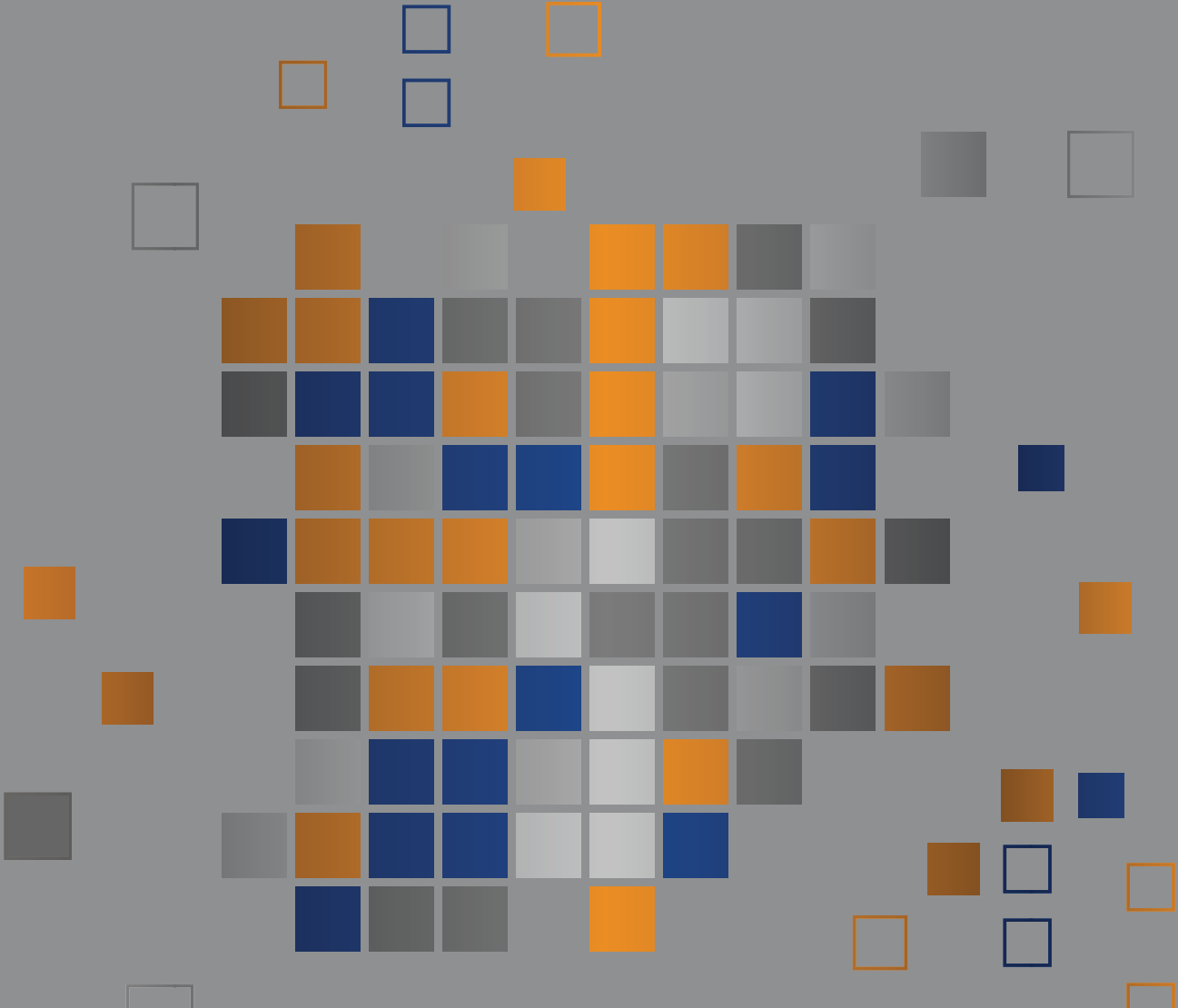




# ANNUAL REPORT

FOR THE YEAR ENDED  
MARCH 20,

**2023**





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بانک خاورمیانه  
Middle East Bank



# ANNUAL REPORT

FOR THE YEAR ENDED MARCH 20, 2023



# FINANCIAL HIGHLIGHTS

Table 1. Financial Highlights\*

IRR million

	2023	2022	2021	2020	2019
Outstanding Loans	496,225,974	355,437,367	239,995,924	117,637,578	95,553,206
Deposits	532,203,488	387,843,822	335,742,821	175,279,063	116,628,677
Total Assets	673,588,739	523,805,356	402,546,914	207,969,810	138,429,480
Net Profit	29,887,572	20,578,075	16,626,702	8,647,669	6,397,297
Basic EPS	854	823	1,108	577	640
Guarantees	245,163,937	124,570,656	92,753,012	54,040,606	38,739,992
Letter of Credit	22,738,577	3,066,333	1,144,390	5,228,882	6,145,322
Capital Adequacy Ratio	14.07%	13.51%	12.08%	12.80%	8.94%

\*Selected Financial Data for Fiscal Years ending 2019 through 2023

This is the annual report of the Middle East Bank (“MEB”, “we”, “our”, “us” or “the Bank”), domiciled in Tehran, Iran. The report covers the Iranian calendar year 1400, spanning from Mar. 20, 2022 to Mar. 20, 2023, which in the report we may interchangeably refer to as “1401”, “the year ended Mar. 20, 2023”, “the fiscal year ending Mar. 20, 2023” or “the Iranian year ending Mar. 20, 2023”.

**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 (2022/23)” are provided.

**Note:**

At the date of this report, Mar. 20, 2023, according to the official exchange rate published by the Central Bank of Iran, IRR1 million was equivalent to €3.7 (IRR1 billion = €3,774)



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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

According to the official statistics, Iranian economy has experienced growth rates of around 4.0 percent in the last three years, considering the presence of structural problems of the economy. These achievements were obtained in an atmosphere where Iranian Economy was suffering from the US sanctions in conjunction with increasing budget deficit, volatile foreign exchange market, uncertainty in various sectors, diminishing trend of investment in 1390s, banking system deficiencies, vague regulations and government intervention in the economy such as pricing. Thanks to the positive growth rates of the last three years, in 1401, gross domestic product at 1395 constant prices was 13.1 percent above that of 1390 which to some extent covered the fall in GDP in 1390s. Precisely speaking, a 1.1 percent annual growth rate has been obtained during this 11-year period on average, however, as the country's population has grown by 10 million, the per capita income has not only improved but also has solely reached its level of 1390.

In 1401 the overall value added of the economy reached IRR101,823 trillion, indicating 4.0 percent economic growth rate at constant prices. The monetary base (M0) and liquidity (M2) rose by 42.4 and 31.1 percent in 1401, respectively, and the higher growth of the former could be referred to as Hot Money phenomenon in the Iranian Economy. According to the Statistical Center of Iran (SCI) reports, the point-to-point inflation rate (1400=100) that was diminishing in 1400, reversed course in the early 1401 and with 14.8 percentage points growth from end of 1400, registered 49.1 percent in first month of summer 1401. This considerable price rise emanated from elimination of foreign exchange allocation at discretionary rates for imports of essential goods which ended up in a 10.6 percent monthly inflation rate in 03/1401.

The data released on the variables of the Equation of Exchange (money growth, GDP growth, and inflation rate) also suggests that the velocity of money has increased. Liquidity (M2) closed the year 1401 at IRR63,376.8 trillion.

In addition, money (M1) that had grown by 65.2 percent to IRR16,296.9 trillion in 1401, surprisingly accounted for 25.7 percent of M2. Intense negative interest rate in recent years has made the individuals reluctant to hold their money in long term deposits.

However, despite the undesirable economic conditions, MEB succeeded to overcome the crises through maintaining valuable customers and expansion of facilities extended to them, thanks to adhering to its charter of ethics and professionalism that are all reflected in the Bank's financial statements. We maintained our profitability in 1401 as in preceding years and made IRR29,888 billion net profit, 45 percent above that in 1400. The bank's capital was also increased to IRR35,000 billion in 1401 following the approval of the General Assembly which was through the retained earnings. The Bank's capital would be increased to IRR50,000 billion in current year from retained earnings in 1402 upon the approval of the shareholders in the Extraordinary General Meeting.

In MEB we do our best to adhere to our social responsibilities towards manufacturing and trade businesses. In that regard we try to extend working capital

facilities to them in the framework of the CBI regulations. We also made effort to enhance international methods of payments and maintain them, especially regarding supply of essential goods and humanitarian affairs.

The Bank's board of directors considers moving in line with the principals of corporate governance as its main mission to improve management of processes, risk management, compliance, and internal control. Middle East Bank has also expanded its internet banking services with the approval of the CBI and is one the of leading banks in that regard.

It is worth mentioning that the achievements in 1401 is the result of the respected clients trust, supports of dear shareholders, and endeavors of all of my colleagues in Middle East Bank.

In the 11<sup>th</sup> year of the Bank activity, thanks to his managerial and professional experience, Mr. Javad Javadi was appointed as Managing Director after the approval of the CBI as well as the board members and I hope he will be successful in his career. I also appreciate the efforts of all dear board members, managers and colleagues.

**Parviz Aghili Kermani**

## 1-3. Financial and Operational Performance

A summary of the Bank's financial and operational performance in 2021 until 2023 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	Mar. 20, 2023	Percentage of Total	Increase (Decrease) percent	Mar. 20, 2022	Percentage of Total	Increase (Decrease) percent	Mar. 20, 2021	Percentage of Total
	IRR million			IRR million			IRR million	
<b>A) Assets</b>								
Cash	53,703,978	8	60	33,490,443	6	(5)	35,327,130	9
Due from banks and financial institutions	40,763,623	6	6	38,444,733	7	(9)	42,279,997	11
Extended facilities	496,225,974	74	40	355,437,367	68	48	239,995,924	60
Investments	20,645,834	3	(54)	45,185,426	9	(7)	48,682,277	12
Fixed assets	6,344,818	1	9	5,836,064	1	40	4,157,632	1
Statutory deposit	42,702,374	6	57	27,154,220	5	27	21,340,048	5
Other Assets	13,202,138	2	(28)	18,257,103	3	70	10,763,906	3
<b>Total assets</b>	<b>673,588,739</b>	<b>100</b>	<b>29</b>	<b>523,805,356</b>	<b>100</b>	<b>30</b>	<b>402,546,914</b>	<b>100</b>
<b>B) Liabilities</b>								
Customers' deposits	532,203,488	79	37	387,843,822	74	16	335,742,821	83
Due to banks and financial institutions	34,406,871	5	(46)	63,820,065	12	328	14,921,289	4
Other liabilities	26,477,734	4	53	17,259,504	3	19	14,497,794	4
<b>Total liabilities</b>	<b>593,088,093</b>	<b>88</b>	<b>26</b>	<b>468,923,391</b>	<b>90</b>	<b>28</b>	<b>365,161,904</b>	<b>91</b>
<b>C) Shareholders' equity</b>								
Share capital	35,000,000	5	40	25,000,000	5	67	15,000,000	4
foreign exchange translation differences for foreign operations	2,260,240	0	8	2,090,564	0	28	1,632,111	0
Retained earnings and legal reserve	43,662,654	6	52	28,775,082	5	36	21,197,007	5
Shares owned and Premium of the shares owned by market maker fund (Treasury shares)	(422,248)	0	(57)	(983,681)	0	121	(444,108)	0
<b>Total shareholders' equity</b>	<b>80,500,646</b>	<b>12</b>	<b>47</b>	<b>54,881,965</b>	<b>10</b>	<b>47</b>	<b>37,385,010</b>	<b>9</b>
<b>Total liabilities and shareholders' equity</b>	<b>673,588,739</b>	<b>100</b>	<b>29</b>	<b>523,805,356</b>	<b>100</b>	<b>30</b>	<b>402,546,914</b>	<b>100</b>
<b>D) Customers' commitments:</b>								
Letter of credit	22,738,577	8	642	3,066,333	2	168	1,144,390	1
Guarantees issued	245,163,937	85	97	124,570,656	93	34	92,753,012	86
Other commitments	19,262,644	7	201	6,410,005	5	85	3,457,017	3
Managed funds	-	-	-	-	-	(100)	10,474,848	10

### ■ Balance of Extended Facilities

The balance of extended facilities in 1401 totaled IRR496,226 billion, out of which IRR344,422 billion is in IRR and the remaining in foreign loans equivalent to IRR151,804 billion. The balance of facilities comprises 74 percent of total assets, pointing to the Bank's intent

to play its financial intermediary role. On the other hand, by monitoring and controlling customers' financial status, the NPL ratio of 3.0 percent at the year-end shows that the Bank didn't forego precision and quality for the sake of growth.

## ■ Investments

Out of IRR20,646 billion of the Bank's investment, IRR19,479 billion is related to investment in bonds which have been acquired for liquidity management and risk mitigation purposes and IRR1,167 billion is pertaining to long-term investment in MEB Brokerage Co., MEB Currency Exchange Co., Dadeh Pardazan Simaye Aftab Co. (DSA), MEB Life Insurance Co. and The Instrument in Support of Trade Exchanges Co. (INSTEX).

## ■ Fixed Assets

The principal balance of the Bank's total fixed assets is related to its headquarter and branches' land and building, which has not significant enhancement at the end of 2023 compared to the end of previous year. The insignificant percentage of fixed assets compared to the total balance demonstrates the significance of investing resources in interest-bearing assets. Out of 17 branches of Bank at the year-end, 12 are freeholds, and 5 are leaseholds.

## ■ Deposits

The Bank deposit with 37 percent growth compared to the previous year equals 532,203 billion. Rial deposits at the Year ended Mar. 20, 2023 has experienced a growth of 49 percent compared to the Year ended Mar. 20, 2022, Which is mainly for attracting General deposit certificate and One-year deposits. According to the bank's capital increase from 35.000 billion to 50.000 billion, the ratio of deposits to the bank's capital has reached 15.08 times at the Year ended Mar. 20, 2023 (if the capital increase is not taken into account, the mentioned ratio for Year ended Mar. 20, 2022 is equal to 21.12).

## ■ 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	Percentage	Increase	Year ended	Percentage	Increase	Year ended	Percentage
	Mar. 20, 2023			Mar. 20, 2022			Mar. 20, 2021	
	IRR million	of Total	(Decrease)	IRR million	of Total	(Decrease)	IRR million	of Total
		Income	percent		Income	percent		Income
<b>A) Income</b>								
Interest income on extended facilities	59,572,460	71	55	38,329,114	62	55	24,692,619	53
Interest income on deposit in banks and financial institutions	6,278,144	8	25	5,018,127	8	72	2,922,121	6
Income from investments in debt securities	5,018,544	6	(48)	9,688,958	16	20	8,064,501	17
Income (loss) from investments in share and other securities	798,000	1	(53)	1,693,632	3	97	875,000	2
Income from statutory deposit	335,592	0	32	253,439	0	38	182,999	0
Fees and commission income	5,070,414	6	72	2,953,555	5	69	1,748,993	4
Net foreign exchange transactions income	4,104,821	5	116	1,903,790	3	(44)	3,375,696	7
Income (loss) from investments related to non-banking activities	233,063	0	60	145,407	0	(74)	537,767	1
Other income	171,055	0	1,453	11,018	0	(14)	12,873	0
Other operating income	1,778,810	2	(22)	2,276,831	4	(44)	4,072,261	9
<b>Total income</b>	<b>83,360,903</b>	<b>100</b>	<b>34</b>	<b>62,273,871</b>	<b>100</b>	<b>34</b>	<b>46,484,829</b>	<b>100</b>
<b>B) Expenses</b>								
Interest expenses	(43,649,934)	52	24	(35,226,702)	57	57	(22,416,790)	48
Administration and general expenses	(6,211,158)	7	52	(4,093,865)	7	35	(3,026,983)	7
Provision for bad and doubtful debts	(2,341,083)	3	14	(2,046,084)	3	(3)	(2,115,498)	5
Financial expenses	-	0	0	-	0	(100)	(198)	0
Fees and commission expense	(446,739)	1	36	(329,145)	1	40	(234,699)	1
<b>Total expenses</b>	<b>(52,648,914)</b>	<b>63</b>	<b>26</b>	<b>(41,695,796)</b>	<b>67</b>	<b>50</b>	<b>(27,794,168)</b>	<b>60</b>
Profit before tax	30,711,989	37	49	20,578,075	33	10	18,690,661	40
Income tax	(824,417)	1	100	0	0	(100)	(2,063,959)	4
<b>Net income after tax</b>	<b>29,887,572</b>	<b>36</b>	<b>45</b>	<b>20,578,075</b>	<b>33</b>	<b>24</b>	<b>16,626,702</b>	<b>36</b>

## ■ Income

Interest income on extended facilities and deposits has grown by 55 percent. Compared to the previous year, on the other hand, it has a share of 71 percent of the total bank's income. Of the amount of IRR59,572 billion in the income of the granted facilities, the amount of IRR51,098 billion was related to the income of the customer's Rial facilities, and the rest IRR8,474 billion was related to the customer's foreign exchange facilities.

As shown in the table of income fluctuations of Rial extended facilities to customers based on volume and rate, the increase in the volume of extended facilities leads to an increase in revenue of IRR19,921 billion and on the other hand, an expansion in the effective rate of granted facilities has led to an increase of IRR789 billion in the mentioned revenue and finally, we have seen an increase of IRR20,710 billion in the income of Rial facilities in comparison to last year.

## ■ Expenses

### ■ Interest Expense

The Middle East Bank, which started the last financial year with IRR386.954 billion, in Rial and foreign exchange resources, with using the existing capacities succeeded

increase the total available resources by 36 percent to IRR528,016 billion at the end of year ended Mar. 20, 2023.

Also, the average balance of bank's Rial deposits have grown 32.5 percent during the year ended Mar. 20, 2023 compared to the previous financial year and it has reached IRR315,409 billion. It should be noted that the increase of IRR6.983 billion in the cost of interest paid to Rial deposits during the year ended Mar. 20, 2023 in comparison to the previous year, mainly as a result of the increase in the average balance of cost-generating deposits and after that, the increase in the average rate of absorption of these resources.

### ■ Provision for Bad and Doubtful Debts

The amount of doubtful debt during the year ended Mar. 20, 2023 is equivalent to IRR2,341 billion (IRR2.046 billion in the previous year). This amount includes IRR362 billion related to the specific provision for bad and doubtful debt (previous year IRR254 billion) and IRR1,979 billion are related to the general provision for bad and doubtful debt (previous year IRR1,792 billion).

Provisions for bad and doubtful debts are provided in accordance with the CBI's circular No. 01/239021 dated 14/12/2022.

## ■ Returns on Assets and Liabilities and Their Compatibility with Income Statement

Table 4. Returns on assets and liabilities and their compatibility with income statement

IRR million

Description	Year ended Mar. 20, 2023					
	Average Balance	Percentage of Total	Projected Return Rate	Weighted Return Rate	Projected Return	Actual Return
	IRR million		percent	percent	IRR million	IRR million
<b>Cash</b>						
Cash	2,172,978	0.37	0.00	0.00	-	-
Unencumbered current deposits	38,304,322	6.51	0.00	0.00	-	54
Unencumbered current deposits-FCY	38,211,154			0.00		-
Unencumbered term deposits-LCY	953	0.00	2.71	4.96	26	47
Unencumbered term deposits-FCY	195,815	0.03	7.41	0.00	14,518	-
<b>Due from banks and financial institutions</b>						
Current Deposits	11,313,615	1.92	0.00	0.07	-	7,731
Term Deposits	3,763,131	0.64	0.00	0.92	-	34,800
Inter banks deposits	29,191,712	4.96	21.24	21.36	6,200,999	6,235,512
<b>Extended facilities</b>						
Extended facilities- LCY	294,173,794	50.00	17.71	17.44	52,103,396	51,289,210
Extended facilities- FCY	123,476,838	20.99	6.69	6.71	8,254,427	8,286,674
<b>Investments</b>						
Investment in listed shares	1,160	0.00	0.00	0.00	-	-
Long-term Investment in unlisted shares	1,166,629	0.20	90.30	88.38	1,053,466	1,031,063
Participating bonds	28,167,772	4.79	19.07	17.81	5,372,886	5,017,619
Other accounts receivable	10,294,783	1.75	0.00	0.00	-	-
Fixed assets	8,417,186	1.43	0.00	0.00	-	-
Statutory deposit	34,578,123	5.88	0.99	0.97	341,318	335,592
Other assets	3,168,790	0.54	0.00	0.00	-	-
<b>Total assets</b>	<b>588,387,601</b>	<b>100</b>				
<b>Due to banks and Financial Institutions</b>						
Current deposits	24,619,497	4.18	0.00	0.00	-	-
<b>Customers' current deposits</b>	<b>125,042,400</b>	<b>21.25</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Dividends payable</b>	<b>72,894</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Income tax provision</b>	<b>3,035,775</b>	<b>0.52</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Other liabilities and accruals</b>	<b>7,652,384</b>	<b>1.30</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Received loan from NFD</b>	<b>12,390,441</b>	<b>2.11</b>	<b>-2.34</b>	<b>-2.34</b>	(290,336)	(290,336)
<b>Staff termination benefit</b>	<b>478,687</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Customers' investment deposits</b>						
Term deposits	220,827,433	37.53	-14.30	-15.44	(31,567,392)	(34,094,499)
Inter banks deposits	19,852,640	3.37	-21.46	-20.17	(4,260,087)	(4,004,803)
Term deposits-FCY	99,772,990	16.96	-4.94	-5.24	(4,929,538)	(5,230,778)
<b>Interest payable to investment deposit holder</b>	<b>2,241,896</b>	<b>0.38</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Total liabilities and benefits of investment deposit holders</b>	<b>515,987,037</b>	<b>87.70</b>		<b>0.00</b>		
Accumulated depreciation	2,372,785	0.40	0.00	0.00	-	-
Provision for bad and doubtful debts	7,284,270	1.24	0.00	0.00	-	-
<b>Total provisions</b>	<b>9,657,055</b>	<b>1.64</b>				
Share capital	27,500,000	4.67	0.00	0.00	-	-
Capital increase in progress	5,000,000	0.85	0.00	0.00	-	-
Legal reserve	12,786,481	2.17	0.00	0.00	-	-
Retained earnings and other reserves and Foreign exchange translation differences for foreign operations	18,360,253	3.12	0.00	0.00	-	-
Shares owned and Premium of the shares owned by market maker fund (Treasury shares)	(903,225)	-0.15				
<b>Total Shareholders' Equity</b>	<b>62,743,509</b>	<b>10.66%</b>		<b>0.00%</b>		
<b>Total liabilities, benefits of investment deposit holders and shareholders' equity</b>	<b>588,387,601</b>	<b>100%</b>				
Net profit before fee income, general expenses and doubtful debts provisions					32,293,681	28,617,888
Net return on assets before fee income, general expenses and doubtful debts provisions					5.49%	4.86%
Fee Income and foreign exchange profit (Loss)					13,660,844	13,660,844
Expenses					(11,566,743)	(11,566,743)
<b>Profit before tax</b>					<b>34,387,782</b>	<b>30,711,989</b>

## Financial and Operational Indices

Summary of financial and operational indices for years 2019 to 2023 are as below:

Table 5. Summary of financial indices

Percent

Description	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2021	Mar. 19, 2020	Mar. 20, 2019
Capital adequacy ratio*	14.1	13.5	12.1	12.8	8.9
Loans to deposits	88.7	88.3	70.7	67.9	79.9
Loans to total assets	73.7	67.9	59.6	56.6	69.0
Total expenses to total income	64.1	67.0	64.2	60.5	62.8
Liability ratio	88.0	89.5	90.7	89.6	89.7
Return on assets	5.0	4.4	5.4	5.0	5.5
Return on capital	99.6	102.9	133.0	101.7	98.4
Total deposits to capital (times)	15.1	15.5	22.1	17.4	16.5
Interest paid to interest received from extended facilities and deposits	61.3	66.1	62.5	57.5	64.1
Interest paid to total deposits-LCY	10.8	11.4	10.4	10.5	12.0
Interest received to loans-LCY	18.5	18.2	18.5	18.9	19.8
Interest paid to total expenses	81.6	84.5	75.1	75.6	80.2
Interest received from extended facilities to total income	71.5	61.5	53.1	56.7	65.2
Non-performing loans ratio	3.0	1.6	1.3	2.7	7.0
Depreciation to total expenses	1.4	1.2	1.2	0.9	1.3
Bad debt expenses to total expenses	4.4	4.9	7.1	2.9	4.4

\*the capital adequacy ratio from the year ended 2020 calculations according to the new CBI circular No. 98/436758 dated 03/07/2020.

Table 6. Summary of operational indices

IRR million

Description	2023	2022	2021	2020	2019
Total income per branch (average no.)	4,763,480	3,663,169	2,817,262	1,327,274	1,041,270
Net profit per branch (average no.)	1,707,861	1,210,475	1,007,679	524,101	387,715
Total deposits per branch (average no.)	30,172,358	22,762,002	20,059,936	10,559,947	7,020,604
Total loans per branch(average no.)	26,775,974	20,089,571	14,183,639	7,166,692	5,608,137
Total income to the number of personnel	131,277	106,088	86,725	48,132	44,281
Net profit to number of personnel (average no.)	47,067	35,056	31,020	19,006	16,488
Total deposits to the number of personnel (average no.)	831,522	659,206	617,517	382,943	298,557
Total loans to the number of personnel (average no.)	737,921	581,810	436,623	259,891	238,490

## Deposits

Summary of the Bank's performance in deposit taking in 2022 and 2023:

Table 7. Developments of Rial resources

Description	Mar. 20, 2023			Mar. 20, 2022		
	Number	Amount (IRR million)	Percentage of Total	Number	Amount (IRR million)	Percentage of Total
Short-term investment deposits	351,879	112,619,612	30	235,565	95,867,361	39
Special Short-term investment deposits	18	459,375	0	2	318	0
One year deposits and general deposit certificate	1,037	51,158,985	14	1,394	17,914,890	7
Two year deposits and general deposit certificate	3,803	96,402,777	26	3,511	79,405,817	32
Three year deposits and general deposit certificate	115	2,081,165	1	-	-	0
Current deposits	11,091	93,269,095	25	10,260	47,793,175	19
Deposits of issued Guarantees		11,424,597	3		6,177,077	2
LCs' advances		2,142,700	1		244,034	0
Others		561,842	0		649,733	0
<b>Total</b>	<b>367,943</b>	<b>370,120,148</b>	<b>100</b>	<b>250,732</b>	<b>248,052,405</b>	<b>100</b>

Table 8. Developments of foreign resources

Description	Mar. 20, 2023			Mar. 20, 2022		
	Number	Amount (IRR million)	percentage of total	Number	Amount (IRR million)	percentage of total
Saving and current deposits	1,741	62,358,009	40	1,701	42,522,544	31
Special short-term investment deposits	24	80,313	0	41	88,851	0
Long-term investment deposits	221	93,040,573	59	283	88,227,564	64
Deposits of issued Guarantees		433,386	0		354,269	0
Others		1,983,834	1		7,708,401	5
<b>Total</b>	<b>1,986</b>	<b>157,896,114</b>	<b>100</b>	<b>2,025</b>	<b>138,901,629</b>	<b>100</b>

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

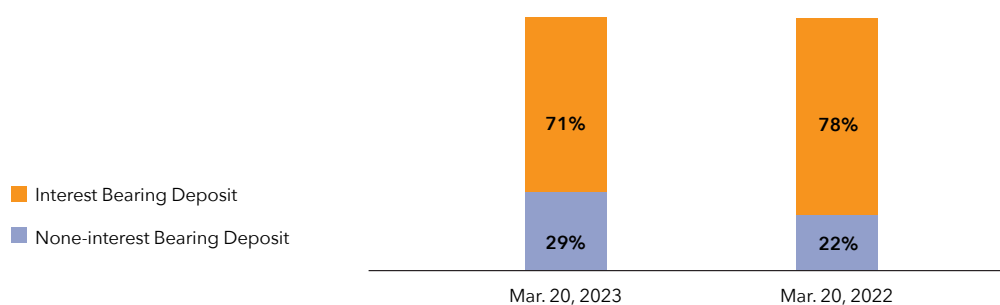


Table 9. Comparative analysis of fluctuations of interest's expense on Rial deposits due to volume and rate

Description	Mar. 20, 2023	Mar. 20, 2022
Average balance of deposits (IRR million)	315,409,220	237,982,783
Weighted average interest rate on deposits (before subtracting statutory deposit)	10.81%	11.39%
Interest expenses on Rial deposits (IRR million)	34,094,500	27,111,319
Increase in interest expenses (IRR million)	6,983,181	9,114,058
Increase in interest expense due to volume (IRR million)	8,820,524	6,680,104
Increase percentage	126.3%	73.3%
Increase (decrease) in interest expense due to rate (IRR million)	(1,837,343)	2,433,954
Increase (decrease) percentage	-26.3%	26.7%

## Extended Facilities

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

Table 10. Comparative analysis of fluctuations of interest income on customers' Rial loans due to volume and rate

Description	Mar. 20, 2023	Mar. 20, 2022
Average balance of loans (IRR million)	279,695,140	169,302,638
Average balance of Facilities generating loans-daily (IRR million)	276,318,687	166,906,245
Interest income from loans (IRR million)	51,098,230	30,388,461
Weighted average rate of interest	18.49%	18.21%
Increase in interest income (IRR million)	20,709,769	10,952,509
Increase in interest income due to volume (IRR million)	19,920,619	12,012,815
Increase percentage	96%	110%
Increase (decrease) in interest income due to rate (IRR million)	789,150	(1,060,306)
Increase (decrease) percentage	4%	(10%)

# 2. CORPORATE OVERVIEW

Licensed by the Central Bank of Iran (“CBI”), Middle East Bank started its operations on Nov. 2, 2012 with an initial capital of IRR4 trillion.

We define ourselves primarily as a corporate bank, i.e. 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. 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 better 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 seven members and two 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.

The board members and alternate members, along with their educational backgrounds, are listed below:



1

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### **Parviz Aghili Kermani (4)**

#### **Chairman**

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

### **Gholam Ali Kamyab (3)**

#### **Vice Chairman**

MBA, University of Bridgeport, USA

### **Javad Javadi (5)**

#### **Board Member and Managing Director**

EMBA, Aalto University, Finland

### **Majid Nourmohammadi (7)**

#### **Board Member and Deputy Managing Director**

M.Sc. Financial Management, University of Tehran

### **Amir Hossein Amin Azad (6)**

#### **Board Member**

MBA, Iran University of Science and Technology

### **Abdolkarim Ghavamifar (2)**

#### **Board Member**

M.Sc. Banking Management, Iran Banking Institute

### **Alireza Lagzaee (1)**

#### **Board Member**

M.A. Banking Management, Iran Banking Institute

### ■ **Alternate Members**

### **Masoud Soltan Zali**

#### **Alternate Member**

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

## ■ **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, Azad University, Tehran

**Azadeh Ahmadi Kousha**

Senior Manager, Finance Department  
M.Sc. Executive Management, University of Tehran

**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, Azad University, Tehran

**Majid Akhavan**

Senior Manager, Credit Department 1  
M.Sc. Business Management, Science and Research Branch, 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 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, Innovation Department  
M.Sc. Computer Engineering- Software, Multimedia University, Malaysia

**Sahand Hamzei**

Senior Manager, Branch Affairs Department  
MBA, Sharif University of Technology, Tehran  
M.Sc. Electrical Engineering- Communication Systems, Sharif University of Technology, 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

**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

**Laleh Mehradpay**

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

**Hengameh Moghadaspour, Ph.D**

Senior Manager, Internal Controls and Audit Department  
Ph.D. Accounting, University of Tehran

**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  
M.Sc. Computer Engineering, Sharif University of Technology, Tehran

**Gholamreza Sadegh Vishkaei**

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

**Mohsen Soltani Mohammadi**

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

**Hedieh Tabrizi**

Senior Manager, Credit Department 2  
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:

### ■ Nomination and Remuneration Committee

The Nomination 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 policies tied to key performance metrics, and monitoring their proper implementation throughout the organization. The committee comprises the Chairman of the Board, two members of the Board of Directors and the managing director of Human Resources.

### ■ Compliance Committee

The main responsibility of the Compliance Committee is to supervise 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 department, as attendees without voting rights.

### ■ Corporate Governance Committee

The main role of Corporate Governance Committee is to provide a platform for board to deal with specific issues that require specialised areas in corporate governance matters. This committee comprises of members of the Board, the Chief Executive Officer and his Deputy, chairmen of Compliance Committee, Audit Committee, Risk Management Committee and some other senior managers. 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 was established shortly after the Bank's formation in 2013 and fulfills an important supervisory function for the Board. The committee is responsible for supervising proper implementation of corporate governance, financial reporting procedures and internal control processes, as well as to oversee and assess the performances of the internal and independent auditors. The aim is to ensure the Bank remains accountable and protects the interests of its various stakeholders, including our shareholders and depositors. The Audit Committee comprises one non-executive member of a Board as a chairman, and two independent members. Senior manager of Internal Controls and Audit Department acts as committee secretary.

### ■ Information Technology Committee

The Board Information Technology Committee is the focal point of knowledge and expertise and the highest authority on information technology of the 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 27 February 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:

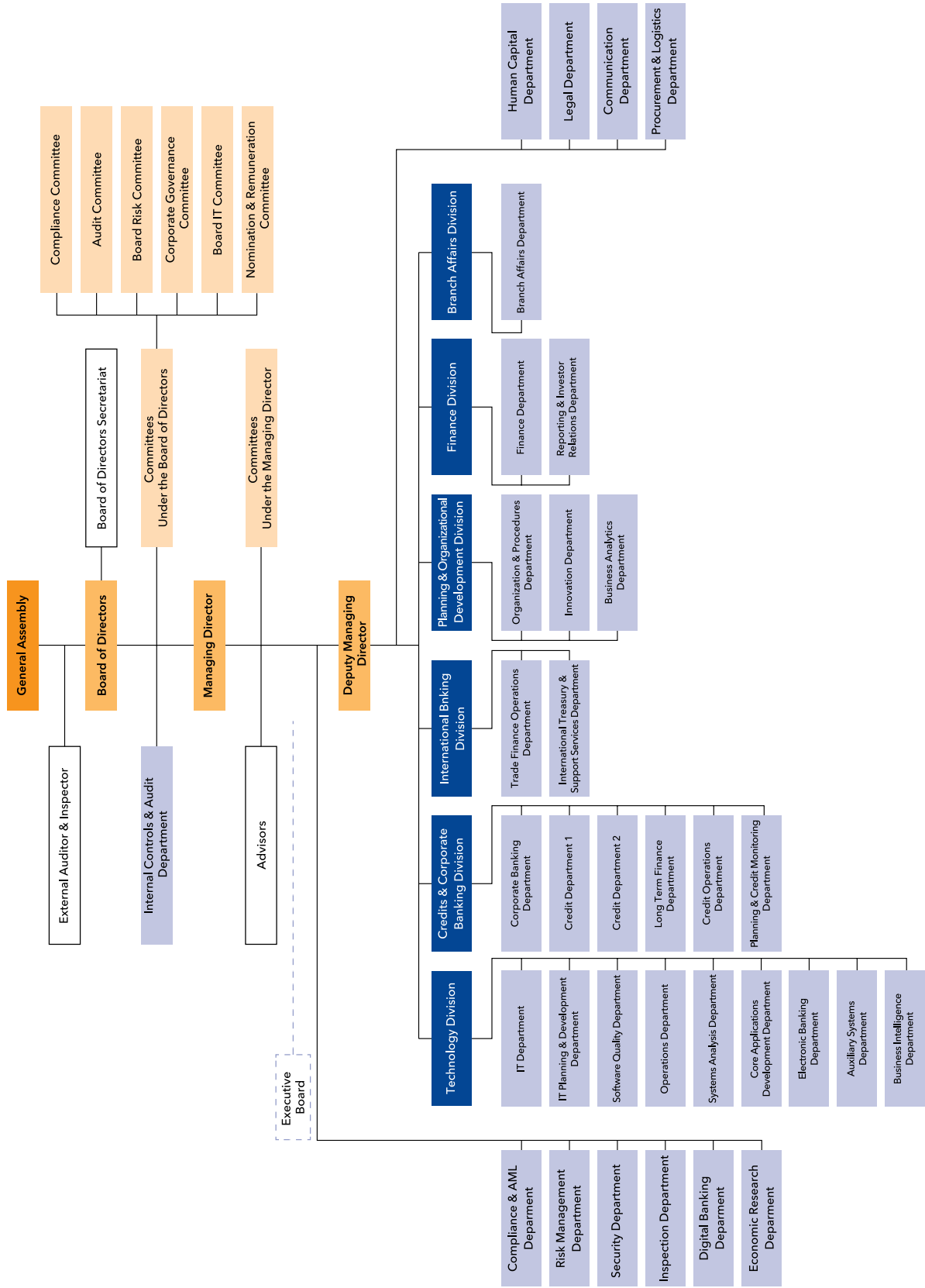
- Adopting sound policies for correct identification, assessment and mitigation of material risks, including strategic risk, credit risk, liquidity risk, market risk, operational risk, legal risk and reputational risk;
- Examining and verifying current and new processes for risk detection, mitigation 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:

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

# Organizational Structure



## 2-2. Our Strategy

Middle East Bank's 5-year Strategy is among the key upstream documents of the Bank. 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'll 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 skillful, knowledgeable and responsible staff by applying cutting-edge technologies in a transparent, accountable and law-abiding ecosystem.

### ■ Values

In the Middle East Bank, we've 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 Concentration Fields

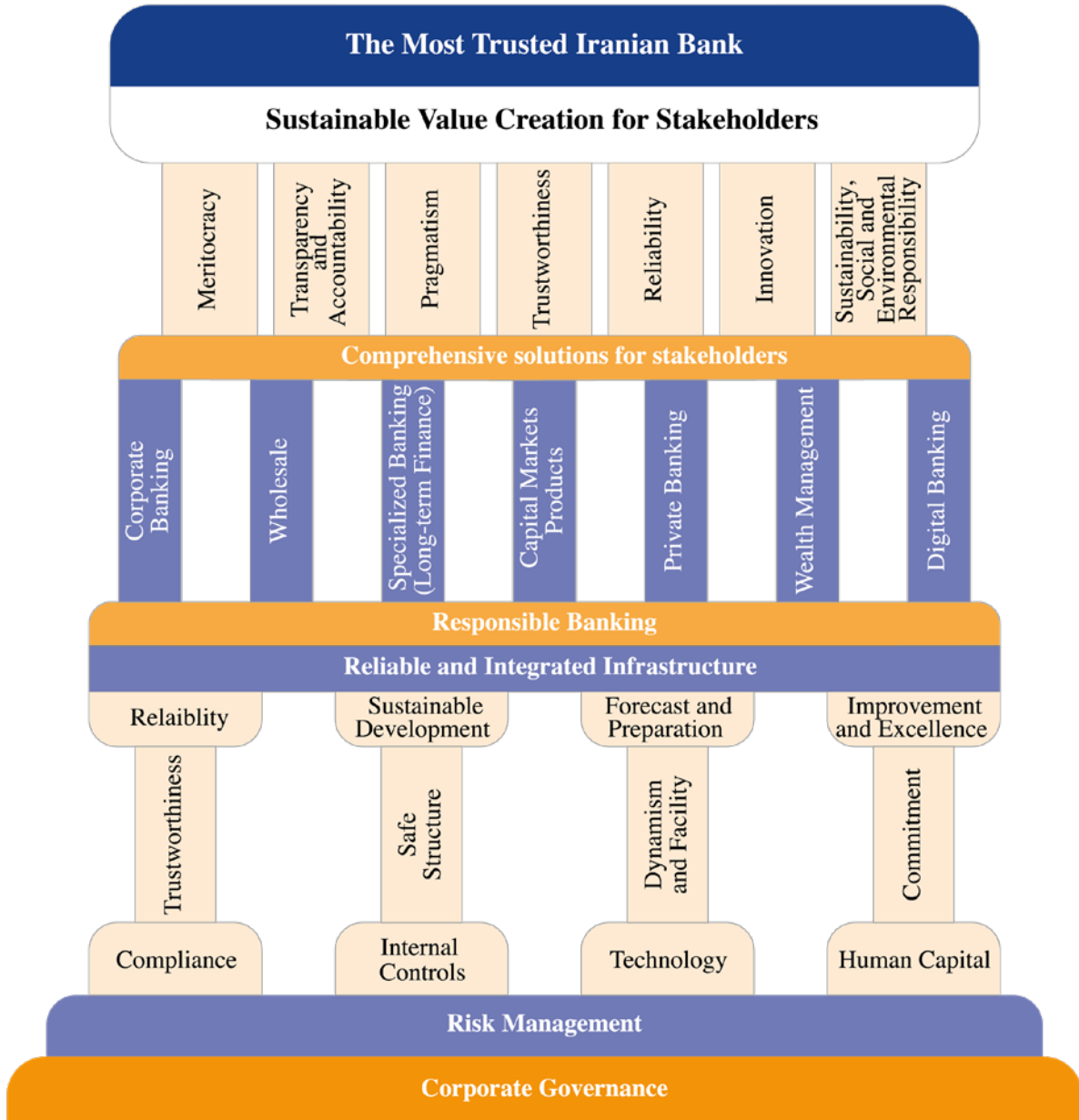
The following fields form MEB's strategic focus areas under the current strategic agenda:

- Organic growth through increasing operational profitability, optimizing cost structure and expanding banking operations by designing new products, expanding service channels and acquiring new financial resources within the defined framework, in order to ensure compliance with rules and regulations and abiding by effective risk management practices.

- Improving existing products and stabilizing the Bank's standing in the competitive market of such products, particularly in the areas of corporate banking, multinational customers and international affairs.
- Redesign of the organizational architecture to enhance corporate governance, documentation, transparency of processes and institutionalisation, which are to lead into scalability, enhanced productivity, competitiveness, and implementing best practices with the aim of catching up with international advancements and facilitation of joining the global market.
- Monitoring and employing new technologies, in line with the Bank's mission and vision, going through digital transformation and making sure that integrated data and information management is in place, in order to get prepared to use artificial intelligence capacities, integrated risk management, quantification of situations and assisting accountable, clear and inclusive decision making.
- Establishing social and environmental governance, to uphold social and environmental responsibilities in operational, credit and market-related decision making, as well as managing and monitoring the effectiveness and performance of the Bank in those areas.
- Selection, recruitment and retention of human capital, with a succession planning approach and due regard to non-reliance on individuals, and enhancing personal and professional development of the staff in order to develop qualified successors to assume strategic responsibilities.

## ■ Strategic Principles

The fundamental elements of the 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 present and 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 are far beyond the economic and law implications 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

- Participating in construction of a twelve-classroom art school in Jiroft city, Kerman Province, Iran,
- Participating in construction of a six-classroom school in Darak village, Sistan and Baluchistan Province, Iran,
- Participating in finance of drinking water supply for Arbaeen Walk,
- Sponsorship of the National Table Tennis Team for the disabled,

- Taking part in equipping of Omid Khavarmianeh 3 school in Aqqala city, Golestan Province, Iran,
- Providing sanitary items during the COVID-19 pandemic and providing information about health protocols aiming to prevent the spread of COVID-19 virus,
- Filing medical records for all the bank employees,
- Annual training of first aids, relief and rescue, and dealing with earthquake,
- Financing of food supply for earthquake victims of Khoy city, Azerbaijan Province, Iran,
- Financing of food supply for low-income families through Salam Charity Foundation,
- Donation of residential Conex to earthquake victims of Khoy city, Azerbaijan Province, Iran,
- Supporting students in low-income areas of Khuzestan, Ilam, Kerman, and Sistan and Baluchistan provinces through Mehrgiti charity Foundation,
- Donation of office supplies to Mehrgiti charity Foundation,
- Extending facilities aimed to marriage and children bearing to eligible applicants.

### ■ Environmental areas

- Adjustment of the lighting of the office area and emphasizing on providing natural light,
- Avoiding lighting of building facades,
- Powering off heating facilities after working hours,
- Reducing paper consumption via expanding electronic systems for employees and clients.

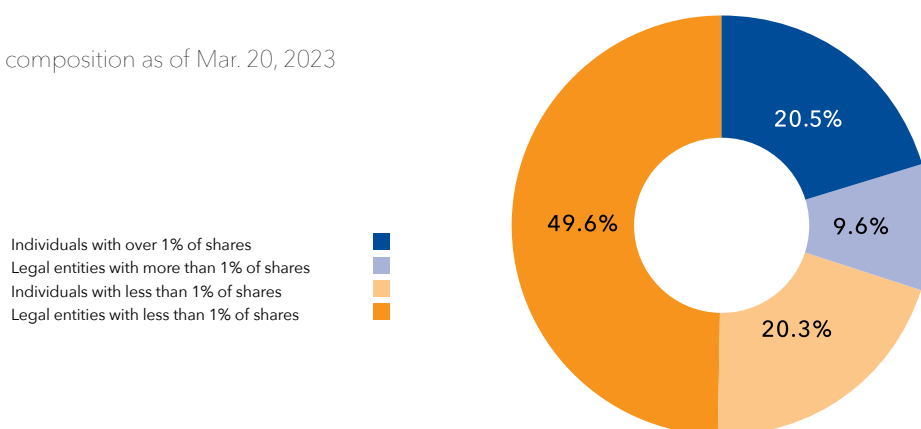
## 2-4. Shareholders

MEB had 21,001 separate shareholders as of Mar. 20, 2023. Our shareholder composition is illustrated in the in the table and pie chart below:

Table 11. MEB shareholder composition as of Mar. 20, 2023

Type	Shareholders	Shares	Ownership
Individuals with over 1% of shares	7	3,353,227,750	9.6%
Legal entities with more than 1% of shares	10	7,164,154,942	20.5%
Individuals with less than 1% of shares	258	7,117,854,457	20.3%
Legal entities with less than 1% of shares	20,726	17,364,762,851	49.6%
<b>Total</b>	<b>21,001</b>	<b>35,000,000,000</b>	<b>100.0%</b>

Chart 2. MEB shareholder composition as of Mar. 20, 2023



The following table illustrates the historical performance of our shares on the Tehran Stock Exchange from Mar. 20, 2018 up to Mar. 20, 2023.

Table 12. 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
Mar. 20, 2018	739,070,695	1,679,848	229	12,000,000	2,000	6,000,000
Mar. 20, 2019	2,038,971,017	4,889,715	229	21,665,000	3,095	7,000,000
Mar. 19, 2020	2,126,468,610	9,928,259	226	69,640,000	6,964	10,000,000
Mar. 20, 2021	4,174,597,852	49,309,398	237	141,000,000	9,400	15,000,000
Mar. 20, 2022	2,984,982,596	18,506,129	234	136,500,000	5,460	25,000,000
Mar. 20, 2023	3,895,896,989	17,777,795	233	161,000,000	4,600	35,000,000

## 2-5. Human Capital

Employees are the most valuable assets an organization has. We want our people to be inspired to live our purpose and values every day. Having highly engaged, capable and accountable teams is essential to delivering the bank's strategy, and delivers the greatest impact on our customers, communities and shareholders. We want our employees to do meaningful work, work with great people and unleash individual and collective potential. We actively work to attract and retain talented individuals, mostly graduates of the best universities, to guarantee long-term success. Human Resource (HR) Department works with employees to ensure they remain motivated and are able to achieve their full professional potential. This includes managing and overseeing staff requirements, training and development, ongoing performance evaluations, compensation and benefits, as well as handling all aspects of employee relations.

### ■ Ongoing Professional Development

We actively encourage all our employees to continually update their professional skillsets and we also facilitate their enrollment by providing relevant training courses and workshops, this includes:

- Providing in-person and online training courses, taught by experienced professionals in organizational behavior,

communication skills, cyber security, information technology, programming, finance, accounting, foreign exchange operations, banking regulations, compliance and anti-money laundering, economics, risk and auditing;

- Conducting workshops covering the bank's internal software systems and IT infrastructure, including CRM, DATAMATE and CARM;
- Planning and conducting internal electronic exams.

### ■ Health and Wellbeing

The health and wellbeing of staff is our top priority. All of our personnel are covered by a comprehensive health insurance program. We also encourage our employees to lead a healthy lifestyle by offering privileged credit facilities for various sports activities. We aim to be comply with all applicable health and safety legal requirements, and ensure that the standards are implemented and maintained.

### ■ Employee Statistics

Out of our total workforce of 649 people (as of Mar. 20, 2023), 51 percent hold a bachelor's degree and 48 percent have a master's degree or Ph.D.

Table 13. Distribution of employees across MEB's headquarter and branches

	Year ended Mar. 20, 2023	Year ended Mar. 20, 2022	Year ended Mar. 20, 2021	Year ended Mar. 19, 2020	Year ended Mar. 20, 2019
Headquarters	450	416	375	328	232
Tehran Branches	146	136	127	121	112
Branches in Other Provinces	53	50	50	48	52
Branches in Other Countries	12	8	10	9	6
<b>Total</b>	<b>661</b>	<b>610</b>	<b>562</b>	<b>506</b>	<b>402</b>

Chart 3. Breakdown of employees by age and gender as of Mar. 20, 2023\*

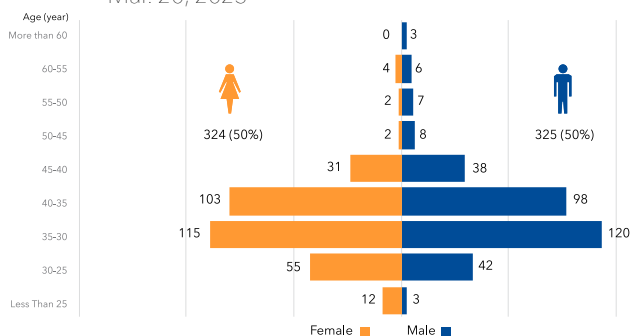
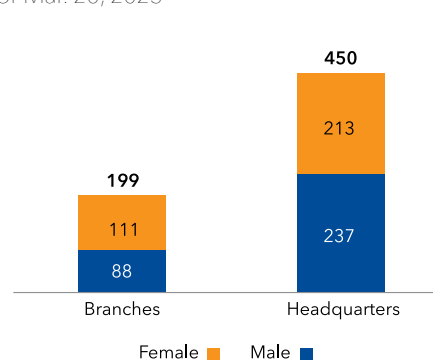
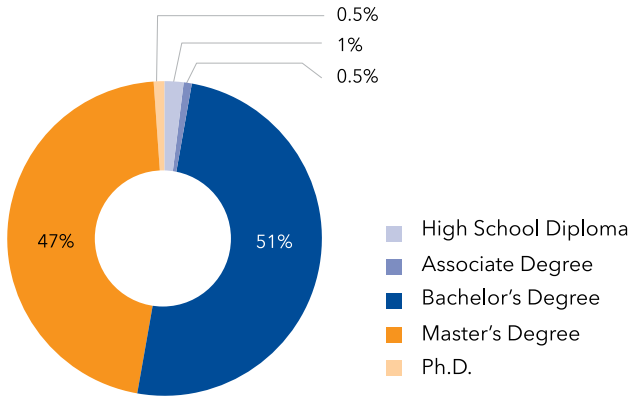


Chart 4. Breakdown of employees by gender and posting as of Mar. 20, 2023\*



\* Twelve employees of Munich branch are not included in charts 3 and 4.

Chart 5. Breakdown of employees by education as of Mar. 20, 2023\*



## 2-6. Information Technology

Information technology is rapidly transforming financial services around the world, and Iran is no exception. The relationships 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 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.

### ■ 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.

\* Twelve employees of Munich branch are not included in chart 5.

## ■ 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 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 the banks to devise and develop computer systems to fulfill these regulatory needs. A significant portion of technology resources are allocated to fulfill these needs. The banking technology in the country 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 spiraling 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 cheques, 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 lasts 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

Due to the significant and increasing security threats in the cyberspace, it is imperative that the Middle East Bank ensures the protection of its valuable asset and the security of its information technology at various levels. As many of the bank's services are implemented using information technology, including customer service and other activities, the bank obliges to comply with legal requirements set by the national legal, statutory, and regulatory organizations and all cyber attacks and cases are reported to the relevant security institutions of the country to ensure timely action is taken.

To meet these requirements, the Middle East Bank follows international standards such as ISO/IEC 27001 and PCI/DSS. The cybersecurity department, based on the results of information security risk management reports and through regular audits, assessments, and corrective actions, always strives to enhance the security level by designing and implementing security solutions to control access of administrators and third parties to the bank's information infrastructure.

All measures related to enhancing the efficiency of the bank's information security processes are periodically reported and reviewed in the meetings of the security steering committee.

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 educating bank employees. As part of this effort, the information security awareness program has been planned and is currently being implemented. This plan involves providing training on topics such as password

management, and social engineering tactics. By adopting a comprehensive approach to security, the Middle East 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 Middle East 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 Security Operation Center (SOC) team works closely with incident response team to ensure that any threats are quickly detected and neutralized.

In addition to these defensive measures, this department also conducts red teaming exercises to assess the effectiveness of the bank's security controls and incident response procedures. During these exercises, the cybersecurity department simulates attacks that mimic real-world threats, such as phishing or malware infections. This helps us identify weaknesses in our security infrastructure and make improvements to our defenses.

At the Middle East Bank, service provision, receiving services from third parties, and assigning access rights to them are carried out within a specific legal framework. This framework involves a contract, and commitment to provide services that clearly defines all requirements and access scopes of third parties in terms of physical, system, process, technology, and resources.

## 2-8. Subsidiaries and Affiliated Companies

The results of the Bank's investments in shares at Mar. 20, 2023 are given below:

Table 14. Investment in listed shares

IRRmillion

Description	Cost	Market Value	Dividend
MEB Life Insurance	240,000	1,474,560	6,600

Table 15. 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	35	100	10,500
MEB Brokerage Co.	749,999,000	100	75	665,930
MEB Currency Exchange	499,997,500	100	100	247,999
INSTEX	220,000	100	11	2,200

### ■ Dadeh Pardazan Simaye Aftab Co. (DSA)

DSA was incorporated on February 5, 2013, with a capital of IRR30,000 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 trading and market making services and financial and consulting services.

### ■ Middle East Bank Currency Exchange Co.

Middle East Bank Currency Exchange Company was incorporated on February 2, 2015, with the capital of IRR40 billion. Cash bill of exchange, gold coin trade, and trustee money transfer are among its activities.

### ■ 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 a branch or ATM machine.

### ■ Open Banking

MEB is one of the leading banks in Iran to provide Open Banking services to our 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 quality of service 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 26 percent of our deposits emanate from our distance banking customers.

The tables below provide a bird's-eye view of the performance and composition of MEB deposits over time.

Table 16. Deposit collection performance

	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2021	Mar. 19, 2020	Mar. 20, 2019	Mar. 20, 2018
No. of Clients	347,978	232,731	56,170	45,467	41,403	36,466
Deposits (IRR billion)	355,948	240,981	208,244	102,334	62,704	53,082
Average Interest Paid (percent)	10.80	12.43	10.89	10.51	12.44	14.22

Table 17. Composition of MEB's deposits

Date	Account types		
	Short term	Long term	Current
Mar.19,2020	42,365	42,814	17,163
Mar.20,2021	65,289	104,224	38,731
Mar.20,2022	95,867	97,321	47,793
Mar.20,2023	112,620	149,643	93,269

## 3-2. Corporate Banking

Corporate banking forms the centerpiece of our business strategy. Ever since the formation of the Bank, we have worked hard to cultivate close banking relationships with a wide array of corporate customers based on mutual trust and strategic advice. Such corporate customers rely on us to fulfil their short and long-term financial requirements through a variety of financial products and services, including loans, bank guarantees, letters of credit and foreign exchange services.

### ■ Credit Division

Our credit division consists of two separate credit departments units, backed by a credit support team. Each credit department unit has around twelve dedicated relationship managers (“RMs”) who act as the link between the Bank and our corporate customers. RMs interact with our corporate customers to assess their financial requirements and offer them access to the Bank’s products and services. To this end, they prepare detailed credit reports, evaluating the customer’s financial standing, industry, management team, business outlook, credit history, number of personnel, shareholders, business partners, trade counterparties and more. Provided the customer’s request is in line with the Bank’s credit policy

and risk appetite, a credit proposal is prepared and presented for approval by the Bank’s credit committee.

The credit support team is responsible for developing organizational and systematic tools to provide strategic guidance and support for the credit management units, as well as preparing periodic reports for senior management concerning the composition and performance of the Bank’s credit portfolio.

### ■ Credit Selection and Vetting Process

Our credit selection process takes into account a wide range of factors, including customers’ audited financial statements, cash flows, business outlook, financial character and credit risk ratings, using our internal credit scoring system. All credit customers must also undergo a rigorous compliance vetting process that includes:

- Know Your Customer (KYC)
- Customer Due Diligence (CDD)
- Enhanced Due Diligence (EDD)
- Know Your Customer’s Customers (KYCC)

Table 18 illustrates our credit profile as of Mar. 20, 2023.

Table 18. MEB’s Credit Profile as of Mar. 20, 2023

Description	IRR billion	
	Year ended Mar. 20, 2023	
	Balance	
Loans*	340,990	
Loans - FCY	126,544	
Bank Guarantees	222,123	
Bank Guarantees - FCY	23,041	
Letters of Credit	25,284	
Letters of Credit - FCY	300	
Remittances	79,386	
Total Loans	467,534	
<b>Total BGs and LCs</b>	<b>270,748</b>	

\* Principal balances

Table 19 and chart 6 illustrate the role of the Bank's various credit committees in reviewing and approving customers' credit requests:

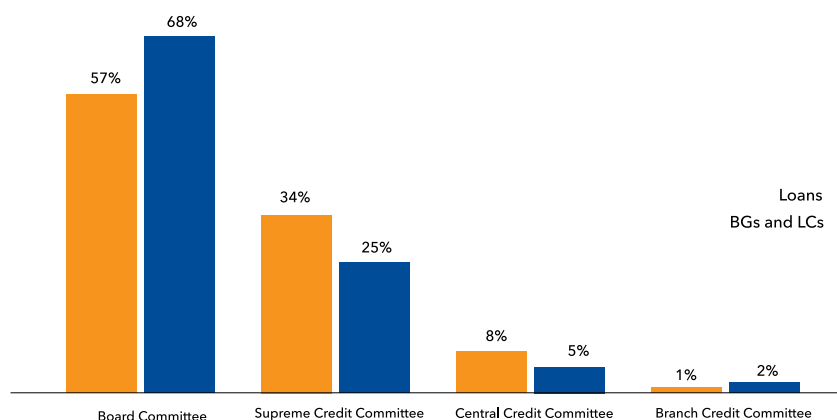
Table 19. Reviewing and approving customers' credit requests

IRR billion

	Loans* portfolio		BGs and LCs portfolio		No. of Customers	
	Amount (IRR billion)	Share (percent)	Amount (IRR billion)	Share (percent)	Number	Share (percent)
Board Committee	195,635	57	185,425	68	178	1
Supreme Credit Committee	114,844	34	66,394	25	276	2
Central Credit Committee	26,604	8	13,457	5	295	2
Branch Credit Committee	3,907	1	5,472	2	17119	95

\* All foreign currency Loans excluded

Chart 6. Monetary amount of credit requests approved by MEB's credit committees



## Breakdown of Credit Customers

Our credit customers are categorized into seven industry sectors based on their ISIC codes, namely manufacturing, trading, services, construction, agriculture, mining and

others. As illustrated in the table below, companies within the "manufacturing" sector account for 54 percent of the bank's total lending book, followed by the "trading" sector with a 23 percent share.

Table 20. Composition of facilities by industry as of Mar. 20, 2023

IRR billion

	Total Loans* (IRR billion)	Share of Total (percent)	BGs and LCs (IRR billion)	Share of Total (percent)
Manufacturing	184,826	54	125,214	46
Trade	77,853	23	21,388	8
Services	50,568	15	37,674	14
Construction	7,024	2	27,508	10
Agriculture	2,418	1	-	0
Mining	5,296	2	58,602	22
Others	13,005	4	363	0
<b>Total</b>	<b>340,990</b>	<b>100</b>	<b>270,748</b>	<b>100</b>

\* All foreign currency loans excluded

As of Mar. 20, 2023, large-scale enterprises accounted for 68 percent of MEB’s loans, 67 percent of bank guarantees and small-scale enterprises accounted for 61 percent of letters of credit, as illustrated below:

Chart 7. Breakdown of facilities by customer type

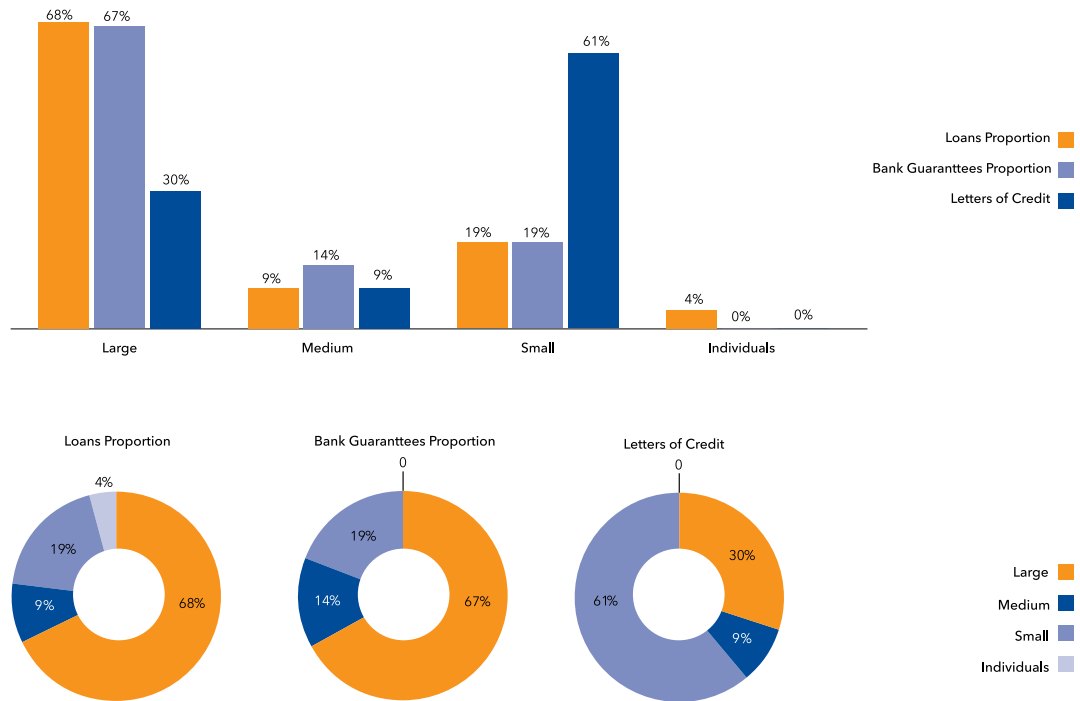


Table 21. MEB facilities according to customer type as of Mar. 20, 2023

Description	Loans*			Bank Guarantees			Letters of Credit		
	Number	Amount (IRR billion)	Proportion of the Total Amount (percent)	Number	Amount (IRR billion)	Proportion of the Total Amount (percent)	Number	Amount (IRR billion)	Proportion of the Total Amount (percent)
<b>Year ended Mar. 20, 2023</b>									
Large (More than 100 employees)	235	230,961	68	150	163,914	67	15	7,693	30
Medium (Between 50 and 100 employees)	77	30,673	9	42	33,264	14	2	2274	9
Small (Less than 50 employees)	169	66,351	19	139	47,623	19	5	15617	61
Individuals	17,166	13,005	4	23	363	0	0	0	0
<b>Total</b>	<b>17647</b>	<b>340,990</b>	<b>100</b>	<b>354</b>	<b>245,164</b>	<b>100</b>	<b>22</b>	<b>25584</b>	<b>100</b>
<b>Year ended Mar. 20, 2022</b>									
Large (More than 100 employees)	201	160,486	69	130	91,945	73	7	3,019	99
Medium (Between 50 and 100 employees)	67	21,106	9	46	8,363	8	2	41	1
Small (Less than 50 employees)	134	43,730	19	125	24,088	19	2	6	0
Individuals	5,902	7,613	3	21	175	0	0	0	0
<b>Total</b>	<b>6304</b>	<b>232,935</b>	<b>100</b>	<b>322</b>	<b>124,571</b>	<b>100</b>	<b>11</b>	<b>3066</b>	<b>100</b>

\* Excluding foreign currency loans

## ■ Credit Risk Mitigation

To mitigate credit risk, all corporate customers are required to post collateral, as determined by the size and type of

their credit facilities, as well as their individually estimated default risk. The following table illustrates a breakdown of the amount and types of collateral held as of Mar. 20, 2023.

Table 22. Posted collateral by MEB credit customers

IRR billion

	Year ended Mar. 20, 2023
Land and Real Estates	110,559
Receivable Checks*	72,434
Listed Shares\Participation Bonds\Sukuk	102,442
Certified Checks	2,248,608
Promissory Notes	15,712
Movable Assets	6,237
Factory and Machinery	49,497

\* Receivable checks consist of all checks with due date of until 180 days from Mar. 20, 2023.

## 3-3. International Banking Services

Providing outstanding foreign currency services to customers is one of the top priorities of the 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 local and foreign currencies.

It is impossible to develop international banking relations under current sanctions if not the expansion of brokerage relationship network of MEB. After opening a full-fledged branch in Germany in 2018, which is the first and most significant Iranian private bank representative in Europe, we were able to facilitate financial transactions of importers without any intermediary and with minimal cost. We also successfully managed to facilitate humanitarian transactions in foreign currencies such as Euro, Turkish Lira and UAE Dirham through CBI which helped us to enhance our credibility.

Table 23. Volume of international operations

IRR million

Activities	Year ended Mar. 20, 2023	Year ended Mar. 20, 2022
Facilities from bank sources	60,663,340.8	41,195,288.4
Facilities from National Development Fund of Iran	3,545,101.3	14,002,984.6
Letters of Credit Issued (in foreign currency)	0.0	688,930.0
Bank Guarantees Issued	0.0	207,051.0
Letters of Credit Issued (in IRR)*	0.0	10,360,464.8
Outward remittances facilitated	245,440,671.5	195,505,194.3
Other foreign remittances facilitated	238,721,800.8	138,882,061.6
Inward remittances facilitated (foreign currency)	35,454,300.3	38,679,959.2
Documentary Collections	9,196,129.0	5,180,053.3

\* It is necessary to explain that in 1401, the issuing of IRR letters of credit was transferred to the credit operation management and branches, so it was not included in the international department performance report.

## 3-4. Credit Operations Department

This department is entrusted with the task of delivering corporate banking services to special clients in our headquarters. It has been established to promote the efficiency of services that MEB's Credit Committees approve. This department consists of Credit Operations Office, Project Monitoring and Evaluation Office, Collateral

and Guarantees Office, and Operational Support Office.

The Credit Operations Office is responsible for disbursing loans and issuing bank guarantees proposed by Credit Departments. Table 24 demonstrates the activities of this office during the year under review.

Table 24. Credit Operations Office

	IRR million	Growth rate	No.	Growth rate
<b>Loans</b>				
Balance on Mar. 20, 2022	199,741,170	46%	2,552	39%
Additions	798,038,494	91%	5,305	27%
Settle during the year	717,899,409	103%	4,701	40%
Closing balance on Mar. 20, 2023	279,880,254	40%	3,156	20%
<b>Type of loans</b>				
Murabaha	680,510,517	140%	4,325	50%
Installment Sale	42,614,458	-48%	382	-43%
Ju'alah	31,190,074	-33%	218	-45%
Mosharekat Madani	-	-100%	-	-100%
Debt purchase	43,723,445	745%	380	89%
Sum	798,038,494	91%	5,305	27%
<b>Bank guarantees</b>				
Balance on Mar. 20, 2022	127,089,754	35%	3,701	8%
Issuance	195,517,093	185%	2,900	49%
Cancel during the year	41,783,205	35%	1,514	1%
Closing balance on Mar. 20, 2023	280,823,642	114%	5,087	32%

MEB acts as a guarantor bank to finance long-term projects using external funding sources including the National Development Fund of Iran (NDFI), and Iran Capital Market. The Investment Banking Department processes the long-

term financing, and after Credit Committees' approval, it is passed on to the Project Monitoring and Evaluation Office for follow-up. Table 25 summarizes the performance of this Office for the year ended Mar. 20, 2023.

Table 25. The Project Monitoring and Evaluation Office

Funding Sources	NDFI's Deposit	NDFI's Agency Contract	NDFI's Deposit	Iran Capital Market
Balance on march 20, 2022	450	55	3,330	2,140
Additions	0	7	2,830	7,000
Settle during the year	80	0	0	0
Closing balance on march 20, 2023	370	62	6,130	9,140

Moreover, the Collateral and Guarantees Office is responsible for mortgaging properties, keeping title deeds, securities, checks, and promissory notes as collateral, and guarantees for all MEB's services.

Finally, the Operational Support Office is responsible for

daily review and discrepancies of the services provided, following up on claims, preparing and presenting case and periodical reports, reviewing and improving executive procedures, identifying system problems and providing solutions to solve them in the Credit Operations Department.

## 3-5. Long-Term Finance

Our Investment Banking Department provides a range of services focused on generating non-interest income for the Bank. This function plays a vital role in supplementing our corporate banking services and allowing us to reach our revenue targets.

Key products and services include:

- Long-term financing through the National Development Fund ("NDF"), foreign credit lines, as well as MEB's own resources;
- Issuance of bond guarantees;
- Syndicated financing solutions for large loans and off-balance sheet commitments;
- Construction trustee account services for the financing of construction projects; and
- Advisory services in areas such as project financing, company valuations, M&A, ALM optimization, corporate restructurings, and wealth management.

The above factors have served to enhance our reputation among international banks, strengthened by our European presence through our Munich branch. Consequently, we have managed to substantially increase our market share due to many import/ export customers shifting their business from other Iranian banks under secondary US sanctions to MEB.

### ■ Project Financing through the NDF

We act as an agent bank and guarantor for the NDF, assisting in the allocation of foreign exchange and local currency funds to qualifying private sector enterprises, cooperatives and non-governmental organizations in Iran.

### ■ Foreign Currency Financing

Over recent years, we have financed several large-scale projects through agency contracts with the NDF worth over USD500 million, as illustrated by the table below.

Table 26. Foreign currency project financing as of Mar. 20, 2023

USD million

Year	Project	Approved	Used
1394	Production of Phosphate Concentrate	3.3	2.3
1394	Production of FCC & RFCC Catalysts	22.4	22.3
1395	Joint Oil and Gas Fields Development	300.0	300.0
1395	Joint Oil and Gas Fields Development	200.0	200.0
1395	Production of Diammonium phosphate Fertilizer	12.0	3.7
1395	Production of Single Pipe Heat-Exchangers	13.6	13.6
1397	Production of Olefins	187.9	20.3
1401	Production of Sponge Iron Briquettes	6.9	6.9
1401	Production of leafPlaster	6.1	0.0
<b>Total</b>		<b>752.2</b>	<b>569.1</b>

### ■ Local Currency Financing

The NDF has deposited portions of its local currency funds with us, as well other eligible Iranian banks. We can use

such funds to finance domestic projects, as agent bank in accordance with NDF regulations. The table 27 illustrates our local currency financings provided using NDF funds

Table 27. Local currency project financing as of Mar. 20, 2023

IRR billion

Year	Project	Approved	Used
1397	Production of steel billets	1,000	1,000
1397	Production of Cellulose products	600	600
1397	Production of Petrochemicals	500	500
1397	Building (Construction) of Solar Power Plants	200	200
1399	Production of Cast Polypropylene films (CPP)	1,000	1,000
1400	Production of food products	800	578
1400	Production of drugs	200	200
1400	Building (Construction) of water Desalination	3,520	1,550
1401	Production of gelatin capsule	500	500
<b>Total</b>		<b>8,320</b>	<b>6,128</b>

## ■ Bond (Sukuk) Guarantees

The growth of capital markets in Iran over recent years has witnessed an increase in the number of companies seeking to service their borrowing needs through bond (Sukuk)

issuances rather than traditional bank lending. Iranian regulations require domestic corporate bond issuances to be guaranteed by one or more banks. The table 28 details bond issuances guaranteed by MEB as of Mar. 20, 2023.

Table 28. Bond guarantees issued by MEB as of Mar. 20, 2023

						IRR billion
Year	Client	Financing Source	Approved	Issued	Explanation	
1395	Omid Leasing Company (Public)	Bonds (Sukuk)	1,000	1,000	Bonds with maturity of four years and 18%	
1395	Rayan Saipa Leasing Company (Public)	Bonds (Sukuk)	1,000	1,000	Bonds with maturity of four years and 18%	
1399	Dr. Abidi Pharmaceutical Company (Public)	Bonds (Sukuk)	726	639	Bonds with maturity of four years and 18%	
1400	Ama Industrial Company (Public)	Bonds (Sukuk)	1,500	1,500	Bonds with maturity of four years and 18%	
1401	Hafez Tile and Ceramic Company (Public)	Bonds (Sukuk)	1,500	1,500	Bonds with maturity of four years and 18%	
1401	Moshfeq Industrial Development Company (Private)	Bonds (Sukuk)	2,000	2,000	Bonds with maturity of four years and 18%	
1401	Faran Shimi Pharmaceutical Company (cooperative)	Bonds (Sukuk)	500	500	Bonds with maturity of four years and 18%	
1401	Sabaldea Pardaz Technologies Company (private)	Bonds (Sukuk)	3,000	3,000	Bonds with maturity of four years and 18%	
1401	Pharmaceutical Company	Bonds (Sukuk)	5,000	0	Bonds with maturity of five (max) years and 23% (max)	
1401	Pharmaceutical Supplements Company	Bonds (Sukuk)	1,000	0	Bonds with maturity of five (max) years and 23% (max)	
1401	Chemicals Poducer Company	Bonds (Sukuk)	7,000	0	Bonds with maturity of five (max) years and 23% (max)	
1401	Aluminum Producer Company	Bonds (Sukuk)	5,000	0	Bonds with maturity of five (max) years and 23% (max)	
<b>Total</b>			<b>29,226</b>	<b>11,139</b>		

## ■ Construction Trust Account

We provide construction trust accounts to facilitate the financing of real estate development and construction projects in Iran. As part of this mechanism, we act as trustee between investors and real estate developers by providing payment assurances to developers whilst at the same time safeguarding investor concerns regarding proper use of their funds.

## ■ Advisory Services

Our Long-Term Finance Department regularly provides strategic advice to clients, assisting them in optimizing their financial structures in line with their individual business

objectives and operational requirements. Through our strategic advisory services, we aim to create a sustainable competitive advantage for our clients, in line with their specific business objectives and requirements. These services include:

- Valuations and M&A;
- Corporate restructurings;
- Private placements;
- Balance sheet and ALM optimization;
- Debt and equity financing;
- Venture capital and private equity;
- Cash flow management; and
- Corporate governance.

# 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 risks 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. The table below illustrate some of the Bank's key risk metrics as of Mar. 20, 2023.

Table 29. MEB Key Risk Metrics as of Mar. 20, 2023

Selected Risk Ratios	Percentage
Doubtful Loans / Total Loans <sup>1</sup>	1.10
Common Equity Tier 1 CAR <sup>2</sup> (Basel 3 Standardised)	13.20
Total Capital CAR <sup>2</sup> (Basel 3 Standardised)	14.40
Basel 3 Leverage Ratio <sup>2</sup>	12.30
Loans to Deposit Ratio <sup>3</sup>	89
Liquidity Coverage Ratio (LCR) <sup>4</sup>	30.9

1. See note 53-3-7-2 of the Financial Statements

2. See Pillar 3 Regulatory Capital Disclosure

3. See note 53-4-5-2 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 30. Key MEB Risk Limits

Percent

Indicator	Risk Limit		
	Satisfactory	Caution	Unsatisfactory
<b>Capital Adequacy</b>			
CAR - Central Bank of Iran (CBI)	>9	>8	<8
CAR - Basel 3 Standardized	>13	>10.5	<10.5
CET1 CAR - Basel 3 Standardized	>10	>8	<8
Regulatory Capital/Economic Capital	>120	>100	<100
<b>Credit Risks</b>			
Largest Single Obligor (less cash and government collaterals) / CET1	<10	<25	>25
Related Persons (less cash and government collaterals) / CET1	<8	<15	>15
Largest 20 Obligor (less cash and government collaterals) / Total Loans	<25	<40	>40
Past Due, Suspended and Doubtful Loans / Total Loans	<5	<10	>10
Net Income / Shareholder's Equity	>inflation	=inflation	<inflation
<b>Liquidity Risks</b>			
IRR Loans / Total IRR Deposits	<80	<85	>85
IRR Fixed Income Assets + CBI Regulatory Deposit / Total IRR Deposits	>20	>15	<15
100 Largest IRR Depositors / Total IRR Deposits	<40	<50	>50
LCR - CBI	>100	>90	<90
LCR - Basel 3	>110	>100	<100
NSFR - Basel 3	>110	>100	<100
IRR Liquidity Gap in Months	>6	>3	<3
<b>Market Risks</b>			
Short-Term Equity Investment / Total Asset	<1	<2	>2
Net Interbank Loans / Regulatory Capital	<10	<20	>20
IRR Fixed Income Assets Duration - Year	<1	<3	>3
IRR Government Fixed Income Assets / Total IRR Fixed Income Assets	>90	>80	<80
<b>Operational Risks</b>			
Newly IT Identified Risks - Not Mitigated	<20	<25	>25
Newly Non-IT Identified Risk - Not Mitigated	<20	<25	>25
<b>Munich Branch</b>			
Non_IRR Fixed Income Assets / Branch Capital	>50	>40	<40

For more information regarding MEB's capital adequacy, credit risk, market risk and operational risk, refer to the Pillar 3 Regulatory Capital Disclosure. For details regarding the Bank's liquidity risk, refer to the Pillar 3 Liquidity Coverage Ratio (LCR) Disclosure.

## 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 11 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 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 oversees 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 complaint.

### ■ Internal Audit

A prerequisite for confidence in the Bank's internal controls is the existence of an adequate and independent supervisory function. To this end, our Internal Audit - in its capacity as the third line of defense - independently assesses, tests and validates the effectiveness of key control systems and processes throughout the Bank and submits its findings directly to the Audit Committee or the Board. Through its activities, Internal Audit provides independent assurance to the Board and senior management, and furthermore helps strengthening the Bank's corporate governance by validating and improving operations, controls, processes and systems. Key responsibilities include:

- Performance evaluation of operations, systems and processes;
- Ensuring the adequacy and effectiveness of the internal control system;
- Reviewing the financial reporting process to ensure quality, accuracy and transparency; and
- Ensuring proper assignment of responsibility and accountability throughout the organization;

### ■ Internal Controls and Audit Management

Internal Controls and Audit management is an independent, reliable, realistic and advisory activity designed to add value and improve the Bank's operations. Internal Controls and Audit helps the bank in achieving its goals by providing a structured and methodical approach to evaluate and improve the effectiveness of governance processes, risk management and internal controls. In order to fulfill this definition, The Middle East Bank's internal controls and audit management has been segregated from the inspection management in 2018 and comply with the regulations and principles published by the International Association of Internal Auditors. In the year 2022, according to the approved plan, internal controls and audit management performed assurance services to the board of directors, which took place with the presence of CAE in four meetings of the bank's board of directors in order to explain the results of the findings which were considered in the seven meetings of the audit committee.

### ■ Scope of the Work

The scope of work in 2022 were as follows:

- Reporting the strengths and weaknesses of internal controls for the departments dealt with in detail:
  - Investment Banking Management;
  - Some parts of Credit Operation and Supervision Management process;
  - Some parts of Credit department process;
  - Some parts of International department process;
  - Some parts of Financial Department process;
  - Some parts of Procurement Management process;
  - Some parts of security and branches Management process;
- Follow-up report about the corrective actions taken in line with the implementation of the board meetings resolutions in subjects as follows:
  - Credit administration;
  - Organization and methods management;
  - Credit Operation and Supervision Management;
  - Legal affairs Management;
  - Communication Management;
  - Compliance Management;
  - Reporting, Currency accounting and stock affairs;
- The audit report on handling five of the 26 regulations, including the large and related exposures, the state of the bank's investments, the state of overdraft and NOP for the first six months of the year;
- Evaluating internal controls governing financial reporting for the year 2021 by completing the engagement checklist;
- Evaluation internal controls system according to COSO framework for the ten months of the fiscal year 2022;
- preparing self-evaluation reports for the audit committee and Internal controls and audit management;
- Reviewing the draft report of the independent auditor for the fiscal year 2021, reviewing the draft report of the 26 categories of the legal inspector for the year 2021, reviewing the points and following up in order to eliminate or reduce the points raised by the auditors, as well as reviewing the draft report of the independent auditor for the first 6 months of fiscal year 2022;
- Follow-up report for the annual general meeting's assignments about the legal inspector for the year 2021; and
- Reviewing the state of large and related exposure twice a year.

## ■ 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, 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 (CBI) 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 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 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 behaviors 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 JCPOA (reached on July 14, 2015 by the P5+) the United States unilaterally quit the plan on Nov. 4, 2018 and subsequently re-imposed sanctions against financial institutions in Iran. These sanctions resulted in most Iranian banks being labeled as SSDN (subject to secondary sanction) and consequently losing their access to SWIFT. MEB however, is labeled 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 labeled 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 import and export 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;

We are 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 behavior 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;
- Central Bank 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 Director of 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 their nature and scope, our credit approvals may take place either at branch level, or at the Banks's headquarters within the Central Credit Committee, Supreme Credit Committee or Board Committee. Note 53-3-4 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 53-3-2 of the Financial Statements.

### ■ Credit Risk Exposures

#### ■ Total Asset Balances

As of Mar. 20, 2023, the Bank's total consolidated assets were approximately IRR697 trillion, up IRR160 trillion from Mar. 20, 2022. The primary driver behind the increase in total assets balances was:

- Increase in loans driven by strong demand for corporate credit lines.

#### ■ Cash and Cash Equivalents

For more information regarding cash and cash-equivalent assets of Bank, see note 23 of the Financial Statements.

#### ■ Loans and Leases

Commercial loans and leases increased approximately by IRR141 trillion, driven by strong demand for corporate loans.

As of Mar. 20, 2023, around 3 percent of the Bank's loan exposures are defined as non-performing, out of which:

- 1.2 percent are between 2 and 6 months past their due date;
- 0.7 percent are between 6 and 18 months past their due date; and
- 1.1 percent are considered doubtful.

For information regarding amounts and breakdown of the Bank's non-performing loan exposures, please refer to note 53-3-7-2 of the Financial Statements. For more information regarding credit quality, concentrations, collateral, industry distributions and management of loans and leases, see note 53-3 ("Credit Risk") of the Financial Statements.

Table 31 illustrates Breakdown of performing and non-performing loan exposures:

Table 31. Breakdown of performing and non-performing loan exposures

Loan Status	Description	Exposure Amount (Percentage of Total)
Current	< 2 months late payment	97.0
Overdue	2 to 6 months late payment	1.2
Suspended	6 to 18 months late payment	0.7
Doubtful	> 18 months late payment	1.1
<b>Total</b>		<b>100</b>

## ■ Debt Securities

Debt securities, including investments in Islamic treasury bills, governmental bonds and corporate bonds, totaled approximately IRR20 trillion as of Mar. 20, 2023. 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 28.3 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 IRR895 trillion as of Mar. 20, 2023, down from approximately IRR2,210 trillion the previous year. For more information on the bank's equity investments, see note 28.1 and 28.2 of the Financial Statements.

## ■ Off-Balance Sheet Exposures

The Bank's total off-balance sheet exposures increased to IRR287 trillion as of Mar. 20, 2023, from around IRR134 trillion the previous year. For more information regarding the Bank's off-balance sheet exposures, see note 49 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. The table below illustrates the industry composition of our loan portfolio as of Mar. 20, 2023:

Table 32. Industry composition of MEB's loan portfolio as of Mar. 20, 2023

Industry	Share of Loan Portfolio Percent
Beverage, Food, & Tobacco	21.6
Healthcare & Pharmaceuticals	19
Fire: Finance	9.6
Automotive	8
Metals & Mining	7.1
Consumer Goods: Durable	5.9
Others	5.9
Consumer Goods: Non-Durable	4
Individuals	3.8
Chemicals, Plastics, & Rubber	3.1
Telecommunications	2.2
Construction & Building	2.1
Capital Equipment	1.9
Utilities: Oil & Gas	1.9
Forest Products & Paper	1.5
Wholesale	1.4
Containers, Packaging, & Glass	1
<b>Total</b>	<b>100</b>

For additional information on the geographic and industry distribution of our credit exposures, refer to notes 53-3-8-1 (“Distribution of credit facilities and investments by economic sector”) and 53.2 (“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.

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 Standardised 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 53-7-2-2 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 assume 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 are 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 by 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 Mar. 20, 2023 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. The following table 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. The following table illustrates the effect of parallel shift in interest rates on the banking book.

Table 33. 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
<b>Mar. 20, 2023</b>				
Fixed Income Securities	413,926	204,694	(200,023)	(395,809)
<b>Mar. 20 2022</b>				
Fixed Income Securities	948,633	465,869	(463,020)	(910,110)

Table 34. 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
<b>Mar. 20, 2023</b>				
Loans	(7,119,747)	(3,559,873)	3,559,873	7,119,747
Fixed Income Securities	413,926	204,694	(200,023)	(395,809)
Deposits	773,558	386,779	(3,002,046)	(6,004,092)
<b>Total</b>	<b>(5,932,262)</b>	<b>(2,968,400)</b>	<b>357,804</b>	<b>719,846</b>
<b>Mar. 20 2022</b>				
Loans	(5,856,207)	(2,928,104)	2,928,104	5,856,207
Fixed Income Securities	948,633	465,869	(463,020)	(910,110)
Deposits	3,554,677	1,777,339	(4,823,757)	(9,647,515)
<b>Total</b>	<b>(1,352,897)</b>	<b>(684,896)</b>	<b>(2,358,673)</b>	<b>(4,701,418)</b>

## ■ 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 2023, 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 53-5-5-2 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 53-5-6 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 Mar. 20, 2023, 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 53- 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; and
- 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 Standardised 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 €1 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.

The following table illustrates our operational risk capital charge calculation, as of Mar. 20, 2023, using the USMA method:

Table 35. Operational risk capital charge calculation using the USMA method

Factor	Sub-Factor	2021	2022	2023	Average
Interest income, except for financial and operating lease	Interest income form loans and advances	24,692,756	38,329,114	59,572,460	
	Interest income form assets held to maturity	2,922,206	5,018,241	6,278,519	
	Interest income form trading assets	8,060,444	9,690,737	5,027,598	
	Other interest income	184,894	253,439	335,592	
	<b>TOTAL</b>	<b>35,860,300</b>	<b>53,291,531</b>	<b>71,214,169</b>	<b>53,455,333</b>
Interest expenses, except for financial and operating lease	Interest expenses from deposits	22,382,890	35,468,512	43,894,320	33,915,241
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	304,177,065	418,808,394	515,751,815	412,912,425
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.	69,709	1,766,773	1,152,035	996,172
Fee and commission income	Income received from providing advice and services. Includes income received by the bank as an outsourcer of financial services.	9,843,556	8,159,709	6,090,030	8,031,099
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)	275,281	374,320	446,739	365,447
Other operating income	"Income from ordinary banking operations not included in other BI items but of similar nature (income from operating lease s should be excluded)"	-	-	-	-
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 lease s should be excluded)"	-	255,050	2,566,010	940,353
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)	228,149	3,760,284	6,789,695	
	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	-	-	-	
	Net profit/loss from exchange differences	6,912,396	2,531,881	4,371,560	
	<b>TOTAL</b>	<b>7,140,545</b>	<b>6,292,165</b>	<b>11,161,255</b>	<b>8,197,988</b>
Business Indicator (BI)		<b>27,456,142</b>			
Business Indicator Component (BIC)		<b>3,432,018</b>			
Operational Risk Capital Charge (IRR million)		<b>3,432,018</b>			

## 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.

The Board oversees implementation of the ICAAP. The Risk Management Department regularly updates the Board concerning economic capital, liquidity adequacy and capital adequacy, as well as assisting the Board in enhancing the ICAAP supervisory process.

### ■ Capital Adequacy

MEB was well capitalized as of Mar. 20, 2023, exceeding all regulatory capital requirements. MEB measures and reports its capital adequacy ratio (CAR) in accordance with three separate models:

- CBI regulations;
- Basel 3 Standardised 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 53-7-3 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.

The following table presents the capital composition of the Bank as measured under the Basel 3 Standardized approach as of Mar. 20, 2023. 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 36. MEB Capital Composition as of Mar. 20, 2023

	IRR million
	Mar. 20, 2023
Share Capital	35,000,000
Retained earnings	32,933,751
Statutory Reserves	13,604,194
Other Disclosed Reserves / Non-Voting Stock	2,924,645
Goodwill & Intangible Assets	(227,851)
Investments in financial firms above 10 percent of Tier 1	-
Direct and indirect investment by an institution of own CET 1 instruments	(422,248)
<b>Tier 1 Capital</b>	<b>83,812,491</b>
Re-evaluation Reserves	-
General Loss Provisions up to 1.25 percent of RWA	7,394,779
Other Regulatory adjustments	-
<b>Tier 2 Capital</b>	<b>7,394,779</b>
<b>Total Capital under the Standardised Approach</b>	<b>91,207,270</b>

## ■ Basel 3 Regulatory Capital Ratios

The table below illustrates the MEB capital ratios under the Basel 3 Standardised and Foundation-IRB approaches:

Table 37. Summary of Basel 3 regulatory capital ratios

	Basel 3	
	Standardised	Foundation IRB
<b>Regulatory Capital</b>		
Tier 1 capital	83,812,491	83,812,491
Total capital	91,207,270	87,580,096
<b>Assets</b>		
Total Risk Weighted Assets	635,274,818	627,934,145
<b>Capital Ratios</b>		
Tier 1 CAR	13.2%	13.3%
Total Capital CAR	14.4%	13.9%
<b>Basel 3 Leverage Ratio*</b>	12.3%	12.3%

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

## ■ Risk Weighted Assets

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

### ■ Standardised Approach

Under the Standardised 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 Standardised Approach (published January 2019), albeit adjusted with regards to the Iranian economy. For details regarding our market risk capital calculations, see note 53-7-2-2 of the Financial Statements.

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

The following table illustrates the Bank's Risk Weighted Assets under the Basel 3 Standardised approach, as of Mar. 20, 2023:

Table 38. Risk weighted assets under basel 3 standardised approaches as of Mar. 20, 2023

IRR million

Risk and Exposure Type	Exposure Pre-CRM and Pre-CCF	Exposure Post-CRM and Post-CCF	RWA
Sovereigns	18,121,312	18,121,312	-
Multilateral Development Banks	-	-	-
Banks	73,242,612	73,242,612	58,594,090
Corporates & SMEs	227,477,057	197,879,583	194,080,281
Specialized Lending	132,456,188	124,434,102	161,764,333
Exposures Covered by Real Estate	906,925	906,925	906,925
Retail	1,312,727	1,263,470	659,739
Subordinated Debt and Equity	892,739	892,739	2,231,848
Other Assets	20,415,427	20,414,599	13,020,998
Defaulted Exposures	8,551,926	8,550,177	12,570,769
<b>Total on Balance Sheet Exposures</b>			<b>443,828,981</b>
Bank Guarantees	210,715,721	95,500,225	95,500,225
Letters of Credit (Sight)	20,595,878	1,654,000	1,654,000
Letters of Credit (Usance)	-	-	-
Other Commitments	19,262,644	19,262,644	7,705,058
<b>Total off Balance Sheet Exposures</b>			<b>104,859,282</b>
Market Risk	3,331,452		41,643,150
Operational Risk	3,432,018		42,900,225
<b>Total Risk Weighted Assets (RWA)</b>			<b>633,231,638</b>

## ■ Foundation IRB Approach

In addition to the Basel 3 Standardised 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. The following table 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 39. Historical default probabilities and exposure percentages per risk category

Rating	Historical Default Probability	Percentage of Total Corporate Exposures	Percent
AAA	0.5		0.2
AA	0.5		0.3
A	0.5		0.33
BBB	0.8		1.85
BB	2.0		16.65
B	6.2		65.10
CCC	15.6		14.25
C/CC	26.5		0.25
Unrated	15.0		1.04
<b>Total</b>			<b>100</b>

As of the Mar. 20, 2023, the weighted average rating for the Bank's corporate portfolio was "B". The Bank's F-IRB Capital Adequacy Ratio was 13.9 percent, as illustrated in the table above.

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.

## ■ 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

The table below 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 40. F-IRB CAR stress testing

	Rated BBB and Above	Rated Between BB and B	Rated CCC	Rated C/CC or Unrated	Corporate Portfolio Risk Weight	F-IRB CAR	Percent
Base Case <sup>1</sup>	2.7	81.8	14.2	1.4	98.7	13.9	
Scenario 1 (mild stress) <sup>2</sup>	0.0	19.3	65.2	15.6	111.2	12.6	
Scenario 2 (moderate stress) <sup>3</sup>	0.0	2.7	19.3	78.1	142.7	10.2	
Scenario 3 (severe stress) <sup>4</sup>	0.0	0.0	2.7	97.4	152.2	9.7	

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 lending)

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 lending)

## 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:

- Liquidity ratios table within note 53-4-5-2
- Asset/liability maturity analysis within note 53-4-5-3
- Analysis of contractual maturities of financial liabilities within note 53-4-5-4
- Maturity breakdown of FX liabilities within note 53-4-5-4-2
- The Bank's liquidity crisis management strategy is explained within note 53-4-6

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 Oct. 17, 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 Mar. 20, 2023, 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 30.9 percent as of Mar. 20, 2023, as illustrated by the following table:

Table 41. Key Components of the LCR as of Mar. 20, 2023

	IRR million
	Weighted Amount
<b>High-Quality Liquid Assets</b>	
Level 1 Assets	25,087,417
Level 2A Assets	0
Level 2B Assets	0
<b>Total HQLA</b>	<b>25,087,417</b>
<b>Cash Outflow Amounts</b>	
Retail Deposits	50,880,066
Wholesale Deposits	52,241,970
Other Dues Within 30 Days	21,886,585
Other Funding and Commitments	23,308,192
<b>Total Cash Outflow</b>	<b>148,316,813</b>
<b>Cash Inflow Amounts</b>	
Retail and Wholesale Cash Inflows	28,426,037
Cash Inflows from financial institutions <sup>1</sup>	38,788,799
Other Inflows	0
<b>Total Cash Inflow</b>	<b>67,214,836</b>
<b>HQLA Amount</b>	<b>25,087,417</b>
<b>Total Net Cash Outflow Amount (Incl. 75 percent Cap on Inflows)</b>	<b>81,101,977</b>
<b>LCR</b>	<b>30.9%</b>

## ■ 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 percent 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 48-4 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 53-4-5-1 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 Rial.

- For information regarding foreign currency denominated investment deposits, see note 34-1 of the Financial Statements.
- For information regarding changes in foreign currency denominated investment deposits, see note 34-1-4 of the Financial Statements.

- For information regarding maturity breakdown of foreign currency denominated liabilities, see note 53-4-5-4-2 of the Financial Statements.
- For information regarding the status of foreign currency denominated assets and liabilities, see note 53-5-5 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:

- Cash inflows, outflows and liquidity gap changes;
- Loan-to-deposits ratio;
- Net open foreign currency positions;
- Regulatory foreign currency limits;
- List of funding sources; and
- 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.

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

**5**





**Independent Auditor's Report**  
**to the Shareholders**  
**Middle East Bank (Public Joint Stock Company)**

***Qualified Opinion***

We have audited the accompanying consolidated financial statements of Middle East Bank ("the Bank") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 20 March, 2023, the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 20 March, 2023 and of its performance and cash flows for the year then ended in conformity with the Iranian Accounting Standards.

***Basis for Qualified Opinion***

- 1- As disclosed in Note 6-11 to the consolidated financial statements, the monetary foreign currency assets and liabilities are translated into Rials using the exchange rates as instructed in the CBI's circular No. 01/319616 dated 16 March, 2023.

With respect to the rate of exchange, according to Accounting Standard No. 16, when several exchange rates are available, the rate used is that at which the future cash flows represented by the translation or the balance could have been settled if those cash flows had occurred at the measurement date.

In our opinion, based on the exchange rates published at the reporting date, the effects of translation would be higher than those reported in the accounts and consequently the adjustments are considered necessary. However, due to the existence of different foreign currency rates and resources, we are unable to determine the available rates of exchange for translation purposes and the extent of necessary adjustments at the reporting date.

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**Middle East Bank (Public Joint Stock Company)**

- 2- As stated in Note 37 to the consolidated financial statements, additional income taxes were claimed mainly due to allocation of interests paid to exempt income, disallowing certain expenditures and interests paid to the customer's deposits above the rates instructed by CBI, difference in method of calculation of exemption provided for the accumulated profits used in the share capital increase as well as calculation of exchange gain at the prevailing rates higher than those instructed by CBI.

In respect of the above issues, certain rulings were issued by the Administrative Justice Tribunal ("AJT"), however the position of any objection by the STO against the issued rulings is yet to be determined and no circular has yet been issued by the STO confirming the application of the above rulings.

Assessments for the financial years March 2016 to March 2021 were protested by the Bank which are currently under review by the Tax Dispute Settlement Boards. The matter of disputes has also been reported to CBI and the Association of Private Banks for their follow-up with the tax authorities. Furthermore, the provision for income tax of the previous financial year has been provided on the basis of declared income and taking into account zero rate tax on that portion of the profit which is planned to be used for the purpose of share capital increase in the current financial year (subject to Clause "F" of Note 2 of the subsequent year's Budget Act) which is yet to be assessed by the STO. Qualifying for such exemption is dependent on approval of the capital increase and registering it with the Company's Registrar within the current financial year. The provision for income tax of the current financial year has also been provided on the basis of declared income. In addition to the above items, for the first year of the execution of Note 5 to Article 4 of the Law for Housing Production Development Law an assessment of Rls 7.650 bn was raised which has been protested by the Bank.

Under circumstances, final amounts of tax liabilities for the above financial years will be determined once the relevant tax rulings being issued by the competent authorities.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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**Middle East Bank (Public Joint Stock Company)**

***Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Iranian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Management is responsible for overseeing the entity's financial reporting process.

***Auditor's Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



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Middle East Bank (Public Joint Stock Company)

- Conclude on the appropriateness of the management' 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 entity'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 consolidated financial statements or, if such disclosure 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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.



Bayat Rayan  
Chartered Accountants

Tehran: 21 June, 2023



MIDDLE EAST BANK (PJSC)  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
YEAR ENDED MARCH 20, 2023

IRR million

Description	Note	Mar. 20, 2023	Mar. 20, 2022
Interest income on credit facilities granted	8	59,572,460	38,329,114
Interest income on deposit in banks and financial institutions	9	6,278,519	5,018,241
Income from investments in debt securities	10	5,027,598	9,690,737
Income (loss) from investments in share and other securities	11	6,779	41,263
Income from statutory deposit	12	335,592	253,439
<b>Total operating income</b>		71,220,948	53,332,794
Interest expense	13	(43,894,320)	(35,468,512)
		27,326,628	17,864,282
Fees and commission income	14	6,090,030	3,735,687
Fees and commission expense	15	(446,739)	(329,145)
Net foreign exchange transactions income	16	6,789,695	3,760,284
Administrative and general expenses	17	(6,839,869)	(4,740,296)
Provision for bad and doubtful debts	18	(2,356,443)	(2,033,802)
Other operating income	19	1,778,810	2,276,831
		5,015,484	2,669,559
<b>Total operating income</b>		32,342,112	20,533,841
Income (loss) from investments related to non-banking activities	20	380,775	145,100
Other income	21	171,619	11,018
Profit before tax		32,894,506	20,689,959
Income tax	37	(1,400,491)	(479,505)
<b>Net Profit</b>		<b>31,494,015</b>	<b>20,210,454</b>
<b>Profit attributable to:</b>			
Shareholders of the parent company		31,370,519	20,132,339
Non-controlling interests		123,496	78,115
		<b>31,494,015</b>	<b>20,210,454</b>
<b>EPS (Rials)</b>			
Operating EPS (Rials)		881	571
Non operating EPS (Rials)		16	4
Basic EPS (Rials)	22	<b>896</b>	<b>575</b>

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

MIDDLE EAST BANK (PJSC)  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 YEAR ENDED MARCH 20, 2023

Description	Note	IRR million	
		Mar. 20, 2023	Mar. 20, 2022
<b>Net Profit</b>		31,494,015	20,210,454
<b>Other comprehensive income</b>			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operation	43	169,676	458,453
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		169,676	458,453
<b>Total comprehensive income</b>		<b>31,663,691</b>	<b>20,668,907</b>
Total comprehensive income attributable to:			
Shareholders of the parent company		31,540,195	20,590,792
Non-controlling interests		123,496	78,115
		<b>31,663,691</b>	<b>20,668,907</b>

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

MIDDLE EAST BANK (PJSC)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 20, 2023

Description	Note	Mar. 20, 2023	IRR million	
			Reclassified	Reclassified
			Mar. 20, 2022	Mar. 21, 2021
<b>Assets:</b>				
Cash	23	76,735,175	50,828,248	40,785,040
Due from banks and financial institutions	24	40,763,623	38,444,732	42,279,997
Extended facilities to non-governmental entities	25	495,730,754	354,698,618	239,669,890
Due from subsidiaries and associates	26	828	1,889	1,893
Other accounts receivable	27	8,954,739	10,951,229	4,810,393
Investments in share and other securities	28	20,875,075	45,471,119	48,830,127
Non-current assets held for sale	29	686,106	607,550	488,000
Property, plant and equipment	30	7,300,511	5,645,318	3,939,727
Intangible assets	31	229,810	281,049	304,420
Statutory deposit	32	42,702,374	27,154,220	21,340,048
Other assets	33	3,243,433	2,876,552	2,372,005
<b>Total assets</b>		<b>697,222,428</b>	<b>536,960,524</b>	<b>404,821,540</b>
<b>Liabilities and shareholders' equity:</b>				
<b>Liabilities:</b>				
Customers' deposits	34	529,592,699	385,225,775	333,414,059
Due to banks and financial institutions	35	37,051,386	65,770,065	14,921,289
Dividends payable	36	61,074	54,376	47,109
Income tax provision	37	2,513,901	1,716,313	3,517,922
Other liabilities and accruals	38	43,306,343	27,009,247	13,020,379
Staff termination benefits	39	691,061	363,908	247,994
<b>Total liabilities</b>		<b>613,216,464</b>	<b>480,139,684</b>	<b>365,168,752</b>
<b>Shareholders' equity:</b>				
Share capital	40	35,000,000	25,000,000	15,000,000
Legal reserve	41	13,599,037	9,067,581	5,969,152
Other reserves	42	197,461	90,560	121,323
Foreign exchange translation differences for foreign operation	43	2,260,240	2,090,564	1,632,111
Retained earnings		32,904,530	21,214,381	17,115,498
Shares owned by market maker fund (Treasury shares)	44	(494,729)	(983,681)	(444,108)
Premium of the shares owned by market maker fund (Treasury shares)	45	72,481	-	-
<b>Total equity attributable to equity holders of the Bank</b>		<b>83,539,020</b>	<b>56,479,405</b>	<b>39,393,976</b>
Non-controlling interests		466,944	341,435	258,812
<b>Total shareholders' equity</b>		<b>84,005,964</b>	<b>56,820,840</b>	<b>39,652,788</b>
<b>Total liabilities and shareholders' equity</b>		<b>697,222,428</b>	<b>536,960,524</b>	<b>404,821,540</b>
Letters of credit	49-1	22,738,577	3,066,333	1,144,390
Issued guarantees	49-2	245,163,937	124,570,656	92,753,012
Other commitments	49-3	19,262,644	6,410,005	3,457,017
Managed funds	49-4	-	-	10,474,848

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, 2023

	Mar. 20, 2023							IRR 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)	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 21 March, 2022		25,000,000	-	9,067,581	90,560	2,090,564	21,214,381	(983,681)	-	56,479,405	341,435	56,820,840
Net profit							31,370,519			31,370,519	123,496	31,494,015
<b>Other comprehensive income</b>												
Foreign exchange translation differences for foreign operation	43					169,676				169,676	-	169,676
Tax on other comprehensive income												
<b>Total comprehensive income</b>						<b>169,676</b>	<b>31,370,519</b>			<b>31,540,195</b>	<b>123,496</b>	<b>31,663,691</b>
Share capital increase-Registered		10,000,000	(10,000,000)									
Capital increase in progress			10,000,000				(10,000,000)					
Purchase of shares owned by market maker fund (Treasury shares)	44							(284,396)		(284,396)		(284,396)
Sale of shares owned by market maker fund (Treasury shares)	44							773,348		773,348		773,348
Profit from the sale of shares owned by market maker fund (Treasury shares)	45								72,481	72,481		72,481
Legal reserve	41			4,531,456			(4,537,835)			(6,379)	6,379	-
Other reserves	42				106,901		(142,535)			(35,634)	35,634	-
Dividends							(5,000,000)			(5,000,000)	(40,000)	(5,040,000)
<b>Total</b>		10,000,000	-	4,531,456	106,901	-	(19,680,370)	488,952	72,481	(4,480,580)	2,013	(4,478,567)
Balance at Mar. 20, 2023		<b>35,000,000</b>	-	<b>13,599,037</b>	<b>197,461</b>	<b>2,260,240</b>	<b>32,904,530</b>	<b>(494,729)</b>	<b>72,481</b>	<b>83,539,020</b>	<b>466,944</b>	<b>84,005,964</b>

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, 2023

IRR million												
Mar. 20, 2022												
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)	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance at 21 March, 2021		15,000,000	-	5,969,152	121,323	1,632,111	17,115,498	(444,108)	-	39,393,976	258,812	39,652,788
Net profit							20,132,339			20,132,339	78,115	20,210,454
Foreign exchange translation differences for foreign operation	43					458,453				458,453	-	458,453
Tax on other comprehensive income												
<b>Total comprehensive income</b>						458,453	20,132,339			20,590,792	78,115	20,668,907
Share capital increase-Registered		10,000,000	(10,000,000)								212,500	212,500
Capital increase in progress			10,000,000				(10,000,000)					
Purchase of shares owned by market maker fund (Treasury shares)	44							(850,995)		(850,995)		(850,995)
Sale of shares owned by market maker fund (Treasury shares)	44							311,422		311,422		311,422
Profit from the sale of shares owned by market maker fund (Treasury shares)	45											
Legal reserve	41			3,098,429	(30,763)		(3,098,429)					
Other reserves	42						64,973			34,210	(32,992)	1,218
Dividends							(3,000,000)			(3,000,000)	(175,001)	(3,175,001)
<b>Total</b>		10,000,000	-	3,098,429	(30,763)	-	(16,033,456)	(539,573)	-	(3,505,363)	4,508	(3,500,855)
Balance at Mar. 20, 2022		<b>25,000,000</b>	-	<b>9,067,581</b>	<b>90,560</b>	<b>2,090,564</b>	<b>21,214,381</b>	<b>(983,681)</b>	-	<b>56,479,405</b>	<b>341,435</b>	<b>56,820,840</b>

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

MIDDLE EAST BANK (PJSC)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 20, 2023

IRR million

Description	Note	Mar. 20, 2023	Mar. 20, 2022
<b>Operating activities:</b>			
Cash inflows(outflows)from operating activities	47	30,959,461	15,223,735
Paid tax		(602,903)	(2,353,453)
<b>Net Cash inflows(outflows)from operating activities</b>		<b>30,356,558</b>	<b>12,870,283</b>
<b>Investing activities:</b>			
Acquisition of property, plant and equipment		(2,243,592)	(2,125,151)
Disposal of property, plant and equipment		666	-
Acquisition of intangible assets		(259,730)	(168,859)
Disposal of non-current assets held for sale		190,000	-
Dividends received from non-banking investments		6,600	24,060
<b>Net cash inflow from investing activities</b>		<b>(2,306,056)</b>	<b>(2,269,950)</b>
<b>Net cash inflow before financing activities</b>		<b>28,050,502</b>	<b>10,600,332</b>
<b>Financing activities:</b>			
Capital increase		-	45,090
Dividends paid		(4,993,302)	(2,992,733)
Proceeds from sale of shares owned by market maker fund		845,827	311,422
Acquisition of shares owned by market maker fund		(284,396)	(850,996)
<b>Net cash inflow(outflow) from financing activities</b>		<b>(4,431,871)</b>	<b>(3,487,217)</b>
Net increase (decrease) in cash		23,618,631	7,113,115
Cash at beginning of the year		50,828,248	40,785,040
Effect of exchange rate on cash		2,288,296	2,930,093
<b>Cash at end of the year</b>		<b>76,735,175</b>	<b>50,828,248</b>
<b>Non-cash transactions</b>	48	<b>100,556</b>	<b>327,541</b>
<b>More information about the cash flows resulting from the interest:</b>			
Interest on extended facilities		47,800,687	31,656,574
Interest on deposit in banks and financial institutions		6,573,226	5,288,192
Interest expense of investment deposits		(40,302,436)	(39,241,096)
Interest on investments in debt securities		7,020,948	6,939,951
Dividends		6,600	24,060

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

MIDDLE EAST BANK (PJSC)  
STATEMENT OF PROFIT OR LOSS  
YEAR ENDED MARCH 20, 2023

				IRR million
Description	Note	year ended Mar. 20, 2023	Year ended Mar. 20, 2022	
Interest income on extended facilities	8	59,572,460	38,329,114	
Interest income on deposit in banks and financial institutions	9	6,278,144	5,018,127	
Income from investments in debt securities	10	5,018,544	9,688,958	
Income (loss) from investments in share and other securities	11	798,000	1,693,632	
Income from statutory deposit	12	335,592	253,439	
<b>Total operating income</b>		72,002,740	54,983,270	
Interest expense	13	(43,649,934)	(35,226,702)	
		28,352,806	19,756,568	
Fees and commission income	14	5,070,414	2,953,555	
Fees and commission expense	15	(446,739)	(329,145)	
Net foreign exchange transactions income	16	4,104,821	1,903,790	
Administrative and general expenses	17	(6,211,158)	(4,093,865)	
Provision for bad and doubtful debts	18	(2,341,083)	(2,046,084)	
Other operating income	19	1,778,810	2,276,831	
		1,955,065	665,082	
<b>Total operating income</b>		30,307,871	20,421,650	
Income (loss) from investments related to non-banking activities	20	233,063	145,407	
Other income	21	171,055	11,018	
Profit before tax		30,711,989	20,578,075	
Income tax	37	(824,417)	-	
<b>Net Profit</b>		<b>29,887,572</b>	<b>20,578,075</b>	
<b>EPS (Rials)</b>				
Operating EPS (Rials)		842	583	
Non operating EPS (Rials)		12	4	
Basic EPS (Rials)	22	854	588	

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

MIDDLE EAST BANK (PJSC)  
STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED MARCH 20, 2023

Description	Note	IRR million	
		Mar. 20, 2023	Mar. 20, 2022
<b>Net Profit</b>		29,887,572	20,578,075
<b>Other comprehensive income</b>			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operation	43	169,676	458,453
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		169,676	458,453
<b>Total comprehensive income</b>		<b>30,057,248</b>	<b>21,036,528</b>

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

MIDDLE EAST BANK (PJSC)  
STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 20, 2023

IRR million

Description	Note	Mar. 20, 2023	Reclassified	Reclassified
			Mar. 20, 2022	21 Mar. 2021
<b>Assets:</b>				
Cash	23	53,703,978	33,490,443	35,327,130
Due from banks and financial institutions	24	40,763,623	38,444,733	42,279,997
Extended facilities to non-governmental entities	25	496,225,974	355,437,367	239,995,924
Due from subsidiaries and associates	26	1,007,507	1,773,799	1,380,008
Other accounts receivable	27	8,331,200	13,042,036	6,573,914
Investments in share and other securities	28	20,645,834	45,185,426	48,682,277
Non-current assets held for sale	29	686,106	607,550	488,000
Property, plant and equipment	30	6,116,967	5,557,561	3,856,980
Intangible assets	31	227,851	278,503	300,652
Statutory deposit	32	42,702,374	27,154,220	21,340,048
Other assets	33	3,177,325	2,833,718	2,321,984
<b>Total assets</b>		<b>673,588,739</b>	<b>523,805,356</b>	<b>402,546,914</b>
<b>Liabilities and shareholders' equity</b>				
<b>Liabilities:</b>				
Customers' deposits	34	532,203,488	387,843,822	335,742,821
Due to banks and financial institutions	35	34,406,871	63,820,065	14,921,289
Dividends payable	36	61,074	54,376	47,109
Income tax provision	37	1,875,964	1,224,048	2,843,205
Other liabilities and accruals	38	23,911,990	15,653,473	11,380,041
Staff termination benefits	39	628,706	327,607	227,439
<b>Total liabilities</b>		<b>593,088,093</b>	<b>468,923,391</b>	<b>365,161,904</b>
<b>Shareholders' equity:</b>				
Share capital	40	35,000,000	25,000,000	15,000,000
Legal reserve	41	13,507,891	9,024,756	5,938,045
Foreign exchange translation differences for foreign operation	43	2,260,240	2,090,564	1,632,111
Retained earnings		30,154,763	19,750,326	15,258,962
Shares owned by market maker fund (Treasury shares)	44	(494,729)	(983,681)	(444,108)
Premium of the shares owned by market maker fund (Treasury shares)	45	72,481	-	-
<b>Total shareholders' equity</b>		<b>80,500,646</b>	<b>54,881,965</b>	<b>37,385,010</b>
<b>Total liabilities and shareholders' equity</b>		<b>673,588,739</b>	<b>523,805,356</b>	<b>402,546,914</b>
Letters of credit	49-1	22,738,577	3,066,333	1,144,390
Issued guarantees	49-2	245,163,937	124,570,656	92,753,012
Other commitments	49-3	19,262,644	6,410,005	3,457,017
Managed funds	49-4	-	-	10,474,848

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

MIDDLE EAST BANK (PJSC)  
STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED MARCH 20, 2023

		Mar. 20, 2023						IRR million	
Description	Note	Share capital	Capital increase in process	Legal reserve	Foreign exchange translation differences for foreign operations	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares)	Total equity
Balance at 21 March, 2022		25,000,000	-	9,024,756	2,090,564	19,750,326	(983,681)	-	54,881,965
Net profit						29,887,572			29,887,572
Foreign exchange translation differences for foreign operation	43			169,676					169,676
Tax on other comprehensive income									-
<b>Total comprehensive income</b>					169,676	29,887,572			30,057,248
Share Capital increase-Registered		10,000,000	(10,000,000)						-
Capital increase in progress			10,000,000			(10,000,000)			-
Purchase of shares owned by market maker fund (Treasury shares)	44						(284,396)		(284,396)
Sale of shares owned by market maker fund (Treasury shares)	44						773,348		773,348
Profit from the sale of shares owned by market maker fund (Treasury shares)	45							72,481	72,481
Legal reserve	41			4,483,135		(4,483,135)			-
Other reserves	42								-
Dividends						(5,000,000)			(5,000,000)
<b>Total</b>		10,000,000	-	4,483,135	-	(19,483,135)	486,952	72,481	(4,438,567)
Balance at Mar. 20, 2023		<b>35,000,000</b>	-	<b>13,507,891</b>	<b>2,260,240</b>	<b>30,154,763</b>	<b>(494,729)</b>	<b>72,481</b>	<b>80,500,646</b>

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, 2023

		Mar. 20, 2022						IRR million	
Description	Note	Share capital	Capital increase in process	Legal reserve	Foreign exchange translation differences for foreign operations	Retained earnings	Shares owned by market maker fund (Treasury shares)	Premium of the shares owned by market maker fund (Treasury shares)	Total equity
Balance at 21 March, 2021		15,000,000		5,938,045	1,632,111	15,258,962	(444,108)		37,385,010
Net profit						20,578,075			20,578,075
Foreign exchange translation differences for foreign operation				458,453					458,453
Tax on other comprehensive income									
<b>Total comprehensive income</b>				458,453		20,578,075			21,036,528
Share Capital increase-Registered		10,000,000	(10,000,000)						
Share Capital increase in progress			10,000,000						
Purchase of shares owned by market maker fund (Treasury shares)	44					(10,000,000)	(850,995)		(850,995)
Sale of shares owned by market maker fund (Treasury shares)	44						311,422		311,422
Profit from the sale of shares owned by market maker fund (Treasury shares)	45					(3,086,711)			
Legal reserve	41			3,086,711					
Other reserves	42								
Dividends						(3,000,000)			(3,000,000)
Total		10,000,000		3,086,711		(16,086,711)	(539,573)		(3,539,573)
Balance at Mar. 20, 2022		<b>25,000,000</b>		<b>9,024,756</b>	<b>2,090,564</b>	<b>19,750,326</b>	<b>(983,681)</b>		<b>54,881,965</b>

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

MIDDLE EAST BANK (PJSC)  
STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 20, 2023

IRR million

Description	Note	Mar. 20, 2023	Mar. 20, 2022
<b>Operating activities:</b>			
Cash inflows(outflows)from operating activities	47	23,469,106	2,534,971
Paid tax		(172,501)	(1,619,158)
<b>Net Cash inflows(outflows)from operating activities</b>		<b>23,296,605</b>	<b>915,813</b>
<b>Investing activities:</b>			
Acquisition of tangible assets		(1,135,484)	(2,108,419)
Acquisition of intangible assets		(120,613)	(65,927)
Disposal of non-current assets held for sale		190,000	-
Dividends received from non-banking investments		126,600	24,060
<b>Net cash inflow(outflow) from investing activities</b>		<b>(939,497)</b>	<b>(2,150,286)</b>
<b>Net cash inflow(outflow) before financing activities</b>		<b>22,357,108</b>	<b>(1,234,473)</b>
<b>Financing activities:</b>			
Dividends paid		(4,993,302)	(2,992,733)
Proceeds from sale of shares owned by market maker fund		845,829	311,422
Acquisition of shares owned by market maker fund		(284,396)	(850,996)
<b>Net cash inflow(outflow) from financing activities</b>		<b>(4,431,869)</b>	<b>(3,532,307)</b>
Net increase (decrease) in cash		17,925,239	(4,766,780)
Cash at beginning of the year		33,490,443	35,327,130
Effect of exchange rate on cash		2,288,296	2,930,093
<b>Cash at end of the year</b>		<b>53,703,978</b>	<b>33,490,443</b>
<b>Non-cash transactions</b>	48	<b>100,556</b>	<b>119,550</b>
<b>More information about the cash flows resulting from the interest:</b>			
Interest on extended facilities		47,804,116	31,656,574
Interest on deposit in banks and financial institutions		6,572,852	5,288,078
Interest expense of investment deposits		(40,028,531)	(38,999,286)
Interest on investments in debt securities		7,010,969	6,857,353
Dividends		126,600	24,060

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

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 20, 2023

## 1. Introduction

### 1-1. Background

Middle East Bank (Public Joint Stock Company) - ("the Bank") was established by the Central Bank of Iran ("CBI") under license number of 91/184904 in October 2012 and registered with 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 at Nov. 1, 2012. The stock of the bank was registered with OTC on Dec. 5, 2012 and its shares have been traded in the secondary market of TSE since Mar. 16, 2015. The Bank's Head Office is located in No. 2, 5th St, Ahmad Qasir(Bucharest) Ave, Tehran, Iran.

### 1-2. Bank's main activity

The Bank's main activity is in accordance with Article No. 3 of the Bank's Articles of Association.

### 1-3. Number of branches

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

	Mar. 20, 2023		Mar. 20, 2022	
	End of the year/ period	Average	End of the year/ period	Average
	<b>18</b>	<b>18</b>	<b>17</b>	<b>17</b>

### 1-4. Employees

The number of employees is as follows:

	Mar. 20, 2023		Mar. 20, 2022	
	End of the year/ period	Average	End of the year/ period	Average
Head office	450	433	416	396
Tehran branches	146	141	136	132
Other provinces 'branches	53	52	50	50
Overseas Branches	10	9	8	9
<b>Bank's employees</b>	<b>659</b>	<b>635</b>	<b>610</b>	<b>587</b>

## 2. New and amended accounting standards

New and amended accounting standards that are effective in current year: Accounting Standard 16, Effects of Changes in Exchange Rates: Changes in the standard's requirements (revised in 1400) have no significant effect on financial statements.

### 2-1. The Basis of preparation 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 sample Financial statements released by CBI at March 2022. Details of accounting policies, including changes during the year, are included in notes 4 to 8.

#### 2-1-1. Basis of consolidation

The consolidated financial statements are the result of aggregation of the financial statements of the parent company and it's 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." and "Middle East Currency Exchange Co.".

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 20, 2023

### 3. 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.

### 4. 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:

**4-1.** Determination of control over investees; including Dadeh Pardazan Simaye Aftab Co., Middle East Bank Brokerage Co. and Middle East Currency Exchange Co.

**4-2.** Recognition and measurement of contingent liabilities

**4-3.** Investments in debt securities are considered as long term investments and the related accounting policy is cost less than impairment.

### 5. Measurement

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

### 6. Significant Accounting policies

#### 6-1. Investments in share and other securities

	Consolidated	Parent
<b>Measurement:</b>		
<b>Long term investments:</b>		
Investment in subsidiaries	Consolidated	Cost less impairment losses
Investment in associates	Equity method	Cost less impairment losses
Other Non current investments	Cost less accumulated impairments	Cost less impairment losses
<b>Short term investments:</b>		
Investment in listed shares	LCM ( lower of cost and market value) For trading investments and market value for fixed income securities.	LCM ( lower of cost and market value) For tradable investments and market value for fixed income securities.
<b>Revenue recognition:</b>		
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	When the interest is realized

#### 6-2. Property , plant equipment

**6-2-1.** 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.

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 20, 2023

6-2-2. 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	15 years	Straight line
Elevator	15%	Reducing balance
Installations	6,8&10 years	Straight line
Electrical and mechanical installation	12% and 20%	Reducing balance
Office furniture	3,5,6,8&10 years	Straight line
Computer hardware	3,5,6,8&10 years	Straight line
Motor vehicles	6 years	Straight line
Leasehold improvements	During the lease term	Straight line

6-2-3. 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.

### 6-3 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 software are depreciated during one, three or five years on the straight line basis.

### 6-4. Non-current assets held for sale

6-4-1. Non-current asset 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

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 20, 2023

by events beyond the entity's control and the entity must still be committed to selling the asset.

6-4-2. Non-current assets held for sale are measured "lower of book value and net market value".

#### 6-5. 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
<b>Loan's interest</b>	
Current loans/Emhal	Accrual basis
Past due loans/Emhal	Accrual basis
Outstanding debt/Emhal	Cash basis
Doubtful debt/Emhal	Cash basis
<b>Penalty (Loan's rate)</b>	
Current loans/Emhal	Accrual basis
Past due loans/Emhal	Accrual basis
Outstanding debt/Emhal	Cash basis
Doubtful debt/Emhal	Cash basis
<b>Penalty (Over loan's rate)</b>	
	Cash basis
<b>Fee</b>	
guaranties and L/Cs	Based on time factor-Accrual
Other services	At the time of performing-Cash
Loan's fee (Gardh-UI Hasan)	Cash/Accrual basis

#### 6-6. The basis for determining the depositors' share of mutual income

According to Usury-Free Banking Law approved on 30 Aug. 1983 and its instructions and according to CBI regulations, mutual income, usage of mutual sources and depositors' share of mutual income are calculated and its results are reported in the note 13.

#### 6-7. 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
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.

#### 6-8. Provision for bad and doubtful loans

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.

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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.

#### 6-9. Termination benefits

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

#### 6-10. Staff termination benefits

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

#### 6-11. Foreign Currencies

##### 6-11-1. Items related to internal operations

Foreign Currency items related to essential commodities, medicines and medical supplies are exchanged with the official rate announced by the CBI on the Statement of financial position date and other monetary items at the rate stated in the circular No. 01/319616 dated 03/16/2023 (250,000 Rials per USD & 265,000 Rials per EUR). Monetary items with the rate above mentioned circular, are exchanged with the rate of transactions date. Non-monetary items recorded at historical rate based on the official rate or ETS at the date of the transactions. Additionally 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. During the reporting period, the official rate or ETS is higher than the official rate announced by the CBI, but until the disposal of foreign exchange resources at the mentioned rate, the announced rate of the CBI will be used to calculate the difference.

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 05/16/1397 by the Council of Ministers)	EUR	CBI	IRR 44,995
Foreign currency items related to basic, essential goods, medicine, necessities and medical equipment (list of group one subject approved 63793 dated 05/16/1397 by the Council of Ministers)	TRY	CBI	IRR 2,210
Other monetary items	USD	CBI	IRR 250,000
Other monetary items	EUR	CBI	IRR 265,000
Other monetary items	AED	CBI	IRR 67,785
Other monetary items	Other currencies	CBI	Based on the rate of parity with EUR
Non-monetary items	EUR	(ETS) on the date of the transaction	

##### 6-11-2. Items related to foreign operation

Monetary assets and liabilities are exchanged at rates stated by CBI circular No. 01/319616 dated 03/16/2023, (265,000 Rials per Euro and 250,000 Rials per USD). 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 operation are recognized in the statement of

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comprehensive income and are classified under the shareholders' equity until they are disposed.

**6-12.** Shares owned by market maker fund (Treasury shares)

**6-12-1.** 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.

**6-12-2.** 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.

**6-12-3.** 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.

**6-12-4.** 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).

**6-13.** 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)

**6-14.** Interest expense

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

**6-15.** "Other items" in the accompanying notes

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

## **7. Changes in accounting policies**

The Bank presents all accounting policies, mentioned in note 6, with consistency in all reporting periods in the financial statements.

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## 8. Interest income on extended facilities

IRR million

Note	Consolidated and Parent Co.					
	Mar. 20, 2023			Mar. 20, 2022		
	Mutual	LCY Non-mutual	Total	Mutual	LCY Non-mutual	Total
8-1	2,534,864	-	2,534,864	2,971,321	-	2,971,321
Wakala	6,758,884	-	6,758,884	6,183,021	-	6,183,021
Installment sales	-	-	-	70,315	-	70,315
Mosharekat Madani (civil partnership contracts)	35,716,150	-	35,716,150	19,642,641	-	19,642,641
Murabaha	2,443,710	-	2,443,710	257,622	-	257,622
Debt purchase	3,456,094	-	3,456,094	1,229,303	-	1,229,303
Penalty	27,141	-	27,141	2,178	-	2,178
Paid credit cards	-	120,319	120,319	-	11,130	11,130
Penalty from paid LCs	-	112,734	112,734	-	16,010	16,010
Penalty from paid guarantees	-	119,313	119,313	-	65,612	65,612
Other	<b>50,936,843</b>	<b>352,366</b>	<b>51,289,209</b>	<b>30,356,401</b>	<b>92,752</b>	<b>30,449,153</b>
			<b>59,572,460</b>			<b>7,879,961</b>
						<b>38,329,114</b>

**8-1.** Loans income-FCY amounted IRR 6,800,088 million is related to the loans paid from National Development Fund of Iran deposits.

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## 9. Interest income on deposit in banks and financial institutions

	Consolidated										IRR million
	Mar. 20, 2023					Mar. 20, 2022					
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Total	Total	Mutual	Non-mutual	Total	Mutual	Non-mutual	Total	
Deposit interest with the central bank	-	-	-	-	14,882	-	14,882	-	-	14,882	
Deposit interest with other banks and internal credit institutions	6,235,933	-	6,235,933	6,235,933	5,000,306	114	5,000,420	1,121	-	5,001,541	
Deposit interest with foreign banks	-	-	-	42,586	-	-	42,586	-	1,818	1,818	
	<b>6,235,933</b>	<b>-</b>	<b>6,235,933</b>	<b>6,278,519</b>	<b>5,015,188</b>	<b>114</b>	<b>5,015,302</b>	<b>2,939</b>	<b>-</b>	<b>5,018,241</b>	
	Parent Co.										
	Mar. 20, 2023					Mar. 20, 2022					IRR million
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Total	Total	Mutual	Non-mutual	Total	Mutual	Non-mutual	Total	
Deposit interest with the central bank	-	-	-	-	14,882	-	14,882	-	-	14,882	
Deposit interest with other banks and internal credit institutions	6,235,559	-	6,235,559	6,235,559	5,000,306	-	5,000,306	1,121	-	5,001,427	
Deposit interest with foreign banks	-	-	-	42,585	-	-	42,585	-	1,818	1,818	
	<b>6,235,559</b>	<b>-</b>	<b>6,235,559</b>	<b>6,278,144</b>	<b>5,015,188</b>	<b>-</b>	<b>5,015,188</b>	<b>2,939</b>	<b>-</b>	<b>5,018,127</b>	

## 10. Income from investments in debt securities

Publisher-Bonds' type	Consolidated										IRR million		
	Mar. 20, 2023					Mar. 20, 2022							
	LCY		FCY (Non-mutual)	Total	LCY		FCY (Non-mutual)	Total	LCY			FCY (Non-mutual)	Total
	Mutual	Non-mutual			Mutual	Non-mutual			Mutual	Non-mutual			
Islamic treasury bonds	1,063,896	-	1,063,896	-	1,063,896	2,318,353	-	2,318,353	-	-	2,318,353		
Murabaha	2,719,130	-	2,719,130	-	2,719,130	5,383,243	-	5,383,243	-	-	5,383,243		
Participation securities	-	-	-	-	-	2,269	-	2,269	-	-	2,269		
Khordad intermediary-Manfaat	342,504	-	342,504	-	342,504	536,089	161,953	698,042	-	-	698,042		
Tir intermediary-Manfaat	394,463	-	394,463	-	394,463	535,947	171,624	707,571	-	-	707,571		
First Ordibehešt intermediary-Manfaat	358,000	-	358,000	-	358,000	357,234	130,360	487,594	-	-	487,594		
Fourth shahrivar-Manfaat	-	-	-	-	-	91,886	-	91,886	-	-	91,886		
Refāh kargarān bank-Gam	133,448	-	133,448	-	133,448	-	-	-	-	-	-		
Tejarat bank-Gam	7,103	-	7,103	-	7,103	-	-	-	-	-	-		
Other	9,054	-	9,054	-	9,054	1,779	-	1,779	-	-	1,779		
	<b>5,027,598</b>	-	<b>5,027,598</b>	-	<b>5,027,598</b>	<b>8,928,374</b>	<b>762,363</b>	<b>9,690,737</b>	-	-	<b>9,690,737</b>		
	Parent Co.										IRR million		
Publisher-Bonds' type	Mar. 20, 2023					Mar. 20, 2022							
	LCY		FCY (Non-mutual)	Total	LCY		FCY (Non-mutual)	Total	LCY		FCY (Non-mutual)	Total	
	Mutual	Non-mutual			Mutual	Non-mutual			Mutual	Non-mutual			
	Islamic treasury bonds	1,063,896	-	1,063,896	-	1,063,896	2,318,351	-	2,318,351	-	-	2,318,351	
Murabaha	2,719,129	-	2,719,129	-	2,719,129	5,383,243	-	5,383,243	-	-	5,383,243		
Participation securities	-	-	-	-	-	2,269	-	2,269	-	-	2,269		
Khordad intermediary-Manfaat	342,504	-	342,504	-	342,504	536,089	161,953	698,042	-	-	698,042		
Tir intermediary-Manfaat	394,463	-	394,463	-	394,463	535,947	171,624	707,571	-	-	707,571		
First Ordibehešt intermediary-Manfaat	358,000	-	358,000	-	358,000	357,234	130,360	487,594	-	-	487,594		
Fourth shahrivar-Manfaat	-	-	-	-	-	91,888	-	91,888	-	-	91,888		
Refāh kargarān bank-Gam	133,448	-	133,448	-	133,448	-	-	-	-	-	-		
Tejarat bank-Gam	7,104	-	7,104	-	7,104	-	-	-	-	-	-		
	<b>5,018,544</b>	-	<b>5,018,544</b>	-	<b>5,018,544</b>	<b>8,926,595</b>	<b>762,363</b>	<b>9,688,958</b>	-	-	<b>9,688,958</b>		

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## 11. Income(loss) from investments in share and other securities

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
		Mutual	Mutual	Mutual	Mutual
Dividends of companies and units of investment funds	11-1	-	-	798,000	1,680,000
Profit (loss) resulting from the transfer of company shares and units of investment funds		6,779	27,631	-	-
Net income (loss) of investments		-	13,632	-	13,632
Net income (loss) of investments in share and other securities		<b>6,779</b>	<b>41,263</b>	<b>798,000</b>	<b>1,693,632</b>

### 11-1. Dividends of companies and units of investment funds

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
	Mutual	Mutual	Mutual	Mutual
Middle East Bank Currency Exchange Co.	-	-	798,000	1,680,000
	-	-	<b>798,000</b>	<b>1,680,000</b>

## 12. Income from statutory deposit

IRR million

Description	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Statutory deposit of investment deposits	271,133	203,118
Statutory deposit of other sources	64,459	50,321
	<b>335,592</b>	<b>253,439</b>

### 12-1. Average of statutory deposit and related interest

IRR million

Description	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Average of statutory deposit of investment deposits	26,160,915	20,477,323
Interest from statutory deposit of investment deposits	271,133	203,118
Average of statutory deposit of other sources	7,794,001	4,928,257
Interest from statutory deposit of other sources	64,459	50,322

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## 13. Interest expense

IRR million

Description	Note	Consolidated	
		Mar. 20, 2023	Mar. 20, 2022
<b>Mutual income</b>			
Interest income on extended facilities	8	50,936,843	30,356,401
Interest income on deposit in banks and financial institutions	9	6,235,558	5,015,189
Income from investments in debt securities	10	5,018,544	8,928,002
Net income(loss) from investments in share and other securities	11	798,000	1,693,632
Income(loss) from non-banking investments	20	233,062	145,407
Total of mutual income		63,222,007	46,137,224
Bank's share of mutual income	13-1	(23,285,854)	(14,977,244)
Depositors' share of mutual income before deduction of the bank's charges		39,936,153	31,159,980
Bank's charges	13-2	(5,478,641)	(4,114,753)
Depositors' share of mutual income		34,457,512	27,045,227
Income from statutory deposit of investment deposits	12	271,133	203,118
Depositors' interest income		34,728,645	27,248,345
Interest expense of investment deposits		34,728,645	27,248,345
Interest expense of foreign currency deposits		5,550,631	5,121,860
Open market operations(repurchase agreement)*		3,370,658	2,856,497
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		244,386	241,810
<b>Interest expense</b>		<b>43,894,320</b>	<b>35,468,512</b>
<b>Interest payable(overpaid) to depositors</b>	13-4	<b>72,789</b>	<b>38,478</b>

IRR million

Description	Note	Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
<b>Mutual income</b>			
Interest income on extended facilities	8	50,936,843	30,356,401
Interest income on deposit in banks and financial institutions	9	6,235,558	5,015,188
Income from investments in debt securities	10	5,018,544	8,926,595
Net income(loss) from investments in share and other securities	11	798,000	1,693,633
Income(loss) from non-banking investments	20	233,062	145,407
Total of mutual income		63,222,007	46,137,224
Bank's share of mutual income	13-1	(23,285,854)	(14,977,244)
Depositors' share of mutual income before deduction of the bank's charges		39,936,153	31,159,980
Bank's charges	13-2	(5,478,641)	(4,114,753)
Depositors' share of mutual income		34,457,512	27,045,227
Income from statutory deposit of investment deposits	12	271,133	203,118
Depositors' interest income		34,728,645	27,248,345
Interest expense of investment deposits		34,728,645	27,248,345
Interest expense of foreign currency deposits		5,550,631	5,121,860
Open market operations(repurchase agreement)*		3,370,658	2,856,497
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		-	-
<b>Interest expense</b>		<b>43,649,934</b>	<b>35,226,702</b>
<b>Interest payable(overpaid) to depositors</b>	13-4	<b>72,789</b>	<b>38,478</b>

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**13-1.** Bank's share of mutual income

Bank's share of mutual income is as follows:

**13-1-1.** Bank's share of mutual income

Year	Bank's resource to mutual usages (13-1-2)	Mutual income	Share of Bank Resources from mutual incomes
	Percentage	IRR million	IRR million
Mar. 20, 2023	36.8%	63,222,007	23,285,854
Mar. 20, 2022	32.5%	46,137,224	14,977,244

**13-1-2.** Distribution of mutual resources and mutual usages between bank and depositors

Description	IRR million		Notes
	Mar. 20, 2023	Mar. 20, 2022	
Average of mutual usages( 13-1-2-1 )	346,924,490	253,855,646	52 weeks average
Average of depositors' investment deposits(13-1-2-2)	245,306,593	191,925,365	52 weeks average
less: average of statutory deposit of investment deposits	(26,160,915)	(20,477,323)	52 weeks average
Free resources of investment deposits	219,145,678	171,448,042	
Bank's share of mutual usages (Surplus free resources from investment deposits)	<b>127,778,812</b>	<b>82,407,604</b>	

\* 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.

**13-1-2-1.** Average of mutual usages

Mutual usages items	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
	Amount(average)	Amount(average)
Net usages related to granted facilities	289,661,201	177,012,116
Net usages related to participation bonds	25,691,711	49,203,245
Net usages related to term deposit in other banks	29,473,942	25,743,619
Net usages related to investments in share and other securities	2,097,636	1,896,666
<b>Total usages related to mutual operation</b>	<b>346,924,490</b>	<b>253,855,646</b>

**13-1-2-2.** Average of investment deposits:

Term deposits	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
	Amount(average)	Amount(average)
General deposit certificate	12,192,648	-
One -year deposits	14,922,001	70,808,785
Two- years deposits	109,876,264	28,921,303
Three- years deposits	157,252	-
Short term deposits	105,076,680	91,450,439
Term deposits of banks and other non-banking credit institutions	3,025,865	681,981
Special short term deposits	55,883	62,857
<b>Average of term deposits</b>	<b>245,306,593</b>	<b>191,925,365</b>

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### 13-2. The Bank's charge

The Bank's charge rate was published in public newspaper, as 2.5 percent for the fiscal year ended Mar. 20, 2023 and the amount is calculated as below:

$$\text{Bank's charge} = \text{Average of free resources of depositors} * \text{Rate}$$

$$5,478,641 = 219,145,678 * 2.5 \%$$

#### 13-2-1. Declared and applied bank's charge

	Declared bank's charge		Applied bank's charge	
	Rate	IRR million	Rate	IRR million
General deposit certificate	2.5%	271,793	2.5%	271,793
One- year deposits	2.5%	332,635	2.5%	332,635
Two- years deposits	2.5%	2,449,771	2.5%	2,449,771
Three years deposits	2.5%	3,534	2.5%	3,534
Short term deposits	2.5%	2,344,017	2.5%	2,344,017
Investment deposits of banks and other credit institutions	2.5%	75,647	2.5%	75,647
Special short term deposits	2.5%	1,244	2.5%	1,244
Total for the year ended Mar. 20, 2023		<u>5,478,641</u>		<u>5,478,641</u>
Total for the year ended Mar. 20, 2022		<u>4,114,753</u>		<u>4,114,753</u>

### 13-3. Interest paid on account to investment deposits

Description	IRR million	
	Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
<b>Short term deposits</b>		
Short term	7,458,280	8,515,124
Special short term	8,170	7,587
<b>Long term deposits</b>		
General deposit certificate	1,951,101	-
One- year deposits	2,280,508	13,479,947
Two- years deposits	22,297,440	5,070,184
Three-years deposits	26,212	-
	<u>34,021,711</u>	<u>27,072,842</u>
Term deposits of banks and other credit institutions	634,145	137,025
	<u><b>34,655,856</b></u>	<u>27,209,867</u>

### 13-4. Interest payable (overpaid) to depositors

Description	Note	IRR million	
		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Ultimate interest to depositors		34,728,645	27,248,345
Interest paid on account	13-3	(34,655,856)	(27,209,867)
Interest payable (overpaid) to depositors		<u><b>72,789</b></u>	<u>38,478</u>

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## 14. Fees and commission income

	Note	IRR million			
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Net commission of Gardh-UI Hasan (Non interest bearing) facilities	14-1	31,987	21,568	31,987	21,568
On L/Cs issuance		119,396	26,771	119,396	26,771
On guarantees issuance		2,464,641	1,629,888	2,464,641	1,629,888
Managed funds		736	2,495	736	2,495
On granting facilities		2,144,103	1,110,871	2,144,103	1,110,871
Participation and guarantee fee		48,938	7,756	48,938	7,756
SHETAB (inter bank ATM settlement)		48,049	21,080	48,049	21,080
Oversight commission received from the National Development Fund		29,778	13,782	29,778	13,782
On share trading		1,019,617	782,133	-	-
Other services		182,785	119,343	182,786	119,344
		<b>6,090,030</b>	<b>3,735,687</b>	<b>5,070,414</b>	<b>2,953,555</b>

14-1. Net commission of Gardh-UI Hasan facilities is as follows:

	IRR million	
	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Commission of Gardh-UI Hasan facilities	31,987	21,568
Net commission of Gardh-UI Hasan facilities	<b>31,987</b>	<b>21,568</b>

## 15. Fees and commission expenses

	IRR million	
	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
SHETAB (inter bank ATM settlement) commission	13,886	7,428
POS transaction commission	388,015	303,388
other	44,838	18,329
	<b>446,739</b>	<b>329,145</b>

## 16. Net foreign exchange transactions income

	Note	IRR million			
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Income from foreign currency transactions		4,225,159	2,340,144	4,104,821	1,903,790
Income from foreign exchange operations	16-1	169,168,597	99,942,688	-	-
Cost of foreign exchange operations	16-1	(166,604,061)	(98,522,548)	-	-
		<b>6,789,695</b>	<b>3,760,284</b>	<b>4,104,821</b>	<b>1,903,790</b>

16-1. 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 net basis.

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## 17. Administrative and general expenses

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Personnel expenses	17-1	4,456,919	2,881,622	4,074,096	2,620,901
Other executive expenses	17-2	1,619,460	1,349,553	1,389,721	977,051
Depreciation and amortization	17-3	763,490	509,121	747,341	495,913
		<b>6,839,869</b>	<b>4,740,296</b>	<b>6,211,158</b>	<b>4,093,865</b>

17-1. The details of personnel expenses are as follows:

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Wages, salaries and allowances	3,507,610	2,431,784	3,206,274	2,224,144
Insurance employer contribution	430,099	249,278	386,896	219,935
Staff termination benefits	494,845	191,458	456,955	167,720
Travel and mission	24,365	9,102	23,971	9,102
	<b>4,456,919</b>	<b>2,881,622</b>	<b>4,074,096</b>	<b>2,620,901</b>

17-2. The details of other administrative expenses are as follows:

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Rent	102,496	68,851	85,082	57,792
Training and research	5,609	4,978	5,609	4,978
Communications	72,600	50,144	72,600	50,144
Insurance costs	22,885	10,840	4,405	8,553
Audit fee	13,531	9,183	10,464	7,488
Consulting fee	97,052	59,919	92,943	51,082
Transportation	12,602	11,455	12,222	6,771
Power and Water	29,127	33,666	28,366	33,049
Repair and maintenance of fixed assets	191,744	182,077	190,792	181,665
Consumable items	190,459	100,187	185,501	95,939
Board of directors bonus	32,300	37,500	23,800	30,000
Contractors' fee payment	524,063	338,424	516,175	331,364
Membership fee in Deposit Guarantee Fund	52,400	41,085	52,400	41,085
Membership fee in associations	2,417	4,787	1,117	3,765
Others	270,175	396,457	108,245	73,376
	<b>1,619,460</b>	<b>1,349,553</b>	<b>1,389,721</b>	<b>977,051</b>

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17-3. Depreciation and amortization

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Fixed assets depreciation	589,395	417,778	576,076	407,838
Intangible assets amortization	174,095	91,343	171,265	88,075
	<b>763,490</b>	<b>509,121</b>	<b>747,341</b>	<b>495,913</b>

18. Provision for bad and doubtful debts

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Specific provision of bad and doubtful debts	18-1	362,330	254,480	362,331	254,480
General provision of bad and doubtful debts	18-2	1,994,113	1,779,322	1,978,752	1,791,604
		<b>2,356,443</b>	<b>2,033,802</b>	<b>2,341,083</b>	<b>2,046,084</b>

18-1. Specific provision for bad and doubtful debts is calculated as follows:

IRR million

	Consolidated and Parent Co.					
	Mar. 20, 2023					Mar. 20, 2022
	Past due	Outstanding	Doubtful debt before 5 years	Doubtful debt after 5 years	Total	Total
<b>Extended facilities- non governmental (note 25-1)</b>	6,136,560	3,325,934	5,171,815	496,314	15,130,623	5,694,906
Other accounts receivables (note 27-3)	1,178	1,754	254,751	183,694	441,377	429,105
<b>Total before deduction of collaterals' value</b>	<b>6,137,738</b>	<b>3,327,688</b>	<b>5,426,566</b>	<b>680,008</b>	<b>15,572,000</b>	<b>6,124,011</b>
<b>Less : adjusted collaterals' value</b>						
Investment deposits	-	-	(80,000)	-	(80,000)	-
Machinery	(478,852)	-	(1,146,786)	-	(1,625,638)	-
Real states	(3,249,813)	(2,815,449)	(2,856,107)	(109,604)	(9,030,973)	(4,117,266)
<b>Total of adjusted collaterals' value</b>	<b>(3,728,665)</b>	<b>(2,815,449)</b>	<b>(4,082,893)</b>	<b>(109,604)</b>	<b>(10,736,611)</b>	<b>(4,117,266)</b>
Basis of specific provision calculation	2,409,073	512,239	1,343,673	570,404	4,835,389	2,006,745
Specific provision calculation factor of-%	10%	20%	50%	100%		
Specific provision of amended and Emhal facilities	128,255	49,085	198,244	-	375,584	-
Specific provision of other receivables	112,653	53,363	473,593	570,404	1,210,013	1,223,267
Specific provision of bad and doubtful debts	240,908	102,448	671,837	570,404	1,585,597	1,223,267
Less: specific provision of bad and doubtful debts balance at Mar. 20, 2022	(1,017)	(4,307)	(757,102)	(460,840)	(1,223,266)	(968,787)
<b>Specific provision of bad and doubtful debts expense</b>	<b>239,891</b>	<b>98,141</b>	<b>(85,265)</b>	<b>109,564</b>	<b>362,331</b>	<b>254,480</b>

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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**18-1-1.** 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	Mar. 20, 2023				Mar. 20, 2022		IRR million	
				Principal	interests	Penalty	balance	Provision for bad and doubtful debts	balance		Provision for bad and doubtful debts
1001/50/106/044430634	1394/11/12	real state	18-1-1-1	14,342	176	2,035	16,553	248	16,553	248	
1001/50/106/044430514	1394/08/28	real state		986	70	146	1,202	18	1,202	18	
1001/50/106/044430532	1394/09/11	real state		5,000	349	742	6,091	91	6,091	91	
1001/50/106/044430533	1394/09/11	real state		3,500	244	520	4,264	64	4,264	64	
1001/50/106/044430609	1394/10/26	real state	18-1-1-1	778	54	116	948	14	948	14	
1001/50/106/044430614	1394/11/3	real state		1,000	69	150	1,219	18	1,219	18	
1001/50/106/044430653	1394/12/1	real state		839	59	127	1,025	15	1,025	15	
1001/50/205/164320399	1395/03/27	real state	18-1-1-1	32,649	2,275	4,943	39,866	598	39,866	598	
1001/50/204/222222664	1394/07/28	real state	18-1-1-2	10,000	1,652	1,600	13,251	199	13,251	199	
1001/50/206/344636881	1395/06/17	real state		-	-	-	-	-	1,018	15	
1001/50/206/344636501	1395/05/27	real state		-	-	-	-	-	55,344	830	
1001/50/206/344636503	1395/05/30	real state		-	-	-	-	-	11,259	169	
1001/50/206/344636945	1395/10/12	real state		-	-	-	-	-	46,843	703	
				<b>69,094</b>	<b>4,948</b>	<b>10,379</b>	<b>84,419</b>	<b>1,266</b>	<b>198,883</b>	<b>2,982</b>	

\*Due to the full coverage of the collateral, for the above facilities, only the reserve of public access doubtful claims is intended.

**18-1-1-1.** According to the court stop order, the legal proceeding will be stopped until the final court order.

**18-1-1-2.** Due to the absence of a buyer in the auction session, the registration plate of the subject of collateral is jointly owned by this bank up to the receivable amount until the auction date, and it is about to prepare an executive transfer document.

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18-2. The general provision of doubtful receivables, granting facilities and receivables is calculated as follows:

	IRR million	
	Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Extended facilities- non governmental (note 25-1)	504,929,033	361,781,182
Customer debts for LCs after deduction of advances(note 33-1)	2,554,892	2,126,770
Due from subsidiaries and associates (note 26)	1,048,986	1,826,896
Other accounts receivables (note 27)	3,356,456	5,493,478
<b>Less:</b>		
Balance of loans that specific provision has been calculated for	(12,665,124)	(3,920,859)
Basis of general provision calculation	499,224,243	367,307,467
General provision calculation factor-%	1/5	1/5
General provision for bad and doubtful debts	7,488,364	5,509,612
Less: general provision for bad and doubtful debts at Mar. 20, 2022	(5,509,612)	(3,718,008)
<b>General provision for bad and doubtful debts expense</b>	<b>1,978,752</b>	<b>1,791,604</b>

## 19. Other operating income and expenses

	IRR million			
	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2023
Profit (loss) of foreign currency exchange of operational currency assets and liabilities	4,344,820	2,531,881	4,344,820	2,531,881
Profit(Loss) of overseas branch	(2,566,010)	(255,050)	(2,566,010)	(255,050)
	<b>1,778,810</b>	<b>2,276,831</b>	<b>1,778,810</b>	<b>2,276,831</b>

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

	Note	IRR million			
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Dividends from companies and investment funds	20-1	354,035	86,773	233,063	145,407
Income (loss) from sale of investments from companies and investment funds	20-2	26,740	58,327	-	-
		<b>380,775</b>	<b>145,100</b>	<b>233,063</b>	<b>145,407</b>

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**20-1.** Dividends of corporations and investment funds' units are as follows:

	IRR million			
	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
	Mutual- Rial	Mutual- Rial	Mutual- Rial	Mutual- Rial
Middle East Life Insurance Co.	176,279	54,275	6,600	24,000
Middle East Bank Brokerage Co.	-	-	224,988	120,000
Social Security investment Co.	3,924	-	-	-
Mobarakeh Steel Company	3,400	-	-	-
Tehran Stock Exchange Co.	1,008	-	-	-
Iran khodro investment Co.	1,000	-	-	-
Other	5,240	3,298	-	-
<b>Corporation dividends</b>	<b>190,851</b>	<b>57,573</b>	<b>231,588</b>	<b>144,000</b>
Middle East Bank Ofogh mutual fund	76,374	27,434	1,475	1,407
Middle East Ofogh Roshan mutual fund	81,270	1,262	-	-
Other	5,540	504	-	-
<b>Investment funds' units interest</b>	<b>163,184</b>	<b>29,200</b>	<b>1,475</b>	<b>1,407</b>
	<b>354,035</b>	<b>86,773</b>	<b>233,063</b>	<b>145,407</b>

**20-2.** The profit (loss) resulting from the transfer of shares and units of investment funds is as follows:

	Consolidated			
	Number of shares/ investment unit	Mar. 20, 2023	Mar. 20, 2022	
		Book value	Profit (loss)	Profit (loss)
<b>Profit (loss) resulting from the transfer of shares - Rial</b>				
Mobarakeh Steel Company	2,000,000	24,766	1,379	-
Social Security investment Co.	154,000,000	12,065	2,922	-
Iran Khodro Diesel Co	24,000,000	60,103	4,058	-
Ofogh Kerman Copper Industries	1,540,000	7,091	2,260	-
Others	-	-	4,610	(1,419)
	<b>181,540,000</b>	<b>104,025</b>	<b>15,229</b>	<b>(1,419)</b>
<b>Profit (loss) resulting from the transfer of investment fund units - Rial</b>				
Charisma-leverage investment fund	10,227,000	114,971	7,060	-
Afra investment fund	3,800,000	74,788	1,707	-
Market Development Fund	70,233	30,722	2,744	-
Parsian Etemad Afarin Investment Fund	-	-	-	6,718
Parand Investment Fund	-	-	-	53,028
	<b>14,097,233</b>	<b>220,481</b>	<b>11,511</b>	<b>59,746</b>
	<b>195,637,233</b>	<b>324,506</b>	<b>26,740</b>	<b>58,327</b>

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## 21. Other income

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Profit (loss) from disposal of fixed and intangible assets		564	-	-	-
profit (loss) from disposal of collateral in possession	21-1	164,955	-	164,955	-
Others		6,100	11,018	6,100	11,018
		<b>171,619</b>	<b>11,018</b>	<b>171,055</b>	<b>11,018</b>

21-1. profit (loss) from disposal of collateral in possession is as follows:

IRR million

	Consolidated			
	Mar. 20, 2023			Mar. 20, 2022
	Cost*	Book value	Selling price	Profit (loss)
Building	25,045	25,046	190,000	164,955
				-

\*Included in this amount 22,000 million Rials of acquisition cost and 3,045 million Rials of acquisition expenditures.

## 22. Earning per share

### 22-1. Basis of EPS calculation

IRR million

Description	Parent Co.		Consolidated	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Operating profit	30,307,871	20,421,650	32,342,112	20,533,841
Tax expense	(823,441)	-	(1,366,167)	(477,301)
	29,484,430	20,421,650	30,975,945	20,056,540
Non operating profit	404,118	156,425	552,394	156,118
Tax expense	(976)	-	(34,324)	(2,204)
	403,142	156,425	518,070	153,914
Profit before tax	30,711,989	20,578,075	32,894,506	20,689,959
Total tax expense	(824,417)	-	(1,400,491)	(479,505)
Net Profit	29,887,572	20,578,075	31,494,015	20,210,454

No. of shares

	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
weighted average number of ordinary shares	35,000,000,000,000	35,000,000,000,000
	35,000,000,000,000	35,000,000,000,000

22-2. According to the origin of the Capital increase in progress that is retained earnings (Approved in the Extraordinary General Assembly of Shareholders dated 07/21/2022), the access date of mentioned source is the base of weighted average number of ordinary shares calculation.

### 22-3. 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 Mar. 20, 2023 and Mar. 20, 2022, there is no profit reducing factor.

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## 23. Cash

	Note	IRR million			
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Cash in hand-LCY		204,460	168,397	204,460	168,397
Cash in hand- FCY		3,272,324	1,915,753	3,264,780	1,911,059
Unrestricted current deposits with CBI	23-3	40,747,140	28,645,293	40,747,140	28,645,293
Unrestricted balances with other banks and financial institutions	23-4	32,511,251	20,098,805	9,487,598	2,765,694
		<b>76,735,175</b>	<b>50,828,248</b>	<b>53,703,978</b>	<b>33,490,443</b>

**23-1.** Local and foreign cash in hand in the Bank's branches up to IRR 7,221,400 million are insured against theft and fire.

**23-2.** Cash in hand-FCY included USD 2,882,562 , EUR 9,428,530, AED 663,431 , INR 6,500 , TRY 35,100 , CNY 3,540 and CHF 4.

**23-3.** Unrestricted balances with CBI

	IRR million	
	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Unrestricted current deposits with CBI-LCY	69,892	15,121
Unrestricted current deposits with CBI-FCY	64,984	56,311
Unrestricted current deposits with other countries' central banks	40,612,264	28,573,861
	<b>40,747,140</b>	<b>28,645,293</b>

**23-4.** Unrestricted balances with other banks and financial institutions

	IRR million			
	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Unrestricted current deposits with other local banks-LCY	874,333	313,422	8,108	13,989
Unrestricted current deposits with other local banks-FCY	26,525,743	18,688,685	4,381,231	1,656,091
Unrestricted term deposits with other local banks-LCY	14,705	24,819	1,789	23,735
Unrestricted current deposits with foreign banks-FCY	5,096,470	1,071,879	5,096,470	1,071,879
	<b>32,511,251</b>	<b>20,098,805</b>	<b>9,487,598</b>	<b>2,765,694</b>

**23-5.** Restricted balances are classified in due from banks and financial institutions note.

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## 24. Due from banks and financial institutions

	Note	IRR million	
		Consolidated and Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Due from CBI	24-2	32,262	83
Due from other banks and financial institutions	24-3	40,731,361	38,444,649
<b>Total</b>		<b>40,763,623</b>	<b>38,444,732</b>

24-1. Unrestricted balances are classified as cash.

24-2. Due from CBI

	Note	IRR million	
		Consolidated and Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Restricted current deposits with CBI-FCY		1,960	83
Restricted current deposits with other countries' central banks	24-2-1	8,164,246	1,443,385
Less: CBI's balance in our accounts (note 35)	24-2-1	(8,164,246)	(1,443,385)
Others		30,302	-
		<b>32,262</b>	<b>83</b>

24-2-1. Since the risks and rewards of these funds are not transferred to the bank, all amounts are netted.

24-3. Due from other banks and financial institutions

	Note	IRR million	
		Consolidated and Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Restricted current deposits with other local banks-FCY		2,280,913	2,392,275
Restricted term deposits with other local banks-LCY	24-3-1	14,700,000	19,425,000
Restricted term deposits with other local banks-FCY		6,547,585	-
Restricted current deposits with foreign banks-FCY	24-3-2	54,506,132	36,739,713
Less: CBI balance in our accounts (note 35)	24-3-2	(37,354,922)	(20,135,515)
Other banks checks		137	12,545
Other		51,516	10,631
		<b>40,731,361</b>	<b>38,444,649</b>

24-3-1. Restricted term deposits with other local banks is related to interbank deposits that its maturity date is 03/25/2023 .

24-3-2. Since the risks and rewards of these funds are not transferred to the bank, all amounts are netted.

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## 25. Extended facilities from non-governmental entities

IRR million

	Consolidated									
	Mar. 20, 2023					Mar. 20, 2022				
	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	23,158,416	420,260	20,641	-	(3,289,252)	(31,444)	20,278,621	(310,940)	19,967,681	49,006,411
Wakala	9,066,378	248,743	10,261	-	(414,486)	(31,005)	8,879,891	(133,219)	8,746,672	22,879,793
Mudaraba	343,090	31,029	37,727	-	-	(31,029)	380,817	(89,067)	291,750	850,341
Mosharekat Madani (civil partnership contracts)	477,586	34,129	63,100	-	-	(34,129)	540,686	(331,396)	209,290	359,708
Debt purchase	21,260,187	1,159,924	2,943	-	(2,875,456)	-	19,547,598	(293,214)	19,254,384	3,612,147
Murabaha	314,995,263	6,866,919	322,398	-	(24,044,856)	(657,354)	297,482,370	(4,875,212)	292,607,158	150,934,198
Garth-UI Hasan	1,202,320	655	-	-	(157,573)	-	1,045,402	(15,888)	1,029,514	507,213
Foreign currency facilities	138,305,889	26,997,156	110,323	-	(10,997,305)	-	154,416,063	(2,612,968)	151,803,095	126,063,594
Debtors for paid L/Cs	446,723	-	7,874	-	-	-	454,597	(8,734)	445,863	282,623
Debtors for paid guarantees	358,742	-	4,984	-	-	-	363,726	(9,226)	354,500	53,249
Debtors for paid credit cards	1,185,174	7,619	35	-	(156,271)	(54)	1,036,503	(15,656)	1,020,847	149,341
	<b>510,799,768</b>	<b>35,766,434</b>	<b>580,286</b>	<b>-</b>	<b>(41,935,199)</b>	<b>(785,015)</b>	<b>504,426,274</b>	<b>(8,695,520)</b>	<b>495,730,754</b>	<b>354,698,618</b>

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MIDDLE EAST BANK (PJSC)  
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	Note	Parent Co.										IRR million
		Mar. 20, 2023					Mar. 20, 2022					
		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		23,158,416	420,260	20,641	-	(3,289,252)	(31,444)	20,278,621	(310,940)	19,967,681	49,006,411	
Wakala		9,566,377	251,505	10,261	-	(414,486)	(31,005)	9,382,652	(140,760)	9,241,892	23,618,542	
Mudharaba		343,090	31,029	37,727	-	-	(31,029)	380,817	(89,067)	291,750	850,341	
Mosharekat Madani (civil partnership contracts)		477,586	34,129	63,100	-	-	(34,129)	540,686	(331,396)	209,290	359,708	
Debt purchase		21,260,187	1,159,924	2,943	-	(2,875,456)	-	19,547,598	(293,214)	19,254,384	3,612,147	
Murabaha		314,995,263	6,866,919	322,398	-	(24,044,856)	(657,354)	297,482,370	(4,875,212)	292,607,158	150,934,198	
Gardh-Ul Hasan		1,202,320	655	-	-	(157,573)	-	1,045,402	(15,888)	1,029,514	507,213	
Foreign currency facilities	25-3	138,305,889	26,997,156	110,323	-	(10,997,305)	-	154,416,063	(2,612,968)	151,803,095	126,063,594	
Debtors for paid LCs		446,723	-	7,874	-	-	-	454,597	(8,734)	445,863	282,623	
Debtors for paid guarantees		358,742	-	4,984	-	-	-	363,726	(9,226)	354,500	53,249	
Debtors for paid credit cards		1,185,174	7,619	35	-	(156,271)	(54)	1,036,503	(15,656)	1,020,847	149,341	
		<b>511,299,767</b>	<b>35,769,196</b>	<b>580,286</b>	-	<b>(41,935,199)</b>	<b>(785,015)</b>	<b>504,929,035</b>	<b>(8,703,061)</b>	<b>496,225,974</b>	<b>355,437,367</b>	

In previous years based on the country budget law, \$500 million from the National development fund was assigned to the bank for the provision of facilities to builders and private and cooperative contractors, who are contracting party with National oil company and introduced by that company, which was paid in full and in the form of facilities to them. Moreover \$50 million of the facilities in year 2021, \$40 million of the facilities in the previous year and \$ 40 million in the reporting year were settled. At Mar. 20, 2023, the balance of these facilities is equivalent to \$370 million. Based on the agreement between the bank and National oil company, the repayment of the debt related to the subject of the bank foreign exchange facility contracts and the borrowers at the relevant maturities has been guaranteed and committed by the National oil company. According to the country's budget law, the repayment period of the principal and interest of the facilities paid to the National Iranian Oil Company for the financing of oil and gas projects has been increased.

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**25-1.** Classification of loans according to CBI's regulations is as below(note 6-8):

	IRR million				
	Parent Co.				
	Mar. 20, 2023				
	Current loans	Past due loans	Outstanding loans	Doubtful loans	Total
Installment sales	22,608,942	897,345	93,030	-	23,599,317
Wakala	9,447,853	287	380,003	-	9,828,143
Mudaraba	-	-	-	411,846	411,846
Mosharekat Madani (civil partnership contracts)	-	-	-	574,815	574,815
Debt purchase	22,423,054	-	-	-	22,423,054
Murabaha	312,133,390	5,900,713	3,117,548	1,032,929	322,184,580
Gardh-UI Hasan	1,201,769	822	164	220	1,202,975
Foreign currency facilities	161,387,944	-	-	4,025,424	165,413,368
Debtors for paid L/Cs	436,105	-	-	18,492	454,597
Debtors for paid guarantees	316,404	-	-	47,322	363,726
Debtors for paid credit cards	1,192,394	198	40	196	1,192,828
	<b>531,147,855</b>	<b>6,799,365</b>	<b>3,590,785</b>	<b>6,111,244</b>	<b>547,649,249</b>
<b>Less</b>					
Future interests	(41,349,443)	(223,784)	(31,740)	(330,232)	(41,935,199)
Deferred fee and interest	-	(439,021)	(233,111)	(112,883)	(785,015)
Net loans before deduction of provision for bad and doubtful loans	<b>489,798,412</b>	<b>6,136,560</b>	<b>3,325,934</b>	<b>5,668,129</b>	<b>504,929,035</b>
General provision for bad and doubtful loans	(7,346,794)	(14,187)	(17,039)	(11,761)	(7,389,781)
Specific provision for bad and doubtful loans	-	(240,790)	(102,097)	(970,393)	(1,313,280)
Balance at Mar. 20, 2023	<b>482,451,618</b>	<b>5,881,583</b>	<b>3,206,798</b>	<b>4,685,975</b>	<b>496,225,974</b>
Balance at Mar. 20, 2022	350,744,982	686,528	20,639	3,985,218	355,437,367

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

**25-2.** Provision for bad and doubtful loans is as below:

	IRR million					
	Parent Co.					
	Mar. 20, 2023			Mar. 20, 2022		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Opening balance	5,374,224	969,590	6,343,814	3,651,178	668,906	4,320,084
Recoveries	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Increase (decrease) during the year	2,015,557	343,690	2,359,247	1,723,046	300,684	2,023,730
Closing balance	<b>7,389,781</b>	<b>1,313,280</b>	<b>8,703,061</b>	5,374,224	969,590	6,343,814

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

MIDDLE EAST BANK (PJSC)  
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25-3. Classification of foreign currency loans according to payment sources is as below:

	Consolidated and Parent Co.					IRR million
	Mar. 20, 2023					Mar. 20, 2022
	Current loans	Past due loans	Outstanding loans	Doubtful debt	Total	Total
Internal resources	17,934,388	-	-	-	17,934,388	19,230,166
National development fund	130,469,346	-	-	3,399,359	133,868,705	106,833,428
	<b>148,403,734</b>	<b>-</b>	<b>-</b>	<b>3,399,359</b>	<b>151,803,095</b>	<b>126,063,594</b>

25-4. Classification of loans according to its maturity and interest rate is as below:

	Parent Co.							IRR million
	Mar. 20, 2023							Mar. 20, 2022
	24% and more	21-24%	18-21%	15-18%	12-15%	12% and less	Total	Total
2022 and before	514,855	1,111,235	16,650,083	295	-	8,500,828	26,777,296	8,692,033
2023	-	100,133,005	198,583,875	14,608,142	1,465,238	134,745,456	449,535,716	128,116,237
2024	-	2,017,115	550,844	1,106,084	-	3,669,658	7,343,701	210,153,689
2025 and after	-	367,798	2,368,351	1,798,768	149,855	16,587,550	21,272,322	14,819,222
	<b>514,855</b>	<b>103,629,153</b>	<b>218,153,153</b>	<b>17,513,289</b>	<b>1,615,093</b>	<b>163,503,492</b>	<b>504,929,035</b>	<b>361,781,181</b>
General provision for bad and doubtful loans	2,366	(1,558,725)	(3,150,633)	(262,695)	(24,226)	(2,395,868)	<b>(7,389,781)</b>	(5,374,224)
Specific provision for bad and doubtful loans	(338,156)	(2,397)	(615,836)	(106)	-	(356,785)	<b>(1,313,280)</b>	(969,590)
Balance at Mar. 20, 2023	<b>179,065</b>	<b>102,068,031</b>	<b>214,386,684</b>	<b>17,250,488</b>	<b>1,590,867</b>	<b>160,750,839</b>	<b>496,225,974</b>	
Balance at Mar. 20, 2022	543,954	1,032,413	213,606,447	9,195,465	1,466,596	129,592,492	355,437,367	355,437,367

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

25-5. Classification of loans according to its collaterals is as below:

	Parent Co.						IRR million
	Mar. 20, 2023			Mar. 20, 2022			
	Balance	Provision	Net	Balance	Provision	Net	
Deposits	221,566	(10,674)	210,892	7,048,002	(136,640)	6,911,362	
participation bonds and other securities guaranteed by government and CBI	1,656	(25)	1,631	12,944	(194)	12,750	
Participation bonds and other securities guaranteed by other banks	112,040	(1,681)	110,359	221,113	(3,317)	217,796	
Listed shares	17,119,808	(256,797)	16,863,011	13,042,560	(195,638)	12,846,922	
Land and building	28,125,036	(689,161)	27,435,875	21,683,092	(562,810)	21,120,282	
Machinery	1,188,494	(17,827)	1,170,667	1,103,040	(16,546)	1,086,494	
<b>Check and promissory notes</b>	<b>457,420,935</b>	<b>(7,712,727)</b>	<b>449,708,208</b>	<b>318,519,025</b>	<b>(5,426,225)</b>	<b>313,092,800</b>	
<b>Total</b>	<b>504,189,535</b>	<b>(8,688,892)</b>	<b>495,500,643</b>	<b>361,629,776</b>	<b>(6,341,370)</b>	<b>355,288,406</b>	
<b>Without collateral</b>	<b>739,500</b>	<b>(14,169)</b>	<b>725,331</b>	<b>151,406</b>	<b>(2,445)</b>	<b>148,961</b>	
	<b>504,929,035</b>	<b>(8,703,061)</b>	<b>496,225,974</b>	<b>361,781,182</b>	<b>(6,343,815)</b>	<b>355,437,367</b>	

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**25-6. Loans movement is as below:**

	Parent Co.										IRR million	
	Installment sales	Wakala	Mudaraba	Mosharekat Madani	Debt purchase	Murabaha	Gardh-UI Hasan	Foreign currency facilities	Debtors for paid L/Cs	Debtors for paid guarantees		Debtors for paid credit cards
<b>Principal</b>												
Balance at Mar. 20, 2022	48,925,381	23,684,369	719,957	571,621	3,524,792	149,430,444	514,937	113,764,669	284,527	56,355	150,807	341,627,859
Increase during the year	47,234,602	69,421,668	-	-	37,850,324	1,068,242,167	633,299	45,733,618	10,154,579	6,463,550	1,042,799	1,286,776,606
Decrease during the year	(76,322,263)	(83,985,151)	(407,896)	(128,164)	(22,990,385)	(927,379,558)	(103,489)	(56,977,700)	(9,992,383)	(6,161,652)	(164,757)	(1,184,613,398)
Foreign exchange effect	-	-	-	-	-	-	-	24,913,929	-	489	-	24,914,418
Balance at Mar. 20, 2023	19,837,720	9,120,886	312,061	443,457	18,384,731	290,293,053	1,044,747	127,434,516	446,723	358,742	1,028,849	468,705,485
<b>Interest and penalty*</b>												
Balance at Mar. 20, 2022	827,375	293,846	165,067	121,774	142,362	3,803,342	-	14,794,782	2,400	1,462	911	20,153,321
Increase during the year	7,013,995	2,666,999	-	-	2,451,755	37,564,100	31,982	8,408,417	120,318	67,008	116,758	58,441,332
Decrease during the year	(7,400,469)	(2,699,079)	(96,311)	(24,545)	(1,431,250)	(34,178,125)	(31,327)	(1,654,661)	(114,844)	(63,490)	(110,015)	(47,804,116)
Foreign exchange effect	-	-	-	-	-	-	-	5,433,009	-	4	-	5,433,013
Balance at Mar. 20, 2023	440,901	261,766	68,756	97,229	1,162,867	7,189,317	655	26,981,547	7,874	4,984	7,654	36,223,550
<b>Provision for bad and doubtful loans</b>												
Balance at Mar. 20, 2022	(746,345)	(359,673)	(34,683)	(333,687)	(55,007)	(2,299,588)	(7,724)	(2,495,858)	(4,304)	(4,568)	(2,377)	(6,343,814)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Increase or decrease during the year	435,405	218,913	(54,384)	2,291	(238,207)	(2,575,624)	(8,164)	(117,110)	(4,430)	(4,658)	(13,279)	(2,359,247)
Balance at Mar. 20, 2023	(310,940)	(140,760)	(89,067)	(331,396)	(293,214)	(4,875,212)	(15,888)	(2,612,968)	(8,734)	(9,226)	(15,656)	(8,703,061)
Mudaraba received fund	-	-	-	-	-	-	-	-	-	-	-	-
Mosharekat Madani received fund	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net balance</b>												
Balance at Mar. 20, 2022	49,006,411	23,618,542	850,341	359,708	3,612,147	150,934,198	507,213	126,063,594	282,623	53,249	149,341	355,437,367
Balance at Mar. 20, 2023	19,967,681	9,241,892	291,750	209,290	19,254,384	292,607,158	1,029,514	151,803,095	445,863	354,500	1,020,847	496,225,974

\*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 6-5. As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

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25-6-1- 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
<b>Loans' interest</b>												
Balance at Mar. 20, 2022	820,808	292,376	77,004	42,041	142,362	3,747,126	-	14,772,853	-	-	892	19,895,462
Increase during the year	6,485,542	2,825,166	-	-	3,469,913	37,590,537	32,671	8,139,404	-	-	116,578	58,659,811
Decrease during the year	(6,886,090)	(2,866,037)	(45,975)	(7,912)	(2,452,351)	(34,470,744)	(32,016)	(1,442,055)	-	-	(109,851)	(48,313,031)
Foreign exchange effect	-	-	-	-	-	-	-	5,401,022	-	-	-	5,401,022
Balance at Mar. 20, 2023	420,260	251,505	31,029	34,129	1,159,924	6,866,919	655	26,871,224	-	-	7,619	35,643,264
<b>Loans' penalty</b>												
Balance at Mar. 20, 2022	6,567	1,470	88,063	79,733	-	56,216	-	21,929	2,400	1,462	19	257,859
Increase during the year	205,289	127,142	-	-	8,093	1,844,435	-	269,012	66,712	67,008	182	2,587,873
Decrease during the year	(191,215)	(118,351)	(50,336)	(16,633)	(5,150)	(1,578,253)	-	(212,604)	(61,238)	(63,490)	(166)	(2,297,436)
Foreign exchange effect	-	-	-	-	-	-	-	31,986	-	4	-	31,990
Balance at Mar. 20, 2023	20,641	10,261	37,727	63,100	2,943	322,398	-	110,323	7,874	4,984	35	580,286
<b>Interest and penalty</b>												
Balance at Mar. 20, 2022	827,375	293,846	165,067	121,774	142,362	3,803,342	-	14,794,782	2,400	1,462	911	20,153,321
Balance at Mar. 20, 2023	440,901	261,766	68,756	97,229	1,162,867	7,189,317	655	26,981,547	7,874	4,984	7,654	36,223,550

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

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**25-7.** Classification of loans according to types of customer is as below:

IRR million

	Parent Co.					
	Mar. 20, 2023			Mar. 20, 2022		
	Gross balance	Provision for bad and doubtful loans	Net balance	Gross balance	Provision for bad and doubtful loans	Net balance
Staff	2,344,243	(35,266)	2,308,977	1,067,289	(16,111)	1,051,178
Natural persons	11,275,858	(183,869)	11,091,989	6,323,279	(108,343)	6,214,936
Corporate customers	491,308,934	(8,483,926)	482,825,008	354,390,614	(6,219,361)	348,171,253
	<b>504,929,035</b>	<b>(8,703,061)</b>	<b>496,225,974</b>	<b>361,781,182</b>	<b>(6,343,815)</b>	<b>355,437,367</b>

As subsidiaries loan balance is not significant, consolidated note has not been presented in this part. The intragroup loans has been presented in note 25-8.

**25-8.** Loans to subsidiaries

IRR million

	Weighted average interest rate	Mar. 20, 2023				Mar. 20, 2022
		Current	Non-performing	Provision for bad and doubtful loans	Total	Total
	%					
<b>Consolidated subsidiaries</b>						
Middle East Bank Brokerage Co.	18	<b>502,762</b>	-	<b>(7,541)</b>	<b>495,221</b>	<b>745,405</b>

**26. Due from subsidiaries and associates**

IRR million

		Consolidated				Parent Co.			
		Mar. 20, 2023		Mar. 20, 2022		Mar. 20, 2023		Mar. 20, 2022	
		Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Subsidiaries-LCY	26-1	-	-	-	-	1,022,401	(15,722)	1,006,679	1,771,910
Associates--LCY	26-1	841	(13)	828	877	841	(13)	828	877
Associates-FCY	26-2	-	-	-	1,012	-	-	-	1,012
		<b>841</b>	<b>(13)</b>	<b>828</b>	<b>1,889</b>	<b>1,023,242</b>	<b>(15,735)</b>	<b>1,007,507</b>	<b>1,773,799</b>

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**26-1. Due from subsidiaries and associates according to intergroup transactions is as follows:**

Name of Company	Parent Co.										IRR million	
	Mar. 20, 2023											
	Sales of assets and investments	Purchase of assets and investments	Purchase of services	Sales of services	Received advances	Prepayments	Gardh-UI Hasan	Dividends receivable	Dividends payable	Total		Provision of doubtful debts
Dadeh Pardazan Simaye Afiab Co.	-	-	(25,694)	-	-	24,976	-	-	-	(718)	(375)	(1,093)
Middle East Life Insurance Co.	-	-	-	-	-	841	-	-	-	841	(13)	828
Middle East Currency Exchange Co.	-	-	-	-	-	169	-	798,000	-	798,169	(11,972)	786,197
Middle East Bank Brokerage Co.	-	-	(50)	-	-	-	-	225,000	-	224,950	(3,375)	221,575
	-	-	(25,744)	-	-	25,986	-	1,023,000	-	1,023,242	(15,735)	1,007,507
Net Profit	271,403											
	Parent Co.										IRR million	
	Mar. 20, 2022											
	Sales of assets and investments	Purchase of assets and investments	Purchase of services	Sales of services	Received advances	Prepayments	Gardh-UI Hasan	Dividends receivable	Dividends payable	Total		Provision of doubtful debts
Dadeh Pardazan Simaye Afiab Co.	-	-	(25,694)	-	-	24,979	-	-	-	(715)	(375)	(1,090)
Middle East Life Insurance Co.	-	-	-	-	-	890	-	-	-	890	(13)	877
Middle East Currency Exchange Co.	-	-	-	-	-	-	-	1,680,000	-	1,680,000	(25,200)	1,654,800
Middle East Bank Brokerage Co.	-	-	-	-	-	-	-	120,000	-	120,000	(1,800)	118,200
	-	-	(25,694)	-	-	25,869	-	1,800,000	-	1,800,175	(27,388)	1,772,787
Net Profit	77,229											

MIDDLE EAST BANK (PJSC)  
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26-2. Foreign currency due from subsidiaries and associates according to intergroup transactions is as follows:

		IRR million							
		Consolidated and Parent Co.							
Currency	Transaction subject	Mar. 20, 2023				Mar. 20, 2022			
		Currency amount	balance	provision for bad and doubtful loans	Net	Currency amount	balance	provision for bad and doubtful loans	Net
Middle East Life Insurance Co.	issuing remittance	-	-	-	-	4,669	1,027	(15)	1,012
		-	-	-	-	4,669	1,027	(15)	1,012

26-3. Classification of Due from subsidiaries and associates according to CBI's regulations is as below (note 6-8)

		IRR million				
		Parent Co.				
		Mar. 20, 2023				
		Current	Past due	Outstanding	Doubtful debt	Total
Due from subsidiaries-IRR		1,022,402	-	-	-	1,022,402
Due from associates-IRR		841	-	-	-	841
Due from subsidiaries and associates before deduction of provision of doubtful debts		1,023,243	-	-	-	1,023,243
General provision for bad and doubtful debts		(15,736)	-	-	-	(15,736)
Balance at Mar. 20, 2023		<b>1,007,507</b>	-	-	-	<b>1,007,507</b>
Balance at Mar. 20, 2022		<b>1,773,799</b>	-	-	-	<b>1,773,799</b>

## 27. Other accounts receivable

		IRR million							
		Consolidated				Parent Co.			
Note		Mar. 20, 2023			Mar. 20, 2022	Mar. 20, 2023			Mar. 20, 2022
		Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Participation bonds interest		89,829	(1,347)	88,482	1,396,089	89,829	(1,347)	88,482	1,396,088
Receivable from staff		77,230	-	77,230	72,828	-	-	-	15,887
Temporary debtors	27-1	9,104,522	(315,495)	8,789,027	9,482,312	8,558,213	(315,495)	8,242,718	11,630,061
		<b>9,271,581</b>	<b>(316,842)</b>	<b>8,954,739</b>	<b>10,951,229</b>	<b>8,648,042</b>	<b>(316,842)</b>	<b>8,331,200</b>	<b>13,042,036</b>

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27-1. Temporary debtors are as follow:

IRR million

	Note	Consolidated				Parent Co.			
		Mar. 20, 2023		Mar. 20, 2022		Mar. 20, 2023		Mar. 20, 2022	
		Balance	Net	Balance	Net	Balance	Net	Balance	Net
<b>Related to loans</b>									
Loans related costs		145,799	57,286	99,788	17,380	145,799	57,286	99,788	17,380
<b>Total</b>		<b>145,799</b>	<b>57,286</b>	<b>99,788</b>	<b>17,380</b>	<b>145,799</b>	<b>57,286</b>	<b>99,788</b>	<b>17,380</b>
<b>Not related to loans</b>									
Murabaha securities of Ministry of Agriculture-Jahad		56,000	8,000	56,000	28,000	56,000	8,000	56,000	28,000
Guarantee issuance fee		32,169	31,674	32,253	31,763	32,169	31,674	32,253	31,763
Remittance commission		-	-	1,834	917	-	-	1,834	917
Middle East Bank Brokerage Co. clients		4,707,781	4,707,781	2,954,103	2,954,103	-	-	-	-
Corporate debtors	27-1-1	3,016,217	2,980,915	6,312,481	6,255,642	7,643,140	7,607,838	11,427,812	11,370,973
Natural person debtors		480,986	346,096	305,773	173,086	480,986	346,096	305,773	173,086
Others		665,570	657,275	28,337	21,421	200,119	191,824	14,858	7,942
<b>Total</b>		<b>8,958,723</b>	<b>8,731,741</b>	<b>9,690,781</b>	<b>9,464,932</b>	<b>8,412,414</b>	<b>8,185,432</b>	<b>11,838,530</b>	<b>11,612,681</b>
<b>Temporary debtors balance</b>		<b>9,104,522</b>	<b>8,789,027</b>	<b>9,790,569</b>	<b>9,482,312</b>	<b>8,558,213</b>	<b>8,242,718</b>	<b>11,938,318</b>	<b>11,630,061</b>

27-1-1. Included within receivable from corporate customer is IRR4,700,614 million Rials relating to trust funds with Middle East Currency Exchange Co.

27-2. Other accounts receivable classification based on CBI regulations is as follow (note 6-8):

IRR million

	Parent Co.				
	Mar. 20, 2023				
	Current	Past due	Outstanding	Doubtful debt	Total
Participation bonds interest	89,829	-	-	-	89,829
Receivable from staff	109,682	-	-	-	109,682
Temporary debtors	8,007,155	1,178	1,754	438,444	8,448,531
Other accounts receivable before deduction of bad and doubtful debts provision	8,206,666	1,178	1,754	438,444	8,648,042
General provision for bad and doubtful debts	(43,725)	-	-	(799)	(44,524)
Specific provision for bad and doubtful debts	-	(118)	(351)	(271,849)	(272,318)
Balance at Mar. 20, 2023	<b>8,162,941</b>	<b>1,060</b>	<b>1,403</b>	<b>165,796</b>	<b>8,331,200</b>
Balance at Mar. 20, 2022	12,866,725	8,152	16,981	150,178	13,042,036

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## 28. Investments in share and other securities

IRR million

	Note	Consolidated					
		Mar. 20, 2023			Mar. 20, 2022		
		Short term	Long term	Total	Short term	Long term	Total
Investment in listed shares	28-1	191,627	220	191,847	-	220	220
Investment in unlisted shares	28-2	-	703,093	703,093	-	533,412	533,412
Investment in other securities	28-3	19,393,652	586,483	19,980,135	1,160	44,936,327	44,937,487
		<b>19,585,279</b>	<b>1,289,796</b>	<b>20,875,075</b>	<b>1,160</b>	<b>45,469,959</b>	<b>45,471,119</b>

IRR million

	Note	Parent Co.					
		Mar. 20, 2023			Mar. 20, 2022		
		Short term	Long term	Total	Short term	Long term	Total
Investment in listed shares	28-1	-	-	-	-	-	-
Investment in unlisted shares	28-2	-	1,166,629	1,166,629	-	1,166,629	1,166,629
Investment in other securities	28-3	19,393,652	85,553	19,479,205	1,160	44,017,637	44,018,797
		<b>19,393,652</b>	<b>1,252,182</b>	<b>20,645,834</b>	<b>1,160</b>	<b>45,184,266</b>	<b>45,185,426</b>

28-1. Investment in listed shares are as follow:

### 28-1-1. Investment in listed shares

	No. of shares	Percentage of investments	Consolidated			
			Mar. 20, 2023			
			Cost	Net realizable value	Market value	
		%	IRR million	IRR million	IRR million	
Iran khodro Co.	1,260,000	0%	3,993	3,993	4,254	
Saipa Co.	4,077,705	0%	8,602	8,602	10,153	
Social Security investment Co.	123,667,000	0%	138,337	138,337	160,025	
Persian Gulf investment	2,860,000	0%	16,511	16,511	15,358	
Eghtesad Novin Bank	1,600,000	0%	5,655	5,655	6,285	
Shatran option	10,000	0%	13,711	13,711	15	
Others		0%	4,818	4,818	-	
			<b>191,627</b>	<b>191,627</b>	<b>196,090</b>	

### 28-1-2. Long-term investment in listed shares

	No. of shares	Percentage of investments	Consolidated					
			Mar. 20, 2023			Mar. 20, 2022		
			Cost	Accumulated decrease in value	Book value	Market value	Book value	Market value
		%	IRR million	IRR million	IRR million		IRR million	
Shares of companies listed on the stock exchange								
Tehran Securities Exchange	15,560,969	0%	150	-	150	122,239	150	92,988
Central Depository and Funds Settlement Company	5,250,000	0%	50	-	50	1,113	50	1,750
Iran Fara Bourse Co.	1,680,000	0%	20	-	20	23,587	20	16,464
			<b>220</b>	<b>-</b>	<b>220</b>	<b>146,939</b>	<b>220</b>	<b>111,202</b>

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## 28-2. Long-term investment in unlisted shares

	Note	No. of shares	Percentage of investments	Consolidated				
				Mar. 20, 2023			Mar. 20, 2022	
				Cost	Accumulated decrease in value	Book value	Market value*	Book value
			%	IRR million	IRR million	IRR million		IRR million
Middle East Life Insurance Co.	28-2-1	479,999,996	20%	700,892	-	700,892	1,474,560	531,212
INTEX		220,000	11%	2,200	-	2,200		2,200
				<b>703,093</b>	<b>-</b>	<b>703,093</b>		<b>533,412</b>

### 28-2-1. Group share from associate company's net assets:

	Consolidated	
	Mar. 20, 2023	Mar. 20, 2022
		IRR million
Balance at beginning of the year	531,212	500,937
Share from associate company's net profit	176,279	54,275
Profit receivable / received during the year	(6,600)	(24,000)
Balance at end of the year	<b>700,892</b>	<b>531,212</b>

### 28-2-2. Summary of financial information of the associate company:

	Consolidated							
	Mar. 20, 2023				Mar. 20, 2022			
	Total assets	Total liabilities	Total income	Net Profit	Total assets	Total liabilities	Total income	Net Profit
Middle East Life Insurance Co.	12,358,732	8,956,053	9,240,850	881,397	6,793,061	4,245,607	3,198,354	271,375

	Note	No. of shares	Percentage of investments	Parent Co.				
				Mar. 20, 2023			Mar. 20, 2022	
				Cost	Accumulated decrease in value	Book value	Market value*	Book value
			%	IRR million	IRR million	IRR million		IRR million
Middle East Bank Brokerage Co.		749,999,000	75%	665,930	-	665,930	-	665,930
Dadeh Pardazan Simaye Aftab Co.	28-2-3	30,000,000	100%	10,500	-	10,500	-	10,500
Middle East Currency Exchange Co.		499,997,500	100%	247,999	-	247,999	-	247,999
Middle East Life Insurance Co.		479,999,996	20%	240,000	-	240,000	1,474,560	240,000
INTEX		220,000	11%	2,200	-	2,200	-	2,200
				<b>1,166,629</b>	<b>-</b>	<b>1,166,629</b>		<b>1,166,629</b>

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

28-2-3. At the Statement of financial position date 35% of investment in Dadeh Pardazan Simaye Aftab Co. has been paid.

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**28-3. Investment in other securities:**

Issuer	Note	Type of bond	Interest rate	Status	Consolidated		Parent Co.		IRR million
					Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022	
					%				
<b>Government or governmental corporations</b>									
Ministry of Economic Affairs and Finance	28-3-1	Islamic treasury bonds		Free	8,618,170	1,083,002	8,618,170	1,083,002	
Ministry of Economic Affairs and Finance	28-3-2	Islamic treasury bonds		As collateral for open market operations	2,556,800	6,512,402	2,556,800	6,512,402	
Ministry of Economic Affairs and Finance		Bonds & Participation	18%	Free	4,945,847	25,972,686	4,945,847	25,972,685	
Khordad intermediary		Manfaat	18%	Free	-	3,000,000	-	3,000,000	
Tir intermediary		Manfaat	18%	Free	-	3,000,000	-	3,000,000	
First Ordibehehsht intermediary		Manfaat	18%	Free	2,000,000	2,000,000	2,000,000	2,000,000	
Murabaha government bonds		Participation	20%	Free	495	-	-	-	
Investment of Munich branch in other countries' governmental bonds		Participation			408,532	408,532	408,532	408,532	
Less: Accumulated impairment reserve					(408,532)	-	(408,532)	-	
<b>Banks</b>									
Refah kargaran bank	28-3-3	Debt securities and Participation		Free	1,133,527	-	1,133,527	-	
Tejarat bank	28-3-3	Debt securities and Participation		Free	216,701	-	216,701	-	
<b>Other companies and investment funds</b>									
Investment of Munich branch in other countries' non-governmental bonds		Participation			2,034,016	2,034,016	2,034,016	2,034,016	
Less: Accumulated impairment reserve					(2,034,016)	-	(2,034,016)	-	
Middle East Bank Ofoogh mutual fund	28-3-4	Preferred investment units	18%	Free	111,190	531,075	7,000	7,000	
Middle East Ofoogh roshan mutual fund		Preferred investment units		Free	2,160	143,063	1,160	1,160	
Market Development Fund		Ordinary investment units		Free	395,245	252,711	-	-	
					<b>19,980,135</b>	<b>44,937,487</b>	<b>19,479,205</b>	<b>44,018,797</b>	

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28-3-1. Islamic treasury bonds are zero-coupon bonds published by Ministry of Economic Affairs and Finance on behalf of the government.

28-3-2. The Islamic treasury with the status "as collateral for open market operations" are as collateral for open market operations No. 53 dated 03/13/2023 with a maturity date of 04/05/2023.

28-3-3. The securities are zero-coupon published by Refah Karkaran Bank and Tejarat Bank.

28-3-4. Interest rates in the table above are the predicted rates determined by mutual funds.

28-4. Investment in banking and non-banking activities is as follows:

	IRR million			
	Parent Co.			
	Mar. 20, 2023		Mar. 20, 2022	
	Book value	Exceeding the prescribed limits	Book value	Exceeding the prescribed limits
<b>Investments related to banking activities and other authorized activities</b>				
Middle East Currency Exchange Co.	247,999	-	247,999	-
Dadeh Pardazan Simaye Aftab Co.	10,500	-	10,500	-
INSTEX	2,200	-	2,200	-
Fixed income securities-Ministry of Economic Affairs and Finance	16,120,816	-	33,568,089	-
Fixed income securities-First Ordibehesht intermediary	2,000,000	-	2,000,000	-
Participation securities-Refah kargaran bank	1,133,527	-	-	-
Participation securities- Tejarat bank	216,702	-	-	-
Fixed income securities-Khordad intermediary	-	-	3,000,000	-
Fixed income securities-Tir intermediary	-	-	3,000,000	-
Investment of Munich branch in other countries' governmental bonds	2,442,548	-	2,442,548	-
Less: Accumulated impairment reserve	(2,442,548)	-	-	-
	19,731,744	-	44,271,336	-
<b>Investment related to non-banking activities</b>				
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	-
<b>Total</b>	<b>20,645,834</b>	-	<b>45,185,426</b>	-

28-5. 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.

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**28-6.** 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	52,855,003
Permissible investment limit for each legal entity (5% of regulatory capital)	2,642,750
The total investment limit (20% of regulatory capital)	10,571,001

\* 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.

## 29. Non-current assets held for sale and related debts

	Note	IRR million	
		Consolidated and Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Collateral in possession	29-1	686,106	607,550
		<u>686,106</u>	<u>607,550</u>

### 29-1. Collateral in possession

The composition of the balance of collateral in possession:

	IRR million						
	Consolidated and Parent Co.						
	21 Mar. 2021	Additions	Sale/Transfer	Mar. 20, 2022	Additions	Sale/Transfer	Mar. 20, 2023
Immovable property							
Residential	488,000	119,550	-	607,550	100,556	(22,000)	686,106
	488,000	119,550	-	607,550	100,556	(22,000)	686,106
Accumulated value reduction	-			-			-
Net of collateral in possession	<u>488,000</u>			<u>607,550</u>			<u>686,106</u>

### 29-1-1. The aging of the Immovable collateral in possession:

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Less than one year from the date of acquisition	100,556	119,550
One to two years from the date of acquisition	119,550	-
More than two years from the date of acquisition	466,000	488,000
	<u>686,106</u>	<u>607,550</u>

**29-1-2.** The profit (loss) resulting from the sale of the collateral in possession is presented in the statement of profit or loss and disclosed in note No. 21-1.

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30. Fixed assets

	Consolidated								Total
	Land	Buildings	Installations & equipment	Motor vehicles	Office furniture	Lease hold improvements	Assets under construction	Capex prepayments	
<b>Cost</b>									
Balance at 21 Mar. 2021	1,588,010	1,237,274	959,383	43,103	225,219	77,834	331,296	339,418	4,801,537
Additions	-	-	489,936	-	50,353	-	287,318	1,296,198	2,123,805
Effect of movement in exchange rates	-	-	-	-	1,347	-	-	-	1,347
Adjustments	584,105	25,500	21,846	-	10,983	-	-	(642,434)	-
<b>Balance at Mar. 20, 2022</b>	<b>2,172,115</b>	<b>1,262,774</b>	<b>1,471,165</b>	<b>43,103</b>	<b>287,902</b>	<b>77,834</b>	<b>618,614</b>	<b>993,182</b>	<b>6,926,689</b>
Additions	-	1,087,116	259,860	14,000	64,374	5,645	671,141	141,542	2,243,678
Disposals	-	-	(2,605)	-	(224)	-	-	-	(2,829)
Adjustments	-	15,408	7,952	-	-	-	(23,360)	-	-
Effect of movement in exchange rates	-	-	-	-	2,078	-	-	-	2,078
<b>Balance at Mar. 20, 2023</b>	<b>2,172,115</b>	<b>2,365,298</b>	<b>1,736,372</b>	<b>57,103</b>	<b>354,130</b>	<b>83,479</b>	<b>1,266,395</b>	<b>1,134,724</b>	<b>9,169,616</b>
<b>Accumulated depreciation</b>									
Balance at 21 Mar. 2021		286,257	377,668	13,297	117,443	67,145			861,810
Depreciation		99,643	275,367	5,936	32,220	5,825			418,991
Effect of movement in exchange rates		-	-	-	570	-			570
<b>Balance at Mar. 20, 2022</b>		<b>385,900</b>	<b>653,035</b>	<b>19,233</b>	<b>150,233</b>	<b>72,970</b>			<b>1,281,371</b>
Depreciation		102,629	440,442	6,607	32,399	7,355			589,432
Disposals		-	(2,525)	-	(202)	-			(2,727)
Effect of movement in exchange rates		-	-	-	1,029	-			1,029
<b>Balance at Mar. 20, 2023</b>		<b>488,529</b>	<b>1,090,952</b>	<b>25,840</b>	<b>183,459</b>	<b>80,325</b>			<b>1,869,105</b>
<b>Book value</b>									
Balance at 21 Mar. 2021	1,588,010	951,017	581,715	29,806	107,776	10,689	331,296	339,418	3,939,727
Balance at Mar. 20, 2022	2,172,115	876,874	818,130	23,870	137,669	4,864	618,614	993,182	5,645,318
Balance at Mar. 20, 2023	2,172,115	1,876,769	645,420	31,263	170,671	3,154	1,266,395	1,134,724	7,300,511

IRR: million

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IRR million

	Parent Co.							Total	
	Land	Buildings	Installations & equipment	Motor vehicles	Office furniture	Lease hold improvements	Assets under construction		Capex prepayments
<b>Cost</b>									
<b>Balance at 21 Mar. 2021</b>	1,556,669	1,189,073	945,831	39,881	203,520	77,835	331,296	339,418	4,683,523
Additions	-	-	481,708	-	43,628	-	287,318	1,296,198	2,108,852
Adjustments	-	-	-	-	1,347	-	-	-	1,347
Effect of movement in exchange rates	584,105	25,500	21,846	-	10,983	-	-	(642,434)	-
<b>Balance at Mar. 20, 2022</b>	<b>2,140,774</b>	<b>1,214,573</b>	<b>1,449,385</b>	<b>39,881</b>	<b>259,478</b>	<b>77,835</b>	<b>618,614</b>	<b>993,182</b>	<b>6,793,722</b>
Additions	-	772	253,206	-	62,164	5,645	671,141	141,542	1,134,470
Adjustments	-	15,408	7,952	-	-	-	(23,360)	-	-
Effect of movement in exchange rates	-	-	-	-	2,078	-	-	-	2,078
<b>Balance at Mar. 20, 2023</b>	<b>2,140,774</b>	<b>1,230,753</b>	<b>1,710,543</b>	<b>39,881</b>	<b>323,720</b>	<b>83,480</b>	<b>1,266,395</b>	<b>1,134,724</b>	<b>7,930,270</b>
<b>Accumulated depreciation</b>									
<b>Balance at 21 Mar. 2021</b>		270,813	371,061	11,373	106,151	67,145			826,543
Depreciation		97,689	271,195	5,576	28,764	5,824			409,048
Effect of movement in exchange rates		-	-	-	570	-			570
<b>Balance at Mar. 20, 2022</b>		<b>368,502</b>	<b>642,256</b>	<b>16,949</b>	<b>135,485</b>	<b>72,969</b>			<b>1,236,161</b>
Depreciation		100,701	434,236	5,121	28,700	7,355			576,113
Effect of movement in exchange rates		-	-	-	1,029	-			1,029
<b>Balance at Mar. 20, 2023</b>		<b>469,203</b>	<b>1,076,492</b>	<b>22,070</b>	<b>165,214</b>	<b>80,324</b>			<b>1,813,303</b>
<b>Book value</b>									
<b>Balance at 21 Mar. 2021</b>	<b>1,556,669</b>	<b>918,260</b>	<b>574,770</b>	<b>28,508</b>	<b>97,369</b>	<b>10,690</b>	<b>331,296</b>	<b>339,418</b>	<b>3,856,980</b>
<b>Balance at Mar. 20, 2022</b>	<b>2,140,774</b>	<b>846,071</b>	<b>807,129</b>	<b>22,932</b>	<b>123,993</b>	<b>4,866</b>	<b>618,614</b>	<b>993,182</b>	<b>5,557,561</b>
<b>Balance at Mar. 20, 2023</b>	<b>2,140,774</b>	<b>761,550</b>	<b>634,051</b>	<b>17,811</b>	<b>158,506</b>	<b>3,156</b>	<b>1,266,395</b>	<b>1,134,724</b>	<b>6,116,967</b>

**30-1.** 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.

**30-2.** Tangible fixed assets of the bank up to the value of 12,198,376 million rials are insured against possible risks caused by fire, flood and earthquake.

**30-3.** Necessary measures to obtain ownership documents of the central office building are being followed.

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### 31. Intangible assets

IRR million

	Consolidated			Total
	Software	Software development	Right to use public services	
<b>Cost</b>				
<b>Balance at 21 Mar. 2021</b>	<b>527,919</b>	<b>276,883</b>	<b>8,759</b>	<b>813,561</b>
Additions	119,288	5,843	34	125,165
Effect of movement in exchange rates	-	43,696	-	43,696
Adjustments	5,539	(5,539)	-	-
<b>Balance at Mar. 20, 2022</b>	<b>652,746</b>	<b>320,883</b>	<b>8,793</b>	<b>982,422</b>
Additions	183,521	10,494	171	194,186
Effect of movement in exchange rates	10,940	(10,940)	-	-
Adjustments	-	65,544	-	65,544
<b>Balance at Mar. 20, 2023</b>	<b>847,207</b>	<b>385,981</b>	<b>8,964</b>	<b>1,242,152</b>
<b>Accumulated amortization</b>				
<b>Balance at 21 Mar. 2021</b>	<b>364,944</b>	<b>144,197</b>	-	<b>509,141</b>
Amortization for the year	89,332	70,114	-	159,446
Effect of movement in exchange rates	-	32,786	-	32,786
<b>Balance at Mar. 20, 2022</b>	<b>454,276</b>	<b>247,097</b>	<b>-</b>	<b>701,373</b>
Amortization	172,085	73,340	-	245,425
Effect of movement in exchange rates	-	65,544	-	65,544
<b>Balance at Mar. 20, 2023</b>	<b>626,361</b>	<b>385,981</b>	<b>-</b>	<b>1,012,342</b>
<b>Book value</b>				
<b>Balance at 21 Mar. 2021</b>	<b>162,975</b>	<b>132,686</b>	<b>8,759</b>	<b>304,420</b>
<b>Balance at Mar. 20, 2022</b>	<b>198,470</b>	<b>73,786</b>	<b>8,793</b>	<b>281,049</b>
<b>Balance at Mar. 20, 2023</b>	<b>220,846</b>	<b>-</b>	<b>8,964</b>	<b>229,810</b>

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MIDDLE EAST BANK (PJSC)  
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IRR million

	Parent Co.			
	Software	Software development	Right to use public services	Total
<b>Cost</b>				
<b>Balance at 21 Mar. 2021</b>	<b>520,753</b>	<b>276,885</b>	<b>8,620</b>	<b>806,258</b>
Additions	119,289	5,842	-	125,131
Effect of movement in exchange rates	-	43,696	-	43,696
Adjustments	5,539	(5,539)	-	-
<b>Balance at Mar. 20, 2022</b>	<b>645,581</b>	<b>320,884</b>	<b>8,620</b>	<b>975,085</b>
Additions	183,296	10,494	164	193,954
Effect of movement in exchange rates	10,940	(10,940)	-	-
Adjustments	-	65,544	-	65,544
<b>Balance at Mar. 20, 2023</b>	<b>839,817</b>	<b>385,982</b>	<b>8,784</b>	<b>1,234,583</b>
<b>Accumulated amortization</b>				
<b>Balance at 21 Mar. 2021</b>	<b>361,409</b>	<b>144,197</b>	-	<b>505,606</b>
Amortization for the year	88,075	70,114	-	158,189
Effect of movement in exchange rates	-	32,787	-	32,787
<b>Balance at Mar. 20, 2022</b>	<b>449,484</b>	<b>247,098</b>	<b>-</b>	<b>696,582</b>
Amortization	171,266	73,340	-	244,606
Effect of movement in exchange rates	-	65,544	-	65,544
<b>Balance at Mar. 20, 2023</b>	<b>620,750</b>	<b>385,982</b>	<b>-</b>	<b>1,006,732</b>
<b>Book value</b>				
<b>Balance at 21 Mar. 2021</b>	<b>159,344</b>	<b>132,688</b>	<b>8,620</b>	<b>300,652</b>
<b>Balance at Mar. 20, 2022</b>	<b>196,097</b>	<b>73,786</b>	<b>8,620</b>	<b>278,503</b>
<b>Balance at Mar. 20, 2023</b>	<b>219,067</b>	<b>-</b>	<b>8,784</b>	<b>227,851</b>

## 32. Statutory deposit

IRR million

	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Statutory deposit	<b>42,702,374</b>	27,154,220

**32-1.** Statutory deposit has been deposited with CBI in accordance with paragraph 3 of Article 14 of banking and monetary law.

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### 33. Other assets

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
LCs and collections debtors-net	33-1	2,516,569	2,094,868	2,516,569	2,094,868
Rental deposits		176,576	353,649	176,576	353,648
Consumables		88,996	50,946	88,996	50,946
Tax stamps		241	639	241	639
Acquisition of goodwill (net)		30,872	32,883	-	-
Others		430,179	343,567	394,943	333,617
		<b>3,243,433</b>	<b>2,876,552</b>	<b>3,177,325</b>	<b>2,833,718</b>

#### 33-1. LCs and collections debtors-net

IRR million

	Note	Consolidated and Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022
Debtors for term letters of credit-LCY		2,866,258	2,155,659
Debtors for term letters of credit-FCY		-	9,437
Debtors for current letters of credit-FCY		9,154	-
Debtors for current letters of credit-LCY		20,988	-
		<b>2,896,400</b>	<b>2,165,096</b>
<b>Less:</b>			
Term letters of credit advance-LCY		(339,409)	(38,326)
Current letters of credit advance-LCY		(2,099)	-
General provision for bad and doubtful debts	33-1-2	(38,323)	(31,902)
		<b>2,516,569</b>	<b>2,094,868</b>

33-1-1. Letters of credit debtors maturity is up to six months in accordance with CBI's regulations.

33-1-2. The movements for general provision for bad and doubtful debts are as follows:

IRR million

	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Opening balance	31,902	25,269
Recoveries	(31,902)	(25,269)
Increase (decrease) during the year	38,323	31,902
Closing balance	<b>38,323</b>	<b>31,902</b>

MIDDLE EAST BANK (PJSC)  
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### 34. Customers' deposits

IRR million					
	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
<b>Natural persons</b>					
Current deposits	34-1	23,309,328	20,436,079	23,309,328	20,436,079
Saving deposits	34-2	415,310	350,073	415,310	350,073
Other deposits and advances	34-3	40,365	20,061	40,365	20,061
		<u>23,765,003</u>	<u>20,806,213</u>	<u>23,765,003</u>	<u>20,806,213</u>
<b>Corporate customers</b>					
Current deposits	34-1	102,103,510	57,373,606	102,305,255	57,708,056
Saving deposits	34-2	29,820,146	19,543,327	32,142,887	20,179,644
Other deposits and advances	34-3	13,958,187	6,753,188	13,960,318	6,755,319
		<u>145,881,843</u>	<u>83,670,121</u>	<u>148,408,460</u>	<u>84,643,019</u>
Customers' term deposits	34-4	359,945,853	280,749,441	360,030,025	282,394,590
		<u><b>529,592,699</b></u>	<u><b>385,225,775</b></u>	<u><b>532,203,488</b></u>	<u><b>387,843,822</b></u>

#### 34-1. Current deposits

IRR million					
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Current deposits-LCY		93,082,346	47,458,764	93,269,095	47,793,175
Current deposits-FCY		29,799,812	21,992,826	29,799,812	21,992,826
Bank checks		388,655	473,157	388,655	473,157
Remittance-FCY		1,950,376	7,706,828	1,965,372	7,706,828
Temporary creditors-FCY		18,462	1,573	18,462	1,573
Temporary creditors-LCY		173,187	176,537	173,187	176,576
		<u><b>125,412,838</b></u>	<u><b>77,809,685</b></u>	<u><b>125,614,583</b></u>	<u><b>78,144,135</b></u>

#### 34-2. Saving deposits

IRR million					
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Non interest bearing deposits-FCY		<u><b>30,235,456</b></u>	<u>19,893,400</u>	<u><b>32,558,197</b></u>	<u>20,529,717</u>

#### 34-3. Other deposits and advances

IRR million					
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Guarantee issuing deposits -LCY		11,422,466	6,174,946	11,424,597	6,177,077
Guarantee issuing deposits -FCY		433,386	354,269	433,386	354,269
LCs' advances-LCY		2,142,700	244,034	2,142,700	244,034
Total		<u><b>13,998,552</b></u>	<u><b>6,773,249</b></u>	<u><b>14,000,683</b></u>	<u><b>6,775,380</b></u>

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## 34-4. Customers investment deposits

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
<b>term deposits</b>					
Long-term investment deposits	34-4-1	242,683,500	185,548,271	242,683,500	185,548,271
Short-term investment deposits	34-4-1	112,535,440	94,222,212	112,619,612	95,867,361
Special short-term investment deposits	34-4-1	539,688	89,169	539,688	89,169
Investment deposits received from banks and credit institutions	34-4-1	22,442,100	15,150,000	19,797,585	13,200,000
		<u>378,200,728</u>	<u>295,009,652</u>	<u>375,640,385</u>	<u>294,704,801</u>
<b>Investment deposits' interest payable</b>					
Long-term investment deposits	34-4-2	4,108,460	869,887	4,108,460	869,887
Short-term investment deposits	34-4-2	77,296	19,842	77,296	19,842
Special short-term investment deposits	34-4-2	1,469	60	1,469	60
Investment deposits received from banks and credit institutions	34-4-2	385,950	91,502	385,950	91,502
		<u>4,573,175</u>	<u>981,291</u>	<u>4,573,175</u>	<u>981,291</u>
		<u>382,773,903</u>	<u>295,990,943</u>	<u>380,213,560</u>	<u>295,686,092</u>
Deducted: principal and interest of investment deposits received from banks and credit institutions (transfer to "debt to banks and credit institutions" note 35)		(22,828,050)	(15,241,502)	(20,183,535)	(13,291,502)
		<u>359,945,853</u>	<u>280,749,441</u>	<u>360,030,025</u>	<u>282,394,590</u>

## 34-4-1. Term investment deposits based on currency are as follows:

IRR million

	Consolidated					
	Mar. 20, 2023			Mar. 20, 2022		
	IRR	FCY	Total	IRR	FCY	Total
<b>Investment deposits received from banks and credit institutions</b>	2,644,515	19,797,585	22,442,100	1,950,000	13,200,000	15,150,000
<b>Short-term investment deposits</b>	112,535,440	-	112,535,440	94,222,212	-	94,222,212
<b>Special short-term investment deposits</b>						
Three-month deposit	1,650	54,314	55,964	-	65,203	65,203
Three- month to six-month deposit	457,725	25,999	483,724	318	23,648	23,966
	459,375	80,313	539,688	318	88,851	89,169
<b>Long-term investment deposits</b>						
General deposit certificate	34,701,935	-	34,701,935	-	-	-
One- year deposits	16,457,050	540,573	16,997,623	17,914,890	6,227,564	24,142,454
Two-year deposit	96,402,777	-	96,402,777	79,405,817	-	79,405,817
Three-year deposit	2,081,165	92,500,000	94,581,165	-	82,000,000	82,000,000
	149,642,927	93,040,573	242,683,500	97,320,707	88,227,564	185,548,271
<b>Term investment deposits</b>	<u>265,282,257</u>	<u>112,918,471</u>	<u>378,200,728</u>	<u>193,493,237</u>	<u>101,516,415</u>	<u>295,009,652</u>

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IRR million

	Parent Co.					
	Mar. 20, 2023			Mar. 20, 2022		
	IRR	FCY	Total	IRR	FCY	Total
<b>Investment deposits received from banks and credit institutions</b>	-	19,797,585	19,797,585	-	13,200,000	13,200,000
<b>Short-term investment deposits</b>	112,619,612	-	112,619,612	95,867,361	-	95,867,361
<b>Special short-term investment deposits</b>						
Three-month deposit	1,650	54,314	55,964	-	65,203	65,203
Three- month to six-month deposit	457,725	25,999	483,724	318	23,648	23,966
	459,375	80,313	539,688	318	88,851	89,169
<b>Long-term investment deposits</b>						
General deposit certificate	34,701,935	-	34,701,935	-	-	-
One- year deposits	16,457,050	540,573	16,997,623	17,914,890	6,227,564	24,142,454
Two-year deposit	96,402,777	-	96,402,777	79,405,817	-	79,405,817
Three-year deposit	2,081,165	92,500,000	94,581,165	-	82,000,000	82,000,000
	149,642,927	93,040,573	242,683,500	97,320,707	88,227,564	185,548,271
<b>Term investment deposits</b>	<b>262,721,914</b>	<b>112,918,471</b>	<b>375,640,385</b>	<b>193,188,386</b>	<b>101,516,415</b>	<b>294,704,801</b>

## 34-4-1-1. Term investment deposits according to maturity and interest rate

IRR million

	Consolidated							Mar. 20, 2022
	Mar. 20, 2023							
	More than 20%	19%-20%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	-	-	2	-	-	112,619,612	112,619,614	207,047,400
2024	6,047,181	5,021,375	48,191,665	2,420,907	1,650	113,834,297	175,517,075	81,162,252
2025	64,228,311	8,151,924	7,444,989	1,600,000	-	-	81,425,224	600,000
2026	2,081,165	-	7,650	1,500,000	-	200,000	3,788,815	1,700,000
2027 and after that	-	-	850,000	2,000,000	1,000,000	1,000,000	4,850,000	4,500,000
	<b>72,356,657</b>	<b>13,173,299</b>	<b>56,494,306</b>	<b>7,520,907</b>	<b>1,001,650</b>	<b>227,653,909</b>	<b>378,200,728</b>	295,009,652
Mar. 20, 2022	-	35,915,449	82,426,891	20,507,578	1,925,340	154,234,394	295,009,652	

IRR million

	Parent Co.							Mar. 20, 2022
	Mar. 20, 2023							
	More than 20%	19%-20%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	-	-	2	-	-	112,619,612	112,619,614	206,742,549
2024	6,047,181	5,021,375	48,191,665	2,420,907	1,650	113,918,469	175,601,247	81,162,252
2025	64,228,311	8,151,924	4,800,474	1,600,000	-	-	78,780,709	600,000
2026	2,081,165	-	7,650	1,500,000	-	200,000	3,788,815	1,700,000
2027 and after that	-	-	850,000	2,000,000	1,000,000	1,000,000	4,850,000	4,500,000
	<b>72,356,657</b>	<b>13,173,299</b>	<b>53,849,791</b>	<b>7,520,907</b>	<b>1,001,650</b>	<b>227,738,081</b>	<b>375,640,385</b>	294,704,801
Mar. 20, 2022	-	35,915,449	84,072,041	20,507,578	1,925,340	152,284,393	294,704,801	

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## 34-4-1-2. Movements of investments deposits-LCY

IRR million

	Consolidated			
	Mar. 20, 2022	New Deposits	Principal repayment	Mar. 20, 2023
General deposit certificate	-	53,062,464	18,360,529	34,701,935
One year deposits	17,914,890	5,219,014	6,676,854	16,457,050
Two-year deposits	79,405,817	237,753,161	220,756,201	96,402,777
Three-year deposits	-	2,146,236	65,071	2,081,165
Short-term deposits	94,222,212	4,181,373,668	4,163,060,440	112,535,440
Special short-term deposits	318	460,557	1,500	459,375
Investment deposits received from banks and credit institutions	1,950,000	117,789,515	117,095,000	2,644,515
	<u>193,493,237</u>	<u>4,597,804,615</u>	<u>4,526,015,595</u>	<u>265,282,257</u>

IRR million

	Parent Co.			
	Mar. 20, 2022	New Deposits	Principal repayment	Mar. 20, 2023
General deposit certificate	-	53,062,464	18,360,529	34,701,935
One year deposits	17,914,890	5,219,014	6,676,854	16,457,050
Two-year deposits	79,405,817	237,753,161	220,756,201	96,402,777
Three-year deposits	-	2,146,236	65,071	2,081,165
Short-term deposits	95,867,361	4,179,812,691	4,163,060,440	112,619,612
Special short-term deposits	318	460,557	1,500	459,375
Investment deposits received from banks and credit institutions	-	117,095,000	117,095,000	-
	<u>193,188,386</u>	<u>4,595,549,123</u>	<u>4,526,015,595</u>	<u>262,721,914</u>

## 34-4-1-3. Movements of investments deposits-FCY

Consolidated and Parent Co.

	Mar. 20, 2022	New Deposits	Principal repayment	Mar. 20, 2023	Mar. 20, 2023	Mar. 20, 2022
	Currency amount	Currency amount	Currency amount	Currency amount	IRR million	IRR million
<b>Long-term deposits</b>						
USD	411,861,304	73,275	40,645,095	371,289,484	92,822,373	82,372,261
EUR	872,738	32,000	137,000	767,738	203,451	192,002
AED	104,408,036	766	104,191,178	217,624	14,752	5,663,301
<b>Ordinary &amp; Special short-term deposits</b>						
USD	117,447	38,500	80,297	75,650	18,913	23,489
EUR	297,100	30,000,000	30,065,400	231,700	61,400	65,362
<b>Investment deposits received from banks and credit institutions</b>						
EUR	60,000,000	134,707,869	120,000,000	74,707,869	19,797,582	13,200,000
					<u>112,918,471</u>	<u>101,516,415</u>

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34-4-1-4. The composition of depositors of investment deposits is as follows:

	Parent Co.			
	Mar. 20, 2023		Mar. 20, 2022	
	No.	Amount	No.	Amount
	Investor	IRR million	Investor	IRR million
<b>Deposits-LCY</b>				
Corporate person	3,762	177,817,305	3,310	128,827,535
Natural person	342,999	84,904,609	228,280	64,360,851
Investment deposits received from banks and credit institutions	-	-	-	-
	<u>346,761</u>	<u>262,721,914</u>	<u>231,590</u>	<u>193,188,386</u>
<b>Deposits-FCY</b>				
Corporate person	4	92,545,834	10	87,712,035
Natural person	136	575,054	173	604,380
Investment deposits received from banks and credit institutions	5	19,797,583	3	13,200,000
	<u>145</u>	<u>112,918,471</u>	<u>186</u>	<u>101,516,415</u>
	<u><b>346,906</b></u>	<u><b>375,640,385</b></u>	<u>231,776</u>	<u>294,704,801</u>

34-4-2. Investment deposits' interest payable

	Parent Co.				
	Mar. 20, 2022	On account advance interest	The difference between final interest and on account advance interest	Interest paid during the year	Mar. 20, 2023
Short-term deposits	19,845	7,458,280	33,067	(7,433,896)	77,296
Special short-term deposits	16	8,170	15	(6,732)	1,469
General deposit certificate	7	1,951,101	3,672	(1,604,851)	349,929
One- year deposits	111,609	2,280,508	1,240	(2,260,737)	132,620
Two-year deposits	276,626	22,297,440	34,755	(22,251,651)	357,170
Three-year deposits	-	26,212	40	(19,255)	6,997
Five-year deposits	8	-	-	-	8
Investment deposits received from banks and credit institutions	-	634,145	-	(634,145)	-
Foreign currency deposits	573,180	5,550,631	-	(2,476,125)	3,647,686
	<u>981,291</u>	<u>40,206,487</u>	<u>72,789</u>	<u>(36,687,392)</u>	<u>4,573,175</u>

34-4-2-1. 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. 411 dated 05/29/2022 of the board of directors. The above-mentioned procedure is as follows and is applied in the above table.

	The ratio of the share to the difference of final and accrual profit	Average interest rate on account during the year*	The fixed rate difference is allocated	Final rate
Short-term deposits	45.43%	7.1%	0.03%	7.13%
Special short-term deposits	0.02%	14.6%	0.03%	14.65%
General deposit certificate	5.04%	16.0%	0.03%	16.03%
One- year deposits	1.70%	17.4%	0.03%	17.39%
Two-year deposits	47.75%	20.3%	0.03%	20.33%
Three-year deposits	0.1%	16.7%	0.03%	16.70%
	<u>100%</u>			

\* Based on 52 weeks average of investment deposits balance.

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### 35. Due to banks and financial institutions

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
<b>Due to the CBI</b>				
Current deposit-FCY	40,669,757	17,722,113	40,669,757	17,722,113
Term deposit-FCY	4,849,410	3,856,787	4,849,410	3,856,787
Foreign currency purchase	163,928	-	163,928	-
Repurchase agreement	2,512,602	40,217,092	2,512,602	40,217,092
Less: CBI's balance in our accounts (Note 24)	(45,519,168)	(21,578,900)	(45,519,168)	(21,578,900)
	<u>2,676,529</u>	<u>40,217,092</u>	<u>2,676,529</u>	<u>40,217,092</u>
<b>Due to internal banks and credit institutions</b>				
Current deposits-FCY	11,367,615	10,244,718	11,367,615	10,244,718
Paya payments order	21,678	4,352	21,678	4,352
SHETAB transactions	157,514	62,401	157,514	62,401
Investment deposits received from banks and credit institutions (transfer of "term investment deposit")	34-4 22,442,100	15,150,000	19,797,585	13,200,000
Interest payable on investment deposits received from banks and credit institutions (transfer from "term investment deposit")	34-4 385,950	91,502	385,950	91,502
	<u>34,374,857</u>	<u>25,552,973</u>	<u>31,730,342</u>	<u>23,602,973</u>
	<u><b>37,051,386</b></u>	<u><b>65,770,065</b></u>	<u><b>34,406,871</b></u>	<u><b>63,820,065</b></u>

### 36. Dividends payable

IRR million

	Consolidated and Parent Co.					
	Dividend per share	Dividend	Mar. 20, 2022	Paid dividend during the year	offsetting with staff loans	Mar. 20, 2023
previous years		3,080,000	3,500	(792)	-	2,708
Year ended Mar. 20, 2018	150	900,000	2,415	(618)	-	1,797
Year ended Mar. 20, 2019	200	1,400,000	10,061	(1,946)	-	8,115
Year ended Mar. 19, 2020	200	2,000,000	11,556	(4,611)	-	6,945
Year ended Mar. 20, 2021	200	3,000,000	26,844	(15,610)	-	11,234
Year ended Mar. 20, 2022	200	5,000,000	-	(4,949,221)	(20,504)	30,275
<b>Total</b>			<u><b>54,376</b></u>	<u><b>(4,972,798)</b></u>	<u><b>(20,504)</b></u>	<u><b>61,074</b></u>

### 37. Income tax provision

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Opening balance	1,654,451	3,517,922	1,224,048	2,843,205
Income tax for the year	1,394,423	429,714	824,417	-
Extra precautionary provision	67,930	61,862	-	-
Paid during the year	(602,903)	(2,293,185)	(172,501)	(1,619,157)
	<u>2,513,901</u>	<u>1,716,313</u>	<u>1,875,964</u>	<u>1,224,048</u>
Prepayments	-	-	-	-
<b>Closing balance</b>	<u><b>2,513,901</b></u>	<u><b>1,716,313</b></u>	<u><b>1,875,964</b></u>	<u><b>1,224,048</b></u>

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**37-1.** The Bank's tax position for the years 2016 to Mar.2023 is as follows:

IRR million

Fiscal year	Mar. 20, 2023							Mar. 20, 2022	Method of assessment
	Declared profit	Taxable income	Tax				Provision balance		
			Declared	As assessed	Final	Paid			
Mar. 19, 2016	1,500,519	931,454	139,718	350,289	-	139,718	-	Assessment the Books	
Mar. 20, 2017	2,197,091	866,397	173,279	807,346	-	173,279	-	Assessment the Books	
Mar. 20, 2018	2,729,781	1,838,123	275,718	676,836	634,509	275,718	-	Assessment the Books	
Mar. 20, 2019	6,798,249	3,823,015	400,952	1,326,133	-	573,454	-	Assessment the Books	
Mar. 19, 2020	9,680,162	6,883,276	1,032,491	2,568,190	-	1,032,491	-	Assessment the Books	
Mar. 20, 2021	18,690,660	9,199,761	1,619,158	4,016,051	-	1,619,157	-	Assessment the Books	
Mar. 20, 2022	20,578,076	9,050,078	-	-	-	-	-	-	
Mar. 20, 2023	30,711,989	20,152,609	824,416	-	-	-	824,416	-	
Extra precautionary provision							1,051,548	1,224,048	
Provision before deduction of tax prepayments							<b>1,875,964</b>	1,224,048	
Tax prepayments							-	-	
							<b>1,875,964</b>	1,224,048	

**37-2.** In calculating the tax of the current year, the bank has used the tax exemption of Article 105 note 7 of the Direct Taxes Law and note 2 of the Budget Law of 2023 which states the zero tax rate is calculated for the undistributed profit of companies that is transferred to the capital account.

**37-3.** The bank's income tax by the reporting year ended 03/20/2015 has been finalized and settled . Total amount of paid and payable for the reporting years of 2016 to 2020 is 5,888,700 million Rials less than the sum of the tax assessment issued by the Tax administration office, and as a result of the banks protest for the mentioned years, this difference was adjusted to 5,272,196 million. Bank has made a protest to the assessment of the mentioned years and it's protest against assessment of tax dispute committees is in progress. Therefore, their debt is not recognized in the accounts.

IRR million

Paid and payable taxes	assessed tax	Surplus claimed by the Tax Administration
3,813,817	9,702,517	5,888,700

**37-3-1.** The major difference between declared and assessed tax of years 2016 to 2020 is as below:

- The deductions under Article 143 tax laws;
- - The deduction under article 105 tax laws which wasn't considered by tax authorities;
- -Considering part of paid interest to depositors as tax-exempt income;
- -Calculating the exchange rate of monetary items at the rate of the Nima system, regardless of the central bank's letter;

About the interest paid to depositors, according to the decision of the General Board dated 08/23/2022 to accept all the interest payable, the matter has been determined in favor of the banks. Regarding the other cases, the opinion of the banks' CEOs through the letter of the Center of Banks and Private Credit Institutions to the tax authorities and the Ministry of Economic Affairs and Finance is being followed up.

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**37-4.** Tax expense in the statement of profit or loss:

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Operations in progress:</b>		
current tax	824,417	-
Income tax expense for the current year	824,417	-
Income tax expense of previous years	-	-
	824,417	-

## Tax expense in the statement of comprehensive income:

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
current tax	-	-
Transfer tax related to other comprehensive income	-	-

**37-5.** The reconciliation of tax expense and profit multiplied by the applicable tax rate(s) is as follows:

	Note	IRR million	
		Mar. 20, 2023	Mar. 20, 2022
Profit before tax		30,711,989	20,578,075
Income tax expense calculated with an applicable tax rate of 16% (year 1400 with an applicable tax rate of 20%)		4,913,920	4,115,615
The effect of tax-exempt income (note 37-2):			
Capital increase - the subject of note 2 of the budget law	37-5-1	(2,400,000)	(1,810,016)
Income from the sale of immoveable properties		(26,393)	-
Other exempt income		(1,663,110)	(2,305,599)
Income tax expense calculated with an effective tax rate of 2.7% (year 1400 with an effective tax rate of 0%)		824,417	-
Income tax expense		824,417	-

**37-5-1.** According to note 2 of the budget law of 2023, in order to encourage investing in listed companies and encourage them not to distribute a large portion of the acquired profit and to use the resulting resources to increase capital and, as a result, develop the production sectors and creation of new job opportunities in 2023, the income tax of that part of the undivided profit of the mentioned companies which is transferred to the capital has zero tax rate.

**37-6.** Iranian National Tax Admission Organization has claimed 7,650 billion Rials for taxes subject to note 5, Article 4 of the Housing Production Law for the first year of implementation of the law. Due to the non-fulfillment of the implementation process of the guidelines for granting housing construction and renovation facilities, (Central Bank notification No. 271496/00 dated 12/08/2021), it has not been possible for the bank to pay the facilities. So tax authorities claim has no legal basis and is claimed without considering the fact that there was no registered request for the facilities. In this regard, the objection has been submitted to the primary dispute resolution committee.

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### 38. Other liabilities and accruals

	Note	IRR million			
		Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Received loans from National Development Fund	38-1	15,612,852	11,264,431	15,612,852	11,264,431
Debts for long term LCs-LCY	38-2	2,866,258	2,491,383	2,866,258	2,491,383
Debts for long term LCs-FCY		9,154	9,437	9,154	9,437
Debts for short term LCs-FCY		20,988	-	20,988	-
Customers' prepayments for LCs and BGs fees and commission		1,697,347	901,261	1,697,347	901,261
Contractors performance deposit		62,641	34,332	62,641	34,332
Social security		190,512	99,972	176,940	90,062
Payable Membership fee of Deposit Guarantee Fund		52,400	41,085	52,400	41,085
Withholding tax payable		355,365	274,464	42,287	19,100
Provision of employee benefits		183,246	111,871	172,419	106,094
Brokerage customers		2,108,620	422,708	-	-
Exchange customers		15,144,846	10,713,464	-	-
Others		5,002,114	644,838	3,198,704	696,288
		<b>43,306,343</b>	<b>27,009,247</b>	<b>23,911,990</b>	<b>15,653,473</b>

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**38-1.** Received loans from the National Development Fund at the Statement of financial position date are as follows:

Amounts received	Currency	Receipt date	Due date	Mar. 20, 2023			Mar. 20, 2022		
				No. installment	interest rate	Balance-currency	Balance million IRR	Balance-currency	Balance million IRR
2,063,104	USD	1405/06/19	1405/06/19	48	4	1,659,979	414,995	2,063,104	412,621
2,078,874	USD	1405/06/19	1405/06/19	48	4	2,078,874	519,719	2,078,874	415,775
480,383	USD	1405/06/19	1405/06/19	48	4	480,383	120,096	480,383	96,077
1,067,672	USD	1405/06/19	1405/06/19	48	4	1,067,672	266,918	1,067,672	213,534
561,310	USD	1405/06/19	1405/06/19	48	4	561,310	140,327	561,310	112,262
3,988,989	USD	1405/06/19	1405/06/19	48	4	3,988,989	997,247	3,988,989	797,798
1,997,247	USD	1405/06/19	1405/06/19	48	4	1,997,247	499,312	1,997,247	399,449
1,803,051	USD	1405/06/19	1405/06/19	48	4	1,803,051	450,763	1,803,051	360,610
475,922	USD	1405/06/19	1405/06/19	48	4	475,922	118,981	475,922	95,184
945,070	USD	1405/06/19	1405/06/19	48	4	945,070	236,267	945,070	189,014
1,680,568	USD	1405/06/19	1405/06/19	48	4	1,680,568	420,142	1,680,568	336,114
578,140	USD	1405/06/19	1405/06/19	48	4	578,140	144,535	578,140	115,628
607,634	USD	1405/06/19	1405/06/19	48	4	607,634	151,909	607,634	121,527
3,826,090	USD	1405/06/19	1405/06/19	48	4	3,826,090	956,523	3,438,118	687,624
13,729,441	USD	1403/09/27	1403/09/27	7	2	9,734,164	2,433,541	9,734,164	1,946,833
554,390	USD	1403/09/27	1403/09/27	7	2	554,390	138,598	554,380	110,878
16,240	USD	1408/06/27	1408/06/27	12	3.5	16,240	4,060	16,240	3,248
158,317	USD	1408/06/27	1408/06/27	12	3.5	158,317	39,579	158,317	31,663
41,537	USD	1408/06/27	1408/06/27	12	3.5	41,537	10,384	41,537	8,307
467,221	USD	1408/06/27	1408/06/27	12	3.5	467,221	116,805	467,221	93,444
19,649,922	USD	1408/06/27	1408/06/27	12	3.5	19,649,922	4,912,480	19,649,922	3,929,984
3,473,428	USD	1406/10/17	1406/10/17	10	5.5	3,473,428	1,259,833		
3,473,441	USD	1406/10/17	1406/10/17	10	5.5	3,473,441	1,259,838		
1,218,368	USD	1405/06/19	1405/06/19	48	4	-	-	1,218,368	243,674
1,233,036	USD	1405/06/19	1405/06/19	48	4	-	-	1,233,036	246,607
1,071,974	USD	1405/06/19	1405/06/19	48	4	-	-	1,071,974	214,395
410,904	USD	1405/06/19	1405/06/19	48	4	-	-	410,904	82,181
						<u>59,319,590</u>	<u>15,612,852</u>	<u>56,322,145</u>	<u>11,264,431</u>

**38-2.** Debts for LCs amounted to IRR 2,866 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.

### 39. Staff termination benefits

	IRR million			
	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Opening balance	363,908	247,994	327,607	227,439
Paid during the period	(53,699)	(68,058)	(48,343)	(65,104)
Provision for the period	380,852	183,972	349,442	165,272
Closing balance	<u>691,061</u>	<u>363,908</u>	<u>628,706</u>	<u>327,607</u>

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## 40. 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 35,000,000 million Rials (including 35,000 million shares with a nominal value of 1,000 Rials per share) at the end of Mar. 20, 2023 in several stages.

Date of capital increase registration	Percent of capital increase	Amount of capital increase	Amount of new capital	Source of capital increase
	%	IRR million	IRR million	
At date of establishment		4,000,000		
12-Jul-17	25	1,000,000	5,000,000	Cash and payable to shareholders
27-Dec-17	20	1,000,000	6,000,000	Retained earnings
25-Feb-19	16.6	1,000,000	7,000,000	Retained earnings
23-Oct-19	42.8	3,000,000	10,000,000	Retained earnings and other reserves
9-Sep-20	50	5,000,000	15,000,000	Retained earnings
29-Nov-21	66.66	10,000,000	25,000,000	Retained earnings
1-Jan-23	40	10,000,000	35,000,000	Retained earnings

40-1. Composition of shareholders at Statement of financial position date is as follows:

	Mar. 20, 2023		Mar. 20, 2022		
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	
		%		%	
<b>1% and more</b>					
Atiyeh maskan Co. (Private Joint Stock)	1,746,352,744	5.0%	Kia Asa Tejarat Toos Co. (Private Joint Stock)	1,179,614,882	4.7%
Kia Asa Tejarat Toos Co. (Private Joint Stock)	1,691,786,901	4.8%	Atiyeh maskan Co. (Private Joint Stock)	895,113,662	3.6%
Natural person	874,999,988	2.5%	Natural person	624,999,992	2.5%
Middle East bank's Ofogh brokerage mutual fund	628,592,779	1.8%	Middle East bank's Ofogh brokerage mutual fund	547,797,726	2.2%
Radis electronic Co. (Private Joint Stock)	563,982,503	1.6%	Pars Tousheh Investment Co.(PJSC)	377,451,523	1.5%
Pars Tousheh Investment Co.(PJSC)	528,432,132	1.5%	Sepahan Industry Group (PJSC)	359,999,998	1.4%
Sepahan Industry Group (PJSC)	476,246,568	1.4%	Natural person	328,892,907	1.3%
Natural person	460,497,384	1.3%	Natural person	321,949,995	1.3%
Natural person	450,729,993	1.3%	Natural person	303,962,495	1.2%
Iran Insurance Co (Private Joint Stock)	440,771,145	1.3%	Natural person	298,999,998	1.2%
Natural person	425,547,493	1.2%	Iran Insurance Co (Private Joint Stock)	275,571,938	1.1%
Natural person	418,727,131	1.2%	Sam Group Co. (Private Joint Stock)	268,749,995	1.1%
Sam Group Co. (Private Joint Stock)	376,249,993	1.1%	Natural person	263,489,573	1.1%
Natural person	361,676,000	1.0%	Radis electronic Co. (Private Joint Stock)	260,415,836	1.0%
Natural person	361,049,761	1.0%	Natural person	258,339,998	1.0%
Rama electronic Co. (Private Joint Stock)	358,034,069	1.0%	Iran national investment Co.(PJSC)	252,475,792	1.0%
Iran national investment Co.(PJSC)	353,706,108	1.0%	Rama electronic Co. (Private Joint Stock)	250,999,998	1.0%
<b>Others (less than 1%)</b>			<b>Others (less than 1%)</b>		
Corporations (258 shareholders)	7,117,854,457	20.3%	Corporations (397 shareholders)	5,503,374,850	22%
Natural persons (20,726 shareholders)	17,364,762,851	49.6%	Natural persons (23,529 shareholders)	12,427,798,842	50%
	<b>35,000,000,000</b>	<b>100%</b>		<b>25,000,000,000</b>	<b>100%</b>

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**40-2.** The reconciliation of the number of shares at the beginning and at the end of the year:

During the reported year, the bank's capital increased from 25,000,000 million Rials to 35,000,000 million Rials (equivalent to 40%) from retained earnings, which was registered on 01/30/2023.

	Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
	No. of shares	No. of shares
Balance at beginning of the year	25,000,000,000	15,000,000,000
Share capital increase from retained earnings	10,000,000,000	10,000,000,000
Balance at end of the year	<u>35,000,000,000</u>	<u>25,000,000,000</u>

**40-3.** The shares in the ownership of subsidiaries and associated

	Mar. 20, 2023		Mar. 20, 2022	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares
	Middle East Life Insurance Co.	33,929,215	0.1%	31,271,244
	<u>33,929,215</u>	<u>0.1%</u>	<u>31,271,244</u>	<u>0.1%</u>

**40-4.** The bank's capital adequacy ratio on the date of the financial statement is equal to 14.1% 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 53-7 (Capital Management).

## 41. Legal reserve

	IRR million			
	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Opening balance	9,067,581	5,969,152	9,024,756	5,938,045
Transferred from net profit	4,531,456	3,098,429	4,483,135	3,086,711
Closing balance	<u>13,599,037</u>	<u>9,067,581</u>	<u>13,507,891</u>	<u>9,024,756</u>

**41-1.** 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.

## 42. Other reserve

Other reserves in the consolidated Statement of financial position is related to the Middle East Bank Brokerage Co. mandated by the Securities and Exchange Organization according to the circular No. 110200273 dated 07/08/2020 which has been transferred from retained earnings.

## 43. Foreign exchange translation differences for foreign operation

	IRR million	
	Consolidated and parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Foreign exchange translation differences for foreign operation in Germany	2,260,240	2,090,564
Total	2,260,240	2,090,564
Result of legal changes in the exchange rate	-	-
Foreign exchange translation differences	<u>2,260,240</u>	<u>2,090,564</u>

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#### 44. Shares owned by market maker fund (Treasury shares)

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 Council of Stock Exchange and Securities on 09/10/2020 assigned to the companies, in order to increase liquidity for the shareholders and regulating the supply and demand of the market and managing the range of price fluctuation. The premium of sale of the shares was 72,481 million rials, which was classified in shareholders' equity.

	Mar. 20, 2023				Mar. 20, 2022	
	No.	Amount	Sales premium	Sales Deficit	No.	Amount
		IRR million	IRR million	IRR million		IRR million
Additions	119,069,420	284,396	-	-	161,878,735	850,995
Disposals	(183,053,336)	(773,348)	72,481	-	(36,733,466)	(311,422)
	(63,983,916)	(488,952)	72,481	-	125,145,269	539,573
Opening balance	171,122,677	983,681			45,977,408	444,108
Closing balance	107,138,761	494,729			171,122,677	983,681

#### 45. Premium of the shares owned by market maker fund (Treasury shares)

	Mar. 20, 2023	
	No.	Amount
		IRR million
Opening balance		-
Profit from sale	183,053,336	72,481
Closing balance	183,053,336	72,481

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## 46. Reclassification

According to the sixth edition of the CBI financial statements which announced in April 2022, changes have been made in some items of financial statements, which are explained in note 46-1.

**46-1.** In order to provide a proper picture of the financial position and the results of operations, all relevant comparative information in the comparative financial statements has been revised and re-presented, and for this reason, the comparative items sometimes do not match the financial statements presented in the previous financial year.

**46-1-1.** Modification and re-presentation of financial statements Mar. 20, 2022

	IRR million			
	According to the financial statements	Consolidated		Restated Mar. 20, 2022
		Reclassification	Total of adjustments	
Mar. 20, 2022	Reclassification	Total of adjustments	Mar. 20, 2022	
<b>Statement of financial position</b>				
Cash	40,179,385	10,648,863	10,648,863	50,828,248
Investments in share and other securities	46,514,260	(1,043,141)	(1,043,141)	45,471,119
Non-current assets held for sale	-	607,550	607,550	607,550
Other assets	3,424,642	(548,090)	(548,090)	2,876,552
Due to banks and financial institutions	50,528,563	15,241,502	15,241,502	65,770,065
Customers' deposits	104,476,334	280,749,441	280,749,441	385,225,775
Income tax provision	1,654,453	61,860	61,860	1,716,313
Other liabilities and accruals	16,422,244	10,587,003	10,587,003	27,009,247
Benefits of investment deposit holders	295,990,943	(295,990,943)	(295,990,943)	-
Shares owned by market maker fund (Treasury shares)	-	(983,681)	(983,681)	(983,681)
<b>Statement of profit or loss</b>				
Interest income on extended facilities, deposits and debt bonds	53,373,757	(53,373,757)	(53,373,757)	-
Interest income on extended facilities	-	38,329,114	38,329,114	38,329,114
Deposit income in banks and credit institutions	-	5,018,241	5,018,241	5,018,241
Income from investments in debt bonds	-	9,690,737	9,690,737	9,690,737
Income(loss) from investments in share and other securities	-	41,263	41,263	41,263
Income from statutory deposit	-	253,439	253,439	253,439
Fees and commission expense	(374,320)	45,175	45,175	(329,145)
Net income (loss) from investments	104,137	(104,137)	(104,137)	-
Net foreign exchange transactions income	6,337,340	(2,577,056)	(2,577,056)	3,760,284
Administrative and general expenses	(4,231,175)	(509,121)	(509,121)	(4,740,296)
Depreciation	(509,121)	509,121	509,121	-
Other operating income	(255,050)	2,531,881	2,531,881	2,276,831
Deposit income in banks and credit institutions	-	145,100	145,100	145,100

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
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IRR million

	Parent Co.			
	According to the financial statements	Adjustments		Restated
	Mar. 20, 2022	Reclassification	Total of adjustments	Mar. 20, 2022
<b>Statement of financial position</b>				
Investments in share and other securities	46,228,567	(1,043,141)	(1,043,141)	45,185,426
Non-current assets held for sale	-	607,550	607,550	607,550
Other assets	3,381,808	(548,090)	(548,090)	2,833,718
Due to banks and financial institutions	50,528,563	13,291,502	13,291,502	63,820,065
Customers' deposits	105,449,232	282,394,590	282,394,590	387,843,822
Benefits of investment deposit holders	295,686,092	(295,686,092)	(295,686,092)	-
Shares owned by market maker fund (Treasury shares)	-	(983,681)	(983,681)	(983,681)
<b>Statement of profit or loss</b>				
Interest income on extended facilities, deposits and debt bonds	53,291,045	(53,291,045)	(53,291,045)	-
Interest income on extended facilities	-	38,329,114	38,329,114	38,329,114
Deposit income in banks and credit institutions	-	5,018,127	5,018,127	5,018,127
Income from investments in debt bonds	-	9,688,958	9,688,958	9,688,958
Income(loss) from investments in share and other securities	-	1,693,632	1,693,632	1,693,632
Income from statutory deposit	-	253,439	253,439	253,439
Fees and commission expense	(374,320)	45,175	45,175	(329,145)
Net income (loss) from investments	1,837,632	(1,837,632)	(1,837,632)	-
Net foreign exchange transactions income	4,480,846	(2,577,056)	(2,577,056)	1,903,790
Administrative and general expenses	(3,597,952)	(495,913)	(495,913)	(4,093,865)
Depreciation	(495,913)	495,913	495,913	-
Other operating income	(255,050)	2,531,881	2,531,881	2,276,831
Deposit income in banks and credit institutions	-	145,407	145,407	145,407

MIDDLE EAST BANK (PJSC)  
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## 46-1-2. Modification and re-presentation of financial statements Mar. 20, 2021

IRR million

	According to the financial statements	Consolidated		
		Adjustments		Restated
		Mar. 20, 2021	Reclassification	Total of adjustments
<b>Statement of financial position</b>				
Investments in share and other securities	49,359,635	(529,508)	(529,508)	48,830,127
Non-current assets held for sale	-	488,000	488,000	488,000
Other assets	2,774,605	(402,600)	(402,600)	2,372,005
Due to banks and financial institutions	13,020,497	1,900,792	1,900,792	14,921,289
Customers' deposits	82,845,223	250,568,836	250,568,836	333,414,059
Benefits of investment deposit holders	252,469,628	(252,469,628)	(252,469,628)	-
Shares owned by market maker fund (Treasury shares)	-	(444,108)	(444,108)	(444,108)
Non-controlling interest	258,812	-	-	258,812
<b>Statement of profit or loss</b>				
Interest income on extended facilities, deposits and debt bonds	35,862,324	(35,862,324)	(35,862,324)	-
Interest income on extended facilities	-	24,692,618	24,692,618	24,692,618
Deposit income in banks and credit institutions	-	2,922,206	2,922,206	2,922,206
Income from investments in debt bonds	-	8,062,606	8,062,606	8,062,606
Income from statutory deposit	-	182,999	182,999	182,999
Fees and commission expense	(272,686)	37,986	37,986	(234,700)
Net income (loss) from investments	340,663	(340,663)	(340,663)	-
Net foreign exchange transactions income	10,644,355	(4,306,229)	(4,306,229)	6,338,126
Administrative and general expenses	(3,310,406)	364,033	364,033	(2,946,373)
Depreciation	(364,033)	(364,033)	(364,033)	(728,066)
Other operating income	(195,982)	4,268,243	4,268,243	4,072,261
Deposit income in banks and credit institutions	-	342,558	342,558	342,558

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
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IRR million

	Parent Co.			
	According to the financial statements	Adjustments		Restated
	Mar. 20, 2021	Reclassification	Total of adjustments	Mar. 20, 2021
<b>Statement of financial position</b>				
Investments in share and other securities	49,211,785	(529,508)	(529,508)	48,682,277
Non-current assets held for sale	-	488,000	488,000	488,000
Other assets	2,724,583	(402,599)	(402,599)	2,321,984
Due to banks and financial institutions	13,020,497	1,900,792	1,900,792	14,921,289
Customers' deposits	84,033,744	251,709,077	251,709,077	335,742,821
Benefits of investment deposit holders	253,609,869	(253,609,869)	(253,609,869)	-
Shares owned by market maker fund (Treasury shares)	-	(444,108)	(444,108)	(444,108)
<b>Statement of profit or loss</b>				
Interest income on extended facilities, deposits and debt bonds	35,862,240	(35,862,240)	(35,862,240)	-
Interest income on extended facilities	-	24,692,619	24,692,619	24,692,619
Deposit income in banks and credit institutions	-	2,922,121	2,922,121	2,922,121
Income from investments in debt bonds	-	8,064,501	8,064,501	8,064,501
Income(loss) from investments in share and other securities	-	875,000	875,000	875,000
Income from statutory deposit	-	182,999	182,999	182,999
Fees and commission expense	(272,686)	37,986	37,986	(234,700)
Net income (loss) from investments	1,412,767	(1,412,767)	(1,412,767)	-
Net foreign exchange transactions income	7,681,925	(4,306,229)	(4,306,229)	3,375,696
Administrative and general expenses	(2,673,858)	(353,125)	(353,125)	(3,026,983)
Depreciation	(353,125)	353,125	353,125	-
Other operating income	(195,982)	4,268,243	4,268,243	4,072,261
Deposit income in banks and credit institutions	-	537,767	537,767	537,767

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
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## 47. Cash inflows(outflows)from operating activities

IRR million

	Consolidated		Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Net profit	31,494,015	20,210,454	29,887,572	20,578,075
<b>Adjustment</b>		-		-
Depreciation and amortization	763,490	509,122	747,341	495,913
Payable tax	1,400,491	479,505	824,417	-
Net increase (decrease) in provision of staff termination benefits	327,153	115,914	301,099	100,168
Net non-operating other (incomes) and expenses	(171,619)	(11,018)	(171,055)	(11,018)
Net loss (profit) decrease (increase) in the value of investments	-	(13,632)	-	(13,632)
(profit) shares of companies and units of investment funds (related to non-banking activities)	(380,775)	(145,100)	(233,063)	(145,407)
Effect of exchange rate fluctuation on cash	(2,288,296)	(2,930,093)	(2,288,296)	(2,930,093)
	<u>31,144,459</u>	<u>18,126,384</u>	<u>29,068,015</u>	<u>18,074,006</u>
<b>Changes of operating assets and liabilities</b>				
Increase (decrease) in due to banks and financial institutions exception of received facilities	(28,718,679)	37,508,066	(29,413,191)	48,898,779
Increase (decrease) in customers' deposits	144,366,924	65,152,426	144,359,666	52,101,001
Increase (decrease) in operating provisions and other liabilities	16,297,096	14,061,207	8,258,517	4,273,432
Decrease (increase) in due from banks and credit institutions	(2,318,891)	3,835,265	(2,318,890)	3,835,264
Decrease (increase) in extended facilities from non-governmental entities	(141,032,136)	(115,012,371)	(140,788,607)	(115,441,443)
Decrease (increase) in investment in shares	24,596,044	3,461,408	24,539,592	3,510,483
Decrease (increase) in due from subsidiaries and associates	375,236	121,968	872,755	(272,444)
Non-current assets held for sale	(78,556)	(119,550)	(78,556)	(119,550)
Decrease (increase) in other accounts receivable	1,996,490	(6,151,487)	4,710,836	(6,468,122)
Decrease (increase) in statutory deposit	(15,548,154)	(5,814,172)	(15,548,154)	(5,814,172)
Decrease (increase) in other assets	(120,372)	54,592	(192,877)	(42,263)
Total	(184,998)	(2,902,649)	(5,598,909)	(15,539,035)
Net cash inflow(used in) from operating activities	<u>30,959,461</u>	<u>15,223,735</u>	<u>23,469,106</u>	<u>2,534,971</u>

## 48. Non-cash transactions

Non-cash transactions during the year are as follows:

IRR million

	Note	Consolidated		Parent Co.	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Acquisition of assets in return for granted facilities	48-1	100,556	119,550	100,556	119,550
Capital increase from the matured claims of shareholders		-	207,991	-	-
		<u>100,556</u>	<u>327,541</u>	<u>100,556</u>	<u>119,550</u>

48-1. 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	91,135	(100,556)	(7,782)	360	(16,844)
		<u>91,135</u>	<u>(100,556)</u>	<u>(7,782)</u>	<u>360</u>	<u>(16,844)</u>

MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
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## 49. Off-Statement of financial position items

### 49-1. Letters of credit - LCY and FCY

#### 49-1-1. Letters of credit - LCY

Consolidated and Parent Co.								
Type of credit	Opening balance		Issued during the period		Paid during the period		Closing balance	
	No.	IRR million	No.	IRR million	No.	IRR million	No.	IRR million
Current	2	143,937	15	5,672,041	(12)	(4,354,845)	5	1,461,133
Term	19	2,922,396	121	38,458,475	(91)	(20,103,427)	49	21,277,444
<b>Total</b>		<b>3,066,333</b>		<b>44,130,516</b>		<b>(24,458,272)</b>		<b>22,738,577</b>

### 49-2. Issued guarantees commitments

#### 49-2-1. Guarantees-FCY

	Consolidated and Parent Co.			
	Mar. 20, 2023		Mar. 20, 2022	
	FCY	IRR million	FCY	IRR million
EUR	72,843,353	19,303,489	81,655,433	17,964,195
AED	-	-	1,445,169	78,389
USD	14,950,103	3,737,526	15,205,603	3,041,121
INR	-	-	37,000,000	97,051
		<b>23,041,015</b>		<b>21,180,756</b>

#### 49-2-2. Guarantees-LCY

	IRR million	
	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Commitments for issued guarantees-LCY	<b>222,122,922</b>	<b>103,389,900</b>

### 49-3. Other commitments

	IRR million	
	Consolidated and Parent Co.	
	Mar. 20, 2023	Mar. 20, 2022
Commitments for bonds guarantee	14,975,684	4,564,913
Commitments for credit cards	4,272,247	1,832,819
Others	14,713	12,273
	<b>19,262,644</b>	<b>6,410,005</b>

### 49-5. Commitments for letter of credits and guaranties by type of collateral:

Type of collaterals	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Deposits	22,044,131	1,916,657
Participation bonds and other securities with guaranties of other banks	4,420	74,249
Listed shares	-	485,186
Land and building	-	3,625,414
Checks and promissory notes	232,801,417	117,346,339
	254,849,968	123,447,845
Without collateral	13,052,546	4,189,144
<b>Total</b>	<b>267,902,514</b>	<b>127,636,989</b>

MIDDLE EAST BANK (PJSC)  
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## 50. Capital commitments and contingent liabilities

**50-1.** As mentioned in the note 28-2-1, on the date of the financial statement, the committed amount of investment of Sima Aftab Data Processing Company is 19,500 million Rials.

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Committed amount of investments in companies	<u>19,500</u>	<u>19,500</u>

### 50-2. Contingent liabilities

At the date of financial position, the bank has no contingent liabilities. Also, bank's books have not been audited for the Value Added Tax regulations for previous financial year and current financial period.

## 51. 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.

## 52. Board's offer for dividend

**52-1.** The BOD's offer for dividend is 200 Rials per share.

**52-2.** The above amount is offered, by considering proposed capital increase, the transferable amount to the capital from the retained earning and available profit for distribution.

**52-3.** The financial resources to pay the dividends will be provided from the bank's liquidity.

MIDDLE EAST BANK (PJSC)  
 NOTES TO THE FINANCIAL STATEMENTS  
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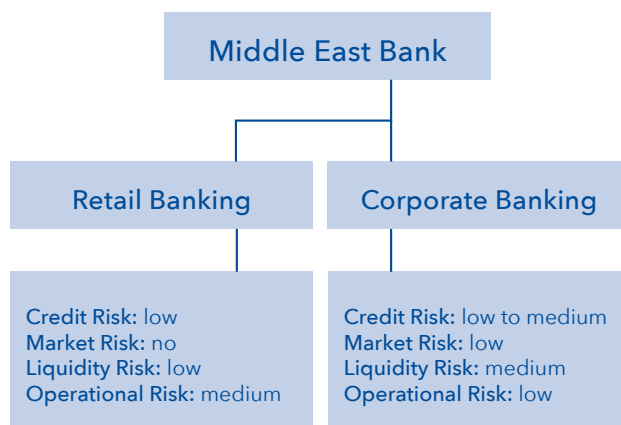
**53. Bank Risks**

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.

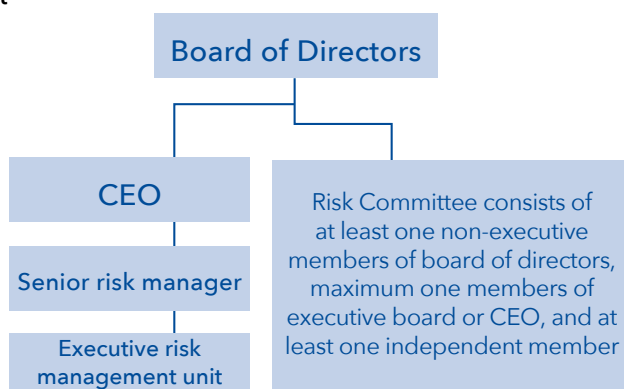
**53-1.** The relation between types of banking and the associated major risks.



**53-2.** 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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### 53-3. Credit risk

#### 53-3-1. 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.

#### 53-3-2. 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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### 53-3-3. 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.

### 53-3-4. 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 the first type collaterals, for credit facilities less than 50 billion Rials and for obligations less than 8 billion Rials and based on the second type collaterals, for credit facilities less than 2 billion Rials and obligations less than 4 billion Rials (since the Middle East Bank's approach is providing banking services to corporate customers, the credit committee of the branches should use the mentioned authorities in order to attract and expand the existing depositor customers of the branches)
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 director-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.

### 53-3-5. 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.

### 53-3-6. Credit rating procedure

More than 90% 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.

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3. Having the case completed by the relationship manager, the case will be referred to risk department to find a primary risk score.
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.
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.

#### 53-3-7. 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 53-3-7-1 to 53-3-7-5 from risk department point of view.

#### 53-3-7-1. Analysis of credit quality of loans and funded commitments and investments based on the bank's internal credit rating

Credit quality analysis table regardless of the value of collaterals and on the basis of a review of financial statements, ability to pay principal and interest on loans and payment behavior of customers in the past is provided. Level 1 loans (low risk) are those in which customers have paid back their debts completely in the past with credit rate B to AAA. Granted loans from NFD resources are considered in this class. Level 2 loans (medium risk) are those in which customers paid back completely with credit score CCC- to B- risk score. Level 3 loans (high risk) are those who have C to CC credit rate and paid back their debts totally. Level 4 loans (nearly doubtful) are those which have been "doubtful" in Mar. 20, 2023 As for risk levels for commitments, the same risk level of the loan of that customer has been used. As for investments, long-term and short-term investments(TSE listed companies) have been considered as "low risk" and "medium risk" respectively.

IRR million

	Credit quality analysis					
	Loans		Investments		Commitments	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
level 1 - low risk	371,503,434	309,508,420	1,166,629	1,166,629	124,690,651	96,049,197
level 2 - medium risk	113,428,459	45,045,107	-	-	142,563,347	30,373,933
level 3 - high risk	14,402,585	2,268,870	-	-	648,516	1,213,859
level 4 - nearly doubtful	5,594,557	4,958,784	-	-	-	-
Total gross amount	504,929,035	361,781,181	1,166,629	1,166,629	<b>267,902,514</b>	127,636,989
Provision for bad and doubtful loans	(8,703,061)	(6,343,814)	-	-		
Book value	<b>496,225,974</b>	355,437,367	<b>1,166,629</b>	1,166,629		

\*Investments include any type of securities with ownership rights such as stocks.

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53-3-7-2. Analysis of credit quality of loans granted to customers based on asset classes

	IRR million			
	Loans		Commitments	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Current	489,798,412	356,086,275	267,902,514	127,636,989
Past due	6,136,560	697,079	-	-
Outstanding	3,325,934	21,011	-	-
Doubtful	5,668,129	4,976,816	-	-
Total gross amount	504,929,035	361,781,181	267,902,514	127,636,989
Provision for bad and doubtful loans	(8,703,061)	(6,343,814)	-	-
Book value	<b>496,225,974</b>	355,437,367	<b>267,902,514</b>	127,636,989

53-3-7-3. Credit quality of participation bonds and etc.

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Analysis of credit quality</b>		
Ministry of Economic Affairs and Finance	16,120,816	33,568,089
First Ordibehesht intermediary	2,000,000	2,000,000
Khordad intermediary	-	3,000,000
Tir intermediary	-	3,000,000
First Ordibehesht intermediary	408,532	408,532
Less: Accumulated impairment reserve	(408,532)	-
	<b>18,120,816</b>	<b>41,976,621</b>
<b>Non-governmental</b>		
Ofogh Middle East Bank fixed income fund	7,000	7,000
Refah kargaran bank	1,133,527	-
Tejarat bank	216,702	-
Ofogh Roshan Middle East mutual fund	1,160	1,160
Investment of Munich branch in other countries' non-governmental bonds	2,034,016	2,034,016
Less: Accumulated impairment reserve	(2,034,016)	-
	<b>1,358,389</b>	<b>2,042,176</b>
	<b>19,479,205</b>	<b>44,018,797</b>

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## 53-3-7-4. Types and amounts of customers' collaterals

Collaterals' type	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Collaterals from natural persons' loans</b>		
Participation bonds\sukuk	37,123	19,453
Listed shares	886,220	356,180
Unlisted shares	-	-
Deposit	192,327	133,077
Land and real estates	10,248,062	7,164,886
Checks	17,296,224	14,174,649
Promissory notes	2,141,101	968,788
Machinery	12,000	12,000
Stand-alone legally binding contract	14,247,961	7,487,761
	<u>45,061,018</u>	<u>30,316,794</u>
<b>Collaterals from corporate customers' loans</b>		
Participation bonds\sukuk	710,476	1,675,982
listed shares	98,577,651	107,307,222
Unlisted shares	-	-
Deposit	6,964,521	15,679,091
Land and real estates	135,946,400	100,679,572
Checks	2,101,636,667	1,255,103,959
Promissory notes	13,652,653	17,497,081
Stand-alone legally binding contract	468,822,323	306,207,322
Machinery	12,229,990	11,269,990
	<u>2,838,540,681</u>	<u>1,815,420,219</u>
	<u><b>2,883,601,699</b></u>	<u><b>1,845,737,013</b></u>

\* Above amounts are based on the Bank's valuer expert report.

## 53-3-7-5. Loans classification(net) according to collateral's market value is as below:

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Loans to natural persons</b>		
Less than 50%	12,050,515	6,347,551
51-70%	68,878	30,949
71-90%	59,319	31,187
91-100%	33,534	1,705
More than 100%	1,188,720	854,722
	<u>13,400,966</u>	<u>7,266,114</u>
<b>Loans to corporate customers</b>		
Less than 50%	360,207,660	236,308,108
51-70%	1,381,252	1,656,562
71-90%	760,964	7,442,524
91-100%	3,543,896	-
More than 100%	116,931,236	102,764,059
	<u>482,825,008</u>	<u>348,171,253</u>
	<u><b>496,225,974</b></u>	<u><b>355,437,367</b></u>

\* The amount of collateral's market value is based on CBI's regulations.

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### 53-3-8. 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 3), 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.

### 53-3-8-1. Loan and investment distribution based on economic sectors and geography

Description	Note	IRR million					
		Loans		Investment in shares		Commitments of guaranties and L/Cs	
		Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
Book value		496,225,974	355,437,367	1,166,629	1,166,629	267,902,514	127,636,989
<b>Amount of loans based on economic sectors</b>							
Industrial	53-3-8-1-1	329,255,112	253,086,043	-	-	120,812,245	23,668,436
Housing		15,315,625	5,059,713	-	-	29,789,296	20,660,957
Commercial		89,666,741	57,215,632	-	-	37,149,095	16,469,200
Services		51,144,500	33,898,956	1,166,629	1,166,629	37,836,340	22,609,879
Agriculture		2,519,721	1,210,996	-	-	-	625
Mining		5,484,053	3,803,121	-	-	41,941,487	1,746,330
Other		2,840,222	1,162,906	-	-	374,051	42,481,562
		496,225,974	355,437,367	1,166,629	1,166,629	267,902,514	127,636,989
<b>Amount of loans/commitments inside/outside of the country</b>							
Inside the country		496,225,000	355,435,609	1,166,629	1,166,629	267,902,514	127,636,989
Outside the country		974	1,758	-	-	-	-
		496,225,974	355,437,367	1,166,629	1,166,629	267,902,514	127,636,989

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53-3-8-1-1. Distribution of loans, commitments and investments based on the type of industry is as follows:

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Loans</b>		
Automobile and parts	19,959,917	13,671,854
Mineral and metal industries	26,323,458	16,826,512
Chemical and petrochemical industries	22,821,154	119,028,442
Food and Drug	89,832,187	65,100,871
Energy	127,017,676	449,574
Contracting	2,236,730	449,889
Telecommunications, Computers and related industries	3,902,168	1,563,998
Other	37,161,822	35,994,903
Subtotal	329,255,112	253,086,043
<b>Commitments</b>		
Automobile and parts	28,004,950	1,176,435
Mineral and metal industries	38,715,086	6,848,249
Chemical and petrochemical industries	1,898,518	8,277,744
Food and Drug	9,017,638	394,178
Energy	25,441,070	4,388,497
Contracting	573,781	1,244,701
Telecommunications, Computers and related industries	330,933	331,304
Other	16,830,269	1,007,328
Subtotal	120,812,245	23,668,436
<b>Total</b>	<b>450,067,357</b>	<b>276,754,479</b>

53-3-8-2. Loans according to profit sharing contracts and trading contracts

		Mar. 20, 2023			
		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	47,940,423	4%	13,359,080	3%
	Corporate customers	1,236,874,173	96%	474,057,460	97%
		<b>1,284,814,596</b>	<b>100%</b>	<b>487,416,540</b>	<b>98%</b>
Profit sharing contracts	Natural persons	-	0%	41,886	0%
	Corporate customers	1,962,010	100%	8,767,548	100%
		<b>1,962,010</b>	<b>0%</b>	<b>8,809,434</b>	<b>2%</b>
		<b>1,286,776,606</b>	<b>100%</b>	<b>496,225,974</b>	<b>100%</b>
		Mar. 20, 2022			
		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	22,826,743	3%	7,226,046	2%
	Corporate customers	729,884,614	97%	342,718,961	98%
		<b>752,711,357</b>	<b>99%</b>	<b>349,945,007</b>	<b>98%</b>
Profit sharing contracts	Natural persons	120,287	1%	40,068	1%
	Corporate customers	10,444,880	99%	5,452,292	99%
		<b>10,565,167</b>	<b>1%</b>	<b>5,492,360</b>	<b>2%</b>
		<b>763,276,524</b>	<b>100%</b>	<b>355,437,367</b>	<b>100%</b>

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### 53-3-9. 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.

When the following through with a non performing client does not result in the desired collection or settlement, the case will be sent to legal department for raising the case with the Judiciary for collection and possibly the liquidation of collaterals according to the laws and regulations.

#### 53-3-9-1. Non performing loan movements is as below

Description	IRR million							
	Mar. 20, 2023				Mar. 20, 2022			
	Principal	Interest	Penalty	Total	Principal	Interest	Penalty	Total
<b>Opening Balance</b>	5,284,721	225,097	185,088	5,694,906	2,708,249	243,745	257,327	3,209,321
Additions	26,171,868	770,323	752,725	27,694,916	15,193,229	1,019,652	2,837,334	19,050,215
By cash	(10,338,341)	(509,588)	(468,861)	(11,316,790)	(11,949,945)	(1,025,881)	(2,855,075)	(15,830,901)
By asset possession	(33,424)	(1,796)	(3,898)	(39,118)	(84,057)	(12,419)	(9,273)	(105,749)
Roll over	(6,514,008)	(292,406)	-	(6,806,414)	(582,755)	-	-	(582,755)
waived of penalties	-	-	(96,877)	(96,877)	-	-	(45,225)	(45,225)
<b>Closing Balance</b>	<b>14,570,816</b>	<b>191,630</b>	<b>368,177</b>	<b>15,130,623</b>	<b>5,284,721</b>	<b>225,097</b>	<b>185,088</b>	<b>5,694,906</b>

#### 53-3-9-2. Distribution of non performing loans based on economic sectors

Description	IRR million					
	Balance of non-performing loans		Specific provision		Net balance of non-performing loans	
	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2023	Mar. 20, 2022
<b>Distribution of non performing loans</b>						
Industry	9,842,943	3,380,615	(665,941)	(619,369)	9,177,002	2,761,246
Housing	1,795,204	526,709	(204,880)	-	1,590,324	526,709
commercial	1,570,897	1,336,499	(410,312)	(336,384)	1,160,585	1,000,115
Services	39,866	39,866	-	-	39,866	39,866
Agriculture	538,483	1,018	-	-	538,483	1,018
other	1,343,230	410,199	(32,147)	(13,837)	1,311,083	396,362
<b>Total</b>	<b>15,130,623</b>	<b>5,694,906</b>	<b>(1,313,280)</b>	<b>(969,590)</b>	<b>13,817,343</b>	<b>4,725,316</b>

#### 53-3-9-3. Balance of possessed assets

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Residential real estates	686,106	607,550

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### 53-3-10. Capital needed to cover credit risk

The amount of capital needed to cover the credit risk of the assets is IRR40,945,241 million and its calculations presented in table 53-3-10-1. Compared with base capital at the Statement of financial position date (note 53-7-1), Bank has IRR44,811,158 million surplus in order to cover credit risk.

53-3-10-1. Calculation of needed capital to cover credit risk is as below:

	Note	IRR million	
		Mar. 20, 2023	Mar. 20, 2022
Credit risk weighted assets	53-7-2-1	511,815,512	341,207,205
Risk factor-%		8%	8%
Needed capital to cover credit risk		<b>40,945,241</b>	27,296,576

### 53-4. Liquidity risk

#### 53-4-1. 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.

#### 53-4-2. 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 period ended Mar. 20, 2023, bank's short-term loans portfolio ( before impairment loss deduction) comprised 75% of its total asset. Major part of this portfolio (50% 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 25% 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 10% of total asset. About 1% 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.

#### 53-4-3. 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.

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#### 53-4-4. Liquidity risk assessment methodology

Liquidity risk assessment is based on some traditional models and regulations of Minimum Liquidity Risk Management Requirements. Traditional models include loans to deposits ratio, highly liquid assets to total assets ratio and liquidity gap ladder. CBI's regularity include liquidity coverage ratio (LCR). LCR indicates bank's ability to recover deposit outflow in crisis situation for a 30-day period. According to the Central Bank's "Minimum Requirements for Liquidity Risk Management of Credit Institutions", this ratio should be at least 100%, which was 28% in March 2023.

#### 53-4-5. Liquidity risk control & monitoring procedures

To ensure that the bank's path is aligned with defined policies in note 53-4-2 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.

#### 53-4-5-1. Liquidity reserves

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Due from CBI	40,747,140	28,645,293
Cash and due from banks and financial institutions	12,956,838	4,845,150
Governmental bonds	18,120,817	41,568,089
Non-governmental bonds	1,358,388	2,042,176
<b>Total</b>	<b>73,183,183</b>	<b>77,100,708</b>

#### 53-4-5-2. 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	15%	13%	18%	9%	11%
Cash and cash equivalent to total deposits	20%	17%	22%	11%	13%
Net cash equivalents to total deposits *	7%	14%	18%	8%	11%
Loans to total deposits	89%	82%	95%	77%	91%
Loans to long-term deposits	192%	176%	211%	163%	204%
Non-maturity deposits to total deposits**	47%	46%	50%	42%	49%

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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## 53-4-5-3. 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:

	Mar. 20, 2023						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
<b>Assets:</b>								
Cash	53,703,978	53,703,978	-	-	-	-	-	53,703,978
Due from banks and financial institutions	40,763,623	40,763,623	-	-	-	-	-	40,763,623
Extended facilities	496,225,974	59,329,681	227,051,764	158,288,170	15,228,458	5,396,148	30,931,753	504,929,033
Investments in share and other securities	20,645,834	1,134,687	1,858,590	16,393,375	85,553	1,166,629	7,000	20,645,834
Due from subsidiaries and associates	1,007,507	-	-	1,007,507	-	-	-	1,023,242
Other accounts receivable	8,331,200	6,617,610	-	193,500	1,494,411	-	25,679	8,648,042
Non-current assets held for sale	686,106	-	-	-	686,106	-	-	686,106
Property, plant and equipment	6,116,967	-	-	-	-	-	6,116,967	6,116,967
Intangible assets	227,851	-	-	-	-	-	227,851	227,851
Statutory deposit	42,702,374	1,125,582	1,939,388	12,859,637	15,998,427	10,771,902	7,438	42,702,374
Other assets	3,177,325	1,982,901	545,247	89,577	177,092	-	382,508	3,215,648
<b>Total assets</b>	<b>673,588,739</b>	<b>164,658,062</b>	<b>231,394,989</b>	<b>188,831,766</b>	<b>33,670,047</b>	<b>17,334,679</b>	<b>37,699,196</b>	<b>682,662,698</b>
<b>Liabilities:</b>								
Due to banks and financial institutions	(34,406,871)	(14,223,336)	(13,604,511)	(2,969,754)	(3,609,270)	-	-	(14,223,336)
Customers' deposits	(532,203,488)	(60,136,191)	(127,585,480)	(112,026,815)	(138,689,469)	(93,587,827)	(177,706)	(552,387,024)
Dividends payable	(61,074)	(61,074)	-	-	-	-	-	(61,074)
Income tax provision	(1,875,964)	-	-	(824,417)	-	-	(1,051,547)	(1,875,965)
Other liabilities and provisions	(23,911,990)	(5,313,200)	(845,192)	(1,201,796)	(6,705,593)	(5,083,449)	(4,762,760)	(23,911,988)
Staff termination benefits	(628,706)	-	-	-	-	-	(628,706)	(628,706)
<b>Total liabilities</b>	<b>(593,088,093)</b>	<b>(79,733,801)</b>	<b>(142,035,183)</b>	<b>(117,022,782)</b>	<b>(149,004,332)</b>	<b>(98,671,276)</b>	<b>(6,620,719)</b>	<b>(593,088,093)</b>
Total shareholders' equity	(80,500,646)	-	-	-	-	-	(80,500,646)	(89,574,605)
Sum of cash outflows due to items below the line	(14,358,258)	(638,667)	(3,696,395)	(9,069,679)	(690,102)	-	(263,415)	(14,358,258)
<b>Total liabilities and shareholders' equity</b>	<b>(687,946,997)</b>	<b>(80,372,468)</b>	<b>(145,731,578)</b>	<b>(126,092,461)</b>	<b>(149,694,434)</b>	<b>(98,671,276)</b>	<b>(87,384,780)</b>	<b>(697,020,956)</b>
Gap	84,285,594	85,663,411	62,739,305	62,739,305	(116,024,387)	(81,336,597)	(49,685,584)	
Accumulated gap	84,285,594	169,949,005	232,688,310	232,688,310	116,663,923	35,327,326	(14,358,258)	
Gap to base capital	98%	100%	73%	73%	-135%	-95%	-58%	
Accumulated gap to base capital	98%	98%	271%	271%	136%	41%	-17%	
Gap to CBI base capital	159%	162%	119%	119%	-220%	-154%	-94%	
Accumulated gap to CBI base capital	159%	322%	440%	440%	221%	67%	-27%	

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IRR million

	Mar. 20, 2022						Balance before deduction of provision
	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	
<b>Assets:</b>							
Cash	33,490,443	-	-	-	-	-	33,490,443
Due from banks and financial institutions	38,444,733	-	-	-	-	-	38,444,733
Extended facilities	355,437,367	179,945,856	111,569,388	11,995,467	-	12,466,493	361,781,182
Investments in share and other securities	45,185,426	2,385,528	33,562,093	8,063,016	1,166,629	7,000	45,185,426
Due from subsidiaries and associates	1,773,799	-	1,773,799	-	-	-	1,801,203
Other accounts receivable	13,042,036	1,011,901	388,009	710,250	-	17,739	13,371,795
Non-current assets held for sale	607,550	-	-	-	-	607,550	607,550
Fixed assets	5,557,561	-	-	-	-	5,557,561	5,557,561
Intangible assets	278,503	-	-	-	-	278,503	278,503
Statutory deposit	27,154,220	1,370,439	4,379,004	13,263,753	7,292,134	6,240	27,154,220
Other assets	2,833,718	23,218	51,445	961,715	-	(334,151)	2,865,620
<b>Total assets</b>	<b>523,805,356</b>	<b>184,736,942</b>	<b>151,723,738</b>	<b>34,994,201</b>	<b>8,458,763</b>	<b>18,606,935</b>	<b>530,538,236</b>
<b>Liabilities:</b>							
Due to banks and financial institutions	(63,820,065)	(8,854,542)	(4,436,960)	-	-	-	(63,820,065)
Customers' deposits	(387,843,822)	(114,660,299)	(43,373,388)	(121,783,163)	(66,613,270)	(56,998)	(387,843,822)
Dividends payable	(54,376)	-	-	-	-	-	(54,376)
Income tax provision	(1,224,048)	-	-	-	-	(1,224,048)	(1,224,048)
Other liabilities and provisions	(15,653,473)	(52,392)	(801,994)	(124,992)	(8,188,567)	(1,282,471)	(15,653,473)
Staff termination benefits	(327,607)	-	-	-	-	(327,607)	(327,607)
<b>Total liabilities</b>	<b>(468,923,391)</b>	<b>(123,567,233)</b>	<b>(48,612,342)</b>	<b>(121,908,155)</b>	<b>(74,801,837)</b>	<b>(2,891,124)</b>	<b>(468,923,391)</b>
Total shareholders' equity	(54,881,965)	-	-	-	-	(54,881,965)	(61,614,845)
Sum of cash outflows due to items below the line	(6,701,736)	(1,849,540)	(4,143,009)	(161,583)	(10)	(110,522)	(6,701,736)
<b>Total liabilities and shareholders' equity</b>	<b>(530,507,092)</b>	<b>(125,416,773)</b>	<b>(52,755,351)</b>	<b>(122,069,738)</b>	<b>(74,801,847)</b>	<b>(57,883,611)</b>	<b>(537,239,972)</b>
Gap	27,705,006	59,320,169	98,968,387	(87,075,538)	(66,343,084)	(39,276,676)	
Accumulated gap	27,705,006	87,025,175	185,993,562	98,918,025	32,574,941	(6,701,736)	
Gap to base capital	48%	102%	171%	-150%	-115%	-68%	
Accumulated gap to base capital	48%	150%	321%	171%	56%	-12%	
Gap to CBI base capital	75%	161%	269%	-237%	-180%	-107%	
Accumulated gap to CBI base capital	75%	237%	505%	269%	89%	-18%	

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## 53-4-5-4. Contractual maturity analysis of financial liabilities

53-4-5-4-1. The following table illustrates financial liabilities according to their maturity that mentioned in related contract.

IRR million

	Mar. 20, 2023						
	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
<b>Liabilities:</b>							
Due to banks and financial institutions	(34,406,871)	(14,223,336)	(13,604,511)	(2,969,754)	(3,609,270)	-	-
Customers' deposits	(532,203,488)	(60,136,190)	(127,585,480)	(112,026,815)	(138,689,469)	(93,587,828)	(177,706)
Received loans from NDF	(15,612,852)	(112,371)	(226,355)	(1,045,779)	(6,349,760)	(5,083,309)	(2,795,278)
<b>Total</b>	<b>(582,223,211)</b>	<b>(74,471,897)</b>	<b>(141,416,346)</b>	<b>(116,042,348)</b>	<b>(148,648,499)</b>	<b>(98,671,137)</b>	<b>(2,972,984)</b>

IRR million

	Mar. 20, 2022						
	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
<b>Liabilities:</b>							
Due to banks and financial institutions	(63,820,065)	(50,528,563)	(8,854,542)	(4,436,960)	-	-	-
Customers' deposits	(387,843,822)	(41,356,704)	(114,660,299)	(43,373,388)	(121,783,163)	(66,613,270)	(56,998)
Received loans from NDF	(11,264,431)	(2,566,299)	-	(523,153)	-	(8,174,979)	-
<b>Total</b>	<b>(462,928,318)</b>	<b>(94,451,566)</b>	<b>(123,514,841)</b>	<b>(48,333,501)</b>	<b>(121,783,163)</b>	<b>(74,788,249)</b>	<b>(56,998)</b>

53-4-5-4-2. The following table illustrates foreign currency financial liabilities according to their maturity that mentioned in related contract.

IRR million

	Mar. 20, 2023						
	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
<b>Liabilities:</b>							
Due to banks and financial institutions	(31,551,149)	(11,367,614)	(13,604,511)	(2,969,754)	(3,609,270)	-	-
Customers' deposits	(161,157,851)	(49,529,216)	(110,775,863)	(493,642)	(23,350)	(222,544)	(113,236)
Received loans from NDF	(15,612,852)	(112,371)	(226,355)	(1,045,779)	(6,349,760)	(5,083,309)	(2,795,278)
<b>Total</b>	<b>(208,321,852)</b>	<b>(61,009,201)</b>	<b>(124,606,729)</b>	<b>(4,509,175)</b>	<b>(9,982,380)</b>	<b>(5,305,853)</b>	<b>(2,908,514)</b>

IRR million

	Mar. 20, 2022						
	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
<b>Liabilities:</b>							
Due to banks and financial institutions	(23,536,220)	(10,244,718)	(8,854,542)	(4,436,960)	-	-	-
Customers' deposits	(139,383,306)	(22,226,964)	(88,741,374)	(46,113)	(132,310)	-	(28,236,545)
Received loans from NDF	(11,264,431)	(2,566,299)	-	(523,153)	-	(8,174,979)	-
<b>Total</b>	<b>(174,183,957)</b>	<b>(35,037,981)</b>	<b>(97,595,916)</b>	<b>(5,006,226)</b>	<b>(132,310)</b>	<b>(8,174,979)</b>	<b>(28,236,545)</b>

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#### 53-4-6. Program to cope with crisis (liquidity crisis)

Middle East Bank, according to special circumstances of Iran economics during 2023 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 notes 53-4-2 and 53-4-4.

Accumulated gap for less than 3 months period is IRR169,968,348 million which is 198% of the bank's capital. This indicates the liquidity status of bank for less than 3 months is in good position.

#### 53-5. Market risk

##### 53-5-1. 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 Mar. 20, 2023 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 in MEB arises from the off-Statement of financial position commitments related to imports of goods. MEB did not engage in direct market related foreign exchange activities or related hedging activities. MEB does not engage in profiting from changes to foreign currency exchange rates, however, occasionally, MEB would end up with open positions in its normal activities for servicing clients engaging in import/export or other foreign exchange activities.

##### 53-5-2. 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.

##### 53-5-3. Method of market risk calculation

Market risk arises from stock investment calculated by Basel 3 and sharp model. According to Basel 3, market risk can be calculated using the Value at Risk (VaR) methodologies. The "Value at Risk" calculation must be done based on 0.1% 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 3 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.

According to the Sharp model, the return of the portfolio is higher than the risk-free rate with the annual standard deviation of the portfolio return, and the ratio of these two criteria reflects the proportionality of portfolio efficiency with portfolio risk. As the value of bank's portfolio at Statement of financial position date was insignificant the sharp ratio hasn't been calculated.

##### 53-5-4. Stock and other market investment VaR

VaR for stock investments and other market-oriented investments based on 10 days horizon time and 1% loss probability are calculated by 2 methodology: single asset and variance-covariance. However, since the bank does not have any stock investment at Mar. 20, 2023, VAR does not calculated for the reporting period.

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**53-5-4. 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)**

Description	Mar. 20, 2023		Mar. 20, 2022	
	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 volatility of the stock price rarely happens and their value may decrease, when interest rate expectations change significantly. Therefore, it is only possible to calculate the loss of the bond portfolio in different scenarios of interest rate reduction/increase. It is worth noting that a significant part of the bonds are held until maturity and basically no loss/profit can be expected for them. Regarding the Middle East insurance, the registered price is lower than the market price (less than 25% of the market price) and in the short term it is not possible to imagine a loss for the bank.

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53-5-5. Foreign Currency VaR Analysis

	Mar. 20, 2023						
	Dollar	Euro	Emirates AED	Pound	Swiss Franc	Japanese Yen	Other currency
Cash	5,699,193	29,164,129	14,036,376	-	35,851	460,653	
Due from banks and financial institutions	-	123,478,801	4,363,505	-	16,229	-	
Due from government	-	-	-	-	-	-	
Extended facilities to governmental parties	-	-	-	-	-	-	
Extended facilities to non-governmental parties	541,685,540	65,782,462	11,431,609	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	-	-	-	-	
Other accounts receivable	3,154,746	11,435,166	24,381,371	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	208,610	-	-	-	-	
<b>Total assets-FCY</b>	<b>550,539,479</b>	<b>230,069,168</b>	<b>54,212,861</b>	<b>-</b>	<b>52,080</b>	<b>460,653</b>	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	14,950,103	71,142,285	-	-	-	-	
Customers' other commitments	1	-	-	-	-	-	
<b>Total of customers' commitments-FCY</b>	<b>14,950,104</b>	<b>71,142,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total of assets and customers' commitments</b>	<b>565,489,583</b>	<b>301,211,452</b>	<b>54,212,861</b>	<b>-</b>	<b>52,080</b>	<b>460,653</b>	<b>-</b>
<b>Total of assets and customers' commitments - IRR million</b>	<b>142,368,262</b>	<b>79,892,243</b>	<b>3,727,623</b>	<b>-</b>	<b>13,962</b>	<b>868</b>	<b>6,626,805</b>
Due to banks and financial institutions	-	(33,403,225)	(3,429)	-	0	-	
Customers' deposits	(445,088,154)	(142,905,775)	(17,889,557)	-	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(59,319,591)	(10,713,883)	(5,709)	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
<b>Total liabilities-FCY</b>	<b>(504,407,745)</b>	<b>(187,022,883)</b>	<b>(17,898,696)</b>	<b>-</b>	<b>(16,229)</b>	<b>-</b>	<b>-</b>
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(14,950,103)	(72,843,353)	-	-	-	-	
Bank's other commitments	(1)	-	-	-	-	-	
<b>Total of Bank's commitments-FCY</b>	<b>(14,950,104)</b>	<b>(72,843,353)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total of liabilities and Bank's commitments - IRR million</b>	<b>(519,357,849)</b>	<b>(259,866,236)</b>	<b>(17,898,696)</b>	<b>-</b>	<b>(16,229)</b>	<b>-</b>	<b>-</b>
<b>Total of liabilities and Bank's commitments - IRR million</b>	<b>(130,625,318)</b>	<b>(68,819,792)</b>	<b>(1,213,263)</b>	<b>-</b>	<b>(4,351)</b>	<b>-</b>	<b>(3,802,723)</b>
Foreign currency open position at Mar. 20, 2023	46,131,734	41,345,216	36,314,166	-	35,851	460,653	
Foreign currency open position at Mar. 20, 2023- IRR equivalent	11,742,944	11,072,451	2,514,360	-	9,611	868	2,824,082
Foreign currency open position to base capital at Mar. 20, 2023	14%	13%	3%	0%	0%	0%	3%
Foreign currency open position to regulatory capital (base of other prudential ratios) at Mar. 20, 2023	22%	21%	5%	0%	0%	0%	5%

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	Mar. 20, 2022						
	Dollar	Euro	Emirates AED	Pound	Swiss Franc	Japanese Yen	Other currency
Cash	2,768,964	15,749,594	25,366,538	-	35,851	580,653	
Due from banks and financial institutions	-	89,340,974	6,838,887	-	16,229	-	
Due from government	-	-	-	-	-	-	
Extended facilities to governmental parties	-	-	-	-	-	-	
Extended facilities to non-governmental parties	544,865,843	62,928,445	104,659,987	-	-	-	
Investments in share and other securities	-	-	-	-	-	-	
Due from subsidiaries and associates	-	-	4,669	-	-	-	
Other accounts receivable	-	24,296,820	102,147,325	-	-	-	
Non-current assets held for sale	-	-	-	-	-	-	
Fixed assets	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Statutory deposit	-	-	-	-	-	-	
Other assets	-	208,610	-	-	-	-	
<b>Total assets-FCY</b>	<b>547,634,807</b>	<b>192,524,442</b>	<b>239,017,406</b>	<b>-</b>	<b>52,080</b>	<b>580,653</b>	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	15,205,603	80,360,220	1,445,169	-	-	-	
Customers' other commitments	-	-	-	-	-	-	
<b>Total of customers' commitments-FCY</b>	<b>15,205,603</b>	<b>80,360,220</b>	<b>1,445,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total of assets and customers' commitments</b>	<b>562,840,409</b>	<b>272,884,662</b>	<b>240,462,574</b>	<b>-</b>	<b>52,080</b>	<b>580,653</b>	<b>-</b>
<b>Total of assets and customers' commitments -IRR million</b>	<b>112,631,354</b>	<b>59,838,696</b>	<b>13,062,579</b>	<b>-</b>	<b>11,104</b>	<b>970</b>	<b>4,090,092</b>
Due to banks and financial institutions	-	(35,074,990)	(727,534)	-	-	-	
Customers' deposits	(462,658,179)	(125,798,284)	(183,966,828)	-	(16,229)	-	
Dividends payable	-	-	-	-	-	-	
Income tax provision	-	-	-	-	-	-	
Other liabilities and accruals	(56,322,155)	(795,656)	(275,760)	-	-	-	
Due related to Non-current assets held for sale	-	-	-	-	-	-	
Staff termination benefits	-	-	-	-	-	-	
<b>Total liabilities-FCY</b>	<b>(518,980,335)</b>	<b>(161,668,931)</b>	<b>(184,970,122)</b>	<b>-</b>	<b>(16,229)</b>	<b>-</b>	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(15,205,603)	(81,655,433)	(1,445,169)	-	-	-	
Bank's other commitments	-	-	-	-	-	-	
<b>Total of Bank's commitments-FCY</b>	<b>(15,205,603)</b>	<b>(81,655,433)</b>	<b>(1,445,169)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total of liabilities and Bank's commitments</b>	<b>(534,185,937)</b>	<b>(243,324,364)</b>	<b>(186,415,290)</b>	<b>-</b>	<b>(16,229)</b>	<b>-</b>	
<b>Total of liabilities and Bank's commitments -IRR million</b>	<b>(106,837,187)</b>	<b>(53,496,038)</b>	<b>(10,111,538)</b>	<b>-</b>	<b>(3,460)</b>	<b>-</b>	<b>(3,078,343)</b>
Foreign currency open position at Mar. 20, 2022	28,654,472	29,560,298	54,047,284	-	35,851	580,653	
Foreign currency open position at Mar. 20, 2022- IRR equivalent	5,794,167	6,342,658	2,951,041	-	7,644	970	1,011,749
Foreign currency open position to base capital at Mar. 20, 2022	10%	11%	5%	0%	0%	0%	2%
Foreign currency open position to regulatory capital (base of other prudential ratios) at Mar. 20, 2022	16%	17%	8%	0%	0%	0%	3%

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### 53-5-5-1. Summary of foreign currencies' open position

	Mar. 20, 2023	Mar. 20, 2022
		IRR million
Positive open position of all foreign currencies-IRR million	28,164,316	16,108,229
Open position of all foreign currencies-IRR million	28,164,316	16,108,229
Open position of all foreign currencies to base capital-percent	33%	28%
Open position of all foreign currencies to regulatory capital (base of other prudential ratios)-percent	53%	44%

### 53-5-5-2. 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 1% loss probability.

Currency Type	Mar. 20, 2023		Currency Type	Mar. 20, 2022	
	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	(-3,3)	1,534,548	USD	(-3,3)	381,542
CHF	(-10,10)	2,816	CHF	(-10,10)	1,838
EUR	(-9,9)	1,336,030	EUR	(-9,9)	1,263,767
JPY	(-9,9)	88	JPY	(-9,9)	192
AED	(-4,4)	478,006	AED	(-4,4)	298,183
CNY	(-9,9)	638,652	CNY	(-9,9)	-
Others	(-6,6)	88,834	Others	(-6,6)	135,046
		<b>4,078,974</b>			<b>2,080,568</b>

#### Method 2: value at risk using variance-covariance method

probable changes interval in market price has been calculated within 10 days and 99% confidence.

Currency Type	Mar. 20, 2023		Currency Type	Mar. 20, 2022	
	probable changes in market price	Value at risk		probable changes in market price	Value at risk
	Percent	IRR Million		Percent	IRR million
USD	(-3,3)	1,534,548	USD	(-3,3)	381,542
CHF	(-10,10)	2,816	CHF	(-10,10)	1,838
EUR	(-9,9)	1,336,030	EUR	(-9,9)	1,263,767
JPY	(-9,9)	88	JPY	(-9,9)	192
AED	(-4,4)	478,006	AED	(-4,4)	298,183
CNY	(-9,9)	638,652	CNY	(-9,9)	-
Others	(-6,6)	88,834	Others	(-6,6)	135,046
<b>Total</b>		<b>4,078,974</b>	<b>Total</b>		<b>2,080,568</b>
Diversification effect		(1,564,305)	Diversification effect		(603,107)
		<b>2,514,669</b>			<b>1,477,461</b>

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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53-5-6. The amount of required capital to cover market risk

53-5-6-1. 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	-	-	** 2,915,433	11,661,732	11,661,732

53-5-6-2. 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	
Norman Var model	-	-	** 2,227,531	8,910,126	8,910,126

\*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.

53-5-7. Interest rate sensitive asset and liability gap analysis

IRR million

	Mar. 20, 2023						Insensitive to rate
	Amount	Maturities up to one month	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	
<b>Assets</b>							
Cash	53,703,978	-	-	-	-	-	53,703,978
Due from banks and financial institutions	40,763,623	40,763,623	-	-	-	-	-
Extended facilities	496,225,974	59,329,681	227,051,764	158,288,170	15,228,458	5,396,148	30,931,753
Investments in share and other securities	20,645,834	1,134,687	1,858,590	16,393,375	85,553	1,166,629	7,000
Due from subsidiaries and associates	1,007,507	-	-	-	-	-	1,007,507
Other accounts receivable	8,331,200	-	-	-	-	-	8,331,200
Non-current assets held for sale	686,106	-	-	-	-	-	686,106
Fixed assets	6,116,967	-	-	-	-	-	6,116,967
Intangible assets	227,851	-	-	-	-	-	227,851
Statutory deposit	42,702,374	1,033,760	1,632,362	11,944,882	16,264,681	10,953,091	873,598
Other assets	3,177,325	-	-	-	-	-	3,177,325
<b>Total assets</b>	<b>673,588,739</b>	<b>102,261,751</b>	<b>230,542,716</b>	<b>186,626,427</b>	<b>31,578,692</b>	<b>17,515,868</b>	<b>105,063,285</b>
<b>Liabilities</b>							
Due to banks and financial institutions	(34,406,871)	(14,223,336)	(13,604,511)	(2,969,754)	(3,609,270)	-	-
Customers' deposits	(532,203,488)	(60,136,191)	(127,585,480)	(112,026,815)	(138,689,468)	(93,587,828)	(177,706)
Dividends payable	(61,074)	-	-	-	-	-	(61,074)
Income tax provision	(1,875,964)	-	-	-	-	-	(1,875,964)
Other liabilities and accruals	(23,911,990)	(112,371)	(226,355)	(1,020,017)	(6,349,926)	(5,083,310)	(11,120,011)
Staff termination benefits	(628,706)	-	-	-	-	-	(628,706)
<b>Total liabilities</b>	<b>(593,088,093)</b>	<b>(74,471,898)</b>	<b>(141,416,346)</b>	<b>(116,016,586)</b>	<b>(148,648,664)</b>	<b>(98,671,138)</b>	<b>(13,863,461)</b>
<b>Shareholders' equity</b>	<b>(80,500,646)</b>	-	-	-	-	-	<b>(80,500,646)</b>
<b>Total liabilities and shareholders' equity</b>	<b>(673,588,739)</b>	<b>(74,471,898)</b>	<b>(141,416,346)</b>	<b>(116,016,586)</b>	<b>(148,648,664)</b>	<b>(98,671,138)</b>	<b>(94,364,107)</b>
Liquidity gap		27,789,853	89,126,370	70,609,841	(117,069,972)	(81,155,270)	10,699,178
Cumulative liquidity gap		27,789,853	116,916,223	187,526,064	70,456,092	(10,699,178)	-

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IRR million

	Mar. 20, 2022						
	Amount	Maturities up to one month	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	Insensitive to rate
<b>Assets</b>							
Cash	33,490,443	-	-	-	-	-	33,490,443
Due from banks and financial institutions	38,444,733	38,444,733	-	-	-	-	-
Extended facilities	355,437,367	39,460,163	179,945,856	111,569,388	11,995,467	-	12,466,493
Investments in share and other securities	45,185,426	1,160	2,385,528	33,562,093	8,063,016	1,166,629	7,000
Due from subsidiaries and associates	1,773,799	-	-	-	-	-	1,773,799
Other accounts receivable	13,042,036	-	-	-	-	-	13,042,036
Non-current assets held for sale	607,550	-	-	-	-	-	607,550
Fixed assets	5,557,561	-	-	-	-	-	5,557,561
Intangible assets	278,503	-	-	-	-	-	278,503
Statutory deposit	27,154,220	779,166	1,213,226	3,906,172	13,271,767	7,296,560	687,329
Other assets	2,833,718	-	-	-	-	-	2,833,718
<b>Total assets</b>	<b>523,805,356</b>	<b>78,685,222</b>	<b>183,544,610</b>	<b>149,037,653</b>	<b>33,330,250</b>	<b>8,463,189</b>	<b>70,744,432</b>
<b>Liabilities</b>							
Due to banks and financial institutions	(63,820,065)	(50,528,563)	(8,854,542)	(4,436,960)	-	-	-
Customers' deposits	(387,843,822)	(41,356,704)	(114,660,299)	(43,373,388)	(121,783,163)	(66,613,270)	(56,998)
Dividends payable	(54,376)	-	-	-	-	-	(54,376)
Income tax provision	(1,224,048)	-	-	-	-	-	(1,224,048)
Other liabilities and accruals	(15,653,473)	-	-	-	(11,264,431)	-	(4,389,042)
Staff termination benefits	(327,607)	-	-	-	-	-	(327,607)
<b>Total liabilities</b>	<b>(468,923,391)</b>	<b>(91,885,267)</b>	<b>(123,514,841)</b>	<b>(47,810,348)</b>	<b>(133,047,594)</b>	<b>(66,613,270)</b>	<b>(6,052,071)</b>
<b>Shareholders' equity</b>	<b>(54,881,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54,881,965)</b>
<b>Total liabilities and shareholders' equity</b>	<b>(523,805,356)</b>	<b>(91,885,267)</b>	<b>(123,514,841)</b>	<b>(47,810,348)</b>	<b>(133,047,594)</b>	<b>(66,613,270)</b>	<b>(60,934,036)</b>
Liquidity gap	-	(13,200,045)	60,029,769	101,227,305	(99,717,344)	(58,150,081)	9,810,396
Cumulative liquidity gap	-	(13,200,045)	46,829,724	148,057,029	48,339,685	(9,810,396)	-

## 53-6. Operational risk

### 53-6-1. 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.

### 53-6-2. 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.

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**53-6-3. 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.

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.

**53-6-4. 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.

**53-6-5. Operational risk measurement method**

The risk weight for operational risk is measured using, the "Standardized approach" announced by the CBI regulation No 98/436758 dated 03/18/2020. 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.

**53-6-6. 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.

**53-6-7. Necessary amount of capital to cover operational risk**

Based on Bank's method to measure operational risk, capital exposed to this risk is:

	IRR million
Measurement method	Capital exposed to operational risk
Base on CBI regulation	4,490,780

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**53-7. Capital management**

**53-7-1. Regulatory capital**

Basic capital at Statement of financial position date is IRR85,756,399 million and presented as follows:

Description	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
<b>Tier I</b>		
Paid Capital	35,000,000	25,000,000
Share premium	-	-
Retained earnings	30,154,763	19,750,326
Legal reserve	13,507,891	9,024,756
Other reserves	2,332,721	2,090,564
	<u>80,995,375</u>	<u>55,865,646</u>
<b>Less: Regulatory adjustments</b>		
Cost of shares owned by market maker fund (Treasury shares)	(494,729)	(1,043,141)
Intangible assets	(227,851)	(278,503)
The minimum cost of mutual investments in shares of credit institutions or non-subsidiary financial institutions	(156,162)	(201,447)
Net book value of investments more than limits 50%	(378,964)	(356,321)
<b>Total Regulatory adjustments</b>	<u>(1,257,706)</u>	<u>(1,879,412)</u>
<b>Tier I capital after regulatory adjustments</b>	79,737,669	53,986,234
<b>Tier II</b>		
General provision for bad and doubtful debts up to 1.25% of risk weighted assets	6,397,694	4,265,090
<b>Total of Tier II</b>	<u>6,397,694</u>	<u>4,265,090</u>
<b>Less: Regulatory adjustments</b>		
Book value of investments more than limits 50%	(378,964)	(356,321)
<b>Tier II capital after regulatory adjustments</b>	6,018,730	3,908,769
Less: An increase in Tier II capital over Tier I capital	-	-
<b>Total regulatory capital</b>	<u>85,756,399</u>	<u>57,895,003</u>
<b>The base capital of the bank</b>	<u>52,855,003</u>	<u>36,795,262</u>

\*The calculation of base capital for reporting period is in accordance with CBI new regulation No. 98/436758 dated 7 March 2020.

The base capital of the bank for calculation of prudential ratios, up to the date of financial statements approval is amount to IRR52,855,003 million . The base capital which has been already approved by the CBI, is the basis for calculating prudential ratios until the date of approval of the bank's financial statements.

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## 53-7-2. Capital allocation

53-7-2-1. Total Credit risk weighted assets at the Statement of financial position date equals to IRR 511,815,512 million.

Description	Mar. 20, 2023				Mar. 20, 2022			
	Amount	Conversion factor	Adjusted amount	Risk weighted commitments and assets	Amount	Conversion factor	Adjusted amount	Risk weighted commitments and assets
	IRR million	%	IRR million	IRR million	IRR million	%	IRR million	IRR million
Cash	3,469,240	-	3,469,240	-	-	-	-	-
Statutory deposit	42,702,374	-	42,702,374	-	-	-	-	-
Due from CBI	167,138	-	167,138	-	-	-	-	-
Due from banks and financial institutions (in form of deposits, loans and securities purchases)	27,802,846	-	27,802,846	50	13,901,423	1,112,114	11,699,720	935,978
Claims from governmental institutions and companies and non-governmental public institutions (in the form of loans and purchase of securities)	118,542,705	-	118,542,705	50	59,271,353	4,741,708	48,017,039	3,841,363
Principal amount of partnership contracts loans (Mosharekat Madani, Mudaraba, Mozareeh, Mosaghat) of other natural and corporate persons	7,912,603	-	3,217,729	150	4,826,594	386,127	11,581,530	926,522
Non trading investments in unlisted shares after deduction of accumulated decrease in value	260,699	-	260,699	200	521,398	41,712	521,398	41,712
Interest and principal amount of non-partnership contracts loans-residential real estates	5,370,998	-	2,587,386	50	1,293,693	103,495	89,434	7,155
The principal and interest of the facilities of natural persons and small and medium enterprises and legal entities (with a maximum of 100 employees) that the principal of the facility is a maximum of 20 billion Rials	3,025,349	-	2,613,582	75	1,960,187	156,815	1,004,482	80,359
The balance of principal and interest on other facilities (current) granted to natural and legal persons that are not included in the above paragraphs	348,929,203	-	234,281,298	100	234,281,298	18,742,504	161,384,972	12,910,798
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	13,115,455	-	13,115,455	150	19,673,183	1,573,855	7,080,272	566,422
Net of non-current dues (principal, interest and penalties after deduction of related specific provision)-amount of specific provision less than 20% to 50% of non-current dues balance	708,976	-	708,976	100	708,976	56,718	278	22
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	4,968	-	4,968	50	2,484	199	2,429	194
Due from subsidiaries and associates	1,023,242	-	1,023,242	100	1,023,242	81,859	1,801,202	144,096
Other current accounts receivable	8,206,666	-	8,206,666	100	8,206,666	656,533	12,942,690	1,035,415
Net of fixed assets	6,116,967	-	6,116,967	100	6,116,967	489,357	5,557,561	444,605
Other on Statement of financial position items	10,076,309	-	10,076,309	100	10,076,309	806,105	4,168,686	333,495

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Description	Mar. 20, 2023			Mar. 20, 2022			
	Amount	Conversion factor	Adjusted amount	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
Claims including deposits and extended facilities or the purchase of securities from other governments, central banks and non-governmental public institutions in other countries Credit rating + AAA to -AA	40,612,264	-	40,612,264	-	-	-	-
Claims including deposits and facilities granted or the purchase of securities from development banks	10,396	-	10,396	-	-	-	-
Claims including deposits and extended facilities or the purchase of securities from credit institutions and financial institutions of other countries, central banks and non-governmental public institutions in other countries Credit rating + AAA to -AA	809,028	-	809,028	161,806	12,944	1,869	150
Claims including deposits and extended facilities or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + A to -A	117,465	-	117,465	58,733	4,699	48,706	3,896
Claims including deposits and extended facilities or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + BB to -B	8,245,691	-	8,245,691	8,245,691	659,655	9,396,294	751,704
Claims including deposits and extended facilities or the purchase of securities from credit institutions and financial institutions of other countries Credit rating lower -B	-	-	-	-	-	-	-
Claims including deposits and extended facilities or the purchase of securities from credit institutions and financial institutions of other countries without credit rating	13,233,535	-	13,233,535	13,233,535	1,058,683	8,299,456	663,956
Issued letter of credit Commitments with collaterals other than commodity after deduction of advances	20,595,878	50	10,297,939	10,297,939	823,835	810,197	64,816
Issued guarantees Commitments after deduction of cash deposits	233,305,953	50	106,179,237	106,179,237	8,494,339	52,671,443	4,213,715
Commitments of transaction contracts and guarantee bonds	14,975,684	50	7,487,842	7,487,842	599,027	2,282,457	182,597
Other commitments	4,286,959	100	4,286,959	4,286,959	342,957	1,845,092	147,607
				<b>511,815,512</b>	<b>40,945,241</b>	<b>341,207,205</b>	<b>27,296,576</b>

\*The calculation of risk weighted assets for reporting period is in accordance with CBI new regulation No. 98/436758 dated 7 March 2020.

The adjustment of on Statement of financial position items in according to type of collaterals are done in line with CBI new regulation No. 98/436758 dated 7 March 2020 and after that, the amount will be multiply by the risk factor, but in the case of, off Statement of financial positions items, at first the amounts are adjusted by the conversion factor.

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53-7-2-2. Total of market risk weighted assets at the Statement of financial position date equals to IRR 41,643,153 million.

Description	Mar. 20, 2023		
	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	19,471,046	5	973,552
Trading debt securities-general risk-mature till one month or less	1,133,527	0	-
Trading debt securities-general risk-mature till 1 to 3 month	1,858,590	0.2	3,717
Trading debt securities-general risk-mature till 3 to 6 month	4,928,517	0.4	19,714
Trading debt securities-general risk-mature till 6 to 12 month	11,464,858	0.7	80,254
Trading debt securities-general risk-mature till 1 to 2 year	85,553	1.25	1,069
Trading debt securities-general risk-mature till 2 to 3 year	-	1.75	-
Trading debt securities-general risk-mature till 3 to 4 year	-	2.25	-
Trading debt securities-general risk-mature till 4 to 5 year	-	2.75	-
Trading debt securities-general risk-mature till 5 to 7 year	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	28,164,316	8	2,253,145
<b>Total of capital needed to cover credit risk</b>			<b>3,331,452</b>
Factor			12.5
<b>Market risk weighted assets</b>			<b>41,643,153</b>

Description	Mar. 20, 2022		
	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	44,010,637	5	2,200,532
Trading debt securities-general risk-mature till one month or less	-	0	-
Trading debt securities-general risk-mature till 1 to 3 month	2,385,528	0.2	4,771
Trading debt securities-general risk-mature till 3 to 6 month	11,504,154	0.4	46,017
Trading debt securities-general risk-mature till 6 to 12 month	22,057,939	0.7	154,406
Trading debt securities-general risk-mature till 1 to 2 year	6,533,643	1.25	81,671
Trading debt securities-general risk-mature till 2 to 3 year	240,585	1.75	4,210
Trading debt securities-general risk-mature till 3 to 4 year	477,567	2.25	10,745
Trading debt securities-general risk-mature till 4 to 5 year	811,222	2.75	22,309
Trading debt securities-general risk-mature till 5 to 7 year	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	16,108,229	8	1,288,658
<b>Total of capital needed to cover credit risk</b>			<b>3,813,318</b>
Factor			12.5
<b>Market risk weighted assets</b>			<b>47,666,476</b>

53-7-2-3. Total of operational risk-weighted assets at the Statement of financial position date equals to IRR 56,134,746 million.

Description	Mar. 20, 2023			Mar. 20, 2022		
	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	29,938,531	15	4,490,780	21,131,942	15	3,169,791
Factor			12.5			12.5
<b>Operational risk weighted assets</b>			<b>56,134,746</b>			<b>39,622,391</b>

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### 53-7-3. Capital adequacy ratio

Capital adequacy ratio at Mar. 20, 2023 is 14.1% .

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Base capital	85,756,399	57,895,003
Credit risk weighted assets	511,815,512	341,207,205
Market risk weighted assets	41,643,153	47,666,476
Operational risk weighted assets and obligations	56,134,746	39,622,391
Risk weighted assets	609,593,411	428,496,071
Tier I capital to risk weighted assets- ratio	13.1%	12.6%
Capital adequacy ratio	14.1%	13.5%

### 53-7-4. Leverage ratio

leverage ratio is shareholders' equity to total assets and for the financial year ended Mar. 20, 2023 is 12%.

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Total shareholders' equity	80,500,646	54,881,965
Total assets	673,588,739	523,805,356
Leverage ratio	12.0%	10.5%

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## 54. Operational segments

### 54-1. Base of classification of segments

### 54-2. 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	Mar. 20, 2023		
	Treasury and banking operations	International banking	Total
<b>incomes earned from outside of the bank</b>			
Interest income on extended facilities and deposits	62,758,585	8,446,155	71,204,740
Interest expense	(38,099,302)	(5,550,632)	(43,649,934)
<b>Net interest income on extended facilities and deposits</b>	<b>24,659,283</b>	<b>2,895,523</b>	<b>27,554,806</b>
Fees and commission income	4,643,680	426,734	5,070,414
Fees and commission expense	(446,739)	-	(446,739)
<b>Net fees and commission income</b>	<b>4,196,941</b>	<b>426,734</b>	<b>4,623,675</b>
Net income (loss) from investment	1,031,063	-	1,031,063
Net foreign exchange transactions income	-	4,104,821	4,104,821
Total other operating income	-	1,778,811	1,778,811
	1,031,063	5,883,632	6,914,695
<b>Net income earned from outside of the bank</b>	<b>29,887,287</b>	<b>9,205,889</b>	<b>39,093,176</b>
<b>Net income between different parts of the bank</b>	<b>340,857</b>	<b>(340,857)</b>	<b>-</b>
<b>Total income of operational parts of the bank</b>	<b>30,228,144</b>	<b>8,865,032</b>	<b>39,093,176</b>
Doubtful debts of operational parts expenses	(2,221,765)	(119,318)	(2,341,083)
Other expenses attributable to operational parts	(4,159,689)	(786,175)	(4,945,864)
Profit(loss) of every parts before non-attributable general expenses	<u>23,846,690</u>	<u>7,959,539</u>	<u>31,806,229</u>
Non attributable General expenses to segments			(1,094,239)
<b>Profit before tax</b>			<b><u>30,711,990</u></b>

IRR million

Description	Mar. 20, 2022		
	Treasury and banking operations	International banking	Total
<b>incomes earned from outside of the bank</b>			
Interest income on extended facilities and deposits	45,395,607	7,894,031	53,289,638
Interest expense	(30,104,842)	(5,121,860)	(35,226,702)
<b>Net interest income on extended facilities and deposits</b>	<b>15,290,765</b>	<b>2,772,171</b>	<b>18,062,936</b>
Fees and commission income	2,620,796	332,759	2,953,555
Fees and commission expense	(329,145)	-	(329,145)
<b>Net fees and commission income</b>	<b>2,291,651</b>	<b>332,759</b>	<b>2,624,410</b>
Net income (loss) from investment	1,839,039	-	1,839,039
Net foreign exchange transactions income	-	1,903,790	1,903,790
Total other operating income	-	2,276,831	2,276,831
	1,839,039	4,180,621	6,019,660
<b>Net income earned from outside of the bank</b>	<b>19,421,455</b>	<b>7,285,551</b>	<b>26,707,006</b>
<b>Net income between different parts of the bank</b>	<b>5,714</b>	<b>(5,714)</b>	<b>-</b>
<b>Total income of operational parts of the bank</b>	<b>19,427,169</b>	<b>7,279,837</b>	<b>26,707,006</b>
Doubtful debts of operational parts expenses	(984,167)	(1,061,917)	(2,046,084)
Other expenses attributable to operational parts	(2,208,259)	(46,564)	(2,254,823)
Profit(loss) of every parts before non-attributable general expenses	<u>16,234,743</u>	<u>6,171,356</u>	<u>22,406,099</u>
Non attributable General expenses to segments			(1,828,024)
<b>Profit before tax</b>			<b><u>20,578,075</u></b>

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**54-3.** 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

	Mar. 20, 2023							IRR million
	Iran	Germany	China	Swiss	Oman	Turkey	Others	Total
<b>Assets</b>								
Cash	8,175,358	44,236,262	9,801	9,598	4,853	607,936	660,170	53,703,978
Due from banks and financial institutions	23,021,767	9,145,144	1,388,908	1,394,885	-	4,990,843	822,076	40,763,623
Extended facilities	496,224,985	989	-	-	-	-	-	496,225,974
Investments in share and other securities	20,645,834	-	-	-	-	-	-	20,645,834
Due from subsidiaries and associates	1,007,507	-	-	-	-	-	-	1,007,507
Other accounts receivable	7,740,228	-	-	-	402,533	188,439	-	8,331,200
Non-current assets held for sale	686,106	-	-	-	-	-	-	686,106
Fixed assets	6,110,866	6,101	-	-	-	-	-	6,116,967
Intangible assets	227,851	-	-	-	-	-	-	227,851
Statutory deposit	42,702,374	-	-	-	-	-	-	42,702,374
Other assets	2,800,588	376,737	-	-	-	-	-	3,177,325
<b>Total</b>	<b>609,343,464</b>	<b>53,765,233</b>	<b>1,398,709</b>	<b>1,404,483</b>	<b>407,386</b>	<b>5,787,218</b>	<b>1,482,246</b>	<b>673,588,739</b>
<b>Liabilities</b>								
Due to banks and financial institutions	(34,406,871)	-	-	-	-	-	-	(34,406,871)
Customers' deposits	(502,511,263)	(29,692,225)	-	-	-	-	-	(532,203,488)
Dividends payable	(61,074)	-	-	-	-	-	-	(61,074)
Income tax provision	(1,875,964)	-	-	-	-	-	-	(1,875,964)
Other liabilities and accruals	(23,814,585)	(97,405)	-	-	-	-	-	(23,911,990)
Staff termination benefits	(628,706)	-	-	-	-	-	-	(628,706)
<b>Total</b>	<b>(563,298,463)</b>	<b>(29,789,630)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(593,088,093)</b>
<b>Total operating income</b>	<b>32,049,464</b>	<b>(2,566,010)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,483,454</b>
<b>Total other income and expenses</b>	<b>404,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>404,118</b>

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IRR million

	Mar. 20, 2022							Total
	Iran	Germany	China	Spain	Oman	Turkey	Others	
<b>Assets</b>								
Cash	3,844,704	28,583,206	8,720	54,847	148,574	585,383	265,009	33,490,443
Due from banks and financial institutions	21,568,735	7,094,721	1,201,546	1,260,766	-	6,717,228	601,737	38,444,733
Extended facilities	355,435,582	1,785	-	-	-	-	-	355,437,367
Investments in share and other securities	42,742,878	2,442,548	-	-	-	-	-	45,185,426
Due from subsidiaries and associates	1,773,799	-	-	-	-	-	-	1,773,799
Other accounts receivable	10,172,294	-	-	-	310,847	2,097,834	461,061	13,042,036
Non-current assets held for sale	607,550	-	-	-	-	-	-	607,550
Fixed assets	5,551,952	5,609	-	-	-	-	-	5,557,561
Intangible assets	205,163	73,340	-	-	-	-	-	278,503
Statutory deposit	27,154,220	-	-	-	-	-	-	27,154,220
Other assets	2,567,109	266,609	-	-	-	-	-	2,833,718
<b>Total</b>	<b>471,623,986</b>	<b>38,467,818</b>	<b>1,210,266</b>	<b>1,315,613</b>	<b>459,421</b>	<b>9,400,445</b>	<b>1,327,807</b>	<b>523,805,356</b>
<b>Liabilities</b>								
Due to banks and financial institutions	(63,820,065)	-	-	-	-	-	-	(63,820,065)
Customers' deposits	(365,850,996)	(21,992,826)	-	-	-	-	-	(387,843,822)
Dividends payable	(54,376)	-	-	-	-	-	-	(54,376)
Participation and debt bonds	-	-	-	-	-	-	-	-
Income tax provision	(1,224,048)	-	-	-	-	-	-	(1,224,048)
Other liabilities and accruals	(15,393,701)	(259,772)	-	-	-	-	-	(15,653,473)
Non-current assets held for sale	-	-	-	-	-	-	-	-
Staff termination benefits	(327,607)	-	-	-	-	-	-	(327,607)
<b>Total</b>	<b>(446,670,793)</b>	<b>(22,252,598)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(468,923,391)</b>
<b>Total operating income</b>	<b>20,676,700</b>	<b>(255,050)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,421,650</b>
<b>Total other income and expenses</b>	<b>156,425</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156,425</b>

## 55. Transactions with related parties

### 55-1. Changes of major shareholders (more than one percent)

During the financial period ended Mar. 20, 2023, there was no change in the ranking of shareholders with more than one percent.

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55-2. Transactions with managers

IRR million									
	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
Board members/ Executive	Bank	Deposit	✓	3,701	(302,515)	(16,246)	-	-	(520)
Board members/ Non-executive	Bank	Credit Card	✓	1,379	2,043	1,507	Stand-alone legally binding contract	2,000	319
		Deposit		18,309	(26,811)	(2,235)	-	-	(443)
Managing Directors (excluding Board Members)	Bank	Mortgages		-	3,496	2,870	Checks / real state/ Stand-alone legally binding contract	6,473	193
		Car Loans		-	465	387	Checks	714	59
		Credit Card	x	4,421	3,595	1,864	Checks / Stand-alone legally binding contract	8,400	222
		Deposit		(11,840)	(156,513)	(22,172)	-	-	(2,918)
		Other facilities		30,000	30,265	-	Real state/ checks	66,000	1,725
Members of committees related to the board of directors (excluding board members)	Bank	Mortgages		-	7,511	7,086	Real state	9,087	431
		Car loan		-	347	254	Checks	714	42
		Credit Card	x	5,993	3,757	3,700	Checks /Prom-issory note/ Stand-alone legally binding contract	10,840	149
		Deposit		536	(93,165)	(12,503)	-	-	(1,027)
		Net			<b>52,500</b>	<b>(527,524)</b>	<b>(35,487)</b>		<b>104,227</b>

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## 55-3. Transactions with related parties during the period are as follows:

IRR million

Mar. 20, 2023								
Group	Related party	Relationship	Transaction subject	Is it subject to Article 129 of Trade Act?	Pricing method	Transaction amount	Gross profit (loss)	Balance at Mar. 20, 2023
Subsidiaries	Dadeh Pardazan Simaye Aftab Co.	Subsidiaries	Prepayments for the development of the Bank Automation Project	x	Bank's BOD	-	-	(718)
			Deposit		According to the contract	(4)	-	(10)
	Middle East Bank Brokerage Co.	Subsidiaries	Murabaha loans/ Wakala		Bank's BOD	9,358,000	101,706	502,762
			Issued Guarantees	x	Bank's BOD	1,814	340	16,114
			Commission of trading		Bank's BOD	3,382	-	-
			Deposit		According to the contract	147,834	-	(186,527)
	Middle East Bank Currency Exchange Co.	Subsidiaries	Payments for foreign currency transactions		Bank's BOD	93,551,402	189,935	-
			Other	x	-	1,352	-	-
			Deposit		According to the contract	(125,630)	(20,238)	(2,407,181)
	Associate company	Middle East Life Insurance Co.	Associate company / Joint board member	Payment for bank employee insurance	x	According to the contract	3,634	-
Deposit					According to the contract	(326,922)	(80,015)	(534,730)
other	Iran Industry Investment Co.	Shareholder above 5%	Murabaha loans/ Wakala		Bank's BOD	755,750	33,386	141,340
			Issued Guarantees	x	-	150	7,296	
			Deposit		According to the contract	(126)	(162)	(28,128)
	Arzesh Pazhouh investment Co.	Joint board member	Deposit	✓	According to the contract	(157)	(211)	(1,754)
	Aseman AMC Co.	Joint board member	Deposit	✓	According to the contract	(245)	(25)	-
	Marvdasht Co.	Shareholder above 5%	Issued Guarantees		Bank's BOD	-	40	-
			Murabaha loans/ Wakala	x	100,000	1,643	101,643	
	Lamiran	Shareholder above 5%	Deposit		According to the contract	15,707	(5,953)	(1,881)
			Murabaha loans/ Wakala		Bank's BOD	60,000	4,243	47,518
			Issued Guarantees	x	22,289	131	7,512	
	Boursiran Brokerage	Shareholder above 5%	Deposit		According to the contract	(11,379)	(200)	(19,220)
			Murabaha and Wakala Loans		Bank's BOD	24,345,000	89,871	601,509
			Issued Guarantees	x	-	6,750	450,000	
	Natural person	Shareholder above 5%	Deposit		According to the contract	(198,573)	-	(333,187)
Issued Guarantees			x	Bank's BOD	-	17	3,380	
Shimi Sanat Farzan	Shareholder above 5%	Deposit		According to the contract	(564,598)	(105,673)	(693,467)	
		Issued Guarantees	x	Bank's BOD	1,500	8	-	
			Deposit		According to the contract	(10,584)	(112)	(11,765)

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## 56. 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
<b>Legal</b>	
10% of net profit of the year ended Mar. 20, 2023 according to commercial law	2,988,757
	<u>25,809,943</u>

Following the CBI circular No. 00/376983 dated 03/16/2023, profit or loss on foreign currency items exchange with the rate of IRR265,000 per USD & IRR250,000 per EUR (IRR220,000 per USD & IRR200,000 per EUR for the previous year) can not be considered as dividend and is only transferable to the capital account. This amount for reporting year equal to IRR4,344,820 million, deducted from retained earning in calculation of the most attributable profit.

	IRR
	Amount
Board's offer for dividend	200

## 57. Statement of Gardh-UI Hasan Saving deposits Operations- LCY (Non interest bearing deposits)

### 57-1. Balance of recourses and usage of Gardh-UI Hasan Saving deposits

		IRR million	
	Note	Mar. 20, 2023	Mar. 20, 2022
<b>Recourses from Gardh-UI Hasan Saving deposits</b>			
Gardh-UI Hasan Current Deposits - LCY		93,269,095	47,793,175
<b>Total resources</b>		<u>93,269,095</u>	<u>47,793,175</u>
<b>Gardh-UI Hasan usages</b>			
Extended facilities (before deduction of provision)		(1,045,402)	(514,937)
<b>Total of Gardh-UI Hasan usages</b>	25	<u>(1,045,402)</u>	<u>(514,937)</u>
<b>Statutory deposit of Gardh-UI Hasan Savings Deposits</b>		(9,798,632)	(5,038,093)
<b>Liquidity provision of Gardh-UI Hasan Savings Deposits(40%)</b>		<u>(37,307,638)</u>	<u>(19,117,270)</u>
<b>Surplus (deficit) of resources to usages</b>		<u><b>45,117,423</b></u>	<u><b>23,122,875</b></u>

### 57-2. Net fee of Gardh-UI Hasan operations

		IRR million	
	Note	Mar. 20, 2023	Mar. 20, 2022
Received fee of Gardh-UI Hasan extended facilities	14-1	31,987	21,568
<b>Net fee of Gardh-UI Hasan operations</b>		<u><b>31,987</b></u>	<u><b>21,568</b></u>

### 57-3. Classification of Gardh-UI Hasan extended facilities by subject of facilities

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Marriage	(1,045,402)	514,937
	<u>(1,045,402)</u>	<u>514,937</u>

### 57-4. Classification of Gardh-UI Hasan extended facilities based on customers type

	IRR million	
	Mar. 20, 2023	Mar. 20, 2022
Natural persons	(1,045,402)	514,937
	<u>(1,045,402)</u>	<u>514,937</u>





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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)	Non-current	Total	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
8	Bousrian Brokerage									120,000	120,391	-	120,391	Murabaha -service-credit package	1	-	17	500,000	50,000	450,000		225,000	120,391	Checks /Stand-alone legally binding contract	264,000
										120,000	120,391	-	120,391	Murabaha -service-credit package	1	-	17	500,000	50,000	450,000		225,000	120,391	Checks /Stand-alone legally binding contract	264,000
9	Natural Person								120,000	120,112	-	120,112	Murabaha -service-credit package	1	-	17	500,000	50,000	450,000		225,000	120,112	Checks /Stand-alone legally binding contract	264,000	
									120,000	120,447	-	120,447	Murabaha -service-credit package	1	-	17	500,000	50,000	450,000		225,000	120,447	Checks /Stand-alone legally binding contract	264,000	
									600,000	601,509	-	601,509						500,000	50,000	450,000	225,000	826,509	Checks	500,000	
									86	46		46	Murabaha loans -employee credit card	24	-	15	500,000					46	Stand-alone legally binding contract	46	
									123	45		45	Murabaha loans -employee credit card	24	-	15	500,000					45	Stand-alone legally binding contract	45	
									123	29		29	Murabaha loans -employee credit card	24	-	15	500,000					29	Stand-alone legally binding contract	29	
									65	12		12	Murabaha loans -employee credit card	24	-	15	500,000					12	Stand-alone legally binding contract	12	
									397	132		132						500,000	50,000	450,000	225,000	132		1,820,000	
									1,443	1,380		1,380						500,000	50,000	450,000	225,000	1,380	Checks	2,100	
10	Natural Person								1,443	1,380		1,380						500,000	50,000	450,000	225,000	1,380	Checks	2,100	
									1,443	1,380		1,380						500,000	50,000	450,000	225,000	1,380	Checks	2,100	

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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				Total net of loans and commitments	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	Collateral type
11	Natural Person									700	Current	607	Non-current	Total	Murabaha loans - credit card	24	-	18	607			607	Checks /Stand-alone legally binding contract	1,940
										582	Current	568	Non-current	Total	Murabaha loans - credit card	24	-	18	568			568	Checks /Stand-alone legally binding contract	1,611
										307	Current	311	Non-current	Total	Murabaha loans - credit card	24	-	23	311			311	Checks /Stand-alone legally binding contract	849
										-	Current	4	Non-current	Total	Temporary debtors				4			4		-
										1,588	1,490			1,490					1,490			1,490	4,400	
										1,127	621			621					621			621	614	
12	Natural Person									302	Current	232	Non-current	Total					232			232	236	
										794	Current	471	Non-current	Total					471			471	465	
										195	Current	177	Non-current	Total					177			177	175	
										2,418	1,501			1,501					1,501			1,501	1,490	
13	Natural Person									-	-	-	-	-					3,380	-	3,380	Deposit	3,380	
										-	-	-	-	-					3,380	-	3,380	3,380	3,380	
										-	-	-	-	-					1,690	-	1,690	1,690	1,690	
										-	-	-	-	-					1,690	-	1,690	1,690	1,690	

Continued on next page



MIDDLE EAST BANK (PJSC)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 20, 2023

## 59. 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	5,782,339	-	7,740	3,676	-	5,786,016	Checks /Deposit	12,716,436
2	5,939,018	-	-	-	-	5,939,018	Checks /Real state/Stock/Other securities	13,362,052
3	3,946,508	-	4,094,596	2,004,723	-	5,951,231	Checks /Real state/Stock/Deposit	13,786,565
4	5,756,419	-	733,728	348,521	-	6,104,940	Checks	6,661,728
5	6,105,869	-	-	-	-	6,105,869	Checks/Stock	13,417,733
6	2,368,692	-	8,237,071	4,057,908	-	6,426,600	Checks /Real state/Deposit	9,065,287
7	5,316,803	-	2,307,585	1,117,048	-	6,433,851	Checks/Stock	9,540,556
8	2,647,681	-	8,228,586	3,897,542	-	6,545,223	Checks /Stand-alone legally binding contract / Deposit	20,048,052
9	6,529,878	-	50,000	22,500	-	6,552,378	Checks /Real state	16,569,777
10	6,575,919	-	165,718	74,473	-	6,650,392	Checks /Real state	15,050,246
11	6,988,454	-	-	-	-	6,988,454	Checks /Real state/Stand-alone legally binding contract/Stock	14,338,211
12	6,924,482	-	149,761	71,206	-	6,995,687	Checks /Real state/Deposit	14,213,857
13	613,280	-	13,180,840	6,445,873	-	7,059,153	Checks /Deposit	17,012,105
14	7,042,868	157,838	-	-	-	7,200,706	Checks /Real state/Stand-alone legally binding contract	14,890,683
15	6,984,242	-	750,264	343,000	-	7,327,242	Checks /Real state	15,466,183
16	-	-	15,154,994	7,432,397	-	7,432,397	Checks /Deposit	9,466,226
17	7,517,465	-	-	-	-	7,517,465	Checks	8,440,081
18	1,992,287	-	216,614	97,476	-	2,089,763	Checks /Real state	9,979,600
19	7,960,334	-	-	-	-	7,960,334	Checks /Real state	18,488,186
20	7,891,946	-	869,793	434,897	-	8,326,843	Checks /Real state/Stock	17,047,133
21	9,097,121	-	122,050	55,919	-	9,153,040	Checks /Real state/Deposit	21,015,240
22	1,135,643	-	16,670,407	8,117,122	-	9,252,765	Checks /Deposit	12,224,853
23	2,024,833	297	15,260,212	7,516,357	-	9,541,487	Checks /Real state/Deposit	26,794,513
24	9,280,543	-	261,980	117,891	-	9,398,434	Checks /Real state/Deposit	17,593,487
25	6,120,345	-	10,185,059	4,756,856	-	10,877,201	Checks /Real state/Stock	28,800,147
26	205,788	-	22,631,043	10,796,697	-	11,002,485	Checks /Deposit	25,406,395
27	2,894,934	-	18,209,013	8,194,056	-	11,088,990	Checks	6,426,321
28	9,283,024	-	9,909,410	4,366,486	-	13,649,510	Checks /Real state	34,249,732
29	7,760,317	-	13,489,465	6,417,785	-	14,178,102	Checks /Real state	29,807,434
30	-	-	-	-	-	-	Checks /Stand-alone legally binding contract	136,183,280
<b>Total</b>	<b>152,687,029</b>	<b>158,134</b>	<b>160,885,929</b>	<b>76,690,410</b>		<b>229,535,573</b>		<b>608,062,099</b>



ANNUAL SURVEY OF  
THE IRANIAN ECONOMY

6





# EXECUTIVE SUMMARY

According to the official statistics, Iranian economy has experienced growth rates of around 4.0 percent in the last three years, considering the presence of structural problems of the economy. These achievements were obtained in an atmosphere where Iranian Economy was suffering from the US sanctions in conjunction with increasing budget deficit, volatile foreign exchange market, uncertainty in various sectors, diminishing trend of investment in 1390s, banking system deficiencies, vague regulations and government intervention in the economy such as pricing. Thanks to the positive growth rates of the last three years, in 1401, gross domestic product at 1395 constant prices was 13.1 percent above that of 1390 which to some extent covered the fall in GDP in 1390s. Precisely speaking, a 1.1 percent annual growth rate has been obtained during this 11-year period on average, however, as the country's population has grown by 10 million, the per capita income has not only improved but also has solely reached its level of 1390.

On the basis of the preliminary estimates of the Central Bank of Iran (CBI), in 1401 the overall value added of the economy reached IRR101,823 trillion, indicating 4.0 percent economic growth rate at constant prices. The Industries and Mining group and Services group that were the main drivers of the 4.0 percent economic growth rate, accounting for 1.6 and 1.5 percentage points of that, respectively. Oil and Gas sector with a 10.0 percent growth rate in value added at constant prices ranked as 1st among the other sectors of the economy. This sector had registered the similar growth rates in 1399 and 1400 as well. The oil exports of Iran increased from the mid-1399 shortly after the new US government took the office, according to unofficial data. Finally, due to drought, Agriculture sector grew by only 1.1 percent in 1401.

On the demand side of the economy, the diminishing consumption expenditures of private sector (at constant prices) stopped from 1400 and it grew by 8.7 percent in 1401. On the contrary, the government consumption expenditures at constant prices fell by 3.6 percent in the same year. Following the fall in investment in Iran in recent years, the growth rate of gross fixed capital formation registered its high in 1401 from 1397 onwards. However, the level of the investment at constant prices in 1401 is far below that of the early 1390s.

According to the OPEC reports from secondary sources, the crude oil production that was hovering around 3.8 million barrels per day (mbpd) in the first mid of 2018, reversed course in the second half of that year following the imposition of US sanctions, reaching 1.9 mbpd in 2020.

Hence, the overall crude oil production of Iran after the US sanctions even fell below its oil exports level in JCPOA era. After the new US government took the office the crude oil production of Iran started to increase and in Mar 2023 (corresponding to the last month of 1401) reached 2.6 mbpd. Following the COVID-19 pandemic, Iran's crude oil price dropped to USD17 per barrel in the early 1399 but reversed course and gradually increased and consequently speeded up in the late 1400 due to the Russia's military attack on Ukraine. In the last month of 1401, Iran's crude oil price registered USD78.8 per barrel.

The unemployment rate in 1401 dropped by 0.2 percentage point in 1401 to reach 9.0 percent from 1400. On the basis of the Statistical Center of Iran (SCI), the participation rate has been fixed at 40.9 percent, however, due to the continuation of stagflation, new job opportunities are limited.

In 1401 Budget Law, government general budget was set at IRR15,273 trillion, indicating 11.2 percent growth compared to the Budget Law of 1400. Similarly, the budget of state-owned banks and enterprises climbed to IRR22,314 trillion by 42.0 percent growth compared to Budget Law of 1400. The performance of general sources and expenditures of the Government registered IRR15,390 trillion in 1401, equivalent to 110.4 percent of the approved figure. In the same period, general revenues (including taxes and other current revenues) reached IRR6,953.6 trillion which equals 99.4 percent of the approved figure in the Budget Law of 1401. Government current expenditures, on the other hand, reached IRR11,141.3 trillion, 11.5 percent above the

approved figure in the Budget Law of 1401. Consequently, the operating balance deficit registered IRR4,187.8 trillion. The disposal of non-financial assets increased to IRR4,193.7 trillion in 1401 by 105.1 percent rise from 1400, however, it was 81.0 percent of the approved figure in the Budget Law of 1401. On the other hand, acquisition of non-financial assets (development expenditures) registered IRR2,694.4 trillion, equivalent to 103.6 percent of the approved figure. Hence, net disposal of non-financial assets experienced IRR1,499.5 trillion of surplus. The performance of disposal of financial assets registered IRR4,250.0 trillion in 1401, equivalent to 240.4 percent of the approved figure in the Law of 1401. Government debt securities accounted for about 46.8 percent of the total disposal of financial assets in 1401 and total acquisition of financial assets registered IRR1,561.7 trillion, out of which, 82.9 percent belongs to the principal repayment of matured government debt securities. Hence, net disposal of financial assets in 1401 exceeded IRR2,688.3 trillion, registering 17.5 percent of the performance of general sources and expenditures. In this period, direct tax revenues reached IRR2,941.0 trillion, equal to 119.9 percent of the approved figure. On the contrary, indirect tax revenues in 1401 covered only 75.0 percent of the approved figure and rose by 66.9 percent to IRR2,372.6 trillion compared to 1400. In 1401, the CBI in conjunction with the Ministry of Economic Affairs, auctioned government debt securities in 43 rounds in order to finance the budget deficit. In this process, IRR3,626.4 trillion Government Murabaha Securities were supplied and faced a demand of IRR337.7 trillion by banks and non-bank credit institutions, however, the Ministry of Economic Affairs consented to IRR255.3 trillion of that. In addition, IRR940.4 trillion of government debt securities were sold in the capital market. Accordingly, in 1401, total debt securities traded in the primary market registered IRR1,195.6 trillion, indicating 32.0 percent growth compared to 1400.

Regarding balance of payments, the current account rose by 29.5 percent to reach USD14.4 billion in 1401 from USD11.1 billion in 1400, and the deficit of capital account climbed to USD14.6 billion after a 56.5 percent rise. Despite the significant rise in the net capital flight in 1401, the foreign reserves of the country rose by USD4.0 billion as a result of the 22.9 percent rise in exports (mainly due to the rise in oil exports) and 18.2 rise in imports of the country.

The USD/IRR free market exchange rate that opened 1401 at 262.3 thousand, continually rose to 330.0 thousand by the mid 03/1401, and dropped to 296.1 thousand

in the early 06/1401 but again reversed course. The IRR depreciation exacerbated in fall and winter of 1401 and in the early winter each USD valued 420 thousand IRR which emanated from ceasing of the negotiations between Iran and some EU countries, Ukraine War, and some social unrest. In that period, the CBI governor was changed and consequently its exchange rate policy did so. The new CBI governor declared a fixed 285 thousand USD/IRR exchange rate for remittance for one year in NIMA<sup>1</sup> system, which aimed to provide foreign currency for imports of essential goods, raw materials and machinery. He also promised that a new market for gold and foreign currencies would be established in order to satisfy the remaining demand. Accordingly, the 42 thousand USD/IRR exchange rate was replaced by the new rate of 285 thousand in practice. In winter 1401, the free market USD/IRR exchange rate experienced a 61.1 percent growth compared to the same quarter of 1400, however, according to some unofficial sources, this rise has been larger. On a quarterly basis, the USD/IRR exchange rate has risen by 24.6 percent in 1401Q4 from that of 1401Q3. Eventually, thanks to the political agreement between Iran and Saudi Arabia in the late 1401, the foreign exchange market calmed down and the USD/IRR exchange rate closed the year at 472.1 thousand. As a result of these developments, the average USD/IRR exchange rate throughout 1401 was 32.2 percent above that of 1400. Hope that in 1402, the economic environment experiences an improve and the negotiations with the European Governments continues.

The monetary base (M0) and liquidity (M2) rose by 42.4 and 31.1 percent in 1401, respectively, and the higher growth of the former could be referred to as Hot Money phenomena in the Iranian Economy. In other words, the velocity of money has risen due to the lack of confidence about the value of national currency, hence the banks would need more reserves at CBI in order to clear their cross transactions. The higher banks reserve at CBI is defined as increase in the monetary base (M0). The data released on the variables of the Equation of Exchange (money growth, GDP growth, and inflation rate) also suggests that the velocity of money has increased. Liquidity (M2) closed the year 1401 at IRR63,376.8 trillion. In addition, money (M1) that had grown by 65.2 percent to IRR16,296.9 trillion in 1401, surprisingly accounted for 25.7 percent of M2. Intense negative interest rate in recent years has made the individuals reluctant to hold their money in long term deposits. Hence, the quasi-money turns to M1 which results in higher inflation rate. On the other side, the passiveness

1. The secondary market aimed to exchange foreign currencies remittance at preferential rates.

of the monetary policy maker in facing hot money (fixing nominal interest rates) exacerbates the problem. On the sources of monetary base, CBI claims on banks was the main driver of M0 growth with share of 40.5 percentage points. In addition to the macroeconomic environment, the unsound banks crisis as well as directed credit programs of government (decreed facilities), controlling of banks' balance sheets could be referred to as another driver of the increase in CBI claims on banks. In 1401, M2 money multiplier dropped to 7.37 from 8.00 in 1400.

According to the SCI reports, the point-to-point inflation rate (1400=100) that was diminishing in 1400, reversed course in the early 1401 and with 14.8 percentage points growth from end of 1400, registered 49.1 percent in first month of summer 1401. This considerable price rise emanated from elimination of foreign exchange allocation at discretionary rates for imports of essential goods which ended up in a 10.6 percent monthly inflation rate in 03/1401. In the aftermath of the aforementioned practice, the point-to-point inflation rate gradually started to descend and by 4.2 percentage points decrease from 04/1401, reached 44.9 percent in 08/1401. This trend did not last long and in the last months of 1401, the point-to-point inflation rate again started to rise and closed the year at 54.0 percent, 9.1 percentage points above that of 08/1401. In addition to the SCI report, according to CBI, the point-to-point inflation rate (1395=100) in 1401 has been strictly increasing and has closed the year 1401 at 63.9 percent, indicating 34.4 percentage points increase from the end of 1400. As can be seen, the inflation rates released by the SCI and the CBI are significantly different, however, both reports suggest that the point-to-point inflation rate that is a reliable benchmark of general price changes, has been extremely increasing throughout 1401. On the basis of SCI, as a result of exacerbation of inflationary expectations, pulled up the annual inflation rate of 1400 from 40.2 percent to 45.8 percent in 1401. Among 12 main groups of the household basket of goods and services, in the last month of 1401, Restaurants and Hotels accounted for highest annual and point-to-point inflation rates of 82.7 and 86.0 percent and Communication accounted for the lowest annual and point-to-point inflation rates of 11.7 and 20.8 percent, respectively. Foods and beverages also experienced 71.2 percent annual and 77.7 percent point-to-point inflation rate in the last month of 1401. It is worth to mention that the SCI has changed the base year for inflation rate calculations from 1395 to 1400 and consequently the sum of the weights assigned

to the four main groups of the household basket including "Housing, Water, Electricity, Gas and Other Fuels", "Food and Beverages", "Health", and "Transport" has reached 80.5 percent from 78.7 percent. This could be translated as higher weight of essential goods in Iranians' basket of consumption or in other words their lower level of welfare.

The overall index of the Tehran Stock Exchange (TSE) rose to 1,960.4 thousand at the end of 1401, indicating 43.3 rise compared to the its preceding year. The equally-weighted index that closed 1400 at 348.3 thousand, reached 585.2 thousand at the end of 1401, showing a 68.0 percent growth. The market capitalization of TSE grew by 35.3 percent to IRR72,561.6 trillion at the end of 1401, compared to its preceding year. Besides, the total transactions in 1401 valued IRR15,711.5 trillion, out of which IRR10,062.7 trillion belongs to the companies' shares traded. In 1401, total transactions and shares traded grew by 26.6 and 13.7 percent, respectively, from 1400. The value of exchange-traded funds, debt securities transactions and derivatives traded rose respectively by 46.6, 129.5 and 440.5 percent, above that of the companies traded shares. Financing listed companies through Tehran Stock Exchange escalated by 93.2 percent in 1401 compared to 1400 to register IRR2,732.4 trillion. Capital increase accounted for 85.3 percent of this amount of finance (excluding asset revaluation) and on the other hand, Initial Public Offering (IPO) accounted for only 1.0 percent. In 1401, financing through Over the Counter (OTC) rose by 31.2 percent from 1400 to reach IRR2,497.6 trillion, out of which 64.2 percent belongs to IPOs and 20.4 percent to Islamic Debt Securities. Unlike the TSE listed companies, capital increase (excluding revaluation of assets) with 13.9 percent, preceded by IPO (with 1.5 percent share in total) had the lowest share in financing of OTC listed companies in 1401. In the same year, four symbols in TSE and 22 in OTC were initially offered to the public.

The global rankings on business environment indicate negligible changes in Iran's position compared to the rest of the world in recent year. On the contrary, research by domestic institutions suggest that the country's business environment has worsen in 1401. According to Fraser Institute, Iran has descended by one place in 2022 in terms of Economic Freedom to rank as 159th among 165 countries. In 2022, however, Iran has maintained its rank as 170th out of 177 countries according to Heritage Institute. Regarding Corruption Perception Index (CPI), Iran's rank in 2022 remained the same, but in terms of Property Rights Index (PRI) its rank has improved by one step.

# 1. REAL SECTOR

In 1401, the structural problems of the Iranian economy continued: the problems emanated from the US sanctions, massive budget deficit, highly volatile foreign exchange market, uncertainty in various aspects, banking system hurdles, unclear and unstable business laws and excessive government intervention in various corporate affairs, including product pricing. Despite the circumstances, a positive economic growth rate was recorded in Iran's national accounts for the years 1399 to 1401. According to the official statistics, Iran has moved away from recession, so that the gross domestic product (GDP) in 1401 was about 13.1 percent above that in 1390, at 1395 constant prices, indicating 1.1 percent annual growth rate during 1390-1401 on average. It should be noted that the population of Iran in this 11-year period has increased by about 10 million people and thus GDP per capita (welfare of Iranians) has only returned to the level of 1390.

The preliminary estimates of the CBI indicate that the total value-added created in Iran's economy amounted to IRR101,823 trillion in 1401, representing economic growth rate of 4.0 percent at constant prices. In fact, after experiencing economic growth rates of negative 5.4 percent and negative 6.5 percent in 1397 and 1398, respectively, this trend finally stopped since 1399. However, excluding the oil sector, the economic growth rate will drop to 3.5 percent in 1401. In other words, the significant

growth rate of 10.0 percent in the oil sector constituted 0.8 percentage points of economic growth rate in 1401, as in 1400. Although there is no official indication on the easing of US sanctions against Iran, unofficial information shows that Iran's oil exports experienced a significant increase from the second half of 1399 after the new US President took the office. Table 1 illustrates the details of growth rates of the major sectors of the Iranian economy in recent years.

Table 1. The Growth Rates of GDP and Its Sectors at 1390 Constant Prices and Their Share in GDP at Current Prices (percent)

	1401	1400	1399	1398	1397	1396	Share of Economic Growth Rate in 1400 (percentage point)	Share of GDP in 1400
Agriculture	1.1	-2.6	3.2	8.8	-0.9	3.2	-0.3	12.7
Oil and Gas	10.0	10.1	9.6	-38.7	-18.1	0.9	0.8	7.0
Industries and Mines	6.5	1.1	7.3	2.3	-4.3	5.1	0.3	31.9
Services	2.7	6.5	2.2	-0.2	-0.6	4.4	3.6	48.4
Non-oil GDP (at basic prices)	3.5	3.9	3.6	1.1	-1.8	4.6	-	93.0
GDP (at basic prices)	4.0	4.4	4.1	-6.5	-5.4	3.7	4.4	100.0

Source: CBI, National Accounts reports

On the demand side, the downward trend of private consumption expenditures (at constant prices) reversed course since 1400 and grew by 8.7 percent in 1401. In contrast, government spending fell by 3.6 percent in 1401. After a continuous decrease in investment in recent years, finally in 1401, the gross fixed capital formation experienced a positive growth rate at constant prices, reaching the high of the last four years. However, the

amount of investment in the Iranian economy in 1401 at constant prices was much lower than that of the early 1390s. The increase in the gross fixed capital formation in 1401 was mainly due to the 15.4 percent growth rate of the gross fixed capital formation in terms of machinery, while in terms of construction was only 1.2 percent. Table 2 shows the growth rates of GDP components from the expenditure side.

Table 2. GDP Growth from Expenditure Side and Its Components at Constant 1390 Prices (percent)

	1400	1399	1398	1397	1396	Share in the year 1400
Private Consumption	3.9	-0.4	-7.7	-2.6	2.5	43.1
Public Consumption	8.3	-2.3	-6.0	-2.9	3.9	14.2
Gross Fixed Capital Formation	0.0	2.5	-5.9	-12.3	1.4	26.8
Machinery	12.5	0.9	-10.0	-18.7	2.5	10.7
Construction	-7.1	3.1	-4.3	-9.4	0.9	15.7
Net Exports of Goods and Service	5.8	1.7	-26.9	-4.2	-3.0	0.5
Exports	5.2	-5.4	-29.9	-12.5	1.8	22.8
Imports	24.1	-29.2	-38.1	-29.5	13.4	21.5
Gross Domestic Product (at market prices)	4.7	3.4	-6.8	-6.0	3.8	100.0

Source: CBI, National Accounts reports

## 1-1. Agriculture

According to the CBI, the agriculture sector accounted for 13.1 percent of the GDP in 1401. This sector is composed of agriculture as well as farming, horticulture, forestry, hunting, animal husbandry, aviculture, and fishing. However, in the preliminary report of the CBI on the developments of the real sector in 1401, the details of the components of the agriculture sector are not mentioned and instead, it is briefly stated that the growth rates of farming, horticulture and animal husbandry in 1401 were 3.4 percent, negative 0.2 percent and 2.7 percent, respectively. In the SCI's national accounts reports, the agriculture group is classified into only two sub-sectors (agriculture and fishing). The value-added of the fishing sub-sector, which usually fluctuates widely and is independent of other parts of the national accounts, fell by 3.7 percent in 1401 at constant prices.

This sub-sector accounts for less than five percent of the entire agriculture sector value-added and thereby had negligible impact on the whole group. Therefore, the 4.4 percent decrease in value-added of the agriculture sub-sector resulted in a negative 4.4 percent growth rate in the agriculture sector. Based on the SCI, the agriculture sector has contracted in all quarters of 1401, while it is in contrast to its positive growth rate in the CBI's report. According to the Islamic Republic of Iran Customs Administration, the export of agriculture products was USD5.1 billion in 1401, indicating about 2 percent decrease compared to 1400. On the other hand, the imports of these products recorded USD17.8 billion in 1401. The main agriculture exports items of Iran in 1401 included pistachios, tomatoes, watermelons, kiwi and dates.

## 1-2. Industries and Mining

According to the CBI, the "Industries and Mining" group accounted for 29.0 percent of GDP in 1401 (2.9 percentage points below that of 1400 and 4.3 percentage points below that of 1399). This group is divided into five sub-sectors: "Manufacturing", "Mining", "Electricity, Gas, Steam and Air Conditioning Supply", "Water supply; Sewerage, Waste management and Remediation Activities" and "Construction", which grew by 9.5 percent, 2.8 percent, 2.4

percent, 3.3 percent and 1.2 percent, respectively, in 1401. The manufacturing subgroup, which experienced negative value-added growth rate at constant prices in summer 1400 (1400Q2), has now recovered. Similarly, according to the SCI's report, the growth rate of the manufacturing sub-sector in 1401 was 4.6 percentage points above that of 1400.

According to the CBI, the growth rate of the mining subgroup was 2.8 percent in 1401 in contrast to its negative growth rate in 1400. The subgroup of construction, including residential and non-residential buildings, road construction, dam construction, etc., recorded a 1.2 percent growth rate in 1401, after a 6.9 percent contraction in 1400. In this regard, private sector construction value-added at constant prices grew by 0.9 percent, although the value of private sector investment in the construction in 1401 was 34.0 percent more than that of 1400 at current prices. In the subgroup of electricity, gas, steam and air conditioning supply, the growth rate trend has been smoother than other subgroups. Over at least the last two decades, this sector has been one of the few sub-sectors of

GDP that has experienced a perennial positive growth even during periods of recession due to population growth. This trend could be observed in the subgroup of water supply; sewerage, waste management and remediation activities, for the same reason. The value-added of this subgroup grew by 5.2 percent and by 3.3 percent in 1400 and 1401, respectively, at constant prices. As a result, value-added of the industries and mining sector at constant prices rose by 6.5 percent in 1401 (5.4 percentage points more than in 1400), contributing 1.6 percentage points to the 4.0 percent economic growth rate this year. Detailed statistics of growth in the main sub-sectors of industries and mining sector are presented in Table 3.

Table 3. Table 3- Growth Rates of Industries and Mines Sub-sectors at Constant 1395 Prices (percent)

	1400	1399	1398	1397	1396
Industries and Mines	1.1	7.3	2.7	-3.8	4.3
Mining	-0.4	14.4	8.5	-5.7	9.1
Manufacturing	3.3	7.2	3.2	-6.6	5.1
Electricity, Gas, Steam and Air Conditioning Supply	3.1	5.9	4.3	2.7	4.9
Water supply; Sewerage, Waste management and Remediation Activities	5.2	2.6	2.3	2.3	3.6
Construction	-6.9	7.2	-1.1	-0.1	0.8

Source: CBI, National Accounts reports

According to the CBI, the industrial production index experienced a growth rate of 8.3 percent in the first nine months of 1401 compared to the same period of its preceding year. The most important Iranian industries (contributing about 80 percent of value-added of large industrial establishments) are manufacture of "food products and beverages", "chemicals and chemical products", "pharmaceuticals, medicinal chemical and botanical products", "non-metallic mineral products", "basic metals", and "motor vehicles, trailers and semi-trailers". Among these six categories, only the index of pharmaceuticals, medicinal chemical and botanical products contracted in the first nine months of 1401 by 8.2 percent. In contrast, the index of motor vehicles, trailers and semi-trailers grew by 32.6 percent in the same period. According to the Ministry of Industry, Mine and Trade, the production volume of petrochemical products as one of the largest industries in the country increased by 9.0 percent, registering 23.0 million tons in the first four months of 1401. Sales of petrochemical products (mainly polymers and partly chemicals) in the Iran Mercantile Exchange increased from 5.4 million tons in 1400 to 6.3 million tons in 1401, indicating an 18 percent growth rate, while the value of traded products increased by 27 percent. This difference is far below the growth rate of the foreign exchange rates or the inflation rate in 1401, due to price controls.

In the first four months of 1401, the production volume of crude steel and steel products, as one of the pivotal

industries in the country, increased by 5.1 percent compared to the same period of its preceding year, registering 10.0 million tons of crude steel and 8.7 million tons of steel products.

In the same year, 1,384 thousand motor vehicles in various types have been produced, about 38.8 percent more than that of 1400. This rise happened in a situation while the price control in the car market led to the distribution of economic rents among different groups in this year. In 1401, production of passenger cars increased by 36 percent, while production of vans, trucks and buses boosted by 267 percent, 150 percent and 88 percent, respectively. All in all, as a result of the considerable share of passenger cars in motor vehicle production, its 36 percent growth was the main contributor of the 38.8 percent growth in motor vehicles production.

## ■ Oil

The oil industry, as one of the main pillars of the Iran's economy during the last half-century, has faced several challenges in recent years. The last severe shock to the country's oil sector occurred in early 1397 in the aftermath of the implementation of the second phase of US sanctions, significantly limited Iran's oil exports. These restrictions were enforced in a way that enabled various countries to gradually cut their oil purchase from Iran, because the United States initially exempted some countries from the embargo, albeit temporarily. As a result, Iran's exports and

production of oil gradually declined, and consequently, its value-added in the economy decreased substantially. After the Democratic Party won the presidency of the United States, with the hope that the tension would be slowed, Iran's oil production and exports slightly increased.

According to the CBI's national accounts reports, the value-added of the oil sector formed the high of 11.8 percent of the country's economy in 1401 after the new US sanctions. This share was 13.5 percent and 13.0 percent in 1396 and 1397, respectively, while it dropped to 7.4 percent and 3.7 percent in 1398 and 1399, respectively, in the aftermath of re-imposition of the US sanctions.

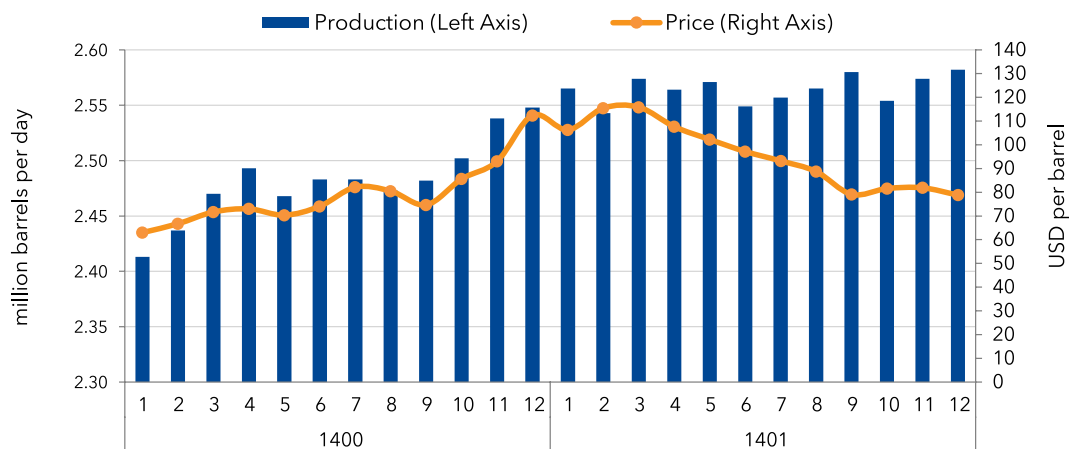
Due to the unusual conditions of the country's oil sector in recent years, no official statistics on oil exports were released to the public. Regarding oil production, the best available statistics are obtainable from the secondary sources in OPEC monthly reports. According to these data, production of crude oil in Iran, which was hovering around 3.8 mbpd in the first half of 2018, had been declining rapidly since the second half of this year, following the imposition of US sanctions. So, in the second half of 2020, it fell to about 1.9 mbpd, which is less than average oil exports of 2.3 million barrels in 1396 (approximately 2017). However, after the US elections, Iran's oil production began to increase and in March 2023 increased to 2.6 mbpd. Iran's oil production averaged 2.6 mbpd in 2022, which was 6.8 percent higher than its preceding year.

Iran's oil export statistics were generally considered confidential in recent years. Considering the domestic consumption of oil (nearly 2 mbpd), and also according to some international institutions such as International Monetary Fund, Iran's oil export in 2022 is estimated to average between 750 thousand and 950 thousand

barrels per day - about 15 percent more than that of 2021, although it is still far below that of 2018. Reuters news organization usually uses unofficial sources, such as data from the Energy Information and Tracking Company Kpler, to estimate Iran's oil export amount. Accordingly, Iran's daily oil exports plunged to about 140,000 barrels per day in February 2020, which is unprecedented even during the Iran-Iraq war. This situation continued for several months, especially due to the global pandemic of the Coronavirus, but after that, Iran's oil exports gradually increased to reach about 1.1 mbpd in December 2022. It reached the high of 1.5 mbpd in May 2023. China is the major oil exports destination of Iran, although a small part of Iran's oil (light crude oil) was exported to Venezuela in the last year.

Iran's heavy crude oil price which was USD68.5 per barrel in 01/1398 was fluctuating between USD61 to USD64 over the following nine months, dropped to USD29 in 12/1398. In the second week of March 2020 and in the wake of a widespread outbreak of the Coronavirus around the world, oil demand plummeted. Nevertheless, OPEC Plus decided not to reduce oil supply, so the market witnessed a sharp drop in prices, reaching around USD10 per barrel in some days. As a result, the average price of Iran's heavy crude oil reached USD17 per barrel in 01/1399. However, in the following months, Iran's heavy crude oil price rose gradually and after the Russian invasion of Ukraine, it reached new records. According to OPEC, the price of Iranian heavy oil in 2022 averaged USD99.9 per barrel, 43.2 percent more than its preceding year. However, it fell to USD78.8 per barrel in March 2023. Figure 1 illustrates the price and production of Iran's crude oil in 1400 and 1401.

Figure 1. Average Daily Crude Oil Production and Average Price of Iran's Heavy Crude Oil



Source: OPEC monthly reports, production level based on the secondary sources  
 Note: OPEC Statistics are based of Gregorian calendar years and their conversion into Persian calendar years are only approximate.

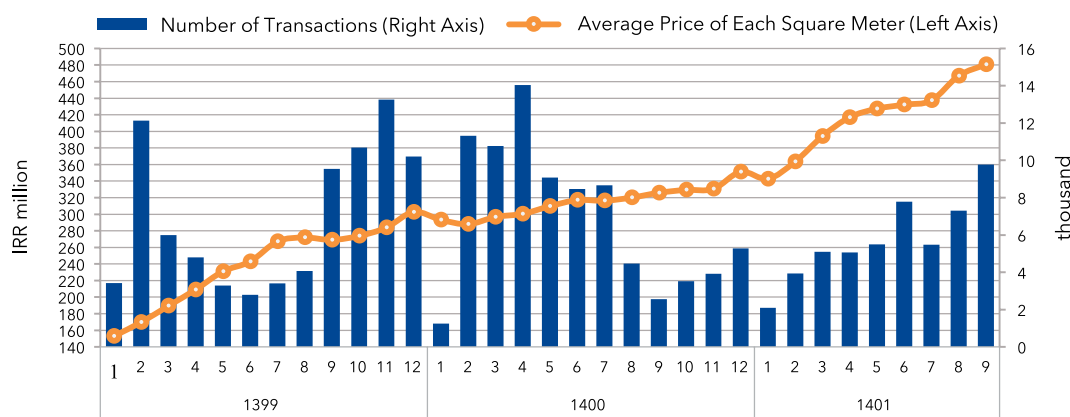
## 1-3. Housing

On the basis of the latest CBI statistics, price of a square meter of traded residential units in Tehran rose from IRR325.9 million in 09/1400 to IRR480.7 million in the same month of 1401, showing a 47.5 percent growth. This growth rate is far above the 21.1 percent point-to-point growth rate between 9/1400 and 9/1399. Among the 22 municipal zones in Tehran, the highest average price of a square meter of residential units registered IRR944.1

million in zone 1, while the lowest belonged to zone 18. In terms of number of transactions, 5,782 residential units were traded in Tehran during the first nine months of 1400 which escalated to 8,394 in the same period of 1401.

Figure 2 illustrates the monthly movement of housing prices and the number of transactions recorded in Tehran from 1399 to 1401.

Figure 2. Number of Housing Transactions and Average Monthly Price of a Square Meter of Residential Units in Tehran



Source: Central Bank of Iran, Tehran housing market report, various issues

Regarding the age of housing units, in the first nine months of 1401, 29.3 percent of the total traded residential units (75,548 units) were 5 years old and below. Moreover, the number of housing transactions with the age of over 20 years increased substantially during the period under review. Precisely speaking, it reached 15,659 residential units, recording 133.2 percent rise in comparison to the

corresponding figure in its last year. It is worth noting that the share of older buildings in the traded residential units went up in the first nine months of 1401 compared to the same period of its preceding year. Table 4 reveals the distribution of the number of residential units traded in the first nine months of the years 1400 and 1401.

Table 4. The distribution of the number of residential units traded in the 09/1400 and 09/1401

	1400	1399	1398	1397	1396
	1.1	7.3		2.7	4.3
	-0.4	14.4		8.5	9.1
	3.3	7.2		3.2	5.1
	3.1	5.9		4.3	4.9
	5.2	2.6		2.3	3.6
	-6.9	7.2		-1.1	0.8

Source: Central Bank of Iran, Tehran housing market report, various issues

## 1-4. Services

The services sector, as the largest sector of the economy (46.1 percent share in 1401), experienced 2.7 percent growth in terms of value-added at constant prices in 1401 compared to 1400. The growth rate of this sector was 6.5 percent in 1400. The value-added of this sector at constant prices in 1400 was 11.5 percent more than that of 1396, indicating 2.2 percent annual growth rate on average during this five-year period. It should be noted that this period coincided with the spread of the Corona virus, which had the greatest impact on the services sector. The four sub-sectors of "Education", "Public Administration and Defence; Compulsory Social Security",

"Administrative and Support Service Activities" and "Arts, Entertainment and Recreation" contracted by 11.6 percent, 11.1 percent, 10.7 percent and 1.8 percent, respectively, in 1401. The "Administrative and Support Service Activities" sub-sector has been continuously shrinking in the last six years. The growth rates of other sub-sectors were positive in 1401. The highest growth rate in 1401 belonged to the "Accommodation and Food Service Activities" sub-sector at 22.8 percent. This sub-sector also had experienced a 28.2 percent growth rate in 1400. Table 5 depicts the growth rates of services sub-sectors.

Table 5. Growth Rates of Services Sub-sectors at Constant 1395 Prices (percent)

	1400	1399	1398	1397	1396
Services	6.5	2.2	-0.6	-0.1	2.1
Wholesale & Retail Trade; Repair of Motor Vehicles/cycles	3.7	4.3	-2.7	-7.1	3.3
Transportation and Storage	6.9	-1.7	4.5	-1.4	6.1
Accommodation and Food Service Activities	28.2	-40.5	-15.2	-1.2	-9.1
Information and Communication	13.1	34.1	19.5	35.6	34.0
Financial and Insurance Activities	-2.4	8.3	4.4	3.0	13.0
Real Estate Activities	1.1	3.2	1.6	4.3	-0.4
Professional, Scientific and Technical Activities	15.8	-15.7	-29.8	-0.8	4.0
Administrative and Support Service Activities	-2.0	-3.5	-13.2	-11.9	-0.1
Public Administration and Defence; Compulsory Social Security	10.7	-2.0	-5.9	-6.3	3.4
Education	14.2	-6.3	0.7	11.5	-10.8
Human Health and Social Work Activities	15.4	-0.2	-4.4	-5.0	-8.7
Arts, Entertainment and Recreation	14.6	0.4	-9.7	8.0	-5.9

Source: CBI, National Accounts reports

## 2. LABOR MARKET

The SCI used the population aged 10 and above for calculating the primary labor market indices until 1398Q2 report, and from then on, the population aged 15 and above became the basis of the calculations. In 1401, Iran's labor market maintained the same economic participation rate of 40.9 percent as in 1400. Moreover, the 9.0 percent unemployment rate in 1401 indicated 0.2 percentage points fall compared to 1400. Even though the participation rate faced a considerable downward trend from 44.1 percent in 1398 to 40.9 percent in 1400, it levelled off at 40.9 percent in 1401. On the other hand, the downward trend of unemployment rate surprisingly continued in 1401 as it occurred throughout these years (1398-1401), in spite of the more unfavorable macroeconomic factors.

In 1401, despite the addition of 728 thousand people to the population aged 15 and over, the active population only rose by about 242 thousand people. The low participation rate has been a chronic issue in our economy over the last four decades, mainly due to extremely low participation rate of women. Out of a population of 31.9 million women aged 15 and over in Iran, only 4.3 million had the ability and tendency to work in 1401. However, 15.8 percent of this small population was unemployed, while the unemployment rate for men was 7.7 percent in 1401. Apart from structural weaknesses (cultural and educational), the opportunities in the labor market have not been adequate and receptive to women.

Moreover, the unemployment rate of the youth and university-educated population is also worrying. In 1401, about 1.6 million people aged 18 to 35 years were unable to find the job they were looking for, constituting 16.3 percent of the active population in this age group. The unemployment rate was 27.8 percent for women in this group. In addition, the unemployment rate among university-educated women reached 21.9 percent, while it stood at 12.9 percent among university-educated population. Consequently, the share of the unemployed with higher education in the total unemployed population

in 1401 reached 40.0 percent. The higher unemployment rate among the highly-educated population reveals that not only has not the tertiary education facilitated finding a job, but also it has not been commensurate with the capacity of the labor market. Thus, graduate and postgraduate programs, requiring a huge amount of funds to be allocated by government and households, have not yielded a positive return for a significant number of individuals, at least in terms of finding a suitable and well-paid job.

In 1401, nearly 23.7 million people over the age of 15 were employed in Iran, which is about 268 thousand more than that of 1400. Among this population, about 14.8 percent were employed in the agriculture sector, 33.6 percent in the industry sector and 51.6 percent in the services sector. However, part of this population was underemployed, meaning that for economic reasons such as the decrease in the level of production, they have worked less than 44 hours a week, while being able and willing to work more. In 1401, about 2.2 million people, equivalent to 9.5 percent of the employed population worked less than 44 hours a week, registering 0.7 percentage point drop compared to 1400. Table 6 compares the major statistics of the labor market in 1400 and 1401.

Table 6. Major Labor Market Indicators for the Population Aged 15 and Above

		Total	Male	Female
Economic Participation, Population Aged 15 and Over	Rate (percent)	40.9	68.7	13.3
	Number (million)	25.8	21.6	4.2
Employment, Population Aged 15 and Over	Ratio (percent)	37.2	63.3	11.1
	Number (million)	23.4	19.9	3.5
Unemployment, Population Aged 15 and Over	Rate (percent)	9.2	7.9	16.0
	Number (million)	2.4	1.7	0.7
Unemployment, Population Aged 18-35	Rate (percent)	16.5	13.8	28.3
	Number (million)	1.7	1.1	0.5
Unemployment, Highly-Educated Population	Rate (percent)	13.6	9.7	22.8
	Number (million)	1.0	0.5	0.5
Share of the Underemployed (percent)	(percent)	10.2	11.2	4.3

Source: Statistical Center of Iran, Summary Result of Labor Force Survey in 1401 and 1400

# 3. GOVERNMENT BUDGET

Government budget is one of the most important instruments of policymakers to implement economic policies. During budget bill preparation, trade-offs and priorities among various programs must be determined to ensure that the budget fits government policies and priorities. Due to the considerable size and dominant role of the government in Iranian economy, the annual Budget Law of government has a crucial role in economic performance. Regardless of the effects of budget revenues (such as tax) and expenditures (current and development) on main macroeconomic variables, the method of financing government budget deficit is really consequential.

## 3-1. Budget Bill and Law of 1401

The general budget was legislated at IRR15,273.7 trillion in 1401 Budget Law, indicating 11.2 percent rise compared to 1400 Budget Law. Moreover, the budget of state-owned companies, banks and profit institutions affiliated to the government rose by 42.0 percent compared to 1400

Budget Law, amounting to IRR22,314.1 trillion. Hence, the Total government budget in 1401 grew by 26.7 percent compared to 1400 Budget Law and stood at IRR36,532.0 trillion. Table 7 compares the Budget Laws of 1400 and 1401 and the Budget Bill of 1401.

Table 7. Main Subdivisions of 1401 Budget Law (IRR trillions- percent)

Description	1400 Law	1400 Bill	1399 Law	1400 Law to 1399 Law Growth Rate (percent)	1400 Law to 1399 Law Growth Rate (percent)
General Government Budget	28,823.4	24,357.1	20,267.0	18.3	42.2
General Budget	13,737.7	9,298.2	6,498.0	47.7	111.4
General Sources	12,779.2	8,413.4	5,710.0	51.9	123.8
Dedicated Revenues	958.5	884.8	788.0	8.3	21.6
Budget of State-owned Companies, Banks and Profit Institutions Affiliated to Government	15,713.2	15,619.6	14,363.0	0.6	9.4

Source: Government Budget Bill of 1400 and Government Budget Laws of 1400 and 1399

## 3-2. General Budget

The general budget consists of general sources and dedicated revenues. Dedicated revenues are gained by the public organizations and are spent in the same organizations. Oil, tax revenues and also the issuance of the government debt bonds (in recent years) play a significant role in financing general uses such as current and development expenditures and also the repayment

of Islamic Debt Securities. In the budget law of 1401, following the increase in global oil prices, oil revenues was estimated around IRR4,911.5 trillion, covering 35.2 percent of the general sources, indicating 7.9 percentage points rise compared to the Budget Law of 1400. Table 8 presents the general budget components in the Laws of 1400 and 1401 and in the Bill of 1401.

Table 8. General Budget Components in Laws of 1401 and 1400 and in Bill of 1401 (IRR trillions)

Sources	Bill	Law		1400 Law (second ceiling) to 1400 Bill Growth Rate (percent)	Uses	Bill	Law		1400 Law (second ceiling) to 1400 Bill Growth Rate (percent)
		The First Ceiling	The Second Ceiling				The First Ceiling	The First Ceiling	
Revenues (general)	3,176.0	4,449.0	4,549.0	43.2	Expenditures (current)	6,370.1	6,991.8	9,189.2	44.3
Tax	2,479.5	3,252.4	3,252.4	31.2	Compensation of Employees	2,086.3	-	2,035.1	-2.5
Proceeds of State-owned Properties	311.1	485.0	485.0	55.9	Use of Goods and Services	485.7	-	738.2	52.0
Proceeds of Sales of Goods and Services	145.6	148.1	148.1	1.3	Cost of Properties	0.1	-	0.1	-1.2
Proceeds of Crime and Damage Fines	83.2	108.2	108.2	30.0	Subsidies	47.3	-	307.6	550.6
Other	156.6	455.3	555.3	254.6	Grants	107.6	-	191.9	78.3
					Social Welfare	1,891.9	-	3,291.9	74.0
					Other	1,751.4	-	2,624.5	49.9
Operating Balance						-3,194.2	-2,542.8	-4,640.2	36.3
Disposal of Non-Financial Assets	2,252.7	2,252.7	3,955.5	75.6	Acquisition of Non-financial Assets (Development Expenditures)	1,040.3	1,460.0	1,762.6	69.4
Receipts from Crude Oil and Oil Products	1,992.7	1,992.7	3,492.7	75.3	Construction	796.7	-	1,297.2	62.8
Receipts from Sales or Disposal of Properties	250.0	250.0	452.8	81.1	Machinery and Equipment	146.9	-	369.3	151.6
Receipts from Disposal of Development Plans	10.0	10.0	10.0	0.0	Other Fixed Assets	2.7	-	2.7	0.8
						0.0	-	0.0	0.0
					Precious Items	0.0	-	0.0	0.0
					Land	5.4	-	5.7	4.6
					Other Non-produced Assets	88.6	-	87.5	-1.3
Net Disposal of Non-financial Assets						1,212.4	792.7	2,192.8	80.9
Disposal of Financial Assets	2,984.7	2,675.7	4,275.7	43.3	Acquisition of Financial Assets	1,003.0	927.4	1,827.4	82.2
Sales of Islamic Securities	1,250.0	1,325.0	1,325.0	6.0	Credit Related to Disposal of Stocks	36.8	35.8	35.8	-2.7
Use of Foreign Loans	0.5	0.5	0.5	0.0	Principal of Islamic Securities Repayment	806.1	701.5	701.5	-13.0
Receiving Loan Principals	12.2	12.2	12.2	0.0	Principal of Bank Loans Repayment	3.5	33.5	33.5	845.8
Disposal of State-owned Companies	950.0	959.0	2,559.0	169.4	Unpaid Obligations from Previous Years	5.1	5.1	905.1	17,786.6
Last Year Payments Return	16.0	16.0	16.0	0.0	Principal of Foreign Loans Repayment	151.5	151.5	151.5	0.0
Use of National Development Fund	755.0	362.0	362.0	-52.1					
Other	1.0	1.0	1.0	0.0					
Net Disposal of Financial Assets						1,981.7	1,748.3	2,448.3	23.5

Source: 1401 Budget Law and Budget Bill, Budget Law of 1400 and Research center of the Islamic Republic Parliament

In the proposed Budget Bill of 1401, share of tax revenues amounted to around 38.4 percent of the general sources and rose by 8.9 percentage points and 12.9 percentage points compared to the Budget Bill and Budget Law of 1400, respectively. In addition, in the budget bill of 1401, tax revenues rose by 62.0 percent compared to the Budget Law of 1400. Among the components of tax on legal entities in the Budget Bill of 1401, tax on private legal entities with 83.9 percent share in tax on legal entities rose by 145.8 percent compared to the Budget Law of 1400. However, the performance of tax on private legal entities realized 245.8 percent of approved figure in 1400. Therefore, tax on private legal entities in the Budget Bill of 1401 rose by only 10.0 percent compared to the performance of 1400 fiscal year. Moreover, in the Budget Bill of 1401, tax on public companies rose considerably (85.5 percent) compared to the Budget Law of 1400. Whereas, it increased by 22.8 percent in comparison with the performance of budget in 1400. Furthermore, in the Budget Bill of 1401, income tax of public and private sector employees (two subsets of income tax) grew by 19.8 percent and 39.3 percent compared to Budget Law of 1400, respectively. In the Budget Bill of 1401, revenues from tax on wealth fell by 19.6 percent compared to 1400 Budget Law due to the drop in the tax on transfer of shares (39.1 percent). In addition, imports taxes witnessed 42.4 percent growth compared to the Budget Law of 1400 since the official foreign exchange rate was replaced by the rate of the electronic trade system (ETS<sup>1</sup>). On the other hand, in 1401 Budget Bill, compensation of government employees' expenses accounted for 29.0 percent of total current expenditures and reached IRR2,794.5 trillion, indicating a 37.3 percent increase compared to the Budget Law of 1400. Apart from the compensation of workers, a considerable share of social welfare budget goes to retired employees, especially as aids to pension funds. The social welfare accounted for almost 34.1 percent of current expenditures in 1401 Budget Bill. In total, current expenditures with a share of 70.4 percent of general

uses grew by 5.0 percent in comparison with the 1400 Budget Law and the operating balance deficit reached IRR3,007.8 trillion. All in all, a significant portion of current expenditures were not covered by the general revenues.

In 1401 Budget Bill, the oil revenues rose by only 6.5 percent compared to the 1400 Budget Law. It is worth to note that the 1400 Budget Law was set in two ceilings. In fact, out of IRR12,779.2 trillion approved amounts of general sources, the government had been allowed to allocate IRR9,379 trillion and the remaining IRR3,400 trillion would be allocated from the second half of the year and only in proportion to the realization of the resources. Due to the allocation of IRR900 trillion of crude oil to government claimants in order to repay debts as well as adding IRR600 trillion of oil exports (in excess of oil exports in the first ceiling), oil revenues increased considerably in the second ceiling of the 1400 Budget Law (75.3 percent) compared to the 1400 Budget Bill. Thus, oil revenues in the 1401 Budget Bill rose by 86.6 percent compared to the first ceiling of the 1400 Budget Law. Also, it is specified that total oil revenues should be exchanged to IRR at ETS rate (IRR230,000 per USD), which means the government has not allocated some foreign currencies at preferential rates (IRR42,000 per USD for imports of essential goods). Moreover, the revenues from feedstock sales to petrochemical companies had been considered as an Article 14 sources in 1399 and 1400 Budget Laws, while has been transferred to general budget sources in 1401 Budget Bill. In addition, in 1401 Budget Bill, the sum of revenues from sales of feedstock is considered as a general budget source, while the government's share of this source is 85.5 percent and the rest belongs to the National Oil Company (14.5 percent). So, the government's share of 85.5 percent is estimated about IRR593.2 trillion, indicating a slight difference (about IRR100 trillion) in comparison with 1401 Budget Bill. Table 9 presents the implicit assumptions of calculating oil revenues in the 1401 Budget Bill.

1. Weighted average of free market and NIMA exchange rates

Table 9. Table 9- Forecasted Oil Revenues in 1401 Budget Bill and Law

Titles	Volume (Million Barrels per Day)	Oil and Conden- sates Price (USD per barrel)	Total Revenues (USD billion)	Shares of NDF (percent)	Shares of Oil and Gas Compa- nies (percent)	Government's Share (per- cent)	Government's Revenues (USD billion)	Government's Revenues (IRR trillion)
Exports of Oil and Gas condensates	2.3	40.0	33.6	38.0	14.5	47.5	16.0	-
Net Exports of Gas	-	-	2.9	38.0	14.5	47.5	1.4	-
Total	-	-	36.5	-	-	-	17.4	1,992.7
Exports of Oil and Gas condensates	2.3	40.0	33.6	38.0	14.5	47.5	16.0	-
Net Exports of Gas	-	-	2.9	38.0	14.5	47.5	1.4	-
Total	-	-	36.5	-	-	-	17.4	1,992.7

Source: 1400 budget bill and its implicit assumptions and IPRC

In addition, the NDF's share of oil revenues was determined to be 40.0 percent in the 1401 Budget Bill, in line with the Sixth Five-Year Development plan, however, the NDF's share of total oil revenues declined to 20 percent, and 20 percentage points of the Fund's share in the 1401 Budget Bill was planned to be borrowed by government. Thus, this 20-percentage point of NDF's share in oil revenues amounts to IRR1,373.6 trillion and is considered as NDF claims on government. So, the government's oil revenues including exports of oil and gas condensates, net exports of gas, the share of revenues from feedstock sales to petrochemical companies and borrowing from NDF will reach IRR5,091.7 trillion in 1401 Budget Bill (amounted to around 37.1 percent of the size of the general sources in the 1401 Budget Bill). Furthermore, in the disposal of non-financial assets, the figure of proceeds from disposal of unused government properties amounted to IRR260.0 trillion in the Budget Bill of 1401, registering 42.4 percent decline compared to 1400 Budget Bill. Even though, the ratio of performance relative to approved figure for this item was about 7.1 percent in 1400. Disappointing performance of disposal of properties during recent years shows the resistance of the government to transfer the public assets to private sector. This overestimation exacerbated the real budget deficit in 1401. To sum up, the sources from disposal of non-financial assets in the Budget Bill of 1401 amounted to IRR4,084.5 trillion, indicating 3.3 percent and 81.3 percent growth compared to 1400 Budget Law and Bill, respectively.

In the 1401 Budget Bill, acquisition of non-financial assets (development expenditures) grew by 42.9 percent compared to 1400 Budget Law, and amounted to 18.4 percent of total uses of 1401 Budget Bill. To conclude, the net disposal of non-financial assets was estimated at IRR1,566.3 trillion.

In 1401 Budget Bill, another portion of the operating balance deficit was planned to be covered via disposal of financial assets. In this regard, IRR880.0 trillion sale

of Islamic government debt securities were estimated, showing a 33.6 percent decline compared to 1400 Budget Law. Additionally, Islamic Treasury Bonds amounts to IRR360.0 trillion in the 1401 Budget Bill, registering 28.0 percent fall in comparison to 1400 Budget Law. In fact, in 1400, the issuance of Islamic Treasury Bonds amounted to IRR860.0 trillion so as to allocate to contractors for debt settlement. Furthermore, 20-percentage points of NDF's share in oil revenues amounts to IRR1,373.6 trillion and is considered as government debt to the NDF. Moreover, the estimated revenues from disposal of state-owned companies fell by 72.3 percent compared to Budget Law of 1400 and reached IRR710.0 trillion. Overall, disposal of financial assets in 1401 Budget Bill decreased by 30.0 percent compared to 1400 Budget Law, registering IRR2,991.5 trillion which constitutes 21.8 percent of total sources, registering 11.7 percentage points fall compared to 1400 Budget Law. On the other hand, due to the growing issuance of government debt securities during recent years, the principal of Islamic Debt Securities repayments in the category of acquisition of financial assets in 1401 Budget Bill rose by 82.9 percent compared to 1400 Budget Law, despite the fact that the acquisition of financial assets experienced a slight decrease (15.2 percent compared to 1400 Budget Law) and reached IRR1,550.0 trillion. Accordingly, the net disposal of financial assets recorded IRR1,441.5 trillion in the 1401 Budget Bill to cover a significant portion of current expenditures not covered by the general revenues.

The 1401 Budget Bill was received by Parliament on 09/1400, and after some amendments, was finally approved as 1401 Budget Law on the last day of 1400. The country's total government budget which consists of "state-owned companies' budget" and "general budget" has risen by only 0.6 percent in the Law compared to the Bill. The budget of state-owned companies has not changed in 1401 Budget Law compared to 1401 Budget Bill. Meanwhile, the general budget has increased by 1.5

percent and 11.2 percent in 1401 Budget Law compared to 1401 Budget Bill and 1400 Budget Law, respectively. Thus, general sources increased by 1.6 percent in 1401 Budget Law compared to 1401 Budget Bill. In addition, the general revenues as a main subset of general sources rose by 5.3 percent compared to 1401 Budget Bill, and reached IRR6,996.0 trillion. In this regard, tax revenues experienced a slight rise (6.6 percent) in 1401 Budget Law compared to 1401 Budget Bill. It should be noted that direct taxes such as tax on legal entities, income tax and wealth tax did not change compared to 1401 Budget Bill, whereas, indirect taxes rose by 12.4 percent. In the subsection of indirect taxes, imports taxes rose significantly by 37.9 percent, while tax on goods and services increased slightly by 2.7 percent compared to 1401 Budget Bill. On the other hand, in 1401 Budget Law, current expenditures with a share of 71.7 percent of general uses grew by 3.5 percent compared to 1401 Budget Bill, amounting to IRR9,990.1 trillion. So, the operating balance deficit reached IRR2,994.1 trillion in 1401 Budget Law, showing 0.5 percent decrease compared to 1401 Budget Bill.

Moreover, based on the changes in implicit assumptions such as the volume of oil exports and oil price, the oil revenues grew by 28.6 percent compared to 1401 Budget Bill, amounting to IRR4,911.5 trillion, accounting for 35.2 percent of general uses in the Budget Law of 1401. It is worth noting that, in 1401 Budget Law, total oil revenues have been exchanged at ETS rates, while some expenditures have been added in Article 14 (off-budget) to compensate for the difference between the ETS and official exchange rates (up to about USD9 billion) to ensure a steady supply of essential goods at subsidized prices over the year. Moreover, revenues from feedstock sales had been considered as Article 14 sources in 1399 and 1400 Budget Law, while has been transferred to

general budget sources in 1401 Budget Law (about IRR800 trillion) and the whole revenues from feedstock sales is considered as a general budget source, while the government's share of this source is 85.5 percent and the rest belongs to the National Oil Company (14.5 percent). So, the government's share of 85.5 percent is estimated about IRR692.1 trillion, indicating the slight difference (about IRR117 trillion) in comparison with 1401 Budget Law. Therefore, based on implicit assumptions, the oil revenues are calculated at IRR4,810.1 trillion, recording 29.4 percent increase compared to 1401 Budget Bill. On the other hand, the development expenditures increased by 3.3 percent compared to 1401 Budget Bill, registering IRR2,601.2 trillion. Accordingly, the net disposal of non-financial assets rose by 64.5 percent compared to 1401 Budget Bill, recording IRR2,576.3 trillion in the 1401 Budget Law.

In 1401 Budget Law, similar to recent years, the budget deficit is financed by disposal of financial assets and finally the budget gets balanced. So, the issuance of government debt securities increased by 17.0 percent compared to 1401 Budget Bill and stood at IRR1,030.0 trillion. Furthermore, due to the lack of the permission of the Supreme Leader, the borrowing from the National Development Fund which was considered IRR1,373.6 trillion in 1401 Budget Bill, was removed by parliament in 1401 Budget Law. Thus, the disposal of financial assets fell by 40.9 percent in comparison with 1401 Budget Bill, registering IRR1,767.9 trillion with a share of 12.7 percent in general uses in the Budget Law of 1401. Acquisition of financial assets decreased by 12.9 percent compared to 1401 Budget Bill and reached IRR1,350.0 trillion in 1401 Budget Law. All in all, the net disposal of financial assets fell to IRR417.8 trillion, registering 71 percent decrease compared to 1401 Budget Bill.

### 3-3. Government Fiscal Performance

At the time of preparing this report, the performance statistics of government budget for 1401 have not been published, hence what is cited in this report is based on unofficial sources. It is worth noting that such performance statistics like tax revenues (excluding import taxes) are normally published by the Iranian National Tax Administration and Weekly Auction Report of Government Debt Securities published by the CBI. Accordingly, in 1401, the general sources (uses) stood at IRR15,390.0 trillion; thus, the performance of general sources and general uses was 110.4 percent of approved figures for 1401.

The general revenues including tax revenues and other revenues reached IRR6,953.6 trillion (99.4 percent of approved figure) in 1401. So, given the IRR11,141.3 (111.5 percent of approved figure) trillion current expenditures, the deficit of operating balance stood at IRR4,187.8 trillion in 1401.

Moreover, in 1401 the disposal of non-financial assets rose by 105.1 percent compared to 1400, registering IRR4,193.7 trillion (81.0 percent of approved figure). The increase in the allocation of foreign currencies at NIMA rates instead of the official rates, along with the growth in

global oil prices, has been the main factor in increasing the government's oil revenues. On the other hand, the performance of IRR2,694.4 trillion in the acquisition of non-financial assets (development expenditures) in 1401 was about 103.6 percent of approved figure. Accordingly, the net disposal of non-financial assets experienced a surplus of IRR1,449.5 trillion in 1401, financing mainly current expenditures.

In 1401, similar to its preceding years, the budget deficit was financed through disposal of financial assets and finally the budget got balanced. Thus, the disposal of financial assets reached IRR4,250.0 trillion in 1401, registering about 240.4 percent of approved figure. In this regard, the issuance of government debt securities stood at IRR1,988.6 trillion in 1401 with a 193.1 percent of the approved figure. According to the Iranian Privatization Organization, the performance of disposal of state-owned companies recorded IRR329.9 trillion in 1401. Based on the available data (including whole disposal of financial assets, the issuance of government debt securities and the performance of disposal of state-owned companies), the

uses of resources such as using the resources of the NDF, Use of Foreign Loans and Receiving Loan Principals were estimated about IRR1,931 trillion. It is worth mentioning that according to the amendment of the 1401 Budget Law, the salaries of government employees and pensioners are supposed to be increased in the second half of the year. According to unofficial information, elimination of the ban on car imports and receipting related import taxes, reducing development expenditures and using the resources of the NDF are considered for its financing and also according to the head of the Planning and Budget Organization, it has been consented that the government withdraw from the share of the NDF in oil exports. Therefore, it is obvious that using the resources of the NDF takes up a substantial portion of IRR1,931 trillion. On the other hand, the performance of the acquisition of financial assets reached IRR1,561.7 trillion. To conclude, the net disposal of financial assets recorded about IRR2,688.3 trillion, registering 17.5 percent share in general sources in 1401. Table 10 indicates government fiscal performance in 1401.

Table 10. Government Fiscal Performance in 1401 (IRR trillion-percent)

	1400H1 Performance	1400H1 Approved	1400 Budget Law	Performance of 1400H1 (percentage of approved)	Share of subset in Gener- al Sources and Uses
Revenues	1,951.3	2,274.5	4,549.0	85.8	54.0
Tax Revenues	1,469.2	1,626.2	3,252.4	90.3	40.7
Other Revenues	482.2	648.3	1,296.6	74.4	13.4
Expenses (current)	3,245.9	4,594.6	9,189.2	70.6	78.2
Operating Balance	-1,294.6	-2,320.1	-4,640.2	-	-
Disposal of Non-financial Assets	265.4	1,977.7	3,955.5	13.4	7.3
Receipts from Crude Oil and Oil Products	258.6	1,746.4	3,492.7	14.8	7.2
Receipts from Sale of Movable and Immovable Assets and Receipts from Disposal of Projects Related to Acquisition of Non-financial Assets	6.8	231.4	462.8	2.9	0.2
Acquisition of Non-financial Assets (Development Expenditures)	666.4	881.3	1,762.6	75.6	16.1
Net Disposal of Non-financial Assets	-401.1	1,096.4	2,192.8	-	-
Disposal of Financial Assets	1,394.0	2,137.4	4,274.7	65.2	38.6
Sale of Islamic Debt Securities	1,140.0	662.5	1,325.0	172.1	31.6
Disposal of State-owned Companies	8.7	1,279.5	2,559.0	0.7	0.2
Principal of Loans Receipt and Use of Foreign Loans	6.4	6.4	12.7	100.0	0.2
Last Year's Payment Return	8.0	8.0	16.0	100.0	0.2
Use of National Development Fund	230.9	181.0	362.0	127.6	6.4
Acquisition of Financial Assets	237.8	913.7	1,827.4	26.0	5.7
Net Disposal of Financial Assets	1,156.2	1,223.7	2,447.3	-	-
Total Sources	3,610.7	6,389.6	12,779.2	56.5	100.0
Total Uses	4,150.1	6,389.6	12,779.2	65.0	100.0
Overall Balance (difference between total sources and total uses)	-539.4	0.0	0.0	-	-

Source: 1401 Budget Law and Bill; Ettela'at Newspaper; Research Center of Parliament; Fars News Agency; Iranian National Tax Administration; Research Calculations.

Tax revenues have been approved at IRR5,617.0 trillion in 1401 Budget Law, consisting of 56.3 percent indirect taxes (tax on goods and services and imports tax) and 43.7 percent direct taxes (legal entities tax, income tax and wealth tax). According to the Iranian National Tax Administration and the unofficial sources, government tax revenues stood at IRR5,313.6 trillion (94.6 percent of approved figure). Performance of direct taxes was 119.9 percent compared to the approved figure in 1401. In the sub-category of direct taxes, tax on legal entities experienced the highest performance (142.1 percent of approved figure), mainly due to performance of tax on private legal entities with 87.6 percent share in tax on legal entities. In contrast, tax on institutions affiliated to the supreme leader registered the lowest performance (38.0 percent of approved figure) in 1401. Revenues from wealth tax realized only 70.1 percent of approved figure, mainly due to the stagnation of the capital market and 59.8

percent performance of tax on shares transfer compared to the approved figure in 1401. Moreover, indirect taxes increased by 66.9 percent compared to 1400 and reached IRR2,372.6 trillion in 1401 (75.0 percent of approved figure), out of which 74.9 percent was tax on goods and services and 25.1 percent was imports tax. Tax on goods and services with a significant share of 33.4 percent in the total tax revenues in 1401 increased by 51.7 percent compared to 1400 and reached IRR1,776.6 trillion (84.9 percent of approved figure), mainly due to the 86.1 percent performance of value-added tax (compared to the approved figure) with 68.6 percent share in tax on goods and services in 1401. On the other hand, thanks to the increase in the foreign exchange rates, the imports tax rose by 138.1 percent in 1401, although it realized only 55.6 percent of approved figure. Table 11 indicates the details of government tax revenues.

Table 11. Performance of Tax Revenues (IRR trillion-percent)

	Performance in the First Eleven Months of 1400	Approved for the First Eleven Months of 1400	1400 Budget Law	Performance in the First Eleven Months of 1400 (percentage of approved)	Share in Total Tax Revenues in the First Eleven Months of 1400
Tax Revenues	3,109.1	2,981.4	3,252.4	104.3	100.0
Direct Tax	1,678.8	1,353.8	1,476.9	124.0	54.0
Legal Entities	1,024.6	542.8	592.1	188.8	33.0
On Income	531.3	497.3	542.5	106.8	17.1
On Wealth	122.8	313.8	342.3	39.1	4.0
Indirect Tax	811.0	922.1	1,229.5	88.0	37.3
On Goods and Services	1,430.3	1,627.5	1,775.0	87.9	46.0
Import Tax	332.8	500.5	546.0	66.5	10.7

Source: 1401 Budget Law; Fars News Agency; Iranian National Tax Administration

In the Budget Law of 1401, the issuance of government debt securities decreased by 22.3 percent compared to the Budget Law of 1400 and stood at IRR1,030.0 trillion. The CBI, in cooperation with the Ministry of Economic Affairs and Finance, held weekly auctions of Islamic government debt bonds in the interbank market (money market) and the capital market from 03/1401 to the end of 12/1401 in 43 rounds. So, the CBI (as the government agent) supplied about IRR3,626.4 trillion Government Murabaha Sukuk until the end of 12/1401, while faced with insignificant demand from the banks and non-bank credit institutions (only IRR337.7 trillion). However, the Ministry of Economic

Affairs and Finance, as the decision-maker, agreed to sell IRR255.3 trillion. Furthermore, IRR775.4 trillion worth of government debt securities were purchased in the process of auctions in the capital market during the period under review. Accordingly, the total government debt securities sold in both markets (money market and capital market) in the process of auctions registered IRR1,030.7 trillion in 1401, 27.9 percent above that of 1400 (IRR806.0 trillion). Table 12 illustrates the details on the auctions of government debt securities held by the CBI during 1400 and 1401.

Table 12. Government Debt Securities Auctions held by the CBI (IRR trillion-percent)

Month	1400				1399				Growth Rate of Traded in Money Market	Growth Rate of Traded in Money Market
	Supply	Demand	Traded in Money Market	Traded in Capital Market	Supply	Demand	Traded in Money Market	Traded in Capital Market		
03	936.5	17.5	16.1	9.9	219.0	632.3	109.0	0.0	-85.3	-
04	844.1	21.5	21.5	2.1	414.0	477.6	249.6	65.6	-91.4	-96.8
05	722.1	36.3	36.3	76.5	291.0	140.6	46.5	101.0	-22.0	-24.3
06	621.9	63.1	63.1	207.0	221.0	88.5	56.7	69.6	11.4	197.4
07	0.0	0.0	0.0	0.0	323.0	11.8	11.0	6.4	-	-
08	100.0	9.2	9.2	66.1	225.0	52.4	16.8	0.7	-45.3	-
09	324.5	25.6	25.6	66.0	273.6	46.4	45.4	65.4	-43.7	0.9
10	278.4	20.6	19.6	41.9	443.0	46.9	46.8	96.5	-58.2	-56.6
11	249.8	5.7	5.7	88.9	298.8	29.0	29.0	74.7	-80.3	19.0
12	301.6	36.2	36.2	114.4	771.6	63.6	60.2	106.2	-39.9	7.7
Total	4,378.9	235.6	233.2	672.8	3,480.6	1,589.1	671.0	586.1	-65.2	14.8

Source: Central Bank of Iran, weekly reports of government debt securities auctions

Apart from the auction process, the government issues debt securities in two other ways: 1) Underwriting with underwriter in capital market and 2) Giving Islamic treasury bonds to contractors for debt settlement.

In 1401, IRR165.0 trillion of Government Murabaha Sukuk were sold through underwriting. Given the auction process, the total issuance of Government Murabaha Sukuk in 1401 was IRR1,195.6 trillion (32.0 percent more than that in the preceding year).

Meanwhile, the issuance of Islamic treasury bonds amounted to IRR910.0 trillion in 1401, recording 4.5 percent increase compared to 1400.

Consequently, the total issuance of government debt bonds in 1401 was IRR2,105.7 trillion, and since these bonds are sold below their face value, only IRR1,988.6 trillion of the budget deficit was financed in this way.

Additionally, based on Iran Fara Bourse (OTC market) reports, net cumulative purchase of government debt securities by CBI and investment funds (in the primary and secondary markets) stood at IRR920.4 trillion and

IRR1,241.2 trillion, respectively, from the second half of 05/1400 to the end of 12/1401. It should be noted that the purchase of government bonds by the CBI is prohibited in the primary market and the figure for the CBI is only related to the secondary market. Meanwhile, the net cumulative purchase of government debt securities by banks was about negative IRR556.3 trillion from the second half of 05/1400 to the end of 12/1400, while it turned into positive IRR1,213.6 trillion during 1401. So, net cumulative purchase of government debt securities by banks stood at IRR657.4 trillion from the second half of 05/1400 to the end of 12/1401.

To sum up, it is worth mentioning that the chronic budget deficit roots in inappropriate budgeting in Iran. Accordingly, the NDF and the banking system were among the main sources of financing that deficit. Precisely speaking, lack of fiscal discipline has deviated the NDF from its main goal on the one hand, and on the other hand has intensified the banking system imbalances which has ended up in higher rates of inflation.

### 3-4. Privatization

Iranian Privatization Organization started the disposal of state-owned companies from 1380, and at the end of 1401, out of all privatized companies about 47.7 percent was privatized through Tehran Stock Exchange (TSE), 5.2 percent through Over-The-Counter (OTC) market, 47.1 percent through auction, and 0.03 percent through negotiations. Also, 52.7 percent of the companies were disposed in exchange of settlement of government debts to its creditors, indicating that this part of the privatization has not taken place through the market. In this period,

the "Justice" shares accounted for 4.2 percent of the total privatization. Table 13 exhibits the performance of the Iranian Privatization Organization by various disposal types from 1380-1401 at current prices. The inappropriate way of direct transfer for debt settlements was terminated and no company was disposed through this way from 1396 to 1398. However, during 1399, 1400 and 1401, about 61.5 percent, 100.0 percent and 50.9 percent of privatization has been done in this way, respectively.

Table 13. Performance of the Iranian Privatization Organization by Various Types (at current prices-IRR trillion)

	1400	1399	1398	1397	1396	1395	1394	1380-1393
Sales of shares or assets to the public	0.0	471.8	32.2	38.9	19.4	30.2	30.1	791.2
Settlement of Debt (Direct Transfer)	823.9	753.6	0.0	0.0	0.0	19.0	1.2	289.2
Justice Shares (Direct Transfer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	266.4
Total Sales Value	823.9	1,225.3	32.2	38.9	19.4	49.2	31.2	1,346.8
Percent of Total Disposals	23.1	44.7	2.1	2.6	1.3	3.2	2.1	88.7

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)

Unfortunately, the report of performance statistics on the value of shares and assets disposal of companies ready for being disposed at constant prices has not been published in recent years, but at constant 1395 prices it is estimated that 9.6 percent of the total privatization has been materialized in 1401. Table 14 exhibits the performance of

the Iranian Privatization Organization by various disposal types from 1380-1401 at 1395 constant 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 14. Performance of the Iranian Privatization Organization by Various Types (at 1395 constant prices-IRR trillion)

	1400	1399	1398	1397	1396	1395	1394	1380-1393
Sales of shares or assets to the public	0.0	471.8	32.2	38.9	19.4	30.2	30.1	791.2
Settlement of Debt (Direct Transfer)	823.9	753.6	0.0	0.0	0.0	19.0	1.2	289.2
Justice Shares (Direct Transfer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	266.4
Total Sales Value	823.9	1,225.3	32.2	38.9	19.4	49.2	31.2	1,346.8
Percent of Total Disposals	23.1	44.7	2.1	2.6	1.3	3.2	2.1	88.7

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

In 1401, the government carried out 49.1 percent of the disposals through the TSE and 50.9 percent through auction. No disposal took place through OTC or negotiation during the time span under review. Tables 15

and 16 illustrate performance of the Iranian Privatization Organization by market type at current prices and also at 1395 constant prices, respectively.

Table 15. Privatization by Market Type (at current prices-IRR trillion)

	1400	1399	1398	1397	1396	1395	1394	1380-1393	Share in Total Privatization (percent) in 1399
TSE	0.0	754.0	2.3	0.1	1.1	5.3	20.9	764.6	0.0
OTC	0.0	13.8	29.9	0.2	0.0	0.5	3.0	178.3	0.0
Negotiation	0.0	0.0	0.0	0.2	0.0	0.0	0.0	3.0	0.0
Auction	823.9	401.9	0.0	38.4	18.3	43.4	7.4	400.9	100.0
Total Sales Value	823.9	1,225.3	32.3	38.9	19.4	49.2	31.2	1,346.8	100.0

Source: Iranian Privatization Organization, disposition statistics

Table 16. Privatization by Market Type (at 1395 constant prices-IRR trillion)

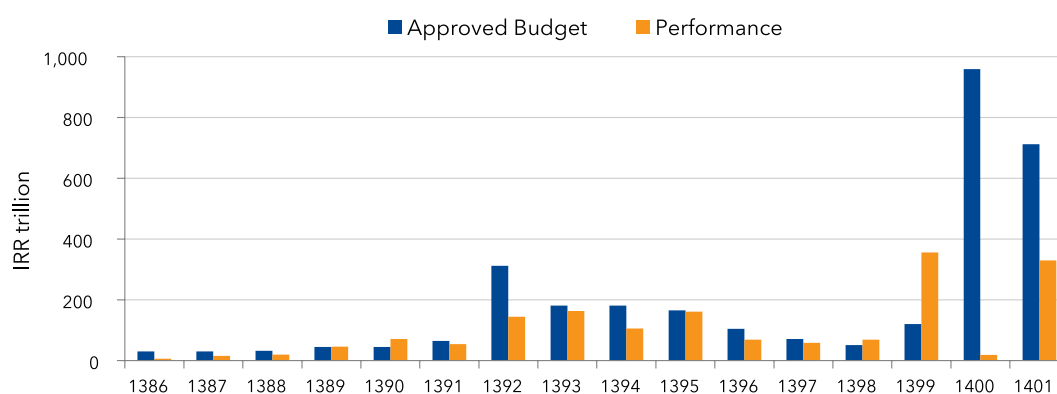
	1400	1399	1398	1397	1396	1395	1394	1380-1393	Share in Total Privatization (percent) in 1399
TSE	0.0	754.0	2.3	0.1	1.1	5.3	20.9	764.6	0.0
OTC	0.0	13.8	29.9	0.2	0.0	0.5	3.0	178.3	0.0
Negotiation	0.0	0.0	0.0	0.2	0.0	0.0	0.0	3.0	0.0
Auction	823.9	401.9	0.0	38.4	18.3	43.4	7.4	400.9	100.0
Total Sales Value	823.9	1,225.3	32.3	38.9	19.4	49.2	31.2	1,346.8	100.0

Source: Iranian Privatization Organization, disposition statistics; SCI, consumer price index; Research calculations

According to the Iranian Privatization Organization report, the total amount of IRR329.9 trillion of privatization revenues was deposited with the treasury or spent as debt settlements, indicating about 1695.0 percent rise compared to 1400. Out of that, IRR329.7 trillion was

deposited in the public revenues account of the treasury and the rest belonged to the special accounts of the treasury. Figure 3 exhibits the privatization revenues deposited in the public revenues account compared to the legislated levels.

Figure 3. Performance of Legislated Levels on Disposal of Shares and Assets of Companies Qualified for Being Disposed



Source: Iranian Privatization Organization, Achieving the Budget Objectives of the Disposal of Shares and Companies by the IPO

## 3-5. National Development Fund

The National Development Fund (NDF) was established in 1387, aiming to allocating a portion of revenues from oil, gas, natural gas condensates, and oil products to sustainable and productive investments and also preserving part of it for future generations. Hence, the share of the NDF in oil revenues was determined 20 percent in the Budget Law of 1389. Any use of the NDF funds by the government as well as exchanging its foreign exchange funds to IRR are strictly prohibited in the Fund's articles of association, but the government violated that again in 1401 Budget Bill, receiving a portion of the fund's foreign reserves and exchanging them to IRR. Although the NDF's share in oil revenues was determined to be 40.0 percent in 1401 Budget Bill, in line with the Sixth Five-Year Development plan, the NDF's share in total oil revenues declined to 20 percent, and 20 percentage points of the Fund's share in 1401 Budget Bill was planned to be borrowed by the government. This 20-percentage point of NDF's share in oil revenues amounts to IRR1,373.6 trillion and is considered as government debt to the NDF.

However, in 1401 Budget Law and in accordance with the command of the Supreme Leader, borrowing from the National Development Fund in 1401 Budget Bill, was removed by parliament in 1401 Budget Law. According to the amendment of 1401 Budget Law, the salaries of government employees and pensioners are supposed to be increased in the second half of 1401 and also according to the head of the Planning and Budget Organization, it has been agreed with the government to withdraw from the share of the NDF in oil exports, albeit by the approval of supreme leader.

According to the report on IRR and foreign exchange denominated facilities extended from the resources of the NDF over a year from 05/1400 to 05/1401, the share of banks (through agency contracts with banks) was approved about USD3.1 billion and the contracts has been signed with 9 banks. Furthermore, during this period, USD500 million has been allocated as "credit facilities for purchasing" in order to provide credit facilities

to companies and industries for the purchase of goods and equipment. According to the annual budget laws and other laws, the NDF has also allocated facilities in IRR. In this regard, over the year till the end of 05/1401, the fund has deposited IRR121 trillion in 20 agent banks. Moreover, about IRR40.0 trillion as an agreement has been signed with Deputy of Science and Technology of presidency and also Ministry of Cultural Heritage, Handicrafts and Tourism.

In addition, during this period, USD5 billion has been allocated so as to ensure a steady supply of essential goods at subsidized prices over the year. In order to stabilize the capital market USD200 million has been deposited into Market Stabilization Fund. It is worth mentioning that, during this period, the NDF has been able to collect USD2 billion of its outstanding claims.

Moreover, some of the resources of the NDF over the period under review were allocated in order to stimulate economic growth. About 63.9 percent (IRR78 trillion) of it allotting to the Industry and Mining sector. The water and agriculture sector took the second place with a share of 24.4 percent (about IRR30 trillion). Finally, about IRR9 trillion and IRR6 trillion of credits was allocated to Tourism and Transformation and Supplementary Industry sectors, respectively.

Based on the latest report of Sovereign Wealth Fund Institute in 2023, Iran's NDF ranked 17th out of 100 sovereign wealth funds throughout the world, bearing USD100 billion of assets. The amount of assets managed by Iran's NDF rose by 7.9 percent compared to last year.

### 3-6. The Subsidies Reform Plan

In the 1401 Budget Law, for five consecutive years, the total uses and sources of subsidy reform plan had been elaborated in a single table, while prior to that, only the sources and uses of the Organization of Targeted Subsidies had been mentioned. In fact, value added tax (VAT), the costs of distribution and sale of energy carriers and the cost of imports of oil products and electricity are subtracted from revenues of selling oil products, natural

gas, electricity and water and the residual transfers to the Organization of Targeted Subsidies account. The organization uses these resources to pay cash and non-cash subsidies to households, alleviate extreme poverty, improve healthcare sector and allocate subsidies for bread and guaranteed purchase of wheat. Table 17 exhibits the targeted subsidies plan sources and uses in 1401 Budget Law.

Table 17. Targeted Subsidies Plan Sources and Uses in 1401 Budget Law (IRR trillion)

Sources			Uses			
Description	Amount	Growth Rate to 1399 (percent)	Description	Amount	Growth Rate to 1399 (percent)	
Proceeds from Domestic Sale of Oil Products	770.0	-0.1	VAT on Oil Products	91.6	-9.2	
Proceeds from Export of Oil Products	1,402.3	57.9	VAT on Natural Gas	28.0	18.2	
Proceeds from Domestic Sale of Natural Gas	401.0	27.8	Treasury and Other Sectors	CNG Stations	3.7	5.0
Proceeds from Sale of Natural Gas Condensates to Domestic Petrochemical Companies	323.0	24.3		Reimbursement of Commitments of Gas Projects and Energy Consumption Optimization	100.0	25.0
Proceeds from government's Claim from Petrochemical Companies for Natural Gas Condensates of the past years	163.5	-	National Iranian Oil Refining and Distribution Company	Cost of Transmission and Distribution for oil products	140.4	34.3
Proceeds from Domestic Sale and Export of Ethane, Propane, LPG and Sulfur	70.0	-		Charges for Development, Maintenance and Modernization of Energy Transmission Pipelines and Warehouses for Oil Products	20.0	0.0
Proceeds from Increasing the Price of Domestic Sale of LPG	15.0	-	National Iranian Oil Company	14.5 Percent Share of National Iranian Oil Company from Petrochemical Companies Gas Condensate Feed	46.8	24.3
Others	200.0	-		14.5 Percent Share of National Iranian Oil Company from Oil products	200.0	9.5
			National Iranian Gas Company	Cost of Production, Distribution and Sale of Natural Gas	152.1	18.5
				Subsidy for Purchasing LPG (households living in areas without natural gas pipelines)	5.0	-
				Charges for Development of Infrastructures (using LPG in transport fleets)	10.0	-
			A- Total		797.6	12.0
				Paying Cash and Non-cash Subsidies to Households	428.0	0.0
				Livelihood Support	310.0	0.0
				Alleviating Extreme Poverty	164.7	5.9
				Improving Healthcare Sector	52.0	0.0
				Other Objectives of the Targeted Subsidies Law and the Sixth Development Plan	60.0	61.8
				Bread and Guaranteed Purchase of Wheat Subsidies	220.0	81.8
			Uses of Organization of Targeted Subsidies	Imam Khomeini Relief Committee (payment of pensions and other support services)	115.0	-
				Islamic Seminaries' Services Center	19.6	-
				Paper Subsidy	2.5	-
				Ministry of Health	250.0	-
				The Welfare Organization (payment of pension and other support services of the clients)	75.0	-
				Foundation of Martyrs and Veterans Affairs (supplementary insurance for veterans' treatment (	51.2	-
				Social Activities and Cultural Improvement	13.0	-
				Feeding Prisoners	5.0	-
				Hekmat Plan	2.0	-
			B- Total Uses of Organization of Targeted Subsidies		1,768.1	44.5
			C- Supporting Employment and Production		440.0	-
			D- General Budget Uses		339.3	16.0
Total Sources	3,345.0	78.1	Total Uses	3,345.0	49.8	

Source: Budget Laws of 1400 and 1401

In the 1401 Budget Law, the sources of Targeted Subsidies Plan were estimated IRR6,365.1 trillion and rose by 90.3 compared to its preceding year. Among the various sources of this article, proceeds from domestic sale and exports of oil products recorded a growth rate of negative 0.5 percent and 85.5 percent, respectively, compared to the Budget Law of 1400. However, new source titled "Proceeds from Increasing the Price of Export of Oil Products" was added to sources of targeted subsidies, which was estimated at IRR606.0 trillion, equivalent to 9.5 percent of the total sources of targeted subsidies in 1401 Budget Law. Hence, sources gaining from the exports of oil products would reach IRR3,208.0 trillion, registering 128.8 percent increase compared to 1400 Budget Law. Furthermore, the revenues from sale of domestic sale of natural gas recorded IRR851.0 trillion, growing by 112.2 percent in comparison to 1400 Budget Law. On the other hand, the revenues from sale of gas condensates (feedstock) to petrochemical companies which had been considered as a source of Article 14 in 1399 and 1400, has been transferred to a general budget source in 1401 and have been removed from sources of the Targeted Subsidies Plan in 1401 Budget Law. It should be noted that revenues from sale of electricity and water have been eliminated from sources and uses of the Targeted Subsidies Plan in 1401 Budget Law.

On the other hand, the uses of Targeted Subsidies Law were divided into two categories, named uses of targeted subsidies and "others". This category includes payments to subsectors of treasury and other sectors, National Iranian Oil Refining and Distribution Company, National Iranian Oil Company, National Iranian Gas Company, spending for supporting production in energy sector, and other. The uses of targeted subsidies and "others" grew by 87.0 percent and 100.8 percent compared to the 1400 Budget Law, respectively. In addition, due to the decrease in the share of uses of targeted subsidies from 76.2 percent to 74.8 percent during 1400-1401, the share of "others" category rose by about 1.4 percentage points. It should be noted that households' cash and non-cash subsidies and the livelihood support remained stable at IRR738.0 trillion in 1401 Budget Law, equivalent to 15.5 percent of the total uses of targeted subsidies and also 11.6 percent of the uses of Targeted Subsidies Law in 1401 Budget Law. It is noteworthy that, in 1401 Budget Law, some expenditures have been added in Article 14 (off-budget) to compensate for the difference between the ETS and official exchange rates (up to about USD9 billion) to ensure a steady supply of essential goods at subsidized prices over the year, estimating about IRR1,610.0 trillion with a share of 33.8 percent in the total uses of targeted subsidies and equivalent to 25.3 percent of the uses of Targeted Subsidies Law in 1401 Budget Law.

## 4. BALANCE OF PAYMENTS

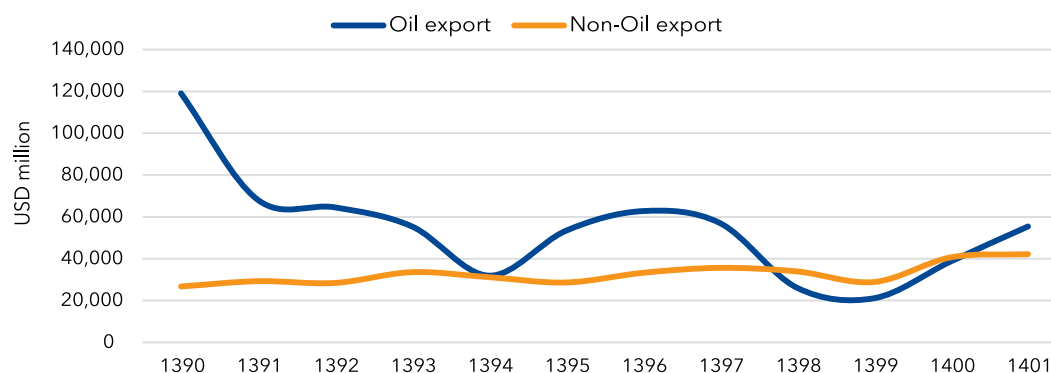
The balance of payments that is the sum of current account, net capital account, and errors and omissions has registered USD4.0 billion in 1401, above the USD895 million in 1400. The current account with 29.5 percent growth has reached USD14.4 billion in 1401 from USD11.1 billion in its preceding year. The capital account<sup>1</sup> on the other hand worsened and by 56.5 percent change, registered negative USD14.6 billion in 1401 from negative USD9.3 billion in 1400. The simultaneous rise in the current account surplus and capital account deficit to some extent roots in the fact that the proceeds from exports are not receivable due to international sanctions. Besides, the capital flight in its true sense (intendedly and not necessarily as a result of sanctions limitations) has been likely to deepen in 1401. The errors and omission in the same year experienced a considerable change and from negative USD915 million in 1400, reached USD4.2 billion in 1401.

The current account is composed of goods account, services account, income account, and current- transfers account. Goods account that reflexes the net exports of goods, jumped from USD3.2 trillion in 1399 to USD15.8 trillion in 1400 and eventually to USD22.5 trillion in 1401. All in all, the total value of goods traded (sum of the value of imports and exports), in 1401 was 41.8 percent above that of 1400, however, as exports grew much more than imports in 1401, the current account has considerably risen. In addition, oil exports in 1401 escalated by 43.1 percent and reached USD55.4 billion from USD38.7 billion in its preceding year. From 1390 to 1394, Iran's oil revenues were extremely affected and from USD119.1 billion in 1390 slumped to USD31.8 billion in 1394. In the aftermath of the JCPOA, the downward trend of oil exports reversed course and after 3 years reached USD57.0 billion in 1397. After the US unilateral withdrawal from the JCPOA in 1397 and imposition of sanctions, value of oil exports dropped to USD21.0 billion in 1399. It is worth to

mention that COVID-19 pandemic and the severe fall in oil prices has been among the main drivers of the drop in value of Iran's oil revenues in 1399. Contrary to 1399, in 1400 and 1401, Iran's oil exports rose significantly and from USD21.0 billion in 1399 soared to USD55.4 billion in 1401. Lifting COVID-19 limitations, Ukraine war effect on global oil prices and negligence of USA new government in implementation of sanctions could be considered as the drivers of the rise in value of Iran's oil exports in 1400 and 1401.

Non-oil exports have not been volatile between 1390-1401 and have followed an upward trend on average. It grew by 3.7 percent and from USD40.7 billion in 1400 rose to USD42.2 billion in 1401. The rise in commodity prices following the Ukraine war has played a significant role in value of Iran's non-oil exports in 1401. Figure 4 exhibits value of oil exports and non-oil exports of Iran between 1390-1401.

Figure 4. value of oil exports and non-oil exports between 1390-1401



Source: Central Bank of Iran, Selected Economic Indicators

1. Capital transfers such as foreign debt relief, investment aids, capital transfers of immigrants, non-tangible assets transactions, buy/sell of land for embassies or other agencies abroad, foreign direct investment, investment in financial portfolio or other types of investments

In 1401, Iran's goods imports valued USD75.2 billion, indicating an 18.2 percent growth from 1400. On the other side, oil and gas<sup>1</sup> imports in 1401 was only USD400 thousand and non-oil products constituted most of the USD75.2 billion of goods imports. Accordingly non-oil trade balance deficit grew by 44.0 percent to reach USD32.9 in 1401. Similarly, services account deficit in

1401 climbed to USD6.7 billion from USD5.4 billion in 1400, indicating 24.8 percent growth. Also, income account<sup>2</sup> deficit doubled and rose to USD1.1 billion in 1401. Surprisingly, the USD1.2 billion surplus in current transfers account<sup>3</sup> in 1400 turned to USD298 million deficit in 1401. Table 18 demonstrates components of balance of payments.

Table 18. Components of Balance of Payments (USD millions)

	1400	1399	Percentage Change
Current Account	11,088	-708	-
Goods Account	15,760	3,236	387.0
Exports (f.o.b.)	79,373	49,848	59.2
Oil Exports	38,723	21,043	84.0
Non-Oil Exports	40,651	28,805	41.1
Imports (f.o.b.)	63,613	46,612	36.5
Gas and Oil Products	0.2	0.1	141.7
Other Goods	63,613	46,612	36.5
Services Account	-5,359	-3,999	34.0
Income Account	-466	-599	-22.3
Current Transfers Account	1,153	655	76.2
Net Capital Account	-12,182	-6,318	92.8
Errors and Omissions	1,990	4,385	-54.6
Overall Balance	895	-2,641	-

Source: Central Bank of Iran, Selected Economic Indicators

## 4-1. Exports and Imports of Goods

According to customs report shown in Table 19, Iran's customs exports in 1401 rose by 9.6 percent in value and fell by 0.3 percent in weight compared to 1400. On the other hand, each ton of exported goods that valued

USD396 on average in 1400, climbed to USD435 per ton in 1401. This could be originated in rise in global prices of commodities due to Ukraine War to some extent.

Table 19. Customs Trade Statistics\*

	1400		1399		Percentage Change	
	Weight (1000 tons)	Value (USD millions)	Weight (1000 tons)	Value (USD millions)	Weight	Value
Exports	41,199	53,013	33,726	38,885	22.2	36.3
Imports	122,775	48,619	113,056	34,820	8.6	39.6
Non-oil trade balance	81,576	-4,394	79,330	-4,065	2.8	8.1

Source: Islamic Republic of Iran Customs Administration, Preliminary Statistics in 1401

\*Excluding oil and suitcase trade

1. Including imports of customs and non-customs oil products, natural gas, gas condensates and liquids
2. Mostly including compensation of labor services and revenues and costs of investments
3. Including government transfers, tax income on workers working abroad, gifts granted to non-residents, and fees on insurance contracts excluding life insurance

In terms of exports value, China (USD14.6 billion with 24.7 percent share in total exports), Iraq (USD10.2 billion with 19.3 percent share in total exports), Turkey (USD7.5 billion with 14.0 percent share in total exports), United Arab Emirates (USD5.8 billion with 10.8 percent share in total exports), and India (USD2.1 billion with 4.0 percent share in total exports) were the main destinations of

Iranian goods. These five countries constitute 75.5 percent of the total exports of Iranian goods. Iran's main exports destinations are shown in Table 20. Exports of goods in 1401 to Indonesia, Afghanistan, and China has dropped respectively by 21.7, 10.9 and 0.1 percent but has risen to Oman, Russia, United Arab Emirates, and Turkey by 51.8, 28.6, 27.7 and 22.6 percent.

Table 20. Exports Value, Share in Total Exports and Iran's Value of Exports to Main Destinations in 1401\*

	1400	1399	Percentage Change
	11,088	-708	-
	15,760	3,236	387.0

Source: Islamic Republic of Iran Customs Administration, Preliminary Statistics in 1401  
\*Excluding oil and suitcase trade

In 1401, imports of goods has experienced 12.6 percent rise in value and 9.7 percent fall in weight compared to its preceding year. United Arab Emirates (USD18.4 billion and 30.8 percent share in total), China (USD15.7 billion and 26.4 percent share in total), Turkey (USD6.1 billion and 10.2 percent share in total), India (USD2.8 billion and 4.8 percent share in total) and Germany (USD2.0 billion and 3.4 percent share in total) were the main sources of goods imports by value. These five countries accounted for 75.6 percent of the goods imports to Iran in 1401. It is noteworthy

that as the imports of automobiles were prohibited from 1397 onwards, South Korea lost its place among the top five sources of Iran's imports. In Table 21, the imports of goods from Switzerland, Russia, Netherlands, and United Kingdom have dropped by 21.5, 5.3, 1.9 and 1.5 percent, respectively, in 1401 from its preceding year. On the other hand, in 1401 the imports value from Pakistan, India, China, Turkey, United Arab Emirates, and Germany respectively rose by 170.1, 80.0, 23.6, 15.2, 11.3 and 4.9 percent from 1400.

Table 21. Imports Value, Share in Total Imports and Iran's Value of Imports from Main Sources in 1401\*

	1400	1399	Percentage Change
	11,088	-708	-
	15,760	3,236	387.0

Source: Islamic Republic of Iran Customs Administration, Preliminary Statistics in 1401  
\*Excluding oil and suitcase trade

# 5. FOREIGN EXCHANGE MARKET

The USD/IRR exchange rate in the free market opened 1401 at 262.3 thousand and continuously rose to 330.0 thousand by mid-03/1401. The rate then, slightly decreased and reached 296.1 thousand on 03/06/1401, but again reversed course and registered 380.0 thousand on 23/09/1401. Following these fluctuations, CBI appointed a new foreign exchange deputy, however, the USD/IRR exchange rate followed its upward trend and reached 420.0 thousand on 08/10/1401. In that point of time, the new CBI Governor took office and consequently foreign exchange policies were changed that exacerbated IRR depreciation. In early 1401, the CBI decided to eliminate allocation of USD at official IRR42 thousand rate which resulted in limited allocation of USD at that rate for imports of essential goods. Consequently, elimination of official rate in conjunction with the rise in oil revenues expanded the supply of USD in the secondary market (known as NIMA system). Thanks to the oil revenues, the CBI controlled the USD/IRR exchange rate in the secondary market, however, the free-market rate was 40 percent above that of the secondary market once new CBI Governor settled. Ignoring the divergence between the two rates, the new CBI Governor announced fixing the USD/IRR exchange rate at 285 thousand for at least one year, aiming to separate the goods market from free-market exchange rates. It was expected that all the currency needs for goods market be satisfied at the new rate of 285 thousand. As a result, the demand for USD in the secondary market surged, along with further divergence of free-market and secondary market exchange rates. Shortly afterwards, as the secondary market was not capable of covering the demand, the CBI was left with no choice but to allocate USD1.5 billion at discretionary rate for imports of essential goods. This USD1.5 billion could be translated to the extra demand for USD in the secondary market. Given the fixed rates in the secondary market, the free-market USD/IRR

exchange rate continued to rise and on 02/11/1401 the differential of the rates reached 58 percent. In this date the CBI increased the annual quota of foreign currencies in cash for individuals aged 18 and above from EUR2 thousand to EUR5 thousand. This ended in narrowing down the gap between the USD bill rate in free market and the secondary market through an increase in the rate of the secondary market, but the free-market rates could not be reined in. Promising to develop a market for gold and foreign currencies to cover daily needs, the CBI Governor limited the NIMA system to allocate foreign exchanges solely for imports of essential goods, raw materials, and machineries. In other words, the IRR42 thousand per USD was replaced by IRR285 thousand. Iran Currency Exchange (ICE) that previously was a market for exchange of foreign currencies in cash, transformed so that in addition to cash, remittance and gold could be also traded in that market. All in all, the IRR depreciation exacerbated and the free-market and ICE exchange rates gap worsen. In response, the CBI ceased sale of annual EUR5 thousand to individuals for a while, but again let it start albeit at higher sell rate. These exercises not only could not control the foreign exchange market, but also the free-market USD/IRR exchange rate soared to 600 thousand for a short period. Suspension of nuclear negotiations, expansion of uncertainties, social unrests, and rise in rate of inflation are considered as the main factors of the significant rise in the USD/IRR exchange rate in the free market. The USD/IRR exchange rate slightly declined after the news of agreements between Iran and Saudi Arabia were released and closed 1401 at 472.1 thousand. The average free-market USD/IRR exchange rate in 1401 was 32.2 percent above the average in 1400. This rate showed 61.1 percent rise in winter 1401 compared to winter 1400 and 24.6 percent compared to fall 1401. Figure 5 depicts the USD/IRR exchange rate in free market and secondary market during 1401.

Figure 5. USD/IRR Various Exchange Rates in 1401



Source: Gold, Coin and Currency Information network, and <https://www.sanarate.ir>

Sometimes in the 2nd half of 1399 and early 1400, the gap between free market USD/IRR bill rate and its remittance rate in the secondary market vanished and even the small exporters could sell their exports proceeds at a rate higher than the unofficial rate. In 1400 and the 1st half of 1401, the gap between the two aforementioned rates was about 20 percent, however, the gap widened and in the early 12/1401, the USD/IRR exchange rate in the free market was two times the rate in the secondary market.

Unlike 1400 that the gap between the free market USD/IRR bill rate and remittance rate averaged 12.8 percent, in 1401 this difference rose to 25.2 percent. In addition, based on the Anti-smuggling Law - passed in fall 1401 - the petrochemical exporters are required to supply all their proceeds in NIMA system (as petrochemicals account for a high share in non-oil exports). Albeit, the major exporters (petrochemicals and steel) benefit from government subsidies in feedstocks price, while other exporters do not. Since more than 80 percent of the foreign currencies is supplied by the major exporters in NIMA system, the decreed ceiling in that system is a driver of equilibrium USD/IRR exchange rate. In 1401, supply of foreign currencies was expanded in the secondary market as a result of the rise in oil revenues and exports of steel and petrochemical exporters, which put the small exporters in trouble regarding exchanging their foreign currencies at higher rates. This also ends up in understatement of

exports proceeds by small exporters. All in all, in a multi-exchange rate regime, in addition to rent seeking, the small exporters were demotivated and the ground for higher violation of rules was prepared.

Based on the CBI, from 1389 to 1401, this monetary authority has injected USD57 billion at the rates below the free market rate in order to stabilize the foreign exchange market. This injection amounted to USD284 billion during 1382 to 1396. These exercises resulted in jumps in exchange rates instead of a gradual rise. It should be noted that the allocated resources not only were not invested in expansion of infrastructure, but also were a source of rent to specific groups. Precisely speaking, it is expected that policymaker consents the macroeconomic drivers of exchange rates and try to reform the macroeconomic environment instead of currency injection and taking security measures.

All in all, in 1401 the foreign exchange market was more volatile compared to its preceding year. The USD/IRR bill rate in the free market rose by 16.4 percentage points on average and the standard deviation of free market USD/IRR exchange rate grew by 201.7 percent in 1401 from 1400. The coefficient of variation also experienced 128.8 percent annual rise in 1401. Table 22 exhibits the nominal USD/IRR exchange rates in free market during 1392 to 1401.

Table 22. Nominal USD/IRR Exchange Rates in Free Market from 1392-1401

	1400	1399	1398	1397	1396	1395	1394	1393	1392	1400 to 1399 Growth Rate (percent)
Annual Average	259,874	224,506	128,214	103,875	40,552	36,487	34,484	32,785	31,838	15.8
Maximum	291,200	318,560	157,450	189,000	48,770	41,450	37,300	35,700	36,827	-8.6
Minimum	206,370	148,960	111,000	42,000	37,220	34,400	32,100	30,354	28,950	38.5
Standard Deviation	18,918	43,552	11,798	30,701	3,351	1,662	1,335	1,351	2,346	-56.6
Coefficient of Variation	0.07	0.19	0.09	0.30	0.08	0.05	0.04	0.04	0.07	-62.5

Source: Gold, Coin and Currency Information network; Research Calculations

# 6. MONETARY AND CREDIT SECTORS

## 6-1. Monetary Aggregates

Monetary policy is an economic policy aimed to manage the size and growth rate of the money supply in an economy. It is a powerful tool to regulate macroeconomic variables such as inflation and unemployment. So, meticulous monitoring of the monetary aggregates is of vital importance. The CBI, notwithstanding, does not release the details of these statistics soon enough and on a regular basis, which hinders the analysis of economic policies by economists.

According to the CBI, high-powered money (M0) and liquidity (M2) stood at IRR8,600 trillion and IRR63,377 trillion at the end of 1401, respectively, showing 42.4 percent and 31.1 percent annual growth rates. The M2 money multiplier, therefore, drop from 8.0 at the end of 1400 to 7.37 at the end of 1401. The higher growth rate

of monetary base than liquidity can be considered as a “hot money” phenomenon in Iranian economy. In other words, due to uncertainty about the stability of the national currency value, the velocity of money has increased and consequently, banks have needed more reserves to settle their transactions in the interbank market. The more reserves held at the CBI, the more monetary base created. Official data of the variables in the quantitative theory of money equation also confirm the increase in the velocity of money in recent years.

Table 23 indicates the details of liquidity components and monetary base (uses) from 1399 to 1401 and Table 24 illustrates the same information by factors affecting liquidity growth and sources of monetary base.

Table 23. Liquidity (components) and Monetary Base (uses) - IRR trillions

	End of the period				Percentage Change of 1400 Compared to 1399	Percentage Change of 1400 Compared to 1398	Share of Liquidity in 1400 (percent)	Share of Liquidity in 1399 (percent)
	1400	1399	1398	1397				
Liquidity (M2)	48,324.4	34,761.7	24,828.9	18,828.9	39.0	95.5	100.0	100.0
Money (M1)	9,865.8	6,909.6	4,273.0	2,852.3	42.8	130.9	20.4	19.9
Notes and Coins with the Public	864.3	735.0	611.4	547.5	17.6	41.4	1.8	2.1
Sight Deposits	9,001.5	6,174.6	3,661.6	2,304.8	45.8	145.8	18.6	17.8
Quasi-money	38,458.6	27,852.1	20,448.5	15,976.6	38.1	88.1	79.6	80.1
Gharz-al-hasaneh Savings Deposits	3,261.7	2,268.2	1,448.1	1,026.5	43.8	125.2	6.7	6.5
Short-term Deposits	13,634.7	10,149.2	7,081.1	5,848.9	34.3	92.6	28.2	29.2
Long-term Deposits	20,354.8	11,001.4	11,348.3	8,576.4	37.6	77.2	42.1	42.6
One-year Deposits	10,687.5	3,372.3	38.9	31.4	-2.9	-5.8	22.1	31.6
Two-year Deposits	9,602.1	0.3	0.6	0.8	157.6	-	19.9	10.7
Three-year Deposits	0.1	4.0	4.3	4.9	-66.7	-83.3	0.0	0.0
Four-year Deposits	3.7	-	-	-	-7.5	-14.0	0.0	0.0
Five-year Deposits	61.4	62.8	94.8	183.6	-2.2	-35.2	0.1	0.2
Miscellaneous Deposits	1,207.4	638.9	432.4	304.1	89.0	179.2	2.5	1.8
Monetary Base (M0)	6,039.7	4,559.5	3,528.5	2,656.9	31.6	71.2	12.5	-
CBI Foreign Assets (net)	5,682.0	4,427.2	3,475.7	2,416.5	20.8	63.5	-	-
CBI Claims on Public Sector (net)	-867.2	-219.4	156.3	292.0	285.8	-654.8	-	-
CBI Claims on Banks	1,462.7	1,203.0	1,106.9	1,381.7	24.9	-32.1	-	-
CBI Other Items (net)	-237.8	-851.3	-1,210.4	-1,433.3	-77.6	-80.4	-	-
M2 Money Multiplier	8.0	7.6	7.0	7.1	5.6	14.2	-	-

Source: Central Bank of Iran, Selected Economic Indicators

Table 24. Liquidity (by factors affecting liquidity) and Monetary Base (sources) - IRR trillions

	End of the period				Percentage Change of 1400 Compared to 1399	Percentage Change of 1400 Compared to 1398	Share of Liquidity in 1400 (percent)	Share of Liquidity in 1399 (percent)
	1400	1399	1398	1397				
Liquidity (M2)	48,324.4	34,761.7	24,828.9	18,828.9	39.0	95.5	100.0	100.0
Money (M1)	9,865.8	6,909.6	4,273.0	2,852.3	42.8	130.9	20.4	19.9
Notes and Coins with the Public	864.3	735.0	611.4	547.5	17.6	41.4	1.8	2.1
Sight Deposits	9,001.5	6,174.6	3,661.6	2,304.8	45.8	145.8	18.6	17.8
Quasi-money	38,458.6	27,852.1	20,448.5	15,976.6	38.1	88.1	79.6	80.1
Gharz-al-hasaneh Savings Deposits	3,261.7	2,268.2	1,448.1	1,026.5	43.8	125.2	6.7	6.5
Short-term Deposits	13,634.7	10,149.2	7,081.1	5,848.9	34.3	92.6	28.2	29.2
Long-term Deposits	20,354.8	11,001.4	11,348.3	8,576.4	37.6	77.2	42.1	42.6
One-year Deposits	10,687.5	3,372.3	38.9	31.4	-2.9	-5.8	22.1	31.6
Two-year Deposits	9,602.1	0.3	0.6	0.8	157.6	-	19.9	10.7
Three-year Deposits	0.1	4.0	4.3	4.9	-66.7	-83.3	0.0	0.0
Four-year Deposits	3.7				-7.5	-14.0	0.0	0.0
Five-year Deposits	61.4	62.8	94.8	183.6	-2.2	-35.2	0.1	0.2
Miscellaneous Deposits	1,207.4	638.9	432.4	304.1	89.0	179.2	2.5	1.8
Monetary Base (M0)	6,039.7	4,559.5	3,528.5	2,656.9	31.6	71.2	12.5	-
CBI Foreign Assets (net)	5,682.0	4,427.2	3,475.7	2,416.5	20.8	63.5	-	-
CBI Claims on Public Sector (net)	-867.2	-219.4	156.3	292.0	285.8	-654.8	-	-
CBI Claims on Banks	1,462.7	1,203.0	1,106.9	1,381.7	24.9	-32.1	-	-
CBI Other Items (net)	-237.8	-851.3	-1,210.4	-1,433.3	-77.6	-80.4	-	-
M2 Money Multiplier	8.0	7.6	7.0	7.1	5.6	14.2	-	-

Source: Central Bank of Iran, Selected Economic Indicators

Reviewing the balance sheet of the whole banking system indicates a 65.2 percent jump in money (M1) and 22.4 percent escalation in quasi-money during 1401, which led to 31.1 percent increase in the liquidity (M2). So, the share of money and quasi-money in the liquidity (M2) reached 25.7 percent and 74.3 percent, respectively, at the end of the 1401. The share of money in the liquidity was only 12.7 percent at the end of 1396. It mainly stems from the higher rate of return in other markets than money-market rates, making long-term deposits less attractive. It should be noted that the higher share of money (M1) in the liquidity (M2) can lead to aggravation of inflation. In other words, due to the "hot money" phenomenon in Iran's economy and the monetary policy authority's passive role caused the continuation of the negative real interest rate, and thus the inflation rate is cyclically intensifying.

In addition, owing to the revival of three-year deposits and the gap of about 2 percentage points between the interest rates of one-year and three-year deposits, the volume of these long-term deposits increased, extending its share in liquidity to 3.7 percent in 1401. It is worth mentioning that until 11/11/1401, the maximum interest rate approved by the Money and Credit Council was 18.0 percent for two-year savings deposits, which changed to 22.5 percent for three-year savings deposits after this date. Along with that, the interest rates of two-year, one-year, six-month, three-month and normal savings deposits were also changed to

21.5 percent, 20.5 percent, 17.0 percent, 12.0 percent and 5.0 percent, respectively.

On the uses side, the 41.8 percent increase in the banks' reserves with the CBI was the main reason for the 42.4 percent growth rate of the monetary base in 1401. Considering the CBI's balance sheet, the main drivers of the mentioned climb in M0, in 1401, were the CBI claims on banks (with a share of growth of 40.5 percentage points), net CBI foreign assets (with a share of growth of 18.9 percentage points), and net CBI other items (with a share of growth of 1.2 percentage points), respectively. On the other hand, net CBI claims on public sector (with a share of growth of negative 18.3 percentage points) had a negative effect on the monetary base during 1401.

Directed credit programs of government and its impact on banks' balance sheets, Financing the government's budget deficit by forcing banks to buy government debt securities and increasing banks' claims on state-owned companies (about IRR1,214 trillion net purchase of government debt securities by banks and 89.7 percent increase in the banks' claims on state-owned companies in 1401), and finally increase in overdraft of banks from the CBI, partly due to controlling the growth of banks' balance sheets (failure to comply with the balance sheet growth limit obliges the bank to increase the legal reserve, which if not provided by the bank, will be considered as overdraft) could be considered as the main contributors to the increase in the CBI claims on banks.

## 6-2. Sources and Uses of Banks

The balance of banks and non-bank credit institutions assets (or liabilities), excluding below the line items, grew by 37.4 percent during 1401 to reach IRR110,930.6 trillion. The major part of this balance (62.2 percent) belongs to non-public banks and non-bank credit institutions (including Privatized banks in which government management still plays a significant role), followed by the commercial state-owned banks (23.6 percent) and the specialized state-owned banks (14.2 percent). On the assets side, the main contributing factor of growth was the claims on the non-public sector as extended facilities (with 18.8 percentage points share), which rose by 42.4 percent during 1401. Meanwhile, the highest annual growth rate on the asset side (74.4 percent) is related to notes and coins. Banks' reserves with the CBI, on the other hand, rose significantly by 41.8 percent during 1401. Apart from the "hot money" phenomenon and the increase in banks' need for reserves to settle interbank transactions, macroprudential policy and limiting the growth of banks' balance sheets have also

been effective in this regard. The value of foreign assets of the banks rose by only 25.0 percent in that period in terms of IRR, mainly due to the higher USD/IRR exchange rate. On the liabilities side of the balance sheet, non-public sector deposits accounted for the highest share (56.0 percent) and grew by 31.0 percent at the end of 1401 compared to the end of 1400. Moreover, foreign exchange loans and deposits (with 15.4 percent share) increased by 26.1 percent compared to the end of 1400. Meanwhile, loans and deposits of the public sector remained almost unchanged during 1401. On the other hand, the capital account which was negative in 1400, finally turned to the positive range, registering IRR2,384.3 trillion at the end of 1401. However, the increase in the CBI claims on banks threatens this improvement. Moreover, the capital adequacy ratio of the banking system is still insufficient. Table 25 indicates the assets and liabilities of banks and non-bank credit institutions.

Table 25. Assets and Liabilities of Banks and Non-bank Credit Institutions (IRR trillion)

	Balance at the End of Period				Share of Banks and Non-bank Credit Institutions			1399 Percentage Change Compared to	
	1399	1398	1397	1396	Public Commercial	Public Specialized	Non-public banks and Non-bank credit institutions	1399	1398
Assets (excluding below the line items)	80,746.6	56,061.1	39,470.3	31,504.8	18,086.1	12,101.4	50,559.1	44.0	104.6
Foreign Assets	16,267.5	9,192.8	6,215.8	4,520.1	2,412.8	3,918.8	9,935.9	77.0	161.7
Notes and Coins	111.1	67.6	90.0	88.4	43.6	11.4	56.1	64.3	23.4
Deposits with the CBI	5,064.3	3,786.3	2,827.1	2,021.0	1,223.5	359.0	3,481.8	33.8	79.1
Claims on Public Sector	4,771.8	4,116.5	3,006.4	2,367.3	1,407.2	834.8	2,529.8	15.9	58.7
Claims on Non-public Sector	35,758.4	24,065.4	16,220.2	25,660.4	7,584.3	5,021.9	23,152.2	48.6	120.5
Others	18,773.5	14,832.5	11,110.8	13,126.1	5,414.7	1,955.7	11,403.3	26.6	69.0
Liabilities (excluding below the line items)	80,746.6	56,061.1	39,470.3	31,504.8	18,086.1	12,101.4	50,559.1	44.0	104.6
Deposits of Non-public Sectors	47,460.1	34,026.7	24,110.1	18,281.4	12,355.8	4,283.7	30,820.6	39.5	96.8
Claims of the CBI	1,462.7	1,203.0	1,106.9	1,381.7	496.1	492.3	474.3	24.9	32.1
Loans and Deposits of Public Sector	463.0	336.5	364.7	249.7	241.2	169.0	52.8	37.6	27.0
Capital Account	-164.8	-69.8	-555.2	370.6	-1,520.4	946.0	409.6	136.1	-70.3
Foreign Exchange Loans and Deposits	13,511.5	8,019.0	5,059.2	3,684.0	2,214.3	3,341.2	7,956.0	68.5	167.1
Others	18,014.1	12,545.7	9,384.6	7,537.4	4,299.1	2,869.2	10,845.8	43.2	92.0

Source: Central Bank of Iran, Selected Economic Indicators

At the end of 1401, the balance of extended facilities of the banking system reached IRR55,833.1 trillion, rising by 35.2 percent from the similar point in 1400. The balance of deposits in banks and non-bank credit institutions increased by 31.5 percent in the same period to reach IRR72,742.5 trillion. Meanwhile, the average legal reserve ratio decreased from 10.05 percent at the end of 1400 to

9.81 percent at the end of 1401. Therefore, the ratio of extended facilities to deposits (after deduction of the legal reserves) increased to 85.1 percent at the end of 1401 from 83.0 percent at the end of 1400. Table 26 illustrates these statistics in more detail.

Table 26. End of Period Balance of Extended Facilities and Deposits at Banks and Non-bank Credit Institutions

	1400	1399	1398	1397	Percentage Change of 1399 compared to	
Extended Facilities (EF - in IRRtrillion)	41,418.2	27,922.7	19,355.8	15,090.2	48.3	114.0
Deposits (in IRRtrillion)	55,315.6	38,754.6	27,162.8	20,673.4	42.7	103.6
Deposits Less Required Reserves (DLRR - in IRRtrillion)	49,754.1	34,824.0	24,381.1	18,568.3	42.9	104.1
Legal Reserve Ratio (percent)	10.05	10.1	10.2	10.2	-	-
EF to DLRR Ratio (percent)	83.2	80.2	79.4	81.3	-	-

Source: Central Bank of Iran, Banking Statistics

The banking system's extended facilities increased by 45.3 in 1401 compared to the preceding year, registering IRR44,485.3 trillion in 1401, out of which IRR37,626.2 trillion (84.6 percent) is allocated to economic activities and the rest to households. Therefore, extended facilities to economic activities and households rose by 41.8 percent and 67.9 percent, respectively, compared to 1400. Two sectors of "services" and "manufacturing and mining" absorbed the highest portions of these facilities, 39.9 percent and 37.0 percent of total, respectively, followed by the households, as the third destination of the facilities. In terms of purposes, the majority of facilities

(61.6 percent) was extended in the form of working capital (IRR27,423.9 trillion) in 1401. About 77.9 percent of working capital extended facilities in this period was granted to the sectors of "manufacturing and mining" and "services". Following working capital, creation, purchasing private goods and development were top three purposes of extended facilities with shares of 16.4 percent, 7.2 percent and 4.5 percent of the total extended facilities, respectively. Table 27 compares different economic sectors in terms of extended facilities and the corresponding purposes during 1401.

Table 27. Banks' Extended Facilities in 1401 by Sectors and Purposes

	1400						1399	Percentage Change of 1400 compared to 1399 (total)	
	Agriculture	Manufacturing and Mining	Housing and Construction	Commerce	Services	Other	Total		
Total (IRR trillion)	1,989.8	8,979.6	1,834.5	4,472.2	12,394.2	11.3	29,681.6	18,989.2	56.3
Share of purpose in each sector (percent)									
Creation	19.3	13.9	24.0	3.2	10.2	5.0	11.7	12.8	42.9
Working Capital	69.4	77.4	27.6	46.2	68.3	85.8	65.3	61.3	66.6
Repair	0.3	0.9	17.0	0.2	1.6	0.5	2.0	2.2	42.7
Development	6.7	7.1	9.4	5.7	10.3	7.3	8.3	11.2	16.5
Purchase of Private Goods	1.2	0.4	0.0	44.4	0.5	0.0	7.1	7.9	40.1
Purchase of House	0.1	0.2	20.5	0.2	0.7	0.1	1.7	1.5	72.0
Others	2.9	0.1	1.5	0.1	8.4	1.3	3.9	3.1	96.9

Source: Central Bank of Iran, Extended Facilities by Sectors and Purposes during 1401

Unfortunately, the report of annual performance of the interbank market in 1401 is yet to publish by the CBI. However, the CBI's weekly reports of monetary policy operations (including open market operations) during 1401 have been published. Accordingly, the CBI pursued an expansionary monetary policy during 1401, confirmed with a negative real interest rate. Although the interbank market interest rate increased from 19 percent at the beginning of the year to 23.6 percent at the end of the

year, the latter was still far below the inflation rate. Banks requested IRR47,600 trillion of repurchase agreements (repo) in 1401, while the CBI agreed to IRR39,700 trillion. Moreover, banks borrowed IRR5,600 trillion from the CBI through the discount window during 1401. The discount rate rose from 22 percent to 24 percent during 1401, while the interest rate on excess reserves (the interbank floor rate) increased from 14 percent to 17 percent during the same period.

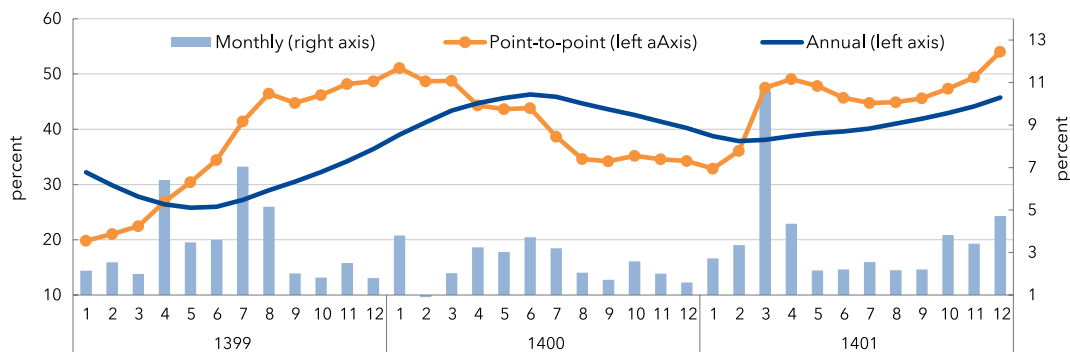
# 7. PRICES AND INFLATION

High inflation rate in any country, could be remarked as a crucial economic problem. Since the early 1350s, the rapid and continuous growth of the general level of prices in the Iranian economy began following a significant increase in the country's oil revenues, and has always been one of the most acute socio-economic problems in Iran. The dysfunctional and mono-product economic structure, along with expansionary monetary and fiscal policies, restricted access to foreign exchange reserves, economic sanctions, rising production costs, and persistent high inflation expectations have led to chronic high inflation in Iranian economy in the last half-century, which has worsened in recent years. The inflation rate was significantly higher than the long-term average rate during 1397-1401, due to the rapid growth rate of liquidity (M2) as well as negligible positive and sometimes negative growth rate of GDP. The resumption of US sanctions also paved the way for the surge in the inflation rate.

According to the latest SCI's report, the consumer price index (CPI) with the base year of 1400 stood at 174.1 in 12/1401, indicating 54.0 percent point-to-point and 4.7 percent monthly inflation rate. This monthly inflation rate was the second highest rate in 1401. The monthly inflation rate hit a record of 10.6 percent in 03/1401, following the elimination of allocation of foreign currencies at the official rates for the imports of essential goods. In addition, the point-to-point inflation rate, which experienced a downward trend in 1400, faced an upward trend in the first four months of 1401, and increased by 14.8 percentage points in 04/1401 compared to the end of 1400, to register 49.1 percent. However, after the initial consequences of eliminating the allocation of foreign currencies at the

official rates, the point-to-point inflation rate gradually began to decline and decreased by 4.2 percentage points in 08/1401 compared to 04/1401. However, the trend of the point-to-point inflation rate reversed course in the following months to reach 54.0 percent (unprecedented in recent years) in 12/1401, with a 9.1 percentage points increase compared to 08/1401. Meanwhile, the annual inflation rate, which had decreased from 40.2 percent at the end of 1400 to 39.4 percent in 03/1401, reversed course in the following months of the year and increased to 45.8 percent in 12/1401. Figure 6 illustrates the different types of CPI inflation rate for all Iranian households from 1399 to 1401.

Figure 6. CPI Inflation Rates



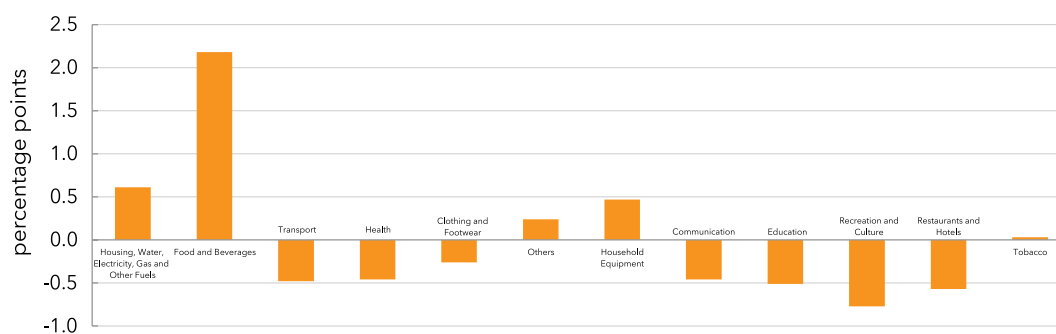
Source: Statistical Center of Iran, reports of the consumer price index

Based on the SCI, out of 12 major groups in the consumption basket of goods and services in 12/1401, the highest annual inflation rate (82.7 percent) belonged to "Restaurants and Hotels" and the lowest (11.7 percent) to "Communication". Also, the highest and lowest point-to-point inflation rates was experienced in "Restaurants and Hotels" (86.0 percent) and "Communication" (20.8 percent), respectively. Since the communication group mainly includes non-tradable services and due to the significant contribution of the government in this sector and price control, a minuscule increase in prices was expected in this group. Furthermore, the annual and point-to-point inflation rates in "Food and Beverages" recorded 71.2 percent and 77.7 percent in 12/1401, respectively.

Moreover, out of 12 major groups in the consumption basket of goods and services, "Housing, Water, Electricity, Gas and other fuels", "Food and Beverages", "Health" and "Transport" had the highest weight in the basket, respectively, totally accounting for 80.5 percent, while the

first two account for 64.9 percent. It is worth mentioning that the base year of calculating the inflation rates has been updated from 1395 to 1400 by the SCI. Therefore, the consumer price index (CPI) has been measured on the 1400 base year in 12/1401 and the weights of 12 major groups has been reviewed and modified. As a result, the weights of four main ones ("Housing, Water, Electricity, Gas and other fuels", "Food and Beverages", "Health" and "Transport") with the base year of 1400 increased by 1.9 percentage points compared to the base year of 1395. In the same vein, sum of the weights assigned to "Housing, Water, Electricity, Gas and other fuels" and "Food and Beverages" rose by 2.8 percentage points following the base year update to 1400. Therefore, the weight of essential goods (such as housing and food) in the household consumption basket has increased in recent years, impacting their overall standard of living. Figure 7 illustrates the changes in the weights of main groups of household basket from 1395 base year to 1400 base year.

Figure 7. The Changes in the Weights of Main Groups of Household Basket from 1395 Base Year to 1400 Base Year (percentage point)



Source: Statistical Center of Iran, reports of the consumer price index

Based on the SCI, the rise in price index of goods was far above that in services in 12/1401. The annual and point-to-point inflation rates of goods were 55.9 percent and 66.2 percent, respectively, whereas the annual and point-to-points inflation rates of services were 34.7 percent and 40.7 percent, respectively, in 12/1401. It is worth noting that the annual inflation rate of durable goods was 37.4 in 12/1401, although its effect on changing the general

level of prices was negligible, due to the light weight in the consumption basket (6.6 percent). The weight of goods in the household consumption basket increased from 47.7 percent to 52.2 percent, due to the updating the base year from 1395 to 1400. Table 28 exhibits CPI inflation rates in major groups of the consumption basket in 12/1401, in descending order of weights in the basket.

Table 28. Inflation Rates of Major Groups in The Consumption Basket in 12/1401 (percent)

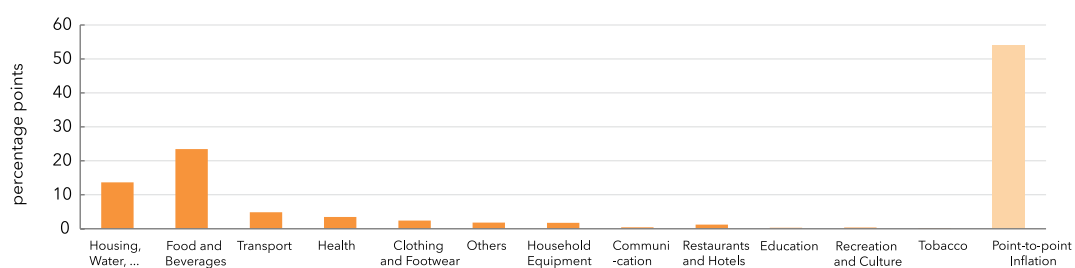
	Weight in the Basket	Inflation	
		Point-to-point	Annual
Housing, Water, Electricity, Gas and Other Fuels	35.5	28.4	25.3
Food and Beverages	26.6	67.0	39.1
Transport	9.4	54.0	65.6
Health	7.1	40.2	29.9
Clothing and Footwear	4.8	52.1	38.7
Others	4.2	47.8	37.4
Household Equipment	3.9	68.3	46.5
Communication	2.9	20.3	16.5
Education	1.9	22.0	21.5
Recreation and Culture	1.7	60.1	42.5
Restaurants and Hotels	1.4	49.1	29.7
Tobacco	0.6	51.7	36.6
Overall	100.0	48.7	36.4

Source: Statistical Center of Iran, reports of the consumer price index

The main contributors to the 54.0 percent point-to-point inflation rate in 12/1401 are: Food and Beverages (23.4 percentage points), Housing, Water, Electricity, Gas and Other Fuels (13.7 percentage points), Transport (4.8 percentage points), Health (3.5 percentage points), and Clothing and Footwear (2.4 percentage points), respectively. Meanwhile, the main contributors to the 77.7 percent point-to-point inflation rate of Food and Beverages

group in 12/1401 are: "Meat" (22.3 percentage points), "Bread and Cereals" (13.7 percentage points), "Vegetables, Pulses and Vegetable Products" (10.5 percentage points), "Oils and Fats" (9.6 percentage points), "Dairy Products and Eggs" (8.3 percentage points) and "Fruit and Nut" (7.2 percentage points), respectively. Figure 8 reveals the share of 12 major groups in the point-to-point inflation rate in 12/1401.

Figure 8. Share of Major Groups in The Point-to-point Inflation Rate in 12/1401



Source: Statistical Center of Iran, reports of the consumer price index

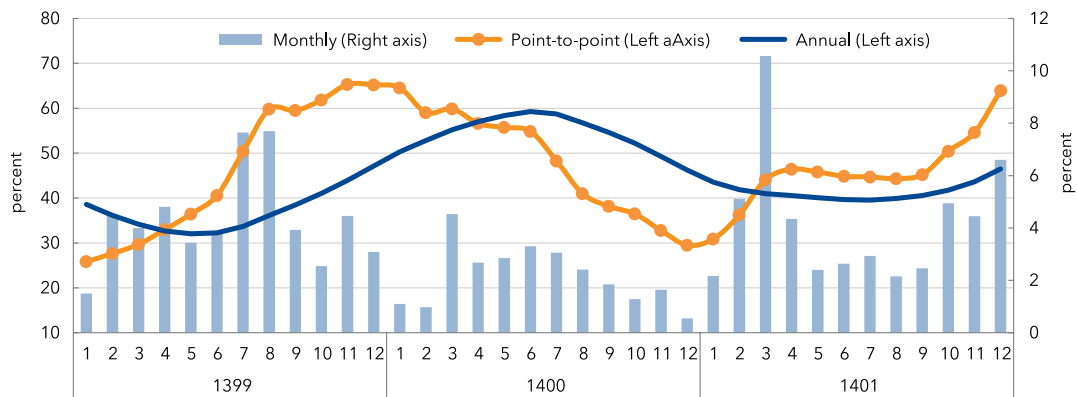
The highest monthly inflation rate in 12/1401 belonged to "Clothing and Footwear" (7.5 percent), 2.8 percentage points above the monthly increase in the overall index. Furthermore, "Transport" experienced the lowest monthly inflation rate (0.2 percent). The monthly growth rate of Food and Beverages price index, which recorded 25.6 percent in 03/1401, decreased to 0.4 percent in 09/1401, however, it increased by 6.5 percentage points in 12/1401 compared to 09/1401.

According to the latest CBI's report, the annual inflation rate (1395=100) stood at 46.5 percent in 12/1401. It experienced a downward trend until 07/1401, and reversed course in the remainder of 1401. Based on CBI, out of 12 major groups in the consumption basket of goods and services (all urban consumers) in 12/1401, the highest annual inflation rate (80.0 percent) was related to "Restaurants and Hotels" and the lowest (19.3 percent) to "Communication". Furthermore, the annual inflation

rate in “Food and Beverages” (with 25.5 percent weight in the basket) also recorded 54.6 percent in 12/1401. It is noteworthy that among 12 major groups in the consumption basket of goods and services, the highest weights are assigned to “Housing, Water, Electricity, Gas and other fuels”, “Food and Beverages”, “Transport” and “Health”, respectively, totally accounting for 79.3 percent, out of which the first two groups account for 62.6 percent. Moreover, point-to-point inflation rate climbed sharply

from 1400 to 1401, reaching a peak of 63.9 percent in 12/1401 (with a rise of 34.4 percentage points compared to 12/1400). Furthermore, the average monthly inflation rate in 1401 was 4.2 percent, while the highest rate was in 03/1401 (10.6 percent) and the lowest rate was in 08/1401 (2.2 percent). Figure 9 illustrates the different types of CPI inflation rates (based on CBI and with the base year of 1395) for all Iranian urban consumers from 1399 to 1401.

Figure 9. CPI Inflation Rates (based on CBI with the 1395 base year)



Source: Central Bank of the Islamic Republic of Iran

The point-to-point inflation rates reported by the SCI (54.0 percent) and the CBI (63.9 percent) for 1401 are

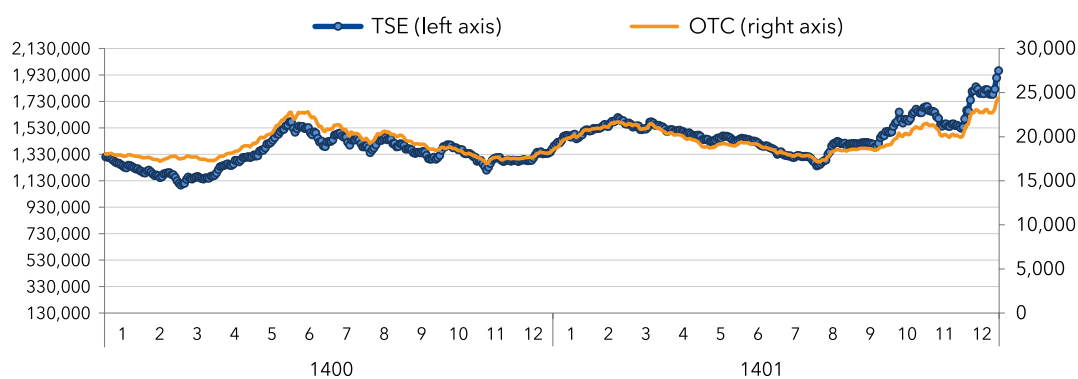
significantly different, although both represent significant inflation rates.

# 8. CAPITAL MARKET

Tehran Stock Exchange (TSE) overall index that had closed 1400 at 1,367.2 thousand, grew by 43.3 percent and eventually reached 1,960.4 thousand at the end of 1401. Similarly, the equally-weighted index rose by 68.0 percent and from 348.3 thousand in 1400 escalated to 585.2 thousand in 1401. TSE overall index mainly reacts to the change in price and return of the share of large companies. In contrast, equally-weighted index assigns same weight

to price and return of share of companies regardless of their size. Thus, it could be claimed the rise in share value of small listed companies has been above those of large listed companies in 1401. Similarly, the OTC overall index closed 1401 at 24,394.3, indicating 32.7 percent rise from 1400. Figure 10 demonstrates daily changes of TSE and OTC overall indices in 1400 and 1401.

Figure 10. TSE and OTC Overall Indices



Source: <http://new.tse.ir> and <http://ifb.ir>

## 8-1. Tehran Stock Exchange (TSE)

In 1401, TSE market capitalization reached IRR72,561.5 trillion, showing 35.3 percent growth compared to its preceding year. In addition, total value of transactions registered IRR15,711.5 thousand in 1401, out of which IRR10,062.7 trillion belonged to traded shares of companies. In 1401, the total value of transactions grew by

26.6 percent and value of traded shares by 13.7 percent, compared to 1400. Transaction value of exchange-traded funds, debt securities, and derivatives respectively rose by 46.6, 129.5 and 440.5 percent, all above the growth in value of companies shares traded in the same year. Table 29 exhibits these figures.

Table 29. Some Important Statistics of the TSE

	During the Period			End of the Period				
	Number of Equities Traded	Value of Equities Transactions	Total Value of Transactions	Market Capitalization	Equally-weighted Index	Overall Index	Financial Index	Industrial Index
	billion shares	IRR trillion	IRR trillion	IRR trillion	thousand	thousand	thousand	thousand
1400	1,407.4	8,849.4	12,412.5	53,604.6	348.3	1,367.2	1,475.0	1,260.9
1399	2,229.9	24,491.2	27,014.9	52,229.5	439.8	1,307.7	1782.2	1,154.3
Percentage Change	-36.9	-63.9	-54.1	2.6	-20.8	4.6	-17.2	9.2

Source: Tehran Stock Exchange, Comprehensive Monthly Market Report, 12/1401

In 1401, the listed companies in TSE financed IRR2,732.4 trillion, out of which capital raising accounted for 85.3 percent, debt securities for 11.1 percent, and options for 2.5 percent. Besides, four new companies carried on IPO for the first time, resulting in IRR28.1 trillion finance through IPO. The value GAAM securities issued in 1401 in TSE totaled IRR294.1 trillion for 21 symbols, indicating 200.0 percent rise in number and 236.8 percent rise in

value from 1400. Thus, value of GAAM securities issued in TSE in the same year accounted for 96.6 percent of the value of finance through debt securities. The fact that GAAM securities were more profitable than the extended facilities at decreed CBI rates was the main driver of surge in issuance of this type of securities. Table 30, compares various types of finance for listed companies in 1400 and 1401.

Table 30. Financing Methods of TSE Listed Companies

	1400		1399		Percentage Change in Value
	Value (IRR trillion)	Share (percent)	Value (IRR trillion)	Share (percent)	
Total	1,414.6	100.0	937.3	100.0	50.9
Initial Public Offering	40.4	2.9	146.5	15.6	-72.4
Raising Capital (except for asset revaluation)	1,193.3	84.4	640.6	68.3	86.3
Issuing Debt Bonds	113.4	8.0	134.6	14.4	-15.8
Issuing Subordinate Sale Option Bonds	67.5	4.8	15.6	1.7	332.1

Source: Tehran Stock Exchange, Monthly Market Analysis, 12/1401

In spring 1401, TSE was affected by tax on exports of steel and petrochemicals, new US sanctions imposed on Iran's petrochemical industry, elimination of allocation of foreign currencies at official rate for imports of essential goods (IRR42 thousand per USD), drafting the resolution against Iran by the board of governors of the United Nations, and eventually rise in price of various goods (due to Ukraine war). Export proceeds constituted 43.1 percent of Total proceeds of the Petrochemical industry and 31.5 percent of the Steel industry in 1400. In aftermath of Russia's attack on Ukraine in the late 1400, many global markets such as oil, natural gas, metals and agriculture products (especially wheat) experienced considerable price rise. Accordingly, TSE overall index rose by 23.2 percent and from 1,282.1 thousand in the beginning of 12/1400 reached 1,579.6 thousand at the end of 02/1401. The equally weighted index also grew by 35.4 percent and from 325.1 thousand reached 440.2 thousand in the same period. Approaching general assemblies of companies, high intrinsic value of some stocks in the capital market, and lifting some COVID-19 limitations were other drivers of the two aforementioned indices in the period under review.

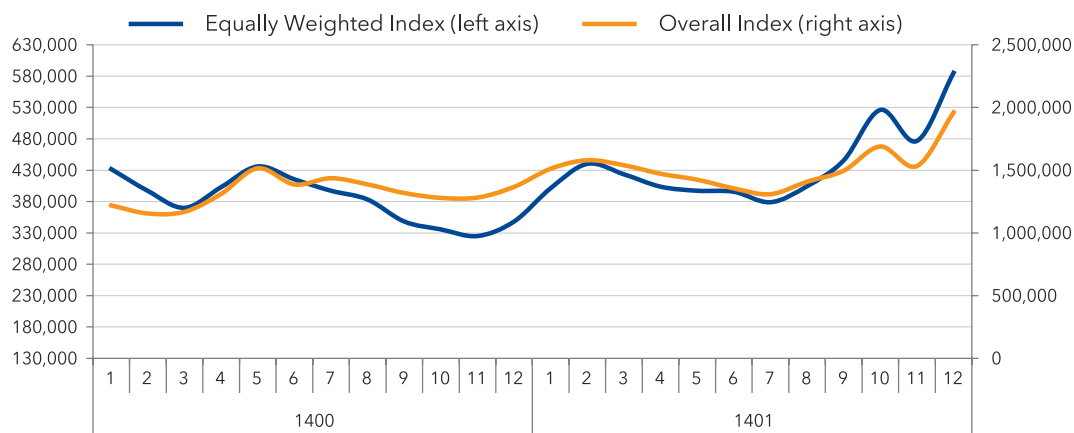
On 22/1/1401, the Ministry of Industry, Mining, and Trade issued a directive regarding staircase fees on exports of some industries. Value chain of steel industry including

iron ore, steel ingots, and downstream products, as well as petrochemical and chemical products, glass, cement, and ferroalloy are specified in the directive. Implementation of this directive resulted in imposition of 2 percent to 22 percent staircase fee on the aforementioned products in line with change in f.o.b. prices from 10/1400 (early 2022). TSE immediately reacted to the directive and in 23/01/1401, TSE overall index fell by 2.2 percent, recording the highest daily drop in its two preceding months. However, TSE overall index and equally weighted index followed an upward trend in the first two months of 1401 but reversed course once the transparency reports of listed companies were released and showed the negative effect of staircase fees on the profitability of listed companies. Elimination of discretionary exchange rate for imports of essential goods (IRR42 thousand per USD) exacerbated the downward trend of TSE overall index from 03/1401. From the beginning of 03/1401 to 04/08/1401 the TSE overall index dropped continually as a result of cease in JCPOA revival negotiations in Doha, Qatar in summer 1401, electricity supply difficulties for industries, considerable differential between official and unofficial USD/IRR exchange rates and requirement of exporters to return their exports proceeds - which ended up with demotivation of exporters. In 04/08/1401, TSE overall index valued the low

of 1,241.0 thousand throughout 1401. Three days later, Securities and Exchange Organization of Iran devised a 10-clause package aimed to control the supply in the stock market. Insuring small shareholders through put options, depositing capital market stabilization fund by IRR50 trillion, and finally limitation of equity supply for portfolio managers are referred to as the three main clauses of the package. As a result, the downward trend of TSE overall index reversed course from mid-08/1401 and grew by 10.4 percent in the rest of fall. Widespread gas cut-off in various industries, fixing USD/IRR exchange rate in the secondary market by the CBI and its considerable difference with the unofficial rate, rise in price of petrochemical feedstocks in 1402 budget bill, coupled with ceasing of automobile

supply in Iran Mercantile Exchange led the stock market to face new risks. Fixing secondary USD/IRR exchange rate on 10/10/1401 and ceasing automobile supply in Iran Mercantile Exchange on 09/11/1401, caused the TSE overall index to drop by 3.4 percent and 3.6 percent in the same day, respectively, recording the top two daily drops in the index in 1401. In the remainder of the year, the rise in global goods prices, rise in ceiling of ratio of facilities to sales of pharmaceutical companies, jump in USD/IRR exchange rate and consequently increase in nominal profit of firms, directed the TSE indices to an upward trend. Figure 11 depicts the developments of TSE overall index and equally-weighted index in 1400 and 1401.

Figure 11. TSE Overall and Equally-weighted Indices



Source: Source: <http://new.tse.ir> and <http://ifb.ir>

## 8-2. Over the Counter Market

Over the counter (OTC) Market capitalization at the end of 1401 grew by 30.9 percent from the same point in 1400, registering IRR22,722.1 trillion out of which 79.5 percent belongs to value of companies shares, 17.8 percent to debt securities, and the rest to exchange-traded funds and mortgage right securities. The market capitalization in 1401 has grown by 33.3 percent if solely the stock market is considered. As a result, value of stock market in TSE and OTC totaled IRR95,283.6 trillion at the end of 1401,

indicating 49.1 percent rise in comparison to its preceding year. In addition, the number of transactions in OTC experienced 97.5 percent rise in 1401 to 1,254.9 billion cases which is in contrast to 30.5 percent drop in 1400. These developments indicates that the size of transactions has become larger in 1401 which could be referred to as drop in the number of individuals in the market. Table 31 shows a summary of 1401 OTC data in comparison to 1400.

Table 31. Iranian Over-the-counter Market Performance in 1400 and 1401

	During the Period		End of the Period		
	Total Value of Transactions (IRR trillion)	Total Volume of Transactions (million)	Market Capitalization (IRR trillion)	Equity Market Capitalization (IRR trillion)	Overall Index
1400	46,655.0	635,493.9	17,362.7	13,554.5	18.4
1399	17,715.5	652,805.9	19,136.1	16,450.7	18.0
Percentage Change	163.4	-2.7	-9.3	-17.6	2.2

Source: Iran Fara Bourse, 1401 Annual Report

Except equities, other securities in the OTC are included in modern financial instruments. Although these instruments account for 20.4 percent of OTC market capitalization in 1401, in terms of total value of transactions 96.2 percent belongs to modern financial instruments in the same year. It is noteworthy that the market capitalization and the value of transactions of modern financial instruments have grown respectively by 22.1 percent and 134.2 percent in 1401. MURABAHA securities that are issued by the government constituted a large portion of modern financial instruments aimed to financing in 1401 and 1400. Value of government MURABAHA securities transactions soared by 116.2 percent and from IRR36,308.7 trillion in 1400 reached 78,483.0 trillion in 1401. In addition, another type of government debt securities (known as AKHZA) aimed to finance government debt to contractors are traded in secondary market. Value of AKHZA transactions totaled IRR16,552.1 trillion in 1401.

Accordingly, financing government budget deficit has resulted in the rise in size and value of transactions in the modern financial instruments of capital market by 250.2 percent and 134.2 percent in 1401, respectively. Exchange-traded funds and venture capital funds are also among modern financial instruments that in 1401 grew by 218.5 and 89.0 percent, respectively, in terms of value of transactions. From 1398 onwards, a private investment fund was also added to market of modern financial instruments. In addition, in 1400 the first fund of funds (FOF) also entered the OTC. The Value of FOF transactions escalated by 181.3 percent in 1401 from 1400. Mortgage right securities on the other hand which is a subsidiary of modern financial instruments experienced a 55.3 percent rise in value of transactions in 1401. The value of GAAM securities transactions in OTC registered IRR176.8 trillion for 22 symbols in 1401. Table 32 exhibits value and number of traded symbols in modern financial instruments.

Table 32. Value of Transactions and Number of Traded Symbols in the Modern Financial Instruments (IRR trillion)

	1400	1399	Percentage Change in Value of Transactions
Islamic Treasury Bill	3,627.2	690.1	142.2
Ijara	218.0	94.2	49.6
MBS	4.0	18.0	-
Debt Purchase	1.0	-	-
Musharaka	22.3	44.1	-21.4
Murabaha	36,308.7	5,224.7	16,521.7
Manfaat	2,028.2	1,322.8	178.5
Exchange-Traded	1,127.4	904.9	418.0
Fund of Funds	0.9	-	-
Venture Capital	0.7	0.9	1,239.4
Private	5.8	0.3	105.7
Mortgage Right	34.8	20.4	79.9
Total	43,378.9	8,320.7	658.5

Source: Iran Fra Bourse, 1401 Annual Report

In 1401 more than IRR2,497.6 trillion has been financed through OTC, indicating 31.2 percent rise from its preceding year. Out of this figure, 64.2 percent belongs to IPO and 20.4 percent to government debt securities. In 1401, the OTC listed companies increased their capital by

IRR347.5 trillion - less revaluation of assets - and IRR37.1 trillion IPO of newly listed companies has been carried out. It should be noted that 22 symbols had IPO in OTC during 1401. Table 33 shows various types of finance in OTC during 1400 and 1401.

Table 33. Various Types of Financing Through OTC

	1400		1399		Percentage Change in Value
	Value (IRR trillion)	Share (percent)	Value (IRR trillion)	Share (percent)	
Total	1,898.6	100.0	1,948.2	100.0	-2.5
Initial Public Offering	39.4	2.1	122.0	6.3	-67.7
Raising Capital (except for asset revaluation)	134.2	7.1	115.5	5.9	16.2
Islamic Treasury Bills	802.1	42.2	389.6	20.0	105.9
Underwriting	922.8	48.6	1,321.1	67.8	-30.1

Source: Iran Fara Bourse, 1401 Annual Report

All in all, TSE and OTC listed companies have financed IRR5,230.0 trillion in 1401 through TSE and OTC, 57.6 percent above that in 1400. Total corporate financing through money market (banks) was IRR37,626.2 trillion in

the same year (1401) which is 7 times the capital market (TSE and OTC).

# 9. BUSINESS ENVIRONMENT

The set of factors that are not under the control of the firm's managers but affect the firm's performance form the business environment of that firm. Continuous improvement in business environment of private firms is the prerequisite of the private sector's success. As the government establishes the institutions and regulations of doing business for firms, it plays a significant role in improving or exacerbating the business environment. The government can make sustainable economic growth more achievable by securing the trust of domestic and foreign investors and professional entrepreneurs via elimination of unnecessary interventions in operation of firms, recognition of property rights, and refraining from unfair economic rent distribution among economic agents. Various international institutions measure and quantify business environment factors via their own methodologies which are presented in terms of different indices. Considering these indices helps achieving an overall picture of the country's business environment and assessing how it can be improved.

The World Bank initiated an index for assessing ease of doing business in various countries in 2001. The assessment results were published in terms of annual reports from 2003 to 2020. Unfortunately, due to the revelation of some violations (data manipulation, including data related to Saudi Arabia) in the 2020 report, the publication of the report was stopped from this year onwards and supposed to be replaced by a new report called "Business Ready"

starting in 2024. Iran will be surveyed in this report from 2026.

Meanwhile, the Global Competitiveness Report of the World Economic Forum (WEF) which ranks countries in four areas (enabling environment, human capital, markets, and innovation ecosystem), has not been published since 2020.

## 9-1. Economic Freedom and Corruption

Economic Freedom of the World (EFW) by the Fraser Institute and Index of Economic Freedom (IEF) by the Heritage Foundation are among the most important reports that aim to measure economic freedom in various countries every year. The Fraser Institute measures economic freedom on the basis of five areas, namely size of government; legal structure and security of property rights; access to sound money; freedom to trade internationally; and regulation policies in credit market, labor market, and business. The latest annual report of the Fraser Institute was published in 2022, presenting the results of the survey in 165 countries in 2020 among which Iran's ranking worsened by one step compared to its preceding year and reached 159. Only Venezuela,

Sudan, Zimbabwe, Syria, Argentina and Libya are worse off than Iran. The best ranking of Iran was related to the size of government (score: 7.0 out of 10.0, rank: 62th) and the worst was related to freedom to trade internationally (score: 2.6 out of 10.0, rank: 164th). A score of 9.4 and 8.0 for the "government investment" and "transfers and subsidies" indices, respectively, have been major factors in the high score of the size of government area for Iran. In this area and in contrast, the score of the "state ownership of assets" is estimated at 4.2 for Iran. It should be noted that the lower value of the indicators related to the size of government leads to a higher score for that component. Apart from the sanctions that have reduced some of the government spending, the significant share of the off-budget has led to

an underestimation of the size of government. Regarding freedom to trade internationally area, Iran's score in the "black-market exchange rates" and "movement of capital and people" was zero and 0.3, respectively, while the Iran's score in "regulatory trade barriers" and "tariffs" was 4.7 and 5.4, respectively. In the sound money area, Iran's score registered 6.2. In this regard, the scores of "freedom to own foreign currency", "money growth", "standard deviation of inflation" and "inflation: Most recent year" variables were 10.0, 8.6, 3.4 and 2.7, respectively. In the legal system and property rights area, Iran's score was 3.6. In this regard, the variables of "impartial courts" and "regulatory restrictions on sale of real property" had the lowest (3.0) and highest (8.2) scores, respectively. Moreover, Iran's score was 5.5 in the regulation. Iran's score in the credit market regulations was 6.4, in the business regulations was 5.4 and in the labor market regulations was 4.7.

The Index of Economic Freedom (IEF) by Heritage Foundations is computed based on 12 components, namely, property rights, juridical effectiveness, government

integrity, tax burden, government spending, fiscal health, business freedom, labor freedom, monetary freedom, trade freedom, investment freedom, and financial freedom. According to the Heritage Foundation Report of 2023, Iran ranked 169th in the world among 176 countries - almost unchanged compared to the 170th among 177 countries recorded for Iran in 2022. Only Brunei, Eritrea, Zimbabwe, Sudan, Venezuela, Cuba and North Korea were worse off than Iran. Iraq, Afghanistan, Libya, Liechtenstein, Somalia, Syria, Yemen and Ukraine are not included in this ranking. Compared to 14 countries in the Middle East and North Africa (MENA) region, Iran had the lowest score. An examination of this index's components for Iran in detail reveals that the country has improved in components of government size (government spending, tax burden, and fiscal health) compared to its preceding year. In the report of 2023, Iran's worst rankings were in financial freedom, investment freedom, and monetary freedom, respectively, while its best rankings were in government spending, tax burden, and fiscal health, respectively. Table 34 shows Iran's IEF details.

Table 34. Iran's IEF details

Index	Rank (among 178 countries)	2021 Rank (among 178 countries)	2022 Score	2021 Score
Government Spending	12	23	92.5	90.1
Tax Burden	74	72	80.8	80.8
Fiscal Health	114	85	54.7	82.8
Judicial Effectiveness	132	136	29.4	28.3
Labor Freedom	139	135	49.4	50.1
Trade Freedom	150	167	59.2	54.2
Business Freedom	155	125	38.9	57.1
Government Integrity	161	134	19.8	31.8
Property Rights	161	155	26.6	33.5
Monetary Freedom	171	173	42.3	42.1
Investment Freedom	173	174	5	5
Financial Freedom	175	176	10	10

Source: The Heritage Foundation, 2021, 2022 and 2023 Index of Economic Freedom

In addition to the two aforementioned indices, the latest International Property Rights Index (2022) that is published by the Property Rights Alliance reveals that Iran ranked 113th among 129 countries in the survey - one step up from its preceding year. In this regard, the Iran's score decreased by 0.5 point and Iran's rank in the Middle East

region remained the same compared to 2021. Also, based on the Corruption Perception Index of 2022 published by Transparency International, Iran ranked 147th among 180 countries in the survey, ascending 3 steps compared to 2021.

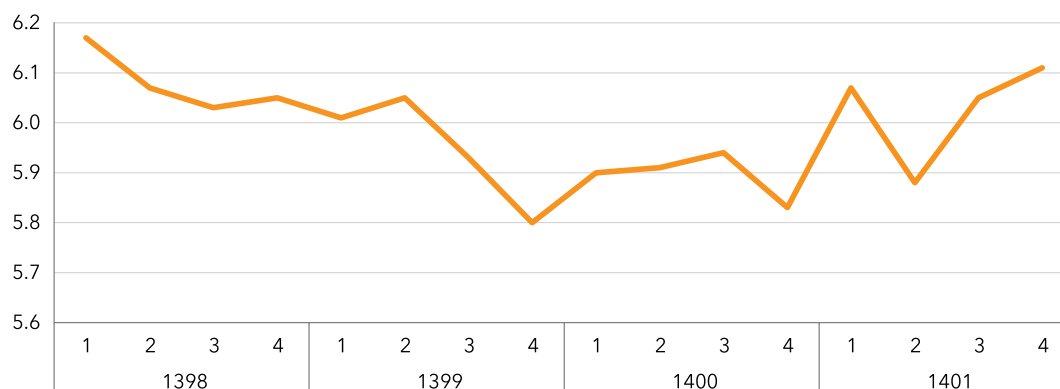
## 9-2. Monitoring Business Environment

According to "sustained improvement in business environment law" passed in 1390, Chambers of Commerce are obliged to determine national indicators of business environment in Iran and also assess and publish them annually and quarterly in different provinces, sectors, and economic activities in order to enable the policymakers to monitor the conditions of business environment in the country. Although this 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 1401Q4, the ICCIMA issued its latest report on monitoring business environment in Iran. In this report, survey data were obtained via perception polls on the condition of business environment components in the country by 2,658 economic agents of 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.

Based on the results of the latest report, the national indicator of the business environment in 1401Q4 reached 6.11, indicating downturn compared to 5.83 in 1400Q4. The indicator ranges from 0 to 10, with 10 pertaining to the worst state. In 1401Q4, the most unfavorable business environment has been recorded since 1398Q2. The economic agents voted for "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" as the most unfavorable components of the business environment (same as preceding years), and "ease of access to water", "customer acceptance of innovation in products and services" and "ease of access to energy carriers such as electricity, gas and diesel fuel" as its most favorable components, respectively. It is worth mentioning that since the fall of 1396, instability and unpredictability of prices have always been evaluated as the most unfavorable component of business environment. Therefore, the inflation crisis is the most important obstacle for businesses. So, expansionary monetary policy not only does not improve economic growth, but would also reduce it. Figure 12 exhibits overall index of business environment from 1398Q1 to 1401Q4.

Figure 12. Overall Index of Business Environment\*



Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment, 1400Q4  
\* Reducing the index means improving the business environment.

The economic agents voted for services sector as having the most unfavorable business environments, following by agriculture and industry sectors, respectively. However, the difference between these sectors is insignificant. In all three sectors, instability and unpredictability of prices were the most unfavorable component. Ease of access to water

was the most favorable component only in the services sector, while in the other sectors, customer acceptance of innovation was the most favorable one. Table 35 depicts the components of business environment index surveyed by the ICCIMA, Chamber of Cooperative, and Chamber of Guilds in 1401.

Table 35. Components of Business Environment Index Surveyed by the ICCIMA, Chamber of Cooperative, and Chamber of Guilds in 1401

Component	Q4	Q3	Q2	Q1
Instability and Unpredictability of Prices (for raw materials and products)	8.41	8.57	8.63	8.43
Difficulty of Financing from the Banking System	7.40	7.39	7.23	7.24
Instability of Policies, Regulations, and Procedures Concerning Doing Business	7.27	7.48	7.62	7.50
Inefficient Administrative Processes and Difficulty of Obtaining Business Licenses	6.72	7.05	7.11	7.01
Corruption in Administrative Organizations	6.47	6.66	6.64	6.67
Unfair Auditing and Taxing Procedures	6.40	6.58	6.37	6.50
Unreasonable Intervention of Government in Pricing	6.29	6.56	6.43	6.45
Production and Supply of Non-Standard and Counterfeit Goods	6.27	6.36	6.37	6.49
Unfair Competition of Public or Quasi-Public Corporations and Institutions in the Market	6.12	6.33	6.16	6.19
Monopoly, Privilege or Any Kind of Economic Rent to a Number of Competitors in the Market	6.11	6.27	6.29	6.36
Courts' Deficiency in Dealing with Complaints and Effective Prosecution of Human Rights Violators	6.09	6.28	6.00	6.43
Strict Labor and Social Security Insurance Procedures for Human Resource Management	6.08	6.22	6.11	6.26
Lack or Non-Transparency of Required Information for Doing Business	6.00	6.04	6.00	6.23
Different Interpretations of Laws and Regulations by Public Sector Employees	5.91	6.01	6.12	6.36
Supply of Smuggled Goods	5.88	5.91	6.01	6.07
General Absenteeism	5.85	5.90	5.62	5.84
Lack of New Technologies and Required Equipment	5.59	5.73	5.51	5.60
Lack of Appropriate Coordination in the Supply Chain	5.53	5.70	5.71	5.80
Lack of Skilled Labor	5.47	5.42	5.12	5.27
Contracting Parties' Non-Compliance with Their Obligations and Promises	5.20	5.49	5.62	5.51
Lack of Demand in the Market	5.20	5.36	5.31	5.29
Poor Transportation Infrastructures	5.16	5.50	5.37	5.48
Ineffective Distribution System	5.08	5.25	5.19	5.26
General Tendency to Buy Imported Goods Instead of Domestic Products	4.95	5.04	4.93	4.87
Limited Access to Mobile Network and Internet	4.06	3.97	3.65	3.84
Customer Acceptance of Innovation in Products and Services	3.82	3.89	4.08	4.44
Limited Access to Energy Carriers (electricity, gas, diesel fuel, and ...)	3.37	3.65	4.53	3.98
Limited Access to Water	3.15	3.37	3.50	3.38

Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment

In winter 1401 report, "Kurdistan", "Sistan and Baluchestan", and "Gilan" provinces had the most unfavorable and "Markazi", "Fars" and "Semnan" provinces had the most favorable business environments, respectively. The difference between indices of the best (Markazi) and the worst (Kurdistan) was 1.25 points. Also, among the fields of economic activities, "water supply; sewerage, waste management and remediation activities", "real estate activities", and "transportation and storage" had the most unfavorable and "administrative and support service activities", "mining and quarrying", and "manufacturing" had the most favorable business environments, respectively. In this regard, the difference between indices of the best and the worst was 1.49

points. In terms of firm size, firms with between 101 and 200 employees had the most unfavorable and firms with between 50 and 100 employees had the most favorable business environment, however, the difference was negligible. Regarding duration of the enterprise activity, enterprises with an activity period of shorter than 2 years had the most unfavorable and enterprises with an activity period of longer than 16 years had the most favorable business environment, considering negligible differences. The enterprises participating in this project have been operating with an average of 44.2 percent of their nominal capacity, indicating 3.2 percentage points increase compared to the same period of preceding year.

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