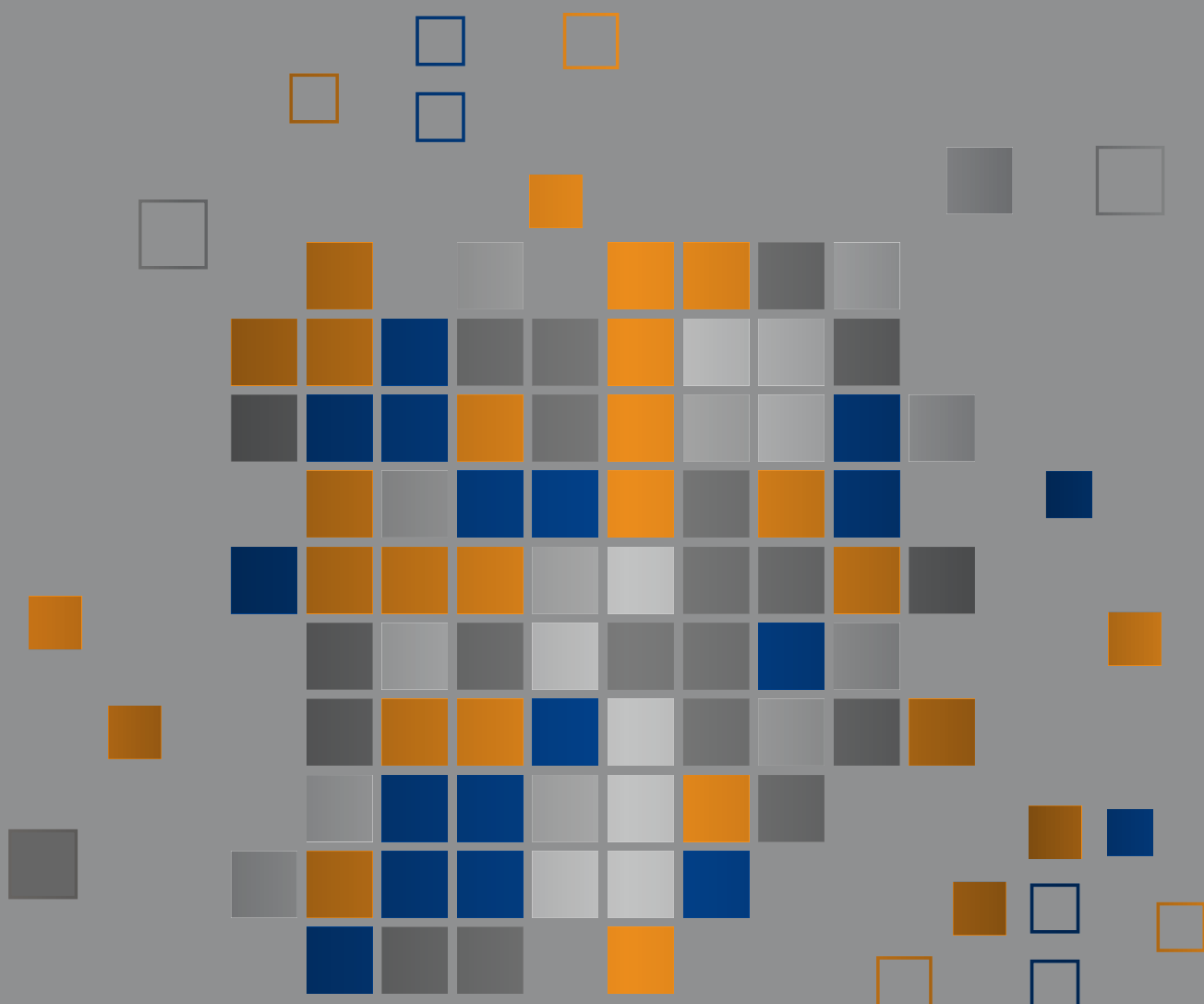




ANNUAL REPORT

FOR THE YEAR ENDED
MARCH 19,

2024



بانک خاورمیانه
Middle East Bank



ANNUAL REPORT

FOR THE YEAR ENDED MARCH 19, 2024

FINANCIAL HIGHLIGHTS

Table 1. Financial Highlights*

IRR million

	2024	2023	2022	2021	2020
Outstanding Loans	695,636,615	496,225,974	355,437,367	239,995,924	117,637,578
Deposits	733,144,857	532,203,488	387,843,822	335,742,821	175,279,063
Total Assets	1,000,663,169	673,588,739	523,805,356	402,546,914	207,969,810
Net Profit	51,675,025	29,887,572	20,578,075	16,626,702	8,647,669
Basic EPS	1,034	854	823	1,108	865
Guarantees	479,660,314	245,163,937	124,570,656	92,753,012	54,040,606
Letter of Credit	23,244,182	22,738,577	3,066,333	1,144,390	5,228,882
Capital Adequacy Ratio	13.70%	14.07%	13.51%	12.08%	12.78%

*Selected Financial Data for Fiscal Years ending 2020 through 2024

This is the annual report of Middle East Bank (“MEB”, “we”, “our”, “us” or “the Bank”), domiciled in Tehran, Iran. The report covers the Iranian calendar year 1402, spanning from Mar. 20, 2023 to March 19, 2024, which in the report we may interchangeably refer to as “1402”, “the year ended March 19, 2024”, “the fiscal year ending March 19, 2024” or “the Iranian year ending March 19, 2024”.

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

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

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

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

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

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

Note:

At the date of this report, March 19, 2024, according to the official exchange rate published by the Central Bank of Iran, IRR1 million was equivalent to €2.3 (IRR1 billion = €2,284)

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1. EXECUTIVE SUMMARY

1-1. Overview

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

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

1-2. Message from the Chairman

The difficult and unstable conditions of the Iranian economy maintained in the year 1402, particularly in the money market. Furthermore, in the global scope the effect of contractionary policies on the general price levels had not yet appeared. On the basis of the Statistical Center of Iran, the GDP growth rate at constant 1400 prices registered 4.5 percent in 1402, mainly emanating from more sales of oil and subsequently 14.3 percent expansion of the Extraction of Crude Oil and Natural Gas subsector. Accordingly, on the demand side of the economy the rise in sales of oil caused the Government Consumption Expenditures to rise by 7.8 percent, far above the 1.4 percent rise in the Private Consumption Expenditures, indicating that welfare level of the society has not improved in the short run. The contraction of Gross Fixed Capital Formation during 1390s and lack of reinvestment in that regard highlights the alarming state of the Iranian Economy in the long run.

Thanks to the GDP growth rate fueled by the Oil sector, the Central Bank of Iran reined in the inflation rate through

putting a cap on the growth rate of banks’ assets, albeit in expense of limited private sector finance. However, the major economic problems including the sanctions and limited financial transactions persisted. Under such circumstances, controlling the inflation rate was materialized as a result of more limitations on the private sector, while financing the Government Budget Deficit via issuance of Debt Securities, sales of oil, and borrowing from the National Development Fund surged during 1402. Hence, lower real per capita income, lower purchasing power and consequently falling more people below the poverty line were inevitable.

lack of transparency, weak financial and administrative management, and instability in various markets also ought to be taken in to consideration. The continuation of economic sanctions in 1402 and limitations on international relations did not provide a bright outlook for businesses. The government’s economic policies to grant mandatory small-scale loans also adversely affected the country’s banking industry.

Despite these challenges, we successfully achieved our projected goals. In the year 1402, net profit of Middle East Bank reached IRR 51,675 billion, 73 percent up from that of its preceding year. The Bank's capital was also increased to IRR75 trillion by the approval of our shareholders in the extraordinary general assembly through retained earnings to maintain the Bank's health while increasing the ability to provide loans to active, productive, and successful economic entities in the country.

The continuation of international banking activities in foreign exchange remittances, maintaining foreign agents, acting as a banking agent for authorized currency transfer channels, continued activities in investment banking as an agent of the National Development Fund, as well as increased extended facilities are detailed in the board of directors' report to the general assembly.

Due to adherence to professional banking standards and focus on the health and accuracy of banking operations, Middle East Bank is one of the few banks that has achieved a satisfactory score in terms of capital adequacy standards according to Basel standards and is among the Banks with the highest capital adequacy ratio in the Iranian banking system.

Despite the sanctions imposed on the country's banking sector, we have endeavored to assist and support our customers by utilizing our international capabilities to conduct trade in the Eurozone, particularly in the procurement of essential goods, medicines, and other humanitarian goods.

Transparency and accuracy in reporting the Bank's activities have always been a priority for the board of directors, and the Bank's ranking in terms of transparency and disclosure

has consistently been among the highest among the listed banks. Approximately, 87 percent of Middle East Bank's shares are free float and have been traded on 236 trading days of 1402.

In addition to its core business, Middle East Bank has also paid attention to its social responsibility by participating in health and educational affairs that are reflected in the financial statements.

Our strategic planning at Middle East Bank, in line with the goals set out in the Bank's strategic plan, continues to focus on the corporate banking. In addition to the provision of foreign exchange and international services, we pursue developing digital services, providing electronic service solutions for individuals and legal entities, and designing and expanding non-physical systems.

My colleagues and I believe that, under the current circumstances, supporting our customers' businesses is one of the Bank's top priorities. We are striving to provide appropriate solutions for their financing and continued operations. We are determined to overcome challenges, maintain the Bank's capital adequacy, and by reducing non-performing loans, increasing efficiency, and focusing more on non-interest income to witness the growth and diversification of the Bank's activities and provide even better services to economic agents and support production and employment in our country.

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

Parviz Aghili Kermani
Chairman of the Board

1-3. Financial and Operational Performance

A summary of the Bank's financial and operational performance in 2022 until 2024 is given below.

■ Principal Items of Statement of Financial Position

The principal items and brief explanation of some items are given below:

Table 2. Principal items of statement of financial position

Description	March 19, 2024	percentage of total	Increase (Decrease) percent	March 20, 2023	percentage of total	Increase (Decrease) percent	March 20, 2022	percentage of total
	IRR million			IRR million			IRR million	
A) Assets								
Cash	74,565,147	7	33	56,172,739	8	59	35,321,842	7
Due from banks and financial institutions	99,499,500	10	128	43,586,449	6	(2)	44,491,650	8
Credit facilities granted to non-governmental entities	695,636,615	70	40	496,225,974	74	40	355,437,367	68
Investments in share and other securities	32,171,135	3	56	20,645,834	3	(54)	45,185,426	9
Fixed assets	21,417,222	2	238	6,344,818	1	9	5,836,064	1
Statutory deposit	60,377,564	6	41	42,702,374	6	57	27,154,220	5
Other Assets	16,995,986	2	115	7,910,551	1	(24)	10,378,786	2
Total assets	1,000,663,169	100	49	673,588,739	100	29	523,805,356	100
B) Liabilities								
Customers' deposits	733,144,857	73	38	532,203,488	79	37	387,843,822	74
Due to banks and financial institutions	96,843,726	10	181	34,406,871	5	(46)	63,820,065	12
Other liabilities	43,978,298	4	66	26,477,734	4	53	17,259,504	3
Total liabilities	873,966,881	87	47	593,088,093	88	26	468,923,391	90
C) Shareholders' equity								
Share capital	50,000,000	5	43	35,000,000	5	40	25,000,000	5
Foreign exchange translation differences for foreign operations	3,639,990	0	61	2,260,240	0	8	2,090,564	0
Retained earnings and legal reserve	73,337,679	7	68	43,662,654	6	52	28,775,082	5
Shares owned and Premium of the shares owned by market maker fund (Treasury shares)	(281,381)	0	(33)	(422,248)	0	(57)	(983,681)	0
Total shareholders' equity	126,696,288	13	57	80,500,646	12	47	54,881,965	10
Total liabilities and shareholders' equity	1,000,663,169	100	49	673,588,739	100	29	523,805,356	100
D) Customers' commitments:								
Letter of credit	23,244,182	4	2	22,738,577	8	642	3,066,333	2
Issued guarantees	479,660,314	84	96	245,163,937	85	97	124,570,656	93
Other commitments	68,100,716	12	254	19,262,644	7	201	6,410,005	5
Managed funds	885,600	0	0	0	0	0	0	0

■ Balance of Extended Facilities

The balance of extended facilities (before deductions for provisions) in 1402 included IRR471,724 billion in IRR loans and IRR236,941 billion in foreign loans. The balance of facilities comprises 70 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 3.9 percent at the year-end shows that the Bank didn't forego precision and quality for the sake of growth.

■ Investments

Out of IRR32,171 billion of the Bank's investment, IRR31,005 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. Also, the share of 2 percent of fixed assets from total assets shows the Bank's efforts to use maximum resources in productive assets. It is necessary to mention that the reason of increase in fixed assets in 2024 was the purchase of a headquarters building for the establishment of headquarters departments. Out of 17 branches of Bank

at the year-end, 14 are freeholds, and 3 are leaseholds.

■ Deposits

The Bank deposit with 37.8 percent growth compared to the previous year equals IRR733,145 billion deposits at the Year ended March 19, 2024 has experienced 24 percent growth compared to the Year ended March 20, 2023, Which is mainly for attracting short-term, three-year deposits, and deposits of issued Guarantees. Despite the Bank's capital increase in 2024 , the ratio of deposits to the Bank's capital has reached 14.2 times at the Year ended March 19, 2024.

■ Principal Items of Income Statement

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

Table 3. Principal items of income statement

Description	Year ended March 19, 2024	percentage of total income	Increase (Decrease)	Year ended March 20, 2023	percentage of total income	Increase (Decrease)	Year ended March 20, 2022	percentage of total income
	IRR million		percent	IRR million		percent	IRR million	
A) Income								
Interest income on credit facilities granted	94,947,200	68	59	59,572,460	71	55	38,329,114	62
Interest income on deposit in banks and non-bank credit institutions	7,434,407	5	18	6,278,144	8	25	5,018,127	8
Income from investments in debt securities	5,277,734	4	5	5,018,544	6	(48)	9,688,958	16
Income (loss) from investments in share and other securities	-	-	(100)	798,000	1	53	1,693,632	3
Income on statutory deposit	462,996	-	38	335,592	-	32	253,439	-
Fees and commission income	9,198,361	7	81	5,070,414	6	72	2,953,555	5
Net foreign exchange transactions income	6,815,277	5	66	4,104,821	5	116	1,903,970	3
Income (loss) from investments related to non-banking activities	73,843	-	(68)	233,062	-	60	145,407	-
Other income	1,234	-	(99)	171,055	-	1,453	11,018	-
Other operating income	14,532,975	10	717	1,778,810	2	(22)	2,276,831	4
Total income	138,744,027	100	66	83,360,902	100	34	62,274,051	100
B) Expenses								
Interest expense on deposits	(67,509,963)	49	55	(43,649,934)	52	24	(35,226,702)	57
Administration and general expenses	(10,082,652)	7	63	(6,186,656)	7	51	(4,085,204)	7
Provision for bad and doubtful debts	(4,676,086)	3	100	(2,341,083)	3	14	(2,046,084)	3
Financial expenses	-	-	-	-	-	-	-	-
Fees and commission expense	(738,691)	1	57	(471,241)	1	39	(337,986)	1
Total expenses	(83,007,392)	60	58	(52,648,914)	63	26	(41,695,976)	67
Profit before tax	55,736,635	40	81	30,711,989	37	49	20,578,075	33
Income tax	(4,061,610)	3	393	(824,417)	1	100	-	-
Net income after tax	51,675,025	37	73	29,887,572	36	45	20,578,075	33

■ Income

The most important item in operating incomes in the income statement is interest income on credit facilities granted. It has grown by 59 percent compared to the previous year. On the other hand, it constitutes 68 percent of the total Bank's income. Out of IRR94,947 billion income of the granted facilities, IRR86,392 billion was related to the income of the customer's Rial facilities, and the rest to the customer's foreign exchange facilities.

It is worth to mention that the rise in the volume of facilities granted coupled with the rise in their effective rate, respectively, has caused the Bank's revenues to rise by IRR19,158 billion and IRR15,184 billion. In other words, the income from Rial facilities has expanded by IRR34,342 billion in the year 1402 compared to its preceding year.

■ Expenses

■ Interest Expense

The first and most important item in operating expenses in the income statement is interest expenses. The total amount of Rial and foreign exchange resources available to Middle East Bank have been increased by 34.6 percent

from IRR528,016 billion at the end of year ended March 20, 2023 to IRR708,371 billion at the end of year ended March 19, 2024.

Also, the average balance of Bank's Rial deposits have grown by 31 percent during the year ended March 19, 2024 compared to the previous financial year to IRR413,282 billion. It should be noted that the increase in the volume of deposits has led to IRR10,580 billion increase in expenses, and on the other hand, the increase in the rate of deposits has led to IRR10,350 billion increase in the expense of paid interest.

■ Provision for Bad and Doubtful Debts

The amount of doubtful debt during the year ended March 19, 2024 is equivalent to IRR4,676 billion (previous year IRR2,341 billion). This amount includes IRR1,664 billion related to the specific provision for bad and doubtful debt (previous year IRR362 billion) and IRR3,012 billion related to the general provision for bad and doubtful debt (previous year IRR1,979 billion).

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

Financial and Operational Indices

Summary of financial and operational indices for years 2020 to 2024 are as below:

Table 4. Summary of financial indices

Percent

Description	March 19, 2024	March 20, 2023	March 20, 2022	20 Mar. 2021	19 Mar. 2020
Capital adequacy ratio*	13.7	14.1	13.5	12.1	12.8
Loans to deposits	90	89	88	71	68
Loans to total assets	70	74	68	60	57
Return on assets-before deductions for tax	6.7	5.1	4.4	6.1	5.6
Return on assets-after deductions for tax	6.2	5.0	4.4	5.4	5.0
Liability ratio	87	88	90	91	90
Total deposits to capital (times)	14.17	15.09	15.48	22.07	17.4
Return on capital	103	85	82	111	86
Return on equity	50	44	45	56	48
Non-performing loans ratio**	3.9	2.8	1.3	1.1	2.3
Interest expense on deposits to interest received from credit facilities granted, deposits, and debt securities	62	61	66	63	58
Interest paid to average balance of deposits-LCY	13.3	10.8	11.4	10.4	10.5
Interest received to average balance of loans-LCY	22.5	18.5	18.2	18.5	18.9
Interest expense on deposits to total expenses	78	82	84	75	76
Bad debt expenses to total expenses	5.4	4.4	4.9	7.1	2.9
Total expenses to total incomes	63	64	67	64	61
Interest income on credit facilities granted to total incomes	68	71	62	53	57
Other income to total incomes	10.5	2.3	3.7	8.8	5.1
Net foreign exchange transactions income to total expenses	4.9	4.9	3.1	7.3	9.5

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

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

Table 5. Summary of operational indices

IRR million

Description	2024	2023	2022	2021	2020
Total income per branch (average no.)	7,708,002	4,763,480	3,663,179	2,817,262	1,368,752
Net profit per branch (average no.)	2,870,835	1,707,861	1,210,475	1,007,679	540,479
Total deposits per branch (average no.)	39,353,952	30,172,358	22,762,002	20,059,936	10,889,945
Total loans per branch(average no.)	35,597,494	26,775,974	20,089,570	14,183,639	7,390,651
Total income to the number of personnel	198,631	131,277	106,270	86,725	48,132
Net profit to number of personnel (average no.)	73,980	47,067	35,116	31,020	19,006
Total deposits to the number of personnel (average no.)	1,014,132	831,522	660,331	617,517	382,943
Total loans to the number of personnel (average no.)	917,330	737,921	582,803	436,623	259,891

Deposits

Summary of the Bank's performance in absorbing deposits in 2023 and 2024:

Table 6. Developments of Rial resources

Description	Mobilization of foreign currency resources					
	March 19, 2024			March 20, 2023		
	Number	Amount (IRR million)	Percentage of Total	Number	Amount (IRR million)	Percentage of Total
Short-term investment deposits	547,561	119,602,537	26	351,879	112,619,612	30
Special Short-term investment deposits	9	21,160	0	18	459,375	-
One-year deposits and general deposit certificate	1,138	33,714,886	7	1,037	51,158,985	14
Two-year deposits	1,709	17,530,147	4	3,803	96,402,777	26
Three-year deposits	1,957	200,739,647	44	115	2,081,165	1
Current deposits	12,196	62,969,484	14	11,091	93,269,095	25
Deposits of issued Guarantees		20,820,437	5		11,424,597	3
LCs' advances		890,098	-		2,142,700	1
Others		1,519,990	-		561,842	-
Total	564,570	457,808,386	100	367,943	370,120,148	100

Table 7. Developments of foreign resources

Description	Mobilization of foreign currency resources					
	March 19, 2024			March 20, 2023		
	Number	Amount (IRR million)	percentage of total	Number	Amount (IRR million)	percentage of total
Saving and current deposits	1,949	81,593,332	32	1,741	62,358,009	39
Special short-term investment deposits	22	116,036	-	24	80,313	-
Long-term investment deposits	124	149,189,070	60	221	93,040,573	59
Deposits of issued Guarantees		463,340	-		433,386	-
Others*		19,200,979	8		1,983,834	1
Total	2,095	250,562,756	100	1,986	157,896,115	100

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

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

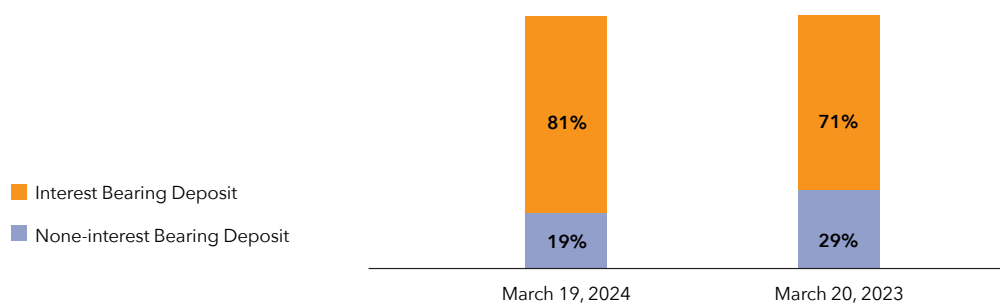


Table 8. Comparative analysis of fluctuations of interest expense on Rial deposits due to volume and rate

Description	March 19, 2024	March 20, 2023
Average balance of deposits (IRR million)	413,282,326	315,409,220
Interest expenses on Rial deposits (IRR million)	55,024,149	34,094,500
Weighted average interest rate on deposits (before subtracting statutory deposit)	13.3%	10.8%
Increase in interest expenses (IRR million)	20,929,649	6,983,181
Increase in interest expense due to volume(IRR million)	10,579,699	8,820,524
Increase (decrease) percentage	50.5%	126.3%
Increase (decrease) in interest expense due to rate (IRR million)	10,349,950	(1,837,343)
Increase (decrease) percentage	49.5%	-26.3%

Extended Facilities

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

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

Description	March 19, 2024	March 20, 2023
Average balance of loans (IRR million)	390,406,333	279,695,140
Average balance of current and past due loans-daily (IRR million)	379,918,706	276,318,687
Interest income from loans (IRR million)	85,440,110	51,098,230
Weighted average rate of interest	22.5	18.5
Increase in interest income (IRR million)	34,341,880	20,709,769
Increase in interest income due to volume (IRR million)	19,158,232	19,920,619
Increase (decrease) percentage	55.8	96.2
Increase (decrease) in interest income due to rate (IRR million)	15,183,647	789,150
Increase (decrease) percentage	44.2	3.8

2. CORPORATE OVERVIEW

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

We define ourselves primarily as a corporate bank, i.e. our business strategy is 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 facilitate the import/export 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

2

3

4

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6

7

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

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

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 Member

Masoud Soltan Zali

Alternate Member

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

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

Hamidreza Akefi Moghadam

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

Mohammad Akbaripour

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

Morteza Akbarpour

Senior Manager, Systems Analysis Department
B.Sc. Computer Engineering- Software, 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

Ardeshir Dadgar

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

Alireza Ghadamyari

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

Arash Falaki

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

Ali Farzam Jam

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

Gholamreza Hassanalizadeh

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

Amir Jafari

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

Farzam Jahanmanesh

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

Hossein Karami

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

Mohsen Karimi

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

Mohammad Mahdi Khalaji

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

Sahar Khalilnezhad

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

Abbas Khosropour

Senior Manager, Procurement & Logistics Department
Diploma in Economics

Reza Mahdavi Vaziri

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

Laleh Mehradpay

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

Hamid Nouri Khoshkanab

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

Majid Rahimi

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

Farzaneh Rajaei Salmasi

Senior Manager, Compliance & AML Department
M.Sc. Computer Engineering, Sharif University of Technology, Tehran

Gholamreza Sadegh Vishkaei

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

Hossein Soltanabadi

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

Mohsen Soltani Mohammadi

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

Hedieh Tabrizi

Senior Manager, Credit Department 2
EMBA, Aalto University, Finland

Maryam Taleb Beydokhti

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

Saeed Torkzadeh

Senior Manager, Internal Controls and Audit Department
M.Sc. Accounting, University of Tehran

■ 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 three or five members selected from the non-executive members of the board of directors and independent members.

■ Compliance Committee

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

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

■ Audit Committee

The Audit Committee 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, internal control processes, overseeing and assessing the performances of the internal and independent auditors. The committee aims to ensure that the Bank remains accountable and protects the interests of its shareholders and depositors. The Audit Committee comprises one non-executive member of the Board as chairman, and three 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 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

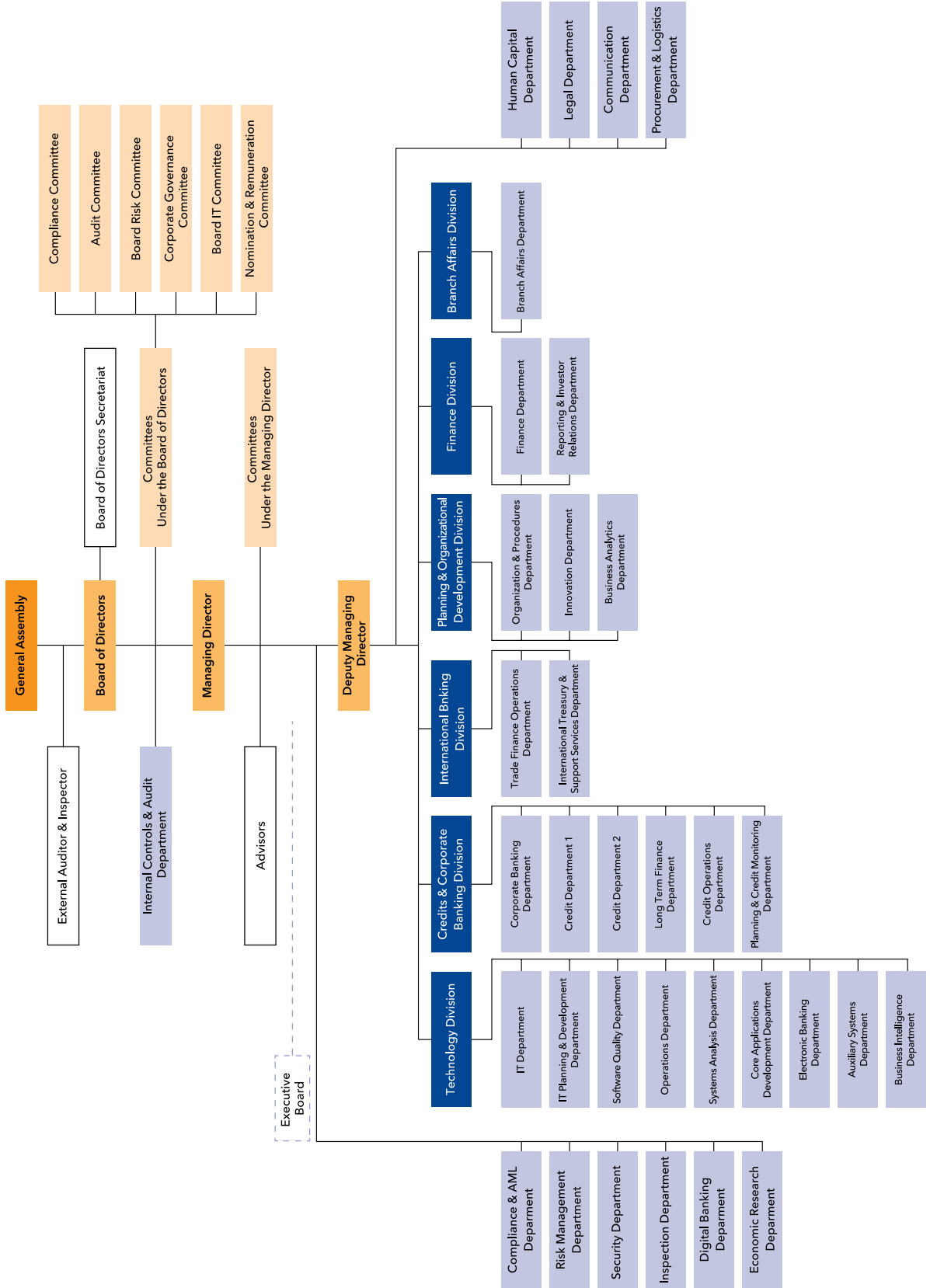
- Advising the Board of Directors on adopting proper internal policies for risk management in line with regulatory requirements and international standards.

■ 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:

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

Organizational Structure



2-2. Our Strategy

Middle East Bank's 5-year Strategy is among 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 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

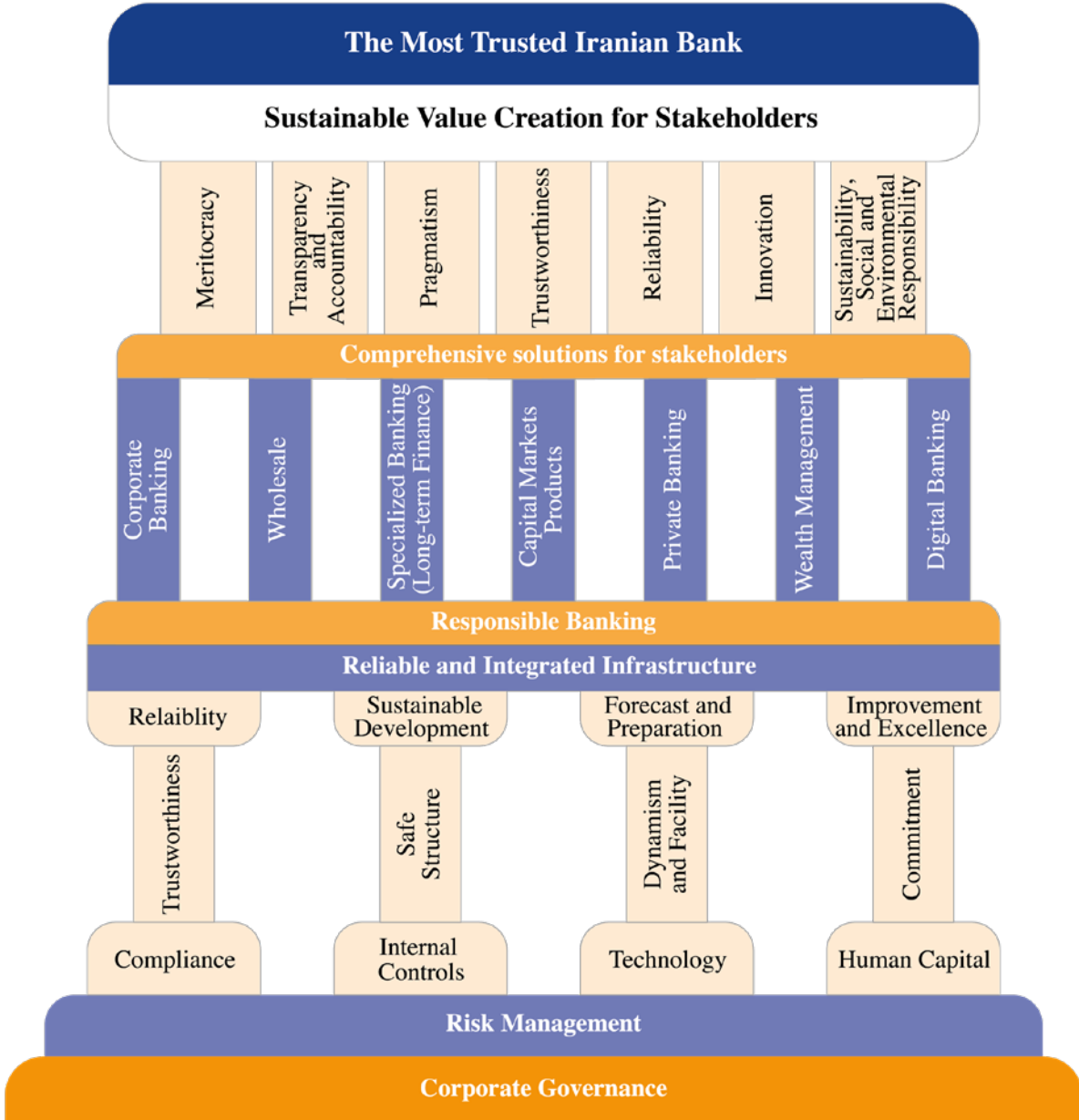
The following fields form MEB's strategic focus areas under the current strategic agenda:

- 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 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

- Financial support for providing shopping vouchers to underprivileged individuals by Salam Charity Foundation
- Academic financial support for newly admitted students in underprivileged areas by Mehrgiti Charity Foundation
- Financial support for providing hygiene items for Hemophilia Patients Society;
- Financial support for purchasing an ultrasound machine, Musa ibn Jafar charity hospital in Mashhad;

- Financial support for purchasing an OPG machine for the Exceptional Education Clinic in Fars Province;
- Financial support for equipping the operating room, Mofid Children's Hospital;
- Financial support for purchasing a central oxygen generator for Mahak Children's Hospital;
- Financial support for kidney transplantation;
- Financial support for providing hygiene items for Kahrizak Charity Foundation, Mohammadshahr;
- Participation in contribution of Iranian Private Banks Association (IPBA) for the construction of a hospital in Islamabad West;
- Donation to Ghadir ceremony;
- Providing marriage, childbirth and housing deposit facilities to eligible individuals;
- Special attention to the development of competent female personnel in senior management positions;
- Maintaining equal gender ratio in the recruitment process;
- Annual training on first aid, rescue and relief, and earthquake and fire response.

■ Environmental areas

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

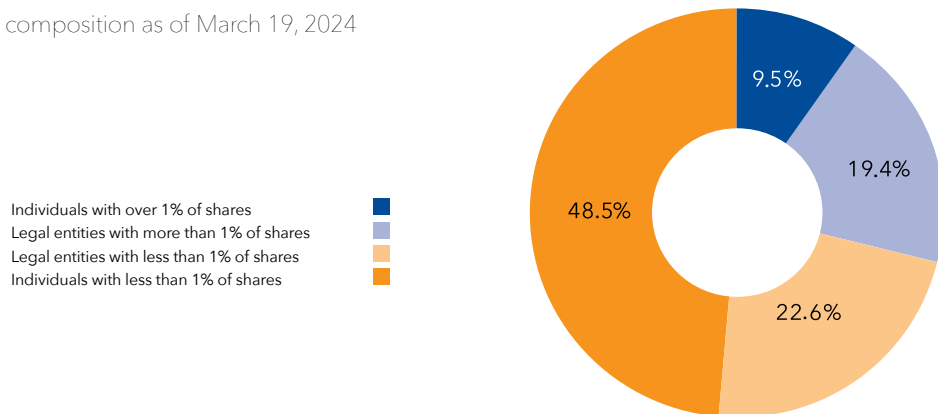
2-4. Shareholders

MEB had 19,711 separate shareholders as of March 19, 2024. Our shareholder composition is illustrated in the in the table and pie chart below.

Table 10. MEB shareholder composition as of March 19, 2024

Type	Shareholders	Shares	Ownership
Individuals with over 1% of shares	7	4,759,793,069	9.5%
Legal entities with more than 1% of shares	9	9,676,853,374	19.4%
Legal entities with less than 1% of shares	313	11,294,042,207	22.6%
Individuals with less than 1% of shares	19,382	24,269,311,350	48.5%
Total	19,711	50,000,000,000	100.0%

Chart 2. MEB shareholder composition as of March 19, 2024



The following table illustrates the historical performance of our shares on the Tehran Stock Exchange from March 20, 2019 up to March 19, 2024.

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

Iranian Year Ending	Number of Traded Shares	Value of Traded Shares (IRR million)	Trading Days	Market Value (IRR million)	Year-end Share Price (IRR)	Registered Capital
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
Mar. 19,2024	5,487,218,989	22,777,209	236	170,250,000	3,405	50,000,000

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 726 people (as of Mar. 19, 2024), 52 percent hold a bachelor's degree and 46 percent have a master's degree or Ph.D.

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

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

Chart 3. Breakdown of employees by age and gender as of March 19, 2024*

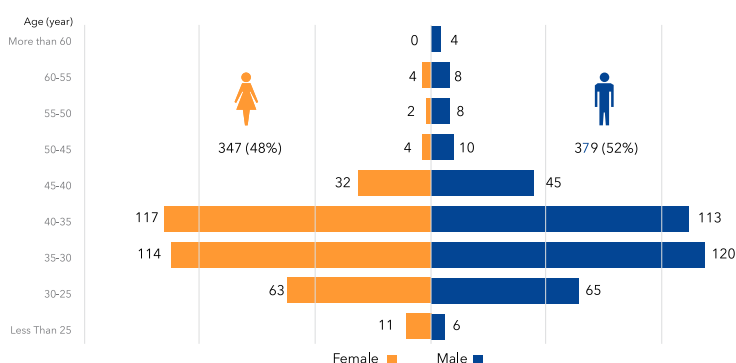
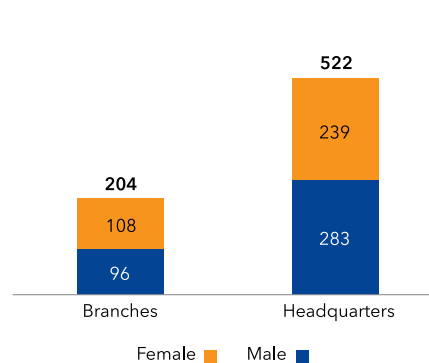
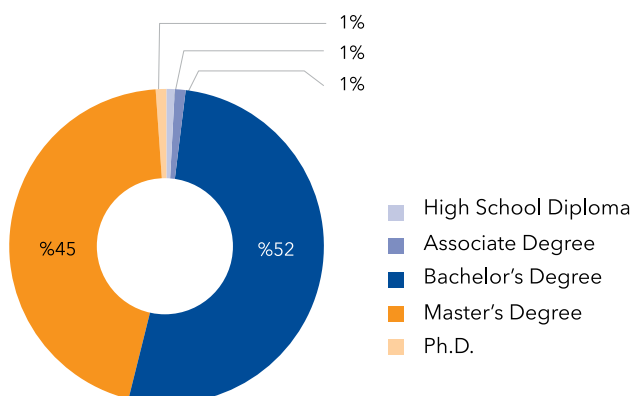


Chart 4. Breakdown of employees by gender and posting as of March 19, 2024*



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

Chart 5. Breakdown of employees by education as of March 19, 2024*



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.

* Eleven 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

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

To ensure the protection of information assets and maintain a secure environment, Middle East Bank has implemented an information security management system and continually improved it. This system, built upon international security standards such as PCI-DSS and ISO/IEC 27001, is constantly strengthened through risk assessment reports, regular audits, preventive measures, and corrective actions. All activities in this area are reported and reviewed during the security steering committee meetings with the Bank's CEO and senior managements. Also, necessary measures have been taken to obtain the ISO 27001:2022 certificate in accordance with the regulatory requirements of relevant authorities such as the Central Bank of Iran.

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, Middle East Bank has designed and conducted an information security awareness program. This program involves providing training on topics such as password management and social engineering tactics. By

adopting a comprehensive approach to security, 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, 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 SOC team works closely with incident response team to ensure that any threats are quickly detected and mitigated.

In addition to defensive measures, Middle East Bank actively executes red teaming exercises to evaluate the effectiveness of security controls and incident response procedures. These exercises play a crucial role in identifying weaknesses in the security infrastructure and subsequently improving defensive strategies.

The Bank's service provision, receipt of services from third parties, and allocation of access rights are conducted within a specific legal framework. All third-party access requirements and limitations in terms of physical, system, process, technology, and information resources are precisely and transparently detailed in the contractual framework. Before providing services to third parties, the Bank thoroughly assesses the security vulnerabilities associated with these services and communicates the results to address any identified vulnerabilities.

The persistent efforts by Middle East Bank in cybersecurity demonstrate its commitment to the security and privacy of customer and other stakeholder information.

2-8. Subsidiaries and Affiliated Companies

The results of the Bank's investments in shares at 19 Mar.2024 are given below.

Table 13. Investment in listed shares

IRRmillion

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

Table 14. Investment in Unlisted Shares

Description	Number of Total Shares	Percentage of Paid-up Capital	Percentage of Bank's Ownership	Cost
Dadeh Pardazan Simaye Aftab	30,000,000	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 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 28 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 15. Deposit collection performance

	March 19, 2024	Mar. 20, 2023	Mar. 20, 2022	Mar. 20, 2021	Mar. 19, 2020	Mar. 20, 2019
No. of Clients	541,589	347,978	232,731	56,170	45,467	41,403
Deposits (IRR billion)	447,821	355,948	240,981	208,244	102,334	62,704
Average Interest Paid (percent)	16/66	10/80	12/43	10/89	10/51	12/44

Table 16. Composition of MEB's deposits

Date	Account types			IRR billion
	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	
March 19, 2024	119,623	251,984	62,969	

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 Department

Our Credit Department consists of two separate credit management units, backed by a credit support team. Each credit management 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 17 illustrates our credit profile as of March 19, 2024.

Table 17. MEB's Credit Profile as of March 19, 2024

Description	IRR billion	
	Year ended March 19, 2024	
	Balance	
Loans*	455,514	
Loans - FCY	180,944	
Bank Guarantees	461,906	
Bank Guarantees - FCY	17,754	
Letters of Credit	23,244	
Letters of Credit - FCY	-	
Total Loans	636,458	
Total BGs and LCs	502,904	

* Principal balances

Table 18 and chart 6 illustrate the role of the Bank's various credit committees in reviewing and approving customers' credit requests:

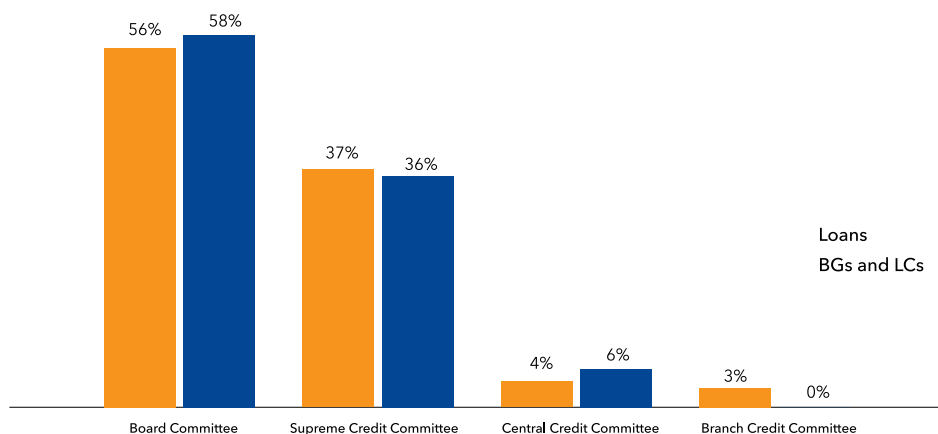
Table 18. Reviewing and approving customers' credit requests

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	255,838	56	293,318	58	215	1
Supreme Credit Committee	166,760	37	181,486	36	356	1
Central Credit Committee	20,296	4	27,975	6	250	1
Branch Credit Committee	12,620	3	126	0	24,600	97

* Excluding foreign currency loans

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 60 of the Bank's total lending book, followed by the "trading" sector with a 19 percent share.

Table 19. Composition of facilities by industry as of March 19, 2024

IRR billion

	Total Loans* (IRR billion)	Share of Total (percent)	BGs and LCs (IRR billion)	Share of Total (percent)
Manufacturing	272,376	60	136,645	27
Trade	86,697	19	50,786	10
Services	50,253	11	55,762	11
Construction	8,353	2	138,520	28
Agriculture	1,449	0	-	0
Mining	14,717	3	120,932	24
Others	21,669	5	259	0
Total	455,514	100	502,904	100

* Excluding foreign currency loans

BUSINESS SEGMENT OPERATIONS

As of March 19, 2024, large-scale enterprises accounted for 71 percent of MEB's loans, 78 percent of bank guarantees and 67 percent of letters of credit, as illustrated below:

Chart 7. Breakdown of facilities by customer type

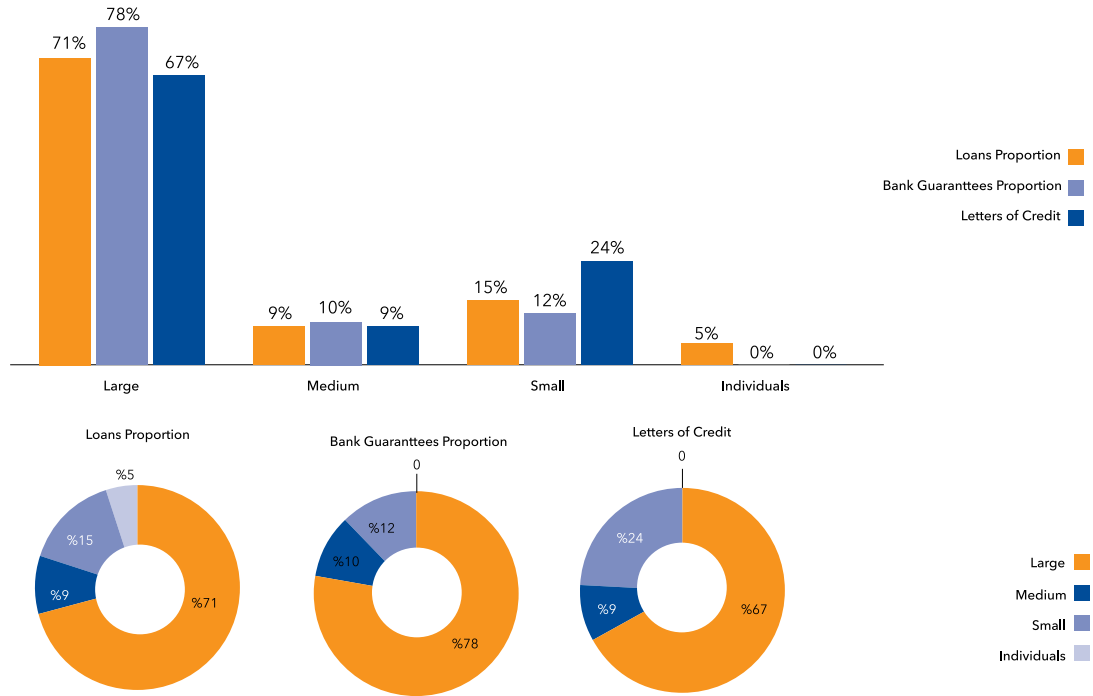


Table 20. MEB credit facilities according to customer type as of March 19, 2024

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)
Year ended March 19, 2024									
Large (More than 100 employees)	277	322,745	71	197	372,864	78	30	15,630	67
Medium (Between 50 and 100 employees)	78	41,029	9	51	49,812	10	6	1,948	9
Small (Less than 50 employees)	154	71,071	15	153	56,725	12	15	5,666	24
Individuals	24,661	21,669	5	19	256	0	0	0	0
Total	25170	455,514	100	420	479,660	100	51	23,244	100
Year ended Mar. 20, 2023									
Large (More than 100 employees)	235	230,961	68	150	163,914	0.67	15	7,693	30
Medium (Between 50 and 100 employees)	77	30,673	9	42	33,264	0.14	2	2,274	9
Small (Less than 50 employees)	169	66,351	19	139	47,623	0.19	5	15,617	61
Individuals	17,166	13,005	4	23	363	0	0	0	0
Total	17647	340,990	100	354	245,164	1	22	25,584	100

* 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 March 19, 2024.

Table 21. Posted collateral by MEB credit customers

	IRR billion
	Year ended March 19, 2024
Land and Real Estates	171,801
Receivable Checks*	123,096
Listed Shares\Participation Bonds\Sukuk	178,193
Certified Checks	3,993,579
Promissory Notes	22,025
Movable Assets	7,237
Factory and Machinery	80,370

* Receivable checks consist of all checks with due date of until 180 days from March 19, 2024.

3-3. International Banking Services

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

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

Table 22. Volume of international operations 2023 - 2024

	IRR million	
Activities	Year ended March 19, 2024	Year ended Mar. 20, 2023
Bank sources facilities	136,857.90	60,663,340.80
National Development Fund Facilities	0	3,545,101.30
Refinance facilities	4,563,417.10	0
Guarantees Issued	0	0
Letters of Credit Issued (in foreign currency)	0	0
Outward remittances facilitated	377,345,929.70	245,440,671.50
Other foreign remittances facilitated	289,588,138.70	238,721,800.80
Inward remittances facilitated (in foreign currency)	47,547,750.50	35,454,300.30
Drafts (in foreign currency)	264,313.30	9,196,129.00

3-4. Credit Operations Department

This Department has been established in line with Middle East Bank's corporate banking policies and aims to focus on major customers' credit affairs at the headquarters. The designed mechanism for Department enhances accuracy and speed in serving the Bank's customers while facilitating the oversight of these services. The Department operates under the Deputy CEO for Credit and Corporate Banking and comprises four offices: Credit Operations, Project Monitoring and Evaluation, Collateral and Guarantees, and Operations Support.

The Credit Operations Office as a subdivision of the Credit Operations Department is responsible for reviewing, verifying, and executing nearly all resolutions of the credit bodies within the framework of credit notifications, internal procedures, and the Central Bank of Iran guidelines. This includes disbursing facilities, issuing guarantees in local currency, and more. Table 23 presents a part of this office's performance from March 21, 2023 to March 19, 2024.

Table 23. Credit Operations Office

	IRR million	Growth rate	No.	Growth rate
Loans				
Balance on March 21, 2023	279,872,193.00	40	3,155	24
Additions	1,198,787,438	50	6,116	15
Settle during the year	1,098,388,075	53	5,590	19
Closing balance on March 19, 2024	380,271,557	36	3,681	17
Type of loans				
Murabaha	1,043,042,291	53	5,125	18
Installment Sale	4,319,744	-90	29	-92
Ju'alah	7,433,610	-76	20	-91
Mosharekat Madani	14,000,000	100	9	100
Debt purchase	129,991,793	197	933	146
Total	1,198,787,438	50	6,116	15
Bank guarantees				
Balance on March 21, 2023	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 March 19, 2024	280,823,642	114	5,087	32
Domestic Letter of Credit				
Balance on March 21, 2023	21,469,575	100	43	100
Issuance	110,315,405	309	352	564
Settle during the year	110,637,092	1914	223	2130
Closing balance on March 19, 2024	21,147,888	-1	172	300

Furthermore, based on its adopted policies, Middle East Bank undertakes the financing of some companies' long-term projects through external sources rather than internal funds. In such financings, which include granting facilities from the National Development Fund of Iran and guaranteeing the payment of bonds issued in the capital market, the Bank mainly acts as the guarantor, ensuring the repayment of both principal and interest on the facilities/bonds. The Project Monitoring and Evaluation Office, as

another subdivision of Credit Operations Department, is tasked with verifying the credit conditions of these projects, disbursing facilities/concluding agreements, controlling project expenditures within the approved budget and schedule, and overseeing the company's commitments from the start of the agreement until the full settlement of facilities and fulfillment of obligations. Table 24 briefly summarizes this office's performance in the mentioned period.

Table 24. The Project Monitoring and Evaluation Office

Funding Sources	NDFI's Deposit (Million USD)	NDFI's agency contract (Million USD)	NDFI's deposit (Billion IRR)	Iran Capital Market (Billion IRR)
Balance on March 21, 2023	370	62	6,130	9,140
Issuance	0	0	550	23,500
Settle during the year	0	7	0	0
Closing balance on March 19, 2024	370	55	6,680	32,640

Additionally, according to credit notifications, the Credit Operations Department is responsible for mortgaging real estate, securing securities, and receiving and maintaining customer guarantees (including checks and promissory notes) to back all debt and obligations through the Collateral and Guarantees Office.

Finally, the Operations Support Office is responsible for daily review and reconciliation of provided services, follow-up on claims, preparation and presentation of ad-hoc and periodic reports, examination and improvement of operational procedures, identification of system issues, and proposing solutions to resolve them. Table 25 presents part of this department's performance.

Table 25. The Operations Support Office

Project type	Total	Done	Doing
Operations	78	53	25
Date Mate	83	38	45
CARM	16	6	10
Business Intelligence	10	6	4

3-5. Long-Term Finance

To enhance the range of financial products and address the long-term financing needs of companies, a comprehensive suite of services is offered within the Long-Term Finance Department. Since this type of financing is typically utilized for development projects, it makes a significant contribution to the national economy and supports sustainable development for companies. Furthermore, the revenue generated from these services, due to their fee-based nature, positively impacts the Bank's profitability.

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

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 March 19, 2024

USD million

Year	Project	Approved	Used
1394	Production of Phosphate Concentrate-complete repayment	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-complete repayment	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 DRI (Direct reduced iron)	6.9	6.9
1402	Production of High-Density Polyethylene	40.0	0.0
Total		786.1	569.1

■ 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. Table 27 illustrates our local currency financings provided using NDF funds

Table 27. Local currency project financing as of March 19, 2024

IRR billion

Year	Project	Approved	Used
1397	Production of steel billets	1,000	1,000
1397	Production of Cellulose products-complete repayment	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	2,832
1401	Production of gelatin capsule	500	500
1402	Production of semi-finished medicines	630	200
Total		8,950	7,610

■ 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. Table 28 details bond issuances guaranteed by MEB as of March 19, 2024.

Table 28. Bond guarantees issued by MEB as of March 19, 2024

IRR billion

Year	Client	Financing Source	Approved	Issued	Explanation
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
	Hafez Tile and Ceramic Company (Public)	Bonds (Sukuk)	1,500	1,500	Bonds with maturity of four years and 18
	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
	Sabaldea Pardaz Technologies Company (private)	Bonds (Sukuk)	3,000	3,000	Bonds with maturity of four years and 18
	Chemicals Poducer Company	Bonds (Sukuk)	4,000	0	Bonds with maturity of four (max) years and 23 (max)
	Aluminum Producer Company	Bonds (Sukuk)	5,000	0	Bonds with maturity of four (max) years and 23 (max)
	Abian Pharmaceutical Group (private)	Bonds (Sukuk)	1,000	1,000	Bonds with maturity of five years and 23
	Dr. Abidi Pharmaceutical Company (Public)	Bonds (Sukuk)	5,000	5,000	Bonds with maturity of five years and 23
	Rougine Pharmaceutical Company (private)	Bonds (Sukuk)	2,500	2,500	Bonds with maturity of four years and 23
	Naghshineh Chap Tabriz Company (private)	Bonds (Sukuk)	6,000	4,000	Bonds with maturity of four years and 23
	Baspar Chemi Sepidan Holding Company (private)	Bonds (Sukuk)	5,000	5,000	Bonds with maturity of four years and 23
	Maadiran Electronic Industries Company (private)	Bonds (Sukuk)	3,000	3,000	Bonds with maturity of four years and 23
	Maadiran Home Appliances Company (private)	Bonds (Sukuk)	3,000	3,000	Bonds with maturity of four years and 23
	Abara Industries Company (private)	Bonds (Sukuk)	2,500	1,000	Bonds with maturity of four (max) years and 23 (max)
1402	Pakhshe Momtaz Company (private)	Bonds (Sukuk)	2,500	1,500	Bonds with maturity of four (max) years and 23 (max)
	Noritazeh Glass Company (private)	Bonds (Sukuk)	2,000	2,000	Bonds with maturity of four (max) years and 23 (max)
	Home Appliances Company	Bonds (Sukuk)	3,000	0	Bonds with maturity of four (max) years and 23 (max)
	Metal Company	Bonds (Sukuk)	4,000	0	Bonds with maturity of four (max) years and 23 (max)
	Oil Lubricants Poducer Company	Bonds (Sukuk)	2,000	0	Bonds with maturity of four (max) years and 23 (max)
	Pharmaceutical Company	Bonds (Sukuk)	6,000	0	Bonds with maturity of four (max) years and 23 (max)
	Pharmaceutical Company	Bonds (Sukuk)	5,000	0	Bonds with maturity of four (max) years and 23 (max)
	Steel Supplier Company	Bonds (Sukuk)	10,000	0	Bonds with maturity of four (max) years and 23 (max)
	Pharmaceutical Company	Bonds (Sukuk)	1,500	0	Bonds with maturity of four (max) years and 23 (max)
Total			82,226	37,139	

■ 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.

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, 2024.

Table 29. MEB Key Risk Metrics as of March 19, 2024

	Selected Risk Ratios	Percentage
Doubtful Loans / Total Loans ¹		1.40
Common Equity Tier 1 CAR ² (Basel 3 Standardised)		12.60
Total Capital CAR ² (Basel 3 Standardised)		13.60
Basel 3 Leverage Ratio ²		11.40
Loans to Deposit Ratio ³		95.0
Liquidity Coverage Ratio (LCR) ⁴		55.2

1. See note 52-3-7-2 of the Financial Statements

2. See Pillar 3 Regulatory Capital Disclosure

3. See note 52-4-5-2 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
Capital Adequacy			
CAR - Central Bank of Iran	> 13.0	> 10.5	< 10.5
CAR - Basel 3 Standardized	> 13.0	> 10.5	< 10.5
CET1 CAR - Basel 3 Standardized	> 8.0	> 6.5	< 6.5
CET1 CAR - Central Bank of Iran	> 8.0	> 6.5	< 6.5
Regulatory Capital to Economic Capital	> 120	> 100	< 100
Basel Leverage Ratio	> 7.5	> 4	< 4
Credit Risks			
Exposure to the Largest Customer / CET1	< 10.0	< 25.0	> 25.0
Exposure to Top 20 Customers / CET1	> 8.0	> 15.0	< 15.0
Exposure to Top 20 Customers / Total Loans	< 25.0	< 40.0	> 40.0
Doubtful Loans / Total Loans	< 2.0	< 5.0	> 5.0
Non-Performing Loans / Total Loans	< 5.0	< 10.0	> 10.0
Net Profit / Equity	> Inflation	Inflation	< Inflation
Expected Credit Loss	< 2.0	< 3.0	> 3.0
Liquidity Risks			
Total Loans / Total Deposit (IRR)	< 80.0	< 85.0	> 85.0
Bonds and Reserve Requirements / Total Deposit (IRR)	> 20.0	> 15.0	< 15.0
Top 100 Depositors / Total Deposit (IRR)	< 40.0	< 50.0	> 50.0
LCR - Central Bank of Iran	> 100	> 90	< 90
LCR - Basel III	> 110	> 100.0	< 100.0
Net Stable Funding Ratio	< 110.0	< 100.0	> 100.0
Positive Liquidity Gap - Month (IRR)	> 6	> 3	< 3
Market Risks			
Short-Term Equity Investment / Total Asset	< 1.0	< 2	> 2
Net Interbank Deposit Liabilities / Regulatory Capital	< 10.0	< 20.0	> 20.0
Duration of Bond Portfolio - Year	< 1	< 3	> 3
Treasury Bonds / Total Bonds	> 90.0	> 80.0	< 80.0
Corporate Bonds / Total Bonds	< 10.0	< 20.0	> 20.0
Net Open Position in Currencies - Central Bank of Iran	< Regulation	Regulation	> Regulation
Individual Investment Limit / Base Capital	< 2	< 5	> 5
Aggregate Investment Limit / Base Capital	< 15	< 20	> 20
Operational Risks			
Number of unresolved IT risks	< 20	< 25	> 25
Number of identified and unresolved IT risks	< 25	< 30	> 30
Number of unresolved internal process risks	< 20	< 25	> 25
Number of identified and unresolved internal process risks	< 25	< 30	> 30
Number of unresolved product and service development review forms	<= 3	<= 4	> 4
Munich Branch			
Investment in Foreign Fixed Income / Capital	> 50.0	> 40.0	< 40.0

Capital Allocation

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

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

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

4-1. Risk Management Governance

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

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

■ Laws and Regulations

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

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

Our financial statements are prepared in line with the standards of CBI and the Securities and Exchange Organization of Iran ("SEO") and published on the CODAL website (Computer Database of All Listed Companies) on a semi-annual basis. We maintain statutory reserves of 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

The Internal Audit and Internal Controls Management function serves as the third line of defense, providing assurance regarding the effectiveness of internal controls. It reports to the Board of Directors and senior management on the success of the first and second lines of defense in implementing internal controls and addressing risks.

In other words, the Bank's internal controls encompass preventive measures to deter fraud, misconduct, non-compliance, and errors, as well as detective measures designed to identify such issues. These controls cover operational activities, communication networks, information systems, financial reporting systems, and compliance-related processes.

Since internal control activities are embedded in the Bank's daily operations and processes, they are adaptable to any changes in these processes. This flexibility allows the controls to align with evolving operational requirements and ensures their timely and appropriate response to organizational changes.

- To strengthen the internal control framework, the Bank continuously focuses on the following:
- Developing, approving, updating, and reviewing policies, procedures, and guidelines, while overseeing their implementation;
- Establishing mechanisms for identifying and managing existing risks and ensuring effective, ongoing supervision;
- Enhancing communication and ensuring the timely and reliable flow of accurate information;

- Improving reporting systems and ensuring timely, reliable information is provided to relevant authorities;
- Ensuring compliance with laws, regulations, supervisory requirements, guidelines, and circulars across all levels of the Bank.

Furthermore, to establish an efficient and effective internal control function, the Bank has implemented corporate governance and formed specialized units and committees. Key initiatives include:

- Operational Risk Reporting System: A platform enabling the identification, management, and monitoring of operational risks through self-assessment by employees, particularly those in frontline units as the first line of defense.
- Employee Misconduct Detection System: A system designed to detect any suspicious transactions involving Bank employees as either the originator or recipient.
- Anonymous Reporting Mechanism: A confidential platform enabling employees at all levels to report any deficiencies, inefficiencies, or non-compliance with the Bank's guidelines and procedures without disclosing their identities.

These measures collectively ensure the Bank's internal control system remains robust, adaptable, and aligned with its overarching risk management and governance goals.

■ 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 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 to our individual and corporate customers, but also to any direct or indirect beneficiaries.

Our KYC procedures start with intensive checks before accepting a client and continue in the form of regular

reviews. KYC also provides valuable insights with respect to clients' risk tolerance, financial knowledge and financial position, enabling our banking advisors and relationship managers to provide appropriate advice tailored around each customer.

■ Customer Compliance Risk Categorization

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

Enhanced Due Diligence

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

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

■ Suspicious Transaction Reporting (STR)

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

- Our automated AML software, which has the ability to detect suspicious transactions based on their volume, frequency and pattern according to pre-defined rules. This software is under continuous development.
- Employee reports concerning suspicious customer 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+1) the United State 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, 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 Bank's headquarters within the Central Credit Committee, Supreme Credit Committee or Board Committee. Note 52-3-4 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 52-3-2 of the Financial Statements.

■ Credit Risk Exposures

■ Total Asset Balances

As of March 19, 2024, the Bank's total consolidated assets were approximately IRR1,043 trillion, up IRR346 trillion from March 20, 2023. 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 IRR201 trillion, driven by strong demand for corporate loans.

As of March 19, 2024, around 4 percent of the Bank's loan exposures are defined as non-performing, out of which:

- 1.3 are between 2 and 6 months past their due date;
- 1.4 are between 6 and 18 months past their due date;
- 1.4 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	95.9
Overdue	2 to 6 months late payment	1.3
Suspended	6 to 18 months late payment	1.4
Doubtful	> 18 months late payment	1.4
Total		100

■ Debt Securities

Debt securities, including investments in Islamic treasury bills, governmental bonds and corporate bonds, totaled approximately IRR33 trillion as of March 19, 2024. 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 IRR1.5 trillion as of March 19, 2024, up from approximately IRR0.9 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 IRR570 trillion as of March 19, 2024, from around IRR278 trillion the previous year. For more information regarding the Bank's off-balance sheet exposures, see note 48 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 March 19, 2024.

Table 32. Industry composition of MEB's loan portfolio as of March 19, 2024 Percent

Industry	Share of Loan Portfolio
Beverages, Food, and Tobacco	22.5
Healthcare and Pharmaceuticals	20.6
Consumer Goods and Durable Consumer Goods	10.0
Mining and Metals	6.9
Automotive and Parts Manufacturing	6.7
Other Industries	5.8
Financial	5.6
Natural Person (Individual)	4.9
Chemicals, Plastics, and Rubber	4.0
Industrial Equipment	2.5
Construction and Related Industries	2.2
Oil, Gas, and Refining	2.2
Communication Services and Infrastructure	2.0
Forestry, Paper, and Wood Industries	1.9
Transportation Services	0.9
Electricity and Water Distribution Services	0.8
Energy: Electricity	0.5
Total	100.0

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 52-7-2-2 of the Financial Statements.

Internal Measurement of Market Risk

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

Our VaR models assumes that observed historical changes could predict future movements in market rates. We base our VaR calculation on a one-percent probability (one tail) using daily standard deviations over a 10-day horizon. Complementing our VaR estimates, we also perform stress testing under various macro-economic scenarios to identify the Bank's vulnerability to event risk. The purpose of these tests 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 March 19, 2024 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
March 19, 2024				
Fixed Income Securities	546,301	272,090	(258,146)	(514,577)
Mar. 20 2023				
Fixed Income Securities	413,926	204,694	(200,023)	(395,809)

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
March 19, 2024				
Loans	(12,667,443)	(6,333,721)	6,333,721	12,667,442
Fixed Income Securities	546,301	272,090	(258,146)	(514,577)
Deposits	1,026,723	513,362	(5,299,116)	(10,598,232)
Total	(11,094,419)	(5,548,269)	776,459	1,554,633
Mar. 20 2023				
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)
Total	(5,932,262)	(2,968,400)	357,804	719,846

■ 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 2024, 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 52-5-5-2 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 52-5-6 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 March 19, 2024, 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 52-5-6 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.

■ 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 March 19, 2024, using the USMA method:

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

Factor	Sub-Factor	2021	2022	2023	2024	Average
Interest income, except for financial and operating lease	Interest income form loans and advances	24,692,756	38,329,114	59,572,460	96,272,747	
	Interest income form assets held to maturity	2,922,206	5,018,241	6,278,519	7,439,932	
	Interest income form trading assets	8,060,444	9,690,737	5,027,598	5,277,735	
	Other interest income	184,894	253,439	335,592	462,996	
	Total	35,860,300	53,291,531	71,214,169	109,453,410	67,454,853
Interest expenses, except for financial and operating lease	Interest expenses from deposits	22,382,890	35,468,512	43,894,320	68,264,714	42,502,609
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	728,751,212	491,872,122
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	535,251	880,942
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	10,838,457	8,732,938
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	471,241	738,691	464,883
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)"	-	-	171,619	1,867	43,372
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	223,515	761,144
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	10,048,542	
	Unrealized net profit/(loss) on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities) measured at fair value or amortized cost through profit and loss	-	-	6,779	-	
	Net profit/loss from exchange differences	6,912,396	2,531,881	4,371,560	15,960,258	
	Total	7,140,545	6,292,165	11,168,034	26,008,800	12,652,386
Business Indicator (BI)			34,094,533			
Business Indicator Component (BIC)			4,261,817			
Operational Risk Capital Charge (IRR million)			4,261,817			

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 March 19, 2024, 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 52-7-3 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 March 19, 2024. 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 March 19, 2024

	IRR million
	March 19, 2024
Share Capital	50,000,000
Retained earnings	58,875,596
Statutory Reserves	21,632,358
Other Disclosed Reserves	3,931,121
Goodwill & Intangible Assets	(177,124)
Investments in financial firms above 10 of Tier 1	-
Other Regulatory adjustments	(897,195)
Tier 1 Capital	133,364,756
Re-evaluation Reserves	-
General Loss Provisions up to 1.25 percent of RWA	10,532,173
Other Regulatory adjustments	-
Tier 2 Capital	10,532,173
Total Capital under the Standardised Approach	143,896,929

■ 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
Regulatory Capital		
Tier 1 capital	133,474,278	133,474,278
Total capital	144,006,451	139,577,688
Assets		
Total Risk Weighted Assets	1,059,441,933	1,017,235,032
Capital Ratios		
CET1/Tier 1 CAR	12.6	13.1
Total Capital CAR	13.6	13.7
Basel III Leverage Ratio*	11.4	11.4

* 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 52-7-2-2 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 March 19, 2024:

Table 38. Risk weighted assets under Basel 3 standardised approaches as of March 19, 2024

IRR million

Risk and Exposure Type	Exposure Pre-CRM and Pre-CCF	Exposure Post-CRM and Post-CCF	RWA
Sovereigns	30,996,346	30,996,346	-
Banks	79,730,669	79,730,669	45,884,587
Corporates & SMEs	453,702,821	346,141,259	344,433,686
Exposures Covered by Real Estate	6,963,754	6,963,754	1,392,751
Retail	3,471,832	3,129,196	1,613,637
Specialized Lending	203,792,157	203,792,157	264,929,804
Subordinated debt and equity	605,878	605,878	1,514,695
Other Assets 1	43,295,538	43,295,538	37,236,394
Defaulted Exposures	18,544,464	16,102,265	23,600,137
TOTAL ON BALANCE SHEET EXPOSURES			720,605,690
Bank Guarantees	479,660,314	182,337,321.7	182,337,322
other Guarantees	68,100,716	68,100,716	34,050,358
Letters of Credit (Sight)	23,244,182	5,602,366	5,602,366
Letters of Credit (Usance)	-	-	-
Other Commitments	885,600	885,600	88,560
TOTAL OFF BALANCE SHEET EXPOSURES			222,078,606
Market risk	5,078,090		63,476,125
Operational Risk	4,261,817		53,272,713
TOTAL RISK WEIGHTED ASSETS (RWA)			1,059,433,133

■ 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 Percent

Rating	Historical Default Probability	Percentage of Total Corporate Exposures
A	0.5	3.4
B	5.5	39.8
BB	2.2	26.60
BBB	1.0	12.40
C/CC	27.0	0.40
CCC	15.0	10.40
No Rate	15.0	2.20
Individuals	21.0	4.90
Total		100

As of the March 19, 2024, the weighted average rating for the Bank's corporate portfolio was "B". The Bank's F-IRB Capital Adequacy Ratio was 13.7 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 Percent

	Rated BBB and Above	Rated Between BB and B	Rated CCC	Rated C/CC or Unrated	Corporate Portfolio Risk Weight	F-IRB CAR
Base Case ¹	2.7	81.8	14.2	1.4	95.5	13.7
Scenario 1 (mild stress) ²	0.0	19.3	65.2	15.6	113.3	11.9
Scenario 2 (moderate stress) ³	0.0	2.7	19.3	78.1	146.2	9.5
Scenario 3 (severe stress) ⁴	0.0	0.0	2.7	97.4	156.0	9.0

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 52-4-5-2
- Asset/liability maturity analysis within note 52-4-5-3
- Analysis of contractual maturities of financial liabilities within note 52-4-5-4
- Maturity breakdown of FX liabilities within note 52-4-5-4-2
- The Bank's liquidity crisis management strategy is explained within note 52-4-6

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 March 19, 2024, 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 55.2 percent as of March 19, 2024, as illustrated by the following table:

Table 41. Key Components of the LCR as of March 19, 2024

IRR million

	Weighted Amount
High-Quality Liquid Assets	
Level 1 Assets	43,883,021
Level 2A Assets	0
Level 2B Assets	0
Total HQLA	43,883,021
Cash Outflow Amounts	
Retail Deposits	10,497,283
Wholesale Deposits	145,339,435
Other Dues Within 30 Days	22,998,431
Other Funding and Commitments	5,952,161
Total Cash Outflow	184,787,311
Cash Inflow Amounts	
Retail and Wholesale Cash Inflows	28,907,992
Cash Inflows from financial institutions ¹	42,441,056
Other Inflows	33,918,274
Total Cash Inflow	105,267,322
HQLA Amount	43,883,021
Total Net Cash Outflow Amount (Incl. 75 percent Cap on Inflows)	79,519,989
LCR	55.2%

■ 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 52-4-5-1 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 52-4-5-4-2 of the Financial Statements.

- For information regarding the status of foreign currency denominated assets and liabilities, see note 52-5-5 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 52-4-5-2 of the Financial Statements

■ Liquidity Stress Testing and Contingency Planning

We use liquidity stress testing to assist us in determining the appropriate amounts of liquidity to maintain throughout the year. As part of our liquidity stress testing process, we analyse potential contractual and contingent cash outflows. We evaluate our Bank's liquidity positions and requirements under a range of scenarios under different time horizons and with varying levels of severity. Our liquidity scenarios incorporate market-wide and bank-specific events and are based on our historical experience, experience of failed financial institutions and regulatory guidance. Our liquidity contingency plans outline the Bank's possible responses to various liquidity-related stress scenarios with varying degrees of severity, including emergency funding strategies and communication procedures.

4-9. Internal Controls and Audit Department

Internal Controls and Audit Department 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, Middle East Bank's Internal Controls and Audit Department has been segregated from the Inspection Department in 2018 and comply with the regulations and principles published by the International Association of Internal Auditors. In the year 1402 (roughly corresponding to spring 2023 to fall 2024), 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 Chief Audit Executive (CAE) in

ten meetings of the Bank's board of directors in order to explain the results of the findings which were considered in the twelve meetings of the audit committee.

■ Scope of the Work

During the year 1402, the Internal Audit and Internal Controls team undertook a wide range of activities designed to enhance governance, strengthen internal controls, and ensure compliance with regulatory and organizational standards. These activities included:

- Internal Controls Assessment and Reporting
 - Conducting detailed evaluations of internal controls to identify strengths and areas for improvement across key operational units, including:
 - Human Resources Management (selected

- processes);
 - Legal Affairs Management (selected processes);
 - Open Banking (selected processes);
 - Credit Operations and Supervision Management (selected processes);
 - Credit Department (selected processes);
 - International Banking Operations (selected processes);
 - Financial Management (selected processes);
 - Procurement Management (selected processes);
 - Middle East Exchange;
 - Anti-Money Laundering Unit (selected processes).
- Follow-Up on Corrective Actions
 - Monitoring the implementation of corrective actions stemming from Board meeting resolutions, particularly in:
 - Procurement Management;
 - Legal Affairs Management.
 - Tracking progress on assignments from the Annual General Meeting regarding the legal inspector's observations for the fiscal year 2021-2022.
 - Risk Management and Compliance Reviews
 - Conducting biannual reviews of large and related exposures.
 - Reviewing and analyzing key audit reports, including:
 - Draft reports by independent auditors for the fiscal year 2021-2022 and the first half of 2022;
 - Legal inspector's 26 categories of review for 2021-2022;
 - Auditor recommendations and subsequent actions to address or mitigate raised concerns.
- Evaluating the Bank's Risk Management Framework and internal controls governing financial reporting, utilizing a detailed engagement checklist.
- Strengthening Governance and Oversight
 - Preparing self-assessment reports for the Audit Committee and the Internal Controls and Audit Management function.
 - Reporting on the Bank's performance evaluation framework, incorporating theoretical and practical insights.
 - Reviewing financial proposals from external auditors and statutory auditors for the fiscal year.
 - Assessing the Bank's adherence to the Outsourcing Framework and reviewing IT audit proposals from external firms.
 - Updating the Audit Committee Charter and revising the organizational structure of the Internal Controls and Audit Management team.
 - Specialized Reporting and Advisory
 - Developing an explanatory report on the capital increase of Middle East Bank and its Munich branch.
 - Reviewing related-party transactions to ensure compliance with regulatory and ethical standards.
 - Conducting a comparative analysis of compliance with the 26 legal and regulatory requirements under the Monetary and Banking Law for fiscal years 2020-2021 and 2021-2022.
 - Addressing ESG (Environmental, Social, and Governance) Reporting Requirements, aligning with global best practices and stakeholder expectations.

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



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 19 March, 2024, 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 19 March, 2024 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 Notes 6-11-1 and 19 to the consolidated financial statements, the monetary foreign currency assets and liabilities at the end of the previous year were translated into Rials using the exchange rates as instructed in the CBI's circular No. 01/319616 dated 16 March, 2023 which were different (lower than) from prevailing exchange rates (ETS rates) at that time.

At the end of the current reporting year, the CBI instructed the ETS rates as the basis for exchange rates and currency balances according to the accounting standards are translated to Rials using prevailing rates, however exchange differences are all reported in the current profit and loss account while in our opinion part of the exchange differences for prior years should have been reported in the accumulated profit and comparative figures should have been restated.

Due to the existence of different foreign currency rates and resources at the end of the previous year, we are unable to determine the prevailing rates of exchange for translation purposes at that time and the extent of necessary adjustments.

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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 customers' 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").

Assessments for the financial years March 2016 to March 2023 were protested by the Bank which are currently under review by the Tax Dispute Settlement Boards. Furthermore, the provision for income tax of the current 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 (subject to Clause "S" of Article 14 of chapter 4 of the "Finance, Production and Infrastructures Act approved at March 12, 2024 by the Congress) which is yet to be assessed by the STO. 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 an assessment was raised which has been protested by the Bank. As disclosed in the related note, the status of claiming such taxes from banks is uncertain which reduces the likelihood of payment of the taxes.

Under circumstances, there are shortfall in the tax provisions made in the accounts, however 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.

Emphasis of Matter

- 3- The status of renewal of deposits received from the National Development Fund ("Fund") and the facilities granted from these deposits are reflected in the note 25 of the financial statements, which was followed up by the Bank and reached to a tripartite agreement between Bank, Fund and National Oil Company which the formalities of implementing the agreement in 2025 are being implemented. Our opinion is not qualified with respect to this matter.

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)

In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key matter
<p>Provision for doubtful granted facilities</p> <p>The bank's accounting policies for classifying and calculating the provision for bad debts are disclosed in notes 6-7 and 6-8 of the financial statements. The mentioned policies are according to the "Instructions for the Classification of Credit Institutions' Assets" (Subject to Circular Mob/2823 dated 01/24/2007) and "Instructions on How to Calculate the Bad Debt Provision of Credit Institutions" (Subject to Circular No. 01/239021 dated 12/14/2022) of the CBI.</p> <p>The amount of general and specific provision at the end of the current financial year is 13,461 billion Rials.</p> <p>In order to fully implement the above policies, in addition to the quantitative criterion of duration of the facility's default, the use of qualitative criteria such as the customer status or the industry status for the classification of the facility is expected, and the determination of these qualitative items is based on estimation and subjective judgments. Also, the value of collaterals are used to calculate the provision, which mainly relies on expert valuer reports. Determining these values is based on assumptions, pricing models and ultimately subjective judgments. Furthermore, the calculation mechanism related to specific provision has relative complexities and requires an acceptable level of accuracy in the implementation of such mechanism.</p> <p>Considering the amount of general and specific provisions, qualitative criteria and valuation methods in which assumptions, judgments and estimations are used, as well as the existence of complexity in performing calculations, this issue is considered as key audit matter.</p>	<p>The auditor's procedures for evaluating the recognition and measurement of the said provisions include the following, but are not limited to:</p> <ul style="list-style-type: none"> • Understanding the process of classifying of debts and calculating the provision and related control procedures for this process in order to ensure the adequacy of these controls. • Control the correctness of the calculations of the schedules provided by the Bank based on the calculation basis instructed by the CBI. • Checking the completeness of the information used in the calculation of provisions, such as the list of collaterals related to the facilities • Ensuring the valuation of collaterals by official experts and the review of sample expert reports (material cases) according to the auditing procedures of using the work of experts, such as checking the accuracy and validity of data, the reasonableness of the assumptions used, the non-normality of expert results, etc. • Performing analytical procedures for the ratio of bad debt provisions to facilities in different classes and compared to the industry and historical trends of the Bank • Reviewing the proper approach with renewed facilities, including reclassification issues • Obtaining a lawyer's confirmation along with a list of legal cases related to customers to review specific cases that require the inclusion of a provision according to the customers status.



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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.

Tehran: 26 June, 2024

Bayat Rayan
Chartered Accountants



MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 19 MARCH 2024

IRR million

Description	Note	19 Mar.2024	20 Mar.2023
Interest income on credit facilities granted	8	94,947,200	59,572,460
Interest income on deposit in banks and non-bank credit institutions	9	7,439,932	6,278,519
Income from investments in debt securities	10	5,277,735	5,027,598
Income (loss) from investments in share and other securities	11	-	6,779
Interest on statutory deposit	12	462,996	335,592
Total operating income		108,127,863	71,220,948
Interest expense on deposits	13	(68,264,714)	(43,894,320)
Gross profit (loss)		39,863,149	27,326,628
Fees and commission income	14	10,838,457	6,090,030
Fees and commission expense	15	(738,691)	(471,241)
Net foreign exchange transactions income	16	10,048,542	6,789,695
Administrative and general expenses	17	(11,438,611)	(6,815,367)
Provision for bad and doubtful debts	18	(4,674,726)	(2,356,443)
Other operating income	19	14,931,462	1,778,810
		18,966,433	5,015,484
Net operating profit (loss)		58,829,582	32,342,112
Income (loss) from investments in non-banking activities	20	535,251	380,775
Other non-operating income	21	1,867	171,619
Profit before tax		59,366,700	32,894,506
Income tax	37	(4,878,817)	(1,400,491)
Net Profit		54,487,883	31,494,015
Profit attributable to:			
Shareholders of the parent company		54,371,831	31,370,519
Non-controlling interests		116,052	123,496
		54,487,883	31,494,015
EPS (Rials)			
Operating EPS (Rials)		1,080	620
Non-operating EPS (Rials)		10	10
Basic EPS (Rials)	22	1,090	630

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

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 19 MARCH 2024

IRR million

Description	Note	19 Mar.2024	20 Mar.2023
Net Profit		54,487,883	31,494,015
Other comprehensive income			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operations	43	1,379,750	169,676
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		1,379,750	169,676
Total comprehensive income		55,867,633	31,663,691
Total comprehensive income attributable to:			
Shareholders of the parent company		55,751,581	31,540,195
Non-controlling interests		116,052	123,496
		55,867,633	31,663,691

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

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 19 MARCH 2024

IRR million

Description	Note	19 Mar. 2024	20 Mar. 2023
Assets:			
Cash	23	131,741,331	77,137,307
Due from banks and non-bank credit institutions	24	77,332,396	40,952,463
Credit facilities granted to non-governmental entities	25	694,846,734	495,730,754
Due from subsidiaries and associates	26	-	828
Other accounts receivable	27	7,352,525	8,363,767
Investments in share and other securities	28	33,310,793	20,875,075
Non-current assets held for sale	29	425,591	686,106
Property, plant and equipment	30	22,513,407	7,300,511
Intangible assets	31	177,124	229,810
Statutory deposit	32	60,377,564	42,702,374
Other assets	33	12,826,891	3,243,433
Total assets		1,040,904,356	697,222,428
Liabilities and shareholders' equity:			
Liabilities:			
Customers' deposits	34	729,821,153	529,592,699
Due to banks and non-bank credit institutions	35	99,084,796	37,051,386
Dividends payable	36	80,097	61,074
Income tax provision	37	5,235,191	2,513,901
Other liabilities and accruals	38	72,680,350	43,306,343
Staff termination benefits	39	1,063,305	691,061
Total liabilities		907,964,892	613,216,464
Shareholders' equity:			
Share capital	40	50,000,000	35,000,000
Capital increase in progress		-	-
Legal reserve	41	21,367,901	13,599,037
Other reserves	42	291,131	197,461
Foreign exchange translation differences for foreign operations	43	3,639,990	2,260,240
Retained earnings		57,377,005	32,904,530
Shares owned by market maker fund (Treasury shares)	44	(435,296)	(494,729)
Premium of the shares owned by market maker fund (Treasury shares premium)	45	153,915	72,481
Total equity attributable to shareholders of the parent company		132,394,646	83,539,020
Non-controlling interests		544,818	466,944
Total shareholders' equity		132,939,464	84,005,964
Total liabilities and shareholders' equity		1,040,904,356	697,222,428
Letters of credit	48-1	23,244,182	22,738,577
Issued guarantees	48-2	479,660,314	245,163,937
Other commitments	48-3	68,100,716	19,262,644
Managed funds	48-4	885,600	-

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

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 20 MAR. 2023

IRR million

		19 Mar. 2024										
Description	Note	Share capital	Capital increase in progress	Premium of the shares owned by market maker fund (Treasury shares premium)	Legal reserve	Other reserves	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Balance at 21 March, 2023		35,000,000	0	72,481	13,599,037	197,461	2,260,240	32,904,530	(494,729)	83,539,020	466,944	84,005,964
Net profit for the year ended 19 March 2024								54,371,831		54,371,831	116,052	54,487,883
Foreign exchange translation differences for foreign operation	43						1,379,750			1,379,750		1,379,750
Total comprehensive income		0	0	0	0	0	1,379,750	54,371,831	0	55,751,581	116,052	55,867,633
Share capital increase-Registered		15,000,000	(15,000,000)			0		0		0	0	0
Capital increase in progress			15,000,000			0		(15,000,000)		0	0	0
Purchase of shares owned by market maker fund (Treasury shares)	44								(167,736)	(167,736)	0	(167,736)
Sale of shares owned by market maker fund (Treasury shares)	44								227,169	227,169	0	227,169
Profit from the sale of shares owned by market maker fund (Treasury shares)	45			81,434						81,434	0	81,434
Legal reserve	41				7,768,864			(7,774,463)		(5,599)	5,599	0
Other reserves	42					93,670		(124,893)		(31,223)	31,223	0
Dividends								(7,000,000)		(7,000,000)	(75,000)	(7,075,000)
Total		15,000,000	0	81,434	7,768,864	93,670	0	(29,899,356)	59,433	(6,895,955)	(38,178)	(6,934,133)
Balance at 19 March, 2024		50,000,000	0	153,915	21,367,901	291,131	3,639,990	57,377,005	(435,296)	132,394,646	544,818	132,939,464

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

Continued on next page

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 19 MARCH 2024

20 Mar. 2023											IRR million	
Description	Note	Share capital	Capital increase in progress	Premium of the shares owned by market maker fund (Treasury shares premium)	Legal reserve	Other reserves	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total equity
Balance at 21 March, 2022		25,000,000	0	0	9,067,581	90,560	2,090,564	21,214,381	(983,681)	56,479,405	341,435	56,820,840
Net profit for the year ended 20 March 2023							31,370,519			31,370,519	123,496	31,494,015
Foreign exchange translation differences for foreign operation	43						169,676			169,676	0	169,676
Total comprehensive income		0	0	0	0	0	169,676	31,370,519	0	31,540,195	123,496	31,663,691
Share capital increase-Registered		10,000,000	(10,000,000)			0	0	0		0	0	0
Capital increase in progress			10,000,000			0		(10,000,000)		0	0	0
Purchase of shares owned by market maker fund (Treasury shares)	44								(284,396)	(284,396)	0	(284,396)
Sale of shares owned by market maker fund (Treasury shares)	44								773,348	773,348	0	773,348
Profit from the sale of shares owned by market maker fund (Treasury shares)	45			72,481						72,481	0	72,481
Legal reserve	41				4,531,456			(4,537,835)		(6,379)	6,379	0
Other reserves	42					106,901		(142,535)		(35,634)	35,634	0
Dividends								(5,000,000)		(5,000,000)	(40,000)	(5,040,000)
Total		10,000,000	0	72,481	4,531,456	106,901	0	(19,680,370)	488,952	(4,480,580)	2,013	(4,478,567)
Balance at 20 March, 2023		35,000,000	0	72,481	13,599,037	197,461	2,260,240	32,904,530	(494,729)	83,539,020	466,944	84,005,964

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

MIDDLE EAST BANK (PJSC)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 19 MARCH 2024

		IRR million	
Description	Note	19 Mar.2024	20 Mar.2023
Operating activities:			
Cash inflows(outflows)from operating activities	46	69,761,810	30,883,066
Paid tax		(2,157,524)	(602,903)
Net Cash inflows(outflows)from operating activities		<u>67,604,286</u>	<u>30,280,163</u>
Investing activities:			
Acquisition of fixed assets		(15,830,822)	(2,243,592)
Disposal of fixed assets		-	666
Acquisition of intangible assets		(361,680)	(259,730)
Disposal of non-current assets held for sale		-	190,000
Disposal of non-banking investments		239,074	-
Dividends received from non-banking investments		284,750	6,600
Interest received from other non-banking investments		11,442	-
Net cash inflow from investing activities		<u>(15,657,236)</u>	<u>(2,306,056)</u>
Net cash inflow before financing activities		51,947,050	27,974,107
Financing activities:			
Capital increase		-	-
Dividends paid		(7,055,977)	(4,993,302)
Proceeds from sale of shares owned by market maker fund (Treasury shares)		308,603	845,827
Acquisition of shares owned by market maker fund (Treasury shares)		(167,735)	(284,396)
Net cash inflow(outflow) from financing activities		<u>(6,915,109)</u>	<u>(4,431,871)</u>
Net increase (decrease) in cash		45,031,941	23,542,236
Cash at beginning of the year		77,137,307	51,306,775
Effect of exchange rate on cash		9,572,083	2,288,296
Cash at end of the year		<u>131,741,331</u>	<u>77,137,307</u>
Non-cash transactions	47	<u>159,485</u>	<u>100,556</u>
More information about the cash flows resulting from the interest:			
Interest on credit facilities granted		81,871,736	47,800,687
Interest on deposit in banks and financial institutions		7,826,620	6,573,226
Interest expense of investment deposits		(48,064,173)	(40,302,436)
Dividends		284,750	6,600

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

MIDDLE EAST BANK (PJSC)
STATEMENT OF PROFIT OR LOSS
YEAR ENDED 19 MARCH 2024

IRR million

Description	Note	19 Mar.2024	20 Mar.2023
Interest income on credit facilities granted	8	94,947,200	59,572,460
Interest income on deposit in banks and non-bank credit institutions	9	7,434,407	6,278,144
Income from investments in debt securities	10	5,277,734	5,018,544
Income (loss) from investments in share and other securities	11	-	798,000
Interest on statutory deposit	12	462,996	335,592
Total operating income		108,122,337	72,002,740
Interest expense on deposits	13	(67,509,963)	(43,649,934)
Gross profit (loss)		40,612,374	28,352,806
Fees and commission income	14	9,198,361	5,070,414
Fees and commission expense	15	(738,691)	(471,241)
Net foreign exchange transactions income	16	6,815,277	4,104,821
Administrative and general expenses	17	(10,082,652)	(6,186,656)
Provision for bad and doubtful debts	18	(4,676,086)	(2,341,083)
Other operating income	19	14,532,975	1,778,810
		15,049,184	1,955,065
Net operating profit (loss)		55,661,558	30,307,871
Income (loss) from investments in non-banking activities	20	73,843	233,063
Other non-operating income	21	1,234	171,055
Profit before tax		55,736,635	30,711,989
Income tax	37	(4,061,610)	(824,417)
Net Profit		51,675,025	29,887,572
EPS (Rials)			
Operating EPS (Rials)		1,033	590
Non-operating EPS (Rials)		1	8
Basic EPS (Rials)	22	1,034	598

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

MIDDLE EAST BANK (PJSC)
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 19 MARCH 2024

		IRR million	
Description	Note	19 Mar.2024	20 Mar.2023
Net Profit		51,675,025	29,887,572
Other comprehensive income			
Assets' revaluation surplus		-	-
Foreign exchange translation differences for foreign operations	43	1,379,750	169,676
Tax on other comprehensive income		-	-
Other comprehensive income, net of tax		1,379,750	169,676
Total comprehensive income		53,054,775	30,057,248

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

MIDDLE EAST BANK (PJSC)
STATEMENT OF FINANCIAL POSITION
AS AT 19 MARCH 2024

IRR million

Description	Note	19 Mar. 2024	20 Mar. 2023
Assets:			
Cash	23	74,565,147	56,172,739
Due to banks and non-bank credit institutions	24	99,499,500	43,586,449
Credit facilities granted to non-governmental entities	25	695,636,615	496,225,974
Due from subsidiaries and associates	26	800,322	1,007,507
Other accounts receivable	27	3,003,635	3,039,613
Investments in share and other securities	28	32,171,135	20,645,834
Non-current assets held for sale	29	425,591	686,106
Property, plant and equipment	30	21,249,042	6,116,967
Intangible assets	31	168,180	227,851
Statutory deposit	32	60,377,564	42,702,374
Other assets	33	12,766,438	3,177,325
Total assets		1,000,663,169	673,588,739
Liabilities and shareholders' equity			
Liabilities:			
Customers' deposits	34	733,144,857	532,203,488
Due from banks and non-bank credit institutions	35	96,843,726	34,406,871
Dividends payable	36	80,097	61,074
Income tax provision	37	4,417,985	1,875,964
Other liabilities and accruals	38	38,510,949	23,911,990
Staff termination benefits	39	969,267	628,706
Total liabilities		873,966,881	593,088,093
Shareholders' equity:			
Share capital	40	50,000,000	35,000,000
Legal reserve	41	21,259,146	13,507,891
Foreign exchange translation differences for foreign operations	43	3,639,990	2,260,240
Retained earnings		52,078,533	30,154,763
Shares owned by market maker fund (Treasury shares)	44	(435,296)	(494,729)
Premium of the shares owned by market maker fund (Treasury shares premium)	45	153,915	72,481
Total shareholders' equity		126,696,288	80,500,646
Total liabilities and shareholders' equity		1,000,663,169	673,588,739
Letters of credit	48-1	23,244,182	22,738,577
Issued guarantees	48-2	479,660,314	245,163,937
Other commitments	48-3	68,100,716	19,262,644
Managed funds	48-4	885,600	-

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

MIDDLE EAST BANK (PJSC)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 19 MARCH 2024

		19 Mar. 2024							IRR million		
Description	Note	Share capital	Capital increase in progress	Premium of the shares owned by market maker fund (Treasury shares premium)	Legal reserve	Other reserves	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Non-controlling interest	Total equity
Balance at 21 March, 2023		35,000,000	0	72,481	13,599,037	197,461	2,260,240	32,904,530	83,539,020	466,944	84,005,964
Net profit for the year ended 19 March 2024								54,371,831	54,371,831	116,052	54,487,883
Foreign exchange translation differences for foreign operation							1,379,750		1,379,750		1,379,750
Total comprehensive income		0	0	0	0	0	1,379,750	54,371,831	55,751,581	116,052	55,867,633
Share capital increase-Registered		15,000,000	(15,000,000)					0	0	0	0
Capital increase in progress	44		15,000,000					(15,000,000)	0	0	0
Purchase of shares owned by market maker fund (Treasury shares)	45								(167,736)	0	(167,736)
Sale of shares owned by market maker fund (Treasury shares)									227,169	0	227,169
Profit from the sale of shares owned by market maker fund (Treasury shares)				81,434					81,434	0	81,434
Legal reserve					7,768,864			(7,774,463)	(5,599)	5,599	0
Other reserves						93,670		(124,893)	(31,223)	31,223	0
Dividends								(7,000,000)	(7,000,000)	(75,000)	(7,075,000)
Total		15,000,000	0	81,434	7,768,864	93,670	0	(29,899,356)	(6,895,955)	(38,178)	(6,934,133)
Balance at 19 March, 2024		50,000,000	0	153,915	21,367,901	291,131	3,639,990	57,377,005	132,394,646	544,818	132,939,464

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 19 MARCH 2024

		20 Mar.2023						IRR million	
Description	Note	Share capital	Capital increase in process	Premium of the shares owned by market maker fund (Treasury shares premium)	Legal reserve	Foreign exchange translation differences for foreign operation	Retained earnings	Shares owned by market maker fund (Treasury shares)	Total equity
Balance at 21 March. 2022		25,000,000	0	0	9,024,756	2,090,564	19,750,326	(983,681)	54,881,965
Net profit for the year ended 20 March 2023							29,887,572		29,887,572
Foreign exchange translation differences for foreign operation	43					169,676			169,676
Total comprehensive income		0	0	0	0	169,676	29,887,572	0	30,057,248
Share Capital increase-Registered		10,000,000	(10,000,000)				0		0
Share Capital increase in progress			10,000,000				(10,000,000)		0
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			72,481				773,348	773,348
Profit from the sale of shares owned by market maker fund (Treasury shares)	45								72,481
Legal reserve	42				4,483,135		(4,483,135)		0
Other reserves	43						0		0
Dividends							(5,000,000)		(5,000,000)
Total		10,000,000	0	72,481	4,483,135	0	(19,483,135)	486,952	(4,438,567)
Balance at 20 March. 2023		35,000,000	0	72,481	13,507,891	2,260,240	30,154,763	(494,729)	80,500,646

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

MIDDLE EAST BANK (PJSC)
STATEMENT OF CASH FLOWS
YEAR ENDED 19 MARCH 2024

IRR million

Description	Note	19 Mar.2024	20 Mar.2023
Operating activities:			
Cash inflows(outflows)from operating activities	46	32,920,363	24,106,468
Paid tax		(1,519,588)	(172,501)
Net Cash inflows(outflows)from operating activities		31,400,775	23,933,967
Investing activities:			
Acquisition of tangible assets		(15,713,356)	(1,135,484)
Acquisition of intangible assets		(100,829)	(120,613)
Disposal of non-current assets held for sale		-	190,000
Dividends received from non-banking investments		73,843	126,600
Net cash inflow(outflow) from investing activities		(15,740,342)	(939,497)
Net cash inflow(outflow) before financing activities		15,660,433	22,994,470
Financing activities:			
Dividends paid		(6,980,976)	(4,993,302)
Proceeds from sale of shares owned by market maker fund (Treasury shares)		308,603	845,829
Acquisition of shares owned by market maker fund (Treasury shares)		(167,735)	(284,396)
Net cash inflow(outflow) from financing activities		(6,840,108)	(4,431,869)
Net increase (decrease) in cash		8,820,325	18,562,601
Cash at beginning of the year		56,172,739	35,321,842
Effect of exchange rate on cash		9,572,083	2,288,296
Cash at end of the year		74,565,147	56,172,739
Non-cash transactions	47	159,485	100,556
More information about the cash flows resulting from the interest:			
Interest on credit facilities granted		82,038,209	47,804,116
Interest on deposit in banks and financial institutions		7,821,095	6,572,852
Interest expense of investment deposits		(47,287,816)	(40,028,531)
Interest on investments in debt securities		-	-
Dividends		73,843	126,600

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

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

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 1st Nov. 2012. The stock of the bank was registered with OTC on 5th Dec. 2012 and its shares have been traded in the secondary market of TSE since 16 Mar. 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:

	19 Mar.2024		20 Mar.2023	
	End of the year/ period	Average*	End of the year/ period	Average*
Branches-Tehran province	12	12	12	12
Branches-other provinces	5	5	5	5
Overseas Branches	1	1	1	1
	18	18	18	18

*Average means the monthly average during the reporting year

1-4. Employees

The number of employees is as follows:

	19 Mar.2024		20 Mar.2023	
	End of the year/ period	Average*	End of the year/ period	Average*
Head office	522	486	450	433
Tehran branches	150	148	146	141
Other provinces 'branches	54	54	53	52
Overseas Branches	11	11	10	9
Bank's employees	737	698	659	635

*Average means the monthly average during the reporting year

2. 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 financial statements' sample released by CBI at March 2022. Details of accounting policies, including changes during the year, are included in notes 4 to 8.

2-1. 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 19 MARCH 2024

2-2. Consolidation goodwill

Business combinations are calculated using the acquisition method. Goodwill based on the excess of the sum of the consideration transferred to the fair value at the date of acquisition, plus the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previous ownership interests in the acquiree at the date of acquisition (phased combinations) is measured on the net amount of acquired identifiable assets and assumed liabilities at the date of acquisition, and is depreciated on a straight-line basis over 20 years.

Non-controlling interest at the date of acquisition is measured by the amount of a proportional share of the recognized amounts of the acquiree's net identifiable assets. The shares of the parent company acquired by the subsidiary company are reflected at cost in the accounts and in the consolidated balance sheet as a reduction of equity under the heading "Shares of the parent company in subsidiary ownership".

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

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

6-2. Property, plant and 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.

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	25 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 softwares 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 assets will be classified as held for sale if its carrying amount will be recovered principally through a sale transaction instead of through continuing use;

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

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

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

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

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

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

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

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
Loan's interest	
Current loans/Emhal	Accrual basis
Past due loans/Emhal	Accrual basis
Outstanding debt/Emhal	Accrual basis
Doubtful debt/Emhal	Cash basis
Penalty	
Current loans/Emhal	Accrual basis
Past due loans/Emhal	Accrual basis
Outstanding debt/Emhal	Accrual basis
Doubtful debt/Emhal	Cash basis
Fee	
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:

- 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.
- 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:

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

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 at the exchange rate issued by CBI circular No. 03/6492 dated 04/06/2024 based on the ETS remittance purchase rate of Iran's foreign exchange and gold exchange center on 03/18/2024 (437,734 Rials per Euro and 401,877 Rials per Dollar) on the statement of financial position date and non-monetary items recorded at the historical rate based on the rate of transactions and the differences arising from the settlement or exchange of monetary items are recognized as income or expense in the period in which they are incurred and reported in the statement of profit or loss. The exchange rates used at the date of the statement of financial position are as follows:

Balances and related transactions	Currency	Exchange rate	The reason for using the rate
Foreign currency items related to basic, essential goods, medicine, necessities and medical equipment (list of group one subject approved 63793 dated 08/07/2018 by the Council of Ministers)	EUR	CBI	IRR45,747
Foreign currency items related to basic, essential goods, medicine, necessities and medical equipment (list of group one subject approved 63793 dated 08/07/2018 by the Council of Ministers)	TRY	CBI	IRR1,308
Other monetary items	USD	CBI	IRR401,877
Other monetary items	EUR	CBI	IRR437,734
Other monetary items	AED	CBI	IRR109,429
Other monetary items	Other currencies	CBI	ETS remittance purchase rate of Iran's foreign exchange and gold exchange center on 03/18/2024
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. 03/6492 dated 04/06/2024, (437,734 Rials per Euro). The income and expenses of foreign operation are translated into IRR at the average rates of reporting period. All resulting differences are recognized in the statement of comprehensive income and are classified under shareholders' equity in the Statement of financial position. In addition, differences in the monetary items that are inherently part of the net investment in foreign operations are recognized in the statement of comprehensive income and are classified under the shareholders' equity until they are disposed.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

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.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

8. Interest income on credit facilities granted

	Note	Consolidated and Parent Co.										IRR million
		19 Mar. 2024					20 Mar. 2023					
		LCY		Total	FCY (Non-mutual)	Total	LCY		Total	FCY (Non-mutual)	Total	
		Mutual	Non-mutual									Mutual
Wakala		862,136	-	862,136	6,906,953	2,534,864	-	2,534,864	6,849,174	9,384,038		
Installment sales		1,587,036	-	1,587,036	276,617	6,758,884	-	6,758,884	290,954	7,049,838		
Mosharekat Madani (civil partnership contracts)	8-1	-	122,301	122,301	103,132	-	-	-	109,627	109,627		
Murabaha		68,246,967	-	68,246,967	274,245	35,716,152	-	35,716,152	698,665	36,414,817		
Debt purchase		8,701,548	-	8,701,548	-	2,443,710	-	2,443,710	-	2,443,710		
Penalty		5,591,135	-	5,591,135	966,130	3,456,094	-	3,456,094	332,858	3,788,952		
Paid credit cards		103,718	-	103,718	-	27,140	-	27,140	-	27,140		
Penalty from paid LCs		-	774,001	774,001	-	-	120,319	120,319	-	120,319		
Penalty from paid guarantees		-	99,212	99,212	-	-	112,734	112,734	1,972	114,706		
Other		-	303,711	303,711	28,358	-	119,313	119,313	-	119,313		
		85,092,540	1,299,225	86,391,765	8,555,435	50,936,844	352,366	51,289,210	8,283,250	59,572,460		
				94,947,200								

8-1. The interest recognized in the non-mutual LCY facilities in the Mosharekat Madani is related to the facilities granted from the special deposit certificate. It should be noted that in accordance with paragraph 12 of the third part of the instruction "Issue of term deposit certificate, special investment" notified by Circular No. 02/273439 dated 01/28/2024, the calculation of the definite interest of the plan is a maximum of 5 months after the maturity of the certificate. It will be sent to CBI for review and final approval next year.

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

9. Interest income on deposit in banks and non-bank credit institutions

	Consolidated										IRR million
	19 Mar. 2024					20 Mar. 2023					
	LCY		FCY		Total	LCY		FCY		Total	
	Mutual	Non-mutual	(Non-mutual)	Total		Mutual	Non-mutual	(Non-mutual)	Total		
Deposit interest income from other banks and internal credit institutions	7,377,456	-	7,377,456	-	7,377,456	6,235,933	-	6,235,933	-	6,235,933	6,235,933
Deposit interest income from foreign banks	-	-	-	62,476	62,476	-	-	-	42,586	42,586	42,586
	7,377,456	-	7,377,456	62,476	7,439,932	6,235,933	-	6,235,933	42,586	6,278,519	6,278,519
	Parent Co.										IRR million
	19 Mar. 2024					20 Mar. 2023					
	LCY		FCY		Total	LCY		FCY		Total	
	Mutual	Non-mutual	(Non-mutual)	Total		Mutual	Non-mutual	(Non-mutual)	Total		
Deposit interest income from other banks and internal credit institutions	7,371,931	-	7,371,931	-	7,371,931	6,235,559	-	6,235,559	-	6,235,559	
Deposit interest income from foreign banks	-	-	-	62,476	62,476	-	-	-	42,585	42,585	
	7,371,931	-	7,371,931	62,476	7,434,407	6,235,559	-	6,235,559	42,585	6,278,144	

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10. Income from investments in debt securities

Publisher-Bonds' type	Consolidated										IRR million
	19 Mar.2024					20 Mar.2023					
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Mutual	Non-mutual		Mutual	Non-mutual	Mutual	Non-mutual		
Islamic treasury bonds	2,628,249	-	2,628,249	-	2,628,249	1,063,896	-	1,063,896	-	1,063,896	-
Murabaha	2,498,481	-	2,498,481	-	2,498,481	2,719,130	-	2,719,130	-	2,719,130	-
First Ordibehešt intermediary-Manfaat	108,084	-	108,084	-	108,084	358,000	-	358,000	-	358,000	-
Tejarat bank Gam	20,305	-	20,305	-	20,305	7,103	-	7,103	-	7,103	-
Refah kargaran bank Gam	18,281	-	18,281	-	18,281	133,448	-	133,448	-	133,448	-
Sepah bank Gam	4,039	-	4,039	-	4,039	-	-	-	-	-	-
Mellat bank Gam	296	-	296	-	296	-	-	-	-	-	-
Khordad intermediary-Manfaat	-	-	-	-	-	342,504	-	342,504	-	342,504	-
Tir intermediary-Manfaat	-	-	-	-	-	394,463	-	394,463	-	394,463	-
Others	-	-	-	-	-	9,054	-	9,054	-	9,054	-
	5,277,735	-	5,277,735	-	5,277,735	5,027,598	-	5,027,598	-	5,027,598	-
	Parent Co.										IRR million
Publisher-Bonds' type	Consolidated										IRR million
	19 Mar.2024					20 Mar.2023					
	LCY		FCY (Non-mutual)		Total	LCY		FCY (Non-mutual)		Total	
	Mutual	Non-mutual	Mutual	Non-mutual		Mutual	Non-mutual	Mutual	Non-mutual		
Islamic treasury bonds	2,628,248	-	2,628,248	-	2,628,248	1,063,896	-	1,063,896	-	1,063,896	-
Murabaha	2,498,481	-	2,498,481	-	2,498,481	2,719,129	-	2,719,129	-	2,719,129	-
First Ordibehešt intermediary-Manfaat	108,084	-	108,084	-	108,084	358,000	-	358,000	-	358,000	-
Tejarat bank Gam	20,305	-	20,305	-	20,305	7,104	-	7,104	-	7,104	-
Refah kargaran bank Gam	18,281	-	18,281	-	18,281	133,448	-	133,448	-	133,448	-
Sepah bank Gam	4,039	-	4,039	-	4,039	-	-	-	-	-	-
Mellat bank Gam	296	-	296	-	296	-	-	-	-	-	-
Khordad intermediary-Manfaat	-	-	-	-	-	342,504	-	342,504	-	342,504	-
Tir intermediary-Manfaat	-	-	-	-	-	394,463	-	394,463	-	394,463	-
	5,277,734	-	5,277,734	-	5,277,734	5,018,544	-	5,018,544	-	5,018,544	-

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

IRR million

	Note	Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
		Mutual	Mutual	Mutual	Mutual
Dividends of companies and units of investment funds	11-1	-	-	-	798,000
Profit (loss) resulting from the transfer of company shares and units of investment funds		-	6,779	-	-
Net income (loss) of investments		-	-	-	-
Net income (loss) of investments in share and other securities		-	6,779	-	798,000

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

IRR million

	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
	Mutual	Mutual	Mutual	Mutual
Middle East Bank Currency Exchange Co.	-	-	-	798,000
	-	-	-	798,000

12. Interest on statutory deposit

IRR million

Description	Consolidated and Parent Co.	
	19 Mar.2024	20 Mar.2023
Interest on statutory deposit of investment deposits	388,469	271,133
Interest on statutory deposit of other sources	74,527	64,459
	462,996	335,592

12-1. Average of statutory deposit and related interest

IRR million

Description	Consolidated and Parent Co.	
	19 Mar.2024	20 Mar.2023
Average of statutory deposit of investment deposits	37,853,569	26,160,915
Interest on statutory deposit of investment deposits	388,469	271,133
Average of statutory deposit of other sources	8,732,881	7,794,001
Interest on statutory deposit of other sources	74,536	64,459

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13. Interest expense on deposits

IRR million

Description	Note	Consolidated	
		19 Mar.2024	20 Mar.2023
Mutual income			
Interest income on credit facilities granted	8	85,092,540	50,936,843
Interest income on deposit in banks and non-bank credit institutions	9	7,371,931	6,235,558
Income from investments in debt securities	10	5,277,734	5,018,544
Net income(loss) from investments in share and other securities	11	-	798,000
Income(loss) from non-banking investments	20	73,843	233,062
Total of mutual income		97,816,048	63,222,007
Bank's share of mutual income	13-1	(33,229,015)	(23,285,854)
Depositors' share of mutual income before deduction of the bank's commissions		64,587,033	39,936,153
Bank's commissions	13-2	(9,039,755)	(5,478,641)
Depositors' share of mutual income		55,547,278	34,457,512
Income on statutory deposit of investment deposits	12	388,469	271,133
Depositors' interest income		55,935,747	34,728,645
Interest expense on investment deposits		55,935,747	34,728,645
Interest expense on special deposit certificate		386,395	-
Interest expense on foreign currency deposits		11,187,821	8,921,289
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		754,751	244,386
Interest expense on deposits		68,264,714	43,894,320
Interest payable(overpaid) to investment deposits	13-4	7,242,093	72,789

IRR million

Description	Note	Parent Co.	
		19 Mar.2024	20 Mar.2023
Mutual income			
Interest income on credit facilities granted	8	85,092,540	50,936,844
Interest income on deposit in banks and financial institutions	9	7,371,931	6,235,558
Income from investments in debt securities	10	5,277,734	5,018,544
Net income(loss) from investments in share and other securities	11	-	798,000
Income(loss) from non-banking investments	20	73,843	233,063
Total of mutual income		97,816,048	63,222,009
Bank's share of mutual income	13-1	(33,229,015)	(23,285,855)
Depositors' share of mutual income before deduction of the bank's commissions		64,587,033	39,936,154
Bank's commissions	13-2	(9,039,755)	(5,478,641)
Depositors' share of mutual income		55,547,278	34,457,513
Income on statutory deposit of investment deposits	12	388,469	271,133
Depositors' interest income		55,935,747	34,728,646
Interest expense on investment deposits		55,935,747	34,728,646
Interest expense on special deposit certificate		386,395	-
Interest expense on foreign currency deposits		11,187,821	8,921,288
Net paid interest expense by subsidiaries to outside the group and inter group interest expense		-	-
Interest expense		67,509,963	43,649,934
Interest payable(overpaid) to depositors	13-4	7,242,093	72,789

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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/period	Bank's share of resource to mutual usages(13-1-2)	Mutual income	Bank's share of mutual incomes
	Percentage	IRR million	IRR million
19 Mar.2024	34.0%	97,816,048	33,229,015
20 Mar.2023	36.8%	63,222,009	23,285,855

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

Description	IRR million		Notes
	19 Mar.2024	19 Mar.2024	
Average of mutual usages (13-1-2-1)	456,352,246	346,924,490	52 weeks average
Average of depositors' investment deposits (13-1-2-2)	339,178,746	245,306,593	52 weeks average
less: average of statutory deposit of investment deposits	(37,853,569)	(26,160,915)	52 weeks average
Free resources of investment deposits	301,325,177	219,145,678	
Bank's share of mutual usages (Surplus free resources from investment deposits)	155,027,069	127,778,812	

* 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	
	19 Mar.2024 Amount(average)	20 Mar.2023 Amount(average)
Net usages related to granted facilities	400,012,032	289,661,201
Net usages related to participation bonds	23,573,849	25,691,711
Net usages related to term deposit in other banks	31,479,904	29,473,942
Net usages related to investments in share and other securities	1,286,461	2,097,636
Total usages related to mutual operation	456,352,246	346,924,490

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

Term deposits	IRR million	
	19 Mar.2024 Amount(average)	20 Mar.2023 Amount(average)
general deposit certificate	23,456,144	12,192,648
One -year deposits	15,460,543	14,922,002
Two- years deposits	56,494,454	109,876,264
Three- years deposits	101,002,051	157,252
Short term deposits	137,056,831	105,076,680
Term deposits of banks and non-bank credit institutions	5,509,231	3,025,865
Special short investment deposits	199,492	55,883
Average of investment deposits	339,178,746	245,306,594

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13-2. The Bank's commission

The Bank's commission rate was published in public newspaper, as 3 percent for the fiscal year ended 19 Mar. 2024 and the amount is calculated as below:

$$\text{Bank's commission} = \text{Average of free resources of depositors} * \text{Commission rate}$$

$$9,039,755 = 301,325,177 * 3 \%$$

13-2-1. Declared and applied bank's commission

	Declared and applied bank's commission	
	Rate	IRR million
general deposit certificate	3.0%	620,650
One- year deposits	3.0%	413,301
Two- years deposits	3.0%	1,501,440
Three- years deposits	3.0%	2,685,894
Short term deposits	3.0%	3,647,892
Investment deposits of banks and non-bank credit institutions	3.0%	165,277
Special short term deposits	3.0%	5,302
Total for the period ended 19 Mar. 2024		9,039,756
Total for the year ended 20 Mar. 2023		5,478,642

13-3. Interest paid on account to investment deposits

Description	Parent Co.	
	IRR million	
	19 Mar.2024	20 Mar.2023
Short term deposits		
Short term	4,266,909	7,458,280
Special short term	32,491	8,170
Long term deposits		
General deposit certificate	4,296,453	1,951,101
One -year deposits	2,438,820	2,280,508
Two- years deposits	12,602,447	22,297,440
Three-years deposits	23,758,539	26,212
	47,395,659	34,021,711
Term deposits of banks and other credit institutions	1,297,996	634,145
	48,693,655	34,655,856

13-4. Interest payable (overpaid) to investment deposits

Description	Note	Parent Co.	
		IRR million	
		19 Mar.2024	20 Mar.2023
Ultimate interest to depositors		55,935,748	34,728,645
Interest paid on account	13-3	(48,693,655)	(34,655,856)
Interest payable (overpaid) to investment deposits		7,242,093	72,789

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14. Fees and commission income

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Net commission of Gardh-UI Hasan (Non-interest-bearing) facilities	14-1	245,311	31,987	245,311	31,987
On L/Cs issuance		508,638	119,396	508,637	119,396
On guarantees issuance		4,705,481	2,464,641	4,705,481	2,464,641
Managed funds		10,800	736	10,800	736
On granting facilities		2,699,172	2,144,103	2,699,172	2,144,103
Participation and guarantee fee		235,608	48,938	235,608	48,938
SHETAB (inter bank ATM settlement)		78,403	48,049	78,403	48,049
Oversight commission received from the National Development Fund		29,565	29,778	29,565	29,778
On share trading		1,640,095	1,019,617	-	-
Other services		685,384	182,785	685,384	182,786
		10,838,457	6,090,030	9,198,361	5,070,414

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

IRR million		
	Consolidated and Parent Co.	
	19 Mar.2024	20 Mar.2023
Commission of Gardh-UI Hasan facilities	245,311	31,987
Net commission of Gardh-UI Hasan facilities	245,311	31,987

15. Fees and commission expenses

IRR million		
	Consolidated and Parent Co.	
	19 Mar.2024	20 Mar.2023
Fees for national payment systems-card based	605,255	368,969
Fees for national payment systems-account based	55,390	40,818
Fees for national payment systems-cheque based	48,415	32,853
Collateral valuation	29,056	24,502
other	575	4,099
	738,691	471,241

16. Net foreign exchange transactions income

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Income from foreign currency transactions		7,495,849	4,225,159	6,815,277	4,104,821
Income from foreign exchange operations	16-1	288,144,723	169,168,597	-	-
Cost of foreign exchange operations	16-1	(285,592,030)	(166,604,061)	-	-
		10,048,542	6,789,695	6,815,277	4,104,821

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.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Personnel expenses	17-1	7,193,274	4,456,918	6,610,176	4,074,095
Other executive expenses	17-2	3,461,855	1,594,959	2,730,695	1,365,220
Depreciation and amortization	17-3	783,482	763,490	741,781	747,341
		11,438,611	6,815,367	10,082,652	6,186,656

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

IRR million

	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Wages, salaries and allowances	5,992,154	3,461,279	5,493,543	3,159,942
Insurance employer contribution	688,494	430,099	622,807	386,896
Staff termination benefits	418,562	494,845	400,516	456,955
Travel and mission	34,432	24,364	33,678	23,971
Health and treatment of employees	59,632	46,331	59,632	46,331
	7,193,274	4,456,918	6,610,176	4,074,095

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

IRR million

	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Rent	224,253	102,495	210,293	85,082
Training and research	9,595	5,609	9,595	5,609
Communications	138,858	72,600	138,858	72,600
Insurance costs	33,264	22,885	13,516	4,405
Audit fee	19,559	13,531	14,360	10,464
Consulting fee	89,037	72,551	76,464	68,442
Transportation	25,457	12,602	24,714	12,222
Power and Water	23,484	15,850	22,204	15,089
Repair and maintenance of fixed assets	208,894	62,019	207,325	61,067
Consumable items	335,701	190,459	327,587	185,501
Board of directors bonus	47,200	32,300	37,200	23,800
Contractors' fee payment	927,464	443,742	917,495	435,853
Membership fee in Deposit Guarantee Fund	95,727	52,400	95,727	52,400
Membership fee in associations	22,510	2,417	11,006	1,117
Software support services	201,313	223,325	201,313	223,325
Others	1,059,539	270,174	423,038	108,244
	3,461,855	1,594,959	2,730,695	1,365,220

17-3. Depreciation and amortization

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IRR million

	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Fixed assets depreciation	618,696	589,395	581,281	576,076
Intangible assets amortization	164,786	174,095	160,500	171,265
	783,482	763,490	741,781	747,341

18. Provision of bad and doubtful debts

IRR million

	Note	Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Specific provision of bad and doubtful debts	18-1	1,664,239	362,330	1,664,239	362,331
General provision of bad and doubtful debts	18-2	3,010,487	1,994,113	3,011,847	1,978,752
		4,674,726	2,356,443	4,676,086	2,341,083

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

IRR million

	Consolidated and Parent Co.					
	19 Mar.2024					20 Mar.2023
	Past due	Outstanding	Doubtful debt before 5 years	Doubtful debt after 5 years	Total	Total
Credit facilities granted-non governmental (note 25-1)	7,181,431	13,880,136	8,671,966	539,776	30,273,309	15,130,623
Other accounts receivables (note 27-2)	2,694	94,028	202,028	107,243	405,993	441,377
Total before deduction of collaterals' value	7,184,125	13,974,164	8,873,994	647,019	30,679,302	15,572,000
Less : adjusted collaterals' value						
Investment deposits	-	-	-	-	-	(80,000)
Machinery	(2,224,021)	-	(1,661,754)	-	(3,885,775)	(1,625,637)
Real states	(152,468)	(10,161,459)	(4,990,798)	(40,514)	(15,345,239)	(9,030,973)
Total of adjusted collaterals' value	(2,376,489)	(10,161,459)	(6,652,552)	(40,514)	(19,231,014)	(10,736,610)
Basis of specific provision calculation	4,807,636	3,812,705	2,221,442	606,505	11,448,288	4,835,390
Specific provision calculation factor of-%	10%	20%	50%	100%		
Specific provision of amended and Emhal facilities	385,283	169,625	79,429	-	634,337	375,584
Specific provision of other receivables	95,481	592,916	1,031,292	606,505	2,326,194	1,210,013
Specific provision of bad and doubtful debts	480,764	762,541	1,110,721	606,505	2,960,531	1,585,597
Less: specific provision of bad and doubtful debts balance	(240,908)	(102,448)	(671,837)	(281,099)	(1,296,292)	(1,223,267)
Specific provision of bad and doubtful debts expense	239,856	660,093	438,884	325,406	1,664,239	362,330

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	19 Mar.2024					20 Mar.2023		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	
7201/50/202/222226188	1397/01/06	real state	18-1-1-2	1,921	11	267	2,199	33	-	-	
7201/50/202/222226189	1397/01/06	real state		3,219	219	476	3,914	59	-	-	
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	1394/11/03	real state		1,000	69	150	1,219	18	1,219	18	
1001/50/106/044430653	1394/12/01	real state		839	59	127	1,025	15	1,025	15	
1001/50/205/164320399	1395/03/27	real state		-	-	-	-	-	39,866	598	
1001/50/204/22222664	1394/07/28	real state		-	-	-	-	-	13,251	199	
				31,585	1,251	4,579	37,415	561	84,419	1,265	

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

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. Park Fars Meat products manufacturing and packaging according to the court order

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

	IRR million	
	Parent Co.	
	19 Mar.2024	20 Mar.2023
Credit facilities granted-non governmental (note 25-1)	708,665,041	504,929,033
Customer debts for LCs after deduction of advances(Note 33-1)	11,409,445	2,554,893
Due from subsidiaries and associates (note25)	839,636	1,048,987
Other accounts receivables (note26)	3,252,214	3,356,456
Less:		
Balance of loans that specific provision has been calculated for	(24,152,315)	(12,665,124)
Basis of general provision calculation	700,014,021	499,224,245
General provision calculation factor-%	1/5	1/5
General provision for bad and doubtful debts	10,500,210	7,488,363
Less: general provision for bad and doubtful debts at 20 Mar. 2023	(7,488,363)	(5,509,612)
General provision for bad and doubtful debts expense	3,011,847	1,978,751

19. Other operating income

	IRR million			
	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Profit (loss) of foreign currency exchange of operational currency assets and liabilities	15,154,977	4,344,820	14,756,490	4,344,820
Profit(Loss) of overseas branch	(223,515)	(2,566,010)	(223,515)	(2,566,010)
	14,931,462	1,778,810	14,532,975	1,778,810

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

	Note	IRR million			
		Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Dividends from companies and investment funds	20-1	296,188	272,765	73,843	233,063
Income (loss) from sale of investments in companies and investment funds	20-2	239,063	108,010	-	-
		535,251	380,775	73,843	233,063

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

IRR million

	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
	Mutual-Rial	Non-mutual-Rial	Mutual-Rial	Non-mutual-Rial
Middle East Life Insurance Co.	268,304	176,279	71,996	6,600
Social Security investment Co.	6,152	3,924	-	-
Mobarakeh Steel Co.	1,241	3,400	-	-
Pension Fund	2,616	-	-	-
Bandar Abbas Oil Refinery Co.	2,860	-	-	-
FKA animal husbandry and agriculture Co.	514	-	-	-
Middle East Bank Brokerage Co.	-	-	-	224,988
Tehran Stock Exchange Co.	-	1,008	-	-
Iran khodro investment Co.	-	1,000	-	-
Other	3,059	5,240	-	-
Corporation dividends	284,746	190,851	71,996	231,588
Middle East Bank Ofogh mutual fund	11,442	76,374	1,847	1,475
Other	-	5,540	-	-
Investment funds' units interest	11,442	81,914	1,847	1,475
Total	296,188	272,765	73,843	233,063

20-2. The profit (loss) from sale of investments in companies and units of investment funds is as follows:

	Consolidated			
	19 Mar.2024		20 Mar.2023	
	Number of shares/ investment unit	Book value	Profit (loss)	Profit (loss)
Profit (loss) from sale of investments in companies - Rial				
Mobarakeh Steel Company	623,217	2,255	6,812	1,379
Social Security Investment Co.	68,278,559	1,293	15,714	2,922
Iran Khodro Diesel Co	1,070,000	5,161	11,043	4,058
Ofogh Copper Industries	-	-	-	2,260
Saipa Investment Co.	18,382,000	116,865	9,336	-
Others	-	444,745	61,405	4,609
	88,353,776	570,319	104,310	15,228
Profit (loss) from sale of investment fund units - Rial				
Ahrom-Charisma Investment Fund	20,164,963	440,792	68,156	7,061
Middle East Ofogh Roshan mutual fund	9,227	222,159	26,490	81,270
Afra Fund	-	-	-	1,707
Salam-Farabi Fund	6,000,000	94,287	11,857	-
Lotus Gold Fund	689,022	128,525	4,610	-
Market Development Fund	9,160	60,346	22,984	2,744
Others	-	570	656	-
	26,872,372	946,679	134,753	92,782
	115,226,148	1,516,998	239,063	108,010

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21. Other non-operating income

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Profit (loss) from disposal of fixed and intangible assets		633	564	-	-
profit (loss) from disposal of collateral in possession	21-1	-	164,955	-	164,955
Others		1,234	6,100	1,234	6,100
		1,867	171,619	1,234	171,055

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

IRR million				
	Cost*	Parent Co.		
		19 Mar.2024	20 Mar.2023	Profit (loss)
	Book value	Selling price	Profit (loss)	Profit (loss)
Building	-	-	-	164,954

22. Earning per share

22-1. Basis of EPS calculation

Description	Parent Co.		Consolidated	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Operating profit	55,661,559	30,307,872	58,829,582	32,342,112
Tax effects	(4,061,412)	(823,441)	(4,878,461)	(1,366,167)
	51,600,147	29,484,431	53,951,121	30,975,945
Non operating profit	75,076	404,117	537,118	552,394
Tax effects	(197)	(976)	(356)	(34,324)
	74,879	403,141	536,762	518,070
Net profit before tax	55,736,635	30,711,989	59,366,700	32,894,506
Total tax effects	(4,061,609)	(824,417)	(4,878,817)	(1,400,491)
Net Profit	51,675,026	29,887,572	54,487,883	31,494,015

	No. of shares	
	19 Mar.2024	20 Mar.2023
weighted average number of ordinary shares	50,000,000,000	50,000,000,000
weighted average number of shares	50,000,000,000	50,000,000,000

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 07/20/2023), 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 19 Mar. 2024 and 20 Mar. 2023 , there is no profit reducing factor.

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23. Cash

IRR million

	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Cash in hand-LCY		196,692	204,460	196,692	204,460
Cash in hand- FCY		3,946,510	3,272,324	3,938,717	3,264,780
Unrestricted current deposits with CBI	23-3	45,907,413	40,747,140	45,907,413	40,747,140
Unrestricted balances with other banks and financial institutions	23-4	81,690,716	32,913,383	24,522,325	11,956,359
		131,741,331	77,137,307	74,565,147	56,172,739

23-1. Local and foreign cash in hand in the Bank's branches up to IRR 4,495,887 million are insured against theft and fire.

23-2. Cash in hand-FCY included USD 2,701,812 , EUR 6,358,452, AED 628,559 , INR 6,500 , TRY 36,115 , CNY 3,540 and CHF 324.

23-3. Unrestricted balances with CBI

IRR million

	Consolidated and Parent Co.	
	19 Mar. 2024	20 Mar. 2023
Unrestricted current deposits with CBI-LCY	9,138	69,892
Unrestricted current deposits with CBI-FCY	166,107	64,984
Unrestricted current deposits with other countries' central banks	45,732,168	40,612,264
	45,907,413	40,747,140

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

IRR million

	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Unrestricted current deposits with other local banks-LCY	239,848	874,333	37,707	8,108
Unrestricted current deposits with other local banks-FCY	66,911,113	26,927,875	9,948,662	6,849,992
Unrestricted term deposits with other local banks-LCY	3,799	14,705	-	1,789
Unrestricted current deposits with foreign banks-FCY	14,535,956	5,096,470	14,535,956	5,096,470
	81,690,716	32,913,383	24,522,325	11,956,359

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

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24. Due from banks and non-bank credit institutions

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
		Due from CBI	24-2	40,809	32,263
Due from other banks and financial institutions	24-3	77,291,587	40,920,200	99,458,691	43,554,186
Total		77,332,396	40,952,463	99,499,500	43,586,449

24-1. Unrestricted balances are classified as cash.

24-2. Due from CBI

IRR million				
	Note	Consolidated and Parent Co.		
		19 Mar. 2024	20 Mar. 2023	
		Restricted current deposits with CBI-FCY		20,619
Restricted current deposits with other countries' central banks	24-2-1	2,828,345	8,164,246	
Less: CBI's balance in our accounts (Note 35)	24-2-1	(2,828,345)	(8,164,246)	
Others		20,190	30,302	
		40,809	32,263	

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

24-3. Due from other banks and financial institutions

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
		Restricted current deposits with other local banks-FCY		5,053,345	2,469,752
Restricted term deposits with other local banks-LCY	24-3-1	38,400,000	14,700,000	38,400,000	14,700,000
Restricted term deposits with other local banks-FCY		5,934,564	6,547,585	5,934,564	6,547,585
Restricted current deposits with foreign banks-FCY	24-3-2	83,428,192	54,506,132	83,428,192	54,506,132
Less: CBI balance in our accounts (Note 35)	24-3-2	(55,728,902)	(37,354,921)	(55,728,902)	(37,354,921)
Other banks checks		40,000	137	40,000	137
Due from other banks due to PAYA transactions		36,564	-	36,564	-
Others		127,824	51,515	127,824	51,515
		77,291,587	40,920,200	99,458,691	43,554,186

24-3-1. Restricted term deposits with other local banks are related to interbank deposits that its maturity date is 03/24/2024.

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

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25. Credit facilities granted from non-governmental entities

	Consolidated										IRR million
	19 Mar. 2024					20 Mar. 2023					
	Principal balance	Fee and interest receivable balance	Penalty receivable balance	Mudaraba and Mosharekat Madani received fund	Future interests	Deferred fee and interest	Total	Provision for bad and doubtful debts	Net balance	Net balance	
Installment sales	9,441,346	82,421	7,303	-	(3,537,867)	(14,923)	5,978,280	(89,674)	5,888,606	19,967,681	
Wakala	6,222,847	548,958	3,478	-	(404,879)	(20,264)	6,350,140	(95,413)	6,254,727	8,746,672	
Mudaraba	133,594	10,858	15,656	-	-	(10,858)	149,250	(23,646)	125,604	291,750	
Mosharekat Madani (civil partnership contracts)	9,182,141	136,656	23,002	-	-	(14,355)	9,327,444	(244,458)	9,082,986	209,290	
Debt purchase	73,383,458	3,722,594	11,152	-	(9,246,334)	-	67,870,870	(1,018,063)	66,852,807	19,254,384	
Murabaha	398,351,044	10,181,289	535,678	-	(37,081,660)	(814,030)	371,172,321	(6,808,232)	364,364,089	292,607,158	
Gardh-UI Hasan	7,674,109	3,640	-	-	(1,087,977)	-	6,589,772	(99,533)	6,490,239	1,029,514	
Foreign currency facilities	199,298,863	54,314,346	395,655	-	(17,067,812)	-	236,941,052	(4,212,279)	232,728,773	151,803,095	
Debtors for paid L/Cs	852,087	-	17,923	-	-	-	870,010	(105,568)	764,442	445,863	
Debtors for paid guarantees	798,728	-	13,182	-	-	-	811,910	(292,230)	519,680	354,500	
Debtors for paid credit cards	2,283,959	15,188	100	-	(496,867)	(298)	1,802,082	(27,301)	1,774,781	1,020,847	
	707,622,176	69,015,950	1,023,129	-	(68,923,396)	(874,728)	707,863,131	(13,016,397)	694,846,734	495,730,754	

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	Parent Co.										IRR million
	19 Mar. 2024					20 Mar. 2023					
	Note	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	
Installment sales	9,441,347	82,421	7,303	-	(3,537,867)	(14,923)	5,978,281	(89,677)	5,888,604	19,967,681	
Wakala	6,222,847	548,958	3,478	-	(404,879)	(20,264)	6,350,140	(95,413)	6,254,727	9,241,892	
Mudharaba	133,594	10,859	15,655	-	-	(10,858)	149,250	(23,646)	125,604	291,750	
Mosharekat Madani (civil partnership contracts)	9,182,141	136,656	23,003	-	-	(14,355)	9,327,445	(244,458)	9,082,987	209,290	
Debt purchase	73,383,458	3,722,592	11,154	-	(9,246,334)	-	67,870,870	(1,018,063)	66,852,807	19,254,384	
Murabaha	399,151,044	10,183,198	535,679	-	(37,081,660)	(814,030)	371,974,231	(6,820,261)	365,153,970	292,607,158	
Gardh-UI Hasan	7,674,109	3,640	-	-	(1,087,977)	-	6,589,772	(99,533)	6,490,239	1,029,514	
Foreign currency facilities	199,298,863	54,314,346	395,655	-	(17,067,812)	-	236,941,052	(4,212,279)	232,728,773	151,803,095	
Debtors for paid LCs	852,087	-	17,923	-	-	-	870,010	(105,568)	764,442	445,863	
Debtors for paid guarantees	798,728	-	13,182	-	-	-	811,910	(292,230)	519,680	354,500	
Debtors for paid credit cards	2,283,959	15,189	100	-	(496,867)	(298)	1,802,083	(27,301)	1,774,782	1,020,847	
	708,422,177	69,017,859	1,023,132	-	(68,923,396)	(874,728)	708,665,044	(13,028,429)	695,636,615	496,225,974	

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, \$130 and \$59 million of the facilities were settled. At 19 Mar.2024, the balance of these facilities is equivalent to \$370 and \$39 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. The length of initial contract was thirty six months, which has been extended for two years (until June 2021). Also, a memorandum of agreement has been signed between the National development fund, the National oil Company and the Middle East bank regarding the extension of the contract for four years (from June 2021 to June 2025) in 2024. According to the above explanations, the cash basis was the basis for action in recognition of income for the contracts in 2024, and no income has been recognized for the contracts. It is worth mentioning that in 2024, the amount of \$16 million was settled for the share of the bank's profit, and also the necessary measures are underway for the issuance of murabaha bonds in the amount of 20,000 billion rials in order to repay the facilities.

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

IRR million

	Parent Co.				
	19 Mar. 2024				
	Current loans	Past due loans	Outstanding loans	Doubtful loans	Total
Installment sales	9,225,633	212,408	-	93,030	9,531,071
Wakala	6,481,282	69	1,091	292,841	6,775,283
Mudaraba	-	-	-	160,108	160,108
Mosharekat Madani (civil partnership contracts)	9,000,000	122,302	-	219,498	9,341,800
Debt purchase	77,117,204	-	-	-	77,117,204
Murabaha	392,431,348	6,950,337	6,951,305	3,536,931	409,869,921
Gardh-UI Hasan	7,674,917	1,681	51	1,100	7,677,749
Foreign currency facilities	240,435,808	631,212	7,612,084	5,329,760	254,008,864
Debtors for paid L/Cs	776,083	-	-	93,927	870,010
Debtors for paid guarantees	523,721	-	-	288,189	811,910
Debtors for paid credit cards	2,297,457	708	886	197	2,299,248
	745,963,453	7,918,717	14,565,417	10,015,581	778,463,168
Less					
Future interests	(67,571,720)	(543,221)	(264,224)	(544,231)	(68,923,396)
Deferred fee and interest	-	(194,063)	(421,057)	(259,608)	(874,728)
Net loans before deduction of provision for bad and doubtful loans	678,391,733	7,181,433	13,880,136	9,211,742	708,665,044
General provision for bad and doubtful loans	(10,175,876)	(14,050)	(52,987)	(29,355)	(10,272,268)
Specific provision for bad and doubtful loans	-	(480,750)	(762,540)	(1,512,871)	(2,756,161)
Balance at 19 Mar. 2024	668,215,857	6,686,633	13,064,609	7,669,516	695,636,615
Balance at 20 Mar. 2023	482,451,618	5,881,583	3,206,798	4,685,975	496,225,974

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.					
	19 Mar. 2024			20 Mar. 2023		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Opening balance	7,389,781	1,313,280	8,703,061	5,374,224	969,590	6,343,814
Recoveries	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Increase (decrease) during the year	2,882,487	1,442,881	4,325,368	2,015,557	343,690	2,359,247
Closing balance	10,272,268	2,756,161	13,028,429	7,389,781	1,313,280	8,703,061

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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25-3. Classification of foreign currency loans according to payment sources is as below:

IRR million						
Consolidated and Parent Co.						
	19 Mar. 2024					20 Mar. 2023
	Current loans	Past due loans	Outstanding loans	Doubtful debt	Total	Total
Internal resources	1,225,447	-	7,062,320	-	8,287,767	17,934,390
CBI and other bank resources	2,436,207	-	-	-	2,436,207	-
National development fund	216,788,171	622,236	-	4,594,392	222,004,799	133,868,705
	220,449,825	622,236	7,062,320	4,594,392	232,728,773	151,803,095

The amount presented in the above table is net after deduction for relevant provisions (according to note 25).

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

IRR million								
Parent Co.								
Note	19 Mar. 2024						20 Mar. 2023	
	24% and more	21-24%	18-21%	15-18%	12-15%	12% and less	Total	Total
19 Mar.2024 and before	152,533	20,507,099	109,621	5,943,302	331	8,714,772	35,427,658	26,777,296
2024	9,122,301	412,212,538	365,523	1,821,179	52,959	209,902,080	633,476,580	449,535,716
2025	-	1,678,471	-	2,051,027	1,019,990	8,377,939	13,127,427	7,343,701
2026 and after	-	1,269,958	-	2,198,408	1,174,482	21,990,531	26,633,379	21,272,322
Total	9,274,834	435,668,066	475,144	12,013,916	2,247,762	248,985,322	708,665,044	504,929,035
General provision for bad and doubtful loans	(137,433)	(6,413,800)	(7,127)	(136,073)	(33,711)	(3,544,124)	(10,272,268)	(7,389,781)
Specific provision for bad and doubtful loans	(112,615)	(1,050,801)	-	(736,011)	(106)	(856,628)	(2,756,161)	(1,313,280)
Balance at 19 Mar.2024	9,024,786	428,203,465	468,017	11,141,832	2,213,945	244,584,570	695,636,615	
Balance at 20 Mar. 2023	179,065	102,068,031	214,386,684	17,250,488	1,590,867	160,750,839	496,225,974	496,225,974

25-4-1- The amount of 9,122,301 million Rials in the column of "24% and more" is related to the loans (including principal and receivable interest) from term deposit certificate, special investment (special) according to CBI's letter number 02/276200 dated 01/30/2024.

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

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

IRR million

	Parent Co.					
	19 Mar. 2024			20 Mar. 2023		
	Balance	Provision	Net	Balance	Provision	Net
Deposits	490,603	(9,233)	481,370	221,566	(10,674)	210,892
participation bonds and other securities guaranteed by government and CBI	487,865	(7,318)	480,547	1,656	(25)	1,631
Participation bonds and other securities guaranteed by other banks	978,738	(14,681)	964,057	112,040	(1,681)	110,359
Listed shares	50,719,713	(760,796)	49,958,917	17,119,808	(256,797)	16,863,011
Land and building	165,130,969	(2,860,726)	162,270,243	28,125,036	(689,161)	27,435,875
Machinery	9,574,122	(143,612)	9,430,510	1,188,494	(17,827)	1,170,667
Check and promissory notes	480,758,585	(9,248,628)	471,509,957	457,420,935	(7,712,727)	449,708,208
Total	708,140,595	(13,044,994)	695,095,601	504,189,535	(8,688,892)	495,500,643
Without collateral	556,408	(15,394)	541,014	739,500	(14,169)	725,331
Total	708,697,003	(13,060,388)	695,636,615	504,929,035	(8,703,061)	496,225,974

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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 U/Cs	Debtors for paid guarantees	Debtors for paid credit cards	Total
Principal												
Balance at 20 Mar. 2023	19,837,721	9,120,887	312,061	443,456	18,384,731	290,293,053	1,044,747	127,434,517	446,723	358,742	1,028,849	468,705,487
Increase during the year	6,298,640	5,735,710	-	9,000,000	115,377,237	1,935,906,202	5,852,080	4,700,275	33,425,074	11,123,343	1,602,454	2,129,021,015
Decrease during the year	(20,247,804)	(9,058,893)	(189,325)	(275,670)	(69,624,844)	(1,864,943,901)	(310,695)	(17,878,880)	(33,019,710)	(10,683,357)	(844,509)	(2,027,077,588)
Foreign exchange effect	-	-	-	-	-	-	-	67,975,139	-	-	-	67,975,139
Balance at 19 Mar. 2024	5,888,557	5,797,704	122,736	9,167,786	64,137,124	361,255,354	6,586,132	182,231,051	852,087	798,728	1,786,794	638,624,053
Interest and penalty*												
Balance at 20 Mar. 2023	440,901	261,765	68,756	97,229	1,162,867	7,189,317	655	26,981,547	7,874	4,984	7,654	36,223,549
Increase during the year	1,919,526	932,290	260,433	319,229	8,786,873	73,070,109	246,833	8,555,434	774,001	99,212	228,571	95,192,511
Decrease during the year	(2,270,703)	(641,619)	(302,675)	(256,799)	(6,215,994)	(69,540,549)	(243,848)	(1,490,119)	(763,952)	(91,014)	(220,936)	(82,038,208)
Foreign exchange effect	-	-	-	-	-	-	-	20,663,139	-	-	-	20,663,139
Balance at 19 Mar. 2024	89,724	552,436	26,514	159,659	3,733,746	10,718,877	3,640	54,710,001	17,923	13,182	15,289	70,040,991
Provision for bad and doubtful loans												
Balance at 20 Mar. 2023	(310,943)	(140,760)	(89,067)	(331,396)	(293,214)	(4,875,212)	(15,888)	(2,612,968)	(8,735)	(9,226)	(15,657)	(8,703,066)
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Increase or decrease during the year	221,266	45,347	65,421	86,938	(724,849)	(1,945,049)	(83,645)	(1,599,311)	(96,833)	(283,004)	(11,644)	(4,325,363)
Balance at 19 Mar. 2024	(89,677)	(95,413)	(23,646)	(244,458)	(1,018,063)	(6,820,261)	(99,533)	(4,212,279)	(105,568)	(292,230)	(27,301)	(13,028,429)
Mudaraba received fund	-	-	-	-	-	-	-	-	-	-	-	-
Mosharekat Madani received fund	-	-	-	-	-	-	-	-	-	-	-	-
Net balance												
Balance at 20 Mar. 2023	19,967,680	9,241,893	291,750	209,289	19,254,384	292,607,158	1,029,514	151,803,095	445,863	354,501	1,020,847	496,225,974
Balance at 19 Mar. 2024	5,888,604	6,254,727	125,604	9,082,987	66,852,807	365,153,970	6,490,239	232,728,773	764,442	519,680	1,774,782	695,636,615

*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
Loans' interest												
Balance at 20 Mar. 2023	420,260	251,505	31,029	34,129	1,159,924	6,866,919	655	26,871,224	-	-	7,619	35,643,264
Increase during the year	1,734,391	890,439	-	122,301	8,701,547	68,249,517	245,828	7,589,304	-	-	227,699	87,761,026
Decrease during the year	(2,072,230)	(592,986)	(20,170)	(19,774)	(6,138,879)	(64,933,238)	(242,843)	(654,376)	-	-	(220,129)	(74,894,625)
Foreign exchange effect	-	-	-	-	-	-	-	20,508,194	-	-	-	20,508,194
Balance at 19 Mar. 2024	82,421	548,958	10,859	136,656	3,722,592	10,183,198	3,640	54,314,346	-	-	15,189	69,017,859
Loans' penalty												
Balance at 20 Mar. 2023	20,641	10,260	37,727	63,100	2,943	322,398	-	110,323	7,874	4,984	35	580,285
Increase during the year	185,135	41,851	260,433	196,928	85,326	4,820,592	1,005	966,130	774,001	99,212	872	7,431,485
Decrease during the year	(198,473)	(48,633)	(282,505)	(237,025)	(77,115)	(4,607,311)	(1,005)	(835,743)	(763,952)	(91,014)	(807)	(7,143,583)
Foreign exchange effect	-	-	-	-	-	-	-	154,945	-	-	-	154,945
Balance at 19 Mar. 2024	7,303	3,478	15,655	23,003	11,154	535,679	-	395,655	17,923	13,182	100	1,023,132
Interest and penalty												
Balance at 20 Mar. 2023	440,901	261,765	68,756	97,229	1,162,867	7,189,317	655	26,981,547	7,874	4,984	7,654	36,223,549
Balance at 19 Mar. 2024	89,724	552,436	26,514	159,659	3,733,746	10,718,877	3,640	54,710,001	17,923	13,182	15,289	70,040,991

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.					
	19 Mar. 2024			20 Mar. 2023		
	Gross balance	Provision for bad and doubtful loans	Net balance	Gross balance	Provision for bad and doubtful loans	Net balance
Related natural persons*	-	-	-	-	-	-
Related corporate customers*	-	-	-	-	-	-
Staff	4,529,631	(68,046)	4,461,585	2,344,243	(35,266)	2,308,977
Natural persons	17,929,746	(291,842)	17,637,904	11,275,858	(183,869)	11,091,989
Corporate customers	686,205,667	(12,668,541)	673,537,126	491,308,934	(8,483,926)	482,825,008
	708,665,044	(13,028,429)	695,636,615	504,929,035	(8,703,061)	496,225,974

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

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

25-8. Loans to subsidiaries

	Weighted average Interest rate	19 Mar. 2024				20 Mar. 2023
		Current	Non-performing	Provision for bad and doubtful loans	Total	Total
		%				
Consolidated subsidiaries						
Middle East Bank Brokerage Co.	23	801,909	-	(12,029)	789,880	495,221

26. Due from subsidiaries and associates

		Consolidated				Parent Co.			
		19 Mar. 2024		20 Mar. 2023		19 Mar. 2024		20 Mar. 2023	
		Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Associates--LCY	26-1	-	-	-	-	812,917	(12,595)	800,322	1,006,679
Associates-FCY	26-1	-	-	-	828	-	-	-	828
		-	-	-	828	812,917	(12,595)	800,322	1,007,507

According to the following note, the payable amount to the Middle East Life Insurance Co. is transferred to note 38.

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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		
	19 Mar. 2024												
	Sales of assets and investments	Purchase of assets and investments	Purchase of services	Sales of services	Received advances	Prepayments	Gardh-Ul Hasan	Dividends receivable	Dividends payable	Total		Provision of doubtful debts	Net
Dadeh Pardazan Simaye Aftab Co.	-	-	(26,719)	-	40,619	-	-	-	-	-	13,900	(611)	13,289
Middle East Life Insurance Co.	-	-	(633)	-	-	-	-	-	-	-	(633)	-	(633)
Middle East Currency Exchange Co.	-	-	-	-	1,021	-	-	797,996	-	-	799,017	(11,984)	787,033
Middle East Bank Brokerage Co.	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit	1,802,285	-	(27,352)	-	41,640	-	-	797,996	-	-	812,284	(12,595)	799,689

According to the issued instruction by CBI No. 02/212073 dated 11/22/2023, exchange companies are required to increase their capital to 2,000,000 million rials, therefore dividends receivable from Middle East Currency Exchange Co. have been kept in the accounts to be used to increase the capital in 2024. It should be noted that the current capital of the mentioned company is 500,000 million Rials.

Name of Company	Parent Co.										IRR million		
	20 Mar. 2023												
	Sales of assets and investments	Purchase of assets and investments	Purchase of services	Sales of services	Received advances	Prepayments	Gardh-Ul Hasan	Dividends receivable	Dividends payable	Total		Provision of doubtful debts	Net
Dadeh Pardazan Simaye Aftab Co.	-	-	(25,694)	-	-	24,976	-	-	-	-	(718)	(375)	(1,093)
Middle East Life Insurance Co.	-	-	-	-	-	841	-	-	-	-	841	(13)	828
Middle East Bank Currency Exchange Co.	-	-	-	-	-	169	-	798,000	-	-	798,169	(11,973)	786,196
Middle East Bank Brokerage Co.	-	-	(50)	-	-	-	-	225,000	-	-	224,950	(3,374)	221,576
Net Profit	191,728	-	(25,744)	-	-	25,986	-	1,023,000	-	-	1,023,242	(15,735)	1,007,507

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26-2. Classification of Due from subsidiaries and associates according to CBI's regulations is as below (note 6-8)

IRR million					
	Parent Co.				
	19 Mar. 2024				
	Current	Past due	Outstanding	Doubtful debt	Total
Due from subsidiaries-IRR	812,917	-	-	-	812,917
Due from associates-IRR	-	-	-	-	-
Due from subsidiaries- FCY	-	-	-	-	-
Due from associates-FCY	-	-	-	-	-
Due from subsidiaries and associates before deduction of provision of doubtful debts	812,917	-	-	-	812,917
General provision for bad and doubtful debts	(12,595)	-	-	-	(12,595)
Specific provision for bad and doubtful debts	-	-	-	-	-
Balance at 19 Mar. 2024	800,322	-	-	-	800,322
Balance at 20 Mar. 2023	1,007,507	-	-	-	1,007,507

27. Other accounts receivable

IRR million								
Note	Consolidated				Parent Co.			
	19 Mar. 2024			20 Mar. 2023	19 Mar. 2024			20 Mar. 2023
	Balance	Provision of doubtful debts	Net	Net	Balance	Provision of doubtful debts	Net	Net
Participation bonds interest	310,732	(4,661)	306,072	88,482	310,732	(4,661)	306,071	88,482
Receivable from staff	174,224	(1,602)	172,622	77,230	106,818	(1,602)	105,216	-
Temporary debtors	7,116,148	(242,316)	6,873,833	8,198,055	2,834,664	(242,316)	2,592,348	2,951,131
Total	7,601,104	(248,579)	7,352,527	8,363,767	3,252,214	(248,579)	3,003,635	3,039,613

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27-1. Temporary debtors are as follow:

IRR million

Note	Consolidated				Parent Co.			
	19 Mar. 2024		20 Mar. 2023		19 Mar. 2024		20 Mar. 2023	
	Balance	Net	Balance	Net	Balance	Net	Balance	Net
Related to loans								
Loans related costs	123,254	104,637	145,799	57,286	123,254	104,637	145,799	57,286
Total	123,254	104,637	145,799	57,286	123,254	104,637	145,799	57,286
Not related to loans								
Murabaha securities of Ministry of Agriculture-Jahad	56,000	-	56,000	28,000	56,000	-	56,000	28,000
Middle East Bank Brokerage Co. clients	3,611,803	3,611,803	4,707,781	4,707,781	-	-	-	-
Corporate debtors	2,130,308	2,098,687	2,425,245	2,389,943	2,108,057	2,076,436	2,351,553	2,316,251
Natural person debtors	298,628	168,085	480,986	346,096	298,628	168,085	480,986	346,096
Others	896,155	890,620	697,739	668,949	248,725	243,190	232,288	203,498
Total	6,992,894	6,769,195	8,367,751	8,140,769	2,711,410	2,487,711	3,120,827	2,893,845
Temporary debtors balance	7,116,148	6,873,832	8,513,550	8,198,055	2,834,664	2,592,348	3,266,626	2,951,131

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

IRR million

	Parent Co.				
	19 Mar. 2024				
	Current	Past due	Outstanding	Doubtful debt	Total
Participation bonds interest	310,732	-	-	-	310,732
Receivable from staff	106,818	-	-	-	106,818
Temporary debtors	2,428,671	2,694	94,028	309,271	2,834,664
Other accounts receivable before deduction of bad and doubtful debts provision	2,846,221	2,694	94,028	309,271	3,252,214
General provision for bad and doubtful debts	(42,693)	(38)	(1,410)	(65)	(44,206)
Specific provision for bad and doubtful debts	-	(14)	(5)	(204,354)	(204,373)
Balance at 19 Mar. 2024	2,803,528	2,642	92,613	104,852	3,003,635
Balance at 20 Mar. 2023	2,871,354	1,060	1,403	165,796	3,039,613

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28. Investments in share and other securities

IRR million

	Note	Consolidated					
		19 Mar. 2024			20 Mar. 2023		
		Short term	Long term	Total	Short term	Long term	Total
Investment in listed shares	28-1	605,737	50	605,787	191,627	220	191,847
Investment in unlisted shares	28-2	-	899,395	899,395	-	703,093	703,093
Investment in other securities	28-3	29,224,202	2,581,409	31,805,611	19,393,652	586,483	19,980,135
Total		29,829,939	3,480,854	33,310,793	19,585,279	1,289,796	20,875,075

IRR million

	Note	Parent Co.					
		19 Mar.2024			20 Mar. 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	29,224,202	1,780,304	31,004,506	19,393,652	85,553	19,479,205
		29,224,202	2,946,933	32,171,135	19,393,652	1,252,182	20,645,834

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

28-1-1. Investment in listed shares

	Origination	No. of shares	Percentage of investments	Consolidated			
				19 Mar. 2024		20 Mar. 2023	
				Cost	Net realizable value	Market value	Net realizable value
Shares of companies listed on the stock exchange:			%	IRR million	IRR million	IRR million	IRR million
Saipa Co.	Purchase	100,047,333	1%	230,947	263,744	266,126	8,602
Social Security investment Co.	Purchase	19,554,028	0%	25,098	23,003	23,211	138,337
Persian Gulf Investment	Purchase	5,720,000	0%	18,755	16,218	16,365	16,511
Mellat bank	Purchase	10,138,765	0%	23,863	23,975	24,191	-
Pension Fund	Purchase	1,213,130	0%	27,413	21,100	21,290	-
Saderat bank	Purchase	7,200,000	0%	13,856	14,471	14,602	-
Bandar Abbas Oil Refinery	Purchase	1,630,000	0%	21,741	17,963	18,126	-
Iran Khodro Diesel	Purchase	6,391,479	0%	21,458	19,345	19,520	-
Iran Fara Bourse Co.	Purchase	7,118,750	0%	68,955	57,075	57,591	-
Securities Exchange	Purchase	13,317,304	0%	27,295	77,605	78,306	-
Pars Khodro	Purchase	15,130,740	0%	25,490	16,345	16,493	-
Urmia Cement Co.	Purchase	629,013	0%	32,599	31,637	31,922	-
Soojmiran	Purchase	472,011	0%	11,297	9,940	10,030	-
Others				56,970	62,573	63,138	28,177
Total				605,737	654,994	660,911	191,627
Add (Less):							
Adjustment				-	-	-	-
Total				605,737	654,994	660,911	191,627

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

	Consolidated								
	19 Mar. 2024						20 Mar. 2023		
	Origination	No. of shares	Percentage of investments	Cost	Accumulated decrease in value	Book value	Market value	Book value	Market value
	%	IRR million	IRR million	IRR million			IRR million		
Shares of companies listed on the stock exchange									
Tehran Securities Exchange	-	-	-	-	-	-	-	150	122,239
Central Depository and Funds Settlement Company	Purchase	6,825,000	-	50	-	50	6,825	50	1,113
Iran Fara Bourse Co.	-	-	-	-	-	-	-	20	23,587
Total		6,825,000	-	50	-	50	6,825	220	146,939

28-2. Long-term investment in unlisted shares

	Consolidated							
	19 Mar. 2024						20 Mar. 2023	
	Note	No. of shares	Percentage of investments	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%	897,195	-	897,195	1,985,760	700,893
INSTEX		220,000	11%	2,200	-	2,200	-	2,200
				899,395	-	899,395		703,093

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

	IRR million	
	Consolidated	
	19 Mar. 2024	20 Mar. 2023
Balance at beginning of the year	700,891	531,214
Share from associate company's net profit	268,304	176,279
Profit receivable / received during the year	(72,000)	(6,600)
Balance at end of the year	897,195	700,893

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

IRR million								
Consolidated								
	19 Mar. 2024				20 Mar. 2023			
	Total assets	Total liabilities	Total income	Net Profit	Total assets	Total liabilities	Total income	Net Profit
Middle East Life Insurance Co.	17,495,512	13,132,508	9,939,825	1,378,004	11,107,848	7,705,174	9,240,728	881,392

Parent Co.								
	19 Mar. 2024					20 Mar. 2023		
	Note	No. of shares	Percentage of investments	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	1,985,760	240,000
INSTEX		220,000	11%	2,200	-	2,200	-	2,200
				1,166,629	-	1,166,629	1,985,760	1,166,629

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
					19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023	
					%				
Government or governmental corporations									
Ministry of Economic Affairs and Finance	28-3-1	Islamic treasury bonds		Free	36,238	8,618,170	36,238	8,618,170	
Ministry of Economic Affairs and Finance	28-3-1	Islamic treasury bonds		As collateral for open market operations	17,513,940	2,556,800	17,513,940	2,556,800	
Ministry of Economic Affairs and Finance	28-3-2	Bonds & Participation	15%	Free	13,446,168	-	13,446,168	-	
Ministry of Economic Affairs and Finance	28-3-2	Bonds & Participation	18%, 20.5%	As collateral for open market operations	-	4,945,847	-	4,945,847	
First Ordibeheisht intermediary		Manfaat	18%	Free	-	2,000,000	-	2,000,000	
Murabaha government bonds		Participation	20%	Free	-	495	-	-	
Banks									
Refah kaargaran 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	
Other companies and investment funds									
Middle East Bank Ofogh mutual fund	28-3-4	Preferred investment units	18%	Free	259,658	111,190	7,000	7,000	
Middle East Ofogh roshan mutual fund		Preferred investment units		Free	2,160	2,160	1,160	1,160	
Market Development Fund		Ordinary investment units		Free	520,139	395,245	-	-	
Ahrom-Charisma Investment Fund		Ordinary investment units		Free	4,430	-	-	-	
First intermediary		Ordinary investment units		Free	22,878	-	-	-	
					31,805,611	19,980,135	31,004,506	19,479,205	

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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. 52 dated 03/18/2024 with a maturity date of 04/08/2024.

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.			
	19 Mar.2024		20 Mar.2023	
	Book value	Exceeding the prescribed limits	Book value	Exceeding the prescribed limits
Investments related to banking activities and other authorized activities				
Middle East Currency Exchange Co.	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	30,996,346	-	16,120,816	-
Fixed income securities-First Ordibehesht intermediary	-	-	2,000,000	-
Participation securities-Refah kargaran bank	-	-	1,133,527	-
Participation securities- Tejarat bank	-	-	216,702	-
	31,257,045	-	19,731,744	-
Investment related to non-banking activities				
Middle East Bank Brokerage Co.	665,930	-	665,930	-
Middle East Life Insurance Co.	240,000	-	240,000	-
Middle East Bank Ofogh mutual fund	7,000	-	7,000	-
Middle East Ofogh roshan mutual fund	1,160	-	1,160	-
	914,090	-	914,090	-
Total	32,171,135	-	20,645,834	-

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. It should be noted that according to the approval dated 02/18/2024 of the board of directors, the sale of non-bank investments has been approved after receiving the judicial expert report. In April 2024, the bank has corresponded with official judicial experts regarding the evaluation of the shares of its subsidiaries.

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	78,686,399
Permissible investment limit for each legal entity (5% of regulatory capital)	3,934,320
The total investment limit (20% of regulatory capital)	15,737,280
Organizational unit responsible for the implementation of regulations	Stock department

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

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

	Note	IRR million	
		Consolidated and Parent Co.	
		19 Mar. 2024	20 Mar. 2023
Collateral in possession	29-1	425,591	686,106
		<u>425,591</u>	<u>686,106</u>

29-1. Collateral in possession

The composition of the balance of collateral in possession :

	IRR million						
	Consolidated and Parent Co.						19 Mar. 2024
	21 Mar. 2022	Additions	Sale/Transfer	20 Mar. 2023	Additions	Sale/Transfer	
Immovable property							
Residential	607,550	100,556	(22,000)	686,106	159,485	(420,000)	425,591
	<u>607,550</u>	<u>100,556</u>	<u>(22,000)</u>	<u>686,106</u>	<u>159,485</u>	<u>(420,000)</u>	<u>425,591</u>
Accumulated value reduction	-			-			-
Net of collateral in possession	<u>607,550</u>			<u>686,106</u>			<u>425,591</u>

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

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Less than one year from the date of acquisition	260,041	100,556
One to two years from the date of acquisition	119,550	119,550
More than two years from the date of acquisition	46,000	466,000
	<u>425,591</u>	<u>686,106</u>

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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
Cost									
Balance at 21 Mar. 2022	2,172,115	1,262,774	1,471,165	43,103	287,902	77,834	618,614	993,182	6,926,689
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
Balance at 20 Mar. 2023	2,172,115	2,365,298	1,736,372	57,103	354,130	83,479	1,266,395	1,134,724	9,169,616
Additions	4,066,793	9,696,844	987,858	10,190	275,646	26,999	616,270	149,153	15,829,753
Disposals	-	-	(1,472)	(28)	(5,398)	-	-	-	(6,898)
Adjustments	1,387,166	(361,459)	14,378	-	-	3,370	(234,455)	(809,000)	-
Effect of movement in exchange rates	-	-	-	-	7,967	-	-	-	7,967
Balance at 19 March. 2024	7,626,074	11,700,683	2,737,136	67,265	632,345	113,848	1,648,210	474,877	25,000,438
Accumulated depreciation									
Balance at 21 Mar. 2022		385,900	653,035	19,233	150,233	72,970			1,281,371
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
Balance at 20 Mar. 2023		488,529	1,090,952	25,840	183,459	80,325			1,869,105
Depreciation		145,054	405,113	9,019	50,803	9,739			619,728
Disposals		-	(1,472)	(28)	(4,880)	-			(6,380)
Effect of movement in exchange rates		-	-	-	4,578	-			4,578
Balance at 19 March. 2024		633,583	1,494,593	34,831	233,960	90,064			2,487,031
Book value									
Balance at 21 Mar. 2022	2,172,115	876,874	818,130	23,870	137,669	4,864	618,614	993,182	5,645,318
Balance at 20 Mar. 2023	2,172,115	1,876,769	645,420	31,263	170,671	3,154	1,266,395	1,134,724	7,300,511
Balance at 19 March. 2024	7,626,074	11,067,100	1,242,543	32,434	398,385	23,784	1,648,210	474,877	22,513,407

IRR - million

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	Parent Co.								IRR million	
	Land	Buildings	Installations & equipment	Motor vehicles	Office furniture	Lease hold improvements	Assets under construction	Capex prepayments		Total
Cost										
Balance at 21 Mar. 2022	2,140,774	1,214,573	1,449,385	39,881	259,478	77,835	618,614	993,182	6,793,722	
Additions	-	772	253,206	-	62,164	5,645	671,141	141,542	1,134,470	
Disposals	-	-	-	-	-	-	-	-	-	
Adjustments	-	15,408	7,952	-	-	-	(23,360)	-	-	
Effect of movement in exchange rates	-	-	-	-	2,078	-	-	-	2,078	
Balance at 20 Mar. 2023	2,140,774	1,230,753	1,710,543	39,881	323,720	83,480	1,266,395	1,134,724	7,930,270	
Additions	4,066,793	9,696,844	941,098	-	213,843	26,999	616,270	149,153	15,711,000	
Disposals	-	-	-	-	-	-	-	-	-	
Adjustments	653,653	372,054	14,378	-	-	3,370	(234,455)	(809,000)	-	
Effect of movement in exchange rates	-	-	-	-	7,967	-	-	-	7,967	
Balance at 19 March. 2024	6,861,220	11,299,651	2,666,019	39,881	545,530	113,849	1,648,210	474,877	23,649,237	
Accumulated depreciation										
Balance at 21 Mar. 2022		368,502	642,256	16,949	135,485	72,969			1,236,161	
Depreciation		100,701	434,236	5,121	28,700	7,355			576,113	
Adjustments		-	-	-	-	-			-	
Effect of movement in exchange rates		-	-	-	1,029	-			1,029	
Balance at 20 Mar. 2023		469,203	1,076,492	22,070	165,214	80,324			1,813,303	
Depreciation		129,747	395,772	5,038	42,017	9,739			582,313	
Adjustments		-	-	-	-	-			-	
Effect of movement in exchange rates		-	-	-	4,579	-			4,579	
Balance at 19 March. 2024		598,950	1,472,264	27,108	211,810	90,063			2,400,195	
Book value										
Balance at 21 Mar. 2022	2,140,774	846,071	807,129	22,932	123,993	4,866	618,614	993,182	5,557,561	
Balance at 20 Mar. 2023	2,140,774	761,550	634,051	17,811	158,506	3,156	1,266,395	1,134,724	6,116,967	
Balance at 19 March. 2024	6,861,220	10,700,701	1,193,755	12,773	333,720	23,786	1,648,210	474,877	21,249,042	

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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. Obviously, any excess assets will be subject to penalties under Article 17 of the Law on Removing Obstacles to Competitive Production and Improving the Country's Financial System and other related laws and regulations.

30-2. Tangible fixed assets of the bank up to the value of 15,667 billion 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.

30-4. The main reason for the increase in the amount of fixed assets is the purchase of the property of the Bucharest Sixth Building to the amount of 12,000 billion Rials.

30-5. Most of the amounts related to the change of classification from assets in progress to fixed assets are related to the properties on Moghadasi St. in Ardabil and Mashhad in the amount of 2,570 billion Rials.

31. Intangible assets

	IRR million			
	Consolidated			
	Software	Software development	Right to use public services	Total
Cost				
Balance at 21 Mar. 2022	652,746	320,883	8,793	982,422
Additions	183,521	10,494	171	194,186
Adjustments	10,940	(10,940)	-	-
Effect of movement in exchange rates	-	65,544	-	65,544
Balance at 20 Mar.2023	847,207	385,981	8,964	1,242,152
Additions	108,096	686	1,313	110,095
Disposals	-	-	(8)	(8)
Adjustments	686	(686)	-	-
Effect of movement in exchange rates	-	251,592	-	251,592
Balance at 19 March. 2024	955,989	637,573	10,269	1,603,831
Accumulated amortization				
Balance at 21 Mar. 2022	454,276	247,097		701,373
Amortization for the year	172,085	73,340		245,425
Effect of movement in exchange rates	-	65,544		65,544
Balance at 20 Mar.2023	626,361	385,981	-	1,012,342
Amortization	162,773	-		162,773
Effect of movement in exchange rates	-	251,592		251,592
Balance at 19 March. 2024	789,134	637,573	-	1,426,707
Book value				
Balance at 21 Mar. 2022	198,470	73,786	8,793	281,049
Balance at 20 Mar.2023	220,846	-	8,964	229,810
Balance at 19 March. 2024	166,855	-	10,269	177,124

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IRR million

	Parent Co.			
	Software	Software development	Right to use public services	Total
Cost				
Balance at 21 Mar. 2022	645,581	320,884	8,620	975,085
Additions	183,296	10,494	164	193,954
Adjustments	10,940	(10,940)	-	-
Effect of movement in exchange rates	-	65,544	-	65,544
Balance at 20 Mar.2023	839,817	385,982	8,784	1,234,583
Additions	99,002	686	1,141	100,829
Disposals	-	-	-	-
Adjustments	686	(686)	-	-
Effect of movement in exchange rates	-	251,592	-	251,592
Balance at 19 March. 2024	939,505	637,574	9,925	1,587,004
Accumulated amortization				
Balance at 21 Mar. 2022	449,484	247,098	-	696,582
Amortization for the year	171,266	73,340	-	244,606
Effect of movement in exchange rates	-	65,544	-	65,544
Balance at 20 Mar.2023	620,750	385,982	-	1,006,732
Amortization	160,500	-	-	160,500
Disposals	-	-	-	-
Effect of movement in exchange rates	-	251,592	-	251,592
Balance at 19 March. 2024	781,250	637,574	-	1,418,824
Book value				
Balance at 21 Mar. 2022	196,097	73,786	8,620	278,503
Balance at 20 Mar.2023	219,067	-	8,784	227,851
Balance at 19 March. 2024	158,255	-	9,925	168,180

32. Statutory deposit

IRR million

	Consolidated and Parent Co.	
	19 Mar. 2024	20 Mar. 2023
	Statutory deposit	60,377,564

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.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
LCs and collections debtors-net	33-1	11,238,299	2,516,569	11,238,303	2,516,569
Non-operational lands and estates		-	-	-	-
Rental deposits		459,278	176,576	459,278	176,576
Consumables		127,441	88,996	127,441	88,996
Tax stamps		299	241	299	241
Consolidated goodwill (net)	33-2	28,861	30,872	-	-
Others		972,713	430,179	941,117	394,943
		12,826,891	3,243,433	12,766,438	3,177,325

33-1. LCs and collections debtors-net

IRR million			
	Note	Consolidated and Parent Co.	
		19 Mar. 2024	20 Mar. 2023
Debtors for term letters of credit-LCY		12,266,187	2,866,258
Debtors for current letters of credit-FCY		-	9,154
Debtors for current letters of credit-LCY		-	20,988
		12,266,187	2,896,400
Less:			
Term letters of credit advance-LCY		(856,742)	(339,409)
Current letters of credit advance-LCY		-	(2,099)
General provision for bad and doubtful debts	33-1-2	(171,142)	(38,323)
		11,238,303	2,516,569

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.	
	19 Mar. 2024	20 Mar. 2023
Opening balance	38,323	31,902
Recoveries	(38,323)	(31,902)
Increase (decrease) during the year	171,142	38,323
Closing balance	171,142	38,323

33-2. goodwill

IRR million		
	Consolidated	
	19 Mar. 2024	20 Mar. 2023
Opening balance	40,225	40,225
Opening accumulated amortization	(9,353)	(7,342)
Opening book value	30,872	32,883
Amortization	(2,011)	(2,011)
Closing balance	28,861	30,872

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34. Customers' deposits

IRR million

	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Natural persons					
Current deposits	34-1	1,463,838	23,309,328	1,463,838	1,850,654
Saving deposits	34-2	631,561	415,310	631,560	415,310
Other deposits and advances	34-3	35,106	40,365	35,106	40,365
		<u>2,130,505</u>	<u>23,765,003</u>	<u>2,130,504</u>	<u>2,306,329</u>
Corporate customers					
Current deposits	34-1	116,250,522	102,103,510	117,664,380	123,763,929
Saving deposits	34-2	43,796,980	29,820,146	45,239,847	32,142,887
Other deposits and advances	34-3	22,395,035	13,958,187	22,422,929	13,960,318
		<u>182,442,537</u>	<u>145,881,843</u>	<u>185,327,156</u>	<u>169,867,134</u>
Customers' term deposits	34-4	545,248,111	359,945,853	545,687,197	360,030,025
		<u>729,821,153</u>	<u>529,592,699</u>	<u>733,144,857</u>	<u>532,203,488</u>

34-1. Current deposits

IRR million

	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Current deposits-LCY	61,555,625	93,082,346	62,969,483	93,269,095
Current deposits-FCY	35,721,925	29,799,812	35,721,925	29,799,812
Bank checks	976,150	388,655	976,150	388,655
Remittance-FCY	19,136,618	1,950,376	19,136,618	1,965,372
Temporary creditors-FCY	64,361	18,462	64,361	18,462
Temporary creditors-LCY	259,681	173,187	259,681	173,187
	<u>117,714,360</u>	<u>125,412,838</u>	<u>119,128,218</u>	<u>125,614,583</u>

34-2. Saving deposits

IRR million

	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Non interest bearing deposits-FCY	<u>44,428,541</u>	<u>30,235,456</u>	<u>45,871,407</u>	<u>32,558,197</u>

34-3. Other deposits and advances

IRR million

	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Guarantee issuing deposits -LCY	20,792,544	11,422,466	20,820,438	11,424,597
Guarantee issuing deposits -FCY	463,340	433,386	463,340	433,386
LCs' advances-LCY	890,098	2,142,700	890,098	2,142,700
Others	284,159	-	284,159	-
Total	<u>22,430,141</u>	<u>13,998,552</u>	<u>22,458,035</u>	<u>14,000,683</u>

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34-4. Customers investment deposits

IRR million					
	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
term deposits					
Long-term investment deposits	34-4-1	401,173,750	242,683,500	401,173,750	242,683,500
Short-term investment deposits	34-4-1	119,163,451	112,535,440	119,602,537	112,619,612
Special short-term investment deposits	34-4-1	137,195	539,688	137,195	539,688
Investment deposits received from banks and credit institutions	34-4-1	37,384,994	22,442,100	35,143,924	19,797,585
		557,859,390	378,200,728	556,057,406	375,640,385
Investment deposits' interest payable					
Long-term investment deposits	34-4-2	23,879,129	4,108,460	23,879,129	4,108,460
Short-term investment deposits	34-4-2	889,379	77,296	889,379	77,296
Special short-term investment deposits	34-4-2	5,207	1,469	5,207	1,469
Investment deposits received from banks and credit institutions	34-4-2	340,214	385,950	340,214	385,950
		25,113,929	4,573,175	25,113,929	4,573,175
		582,973,319	382,773,903	581,171,335	380,213,560
Deducted: principal and interest of investment deposits received from banks and credit institutions (transfer to "debt to banks and credit institutions" Note No. 35)		(37,725,208)	(22,828,050)	(35,484,138)	(20,183,535)
		545,248,111	359,945,853	545,687,197	360,030,025

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

IRR million						
	Consolidated					
	19 Mar. 2024			20 Mar. 2023		
	IRR	FCY	Total	IRR	FCY	Total
Investment deposits received from banks and credit institutions	13,941,070	23,443,924	37,384,994	2,644,515	19,797,585	22,442,100
Short-term investment deposits	119,163,451	-	119,163,451	112,535,440	-	112,535,440
Special short-term investment deposits						
Three-month deposits	200	81,306	81,506	1,650	54,314	55,964
Three- month to six-month deposits	20,960	34,730	55,690	457,725	25,999	483,724
	21,160	116,036	137,196	459,375	80,313	539,688
Long-term investment deposits						
general deposit certificate	12,561,002	-	12,561,002	34,701,935	-	34,701,935
Special deposit certificate	9,969,982	-	9,969,982	-	-	-
One- year deposits	11,183,902	494,580	11,678,482	16,457,050	540,573	16,997,623
Two-year deposits	17,530,147	-	17,530,147	96,402,777	-	96,402,777
Three-year deposits	200,739,646	148,694,490	349,434,136	2,081,165	92,500,000	94,581,165
	251,984,679	149,189,070	401,173,749	149,642,927	93,040,573	242,683,500
Term investment deposits	385,110,360	172,749,030	557,859,390	265,282,257	112,918,471	378,200,728

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IRR million

	Parent Co.					
	19 Mar. 2024			20 Mar. 2023		
	IRR	FCY	Total	IRR	FCY	Total
Investment deposits received from banks and credit institutions	11,700,000	23,443,924	35,143,924	-	19,797,585	19,797,585
Short-term investment deposits	119,602,537	-	119,602,537	112,619,612	-	112,619,612
Special short-term investment deposits						
Three-month deposits	200	81,306	81,506	1,650	54,314	55,964
Three- month to six-month deposits	20,960	34,730	55,690	457,725	25,999	483,724
	21,160	116,036	137,196	459,375	80,313	539,688
Long-term investment deposits						
general deposit certificate	12,561,002	-	12,561,002	34,701,935	-	34,701,935
Special deposit certificate	9,969,982	-	9,969,982	-	-	-
One- year deposits	11,183,902	494,580	11,678,482	16,457,050	540,573	16,997,623
Two-year deposit	17,530,147	-	17,530,147	96,402,777	-	96,402,777
Three-year deposit	200,739,646	148,694,490	349,434,136	2,081,165	92,500,000	94,581,165
	251,984,679	149,189,070	401,173,749	149,642,927	93,040,573	242,683,500
Term investment deposits	383,308,376	172,749,030	556,057,406	262,721,914	112,918,471	375,640,385

* The amount of 9,969,982 million rials is related to term deposit certificate, special investment issued on January 2024 according to CBI's letter number 02/276200 dated 01/30/2024 .

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

IRR million

	Consolidated							20 Mar. 2023
	19 Mar. 2024							
	More than 20%	19%-20%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	-	-	-	-	-	119,163,450	119,163,450	288,136,689
2025	29,752,046	23,152,170	1,243,780	1,933,556	200	172,749,029	228,830,781	81,425,224
2026	564,575	2,575,512	-	1,500,000	-	200,000	4,840,087	3,788,815
2027 and after that	199,990,072	2,185,000	-	2,850,000	-	-	205,025,072	4,850,000
	230,306,693	27,912,682	1,243,780	6,283,556	200	292,112,479	557,859,390	378,200,728
20 Mar. 2023	72,356,657	13,173,299	56,494,306	7,520,907	1,001,650	227,653,909	378,200,728	

IRR million

	Parent Co.							20 Mar. 2023
	19 Mar. 2024							
	More than 20%	19%-20%	16%-19%	13%-16%	10%-13%	Less than 10%	Total	
Non-specific maturity	-	-	-	-	-	119,602,536	119,602,536	288,220,861
2025	27,510,976	23,152,170	1,243,780	1,933,556	200	172,749,029	226,589,711	78,780,709
2026	564,575	2,575,512	-	1,500,000	-	200,000	4,840,087	3,788,815
2027 and after that	199,990,072	2,185,000	-	2,850,000	-	-	205,025,072	4,850,000
	228,065,623	27,912,682	1,243,780	6,283,556	200	292,551,565	556,057,406	375,640,385
20 Mar. 2023	72,356,657	13,173,299	53,849,791	7,520,907	1,001,650	227,738,081	375,640,385	

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

	IRR million			
	Consolidated			
	20 Mar. 2023	New Deposits	Principal repayment	19 Mar. 2024
general deposit certificate	34,701,935	12,561,002	34,701,935	12,561,002
Special deposit certificate	-	10,130,001	160,019	9,969,982
One year deposits	16,457,050	24,777,013	30,050,161	11,183,902
Two-year deposits	96,402,777	720,738	79,593,368	17,530,147
Three-year deposits	2,081,165	398,526,078	199,867,597	200,739,646
Short-term deposits	112,535,440	8,068,938,704	8,062,310,693	119,163,451
Special short-term deposits	459,375	18,200	456,415	21,160
Investment deposits received from banks and credit institutions	2,644,515	292,900,650	281,604,095	13,941,070
Total	265,282,257	8,808,572,386	8,688,744,283	385,110,360

	IRR million			
	Parent Co.			
	20 Mar. 2023	New Deposits	Principal repayment	19 Mar. 2024
general deposit certificate	34,701,935	12,561,002	34,701,935	12,561,002
Special deposit certificate	-	10,130,001	160,019	9,969,982
One year deposits	16,457,050	24,777,014	30,050,162	11,183,902
Two-year deposits	96,402,777	720,738	79,593,368	17,530,147
Three-year deposits	2,081,165	398,526,078	199,867,597	200,739,646
Short-term deposits	112,619,612	8,068,938,704	8,061,955,779	119,602,537
Special short-term deposits	459,375	18,200	456,415	21,160
Investment deposits received from banks and credit institutions	-	256,345,000	244,645,000	11,700,000
Total	262,721,914	8,772,016,737	8,651,430,275	383,308,376

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

	Consolidated and Parent Co.					
	20 Mar. 2023	New Deposits	Principal repayment	19 Mar. 2024	19 Mar. 2024	20 Mar. 2023
	Currency amount	Currency amount	Currency amount	Currency amount	IRR million	IRR million
Long-term deposits						
USD	371,289,484	-	401,417	370,888,067	149,051,384	92,822,373
EUR	767,738	-	472,550	295,188	129,214	203,451
AED	217,624	-	140,200	77,424	8,472	14,752
Ordinary & Special short-term deposits						
USD	75,650	-	21,100	54,550	21,923	18,913
EUR	231,700	-	16,700	215,000	94,113	61,400
Investment deposits received from banks and credit institutions						
EUR	74,707,869	110,000,000	131,150,402	53,557,467	23,443,924	19,797,582
					172,749,030	112,918,471

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

	Parent Co.			
	19 Mar. 2024		20 Mar. 2023	
	No.	Amount	No.	Amount
	Investor	IRR million	Investor	IRR million
Deposits-LCY				
Corporate person	4,226	266,204,252	3,762	177,817,305
Natural person	535,962	105,404,124	342,999	84,904,609
Investment deposits received from banks and credit institutions	2	11,700,000	-	-
	<u>540,190</u>	<u>383,308,376</u>	<u>346,761</u>	<u>262,721,914</u>
Corporate person	4	148,770,140	4	92,545,834
Natural person	71	534,966	136	575,054
Investment deposits received from banks and credit institutions	5	23,443,924	5	19,797,583
	<u>80</u>	<u>172,749,030</u>	<u>145</u>	<u>112,918,471</u>
	<u>540,270</u>	<u>556,057,406</u>	<u>346,906</u>	<u>375,640,385</u>

34-4-2. Investment deposits' interest payable

	Parent Co.				
	20 Mar. 2023	On account advance interest	The difference between final interest and on account advance interest	Interest paid during the year	19 Mar. 2024
Short-term deposits	77,296	4,266,910	668,967	(4,123,792)	889,381
Special short-term deposits	1,469	32,491	5,094	(33,847)	5,207
general deposit certificate	349,929	4,296,453	673,598	(4,638,973)	681,007
Special deposit certificate	-	386,395	-	(347,692)	38,703
One- year deposits	132,620	2,438,820	193,754	(2,500,854)	264,340
Two-year deposits	357,170	12,602,447	1,975,813	(12,891,899)	2,043,531
Three-year deposits	6,997	23,758,539	3,724,867	(23,024,820)	4,465,583
Five-year deposits	8	-	-	-	8
Investment deposits received from banks and credit institutions	-	1,297,996	-	(1,285,481)	12,515
Foreign currency deposits	3,647,686	7,870,207	-	5,195,761	16,713,654
	<u>4,573,175</u>	<u>56,950,258</u>	<u>7,242,093</u>	<u>(43,651,597)</u>	<u>25,113,929</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.433 dated 04/16/2023 of the board of directors.

	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	9.2%	3.1%	0.5%	3.6%
Special short-term deposits	0.1%	16.3%	2.6%	18.8%
general deposit certificate	9.3%	18.3%	2.9%	21.2%
One- year deposits	2.7%	19.4%	3.0%	22.4%
Two-year deposits	27.3%	22.3%	3.5%	25.8%
Three-year deposits	51.4%	23.5%	3.7%	27.2%
	<u><u>100%</u></u>			

* Based on 52 weeks average of investment deposits balance.

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35. Due to banks and non-bank credit institutions

IRR million

	Note	Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Due to the CBI					
Current deposit-FCY		50,334,302	40,669,757	50,334,302	40,669,757
Term deposit-FCY		10,692,411	4,849,410	10,692,411	4,849,410
Foreign currency purchase		-	163,928	-	163,928
Repurchase agreement		43,237,576	2,512,602	43,237,576	2,512,602
Less: CBI's balance in our accounts (Note 23)		(58,557,247)	(45,519,168)	(58,557,247)	(45,519,168)
		45,707,042	2,676,529	45,707,042	2,676,529
Due to internal banks and credit institutions					
Current deposits-FCY		15,270,209	11,367,615	15,270,209	11,367,615
Paya payments order		24,300	21,678	24,300	21,678
SHETAB transactions		358,037	157,514	358,037	157,514
Investment deposits received from banks and credit institutions (transfer of "term investment deposit")	34-4	37,384,994	22,442,100	35,143,924	19,797,585
Interest payable on investment deposits received from banks and credit institutions (transfer of "term investment deposit")	34-4	340,214	385,950	340,214	385,950
		53,377,754	34,374,857	51,136,684	31,730,342
		99,084,796	37,051,386	96,843,726	34,406,871

36. Dividends payable

IRR million

	Dividend per share	Dividend	Consolidated and Parent Co.			
			20 Mar. 2023	Paid dividend during the year	offsetting with staff loans	19 Mar. 2024
previous years		5,380,000	12,618	(1,229)	-	11,389
Year ended 19 Mar. 2020	200	2,000,000	6,945	(1,999)	-	4,946
Year ended 20 Mar. 2021	300	3,000,000	11,236	(2,577)	-	8,659
Year ended 20 Mar. 2022	200	5,000,000	30,275	(11,805)	-	18,470
Year ended 20 Mar. 2023	200	7,000,000	-	(6,949,892)	(13,475)	36,633
Total			61,074	(6,967,502)	(13,475)	80,097

37. Income tax provision

IRR million

	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Opening balance	2,445,971	1,654,451	1,875,964	1,224,048
Income tax for the year	4,766,375	1,394,423	4,061,610	824,417
Extra precautionary provision	180,370	67,930	-	-
Paid during the year	(2,157,525)	(602,903)	(1,519,589)	(172,501)
	5,235,191	2,513,901	4,417,985	1,875,964
Prepayments	-	-	-	-
Closing balance	5,235,191	2,513,901	4,417,985	1,875,964

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37-1. The Bank's tax position for the years 2016 to 2024 is as follows:

IRR million

Fiscal year	19 Mar.2024 - IRR million				20 Mar. 2023			Method of assessment"	
	Declared profit	Taxable income	Tax			Provision balance	Provision balance		
			Declared	As assessed	Final				Paid
20 Mar. 2015									
19 Mar. 2016	1,500,519	931,454	139,718	327,879	327,879	139,718	-	-	Assessment the Books
20 Mar. 2017	2,197,088	866,397	173,279	514,821	-	173,279	-	-	Assessment the Books
20 Mar. 2018	2,729,781	1,838,123	275,718	676,836	556,279	275,718	-	-	Assessment the Books
20 Mar. 2019	6,798,249	3,823,015	400,952	1,185,131	-	573,454	-	-	Assessment the Books
19 Mar. 2020	9,680,162	6,883,276	1,032,491	2,088,675	-	1,032,491	-	-	Assessment the Books
20 Mar. 2021	18,690,660	9,199,761	1,619,158	3,067,010	-	1,619,157	-	-	Assessment the Books
20 Mar. 2022	20,578,076	9,050,078	-	2,262,204	-	-	-	-	Assessment the Books
20 Mar. 2023	30,711,989	20,152,609	824,417	7,319,360	-	1,519,588	-	824,417	
19 Mar. 2024	55,736,633	50,385,056	4,061,609	-	-	-	4,061,609	-	
Extra precautionary provision	-	-	-	-	-	-	356,376	1,051,547	
Provision before deduction of tax prepayments							4,417,985	1,875,964	
Tax prepayments							-	-	
							4,417,985	1,875,964	

37-2. In calculating the tax of year 2024, the bank has used the tax exemption of Article 105 note 7 of the Direct Taxes Law. Furthermore, the income tax of the current financial year has been provided on the basis of declared income, after deductions for legal exemptions and taking into account zero rate tax on that portion of the profit which is planned to be used for the purpose of share capital increase (subject to Clause "S" of Article 14 of chapter 4 of the "Finance, Production and Infrastructures Act approved at March 12, 2024 by the Congress) has been taken into 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 2023 is 11,987,953 million Rials less than the sum of the tax assessment issued by the Tax administration office. 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. For this reason, according to the opinion of the management, the necessary reserve has been included in the reserve account for taxes and accumulated profits.

IRR million		
Paid taxes	assessed tax	Surplus claimed by the Tax Administration
5,333,405	17,321,359	11,987,954

The major difference between declared and assessed tax of years 2016 to 2023 is as below:

- The deductions under zero rate tax on that portion of the profit which is planned to be used for the purpose of share capital increase;
- 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. The assessed tax regarding "removing barriers to competitive production law" for the years 2016, 2017 and 2023 amount to 47,081, 32,704 and 107,209 million Rials respectively.

37-5. Tax expense in the statement of profit or loss:

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Operations in progress:		
current tax	4,061,609	824,417
Income tax expense for the current year	4,061,609	824,417
Income tax expense of previous years	-	-
	<u>4,061,609</u>	<u>824,417</u>

Tax expense in the statement of comprehensive income:

	IRR million	
	19 Mar. 2024	20 Mar. 2023
current tax	-	-
Transfer tax related to other comprehensive income	-	-

37-6. The reconciliation of tax expense and profit multiplied by the applicable tax rate(s) is as follows:

		IRR million	
	Note	19 Mar. 2024	20 Mar. 2023
Profit before tax		55,736,634	30,711,989
Income tax expense calculated with an applicable tax rate of 16% (20 March 2023 with an applicable tax rate of 16%)		8,917,862	4,913,920
The effect of tax-exempt income (Note 37-2):			
Capital increase - the subject of clause "S" of chapter 4 of the "Finance, Production and Infrastructures Act"	37-5-1	(4,000,000)	
Profit from participation bonds		(844,437)	(802,967)
Profit from investments		(11,815)	(164,970)
Capital increase - the subject of Note 2 of the budget law	37-5-2		(2,400,000)
Income from the sale of immoveable properties		-	(26,393)
Other exempt income		-	(695,173)
Income tax expense calculated with an effective tax rate of 7.6% (year 1401 with an effective tax rate of 2.7%)		<u>4,061,610</u>	<u>824,417</u>
Income tax expense		<u>4,061,610</u>	<u>824,417</u>

37-6-1. According to Clause "S" of chapter 4 of the "Finance, Production and Infrastructures Act" in order to provide an opportunity for public to invest in various production or infrastructure projects and capital asset acquisition projects and to promote the culture of indirect investment with the aim of reducing financing costs, the income tax of that part of the undivided profit of the companies which is transferred to the capital has zero tax rate.

37-6-2. According to Note 2 of the budget law of 2024, 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.

37-7. According to Note 5 to Article 4 of the Law for Housing Production Development, the Tax administration organization is obliged to collect a tax equal to twenty percent of the unfulfilled obligation from the banks and credit institutions in the form of the annual budget, in case of non-compliance with this article. For the first year of implementation of the law (year 2023), the Tax administration organization has claimed 7,650 billion Rials for taxes subject from the Middle East Bank, and the bank's protest against the said demand sheet is in progress in the tax dispute committees. It is necessary to explain that in accordance with the executive instructions for granting facilities

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under the Law for Housing Production Development, which has been approved in cooperation with the CBI and the Ministry of Roads and Urban Development and communicated to the banks, any request for receiving facilities must be registered in the system of the Ministry of Roads and Urban Development. Therefore, one of the requirements of the law is its demand-oriented nature, and the realization and implementation of this law requires, the existence of effective demand within the framework of the registration of applicants and through the arrangements stipulated in the executive instruction. This bank did not have any restrictions on allocating resources, but in the first year of the implementation of the law, which is the issue of tax claim, due to the lack of introduction of the applicant through the system of the Ministry of Urban Development, it has not been possible for the bank to perform legal duties. Therefore, the Tax administration organization, regardless of the fact that the possibility of enforcing the legal ruling has been due to the lack of introduction of qualified individuals by the Ministry of Roads and Urban Development, and the bank does not complain about the implementation of the law in this regard, took the initiative to issue a tax demand letter, and its protest is in progress.

38. Other liabilities and accruals

	Note	IRR million			
		Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Received loans from National Development Fund	38-1	20,659,908	15,612,852	20,659,908	15,612,852
Debts for long term LCs-LCY	38-2	12,437,007	2,866,258	12,437,007	2,866,258
Debts for short term LCs-FCY		-	9,154	-	9,154
Debts for short term LCs-LCY		-	20,988	-	20,988
Customers' prepayments for LCs and BGs fees and commission		3,722,536	1,697,347	3,722,536	1,697,347
Contractors performance deposit		42,239	62,641	42,239	62,641
Social security		216,308	190,512	203,838	176,940
Payable Membership fee of Deposit Guarantee Fund		95,727	52,400	95,727	52,400
Withholding tax payable		137,668	355,365	44,243	42,287
Provision of employee benefits		232,175	183,246	218,009	172,419
Brokerage customers		2,467,085	2,108,620	-	-
Exchange customers		31,577,742	15,144,846	-	-
Others		1,091,955	5,002,114	1,087,442	3,198,704
		72,680,350	43,306,343	38,510,949	23,911,990

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

Consolidated and Parent Co.									
Amounts received	19 Mar.2024					20 Mar. 2022			
	Currency	Receipt date	Due date	No. installment	interest rate	Balance-currency	Balance million IRR	Balance-currency	Balance million IRR
1,233,036	USD	2017/09/15	2026/09/10	48	4	-	-	-	-
1,071,974	USD	2017/09/22	2026/09/10	48	4	-	-	-	-
410,904	USD	2017/10/27	2026/09/10	48	4	-	-	-	-
2,063,104	USD	2017/11/03	2026/09/10	48	4	-	-	1,659,979	414,995
2,078,874	USD	2017/11/17	2026/09/10	48	4	-	-	2,078,874	519,719
480,383	USD	2017/11/29	2026/09/10	48	4	-	-	480,383	120,096
1,067,672	USD	2017/12/08	2026/09/10	48	4	29,115	11,701	1,067,672	266,918
561,310	USD	2018/02/02	2026/09/10	48	4	561,310	225,578	561,310	140,327
3,988,989	USD	2018/02/22	2026/09/10	48	4	3,988,989	1,603,083	3,988,989	997,247
1,997,247	USD	2018/03/09	2026/09/10	48	4	1,997,247	802,648	1,997,247	499,312
1,803,051	USD	2018/04/27	2026/09/10	48	4	1,803,051	724,605	1,803,051	450,763
475,922	USD	2018/05/18	2026/09/10	48	4	475,922	191,262	475,922	118,981
945,070	USD	2018/05/25	2026/09/10	48	4	945,070	379,802	945,070	236,267
1,680,568	USD	2018/09/07	2026/09/10	48	4	1,680,568	675,382	1,680,568	420,142
578,140	USD	2018/09/28	2026/09/10	48	4	578,140	232,341	578,140	144,535
607,634	USD	2018/10/29	2026/09/10	48	4	607,634	244,194	607,634	151,909
3,826,090	USD	2021/10/11	2026/09/10	48	4	3,826,090	1,537,618	3,826,090	956,523
13,729,441	USD	2017/12/22	2024/12/17	7	2	7,080,903	2,845,652	9,734,164	2,433,541
554,390	USD	2019/12/18	2024/12/17	7	2	554,390	222,797	554,390	138,598
16,240	USD	2021/02/24	2029/09/17	12	3.5	16,240	6,527	16,240	4,060
158,317	USD	2021/02/24	2029/09/17	12	3.5	158,317	63,624	158,317	39,579
41,537	USD	2021/03/14	2029/09/17	12	3.5	41,537	16,693	41,537	10,384
467,221	USD	2021/03/14	2029/09/17	12	3.5	467,221	187,766	467,221	116,805
19,649,922	USD	2021/04/17	2029/09/17	12	4	19,649,922	7,896,852	19,649,922	4,912,480
3,473,428	USD	2023/01/07	2028/01/07	*	6	3,473,428	1,395,891	3,473,428	1,259,833
3,473,441	USD	2023/01/30	2028/01/07		6	3,473,441	1,395,892	3,473,441	1,259,838
						51,408,535	20,659,908	59,319,590	15,612,852

For the received mana facilities from the National Development Fund (the last two rows), since the period of participation has not yet ended, the number of installments is currently unknown.

38-2. Debts for LCs amounted to IRR 12,437 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.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Opening balance	691,061	363,908	628,706	327,607
Paid during the period	(71,279)	(53,699)	(59,955)	(48,343)
Provision for the period	443,523	380,852	400,516	349,442
Closing balance	1,063,305	691,061	969,267	628,706

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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 50,000,000 million Rials (including 50,000 shares with a nominal value of 1,000 Rials per share) at the end of 19 Mar.2024 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
24-Dec-23	42.85	15,000,000	50,000,000	Retained earnings

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

	19 Mar.2024		20 Mar. 2023		
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	
		%		%	
1% and more			1% and more		
Atiyeh maskan Co. (Private Joint Stock)	2,500,000,000	5.0%	Atiyeh maskan Co. (Private Joint Stock)	1,746,352,744	5.0%
Kia Asa Tejarat Toos Co. (Private Joint Stock)	2,416,838,414	4.8%	Kia Asa Tejarat Toos Co. (Private Joint Stock)	1,691,786,901	4.8%
Natural person	1,249,999,975	2.5%	Natural person	874,999,988	2.5%
Radis electronic Co. (Private Joint Stock)	1,098,109,285	2.2%	Middle East bank's Ofogh brokerage mutual fund	628,592,779	1.8%
Pars Tousheh Investment Co.(PJSC)	754,903,041	1.5%	Radis electronic Co. (Private Joint Stock)	563,982,503	1.6%
Sepahan Industry Group (PJSC)	680,352,235	1.4%	Pars Tousheh Investment Co.(PJSC)	528,432,132	1.5%
Natural person	643,899,986	1.3%	Sepahan Industry Group (PJSC)	476,246,568	1.4%
Iran Insurance Co (Private Joint Stock)	629,673,060	1.3%	Natural person	460,497,384	1.3%
Natural person	627,321,145	1.3%	Natural person	450,729,993	1.3%
Natural person	607,924,986	1.2%	Iran Insurance Co (Private Joint Stock)	440,771,145	1.3%
Natural person	598,181,612	1.2%	Natural person	425,547,493	1.2%
Industry and Trade Development Investment Co. (public stock)	554,182,917	1.1%	Natural person	418,727,131	1.2%
Sam Group Co. (Private Joint Stock)	537,499,986	1.1%	Sam Group Co. (Private Joint Stock)	376,249,993	1.1%
Natural person	516,679,996	1.0%	Natural person	361,676,000	1.0%
Natural person	515,785,369	1.0%	Natural person	361,049,761	1.0%
Iran national investment Co.(PJSC)	505,294,436	1.0%	Rama electronic Co. (Private Joint Stock)	358,034,069	1.0%
			Iran national investment Co.(PJSC)	353,706,108	1.0%
Others (less than 1%)			Others (less than 1%)		
Corporations (313 shareholders)	11,294,042,207	22.6%	Corporations (258 shareholders)	7,117,854,457	20.3%
Natural persons (19,382 shareholders)	24,269,311,350	48.5%	Natural persons (20,726 shareholders)	17,364,762,851	49.6%
	50,000,000,000	100%		35,000,000,000	100%

MIDDLE EAST BANK (PJSC)
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40-2. The reconciliation of the number of shares at the beginning and at the end of the year:

	Parent Co.	
	19 Mar. 2024	20 Mar. 2023
	No. of shares	No. of shares
Balance at beginning of the year	35,000,000,000	25,000,000,000
Share capital increase from retained earnings	15,000,000,000	10,000,000,000
Balance at end of the year	<u>50,000,000,000</u>	<u>35,000,000,000</u>

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

	19 Mar. 2024		20 Mar. 2023	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares
Middle East Life Insurance Co.	37,000,791	0.1%	33,929,215	0.1%
	<u>37,000,791</u>	<u>0.1%</u>	<u>33,929,215</u>	<u>0.1%</u>

40-4. The bank's capital adequacy ratio on the date of the financial statement is equal to 13.7% which is at least 8% based on the requirements of the Central Bank. Therefore, this bank has achieved the minimum capital adequacy ratio. Detailed information has been disclosed in the description of Note No. 51-7 (Capital Management).

41. Legal reserve

	IRR million			
	Consolidated		Parent Co.	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Opening balance	13,599,037	9,067,581	13,507,891	9,024,756
Transferred from net profit	7,768,864	4,531,456	7,751,255	4,483,135
Closing balance	<u>21,367,901</u>	<u>13,599,037</u>	<u>21,259,146</u>	<u>13,507,891</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.	
	19 Mar. 2024	20 Mar. 2023
Foreign exchange translation differences for foreign operation in Germany	3,639,990	2,260,240
Total	3,639,990	2,260,240
Result of legal changes in the exchange rate	-	-
Foreign exchange translation differences	<u>3,639,990</u>	<u>2,260,240</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 153,915 million rials, which was classified in shareholders' equity.

	19 Mar. 2024				20 Mar. 2023	
	No.	Amount	Sales premium	Sales Deficit	No.	Amount
		IRR million	IRR million	IRR million		IRR million
Additions	35,795,929	167,735	-	-	119,069,420	284,396
Disposals	(38,534,643)	(227,168)	81,434	-	(183,053,336)	(773,348)
	2,504,822	(59,433)	81,434	-	(63,983,916)	(488,952)
Opening balance	107,138,761	494,729			171,122,677	983,681
Closing balance	109,643,583	435,296			107,138,761	494,729

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

	19 Mar. 2024		20 Mar. 2023	
	No.	Amount	No.	Amount
		IRR million		IRR million
Opening balance	183,053,336	72,481	-	-
Profit from sale	38,534,643	81,434	183,053,336	72,481
Closing balance	221,587,979	153,915	183,053,336	72,481

MIDDLE EAST BANK (PJSC)
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46. Cash inflows(outflows)from operating activities

	IRR million			
	Consolidated		Parent Co.	
	19 Mar.2024	20 Mar.2023	19 Mar.2024	20 Mar.2023
Net profit	54,487,883	31,494,015	51,675,025	29,887,571
Adjustment				
Depreciation and amortization	783,482	763,490	741,781	747,341
Payable tax	4,878,817	1,400,491	4,061,610	824,417
Net increase (decrease) in provision of staff termination benefits	372,244	327,153	340,561	301,099
Net non-operating other (incomes) and expenses	(1,867)	(171,619)	(1,234)	(171,056)
Loss (Profit) of investments related to non-banking activities	239,063	-	-	-
(profit) shares of companies and units of investment funds (related to non-banking activities)	296,188	(380,775)	(73,843)	(233,062)
Effect of exchange rate fluctuation on cash	(9,572,083)	(2,288,296)	(9,572,083)	(2,288,296)
	51,483,727	31,144,459	47,171,817	29,068,014
Changes of operating assets and liabilities				
Increase (decrease) in due to banks and financial institutions exception of received facilities	62,033,410	(28,718,679)	62,436,855	(29,413,191)
Increase (decrease) in customers' deposits	200,228,454	144,366,924	200,941,369	144,359,666
Increase (decrease) in operating provisions and other liabilities	29,374,007	16,297,096	14,598,959	8,258,517
Decrease (increase) in due from banks and credit institutions	(36,379,933)	(2,318,891)	(55,913,051)	(2,318,890)
Decrease (increase) in credit facilities granted from non-governmental entities	(199,115,980)	(141,032,136)	(199,410,641)	(140,788,607)
Decrease (increase) in investment in shares	(12,435,718)	24,596,044	(11,525,301)	24,539,592
Decrease (increase) in due from subsidiaries and associates	828	375,236	207,185	872,755
Non-current assets held for sale	260,515	(78,556)	260,515	(78,556)
Decrease (increase) in other accounts receivable	1,011,242	1,996,490	35,978	4,710,836
Decrease (increase) in statutory deposit	(17,675,190)	(15,548,154)	(17,675,190)	(15,548,154)
Decrease (increase) in other assets	(9,023,552)	(578,655)	(8,208,132)	444,486
Total	18,278,083	(261,393)	(14,251,454)	(4,961,546)
Net cash inflow(used in) from operating activities	69,761,810	30,883,066	32,920,363	24,106,468

47. Non-cash transactions

Non-cash transactions during the year are as follows:

	Note	IRR million			
		Consolidated		Parent Co.	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Acquisition of assets in return for granted facilities	47-1	159,485	100,556	159,485	100,556
		159,485	100,556	159,485	100,556

47-1. 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	191,469	(159,485)	(31,984)	-	-
		191,469	(159,485)	(31,984)	-	-

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48. Off-Statement of financial position items

48-1. Letters of credit - LCY

Type of credit	Consolidated and Parent Co.							
	Opening balance		Issued during the period		Paid during the period		Closing balance	
	No.	IRR million	No.	IRR million	No.	IRR million	No.	IRR million
Current	5	1,461,133	20	7,876,609	(18)	(8,670,628)	7	667,117
Term	49	21,277,444	308	94,439,980	(179)	(93,140,357)	178	22,577,065
Total	54	22,738,577	328	102,316,589	(197)	(101,810,985)	185	23,244,182

48-2. Issued guarantees commitments

48-2-1. Guarantees-FCY

	Consolidated and Parent Co.			
	19 Mar. 2024		20 Mar. 2023	
	FCY	IRR million	FCY	IRR million
EUR	27,329,796	11,963,181	72,843,353	19,303,489
USD	14,410,073	5,791,077	14,950,103	3,737,526
		17,754,258		23,041,015

48-2-2. Guarantees-LCY

	IRR million	
	Consolidated and Parent Co.	
	19 Mar. 2024	20 Mar. 2023
Commitments for issued guarantees-LCY	461,906,056	222,122,922

48-3. Other commitments

	IRR million	
	Consolidated and Parent Co.	
	19 Mar. 2024	20 Mar. 2023
Commitments for bonds guarantee	59,146,235	14,975,684
Commitments for credit cards	7,064,121	4,272,247
Others	1,890,360	14,713
	68,100,716	19,262,644

48-4. Managed funds and other

	IRR million	
	Consolidated and Parent Co.	
	19 Mar. 2024	20 Mar. 2023
Loans paid from managed funds	885,600	-
Total of managed funds and other	885,600	-

MIDDLE EAST BANK (PJSC)
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48-5. Commitments for letter of credits and guaranties by type of collateral:

Type of collaterals	IRR million	
	19 Mar. 2024	20 Mar. 2023
Deposits	4,278,639	22,044,131
Participation bonds and other securities with guaranties of other banks	18,909	4,420
Listed shares	5,514	-
Land and building	12,510,939	-
Checks and promissory notes	472,243,051	232,801,416
	489,057,052	254,849,967
Without collateral	13,847,444	13,052,547
Total	502,904,496	267,902,514

49. Capital commitments and contingent liabilities

49-1. As mentioned in the note 28-2-3, 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	
	19 Mar. 2024	20 Mar. 2023
Committed amount of investments in companies	19,500	19,500

49-2. Contingent liabilities

The declared debt of the social security organization related to the inspection of the legal books for the fiscal year ended 20th March 2023 in the amount of 46,604 million IRR was notified to the bank on 01/13/2024, which after protesting to the first instance body on 02/07/2024 was reduced to 46,509 million IRR. 23,500 million IRR of the mentioned amount are available as insurance deposits with the bank. The decision of the first instance body has also been protested on 03/28/2024.

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Due to Social Security Organization	46,509	-

50. 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.

51. Board's offer for dividend

51-1. The BOD's offer for dividend is 17,500,000 million IRR (350 Rials per share).

51-2. 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.

51-3. The financial resources to pay the dividends will be provided from the bank's liquidity.

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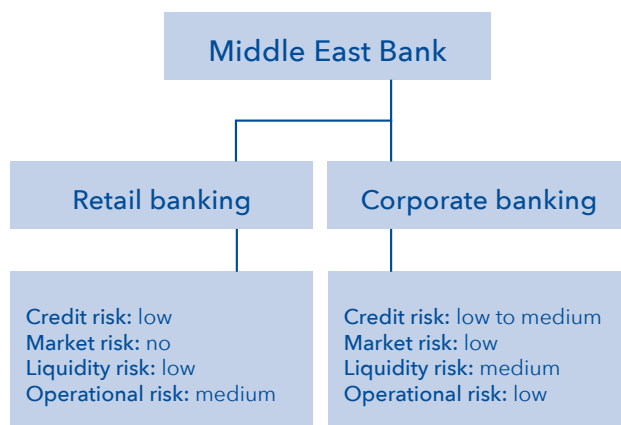
52. Bank risks

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.

52-1. The relation between types of banking and the associated major risks.



52-2. 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



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52-3. Credit risk

52-3-1. 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.

52-3-2. 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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52-3-3. 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.

52-3-4. 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.

52-3-5. 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.

52-3-6. Credit rating procedure

More than 95% of ME Bank's loan takers are legal entities and giving loan to natural persons are done based on their business activities.

Besides from complying with the CBI rules, all customers seeking loans and commitments must be assessed by risk departments in terms of credit risk and this assessment must be done independently of credit department. Credit risk scoring of the customers is carried out based on the following major elements: 1- Three years of financial statements 2-Risk management department's assessment of the customers' cash flow from operating activities to pay back the principal and interest portions of the loans. 3- Qualitative elements including competition ability and managerial ability 4- Past payment behavior

The summary of loans and commitment credit granting procedure to legal and natural persons running business is as follows:

1. Submitting request, information, and the required documents through CARM system which is available at the bank's website (<http://carm.middleeastbank.ir>), it includes the company registration and management information, operational licenses, history, and financial information.
2. After filling the required information by the customer, the relationship manager check the data and contact the customer for any additional information or corrections.
3. Having the case completed by the relationship manager, the case will be referred to risk department to find a primary risk score.

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4. The customers information gets processed by a computer program to produce the primary risk score.
5. The credit status of the customer is then analyzed more precisely by risk analysts to obtain the final risk score.
6. The risk score obtained by risk management department will play a key role for credit granting and specifying collaterals.
7. Loan granting process for natural persons is usually considered regarding a specified business activity. Their tax declaration is the base of risk management department analysis.
8. The equity ratio of the customer must meet the CBI's standard.

52-3-7. 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 52-3-7-1 to 52-3-7-5 from risk department point of view.

52-3-7-1. 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 19 Mar. 2024.

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	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
level 1 - low risk	369,471,525	371,503,434	1,166,629	1,166,629	151,240,146	124,690,651
level 2 - medium risk	309,360,592	113,428,459	-	-	342,454,663	142,563,347
level 3 - high risk	14,730,388	14,402,585	-	-	9,209,687	648,516
level 4 - nearly doubtful	15,102,539	5,594,557	-	-	-	-
Total gross amount	708,665,044	504,929,035	1,166,629	1,166,629	502,904,496	267,902,514
Provision for bad and doubtful loans	(13,028,429)	(8,703,061)	-	-	-	-
Book value	695,636,615	496,225,974	1,166,629	1,166,629	-	-

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

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52-3-7-2. Analysis of credit quality of loans granted to customers based on asset classes

	IRR million			
	Loans		Commitments	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Current	678,391,730	489,798,412	502,904,496	267,902,514
Past due	7,181,431	6,136,560	-	-
Outstanding	13,880,138	3,325,934	-	-
Doubtful	9,211,744	5,668,129	-	-
Total gross amount	708,665,043	504,929,035	502,904,496	267,902,514
Provision for bad and doubtful loans	(13,028,428)	(8,703,061)	-	-
Book value	695,636,615	496,225,974	502,904,496	267,902,514

52-3-7-3. Credit quality of participation bonds and etc.

	IRR million	
	Analysis of credit quality	
	19 Mar. 2024	20 Mar. 2023
Governmental and CBI		
Ministry of Economic Affairs and Finance	30,996,346	16,120,816
First Ordibehesht intermediary	-	2,000,000
	30,996,346	18,120,816
Non-governmental		
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
	8,160	1,358,389
	31,004,506	19,479,205

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52-3-7-4. Types and amounts of customers' collaterals

Collaterals' type	IRR million	
	19 Mar. 2024	20 Mar. 2023
Collaterals from natural persons' loans		
Participation bonds\sukuk	17,364	37,123
Listed shares	2,514,120	886,220
Deposit	80,858	192,327
Land and real estates	13,701,576	10,248,062
Checks	23,308,589	17,296,224
Promissory notes	4,554,672	2,141,101
Machinery	12,000	12,000
Stand-alone legally binding contract	20,330,498	14,247,961
	64,519,677	45,061,018
Collaterals from corporate customers' loans		
Participation bonds\sukuk	652,226	710,476
listed shares	201,456,493	98,577,651
Deposit	8,299,045	6,964,521
Land and real estates	146,796,486	135,946,400
Checks	2,308,289,202	2,101,636,667
Promissory notes	7,577,518	13,652,653
Stand-alone legally binding contract	532,839,848	468,822,323
Machinery	12,229,990	12,229,990
	3,218,140,808	2,838,540,681
	3,282,660,485	2,883,601,699

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

52-3-7-5. Loans classification(net) according to collateral's market value is as below:

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Loans to natural persons		
Less than 50%	18,370,542	12,050,515
51-70%	905,700	68,878
71-90%	2,500,795	59,319
91-100%	270,973	33,534
More than 100%	51,479	1,188,720
	22,099,489	13,400,966
Loans to corporate customers		
Less than 50%	466,942,188	360,207,660
51-70%	731,406	1,381,252
71-90%	-	760,964
91-100%	4,594,392	3,543,896
More than 100%	201,269,140	116,931,236
	673,537,126	482,825,008
	695,636,615	496,225,974

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

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52-3-8. Credit risk concentration

MEB's credit risk management mostly concentrates on short-term loans that provide manufacturing, commercial or contracting firms and business owners with their working capital. Furthermore, investment companies and stock brokerage firms can get loan in order to facilitate their own customers investment activities in the condition that they bring all their banking activities to MEB. Generally, Future operational cash flow forecast must confirm firms' ability to reimburse principal and interest of the loan received. Thus, credit risk management's concentration is in its minimum level for personal loans, mortgages, usage loans or long-term project financing. Although MEB might contribute in national projects with other banks as syndication to ensure project's profitability.

At the moment, risk management department does not rate individuals and brokerage firms based on financial statements, but tries to cover the risk by substantiating customer's reputation, experience, history of its activity with MEB and other banks and obtaining guarantees. Risk management department is developing internal rating models to cover brokerage firms, leasing companies, investment companies, currency exchange firms and individuals.

On average, facility applicants have B or higher credit rate. Based on definition, at the moment customer with B or higher credit rate has ability to reimburse received loans. Although bad economic situations of the country might cause these kind of customers face difficulties. The range of Middle East Bank customers credit rate is from AA to C. Average rate of customers credit, regardless of the amount of collateral, is between B and BB.

Collateral received from customers with credit rates lower than average are much higher than those with credit rates higher than average (B to AA). Amount of collateral based on credit rates ensure risk management they expected loss would be lower than one percent.

If loans or commitments concentration increases in a specific area, bank tries to control or decrease loans and commitments in that area. Risk management department periodically prepares reports about loans concentration in different areas for risk committee/board of directors.

Risk appetite amount in Middle East Bank differs based on the level of loans and deposits and other existing risks. For instance, if the loan to deposit ratio exceeds approximate level of 85%, bank tries to lower this ratio by carefully selecting customers and maintaining its liquidity position at a favorable level. Also, if bank notices that average risk factor of loans exceeds its usual level (based on capital adequacy ratio calculation in Basel III), it prefers to give loans to customers with higher credit rates.

Giving Loans and making commitments take place by considering relationships in any kind and by observing huge loans and commitments regulation approved by Money and credit council.

52-3-8-1. Loan and investment distribution based on economic sectors and geography

Description	Note	IRR million					
		Loans		Investment in shares		Commitments of guaranties and L/Cs	
		19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Book value		695,636,615	496,225,974	1,166,629	1,166,629	502,904,496	267,902,514
Amount of loans based on economic sectors							
Industrial	52-3-8-1-1	479,037,096	329,255,112	-	-	136,071,834	120,812,245
Housing		11,842,018	15,315,625	-	-	138,519,707	29,789,296
Commercial		94,501,731	89,666,741	-	-	51,818,509	37,149,095
Services		51,254,583	51,144,500	1,166,629	1,166,629	55,761,824	37,836,340
Agriculture		1,564,602	2,519,721	-	-	-	-
Mining		48,252,902	5,484,053	-	-	120,473,495	41,941,487
Other		9,183,683	2,840,222	-	-	259,127	374,051
		695,636,615	496,225,974	1,166,629	1,166,629	502,904,496	267,902,514
Amount of loans/commitments inside/outside of the country							
Inside the country		695,635,977	496,225,000	1,166,629	1,166,629	502,904,496	267,902,514
Outside the country		638	974	-	-	-	-
		695,636,615	496,225,974	1,166,629	1,166,629	502,904,496	267,902,514

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52-3-8-1-1. Distribution of loans, commitments and investments based on the type of industry is as follows:

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Loans		
Automobile and parts	26,031,704	19,959,917
Mineral and metal industries	33,831,684	26,323,458
Chemical and petrochemical industries	35,818,734	22,821,154
Food and Drug	141,666,151	89,832,187
Energy	164,470,583	127,017,676
Contracting	3,128,002	2,236,730
Telecommunications, Computers and related industries	5,627,470	3,902,168
Other	68,462,768	37,161,822
Subtotal	479,037,096	329,255,112
Commitments		
Automobile and parts	16,822,613	28,004,950
Mineral and metal industries	47,527,125	38,715,086
Chemical and petrochemical industries	3,108,208	1,898,518
Food and Drug	12,691,532	9,017,638
Energy	2,698,580	25,441,068
Contracting	821,121	573,781
Telecommunications, Computers and related industries	998,823	330,933
Other	51,403,832	16,830,271
Subtotal	136,071,834	120,812,245
Total	615,108,930	450,067,357

52-3-8-2. Loans according to profit sharing contracts, trading contracts and customer type

		19 Mar. 2024			
		Loans increase during the period		Loans balance at the Statement of financial position date	
		Amount	Percentage of total	Amount	Percentage of total
		IRR million		IRR million	
Trading contracts	Natural persons	99,390,911	5%	22,084,962	3%
	Corporate customers	2,020,630,104	95%	652,746,751	97%
		2,120,021,015	100%	674,831,713	97%
Profit sharing contracts	Natural persons	-	0%	14,527	0%
	Corporate customers	9,000,000	0%	20,790,375	100%
		9,000,000	0%	20,804,902	3%
		2,129,021,015	100%	695,636,615	100%
		20 Mar. 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%
		1,284,814,596	100%	487,416,540	98%
Profit sharing contracts	Natural persons	-	0%	41,886	0%
	Corporate customers	1,962,010	100%	8,767,548	100%
		1,962,010	0%	8,809,434	2%
		1,286,776,606	100%	496,225,974	100%

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52-3-9. 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.

52-3-9-1. Non performing loan movements is as below

IRR million

Description	19 Mar. 2024				20 Mar. 2023			
	Principal	Interest	Penalty	Total	Principal	Interest	Penalty	Total
Opening Balance	14,570,816	191,630	368,177	15,130,623	5,284,723	225,097	185,088	5,694,908
Additions	52,758,131	3,641,009	1,752,391	58,151,531	25,450,455	749,924	752,725	26,953,104
By foreign exchange translation	4,778,896	172,259	139,530	5,090,685	721,411	20,399	-	741,810
By cash	(35,623,405)	(2,105,664)	(1,472,307)	(39,201,376)	(10,338,341)	(509,588)	(468,861)	(11,316,790)
By asset possession	(60,000)	(4,709)	(7,930)	(72,639)	(33,424)	(1,796)	(3,898)	(39,118)
Roll over	(8,111,943)	(571,342)	-	(8,683,285)	(6,514,008)	(292,406)	-	(6,806,414)
waived of penalties	(139,447)	(2,781)	-	(142,228)	-	-	(96,877)	(96,877)
Closing Balance	28,173,048	1,320,402	779,861	30,273,311	14,570,816	191,630	368,177	15,130,623

52-3-9-2. Distribution of non performing loans based on economic sectors

IRR million

Distribution of non performing loans	Balance of non-performing loans		Specific provision		Net balance of non-performing loans	
	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023	19 Mar. 2024	20 Mar. 2023
Industry	19,822,139	9,842,943	(1,147,943)	(665,941)	18,674,196	9,177,002
Housing	1,442,738	1,795,204	(79,429)	(204,880)	1,363,310	1,590,324
commercial	5,868,141	1,570,897	(1,114,992)	(410,312)	4,753,149	1,160,585
Services	1,202,053	39,866	(389,879)	-	812,174	39,866
Agriculture	607,772	538,483	-	-	607,772	538,483
other	1,330,468	1,343,230	(23,918)	(32,147)	1,306,549	1,311,083
Total	30,273,311	15,130,623	(2,756,161)	(1,313,280)	27,517,150	13,817,343

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52-3-9-3. Balance of possessed assets

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Residential real estates	425,591	686,106

52-3-10. Capital needed to cover credit risk

The amount of capital needed to cover the credit risk of the assets is IRR67,986,428 million and its calculations presented in table 52-3-10-1.

52-3-10-1. Calculation of needed capital to cover credit risk is as below:

	Note	IRR million	
		19 Mar. 2024	20 Mar. 2023
Credit risk weighted assets	52-7-2-1	849,830,354	511,815,512
Risk factor-%		8%	8%
Needed capital to cover credit risk		67,986,428	40,945,241

52-4. Liquidity risk

52-4-1. 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.

52-4-2. 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 19 Mar.2024, bank's short-term loans portfolio (before impairment loss deduction) comprised 70% 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 11% of total asset. About 2% of banks asset consist of fixed, intangible and other assets which are employed for bank's main operations.

MEB's resources are mainly collected from 3 sources: 1- Cash flows from corporate clients and individuals related to those clients 2- Customers who have good long-term relationship with MEB for their asset management and 3-Other customers with low amount deposits.

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52-4-3. 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.

52-4-4. 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 CBI's "Minimum Requirements for Liquidity Risk Management of Credit Institutions", this ratio must be at least 100%.

52-4-5. Liquidity risk control & monitoring procedures

To ensure that the bank's path is aligned with defined policies in 52-4-2 note and to control liquidity risk and managing cost and resource, finance department every day provides the seniors managers of the bank with a status report of deposits, given loans, bank's various assets and liabilities, assets profitability and cost of resources. Every week costs and resources status would be reviewed with the presence of senior managers and based on these reports decisions would be made in order to progress the affairs. In appropriate times, risk management department prepares reports about calculation of liquidity gap, liquidity coverage ratio and net stable funding ratio to senior managers and board of directors. Based on defined acceptable ratios including liquidity ratios, necessary decisions would be made for liquidity management. For liquidity risk, these decisions include decrease or increase in loans amount which causes increase or decrease in bank's liquid assets. MEB tries loans to resources ratio not to be more than 85%. In case of liquidity gap, bank maintains a significant positive balance for the period less than 3 months.

52-4-5-1. Liquidity reserves

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Due from CBI	45,907,413	40,747,140
Cash and due from banks and financial institutions	28,657,734	15,425,599
Governmental bonds	30,996,346	18,120,817
Non-governmental bonds	8,160	1,358,388
Total	105,569,653	75,651,944

52-4-5-2. Liquidity ratios:

Description	Percent				
	At the beginning of the year	Average	Maximum	Minimum	At the end of the year
Cash and cash equivalent to total assets	11%	9%	11%	8%	11%
Cash and cash equivalent to total deposits	13%	13%	15%	11%	15%
Net cash equivalents to total deposits *	11%	8%	10%	3%	8%
Loans to total deposits	91%	96%	102%	89%	98%
Loans to long-term deposits	204%	186%	207%	167%	174%
Non-maturity deposits to total deposits**	49%	42%	49%	36%	37%

Cash and cash equivalent include cash, bonds and etc. which have active liquid market.

* Net liquid assets include cash, cash equivalent and investments which have active liquid market excluding other banks deposit, issued debts securities and other liabilities with less than one month maturity.

** Non-maturity deposits include deposits which have no contractual maturity like current deposits, saving deposits and short-term deposits.

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52-4-5-3. Assets and liabilities maturity analysis

The following table illustrates the maturity of assets and liabilities according to the date that is possible to be withdrawn or settled:

	19 Mar. 2024						IRR million	
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years		Non-specific maturity
Assets:								
Cash	74,565,147	74,565,147	0	0	0	0	0	74,565,147
Due from banks and financial institutions	99,499,500	99,499,500	0	0	0	0	0	99,499,500
Credit facilities granted	695,636,615	56,671,009	319,157,758	251,037,420	23,008,496	8,434,023	37,327,909	708,665,040
Investments in share and other securities	32,171,135	1,160	0	29,216,042	1,780,304	1,166,629	7,000	32,171,135
Due from subsidiaries and associates	800,322	760,808	0	0	39,514	0	0	812,916
Other accounts receivable	3,003,635	1,143,182	22,698	320,119	1,411,874	105,184	578	3,252,214
Non-current assets held for sale	425,591	0	0	0	425,591	0	0	425,591
Property, plant and equipment	21,249,042	0	0	0	0	0	21,249,042	21,249,042
Intangible assets	168,180	0	0	0	0	0	168,180	168,180
Statutory deposit	60,377,564	559,616	787,985	7,236,935	45,658,452	3,396,929	2,737,647	60,377,564
Other assets	12,766,438	6,623,422	3,857,285	758,168	586,867	0	940,696	12,937,579
Total assets	1,000,663,169	239,823,844	323,825,726	288,568,684	72,911,098	13,102,765	62,431,052	1,014,123,908
Liabilities:								
Due to banks and financial institutions	(96,843,726)	(72,310,408)	(22,063,853)	(2,469,465)	0	0	0	(96,843,726)
Customers' deposits	(733,144,857)	(93,735,549)	(203,769,741)	(80,816,645)	(276,175,904)	(78,382,002)	(265,016)	(733,144,857)
Dividends payable	(80,097)	(80,097)	0	0	0	0	0	(80,097)
Income tax provision	(4,417,985)	0	0	(4,061,609)	0	0	(356,376)	(4,417,985)
Other liabilities and provisions	(38,510,949)	(7,830,789)	(4,589,120)	(3,079,540)	(7,184,193)	(8,171,460)	(7,655,847)	(38,510,949)
Staff termination benefits	(969,267)	0	0	0	0	0	(969,267)	(969,267)
Total liabilities	(873,966,881)	(173,956,843)	(230,422,714)	(90,427,259)	(283,360,097)	(86,553,462)	(9,246,506)	(873,966,881)
Total shareholders' equity	(126,696,288)	0	0	0	0	0	(126,696,288)	(140,157,027)
Total cash outflows from off-statement of financial position items	(28,550,261)	(1,735,808)	(5,653,016)	(18,209,309)	(2,572,955)	0	(379,173)	(28,550,261)
Total liabilities and shareholders' equity	(1,029,213,430)	(175,692,651)	(236,075,730)	(108,636,568)	(285,933,052)	(86,553,462)	(136,321,967)	(1,042,674,169)
Gap		64,131,193	87,749,996	179,932,116	(213,021,954)	(73,450,697)	(73,890,915)	
Accumulated gap		64,131,193	151,881,189	331,813,305	118,791,351	45,340,654	(28,550,261)	
Gap to regulatory capital ratio		47%	64%	132%	-157%	-54%	-54%	
Accumulated gap to regulatory capital ratio		47%	112%	244%	87%	33%	-21%	
Gap to CBI regulatory capital ratio		82%	112%	229%	-271%	-93%	-94%	
Accumulated gap to CBI regulatory capital ratio		82%	193%	422%	151%	58%	-36%	

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	20 Mar. 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	Balance before deduction of provision
Assets:								
Cash	56,172,739	56,172,739	0	0	0	0	0	56,172,739
Due from banks and financial institutions	43,586,449	43,586,449	0	0	0	0	0	43,586,449
Credit facilities granted	496,225,974	59,329,680	227,051,764	158,288,170	15,228,458	5,396,148	30,931,754	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	0	0	1,007,507	0	0	0	1,023,242
Other accounts receivable	3,039,613	1,326,022	0	193,500	1,494,412	0	25,679	3,356,454
Non-current assets held for sale	686,106	0	0	0	686,106	0	0	686,106
Fixed assets	6,116,967	0	0	0	0	0	6,116,967	6,116,967
Intangible assets	227,851	0	0	0	0	0	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	1,982,900	545,248	89,577	177,092	0	382,508	3,215,648
Total assets	673,588,739	164,658,059	231,394,990	188,831,766	33,670,048	17,334,679	37,699,197	682,662,697
Liabilities:								
Due to banks and financial institutions	(34,406,871)	(14,223,336)	(13,604,511)	(2,969,754)	(3,609,270)	0	0	(34,406,871)
Customers' deposits	(532,203,488)	(60,136,191)	(127,585,480)	(112,026,815)	(138,689,469)	(93,587,827)	(177,706)	(532,203,488)
Dividends payable	(61,074)	(61,074)	0	0	0	0	0	(61,074)
Income tax provision	(1,875,964)	0	0	(824,418)	0	0	(1,051,546)	(1,875,964)
Other liabilities and provisions	(23,911,990)	(5,313,200)	(845,191)	(1,201,796)	(6,705,593)	(5,083,448)	(4,762,762)	(23,911,990)
Staff termination benefits	(628,706)	0	0	0	0	0	(628,706)	(628,706)
Total liabilities	(593,088,093)	(79,733,801)	(142,035,182)	(117,022,783)	(149,004,332)	(98,671,275)	(6,620,720)	(593,088,093)
Total shareholders' equity	(80,500,646)	0	0	0	0	0	(80,500,646)	(89,574,604)
Total cash outflows from off-statement of financial position items	(14,358,258)	(638,667)	(3,696,395)	(9,069,679)	(690,102)	0	(263,415)	(14,358,258)
Total liabilities and shareholders' equity	(687,946,997)	(80,372,468)	(145,731,577)	(126,092,462)	(149,694,434)	(98,671,275)	(87,384,781)	(697,020,955)
Gap	84,285,591	85,663,413	62,739,304	232,688,308	116,663,922	35,327,326	(49,685,584)	
Accumulated gap	84,285,591	169,949,004	169,949,004	232,688,308	116,663,922	35,327,326	(49,685,584)	
Gap to regulatory capital ratio	98%	98%	100%	73%	-135%	-95%	-58%	
Accumulated gap to regulatory capital ratio	98%	98%	198%	271%	136%	41%	-17%	
Gap to CBI regulatory capital ratio	159%	159%	162%	119%	-220%	-154%	-94%	
Accumulated gap to CBI regulatory capital ratio	159%	159%	322%	440%	221%	67%	-27%	

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52-4-5-4. Contractual maturity analysis of financial liabilities

52-4-5-4-1. The following table illustrates financial liabilities according to their maturity that mentioned in related contract.

IRR million

	19 Mar. 2024						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and financial institutions	(96,843,726)	(72,310,408)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(733,144,857)	(44,915,264)	(171,639,643)	(50,686,937)	(214,502,053)	(821,277)	(250,579,683)
Received loans from NDF	(20,659,908)	(191,291)	(385,338)	(1,780,407)	(6,591,650)	(8,171,460)	(3,539,762)
Total	(850,648,491)	(117,416,963)	(194,088,834)	(54,936,809)	(221,093,703)	(8,992,737)	(254,119,445)

IRR million

	20 Mar. 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
Liabilities:							
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)	(31,679,329)	(101,047,418)	(76,311,725)	(77,818,317)	(4,086,554)	(241,260,145)
Received loans from NDF	(15,612,852)	(112,371)	(226,355)	(1,045,779)	(6,349,760)	(5,083,309)	(2,795,278)
Customers' investment deposits							
Total	(582,223,211)	(46,015,036)	(114,878,284)	(80,327,258)	(87,777,347)	(9,169,863)	(244,055,423)

52-4-5-4-2. The following table illustrates foreign currency financial liabilities according to their maturity that mentioned in related contract.

IRR million

	19 Mar. 2024						
	Book value	Less than 1 Month	Between 1 and 3 Months	Between 3 Months and 1 Year	Between 1 and 5 Years	More than 5 Years	Non-specific maturity
Liabilities:							
Due to banks and financial institutions	(41,511,298)	(16,977,980)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(266,948,712)	(76,898,505)	(188,896,304)	(473,073)	(41,059)	(437,462)	(202,309)
Received loans from NDF	(20,659,908)	(191,291)	(385,338)	(1,780,407)	(6,591,650)	(8,171,460)	(3,539,762)
Total	(329,119,918)	(94,067,776)	(211,345,495)	(4,722,945)	(6,632,709)	(8,608,922)	(3,742,071)

IRR million

	20 Mar. 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
Liabilities:							
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)
Customers' investment deposits							
Total	(208,321,852)	(61,009,201)	(124,606,729)	(4,509,175)	(9,982,380)	(5,305,853)	(2,908,514)

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52-4-6. Program to cope with crisis (liquidity crisis)

Middle East Bank, according to special circumstances of Iran economics during 2024 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 52-4-2 and 52-4-4 notes.

Accumulated gap for less than 3 months period is IRR 151,881,189 million which is 112% of the bank's capital. This indicates the liquidity status of bank for less than 3 months is in good position.

52-5. Market risk

52-5-1. 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 19 Mar.2024 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 does not engage in profiting from changes to foreign currency exchange rates.

52-5-2. 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.

52-5-3. Method of market risk calculation

Market risk arises from stock investment calculated by Basel III and sharp model. According to Basel III, market risk can be calculated using the Value at Risk (VaR) methodologies. The "Value at Risk" calculation must be done based on 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 III notes, the capital requirement equals to VaR Amount $\times (3 + X)$ with X between 0 and 1. Regarding portfolio situation we assumed that the amount of X equals to one. According to this calculation method, the risk factor for the stock portfolio is obtained.

52-5-4. Value-at-risk analysis of investments in stocks and other marketable investments

The amount of value at risk for investments in stocks and other market-priced investments with an expected loss within a period of 10 days with a probability of 1% is provided according to the single asset method.

Calculation of value at risk according to variance-covariance method (within 10 days and 1% probability)

Type of investment	19 Mar. 2024		20 Mar. 2023	
	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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52-5-5. Foreign Currency VaR Analysis

	19 Mar. 2024						
	Dollar	Euro	Emirates AED	Pound	Swiss Franc	Japanese Yen	Other currency
Cash	3,167,896	38,086,970	59,052,603	0	36,171	336,653	
Due from banks and financial institutions	500,000	146,425,044	35,262,723	0	16,229	0	
Credit facilities granted to non-governmental parties	561,394,538	23,039,999	11,363,174	0	0	0	
Investments in share and other securities	0	0	0	0	0	0	
Due from subsidiaries and associates	0	0	0	0	0	0	
Other accounts receivable	6,858	14,197	1,109	0	0	0	
Non-current assets held for sale	0	0	0	0	0	0	
Fixed assets	0	0	0	0	0	0	
Intangible assets	0	0	0	0	0	0	
Statutory deposit	0	0	0	0	0	0	
Other assets	0	5,160	0	0	0	0	
Total assets-FCY	565,069,292	207,571,370	105,679,609	0	52,400	336,653	
Customers' letters of credit commitments	0	0	0	0	0	0	
Customers' Issued guarantees commitments	14,410,073	26,641,814	0	0	0	0	
Customers' other commitments	0	0	0	0	0	0	
Total of customers' commitments-FCY	14,410,073	26,641,814	0	0	0	0	0
Total of assets and customers' commitments	579,479,365	234,213,184	105,679,609	0	52,400	336,653	0
Total of assets and customers' commitments - IRR million	232,879,429	102,523,073	11,564,414	0	23,821	908	5,198,471
Due to banks and financial institutions	0	(87,020,232)	(3,429)	0	0	0	
Customers' deposits	(473,239,282)	(55,314,642)	(30,755,863)	0	(16,229)	0	
Dividends payable	0	0	0	0	0	0	
Income tax provision	0	0	0	0	0	0	
Other liabilities and accruals	(51,408,535)	(31,374,075)	(5,131,990)	0	0	0	
Due related to Non-current assets held for sale	0	0	0	0	0	0	
Staff termination benefits	0	0	0	0	0	0	
Total liabilities-FCY	(524,647,817)	(173,708,949)	(35,891,282)	0	(16,229)	0	
Bank's letters of credit commitments	0	0	0	0	0	0	
Bank's Issued guarantees commitments	(14,410,073)	(27,329,796)	0	0	0	0	
Bank's other commitments	0	0	0	0	0	0	
Total of Bank's commitments-FCY	(14,410,073)	(27,329,796)	0	0	0	0	
Total of liabilities and Bank's commitments	(539,057,890)	(201,038,745)	(35,891,282)	0	(16,229)	0	
Total of liabilities and Bank's commitments - IRR million	(216,634,968)	(88,001,494)	(3,927,547)	0	(7,378)	0	(4,144,362)
Foreign currency open position at 19 Mar.2024	40,421,475	33,174,439	69,788,327	0	36,171	336,653	0
Foreign currency open position at 19 Mar.2024 - IRR equivalent	16,244,461	14,521,579	7,636,867	0	16,443	908	1,054,109
Foreign currency open position to base capital at 19 Mar.2024	12%	11%	6%	0%	0%	0%	1%
Foreign currency open position to regulatory capital (base of other prudential ratios) at 19 Mar.2024	21%	18%	10%	0%	0%	0%	1%

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	20 Mar. 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 non-bank credit institutions	-	123,478,801	4,363,505	-	16,229	-	
Credit facilities granted 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	-	-	-	-	
Total assets-FCY	550,539,479	230,069,168	54,212,861	-	52,080	460,653	
Customers' letters of credit commitments	-	-	-	-	-	-	
Customers' Issued guarantees commitments	14,950,103	71,142,285	-	-	-	-	
Customers' other commitments	1	-	-	-	-	-	
Total of customers' commitments-FCY	14,950,104	71,142,285	-	-	-	-	
Total of assets and customers' commitments	565,489,583	301,211,453	54,212,861	-	52,080	460,653	
Total of assets and customers' commitments -IRR million	142,368,262	79,892,243	3,727,623	-	13,962	868	6,626,805
Due to banks and financial institutions	-	(33,403,225)	(3,429)	-	-	-	
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	-	-	-	-	-	-	
Total liabilities-FCY	(504,407,745)	(187,022,883)	(17,898,695)	-	(16,229)	-	
Bank's letters of credit commitments	-	-	-	-	-	-	
Bank's Issued guarantees commitments	(14,950,103)	(72,843,353)	-	-	-	-	
Bank's other commitments	(1)	-	-	-	-	-	
Total of Bank's commitments-FCY	(14,950,104)	(72,843,353)	-	-	-	-	
Total of liabilities and Bank's commitments	(519,357,849)	(259,866,236)	(17,898,695)	-	(16,229)	-	
Total of liabilities and Bank's commitments -IRR million	(130,625,318)	(68,819,792)	(1,213,263)	-	(4,351)	-	(3,802,723)
Foreign currency open position at 20 Mar.2023	46,131,734	41,345,217	36,314,166	-	35,851	460,653	-
Foreign currency open position at 20 Mar.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 20 Mar.2023	14%	13%	3%	0%	0%	0%	3%
Foreign currency open position to regulatory capital (base of other prudential ratios) at 20 Mar.2023	22%	21%	5%	0%	0%	0%	5%

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52-5-5-1. Summary of foreign currencies' open position

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Positive open position of all foreign currencies-IRR million	39,474,367	28,164,316
Open position of all foreign currencies-IRR million	39,474,367	28,164,316
Open position of all foreign currencies to base capital-percent	29%	33%
Open position of all foreign currencies to regulatory capital (base of other prudential ratios)-percent	50%	53%

52-5-5-2. 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	19 Mar. 2024		Currency Type	20 Mar. 2023	
	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)	1,246,106	USD	(-3,+3)	1,534,548
CHF	(-10,+10)	3,918	CHF	(-10,+10)	2,816
EUR	(-9,+9)	3,044,714	EUR	(-9,+9)	1,336,030
JPY	(-9,+9)	211	JPY	(-9,+9)	88
AED	(-4,+4)	808,158	AED	(-4,+4)	478,006
CNY	(-9,9)	-	CNY	(-9,9)	638,652
Others	(-6,6)	223,187	Others	(-6,6)	88,834
		5,326,294			4,078,974

Method 2: value at risk using variance-covariance method

The amount of VaR for the net foreign assets and liabilities is as below:

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

Currency Type	19 Mar. 2024		Currency Type	20 Mar. 2023	
	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)	1,246,106	USD	(-3,3)	1,534,548
CHF	(-10,10)	3,918	CHF	(-10,10)	2,816
EUR	(-9,9)	3,044,714	EUR	(-9,9)	1,336,030
JPY	(-9,9)	211	JPY	(-9,9)	88
AED	(-4,4)	808,158	AED	(-4,4)	478,006
CNY	(-9,9)	-	CNY	(-9,9)	638,652
Others	(-6,6)	223,187	Others	(-6,6)	88,834
Total		5,326,294	Total		4,078,974
Diversification effect		(1,649,904)	Diversification effect		(1,564,305)
		3,676,390			2,514,669

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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52-5-6. :The amount of required capital to cover market risk

52-5-6-1. :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	-	-	5,326,294	21,305,177	21,305,177

52-5-6-2. :The amount of required capital to cover market risk using variance-covariance method

IRR million

Measurement method	Stock Risk		Foreign Exchange Risk		Total contingency reserved for market risk*
	"Value at risk (10days)"	contingency reserved	"Value at risk (10days)"	contingency reserved	
Normal Var model	-	-	3,676,390	14,705,560	14,705,560

*This amount of capital calculated according to the Basel instructions to calculate the required capital risk of exchange rate fluctuations and equivalent to 4 times the value at risk of 10 days in the foreign exchange basket.

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52-5-7. Interest rate sensitive asset and liability gap analysis

	IRR million						
	19 Mar. 2024						
	Amount	"Maturities up to one month"	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	Insensitive to rate
Assets							
Cash	74,565,147	-	-	-	-	-	74,565,147
Due from banks and financial institutions	99,499,500	99,499,500	-	-	-	-	-
Credit facilities granted	695,636,615	54,572,143	321,256,624	251,037,420	23,008,496	8,434,023	37,327,909
Investments in share and other securities	32,171,135	1,160	-	29,216,042	1,780,304	1,166,629	7,000
Due from subsidiaries and associates	800,322	-	-	-	-	-	800,322
Other accounts receivable	3,003,635	-	-	-	-	-	3,003,635
Non-current assets held for sale	425,591	-	-	-	-	-	425,591
Fixed assets	21,249,042	-	-	-	-	-	21,249,042
Intangible assets	168,180	-	-	-	-	-	168,180
Statutory deposit	60,377,564	539,198	758,490	7,452,189	47,239,530	3,514,559	873,598
Other assets	12,766,438	-	-	-	-	-	12,766,438
Total assets	1,000,663,169	154,612,001	322,015,114	287,705,651	72,028,330	13,115,211	151,186,862
Liabilities							
Due to banks and financial institutions	(96,843,726)	(72,310,408)	(22,063,853)	(2,469,465)	-	-	-
Customers' deposits	(733,144,857)	(93,735,549)	(203,769,741)	(80,816,645)	(276,175,904)	(78,382,002)	(265,016)
Dividends payable	(80,097)	-	-	-	-	-	(80,097)
Income tax provision	(4,417,985)	-	-	-	-	-	(4,417,985)
Other liabilities and accruals	(38,510,949)	(192,144)	(385,338)	(1,780,407)	(6,591,650)	(8,178,623)	(21,382,787)
Staff termination benefits	(969,267)	-	-	-	-	-	(969,267)
Total liabilities	(873,966,881)	(166,238,101)	(226,218,932)	(85,066,517)	(282,767,554)	(86,560,625)	(27,115,152)
Shareholders' equity	(126,696,288)	-	-	-	-	-	(126,696,288)
Total liabilities and shareholders' equity	(1,000,663,169)	(166,238,101)	(226,218,932)	(85,066,517)	(282,767,554)	(86,560,625)	(153,811,440)
Liquidity gap		(11,626,100)	95,796,182	202,639,134	(210,739,224)	(73,445,414)	(2,624,578)
Cumulative liquidity gap		(11,626,100)	84,170,082	286,809,216	76,069,992	2,624,578	-

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IRR million

	20 Mar. 2023						
	Amount	Maturities up to one month	1-3 Month	3 Month-1 Year	1-5 Year	>5 Year	Insensitive to rate
Assets							
Cash	56,172,739	-	-	-	-	-	56,172,739
Due from banks and financial institutions	43,586,449	43,586,449	-	-	-	-	-
Credit facilities granted	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	3,039,613	-	-	-	-	-	3,039,613
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
Total assets	673,588,739	105,084,577	230,542,716	186,626,427	31,578,692	17,515,868	102,240,459
Liabilities							
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)
Dividends payable	(61,074)	-	-	-	-	-	(61,074)
Income tax provision	(1,875,964)	-	-	-	-	-	(1,875,964)
Other liabilities and accruals	(23,911,990)	(112,370)	(226,355)	(1,020,017)	(6,349,926)	(5,083,309)	(11,120,013)
Staff termination benefits	(628,706)	-	-	-	-	-	(628,706)
Total liabilities	(593,088,093)	(74,471,896)	(141,416,346)	(116,016,586)	(148,648,665)	(98,671,137)	(13,863,463)
Shareholders' equity	(80,500,646)	-	-	-	-	-	(80,500,646)
Total liabilities and shareholders' equity	(673,588,739)	(74,471,896)	(141,416,346)	(116,016,586)	(148,648,665)	(98,671,137)	(94,364,109)
Liquidity gap	-	30,612,681	89,126,370	70,609,841	(117,069,973)	(81,155,269)	7,876,350
Cumulative liquidity gap	-	30,612,681	119,739,051	190,348,892	73,278,919	(7,876,350)	-

52-6. Operational risk

52-6-1. 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.

52-6-2. 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.

52-6-3. 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.

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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.

52-6-4. 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.

52-6-5. Operational risk measurement method

The risk weight for operational risk is measured using, the "Standardized approach" announced by the CBI regulation No 02/21758 dated 04/25/2023. In this approach 15% of the last 3 years income average is calculated as needed capital to cover operational risk and then multiplied by 12.5. The result is added to the total risk weights of other risks such as credit risk and market risk for foreign exchange risk weights.

52-6-6. Operational risk control & monitoring procedures

Operational risk management consultants and risk management department issue reports which would be reviewed in risk committee and board of directors committees and based on reported recommendations, necessary orders would be given by risk committee and bank's CEO in order to establish better controls. Also internal audit, compliance and legal departments have their specific monitoring's and make risk department aware of probable operational problems in the bank and risk management department executes necessary arrangements to solve the problems by presenting these reports to credit risk committee. Periodic reports of the result of implementing new controls would be presented to risk committee and risk committee gives necessary orders to reduce operational risks.

52-6-7. Necessary amount of capital to cover operational risk

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

Measurement method	Capital exposed to operational risk
Base on CBI regulation	6,823,881

IRR million

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52-7. Capital management

52-7-1. Regulatory capital

Basic capital at Statement of financial position date is IRR 136,113,227 million and presented as follows:

Description	IRR million	
	19 Mar. 2024	20 Mar. 2023
Tier I		
Paid Capital	50,000,000	35,000,000
Share premium	-	-
Retained earnings	52,078,533	30,154,763
Legal reserve	21,259,146	13,507,891
Other reserves	3,793,905	2,332,721
	127,131,584	80,995,375
Less: Regulatory adjustments		
Cost of shares owned by market maker fund (Treasury shares)	(435,296)	(494,729)
Intangible assets	(168,180)	(227,851)
The minimum cost of mutual investments in shares of credit institutions or non-subsidiary financial institutions	(120,447)	(156,162)
Net book value of investments more than limits 50%	(396,822)	(378,964)
Total Regulatory adjustments	(1,120,745)	(1,257,706)
Tier I capital after regulatory adjustments	126,010,839	79,737,669
Tier II		
General provision for bad and doubtful debts up to 1.25% of risk weighted assets	10,500,210	6,397,694
Total of Tier II	10,500,210	6,397,694
Less: Regulatory adjustments		
Book value of investments more than limits 50%	(396,822)	(378,964)
Tier II capital after regulatory adjustments	10,103,388	6,018,730
Less: An increase in Tier II capital over Tier I capital	-	-
Total regulatory capital	136,114,227	85,756,399
The base capital of the bank	78,686,399	52,855,003

*The calculation of base capital for reporting period is in accordance with CBI regulation No. 02/21758 dated 25 April 2023 and for the year 1401, it is in accordance with CBI 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 IRR 78,686,399 million .

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52-7-2. Capital allocation

52-7-2-1. Total Credit risk weighted assets at the Statement of financial position date equals to IRR 849,830,354 million.

Description	Amount		Conversion factor		Adjusted amount		Risk factor		Risk weighted commitments and assets		Needed capital	
	IRR million		%		IRR million		%		IRR million		IRR million	
	IRR million	%	IRR million	%	IRR million	%	IRR million	%	IRR million	%	IRR million	%
Cash	4,135,409	-	4,135,409	-	-	-	-	-	-	-	-	-
Statutory deposit	60,377,564	-	60,377,564	-	-	-	-	-	-	-	-	-
Due from CBI	216,054	-	216,054	-	-	-	-	-	-	-	-	-
Due from banks and financial institutions (in form of deposits, loans and securities purchases) Capital Adequacy more than 8	42,307,603	20	42,307,603	20	8,461,521	20	8,461,521	20	8,461,521	20	676,922	20
Due from banks and financial institutions (in form of deposits, loans and securities purchases) Capital Adequacy 5 to 8	2,002,630	30	2,002,630	30	600,789	30	600,789	30	600,789	30	48,063	30
Due from banks and financial institutions (in form of deposits, loans and securities purchases) Capital Adequacy 3 to 5	15,301,168	40	15,301,168	40	6,120,467	40	6,120,467	40	6,120,467	40	489,637	40
Due from banks and financial institutions (in form of deposits, loans and securities purchases) Capital Adequacy 1 to 3	2,069,660	70	2,069,660	70	1,448,762	70	1,448,762	70	1,448,762	70	115,901	70
Due from banks and financial institutions (in form of deposits, loans and securities purchases) Capital Adequacy less than 1	18,049,608	100	18,049,608	100	18,049,608	100	18,049,608	100	18,049,608	100	1,443,969	100
Government institutions and companies and public non-government institutions (in the form of loans and securities purchases) or claims which are guaranteed by the mentioned institutions - without credit rating	201,661,328	75	201,661,328	75	151,245,996	75	151,245,996	75	151,245,996	75	12,099,680	75
Companies accepted in the Tehran Stock Exchange and the first and second markets of Iran Fara Bourse Co. (in the form of loans or legal partnership) - without credit rating	67,817,656	100	67,817,656	100	45,798,955	100	45,798,955	100	45,798,955	100	3,663,916	100
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans more than 1000 billion Rials - without credit rating	299,299,439	150	204,007,723	150	204,007,723	150	306,011,584	150	306,011,584	150	24,480,927	150
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -AAA to -AA	1,207,009	50	301,752	50	301,752	50	150,876	50	150,876	50	12,070	50
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -A to -A	7,840,162	75	6,414,497	75	6,414,497	75	4,810,872	75	4,810,872	75	384,870	75
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -BBB to -BBB	55,732,248	100	37,453,277	100	37,453,277	100	37,453,277	100	37,453,277	100	2,996,262	100
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -BB to -B	13,213,926	150	8,632,940	150	8,632,940	150	12,949,410	150	12,949,410	150	1,035,953	150
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -below -B	804,915	200	217,435	200	217,435	200	434,870	200	434,870	200	34,790	200
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 1000 to 100 billion Rials (in case of using internal credit rating) -BBB to -BBB	8,499,813	150	7,382,319	150	7,382,319	150	11,073,479	150	11,073,479	150	885,878	150
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -+A to -A	81,521	50	81,521	50	81,521	50	40,761	50	40,761	50	3,261	50
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -+BBB to -BBB	1,627,424	90	1,140,913	90	1,140,913	90	1,026,822	90	1,026,822	90	82,146	90
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -+BB to -B	357,874	120	182,618	120	182,618	120	219,142	120	219,142	120	17,531	120
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 100 to 2 billion Rials -without credit rating	3,264,922	90	2,667,606	90	2,667,606	90	2,400,845	90	2,400,845	90	192,068	90
Other companies (in the form of loans or legal partnerships) and natural persons with the amount of loans less than 2 billion Rials -without credit rating	8,221,289	100	6,619,614	100	6,619,614	100	6,619,614	100	6,619,614	100	529,569	100

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Description	19 Mar. 2024					
	Amount	Conversion factor	Adjusted amount	Risk factor	Risk weighted commitments and assets	Needed capital
	IRR million	%	IRR million	%	IRR million	IRR million
The balance of the principal and interest of the facilities granted for the purchasing and repairing of residential properties, if the residential property is mortgaged by a credit institution	8,464,382		6,155,904	50	3,077,952	246,236
Net of non-current dues (principal, interest and penalties after deduction of related specific provision) amount of specific provision less than 20% of non-current dues balance	26,862,947		26,862,947	150	40,294,421	3,223,554
Net of non-current dues (principal, interest and penalties after deduction of related specific provision) amount of specific provision less than 20% to 50% of non-current dues balance	19,554		19,554	100	19,554	1,564
Net of non-current dues (principal, interest and penalties after deduction of related specific provision) amount of specific provision more than 50% of non-current dues balance	634,651		634,651	50	317,326	25,386
Due from subsidiaries and associates	812,916		812,916	100	812,916	65,033
Other current accounts receivable	2,846,221		2,846,221	100	2,846,221	227,698
Net of fixed assets	21,249,042		21,249,042	100	21,249,042	1,699,923
Other on Statement of financial position items	14,169,862		14,169,862	100	14,169,862	1,133,589
Claims including deposits and facilities granted or the purchase of securities from other governments, central banks and non-governmental public institutions in other countries Credit rating + AAA to -AA	45,732,168		45,732,168	-	-	-
Claims including deposits and facilities granted or the purchase of securities from development banks	18,242		18,242	-	-	-
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + AAA to -AA	3,110,209		3,110,209	20	622,042	49,763
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + A to -A	42,301		42,301	50	21,151	1,692
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + BBB to -B	12,776,917		12,776,917	100	12,776,917	1,022,153
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries without credit rating	28,226,114		28,226,114	100	28,226,114	2,258,089
Issued letter of credit Commitments with collaterals other than commodity after deduction of advances	22,354,205	50	11,110,676	100	11,110,676	888,854
Issued guarantees Commitments after deduction of cash deposits	458,376,538	20	76,949,369	100	76,949,369	6,155,950
Commitments of transaction contracts and guarantee bonds	59,146,235	50	13,455,651	100	13,455,651	1,076,452
Other commitments	8,954,481	100	8,954,481	100	8,954,481	716,360
					849,830,354	67,986,430

*The calculation of base capital for reporting period is in accordance with CBI regulation No. 02/21758 dated 25 April 2023 and for the year 1401, it is in accordance with CBI regulation No. 98/436758 dated 7 March 2020.

The adjustment of on Statement of financial position items in accordance with CBI new regulation No. 02/21758 dated 25 April 2023 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 and finally they are weighted with the risk factors.

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52-7-2. Capital allocation

52-7-2-1. Total Credit risk weighted assets at the Statement of financial position date equals to IRR 849,830,354 million.

Description	19 Mar. 2024		Risk factor	Risk weighted commitments and assets	Needed capital
	Amount	Adjusted amount			
	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
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
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
Non trading investments in listed shares after deduction of accumulated decrease in value	260,699	260,699	200	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
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
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
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
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
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
Due from subsidiaries and associates	1,023,242	1,023,242	100	1,023,242	81,859
Other current accounts receivable	8,206,666	8,206,666	100	8,206,666	656,533
Net of fixed assets	6,116,967	6,116,967	100	6,116,967	489,357
Other on Statement of financial position items	10,076,309	10,076,309	100	10,076,309	806,105
Claims including deposits and facilities granted or the purchase of securities from other governments, central banks and non-governmental public institutions in other countries Credit rating + AAA to -AA	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 facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + AAA to -AA	809,028	809,028	20	161,806	12,944
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating + A to -A	117,465	117,465	50	58,733	4,699
Claims including deposits and facilities granted 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	100	8,245,691	659,655
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries Credit rating lower -B	-	-	150	-	-

Description	19 Mar. 2024					
	Amount	Conversion factor	Adjusted amount	Risk factor	Risk weighted commitments and assets	Needed capital
	IRR million	%	IRR million	%	IRR million	IRR million
Claims including deposits and facilities granted or the purchase of securities from credit institutions and financial institutions of other countries without credit rating	13,233,535		13,233,535	100	13,233,535	1,058,683
Issued letter of credit Commitments with collaterals other than commodity after deduction of advances	20,595,878	50	10,297,939	100	10,297,939	823,835
Issued guarantees Commitments after deduction of cash deposits	233,305,953	50	106,179,237	100	106,179,237	8,494,339
Commitments of transaction contracts and guarantee bonds	14,975,684	50	7,487,842	100	7,487,842	599,027
Other commitments	4,286,959	100	4,286,959	100	4,286,959	342,957
					511,815,512	40,945,241

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 and finally they are weighted with the risk factors.

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52-7-2-2. Total of market risk weighted assets at the Statement of financial position date equals to IRR 61,345,293 million.

Description	19 Mar. 2024		
	Amount	Risk factor	Needed amount of capital to cover the market risk
	IRR million	%	IRR million
Trading shares	-	8	-
Total cost of trading debt securities-specific risk	30,996,346	5	1,549,817
Trading debt securities-general risk-mature till one month or less	-	-	-
Trading debt securities-general risk-mature till 1 to 3 months	-	0.2	-
Trading debt securities-general risk-mature till 3 to 6 months	8,969,782	0.4	35,879
Trading debt securities-general risk-mature till 6 to 12 months	20,246,261	0.7	141,724
Trading debt securities-general risk-mature till 1 to 2 years	1,780,304	1.25	22,254
Trading debt securities-general risk-mature till 2 to 3 years	-	1.75	-
Trading debt securities-general risk-mature till 3 to 4 years	-	2.25	-
Trading debt securities-general risk-mature till 4 to 5 years	-	2.75	-
Trading debt securities-general risk-mature till 5 to 7 years	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	39,474,367	8	3,157,949
Total of capital needed to cover market risk			4,907,623
Factor			12.5
Market risk weighted assets			61,345,293

Description	20 Mar. 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	-	-
Trading debt securities-general risk-mature till 1 to 3 months	1,858,590	0.2	3,717
Trading debt securities-general risk-mature till 3 to 6 months	4,928,517	0.4	19,714
Trading debt securities-general risk-mature till 6 to 12 months	11,464,858	0.7	80,254
Trading debt securities-general risk-mature till 1 to 2 years	85,553	1.25	1,069
Trading debt securities-general risk-mature till 2 to 3 years	-	1.75	-
Trading debt securities-general risk-mature till 3 to 4 years	-	2.25	-
Trading debt securities-general risk-mature till 4 to 5 years	-	2.75	-
Trading debt securities-general risk-mature till 5 to 7 years	-	3.25	-
The positive position of all foreign currencies or the absolute of the negative position, whichever is higher	28,164,316	8	2,253,145
Total of capital needed to cover market risk			3,331,452
Factor			12.5
Market risk weighted assets			41,643,153

52-7-2-3. Total of operational risk-weighted assets at the Statement of financial position date equals to IRR 85,298,516 million.

Description	19 Mar. 2024			20 Mar. 2023		
	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	45,492,542	15	6,823,881	29,938,531	15	4,490,780
Factor			12.5			12.5
Operational risk weighted assets			85,298,516			56,134,746

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52-7-3. Capital adequacy ratio

Capital adequacy ratio at 19 Mar. 2024 is 13.7%.

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Base capital	136,114,227	85,756,399
Credit risk weighted assets	849,830,354	511,815,512
Market risk weighted assets	61,345,293	41,643,153
Operational risk weighted assets and obligations	85,298,516	56,134,746
Risk weighted assets	996,474,163	609,593,411
Tier I capital to risk weighted assets- ratio	12.6%	13.1%
Capital adequacy ratio	13.7%	14.1%

52-7-4. Leverage ratio

leverage ratio is shareholders' equity to total assets and for the financial year ended 19 Mar. 2024 is 12.7%.

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Total shareholders' equity	126,696,288	80,500,646
Total assets	1,000,663,169	673,588,739
Leverage ratio	12.7%	12.0%

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53. Operational segments

53-1. Base of classification of segments

53-2. 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	19 Mar. 2024		
	Treasury and banking operations	International banking	Total
incomes earned from outside of the bank			
Interest income on credit facilities granted and deposits	98,758,784	9,363,553	108,122,337
Interest expense	(59,639,754)	(7,870,209)	(67,509,963)
Net interest income on credit facilities granted and deposits	39,119,030	1,493,344	40,612,374
Fees and commission income	8,381,173	817,188	9,198,361
Fees and commission expense	(738,691)	-	(738,691)
Net fees and commission income	7,642,482	817,188	8,459,670
Net income (loss) from investment	73,843	-	73,843
Net foreign exchange transactions income	-	6,815,277	6,815,277
Total other operating income	-	14,532,975	14,532,975
	73,843	21,348,252	21,422,095
Net income earned from outside of the bank	46,835,355	23,658,784	70,494,139
Net income between different parts of the bank	493,246	(493,246)	-
Total income of operational parts of the bank	47,328,601	23,165,538	70,494,139
Doubtful debts of operational parts expenses	(2,944,037)	(1,732,049)	(4,676,086)
Other expenses attributable to operational parts	(6,067,053)	(1,336,431)	(7,403,484)
Profit(loss) of every parts before non-attributable general expenses	38,317,511	20,097,058	58,414,569
Non attributable General expenses to segments			(2,677,934)
Profit before tax			55,736,635

IRR million

Description	20 Mar. 2023		
	Treasury and banking operations	International banking	Total
incomes earned from outside of the bank			
Interest income on credit facilities granted and deposits	62,758,585	8,446,155	71,204,740
Interest expense	(38,099,302)	(5,550,632)	(43,649,934)
Net interest income on credit facilities granted and deposits	24,659,283	2,895,523	27,554,806
Fees and commission income	4,643,680	426,734	5,070,414
Fees and commission expense	(471,241)	-	(471,241)
Net fees and commission income	4,172,439	426,734	4,599,173
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
Net income earned from outside of the bank	29,862,785	9,205,889	39,068,674
Net income between different parts of the bank	340,857	(340,857)	-
Total income of operational parts of the bank	30,203,642	8,865,032	39,068,674
Doubtful debts of operational parts expenses	(2,221,764)	(119,319)	(2,341,083)
Other expenses attributable to operational parts	(4,135,187)	(786,175)	(4,921,362)
Profit(loss) of every parts before non-attributable general expenses	23,846,691	7,959,538	31,806,229
Non attributable General expenses to segments			(1,094,239)
Profit before tax			30,711,990

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53-3. Geographical concentration of major items of assets, liabilities and income

Assets are reported by location and income and liabilities are reported based on domicile of the bank's counterparty in geographical areas

IRR million

	19 Mar. 2024							Total
	Iran	Germany	China	Switzerland	Oman	Turkey	Others	
Assets								
Cash	13,180,932	58,524,907	15,285	1,942,391	298,256	431,634	171,742	74,565,147
Due from banks and financial institutions	48,958,317	17,452,891	1,776,044	4,318,092	1,533,037	24,142,277	1,318,842	99,499,500
Credit facilities granted	695,635,968	647	-	-	-	-	-	695,636,615
Investments in share and other securities	32,171,135	-	-	-	-	-	-	32,171,135
Due from subsidiaries and associates	800,322	-	-	-	-	-	-	800,322
Other accounts receivable	3,003,635	-	-	-	-	-	-	3,003,635
Non-current assets held for sale	425,591	-	-	-	-	-	-	425,591
Fixed assets	21,240,116	8,926	-	-	-	-	-	21,249,042
Intangible assets	168,180	-	-	-	-	-	-	168,180
Statutory deposit	60,377,564	-	-	-	-	-	-	60,377,564
Other assets	12,433,092	333,346	-	-	-	-	-	12,766,438
Total	888,394,852	76,320,717	1,791,329	6,260,483	1,831,293	24,573,911	1,490,584	1,000,663,169
Liabilities								
Due to banks and financial institutions	(96,843,726)	-	-	-	-	-	-	(96,843,726)
Customers' deposits	(698,920,491)	(34,224,366)	-	-	-	-	-	(733,144,857)
Dividends payable	(80,097)	-	-	-	-	-	-	(80,097)
Income tax provision	(4,417,984)	-	-	-	-	-	-	(4,417,984)
Other liabilities and accruals	(38,335,418)	(175,531)	-	-	-	-	-	(38,510,949)
Staff termination benefits	(969,267)	-	-	-	-	-	-	(969,267)
Total	(839,566,983)	(34,399,897)	-	-	-	-	-	(873,966,880)
Total operating income	51,823,463	(223,515)	-	-	-	-	-	51,599,948
Total other income and expenses	75,077	-	-	-	-	-	-	75,077

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IRR million

	20 Mar. 2023							Total
	Iran	Germany	China	Switzerland	Oman	Turkey	Others	
Assets								
Cash	10,464,005	44,236,262	9,801	9,598	184,967	607,936	660,170	56,172,739
Due from banks and financial institutions	25,844,592	9,145,144	1,388,909	1,394,885	-	4,990,843	822,076	43,586,449
Credit facilities granted	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	3,039,613	-	-	-	-	-	-	3,039,613
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	2,800,589	376,736	-	-	-	-	-	3,177,325
Total	609,754,322	53,765,232	1,398,710	1,404,483	184,967	5,598,779	1,482,246	673,588,739
Liabilities								
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)
Total	(563,298,463)	(29,789,630)	-	-	-	-	-	(593,088,093)
Total operating income	32,049,463	(2,566,009)	-	-	-	-	-	29,483,454
Total other income and expenses	404,118	-	-	-	-	-	-	404,118

54. Transactions with related parties

54-1. Changes of major shareholders (more than one percent)

During the financial period ended 19 Mar. 2024, there was no change in the ranking of shareholders with more than one percent.

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54-2. Transactions with managers

											IRR million			
											19 Mar. 2024		20 Mar. 2023	
	Related party	Transaction type	Is it subject to Article 129 of Trade Act?	Transaction amount during the reporting year	Maximum balance throughout the year	Balance at the end of the year	Collateral type	Collateral amount	Income (loss) of transaction	Balance at the end of the year	Income (loss) of transaction			
Board members/ Non-executive	Bank	Mortgages		-	1,387	1,322	shares	1,192	53	-	-			
		Other facilities	✓	16,134	16,134	-	-	-	177	-	-			
Board members/ Executive	Bank	Credit Card	✓	1,103	2,016	1,027	Stand-alone legally binding contract	3,660	-	1,507	319			
Managing Directors (excluding Board Members)	Bank	Mortgages		-	2,885	2,800	Real state / Stand-alone legally binding contract	5,248	128	2,870	193			
		Car Loans		10,000	10,000	10,000	Checks / Stand-alone legally binding contract	25,014	52	387	59			
		Credit Card	x	4,762	5,732	4,712	Checks / Stand-alone legally binding contract	12,400	602	1,864	222			
		Other facilities		25,000	34,132	23,871	Checks / Stand-alone legally binding contract/ Real state	102,000	1,789	-	1,725			
Net				<u>56,999</u>	<u>72,286</u>	<u>43,732</u>		<u>149,514</u>	<u>2,801</u>	<u>6,628</u>	<u>2,518</u>			

*Transaction amounts of facilities and credit card are equal to amounts during the reporting year

* Transactions with related persons have been considered according to their tenure.

* All transactions with related parties have been conducted in the normal course of transactions and there has been no significant difference from the conditions governing real transactions.

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54-3. Transactions with related parties during the period are as follows:

IRR million

		19 Mar.2024		20 Mar. 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 20 Mar. 2023	Balance at 20 Mar.2023
Subsidiaries	Middle East Bank Brokerage Co.	Subsidiaries	Murabaha loans/ Wakala	x	According to the approval of the Money and Credit Council of CBI	15,498,000	96,371	801,909	502,762
			Issued Guarantees			520,089	2,534	537,993	16,114
			purchasing securities			8,418	0	0	0
	Middle East Bank Currency Exchange Co.	Subsidiaries	Payments for foreign currency transactions*	x	According to the approval of the Money and Credit Council of CBI	249,524,892	1,703,380	22,942,367	0
			Other		-	0	0	1,020	0
			Dividend		According to the contract	797,996	0	797,996	0
Associate company	Middle East Life Insurance Co.	Associate company	Payment for bank employee insurance	x	According to the contract	8,597	0	(316)	841
	Middle East Peacock financial group	Joint board member	Payment for establishment costs	✓	According to the contract	0	0	919	0
	Aseman AMC Co.	Joint board member	Murabaha loans	✓	According to the approval of the Money and Credit Council of CBI	573,000	0	405,893	0
			Issued Guarantees			13,990	158	13,990	0
	Iran Industry Investment Co.	Shareholder above 5%	Murabaha loans/ Wakala	x	According to the approval of the Money and Credit Council of CBI	317,500	21,328	54,811	141,340
			Issued Guarantees			0	150	8,106	7,296
	Marvdasht Co.	Shareholder above 5%	Murabaha loans	x	According to the approval of the Money and Credit Council of CBI	0	4,107	0	101,643
other	Lamiran	Shareholder above 5%	Murabaha loans	x	According to the approval of the Money and Credit Council of CBI	100,000	14,321	54,277	47,518
			Issued Guarantees			45,892	443	41,815	7,512
	Farzan shimi sanat Co.	Shareholder above 5%	Issued Guarantees	x	According to the approval of the Money and Credit Council of CBI	40,000	3,515	32,037	0
	Natural person	Shareholder above 5%	Issued Guarantees	x	According to the approval of the Money and Credit Council of CBI	11,714	31	15,094	3,380
	Boursiran Brokerage	Shareholder above 5%	Murabaha and Wakala Loans	x	According to the approval of the Money and Credit Council of CBI	62,760,000	173,868	833,886	601,509
			Issued Guarantees			0	6,745	500,000	450,000
	Sobh pharmaceutical group	According to stock exchange Regulations	Murabaha and Wakala Loans	✓	According to the approval of the Money and Credit Council of CBI	341,140	0	119,446	0

* Currency transactions with Middle East Bank Currency Exchange Co. are related to the purchase and sale of currency for customers of the bank and the Currency Exchange Co.

All transactions with related parties have been conducted in the normal course of transactions and there has been no significant difference from the conditions governing real transactions.

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54-1. The balance of related parties with no transactions during the period is as follows:

IRR million					
Related party	Relationship	Receive (Payment)	Adjustments	Balance at 19 Mar.2024	Balance at 20 Mar. 2023
Dadeh Pardazan Simaye Aftab Co.	Subsidiaries	-	-	13,901	(718)

55. Retained earning at the year-end

Allocation of the closing of the retained earning is subject to approval of the annual general meeting:

IRR million	
	Amount
Legal	5,167,503
10% of net profit of the year ended 19 Mar. 2024 according to commercial law	
the most attributable profit	40,423,401

Following the CBI circular No. 00/376983 dated 03/16/2023, profit or loss on foreign currency items exchange with the rate of 265,000 Rials per USD & 250,000 Rials per EUR (220,000 Rials per USD & 200,000 Rials 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 IRR 4,344,820 million, deducted from retained earning in calculation of the most attributable profit.

IRR	
	Amount
Board's offer for dividend	350

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

56-1. Balance of recourses and usage of Gardh-UI Hasan Saving deposits

IRR million			
Recourses from Gardh-UI Hasan Saving deposits	Note	19 Mar. 2024	20 Mar. 2023
Gardh-UI Hasan Savings Deposits - LCY		-	-
Gardh-UI Hasan Current Deposits - LCY		62,969,483	93,269,095
Total resources		62,969,483	93,269,095
Gardh-UI Hasan usages			
Credit facilities granted (before deduction of provision)		(6,589,772)	(1,045,402)
Total of Gardh-UI Hasan usages	25	(6,589,772)	(1,045,402)
Statutory deposit of Gardh-UI Hasan Savings Deposits		(7,400,998)	(9,798,632)
Liquidity provision of Gardh-UI Hasan Savings Deposits(40%)		(25,187,793)	(37,307,638)
Surplus (deficit) of resources to usages		23,790,920	45,117,423

56-2. Net fee of Gardh-UI Hasan operations

IRR million			
	Note	245,311	31,987
Received fee of Gardh-UI Hasan credit facilities granted	14-1	245,311	31,987
Net fee of Gardh-UI Hasan operations		245,311	31,987

56-3. Classification of Gardh-UI Hasan credit facilities granted by subject of facilities

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	IRR million	
	19 Mar.2024	20 Mar. 2022
Marriage	5,769,600	910,618
Childbirth	820,172	134,784
	6,589,772	1,045,402

56-4. Classification of Gardh-UI Hasan credit facilities granted based on customers type

	IRR million	
	19 Mar. 2024	20 Mar. 2023
Natural persons	6,589,772	1,045,402
	6,589,772	1,045,402

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57. Information on loans and commitments of related persons

Information on loans and commitments of related persons in accordance with CBI regulations is as below:

Row	Name	Examples of related parties according to the second chapter of the regulations								Loan/debt			Total balance of net of loans and commitments and stock price					Collaterals' situation		IRR million										
		1-2	2-2	3-2	4-2	5-2	6-2	7-2	8-2	9-2	Paid amount-principal	Balance (after deduction of cash received from Mozarebeh and Mosharekat (Madani))		Type of debt or contract	Duration of contract (month)	Breathing period (month)	Rate of interest / commission	Gross commitments	Received cash advance		Net	Net of commitments adjusted with conversion ratio	Total net of loans and commitments	Collateral type	collateral amount					
1	Legal Person											1,020	797,996	1,020	797,996	Temporary debtors	-	-	-	-	-	-	1,020	797,996	-	-	-	-	-	
												799,016	-	799,016	Dividends receivable	-	-	-	-	-	-	-	799,016	-	-	-	-	-	-	
												40,619	-	40,619	Temporary debtors	-	-	-	-	-	-	-	40,619	-	-	-	-	-	-	
												40,619	-	40,619		-	-	-	-	-	-	-	40,619	-	-	-	-	-	-	
												54,277	-	54,277	Murabaha loans-industrial part	12	-	23	-	-	-	-	54,277	-	54,277	Checks /Stand-alone legally binding contract	220,000	-	-	
												-	-	-	-	-	-	-	-	-	-	1,502	-	1,502	Checks	8,347	-	-		
												-	-	-	-	-	-	-	-	-	-	709	-	709	Checks	4,434	-	-		
												-	-	-	-	-	-	-	-	-	-	4,645	-	4,645	Checks	29,034	-	-		
												54,277	-	54,277		12	-	23	-	-	-	34,287	-	61,134	Checks	261,815	-	-		
												686	-	686	Murabaha loans-credit cards	60	-	15	-	-	-	-	686	-	686	Stand-alone legally binding contract	1,305	-	-	
												1,006	-	1,006	Murabaha loans-credit cards	60	-	15	-	-	-	-	1,006	-	1,006	Stand-alone legally binding contract	1,695	-	-	
												1,692	-	1,692		120	-	30	-	-	-	6,857	-	6,857	Checks	3,000	-	-		
												13,282	-	13,282	Murabaha loans-service part	3	-	23	-	-	-	-	13,282	-	13,282	Checks/Stock/Stand-alone legally binding contract	26,336	-	-	
												11,225	-	11,225	Murabaha loans-service part	3	-	23	-	-	-	-	11,225	-	11,225	Checks/Stock/Stand-alone legally binding contract	22,633	-	-	
												30,303	-	30,303	Murabaha loans-service part	3	-	23	-	-	-	30,303	-	30,303	Checks/Stock/Stand-alone legally binding contract	62,000	-	-		
												-	-	-	-	-	-	-	-	-	8,106	811	7,296	1,459	1,459	Checks/Shares/Deposits	25,129	-	-	
												54,811	-	54,811		9	-	69	-	-	-	8,106	811	7,296	1,459	1,459	56,270	-	-	
												53,800	-	53,800																

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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	collateral amount				
6	Legal Person											Current	Non-current	Total	Murabaha -service-credit package	1	-	23	-	-	-	-	-	200,504	200,504	1,100,000	Checks /Stand-alone legally binding contract	1,100,000	
												200,504	-	200,504	Murabaha -service-credit package	1	-	23	-	-	-	-	-	200,504	200,504	1,100,000	Checks /Stand-alone legally binding contract	1,100,000	
												200,504	-	200,504	Murabaha -service-credit package	1	-	23	-	-	-	-	-	200,504	200,504	1,100,000	Checks /Stand-alone legally binding contract	1,100,000	
												60,151	-	60,151	Murabaha -service-credit package	1	-	23	-	-	-	-	-	-	60,151	60,151	330,000	Checks /Stand-alone legally binding contract	330,000
												110,208	-	110,208	Murabaha -service-credit package	1	-	23	-	-	-	-	-	-	110,208	110,208	605,000	Checks /Stand-alone legally binding contract	605,000
												30,038	-	30,038	Murabaha -service-credit package	1	-	23	-	-	-	-	-	-	30,038	30,038	165,000	Checks /Stand-alone legally binding contract	165,000
												-	-	-	-	-	-	-	-	-	1,443	144	1,299	260	260	1,443	Checks	1,443	
												-	-	-	-	-	-	-	-	-	5,647	565	5,082	1,016	1,016	5,647	Checks	5,647	
												-	-	-	-	-	-	-	-	-	1,949	195	1,754	351	351	1,949	Checks	1,949	
												-	-	-	-	-	-	-	-	-	1,000	100	900	180	180	1,000	Checks	1,000	
										-	-	-	-	-	-	-	-	-	1,814	181	1,633	327	327	1,814	Checks	1,814			
										-	-	-	-	-	-	-	-	-	518,140	25,907	492,233	98,447	98,447	518,140	Checks	518,140			
										-	-	-	-	-	-	-	-	-	6,000	600	5,400	1,080	1,080	6,000	Checks	6,000			
										-	-	-	-	-	-	-	-	-	1,000	100	900	180	180	1,000	Checks	1,000			
										-	-	-	-	-	-	-	-	-	1,000	100	900	180	180	1,000	Checks	1,000			
										801,909	-	-	801,909						537,993	27,892	510,101	102,020	102,020	4,937,993	Checks	4,937,993			
										Subtotal																			
7	Boursiran Brokerage										Current	Non-current	Total	Murabaha -service-credit package	1	-	22	-	-	-	-	-	81,974	81,974	550,000	Checks /Stand-alone legally binding contract	550,000		
											250,000	-	250,000	Murabaha -service-credit package	1	-	22	-	-	-	-	-	-	-	251,509	251,509	550,000	Checks /Stand-alone legally binding contract	550,000
											250,000	-	250,000	Murabaha -service-credit package	1	-	22	-	-	-	-	-	-	-	251,207	251,207	550,000	Checks /Stand-alone legally binding contract	550,000
											250,000	-	250,000	Murabaha -service-credit package	1	-	22	-	-	-	-	-	-	-	251,207	251,207	550,000	Checks /Stand-alone legally binding contract	550,000
										Subtotal									500,000	50,000	450,000	90,000	90,000	500,000	Checks	500,000			
										Subtotal									500,000	50,000	450,000	90,000	90,000	2,700,000	Checks	2,700,000			

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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	Total	Collateral type	collateral amount			
13	Natural Person										350	308	-	308	Murabaha loans-credit cards	60	-	15	308				308	Checks /Stand-alone legally binding contract	394			
										501	71	-	71	Murabaha loans-credit cards	24	-	15	71				71	Checks /Stand-alone legally binding contract	564				
										201	182	-	182	Murabaha loans-credit cards	60	-	15	182				182	Checks /Stand-alone legally binding contract	226				
										2,000	2,064	-	2,064	Murabaha loans-service part	3	-	23	2,064				2,064	Checks /Stand-alone legally binding contract	4,400				
										612	251	-	251	Murabaha loans-credit cards	24	-	15	251				251	Checks /Stand-alone legally binding contract	689				
										1,002	368	-	368	Murabaha loans-credit cards	24	-	15	368				368	Checks /Stand-alone legally binding contract	1,128				
										10,000	10,000	-	10,000	Car installment sale facility - managers	60	-	15	10,000				10,000		10,000	Checks	10,000		
										1,545	1,439	-	1,439	Installment sales facility for housing-employees	198	-	7	1,439				1,439		1,439	Real estate collateral	1,700		
										7,583	7,137	-	7,137	Wakala	60	-	7	7,137				7,137		7,137	Stocks	2,537		
										23,795	21,821	-	21,821											21,821			21,637	
										2,039,106	2,660,917	-	2,660,917								1,103,008	88,574	1,014,434	202,887	2,863,804	-	8,192,742	
										Subtotal																		

Regulatory capital at reporting date	78,686,399
Permissible loans and commitments of related persons limit for each person (3% of regulatory capital)	2,360,592
Permissible total loans and commitments of related persons limit (40% of regulatory capital)	31,474,560

MIDDLE EAST BANK (PJSC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 19 MARCH 2024

58. 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	8,100,919	-	141,400	28,280	-	8,129,199	Checks /Stand-alone legally binding contract	22,559,557
2	3,314,008	-	6,762,725	2,215,482	-	5,529,490	Checks /Stand-alone legally binding contract / Real state / Deposits	35,883,265
3	5,943,047	3,143,913	292,283	52,571	-	9,139,531	Checks /Stand-alone legally binding contract / Real state / Promissory notes	27,813,139
4	-	-	48,129,244	9,426,643	-	9,426,643	Checks / Deposits	53,302,609
5	9,465,703	-	18,939	3,409	-	9,469,112	Checks /Stand-alone legally binding contract / Real state / Deposits	25,984,105
6	4,177,637	4,003,036	7,888,991	1,498,841	-	9,679,513	Checks /Stand-alone legally binding contract / Promissory notes	25,828,317
7	9,219,600	-	3,198,880	606,947	-	9,826,547	Checks /Stand-alone legally binding contract	23,478,880
8	7,728,581	-	7,053,462	2,238,803	-	9,967,384	Checks /Stand-alone legally binding contract / Shares	37,226,599
9	10,507,745	-	2,191,953	432,858	-	10,940,603	Checks /Stand-alone legally binding contract / Real state	40,235,238
10	10,945,247	-	-	-	-	10,945,247	Checks /Stand-alone legally binding contract	22,512,122
11	3,028,521	-	40,943,057	8,044,790	-	11,073,311	Checks / Stand-alone legally binding contract / Deposits / Promissory notes	48,630,813
12	11,948,732	-	260,000	48,400	-	11,997,132	Checks /Stand-alone legally binding contract / Real state / Deposits	38,498,266
13	1,000,611	-	59,764,933	11,376,404	-	12,377,015	Checks /Stand-alone legally binding contract / Real state / Deposits / Promissory notes	66,990,919
14	12,124,991	-	4,120,100	749,618	-	12,874,609	Checks /Stand-alone legally binding contract / Real state / Deposits	41,450,100
15	8,615,386	-	10,979,341	5,445,133	-	14,060,519	Checks /Stand-alone legally binding contract / Deposits	62,971,002
16	15,486,334	-	1,247,817	204,607	-	15,690,941	Checks /Stand-alone legally binding contract / Real state	47,420,000
17	9,984,943	-	11,504,674	5,752,337	-	15,737,280	Checks /Stand-alone legally binding contract / Real state / Shares	45,685,760
18	-	-	-	-	-	-	Checks /Stand-alone legally binding contract	212,121,780
Total	131,592,004	7,146,949	204,497,799	48,125,122	-	186,864,075		878,592,473

Regulatory capital at reporting date	78,686,399
Permissible major loans and commitments limit for each beneficiary (20% of regulatory capital)	15,737,280
Permissible total major loans and commitments limit (8 times of regulatory capital)	629,491,191

ANNUAL SURVEY OF
THE IRANIAN ECONOMY

6



EXECUTIVE SUMMARY

The Iranian economy has continually experienced positive growth rates from the year 1399 onwards, offsetting the GDP contractions during the 1390s. In 1402, the GDP at constant 1395 prices stood 18.2 percent above that in 1390. Taking into consideration the data on GDP in the early and late years of the 12-year period from 1390 to 1402, the average annual GDP growth rate is calculated 1.4 percent. It is worth to mention that during the period under review, the population of Iran grew by 10 million, therefore the real GDP per capita (at constant 1395 prices) in the same 12-year period has grown by 4 percent only.

On the basis of the preliminary estimates of the Central Bank of Iran (CBI), the GDP registered IRR139,243 trillion in 1402 at current prices, indicating 4.5 percent economic growth rate at constant 1395 prices. The Services, Oil and Gas, and Industries and Mining sectors contributed to the GDP growth rate of 1402, by 2.2, 1.2, and 1.1 percentage points, respectively, while the Agriculture sector was absent in that regard. Among the major sectors of the economy, the Oil and Gas has experienced the highest expansion of 14.7 percent in 1402 at constant prices. This sector had also experienced considerable growth rates of about 10 percent from 1399 to 1401. Although no official data was issued about loosening of the Iran sanctions, the unofficial sources suggested that from the second half of 1399 (hereafter referred to as 1399H2) that the new US Administration took office, the oil exports of Iran has surged. In 1402, the Agriculture sector also grew but by 0.2 percent only.

An examination of the GDP from the expenditure side indicated that the downward trend of the Private Final Consumption Expenditures at constant prices has reversed course from 1400 onwards and has grown by 4.1 percent in 1402. On the contrary, the Government Final Consumption Expenditures contracted by 1.7 percent in 1402 at constant prices. In line with the expansion of the Oil sector, the Gross Fixed Capital Formation grew by 7.2 percent in 1402, however, the level of investment in Iran at constant prices in 1402 is far below that in the early 1390s.

On the basis of OPEC reports from the secondary sources, the Iranian crude oil production that was hovering around 3.8 million barrels per day (mbpd) in the first half of 2018, started to diminish in the second half of that year and in the aftermath of the imposition of new US sanctions plummeted to 1.9 mbpd till the second half of 2020. Accordingly, after the new US sanctions were imposed, the oil production of

Iran dropped to a level below the Iran's oil exports in the JCPOA¹ era. The oil production of Iran gradually started to increase after the inauguration of the new US President and in the late 1402 (corresponding to March 2024) surged to 3.2 mbpd. The price of heavy crude oil of Iran that had collapsed to US\$17 a barrel in the early 1399 due to the COVID-19 pandemic, gradually increased in the late 1400, especially following Russia invasion of Ukraine and averaged USD99.9 a barrel throughout 2022. In line with the fall in global oil prices, the price of Iran's heavy crude oil averaged USD82.4 a barrel in 2023, 17.5 percent below that of 2022. The price of Iran's crude oil registered USD83.5 in the last month of 1402.

On the basis of the Statistical Center of Iran (SCI), the unemployment rate fell by 0.9 percentage point in 1402 compared to 1401, registering 8.1 percent. The participation rate also grew by 0.4 percentage point from 1401 and reached 41.3 percent in 1402. Other labor market indices including employment ratio (number of employed to the total working age population) and the unemployment rate of population with higher education showed improvement in 1402.

The Government General Budget in the Budget Law of 1402 was approved IRR22,634 trillion, showing 48.2 percent rise compared to that of 1401 Budget Law. Moreover, the Budget of State-owned Companies, Banks, and Profit Institutions affiliated to the Government was legislated IRR28,839 trillion in the Budget Law of 1402, up 29.2 percent from that in the Budget Law of 1401. It is estimated that in 1402, IRR21,040 trillion of Government General Sources and Uses have been realized, far close to the legislated figure of the Budget Law of the corresponding year. In the same period, General Revenues (tax revenues, customs revenues, and other general revenues of the Government) registered IRR10,877.8 trillion, indicating that 103.2 percent of the legislated figure in the Budget

1. The nuclear deal between Iran and P5+1, known as the Joint Comprehensive Plan of Action (JCPOA)

Law is realized. Given the 107.0 percent realization of Government Current Expenditures at IRR16,150.0 trillion in the same period, the Operating Balance Deficit in 1402 reached IRR5,272.2 trillion. Moreover, the Disposal of Non-financial Assets grew by 25.1 percent and from IRR4,193.7 trillion in 1401 rose to IRR5,264.2 trillion in 1402, equivalent to 71.6 percent of the approved figure in the Budget Law of 1402. The Acquisition of Non-financial Assets (development expenditures), on the other hand realized 79.2 percent of the legislated figure of the Budget Law of 1402 at IRR2,970.0 trillion. Hence, the Net Disposal of Non-financial Assets had a surplus of IRR2,276.2 trillion in 1402.

The actual Disposal of Financial Assets in 1402 stood 66.1 percent above the approved figure at IRR4,916.0 trillion, out of which 58.3 percent is related to the issuance of Government Debt Securities. On the other hand, Acquisition of Financial Assets in the same year registered IRR1,920.0 trillion, of which 88.0 percent is attributed to the principal repayment of the matured Government Debt Securities. Therefore, the Net Disposal of Financial Assets in 1402 reached IRR2,996.0 trillion, equaling 14.2 percent of the General Sources and Uses in practice. In order to finance the Government General Budget through issuance of Government Debt Securities, the CBI held 33 rounds of auctions in collaboration with the Ministry of Economic Affairs and Finance in 1402. The accumulated supplied Government Debt Securities registered IRR5,683.1 trillion, of which IRR412.8 trillion was demanded by banks and non-bank credit institutions and the Ministry of Economic Affairs and Finance approved IRR341.4 trillion of that. Moreover, IRR1,209.8 trillion of supplied Government Debt Securities in auctions was sold in the capital market. Accordingly, in 1402 the traded Government Debt Securities through auctions reached IRR1,551.1 trillion, 50.5 percent above that in 1401. On the other hand, according to the Ministry of Economic Affairs and Finance, IRR901.1 trillion Government Debt Securities was purchased by banks and non-bank credit institutions in 1402 that is far different from the figures reported by the CBI in that regard. This difference indicated that the banks have purchased IRR559.6 trillion Government debt Securities indirectly from the capital market rather than the money market, accounting for 58.1 percent of the total Government Debt Securities purchased in 1402.

As for the Balance of Payments, the Current Account Surplus dropped to USD10.3 billion in 1402, 27.5 percent below the USD14.2 billion of 1401, while the Capital Account Deficit

grew by 54.2 percent to USD23.2 billion in the same period. Despite the notable rise in the Capital Account Deficit in 1402, the foreign reserves of the country experienced USD1.9 billion rise as the errors and omissions tripled in the period under review.

The price of the US Dollar in the Iranian free market opened the first trading day of 1402 at IRR515 thousand and in about one month rose to IRR552 thousand, however it did not last long and the USD/IRR exchange rate fell to 470 thousand at the end of spring 1402. The free-market USD/IRR exchange rate did not experience much change in summer and fall 1402 and eventually closed fall 1402 at 499.8 thousand. In winter 1402 as in winter 1401, the Iranian foreign exchange market faced an upward shock and at the end of 1402 the USD appreciated by 28 percent against IRR compared to the end of 1401. All in all, the free-market USD/IRR exchange rate in 1402 was not as volatile as in 1401. Note that the War in Gaza Strip that was ignited in 1402H2 was also referred to as an international factor that contributed to the volatility of the Iranian foreign exchange market.

The liquidity closed the year 1402 at IRR78,774.5 trillion. The annual growth rate of this monetary aggregate that had registered 39.0 percent in 1400, followed a downward path to reach 31.1 percent at the end of 1401 and 24.3 at the end of 1402. The fall in the annual growth rate of the liquidity is attributable to the CBI macroprudential policy, implemented from 1400. The monthly developments of liquidity reveals that this monetary aggregate has grown by 1.8 percent on average a month, below the monthly cap for the growth rate of banks' assets. Regarding the extended facilities, IRR56,460.3 trillion facilities has been extended in 1402, above the IRR11,193.1 trillion of 1401, indicating that this variable has grown by 24.7 percent which complies with the decreed growth rate of banks' assets. An examination of the liquidity by its components reveals that short-term deposits, interest-free saving deposits, and sight deposits constituted 53.4 percent of the liquidity at the end of 1402, down 4 percentage points from that in the same point of 1401. The figure 53.4 percent which is remarkably large, conveys that the depositors have been reluctant to invest their funds in long-term deposits and their decision making has been on a short-term basis.

The monetary base reached IRR10,906.3 trillion at the end of 1402, indicating 27.6 percent expansion from the end of 1401 which is far below the annual growth rate of 42.9 percent at the end of 1401. Also, the higher growth rate of

monetary base than that of the liquidity has resulted in the 2.6 percent drop in the M2 money multiplier in 1402 compared to 1401 (from 7.41 to 7.22). Moreover, the CBI revised the components of the monetary base aiming for enhancement of accuracy and quality of the data in that regard.

A historical examination of the developments of Consumer Price Index (CPI) inflation rate suggests that the Iranian economy has suffered from Chronic Inflation during the past half a century. The data on the CPI inflation rate was previously issued by both the CBI and the SCI, but from 1401 the SCI was the only issuing authority of the CPI inflation rate and the data issued by the CBI is released by unofficial sources. On the basis of the SCI, the annual CPI inflation rate (1400=100) followed a different trend from the beginning of 1402 compared to 1401 and closed the year at 40.7 percent. On the basis of some unofficial sources, the annual CPI inflation rate of 1402 registered 52.3 percent based on the CBI, far above the corresponding rate reported by the SCI for the same year.

The Tehran Stock Exchange (TSE) overall index and equally weighted index grew by 12.0 percent and 26.9 percent, respectively, during 1402. The TSE market capitalization rose by 5.6 percent to IRR79,408 trillion at the end of 1402 compared to the end of 1401, of which 95.9 percent was attributed to the stock market. Furthermore, the total value of TSE transactions in 1402 expanded by 42.4 percent from 1401, consistent with the annual inflation rate. The value of shares transactions, exchange-traded funds, debt securities, and finally derivatives climbed by 32.5 percent, 66.8 percent, 14.3 percent, and 248.2 percent, respectively, throughout 1402. The TSE listed companies financed IRR2,869.3 trillion in 1402, up 5.1 percent from that of 1401. Out of the financed amount, 87.0 percent was attributed to raising capital

(excluding asset revaluation), and 0.5 percent to the Initial Public Offering (IPO) only. In the Over the Counter (OTC), on the other hand, IRR3,758.6 trillion was financed during 1402, indicating 52.0 percent rise from 1401. Out of this amount, 65.0 percent belonged to underwriting (including Government Murabaha Securities) and 19.5 percent to the Islamic Treasury Bonds. Unlike the TSE listed companies, raising capital (excluding asset revaluation) with 12.8 percent had the lowest share in financing through OTC in 1402, preceded by IPO with 2.6 percent share in total. During 1402, four newly listed companies carried out IPO in the TSE and 16 in the OTC. All in all, in 1402 the capital market accounted for 12.6 percent of the total finance in the Iranian economy and the money market for the remaining 87.4 percent, translating to dominant role of the latter in the Iranian economy.

Some international institutions assess the economic freedom of the countries annually - Fraser Institute and Heritage Foundation are as such. The latest report of Fraser Institute issued in 2023 investigated economic freedom of 165 countries in 2021 and descending by one place, Iran ranked as 160th. Among the countries in that survey, only Yemen, Sudan, Syria, Zimbabwe, and Venezuela were worse than Iran. Furthermore, in the Heritage Foundation report of 2024, Iran stood at 169th place among 176 countries under survey, just like its place in 2023, followed by Eritrea, Brunei, Zimbabwe, Sudan, Venezuela, Cuba, and North Korea. In addition to the international institutions, Iran Chamber of Commerce, Industries, Mines & Agriculture also evaluates the business environment in Iran. According to the survey held by this domestic organization, the National Index of Business Environment registered 6.04 in winter 1402, translating to better business environment compared to 6.11 in winter 1401. The index lies between 0 to 10 and the value of 10 is translated to the worst state of business environment.

1. REAL SECTOR

The Iranian economy surprisingly registered a remarkable 4.5 percent growth rate in 1402 in presence of the US economic sanctions, increasing budget deficit, highly-volatile foreign exchange market, uncertainty in various sectors, imbalance banks, vague regulations, and government interventions in the markets. Precisely speaking, from 1399 onwards the Iranian economy has continuously registered positive growth rates, hence the GDP contraction of the 1390s has been offset and caused the GDP of 1402 at constant 1395 prices to stand 18.2 percent above that of 1390. Taking into consideration the GDP statistics in 1390 and 1402, the annual average GDP growth rate is calculated 1.4 percent in the 12-year period under discussion. Note that 10 million has been also added to the population of Iran from 1390 to 1402, hence the real GDP per capita -at constant 1395 prices - has expanded by 4 percent only.

The preliminary estimates of the CBI indicate that in 1402, the nominal GDP reached IRR139,243 trillion, translating to 4.5 percent economic growth rate at constant 1395 prices. The 0.8 percentage point share of Oil sector in the GDP growth rates of 1400 and 1401, rose to 1.2 percentage points in 1402, hence a quarter of the 4.5 percent GDP growth rate has been obtained thanks to the 14.7 percent expansion of that sector in the same year. Furthermore,

the non-oil GDP growth rate for the same year registered 3.6 percent. Although no official data is issued regarding loosening of US sanctions on Iran, on the basis of some unofficial sources, from the mid-1399 onwards and in conjunction with the new US Administration, the Iranian oil exports has remarkably risen. Table 1 presents the details of GDP growth rate in recent years by various sectors of the economy.

Table 1. Growth Rates of GDP by Its Sectors at Constant 1395 Prices with Their Share in GDP at Current Prices (percent)

	1402	1401	1400	1399	1398	1397	Share in GDP Growth Rate in 1402 (percentage point)	Share in Nominal GDP in 1402
Agriculture	0.2	1.1	-2.6	3.2	9.1	-2.3	0.0	13.2
Oil and Gas	14.7	10.0	10.1	9.6	-36.2	-18.4	1.2	8.5
Industries and Mining	4.5	6.5	1.1	7.3	1.0	-1.8	1.1	28.7
Services	3.8	2.7	6.5	2.2	-0.3	0.1	2.2	49.6
Non-oil GDP (at basic prices)	3.6	3.5	3.9	3.6	1.1	-0.7	-	91.5
GDP (at basic prices)	4.5	4.0	4.4	4.1	-2.9	-3.0	4.5	100.0

Source: Central Bank of Iran

An examination of the GDP from demand side reveals that the downward path of the Private Final Consumption Expenditures at constant prices has stopped from 1400 onwards and has registered 8.7 percent and 4.1 percent rises, respectively in 1401 and 1402. On the contrary, the Government Final Consumption Expenditures at constant prices that had dropped by 3.6 percent in 1401, contracted further by 1.7 percent in 1402. After a continuous decline in

investment in Iran in 1390s, in the years 1401 and 1402, the Gross Fixed Capital Formation expanded by 6.7 percent and 7.2 percent, respectively, albeit the amounts of investments at constant prices in 1402 are still below those in the early years of 1390s. The Gross Fixed Capital Formation expanded by 7.9 percent in Machinery and by 7.1 percent in Construction in 1402. The GDP growth rate from the demand side by its components is shown in Table 2.

Table 2. Growth Rates of GDP from demand Side and Its Components at Constant 1395 Prices with Their Share in GDP at Current Prices (percent)

	1402	1401	1400	1399	1398	1397	Share in Nominal GDP in 1402
Private Consumption	4.1	8.7	3.9	0.5	-4.7	-1.8	50.3
Public Consumption	-1.7	-3.6	8.3	-0.9	-5.6	-2.0	12.9
Gross Fixed Capital Formation	7.2	6.7	0.0	3.2	-6.5	-15.8	26.8
Machinery	7.9	15.4	12.5	3.5	-13.2	-21.2	12.0
Construction	7.1	1.2	-7.1	3.8	-2.1	-11.4	14.4
Other	-0.5	-0.4	5.4	-9.6	-14.5	-25.1	0.5
Exports of Goods and Services	17.1	8.2	5.2	-12.8	-20.6	-0.4	24.2
Imports of Goods and Services	3.0	7.5	24.1	-29.7	-31.6	-27.2	28.0
GDP at Market Prices	5.0	3.8	4.7	3.3	-3.1	-1.8	100.0

Source: Central Bank of Iran

1-1. Agriculture

According to the national accounts of Iran, the Agriculture sector encompasses Farming, Forestry, Hunting, Animal Husbandry, Aviculture, and Fishery activities. However, in the preliminary report of the CBI on the developments of the real sector of the economy, all subsectors of Agriculture sector were not investigated and only annual growth rates of 7.5 percent, 3.9 percent, and 4.5 percent were reported for Farming products, Horticultural products, and Livestock products in the year 1402, respectively. Note that the aforementioned positive growth rates of Agriculture subsectors are not consistent with the negligible growth rate of that sector as a whole, and neither with the SCI report in the same regard. Note that the subgroup of Fishery forms 5 percent of Agriculture sector only and also accounts for a negligible portion of the GDP. So, the 2.6 percent contraction of Fishery in 1402 at constant prices has not much affected the growth rate of Agriculture sector as a whole. Therefore, the 2.1 percent contraction

of the subgroup of Agriculture, Hunting, and Forestry at constant prices has been the major driver of the 2.2 percent contraction of Agriculture sector. The SCI reported positive growth rate for Agriculture sector for winter 1402, however this expansion could not offset the contraction of the sector in its three preceding quarters. On the contrary, the CBI reported positive but negligible growth rates for the same sector in all quarters of 1402. On the basis of the Ministry of Agriculture-Jahad, the exports of agricultural products in 1402 registered USD6.2 billion, indicating 19.4 percent rise from 1401 and also 8.3 percent expansion in weight. The top five agricultural exported items in terms of value in 1402 were pistachio, apple, dates, tomato, and powdered milk. It seems that exchange rate policy of the CBI aiming for stabilizing the price of essential goods has contributed to rise in the exports of the agricultural products, despite the negative or negligible growth rates of Agriculture sector.

1-2. Industries and Mining

On the basis of the CBI, the Industries and Mining sector formed 28.7 percent of the GDP in 1402, respectively, 0.3, 3.2, and 4.6 percentage points below its share in GDP of the years 1401, 1400, and 1399. The sector itself is divided into distinct subsectors of "Manufacturing", "Mining", "Electricity, Gas, Steam and Air Conditioning Supply", "Water supply; Sewerage, Waste management and Remediation Activities" and "Construction", that expanded by 4.4 percent, 4.4 percent, 2.4 percent, 2.1 percent, and 7.1 percent in the year 1402, respectively. The Manufacturing subsector has continually expanded from fall 1400 onwards, with its growth rate in 1402 below that of 1401. The growth rate reported by the SCI for the same subsector in 1402 is 5.6 percentage points below that in 1401.

As for the subsector of Mining, the CBI report suggested 4.4 percent growth rate, while in the SCI report the growth rate for the corresponding subsector - denominated as other mines except oil and natural gas - was 1.5 percent. However, the data issued by both authorities indicate expansion for the aforementioned subsector in 1402 compared to its preceding year. In the subsector of Construction (including residential and non-residential

buildings, road construction, dam building, etc.), the CBI reported a remarkable 7.1 percent expansion in 1402, showing a shift in the supply side of that subsector after a period of recession - in line with the SCI report. The CBI report suggests that the value of private investment in urban constructions has expanded by 46.2 percent at current prices in 1402, equivalent to a 7.8 percent expansion at constant prices. Among the components of the national accounts, the subsector of Electricity, Gas, Steam and Air Conditioning Supply has been continually growing in the last two decades even in the recession era, emanating from the population growth and demand for gas and electricity. The continuous expansion of the subsector of Water supply; Sewerage, Waste management and Remediation Activities is also attributable to the same result. The two aforementioned subsectors have experienced 2.4 percent and 2.1 percent expansion in 1402, respectively. Accordingly, the Industries and Mining sector expanded by 4.5 percent in 1402, down 2.0 percentage points from that of 1401, but constituting 1.1 percentage points of the 4.5 percent GDP growth rate of 1402. The developments of the Industries and Mining sector is illustrated in Table 3 in detail.

Table 3. Growth Rates of Industries and Mining Subsectors at Constant 1395 Prices (percent)

	1402	1401	1400	1399	1398	1397
Industries and Mining	4.5	6.5	1.1	7.3	1.0	-1.8
Mining	4.4	2.8	-0.4	14.4	8.1	-5.6
Manufacturing	4.4	9.5	3.3	7.2	0.4	-3.2
Electricity, Gas, Steam and Air Conditioning Supply	2.4	2.4	3.1	5.9	3.5	2.7
Water Supply; Sewerage, Waste Management and Remediation Activities	2.1	3.3	5.2	2.6	3.9	0.4
Construction	7.1	1.2	-6.9	7.2	-0.6	-0.2

Source: Central Bank of Iran

The CBI data suggests 3.8 percent expansion in the Industrial Production Index (consisting of large manufacturing enterprises with 100 and more employees) in 1402. Among the 6 major industries including "Food Products", "Chemicals and Chemical Products", "Pharmaceuticals, Medicinal Chemical and Botanical Products", "Other Non-metallic Mineral Products", "Basic Metals" and "Motor Vehicles, Trailers and Semi-trailers", only the first two industries contracted by 5.7 percent and 2.1 percent, respectively, while the others experienced positive growth rates in the period under review. As in

1401, the highest growth rate in the Industrial Production Index in 1402 belonged to Motor Vehicles, Trailers and Semi-trailers at 10.6 percent. It is worth to mention that the six aforementioned industries account for 84 percent of value-added of the large manufacturing enterprises of the country. Moreover, on the basis of Iran Chamber of Commerce, Industries, Mines & Agriculture, the seasonally-adjusted Purchasing Manager's Index (PMI) in the manufacturing subsector has averaged 52.1 in 1402, below the average figure of 52.8 in 1401. Note that the PMI is analyzed on monthly basis and the values above

50 translate to monthly improvement, whereas values below 50 mean that the state of production has worsened compared to its preceding month. The seasonally-adjusted PMI for manufacturing subsector in 1402 solely dropped below 50 in 2 out of 12 months of 1402, i.e., in the last month of summer and in the last month of fall. Hence, the PMI developments show that the manufacturing subsector has been continually improving during 1402. The PMI is the weighted average of five major survey areas including Production, New Orders, Supplier Deliveries Time, Inventory Levels, and Employment.

According to the National Iranian Petrochemical Company, the production of petrochemicals rose by 7 percent to 74.3 million tons in 1402 from 1401. The petrochemical industry ranked as the first source of foreign exchange proceeds - excluding the Oil sector - followed by the Steel Industry. The total production of crude steel, semi-finished steel (billet, bloom, and slab) and steel products grew by about 4 percent in 1402 compared to 1401. In contrast to the negligible growth rate of steel products, the production of semi-finished steel, sponge iron, and iron ore pellets grew by 5.5 percent, 5.3 percent, and 4.1 percent, respectively, in 1402.

■ Oil

The Iranian Oil Industry with a pivotal role in the Iranian economy in the past half a century has encountered various challenges in recent years. The last severe shock was exerted to the country's Oil sector in the early 1397 and in the aftermath of the implementation of the new US sanctions, resulting in collapse in the Iranian oil exports. The limitations on imports of oil from Iran was implemented gradually and step by step to let the buyers of Iran's crude oil find new oil supplier, hence in the early stages of the implementation of the sanctions some countries enjoyed temporary exemption from the new US sanctions. Accordingly, Iran's production and exports of crude oil gradually decreased and consequently the Oil sector lost part of its share in the GDP. After the new US Democrat Administration took office, due to the air of optimism regarding resumption of nuclear deal, the production and exports of Iran's crude oil gradually increased.

On the basis of the CBI, the value-added of the Oil sector at current prices in 1402 constituted 8.5 percent of the total value-added of the economy, 3.3 percentage points below that in 1401 but still above the 6.3 percent, 3.7

percent, and 7.0 percent shares in 1398, 1399, and 1400, respectively. Note that prior to the implementation of the new US sanctions, the share of Oil sector in GDP registered 13.4 percent in 1395, 14.5 percent in 1396, and 13.5 percent in 1397.

Due to the extraordinary situation of Iran's Oil sector, no official data was released regarding production and exports of crude oil in recent years. Hence, the most reliable sources of data are the OPEC reports from the secondary sources. On the basis of the statistics from the secondary sources, the domestic crude oil production that was hovering around 3.8 million barrels per day (mbpd) in the first half of 2018, severely dropped in the second half of that year due to the new US sanctions and reached 1.9 mbpd in the second half of 2020. Hence, the oil production of Iran even dropped to below the oil exports during the JCPOA era as a result of the new US sanctions. In 1396, Iran's exports of crude oil averaged 2.3 mbpd. The COVID-19 pandemic, on the other hand was a factor of decrease in Iran's oil production, but after lifting the COVID-19 limitations and also the inauguration of the new US President, Iran's crude oil production started to rise and in Mar 2024 (roughly corresponding to the last month of 1402) registered a considerable record of 3.2 mbpd - far close to the daily oil production prior to the unilateral withdrawal of US from the JCPOA. Iran's crude oil production averaged 2.6 mbpd in 2022 and 2.9 mbpd in 2023.

The data on Iran's oil exports has been considered confidential in recent years. However, the estimates of the International Monetary Fund (IMF) suggests that Iran's crude oil exports in 2023 has averaged 1.4 mbpd which is up 55.0 percent from that of 2022 - still below the 20-year average of 1.7 mbpd from 2000 to 2020.

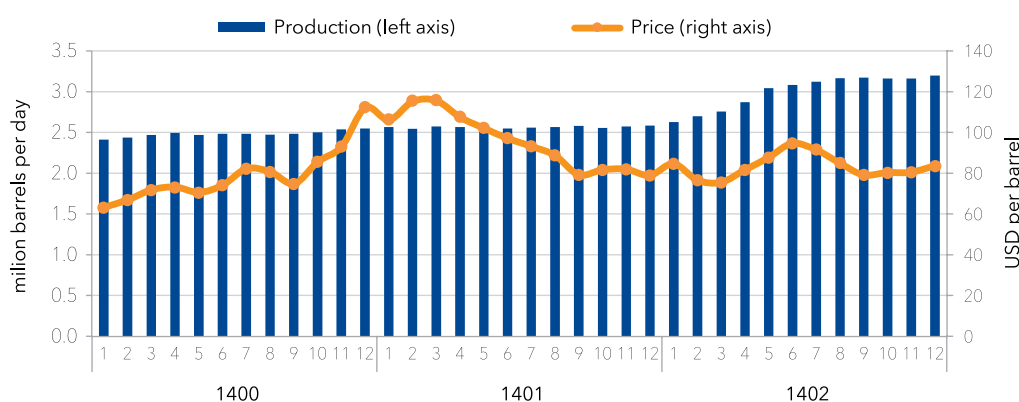
Reuters News Agency usually issues estimate of Iran's oil exports on the basis of Kpler statistics - an online data platform. Accordingly, Iran's crude oil exports in Feb 2020 (roughly corresponding to the 11th month of 1398) dropped to 140 thousand barrels per day, even far below the exports level during Iran-Iraq war. This drop continued for months, especially during the COVID-19 pandemic and the fall in global demand of oil, but Iran's crude oil exports again started to rise gradually and finally reached 1.1 mbpd in Dec 2022. The oil exports of Iran rose further to reach 1.61 mbpd in Mar 2024, the highest daily exports after the 1.68 mbpd in May 2023 (roughly corresponding to the 2nd month of 1402) from 2018 onwards. China as

the major buyer of Iran's crude oil enjoyed remarkable price discounts, however the method of payments of oil purchases by this country to Iran seems vague.

The price of Iran's crude oil registered USD68.8 a barrel in the first month of 1398 and from the third to the tenth month of that year was fluctuating between USD61 to USD64. However, from the eleventh month of 1398 the price of Iran's crude oil fell severely and in the early 1399 and following the COVID-19 pandemic reached USD17 a

barrel. The price of Iran's heavy crude oil gradually rose in the following months and grew further in the aftermath of Russian invasion of Ukraine. According to the OPEC, the price of Iran's crude oil in 2022 rose to USD99.9 a barrel on average, but again fell by 17.5 percent on average to USD82.4 a barrel in 2023. The price of Iran's crude oil in the last month of 1402 (roughly corresponding to Mar 2024) averaged USD83.5 a barrel. Graph 1 depicts the price and production of Iran's crude oil from 1400 to 1402.

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



Source: OPEC monthly reports from secondary sources

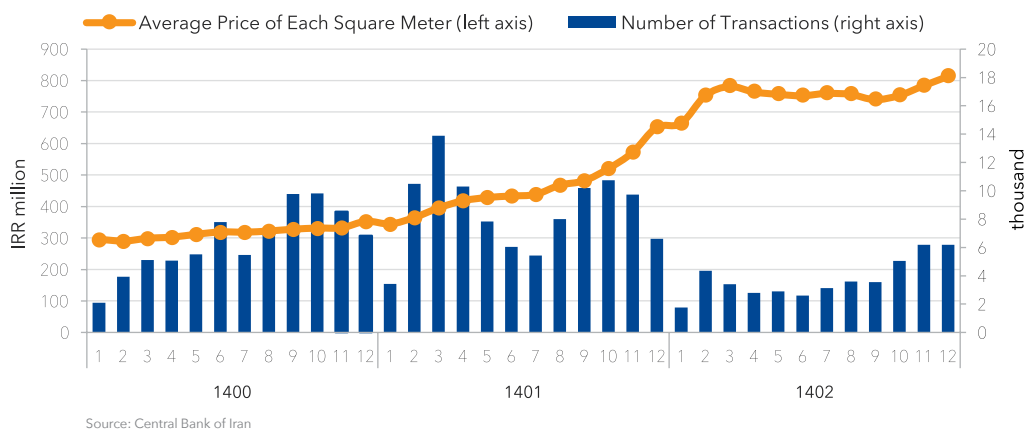
Note: OPEC statistics are reported based on Gregorian Calendar years and their conversion to Persian Calendar years are only approximate.

1-3. Housing

On the basis of the CBI statistics, the average price of a square meter of the residential units traded in Tehran city via real estate agencies registered IRR814.4 million in the last month of 1402, up 24.8 percent from the IRR652.4 million in the same month of 1401. The annual growth rate of a square meter of residential units in Tehran city in 1401 was 85.8 percent, far above the 24.8 percent annual growth rate of 1402. In the last month of 1402, among the 22 municipal zones of Tehran city, the highest price of a square meter of residential units belonged to zone 1 at IRR1,506.8 million and the lowest to zone 18 at IRR432.2 million. Accordingly, the gap between the highest and lowest prices at the end of 1402 registered 248.6 percent, 44.3 percentage points below that at the end of 1401. The

monthly number of transactions that had averaged 8,552 in 1401, severely fell by 55.7 percent to 3,793 in 1402. Hence, the price of residential units in more expensive zones of Tehran city has suffered more from the recession in the housing market than the cheaper ones. In 1402, the number of transactions in the housing market of Tehran city registered its low from 1391 onwards. On the basis of the CBI, the number of transactions in Tehran city housing market in 1402 registered 45.5 thousand which stands remarkably below the average of 134.6 thousand from 1391 to 1401. Graph 2 depicts the developments of the price and number of transactions in the housing market from 1400 to 1402.

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



Source: Central Bank of Iran

An examination of the number of traded residential units by the age of the buildings in 1402 reveals that out of 45,510 traded units, the units aged up to 5 years had the highest share of 29.0 percent in total transactions. Despite losing its share by 4.5 percentage points compared to 1400, the units aged up to 5 years normally have the highest share in total number of transactions given the construction and

sales of the new buildings. The share of old buildings on the other hand has risen in 1402 compared to 1400, i.e., number of traded residential units aged 20 years and above rose to 22.3 percent of total in 1402 from 13.7 percent in 1400. The number of transactions in Tehran city by age of the buildings from 1400 to 1402 is shown in Table 4.

Table 4. Traded Residential Units in Tehran City by Age of the Buildings

Building Age (year)	Number of Transactions			1402 to 1401 Percentage Change	Share in the Total Transactions (percent)		
	1402	1401	1400		1402	1401	1400
Up to 5	13,213	30,986	25,841	-57.4	29.0	30.2	33.5
6 to 10	7,640	17,417	16,276	-56.1	16.8	17.0	21.1
11 to 15	8,033	16,252	10,968	-50.6	17.7	15.8	14.2
16 to 20	6,480	16,643	13,564	-61.1	14.2	16.2	17.6
20 and Above	10,144	21,320	10,573	-52.4	22.3	20.8	13.7
Total	45,510	102,618	77,222	-55.7	100.0	100.0	100.0

Source: Central Bank of Iran

1-4. Services

The Services sector as the largest sector of the Iranian economy that constitutes about half of the GDP, expanded by 3.8 percent in 1402 at constant prices compared to 1401. Although the growth rate of the Services sector in 1402 is higher than its 2.7 percent growth rate in 1401, it is

still below its remarkable 6.5 percent growth rate of 1400. The value-added of the Services sector in 1402 at constant prices is up 15.6 percent from that in 1397, indicating annual average growth rate of 2.9 percent from 1397 to 1402. Note that the five-year period under discussion

coincided with the COVID-19 pandemic that had the most adverse and severe effect on the Services sector. Among its subsectors, "Professional, Scientific, and Technical Activities", "Administrative and Support Service Activities", "Public Administration and Defence", and the "Financial and Insurance Activities" have contracted by 7.7 percent, 6.4 percent, 3.5 percent, and 0.7 percent, respectively, in 1402. Note that the "Administrative and Support Service

Activities" has continually contracted in the past seven years. Other subsectors of the Services have all expanded in 1402, among those "Information and Communication" had the highest growth rate of 22.0 percent - in line with its 13.1 percent and 10.1 percent growth rates in 1400 and 1401, respectively. The growth rates of the subsectors of Services are presented in Table 5.

Table 5. Growth Rates of Services Subsectors at Constant 1395 Prices (percent)

	1402	1401	1400	1399	1398	1397
Services	3.8	2.7	6.5	2.2	-0.3	0.1
Wholesale & Retail Trade; Repair of Motor Vehicles/cycles	2.8	7.3	3.7	4.3	-3.2	-5.0
Transportation and Storage	7.2	9.9	6.9	-1.7	3.1	-1.4
Accommodation and Food Service Activities	11.5	22.8	28.2	-40.5	-18.4	-1.3
Information and Communication	22.0	10.1	13.1	34.1	19.1	35.2
Financial and Insurance Activities	-0.7	5.9	-2.4	8.3	7.8	2.2
Real Estate Activities	0.0	2.2	1.1	3.2	1.2	4.0
Professional, Scientific and Technical Activities	-7.7	8.4	15.8	-15.7	-17.9	-1.4
Administrative and Support Service Activities	-6.4	-10.7	-2.0	-3.5	-13.9	-11.9
Public Administration and Defence; Compulsory Social Security	-3.5	-11.1	10.7	-2.0	-4.0	-10.0
Education	8.1	-11.6	14.2	-6.3	5.8	11.3
Human Health and Social Work Activities	6.3	0.5	15.4	-0.2	-7.1	-1.2
Arts, Entertainment and Recreation	2.3	-1.8	14.6	0.4	-15.5	17.8

Source: Central Bank of Iran

2. LABOR MARKET

On the basis of the SCL, in 1402 the participation rate and the unemployment rate of the population aged 15 and above, respectively, registered 41.3 percent and 8.1 percent. Compared to 1401, the former rate experienced 0.4 percentage point rise, while the latter decreased by 0.9 percentage point. The participation rate that was continually decreasing from 1398 to 1401 and dropped from 44.1 percent to 40.9 percent in that time interval, eventually reversed course in 1402 and rose to 41.3 percent. Moreover, the underemployment rate (working less than 44 hours a week) fell by 1.3 percentage points to reach 8.2 percent in 1402. Other labor market indices including employment ratio (ratio of employed to the working age population) as well as the unemployment of the population with higher education have also improved during the period under review. The improvement of business environment, facilities aimed to job creation, and protection of small-sized businesses have been the contributors to the improvement of labor market indices in 1402, the 13th administration authorities claim. However, these results are in contradiction with the survey of the business environment of Iran held by Iran Chamber of Commerce, Industries, Mines and Agriculture. The survey suggests that from the beginning of the 13th administration office in summer 1400 till the end of winter 1402, the business environment indices of Iran have worsened.

In 1402 and compared to its preceding year, 751.9 thousand individuals were added to the working age population, out of whom 44.4 percent were males with population of 333.6 thousand and the remaining 418.2 thousand were females with 55.6 percent share in total. In the same year, active population expanded by 573.5 thousand individuals, constituting 76.3 percent of the total population added to the working age population. Among the 573.5 individuals, 314.5 thousand were male (equivalent to 54.8 percent of the total added active population aged 15 and above) and the remaining were female. Accordingly, 41.3 percent of the working age population were active in 1402, indicating 0.4 percentage point increase from 1401. Regardless of the rise in participation rate in 1402, its low level in comparison with the rest of the countries has become an inseparable part of the Iranian economy. The low rate of participation rate is mainly driven by the female population, in a sense that out of 32.3 million females aged 15 and above, only 4.6 million were active in 1402, while 15.0 percent of them have been unemployed. For comparison purposes, the unemployment rate of males registered 6.6 percent in the same year. The female active population expanded in 1401 and 1402 after a long time, while in their preceding years, female population at working age were continually increasing but their active population were decreasing. In 1397, about 5.4 million of females were able and willing to work, however in 1400, that population fell to 4.2 million. Following an upward path, in 1401 the female active population rose to 4.3 million

and in 1402 to 4.6 million. However, from the 14 percent female active population it is grasped that the labor market has not prepared a desirable ground for female population, along with the other deficiencies in that regard.

The unemployment of youth and population with higher education is also of great concern. In 1402, about 1.5 million of the population aged 18 to 35 failed to find desirable jobs, translating to 15.2 percent unemployment rate in that age group in total. The unemployment rate in the same group by gender registered 26.0 percent among females. The unemployment rate in population with higher education in 1402 reached 11.8 percent in total and 20.3 percent in females. All in all, the population with higher education constituted 41.3 percent of the total unemployed population. The higher rate of unemployment of population with higher education than the total reveals that higher education has not assisted the graduates in finding job and even has served as a hindrance in that regard. In other words, the higher education that is considered as an investment by the governments and households has not been that fruitful for a large number of graduates seeking for a job.

Additionally, 25.6 percent of the population aged 15 to 24, has neither been employed nor student in 1402, indicating 1.3 percentage points drop from 1401. The total population aged 15 to 24 was estimated 11.0 million, of which 2.5 million were

active only. Among the active population in the same group, 540.2 thousand were unemployed, translating to 21.2 percent unemployment rate.

In 1402, close to 24.5 million of population aged 15 and above were employed, up 774 thousand from 1401. Out of this population, 14.4 percent were enrolled in Agriculture sector, 33.7 percent in Manufacturing, and 51.9 percent in

the Services sector. Part of this population, however, has been underemployed, meaning that they have worked less than 44 hours a week due to some economic issues, despite their willingness to work more. The underemployment constituted about 2.0 million of the employed population with 8.2 percent share in 1402, down 1.3 percentage points from 1401. Major Labor market indices in 1401 and 1402 are presented in Table 6.

Table 6. Major Labor Market Indices by Gender for the Population Aged 15 and Above

		1402			1401		
		Total	Male	Female	Total	Male	Female
Economic Participation	Rate (percent)	41.3	68.4	14.2	40.9	68.2	13.6
	Number (million)	26.6	22.0	4.6	26.1	21.7	4.3
Employment	Share (percent)	37.9	63.9	12.1	37.2	63.0	11.4
	Number (million)	24.5	20.6	3.9	23.7	20.1	3.7
Unemployment	Rate (percent)	8.1	6.6	15.0	9.0	7.7	15.8
	Number (million)	2.1	1.5	0.7	2.3	1.7	0.7
Unemployment of Population Aged 18-35	Rate (percent)	15.2	12.3	26.0	16.3	13.5	27.8
	Number (million)	1.5	1.0	0.5	1.6	1.1	0.5
Unemployment of Population with Higher Education	Rate (percent)	11.8	7.9	20.3	12.9	8.9	21.9
	Number (million)	0.9	0.4	0.5	0.9	0.5	0.5
Share of the Underemployment (percent)		8.2	8.9	4.7	9.5	10.4	4.5
Population Aged 15 and Over (million)		64.6	32.2	32.3	63.8	31.9	31.9

Source: Statistical Center of Iran

3. FISCAL POLICY

Budgeting as a policy instrument plays a dominant role in national economy and is of high importance in the Iranian economy given the large size of the Government. In addition to the projection of revenues and expenditures and their effects on macroeconomic variables, the method of financing budget imbalances in response to external shocks is also a matter of concern.

3-1. Budget Law and Budget Bill of 1402

In the Budget Law of 1402, IRR22,634 trillion was legislated for the Government General Budget, 48.2 percent up from that of the Budget Law of 1401. Moreover, IRR28,839 trillion was legislated for Budget of State-owned Companies, Banks, and Profit Institutions affiliated to the Government

in 1402 Budget Law, indicating 29.2 percent rise compared to the Budget Law of 1401. Hence, the Total Government Budget in 1402 Budget Law reached IRR49,947 trillion, up 36.7 percent from that of the 1401 Budget Law. An overview of the Budget Law of 1402 is presented in Table 7.

Table 7. Main Subdivisions of 1402 Budget Law (IRR trillion- percent)

Description	1402 Budget Law	1402 Budget Bill	1401 Budget Law	1402 Budget Law to 1402 Budget Bill Percentage Change	1402 Budget Law to 1401 Budget Law Percentage Change
Total Government Budget	49,947.1	51,090.1	36,532.0	-2.2	36.7
General Budget	22,634.9	21,640.0	15,273.7	4.6	48.2
General Sources	20,823.3	19,840.0	13,941.3	5.0	49.4
Dedicated Revenues	1,811.6	1,800.0	1,332.4	0.6	36.0
Budget of State-owned Companies, Banks and Profit Institutions Affiliated to Government	28,839.1	30,977.0	22,314.1	-6.9	29.2

Source: Budget Laws of 1401 and 1402 and Budget Bill of 1402

■ Government General Budget

The Government General Budget itself consists of General Sources (General Uses) and Dedicated Revenues (Uses from Dedicated Revenues). The Dedicated Revenues that are gained via the public organizations are spent within the same organizations, i.e., these sorts of revenues are not directed to the Treasury to be reallocated to other sectors. Therefore, only the General Sources are directly in hands of the Government and the Treasury which itself consists of three components of General Revenues (such as tax revenues and receipts from government properties), Disposal of Non-financial Assets (mainly oil exports and disposal of government properties), and Disposal of Financial Assets (mainly sales of debt securities, disposal of

state-owned companies, and withdrawal from the National Development Fund). The Government spends these revenues for current expenditures (mainly compensation of employees and pension funds), Acquisition of Non-financial Assets (development expenditures), and Acquisition of Financial Assets (settlement of unpaid obligations from previous years). Due to the air of optimism regarding higher Oil Revenues, in the Budget Law of 1402, the share of Oil Revenues in General Sources was considered 30.0 percent. In fact, only in 1399 this share was remarkably cut to about 10 percent and in the Budget Laws of 1400 and 1401 again rose to 27.3 percent and 35.2 percent, respectively. The details of General Sources and Uses of 1402 Budget Law are presented in Table 8.

Table 8. General Sources and Uses in 1402 Budget Law and Budget Bill (IRR trillion- percent)

Sources	1402 Budget		1401 Budget Law	1402 Budget Law to 1401 Budget Law Percentage Change	Share in General Sources of 1402 Budget Law	Uses	1402 Budget		1401 Budget Law	1402 Budget Law to 1401 Budget Law Percentage Change	Share in General Uses of 1402 Budget Law
	Law	Bill					Law	Bill			
Revenues (general)	10,540.8	9,781.9	6,996.0	50.7	50.6	Expenditures (current)	15,088.4	14,543.0	9,990.1	51.0	72.5
Tax	8,944.5	8,262.9	5,617.0	59.2	43.0	Compensation of Employees	-	4,050.6	2,999.4	-	-
From State-owned Properties	1,045.4	960.2	874.7	19.5	5.0	Use of Goods and Services	-	817.5	657.3	-	-
From Sales of Goods and Services	260.1	265.8	186.1	39.7	1.2	Cost of Properties	-	0.3	434.6	-	-
From Crime and Damage Fines	80.4	80.4	86.5	-7.1	0.4	Subsidies	-	212.8	81.1	-	-
Other	210.4	212.6	231.7	-9.2	1.0	Grants	-	241.5	382.2	-	-
						Social Welfare	-	5,860.2	3,249.1	-	-
						Other	-	3,360.1	2,186.4	-	-
Operating Balance							-4,547.6	-4,761.1	-2,994.1	51.9	-21.8
Disposal of Non-financial Assets	7,322.5	7,118.1	5,177.5	41.4	35.2	Acquisition of Non-financial Assets (development expenditures)	3,750.0	3,279.2	2,601.2	44.2	18.0
Receipts from Crude Oil and Oil Products	6,238.1	6,038.1	4,911.5	27.0	30.0	Construction	-	2,069.8	1,823.2	-	-
Receipts from Sales or Disposal of Properties	1,084.4	1,080.0	261.0	315.5	5.2	Machinery and Equipment	-	636.5	343.7	-	-
Receipts from Disposal of Development Plans	0.0	0.0	5.0	-	0.0	Other Fixed Assets	-	3.2	1.8	-	-
						Inventory Use	-	0.0	0.0	-	-
						Precious Items	-	0.2	0.1	-	-
						Land	-	94.6	191.9	-	-
						Other Non-produced Assets	-	474.9	240.4	-	-
Net Disposal of Non-financial Assets							3,572.5	3,838.9	2,576.3	38.7	17.2
Disposal of Financial Assets	2,960.0	2,940.0	1,767.9	67.4	14.2	Acquisition of Financial Assets	1,984.9	2,017.8	1,350.1	47.0	9.5
Sales of Islamic Debt Securities	1,870.0	1,850.0	1,030.0	81.6	9.0	Related to Disposal of Stocks	37.8	37.8	26.9	40.6	0.2
Use of Foreign Loans	0.0	0.0	0.5	-	0.0	Repayment of Islamic Debt Securities Principals	1,712.2	1,735.1	1,182.5	44.8	8.2
Receiving Loan Principals	18.5	18.5	15.6	18.6	0.1	Repayment of Bank Loans Principals	13.2	13.2	3.2	308.6	0.1
Disposal of State-owned Companies	1,060.0	1,060.0	710.0	49.3	5.1	Unpaid Obligations from Previous Years	40.1	50.1	4.8	733.3	0.2
Last Year Payments Return	11.5	11.5	10.8	6.5	0.1	Repayment of Foreign Loans Principals	181.6	181.6	132.7	36.9	0.9
Net Disposal of Financial Assets							975.1	922.2	417.8	133.4	4.7
General Sources	20,823.3	19,840.0	13,941.3	49.4	100.0	General uses	20,823.3	19,840.0	13,941.3	49.4	100.0

Source: 1401 and 1402 Budget Laws, 1402 Budget Bill

In the Budget Bill of 1402, the Tax Revenues accounted for 41.6 percent of the General Sources, 3.3 percent and 1.3 percent above those in the 1401 Budget Bill and 1401 Budget Law, respectively. Generally speaking, the Tax Revenues proposed in the Budget Bill of 1402 was 47.1 percent up from the legislated figure in the Budget Law of 1401. Among the components of Corporate Tax in the Budget Law of 1402, Tax on Non-public Legal Entities

accounted for 87.0 percent of the Corporate Tax, up 128.0 percent from that in the Budget Law of 1401. In 1401, about 148 percent of the legislated figure for Tax on Non-public Legal Entities was realized and the proposed figure in 1402 Budget Bill for the same source was 54.0 percent above its actual level in 1401. The Tax on State-owned Companies in the Budget Bill of 1402 stood 172.9 percent and 96.9 percent above the figure in 1401 Budget Law and the realized figure

in 1401, respectively. Moreover, as for the Income Tax, the subdivision of Tax on Professions constituted 35.9 percent of the Total Income Tax in 1402 Budget Bill and stood 22.0 percent above the legislated figure in Budget Law of 1401 and 51.8 percent above the actual amount in 1401. The Tax on Salary of Private Sector and Public Sector Employees, respectively, formed 25.4 percent and 32.5 percent of the Total Income Tax in the Budget Bill of 1402 and up 26.1 percent and 67.6 percent from those in Budget Law of 1401. In the Budget Bill of 1402, Wealth Tax as a major component of the Tax Revenues was increased by 19.6 percent while the Tax on Share Transfers was decreased by 12.1 percent compared to the Budget Law of 1401, conveying that the Government has expected the capital market to be bearish in 1402. The Tax on Transfer of Goodwill in the Budget Bill of 1402 was 143.4 percent above the legislated figure of 1401 Budget Law and 40.2 percent of the realized figure during the year 1401. The proposed amount for total Tax on Imports and Tax on Imports of Other Goods as a subset of that (which formed 69.4 percent of the main group) in the Budget Bill of 1402 were 17.8 percent and 6.9 percent above that in the Budget law of 1401, respectively. However, the Tax on Automotive Imports considerably rose by 66.3 percent in the Budget Bill of 1402 compared to the Budget Law of 1401. The tax rate on Imports of Essential Goods and Pharmaceuticals was decreased to 1 percent from 4 percent in the Budget Bill of 1402. Note that the decrease in tax rate on imports included medical equipment and consumables as well as Agricultural and Livestock inputs in addition to the essential goods and pharmaceuticals. However, it seems that the expansion of Imports Tax from 1401 onwards rooted in the USD/IRR exchange rate used for conversion of taxes, i.e., in the years 1399 and 1400 the official USD/IRR exchange rate of 42 thousand was the base of conversions, while the rate increased from 1401 onwards.

Among the components of the Current Expenditures, in the Budget Bill of 1402 the Compensation of Employees rose by 35.0 percent to IRR4,050.6 trillion compared to the Budget Law of 1401, accounting for 27.9 percent of the Current Expenditures. The Social Welfare (including Various Insurance Schemes of the Government Employees, Transfers to Government Employees, as well as the Grants), in the Budget Bill of 1402, stood 80.4 percent above that in the Budget Law of 1401 and accounted for the highest share of 40.3 percent in the Current Expenditures among

the 7 subsets of this group. All in all, in the Budget Bill of 1402, Current Expenditures with 73.3 percent share in General Uses expanded by 45.6 percent compared to the Budget Law of 1401. Hence, the Operating Balance Deficit in the Budget Bill of 1402 stood 59.0 percent above that in the Budget Law of 1401 to reach IRR4,761.1 trillion, indicating that a considerable portion of Current Expenditures are financed via sources other than General Revenues. Note that in the Budget Bill of 1402, IRR3,146.1 trillion of Miscellaneous Uses were estimated, of which 55.0 percent were included in the Current Expenditures. The Temporary Uses account for IRR1,411.2 trillion, equivalent to 44.9 percent of the Miscellaneous Uses, of which, IRR620.9 trillion was in Current Expenditures and the remaining in Development Expenditures. About 74.2 percent of the Temporary Uses include Compensation of Newly-retirees (IRR320.0 trillion), implementation of Family and Youth Protection Law (IRR65.0 trillion), Debt Settlement Regarding Electricity Subsidy (IRR30.0 trillion), Holding Elections (IRR15 trillion) and Payments to the Islamic Republic of Iran Broadcasting (IRR30.4 trillion). In the Miscellaneous Uses, the Cost of Issuance of Domestic Securities and Using Foreign Loans are estimated IRR520 trillion, indicating 5.5 percent rise from the Budget Law of 1401.

Furthermore, in Budget Bill of 1402 the Proceeds from Exports of Oil and Natural Gas Condensates and Net Exports of Natural Gas were 25.5 percent above the corresponding figures in the Budget Law of 1401, and it was decided that this sort of revenues be converted to Rials at the USD/IRR exchange rate of 285 thousand. In addition, the Proceeds from Sales of Feedstock to the Domestic Petrochemical Producers that were excluded from Oil Revenues in General Sources in the Budget Laws of 1399 and 1400, were again included in that source in the Budget Law and Budget Bill of 1401, but implicitly. This maintained in the Budget Bill of 1402, i.e., assuming sale of 145 thousand barrels per day at USD71.3 (95 percent FOB), the Proceeds from Sales of Feedstock to Domestic Petrochemical Producers was estimated USD3.8 billion, equaling to IRR1,074.7 trillion should the USD/IRR exchange rate for conversion rate be 285 thousand. Hence, the 85.5 percent share of Government in those Proceeds equaled IRR918.9 trillion. The assumptions used for calculation of Oil Revenues in USD and IRR are presented in Table 9.

Table 9. Proceeds from Oil, Gas Condensates and Natural Gas

Assumptions	1402 Law	1402 Bill	1401 Law	1401 Bill	1402 Law to 1402 Bill Percentage Change	1402 Law to 1401 Law Percentage Change
Oil and Gas Condensates Exports (1000 barrels a day)	1,280.7	1,214.4	1,400.0	1,200.0	5.5	-8.5
Sales of Feedstock to Domestic Petrochemical Companies (1000 barrels a day)	145.0	145.0	145.0	145.0	0.0	0.0
Oil Price per Barrel (USD)	75.0	75.0	70.0	60.0	0.0	7.1
Price of Gas Condensates per Barrel to Be Sold to Domestic Petrochemical Companies (USD)	71.3	71.3	66.5	57.0	0.0	7.1
Share of National Iranian Oil Company (NIOC) in Exports of Oil and Gas Condensates (percent)	14.5	14.5	14.5	14.5	-	-
Share of National Iranian Gas Company (NIGC) in Net Exports of Natural Gas (percent)	14.5	14.5	14.5	14.5	-	-
Share of NDF in Exports of Oil and Gas Condensates and Net Natural Gas Exports (percent)	42.0	40.0	40.0	40.0	-	-
Government Share in Exports of Oil and Gas Condensates (percent)	43.5	45.5	45.5	45.5	-	-
Government Share in Sales of Feedstock to Domestic Petrochemical Companies (percent)	85.5	85.5	85.5	85.5	-	-
Government Share in Net Exports of Natural Gas (percent)	43.5	45.5	45.5	45.5	-	-
Share of NIOC in Sales of Gas Condensates to Domestic Petrochemical Companies (percent)	14.5	14.5	14.5	14.5	-	-
Average USD/IRR Exchange Rate in the Budget (IRR1000 per USD)	285.0	285.0	230.0	230.0	0.0	23.9
Net Exports of Natural Gas (IRR trillion)	6.2	6.2	3.6	3.6	0.0	74.1
Total Revenues from Exports of Crude Oil and Gas Condensates (IRR trillion)	35.1	33.2	35.8	26.3	5.5	-2.0
Total Revenues from Sales of Feedstock to Domestic Petrochemical Companies (IRR trillion)	3.8	3.8	3.5	3.0	0.0	7.1
Share of NDF in Total Revenues in Foreign Currencies (USD billion)	17.3	15.8	15.7	11.9	9.8	10.2
Share of NIOC in Oil Exports and Domestic Sales of Feedstock (USD billion)	5.6	5.4	5.7	4.2	4.9	-1.2
Share of NIGC in Natural Gas Net Exports (USD billion)	0.9	0.9	0.5	0.5	0.0	74.1
Government Share in Total Proceeds of Oil and Gas Condensates Exports (USD billion)	15.3	15.1	16.3	12.0	0.8	-6.3
Government Share in Total Proceeds of Net Exports of Natural Gas (USD billion)	2.7	2.8	1.6	1.6	-4.4	66.4
Government Share in Sales of Feedstock to Domestic Petrochemical Companies (USD billion)	3.2	3.2	3.0	2.6	0.0	7.1
Share of Government in Proceeds from Exports of Crude Oil and Gas Condensates (IRR trillion)	4,346.6	4,311.0	3,743.3	2,750.2	0.8	16.1
Government Share in Proceeds from Net Exports of Natural Gas (IRR trillion)	772.7	808.2	374.6	374.6	-4.4	106.2
Share of Government in Proceeds from Sales of Gas Condensates to Domestic Petrochemical Companies (IRR trillion)	918.9	918.9	692.1	593.2	0.0	32.8
Proceeds of Sales of Vacuum Bottom (Bitumen-IRR trillion)	200.0	0.0	0.0	0.0	-	-
Total Government Oil Revenues (IRR trillion)	6,238.1	6,038.1	4,810.1	3,718.1	3.3	29.7

Source: Budget Law and Budget Bill of 1402; Budget Law of 1401; Research Center of the IRI Parliament; unofficial sources; research calculations

In the Budget Bill of 1402, the proposed share of National Development Fund (NDF) was 40 percent of the Petrodollars. Given the assumptions, the NDF share equals USD15.8 billion in the Budget Bill of 1402, up 0.3 percent and 32.2 percent from that in the Budget Law and Budget Bill of 1401, respectively.

The share of Government in Oil Revenues (exports of oil, gas condensates, net exports of natural gas as well as 85.5 percent share in sales of feedstock to domestic petrochemical producers) was proposed IRR6,038.1 trillion, accounting for 30.4 percent of the Government General Sources of the Budget Bill of 1402 and up 62.4 percent from that in the Budget Bill of 1401. Furthermore, in Disposal of Non-

financial Assets, due to the fall in Oil Revenues and in order to finance the Uses of Budget, IRR1,080 trillion was proposed for the sales of Government Properties, 313.8 percent above the legislated figure of the Budget Law of 1401. However, from the weak realization ratio of this source relative to the legislated figure of the Law of 1401, it is grasped that the proposed figure in the Budget Bill of 1402 in that regard is overestimated. All in all, the Disposal of Non-financial Assets in the Budget Bill of 1402 stood, respectively, 37.5 percent and 74.3 percent above that in the Budget Law and Budget Bill of 1401 to register IRR7,118.1 trillion and equivalent to 35.9 percent of the Government General Sources.

The Acquisition of Non-financial Assets proposed in the

Budget Bill of 1402 indicated 26.0 percent rise compared the corresponding figure in the Budget Law of 1401 and constituted 16.5 percent of the General Uses. Hence, the Net Disposal of Non-financial Assets registered IRR3,838.9 trillion in the Budget Bill of 1402, i.e., part of the Current Expenditures were planned to be financed via Disposal of Non-financial Assets.

In the Budget Bill of 1402 and in line with the budgeting system of Iran, part of the budget deficit was planned to be financed through Disposal of Financial Assets. Accordingly, issuance of IRR1,850.0 trillion of Government Debt Securities was considered in the Budget Bill of 1402, standing 79.6 percent above the legislated figure of 1401 Budget Law. In the Budget Bill of 1402, the Disposal of State-owned Companies stood 49.3 percent above the corresponding figure in the Budget Law of 1401. All in all, the IRR2,904.0 trillion of Disposal of Financial Assets in the Budget Bill of 1402 indicated 66.3 percent rise compared to the Budget Law of 1401 and constituted 14.8 percent of the Government General Uses, up 2.1 percentage points from its share in the Budget Law of 1401.

The Acquisition of Financial Assets in the Budget Bill of 1402 rose by 49.5 percent compared to that in the Budget Law of 1401, registering IRR2,017.8 trillion. This rise rooted in the Principal Repayment of Matured Securities in the aftermath of the increase in issuance of Government Debt Securities since 1393. The Principal Repayment in the Budget Bill of 1402 amounted to IRR1,735.1 trillion, equivalent to 86.0 percent of the Acquisition of Financial Assets. Hence, the Net Disposal of Financial Assets in the Budget Bill of 1402 was estimated IRR922.2 trillion.

The Budget Bill of 1402 that was promptly delivered to the IRI Parliament was eventually passed by that authority and got the confirmation of the Guardian Council as the Budget Law of 1402 on the last working day of 1401. The Sources and Uses of the Total Government Budget stood 2.2 percent below the proposed figure of the Budget Bill of 1402. In contrast, the proposed IRR19,840.0 trillion for General Sources and Uses of Government was increased to IRR20,823.3 trillion in the Budget Law of 1402. The General Revenues rose by 7.8 percent in the Budget Law of 1402 to IRR10,540.8 trillion compared to proposed figure in the Bill, mainly due to the IRR681.6 trillion (8.2 percent) rise in the Tax Revenues. Note that the legislated figure for Direct Taxes remained almost the same as the proposed one. The Income Tax even fell by 5.7 percent in the Budget Law of 1402 compared to the Budget

Bill of 1402. On the other hand, the Value-added Tax as a subgroup of the Tax on Goods and Services which itself is a component of the Indirect Taxes, increased by 18.7 percent to IRR1,884.4 trillion in the Budget Law of 1402 and caused the Tax Revenues to increase in the Budget Law. Addition of another source to the Indirect Taxes titled "Tax on the Performance of the Exporters of Raw and Semi-raw Materials" at IRR60 trillion was another driver of the rise in Tax Revenues in the Budget Law of 1402. Accordingly, the Tax on Goods and Services was increased by 22.5 percent in 1402 Budget Law compared to the proposed figure in the Bill to register IRR3,040.0 trillion. In addition, the legislated figure for Imports Tax showed 15.2 percent rise from the proposed figure due to the 4.0 percent rise in the Tax on Imports of Other Goods and 27.6 percent rise in the Tax of Automotive Imports. As for the Uses of Budget, the approved figure for the Current Expenditures in 1402 Budget Law stood IRR545.4 trillion (3.8 percent) above the proposed figure of the Bill, constituting 72.5 percent of the General Uses of the Budget Law of 1402. Hence, the Operating Balance Deficit in the Budget Bill of 1402 at IRR4,761.1 trillion was decreased by 4.5 percent to IRR4,547.6 trillion in the Budget Law of 1402.

Among the components of the Disposal of Non-financial Assets, the share of NDF in Petrodollars in the Budget Law of 1402 was increased by 2 percentage points to 42 percent compared to the 40 percent share in the Budget Bill, however the estimated Oil Revenues did not change. Therefore, it seems that the Oil Exports of the country in the Budget Law of 1402 was considered 1.3 mbpd and above the 1.2 mbpd of the 1402 Budget Bill to offset the fall in the Government share in Proceeds from Oil Exports (due to the 2 percentage points rise in NDF share). On the other hand, the proceeds from Sales of Vacuum Bottom to Domestic Petrochemical producers that was previously off-budget, was included in the Oil Revenues in the Budget Law of 1402, causing this source of Budget to rise by 3.3 percent to IRR6,238.1 trillion compared to the Budget Bill of 1402 and constituting 30.0 percent of the General Sources of 1402 Budget Law. The acquisition of Non-financial Assets in the Budget Law of 1402 was approved at IRR3,750.0 trillion, up 14.4 percent from the IRR3,279.2 trillion on the Budget Bill of 1402. Hence, the Net Disposal of Non-financial Assets in the Budget Law of 1402 registered IRR3,572.5 trillion and 6.9 percent below that of the Budget Bill of 1402.

In the Budget Law of 1402, IRR2,960.0 trillion was approved for the Disposal of Financial Assets to form 14.2 percent of the General Uses, showing 0.7 percent rise compared to that of

the Budget Bill of 1402. Besides, the issuance of Government Debt Securities was legislated at IRR1,870.0 trillion, up 1.1 percent from the proposed figure in the Budget Bill of 1402. Regarding the Acquisition of Financial Assets, the proposed IRR2,017.8 trillion in the Budget Bill was decreased by 1.6

percent to IRR1,984.9 trillion in the Budget Law of 1402. Therefore, the Net disposal of Financial Assets in the Budget Law of 1402 registered IRR975.1 trillion, down 5.7 percent from that of 1402 Budget Bill.

3-2. Government Fiscal Performance

While preparing this Report, only the data on Tax Revenues and Issuance of Government Debt Securities were officially issued and the data on realization of Government Budget figures in 1402 were obtained from unofficial sources. Accordingly, the Government General Sources and Uses in 1402 have realized 101 percent of the legislated figure in the Budget Law of 1402 at IRR21,040 trillion.

The General Revenues of Government (tax revenues, imports tax, and other) in 1402 overshot the legislated figure of the Budget Law by 3.2 percent to reach IRR10,877.8 trillion. The actual Government General Expenditures on the other had reached IRR16,150.0 trillion in the same period (107.0 percent of the legislated) and caused the Operating Balance Deficit to register IRR5,272.2 trillion. It is noteworthy that the data on other Government Revenues was available for the first seven months of 1402, hence the 97.7 percent realization ratio in that period has been used to estimate other Government Revenues for the year 1402 as a whole.

The disposal of Non-financial Assets realized 71.6 percent of its approved figure in the Budget Law in 1402 to reach 5,246.2 trillion, indicating 25.1 rise compared to the IRR4,1937 trillion actual amount of 1401. In order to estimate the Sales of Government Properties for 1402 as a whole, the 6.3 percent realization rate of this sources of Budget in the first seven month of 1402 has been used. In 1402, 79.2 percent of the legislated Acquisition of Non-financial Assets (development expenditures) was materialized at IRR2,970.0 trillion. Subsequently, the Net Disposal of Non-financial Assets in 1402 had a surplus of IRR2,276.2 trillion which covers part of the Operating Balance Deficit.

The Net Disposal of Financial Assets has played a key role in financing Operating Balance Deficit in 1402 like its preceding years with 166.1 percent realization rate of legislated figure in Budget Law at IRR4,916.0 trillion. Accordingly, on the basis of the statistics of Government Debt Securities Auctions held by the CBI, in addition to the considerable issuance of Islamic Treasury Bonds and IRR300.0 trillion Government Debt Securities to settle Government Debts to Tavanir¹, it is estimated that IRR2,864 trillion of the Budget Deficit has been financed through Issuance of Government Debt Securities in 1402, equivalent to 153.2 percent of its corresponding figure of Budget Law. Since the Government Treasury Bonds are zero-coupon², a 30 percent discount rate has been used for calculation of finance through this method. Besides, according to the Privatization Organization, the actual Disposal of State-owned companies in 1402 covered 29.0 percent of its approved Budget figure. Since only the data on Budget performance in issuance of Government Debt Securities and Disposal of State-owned Companies during 1402 were available, taking into consideration the actual General Sources and Uses of 1402 on the basis of IRI Parliament Research Center, the estimated spending from sources including NDF, Receiving Loan Principals, Foreign Loans, and Last Year Payments Returns equals IRR1,744 trillion. Given the small approved figure for the last three sources, it seems that NDF has been the main source of Government spending among those four sources. It should be noted that even though the Government Borrowing from the NFD share in Petrodollars had been banned in the Budget Law of 1402, in the first seven months of 1402 IRR250 trillion was borrowed from the NDF to cover Government Current Expenditures. On the basis of the IRI Parliament Research Center, the Government permit for another 20 percent

1. Iran Power Generation Transmission and Distribution Company

2. A zero-coupon bond is an investment in debt that does not pay interest but instead trades at a deep discount.

borrowing from NDF share in Oil Revenues in 1402 led to withdrawal of IRR1,464 trillion of NDF funds in the late months of 1402. Accordingly, the Government has probably withdrawn IRR1,714 trillion from the NDF funds, equaling about 8.1 percent of the General Uses of the Budget of 1402 and included in other components of the Disposal of Financial Assets. The Acquisition of Financial Assets in

1402 reached IRR1,920.0 trillion, of which 88.0 percent was attributed to the Principal Repayment of Government Debt Securities. Therefore, the Net Disposal of Financial Assets in 1402 registered IRR2,996.0 trillion, constituting 14.2 percent of the actual Government General Sources and Uses. Table 10 presents the Fiscal Performance of Government in 1402.

Table 10. Government Fiscal Performance in 1402 (IRR trillion-percent)

	Realized in 1402	1402 Budget Law	1402 Budget Bill	Realization Ratio of 1402	Share of Components in Realized 1402 General Sources and Uses
General Revenues	10,877.8	10,540.8	9,781.9	103.2	51.7
Tax Revenues	9,317.8	8,944.5	8,262.9	104.2	44.3
Other Revenues	1,560.0	1,596.3	1,519.0	97.7	7.4
Expenses (current)	16,150.0	15,088.4	14,543.0	107.0	76.8
Operating Balance	-5,272.2	-4,547.6	-4,761.1	115.9	-
Disposal of Non-financial Assets	5,246.2	7,322.5	7,118.1	71.6	24.9
Receipts from Crude Oil and Oil Products	5,177.6	6,238.1	6,038.1	83.0	24.6
Disposal of Properties and Development Plans	68.6	1,084.4	1,080.0	6.3	0.3
Acquisition of Non-financial Assets (development expenditures)	2,970.0	3,750.0	3,279.2	79.2	14.1
Net Disposal of Non-financial Assets	2,276.2	3,572.5	3,838.9	63.7	-
Disposal of Financial Assets	4,916.0	2,960.0	2,940.0	166.1	23.4
Sales of Islamic Debt Securities	2,864.1	1,870.0	1,850.0	153.2	13.6
Disposal of State-owned Companies	307.5	1,060.0	1,060.0	29.0	1.5
Others (use of National Development Fund, last year's payment return, principal of loans receipt and use of foreign loans)	1,744.4	30.0	30.0	5,814.5	8.3
Acquisition of Financial Assets	1,920.0	1,984.9	2,017.8	96.7	9.1
Net Disposal of Financial Assets	2,996.0	975.1	922.2	307.2	-
Total General Sources and Uses	21,040.0	20,823.3	19,840.0	101.0	100.0

Source: Budget Law and Budget Bill of 1402; Kayhan Daily; Ministry of Economic Affairs and Finance; Iranian National Tax Administration; IRI Parliament Research Center

As for the Tax Revenues, in the Budget Law of 1402, IRR8,944.5 trillion was approved, of which 50.3 percent was attributed to the Indirect Tax (tax on goods and services and on imports) and 49.7 percent to Direct Tax (corporate tax, income tax and wealth tax). On the basis of Iranian National Tax Administration (INTA) as well as some unofficial sources, 104.2 percent of the legislated Tax Revenues has been materialized in 1402. Regarding Direct Tax, the realization rate was 109.6 percent in the same period.

An examination of the components of Direct Taxes reveals that the Income Tax had the highest realization rate of 124.9 percent in 1402. Moreover, Tax on Professions that formed 36.3 percent of the actual Tax Revenues in 1402 overshot its corresponding figure in the Budget Law by 26.3 percent. The actual Corporate Tax stood 7.8 percent above the approved figure of Budget Law in 1402. During 1402, actual Tax on the State-owned Companies accounted for 8.0 percent of

the Corporate Tax with the realization rate of 122.9 percent. In the same period, 100.5 percent of the Tax on Non-public corporations was realized, constituting 81.1 percent of the realized Corporate Tax. Wealth Tax had the weakest realization rate of 76.8 percent among the components of Direct Taxes in 1402. Among the components of Wealth Tax, 109.2 percent of the Tax on Transfer of Shares was materialized to register IRR99.0 trillion. In contrast, Tax on Vacant Houses was the weakest component of the Wealth Tax and realized only 0.3 percent of the legislated figure in 1402.

In 1402, 98.8 percent of the legislated figure for Indirect Taxes was realized at IRR4,443 trillion, indicating 87.3 percent rise compared to 1401. Out of the actual Indirect Taxes, 72.8 percent belonged to Tax on Goods and Services and 27.2 percent to Tax on Imports. The Tax on Goods and Services overshot its approved figure in the Budget Law by 3.6 percent to register IRR3,233.0 trillion, up 82.0 percent from

that of 1401 and constituting 34.7 percent of Tax Revenues in Total. In addition, the Value-added Tax that accounted for 64.8 percent of actual Tax on Goods and Services in 1402, realized 111.2 percent of the legislated figure for that source in the Budget Law. On the other hand, even though

the actual Tax on Imports grew by 103.0 percent compared to 1401, it had the lowest realization ratio of 83.2 percent among major components of the Tax Revenues. Table 11 presents the Government Performance in Tax Revenues.

Table 11. Performance of Tax Revenues (IRR trillion-percent)

	Realized in 1402	1402 Budget Law	Realized in 1401	1402 to 1401 Change in Realization	1402 Realization Rate	Share of Components in Realized Tax Revenues in 1402
Tax Revenues	9,317.8	8,944.5	5,313.6	75.4	104.2	100.0
Direct Tax	4,874.8	4,449.6	2,941.0	65.8	109.6	52.3
Corporate Tax	3,164.4	2,936.6	1,898.4	66.7	107.8	34.0
Income Tax	1,424.1	1,140.1	849.7	67.6	124.9	15.3
Wealth Tax	286.3	372.9	192.9	48.4	76.8	3.1
Indirect Tax	4,443.0	4,494.9	2,372.6	87.3	98.8	47.7
On Goods and Services	3,233.0	3,040.0	1,776.6	82.0	106.3	34.7
On Imports	1,210.0	1,454.9	596.0	103.0	83.2	13.0

Source: 1402 Budget Law; Iranian National Tax Administration; Islamic Republic News Agency (IRNA)

The Issuance of Government Debt Securities in the Budget Law of 1402 was legislated IRR1,870.0, up 81.6 percent from the corresponding figure of 1401. In the year 1401, IRR2,105.7 trillion Government Debt Securities was issued in practice, standing about 13 percent above the legislated figure of 1402 Budget Law. Subsequently, the CBI in cooperation with the Ministry of Economic Affairs and Finance started to hold the weekly auctions of Government Debt Securities in Money Market and Capital Market from mid-summer of 1402.

The CBI data on the auctions of the Debt Securities reveals that 33 rounds of auctions have been held in 1402 with accumulated supply of IRR5,683.1 trillion of Murabaha Securities, out of which IRR412.8 trillion was demanded by banks and non-bank credit institutions but only IRR341.4 of that demand was approved by the Ministry of Economic Affairs and Finance.

During 1402, IRR1,209.8 trillion of auctioned Government Debt Securities were sold in the Capital Market. Accordingly, in 1402 the traded Government Debt Securities through auctions reached IRR1,551.1 trillion, up 50.5 percent from that of 1401. On the basis of the Ministry of Economic Affairs and Finance, IRR901.0 trillion of Government Debt Securities has been purchased by banks and non-bank credit institutions in 1402 that is totally distinct from the reported figure of the CBI. A comparison between the reported figures of the aforementioned authorities reveals that the banks and non-bank credit institutions have purchased IRR559.6 trillion in the Capital Market, not directly through the auctions in the Money Market. Hence, the share of banks and non-bank credit institutions in purchase of Government Debt Securities registered 58.1 percent in 1402. Table 12 illustrates the details of the auctions of Government Debt Securities held by the CBI during 1401 and 1402.

Table 12. Government Debt Securities Auctions Held by the CBI (IRR trillion-percent)

Month	1402					1401					Growth Rate of Traded in Money Market	Growth Rate of Traded in Capital Market	Growth Rate of Total Traded
	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded	Supply	Demand by Banks	Traded in Money Market	Traded in Capital Market	Total Traded			
03	0.0	0.0	0.0	0.0	0.0	592.8	121.1	54.0	77.2	131.2	0.0	0.0	0.0
04	0.0	0.0	0.0	0.0	0.0	496.2	19.5	19.5	54.8	74.3	0.0	0.0	0.0
05	874.2	256.5	148.4	58.5	206.9	337.3	40.7	40.7	33.9	74.6	264.7	72.7	177.5
06	628.9	0.0	0.0	164.3	164.3	314.8	63.5	59.6	61.1	120.7	-	168.9	36.1
07	753.6	9.0	9.0	51.3	60.3	263.4	0.0	0.0	4.6	4.6	-	1,017.2	1,213.5
08	816.4	1.0	1.0	287.0	287.9	258.9	0.5	0.5	86.5	87.0	94.0	231.6	230.8
09	578.3	19.1	0.0	126.4	126.4	322.4	43.5	37.8	0.0	37.8	-100.0	-	234.6
10	519.7	35.7	34.5	151.8	186.3	251.6	15.7	15.7	0.0	15.7	119.6	-	1,086.6
11	454.0	0.0	0.0	65.9	65.9	198.0	3.8	3.8	0.0	3.8	-100.0	-	1,625.4
12	1,058.1	91.6	148.5	304.6	453.1	591.0	29.4	23.7	457.3	481.0	526.5	-33.4	-5.8
Total	5,683.1	412.8	341.4	1,209.8	1,551.1	3,626.4	337.7	255.3	775.4	1,030.7	33.7	56.0	50.5

Source: Central Bank of Iran, weekly reports of government debt securities auctions

In addition to the auctions, the Government also issues debt securities through two other distinct methods: First, selling Murabaha Debt Securities in the capital market via an underwriter, and second, providing government creditors with Islamic Treasury Bonds in exchange of its debts. During 1402, IRR60.0 trillion Murabaha Debt Securities was sold via underwriting and in conjunction with the auctions, caused the total sold Murabaha Debt Securities to rise by 34.7 percent to IRR1,611.1 trillion compared to 1401.

In addition, IRR1,810.0 Government Treasury Bonds was issued in 1402, indicating 98.9 percent rise from 1401, however the amount used for debt settlement to Government creditors as well as the unallocated amount are not released. IRR300.0 trillion of the aforementioned figure has been issued aiming for settlement of Government debt to Tavanir for the subsidy on price of electricity. If the Government Treasury Bonds have been sold up, out of the IRR3,513.2 trillion Issuance of Government Debt Securities, IRR3,421 trillion should have been sold. However, considering discounts on prices, in fact the Budget finance via this method has been below the amount sold.

From mid-summer of 1400 onwards, the data on the debt market transactions (sum of the primary and the secondary markets) by its market players (Government, CBI, banks, Funds, etc.) has been issued by the Over the Counter (OTC). Accordingly, from mid-summer 1400 to the end of 1402, the net accumulated purchase of Government Debt Securities by the CBI and the Funds registered IRR1,845.6 trillion and IRR2,283.5 trillion, respectively. Note that as the CBI is prohibited from purchase of such securities in the primary market (IPO), the net purchase of this authority is attributed to the secondary market only.

The banks that were mainly suppliers of the government debt securities from mid-summer 1400 to the end of that year (negative net accumulated purchase of IRR556.3 trillion in the primary and secondary markets), shifted to the demand side in 1401 to register net purchase of IRR1,213.6 trillion of government debt securities from the primary and secondary markets. This trend maintained in 1402 and the net purchase of government debt securities by banks reached IRR240.0 trillion through primary and secondary markets. Accordingly, the net accumulated purchase of government debt securities by the banks from mid-summer 1400 to the end of 1402 was estimated about IRR896 trillion.

3-3. Privatization

The Iranian Privatization Organization started the Disposal of State-owned Companies from 1380, and till the end of 1402, out of total Privatization, 47.0 percent took place through Tehran Stock Exchange (TSE), 4.8 percent through Over the Counter (OTC), 48.2 percent through auctions, and 0.02 percent through negotiations. Also, 56.9 percent of the total Privatization were disposed in exchange of settlement of government debt to its creditors, indicating that this part of the Privatization has not taken place through market mechanisms. In this period, the "Justice" shares accounted

for 3.8 percent of the total Privatization. Table 13 presents the performance of the Iranian Privatization Organization by type of disposals from 1380 to 1402 at current prices. The inappropriate way of direct transfer for debt settlements that had been terminated from 1396 to 1398 and no company had been disposed through this way in that period, was again revived from 1399 to 1402 and accounted for 61.5 percent, 100.0 percent, 50.9 percent, and 99.2 percent of the total Privatization in 1399, 1400, 1401, and 1402, respectively.

Table 13. Performance of the Iranian Privatization Organization by Various Types (at current prices-IRR trillion)

	1402	1401	1400	1399	1398	1397	1396	1395	1394	1380-1393
Sales of Shares or Assets to the Public	5.2	1,426.3	0.0	471.8	32.2	3.7	10.7	29.9	26.2	755.0
Settlement of Debts (direct transfer)	629.9	1,480.5	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	0.0	0.0	266.4
Total Sales Value	635.1	2,906.8	823.9	1,225.3	32.2	3.7	10.7	48.9	27.3	1,310.6
Percent of Total Disposals	9.0	41.4	11.7	17.4	0.5	0.1	0.2	0.7	0.4	18.7

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)

No data on realization of disposal of shares and disposable assets at constant 1395 prices were issued in 1402, however, it could be estimated that 1.4 percent of total disposals has taken place in 1402 at constant prices. Moreover, from the beginning of disposals to the end of 1402, about 49.6 percent of the disposals was to the Public, 29.5 percent was carried out for Settlement of Debt to Creditors, and 20.9 percent was by Justice shares,

at constant prices. Table 14 exhibits the performance of the Iranian Privatization Organization by various disposal types from 1380 to 1402 at constant 1395 prices, based on the SCI's consumer price index. Although, considering the consumer price index per se is not the best option for calculating the performance of Privatization at constant prices, it is the only available option.

Table 14. Privatization by Disposal Type (at constant 1395 prices-IRR trillion)

	1402	1401	1400	1399	1398	1397	1396	1395	1394	1380-1393
Sales of Shares or Assets to the Public	0.5	222.8	0.0	157.8	15.9	2.6	9.8	29.9	28.5	1,919.1
Settlement of Debt (direct transfer)	64.6	231.2	188.5	252.1	0.0	0.0	0.0	19.0	1.3	662.7
Justice Shares (direct transfer)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,007.8
Total Sales Value	65.2	454.0	188.5	409.9	15.9	2.6	9.8	48.9	29.8	3,589.6
Percent of Total Disposals	1.4	9.4	3.9	8.5	0.3	0.1	0.2	1.0	0.6	74.6

Source: Iranian Privatization Organization, annual performance statistics on the value of disposition of shares and assets of companies qualified for being disposed (at current prices); SCI, consumer price index; Research calculations

During 1402, about 39.9 percent of the disposals took place in TSE and 60.1 percent in auctions, hence no disposal was carried out in OTC or via negotiation. Tables

15 and 16 illustrate performance of the Iranian Privatization Organization by market type at current prices and also at constant 1395 prices, respectively.

Table 15. Privatization by Market Type (at current prices-IRR trillion)

	1402	1401	1400	1399	1398	1397	1396	1395	1394	1380-1393	Share in Total in 1402
TSE	253.2	1,426.3	9.5	760.2	2.3	0.1	1.1	12.7	21.7	812.8	39.9
OTC	0.1	0.0	0.0	129.3	29.9	0.2	0.0	0.5	3.0	170.7	0.0
Negotiation	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	1.4	0.0
Auction	381.8	1,480.50	814.4	335.8	0.0	3.2	9.6	35.7	2.6	325.6	60.1
Total Sales Value	635.1	2,906.8	823.9	1,225.3	32.2	3.7	10.7	48.9	27.3	1,310.6	100.0

Source: Iranian Privatization Organization, disposition statistics; SCI, consumer price index; Research calculations

Table 16. Privatization by Market Type (at constant 1395 prices-IRR trillion)

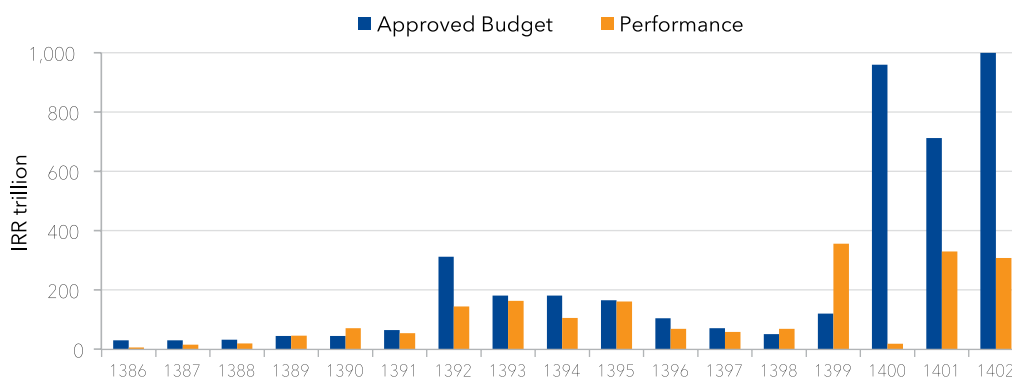
	1402	1401	1400	1399	1398	1397	1396	1395	1394	1380-1393	Share in Total in 1402
TSE	26.0	222.8	2.2	254.3	1.1	0.1	1.0	12.7	23.6	2,439.6	39.9
OTC	0.0	0.0	0.0	43.3	14.7	0.1	0.0	0.5	3.2	401.4	0.0
Negotiation	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	4.5	0.0
Auction	39.2	231.2	186.4	112.3	0.0	2.2	8.8	35.7	2.9	744.1	60.1
Total Sales Value	65.2	454.0	188.5	409.9	15.9	2.6	9.8	48.9	29.8	3,589.6	100.0

Source: Iranian Privatization Organization, disposition statistics; SCI, consumer price index; Research calculations

According to the Iranian Privatization Organization report, IRR307.6 trillion of Privatization revenues was deposited with the Treasury in 1402, indicating about 6.8 percent rise compared to 1401. Out of that amount, IRR273.6 trillion was deposited in the Public Revenues Account of the Treasury and the rest belonged to the Special Accounts

of the Treasury. Note that during 1402, IRR307.8 trillion of payments of Iranian Privatization Organization to the Treasury took place via Debt Settlement. A Comparison between the legislated and realized figure of Privatization in terms of Disposal of Shares and Companies is depicted in Graph 3.

Graph 3. Government Performance in Privatization



Source: Iranian Privatization Organization (IPO), Realization of the Budget Objectives of the Disposal of Shares and Companies by the IPO

3-4. National Development Fund

The National Development Fund (NDF) was established in 1389, aimed to own a portion of revenues from oil, gas, natural gas condensates as well as revenues from oil products, and allocate it to sustainable and productive investments and also preserving part of those revenues for future generations. In that regard, the share of NDF in Oil Exports Revenues was determined 20 percent in the Budget Law of 1389 and in line with the Sixth Development Plan, it was decided that 2 percentage points be added to that share annually. In the NDF's Article of Association, the Uses of the funds are specified and any withdrawal from the NDF funds by the Government is strictly prohibited, while in contrast in the Government Budget Laws, borrowing from the NDF has been allowed. Unlike its preceding years, in the Budget Bill of 1402 no withdrawal from the NDF was considered, hence the proposed share for NDF in Oil Exports Proceeds was 40 percent and estimated to be USD15.8 billion on the basis of the assumptions for the estimation of the Budget Bill figures. After the appraisal of the proposed Budget Bill of 1402 by the corresponding authorities, eventually the NDF share was increased to 42 percent in the Budget Law of 1402. Accordingly, the NDF share in the Oil Exports Proceeds was escalated by USD1.5 billion to USD17.3 billion. However, on the basis of the IRI Parliament Research Center, to finance part of the budget deficit, the Government was allowed to withdraw 20 percentage points of the NDF share in Petrodollars in 1402 which is estimated to be IRR1,714 billion.

On the basis of the report of the NDF, from the beginning of its establishment to the end of the 10th month of 1402, the total inflow to the Fund has been USD160.8 billion, of which 93.7 percent (USD150.6 billion) was attributed to the Oil Exports Proceeds. During the same period, the Uses of NDF amounted to USD132.1 billion, of which 86.4 percent (USD114.2 billion) was allocated to public and non-public plans as facilities. About 74.5 percent of those facilities - USD85.1 billion - were extended to various public plans and the remaining USD29.1 billion to the non-public

ones. Moreover, USD11.2 billion has been added to the NDF Uses titled "Return from Sources to the Budget". Only USD9.6 billion of the total Fund Uses have been reimbursed during the period under review. Accordingly, the balance of the Currency Reserve Accounts of the NDF was estimated IRR27.1 billion at the end of this period, of which 76.0 percent equivalent to USD20.6 billion was considered as the Manageable Balance of the NDF funds and the remaining USD6.5 billion as the balance of NDF liabilities. Accordingly, much of the NDF funds were spent for the public sector instead of productive plans in the private and non-public sectors.

From the establishment of the NDF to the end of the 10th month of 1402, USD30.5 billion has been allocated to financing foreign currency-oriented plans. Besides, part of the NDF funds in foreign currencies were deposited in some selected banks to be allocated to the oil, gas, petrochemicals, industries, and mining activities through facilities based on the assignments of the government budget laws. In this regard, USD6.0 billion has been deposited in those banks during the period under review.

The NDF has also extended some facilities in IRR according to some Laws, i.e., prior to the year 1394 the IRR210.0 trillion facilities were extended directly to plans and projects via some banks, but from 1394 onwards, the NDF deposited the funds at selected banks and those banks were responsible for allocating them. In that regard, till the end of the 10th month of 1402 the NDF deposited IRR850.0 trillion at selected banks aiming for financing 116,755 projects. In addition, IRR105.0 trillion for protecting rural employment has been considered by the NDF.

On the basis of the latest Sovereign Wealth Fund Institute ranking, with one place improvement the NDF ranked 16th among 100 sovereign wealth funds worldwide with USD162 billion assets, 8.0 percent above the USD150 billion in the previous ranking.

3-5. Targeted Subsidies Plan

In the Budget Law of 1402 and for six consecutive years, the details of the Sources and Uses of the Subsidies Reform Plan have been presented in a table that is more

comprehensive than preceding years. In fact, share of National Iranian Oil Company in Proceeds from Sales and Exports of Oil Products, Cost of Distribution and

Sales of Energy Carriers, and Imports of Oil Products and Electricity are financed via Proceeds from Sales of Oil Products, Natural Gas, Electricity, and Water. Moreover, the Organization of Targeted Subsidies uses the remaining funds for Cash and Non-cash Subsidies to Households,

Decreasing Absolute Poverty, Health Promotion, Subsidy on Bread, and Guaranteed Purchase of Wheat. The Sources and Uses of the Subsidies Reform Plan in the Budget Law of 1402 are presented in Table 17.

Table 17. Targeted Subsidies Plan Sources and Uses in 1402 Budget Law (IRR trillion)

Sources				Uses					
Description	1402 Budget Law	1401 Budget Law	1402 to 1401 Growth Rate in Law	Corresponding Sector	Description	1402 Budget Law	1401 Budget Law	1402 to 1401 Growth Rate in Law	
Domestic Sales of Oil Products	926.8	774.0	19.7	Treasury	VAT on Oil Products	121.1	98.6	22.8	
Export of Oil Products	2,918.5	2,602.0	12.2		VAT on Natural Gas	364.2	216.6	68.2	
Domestic Sales of Natural Gas	2,753.1	851.0	223.5	Total Treasury			485.3	315.2	54.0
Export of LPG	-	70.0	-	National Iranian Gas Company	Cost of Production, Distribution and Sales of Natural Gas	243.8	200.0	21.9	
Modification of Natural Gas Price (as fuel)	-	944.0	-		Road Transport Cost of Oil Products	188.0	95.0	97.9	
Overdue Claims and Other Incomes		258.0		National Iranian Oil Products Refining and Distribution Company	Charges for Transportation, Storage, and Distribution of Oil Products	202.0	133.0	51.8	
Rise in the Oil Products Exports Prices	-	606.0	-		Securing and Smartening CNG Stations	-	3.7	-100.0	
Domestic Sales and Export of Ethane, Propane, LPG and Sulfur - National Iranian Gas Company	-	260.0	-	National Iranian Oil Company	14.5 Percent Share of National Iranian Oil Company from Oil Products	348.5	329.0	5.9	
					Total Cost of Production, Distribution and Transportation			982.3	760.7
				Supporting Production in Energy Sector	Reimbursement of Commitments of Gas Projects and Energy Consumption Optimization	110.0	120.0	-8.3	
					Commitments of Energy Saving in Power Plants	30.0	30.0	0.0	
					Supporting Development and Maintenance of Production Capacity, Transfer, and Distribution of Oil Products (tax free)	140.0	95.1	47.2	
				Total support of Production in Energy Sector			280.0	245.1	14.2
				Other	Exempting Schools from Paying Gas, Electricity, and Water Bills	0.5	0.6	-16.7	
					Charges for Development of LPG Stations and Standardization of Cars	-	20.0	-100.0	
					New Investments Projects of National Iranian Gas Company	-	260.0	-100.0	
					2 Percent of the Price of Fuel Delivered to Aircrafts	0.4	-	-	
				Total Other			0.85	280.60	-99.7
				Total			1,748.4	1,601.6	9.2
				Uses of Organization of Targeted Subsidies	Paying Cash and Non-cash Subsidies to Households and Livelihood Assistance	4,400.0	3,058.0	43.9	
					Other	450.0	1,705.4	-73.6	
				Total Uses of Organization of Targeted Subsidies			4,850.0	4,763.4	1.8
Total Sources	6,598.4	6,365.0	3.7	Total Uses			6,598.4	6,365.0	3.7

Source: Budget Laws of 1401 and 1402

In the Budget Law of 1402, the Total Sources of the Subsidies Reform Plan - mainly from the Sales of Energy Carriers - was estimated IRR6,598.4 trillion, 3.7 percent up from that of the Budget Law of 1401. Among the components of the Sources of the Plan, Proceeds from Domestic Sales and Exports of Oil Products grew by 19.7 percent and 12.2 percent, respectively, compared to the Budget Law of 1401. In addition, the Proceeds from the Domestic Sales of Natural Gas was increased by 223.5 percent to IRR2,753.1 trillion in the Budget Law of 1402 compared to the Budget Law of 1401. This 223.5 percent rise in this source could be attributed to the aggregation of the its components including Exports of LPG, Natural Gas (as Fuel) Price Modification, Exports of Ethane and Sulfur, and as such that were eliminated from the tables of the Budget Law of 1402. The Proceeds from Sales of Feedstock to the domestic petrochemical producers that were transferred to the Sources of the Subsidies Reform Plan in 1399 and 1400 from the Total Oil Revenues in General Sources, were again included in the General Sources of the Budget Laws of 1401 and 1402 and excluded from the Sources of the Subsidies Reform Plan implicitly. In the Budget Law of 1402 like its 2 preceding years, the Sources

and Uses of Electricity and Water to the subscribers have been omitted from the Sources and Uses of the Subsidies Reform Plan.

According to the Budget Law of 1402, the Sources of the Subsidies Reform Plan are supposed to be spent for 2 sorts of Uses. The first group of Uses is associated with the Treasury, National Iranian Oil Products Refining and Distribution Company, National Iranian Oil Company, National Iranian Gas Company, Supporting Production in Energy Sector, and etc. Share of such Uses that are classified as off-plan, rose by 1.3 percentage points in Budget Law of 1402 compared to the Budget Law of 1401. The second group of Uses directly deals with the objectives of the Plan and its share in Total Uses in 1402 fell to 73.5 percent from the 74.8 percent of the Budget Law of 1401. As for the second group, in the Budget Law of 1402, Cash and Non-cash Subsidies to Households and Livelihood Assistance, Subsidies on Essential Goods, Bread, and Medicine grew by 43.9 percent compared to the Budget Law of 1401, accounting for 90.7 percent of the second group of Uses and 66.7 percent of the Total Uses of the Subsidies Reform Plan.

4. BALANCE OF PAYMENTS

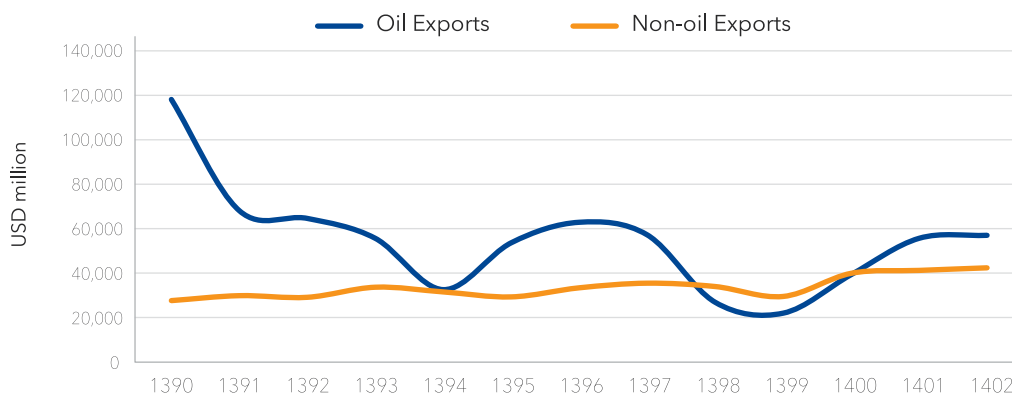
According to the preliminary estimates of the CBI, the balance of payments that consists of the Current Account, Net Capital Account, and Errors and Omissions registered a surplus of USD1.9 billion in 1402, far below the USD4.0 billion surplus in 1401. An examination of the components of the balance of payments reveals that the surplus of the Current Account has fallen to USD10.3 billion in 1402, showing 27.5 percent drop compared to its preceding year. On the other hand, the Capital Account deficit has risen to USD23.2 billion in 1402 from the USD15.1 billion in 1401. Finally, the Errors and Omissions has surprisingly tripled to register positive USD14.9 billion in 1402 from the positive USD4.9 billion in 1401. The Current Account itself is composed of four elements of Goods Account, Services Account, Income Account, and Current Transfers Account. The Goods Account (goods trade balance) which represents the net exports of goods, slightly rose to USD22.5 billion in 1402 from the USD22.2 billion in 1401.

The value of Iran's trade of goods as a whole (sum of the value of imports and exports) in 1402 stood 3.0 percent above that in 1401. The goods exports value of Iran in 1402 grew by 2.8 percent compared to 1401 to register USD100.4 billion. As for oil exports, its value in 1402 was 2.5 percent up from that in its preceding year. From 1390 to 1394, the imposition of economic sanctions on Iran caused the oil exports revenues to plummet, reaching USD31.8 billion in 1394 from USD119.1 billion in 1390. However, in the aftermath of the JCPOA in 1394, the downward trend of Iran's oil exports reversed course and in three years, the value of Iranian oil exports climbed to USD57.0 billion in 1397. As a result of the unilateral withdrawal of the USA from the JCPOA in 1397 that consequently resulted in reimposition of the economic sanctions against Iran, the value of the Iranian oil exports diminished to USD21.0 billion in 1399, however the COVID-19 pandemic and the

fall in global oil prices ought to be considered as other drivers of the fall in oil exports revenues in that year. From 1400 to 1402, Iran's oil exports experienced a remarkable growth, registering USD56.8 billion in 1402. All in all, lifting the COVID-19 limitations, the effects of Russia invasion of Ukraine and the tensions in the Middle East on oil prices, and finally loosening of implementation of economic sanctions on Iran were the contributors to the rise in value of Iran's oil exports from 1400 to 1402.

During 1390 to 1402, Iran's non-oil exports was not that volatile and had an upward trend in general. The value of Iran's non-oil exports rose to USD43.6 billion in 1402, up 3.2 percent from the USD42.2 billion in 1401. The value of oil and non-oil exports of Iran between 1390 and 1402 are shown in Graph 4.

Graph 4. Value of Oil and Non-oil Exports of Iran



Source: Central Bank of Iran

The goods imports that valued USD75.4 billion in 1401, grew by 3.3 percent to USD77.9 billion in 1402. In addition, the oil and gas imports¹ of Iran totaled USD1.2 billion in 1402, far above the USD228 million in 1401, probably due to the imports of gasoline. Consequently, the oil trade balance surplus expanded by 0.7 percent, while non-oil trade balance deficit rose by 0.6 percent to register USD33.1 billion in 1402. The oil trade balance of Iran permanently has a surplus, as the exports of oil and gas always stands significantly above the imports of oil

products and gas (which is negligible). Besides, the share of oil exports in total exports of the country fell by 0.1 percentage point to 56.6 percent in 1402.

The Services Account deficit that registered USD6.7 billion in 1401, surged by 66.5 percent to USD11.1 billion in 1402. The Income Account² deficit on the other hand fell to USD1.0 billion in 1402 from USD1.1 billion in 1401. Details of the balance of payments are shown in Table 18.

Table 18. Balance of Payments in 1401 and 1402 (USD billion)

	1402*	1401	Percentage Change
Current Account	10.3	14.2	-27.5
Goods Account	22.5	22.2	1.0
Exports (FOB)	100.4	97.7	2.8
Oil	56.8	55.4	2.5
Non-Oil	43.6	42.2	3.2
Imports (FOB)	77.9	75.4	3.3
Gas and Oil Products	1.2	0.2	426.3
Other Goods	76.7	75.2	2.0
Services Account	-11.1	-6.7	66.5
Income Account	-1.0	-1.1	-6.6
Current Transfers Account	0.0	-0.3	-86.9
Net Capital Account	-23.2	-15.1	54.2
Errors and Omissions	14.9	4.9	203.8
Overall Balance	1.9	4.0	-51.9

Source: Central Bank of Iran
*Preliminary estimates

4-1. Imports and Exports of Goods

On the basis of the Islamic Republic of Iran Customs Administration (IRICA), Iran's customs exports in 1402 registered 138.4 million tons in weight and USD50.1 billion in value, while the corresponding figures for the imports for the same year registered 39.6 million tons and USD66.9 billion. Accordingly, the trade balance deficit rose to USD16.8 billion in 1402 from the USD6.2 billion of 1401 which is attributed to the 10.9 percent (USD6.6 billion) rise in value of imports and fall in value of exports due to the fall in global prices of Iran's major exports items in 1402. According to the Trade Promotion Organization of Iran, in 1402 about 47.125 million tons of petrochemicals valued at USD18.656 billion was exported, indicating 11.3

percent and 28.5 percent fall, respectively, in weight and in value. Precisely speaking, the average value of a ton of exported petrochemicals has dropped from USD491 in 1401 to USD396 in 1402.

During 1402, the goods exports of the country expanded by 11.4 percent in weight, while contracted by 7.3 percent in value. Hence, the average price of exported goods per ton declined to USD362 in 1402 compared to USD435 in its preceding year. Regarding the goods imports, in 1402 it expanded both in weight and in value by 5.9 percent and 10.9 percent, respectively. Therefore, the average price of imported goods per ton rose to USD1,691 in 1402 from

1. Including customs and non-customs imports of oil products, natural gas, natural gas condensates and liquids

2. Mainly including compensation of workers and revenues and expenditures from Investments.

USD1,614 in 1401. Subsequently, the average price of a ton of imported goods was four times that of the exported goods in 1402, emanating in exports of semi-raw or low value-added goods. In addition, the CBI foreign exchange policy has also tempted the merchants to over invoice their imports and under invoice their exports. It is noteworthy that the highly-concentrated exports destinations have served as a hinderance to the development of value-added products exports and has also deprived the country from benefiting from trade with various parties, translating to export proceeds vulnerability to economic and political developments of the trade counterparts.

On the basis of the statistics issued by the IRICA, cattle feed corn, cellular phone, and gold bullion were the top three imported items of the country in 1402 with the values of USD3.783 billion, USD2.906 billion, and USD1.936 billion, respectively. The major driver of the 100 percent rise in the imports of gold bullion rooted in the Circular enunciated in summer 1402 based on which the exporters

were allowed to fulfill their exports commitments through imports of gold to the country - in exchange of transferring their foreign proceeds to the country. In 1402, USD7.598 million auto parts were imported to the country, up 31.9 percent from that in its preceding year due to the rise in the number of automotive assembly plants of Chinese vehicles in Iran. Among the top ten imported items, the highest fall in value belonged to wheat at 50.4 percent, to rice at 42.6 percent, and to soybean at 24.3 percent.

As for the exports, liquified natural gas valued at USD3.090 billion, liquified propane at USD3.062 billion, and bitumen at USD2.197 billion were the top three customs exported items in 1402. Among the top ten exported items, the highest fall in value belonged to liquified natural gas at 59.1 percent, to urea at 32.0 percent, and to liquified propane at 19.2 percent, mainly due to the fall in their global prices and also the price discounts. Table 19 presents the data on Iranian customs trade in 1401 and 1402.

Table 19. Customs Trade in 1401 and 1402

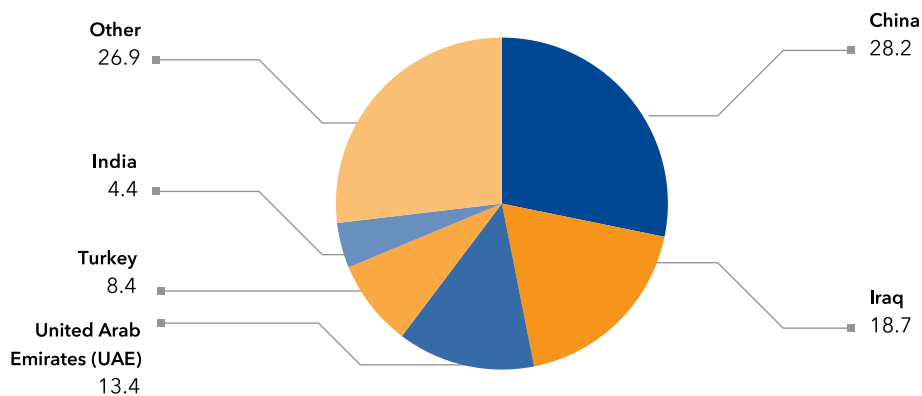
	1402			1401			Percentage Change	
	Weight (1000 tons)	Value (USD million)	Value to Wight Ratio (USD per ton)	Weight (1000 tons)	Value (USD million)	Value to Wight Ratio (USD per ton)	Weight	Value
Exports	138,376	50,120	362	124,245	54,086	435	11.4	-7.3
Imports	39,556	66,883	1,691	37,358	60,309	1,614	5.9	10.9
Customs Trade Balance	98,820	-16,763	-	86,887	-6,223	-	13.7	169.4

Source: Islamic Republic of Iran Customs Administration

As in 1401, China, Iraq, UAE, Turkey, and India were the top five exports destinations of Iran in 1402, constituting 73.1 percent of the value of total customs exports of Iran. In 1402, the customs exports to China registered USD14.2 billion with 28.2 percent share in total, followed by Iraq valued at USD9.4 billion with 18.7 percent share, UAE at

USD6.7 billion with 13.4 percent share, Turkey at USD4.2 billion with 8.4 percent share, and India at USD2.2 billion with 4.4 percent share in total customs exports. Graph 5 illustrates the top five customs exports destinations of Iran in 1402.

Graph 5. Main Customs Exports Destinations of Iran in 1402 (percent)

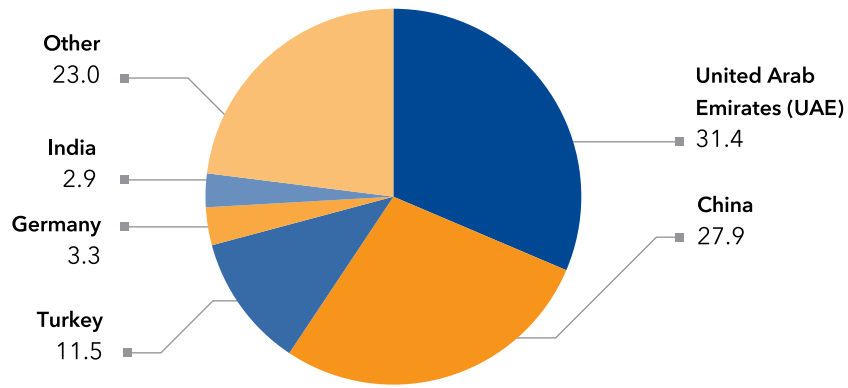


Source: Islamic Republic of Iran Customs Administration

During 1402, UAE ranked as the first source of Iran's Imports at USD21.0 billion with share of 31.4 percent in total value of Iran's customs imports, followed by China at USD18.7 billion with 27.9 percent share, Turkey at USD7.7 billion with 11.5 percent share, Germany at USD2.2 billion

with 3.3 percent share, and India at USD1.9 billion with 2.9 percent share in total value of Iran's customs imports. The top five sources of Iran's imports constitute 77.0 percent of the value of customs imports of the country. Graph 6 depicts Iran's major sources of Imports.

Graph 6. Main Customs Sources of Imports of Iran in 1402 (percent)

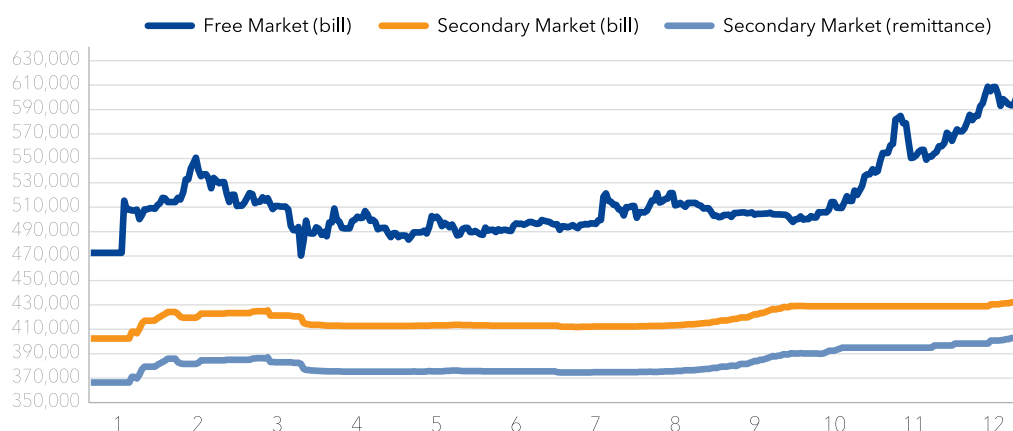


Source: Islamic Republic of Iran Customs Administration

5. FOREIGN EXCHANGE MARKET

The price of a US Dollar against the Iranian Rials in the domestic free market opened the first working day of 1402 at IRR515 thousand and escalated to the high of IRR551 thousand on the 11th day of the second month of spring. However, the depreciation of IRR against USD did not last long and the USD/IRR exchange rate dropped to 470 thousand in the late spring of 1402. From that point onwards, the USD slightly appreciated against IRR and eventually closed fall 1402 at IRR499.8 thousand. Similar to winter 1401, in the last quarter of 1402, the Iranian foreign exchange market experienced an upward price shock, causing the USD/IRR exchange rate to stand up 28 percent on the last day of 1402 from that of the end of 1401. All in all, the USD/IRR exchange rate was less volatile throughout 1402 than its preceding year. The developments of USD/IRR exchange rates in the free market and the secondary market are depicted in Graph 7.

Graph 7. USD/IRR Exchange Rates in Various Markets During 1402



Source: Gold, Coin, and Currency Information Network

The foreign exchange market took a less volatile path in the first three quarters of 1402 than the same period of 1401. Releasing part of Iran's funds via the International Monetary Fund (IMF) and part of funds in Luxemburg and Iraq as well as the negotiations for unfreezing the funds with Turkey and Japan are referred to as the contributors to the low volatility of the Iranian foreign exchange market in the first three quartets of 1402. In addition, the limited monthly liquidity growth thanks to the CBI macroprudential policy was a factor of stabilization of the foreign exchange market in the time span under discussion. All in all, the rise in petrodollars in conjunction with the exercises of the market maker were the dominant

factors of the stability in the domestic market for foreign exchanges. During the first 11 months of 1402, despite the sales of petrodollars (oil exports proceeds and the NDF funds) to the CBI, the foreign assets of this monetary authority that were expected to expand, diminished by about IRR1,720 trillion, indicating an extensive supply of foreign reserves by the CBI. Unlike the first three quarters of 1402, the foreign exchange market faced an upward price shock in winter 1402 similar to winter 1401. As for international circumstances, the war in Gaza Strip that was ignited in the last quarter of 1402 was a factor of intensification of the Iranian Rials depreciation in the same quarter. The USD price in winter 1402 averaged IRR554.4

thousand, indicating 28.7 percent rise from winter 1401. In annual terms, the average USD/IRR exchange rate in the free market registered IRR515.0 thousand, standing

49.9 percent above that of 1401. Table 20 compares the nominal USD/IRR bill exchange rates in 1401 and 1402.

Table 20. Nominal USD/IRR Bill Exchange Rates in 1401 and 1402

	Average	Maximum	Minimum	Standard Deviation	Coefficient of Variation
Spring 1401	289,977	330,000	262,300	18,938	0.07
Summer 1401	311,388	327,500	296,100	9,417	0.03
Fall 1401	345,789	388,320	316,660	19,195	0.06
Winter 1401	430,816	525,000	387,590	28,565	0.07
1401	343,536	525,000	262,300	57,068	0.17
Spring 1402	507,098	550,510	469,830	20,163	0.04
Summer 1402	493,654	508,610	483,100	5,045	0.01
Fall 1402	506,254	521,500	492,410	6,954	0.01
Winter 1402	554,401	609,200	499,490	34,305	0.06
1402	514,999	609,200	496,830	30,633	0.06

Source: Central Bank of Iran; Gold, Coin, and Currency Information Network; research calculations

The USD/IRR bill exchange rate in the secondary market¹ did not experience remarkable changes during 1402 in comparison with its corresponding rate in the free market, hence the gap between the two rates widened. This gap that had touched the high of 24.3 percent in the second month of spring 1402, reversed course and was lying between 19 to 21 percent during summer and fall of 1402. Due to the upward exchange rate shock in winter 1402 in the free market and the stability of the USD/IRR bill exchange rate in the secondary market, the gap between

the USD/IRR bill exchange rate of the two markets reached the high of 41.9 percent in the middle of the last month of 1402, translating to higher sources of economic rent. The gap between the USD/IRR remittance rate in the secondary market and the USD/IRR bill exchange rate in the free market behaved the same and registered 52.8 percent on the same date, recording the widest gap during the year 1402. Meanwhile, for imports of some essential goods, the USD was allocated at IRR285 thousand which deviated more than 100 percent from the free market rate.

1. The market where foreign currencies are supplied for official imports of goods and services at rates below the free market rates. Precisely speaking, in order to observe the CBI regulation, the exporters are required to supply their foreign proceeds in that market.

6. MONETARY POLICY

6-1. Monetary Aggregates

The Liquidity (M2) closed the year 1402 at IRR78,774.5 trillion, indicating 24.3 percent rise from the end of 1401, in accordance with the latest CBI data. The annual growth rate of M2 that had reached 39.0 percent at the end of 1400, kept on falling and registered 31.1 percent at the end of 1401 and closed the year 1402 by further 6.8 percentage points decrease. The slower pace of the M2 growth could be attributed to the macroprudential policy of the CBI implemented since 1400, based on which the banks were subject to put a cap on their monthly growth rate of their assets - 2 percent for the commercial banks and 2.5 percent for the specialized banks. The monthly

developments of M2 reveals that this major monetary aggregate has expanded by 1.8 percent on average per month during the year 1402, below the decreed monthly growth cap. The monetary base (M0) also grew at a slower pace of 27.6 percent at the end of 1402, below the 42.9 percent at the end of 1401 to reach IRR10,906.3 trillion. Accordingly, the M2 money multiplier that had registered 7.41 at the end of 1401 fell to 7.22 at the end of 1402. In addition, the CBI also revised the categorization of the components of the monetary base aiming for higher quality data in that regard¹. Table 21 depicts the developments of M2 by its components in 1402.

Table 21. Developments of Liquidity with Its Components (IRR trillion-percent)

	End of Period Balance		End of Period Annual Growth Rate		Share in Liquidity at The End of	
	1402	1401	1402	1401	1402	1401
Liquidity (M2)	78,774.5	63,376.8	24.3	31.1	100.0	100.0
Money (M1)	19,146.4	16,296.9	17.5	65.2	24.3	25.7
Notes and Coins with the Public	1,468.8	1,226.1	19.8	41.9	1.9	1.9
Sight Deposits	17,677.7	15,070.8	17.3	67.4	22.4	23.8
Checks (net)	522.6	201.1	159.9	98.5	0.7	0.3
Quasi-money	59,628.1	47,079.9	26.7	22.4	75.7	74.3
Interest-free* Saving Deposit	7,603.5	5,497.3	38.3	68.5	9.6	8.7
Short Term	16,865.4	15,931.3	5.9	16.8	21.4	25.1
One-year	14,508.7	14,739.5	-1.6	37.9	18.4	23.3
Two-year	4,183.5	6,868.3	-39.1	-28.5	5.3	10.8
Three-year	14,382.9	2,346.8	512.9	-	18.3	3.7
Four-year	3.6	3.6	0.0	-2.7	0.0	0.0
Five-year	65.2	63.7	2.4	3.7	0.1	0.1
Miscellaneous Deposits	2,015.3	1,629.4	23.7	35.0	2.6	2.6

Source: Central Bank of Iran

* Known as Gharz-al-hasanah Saving Deposit in CBI books.

The M2 statistics reveal that the three-year deposits constituted 18.3 percent of this monetary aggregate at the end of 1402, showing 14.6 percentage points rise from the end of 1401. The higher interest rate of three-year deposits than the two-year ones and the arbitrary prematurity withdrawal penalty waiver granted by banks to the depositors resulted

in a remarkable rise in the balance of three-year deposits at the end of 1402 from the end of 1401 in expense of 40 percent fall in the two-year deposits. However, the share of short-term deposits, interest-free saving deposits, and sight deposits in total accounted for 53.4 percent of the liquidity - about 4 percentage points below that at the end of 1401 -

1. The revision is based on Monetary and Financial Statistics Manual and Compilation Guide, International Monetary Fund, 2016.

indicating that the depositors were reluctant to invest their funds in long-term deposits and their decision making has been on short-term basis.

An examination of M2 by its components, money (M1) and quasi-money, reveals that money had expanded by 17.5 percent at the end of 1402 compared to the end of 1401. The quasi-money, on the other hand grew by 26.7 percent during the same period. The M1 that accounted for 26.0 percent of M2 in the first month of 1402 closed the year 1402 at 24.0 percent share. The rise in the share of quasi-money in M2 and its higher growth rate than M1 could be attributed to two factors. First, limited issuance of certificates of deposits with 30 percent interest rates following the CBI circular in that regard in winter 1402, and second, arbitrary offering of interest rates higher than the official ones on long-term deposits by some banks.

The CBI decided to revise the USD/IRR exchange rate used for conversion of its foreign assets (liabilities) to IRR from the last month of 1402 onwards. Moreover, the categorization of the monetary base components by the Monetary Authority became updated based on the 2016 Manual of IMF. For instance, it is recommended that CBI Net Foreign Claims on the Public Sector be excluded from the CBI Net Foreign Assets, and in exchange be included in the CBI Net Claims on the Public Sector. The IMF membership fee is as such. Regarding the quality of the assets, the country's access to its foreign assets matters, i.e., the frozen assets seem to be excluded from the Net CBI Foreign Assets and are classified under the Net Other CBI assets.

The CBI also revised the M0 categorization for some years prior to 1402, with the aggregate figures remaining unchanged.¹ The M0 annual growth rate that had registered 42.9 percent at the end of 1401 plummeted to 27.6 percent at the end of 1402, indicating 15.3 percentage points decrease. On the basis of the revised sources of the monetary base, the CBI Net Foreign Assets skyrocketed by 513 percent in 1402, accounting for 181.5 percentage points of the 27.6

percent annual growth rate of M0 in the same year. Note that the rise in this component is rooted in the change of the USD/IRR exchange rate for conversion of assets to IRR. Precisely speaking, the USD/IRR exchange rate used for conversion of the foreign assets has been that of the secondary market at the end of 1402 at 405 thousand - far above the official rate of 42 thousand. Hence, by converting their values to USD with the corresponding rates, the CBI Net Foreign Assets in USD in 1402 has even dropped by 36 percent, equivalent to USD26 billion. So, it is grasped that in 1402, part of the CBI Net Foreign Assets has been sold by the market maker in an effort to control the foreign exchange market and to rein in the growth rate of the monetary base. In order to offset the monetary effects of the rise in the CBI Net Foreign Assets (in IRR due to exchange rate update), the CBI Net Other Assets has decreased by an amount equivalent to the rise in the CBI Net Foreign Assets. Therefore, the CBI Net Other Assets in 1402 has served as a factor of decrease in the monetary base with negative 199.1 percentage points share in the annual growth rate of that monetary aggregate, albeit 106.4 percent rise in the balance of CBI Open Market Operations in 1402 as a subgroup of the CBI Net Other Assets has an increasing role in M0 growth rate.

With reference to the rearrangement of M0 component, in fact the CBI Net Claims on Banks has been the major contributor to the annual growth of monetary base in 1402, with 44.5 percentage points share, due to the rise in banks' overdraft from CBI. So, given the doubled balance of Open Market Operations - expansionary monetary policy of the CBI - in 1402, the severe imbalance of the Iranian banking system is crystal clear.

The CBI Net Claims on the Public Sector with share of 0.7 percentage point in the annual growth rate of M0 served as another factor of increase in the monetary base in 1402 as the Government deposits has grown by a slower pace than the its debts to the CBI in the period under review. Table 22 presents the developments of M0 from 1400 to 1402.

1. The CBI Net Foreign Assets at the end of 1401 registered IRR6,824.3 trillion (approximately USD162 billion with 42 thousand IRR per USD) based on the previous categorization of monetary base and was revised to IRR3,024.9 trillion (approximately USD72 billion with 42 thousand IRR per USD) based on the new categorization of the monetary base, indicating 55.0 percent fall (IRR3,799.4 trillion, equivalent to USD90 billion) in this component of monetary base. In the same vein, the Net Other Assets of CBI at the end of 1401 was revised to positive IRR3,459.6 trillion based on the new categorization of monetary base from the negative IRR151.0 trillion, indicating IRR3,610.6 trillion change.

Table 22. Revised Monetary Base Sources from 1400 to 1402

	End of Period Balance (IRR trillion)			Growth (percent)		Share in Growth (percentage point)	
	1402	1401	1400	1402 to 1401	1401 to 1400	1402 to 1401	1401 to 1400
Monetary Base (M0)	10,906.3	8,548.0	5,981.1	27.6	42.9	27.6	42.9
Net Foreign Assets	18,537.1	3,024.9	3,093.1	512.8	-2.2	181.5	-1.1
CBI Claims on Public Sector (net)	-1,786.8	-1,848.9	-572.8	3.4	-222.8	0.7	-21.3
CBI Claims on Public Sector	4,742.8	3,293.2	2,359.8	44.0	39.6	17.0	15.6
Public Sector Deposits with the CBI	6,529.6	5,142.1	2,932.6	27.0	75.3	-16.3	-36.9
CBI Claims on Banks	7,713.5	3,912.4	1,463.4	97.2	167.4	44.5	40.9
Other Assets (net)	-13,557.7	3,459.6	1,997.4	-491.9	73.2	-199.1	24.4
Balance of Open Market Operations	2,040.0	988.4	1,012.9	106.4	-2.4	12.3	-0.4

Source: Central Bank of Iran

6-2. Sources and Uses of Banks

The aggregated balance sheet of the banks and non-bank credit institutions suggests that their assets (liabilities) excluding below the line items, at the end of 1402 have grown by 28.0 percent from the end of 1401. On the assets side, Other Assets, Non-public Debt, and Deposits with the CBI had, respectively, the highest growth rates of 33.0,

30.6, and 29.7 percent during 1402. On the liabilities side, Debt to the CBI, Other Liabilities, and Deposits of Public Sector grew by 97.2, 34.2, and 24.4 percent during 1402, respectively, registering the highest growth rates. Table 23 presents a summary of the assets and liabilities of the banks and non-bank credit institutions in 1402.

Table 23. Assets and Liabilities of the Banks and Non-bank Credit Institutions (IRR trillion)

	Balance at the End of		Share of Banks and Non-bank Credit Institutions at the End of 1402			Percentage Change of 1402 to 1401
	1402	1401	Public Commercial	Public Specialized	Non-public	
Assets (excluding below the line items)	142,022.3	110,930.6	32,974.6	20,231.6	88,816.1	28.0
Foreign Assets	23,854.1	20,336.4	2,852.1	5,444.8	15,557.2	17.3
Notes and Coins	191.9	193.8	63.4	20.2	108.3	-1.0
Deposits with the CBI	9,245.6	7,128.1	2,365.1	580.2	6,300.3	29.7
Claims on Public Sector	9,749.4	7,931.8	4,500.8	1,708.1	3,540.5	22.9
Claims on Non-public Sector	66,509.0	50,934.4	13,789.3	9,288.7	43,431.0	30.6
Others Assets	32,472.3	24,406.1	9,403.9	3,189.6	19,878.8	33.0
Liabilities (excluding below the line items)	142,022.3	110,930.6	32,974.6	20,231.6	88,816.1	28.0
Deposits of Non-public Sector	77,305.7	62,150.7	20,043.3	7,049.2	50,213.2	24.4
Debt to CBI	7,713.5	3,912.4	2,358.8	1,631.2	3,723.5	97.2
Deposits of Public Sector	392.0	463.2	211.9	104.6	75.5	-15.4
Capital Account	2,599.6	2,384.3	-464.4	1,094.2	1,969.8	9.0
Foreign Deposits	20,479.7	17,035.5	3,209.0	4,741.5	12,529.2	20.2
Other Liabilities	33,531.8	24,984.5	7,616.0	5,610.9	20,304.9	34.2

Source: Central Bank of Iran

At the end of 1402, the balance of extended facilities of the banking system reached IRR70,682.3 trillion, 26.6 percent and equivalent to IRR14,849.2 trillion above that at the end of 1401. The balance of deposits at the

same period reached IRR91,629.2 trillion by IRR18,886.7 trillion, equivalent to 26.0 percent rise from the end of 1401. The ratio of extended facilities to deposits less the legal reserves at the end of 1402 registered 85.2 percent,

showing no considerable change from its preceding year. Table 24 present the balance of extended facilities and

balance of deposits of the banking system.

Table 24. End of Period Balance of Extended Facilities and Deposits at Banks and Non-bank Credit Institutions

	1402	1401	Percentage Change
Extended Facilities (IRR trillion)	70,682.3	55,833.1	26.6
Deposits (IRR trillion)	91,629.2	72,742.5	26.0
Deposits Less Legal Reserves (IRR trillion)	82,974	65,603.3	26.5
Ratio of Extended Facilities to Deposits Less Legal Reserves (percent)	85.2	85.1	-

Source: Central Bank of Iran, Banking Statistics

During 1402, the total extended facilities by the banking system rose by IRR11,193.1 trillion compared to the end of 1401 to reach IRR56,460.3 trillion, indicating 24.7 percent rise. This annual growth is also consistent with the allowed monthly growth rate of the banks' assets in CBI's macroprudential policy. Out of the total facilities extended during 1402, IRR46,122.0 trillion was allocated to businesses (individuals and legal entities) and the remaining to the households. As for the type of extended facilities, during 1402, out of the total facilities allocated to the businesses, the highest share of 76.4 percent

was allocated for working capital. Out of the allocated facilities for the same regard, 41.5 percent equivalent to IRR14,618.0 trillion belonged to the Services sector and 39.0 percent equivalent to IRR13,728.8 trillion to the Industries and Mining sector. Moreover, Purchase of Private Goods constituted the highest share of 41.7 percent of the IRR10,338 trillion facilities extended to the households, while facilities aiming for house tenancy deposits accounted for the lowest share of 1.7 percent in 1402.

Table 25. Extended Facilities by The Banking System in 1402 (IRR trillion)

Sector /Type of Facility	Businesses (Individuals and Legal Entities)							Final Consumers (households)	Total
	Agriculture	Industries and Mining	Housing and Construction	Commerce	Services	Miscellaneous	All Sectors		
Total	3,064.4	16,743.0	2,603.9	4,473.8	19,224.4	12.6	46,122.0	10,338.4	56,460.3
Share of Each Type by Sectors (percent)									
Creation	23.7	11.9	57.7	6.0	17.1	28.6	16.9	0.0	13.8
Working Capital	67.3	82.0	36.1	86.9	76.0	66.8	76.4	0.0	62.4
Development	6.5	5.0	3.2	6.0	4.9	3.7	5.0	0.0	4.1
Non-interest* Loans for State Welfare Organization	0.3	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.1
Non-interest* Loans for Imam Khomeini Relief Foundation	0.9	0.2	0.0	0.1	0.5	0.4	0.4	0.0	0.3
Non-interest* Loans for Other Purposes	1.0	0.3	0.0	0.1	0.6	0.4	0.4	0.0	0.3
Repair	0.0	0.0	0.1	0.0	0.0	0.0	0.0	2.5	0.5
Housing Repair	0.0	0.0	0.0	0.0	0.1	0.0	0.0	3.1	0.6
Purchase of Second-Hand House	0.0	0.0	0.7	0.0	0.0	0.0	0.0	5.2	1.0
Purchase of New Builds	0.0	0.2	1.5	0.5	0.1	0.0	0.3	3.3	0.8
Purchase of Private Goods	0.2	0.2	0.1	0.3	0.4	0.0	0.3	41.7	7.9
Purchase of Private Vehicle	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.5
Non-interest* Loans for Marriage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.4	2.4
Non-interest* Loans for Necessary Cased	0.1	0.0	0.0	0.2	0.1	0.0	0.1	22.8	4.2
Non-interest* Loans for Population Growth**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	0.6
Tenancy Deposit	0.0	0.0	0.4	0.0	0.0	0.0	0.0	1.7	0.3

Source: Central bank of Iran

*Non-interest loans known as Gharz-al-hasanah in CBI books, basically includes a small amount of fee for administrative affairs only.

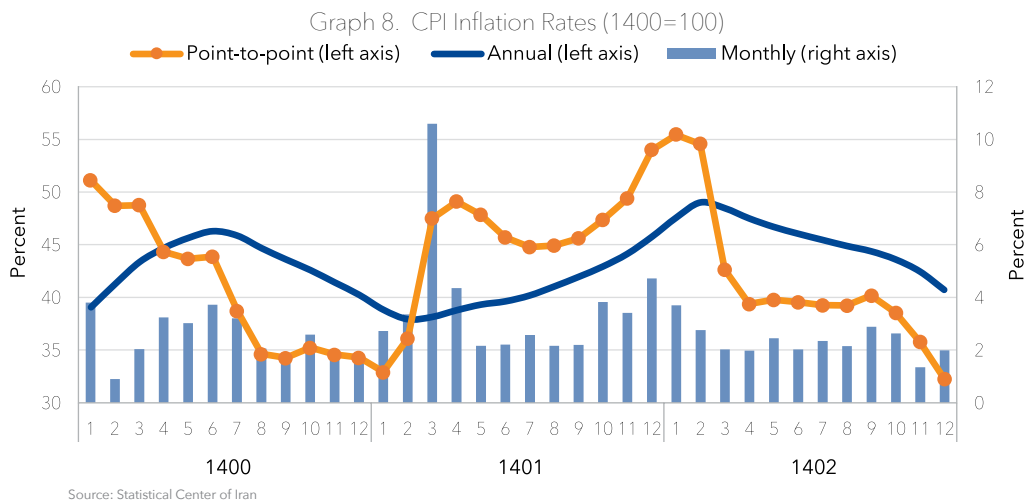
** This sort of loan is specified in the Government Budget in line with Demographic Policies. As a decreed type of loan for the banking system, it serves as a carrot for couples to give birth to more children. The amount of the loan varies by the birth order of any child.

7. PRICES AND INFLATION

During the past half a century, the Iranian economy has been suffering from chronic inflation, a phenomenon based on which a country experiences notable inflation rates for many years or decades due to various reasons such as continuous oversupply of money. Inflationary expectations among Iranians, imposition of economic sanctions on Iran especially from 1390s, limited access to foreign exchange reserves, and finally practicing unsound monetary and fiscal policies were the contributors to the persistence of the chronic inflation in the Iranian economy.

Various price indices are used for calculation of rates of inflation, among those the Consumer Price Index (CPI) is of high importance as the changes in that index represent the changes in welfare level of the households. The data on the CPI inflation rate was previously published by both the CBI and the SCI, however from the beginning of 1402 the SCI became in charge of issuing that data only. Note that the CBI data on CPI inflation rate are somehow released, but

unofficially and for certain reasons¹. On the basis of the SCI data (1400=100), from early 1402 the annual CPI inflation rate behaved different from 1401 and closed the year 1402 at 40.7 percent, far close to the 40.2 percent end of year annual CPI inflation rate of 1400. Graph 8 depicts the developments of the CPI inflation rates from the beginning of 1400 to the end of 1402.



The elimination of allocation of USD at official rate of IRR42 thousand for imports of essential goods in the early 1401 caused the monthly and point-to-point CPI inflation rates to surge in the last month of spring 1401. From the same month, the continuous downward trend of the annual CPI inflation that has started from mid-1400, reversed course and lasted till the end of the first month of 1402. In line with its upward trend from the beginning of fall 1401, in the first month of 1402 the point-to point CPI inflation rate reached the high of 55.5 percent from 1400 onwards. The annual

CPI inflation rate that had registered 49.1 percent in the second month of 1402 reversed course and in a continuous downward path closed the year 1402 at 40.7 percent. The point-to-point CPI inflation rate fell slightly to 54.6 percent in the second month of 1402 and considerably diminished by 12.0 percentage points to 42.6 percent at the end of spring 1402. Experiencing a stable trend in its succeeding 6 months, the point-to-point CPI inflation rate fell again and eventually closed the year 1402 at the low of 32.2 percent from 1400 onwards. The monthly CPI inflation rate

1. The CPI data published by the CBI is used for calculation of the present value of overdue obligations in courts.

did not experience much changes in 1402 compared to its preceding year and registered the low of 1.3 percent in the 11th month of the year. The downward trend of the annual and point-to-point CPI inflation rates in 1402 could be attributed to the CBI macroprudential policy that was exercised from 1400. According to the circular of the CBI, the commercial banks and the specialized banks were required to put a cap on the monthly growth rate of their assets, 2 percent for the former banks and 2.5 percent for the latter¹. The CBI statistics suggests that the annual liquidity growth rate that had exceeded 42 percent in 1400 reversed course from the middle of that year and continually diminished to 24.3 percent at the end of 1402. The monthly liquidity growth rate in 1402 averaged 1.8 percent, below the monthly growth rate caps of the banks' assets.

Even though no data on the CPI inflation rate was officially released by the CBI in 1402, some unofficial sources reported the annual CPI inflation rate of 52.3 percent for 1402 on the basis of the CBI table of Consumer Price Index used for calculation of the present value of overdue obligations. This annual CPI inflation rate however, is far above the official rate released by the SCI.

An examination of the CPI inflation rates by the twelve main groups of the consumption basket of goods and services based on the SCI indicates that at the end of 1402, the highest annual and point-to-point CPI inflation rates belonged to "Restaurants and Hotels" while the lowest ones belonged to "Communication". Nevertheless, the aggregated weights of these two groups in the consumption basket is negligible. "Clothing and Footwear" on the other hand experienced the highest monthly inflation rate of 3.3 percent in the last month of 1402 and the "Education" with zero monthly rate of inflation experienced the lowest. The developments of the changes in the price indices of "Housing, Water, Electricity and Other Fuels" as well as "Foods and Beverages" that constitute the highest weights in the basket of consumption, respectively, are crucial as they represent the changes in the welfare level of the households. The annual and point-to-point inflation rates of "Housing, Water, Electricity and Other Fuels" were slightly increasing during the last three months of 1402 and closed the year at 39.2 percent and 41.2 percent, respectively. On the contrary, the corresponding inflation rates in "Foods and Beverages" were continually decreasing during the same period and registered 41.2 percent and 25.0 percent at the end of 1402. Table 26 presents the CPI inflation rates in the last month of 1402.

Table 26. Inflation Rates of the Consumption Basket of Goods and Services at the End of 1402 (percent)

	Base Year Weight	Inflation		
		Monthly	Point-to-point	Annual
Overall	100.00	2.0	32.3	40.7
Housing, Water, Electricity and Other Fuels	36.11	2.4	41.2	39.2
Foods and Beverages	28.82	1.6	25.0	41.2
Transport	8.93	2.7	24.3	41.9
Health	6.68	0.5	31.1	42.9
Clothing and Footwear	4.52	3.3	38.6	47.2
Others	4.42	3.0	34.8	40.6
Household Equipment	4.40	2.0	29.7	36.7
Communication	2.41	1.0	17.8	19.8
Restaurants and Hotels	1.35	1.8	49.0	59.8
Education	0.88	0.0	41.4	37.4
Recreation and Culture	0.87	1.2	36.4	43.7
Tobacco	0.62	1.6	37.8	42.1

Source: Statistical Center of Iran

Taking into consideration the cost deciles at the end of 1402, the SCI statistics suggests that monthly and annual CPI inflation rates in the tenth cost decile experienced the highest levels of 2.26 percent and 42.2 percent while the first income decile experienced the lowest levels of 1.62 percent and 36.8 percent. In terms of point-to-point CPI inflation rate, the highest rate of 32.9 percent belonged to

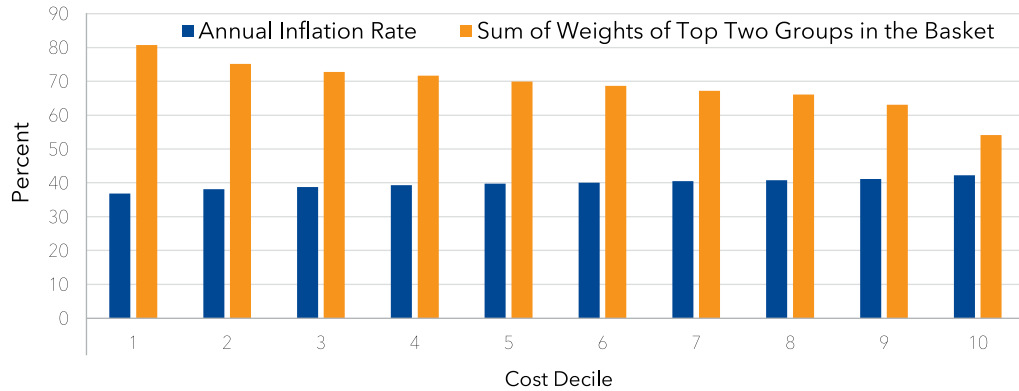
the ninth cost decile and the lowest rate of 29.0 percent to the first cost decile. The difference between the annual CPI inflation rates of the first and the last deciles at the end of 1402 is 5.4 percentage points only, while according to the SCI report on households' revenues and expenditures, the annual expenditures of the last decile in 1401 was 16 times that of the first decile, translating to high inequality

1. This topic is explained in the Chapter of Monetary Policy in detail.

of income distribution. Considering the notably higher weights of "Housing, Water, Electricity and Other Fuels" and "Foods and Beverages" in the consumption basket of the first decile than the last one, the inflation rates in these two main groups of consumption basket that include basic

needs affect the welfare level of lower income deciles more severely than the upper ones. Graph 9 depicts the annual inflation rates as well as the sum of the weights of the two aforementioned groups by cost deciles at the end of 1402.

Graph 9. Annual Inflation Rates of 1402 by Cost Deciles



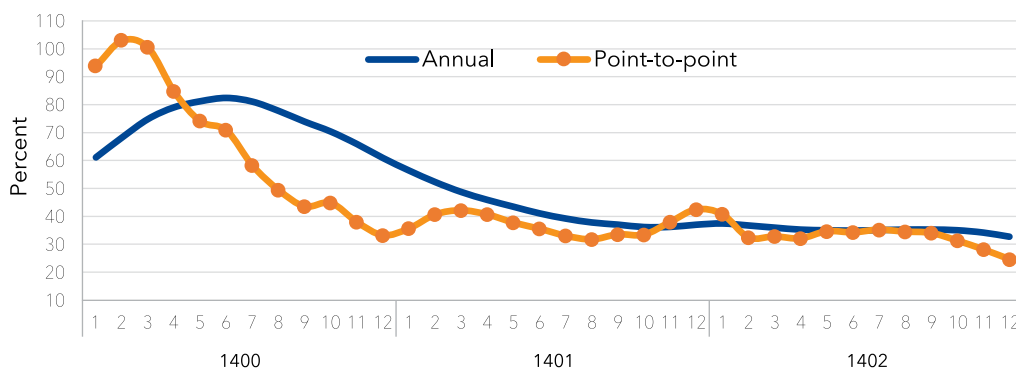
Source: Statistical Center of Iran

On the basis of the SCI, the annual inflation rate in urban and rural areas, respectively, registered 40.7 percent and 40.6 percent at the end of 1402, showing a remarkable drop compared to that of 1401, especially in rural areas. In addition, among the various provinces, Yazd experienced the highest annual inflation rate of 50.4 percent and Sistan and Baluchestan the lowest of 35.9 percent.

The CBI issues data of the Producer Price Index (PPI) on a monthly basis and the SCI issues that on a quarterly basis. The CBI data (1395=100) suggests that the point-to-point PPI inflation rate that had surpassed 100 percent in the

early 1400, considerably dropped till the end of that year and in 1401 and 1402 did not experience high fluctuations and eventually closed 1402 at 24.5 percent. The annual PPI inflation rate that had touched the peak of 82.6 percent at the end of summer 1400, reversed course to close 1402 at 32.6 percent. Notwithstanding the difference in values of PPIs calculated by SCI and CBI, the PPI inflation rates based on both issuing authorities have followed similar trends. Graph 10 exhibits the developments of annual and point-to-point PPI inflation rates from the beginning of 1400 to the end of 1402 based on the CBI reports.

Graph 10. PPI Inflation Rates (1395=100)



Source: Central Bank of Iran

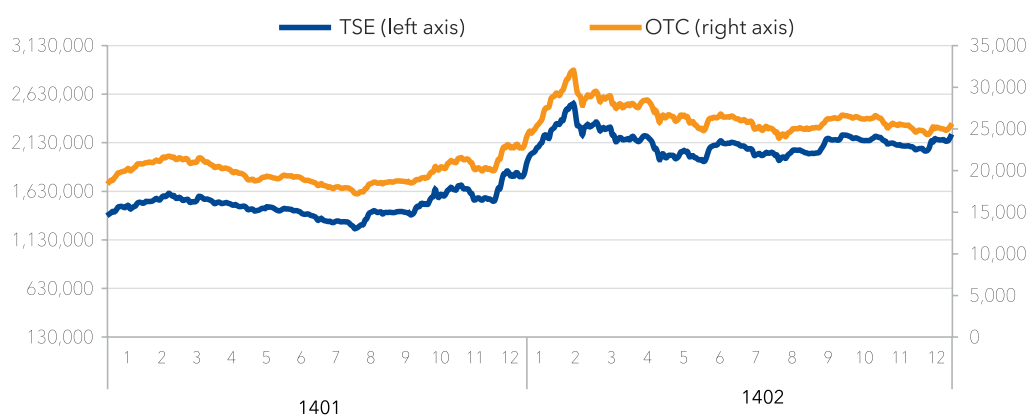
8. CAPITAL MARKET

The TSE Overall Index rose by 12.0 percent to 2,195.1 thousand at the end of 1402, compared to 1,960.5 thousand at the end of 1401. Moreover, the Equally-weighted Index that had registered 585.2 thousand at the end of 1401 expanded by 26.9 percent to 742.6 thousand at the end of 1402. As a comparison, the TSE Overall Index is more sensitive to the developments of the price and return of the large companies' shares, while in calculation of the Equally-weighted Index, same weights are assigned to the price and return of the companies' shares regardless of their size. Subsequently, it could be claimed that the price of small listed companies' shares has grown more than that of the large listed companies during 1402. Similarly, the Overall Index of OTC reached 25,367.2 at the end of 1402, indicating 4.0 percent rise from the end of 1401.

As the TSE and OTC Overall Indices grew below the annual inflation rate, in fact the Iranian Capital Market as a whole has contracted in the year 1402 in real terms. Graph 11

exhibits the daily developments of the TSE and OTC Overall Indices during 1401 and 1402.

Graph 11. TSE and OTC Overall Indices During 1401 and 1402



Source: <http://new.tse.ir>, <http://ifb.ir>

8-1. Tehran Stock Exchange

The TSE Market Capitalization¹ at the end of 1402 reached IRR79,408 trillion, indicating 5.6 percent rise compared to the end of 1401. The Stock Market, Exchange-traded Funds (ETFs), as well as the Debt Securities, respectively, constituted 95.5 percent, 3.0 percent, and 1.1 percent of the TSE Market Capitalization at the end of 1402. The TSE Free-float² Index also registered 2,851.0 thousand at the end

of 1402, up 12.3 percent from the end of 1401. From the negligible difference between the growth rates of the TSE Free-float Index and the Overall Index in 1402, it is grasped that the growth rates of the price of the shares of companies with less free-float shares were not that different from those with more free-float shares. In Table 27, some important statistics of TSE are presented.

1. The TSE Market Capitalization is the sum of the Market Capitalizations of stock market, debt securities, and exchange-traded funds based on the Securities and Exchange Organization of Iran.

2. Free float, also known as public float, refers to the shares of a company that can be publicly traded and are not restricted. In other words, the term is used to describe the number of shares that is available to the public for trading in the secondary market.

Table 27. Some Important Statistics of the TSE (end of period)

	Market Capitalization (IRR trillion)	Equally Weighted Index (thousand)	Overall Index (thousand)	Financial Index (thousand)	Industrial Index (thousand)	Free Float Index (thousand)
1402	79,407.8	742.6	2,195.1	1,917.7	2,090.0	2,851.0
1401	75,212.9	585.2	1,960.5	1,706.3	1,867.4	2,538.5
Percentage Change	5.6	26.9	12.0	12.4	11.9	12.3

Source: <http://new.tse.ir>

The total value of TSE transactions in 1402 grew by 42.4 percent compared to 1401, in line with the annual inflation rate. During 1402, the highest growth rate in value of transactions belonged to Options at 248.2 percent. In addition, the Professional Investment market was launched in the second half of 1402 for the first time as a subsidiary

of the TSE, through which shares of Project Companies, Venture Capital Funds, and Private Funds are supplied. The 66.8 percent expansion of the ETFs transactions in 1402 has been mainly attributed to the IPO of three Leverage Funds in that year. Table 28 illustrates value of the transactions in various TSE markets during 1401 and 1402.

Table 28. Value of Transactions in Various TSE Markets during 1401 and 1402 (IRR trillion)

Market	1402	1401	Percentage Change
Shares	13,335.8	10,062.7	32.5
Debt Securities	1,175.3	1,028.0	14.3
Derivatives	267.9	76.9	248.2
Exchange-traded Funds	7,577.1	4,543.9	66.8
Professional Investment	19.6	-	-
Total	22,375.6	15,711.5	42.4

Source: <http://new.tse.ir>

The Trading volume of TSE in 1402 reached 2,825.4 billion (shares or other securities), about 18.5 percent above the end of 1401. Moreover, the number of transactions in TSE in 1402 stood 19.4 percent above that of its preceding year. The average value of TSE per transaction that had registered

IRR135.6 million in 1401, grew to IRR161.8 million in 1402. The Volume and Number of Transactions and Average Value of Each Transaction in TSE by Market Type in 1401 and 1402 are shown in Table 29.

Table 29. Volume and Number of Transactions and Average Value of Each Transaction in TSE by Market Type in 1401 and 1402

	Volume of Transactions (billion shares or other securities)			Number of Transactions (1000 times)			Average Value of Each Transaction (IRR million)		
	1402	1401	Percentage Change	1402	1401	Percentage Change	1402	1401	Percentage Change
	Shares	2,368.9	2,029.6	16.7	113,000.0	99,447.1	13.6	118.0	101.2
Debt Securities	1.2	1.1	9.8	11.5	50.4	-77.2	102,044.9	20,386.4	400.6
Derivatives	28.9	56.1	-48.6	6,201.1	2,740.0	126.3	43.2	28.1	53.9
Exchange-traded Funds	414.6	298.0	39.1	18,873.6	13,633.8	38.4	401.5	333.3	20.5
Professional Investment	11.8	-	-	207.6	-	-	94.2	-	-
Total	2,825.4	2,384.8	18.5	138,293.8	115,871.3	19.4	161.8	135.6	19.3

Source: <http://new.tse.ir>

During 1402, IRR2,869.3 trillion was financed via the TSE listed companies, of which, 87.0 percent was through Raising Capital (matured claims and cash contributions, or accumulated reserves and profits), 7.3 percent through Issuance of Debt Securities, and 4.5 percent in form of Put Options. Moreover, IRR15.7 trillion was financed through the Initial Public Offering

(IPO) held by four newly-listed companies in 1402. In the period under review, IRR20.0 trillion was financed through the IPO of the first listed company in the Professional Investment Market of TSE. Details of the various methods of finance of TSE listed companies during 1401 and 1402 are found in Table 30.

Table 30. Various Methods of Finance by TSE Listed Companies (IRR trillion-percent)

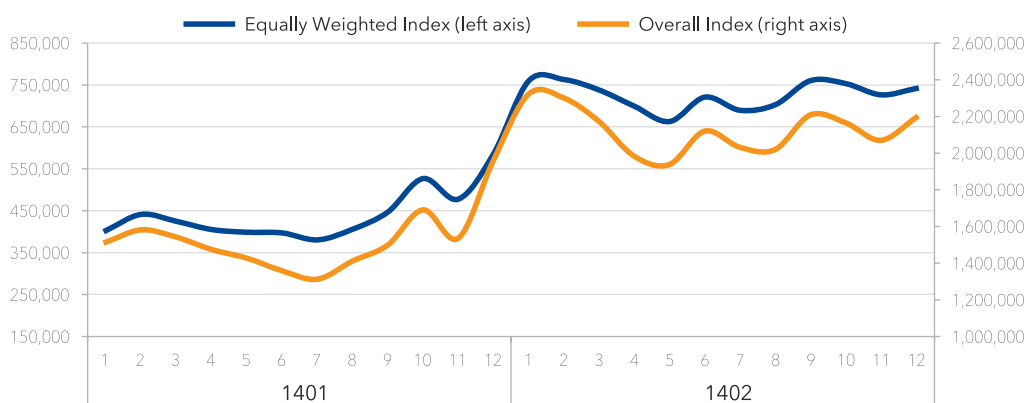
	1402		1401		1402 to 1401 Percentage Change
	Value	Share in Total (percent)	Value	Share in Total (percent)	
Total	2,869.3	100.0	2,732.4	100.0	5.1
Raising Capital (except for Asset Revaluation and Stock Premium)	2,495.8	87.0	2,331.2	85.4	7.1
Initial Public Offering	15.7	0.5	26.4	1.0	-40.6
Underwriting	20.0	0.7	-	-	-
Issuance of Debt Securities	208.2	7.3	304.3	11.1	-31.6
Issuance of Put Options	129.6	4.5	68.8	2.5	88.3

Source: <http://new.tse.ir>

As the price of gas (used a fuel) in manufacturing sector is derived from the price of the supplied gas to the domestic petrochemicals for feedstock, the circular regarding the change in petrochemical feedstocks prices in mid-spring 1402 caused the TSE Overall index to drop. This drop was inevitable since the profitability of the TSE listed companies was directly affected by the aforementioned circular. Additionally, the power outages in summer 1402 coupled with the fall in global prices of petrochemicals intensified the bearish trend of the capital market. Accordingly, the TSE Overall Index from 2.5 million in the mid-spring 1402 fell to 2.1 million at the end of summer 1402. The tensions in the Middle East that was ignited in fall 1402 entailed economic and political consequences that severely affected the Iranian capital market as well, i.e., the TSE Overall Index experienced its highest daily drop of 2.5 percent on the 16th day of the first month of fall 1402. By the end of fall 1402, some news regarding the elimination of price control in the automotive market as well as Raising

Capital of some TSE listed companies (banks and large companies) contributed to the TSE Overall Index to rise. The TSE and OTC Overall Indices grew by 4.2 percent and 1.4 percent at the end of fall 1402, compared to the end of summer 1402, respectively. The Iranian Capital Market faced various challenges including offering Special Certificates of Deposits with 30 percent interest rate by banks upon the CBI circular, limited gas feedstock in steel and petrochemical industries, tensions in Middle East, and boom in alternative markets (cryptocurrencies and gold) that pulled down the TSE and OTC Overall Indices in the first two months of winter 1402 by 6.3 percent and 6.6 percent compared to the end of fall 1402, respectively. Although part of the drop in TSE and OTC Overall Indices was offset in the last month of winter 1402, eventually the TSE and OTC registered negative 0.7 percent and negative 4.6 percent rates of return in winter 1402. The developments of the TSE Overall and Equally-weighted indices in 1401 and 1402 are shown in Graph 12.

Graph 12. TSE Overall and Equally-weighted Indices in 1401 and 1402

Source: <http://new.tse.ir>

8-2. Over the Counter

The OTC Market Capitalization at the end of 1402 rose by 8.8 percent to IRR24,727 trillion compared to the end of 1401, of which, 73.5 percent was attributed to the value of shares of the listed companies in OTC, 21.9 percent to Debt Securities, and 4.6 percent to the ETFs as well as Mortgage Right Securities. Among the various OTC markets, the market capitalization for shares grew by 0.5 percent only, at the end of 1402 compared to the end of 1401. Hence, the sum of market capitalizations for shares

in TSE and OTC reached IRR94,351 trillion at the end of 1402, up 3.9 percent from the end of 1401 and far below its 33.1 percent annual growth rate at the end of 1401. The trading volume in OTC reached 1,810 billion (shares or other securities) in 1402, indicating 44.3 percent rise from its preceding year. The number of transactions also escalated by 47.6 percent in the same period. Table 31 compares major OTC Indices in 1401 and 1402.

Table 31. Major Over the Counter Indices

	Market Capitalization (end of period-IRR trillion)	Total Value of Transactions (IRR trillion)	Volume of Transactions (billion)	Overall Index (end of period-thousand)
1402	24,727	169,719	1,810	25,367
1401	22,722	105,597	1,255	24,394
Percentage Change	8.8	60.7	44.3	4.0

Source: Iran Fara Bourse

Except equities, other securities in the OTC are classified as the modern financial instruments. Unlike its 26.5 percent share in OTC Market Capitalization, the market for modern financial instruments constituted close to 96.4 percent of the total value of OTC transactions in 1402. The Market Capitalization and value of transactions in the market for modern financial instruments grew by 41.2 percent and 61.0 percent, respectively, in 1402 compared to its preceding year. Government Murabaha Debt Securities - aiming for public finance - constituted a sizable portion of the modern financial instruments in 1402 like its preceding year. In 1402 the value of transactions of Government Murabaha Debt Securities grew by 64.9 percent to IRR129,382 trillion compared to the IRR78,483 trillion in 1401. In addition, another type of government debt securities, Islamic Treasury Bills and Bonds (known as AKHZA) aimed to finance government debt to contractors were also traded in the secondary market, with

their value of transactions at IRR25,472 trillion in 1402. The Exchange-traded Funds as well as the Venter Capital Funds were among the other modern financial instruments that, respectively, experienced remarkable rises of 104.4 percent and 42.6 percent in their value of transactions in 1402. From 1398 onwards, Private Investment Funds were also added to market of modern financial instruments. In addition, in 1400 the first Fund of Funds (FOF) also stepped in the OTC and its value of transactions in 1402 contracted by 14.0 percent compared to 1401. By the end of 1402, more than 15 Sector Funds were active in the Iranian Capital Market. These funds invest solely in businesses that operate in a particular industry or sector of the economy. In addition, the value of the Transactions of Mortgage Right Securities that are issued by Bank Maskan rose by 39.7 percent in 1402. 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)

Type	1402		1401		Percentage Change in Value of Transactions	
	Value of Transactions (IRR trillion)	Number of Traded Symbols	Value of Transactions (IRR trillion)	Number of Traded Symbols		
Sukuk	Islamic Treasury Bill and Bond (AKHZA)	25,472	37	16,552	39	53.9
	Ijara	460	45	415	44	10.9
	Debt Purchase	0	0	1	2	-100.0
	Musharaka	0	0	0	2	-100.0
	Murabaha	129,382	214	78,483	130	64.9
	Gharz-al-hasaneh	501	3	1	1	-
	GAAM	141	18	177	22	-20.4
	Manfaat	139	6	2,305	15	-94.0
Investment Funds	Exchange-traded	7,340	80	3,591	63	104.4
	Fund of Funds	2	1	2	1	-14.0
	Venture Capital	1	14	1	15	-42.6
	Properties	19	3	5	1	238.9
	Sector	55	9	-	-	-
Private	8	6	5	4	67.9	
Mortgage Right	76	39	54	49	39.7	
Total	163,595	475	101,594	388	61.0	

Source: Iran Fra Bourse

During 1402, more than IRR3,785.6 trillion has been financed through the OTC, up 52.0 percent from that in 1401, of which 65.0 percent was via underwriting (including Government Murabaha Debt Securities) and 19.5 percent via Islamic Treasury Bills and Bonds. During the same period, the OTC listed companies increased their capital by IRR481.7 trillion, excluding asset revaluation. In addition, IRR99.5 trillion was raised through IPO by newly-listed companies in OTC. In the

same year, 16 symbols held IPO in the OTC. All in all, during 1402, the listed companies financed IRR6,627.8 trillion via TSE and OTC, indicating 27.4 percent rise from the year 1401 and about one seventh of the IRR46,122 trillion corporate financing through the banking system. Table 33 presents details of various methods of finance in OTC in 1401 and 1402.

Table 33. Various Types of Financing Through OTC

	1402		1401		Percentage Change in Value
	Value (IRR trillion)	Share in Total (percent)	Value (IRR trillion)	Share in Total (percent)	
Total	3,758.6	100.0	2,472.4	100.0	52.0
Initial Public Offering	99.5	2.6	43.4	1.8	129.4
Islamic Treasury Bills and Bonds	734.5	19.5	465.5	18.8	57.8
Underwriting	2,442.8	65.0	1,595.9	64.5	53.1
Raising Capital (except for asset revaluation)	481.7	12.8	367.7	14.9	31.0

Source: Iran Fara Bourse

9. BUSINESS ENVIRONMENT

Basically, the business environment is referred to as the collection of internal and external factors that affect a firm's activities but is out of control of its managers. Besides, the resources and employees are categorized as the internal while customers and markets as the external factors affecting such sorts of activities. Moreover, governments as the regulatory authorities for various businesses and activities play a dominant role in improvement or worsening of the business environment, hence success and failure of the private sector is tied to the government practices in that regard. Some international organizations survey the business environment of various countries. The result of the surveys that are issued annually shed light on the requirements for improvement in the business environment of countries.

The Ease of Doing Business Report of the World Bank has been published annually from 2003 to 2020. The report assessed the business environment of the countries by 10 major indices. The issuance of the report, however, was ceased from 2020 onwards due to the manipulation of the data of some countries including Saudi Arabia. Consequently, the world bank is about to issue a new annual report regarding the business environment of countries. The new report is titled Business Ready which is supposed to be published from 2024. The report aims to survey the business

environment through 10 distinct indices and is planned to be published in three phases. Iran, however, would not be under survey in the initial phase and is planned to be included in the new report from 2026 onwards.

The issuances of Global Competitiveness Report of the World Economic Forum (WEF) which ranks countries in four areas (enabling environment, human capital, markets, and innovation ecosystem), has also been stopped since 2020.

9-1. Economic Freedom and Corruption

The economic freedom of various economies is assessed by some international organizations, the Fraser Institute and well as the Heritage Foundation are as such. The Fraser Institute issues an index which is presented in the Economic Freedom of the World (EFW) report. The index is derived from five areas including "Size of Government", "Legal Structure and Property rights", "Sound Money", "Freedom to Trade Internationally" and "Regulation Policies in Credit Market, Labor Market, and Business". The most recent report of the Fraser institute was published in 2023, assessing 165 countries worldwide in 2021. According to the survey, in 2021, by descending one place from 2020, Iran ranked as 160th with the total score of 4.53, followed by Yemen, Sudan, Syria, Zimbabwe, and Venezuela. Among the five distinct areas of the survey, the 79th place in the Size of Government with score of 6.59 was the highest

position achieved by Iran and on the other hand, Iran's weakest performance was related to the Freedom to Trade Internationally with the score of 2.39 and 165th place, albeit compared to 2020, the country has become worse in both areas. Among the subsets of the Size of Government, Government Investment as well as Transfers and Subsidies, respectively, scored 9.73 and 7.99, remaining the same as 2020. Moreover, in 2021, Government Consumption and State Ownership of Assets underperformed compared to 2020, scoring 4.47 and 4.14, respectively. Note that lower level of the subsets of the Size of Government translates to more favorable condition of the country in that area of survey and make more scores. In the area of Freedom to Trade Internationally, the Black-Market Exchange Rates scored zero, Controls of the Movement of Capital and People scored 0.68, Regulatory Trade Barriers scored 3.25,

and Tariffs scored 5.37. As for the Sound Money, Iran scored 5.9, below its score in 2020. In the various subsets of Sound Money, the Foreign Currency Bank Account scored 10, Money Growth scored 8.6, Standard Deviation of Inflation scored 3.69, and Inflation scored 1.32. In the area of Legal Systems and Property Rights, Iran scored 3.26 and among its subsets, Property Rights got the lowest score of 2.11, while Real Property the highest of 8.17. In the area of Regulation, Iran scored 4.49 and among its subsets got 6.41 in Credit Market Regulation, 2.86 in Business Regulation, 4.70 in Labor Market Regulation, and 4.61 in Freedom to Compete.

In addition to Fraser Institute, Heritage Foundation also issues the Index of Economic Freedom (IEF). The latest report of Heritage Foundation surveys 176 countries worldwide and indicates that the global IEF score has declined to 58.6 in 2024 from 59.3 in 2023 - the lowest score from 2001 onwards. According to the same report, the inappropriate policies implemented during COVID-19 pandemic, Russia invasion of Ukraine, and the tensions in the Middle East region have served as the drivers of the exacerbation of global economic freedom. In the 2024 report of Heritage Foundation, only four countries (down from seven in the 2022 Index) recorded economic freedom scores of 80 or more, putting them in the ranks of the economically "free".

The IEF is measured through four broad pillars that cover 12 aspects as follows: "Rule of Law (including Property Rights, Judicial Effectiveness and Government Integrity)", "Government size (including Tax Burden, Government Spending and Fiscal Health", "Regulatory Efficiency (including Business Freedom, Labor Freedom and Monetary Freedom", and "Market Openness (including Trade Freedom, Investment Freedom and Financial Freedom". Among the 176 countries under survey in 2024 report, Iran stood at the 169th place, indicating no change compared to 2023, followed by Eritrea, Burundi, Zimbabwe, Sudan, Venezuela, Cuba, and North Korea. Note that some countries including Iraq, Afghanistan, Libya, Liechtenstein, Somalia, Syria, Ukraine, and Yemen have not been surveyed in 2024. Moreover, among the 14 countries of MENA, Iran occupied the last place. As for the aspects related to the Government Size, Iran's condition has improved. On the basis of the 2024 Heritage Foundation report, the worst scores of Iran regarding Economic Freedom belonged to Investment Freedom, Financial Freedom, and Government Integrity, respectively, while the best scores of Iran was related to Government Spending, Tax Burden, and Fiscal Health. Table 34 presents Iran's scores in the Heritage Foundation report of 2024.

Table 34. Iran's Scores in the Index of Economic Freedom of Heritage Foundation (out of 100)

Aspect	Score			
	2024	2023	2022	2021
Government Spending	95.3	94.8	92.5	90.1
Tax Burden	81.1	81.1	80.8	80.8
Fiscal Health	62.5	58.8	54.7	82.8
Labor Freedom	48.8	50.7	49.4	50.1
Judicial Effectiveness	18.8	26.3	29.4	28.3
Business Freedom	37.9	38.9	38.9	57.1
Trade Freedom	55.8	55.8	59.2	54.2
Government Integrity	17.1	19.6	19.8	31.8
Property Rights	23.8	25.0	26.6	33.5
Monetary Freedom	38.2	40.6	42.3	42.1
Investment Freedom	5	5	5	5
Financial Freedom	10	10	10	10

Source: Heritage Foundation, Index of Economic Freedom of 2021 to 2024

The International Property Rights Index issued by the Property Right Alliance in 2023 indicated that among 125 countries investigated in the report, Iran ranked as 113th, the same place as in 2022, but note that in the 2022 survey 129 countries were included. In this regard, Iran's global score has fallen by 0.04 in 2023 from 2022. In regional term, Iran has stood at the 13th place among the

15 countries, showing one step improvement.

Moreover, the Corruption Perception Index (CPI) of the Transparency International indicates that in 2023, among 180 countries Iran has ranked 149th, losing two places compared to its preceding year.

9-2. Monitoring Business Environment by Domestic Institutions

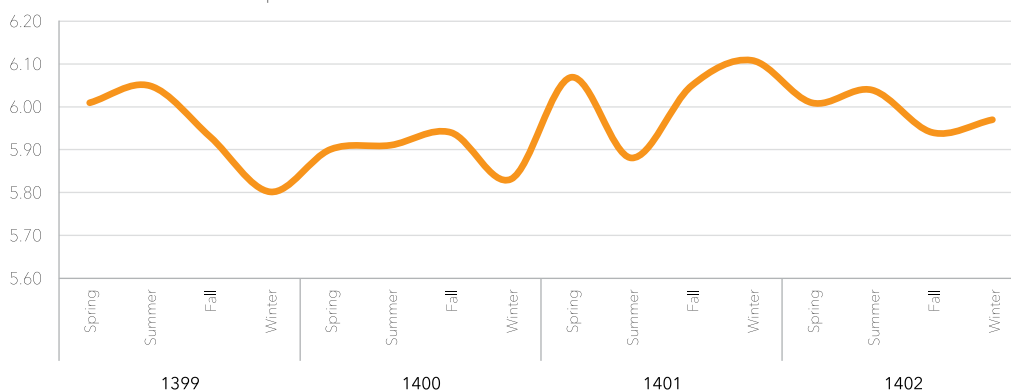
According to the Law of Sustained Improvement in Business Environment passed in the year 1390, the Chambers of Commerce are required to establish national indicators of business environment in Iran and also assess and publish them annually and quarterly by different provinces, sectors, and economic activities in order to enable the policymakers to monitor the conditions of business environment in the country. Although this task was previously carried out by Islamic Parliament Research Center till 1395, Iran Chamber of Commerce, Industries, Mines, and Agriculture (ICCIMA) identified and introduced national indicators for monitoring business environment in 1394 and started the national project of monitoring business environment in collaboration with Iran Chamber of Cooperative and Iran Chamber of Guilds.

In the winter 1402 report issued by the ICCIMA, survey data were obtained via perception polls on the condition of business environment components in the country by 2,658 economic agents of the three Chambers (the ICCIMA, Chamber of Cooperative, and Chamber of Guilds) through completing online questionnaires and phone sampling, while statistical data were collected from

official statistical sources of the country.

The results of the ICCIMA report suggest that the national indicator of business environment in Iran has reached 6.04 in winter 1402, below the 6.11 in winter 1401 and above the 5.98 in fall 1402. In other words, the business environment has improved compared to the winter 1401 but has worsened compared to fall 1402. The national indicator ranges from 0 to 10, with 10 pertaining to the worst state. According to the economic agents data used in the survey, in winter 1402 "Instability and Unpredictability of Prices (for raw materials and products)", "Difficulty of Financing from Banking System" and "Instability of Policies, Regulations, and Procedures Concerning Doing Business" were the most unfavorable components of the business environment (same as preceding years), while "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" were the most favorable components of the indicator. Graph 13 depicts the quarterly developments of national indicator of business environment from spring 1399 to winter 1402.

Graph 13. National Indicator of Business Environment*



Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture
 * Decrease in the index means improvement of the business environment.

In winter 1402, from the Iranian economic agents' point of view, the Services sector had the worst business environment, followed by the Agriculture sector and the Industry sector but their indicators were not much different. In the same period, the indicators of the Industry sector and Services sector show improvement compared to 1401, but that of the Agriculture sector did not change. In all the three sectors, the Instability and Unpredictability of Prices (for raw materials and products) has been the worst

component of the indicator for business environment. Customer Acceptance of Innovation in Products and Services was the most favorable component of the business environment in the Agriculture and Industry sectors. Moreover, as for the Services sector the Ease of Access to Water was the most favorable component of the indicator. Table 35 presents the details of the Business Environment Indicator of ICCIMA in a descending order on the basis of winter 1402 scores.

Table 35. The ICCIMA Business Indicator by Its Components in Various Quarters of 1402

Component	Winter	Fall	Summer	Spring
Instability and Unpredictability of Prices (for raw materials and products)	8.23	7.98	8.26	8.39
Difficulty of Financing from the Banking System	7.84	7.55	7.70	7.59
Instability of Policies, Regulations, and Procedures Concerning Doing Business	7.26	7.22	7.41	7.49
Unfair Auditing and Taxing Procedures	6.82	6.73	6.86	6.78
Unreasonable Intervention of Government in Pricing	6.60	6.53	6.69	6.73
Corruption in Administrative Organizations	6.56	6.39	6.34	6.44
Production and Supply of Non-standard and Counterfeit Goods	6.50	6.40	6.46	6.45
Monopoly, Privilege or Any Kind of Economic Rent to a Number of Competitors in the Market	6.48	6.49	6.61	6.50
Inefficient Administrative Processes and Difficulty of Obtaining Business Licenses	6.37	6.46	6.67	6.54
Courts' Deficiency in Dealing with Complaints and Effective Prosecution of Violators of Rights of Others	6.37	6.14	6.23	6.45
Unfair Competition of Public or Quasi-Public Corporations and Institutions in the Market	6.34	6.17	6.26	6.31
Lack or Non-Transparency of Required Information for Doing Business	6.31	6.12	6.07	6.06
Different Interpretations of Laws and Regulations by Public Sector Employees	6.16	6.21	6.39	6.26
Strict Labor and Social Security Insurance Procedures for Human Resource Management	6.15	6.25	6.26	6.33
General Absenteeism	6.06	6.13	6.17	6.09
Supply of Smuggled Goods	6.04	6.14	5.99	6.16
Lack of Skilled Labor Force	5.94	5.96	5.89	5.76
Lack of New Technologies and Required Equipment	5.83	5.88	5.86	5.62
Poor Transportation Infrastructures	5.67	5.71	5.59	5.59
Insufficient Demand in the Market	5.47	5.47	5.48	5.42
Lack of Appropriate Coordination in the Supply Chain	5.39	5.43	5.58	5.72
Contracting Parties' Non-Compliance with Their Obligations and Promises	5.35	5.40	5.56	5.60
Ineffective Distribution System	5.32	5.28	5.20	5.46
Limited Access to Mobile Network and Internet	5.28	5.14	5.40	5.27
General Tendency to Buy Imported Goods Instead of Domestic Products	5.23	5.11	5.01	5.16
Limited Access to Energy Carriers (electricity, gas, diesel fuel, etc.)	4.11	4.27	4.79	4.36
Customer Acceptance of Innovation in Products and Services	3.91	4.29	4.11	4.21
Limited Access to Water	3.79	3.89	4.18	3.89

Source: Iran Chamber of Commerce, Industries, Mines, and Agriculture, quarterly reports of monitoring business environment

The ICCIMA survey of winter 1402 suggests that Kurdistan, Fars, and Razavi Khorasan provinces experienced the most unfavorable the business environment, while Markazi, Qom, and Khuzestan provinces enjoyed the most favorable, respectively. The difference between the value of business environment indicators of the top

one province and the bottom one province in winter 1402 registered 0.84 only. An examination of the business environment by various economic activities reveals that "Transportation and Storage", "Food and Accommodation", and "Information and Communication" experienced the most undesirable business environment,

respectively, but "Arts, Leisure, and Entertainment", "Insurance and Finance", and "Real Estate" enjoyed the most desirable business environment during the period under review. The difference between the indicators of the business environment in the top one and the bottom one economic activities registered 0.75 only. In terms of size of the firms, the firms with less than 5 workers had the worst business environment while those with 50 to 100 workers had the best business environment, however, the difference between their indicators was negligible and

0.18 only. Regarding the age of the firms, those aged 6 to 10 years had the worst business environment while in those aged less than 2 years, the business environment was favorable. Similarly, the difference between the indicators in the 2 aforementioned groups was negligible. The firms under the survey in the ICCIMA report have operated with 42.1 percent of their nominal capacity on average in winter 1402, down 2.1 percentage points from that in winter 1401.

10. KEY POINTS

- In 1402 the Iranian Economy experienced positive growth rate of above 4 percent for four consecutive years, mainly thanks to the Oil sector. At the end of 1402, the oil production of Iran considerably rose to 3.2 mbpd.
- In spite of the rise in oil production and exports, in 1402 the Government Budget Deficit (Disposal of Financial Assets) was 66.1 percent above the estimated figure in the Budget Law of that year.
- Despite the rise in the oil exports, the Current Account Surplus fell in 1402 but the Net Capital Account Deficit grew by 54.2 percent.
- Following its upward trend from the first working day of 1402, the price of US Dollar fell to IRR470 thousand and did not experience much change till the end of fall 1402. In winter 1402, the Iranian Free Market for foreign exchanges experienced an upward price shock but during 1402 as a whole was less volatile than its preceding year.
- The Liquidity growth rate that had reached 39.0 percent at the end of 1400 reversed course and closed the years 1401 and 1402 at 31.1 percent and 24.3 percent, respectively. The annual growth rate of Monetary Base in 1402 fell to 27.6 percent, far below the 42.9 percent on 1401. In line with the fall in growth rates of the monetary aggregates, the annual CPI inflation rate followed a downward path in 1402 and closed that year at 40.7 percent.
- At the end of 1402, the market capitalization of TSE and OTC expanded by 5.6 percent and 8.8 percent compared to the end of 1401, far below the annual CPI inflation rate of 1402. Out of the total finance in the Iranian economy, 12.6 percent was through the Capital Market in 1402.

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