector in GDP at current prices in the CBI report is far different from that of the SCI. According to the CBI, the Agriculture sector constituted 14.7 percent of the GDP in the first 9 months of 1403 (above the 8.4 percent share of the Oil sector), while the SCI has reported 8.7 percent and 7.4 percent share for the same sector, respectively, for the first 9 months of 1403 and the year 1403 as a whole. All in all, the fall in the share

of the Agriculture sector in GDP in 1403Q4 would result in the fall in the share of that sector for the whole year compared to the first 9 months of 1403.

The Islamic Republic of Iran Customs Administration (IRICA) report suggests that the agricultural exports of Iran rose by 29 percent to USD5.2 billion in 1403 compared to 1402. In 1403, the top 3 exported agricultural products of Iran were pistachio (USD1.5 billion), tomato (USD233 million), and dates (USD205 million). During 1403, Iraq was the top one exports destination of Iran with 40 percent share in Total exports of the country. According to the Ministry of Agriculture Jihad, the USD3 billion improvement in agriculture trade balance of the country in 1403 has caused that balance to take a positive value in that year.

1-2. Industries and Mining

The CBI report suggests that during the first 9 months of 1403, the Industries and Mining sector has constituted 27.5 percent of Iran's GDP, 1.7 percentage points below that of the same period of 1402. From 1399 onwards, the share of Industries and Mining sector in GDP started a downward path, partly due to the rise in the share of Oil sector in the Iranian economy during the same period. The Industries and Mining itself, is divided into 5 distinct subsectors of "Manufacturing", "Mining", "Electricity, Gas, Steam and Air Conditioning Supply", "Water supply; Sewerage, Waste Management and Remediation Activities" and finally "Construction", that expanded by 2.1 percent, 3.1 percent, 2.2 percent, 0.1 percent and 3.3 percent in the first 9 months of 1403, respectively. From fall 1400 onwards, the Manufacturing subsector has been expanding, albeit its expansion was slowing down in 1402 and 1403.

In the SCI categorization, the Industries and Mining forms 50.4 percent of the GDP in the year 1403 at current prices. Note that contrary to the CBI, the SCI considers the Oil sector as a subgroup of Industries and Mining, not as a separate group. By excluding Oil from Industries and Mining, the share of this group in GDP declines to 27.6 percent at current prices, far close to the corresponding figure in the CBI report. The SCI report suggests that from 1400 onwards, the Industries and Mining sector

has continually lost its share in GDP. In the SCI books, in addition to the Extraction of Oil and Gas, the Industries and Mining sector also contains Other Mines, Manufacturing, Distribution of Natural Gas, Water and Electricity Supply and finally Construction. On the basis of this issuing authority, in the year 1403, the Manufacturing subgroup expanded by 1.6 percent at constant 1400 prices, 0.3 percentage point below that of 1402.

As for the Mining subsector, the CBI has reported 3.1 percent expansion for the first 9 months of 1403, while the SCI reported 0.5 percent growth rate for the corresponding subsector in its report, under the title of Other Mines (except oil and natural gas), albeit for 1403 as a whole. However, both issuing authorities indicated a slowdown in the growth rate of that subsector. The CBI reported 3.3 percent expansion for the Construction subsector (residential and non-residential buildings, road construction, dam construction, etc.) in the first 9 months of 1403, above the 0.8 percent growth rate of the same period of 1402, while below the 4.3 percent of the year 1402 as a whole. Contrary to the CBI, the SCI reported 0.5 percent growth in the Construction subsector in 1403, down 3.1 percentage points from that of 1402. Unofficial data also indicate a downturn in that subsector in 1403.

The subsector of Electricity, Gas, Steam and Air Conditioning Supply has been continually growing in the last two decades even in the recession era, thanks to the uniform growth rate of the population in conjunction with demand for gas and electricity. On the basis of the CBI, this subsector has expanded by 2.2 percent in the first 9 months of 1403, down 2.2 percentage points from that of the same period of its preceding year. The continuous expansion of the subsector of Water supply; Sewerage, Waste management and Remediation Activities in the years prior to 1403 is also attributable to the same reason, however, in the first 9 months of 1403, this subsector has grown by 0.1 percent only. On the basis of the SCI report, the subsector of Water and Electricity Supply grew by

2.4 percent in 1403 as a whole. In the same period, the subsector of Distribution of Natural Gas grew by 0.5 percent only.

All in all, the CBI report suggests 2.4 percent expansion in Industries and Mining in the first 9 months of 1403, indicating 2.0 percentage points decline from the same period of 1402. In the SCI report, the growth rate of the corresponding sector (excluding Extraction of Oil and Natural Gas) is calculated 1.3 percent for 1403, standing 0.4 percentage point above that of 1402. In Table 3, the growth rate of Industries and Mining sector is presented by its various subsectors.

Table 3. Growth Rates of Industries and Mining by Its Various Subsectors at Constant 1400 Prices (percent)

	1399	1400	1401	1402	1403			
					Spring	Summer	Fall	First 9 Months
Industries and Mining	12.1	2.7	8.9	5.1	2.8	1.0	3.4	2.4
Mining	11.9	13.1	16.8	4.7	4.6	3.0	1.5	3.1
Manufacturing	13.4	3.4	10.0	5.3	2.3	0.3	3.8	2.1
Electricity, Gas, Steam and Air Conditioning Supply	6.6	3.1	2.2	3.9	2.7	0.7	3.5	2.2
Water Supply; Sewerage, Waste Management and Remediation Activities	6.2	4.5	1.4	1.8	1.4	-0.6	-0.5	0.1
Construction	8.2	-5.4	0.3	4.3	3.9	3.0	3.1	3.3

Source: Central Bank of Iran

In the first 9 months of 1403, the Industrial Production Index stood 1.8 percent above that of the first 9 months of 1402. During the period under discussion, the group of Other Products enjoyed the highest expansion in production index at 18.0 percent, while the group of Leather Products experienced the highest contraction of 10.3 percent in that regard. The production index of the group of Basic Metals - with a 36.9 percent share in the value-added of large manufacturing enterprises - experienced a slight change in the first 9 months of 1403 compared to the same period of 1402. Moreover, the production index of Chemical Products - with a 27.7 percent share in the value-added of the large manufacturing enterprises - expanded by 3.6 percent in the first 9 months of 1403 compared to same period of its preceding year. The group of Food Products that is classified as the 3rd largest industry in Iran with a 6.9 percent share in the value-added of the large manufacturing enterprises, experienced 5.0 percent expansion in production index in the time span under discussion. The production index of Non-metallic Mineral Products - with a 5.3 percent share in the value-added of large manufacturing enterprises - remained unchanged during the first 9 months of 1403 compared to the same period of preceding year. In the same period, the production index

of Motor Vehicles as well as Pharmaceuticals, respectively, expanded by 4.3 percent and 2.1 percent - the share of former in the total value-added of large manufacturing enterprises registered 4.1 percent and that of the latter registered 3.3 percent. Accordingly, as for Basic Metals and also Non-metallic Minerals, there existed no desirable conditions for production.

Moreover, on the basis of Iran Chamber of Commerce, Industries, Mines & Agriculture, the seasonally-adjusted Purchasing Manager's Index (PMI) in the manufacturing subsector has averaged 49.7 in 1403, below the average of 52.0 in 1402. Note that the PMI is analyzed on a monthly basis and the values above 50 translate to monthly improvement, whereas values below 50 mean that the state of production has worsened compared to its preceding month. The seasonally-adjusted PMI for manufacturing subsector in 1403 dropped below 50 in 7 out of 12 months of 1403. Hence, the PMI developments show that the manufacturing subsector has been deteriorating during much of 1403. Business Activities, New Orders, Suppliers' Delivery Time, Raw Material Inventory, and Employment are the five main sub-indices of PMI.

Oil

According to the latest CBI report on the developments of the real sector of the Iranian economy, the value added of the Oil Sector grew by 6.0 percent at constant 1400 prices during the first 9 months of 1403, indicating 14.3 percentage points fall and far below its 20.3 percent in the same period of 1402.

In recent years, data on Iran's oil exports have been treated as highly confidential and almost no official data have been released in that regard. According to the Tanker Trackers website ¹, Iran's oil exports averaged 1.6 million barrels per day (mbpd) in 1403. Graph 1 depicts the developments of Iran's oil exports from 1397 to 1403 based on this source. The Graph clearly reflects the strong dependence of Iran's oil exports on the US sanctions policy.

In addition to the new international pressures on Iran and in the aftermath of the US unilateral withdrawal from the

Joint Comprehensive Plan of Action (JCPOA) under the Trump administration in May 2018 (roughly second month of Iranian calendar), Iran's oil exports experienced a sharp and persistent decline. By the end of 1398, Iran's oil exports that had fallen to below one mbpd in some months, even dropped further to under 0.5 mbpd. The fall in global oil demand following the COVID-19 pandemic in 2020 further contributed to keep Iran's oil exports at depressed levels.

Since the second half of 1399 and coinciding with the beginning of Joe Biden's presidency, the downward trend in Iran's oil exports reversed course and it gradually increased. Although US sanctions were not formally lifted, the new political environment coupled with the new US Administration focus on reviving diplomatic interaction with Iran, effectively created more room for the country to maintain its share in the oil market. As a result, Iran's average oil exports rose from around 1.0 mbpd in 1399 to around 1.5 mbpd and even more in 1402 and 1403.

Graph 1. Iran's Oil Exports in Recent Years

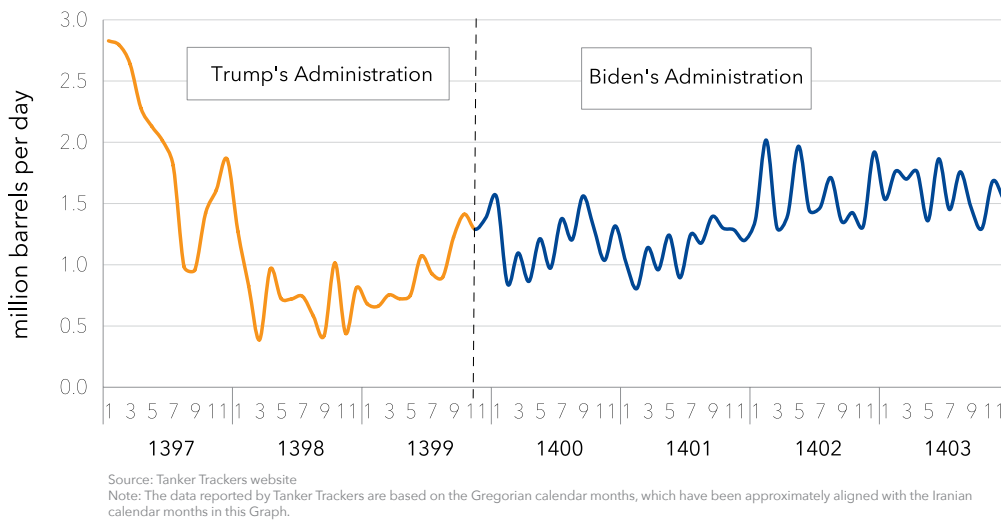


Table 4 presents Iran's monthly oil exports to its destinations in 1403, which ranged from 1.29 mbpd to 1.87 mbpd. Monthly fluctuations during this period were mainly rooted in the political conditions, nuclear negotiations, and shifts in the global oil market. Iran's daily oil exports in 1403 stood about 62.8 percent higher than that of 1399 on average, while showing only 2.6

percent increase compared to 1402. In fact, the reelection of Donald Trump as the US president by the end of 1403 had no significant impact on Iran's oil exports, possibly because the channels of nuclear negotiation between the two sides remained open.

1. The website is an independent online service that tracks and reports shipments of crude oil in several geographical and geopolitical points of interest.

Table 4. Iran's Oil Export Destinations in 1403 (barrels per day)

Month	China	Oman	Syria	UAE	Unknown	Total
2024						
April	1,388,073	-	57,490	64,969	23,972	1,534,805
May	1,476,911	10,283	67,776	65,456	67,916	1,764,176
June	1,473,426	-	36,503	118,115	37,921	1,699,431
July	1,483,717	-	107,790	88,362	-	1,759,869
August	1,295,243	-	52,608	11,857	-	1,359,708
September	1,783,127	-	36,185	12,229	33,478	1,865,028
October	1,359,585	-	57,247	34,582	-	1,451,414
November	1,697,987	-	61,095	-	-	1,759,082
December	1,430,988	-	8,970	-	28,683	1,468,599
2025						
January	1,270,865	-	-	13,969	9,677	1,294,511
February	1,681,444	-	-	-	-	1,681,444
March	1,485,215	-	-	23,059	32,226	1,540,540

Source: Tanker Trackers website

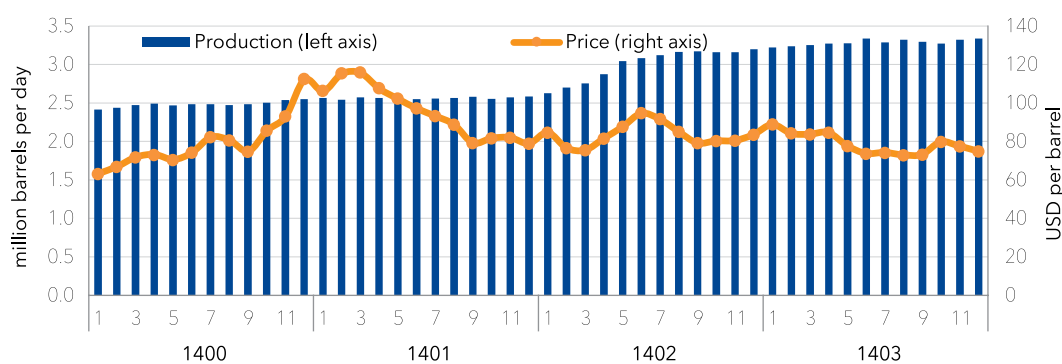
Note: The data reported by Tanker Trackers are based on the Gregorian calendar months, which have been approximately aligned with the Persian calendar months in this figure.

The official publication of Iran's oil production data was nearly disrupted with the beginning of the new round of sanctions in 1397, hence the best available data comes from the OPEC reports, which themselves are based on secondary sources. According to these reports, the country's total crude oil production in March 2025 (approximately corresponding to 12th month of 1403) reached about 3.3 mbpd, reflecting 4.3 percent increase compared to the same month of its preceding year. The average production in 1403 was approximately 3.3 mbpd, showing a 9.4 percent growth compared to the average of 3.0 mbpd in 1402. Nevertheless, it seems that due to the technical limitations and the aging of equipment and oil wells, Iran's oil production has approached its

maximum capacity, and further increases in production are not achievable in the short-run. Graph 2 shows the average daily crude oil production and the average price of Iran's heavy oil from the beginning of 1400 to the end of 1403.

After a sharp decline during the COVID-19 pandemic in 1399, the price of Iran's heavy crude oil followed an upward trend, exceeding USD100 per barrel in the early months of 1401, although it then showed a relative decrease. The price of Iran's heavy crude oil in 1403 averaged USD78.7 per barrel, reflecting a 5.6 percent decrease compared to the average price in 1402.

Graph 2. Average Daily Crude Oil Production and Average Price of Iranian Heavy Oil



Source: OPEC monthly reports, production level based on the secondary sources.

Note: OPEC statistics are based on Gregorian calendar years and their conversion into Persian calendar years are only approximate.

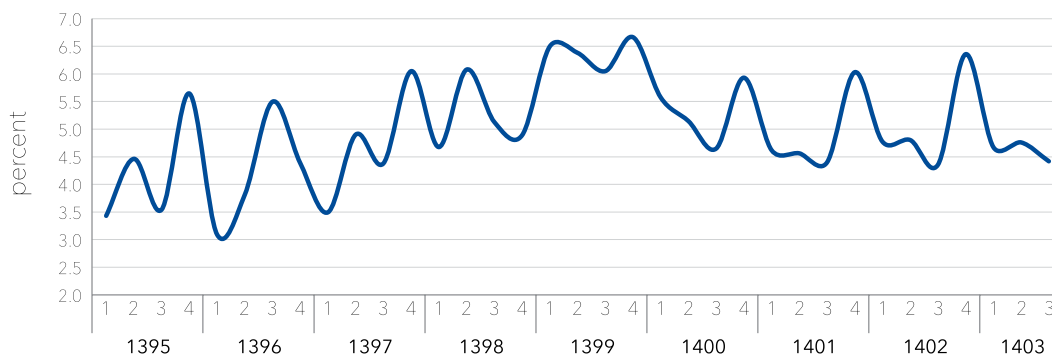
Despite the relative improvement in Iran's oil exports in recent years, the level of oil exports still remains significantly lower than that in the JCPOA era. In fact, unlike production levels, a short-term increase in oil exports could be expected if a new nuclear agreement is obtained.

■ Housing

The share of construction in GDP at current prices decreased slightly from 4.64 percent in the first 9 months of 1402 to 4.61 percent in the corresponding period of 1403. From a historical perspective, the report by the IRI

Parliament Research Center in that regard suggests the average share of construction value added in GDP at 4.8 percent between 1340 and 1382 and at 4.65 percent during the period 1376 to 1384, indicating relatively high values. Although the same share in 1403 shows a slight decline compared to its historical records, it could not be considered as evidence of recession in that subsector. The share of the construction subsector in GDP at current prices is presented in Graph 3 from spring 1395 to fall 1403. Note that as the data is not seasonally-adjusted, the same quarters of consecutive years are supposed to be compared.

Graph 3. Share of Construction Value-added in Iran's GDP



Source: Central Bank of Iran

In 1403, Iran's housing market moved in line with its trends observed in its preceding years. The data on the number of building permits issued in urban areas indicate that following a substantial decline in 1400 and 1401, it has increased slightly in 1402 and remained relatively stable during the first 9 months of 1403. The total number of permits issued in the first 9 months of 1403 reached approximately 90,000, representing 10.7 percent increase compared to the same period of its preceding year.

Out of the total issued permits, 5,400 were attributed to Tehran city during the same period, showing no change relative to that in the same period of 1402. Accordingly, the nationwide increase in building permits, coupled with the stability in Tehran city, suggests a relative stagnation in construction activities in the Capital. The number of building permits issued in urban areas is presented in Table 5.

Table 5. Number of Building Permits Issued in Urban Areas (thousand)

	Tehran	Metropolitan Cities	Other Urban Areas	Total Urban Areas
1399	7.2	41.9	114.3	163.4
1400	5.8	30.2	85.2	121.2
1401	5.8	27.9	78.2	111.9
1402	7.5	29.9	81.0	118.4
Spring	1.6	7.6	23.9	33.1
1403	2.0	7.3	19.4	28.7
Summer				
Fall	1.8	6.9	19.6	28.3

Source: Central Bank of Iran

Furthermore, the price indices for construction services and producing building materials was continually rising in 1403. Over roughly 3 years, the construction services price index (1400=100) reached 319 by the end of fall 1403, indicating 219 percent increase and the producer price index for building materials grew by 120.7 percent.

These price increases, accompanied by weak effective demand, caused the final cost of construction to rise and ended up in lower incentives for new investment. The point-to-point growth rates of construction subsector price indices are presented in Table 6.

Table 6. Point-to-point Growth Rate of Construction Price Indices (1400=100 and in percent)

	Construction Services Price Inflation	Producer Price Inflation for Building Materials
1401	51.2	31.1
1402	49.5	33.5
1403		
Spring	39.2	15.3
Summer	36.1	20.6
Fall	34.6	25.1

Source: Central Bank of Iran

Alongside rising construction costs, real private investment in new urban buildings has also declined noticeably. The value of private sector investment in new urban buildings at 1395 constant prices (using the CBI consumer price index) fell from IRR702.7 trillion in the first 9 months of 1402 to IRR688.6 trillion in the corresponding period of 1403, indicating 2.0 percent contraction. Between 1400 and 1402, real private investment in new buildings in Tehran city contracted sharply, recording annual declines of 30.5 percent, 23.3 percent and 17.1 percent, respectively. In contrast, private investment in new buildings in other urban areas did not contract and even experienced net positive growth over the three-year period under review, suggesting a gradual geographical shift in construction

away from Tehran toward other urban regions.

In the first 9 months of 1403, the point-to-point growth rate of real private investment in new urban buildings was negative 1.2 percent in Tehran, negative 2.7 percent in metropolitan cities and negative 1.7 percent in other urban areas. The smaller decline in real private investment in new buildings in Tehran than in other cities and regions, together with the stability in the number of building permits issued in that city compared to the increasing number of permits in other cities, might call for higher investment for construction projects in Tehran. The details of real private investment in new urban buildings at constant 1395 prices are presented in Table 7.

Table 7. Private Investment in New Urban Buildings at Constant 1395 Prices (IRR trillion - percent)

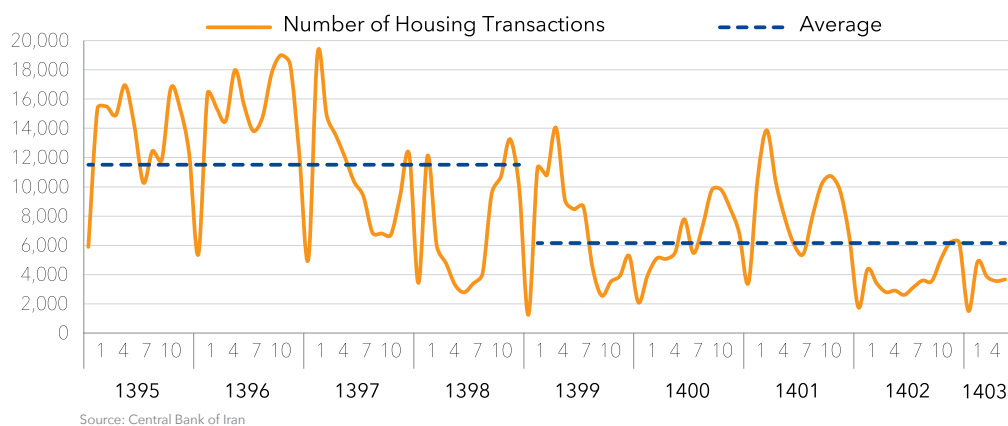
	Tehran		Metropolitan Cities		Other Urban Areas		Total Urban Areas	
	Investment	Growth Rate	Investment	Growth Rate	Investment	Growth Rate	Investment	Growth
1399	258.8	52.0	390.9	25.8	445.0	44.7	1,094.7	38.8
1400	180.0	-30.5	407.7	4.3	465.0	4.5	1,052.7	-3.8
1401	138.1	-23.3	367.6	-9.8	456.8	-1.7	962.5	-8.6
1402	114.5	-17.1	350.9	-4.5	458.0	0.3	923.5	-4.1
1403								
Spring	24.9	-13.7	79.6	-11.0	121.7	2.8	226.2	-4.4
Summer	26.6	-14.0	97.7	9.1	109.1	-9.2	233.4	-3.0
Fall	36.2	24.9	81.9	-6.4	110.9	1.0	229.0	1.2

Source: Central Bank of Iran

On the demand side, the most recent CBI report on the housing market developments in Tehran city, covered till the 5th month of 1403, while preparing this Annual Report. The CBI data on the number of housing transactions in Tehran city reveals a prolonged stagnation in this market.

As shown in Graph 4, the average number of monthly transactions of residential units declined from 11,510 units during 1395-1398 to 6,153 units from the beginning of 1399 through the 5th month of 1403.

Graph 4. Number of Transactions of Residential Units in Tehran City



Source: Central Bank of Iran

Using the CBI average housing price for Tehran city and the SCI consumer price index (1400=100), the annual real growth rate of housing prices in Tehran city from the 5th month of 1395 to the 5th month of 1403 averaged 10.4 percent, and the real expansion between the beginning and the end of this eight-year period registered 120.6 percent. Specifically, the average price of a square meter of residential units in Tehran city rose from IRR44.0 million in the 5th month of 1395 to IRR885.0 million in the 5th month of 1403, while the consumer price index (1400=100) increased from 28.4 to 259.5 over the same period.

Note that housing's share in total household expenditures has reached its historical high levels, and the expected number of years for purchasing house has also risen sharply. As shown in Table 8, the average number of years required for an urban household to purchase a 70-square-meter residential unit in Tehran reached approximately 20 in 1402. This indicator is calculated using the average housing price in Tehran (published by the CBI) and the average annual total income of an urban household (published by the SCI), assuming that the entire household income is saved exclusively for housing purchase.

Table 8. Estimated Number of Years Required to Purchase a 70-Square-Meter Residential Unit in Tehran

	Average Housing Price in Tehran (IRR million)	Average Annual Total Income of an Urban Household (IRR million)	Average Number of Years Required to Purchase a 70-Square-Meter Residential Unit in Tehran
1395	44.1	317.2	9.7
1396	47.9	366.8	9.1
1397	82.2	434.9	13.2
1398	132.3	541.0	17.1
1399	238.6	746.7	22.4
1400	314.8	1,124.2	19.6
1401	458.8	1,669.6	19.2
1402	749.0	2,569.3	20.4

Source: Central Bank of Iran and research calculations

1-3. Services

As the largest sector of the Iranian economy that constituted almost half of the GDP in the first 9 months of 1403 (49.4 percent at current prices), the Services Sector expanded by 3.0 percent in that period at constant 1400 prices on the basis of the CBI report, below the 4.0 percent in the same period of 1402. The Services Sector contributed to the GDP growth rate of the first 9 months of 1403 by 1.3 percentage points, below its 1.8 percentage points contribution in the same period of its preceding year. Among the subsectors of Services, "Wholesale & Retail Trade; Repair of Motor Vehicles/cycles" that constituted 13.7 percent of the GDP in the first 9 months of 1403 at current prices, is considered as the largest subsector with 2.4 percent expansion and 0.3 percentage point contribution to the

3.1 percent GDP growth rate at constant prices in the period under review. All subsectors of Services expanded but the "Administrative and Support Service Activities" that contracted by 1.7 percent during the 9-month period under discussion. Note that this subsector of Services has been continually contracting in the past 8 years. As for other subsectors of Services, the highest expansion of 19.1 percent was attributed to "Art, Entertainment and Recreation" in the first 9 months of 1403, followed by "Information and Communication" with 13.4 percent - the latter had expanded by 35.7 percent in the same period of 1402. The growth rates of the subsectors of the Services on the basis of the CBI report are presented in Table 9.

Table 9. Growth Rates of Services Subsectors at Constant 1400 Prices (percent)

	1399	1400	1401	1402	1403			
					Spring	Summer	Fall	First 9 Months
Services	0.5	5.7	1.2	4.0	2.1	2.5	4.3	3.0
Wholesale and Retail Trade, Repair of Motor Vehicles/Cycles	3.1	5.8	8.7	3.8	2.0	1.2	3.9	2.4
Transportation and Storage	-1.6	6.0	6.0	9.0	8.0	-1.6	1.7	0.3
Accommodation and Food Services Activities	-39.2	35.3	28.6	15.7	-3.9	9.0	9.4	4.7
Information and Communication	24.8	16.6	3.2	33.2	15.9	13.6	11.1	13.4
Financial and Insurance Activities	6.1	-6.5	6.0	0.0	0.7	1.8	12.5	4.9
Real Estate Activities	3.4	1.1	3.3	1.9	2.3	2.1	1.5	2.0
Professional, Scientific, and Technical Activities	-1.4	17.2	10.8	-4.2	4.4	11.6	11.5	9.0
Administrative and Support Service Activities	-3.4	-2.0	-14.2	-5.6	-1.7	-4.0	1.0	-1.7
Public Administration and Defence, Compulsory Social Security	-0.9	8.9	-17.5	-1.5	-2.1	1.8	2.4	0.7
Education	-8.9	6.5	-17.4	4.3	7.9	8.7	3.2	6.6
Human Health and Social Work Activities	-4.7	15.9	-1.4	5.0	4.2	10.0	11.8	8.8
Art, Entertainment, and Recreation	0.2	7.6	-2.3	5.5	5/20	21.9	14.6	19.1

Source: Central Bank of Iran

The SCI report on the Services Sector in 1403 is far different from that of the CBI, partly due to the distinct categorizations of the Services Sector by those issuing authorities. The SCI report suggest that in the year 1403 as a whole, the Services Sector has expanded by 2.5 percent at constant 1400 prices, 1.1 percentage points below that of 1402. Moreover, the Services Sector has formed 42.2 percent of the GDP at current prices in 1403, indicating negligible decline of 0.3 percentage point from 1402. Among the subsectors of Services in the SCI books, "Wholesale and Retail, Hotel and Restaurant" with 12 percent share in GDP at current prices as the largest subsector, expanded by 0.9 percent at constant prices in 1403 as a whole - much of this small growth rate however was obtained in winter that year. Moreover,

there is a significant difference between the SCI and the CBI data regarding "Financial Intermediation" in the SCI books and its corresponding subsector in the CBI books tilted "Financial and Insurance Activities". For instance, the SCI reported 9.0 percent expansion in "Financial Intermediation" in the first 9 months of 1403, while CBI data suggested only 4.9 percent expansion in the same period for the corresponding subsector. As for the year 1403 as a whole, "Financial Intermediation" enjoyed the highest expansion of 10.2 percent on the basis of the SCI among various subsectors of Services. Other subsectors of Services have also expanded except "Social, Personal, and Home Services" with 1.5 percent contraction in 1403.

2. LABOR MARKET

The latest report of the SCI on the Iranian labor market while preparing this Annual Report suggests 41.0 percent participation rate as well as 7.6 percent unemployment rate for the population aged 15 and above in the year 1403 as a whole, respectively 0.3 and 0.5 percentage points below those of the year 1402. The participation rate that in a continuous downward path had declined to 40.9 percent in 1401 from 44.1 percent in 1398, eventually reversed course and in 1402 rose to 41.3 percent. The rise in that rate did not last long, however, and in 1403 again fell to 41.0 percent. The employment ratio which represents the ratio of employed population to the total population at working age has remained the same in 1402 and 1403, signaling that job opportunities have changed in proportion with the rise in the population. Accordingly, the fall in the unemployment rate of 1403 is mainly owed to the fall in the participation rate, translating to disappointment of part of the working age population from finding job and quitting the labor market. The underemployment (working less than 44 hours a week) registered 7.6 percent in 1403, indicating 0.6 percentage point fall from its preceding year.

In 1403 and compared to its preceding year, 786.4 thousand individuals were added to the working age population, of which, 48.5 percent were male (381.7 thousand) and 51.5 percent were female (404.8 thousand). In the same year, 179.7 thousand individuals were added to the active population (accounting for only 22.8 percent of the total population added to the working age), of which, 157.3 thousand (87.6 percent) were male and the remaining were female. Accordingly, 41.0 percent of the working age population were active in 1403, indicating 0.3 percentage point fall from its preceding year. Note that the smaller participation rate in the Iranian labor market compared to the other countries has been an integral feature of the Iranian economy at least in recent decades. This small rate, nevertheless, roots in the female population of the country i.e., out of 32.7 million Iranian females aged 15 and above, only 4.6 million have been willing to work in 1403 and out of this small population, 14.3 percent were unemployed, far above the 6.2 percent unemployment rate among males in the same year. After a long time, in the years 1401 and 1402 the number of active female population increased, but in 1403 it remained almost unchanged. In 1403, 404.8 thousand were added to the female population at working age, causing the female participation rate to decline by 0.1 percentage point to 14.1 percent. This small participation rate of the females conveys that regardless of the deficiencies of the educational system, insufficient room has been left for females in the Iranian labor market. The difference between the males' and females' unemployment rates has frequently existed in much of the past half a century, making that substantial inactive population of females a challenge in the Iranian labor market.

The unemployment of youth as well as the population with higher education is also a matter of concern. In 1403, among the 1.4 million of the population aged 18 to 35, 14.7 percent were unsuccessful in finding job in total, and by gender, the unemployment among females in the same age group reached 24.9 percent. As for the population with higher education, the total unemployment rate reached 11.3 percent with 19.1 percent among females in this group. In 1403, out of the total unemployed population, 42.2 percent were highly-educated. The higher rate of unemployment of population with higher education than the total reveals that higher education has not assisted the graduates in finding job and even has served as a hindrance in that regard. In other words, the higher education that is considered as an investment by the governments and households has not been that fruitful for a large number of graduates seeking for a job.

Additionally, 24.3 percent of the population aged 15 to 24, has neither been employed nor student in 1403, indicating 1.3 percentage points drop from 1402. The total population aged 15 to 24 was estimated 11.3 million, of which 2.6 million were active only. Among the active population in the same group, 528.3 thousand were unemployed, translating to 20.1 percent unemployment rate.

In 1403, close to 24.8 million of population aged 15 and above were employed, up 298 thousand from 1402. Out of this population, 13.9 percent were enrolled in Agriculture sector, 33.3 percent in Manufacturing, and 52.7 percent in the Services sector. The 2 former sectors in aggregate lost their share in total

employed population by 0.9 percentage point in 1403 in favor of the Services sector. Part of this population, however, has been underemployed, meaning that they have worked less than 44 hours a week due to some economic issues, despite their willingness to work more. The underemployment constituted

about 1.9 million of the employed population with 7.6 percent share in 1402, down 0.6 percentage point from 1402. Major Labor market indices in 1402 and 1403 are presented in Table 10.

Table 10. Major Labor Market Indices by Gender for the Population Aged 15 and Above

		1402			1403		
		Total	Male	Female	Total	Male	Female
Economic Participation	Rate (percent)	41.3	68.4	14.2	41.0	68.1	14.1
	Number (million)	26.6	22.0	4.6	26.8	22.2	4.6
Employment	Rate (percent)	37.9	63.9	12.1	37.9	63.9	12.1
	Number (million)	24.5	20.6	3.9	24.8	20.8	4.0
Unemployment	Rate (percent)	8.1	6.6	15.0	7.6	6.2	14.3
	Number (million)	2.1	1.5	0.7	2.0	1.4	0.7
Unemployment of Population Aged 18-35	Rate (percent)	15.2	12.3	26.0	14.7	12.0	24.9
	Number (million)	1.5	1.0	0.5	1.4	0.9	0.5
Unemployment of Population with Higher Education	Rate (percent)	11.8	7.9	20.3	11.3	7.7	19.1
	Number (million)	0.9	0.4	0.5	0.9	0.4	0.5
Share of the Underemployment (percent)		8.2	8.9	4.7	7.6	8.2	4.5
Population Aged 15 and Over (million)		64.6	32.2	32.3	65.3	32.6	32.7

Source: Statistical Center of Iran

3. FISCAL POLICY

Budgeting as a policy instrument plays a dominant role in national economy and is of high importance in the Iranian economy given the large size of the Government. In addition to the projection of revenues and expenditures and their effects on macroeconomic variables, the method of financing budget imbalances in response to external shocks is also a matter of concern.

3-1. Budget Law and Bill of 1403

In the Budget Law of 1403 (1403 Law for short), IRR28,371 trillion was legislated for the Government General Budget, 25.3 percent up from that of 1402 Law. Moreover, IRR37,416 trillion was legislated for Budget of State-owned Companies, banks, and Profit Institutions affiliated to the Government in 1403 Law, indicating 29.7 percent rise compared to the 1402 Law. Hence, the Total Government Budget in 1403

Law reached IRR64,587 trillion, up 29.3 percent from that of 1402 Law. It is noteworthy that the sources and uses of the Total Government Budget in 1403 Law contracted by 0.3 percent compared to 1403 Budget Bill (1403 Bill for short) due to deduction of IRR1,200 trillion under the title of Double-counted Figures. An overview of the 1403 Law is presented in Table 11.

Table 11. Main Subdivisions of 1403 Budget Law and Bill (IRR trillion-percent)

	1402 Law	1403 Bill	1403 Law	1403 Law to 1402 Law Percentage Change	1403 Law to 1403 Bill Percentage Change
Total Government Budget	49,947.1	64,787.4	64,587.1	29.3	-0.3
Government General Budget	22,634.9	27,371.4	28,371.4	25.3	3.7
General Sources	20,823.3	24,620.4	25,620.4	23.0	4.1
Dedicated Revenues	1,811.6	2,751.0	2,751.0	51.9	-
Budget of State-owned Companies, Banks and For-profit Institutions Affiliated to Government	28,839.1	37,415.7	37,415.7	29.7	-

Source: Budget Laws of 1402 and 1403 and Budget Bill of 1403

■ Government General Budget

The Government General Budget itself consists of General Sources (General Uses) and Dedicated Revenues (Uses from Dedicated Revenues). The Dedicated Revenues that are gained via the public organizations are spent within the same organizations, i.e., these sorts of revenues are not directed to the Treasury to be reallocated to other sectors. Therefore, only the General Sources are directly in hands of the Government and the Treasury which itself consists of three components of General Revenues (such as tax revenues and receipts from government properties), Disposal of Non-financial Assets (mainly oil exports and disposal of government properties), and Disposal of Financial Assets (mainly sales of debt securities, disposal of

state-owned companies, and withdrawal from the National Development Fund). The Government spends these revenues for Current Expenditures (mainly compensation of employees and pension funds), Acquisition of Non-financial Assets (development expenditures), and Acquisition of Financial Assets (settlement of unpaid obligations from previous years). Due to the air of optimism regarding higher Oil Revenues, in 1402 Law the share of Oil Revenues in General Sources was considered 30.0 percent, while in 1403 Law, that share is decreased to 22.7 percent. In fact, only in 1399 this share was remarkably cut to about 10 percent and in the Budget Laws of 1400 and 1401 again rose to 27.3 percent and 35.2 percent, respectively. The details of General Sources and Uses of 1403 Law are presented in Table 12.

Table 12. General Sources and Uses in 1403 Law and Bill (IRR trillion-percent)

Sources	1403			1403 Law to 1402 Law Percentage Change	Share in General Sources of 1403 Budget Law	Uses	1402			1403 Law to 1402 Law Percentage Change	Share in General Sources of 1403 Budget Law
	1402 Law	Law	Bill				1402 Law	Bill	Law		
Revenues (general)	10,540.9	14,983.0	15,983.0	51.6	62.4	Expenditures (current)	15,088.4	18,037.4	18,787.4	24.5	73.3
Tax	8,944.5	12,645.0	13,645.0	52.6	53.3						
From State-owned Properties	1,045.4	1,350.0	1,349.3	29.1	5.3						
From Sales of Goods and Services	260.1	465.0	461.5	77.4	1.8						
From Crime and Damage Fines and Other Revenues	290.8	523.0	527.3	81.3	2.1						
Operating Balance							-4,547.6	-3,054.4	-2,804.3	-38.3	-
Disposal of Non-financial Assets	7,322.5	6,445.6	6,445.6	-12.0	25.2	Acquisition of Non-financial Assets (development expenditures)	3,750.0	3,750.0	4,000.0	6.7	15.6
Receipts from Crude Oil and Oil Products	6,238.1	5,827.4	5,827.4	-6.6	22.7						
Receipts from Sales or Disposal of Properties and Development Plans	1,084.4	618.2	618.2	-43.0	2.4						
Net Disposal of Non-financial Assets							3,572.5	2,695.6	2,445.6	-31.5	-
Disposal of Financial Assets	2,960.0	3,191.8	3,191.8	7.8	12.5	Acquisition of Financial Assets	1,984.9	2,833.0	2,833.0	42.7	11.1
Sales of Islamic Debt Securities	1,870.0	2,546.0	2,546.0	36.1	9.9	Related to Disposal of Stocks	37.8	-	-	-	-
Receiving Loan Principals	18.5	14.8	14.8	-20.3	0.1	Repayment of Islamic Debt Securities Principals	1,712.2	2,200.0	2,200.0	28.5	8.6
Disposal of State-owned Companies	1,060.0	600.0	600.0	-43.4	2.3	Repayment of Bank Loans Principals	13.2	-	-	-	-
Last Year Payments Return	11.5	31.0	31.0	169.9	0.1	Unpaid Obligations from Previous Years	40.1	-	-	-	-
						Repayment of Foreign Loans Principals	181.6	-	-	-	-
Net Disposal of Financial Assets							975.1	358.8	358.8	-63.2	-
General Sources	20,823.3	24,620.4	25,620.4	23.0	100.0	General uses	20,823.3	24,620.4	25,620.4	23.0	100.0

Source: Budget Laws of 1402 and 1403 and Budget Bill of 1403

In 1403 Bill, the Tax Revenues accounted for 51.4 percent of the General Sources, 9.7 and 8.4 percentage points above those in the 1402 Bill and Law, respectively. Moreover, the Tax Revenues proposed in 1403 Bill stood 41.4 percent above the legislated figure in 1402 Law. All in all, in 1403 Bill, IRR12,645.0 trillion was proposed for Tax Revenues, of which 48.4 percent was attributed to Indirect Tax (tax on goods and services and imports) and 51.6 percent to Direct Tax (on corporations, income and wealth). Among the components of the Direct Tax in 1403 Bill, the proposed figure for Corporate Tax accounted for 35.6 percent of the Tax Revenues in total and stood 53.3 percent above its corresponding figure in 1402 Law. Among the components

of Corporate Tax in 1403 Bill, Tax on Non-public Legal Entities accounted for 79.0 percent of the Corporate Tax and grew by 39.3 percent compared to that in 1402 Law. In 1403 Bill, the Tax on State-owned Companies grew by 9.9 percent compared to the legislated figure for that source in 1402 Law. Among the components of Corporate Tax, another source of IRR500.0 trillion has been considered associated with the businesses in the free zones that their 20-year tax exemption is over. The Income Tax that accounted for 12.0 percent of the Tax Revenues in 1403 Bill, grew by 33.3 percent compared to the corresponding figure in 1402 Law. Among the components of the Income Tax, Tax on Professions accounted for 40.3 percent of that

source of Budget and grew by 49.8 percent compared to its corresponding figure in 1402 Law. The Tax on Salary of Private Sector and Public Sector Employees, respectively, proposed up 20.0 percent and 19.9 percent from those in 1402 Law and formed 21.8 percent and 27.9 percent of the Total Income Tax in 1403 Bill. In 1403 Bill, Wealth Tax - as a major component of the Tax Revenues - was increased by 32.9 percent and the Tax on Share Transfers - as a subsidiary of Wealth Tax - by 68.7 percent compared to 1402 Law, conveying that the Government had expected the capital market to be bullish in 1403. Regarding Indirect Tax, the proposed figure for Tax on Goods and Services in 1403 Bill stood 54.5 percent above the legislated figure in 1402 Law and constituted 37.1 percent of the proposed Tax Revenues. The Value-added Tax accounted for 57.4 percent of the Tax on Goods and Services in 1403 Bill and grew by 43.0 percent compared to the approved figure of 1402 Law. Note that the one-percentage point rise in value-added tax rate (from 9 to 10 percent) has not been included in its corresponding source in 1403 Bill and has been separately estimated IRR500.0 trillion. Including this source in the revenues from Value-added Tax, this source of Budget rises to IRR3,195.0 trillion to stand 69.5 percent above its corresponding legislated figure in 1402 Law. In addition, this source would account for 68.0 percent of Tax on Goods and Services and 25.3 percent of the Tax Revenues in Total in 1403 Bill. In 1403 Bill, IRR196 trillion was proposed for Tax on Sales of Automotive to form 4.2 percent of the Tax on Goods and Services to stand 50 percent above the legislated IRR131 trillion in 1402 Law. The Tax on Imports (customs duty) accounted for 11.3 percent of the Tax Revenues in 1403 Bill and was decreased by 2.1 percent compared to the legislated figure of 1402 Law. In the same regard, the Tax on Imports of other goods (with 75.2 percent share in total tax on imports in 1403 Bill), grew by 17.5 percent compared to the legislated figure in 1402 Law. The Tax on Automotive Imports in 1403 Bill, nevertheless, fell by 16.6 percent compared to the approved figure in 1402 Law.

In 1403 Bill, the Current Expenditures constituted 73.3 percent of the General Uses and 19.5 percent above the corresponding figure in 1402 Law. On the basis of the IRI Parliament Research Center, in 1403 Bill the Compensation of Employees formed 62.1 percent of the Current Expenditures at IRR11,210.0 trillion. In 1403 Bill, IRR3,850.0 trillion was proposed for Pension Funds, accounting for 21.3 percent of the Current Expenditures. All in all, these 2 elements aggregated to IRR15,060.0 trillion, constituting 83.5 percent of the Current Expenditures in 1403 Bill. Hence, the Operating Balance Deficit in 1403 Bill reached IRR3,054.2 trillion, indicating that a considerable portion of Current Expenditures are financed via sources other than General Revenues.

Furthermore, in 1403 Bill the Proceeds from Exports of Oil and Natural Gas Condensates and Net Exports of Natural Gas were 6.6 percent below the corresponding figures in 1402 Law. It was decided that up to USD15 billion of this sort of revenues be converted to Rials at the USD/IRR exchange rate of 285 thousand to be allocated for imports of essential goods. As for the excessive oil revenues, the USD/IRR exchange of 396 thousand seems to be used for conversion. In addition, the Proceeds from Sales of Feedstock to the Domestic Petrochemical Producers that were excluded from Oil Revenues in General Sources in the Budget Laws of 1399 and 1400, were again included in that source in 1401 and 1402 Bills and Laws, but implicitly. This maintained in 1403 Bill, i.e., assuming sales of 67 thousand barrels per day at USD67.5 (95 percent FOB), the Proceeds from Sales of Feedstock to Domestic Petrochemical Producers was estimated USD3.8 billion, equaling to IRR653.2 trillion should the USD/IRR exchange rate for conversion rate be 396 thousand. Hence, the 85.5 percent share of Government in those Proceeds equaled IRR558.5 trillion. The assumptions used for calculation of Oil Revenues in USD and IRR are presented in Table 13.

Table 13. Proceeds from Oil, Gas Condensates and Natural Gas

Assumptions	1401 Law	1402 Law	1403 Bill	1403 Law	1403 Law to 1403 Bill Percentage Change	1403 Law to 1402 Law Percentage Change	1403 Bill to 1402 Law Percentage Change
Oil and Gas Condensates Exports (1000 barrels a day)	1,400.0	1,282.0	1,350.0	1,350.0	0.0	5.3	5.3
Sales of Feedstock to Domestic Petrochemical Companies (1000 barrels a day)	145.0	145.0	67.0	67.0	0.0	-53.8	-53.8
Oil Price per Barrel (USD)	70.0	75.0	71.0	71.0	0.0	-5.3	-5.3
Price of Gas Condensates per Barrel to Be Sold to Domestic Petrochemical Companies (USD)	66.5	71.3	67.5	67.5	0.	-5.3	-5.3
Share of National Iranian Oil Company (NIOC) in Exports of Oil and Gas Condensates (percent)	14.5	14.5	14.5	14.5	0.0	0.0	0.0
Share of National Iranian Gas Company (NIGC) in Net Exports of Natural Gas (percent)	14.5	14.5	14.5	14.5	0.0	0.0	0.0
Share of NDF in Exports of Oil and Gas Condensates and Net Natural Gas Exports (percent)	40.0	42.0	40.0	45.0	12.5	7.1	-4.8
Government Share in Exports of Oil and Gas Condensates (percent)	45.5	43.5	45.5	40.5	-11.0	-6.9	4.6
Government Share in Sales of Feedstock to Domestic Petrochemical Companies (percent)	85.5	85.5	85.5	85.5	0.0	0.0	0.0
Government Share in Net Exports of Natural Gas (percent)	45.5	43.5	45.5	40.5	-11.0	-6.9	4.6
Share of NIOC in Sales of Gas Condensates to Domestic Petrochemical Companies (percent)	14.5	14.5	14.5	14.5	0.0	0.0	0.0
Average USD/IRR Exchange Rate for Imports of Essential Goods (IRR1000 per USD)	230.0	285.0	285.0	285.0	0.0	0.0	0.0
Average USD/IRR Exchange Rate for Other Uses (IRR1000 per USD)	230.0	285.0	396.0	396.0	0.0	38.9	38.9
Net Exports of Natural Gas (USD billion)	3.6	6.2	3.5	3.5	0.0	-43.5	-43.5
Total Revenues from Exports of Crude Oil and Gas Condensates (USD billion)	35.8	35.1	35.0	35.0	0.0	-0.3	-0.3
Total Revenues from Sales of Feedstock to Domestic Petrochemical Companies (USD billion)	3.5	3.8	1.6	1.6	0.0	-56.3	-56.3
Share of NDF in Total Revenues in Foreign Currencies (USD billion)	15.7	17.3	15.4	17.3	12.5	-0.1	-11.2
Share of NIOC in Oil Exports and Domestic Sales of Feedstock (USD billion)	5.7	5.6	5.3	5.3	0.0	-5.7	-5.7
Share of NIGC in Natural Gas Net Exports (USD billion)	0.5	0.9	0.5	0.5	0.0	-43.5	-43.5
Government Share in Total Proceeds of Oil Exports (USD billion)	16.3	15.3	15.9	14.2	-11.0	-7.2	4.3
Government Share in Total Proceeds of Net Exports of Natural Gas (USD billion)	1.6	2.7	1.6	1.4	-11.0	-47.4	-40.9
Government Share in Sales of Feedstock to Domestic Petrochemical Companies (USD billion)	3.0	3.2	1.4	1.4	0.0	-56.3	-56.3
Proceeds from Exports of Crude Oil and Gas Condensates (Government share-IRR trillion)	3,743.3	4,350.9	4,638.6	4,038.2	-12.9	-7.2	6.6
Proceeds from Net Exports of Natural Gas (Government share-IRR trillion)	374.6	768.4	630.6	469.7	-25.5	-38.9	-17.9
Proceeds from Sales of Gas Condensates to Domestic Petrochemical Companies (Government share-IRR trillion)	692.1	918.9	558.5	558.8	0.0	-39.2	-39.2
Proceeds from Sales of Vacuum Bottom (Bitumen-IRR trillion)	0.0	200.0	0.0	0.0	-	-	-100.0
Total Government Oil Revenues (IRR trillion)	4,810.1	6,238.1	5,827.4	5,066.3	-13.1	-18.8	-6.6

Source: Budget Laws of 1401, 1402, and 1403; Budget Bill of 1403; Research Center of the IRI Parliament

In 1403 Bill, the proposed share of National Development Fund (NDF) was 40 percent of the Petrodollars. Given the assumptions, the NDF share equals USD15.4 billion in 1403 Bill, down 11.2 percent from that in 1402 Law.

The share of Government in Oil Revenues (exports of oil, gas condensates, net exports of natural gas as well as 85.5 percent share in sales of feedstock to domestic petrochemical producers) was proposed IRR5,827.4 trillion, accounting for 23.7 percent of the Government General Sources of 1403 Bill and 6.6 percent below that in 1402 Law. Deducting the IRR200 trillion from the sales of bitumen in 1402 Budget

Law, the 6.6 percent fall in 1403 oil revenues declines to 3.5 percent.¹ Furthermore, in 1403 Bill and as for the Disposal of Non-financial Assets, due to the fall in Oil Revenues and in order to finance the Uses of Budget, IRR618.2 trillion was proposed for the sales of Government Properties, 43.0 percent below the legislated figure of 1402 Law. However, from the weak realization ratio of this source relative to the legislated figures of the Budget Laws in recent years, it is grasped that the proposed figure in 1403 Bill in that regard is overestimated. All in all, the Disposal of Non-financial Assets in 1403 Bill, respectively, fell by 12.0 percent and 9.4 percent Compared to the 1402 Law and Bill to register IRR6,445.6

1. The proceeds from sales of bitumen were included in oil revenues in 1402 Law, while in 1403 Bill, that source is considered off-budget.

trillion and equivalent to 26.2 percent of the Government General Sources.

The Acquisition of Non-financial Assets proposed in 1403 Bill remained the same as the corresponding figure in 1402 Law at IRR3,750.0 trillion, constituting 15.2 percent of the General Uses in 1403 Bill. Hence, the Net Disposal of Non-financial Assets registered IRR2,695.6 trillion in 1403 Bill, i.e., part of the Current Expenditures were planned to be financed via Net Disposal of Non-financial Assets.

In 1403 Bill and in line with the budgeting system of Iran, part of the budget deficit was planned to be financed through Disposal of Financial Assets. Accordingly, issuance of IRR2,546.0 trillion of Government Debt Securities was considered in 1403 Bill, up 36.1 percent from the legislated figure of 1402 Law. The Issuance of Government Debt Securities accounted for 79.8 percent of the Disposal of Financial Assets and 10.3 percent of General Sources in 1403 Bill, up 16.6 and 1.4 percentage points from the corresponding figures in 1402 Law, respectively. In 1403 Bill, IRR600.0 trillion was proposed for the Disposal of State-owned Companies, indicating 43.4 percent fall compared to the corresponding figure in the 1402 Law. All in all, the IRR3,191.8 trillion of Disposal of Financial Assets in 1403 indicated 7.8 percent rise compared to 1402 Law and constituted 13.0 percent of the Government General Sources, down 1.2 percentage points from its share in 1402 Law.

The Acquisition of Financial Assets in 1403 Bill rose by 42.7 percent compared to that in 1402 Law, registering IRR2,833.0 trillion. This rise rooted in the Principal Repayment of Matured Securities in the aftermath of the increase in issuance of Government Debt Securities since 1399. The Principal Repayment in 1403 Bill amounted to IRR2,200 trillion, equivalent to 77.0 percent of the Acquisition of Financial Assets. Hence, the Net Disposal of Financial Assets in 1403 Bill was estimated IRR358.8 trillion.

The first section of 1403 Bill was delivered to the IRI Parliament in the late fall 1402 and was eventually passed by that authority and got the confirmation of the Guardian Council as the First section of 1403 Law on the last working day of 1402 and the second section including details became Law in the last month of spring 1403. The Sources and Uses of 1403 Law fell slightly by 0.3 percent compared to the corresponding proposed figures in 1403 Bill. This fall mainly roots in elimination of the double-counted figures at IRR1,200 trillion in 1403 Law. However, the proposed IRR24,620.4 trillion for

General Sources and Uses of Government was increased by 4.1 percent to IRR25,620.4 trillion in 1403 Law. The General Revenues rose by 6.7 percent in 1403 Law to IRR15,983.1 trillion compared to proposed figure in the Bill, mainly due to the IRR1,000.0 trillion (7.9 percent) rise in the Tax Revenues. Among the components of Direct Tax, the Corporate Tax that constituted 34.4 percent of the Tax Revenues expanded by 4.0 percent in 1403 Law compared to the proposed figure of 1403 Bill. Moreover, the Tax on Non-public Legal Entities grew by 4.8 percent in 1403 Law compared to 1403 Bill to IRR3,730.4 trillion. The Income Tax with 13.9 percent share in the Tax Revenues in 1403 Law stands 24.8 percent above the proposed figure in 1403 Bill in that regard. Among the major components of the Income Tax, the Tax on Professions and Tax on Salary of the Private Sector Employees, respectively, grew by 30.1 percent and 42.2 percent compared to 1403 Bill. The legislated figure of the Wealth Tax was 19.0 percent below the proposed figure in 1403 Bill, accounting for 2.9 percent of the Tax Revenues in 1403 Law. As for the components of the Indirect Taxes, in 1403 Law, the Tax on Goods and Services accounted for 38.4 percent of the Tax Revenues to stand 11.4 percent above the proposed figure of 1403 Bill. Moreover, the Tax on Imports (customs duty) that accounted for 10.4 percent of the Tax Revenues in 1403 Law, remained the same as its proposed figure in 1403 Bill. As for the Uses of Budget, the approved figure for the Current Expenditures in 1403 Law stood IRR750.0 trillion (4.2 percent) above the proposed figure of the Bill at IRR18,787.4 trillion, constituting 73.3 percent of the General Uses of 1403 Law. Hence, the Operating Balance Deficit in 1403 Bill at IRR3,054.4 trillion was decreased by 8.2 percent to IRR2,804.3 trillion in 1403 Law.

Among the components of the Disposal of Non-financial Assets, the share of NDF in Petrodollars in 1403 Law was increased by 5 percentage points to 45 percent compared to the 40 percent share in 1403 Bill, however the estimated Oil Revenues did not change. Accordingly, given the assumptions in the Law and Bill of 1403, the NDF share in Petrodollars in 1403 was supposed to rise to USD17.3 billion, USD1.9 billion above the proposed figure of the Bill. Hence, the estimated oil revenues in 1403 Law faces IRR761 trillion deficit in this regard. In order to cover that deficit, either the USD value of oil and gas condensates exports or the USD/IRR exchange rate for their conversion should be increased. It seems that the USD/IRR exchange rate of 285 thousand had been used for conversion of foreign proceeds up to USD15 billion for imports of essential goods and for amounts in excess of USD15 billion, the conversion rate of 396 thousand

had been used in 1403 Bill. In order to offset the deficit from the rise in NDF share in 1403 Budget Law compared to the Bill, the rate of 396 thousand is supposed to be increased to 770 thousand. Meanwhile, the Acquisition of Non-financial Assets in 1403 Law was approved at IRR4,000 trillion, up 6.7 percent from the IRR3,750 trillion in 1403 Bill. Hence, the Net Disposal of Non-financial Assets in 1403 Law registered IRR2,445.6 trillion and 9.3 percent below that of 1403 Bill.

All in all, the Net Disposal of Financial Assets in 1403 Law remained the same as the proposed figure of 1403 Bill at IRR358.8 trillion. Disposal as well as Acquisition of Financial Assets in 1403 Law, respectively accounted for 12.5 percent and 11.0 percent of the General Source and Uses and both fell by 0.5 percentage point compared to the Bill.

3-2. Government Fiscal Performance

While preparing this Annual Report, only the data on Tax Revenues and Issuance of Government Debt Securities were officially issued and the data on the realization of Government Budget figures in 1403 were obtained from Supreme Audit Court of Iran and unofficial sources. Accordingly, in 1403, the actual Government General Sources and Uses, respectively, registered IRR30,800.0 trillion and IRR31,200.0 trillion with realization ratios of 120.2 percent and 121.7 percent. This 1.5 percentage points gap between the 2 realization rates translates to IRR400.0 trillion Overall Budget Deficit that has been finance through the revolving funds with the CBI. Note that in the report of the Supreme Audit Court of Iran, another IRR4,740.0 trillion was included in the General Sources and Uses - in the form of offsetting of assets and liabilities - which causes the corresponding figures in the report of this authority to rise to IRR35,560 trillion and IRR35,960 trillion, respectively. However, in this section the added figure of IRR4,740.0 trillion is excluded in our analyses. On the basis of the report of the same authority, in 1403, the Subsidies Reform Plan faced IRR2,645 trillion deficit that was financed through the sources of General Budget.

The General Revenues of Government (tax revenues and other) in 1403 reached IRR15,838.8 trillion, accounting for 99.1 percent of the legislated figure in the Law. In order to estimate the Imports Tax and other General Revenues of the Government for the year 1403 as a whole, the 11-month realization ratios of these sources of Budget from the report of the Supreme Audit Court of Iran have been used. The actual Government General Expenditures on the other had reached IRR23,356.9 trillion in the same period (124.3 percent of the legislated) and caused the

Operating Balance Deficit to register IRR7,518.1 trillion, which reaches IRR10,163.1 trillion by including the Subsidies Reform Plan deficit. It is noteworthy that in this Annual Report, the Government Current Expenditures is derived from the deduction of estimated Acquisition of financial and non-financial assets from the figure of the Total General Uses reported by Supreme Audit Court of Iran.

The disposal of Non-financial Assets realized 55.9 percent of its approved figure in 1403 Law to reach 3,601.1 trillion in 1403. In the same period, 61.4 percent of the oil revenues at IRR3,594.9 trillion was realized. As for the Sales of Government Properties in the first 11 months of 1403, only 1.0 percent of the legislated figure has been realized, translating to Government failure in that regard. It is estimated that in 1403 as a whole, 59.6 percent of the legislated Acquisition of Non-financial Assets (development expenditures) was materialized at IRR2,385.8 trillion. Subsequently, the Net Disposal of Non-financial Assets in 1403 is supposed to have a surplus of IRR1,215.3 trillion which covers part of the Operating Balance Deficit. Due to lack of annual data on the Disposal and Acquisition of Non-financial Assets, their 11-month realization ratios have been the base of the estimated annual analyses in that regard.

The Net Disposal of Financial Assets has played a key role in financing Operating Balance Deficit in 1403 like its preceding years with 355.9 percent realization of legislated figure in Budget Law at IRR11,360.1 trillion. On the basis of the CBI data on the weekly auctions of Government Debt Securities (Murabaha) and given the IRR450.0 trillion

Treasury Bonds issued for offsetting of government debt to its creditors (AKHZA), it is estimated that the actual financing of budget deficit via Issuance of Government Debt Securities in 1403 account for 188.2 percent of the legislated figure in 1403 Law at IRR4,792 trillion, constituting 42.2 percent of Disposal of Financial Assets and 15.6 percent of the General Sources in Total. Since the Government Treasury Bonds are zero-coupon², an average 30 percent discount rate has been used for calculation of finance through this method. Besides, according to the Privatization Organization, the actual Disposal of State-owned companies in 1403 covered 54.9 percent of its approved Budget figure at IRR329.7 trillion. Note that in the year 1403, IRR449.8 trillion of the disposals has taken place through Debt Settlement to Government Creditors which are not included in calculations. In addition, despite the ban on withdrawal from NDF share in the Petrodollars in 1403 Law, the report of the Supreme Audit Court suggests that in 1403, IRR4,266 trillion of NDF funds has been withdrawn by the Government that included in Disposal of Financial Assets, constituting around 13.9 percent of the General Sources of Government in 1403 as a whole. Precisely speaking, in addition to the IRR140 trillion borrowing from the NDF in 1403 based on the permit of its preceding year, the Government enjoyed from another 20 percentage points share of the NDF in the petrodollars following the consent of the IRI Supreme Leader. Moreover, IRR450 trillion of the resources resulting from this new permit were transferred to the 1404 budget to cover General Uses for the following year that is not reflected in sources of 1403 budget performance, according to the Supreme Audit Court of Iran report.

The General Sources of the Government Budget totals IRR28,827.8 trillion by considering the tax revenues reported by Iranian National Tax Administration (INTA), estimated oil revenues, CBI data on sales of Government Debt Securities, data on Disposal of State-owned Companies released by the Privatization Organization and finally withdrawal from the NDF based on the news from the Supreme Audit Court of Iran. However, the aggregated figure of IRR28,827.8 trillion is different from the corresponding figure in the report of the Supreme Audit court by IRR1,972 trillion. This difference, has been included as a component of the Disposal of Financial Assets - in subgroup of Other - in this Annual Report to make various reports on the performance of Government Budget comparable.

Moreover, the Acquisition of Financial Assets in 1403 reached IRR2,812 trillion, accounting for 99.3 percent of the legislated figure in 1403 Law. Out of this IRR2,812 trillion, 79.0 percent was spent for principal repayment of the matured Government Debt Securities on the basis of the Ministry of Economic Affairs and Finance. Note that due to lack of data, the actual figures for other components of the Acquisition of Financial Assets in 1403 as a whole, have been estimated based on their 11-month realization ratios in the Supreme Audit Court report. Accordingly, IRR8,547.8 trillion is estimated for the Net Disposal of Financial Assets in 1403, accounting for 27.8 percent of the actual General Sources of Budget in 1403. The estimated Fiscal Performance of the Government is shown in Table 14.

2. A zero-coupon bond is an investment in debt that does not pay interest but instead trades at a deep discount.

Table 14. Estimated Government Fiscal Performance in 1403 (IRR trillion-percent)

	1403 Bill	1403 Law	11-Month Realized in 1403	Estimated Realized in 1403	Realization Ratio in 1403	Share in Actual General Sources and Uses in 1403
Sources	24,620.4	25,620.4	23,640.0	30,800.0	120.2	100.0
General Revenues	14,983.0	15,983.0	14,137.2	15,838.8	99.1	51.4
Tax Revenues	12,645.0	13,645.0	12,056.0	13,568.4	99.4	44.1
Corporate Tax	4,507.5	4,687.5	4,796.8	5,434.6	115.9	17.6
Income Tax	1,519.5	1,897.1	1,995.0	2,259.7	119.1	7.3
Wealth Tax	495.7	400.8	267.0	311.1	77.6	1.0
Goods and Services Tax	4,697.4	5,234.6	3,826.4	4,285.9	81.9	13.9
Imports Tax	1,425.0	1,425.0	1,170.8	1,277.2	89.6	4.1
Other Revenues	2,338.0	2,338.0	2,081.2	2,270.4	97.1	7.4
Disposal of Non-financial Assets	6,445.6	6,445.6	3,301.1	3,601.1	55.9	11.7
Receipts from Crude Oil and Oil Products	5,827.4	5,827.4	3,295.3	3,594.9	61.7	11.7
Disposal of Properties	618.2	618.2	5.7	6.2	1.0	0.0
Disposal of Financial Assets	3,191.8	3,191.8	6,201.8	11,360.1	355.9	36.9
Sales of Islamic Debt Securities	2,546.0	2,546.0	3,387.4	4,792.2	188.2	15.6
Disposal of State-owned Companies	600.0	600.0	172.5	329.7	54.9	1.1
Use of National Development Fund	0.0	0.0	2,600.0	4,266.0	-	13.9
Other	45.8	45.8	42.0	1,972.2	-	6.4
Uses	24,620.4	25,620.4	24,300.0	31,200.0	121.8	100.0
Current Expenditures	18,037.4	18,787.4	19,604.4	23,356.9	124.3	74.9
Acquisition of Non-financial Assets	3,750.0	4,000.0	2,187.0	2,385.8	59.6	7.6
Acquisition of Financial Assets	2,833.0	2,833.0	2,508.6	2,812.3	99.3	9.0
Subsidies Reform Plan Deficit	0.0	0.0	2,690.0	2,645.0	-	8.5
Overall Budget Deficit	0.0	0.0	-660.0	-400.0	-	-
Revolving Fund with the CBI	0.0	0.0	660.0	400.0	-	-
Operating Balance	-3,054.4	-2,804.4	-5,467.2	-7,518.1	-	-
Net Disposal of Non-financial Assets	2,695.6	2,445.6	1,114.0	1,215.3	-	-
Net Disposal of Financial Assets	358.8	358.8	3,693.2	8,547.8	-	-
Operating Balance (Subsidies Reform Plan Deficit included)	-3,054.4	-2,804.4	-8,157.2	-10,163.1	-	-

Source: Budget Law and Budget Bill of 1403; Supreme Audit Court of Iran; Ministry of Economic Affairs and Finance; Iranian National Tax Administration; IRI Parliament Research Center; Central Bank of Iran

The data issued by INTA as well as some unofficial sources suggest that 99.4 percent of the approved figure for tax revenues has been realized in 1403, with Direct Taxes with 114.6 percent realization ratio. As for the components of the Direct Taxes, Income Tax outperformed the other components by 119.1 percent realization ratio. The actual Tax on Salary of Private Sector Employees constituted 40.8 percent of the Income Tax and enjoyed the highest realization ratio of 152.8 percent among other subgroups of Income Tax in 1403. The actual Tax on Salary of the Public Sector Employees with 19.5 percent share in total Income Tax registered IRR441.2 trillion in 1403, up 27.3 percent from that of 1402 and overshooting 16.7 percent of its approved figure in 1403 Law. The actual Tax on Professions grew by 50.7 percent from 1402 to constitute 34.4 percent of the total Income Tax in 1403 and account for 97.6 percent of its legislated figure in 1403 Law.

In 1403, the actual Corporate Tax registered IRR5,434.6

trillion, overshooting its approved figure in 1403 Law by 15.9 percent. Out of this actual figure, 81.0 percent at IRR4,403.6 trillion is attributed to the Non-public Legal Entities. In addition, in the same year, 338.8 percent of the approved Tax on Performance of State-owned Companies was realized and this component constituted 11.5 percent of the actual Corporate Tax with the highest realization ratio. As for other subgroups of the Direct Tax, the Wealth Tax experienced the lowest realization ratio of 77.6 percent and among its components, the actual Tax on Transfer of Shares reached IRR75.6 trillion with 52.4 percent realization ratio. The Tax on Vacant Houses experienced the weakest realization ratio of 0.1 percent as a component of Wealth Tax.

In 1403, 83.5 percent of the legislated figure for Indirect Taxes was realized at IRR5,563.0 trillion, indicating 25.2 percent rise compared to 1402. Out of the actual Indirect Taxes, 77.0 percent belonged to Tax on Goods and

Services and 23.0 percent to Tax on Imports. The actual Tax on Goods and Services realized 81.9 percent of its approved figure in 1403 Law to register IRR4,285.9 trillion, up 32.6 percent from that of 1402 and constituting 31.6 percent of Tax Revenues in Total. In addition, the actual Value-added Tax that accounted for 61.1 percent of actual

Tax on Goods and Services in 1403, realized 69.8 percent of the corresponding legislated figure. Besides, the actual Tax on Imports grew by 5.6 percent compared to 1402 and with realization ratio of 89.6 percent, formed 9.4 percent of the actual Tax Revenues in Total. Table 15 presents the Government Performance in Tax Revenues in 1403.

Table 15. Performance of Tax Revenues (IRR trillion-percent)

	Realized in 1402	1403 Law	Realized in 1403	1403 to 1402 Change in Realization	1403 Realization Ratio	Share of Components in Realized Tax Revenues in 1403
Tax Revenues	9,317.8	13,645.0	13,568.4	45.6	99.4	100.0
Direct Tax	4,874.8	6,985.4	8,005.4	64.2	114.6	59.0
Corporate Tax	3,164.4	4,687.5	5,434.6	71.7	115.9	40.1
Income Tax	1,424.1	1,897.1	2,259.7	58.7	119.1	16.7
Wealth Tax	286.3	400.8	311.1	8.7	77.6	2.3
Indirect Tax	4,443.0	6,659.6	5,563.0	25.2	83.5	41.0
On Goods and Services	3,233.0	5,234.6	4,285.9	32.6	81.9	31.6
On Imports	1,210.0	1,425.0	1,277.2	5.6	89.6	9.4

Source: 1402 and 1403 Budget Laws; Iranian National Tax Administration; Islamic Republic News Agency (IRNA)

The Issuance of Government Debt Securities in 1403 Law was legislated IRR2,546.0, up 61.3 percent from the corresponding figure of 1402. In the year 1403, the CBI in cooperation with the Ministry of Economic Affairs and Finance started to hold the weekly auctions of Government Debt Securities in Money Market and Capital Market from mid-spring and till the end of the 7th month of the year, the all IRR2,540.6 trillion Government Debt Securities (approved for the whole year) were issued. Hence, the Government request for Issuance of another IRR2,700 trillion Debt Securities was consented.

The CBI data on the auctions of the Debt Securities reveals that 38 rounds of auctions have been held in 1403 with IRR4,746.0 trillion Murabaha Securities issued and the accumulated supply of IRR10,321.4 trillion. Out of the supplied Securities, IRR2,139.1 trillion was demanded by banks and non-bank credit institutions and IRR2,057.1 of that demand was approved by the Ministry of Economic Affairs and Finance. During 1403, IRR2,442.6 trillion of auctioned Government Debt Securities were sold in the Capital Market. Accordingly, in 1403 the traded Government Debt Securities through auctions reached

IRR4,499.7 trillion to stand 190.1 percent above the IRR1,551.1 trillion in 1402. Note that IRR246.3 trillion (5.2 percent) of the total figure for Issuance of Debt Securities is considered price discount as interest payment. Given the IRR246.3 trillion price discount, in fact the Government has raised IRR4,499.7 trillion from the IRR4,746.0 trillion Securities issued.

On the basis of the Ministry of Economic Affairs and Finance, IRR3,191.0 trillion of Government Debt Securities has been purchased by banks and non-bank credit institutions in 1403 that is totally distinct from the reported figure of the CBI. A comparison between the reported figures of the aforementioned authorities reveals that the banks and non-bank credit institutions have purchased IRR1,133.9 trillion in the Capital Market, not directly through the auctions in the Money Market. Hence, the share of banks and non-bank credit institutions in purchase of Government Debt Securities registered 70.9 percent in 1403. Table 16 illustrates the details of the auctions of Government Debt Securities held by the CBI during 1402 and 1403.

Table 16. Government Debt Securities Auctions Held by the CBI (IRR trillion-percent)

Month	1402					1403					Growth Rate of Traded in Money Market	Growth Rate of Traded in Capital Market	Growth Rate of Total Traded
	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded			
02	0.0	0.0	0.0	0.0	0.0	1,048.6	11.9	10.9	10.0	20.9	-	-	-
03	0.0	0.0	0.0	0.0	0.0	1,655.2	348.1	348.1	75.4	423.5	-	-	-
04	0.0	0.0	0.0	0.0	0.0	792.9	9.8	9.8	261.9	271.7	-	-	-
05	874.2	256.5	148.4	58.5	206.9	1,017.3	324.0	324.0	128.8	452.8	118.3	120.2	118.8
06	628.9	0.0	0.0	164.3	164.3	807.4	70.9	70.9	231.6	302.5	-	41.0	84.1
07	753.6	9.0	9.0	51.3	60.3	1,172.5	48.8	22.7	486.1	508.7	151.4	847.9	743.8
08	816.4	1.0	1.0	287.0	287.9	862.4	382.8	382.8	0.0	382.8	39,362.9	-100.0	32.9
09	578.3	19.1	0.0	126.4	126.4	295.9	110.6	110.6	172.9	283.5	-	36.8	124.3
10	519.7	35.7	34.5	151.8	186.3	250.0	48.0	48.0	192.1	240.1	39.1	26.5	28.9
11	454.0	0.0	0.0	65.9	65.9	815.6	255.7	243.7	257.2	500.9	-	290.3	660.0
12	1,058.1	91.6	148.5	304.6	453.1	1,593.6	528.7	485.7	626.6	1,112.3	227.1	105.7	145.5
Total	5,683.1	412.8	341.4	1,209.8	1,551.1	10,321.4	2,139.1	2,057.1	2,442.6	4,499.7	502.6	101.9	190.1

Source: Central Bank of Iran

In addition to the auctions, the Government also issues debt securities through two other distinct methods: First, selling Murabaha Debt Securities in the capital market via an underwriter, and second, providing government creditors with Islamic Treasury Bonds in exchange of its debts. In 1403, IRR450.0 trillion Islamic Treasury Bonds were disposed through the second method, but not disposal took place via the first method contrary to selling IRR60.0 trillion Murabaha Debt Securities via underwriting in 1402. Accordingly, the Issuance of Government Debt Securities registered IRR5,196.0 trillion in total in 1403, indicating 51.8 percent rise from its preceding year.

From mid-summer of 1400 onwards, the data on the debt market transactions (sum of the primary and the secondary markets) by its market players (Government, CBI, banks, Investment Funds, etc.) has been issued by the Over the Counter (OTC). Accordingly, from mid-summer

1400 to the end of 1403, the net accumulated purchase of Government Debt Securities by the CBI and the Investment Funds registered IRR3,855.4 trillion and IRR4,329.8 trillion, respectively. Note that as the CBI is prohibited from purchase of such securities in the primary market (IPO), the net purchase of this authority is attributed to the secondary market only. The banks that were mainly suppliers of the Government Debt Securities from mid-summer 1400 to the end of that year (negative net accumulated purchase of IRR556.3 trillion in the primary and secondary markets), shifted to the demand side from that point onwards. The net purchase of Government Debt Securities by banks reached IRR802.9 trillion through primary and secondary markets during 1403. The net accumulated purchase of government debt securities by the banks from mid-summer 1400 to the end of 1403 registered about IRR1,699.4 trillion.

3-3. Privatization

The Iranian Privatization Organization started the Disposal of State-owned Companies from 1380, and till the end of 1403, out of the total Privatization, 50.8 percent took place through Tehran Stock Exchange (TSE), 5.7 percent through Over the Counter (OTC), 43.4 percent through auctions, and 0.1 percent through negotiations. Also, 54.3 percent of the disposals materialized in terms of settlement of government debt to its creditors, indicating that this part

of the Privatization has not taken place through market mechanisms. In this period, the "Justice" shares accounted for 3.2 percent of the total Privatization. Table 17 presents the performance of the Iranian Privatization Organization by type of disposals from 1380 to 1403 at current prices. The inappropriate way of direct transfer for debt settlements that had been terminated from 1396 to 1398 - no company was disposed through this way in that period - was again

revived from 1399 to 1403 and accounted for 61.5 percent, 100.0 percent, 50.9 percent, 99.2 percent and 40.7 percent

of the total Privatization in the years 1399, 1400, 1401, 1402 and 1403, respectively.

Table 17. Performance of the Iranian Privatization Organization by Various Types (at current prices-IRR trillion)

	1380-1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403
Sales of Shares or Assets to the Public	757.9	26.2	29.9	10.7	3.7	32.2	471.8	0.0	1,426.3	5.2	831.7
Settlement of Debts (direct transfer)	307.2	1.2	19.0	0.0	0.0	0.0	753.6	823.9	1,480.5	629.9	569.7
Justice Shares (direct transfer)	266.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales Value	1,331.4	27.3	48.9	10.7	3.7	32.2	1,225.3	823.9	2,906.8	635.1	1,401.4
Percent of Total Disposals	15.8	0.3	0.6	0.1	0.0	0.4	14.5	9.8	34.4	7.5	16.6

Source: Iranian Privatization Organization

No data on realization of disposal of shares and disposable assets at constant 1395 prices were issued in 1403, however, it could be estimated that 2.2 percent of total disposals has taken place in 1403 at constant prices. Moreover, from the beginning of disposals to the end of 1403, about 49.8 percent of the disposals was to the Public, 29.7 percent was carried out for Settlement of Debt to Creditors, and 20.5 percent

was by Justice shares, at constant prices. Table 18 exhibits the performance of the Iranian Privatization Organization by various disposal types from 1380 to 1403 at constant 1395 prices, based on the SCI's consumer price index. Although, considering the consumer price index per se is not the best option for calculating the performance of Privatization at constant prices, it is the only available option.

Table 18. Privatization by Disposal Type (at constant 1395 prices-IRR trillion)

	1380-1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403
Sales of Shares or Assets to the Public	1,919.1	28.5	29.9	9.8	2.6	15.9	157.8	0.0	222.8	0.5	62.8
Settlement of Debt (direct transfer)	662.7	1.3	19.0	0.0	0.0	0.0	252.1	188.5	231.2	64.6	43.0
Justice Shares (direct transfer)	1,007.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales Value	3,589.6	29.8	48.9	9.8	2.6	15.9	409.9	188.5	454.0	65.2	105.8
Percent of Total Disposals	73.0	0.6	1.0	0.2	0.1	0.3	8.3	3.8	9.2	1.3	2.2

Source: Iranian Privatization Organization, annual performance statistics on the value of disposition of shares and assets of companies qualified for being disposed (at current prices); SCI, consumer price index; Research calculations

During 1403, about 69.4 percent of the disposals took place in TSE, 19.9 percent in auctions, 10.4 percent in OTC and 0.2 percent via negotiation. Tables 19 and 20 illustrate

performance of the Iranian Privatization Organization by market type at current prices and also at constant 1395 prices, respectively.

Table 19. Privatization by Market Type (at current prices-IRR trillion)

	1380-1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	Share in Total in 1403
TSE	812.8	21.7	12.7	1.1	0.1	2.3	760.2	9.5	1,426.3	253.2	973.0	69.4
OTC	170.7	3.0	0.5	0.0	0.2	29.9	129.3	0.0	0.0	0.1	146.0	10.4
Negotiation	1.4	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	3.0	0.2
Auction	325.6	2.6	35.7	9.6	3.2	0.0	335.8	814.4	1,480.50	381.8	279.4	19.9
Total Sales Value	1,310.6	27.3	48.9	10.7	3.7	32.2	1,225.3	823.9	2,906.8	635.1	1,401.5	100.0

Source: Iranian Privatization Organization

Table 20. Privatization by Market Type (at constant 1395 prices-IRR trillion)

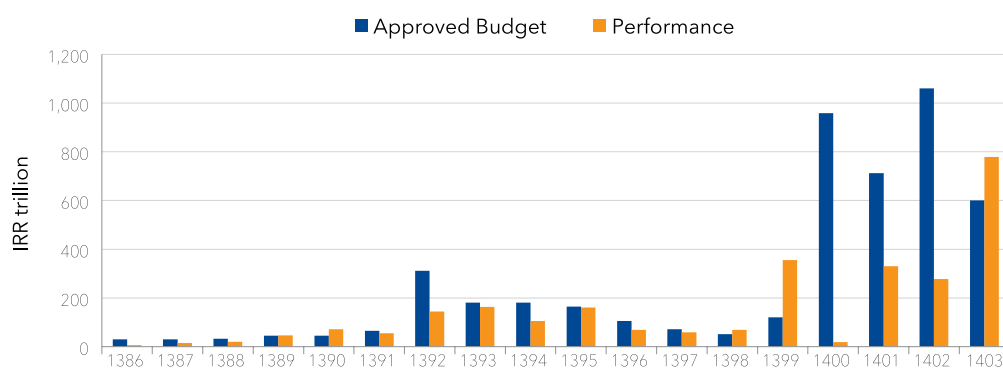
	1380-1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	Share in Total in 1403
TSE	2,439.6	23.6	12.7	1.0	0.1	1.1	254.3	2.2	222.8	26.0	73.5	69.4
OTC	401.4	3.2	0.5	0.0	0.1	14.7	43.3	0.0	0.0	0.0	11.0	10.4
Negotiation	4.5	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Auction	744.1	2.9	35.7	8.8	2.2	0.0	112.3	186.4	231.2	39.2	21.1	19.9
Total Sales Value	3,589.6	29.8	48.9	9.8	2.6	15.9	409.9	188.5	454.0	65.2	105.9	100.0

Source: Iranian Privatization Organization, annual performance statistics on the value of disposition of shares and assets of companies qualified for being disposed (at current prices); SCI, consumer price index; Research calculations

According to the Iranian Privatization Organization report, IRR329.6 trillion of Privatization revenues was deposited with the Treasury in 1403. In the same year, IRR449.8 trillion of disposals took place through Debt Settlement. All in all, in the year 1403, the disposal of State-owned Companies totaled IRR779.4 trillion, overshooting the legislated figure

in 1403 Budget Law by 29.9 percent and should the figure of the Debt Settlement be excluded, the 129.9 percent realization ratio diminishes to 54.9 percent. A Comparison between the legislated and realized figure of Privatization in terms of Disposal of Shares of Stat-owned Companies is depicted in Graph 5.

Graph 5. Government Performance in Privatization



Source: Iranian Privatization Organization

3-4. Targeted Subsidies Plan

In 1403 Law and for 7 consecutive years, the details of the Sources and Uses of the Subsidies Reform Plan have been presented in a table that is more comprehensive than those in its preceding years. In fact, share of National Iranian Oil Company in Proceeds from Sales and Exports of Oil Products, Cost of Distribution and Sales of Energy Carriers, and Imports of Oil Products and Electricity are financed via Proceeds from Sales of Oil Products, Natural

Gas, Electricity, and Water. Moreover, the Organization of Targeted Subsidies uses the remaining funds for Cash and Non-cash Subsidies to Households, Decreasing Absolute Poverty, Health Promotion, Subsidy on Bread and Guaranteed Purchase of Wheat. The Sources and Uses of the Subsidies Reform Plan in 1402 and 1403 Laws are presented in Table 21.

Table 21. Targeted Subsidies Plan Sources and Uses in Budget Laws of 1402 and 1403 (IRR trillion-percent)

Sources				Uses				
Description	1402 Law	1403 Law	1403 to 1402 Growth Rate in Law	Corresponding Sector	Description	1402 Law	1403 Law	1403 to 1402 Growth Rate in Law
Domestic Sales of Oil Products	926.8	1,208.0	30.3	Treasury	VAT on Domestic Sales of Oil Products and Natural Gas	485.3	180.0	-62.9
Export of Oil Products	2,918.5	3,000.0	2.8					
Domestic Sales of Natural Gas	2,753.1	2,750.0	-0.1	Total Treasury		485.3	180.0	-62.9
Other Source of National Iranian Oil Company and its Subsidiaries	0.0	630.0	-	National Iranian Gas Company	Cost of Production, Distribution, and Sales of Natural Gas	243.8	80.0	-67.2
				National Iranian Oil Products Refining and Distribution Company	Charges for Transportation, Storage, and Distribution of Oil Products	390.0	432.0	10.8
					National Iranian Oil Company	0.0	50.0	-
				National Iranian Oil Company	14.5 Percent Share of National Iranian Oil Company from Exports and Domestic Sales of Oil Products	348.5	0.0	-100.0
				Total Cost of Production, Distribution and Transportation		982.3	562.0	-42.8
				Support of Production in Energy Sector		280.0	0.0	-
					Imports of Oil Products	0.0	800.0	-
					Uses of Energy Saving	0.0	50.0	-
				Other	Exempting Schools from Paying Gas, Electricity, and Water Bills and 2 Percent of the Price of Fuel Delivered to Aircrafts	0.9	0.0	-100.0
				Total Other		0.9	850.0	-
				Total Payables		1,748.4	1,592.0	-8.9
				Uses of Organization of Targeted Subsidies	Cash and Non-cash Subsidies to Households and Livelihood Assistance, Essential Goods, Bread and Medicine Subsidies	4,400.0	5,329.0	21.1
					Other	450.0	667.0	48.2
				Total Uses of Organization of Targeted Subsidies		4,850.0	5,996.0	23.6
Total Sources	6,598.4	7,588.0	15.0	Total Uses		6,598.4	7,588.0	15.0

Source: 1402 and 1403 Budget Laws

In 1403 Law, the Total Sources of the Subsidies Reform Plan - completely from the Sales of Energy Carriers - was estimated IRR7,588.0 trillion, 15.0 percent up from that of 1402 Law. Among the components of the Sources of the Plan, Proceeds from Domestic Sales and Exports of Oil Products grew by 30.3 percent and 2.8 percent, respectively, compared to 1402 Law. In addition, the Proceeds from the Domestic Sales of Natural Gas fell by 0.1 percent to IRR2,750.0 trillion in 1403 Law. The Proceeds from Sales of Feedstock to the domestic petrochemical

producers that were transferred to the Sources of the Subsidies Reform Plan in 1399 and 1400 from the Total Oil Revenues in General Sources of Government Budget, were again included in the General Sources of 1403 Law and excluded from the Sources of the Subsidies Reform Plan implicitly. In 1403 Law like the years prior to 1400, the Sources and Uses of Electricity and Water to the subscribers have been omitted from the Sources and Uses of the Subsidies Reform Plan.

According to 1403 Law, same as its preceding years, the Sources of the Subsidies Reform Plan are supposed to be spent for 2 sorts of Uses. The first group of Uses is associated with the Treasury, National Iranian Oil Products Refining and Distribution Company, National Iranian Oil Company, National Iranian Gas Company, Supporting Production in Energy Sector, and etc. This sort of Uses that are classified as off-plan, rose by 8.9 percent in 1403 Law compared to 1402 Law, however, its share in Total Uses in 1403 Law has declined. In addition, IRR800 trillion has been considered in off-plan uses under the title of "Imports of Oil Products" with 50.3 percent share in total off-plan uses. The second group of Uses directly deals with the objectives of the Plan expanded by 23.6 percent and its share in 1403 Law registered 79.0 percent to stand above the 73.5 percent of 1402. As for the second group, in 1403 Law, Cash and Non-cash Subsidies to Households and Livelihood Assistance, Subsidies on Essential Goods, Bread, and Medicine grew by 21.1 percent compared to the 1402 Law, accounting for 88.9 percent of the second

group of Uses and 70.2 percent of the Total Uses of the Subsidies Reform Plan.

Obviously, the Subsidies Reform Plan has not completely complied with the forecasted figures in 1403 Law in practice. In this regard, on the basis of the Supreme Audit Court of Iran, the Plan faced a deficit of IRR2,645.0 trillion in 1403 that was finance via the Sources of General Budget and the Revolving Fund of the Treasury and out of that figure, IRR345 trillion is attributed to its preceding year. On the basis of the same authority, in the first 11 months of 1403, only 53.0 percent of the legislated figure for Sources of the Plan in 1403 Law is realized, i.e., IRR3,686.5 trillion of the approved IRR6,955.7 trillion that had resulted in a deficit of IRR3,269.2 trillion. IRR2,690.0 trillion of this deficit, has been financed through Sources of General Budget as well as the Revolving Fund of the Treasury in the 11-month period under review. Accordingly, it seems that probably 579.2 trillion of the Uses of Plan has not materialized in the same period, however no data in that regard was issued.

4. BALANCE OF PAYMENTS

The Balance of Payments (BOP) which encompasses the Current Account, the Capital Account as well as the Errors and Omissions is estimated USD712 million by the CBI for the first 9 months of 1403, far below the USD1.2 billion of the first 9 months of 1402.

Even though the Current Account surplus of USD6.3 billion in the first 9 months of 1402 surged by 157.4 percent to USD16.2 billion in the first 9 months of 1403 and the Capital Account deficit of USD18.9 billion declined to USD14.0 billion during the same period, the BOP declined as a result of the changes of the Errors and Omissions. The surprisingly large figure of USD13.9 billion of Errors and Omissions in the first 9 months of 1402 equaled 92.3 percent of the Goods Account and 32.8 percent of the oil exports in that period. Even though the corresponding figure for this BOP component fell to negative USD1.4 billion in 1403, it is still considered large and solely signals an effort for more accuracy in BOP calculations.

The Current Account itself, consists of four components of Goods Account, Services Account, Income Account and Current Transfers Account. The Goods Account that is in fact the difference of the value of goods exports and imports and includes both oil and non-oil imports and exports, expanded by 68.8 percent to USD25.4 billion in the first 9 months of 1403 from USD15.0 billion in the same period of 1402. The non-oil trade balance deficit in the first 9 months of 1403 contracted by 10.3 percent to USD23.4 billion. However, much of the expansion in Goods Account

is attributed to the oil exports and imports. The value of the oil exports that had registered USD42.3 billion in the first 9 months of 1402 grew by 42.3 percent to USD50.0 billion in the first 9 months of 1403, mainly due to the rise in the quantity of oil exports. Moreover, the value of imports of natural gas as well as oil products did not change much, causing the trade oil balance to expand by 18.6 percent during the period under discussion.

The value of goods imports in the first 9 months of 1403 registered USD60.7 billion, up 2.9 percent from the USD59.0 billion of the same period of its preceding year, mainly thanks to the non-oil imports (other goods excluding natural gas and oil products). The value of imports of natural gas and oil products¹ that had totaled USD228 thousand in the year 1401, surged to USD1.3 billion in the first 9 months of 1403 as a result of the rise in the imports of fuel and gasoline and the exacerbation of energy supply crisis in Iran.

The Services Account deficit grew by 0.7 percent to USD8.1 billion in the first 9 months of 1403 from the USD8.0 billion of the same period of 1402. The Income Account deficit also rose to USD880 million from USD649 million during the same period. Table 22 presents the BOP in detail.

Table 22. Balance of Payments (USD million-percent)

	First 9 Months of 1402 (A)	1402 as a whole	First 9 Months of 1403 (B)	Percentage Change of B to A
Current Account	6,277	8,592	16,155	157.4
Goods Account	15,044	21,077	25,388	68.8
Exports (FOB)	74,092	100,519	86,130	16.2
Oil	42,315	56,796	50,071	18.3
Non-oil	31,788	43,723	36,059	13.5
Imports (FOB)	59,049	79,442	60,742	2.9
Gas and Oil Products	1,174	2,504	1,276	8.7
Others	57,874	76,938	59,466	2.7
Services Account	-8,075	-11,159	-8,128	0.7
Income Account	-649	-1,288	-880	35.7
Current Transfers Account	-43	-38	-226	421.0
Net Capital Account	-18,938	-19,882	-14,046	-25.8
Errors and Omissions	13,886	11,178	-1,397	-
Overall Balance	1,225	-112	712	-41.9

Source: Central Bank of Iran

1. Including customs and non-customs imports of oil products, natural gas, natural gas condensates and liquids

The BOP in the first 9 months of 1403 is translated to the improvement in Iran's international trade on the one hand and the continuation of the Capital Account deficit on the other hand. The remarkable expansion of Goods Account surplus due to the rise in oil and non-oil exports and the negligible increase in imports, contributed to the escalation of the Current Account. However, this expansion was eventually offset by the capital flight as well as the fall in the unidentified sources (Errors and Omissions), resulting in the fall in the Overall Balance in the first 9 months of 1403 compared to the same period of its preceding year. In other words, despite the contribution of exports to the BOP, the capital flight in conjunction with the uncertainties in the economy and lack of foreign direct investment are still the main obstacles of BOP stability that might adversely affect the foreign reserves of the country.

On the basis of the Islamic Republic of Iran Customs Administration (IRICA), during 1403 the customs exports of goods registered 151.0 million tons valued at USD57.8 billion, while that of the imports registered 39.2 million tons valued at USD72.4 billion, causing the customs trade deficit to fall to USD14.5 billion in 1403 from USD16.8 billion in 1402, due to faster growth of exports than imports in 1403. Under such circumstances, the exchange rate policy of the CBI has played a dual role, i.e., the rise in foreign exchange rates is more appealing for the exporters than importers

and on the contrary, the economic rents from multiple exchange rate system serves as the main reason of over-invoice of imports and under-invoice of exports.

In the year 1403, customs goods exports of Iran expanded by 10.0 percent in weight and by 15.6 percent in value and the customs goods imports of the country contracted by 0.8 percent in weight, while in terms of value expanded by 8.2 percent. In the same year, 61.644 million tons of petrochemicals valued at USD24.914 billion have been exported, indicating 27 percent rise in weight and 28 percent rise in value compared to 1402. Natural Gas, Liquefied Propane, and Liquefied Butane were the top 3 exports items of Iran in 1403 with respective exports values of USD6.866 billion, USD3.635 billion, and USD2.211 billion.

As for the imports items of Iran in 1403, Crude Oil, Cattle Feed Corn as well as Smart Phones were the top 3 with respective values of USD8.051 billion, USD2.978 billion and USD2.402 billion, followed by Oil Cake at USD1.954 billion, Soybean at USD1.318 billion, Trucks at USD1.273 billion, Rice at USD1.266 billion and finally Parts and Accessories of Motor Vehicles at USD1.053 billion. The details of Iran's customs trade in 1402 and 1403 are presented in Table 23.

Table 23. Iran's Customs Trade in 1402 and 1403

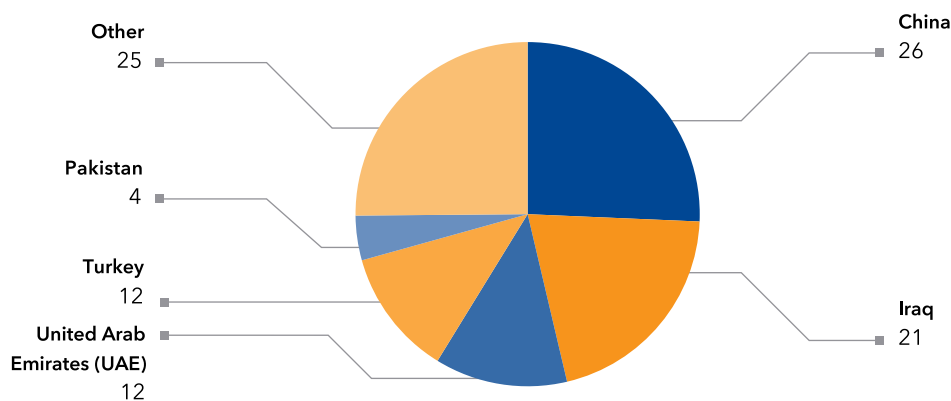
	1402			1403			Percentage Change	
	Weight (1000 tons)	Value (USD million)	Value to Weight Ratio (USD per ton)	Weight (1000 tons)	Value (USD million)	Value to Weight Ratio (USD per ton)	Weight	Value
Exports	138,118	50,028	362	151,971	57,844	381	10.0	15.6
Imports	39,561	66,877	1,690	39,258	72,375	1,844	-0.8	8.2
Customs Trade Balance	98,557	-16,849	-	112,713	-14,531	-	14.4	-13.8

Source: Islamic Republic of Iran Customs Administration

In the year 1403, much of Iran's customs exports - 74.9 percent of its total value - destined for China, Iraq, UAE, Turkey and Pakistan as the top 5 exports destinations of the country. During the period under review, the customs exports to China registered USD14.8 billion, constituting 25.7 percent of the total value of the customs exports of Iran. As for the remaining top exports destinations, 20.6

percent of Iran's customs exports is attributed to Iraq at USD11.9 billion, 12.5 percent to UAE at USD7.2 billion, 11.9 percent to Turkey at USD6.9 billion and 4.2 percent to Pakistan at USD2.4 billion. The major exports destinations of Iran in 1403 are shown in Graph 6 by their shares in total exports of Iran.

Graph 6. Major Custom's Exports Destinations of Iran in 1403 by Their Shares in Total (percent)

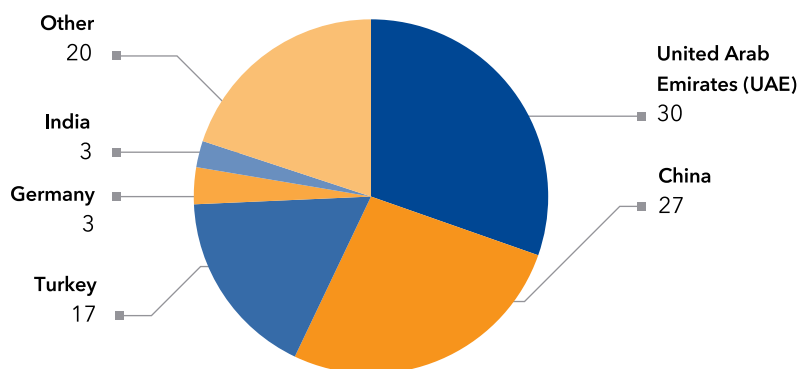


Source: Islamic Republic of Iran Customs Administration

In the same year, the value of UAE exports to Iran registered USD22.0 billion to form 30.4 percent of Iran's value of imports in that year as the top one source of imports of Iran. The 2nd and 3rd places of customs exports to Iran are, respectively, occupied by China and Turkey at USD19.3 billion and USD12.5 billion and shares of 26.7 percent and 17.2 percent in total imports value of Iran. Accordingly, the top 3 sources of Iran's customs imports

provided 74.3 percent of the countries import needs, translating to exerting substantial risk of concentration to the country's international trade. Moreover, Germany with USD2.4 billion and India with USD1.7 billion of exports to Iran served as the 4th and 5th sources of Iran's imports with respective shares of 3.4 percent and 2.4 percent shares in total value of Iran's customs imports. The major sources of Iran's customs imports in 1403 are shown in Graph 7.

Graph 7. Major Sources of Custom's Imports of Iran in 1403 by Their Shares in Total (percent)



Source: Islamic Republic of Iran Customs Administration

The IRICA statistics suggest USD74,317 billion for Iran's customs trade (imports and exports values in aggregate) with its neighboring countries in 1403, indicating 21.0 percent annual expansion. Among Iran's neighbors,

Saudi Arabia experienced the highest annual rise in its trade value with Iran in 1403, followed by Turkey with 63 percent, Qatar with 46 percent, and Afghanistan with 28 percent annual rises in the same year.

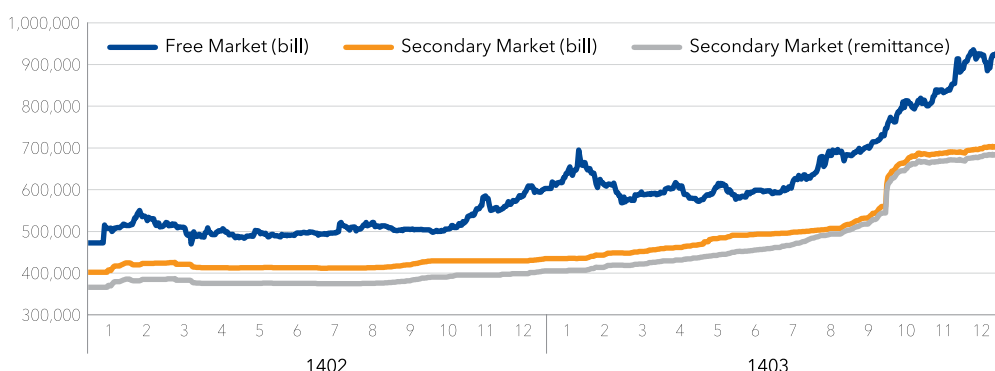
5. FOREIGN EXCHANGE MARKET

The USD price in the Iranian free market opened the first trading day of 1403 at IRR619 thousand and by 58.1 percent rise, closed that year at IRR978 thousand. The Iranian free market for foreign exchanges was highly volatile during 1403, mainly due to the political developments in various scales of domestic, regional and international.

The Rial depreciation that had boosted from winter 1402 due to the political developments in the Middle East, intensified in spring 1403 and by the end of the first month of that year, the free-market USD price rose to IRR700 thousand. The USD/IRR exchange rate stepped in a downward path from the second month of 1403 and till the

end of summer 1403 was hovering around 600 thousand. In fall 1403, again USD started to gain value against IRR and continued a steep continuous upward trend till the end of 1403. Graph 8 depicts the developments of the USD/IRR exchange rates in various markets in 1402 and 1403.

Graph 8. USD/IRR Exchange Rates in Various Markets in 1402 and 1403*



Source: Central Bank of Iran; Gold, Coin, and Currency Information Network
 * From the 9th month of 1403, the Commercial Foreign Exchange Market was added to the secondary market. In its initial stages, limited number of importers and exporters were able to trade foreign exchanges in the newly-established market albeit at higher rates. From the 11th month of 1403 all foreign exchange transactions in secondary market (except for imports of essential goods) were subject to be done in the new subdivision.

The upward path of the free-market USD/IRR exchange rate that had started since winter 1402, extended to the year 1403 and on the last day of the new-year holidays intensified. In response to the reciprocal action of Iran to the Israel attack on the IRI Consulate in Syria, the free-market USD/IRR exchange rate surpassed 660 thousand. However, once the tensions subsided, that rate reversed course from the second month of 1403 and in the aftermath of the winning of the moderate party in the early IRI Presidential Election, the free market for foreign exchanges calmed down in the early summer. Notwithstanding the

various political circumstances in summer 1403 including assassination of the chairman of the Hamas Political Bureau in Tehran that again casted shadow of pessimism over the Iranian economy, that quarter was less volatile than spring 1403. In summer 1403, the USD price in the free market averaged IRR590 thousand to stand 3 percent below that of its preceding quarter. Nevertheless, that calm foreign exchange market during summer 1404 did not last long and as the tensions ignited in the region once again in the late summer, the IRR also started to lose value against USD. The depreciation of IRR against the USD intensified

throughout fall 1403 in response to the limited attacks of Israel on some Military sites of Iran in mid-fall, reelection of Trump in the US Presidential Election and Fall of the Asad Regime in Syria by the end of that quarter. All in all, the USD/IRR exchange rate opened fall 1403 at around 600 thousand and closed that quarter at 762 thousand to average 675 thousand, indicating 14 percent rise compared to the average of its preceding quarter. The IRR experienced further depreciation in winter 1403 and the USD/IRR exchange rate even surpassed 800 thousand in that quarter. Right after the new US Administration took

office in Jan 2025, new sanctions were imposed on Iran - especially on its oil sales network - and the IRI Government reluctance to negotiate with the USA - despite its willingness in its early days - altogether resulted in the air of pessimism in the Iranian FOREX market and from mid-winter 1403, the USD price exceeded IRR900 thousand and finally closed the year 1403 at IRR978 thousand. The USD/IRR exchange rate in winter 1403 averaged 862 thousand to stand 28 percent above that of its preceding quarter. Table 24 presents the developments of the nominal USD/IRR bill exchange rate in various quarters of 1402 and 1403.

Table 24. Nominal Free-Market USD/IRR Bill Exchange Rates

	Average	Maximum	Minimum	Standard Deviation	Coefficient of Variation
Spring 1402	507,908	550,510	469,830	20,163	0.04
Summer 1402	493,654	508,610	483,100	5,045	0.01
Fall 1402	506,254	521,500	492,410	6,954	0.01
Winter 1402	554,401	609,200	499,490	34,305	0.06
1402	514,999	609,200	469,830	30,633	0.06
Spring 1403	611,620	695,000	568,500	27,926	0.05
Summer 1403	593,642	616,910	572,200	10,961	0.02
Fall 1403	675,159	773,650	595,500	44,376	0.07
Winter 1403	862,096	977,800	762,400	56,146	0.07
1403	684,269	977,800	568,500	112,741	0.16

Source: Central Bank of Iran; Gold, Coin and Currency Information Network; research calculations

The figures in Table 24 suggest that the Iranian free market for foreign exchanges have experienced highest volatility, respectively, in winter and fall 1403. Moreover, on the basis of the most recent CBI data while preparing this Annual Report, the Net Foreign Assets of the CBI at the end of 1402 has diminished compared to its preceding month and during its 11 succeeding months in 1403 has slightly changed. Hence, part of the stability of the Iranian foreign exchange market in the first half of 1403 could be attributed to the CBI exercises in the market, coinciding with the air of optimism due to the inauguration of a moderate Government in Iran. The data on the Net Foreign Assets of the CBI indicates that in the first 2 months of winter 1403, the CBI has not been able or willing to control the foreign exchange market.¹

The USD/IRR bill and remittance exchange rates in Iran Center for Exchange of Currency and Gold (secondary market) that were changing slightly in the first 8 months of 1403, severely increased from the beginning of fall 1403. Meanwhile, from the early fall 1403, another market was launched in the secondary market known as the Commercial Foreign Exchange Market, in which limited foreign exchange transactions took place at higher prices

than the previous official ones. However, it was planned that from the beginning of the 2nd month of winter 1403 all foreign exchange transactions (except for imports of essential goods) materialize in the newly established market, translating to putting an end to the previous official market exchange rates. Urging the Iranian exporters to supply their foreign proceeds within Iran, eliminating the economic rents from the exchange rate differential in various markets and finally moving towards the exchange rate unification were amongst the main objectives of establishing the Commercial Foreign Exchange Market. As a result of the rise in the secondary market exchange rates, the gap between the USD/IRR bill exchange rate in the free market and the secondary market narrowed down by 10 percentage points to 19 percent in the initial month of winter 1403 from its preceding month. However, it did not last long and due to the political tensions in winter 1403 and the air of pessimism in the market, that gap again rose to 25 percent and 32 percent in the last 2 months of winter 1403, respectively, albeit still blow those in the 3 months of spring 1403. As for the USD/IRR remittance rate, its difference with the USD/IRR free-market bill exchange rate that had exceeded 55 percent in the first month of 1403, reversed course from its following month and its

1. For further information in this regard take a look at the chapter of Monetary Policy

downward path maintained till the end of summer 1403. The gap between the 2 aforementioned rates stepped in an upward path from the beginning of fall 1403 and ultimately registered 22 percent, 28 percent, and 35 percent in the 3 consecutive months of winter that year. Accordingly, contrary to what was supposed to, the political tensions did not let the Commercial Foreign Exchange Market to

evaporate the gap between the exchange rates in various markets. On the basis of Iran Center of Exchange of Gold and Currency, from the beginning of the Commercial Foreign Exchange Market to the last trading day of the year 1403, the volume of transactions in terms of USD has totaled USD6.758 billion.

6. MONETARY POLICY

6-1. Monetary Aggregates

At the end of 1403, the Liquidity (M2) registered IRR101,742.3 trillion, indicating 29.1 percent annual expansion. Note that as the CBI was yet to publish the end-of-year details of the components of the monetary aggregates while preparing this Annual Report, details of the 11th month of 1403 are presented in the following sections. Accordingly, at the end of the 11th month of 1403, M2 registered IRR99,420.1 trillion to stand 27.8 percent above that of the same point in 1402 and 26.2 percent above that of the end of 1402. The monthly growth rate of

M2 averaged 2.2 percent in 1403, up from the average of 1.8 percent in its preceding year, signaling that the banks have not observed the decreed cap on monthly growth rate of their assets sometimes in 1403. As for the Monetary Base (M0), this monetary aggregate reached IRR12,729.4 trillion at the end of the 11th month of 1403, respectively, 22.0 percent and 16.6 percent above its levels in the same point of 1402 and at the end of 1402. Table 25 presents developments of M2 and M0 with their components at the end of the 11th month of 1403.

Table 25. Developments of M2 and M0 with Their Components (IRR trillion-percent-percentage point)

	End of Period Balance			Growth Rate at the End of 11/1403 from		Share in Growth Rate at the End of 11/1403 from	
	11/1402	12/1402	11/1403	11/1402	12/1402	11/1402	12/1402
Monetary Base (M0)	10,433.4	10,921.3	12,729.4	22.0	16.6	22.0	16.6
CBI Foreign Assets (net)	3,075.4	18,537.1	28,149.9	815.3	51.9	240.3	88.0
CBI Claims on Public Sector (net)	-199.2	-1,786.8	-828.5	-315.9	-53.6	-6.0	8.8
CBI Claims on Public Sector	4,421.1	4,742.8	6,192.8	40.1	30.6	17.0	13.3
Public Sector Deposits with CBI	4,620.3	6,529.6	7,021.3	52.0	7.5	-23.0	-4.5
CBI Claims on Banks	6,821.2	7,713.5	9,670.2	41.8	25.4	27.3	17.9
Other Assets (net)	736.0	-13,542.5	-24,262.2	-	79.2	-239.6	98.2
Balance of Implementation of Monetary Policy	1,610.3	2,040.0	3,402.5	111.3	66.8	17.2	12.5
Liquidity (M2)	77,795.9	78,774.5	99,420.1	27.8	26.2	Share in Liquidity at the End of	
						12/1402	11/1403
Money (M1)	19,273.8	19,146.4	25,072.0	30.1	30.9	24.3	25.2
Notes and Coins with the Public	1,286.0	1,468.8	1,523.0	18.4	3.7	1.9	1.5
Sight Deposits	17,987.8	17,677.6	23,549.0	30.9	33.2	22.4	23.7
Checks (net)	250.3	522.6	632.1	152.5	21.0	0.7	0.6
Quasi-Money	58,522.1	59,628.1	74,348.1	27.0	24.7	75.7	74.8
Interest-free Saving Deposits	6,834.7	7,603.5	10,412.7	52.4	36.9	9.7	10.5
Short Term Deposits	16,608.4	16,865.4	20,119.5	21.1	19.3	21.4	20.2
One-year Deposits	14,727.2	14,508.7	15,931.6	8.2	9.8	18.4	16.0
Two-year Deposits	4,035.1	4,183.5	3,116.0	-22.8	-25.5	5.3	3.1
Three-year Deposits	14,247.6	14,382.9	21,701.9	52.3	50.9	18.3	21.8
Four-Year Deposits	3.6	3.6	300.3	-	-	0.0	0.3
Five-year Deposits	65.5	65.2	64.0	-2.3	-1.8	0.1	0.1
Miscellaneous Deposits	2,000.0	2,015.3	2,702.1	35.1	34.1	2.6	2.7
M2 Money Multiplier	7.46	7.21	7.81	4.7	8.3	-	-

Source: Central Bank of Iran

The annual growth rate of M2 that had started to decline thanks to the implementation of the CBI macroprudential policy from the second half of 1400, reached its low of 24.1 percent in the first month of 1403 and was volatile till the end of the 7th month of that year. Standing still at 28.1 percent in its 2 succeeding months, the M2 growth rate registered 28.4 percent, 27.8 percent and 29.1 percent in 3 consecutive months of winter 1403. From a quarterly view point, M2 has expanded by around 2.0 percent in spring, by 2.8 percent in summer, and by 1.9 percent both in fall and winter 1403 on average per month. Hence, the higher monthly M2 growth rate in 1403 compared to 1402 is attributed to the higher growth rate of that monetary aggregate in summer 1403, due to the withdrawal of IRR500 trillion legal reserves with the CBI by the banks, aiming for allocation of mandatory facilities.

An examination of M2 by its components, Money (M1) and Quasi-money, reveals that in the 11th month of 1403, the former has expanded by 30.9 percent and the latter by 24.7 percent from the end of 1402. In the same point, M1 constituted 25.2 percent of M2, up 0.9 percentage point from its share in M2 at the end of 1402. At the end of the 11th month of 1403, the three-year deposits and the two-year deposits as the components of Quasi-money, respectively expanded by 50.9 percent and contracted by 25.5 percent from the end of 1402. The considerable expansion of the three-year deposits throughout 1403 emanates from the arbitrary waiver of the penalty for prematurity withdrawal by some banks and also conversion of matured one-year and two-year deposits to the three-year deposits with higher interest rate.

The M1 (notes and coins in circulation and sight deposits), interest-free saving deposits, and short-term deposits altogether formed 55.9 percent of the Liquidity at the end of the 11th month of 1403 which is considered a large share. The share of three-year deposits in liquidity in the same point registered 21.8 percent, below the share of sight-deposits in Liquidity at 23.7 percent. All in all, the shares of Liquidity components in this monetary aggregate convey that in the first 11 months of 1403, investment in long-term deposits has not been desirable. Subsequently, further rise in the share of sight deposits in Liquidity in the last month of 1403Q4 seems plausible, translating to more inflationary effect of the Liquidity.

The Monetary Base reached IRR12,729.4 trillion at the end of the 11th month of 1403, indicating 16.6 percent rise from the end of 1402 and 22.0 percent from the same period of 1402. The annual growth rate of M0 reached its low of 21.1 percent in the second month of 1403, but reversed course and continually increased in its 3 following months. The annual growth rate of M0 suddenly fell to 18.7 percent in the last month of summer 1403, far below the 41.7 percent at the end of summer 1402. The annual growth rate of M0, in a downward path registered 21.3 percent, 20.7 percent, and 20.0 percent in the 3 consecutive months of 1403Q3, but reversed course and, respectively, registered 21.2 percent and 22.0 percent in the first and second months of 1403Q4. At the end of the 11th month of 1403, the Net CBI Foreign Assets has expanded by 51.9 percent from the end of 1402, with the highest contribution of 88.0 percentage points to the M0 growth rate among its other components during the period under discussion. On the basis of the CBI report, the 51.9 percent rise in the Net CBI Foreign Assets has been mainly due to the rise in the USD/IRR exchange rate used for conversion of the assets denominated in foreign currencies to Rial. Accordingly, it is inferred that probably the weighted USD/IRR exchange rate¹ at the end of each month has been used for conversion of CBI foreign assets from the last month of 1402 onwards, far above the fixed USD/IRR conversion rate of 42 thousand that was previously used. Reconverting the Net CBI Foreign Assets to USD using the end of month weighted USD/IRR exchange rate, it is concluded that at the end of the 11th month of 1403, the Net CBI Foreign Assets has not only expanded but has also experienced a slight fall from the end of 1402. Given the USD/IRR exchange rate of 42 thousand used for asset conversion in the 11th month of 1402, the annual growth rate of the Net CBI Foreign Assets at the end of the 11th month of 1403 reaches 815 percent to form 240 percentage points of the annual growth rate of M0 during the period under discussion. Obviously, the considerable annual growth rate of Net CBI Foreign Assets is also attributed to the rise in USD/IRR exchange rate for conversion, i.e., the Net CBI Foreign Assets in USD at the end of the 11th month of 1403 indicates annual growth rate of negative 33 percent, considering this component as factor of decrease in M0 in the 12-month period under review.²

Given these explanations, in fact the CBI claims on banks

1. The weighted exchange rate solely represents a weighted average of USD/IRR bill and remittance exchange rates in the secondary market and the USD rate of IRR285 thousand for imports of essential goods. This rate registered IRR377 thousand at the end of 1402.

2. The weighted USD/IRR exchange rate at the end of the 11th month of 1403 and the end of 1402, registered 573 thousand and 377 thousand, respectively. The USD/IRR exchange rate for conversion of foreign assets prior to devise of the weighted rate registered 42 thousand. Hence, the value of Net CBI Foreign Assets in USD using these rates is calculated USD49.1 billion at the end of the 11th month of 1403, USD49.2 billion at the end of 1402, and USD73.2 billion at the end of the 11th month of 1402.

with 25.4 percent growth rate and 17.9 percentage points share has been the main driver of the M0 growth rate at the end of the 11th month of 1403 compared to the end of 1402, followed by Net CBI Claims on the Public Sector with 8.8 percentage points contribution to M0 growth rate in the same period. At the end of the 11th month of 1403, CBI Claims on Public Sector grew by 30.6 percent and Public Sector Deposits with CBI grew by 7.5 percent compared to the end of 1402 to make the Net CBI Claims on the Public Sector the second factor of increase in the M0 growth rate in the same period.

At the end of the 11th month of 1403, the CBI Net Other Assets that generally takes negative values, expanded by 79 percent from the end of 1402 (got larger in absolute value), in

order to offset the effect of the rise in USD/IRR exchange rate used for conversion of Net CBI Foreign Assets. Due to the negative nature of the CBI Net Other Assets, this component has served as the major factor of decrease in the M0 growth rate by negative 98.2 percentage points share at the end of the 11th month of 1403. At the end of the 11th month of 1403, the CBI Net Other Assets remained negative, despite the 67 percent expansion in the Balance of the Implementation of the Monetary Policy as its subgroup- normally taking positive values. As for the annual growth rate of the CBI Net Other Assets, the same logic holds, i.e., the negative 240 percentage points share in the annual growth rate of M0 roots in the CBI exercise to eliminate the effect of the increase in the USD/IRR exchange rate used for conversion of Net Foreign Assets.

6-2. Sources and Uses of the Iranian Banking System

The aggregated balance sheet of the banks and non-bank credit institutions reveals that at the end of the 11th month of 1403, their Assets (or Liabilities) less below the line items have grown by 46.6 percent from the same point in 1402 and by 43.0 percent from the end of 1402. On the Assets side, Foreign Assets, Claims on Non-public Sector, and Other Assets, respectively, were the top 3 contributors to both the annual and 11-month growth rates of the Assets. Note that in the aftermath of the revision of M0 components in the CBI

books from the dates 1400 and after, the Deposits with the CBI includes those in IRR only and the deposits in foreign currencies are included in Other Assets of the banks. On the Liabilities side, Deposits of Non-public Sector, Foreign Liabilities, and Other Liabilities were the top 3 drivers of the annual and 11-month expansions of the Liabilities. A summary of Assets and Liabilities of the banks and non-bank credit institutions is presented in Table 26.

Table 26. Summary of Assets and Liabilities of Banks and Non-bank Credit Institutions (IRR trillion)

	End of Period Balance			Share of Banks and Non-bank Credit Institutions at the End of 11/1403			Percentage Change in 11/1403 from	
	11/1402	12/1402	11/1403	Public Commercial	Public Specialized	Non-public	11/1402	12/1402
Assets (excluding below the line items)	138,584.6	142,022.3	203,161.0	47,285.8	29,933.7	125,941.5	46.6	43.0
Foreign Assets	23,203.0	23,854.1	46,413.3	6,996.9	10,977.6	28,438.8	100.0	94.6
Notes and Coins	168.4	191.9	363.0	163.1	22.1	177.8	115.6	89.2
Deposits with the CBI	8,979.0	9,260.6	10,843.4	2,704.6	720.0	7,418.8	20.8	17.1
Claims on Public Sector	9,193.8	9,749.4	13,048.7	5,999.1	2,962.9	4,086.7	41.9	33.8
Claims on Non-public Sector	64,414.7	66,509.0	83,814.6	17,372.2	11,343.2	55,099.2	30.1	26.0
Others Assets	32,625.7	32,457.3	48,678.0	14,049.9	3,907.9	30,720.2	49.2	50.0
Liabilities (excluding below the line items)	138,584.6	142,022.3	203,161.0	47,285.8	29,933.7	125,941.5	46.6	43.0
Deposits of Non-public Sector	76,509.9	77,305.7	97,897.1	24,980.0	8,800.3	64,116.8	28.0	26.6
Debt to CBI	6,821.2	7,713.5	9,670.2	3,016.6	1,814.8	4,838.8	41.8	25.4
Deposits of Public Sector	458.7	392.0	704.9	331.5	257.4	116.0	53.7	79.8
Capital Account	1,210.8	2,599.6	3,987.3	327.8	937.2	2,722.3	229.3	53.4
Foreign Deposits	19,668.9	20,479.7	38,954.0	6,341.7	9,600.9	23,011.4	98.0	90.2
Other Liabilities	33,915.1	33,531.8	51,947.5	12,288.2	8,523.1	31,136.2	53.2	54.9

Source: Central Bank of Iran

At the end of 1403, the balance of extended facilities by banks registered IRR106,789.8 trillion, up 51.5 percent from the IRR70,682.3 trillion in the same point of 1402. The balance of deposits also grew by 47.6 percent to IRR135,254.5 trillion in the same period. Accordingly, the ratio of extended facilities to deposits less legal

reserves reached 86.3 percent at the end of 1403, only 1.1 percentage point above that of the end of 1402. The balance of extended facilities and deposits of the banks and non-bank credit institutions at the end of 1403 are presented in Table 27.

Table 27. Balances of Facilities and Deposits in IRR and Foreign Currencies (end of period - IRR trillion)

	12/1402	12/1403	Percentage Change
Extended Facilities	70,682.3	106,789.8	51.1
Deposits	91,629.2	135,254.5	47.6
Deposits Less the Required Reserves	82,974.0	123,756.1	49.2
Ratio of Extended Facilities to Deposits Less the Required Reserves (percent)	85.2	86.3	-

Source: Central Bank of Iran

During 1403, IRR76,643.0 trillion facilities has been extended to various sectors of the economy by the banking system, indicating 32.9 percent rise compared to its preceding year. Out of the total extended facilities in the period under discussion, 77.8 percent, equivalent to IRR59,658.6 trillion is attributed to the businesses (individuals and legal entities) and the remaining 22.2 percent at IRR16,984.4 trillion to the final consumers (households). Going over the extended facilities by

various sectors of the economy reveals that during 1403, Industries and Mining sector had the highest share of 40.3 percent in total extended facilities to the businesses, followed by Services sector at 39.4 percent. Among various types of extended facilities, in the same period, 78.0 percent of extended facilities to businesses and 60.7 percent of the total extended facilities were attributed to the Working Capital. The extended facilities by type of recipients in 1403 are shown in Table 28.

Table 28. Extended Facilities by Type of Recipients in 1403 (IRR trillion - percent)

Sector of the Economy	Amount	Share in Businesses
Agriculture	3,210.5	5.4
Industries and Mining	24,060.4	40.3
Housing and Construction	2,827.3	4.7
Commerce	5,996.8	10.1
Services	23,514.0	39.4
Miscellaneous	49.5	0.1
All Sectors	59,658.6	Share in Total
		77.8
Final Consumers (households)	16,984.4	22.2
Total	76,643.0	100.0

Source: Central Bank of Iran

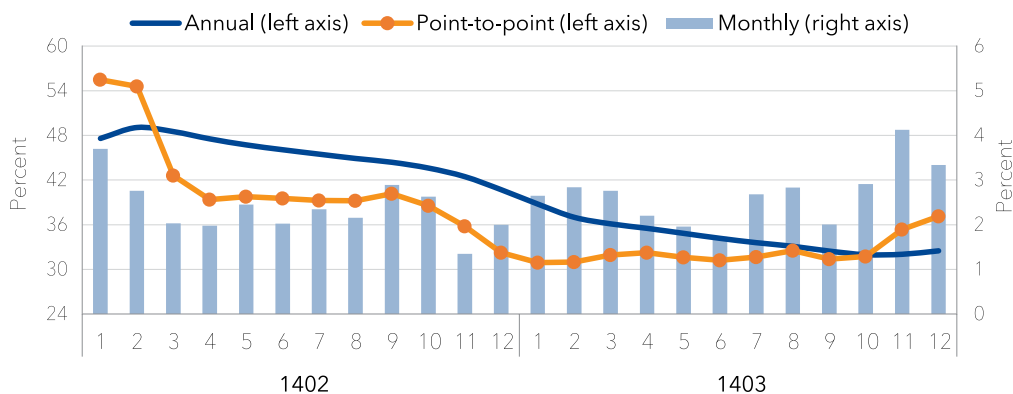
7. PRICES AND INFLATION

The downward path of the annual Consumer Price Index (CPI) inflation rate that had started from the early 1402 extended to 1403 and maintained till the 11th month of that year. On the basis of the SCI, the annual CPI inflation rate opened the year 1403 at 38.8 percent and in a downward path reached its low of 32.0 percent in the 11th month of that year. Finally, by 0.5 percentage point rise, that rate closed the year 1403 at 32.5 percent.

Moreover, the point-to-point CPI inflation rate that was hovering around 32.0 percent during the first 10 months of 1403, started to rise from winter that year and closed the year 1403 at 37.1 percent. The highest monthly CPI

inflation rate was experienced in the 11th month of 1403 at 4.1 percent, while the lowest in its 6th month at 1.7 percent. Graph 9 depicts the developments of the CPI inflation rates in 1402 and 1403.

Graph 9. CPI Inflation Rates



Source: Statistical Center of Iran

The annual CPI inflation rate started to decline from the end of spring 1402 thanks to the implementation of the CBI macroprudential policy in 1400. The SCI reports suggest that the annual CPI inflation rate that was continually standing above 40 percent in 1402, fell below that level in the first month of 1403 to register 38.8 percent. Maintaining its downward path, the annual CPI inflation rate registered its low of 32.0 percent in the 11th month of 1403 but with a slight rise closed that year at 32.5 percent. The point-to-point CPI inflation rate that was relatively stable during much of the year, started to rise to 31.7 percent in the 10th month of 1403 and finally closed that year at 37.1 percent. Hence, contrary to its downward

path in winter 1402, the point-to-point CPI inflation rate was increasing throughout winter 1403. The monthly CPI inflation rate that took different values in 1403 was higher than that of 1402 on average and registered its high of 4.1 percent in the 11th month of 1403 and its low of 1.7 percent in the 6th month of that year, both above the corresponding monthly rates in 1402. On the basis of the CBI report on the monetary aggregates, except in summer 1403, the CBI cap on the monthly growth rate of the banks' assets has been observed by the banks, hence the upward paths of the annual and point-to-point CPI inflation rates in winter 1403 could be partly attributed to the rise in the monthly growth rate of the banks' assets in summer 1403.¹

1. For further information in this regard look at the chapter: Monetary Policy

Even though the CBI has ceased official issuance of CPI data since the last month of 1401, the CPI inflation rate calculated by this authority for the year 1403 based on unofficial sources is 35.8 percent, above the 32.5 percent of the corresponding rate of the SCI. As for the end of the year point-to-point CPI inflation, similarly, the reported 39.7 percent rate by the CBI stood above the 37.1 percent of the SCI report. Despite these different rates, both rates have followed similar trends.

An examination of the CPI inflation rates by the 12 groups of the consumption basket of goods and services in the last month of 1403 in the SCI report reveals that the highest annual inflation rate of 39.8 percent is attributed to Housing, Water, Electricity, and Other Fuels, while the lowest rate of 21.1 percent belongs to Communication. The group of Other itself, experienced the highest annual and point-to-point inflation rates of 48.3 percent and 5.1 percent, respectively, in the same month and the lowest point-to-point and monthly inflation rates in the period under review, respectively, belonged to Communication at 23.6 percent and Education at 0.1 percent.

Going over the SCI consumption basket on the basis of the weights assigned to each group, the annual inflation rate in Housing, Water, Electricity, and Other Fuels with the highest weight in the basket registered its low of 39.3 percent at the end of spring 1403. That rate started to rise from the early summer to reach its high of 41.0 percent in the first month of fall 1403, but again reversed course and in a continuous

downward path closed the year 1403 at 39.8 percent. The point-to-point inflation rate of the same group peaked 42.1 percent in the 2nd month of summer and till the end of fall 1403 reached 38.0 percent, but that trend slowed down in winter and closed that quarter at 37.1 percent. The monthly inflation rate in the same group was highly volatile and took different values throughout 1403. The annual inflation rate in Foods and Beverages that takes the 2nd highest weight in the consumption basket based on SCI, continually fell from the beginning of 1403 and from 37.3 percent in the first month of that year fell to its low of 26.0 percent in the first month of winter 1403 and finally closed that year at 28.0 percent. The point-to-point inflation rate in the same group experienced an upward path in much of the year 1403 but in the summer. The upward path of the point-to-point inflation rate in Foods and Beverages intensified in winter 1403 and closed the year at 41.0 percent, far above its opening rate of 23.6 percent. From a monthly view point, inflation rate in Foods and Beverages was highly volatile. The developments of the inflation rates in the top 2 groups of the consumption basket by weight that altogether constitute 65.0 percent of the weights of the SCI consumption basket indicates that at the end of 1403, the annual inflation rate in the former group has increased while in the latter has decreased compared to the corresponding rates at the end of 1402. The inflation rates of the various groups of the consumption basket of goods and services at the end of 1403 are presented in Table 29 based on SCI.

Table 29. Inflation Rates of the Consumption Basket of Goods and Services at the End of 1403 (percent)

	Base Year (1400) Weight	Inflation		
		Monthly	Point-to-point	Annual
Overall	100.00	3.3	37.1	32.5
Housing, Water, Electricity and Other Fuels	36.11	2.0	37.1	39.8
Foods and Beverages	28.82	4.9	41.0	28.0
Transport	8.93	2.5	29.3	27.6
Health	6.68	1.5	32.4	29.2
Clothing and Footwear	4.52	4.9	32.4	31.3
Other Goods and Services	4.42	5.1	48.3	38.4
Household Equipment	4.40	4.1	34.1	27.2
Communication	2.41	2.4	23.6	21.1
Restaurants and Hotels	1.35	2.8	30.0	33.5
Education	0.88	0.1	34.8	36.9
Recreation and Culture	0.87	2.7	33.1	29.8
Tobacco	0.62	3.7	30.0	27.5

Source: Statistical Center of Iran

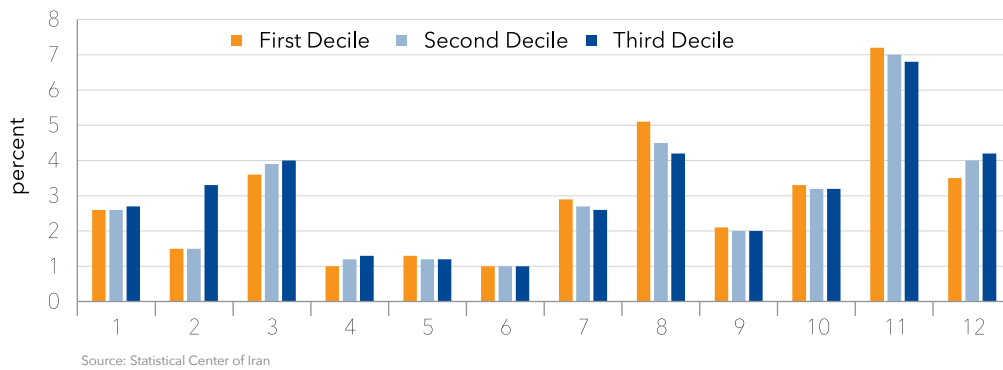
An examination of the monthly CPI inflation rates by various cost deciles indicates that in the first 4 months

and in the last month of the year 1403, the bottom 3 cost deciles experienced the lowest inflation rates in Foods

and Beverages as well as Tobacco while in the rest of the same year, they experienced the highest inflation rates in the 2 aforementioned groups. In the 11th month of 1403, the monthly inflation rate in Foods and Beverages as well as Tobacco, altogether registered 7.2 percent for the first cost decile and, respectively, 7.0 percent and 6.8 percent for the 2nd and 3rd ones, the highest rates relative to the rest of the cost deciles in 1403. Hence, given the considerable

weight of the Foods and Beverages as well as Tobacco in the consumption basket of the bottom cost deciles, in 7 months of the year 1403, these deciles have incurred higher inflationary pressure regarding providing their basic needs than the others. The monthly inflation rate of Foods and Beverages as well as Tobacco in 1403 in the bottom 3 cost deciles are shown in Graph 10.

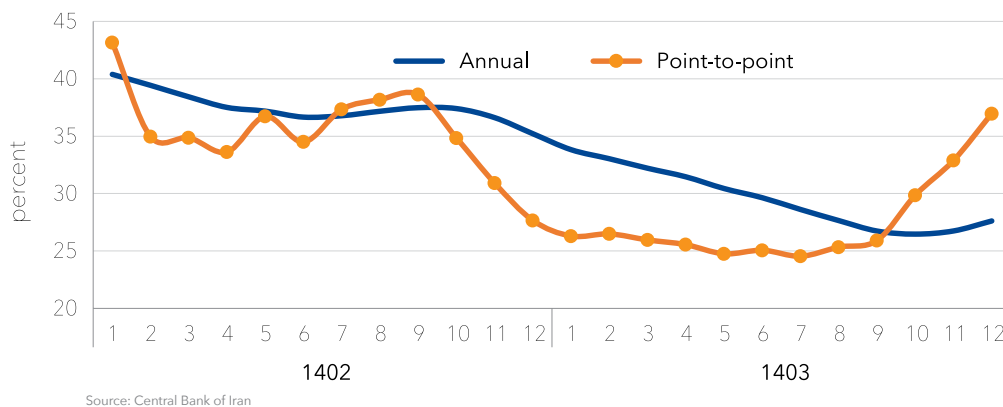
Graph 10. Monthly Inflation Rates of Foods and Beverages and Tobacco in Bottom 3 Cost Deciles in 1403



The SCI calculates the Producer Price Index (PPI) on a quarterly basis, using the year 1395 as the base year, while the CBI calculates the same index on a monthly basis and using the year 1400 as the base year. On the basis of the CBI, the annual PPI inflation rate as a leading indicator of the CPI inflation rate fell below 30 percent at the end of summer 1403, following its downward path from winter 1402. That rate registered its low of 26.5 percent in the first month of winter 1403 and finally closed the year 1403 at 27.6 percent. Moreover, the point-to-point PPI inflation

rate that had reached its low of 24.5 percent in the first month of fall 1403, started to rise and eventually closed the year 1403 at 37.0 percent. The SCI report also suggests a downward path for the annual PPI inflation rate - ending in each quarter - with 31.7 percent at the end of winter 1403. Despite the distinction between the PPI inflation rates calculated by these two issuing authorities, they have followed same trends in 1403. The annual and point-to-point PPI inflation rates in 1402 and 1403 on the basis of the CBI reports are shown in Graph 11.

Graph 11. PPI Inflation Rates in 1402 and 1403



8. CAPITAL MARKET

The Overall Index of the TSE closed the year 1403 at 2.710 million, up 23.5 percent from the 2.195 million of the end-of-year index of 1402. The TSE Equally-weighted Index also experienced 7.1 percent rise and from 742.6 thousand at the end of 1402 reached 795.3 thousand at the end of 1403.

Note that the TSE Overall Index reacts more to the price and return of the shares of the large listed companies, while in the Equally-weighted Index, same weights are assigned to the listed companies, regardless of their size. Hence, the developments of the two aforementioned indices convey that the smaller companies have yielded less than the large

ones in the period under discussion. Moreover, the OTC Overall Index registered 24.315 thousand at the end of 1403, down 4.1 percent from that of the end of 1402. The daily developments of TSE and OTC Overall Indices from 1401 to 1403 are shown in Graph 12.

Graph 12. TSE and OTC Overall Indices from 1401 to 1403



Source: <http://new.tse.ir>, <http://ifb.ir>

8-1. Tehran Stock Exchange (TSE)

The TSE Market Capitalization¹ at the end of 1403 reached IRR89,562 trillion, indicating 14.3 percent rise compared to the end of 1402. The market capitalization of Stock Market, Exchange-traded Funds (ETFs), as well as the Debt Securities, respectively, expanded by 13.2 percent, 77.4 percent and 20.4 percent at the end of 1403 compared to the end of 1402. The market capitalization of these three segments of the Iranian Capital market constituted 96.3 percent, 2.5

percent and 1.3 percent of the TSE market capitalization at the end of 1403, respectively. During the year 1403, the TSE Overall Index expanded by 23.5 percent and the Equally-weighted Index by 7.1 percent. The higher expansion of the former than that of the latter signals that the shares of large listed companies have gained more value than those of the small companies, on average in 1403. The TSE Free-float² Index also registered 3,385 thousand at the end of 1403,

1. The TSE Market Capitalization is the sum of the Market Capitalizations of stock market, debt securities, and exchange-traded funds in TSE based on the Securities and Exchange Organization of Iran.

2. Free-float, also known as public float, refers to the shares of a company that can be publicly traded and are not restricted. In other words, the term is used to describe the number of shares that is available to the public for trading in the secondary market.

up 18.7 percent from that of the end of 1402. From the lower growth rate of the TSE Free-float Index than that of the Overall Index in 1403, it is grasped that the price of the shares of companies with less free-float shares has expanded more than the share price of those with more free-float shares. In addition, the higher expansion of TSE Overall Index than its Equally-weighted Index and Free-float Index could indicate some large shareholders' efforts to control the stock market, aiming to avoid overall index volatilities by taking part in transactions of the shares of major companies, especially

those with low free-float shares. Moreover, the considerable and persistent gap between the TSE Overall Index growth rate and that of the Free-float Index could signal lower liquidity of stock portfolios. In 1403, the index of the top 30 largest listed companies in TSE expanded by 25.9 percent, above the annual growth rate of the TSE Overall Index, translating to remarkable role of those 30 companies in the market path during 1403. In Table 30, some important statistics of TSE are presented.

Table 30. Some Important Statistics of the TSE (end of period)

	Market Capitalization (IRR trillion)	Equally-Weighted Index (thousand)	Overall Index (thousand)	Financial Index (thousand)	Industrial Index (thousand)	Free-Float Index (thousand)
1402	78,374	743	2,195	1,918	2,090	2,851
1403	89,562	795	2,710	2,311	2,590	3,385
Percentage Change	14.3	7.1	23.5	20.5	23.9	18.7

Source: <http://new.tse.ir>

The total value of TSE transactions in 1403 stood 14.8 percent above that of 1402. In the year 1403, the highest rise and fall in value of TSE transactions, respectively, belonged to Derivatives at 102.4 percent and to Stocks at negative 25.1 percent. The 25.1 percent contraction in the value of the transactions of the Stock market could be attributed to the political risks as well as daily price fluctuation limit. In addition, the Professional Investment market that was launched in the second half of 1402 for the first time as

a subsidiary of the TSE, through which shares of Project Companies, Venture Capital Funds, and Private Funds are supplied, experienced 67.0 percent expansion in its value of transactions in 1403. As for the ETFs value of transaction, its 81.6 percent expansion in 1403 reveals the fact that in the period under review, the ETFs - especially Gold Funds - have been more appealing to investors than the Stock market. In Table 31, the value of the transactions in various TSE markets during 1402 and 1403 are compared.

Table 31. Value of Transactions in Various TSE Markets During 1402 and 1403 (IRR trillion)

Market	1402	1403	Percentage Change
Shares	12,545	9,391	-25.1
Debt Securities	1,106	1,291	16.7
Derivatives	252	510	102.4
Professional Investment	18	31	67.0
Exchange-traded Funds	7,128	12,942	81.6
Total	21,049	24,165	14.8

Source: <http://new.tse.ir>

The Trading volume of TSE in 1403 reached 3,241.2 billion (shares or other securities), about 14.7 percent above the end of 1402. Moreover, the number of transactions in TSE in 1403 fell by 23.8 percent compared to its preceding year. Accordingly, the average value of TSE per transaction that

had registered IRR152.2 million in 1402, grew to IRR229.5 million in 1403. The volume and number of transactions and average value of each transaction in TSE by market type in 1402 and 1403 are shown in Table 32.

Table 32. Volume and Number of Transactions and Average Value of Each Transaction in TSE by Market Type in 1402 and 1403

	Volume of Transactions (billion shares or other securities)			Number of Transactions (1000 times)			Average Value of Each Transaction (IRR million)		
	1402	1403	Percentage Change	1402	1403	Percentage Change	1402	1403	Percentage Change
	Shares	2,368.9	2,502.2	5.6	113,000.0	70,859.6	-37.7	111.0	132.5
Debt Securities	1.2	1.4	18.3	11.5	17.1	48.7	95,997.1	75,352.0	-21.5
Derivatives	28.9	30.6	5.9	6,201.1	13,536.8	118.3	40.6	37.7	-7.3
Exchange-traded Funds	414.6	686.1	65.5	18,873.6	20,605.4	9.2	377.7	628.1	66.3
Professional Investment	11.8	21.0	77.5	207.6	295.1	42.1	88.7	104.2	17.5
Total	2,825.4	3,241.2	14.7	138,293.8	105,314.0	-23.8	152.2	229.5	50.7

Source: <http://new.tse.ir>

During 1403, IRR3,581.3 trillion was financed via the TSE listed companies, of which, 86.9 percent was through Raising Capital (matured claims and cash contributions, or accumulated reserves and profits), 8.8 percent through Issuance of Debt Securities, and 3.0 percent in form of Put Options. Moreover,

IRR31.1 trillion was financed through the Initial Public Offering (IPO) held by five newly-listed companies in 1403. Details of the various methods of finance of TSE listed companies during 1402 and 1403 are found in Table 33..

Table 33. Various Methods of Finance by TSE Listed Companies (IRR trillion-percent)

	1402		1403		1403 to 1402 Percentage Change
	Value	Share in Total (percent)	Value	Share in Total (percent)	
Total	2,869.3	100.0	3,581.3	100.0	24.8
Raising Capital (except for Asset Revaluation and Stock Premium)	2,495.8	87.0	3,113.0	86.9	24.7
Initial Public Offering	15.7	0.5	31.1	0.9	98.5
Issuance of Debt Securities	208.2	7.3	313.8	8.8	50.7
Issuance of Put Options	129.6	4.5	105.8	3.0	-18.3
Underwriting	20.0	0.7	17.6	0.5	-12.2

Source: <http://new.tse.ir>

In the year 1403, the TSE was affected by various factors. In spring 1403, various risks were exerted to the Iranian capital market due to the economic and political circumstances. The intensified tensions in the Middle East region, passing away of the IRI President and his companions, and the narrower daily price fluctuation limit of the capital market were the major drivers of the capital market indices. At the end of spring 1403, the TSE and OTC Overall Indices, respectively, experienced annual contractions of 6.9 percent and 13.7 percent.

The promises of the new IRI Government in summer 1403 regarding elimination of decreed pricing in industries, joining the FATF, and lifting the sanctions resulted in the air of optimism in the Iranian capital market. Furthermore, the narrower gap between the USD/IRR bill exchange rate in the free market and its remittance exchange rate in the secondary market³ and consequently the expansion of exports proceeds of various industries and rise in

basic prices of petrochemicals and steel products in Iran Mercantile Exchange, might end up with expansion of operating revenues of such industries. On the other hand, the frequent power outage in summer 1403 was the dominant factor that adversely affected the Iranian capital market. On the basis of the TES report, the electricity consumption in industries including Cement, Plaster and Lime, Basic Metals, Extraction of Metallic Minerals and Chemicals, respectively, fell by 29 percent, 28 percent, 14 percent, and 7 percent in the second month of summer 1403 compared to the first month of the same quarter due to the power outage, translating to the fall in production of those industries. For instance, the production of Basic Metal Industry as the largest electricity consumer fell by 39.1 percent and 44.0 percent in the second and the third month of summer 1403 compared to the first month of the same quarter. All in all, the air of optimism in the aftermath of the 14th Presidential Election was evaporated by negative circumstances in summer 1403. Accordingly,

3. The gap that had registered 47.9 percent in the first month of spring 1403 dropped to 30.0 percent at the end of summer 1403.

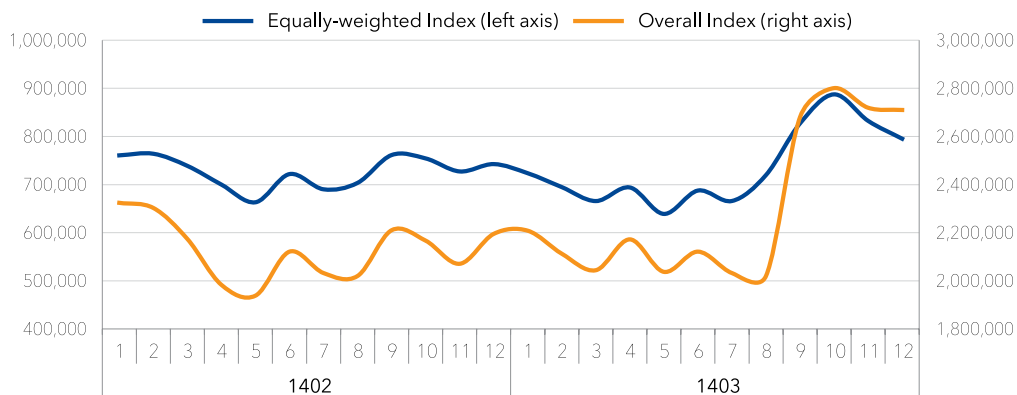
the TSE Overall Index rose by 2.6 percent only during 1403Q2 (below the inflation rate of that quarter), while the OTC Overall Index dropped by 0.1 percent during the same period.

At the end of the 1st month of fall 1403, the TSE Overall Index fell by 4.3 percent compared to its preceding month, mainly due to the extensive outflow of retail capitals as a result of uncertainties from political tensions in the Middle East. The net outflow of natural persons capital that was mainly in Stocks and ETFs in the early fall 1403, reached IRR7.8 trillion, indicating the dominance of political atmosphere in investors' decisions. During the 2nd and 3rd months of fall 1403, the bearish trend of the Iranian capital market reversed course as the political tensions in the Middle East region subsided, the remittance rate in the secondary market for foreign exchanges rose, and higher profitability of export-oriented companies was expected. All in all, the TSE and OTC Overall Indices closed fall 1403

with 27.8 percent and 17.5 percent expansions compared to the end of summer 1403, respectively.

The inauguration of new Trump's Administration coincided with winter 1403 and the policy of maximum pressure on Iran revived. Hence, the new sanctions on the Iranian Oil sector and petrochemical industries adversely affected the Iranian capital market. In the last month of 1403, dismissing of the Minister of Economic Affairs and Finance by the IRI Parliament was another factor of exerting more risk on the Iranian capital market. All in all, under such circumstances the investors' attention was more attracted to safer commodities like gold, in a sense, that in winter 1403 itself, the Gold Funds yielded 73.4 percent on average. The TSE and OTC Overall Indices, respectively, expanded by 1.1 percent and contracted by 5.3 percent at the end of winter 1403 compared to the end of fall 1403. The developments of the TSE Overall and Equally-weighted indices in 1402 and 1403 are shown in Graph 13.

Graph 13. TSE Overall and Equally-weighted Indices in 1402 and 1403



Source: <http://new.tse.ir>

8-2. Over the Counter (OTC)

The OTC Market Capitalization at the end of 1403 rose by 12.2 percent to IRR29,118 trillion compared to the end of 1402, of which, 60.5 percent was attributed to the value of shares of the listed companies in OTC, 32.6 percent to Debt Securities, and 7.0 percent to the ETFs as well as Mortgage Right Securities. Hence, the total market capitalization of the Iranian capital market (including TSE

and OTC) reached IRR118,679 trillion at the end of 1403, up 13.7 percent from the end of 1402 and above its 5.9 percent annual growth rate in 1402. The trading volume in OTC reached 2,034.9 billion (shares or other securities) in 1403, indicating 12.4 percent rise from its preceding year. Table 34 compares major OTC Indices in 1402 and 1403..

Table 34. Major Over the Counter Indices

	Market Capitalization (IRR trillion-end of period)	Total Value of Transactions (IRR trillion-during period)	Volume of Transactions (billion-during period)	Overall Index (thousand-end of period)
1402	24,726.7	169,718.6	1,810.4	25.367
1403	28,597.6	253,004.9	2,034.9	24.315
Percentage Change	15.7	49.1	12.4	-4.1

Source: Iran Fara Bourse

Except equities, other securities in the OTC are classified as the modern financial instruments. Unlike its 38.4 percent share in OTC Market Capitalization, the market for modern financial instruments constituted close to 98.5 percent of the total value of OTC transactions in 1403. Accordingly, in the year 1403, more than 85.8 percent of the value of the transactions in the Iranian capital market (including TSE and OTC) was attributed to Debt Securities, 4.7 percent to Stocks and the remaining mainly to the ETFs.

The Market Capitalization and value of the transactions in the market for modern financial instruments grew by 15.7 percent and 52.3 percent, respectively, at the end and during 1403 compared to its preceding year. Government Murabaha Debt Securities - aiming for public finance - constituted a sizable portion of the modern financial instruments in 1403 like its preceding years. In 1403 the value of transactions of Government Murabaha Debt Securities grew by 61.7 percent to IRR209,192 trillion compared to the IRR129,382 trillion in 1402. In addition, another type of government debt securities, Islamic Treasury Bills and Bonds (known as AKHZA) aimed to finance government debt to contractors were also traded

in the secondary market, with their value of transactions at IRR26,723 trillion in 1403.

The ETFs as well as the Venture Capital Funds were among the other modern financial instruments that, respectively, experienced remarkable rises of 67.0 percent and 388.0 percent in their value of transactions in 1403. The rise in the number of transactions of ETFs in the OTC mainly rooted in the underwriting of new Sector Funds and higher number of transactions of Leveraged Investment Funds. In addition, in 1400, the first Fund of Funds (FOF) also stepped in the OTC. The value of transactions of FOFs in 1403 rose 19 times compared to 1402 due to underwriting its second Fund. In recent years, high attention has been paid to indirect investment via Leveraged Investment Funds as well as Sector Funds. The Sector Funds that focus on investing in shares of businesses in a particular industry, benefit from the investment opportunities in those industries. In addition, the value of the Transactions of Mortgage Right Securities rose by 35.2 percent in 1403. Table 35 exhibits value and number of traded symbols in modern financial instruments.

Table 35. Value of Transactions and Number of Traded Symbols in the Modern Financial Instruments (IRR trillion)

Type	1402		1403		Percentage Change in Value of Transactions	
	Value of Transactions (IRR trillion)	Number of Traded Symbols	Value of Transactions (IRR trillion)	Number of Traded Symbols		
Sukuk	Islamic Treasury Bill and Bond (AKHZA)	25,472.4	37	26,723.3	30	4.9
	Ijara	459.8	45	423.5	45	-7.9
	Murabaha	129,381.7	214	209,192.2	295	61.7
	Gharz-al-hasaneh	501.1	3	0.3	1	-99.9
	GAAM	140.7	18	1.9	6	-98.7
	Manfaat	138.9	6	0.0	0	-100.0
Investment Funds	Exchange-traded	7,340.3	80	12,259.4	101	67.0
	Fund of Funds	2.1	1	40.8	2	1,803.6
	Venture Capital	0.8	14	3.8	13	388.0
	Properties	18.6	3	227.0	4	1,119.4
	Sector	54.7	9	184.9	23	237.8
	Private	8.2	6	3.7	5	-54.8
Mortgage Right	Leveraged	0.0	0	50.9	3	-
		75.5	39	102.1	10	35.2
Total	163,595.0	475	249,214.1	538	52.3	

Source: Iran Fra Bourse

During 1403, more than IRR7,258.1 trillion has been financed through the OTC, up 92.9 percent from that in 1402, of which 67.1 percent was via underwriting (including Government Murabaha Debt Securities) and 19.9 percent via Islamic Treasury Bills and Bonds. During the same period, the OTC listed companies increased their capital by IRR886.5 trillion, excluding asset revaluation. In addition, IRR51.9 trillion was raised through IPO by newly-listed companies in OTC.

All in all, during 1403, the government and the listed

companies financed IRR11,569 trillion via TSE and OTC (including Debt Securities) indicating 47.8 percent rise from the year 1402. Given the IRR59,659 trillion corporate financing through the banking system, the share of the Iranian capital market in corporate financing (including Debt Securities) reaches 16.2 percent. Excluding IRR6,039 trillion of public financing through sales of Government Debt Securities in TSE and OTC, the 16.2 percent share of the Iranian capital market declines to 8.5 percent. Table 36 presents details of various methods of finance in OTC in 1402 and 1403.

Table 36. Various Types of Financing Through OTC

	1402		1403		Percentage Change in Value
	Value (IRR trillion)	Share in Total (percent)	Value (IRR trillion)	Share in Total (percent)	
Total	3,762.3	100.0	7,258.1	100.0	92.9
Initial Public Offering	99.5	2.6	51.9	0.7	-47.8
Islamic Treasury Bills and Bonds	734.5	19.5	1,147.6	19.9	97.1
Underwriting	2,442.8	65.0	4,872.1	67.1	99.4
Raising Capital (except for asset revaluation)	485.5	12.9	886.5	12.2	82.6

Source: Iran Fara Bourse

9. BUSINESS ENVIRONMENT

Basically, the business environment is referred to as a collection of internal and external factors that affect a firm's activities but is out of control of its managers. The resources and employees are categorized as the internal, while customers and markets as the external factors affecting such sorts of activities. Moreover, governments as the regulatory authorities for various businesses and activities play a dominant role in improvement or worsening of the business environment, success and failure of the private sector are tied to the government practices in that regard. Some international organizations survey the business environment by various countries. The result of the surveys that are issued annually shed light on the requirements for improvement in the business environment of the surveyed countries.

The Ease of Doing Business Report of the World Bank has been published annually from 2003 to 2020. The report had assessed the business environment of the countries by 10 major indices. The issuance of the report, however, was ceased from 2020 onwards due to the manipulation of the data of some countries. Consequently, the world bank decided to issue a new annual report regarding the business environment of countries. The first volume of the new report that is titled Business Ready was published in 2024. The report aims to survey the business environment

through 10 distinct indices and is planned to be published in 3 phases. Iran, however was not under survey in initial phase and is planned to be included in the Business Ready from 2026 onwards.

Moreover, the issuances of Global Competitiveness Report of the World Economic Forum (WEF) which ranks countries in four areas (enabling environment, human capital, markets, and innovation ecosystem), has also been stopped since 2020.

9-1. Economic Freedom and Corruption

The economic freedom of various economies is assessed by some international organizations and the Fraser Institute as well as the Heritage Foundation are as such. The Fraser Institute issues an index which is presented in its Economic Freedom of the World (EFW) report. The index is derived from five areas including "Size of Government", "Legal Structure and Property rights", "Sound Money", "Freedom to Trade Internationally" and "Regulation Policies in Credit Market, Labor Market, and Business". The most recent report of the Fraser institute was published in 2024, assessing 165 countries worldwide in 2022. According to the survey, in 2022, ascending by 2 places from 2021, Iran ranked as 158th with the total score of 4.63 (out of 10). Despite this promotion, Iran is still placed among the worst 10 countries regarding economic freedom, followed by Argentina, Myanmar, Algeria, Syria, Sudan, and Zimbabwe.

Just like its preceding years, Among the five distinct areas of the survey, the 64th place in the Size of Government with score of 6.99 was the highest position achieved by Iran and on the other hand, Iran's weakest performance was related to the Freedom to Trade Internationally with the score of 2.48 and the 165th place, albeit compared to 2021, the country has performed better in both aforementioned areas. Given that the Doing Business Index of the World Bank and Global Competitiveness of the World Economic Forum that were the major sources of the Fraser Institute were not published, in order to cover the lack of data, the data from the Economist Intelligence Unit has been used by Fraser Institute and the subgroups of the areas of the Economic Freedom are not investigated.

Heritage Foundation also investigates business environment

worldwide and issues the Index of Economic Freedom (IEF). The report of 2025 of Heritage Foundation surveys 184 countries worldwide from 1st of July 2023 to 30th of June 2024. The survey indicates that the global IEF score has risen to 59.7 (out of 100) to stand 1.1 above the 58.6 in 2024 survey. Notwithstanding this slight improvement in the global score, Heritage considers the global economy fragile due to the inappropriate policies implemented during COVID-19 pandemic, Russia invasion of Ukraine, and the tensions in the Middle East region. In the 2025 report of Heritage Foundation, only 3 countries (1 country down from 4 in the 2024 Index) recorded economic freedom scores of 80 or more, putting them in the ranks of the economically “free”. Note that as among the 184 surveyed countries, the necessary information of 8 (Iraq, Afghanistan, Libya, Lichtenstein, Somalia, Syria, Yemen and Ukraine) were not available completely, they have not been scored and the rankings are based on the remaining 176 countries in the survey.

The IEF is measured through 4 broad pillars that altogether cover 12 aspects as follows: “Rule of Law (including Property Rights, Judicial Effectiveness and Government Integrity)”, “Government size (including Tax Burden, Government Spending and Fiscal Health)”, “Regulatory

Efficiency (including Business Freedom, Labor Freedom and Monetary Freedom”, and “Market Openness (including Trade Freedom, Investment Freedom and Financial Freedom”. Among the 176 countries under survey in 2025 report, with 1.3 improvement, Iran scored 42.5 (out of 100), but stood at the same place of 169th just like in its 2 preceding years, followed by Burundi, Eritrea, Sudan, Zimbabwe, Venezuela, Cuba, and North Korea. Moreover, among the 14 countries of MENA, Iran occupied the worst place.

Heritage Foundation 2025 report suggests that among the 12 aspects of the survey, the worst scores of Iran regarding Economic Freedom belonged to Investment Freedom, Financial Freedom, and Government Integrity, respectively, while the best scores of the country were related to Government Spending, Fiscal Health and Tax Burden. Moreover, in the same report, Iran’s economic freedom has improved only in 4 aspects of Tax Burden, Fiscal Health, Business Freedom as well as Monetary Freedom compared to the report of 2024 and as for other aspects, it has either remained the same or has worsened. Table 37 presents Iran’s scores of IEF of the most recent Heritage Foundation reports.

Table 37. Iran’s Scores in the Index of Economic Freedom of Heritage Foundation (out of 100)

Aspect	Score				
	2021	2022	2023	2024	2025
Government Spending	90.1	92.5	94.8	95.3	94.0
Tax Burden	80.8	80.8	81.1	81.1	81.3
Fiscal Health	82.8	54.7	58.8	62.5	84.1
Labor Freedom	50.1	49.4	50.7	48.8	43.6
Judicial Effectiveness	28.3	29.4	26.3	18.8	18.6
Business Freedom	57.1	38.9	38.9	37.9	38.4
Trade Freedom	54.2	59.2	55.8	55.8	55.8
Government Integrity	31.8	19.8	19.6	17.1	16.3
Property Rights	33.5	26.6	25.0	23.8	23.3
Monetary Freedom	42.1	42.3	40.6	38.2	39.0
Investment Freedom	5	5	5	5	5
Financial Freedom	10	10	10	10	10

Source: Heritage Foundation, Index of Economic Freedom of 2021 to 2025

Regarding the Property Rights and Corruption Perception, the latest report on the International Property Right Index issued by the Property Right Alliance in 2024 indicated that among the 125 countries investigated in the report, Iran ranked as 113th, the same place as in 2023, with a small decline in its score. From a regional view point, Iran has stood at the 14th place among the 15 countries, showing one step decline compared to its preceding year.

Regarding the Corruption Perception Index (CPI) of the Transparency International, in 2024 and among 180 countries, Iran has ranked 151st, losing 2 places compared to its preceding year.

In addition to the aforementioned indices, the Legatum Prosperity Index could also provide a picture of Iran’s business environment. In its latest report issued in 2023, 167 countries were surveyed in 12 different areas of

Safety and Security, Personal Freedom, Governance, Social Capital, Investment Environment, Enterprise Conditions, Infrastructure and Market Access, Economic Quality, Living Conditions, Health, Education and finally Natural Environment. The latest Legatum Institute report suggests that in 2023, Iran occupied the 126th place among the 167 countries surveyed, indicating one place

decline compared to 2022. In the same year, Iran ranked as 15th among 19 MENA (Middle East and North Africa) countries. Going over various areas of the Legatum Prosperity Index by countries, in 2023 Iran was among the 10 worst countries in Personal Freedom, Enterprise Conditions as well as Natural Environment.

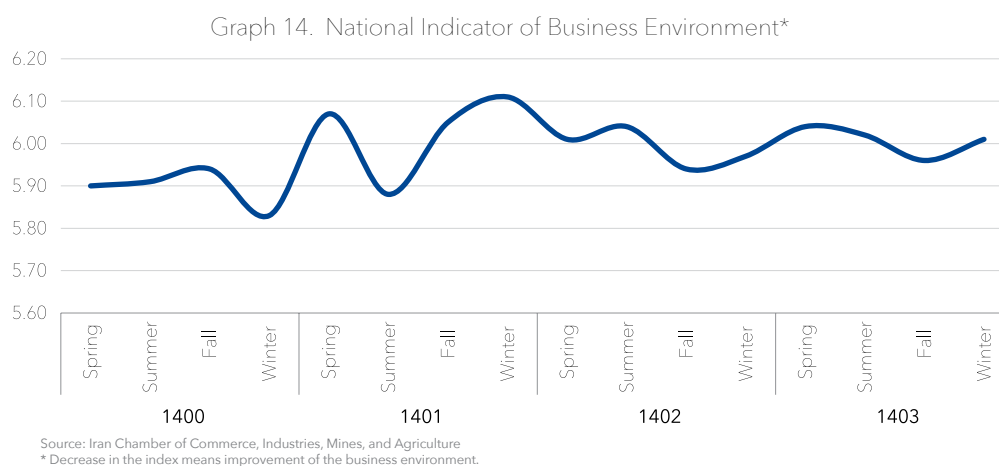
9-2. Monitoring Business Environment by Domestic Institutions

According to the Law of Sustained Improvement in Business Environment passed in the year 1390, the Chambers of Commerce are required to establish national indicators of business environment in Iran and also assess and publish them annually and quarterly by different provinces, sectors, and economic activities in order to enable the policymakers to monitor the conditions of business environment in the country. Although this task was previously carried out by Islamic Parliament Research Center till 1395, Iran Chamber of Commerce, Industries, Mines, and Agriculture (ICCIMA) identified and introduced national indicators for monitoring business environment in 1394 and started the national project of monitoring business environment in collaboration with Iran Chamber of Cooperative and Iran Chamber of Guilds.

In the latest report of the ICCIMA, issued in winter 1403, survey data were obtained via perception polls on the condition of business environment components in the country by 2,955 economic agents of the three Chambers (the ICCIMA, Chamber of Cooperative, and Chamber of Guilds) through completing online questionnaires and phone sampling, while statistical data were collected from

official statistical sources of the country.

The ICCIMA report of winter 1403 suggests that the national indicator of business environment in Iran has reached 6.01 in winter 1403, below the 6.04 in winter 1402, but above the 5.96 in fall 1403. In other words, in the last quarter of 1403, the business environment has improved compared to winter 1402 but has worsened compared to fall 1403. The national indicator business environment ranges from 0 to 10, with 10 pertaining to the worst state. According to the economic agents' data used in the survey, in winter 1403 "Instability and Unpredictability of Prices (for raw materials and products)", "Difficulty of Financing from Banking System" and "Instability of Policies, Regulations, and Procedures Concerning Doing Business" were the most unfavorable components of the business environment (same as preceding years), while "Customer Acceptance of Innovation in Products and Services", "Ease of access to water", and "General Tendency to Buy Imported Goods Instead of Domestic Products" were the most favorable components of the indicator. Graph 14 depicts the quarterly developments of national indicator of business environment from spring 1400 to winter 1403.



In winter 1403, from the Iranian economic agents' point of view, the Industry sector enjoyed the most desirable business environment, while the worst business environment was attributed to the Services sector. In the same period, the business environment in the Industry sector and Services sector has slightly worsened compared to fall 1403, but that of the Agriculture sector has been the same in both quarters. In all three aforementioned sectors, the Instability and Unpredictability of Prices (for raw materials and products) has been the worst component of the indicator

for business environment. In winter 1403, Customer Acceptance of Innovation in Products and Services was the most favorable component of the business environment in the Agriculture and Industry sectors. Moreover, as for the Services sector the Ease of Access to Water was the most favorable component of the indicator. Table 38 presents the details of survey study of the Business Environment Indicator of ICCIMA in a descending order on the basis of winter 1403 scores.¹

Table 38. Business Environment Indicator of the 3 Chambers by Its Components Derived from Survey Study Results in 1403

Component	Spring	Summer	Fall	Winter
Instability and Unpredictability of Prices (for raw materials and products)	7.95	7.73	7.85	8.34
Difficulty of Financing from the Banking System	7.80	7.70	7.65	7.68
Instability of Policies, Regulations, and Procedures Concerning Doing Business	7.29	7.19	7.01	7.18
Unfair Auditing and Taxing Procedures	6.86	6.81	6.71	6.72
Unreasonable Intervention of Government in Pricing	6.48	6.38	6.33	6.49
Production and Supply of Non-standard and Counterfeit Goods	6.47	6.41	6.31	6.33
Monopoly, Privilege or Any Kind of Economic Rent to a Number of Competitors in the Market	6.41	6.25	6.19	6.29
Corruption in Administrative Organizations	6.33	6.24	6.15	6.26
Inefficient Administrative Processes and Difficulty of Obtaining Business Licenses	6.17	6.27	6.15	6.19
Unfair Competition of Public or Quasi-Public Corporations and Institutions in the Market	6.36	6.24	6.08	6.16
Strict Labor and Social Security Insurance Procedures for Human Resource Management	6.18	6.12	6.01	6.13
Limited Access to Energy Carriers (electricity, gas, diesel fuel, etc.)	4.52	5.81	5.74	6.13
Courts' Deficiency in Dealing with Complaints and Effective Prosecution of Violators of Rights of Others	6.30	6.10	5.94	6.12
Lack or Non-Transparency of Required Information for Doing Business	6.19	6.18	5.98	6.04
General Absenteeism	6.09	6.10	5.94	6.01
Different Interpretations of Laws and Regulations by Public Sector Employees	6.25	6.15	6.01	5.95
Lack of Skilled Labor Force	6.01	6.16	6.00	5.92
Supply of Smuggled Goods	5.92	5.86	5.84	5.91
Lack of New Technologies and Required Equipment	5.67	5.81	5.69	5.83
Insufficient Demand in the Market	5.34	5.49	5.43	5.46
Poor Transportation Infrastructures	5.58	5.60	5.54	5.45
Lack of Appropriate Coordination in the Supply Chain	5.30	5.32	5.19	5.20
Contracting Parties' Non-Compliance with Their Obligations and Promises	5.39	5.37	5.16	5.17
Limited Access to Mobile Network and Internet	5.21	5.31	5.18	4.89
Ineffective Distribution System	5.09	5.02	4.85	4.88
General Tendency to Buy Imported Goods Instead of Domestic Products	5.12	5.13	4.99	4.87
Limited Access to Water	3.94	4.26	4.08	3.92
Customer Acceptance of Innovation in Products and Services	4.12	4.13	3.79	3.86

Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment

1. Since the National Indicator of Business Environment is derived from the combination of the results of survey study and statistical study, its values are not included in Table 38.

The ICCIMA survey of winter 1403 suggests that Kohgiluyeh and Boyer-Ahmad, Hormozagan, and Mazandaran provinces experienced the most unfavorable, while Khuzestan, Razavi Khorasan, and Zanjan provinces enjoyed the most favorable business environment, respectively. The difference between the value of business environment indicators of the top one province and the bottom one province in winter 1403 registered 0.85 only. An examination of the business environment by various economic activities reveals that "Other Services", "Food and Accommodation", and "Transportation and Storage" experienced the most undesirable business environment, respectively, but "Education", "Insurance and Finance", and "Administration and Procurement" enjoyed the most desirable business environment during the period under review. The difference between the indicators of the

business environment in the top one and the bottom one economic activities registered 1.33. In terms of the firm size, the firms with more than 200 workers had the most desirable business environment with the score of 5.53, while those with 11 to 49 workers had the worst business environment with the score of 6.02. Regarding the age of the firms, those aged 6 to 10 years had the worst business environment, while in those aged less than 2 years, the business environment was the most favorable. Similarly, the difference between the indicators in the 2 aforementioned groups was negligible. The firms under the survey in the ICCIMA report have operated at 41.35 percent of their nominal capacity on average in winter 1403, down 0.75 percentage point from that in winter 1402.

10. KEY POINTS

- The Iranian economy expanded in 1403 but slower than its preceding year. The GDP growth rate was slowing down during 1403 and is anticipated to extend to 1404, resulting in a recession in that year, with the Oil sector as its main driver.
- Iran's production and exports of oil in 1403 were far below the pre-sanction era, despite the slight rise in oil production and exports of the country. The oil production of the country is reaching its technical ceiling, while the continuation of Iran's oil exports highly depends on the international and diplomatic interactions of the country.
- In the year 1403, the unemployment rate of the population aged 15 and above registered 7.6 percent, indicating 0.5 percentage point fall compared to its preceding year, albeit, not due to the improve in employment ratio but as a result of the 0.3 percentage point decline in economic participation rate in 1403. In the same year, out of the total unemployed population, 42.2 percent were highly-educated, showing 0.9 percentage point rise from the year 1402.
- Despite the completely-realized Tax Revenues in 1403, the considerable rise in the issuance of Government Debt Securities and substantial withdrawal from the NDF, the General Sources of the Government Budget could not cover the realized General Uses, resulting in IRR400 trillion overall balance deficit.
- The remarkable expansion of oil and non-oil exports in the first 9 months of 1403 improved the trade balance and consequently the surplus of the current account. However, continuation of capital flight, low capital inflow and fall in the unidentified sources did not let the Balance of Payments to improve.
- The Iranian free market for foreign exchanges was highly volatile in 1403 and the USD price in that market closed the year 1403 up 58.1 percent from its opening day price. The transparency in foreign exchange transactions partly improved as the Commercial Market for Foreign Exchanges was launched as a subsidiary of Iran Center for Exchange of Currency and Gold, where the prices moved closer to the free market rates.
- In the year 1403, the higher return of commodity markets including gold as well as foreign currencies due to political tensions coupled with high inflation rate made long-term deposits less appealing to the Iranian investors.
- Violating the decreed cap on the monthly growth rate of banks' assets, mainly in summer 1403 caused M2 expansion to speed up. Besides, the downward path of the annual and point-to-point CPI inflation rates reversed course in the late 1403 that might extend to 1404 due to formation of upward inflation expectations.
- A bundle of exogenous risks including political tensions and regional wars caused the returns of other investment types and even the inflation rate to leave the returns of TSE (14.3 percent) and OTC (negative 4.3 percent) behind.
- On the basis of the reports of some international institutions, in 1403 Iran was again classified in the group of the countries with the worst business environment, both globally and regionally.

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