

2023



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Contents

Editorial of the Board of Management	4
Management Report	7
Balance Sheet.....	32
Statement of Income.....	34
Notes	36
Assets Movement	48
Independent Auditor's Opinion	50
Report of the Supervisory Board.....	56

Dear customers, dear business partners, dear friends of eihbank,

At the end of a financial year, the Board of Management of a bank faces questions such as: what have we achieved, what are the next steps, where do we need to improve and what do we need to change?

For eihbank, 2023 was a seamless continuation of previous years, which were defined by geopolitical uncertainties, disrupted supply chains and high inflation, all of which continued to create uncertain conditions in the 2023 financial year.

Nevertheless, as a company we can be satisfied with what we have achieved under such difficult conditions, which are also defined by ongoing sanctions. eihbank has shown impressive resilience in a tough environment and has kept its core business stable. The ongoing commitment required to achieve this is also reflected in the history of external assessments.

eihbank reported an annual surplus of EUR 31.6 million in the past financial year of 2023. The result after taxes thereby increased significantly compared to the annual surplus for 2022 of EUR 4.3 million.

A material factor in the improved result was the rise in interest rates, from which eihbank, as most other banks worldwide, has benefited. This follows the extended phase of negative interest rates, which has put a very heavy economic burden on the banking sector as a whole. Net interest income, which is affected by deposits with the Deutsche Bundesbank, and other factors, accounts for a significant proportion of eihbank's pleasing overall result in 2023. This part has an even greater impact on eihbank than on banks that are not subject to market access restrictions. The contribution of core business has also seen a positive trend.

eihbank has generally been able to keep its costs at a stable level. Cost discipline remains a high priority for the Bank. The aim is to achieve a cost level that allows eihbank to protect itself against external impact in an uncertain environment. In 2023, eihbank continued to invest in digitalisation projects. The ongoing adaptation of systems to meet regulatory requirements also continued to be a cost driver.

Thanks to eihbank's products and services, managed by an outstanding team, and a stable cost model that has been developed over many years, the Bank will be able to continue to grow, albeit at a moderate pace.

eihbank's economic internal capital adequacy remained healthy in the 2023 financial year thanks to its very solid capital ratios. Risk management and the risk position are appropriate and have also proven to be sufficiently stable in the 2023 financial year. The figures underline the success of our long-term business and risk strategy, which – always affected by external factors – has to be adjusted constantly. To summarise, we are pleased to report that our Bank has succeeded in continuing the positive development in its annual result, in line with the trend in previous years. This is also reflected in the key figures for sustainable financial performance. Nevertheless, our financial performance remains constrained by the political environment.

Working together with our customers with trust once again was the reliable basis for our successful 2023 financial year and is also the foundation for further development in the coming years. However, particularly against the backdrop of the economic and market environment, which remains difficult and ambitious for eihbank because of ongoing political and sanction-related restrictions, eihbank's sustained financial performance demonstrates how, substantially and prospectively, the Bank is positioned forward-looking. The 2023 financial year therefore shows once again that eihbank has been able to hold its own and continue its solid further development in a capital market environment defined by high volatility and aversion to risk.

Editorial of the Board of Management

We would like to take this opportunity to thank all our staff in Hamburg, Tehran and Kish Island for their valuable contribution in 2023. The success of eihbank requires committed, focussed employees who contribute competently and continuously to our Bank. We would also like to thank our valued business partners and long-standing customers for their trust in us. Last but not least, eihbank's Supervisory Board has always constructively supported our strategic goals and thereby allowed us to continue systematically on our chosen path.

In the first few months, 2024 has already focussed on new challenges such as the regulatory DORA project and the introduction of instant payments in the Payment Department. The Bank will handle these tasks without losing focus on its core business, which must remain stable as a minimum.

We will continue to exploit the – not always easy – market conditions in the interests of our customers, to provide them with targeted support, which will ultimately feed the economic success of our Bank.

Yours sincerely,



Dr. Arash Onori
Chairman of the Board of Management



Ralf Vollmering
Member of the Board of Management

Key figures of eihbank at a glance

Amounts in million EUR	2023	2022	2021	2020	2019
Business volume	1,884.6	2,028.6	2,190.0	2,696.5	3,036.4
Total lending *	1,845.9	356.5	375.4	305.8	274.2
Total deposits	1,256.0	1,447.1	1,598.0	2,131.1	2,463.4
Capital and reserves	578.8	547.1	534.9	532.4	531.4
Annual surplus	31.6	4.3	2.5	1.0	0.5
Balance sheet profit	30.0	4.1	2.4	1.0	0.5
Number of employees	66	67	69	82	94

* in 2023 an overnight deposit at Deutsche Bundesbank is included

Management Report for the Financial Year of 1 January to 31 December 2023

Business model and strategic orientation

The Europäisch-Iranische Handelsbank AG (“eihbank”) was founded by Iranian merchants and has been active on the market in Germany since the early 1970s.

As a German financial institution supervised by the German Federal Financial Supervisory Authority (BaFin), it in particular supports trade with what is now the Islamic Republic of Iran (Iran). eihbank is the only German financial institution to maintain two branches (in Tehran and on Kish Island).

Eihbank’s majority shareholders are Iranian banks that have provided eihbank with corresponding capital cover for the documentary and financial processing of European-Iranian foreign trade.

As a less significant institution (LSI), this means that eihbank is subject to supervision by the Federal Financial Supervisory Authority (BaFin) as the national supervisory authority. eihbank is obliged to comply with and implement the requirements set out by the European Central Bank (ECB).

Management of eihbank

Management units

The general management approach is a combination of centralised and decentralised management tools. It is aligned with eihbank’s business model and risks as a diversified credit institution. eihbank is therefore managed at a centralised and decentralised level with defined

interfaces, taking into account business policy requirements.

eihbank’s risks are determined, reported and managed in an integrated manner by the Risk Management department. This meets the regulatory requirements of Basel Pillar 1 and Basel Pillar 2 for eihbank as an institution. It also complies with the Minimum Requirements for Risk Management in the Banking Sector (MaRisk BA), as the generally recognised risk management framework that eihbank is obliged to apply. According to the risk inventory, eihbank’s material risks are operational risk, liquidity risk in the form of transfer risk and business risk.

Governance

Governance at eihbank is defined by the general management approach of eihbank and the committee structure.

The highest management and coordinating body at eihbank is the Board of Management. In substance, the Board of Management deals with issues relating to strengthening the competitiveness of eihbank and coordinating fundamental issues relating to products and sales.

This committee also ensures consistent opportunity and risk management, capital allocation, the ongoing adjustment of strategic issues and the leveraging of synergies at eihbank. The Board of Management is assisted in particular by the Credit Front Office and Back Office, Human Resources, Financial Accounting, Internal Audit and Compliance, and Risk Management departments in this regard.

Management Report

The Risk Management and Accounting departments provide advice to eihbank's Board of Management on proper business organisation and, in particular, on eihbank's risk management within the meaning of Section 25a(1) in conjunction with (3) KWG.

They support eihbank's Board of Management on financial and liquidity management, company-wide risk capital management and on policy issues. The above departments also make recommendations to the Board of Management on overall bank management, risk methodology, risk policies, risk processes and the management of operational risks.

The Internal Audit department coordinates relevant audit topics and the planning of general audits and activities on the basis of work packages jointly developed with the Board of Management and coordinates their implementation on the basis of the general conditions approved by the Board of Management.

The Compliance department ensures the development and ongoing evaluation of a compliance standard at eihbank and reports to the member of the Board of Management responsible for compliance.

As a working group, the Compliance Committee supports eihbank on Bank-wide compliance management and acts as a platform for the exchange of technical information between the risk units.

Performance indicators

Eihbank manages its core business as a matter of principle according to both financial as well as non-financial performance indicators.

The essential management-related financial performance indicators of eihbank are:

- Annual result after taxes according to the German Commercial Code (HGB) (assessment basis for distributions)
- Liquidity Coverage Ratio (LCR)
- Observance of the total capital ratio prescribed by the Capital Requirements Regulation (CRR)

The Liquidity Coverage Ratio (LCR), Leverage Ratio (LR) and total capital ratio performance indicators in accordance with Capital Requirements Regulation (CRR) were calculated on the basis of eihbank's budgeted figures for the period 2024–2026 whereby the statutory requirements for the performance indicators in accordance with MaRisk must be complied with. This ensures that the performance indicators over the entire planning horizon always meet the statutory requirements.

The determination of the annual result after taxes according to the German Commercial Code (HGB) is based on eihbank's three-year plan in each case. The annual result after taxes according to the German Commercial Code (HGB) arises from the profit and loss account, taking into account the tax burden for the company. It is a basis for calculating potential distributions to eihbank shareholders.

The liquidity coverage ratio (LCR) for the purposes of banking supervision is a minimum ratio for the short-term liquidity that is available to be held by the Banks. In order to fulfil the required ratio of at least 100.0%, the available liquid assets of a bank must be higher than the expected cumulative net cash outflows for a period of 30 days. This is designed to ensure that the banks are able to survive a heavy stress scenario, for example, a partial withdrawal of customer deposits with a concurrent failure of unsecured refinancing. In the 2023 financial year, LCR ratios ranging from 121,9% to 139,2% were achieved. As at 31 December 2023, the LCR ratio was 136,8% (previous year: 126,4%).

Compliance with the total capital ratio according to CRR is also an important performance indicator for the solvency of eihbank. The total capital ratio expresses the ratio of own funds actually available to the minimum regulatory requirements. In 2023, eihbank's total capital ratio was between 80,2% and 89,4% in view of its continued healthy level of own funds. As at 31 December 2023, the minimum ratio of 11,1% was far below the figures achieved. This minimum ratio includes the own funds recommendation, which is to be taken into account at eihbank at 1,3%. This is offset against the previous capital conservation buffer of 2,5%, so that currently no specific net additional own funds need to be recognised. The reported regulatory total capital ratio as at the reporting date of 31 December 2023 is 85.04% (previous year: 86,0%). The change is mainly due to a change in the Risk Weighted Assets (RWA). eihbank considers the acquisition of new customers following the opening of an account to be a key non-financial performance indicator. In 2023, 23 (previous year: 46) new customers were acquired.

The 2023 financial year closed with an annual surplus of TEUR 31,607 (previous year: TEUR 4,263). With this significantly improved annual result, eihbank ended the 2023 financial year as per its continuously evaluated budgeted figures. After years in which the result was permanently depressed by the phase of negative interest rates, the key factors for the positive financial performance were a significantly improved interest rate environment, including for eihbank, and a comparatively stable core business at eihbank, despite unchanged restrictive market conditions. Given the still challenging political and economic conditions, the intention remains in future to retain the annual result in each of the coming years.

Economic report¹

Macroeconomic framework conditions

eihbank's core business areas are services relating to the processing of letters of credit and the provision of associated financing solutions, in particular for major Iranian projects. This also includes the implementation of payment transactions for its customers and correspondent banks. Thanks to many years of experience in this challenging environment, accumulated know-how and a prudent business policy, eihbank has firmly established itself over the years as a successful trading bank with proven expertise in Iran as a reliable partner for its customers, despite severe restrictions.

The withdrawal of the U.S. from the JCPOA in 2018 and the reinstatement of U.S. sanctions against Iran have also put a significant strain on economic relations between Europe and Iran since the beginning of August 2018.

¹ Sources for the economic report: The information was taken from publications issued by the Federal Statistical Office, the German Institute for Economic Research (DIW), the International Monetary Fund (IMF), the Federal Ministry of Economics and Climate Protection (BMWK) and Eurostat Data.

This continues to be against the background of the massive influence of the U.S. on European market participants, in particular banks, to prevent financial transactions with Iranian business partners.

Despite increasing privatisation measures, Iran's economy is still largely organised and controlled by the state. The most important sector of the Iranian economy continues to be the production of crude oil and natural gas by state-owned companies. Revenues from crude oil and natural gas production constitute more than 50% of the Iranian national budget.

The willingness, especially of large European companies and banks with sustainable U.S. business, to engage economically in Iran has remained significantly reduced in recent years as a result of the U.S. primary and secondary sanctions in force. In 2023, geopolitical tensions increased worldwide as a result of the ongoing war in Ukraine and for other reasons, which also had an impact on Iran business, without eihbank itself being directly affected.

According to the Federal Statistical Office, German-Iranian foreign trade declined in 2023. Deliveries from Germany to Iran fell by 24.2% compared to the same period in the previous year and reached a value of EUR 1.20 billion. Imports from Iran fell by 11.9% in the same period compared to the previous year to EUR 245 million. How circumstances develop remains to be seen, given the tightened sanctions policy and the overall economic situation.

Foreign trade between Germany and Iran

Figures in billions of EUR	2023	2022	%
Exports	1.20	1.58	-24.2
Imports	0.25	0.28	-11.9
Balance	0.95	1.30	

Exports from the 27 EU member states to Iran fell by 4.5% to EUR 3.99 billion in 2023 according to Eurostat data, with 36% coming from Germany, followed by Italy, the Netherlands and Spain. Germany therefore remains Iran's most important EU trading partner in 2023. While EU imports from Iran fell to EUR 701 million in 2019, mainly due to U.S. sanctions against oil imports, they reached EUR 799 million in 2023, a reduction of 24.3% compared to 2022. Almost one third of these goods were delivered to Germany, which underlines once again Germany's role in trade with Iran.

The cooling of the global economy caused by the pandemic, record inflation, conflicts in international trade, current geopolitical tensions and acts of war also weighed on the export-focused German economy in 2023, causing gross domestic product (GDP) to fall by 0.3% in 2023 compared to the previous year (+1.9%) on a price-adjusted basis.

Consumer prices in Germany increased by 5.9% on average in 2023, less than in the previous year (+6.9%). Since the beginning of the war in Ukraine, the annual inflation rates of the last two years have been driven primarily by extreme price increases for energy and food. The inflation rate fell further at the turn of year from 2023 to 2024. The inflation rate in Europe's largest economy is expected to fall further to 2.9% in the course of 2024.

Management Report

The labour market in Germany in the last three years has been defined by the impact of the coronavirus crisis and the resulting consequences for the economy. A gradual easing only became apparent over the course of the two previous years. After 5.7% in January, the unemployment rate in December 2023 was again 5.7%. The annual average is now 5.7% after 5.3% in the previous year. Despite the trend in GDP, employment exceeded 46.0 million workers for the first time in autumn 2023, reaching an annual average of 45.9 million. Employment was therefore at its highest level since reunification.

The international political and economic crises mean that there are only cautiously positive expectations for the German economy in 2024. According to a forecast by the German Institute for Economic Research (DIW), GDP is only expected to grow by zero for the whole of 2024. The International Monetary Fund (IMF) forecasts a 0.5% increase for Germany's economic output in 2024. Growth is expected to accelerate to 1.6% in 2025.

Even if the pace of growth remains low, the IMF believes that the global economy will pick up speed again with growth rising from 2.9% to 3.1%. The IMF is forecasting growth of 3.2% for 2025. The average between 2019 and 2023 was 3.8%.

In 2024, growth of 0.9% (2025: 1.7%) is expected for the Eurozone, 2.1% (2025: 1.7%) for the U.S. and 4.6% (2025: 4.1%) for China's economy.

For inflation, the IMF forecasts a reversal with falling interest rates as a result of the stricter interest rate policy of central banks. The global inflation rate is expected to fall to 5.8% and is forecast to reach 4.4% in 2025. German foreign trade, in terms of both export and import, had initially significantly increased in the course of worldwide globalisation processes in recent years. However, international trade disputes, acts of war in conflict zones around the world and the cooling of the global economy have meant that Germany's economy was slow to recover in 2023. As Europe's largest economy, Germany is highly export-oriented and therefore also export-dependent. At the same time, Germany has limited raw materials, so it is equally dependent on imports, especially in the energy sector. German exports were EUR 1,562.4 billion in 2023, a decrease of 0.7% compared to 2022. Imports fell by 9.4% to EUR 1,353.8 billion. The foreign trade balance rose to EUR 209.6 billion.

In terms of exports, the U.S. was again Germany's most important trading partner with a volume of EUR 157.9 billion. France followed in second place with EUR 116.8 billion and goods worth EUR 111.5 billion were delivered to the Netherlands.

As in previous years, most products were imported into Germany from China, with goods amounting to a value of EUR 155.7 billion. China is followed by the Netherlands with EUR 103.3 billion and the U.S. with EUR 94.4 billion.

Financial position and cash flows

The total business volume in the 2023 financial year fell only slightly by EUR 144.0 million (-7.10%) to EUR 1,884.6 million compared to the previous year (EUR 2,028.6 million). The loan volume (gross) also fell generally by EUR 143.5 million (-7.08%) to EUR 1,882.8 million compared to the previous year (EUR 2,026.3 million).

eihbank's balance sheet total and business volume have developed as follows in comparison over two years:

Balance sheet total and business volume

In EUR million / as at 31.12.	2023	2022
Balance sheet total	1,870.8	2,007.3
Liabilities from suretyships and warranty agreements	13.8	21.3
Total business volume	1,884.6	2,028.6

The main reason for the reduction in balance sheet total compared to the previous year is the moderate fall in liabilities to Iranian banks with an outflow of balances at the Deutsche Bundesbank.



The loan volume (gross) at eihbank developed as follows:

Loan volume (gross)	2023	2022
In EUR million / as at 31.12.	2023	2022
Central bank balances	12.1	1,648.0
Receivables from banks	1,689.0	155.8
Receivables from customers	165.8	197.7
Liabilities from suretyships and warranty agreements	16.0	24.9
Total loan volume	1,882.9	2,026.3

In the 2023 financial year, balances at the Deutsche Bundesbank are recognised both under central bank balances and in the portfolio of receivables (gross) from banks. The background to this is eihbank's investment of free liquidity as overnight deposits at the Deutsche Bundesbank in 2023. This overnight deposit facility is recognised as part of receivables (gross) from banks. The total of the two items decreased compared to the previous year. This also applies to receivables (gross) from customers and liabilities from suretyships and warranty agreements recognised as contingent liabilities.

Material balance sheet items developed as follows in the financial year:

The cash and cash equivalents recognised in the cash reserve in the 2023 financial year mainly consist of the minimum reserve to be held at the Deutsche Bundesbank. They were EUR 12.2 million on the balance sheet date (previous year: EUR 1,648.0 million).

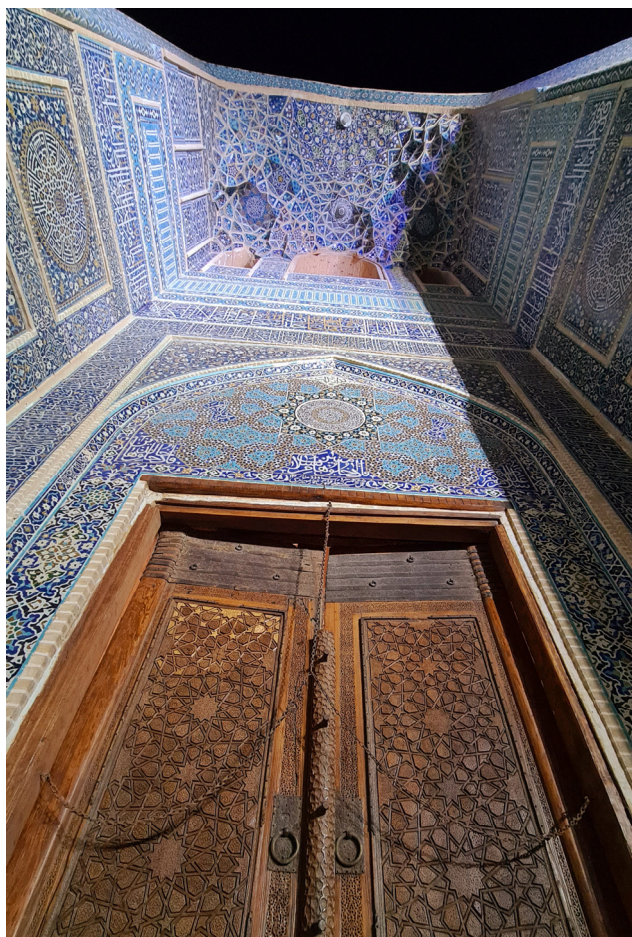
Receivables from banks increased significantly to EUR 1,675.8 million (previous year: EUR 149.2 million). As at the balance sheet date, the deposit facility at the

Management Report

Deutsche Bundesbank included in this figure was a total EUR 1,515.1 million, including accrued interest.

The receivables from customers balance sheet item also saw a slight decline. The item is reported as EUR 156.2 million (previous year: EUR 186.1 million).

Intangible assets decreased to EUR 0.3 million (previous year: EUR 0.7 million) from amortisation.



The increase in tangible assets to EUR 25.7 million (previous year: EUR 22.4 million) is mainly due to additions in connection with the Tandis building under construction for eihbank in Tehran.

Deposits

In EUR million / as at 31.12.	2023	2022
Liabilities to banks	1,113.6	1,273.8
Liabilities to customers	142.3	173.3
Total deposits	1,255.9	1,447.1

Liabilities to banks were EUR 1,113.6 million (previous year: EUR 1,273.8 million) as a result of reduced deposits from Iranian banks.

Liabilities to customers in 2023 were EUR 142.3 million (previous year: EUR 173.3 million).

The fund for general banking risks formed in previous years in accordance with Section 340g HGB remains unchanged at EUR 49.5 million (previous year: EUR 49.5 million).

The equity base of eihbank in 2023 is as follows:

equity base

in EUR thousand/ as at 31.12.	2023	2022
Subscribed capital	450,000	450,000
Statutory reserves	15,757	14,177
Other revenue reserves	33,473	29,423
Balance sheet profit	30,026	4,050
Total	529,256	497,649

Management Report

The balance sheet equity of eihbank increased to EUR 529.3 million in the 2023 financial year (previous year: EUR 497.6 million). The main reason for the change is the increase in balance sheet profit for the 2023 financial year compared to the previous year, amounting to around EUR 30.0 million (previous year: EUR 4.1).

The Board of Management and the Supervisory Board intend to propose to the shareholders' meeting that, with regard to the appropriation of profits, the reported balance sheet profit for 2023 of EUR 30,026,434.36 (previous year: EUR 4,050,092.99) should be transferred to other revenue reserves.

In addition, there is the following irrevocably approved credit that is not utilised:

Irrevocably approved credit commitments not utilized		
in EUR thousand/ as at 31.12.	2023	2022
Customers	341,976	101,563

There are irrevocably approved credit commitments not utilised primarily for six letters of credit. Two of these letters of credit have already been opened. When the letters of credit are opened, eihbank anticipates an increase in interest income from the resulting lending business.

Overall, eihbank's financial position is very much in order.

As in previous years, eihbank was solvent throughout 2023. Considering the substantial liquid funds available, the company's cash flows are deemed to be sound.



Financial performance

eihbank's financial performance is as follows:

profit and loss statement				
in EUR thousand/ as at 31.12.	2023	2022	+ / .	%
Net interest income	69,527	17,014	52,513	308.6%
Net commission income	2,545	2,882	-337	-11.7%
Net interest and commission income	72,072	19,896	52,176	262.2%
General administrative expenses	-14,005	-11,916	-2,089	17.5%
of which:				
Personnel costs	-8,885	-6,001	-2,884	48.1%
Other administrative expenses	-5,120	-5,915	795	-13.4%
Depreciation on tangible assets	-866	-1,480	614	-41.5%
Net other operating income and expenses	70	-131	201	not disp.
Risk provision	-6,350	8,684	-15,034	not disp.
Operating result	50,921	15,053	35,868	238.3%
Allocation to the fund for general banking risks	0	-8,000	8,000	-100.0%
Net extraordinary income and expenses	0	0	0	0.0%
Earnings before taxes	50,921	7,053	43,868	622.0%
taxes from income and revenues	-19,332	-2,788	-16,545	593.3%
Other taxes	18	-2	20	not disp.
Annual surplus	31,607	4,263	27,344	641.4%

The material income items in the 2023 financial year were as follows:

Interest income developed noticeably positively and is reported in the financial year 2023 as a total of TEUR 69,527 (previous year: TEUR 17,014). This results in interest income in total of TEUR 69,539 (previous year: TEUR 14,945) from interest paid on the deposit facilities at the Deutsche Bundesbank and from money-market and lending business in the form of time deposit loans to banks

and loans to customers. Interest expenses from interest on liabilities to banks only had a slight impact on interest income of TEUR 12 in the 2023 financial year.

There was commission income of TEUR 2,824 (previous year: TEUR 3,136) earned in the financial year. After deducting commission expenses of TEUR 279 (previous year: TEUR 254), the commission result improved slightly compared to the previous year to TEUR 2,545 (previous year: TEUR 2,882).

² Not disp.: cannot be displayed

Management Report

Personnel costs for wages and salaries increased to TEUR 5,338 in the 2023 financial year (previous year: TEUR 4,875). This was mainly due to salary adjustments under collective agreements and to specific issues (in particular the inflation compensation premium). Expenses for social security contributions and pensions were a total of TEUR 3,547 (previous year: TEUR 1,127) and related to pension provisions, among other things.

Other administrative expenses decreased year-on-year to TEUR 5,120 (previous year: TEUR 5,915). The reduced bank levy of TEUR 718 (previous year: TEUR 1,772) also contributed to the decrease.

Risk provision expenses in the 2023 financial year were a total of TEUR 6,350 (previous year: risk provision income of TEUR 8,684). Expenses from additions to the specific provisions for losses on loans and advances of TEUR 6,708 (previous year: income of TEUR 82) were combined with income from the reversal of general provisions for losses on loans and advances in accordance with IDW AcS BFA 7 of TEUR 367 (previous year: expense of TEUR 3,524) as the largest items. There were also direct write-offs on receivables of TEUR 9 (previous year: TEUR 6).

The operating result was TEUR 50,921 (previous year: TEUR 15,053) and was therefore TEUR 35,868 higher than in the previous year. The main reason for this is the positive development of interest income as a result of the changed interest rate environment.

The increase in net interest income is also reflected in the development of the cost/income ratio. As a ratio of administrative expenses including depreciation on tangible assets to net interest and commission income, as well as the result of risk provisioning, the key figure improved by a

further 42.5% compared to the previous year (in 2023: 22.6% after 65.1% in 2022 and 75.0% in 2021).

Otherwise for financial performance, the earnings before taxes has also improved and is now TEUR 50,921 (previous year: TEUR 7,053).

Taxes from income and revenues relate to expenses for trade tax, corporation tax, including the solidarity surcharge due on this tax, amounting in total to TEUR 19,332 (previous year: TEUR 2,683) for the concluded financial year.

Other taxes of TEUR -18 (previous year: TEUR 2) are mainly a VAT refund.

As a result, eihbank was able to achieve an annual surplus of TEUR 31,607 in total in the 2023 financial year. This represents a significant increase in earnings of around TEUR 27,344 compared to the previous year (previous year: TEUR 4,263). The reported annual surplus includes an annual deficit from the Kish Island branch of TEUR -112 (previous year: annual deficit of TEUR -93) and an annual deficit from the Tehran branch of TEUR -381 (previous year: annual deficit of TEUR -240).

eihbank's positive financial performance, which continued to improve significantly in the 2023 financial year, is pleasing. This is particularly true because the options in foreign trade financing are still clearly limited by the politically motivated sanctions imposed by the U.S.. In addition, the reversal in interest rates initiated by the ECB in July 2022 had a very positive effect on the financial performance in the 2023 financial year after years of negative interest rates.

Management Report

At the 2020 shareholders' meeting, the shareholders passed a resolution to continue to pursue eihbank's business model in principle. This continues unchanged. eihbank is also constantly evaluating its business model in line with its own requirements.

Employees

At the end of 2023, eihbank had 67 employees and two Board members. Of these, 8 employees work at the Tehran branch and 2 at the branch on Kish Island.

eihbank has been able to retain expertise in particular in the operational parts of the Bank and the back-office departments in 2023 and attract new, qualified employees from the market.

In the 2023 financial year, all employees continued to support the eihbank's business activities with professionalism and commitment and were able to leverage potential, thereby contributing to the efficient processing of business while at the same time ensuring that regulatory requirements were met. We would like to take this opportunity to thank our employees in particular for their commitment to carrying out their daily tasks under conditions that were again challenging in 2023. It is in particular by the active exchange of knowledge and experience that everyone has contributed to eihbank's positive overall result in the 2023 financial year.

The Supervisory Board also expressly recognised the commitment of our employees that has led to a successful 2023 financial year and worked in its supporting role via Supervisory Board and committee meetings.

We would also like to take this opportunity to thank the employees at our Iranian shareholder banks, the Central Bank of Iran and the Iranian correspondent banks for their work with us in 2023, which is always excellent and comprehensive.

Events after the reporting period

There were no events of particular significance after the end of the financial year.

HR report and sustainability

Declaration of the Board of Management

Equal participation of women and men in leadership positions

The "Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector" expressly only obliges companies that are subject to codetermination with more than 500 employees to set binding targets for the supervisory board, board of management and the top two management levels.

Nonetheless, the Board of Management at eihbank has for years been regularly and in detail addressing the objectives set out in the act when appointing replacements. Alongside the statutory provisions, which do not apply to eihbank per se, eihbank remains committed to its own set goal of further increasing the proportion of women in management positions.

As a result of this regular process, 38.9% of positions at the second management level at eihbank are held by women as at 31 December 2023.

eihbank has also been implementing “equal pay” for years.

Forecast Report³

Development of general macroeconomic conditions

Development of the global economy

The global economy was in a phase of recovery at the end of 2023. Global gross domestic product continued on its positive trajectory. An increase of around USD 4.4 trillion to USD 104.5 trillion is forecast compared to the previous year.

Although global supply chain disruptions have continued to dissipate in 2023, it remains to be seen how the increasing trade conflicts and restrictions between the U.S., Europe and China will play out.

For an export country like Germany, developments in global trade are of great importance.

According to the OECD, trade in goods in the G20 countries also declined in 2023. Exports fell by 3.3% and imports decreased by 5.5%, compared to the previous year.

For 2024 as a whole, the International Monetary Fund (IMF) currently expects the global economy to grow by 3.1%, with an increase of 3.2% forecast for the coming year. The

war in Ukraine and a tense global geopolitical situation are also having a very strong impact on the economy.

Development in Germany

Overall development of the economy in Germany came to a standstill last year in an environment still defined by crisis. GDP fell by 0.3% in 2023. Despite a gradual decline in inflation, the economy was dampened by rising interest rates and lower domestic and foreign demand. The recovery of the German economy after the coronavirus crisis therefore did not continue. Since the start of 2023, the inflation rate has fallen from above 8% to 3.7% in December 2023. A further decline is expected for 2024. The price environment for energy continues to ease and the rise in food prices has slowed considerably. For the first time in two years, the latter is below overall inflation.

Development of business with Iran

In 2023, business with Iran and trade relations between Europe and Iran continued to be heavily influenced by the U.S. sanctions. Political tensions between the EU and Iran also continued in 2023.

A normalisation of economic relations between the European Union and Iran is therefore still not necessarily to be expected, at least in the short term.

Development of eihbank

Even under these difficult conditions, eihbank has been able to keep its business activities relatively stable in recent years.

Management Report

eihbank also assumes that there will continue to be a substantial basic structure for its business activities in 2024. This means that solid financial performance is also possible in the future. eihbank expects its annual result for 2024 to be in line with the result for the previous year.

Taking into account the forecast business development, eihbank's internal capital adequacy is also not at risk at any time in 2024.

In 2024 as well, eihbank will be able to continue to exceed all regulatory minimum requirements for its key financial performance indicators, for total capital ratio according to CRR and for LCR, as it has so far.

Opportunity Report

Despite the continuing challenging environment, eihbank is confident in the future for its core areas of business. The past financial years since 2020 and following, not least in 2023, have shown that eihbank can build on its long-standing, underlying correspondent banking relationships with Iranian banks, very healthy capital resources and the support of the shareholder banks, which have been associated with the Bank for many years. Thanks to our motivated and specialist, qualified employees, eihbank has shown that it can continue to support European-Iranian foreign trade professionally with relevant products and services and also fully meet the heightened regulatory requirements in a unique market environment.

Nonetheless, eihbank will continuously review the modifications to its business model that may be considered as a result of the politically motivated sanctions imposed by the U.S.

In particular, eihbank expects this to have a positive impact on its material core areas of business. A significant improvement in business involving letters of credit and in lending and interest business in particular are therefore to be expected.

As eihbank's liquidity and solvency remain stable and healthy over the long term, significantly improved financial performance is expected in the coming years.

Risk Report

In past years and in the last financial year of 2023, eihbank was able to bear all of the risks it identified fully at all times, thanks to its prudent business and risk strategy. eihbank also has additional available financial resources to cover risk at its disposal to cushion unforeseeable risks, even those that are only theoretically conceivable. Particularly worthy of mention in this regard are the noteworthy reserves generated in previous years in accordance with Section 340f and Section 340g HGB. These reserves may compensate in the longer term for possible reductions in profit in future years if the economic conditions on the market remain difficult. To compensate for risks from individual non-performing loans, corresponding specific provisions for losses on loans and advances have also been formed.

eihbank is also continuously analysing the potential impact of the war in Ukraine and the conflict in the Middle East on its business and operations. Apart from the general impact of global crises that are associated with inflation-related cost increases, eihbank has not been seen any negative impact so far.

Business relations with Iran require special due diligence requirements to comply with the Bank's own and external requirements, with a particular focus on strict requirements for the management of assumed risks. eihbank's established business model therefore allows the Bank to identify, assess, measure, aggregate and manage risks at an early stage.

eihbank has established a holistic approach to managing risks and returns at overall bank level. For this purpose, the defined risk management concept is anchored at all levels of the organisation and management at eihbank. The defined corporate culture supports this process on a permanent basis.

For Iran business, 2023 was still characterised by the effects of the restrictive U.S. policy.

This circumstance continued to have an impact on eihbank's risk assessment and risk absorption, in particular with regard to the following parameters:

- The risk-weighted assets (RWAs) for receivables relating to Iran are included in the assessment at an unchanged high rate of 150%.
- The economic problems in Iran were also reflected in the exchange rate changes in the Iranian currency in 2023 (average market rates as at 1. Januar 2023: 1/439.050 EUR/IRR, at 31. Dezember 2023: 1/553.500 EUR/IRR).
- eihbank has made extensive use of the risk mitigation options available to it.

Despite these difficult conditions, the limits of regulatory parameters such as liquidity coverage ratio (LCR), net stable funding ratio (NSFR), leverage ratio (LR) and total capital ratio according to the Capital Requirements Regulation (CRR) and the Bank's internal risk limits were comfortably met at all times and all the Bank's internal risk limits were complied with. The internal capital adequacy (ICA) was fully ensured at all times, even under stress assumptions.

In accordance with the regulatory requirements, in particular the Minimum Requirements for Risk Management (MaRisk), the Board of Management at eihbank defines the risk policy as part of the overall bank strategy and defines the guidelines for the risk strategy, which applies throughout the Bank and is consistently derived from this overall bank strategy.

The material risks for eihbank are analysed and assessed as part of a risk inventory to be carried out at the eihbank and are transferred to the risk monitoring system.

Risk Management operates on a "Three Lines of Defence" (3LoD) model, which clearly defines risk, control and reporting responsibilities:

- "First Line of Defence" ("1st LoD"):
Ensure monitoring of operational management that is designed to avoid risks.
- "Second Line of Defence" ("2nd LoD"):
Determine the risk appetite and the risk management and control standards; and ensure risk monitoring, independent of first line of defence activities in terms of risk appetite and assessment of risks.

Management Report

- “Third Line of Defence” (“3rd LoD”):
Independent and objective assessment of the appropriateness of the risk strategy and the effectiveness of the internal control and risk management system.

This is where the Board of Management defines its view of risk-appropriate behaviour, which it communicates to all employees to promote a transparent and open dialogue within eihbank on risk-related issues. This forms the cornerstone of the risk culture established at eihbank. The culture encompasses all the standards, the ethical understanding and behaviour relating to risk awareness, risk management and controls.

Risk officers have also been appointed in the specialist departments, who act as multipliers for bank-wide risk issues in their specialist departments and are in close communication with Risk Management.

Risk Management is a material control function alongside representatives from the Compliance and Internal Audit departments. Working together, these control functions deal with current regulations and other matters and implement them at eihbank.

In addition, the following departments and functions support risk management at eihbank:

- Compliance Department
Implements effective processes to comply with the legal regulations and corresponding controls that are material for eihbank and is also responsible for managing risks in the field of money laundering and fraud prevention.

- Data Protection Officer
Advisory and control function for compliance with legal requirements.
- Information Security Officer
Checks compliance with all IT-related security requirements, in particular in accordance with the Supervisory Requirements for IT in Financial Institutions (BAIT), and ensures that they are implemented at eihbank.

Risk Management prepares a comprehensive risk report for the Board of Management monthly. The report analyses and assesses all the risks affecting eihbank. eihbank also prepares analyses of business development, supplementing the monthly earnings performance. The Supervisory Board receives this report on a quarterly basis as well.

Risk inventory and material risk types

In order to assess the risks affecting eihbank, Risk Management conducts a risk inventory on an ad hoc basis, but at least once a year. Finally, the analysis groups the recorded risks into material and immaterial risks. The risk inventory is carried out from a normative and an economic perspective.

According to MaRisk, the following risks are to be considered material in all cases:

- Counterparty risks
- Market price risks
- Operational risks
- Liquidity risk

Not all of these risks are material for eihbank. Risks are generally taken into account in the calculation of internal capital adequacy in accordance with MaRisk, supplemented if necessary by other risks classified as material.

eihbank has identified the following risks as material:

- Counterparty default risk (in general and as a concentration risk at business and country level in particular)
- Data protection risk and legal risk as part of operational risk
- Liquidity risk in the form of payment transaction or transfer risk

No additional material risks were identified in 2023.

eihbank adapted the assessment of risks within its internal capital adequacy calculation in 2023. Adaptation mainly involved the counterparty risks. A one-factor model has been introduced for this, taking into account a Monte Carlo simulation. Liquidity risks are also assessed are more risk-sensitive and with greater granularity.

Given the unchanged general political conditions, the assessment of the materiality of eihbank's risks also differs, in some cases significantly, from that of other banks.

As the business of eihbank is primarily conducted with Iranian banks and corporate customers, the political development of the relationship between Iran and the U.S. has a significant impact on the performance of eihbank as a business.

Risk concentrations and limitation

As our focus is on Iran business, eihbank consciously accepts certain concentrations at a country level. As a result of this focus of business, there are risk concentrations in liabilities to banks because of the extensive business relationships with Iranian banks, with some relationships going back many years. These are generally subject to an increased call risk as a result of their short-term maturities (current account). Assessments of these deposits in the past, however, show that they have not been drawn down beyond a normal level – even in times of crisis. eihbank applies a corresponding deposit base for the liquidity risk and therefore only assesses this call risk as having low relevance to risk.

Large-volume project financing leads to some concentrations. The risk is limited by appropriate contractual arrangements. In addition, there are restrictive limits under the German Ordinance governing large exposures and loans of EUR 1.5 million and more (GroMikV).

The aim of risk management activities is in particular to identify concentrations of risk at an early stage and, if necessary, develop and implement options for diversification. To manage risk concentrations optimally, eihbank has defined specific limits for the individual risk types. These limits are regularly reviewed and, if necessary, adjusted on the basis of risk. Limits have therefore been restructured following the change to the internal capital adequacy calculation. The current utilisation of the limits each month is reported to the Board of Management monthly in the Risk Report. Risk concentrations are also monitored via the supervisory reporting system.

Management Report

In view of the business model with correspondingly large-volume loans and deposit concentrations, limits tend to be generously sized. This ensures that continuity in risk limitation is achieved, without taking disproportionately high risks. This approach is also supported by eihbank's healthy capital resources.

If situation-driven analyses produce indications of higher risk utilisation, risk-reducing processes, up to and including a separate escalation process, are triggered at an early stage in order to return risk utilisation of the limits to the defined normal level.

Capital planning

eihbank's long-term capital planning is based on the assumption that business will continue to develop positively. This includes the planned figures for the next three years.

Given the very healthy capital resources that have been maintained for year, all capital-related performance indicators are exceeded. This also applies in particular under the influence of possible negative developments (stress scenarios).

Internal capital adequacy

The calculation of the internal capital adequacy of eihbank compares the available financial resources with the identified and assessed risks. The available financial resources to cover risk are formed from eihbank's capital. The following data is from the figures reported to the supervisory authority.



Management Report

The risk profile of eihbank as at 31. Dezember 2023:

The risk profile of eihbank		
in EUR thousand/ as at 31.12.	2023	2022
Counterparty risk	40,443	47,786
Market price risk	1,814	2,860
of which interest rate risk	1,407	2,100
of which currency risk	407	759
Operational risks	2,703	2,503
Liquidity risks	0	0
Overall risk	44,960	53,148
total financial resources to risk	563,505	549,880
Available financial resources to risk	518,545	496,732

As in the 2023 financial year as a whole, the internal capital adequacy is also fully guaranteed as at 31. Dezember 2023.

eihbank fully meets the requirements for risk management in accordance with the Internal Capital Adequacy Assessment Process ("ICAAP").

In 2023, counterparty risks of TEUR 40.443 (previous year: TEUR 47.786) are calculated. The total risk amount of TEUR 44.960 (previous year: TEUR 53.148) is offset by available financial resources to cover risk of TEUR 563.505 (previous year: TEUR 549.880). Consequently, the utilisation of the available financial resources to cover risk is 8,0% (previous year: 9,7%). eihbank's risk appetite is limited by risk limits. The risks in 2023 are subject to a limit of TEUR 213.000 (previous year: TEUR 197.000). This corresponds to a limit utilisation of 21,1% (previous year: 27,0%). This means that utilisation remains at a low and healthy level.

eihbank's available financial resources to cover risk are formed generally from capital components of eihbank on an economic basis at net present value, supplemented by the 1.25% of risk-weighted exposure amounts in accordance with Article 62c CRR (additional financial resources to cover risk).

Pursuant to CRR, the Credit Risk Standardised Approach (CRSA) taken by eihbank results in an own funds requirement from counterparty risks and operational risks on the Basic Indicator Approach of TEUR 52.127 at the balance sheet date (previous year: TEUR 50.289). This figure includes all regulatory capital requirements.

eihbank has an own funds recommendation of 1,3% (previous year: 8,4%). eihbank also takes into account a Supervisory Review and Evaluation Process (SREP) add-on of 0,5% (previous year: 1,5%). As the own funds recommendation is offset against the capital conservation buffer, the net allocation is 0%. Taking into account the above add-ons, eihbank must therefore take into account a total capital adequacy ratio of 11,1% (previous year: 17,9%) as at 31. Dezember 2023.

Stress testing

eihbank has defined different stress scenarios for itself, the content of which is based in particular on the specifications of the above BaFin ICAAP circular.

Ad hoc stress tests are also carried out as required. As at 31. Dezember 2023, no limit violation occurs in any scenario.

Management Report

Counterparty risks (credit risks)

Counterparty risks (credit risks) comprise all risks arising from the risk of partial or total default of contractually guaranteed payments by the customer.

The counterparty risk is managed by borrower-specific limits, which are the result of business policy decisions.

Intensified loan management/restructured loans

eihbank makes a distinction between loans under intensified loan management and loans being restructured (non-performing loans). Non-performing loans generally result in a termination of the exposure. For borrowers in default, generally speaking a repayment agreement is agreed. If necessary, risk provisions are formed for these borrowers.

Owing to a prudent business and risk strategy, eihbank still only has one loan that is assessed as non-performing loans at the end of the financial year 2023. A specific provision for losses on loans and advances has been formed for this borrower. The liquidation of collateral, including legal steps to enforce eihbank's interests, has been initiated.

Risk provision/value adjustments

As at 31. Dezember 2023, the following risk provisions are in place to hedge the credit risk of banks and non-banks:

Value adjustments		
in EUR thousand/ as at 31.12.	2023	2022
Specific provisions for losses on loans and advances	7,080	1,503
General provisions for losses on loans and advances	3,157	3,524
Risk provision in accordance with Section 340g HGB	49,500	49,500
Total	59,737	54,527

eihbank assesses the general provisions for losses on loans and advances to be recognised in accordance with IDW AcS BFA 7. It uses the valuation approach as per the expected loss method ($EL = PD * LGD * EAD$).

To identify changes in the portfolio at an early stage, eihbank regularly carries out credit analyses and stress test calculations. This simulates a massive deterioration in the creditworthiness (rating shift: rating drop as per the LSI stress test) of all customers, as well as other events.

The counterparty risk is assessed using a one-factor model with an underlying Monte Carlo simulation. The calculation variant we use is based on the calculation of expected loss and unexpected loss and on a confidence level of 99.9%. This calculation model is used, as eihbank lacks the ability to calculate probabilities of default (PD) and losses given default (LGD) properly because of prudent business policy lending decisions and a lack of defaults.

Management Report

The PD is significantly influenced by the result of the risk classification (the rating). eihbank uses its own risk classification procedure to assess the creditworthiness of borrowers.

Counterparty risks are assessed and monitored as part of an individual exposure assessment for each borrower.

Country risk

Given eihbank's continued focus of business on customers with an Iranian business background, it is in principle possible to form a country risk provision.

However, since eihbank has already taken such banking risks sufficiently into account by forming a risk provision for general banking risks in accordance with Section 340f HGB and the formed general provisions for losses on loans and advances, eihbank does not use this option.

In addition, the country risk is already managed and limited by the Bank's internal restrictions on Iran business. Given the current business volume, this limitation, as in the previous year, is not relevant. Iranian assets continue to be included in the calculation of RWA with a risk weighting of 150%.

Market price risks

Market price risks describe the risks that can arise from fluctuations in market parameters. This includes changes in market prices (interest rate risk, share price risk, exchange rate risk), as well as the associated changes in the value of financial products. In view of the fact that eihbank is not a trading book institution and therefore does not hold any

securities in its investment portfolio, eihbank is not exposed to any market price risk from securities.

Interest rate risk

Interest rate risk is determined using maturity bands in accordance with regulatory requirements. The underlying IRRBB model also includes various stress scenarios, such as the base rate shock (± 200 BP). Applying this stress scenario, the regulatory reporting limit of 15,0% is only utilised to an immaterial extent. Changes in 2023 are as follows:

Present value change		
as at 31.12.	in Thousand EUR	in %
interest shock +200	-14,579	-2.6
interest shock -200	18,199	3.3

Given the lack of market access, not all options for action (e.g. interest rate swaps) are available to reduce a potential risk when hedging interest rate risk.

The interest rate risk, taking into account the regulatory parameters under the IRRBB model, is reported at TEUR 1.407 as at 31. Dezember 2023 (previous year: TEUR 2.100) and therefore remains at a low level overall.

Currency risks

In principle, new business is only concluded in EUR. Based on business development to date, however, eihbank has a balance in Iranian rials.

The continuing economic problems in Iran have led to the establishment of a market exchange rate alongside the official exchange rate. However, the difference between the official exchange rate and the market rate only creates a moderate currency risk for eihbank over and above ordinary exchange rate fluctuations. The risk is also limited and monitored via a limit.



Given the continued limited market access, closing open items comprehensively via corresponding coverage and hedging transactions aimed at reducing and controlling risk, continue not to have been possible in 2023.

The exchange rate volatility is used to calculate the currency risk at a confidence level of 99.9% in the course of the year. The calculation is performed using the

maximum exchange rate deviations within the scenarios. A holding period of one year is currently assumed.

Stress scenarios for currency risks are calculated unchanged with different currency volatilities. No increased risks that are noteworthy can be deduced.

Development of exchange rates

EUR/IRR as at 31.12.	2023	2022
Official exchange rate	46,403	44,993
Market value	553,500	425,750
Sana rate	429,268	306,188
Valuation rate	265,000	220,000

The Central Bank of Iran (CBI) proposed exchange rate adjustments for the EUR/IRR valuation in 2023 as well due to the volatile exchange rate conditions caused by the sanctions. eihbank has followed this proposal. As at 31. Dezember 2023, it therefore values EUR/IRR positions at an exchange rate of EUR/IRR 1:265.000 .

Operational risks

According to Article 4 CRR, operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

As a direct consequence of the restrained market acceptance, eihbank still does not have all options for minimising risk at its disposal.

This circumstance results in a fundamentally increased operational risk at eihbank.

Operational risks can also arise from the following circumstances:

- Outsourcing
- Reputational risks
eihbank's listing on OFAC lists and the risk of business policy decisions by market participants/contracting parties to terminate or refuse cooperation with eihbank without being required to do so by law.
- Project risks
Risks arising from the failure to implement a project on schedule and/or within budget.

By taking out insurance policies and the risk transfer this entails, the operational risk to eihbank is also restricted.

Operational risk is assessed at eihbank according to the Basic Indicator Approach and taking into account the regulatory requirements. There is also an assessment of the risk under stress conditions. eihbank assumes in this case that it might suffer increased losses from these risks. For measurement purposes, the calculated risk for the stress case is therefore multiplied by an average risk ratio, which is derived from the stressed counterparty risk on the basis of effective risk parameters.

Information security

Given the general external conditions described, a generally increasingly critical cyber threat situation and continuously expanded regulatory requirements (MaRisk, BAIT and DORA), eihbank considers information security and operational IT security to have a special role. The increasing digitalisation of eihbank's business model also requires secure, highly available and reliably functioning IT infrastructure as well as effectively developed information security, which in particular ensures appropriate protection of the confidentiality and integrity of processed data and minimises information risks.

Information security risk is the risk of damage (financial, data loss, reputation) within the data processing of all eihbank business processes that may result from a threat situation (human error, targeted attacks, organisational deficiencies and technical failure).

As in the previous year, eihbank continued to invest in expansion of the infrastructure and organisation for IT and information security in the 2023 financial year, in line with its strategic direction. The move to a new alternative data centre just outside Hamburg is of note in this regard in particular. Another focus was on progressing digitalisation, alongside other areas. This means that eihbank is able to assess and manage its information security risks even more efficiently and to strengthen its position on the market further vis-à-vis its competitors. In the future, eihbank intends to continue with the same approach.

Management Report

Overall, eihbank complies with the strict IT requirements of the banking supervisory authorities and thereby ensures, now and in the future, that all data is appropriately protected to justify the trust placed by customers in eihbank and its performance.

eihbank was able to maintain IT operations at all times and respond to changing requirements promptly and effectively.

Liquidity risks

The liquidity risk is that the required cash or cash equivalents will not be available or will only be available to a limited extent and that it is therefore no longer possible to meet payment obligations in full and on time.

A risk amount for liquidity risks is also taken into account in the internal capital adequacy calculation.

In the reporting year, there were no liquidity bottlenecks and no assessable liquidity risks.

Given the reduced market access of eihbank, the scope for action at eihbank in 2023 in terms of liquidity management remains very limited.

In the reporting year 2023, there were also no liquidity bottlenecks, because eihbank has substantial deposits from its shareholders. The liquidity situation therefore remains healthy. There is currently no observed risk to eihbank's liquidity that the shareholder banks and other Iranian banks will withdraw their deposits in the near term.

To hedge any risks that could currently arise from eihbank's limited refinancing options under the above general conditions, eihbank has entered into agreements with its shareholder banks. These have the effect of reducing risk to the extent that the shareholder banks have irrevocably committed themselves in the agreements to guarantee support for eihbank in the event of theoretically conceivable liquidity bottlenecks.

To ensure appropriate short-term management of the liquidity situation, Risk Management regularly reports to the Board of Management using up-to-date liquidity overviews. On this basis, the Board of Management decides on the short-term and strategic direction of liquidity management.

The regulatory LCR is also an important liquidity performance indicator in this regard, which is analysed daily by Reporting. The LCR was always comfortably complied with in 2023, as in the previous year as well, and is a ratio of 136,8% as at 31. Dezember 2023 (previous year: 126,4%). The NSFR is used to assess long-term liquidity. This is also extremely healthy at 496,8% as at 31. Dezember 2023 (previous year: 447,5%).

Last but not least, risk concentrations are additionally subject to separate stress tests in order to simulate e.g. increased liquidity outflows and therefore the increase in liquidity risk. The continuous monitoring and reporting implemented at eihbank, however, means that even the slightest risk concentrations in refinancing are recognised promptly and mitigated by appropriate measures.

As part of this stressed assumption in the form of the modified funding matrix, it is assumed that eihbank can only cover its liquidity requirements at increased refinancing costs.

The gaps between asset and liability items per maturity band under consideration are calculated with a refinancing rate of 12-month Euribor plus an eihbank-specific calculated refinancing rate. This approach is based on the assumption that the refinancing will take place via the Central Bank of Iran or the Iranian shareholder banks. As at 31. Dezember 2023, a risk amount TEUR 0 is taken into account in the internal capital adequacy calculation because of the lack of risk impact, as in the previous year.

Given its adequate liquidity, eihbank, like many banks in Germany, invests any free liquidity via a deposit facility with the Deutsche Bundesbank. The business contributes positively to the net interest income and thereby additionally strengthens eihbank's financial performance.

Sustainability risks

Sustainability or ESG risks are environmental, social or governance events or conditions, which, if they occur, have or may potentially have significant negative impacts on the financial position, cash flows and financial performance, or reputation of a supervised entity. These risks are not considered individually, but as a component of the individual risks from counterparty default risk, market risk and operational risk.

At eihbank, the assessment of ESG risks was included in the risk classification in the reporting period. The issue of sustainability is also anchored in its overall bank strategy. However, owing to the business orientation and the currently difficult business environment, it is necessary to take into account the fact that sustainability risks continue to play a somewhat secondary role for eihbank, unchanged to the present. Nevertheless, there is a constant and intensive discussion of this topic, in particular in Risk Management. This is not only about compliance with legal requirements, but also about opportunities and risks arising from the sustainability discussion, which are assessed and, where appropriate, taken into account.

Recovery plan pursuant to Section 12(3) SAG

Just like other banks, eihbank was required back in 2019 to develop and maintain a recovery plan pursuant to Section 12(3) SAG. eihbank has met this requirement. This requirements was of a general legal nature and did not relate to eihbank's economic situation.

The SAG indicators applied by eihbank are subject to continuous monitoring. As at 31. Dezember 2023 and in the course of the year, there has been no indication to trigger the recovery plan from a breach of the indicator thresholds.

Relations with affiliated enterprises

In the 2023 financial year, the Board of Management submitted a report on relations with affiliated companies in accordance with Section 312 of the German Stock Corporation Act (AktG). The report contains the following closing declaration by the Board of Management:

“We hereby declare that in relation to the legal transactions with the Bank of Industry and Mine, Tehran/Iran and companies affiliated with it, as listed in the report as part of the relation with affiliated companies, Europäisch-Iranische Handelsbank AG, Hamburg, agreed or received appropriate consideration for each legal transaction under the circumstances known to the Board of Management at the time at which they were implemented, and that no steps were taken or omitted for the purposes of Section 312 of the German Stock Corporation Act (AktG) in the 2023 financial year.”

Note

By way of this Management Report, Europäisch-Iranische Handelsbank AG, Hamburg, implements the transparency requirements pursuant to Section 289 HGB.

The figures are rounded in accordance with standard commercial practice. This may result in minor deviations in the calculation of totals and in the calculation of percentages.

Hamburg, 5 April 2024

**EUROPÄISCH-IRANISCHE HANDELSBANK
AKTIENGESELLSCHAFT
HAMBURG**

Dr. Arash Onsori

Ralf Vollmering



Balance Sheet as of 31 December 2023

Assets			
as at 31.12.		2023 in EUR	2022 in TEUR
1. Cash reserve			
a) Cash at hand	154,951.59		13
b) Central bank balances of which: at Deutsche Bundesbank EUR 12,081,147.88 (p.y. EUR 1,647,959,695.10)	12,081,147.88		1,647,959
		12,236,099.47	1,647,972
2. Receivables from banks			
a) Due on demand	1,522,433,088.98		22,105
b) Other receivables	153,411,327.07		127,082
		1,675,844,416.05	149,187
3. Receivables from customers		156,216,027.56	186,078
thereof: secured by liens on lended property EUR 0.00 (p.y. EUR 0.00)			
municipal loans EUR 0.00 (p.y. EUR 1,000,000.00)			
4. Intangible assets			
a) Internally generated industrial property rights and similar rights and values	11,400.00		26
b) Concessions aquired for a consideration, industrial property rights and similar rights and values and licenses to such rights and values	325,783.37		660
		337,183.37	686
5. Tangible assets		25,691,731.59	22,426
6. Other assets		191,179.60	815
7. Deferred income		235,045.92	174
Total assets		1,870,751,683.56	2,007,338

Liabilities			
as at 31.12.		2023 in EUR	2022 in TEUR
1. Liabilities to banks			
a) Due on demand	1,107,192,699.95		1,273,805
b) At agreed terms or period of notice	6,447,623.57		0
		1,113,640,323.52	1,273,805
2. Liabilities to customers			
Other liabilities			
a) Due on demand	142,342,236.84		173,262
b) At agreed terms or period of notice	0.00		0
		142,342,236.84	173,262
3. Other liabilities		573,412.35	515
4. Deferred income		68,800.44	95
5. Provisions			
a) Provisions for pensions and similar commitments	7,621,781.00		5,219
b) Provisions for taxes	23,784,900.00		4,470
c) Other provisions	3,964,111.79		2,823
		35,370,792.79	12,512
6. Fund for general banking risks		49,500,000.00	49,500
7. Shareholders' equity			
a) Subscribed capital	450,000,000.00		450,000
b) Revenue reserves			
ba) Statutory reserves	15,757,056.91		14,177
bb) Other revenue reserves	33,472,626.35		29,422
c) Balance sheet profit	30,026,434.36		4,050
		529,256,117.62	497,649
Total liabilities		1,870,751,683.56	2,007,338
1. Contingent liabilities			
Liabilities from suretyships and warranty agreements		13,840,704.82	21,250
2. Other obligations			
Irrevocable credit commitments		341,975,543.25	101,563

Statement of Income for the period from 1 January to 31 December 2023

Expenses				
			2023 in EUR	2022 in TEUR
1. Interest expenses from				
a) Credit and money-market transactions		12,545.71		0
b) Negative interest from money-market transactions		0.00		-6,763
			12,545.71	-6,763
2. Commission expenses			278,899.31	254
3. General administrative expenses				
a) Personnel costs				
aa) Wages and salaries	5,337,990.41			4,874
ab) Social contributions and expenses for old age provisions and for support of which: for old age provision EUR 2,822,481.16 (p.y. EUR 387,963.59)	3,547,179.35			1,127
		8,885,169.76		6,001
b) Other administrative expenses		5,119,579.52		5,915
			14,004,749.28	11,916
4. Depreciation and value adjustments on intangible investment assets and tangible assets			866,235.61	1,480
5. Other operating expenses			282,749.25	361
thereof from currency translation EUR 113,609.05 (p.y. EUR 138,935.67)				
6. Depreciation and value adjustments on receivables and certain securities and allocations to provisions relating to credit business			6,349,717.82	0
7. Allocation to the fund for general banking risks			0.00	8,000
8. Taxes from income and revenue			19,332,525.21	2,789
9. Other taxes			-18,006.54	2
10. Annual surplus			31,606,773.01	4,263
Total expenses			72,716,188.66	22,302

Annual Statement for financial year 1 January 2023 to 31 December 2023

Income				
			2023	2022
			in EUR	in TEUR
1. Interest income from				
a) Credit and money-market transactions	69,539,440.99			14,944
b) Negative interest from money-market transactions	-122.23			-4,693
			69,539,318.76	10,251
2. Income from commissions			2,824,078.31	3,136
3. Income from write-ups on receivables and certain securities and from release of provisions relating to credit business			0.00	8,684
4. Other operating income			352,791.59	231
thereof from currency translation EUR 6,652.76 (p.y. EUR 299.84)				
Total income			72,716,188.66	22,302
1. Annual surplus			31,606,773.01	4,263
2. Profit carried forward from the previous year			4,050,092.99	2,386
3. Allocation to revenue reserves				
a) in the statutory reserve			1,580,338.65	213
b) on other revenue reserves			4,050,092.99	2,386
4. Balance sheet profit			30,026,434.36	4,050

Annex A. Notes to the financial statements

1 General

Europäisch-Iranische Handelsbank Aktiengesellschaft (eihbank) has its registered offices in Hamburg and is registered at the Hamburg Local Court under registry number HR B 14604.

The annual financial statements are compiled with due regard to the provisions of the German Commercial Code (HGB), Stock Corporation Act (AktG), Banking Act (KWG), Ordinance on the Accounting of Banks and Financial Services Institutions (RechKredV) and the principles of proper accounting.

The company is classified as a large corporation pursuant to Section 340a(1) HGB in conjunction with Section 267 HGB.

eihbank has made use of the option available under Section 340a(1) in conjunction with Section 265(5) HGB and provided a further breakdown of the items “interest expenses” and “interest income” to allow for the separate accounting of “negative interest” in the profit and loss statement.

2 Accounting policies

The accounting and valuation assumed continuation as a going concern (Section 252(1) No. 2 HGB).

The following accounting policies have been employed in preparing the balance sheet and the profit and loss statement:

Cash reserves have been accounted for at their nominal value.

Receivables from banks and customers have been accounted for at their nominal value. Specific provisions for losses on loans and advances, general provisions for losses on loans and advances and contingency reserves in accordance with Section 340f HGB have been offset against receivables.

The general provisions for losses on loans and advances are formed in accordance with the IDW statement on “Risk provisioning for foreseeable counterparty risks that have not yet been individually specified in the annual and consolidated financial statements of institutions subject to commercial law” (IDW AcS BFA 7) using the one-year expected loss method. The general provisions for losses on loans and advances are now determined on the basis of the expected values of future losses from loan losses. General provisions for losses are made for receivables from banks, receivables from customers, contingent liabilities and other obligations.

The contingency reserves pursuant to Section 340f HGB are determined in the financial year in accordance with Section 340f(1) sentence 2 HGB.

Tangible assets and intangible assets are assessed at acquisition costs less scheduled depreciation/amortisation. This also concerns recognised intangible rights of use.

Other assets have been accounted for at their nominal value.

Liabilities have been assessed at their settlement values.

The provisions cover all discernible risks and contingent liabilities. They have been measured at their settlement value according to Section 253(1) sentence 2 HGB and on

the basis of a reasonable commercial assessment. Provisions with an expected remaining term of more than one year are discounted pursuant to Section 253(2) HGB at the average market interest rate published by the Bundesbank for the previous ten financial years (in the case of provisions for pension obligations) and the previous seven years (for all other provisions).

Pension provisions are calculated in accordance with actuarial principles. The settlement value is determined using the projected unit credit method. Pursuant to Section 253(2) sentence 1 HGB, the applied discount rate is 1.82 % (previous year: 1.78 %) (10-year average). There are two active future entitlements as at the reporting date. The figure for future salary increases applied as the basis for valuation is 2.00 %. The figure for future pension increases is 2.00 % (previous year: 1.75 %). The current Heubeck mortality tables 2018G are used as the biometric actuarial basis.

The calculation of the limitation on profit distribution is based on an interest rate of 1.72 % (previous year: 1.42 %) (7-year average). The difference amount (limitation on profit distribution) pursuant to Section 253(6) HGB is EUR 120,675 (previous year: EUR 246,505).

For the general risk provision for contingent liabilities and other obligations in accordance with IDW AcS BFA 7, provisions are recognised as liabilities in accordance with Section 249 HGB. They are reported under other provisions.

The surplus of deferred tax assets beyond the netting out range is not accounted for through exercising the option under section 274 sub-section 1 clause 2 HGB. The deferred tax assets arise from differences between the commercial law and tax law value for the risk provision and the provisions, which are expected to be reduced in subsequent financial years. A tax rate of 32.275 % is applied in the assessment (previous year: 32.275 %).

The fund for general banking risks formed in previous years in accordance with Section 340g HGB remains at EUR 49.5 million in the financial year (previous year: EUR 49.5 million).

The valuation of the currency receivables and liabilities is in accordance with the provisions under Section 340h HGB in conjunction with Section 256a HGB. Assets and liabilities in foreign currencies are valued and stated in Euros using the reference exchange rate of the European Central Bank (ECB) and the Central Bank of Iran (CBI) as at the balance sheet date.

The CBI proposed an adjustment of the exchange rate ratio in March 2023 to 1:265,000 EUR/IRR, due to the volatile exchange rate caused by the sanctions. eihbank followed this proposal and implemented the system rate proposed by the CBI with effect from 20 April 2023. This transaction resulted in a total loss from currency translation of EUR 123 thousand.

Foreign currency items translated into EUR thousand compared to the previous year are as follows:

Foreign currency items		
in EUR thousand/ as at 31.12.	2023	2022
Assets	863	1,607
Liabilities	-231	-188
	632	1,419

3 Notes to the balance sheet

A 2. Receivables from banks

A 2. b) Other receivables from banks by remaining terms

in EUR thousand/ as at 31.12.	2023	2022
up to and including three months	49,645	33,525
more than three months up to and including one year	103,766	93,426
more than one year up to and including five years	0	130
	153,411	127,081

Overnight credit balances of EUR 1,515,102 thousand under the deposit facility at the Deutsche Bundesbank, including accrued interest, are recognised under receivables from banks due on demand, as at the balance sheet date (Section 12(2) sentence 2 RechKredV). In the previous year, a Bundesbank balance of EUR 1,647,960 thousand was part of the cash reserve.

There are loans and advances to affiliated enterprises (Bank of Industry and Mine, Tehran/Iran) of EUR 94,435 thousand (previous year: EUR 83,911 thousand).

A 3. Receivables from customers by remaining term

in EUR thousand/ as at 31.12.	2023	2022
up to and including three months	84,829	44,717
more than three months up to and including one year	27,512	20,276
more than one year up to and including five years	2,540	80,602
more than five years	29,558	31,358
	144,439	176,953
with an unspecified term	11,777	9,125
	156,216	186,078

A 4. Intangible assets

The reduction in intangible assets in the 2023 financial year is mainly accompanied by amortisation of EUR 383 thousand on software assets. Software required for banking operations with a value of EUR 34 thousand was purchased.

A 5. Property, plant and equipment

The buildings in Hamburg, Tehran and Kish Island are mainly used for banking operations. A book value of EUR 9,265 thousand is attributable to the buildings and land used for banking activities (previous year: EUR 9,476 thousand). In addition, the construction of a new office building in Tehran together with the relevant Bank-owned land is reported under tangible assets with a value of EUR 14,323 thousand (previous year: EUR 10,651 thousand).

A 7. Other assets		
in EUR thousand/ as at 31.12.	2023	2022
Advance payment for new building in Tehran	75	68
Other	34	28
Provisionsforderungen	31	23
Tax receivables	28	125
Prepayments made	23	2
claim against insurance from liability case	0	569
	191	815

Other assets include advance payments of EUR 75 thousand for the construction of the new building in Tehran and commission receivables for a total of EUR 31 thousand. The tax refund claim of EUR 28 thousand relates to an outstanding VAT receivable.

P 1. Liabilities to banks

Liabilities to banks include liabilities to affiliated undertakings of EUR 6,838 thousand (previous year: EUR 3,185 thousand). There are liabilities of EUR 122,944 thousand (previous year: EUR 263,740 thousand) to companies in which participations are held (Section 271(1) HGB).

As in the previous year, the Bank did not provide any contractual collateral for the liabilities.

P 3. Other liabilities		
in EUR thousand/ as at 31.12.	2023	2022
Members of the Supervisory Board	269	217
Liabilities to buildings in Iran	121	91
Tax liabilities	106	99
Accounts payable	59	90
Other	18	18
	573	515

The items reported under other liabilities primarily include liabilities to Supervisory Board members of EUR 269 thousand, liabilities for buildings in Iran of EUR 121 thousand and tax liabilities from wage tax still to be paid of EUR 104 thousand at the end of the financial year.

P 5. Balance sheet provisions

The provisions for taxes of EUR 23,785 thousand (previous year: EUR 4,470 thousand) consist of consist of deferred tax expenses for previous years of EUR 4,454 thousand, current tax expenses of EUR 19,315 thousand and expenses in connection with tax audit risks of EUR 16 thousand.

The other provisions, as in 2022, include a figure of EUR 600 thousand in connection with the reconciliation of interests concluded on 23 July 2020 between the Board of Management and the Works Council of eihbank.

A provision of EUR 686 thousand (previous year: EUR 494 thousand) is reserved for special payments for the 2023 financial year.

An amount of EUR 305 thousand (previous year: EUR 250 thousand) is reserved for the external costs of the annual financial statements, and an amount of EUR 59 thousand (previous year: EUR 54 thousand) is reserved for the internal costs of the annual financial statements.

P 7. Shareholders' equity

The Bank's share capital is reported at EUR 450.0 million (previous year: EUR 450.0 million). The share capital is fully paid up and is certified in the form of global certificates for no-par value shares with a nominal value of EUR 1 per share.

P 7. b) Revenue reserves

in EUR thousand/ as at 31.12.	2023	2022
Statutory reserves	15,757	14,177
Other revenue reserves	33,473	29,422
	49,230	43,599

After allocation of EUR 1,580,338.65 (previous year: EUR 213,162.79) to the statutory reserve in accordance with Section 150(2) AktG, there is a remaining balance sheet profit of EUR 30,026,434.36 (previous year: EUR 4,050,092.99). The balance sheet profit of EUR 4,050,092.99 reported in the 2022 financial year was transferred to other revenue reserves by resolution of the shareholders' meeting on 29 June 2023. The Board of Management's proposal for the appropriation of profit for the 2023 financial year is presented at the end of these notes.

Contingent liabilities

The contingent liabilities relate to business with customers and business with banks:

Contingent liabilities		
in EUR thousand/ as at 31.12.	2023	2022
Guarantees and warranty agreements	13,841	21,250
thereof: to banks	10,000	10,000
thereof: to customers	3,841	11,250
	13,841	21,250

On behalf of the Bank of Industry and Mine, eihbank has issued a guarantee in the form of a guarantee credit for EUR 10.0 million. Compensating balances of EUR 2,114 thousand have been offset against liabilities from securities and guarantees. According to current knowledge, eihbank does not expect any utilisation of the contingent liabilities.

Other obligations

Irrevocably approved credit commitments not utilized

in EUR thousand/ as at 31.12.	2023	2022
Customers	341,976	101,563
	341,976	101,563

There are irrevocably approved credit commitments not utilised primarily for six letters of credit. Of those, two letters of credit have been opened.

According to current knowledge, eihbank does not expect full drawdown of the unutilised credit commitments.

To the extent that risks of utilisation arise from contingent liabilities and other commitments reported under the balance sheet, provisions have been made for these risks. General provisions for losses on loans and advances were also made in accordance with IDW AcS BFA 7.

The obligations are monitored and evaluated as credit.



4 Notes to the items in the profit and loss statement

A 5. Other operating expenses

in EUR thousand/ as at 31.12.	2023	2022
Losses from currency conversion	114	139
Interest on long-term provisions	90	94
Other social personnel expenses	47	47
Other	32	3
Expenses due to changes in interest rates for pension provisions	0	78
	283	361

Other operating expenses include losses from currency translation of EUR 114 thousand (previous year: EUR 139 thousand). This item also includes interest expenses for long-term provisions of EUR 90 thousand (previous year: EUR 94 thousand).

A 6. Depreciation/write-downs and value adjustments

The expenses item is EUR 6,350 thousand in 2023. In the previous year, the adjustment of the contingency reserves in accordance with Section 340f HGB resulted in income of EUR 8,684 thousand (see E 3.). In the 2023 financial year, expenses from additions to the specific provision for losses on loans and advances of EUR 6,708 thousand are combined with income from the reversal of general provisions for losses on loans and advances in accordance with IDW AcS BFA 7 of EUR 367 thousand as the largest items.

A 9. Other taxes

An amount of EUR -18 thousand is deducted in other taxes (previous year: EUR +2 thousand). Other tax expenses for the financial year are overcompensated by a VAT refund.

E 1. Interest income (with interest result)

The interest income of EUR 69,539 thousand (previous year: EUR 14,945 thousand) comes from interest paid on the deposit facilities at the Deutsche Bundesbank and from money-market and credit transactions. The latter are in the form of time deposit loans to banks and loans to customers. Further interest income arises from the minimum reserve interest on Bundesbank balances.

Interest expenses amount to EUR 12 thousand and arise from interest on liabilities to banks with agreed term.

Including the above interest components, the interest income is reported as a total of EUR 69,527 thousand (previous year: EUR 17,014 thousand).

E 2. Commission income (with commission result)

There is commission income in 2023 of EUR 2,824 thousand (previous year: EUR 3,136 thousand).

After deducting commission expenses, the total commission result is EUR 2,545 thousand (previous year: EUR 2,882 thousand).

E 4. Other operating income

in EUR thousand/ as at 31.12.	2023	2022
refunds in connection with legal disputes	132	0
Rental income Kish Island	88	50
Income due to changes in interest rates for pension provisions	48	0
Other	40	36
Income from the release of other provisions	38	143
Income from currency conversions	7	0
Profit on disposal of property, plant and equipment	0	2
	353	231

Other operating income includes reimbursements of EUR 132 thousand resulting from legal disputes in the past, and rental income of EUR 88 thousand (previous year: EUR 50 thousand) from the office building on Kish Island.



The breakdown of interest and commission income and of other operating income by geographical criteria is provided in the following overview:

Amounts broken down by geographic criteria

in EUR thousand/ as at 31.12.	2023		2022	
	Domestic	Inter-national	Domestic	Inter-national
Interest income	54,484	15,056	3,383	11,562
Negative Interest	0	0	-4,693	0
Commission income	293	2,531	331	2,805
other operating income	126	227	171	59
	54,902	17,814	-808	14,426

An annual surplus of EUR 31,607 thousand (previous year: EUR 4,263 thousand) is reported as at 31 December 2023. The annual surplus includes the annual deficit of the Tehran branch of EUR -381 thousand (previous year: EUR -240 thousand) and the deficit of the Kish Island branch of EUR -112 thousand (previous year: EUR -93 thousand).



B. Other information

Employees (Section 285 No. 7 HGB)

The average number of employees in the 2023 financial year was 66 (previous year: 67), broken down by group as follows:

Employees annual average 2023						
	Male	of which part time	Female	of which part time	Total	of which part time
Hamburg	31	1	25	9	56	10
Tehran	5	0	3	0	8	0
Kish	1	0	1	0	2	0
	37	1	29	9	66	10



Disclosures pursuant to Section 285 No. 10 HGB

The members of the Board of Management

Dr. Arash Onori, Chair
Member for Front Office

Ralf Vollmering
Member for Back Office

Disclosure of management board remuneration

in EUR thousand/ as at 31.12.	2023	2022
§ 285 Nr. 9 a) HGB	686	589

Disclosures pursuant to Section 285 No. 9 b) HGB

Previous members of the Board of Management and their surviving relatives were paid total remuneration of EUR 304 thousand in 2023 (previous year: EUR 280 thousand). The pension provisions formed for this group are EUR 5,572 thousand (previous year: EUR 5,219 thousand).

The members of the Supervisory Board

Dr. Ali Khorsandian, Chair
 Managing Director
 Bank of Industry and Mine, Tehran/Iran

Reza Dolatabadi, Deputy Chair
 Managing Director
 Bank Mellat, Tehran/Iran

Dr. Mehdi Razavi
 Professor
 Shahid-Beheshti University, Tehran/Iran

Dr. Hadi Akhlaghi Feiz Asar
 Managing Director
 Bank Tejarat, Tehran/Iran

Wolfgang Albrecht
 REFA graduate in business administration/employee representative

Christian Bäßgen
 Banker/employee representative

Disclosure of supervisory board remuneration

in EUR thousand/ as at 31.12.	2023	2022
§ 285 Nr. 9 a) HGB	242	225

Disclosure in accordance with Section 285 No. 17 HGB

Total fee charged by the external auditor for the fiscal year

in EUR thousand/ as at 31.12.	2023	2022
Auditing services	282	194
Other services	9	8
	291	202

The auditing services relate to the audit costs including ancillary services reserved in the financial year for the audit of the 2023 annual financial statements.

Other services relate to activities for the training of members of the Supervisory Board.

Disclosure in accordance with Section 26a KWG

The country-by-country disclosures referred to in the context of the implementation of Article 89 of EU Directive 2013/36 (Capital Requirements Directive CRD IV) in Section 26a KWG are presented below:

	Head Office in Hamburg	Branch Tehran	Branch Kish Island
Company:	Europäisch-Iranische Handelsbank AG		
Type of business activity	Bank		
Geographical location	Hamburg, Germany	Tehran, Iran	Kish Islands, Iran
Turnover in TEUR:	71,845	193	34
Number of full-time equivalent employees	56	8	2
Profits(+) or losses(-) before taxes in TEUR	51,415	-374	-101
Taxes on profits or losses in TEUR	19,315	7	10
Public aid received in TEUR	-	-	-

**Disclosure of return on assets pursuant to
Section 26a(1) sentence 3 KWG**

Net Profit	31.606.773,01	= 1,690 % (previous
Balance sheet total	1.870.751.683,56	year: 0,212 %)

**Disclosure in accordance with Section 160(1)
No. 8 AktG (existence of an ownership interest in our
bank)**

Bank of Industry and Mine, Tehran/Iran holds a majority stake of 51.8 %. Bank Mellat, Tehran/Iran holds 26.3 % of the subscribed capital.

**Disclosure in accordance with Section 285 No. 33 HGB
(events after the reporting period)**

There are no significant events after 31 December 2023 that would have a material impact on the 2023 financial year.



Disclosure pursuant to Section 285 No. 34 HGB in conjunction with Section 325(1) HGB

The Board of Management and the Supervisory Board propose that the shareholders' meeting transfers the reported balance sheet profit for 2023 of EUR 30,026,434.36 (previous year: EUR 4,050,092.99) to other revenue reserves.

The previous year's balance sheet profit was allocated to other revenue reserves by resolution of the shareholders' meeting of 29 June 2023.

Hamburg, 05 April 2024

**EUROPÄISCH-IRANISCHE HANDELSBANK
AKTIENGESELLSCHAFT
HAMBURG**

Dr. Arash Onori

Ralf Vollmering



Assets movement

in EUR	Historical or manufacturing costs			Status 31.12.2023
	Status 01.01.2023	Additions	Disposals	
1. Intangible assets				
- Internally generated industrial property rights and similar rights and values	76,000.00	0.00	0.00	76,000.00
- Concessions acquired for a consideration, industrial property rights and similar rights and values and licenses to such rights and values				
a) Beneficial interest	933,203.98	0.00	0.00	933,203.98
b) Software	4,443,617.99	33,763.97	0.00	4,477,381.96
	5,452,821.97	33,763.97	0.00	5,486,585.94
2. Tangible assets				
a) Land	5,159,157.67	0.00	0.00	5,159,157.67
b) Buildings	18,025,419.35	0.00	0.00	18,025,419.35
c) Other plants, office fixtures and fittings	3,982,589.92	76,994.01	44,448.96	4,015,134.97
d) Plants under construction	10,470,252.56	3,672,464.82	0.00	14,142,717.38
	37,637,419.50	3,749,458.83	44,448.96	41,342,429.37
	43,090,241.47	3,783,222.80	44,448.96	46,829,015.31



Cumulated Depreciation			Net book value		
Status 01.01.2023	Additions	Disposals	Status 31.12.2023	Status 31.12.2023	Status Previous year
49,400.00	15,200.00	0.00	64,600.00	11,400.00	26,600.00
830,923.49	102,278.98	0.00	933,202.47	1.51	102,280.49
3,886,194.51	265,405.59	0.00	4,151,600.10	325,781.86	557,423.48
4,766,518.00	382,884.57	0.00	5,149,402.57	337,183.37	686,303.97
0.00	0.00	0.00	0.00	5,159,157.67	5,159,157.67
11,977,132.89	233,115.00	0.00	12,210,247.89	5,815,171.46	6,048,286.46
3,234,662.81	250,236.04	44,448.96	3,440,449.89	574,685.08	747,927.11
0.00	0.00	0.00	0.00	14,142,717.38	10,470,252.56
15,211,795.70	483,351.04	44,448.96	15,650,697.78	25,691,731.59	22,425,623.80
19,978,313.70	866,235.61	44,448.96	20,800,100.35	26,028,914.96	23,111,927.77

Independent Auditor's Opinion

**To Europäisch-Iranische Handelsbank
Aktiengesellschaft, Hamburg**

**Auditor's opinion on the audit of the annual financial
statements and the management report**

Opinions

We have audited the annual financial statements of Europäisch-Iranische Handelsbank AG, Hamburg, comprising the balance sheet as of 31 December 2023 and the profit and loss statement for the financial year from 1 January 2023 to 31 December 2023, and the notes to the financial statements, including a description of the accounting policies used. We have also audited the management report of Europäisch-Iranische Handelsbank AG, Hamburg, for the financial year from 1 January 2023 to 31 December 2023. In accordance with German statutory provisions, we have not audited the content of the corporate governance statement pursuant to Section 289f(4) HGB (information on the quota of women).

In our judgement, based on the findings of our audit:

- the accompanying annual financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the financial position and cash flows of the Company as of 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in accordance with German principles of proper accounting and German commercial law; and

- the accompanying management report as a whole fairly presents the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of the above corporate governance statement.

In accordance with Section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the compliance of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (Regulation 537/2014; hereafter, the "EU-AR") and in compliance with German Generally Accepted Standards on Auditing as promulgated by the Institut der Wirtschaftsprüfer (IDW) governing the conduct of an audit of financial statements. Our responsibility under these rules and principles is further described in the section regarding "Responsibility of the auditor for the audit of the annual financial statements and management report" in our audit opinion. We are independent of the Company in accordance with European and German commercial and professional regulations and have performed our other professional duties under German law in accordance with these requirements. We also declare pursuant to Article 10(2)(f) EU-AR that we have not provided any prohibited non-audit services referred to in Article 5(1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a

Independent Auditor's Opinion

basis for our opinions on the annual financial statements and the management report.

Key audit matters for the audit of the annual financial statements

Key audit matters are those matters that were most significant in our audit of the annual financial statements in our professional judgement for the financial year from 1 January 2023 to 31 December 2023. These matters have been considered in conjunction with our audit of the annual financial statements as a whole and in the preparation of our opinion; we do not express a separate opinion on these matters.

In our view, the following matters were the most significant in our audit:

- I. Compliance safeguards
- II. Realisation of interest income

We have structured our presentation of these key audit matters as follows:

- a) The risk for the financial statements
- b) Our approach to the audit
- c) Our conclusion

The key audit matters are described below:

Regarding I. Compliance safeguards

a) The risk for the financial statements

The business of Europäisch-Iranische Handelsbank Aktiengesellschaft is significantly restricted by the U.S. sanctions (Office of Foreign Assets Control Sanctions). Business relationships with Iran require compliance with special due diligence requirements and the existence of appropriate compliance safeguards to avoid risks that could have an impact on the business and therefore on the financial statements as a whole.

b) Our approach to the audit

We have: obtained an understanding of the processes applied to fulfil special due diligence requirements and the compliance safeguards and assessed the appropriateness and effectiveness of the controls implemented in this regard. This related in particular to the monitoring measures carried out for business relationships and individual transactions. We assessed the effectiveness of the controls on the basis of a sample with a very high sample size.

c) Our conclusion

Europäisch-Iranische Handelsbank Aktiengesellschaft has implemented appropriate safeguards to ensure compliance with special due diligence requirements arising from its business relations with Iran.

Independent Auditor's Opinion

Regarding II. Realisation of interest income

For information on the accounting policies applied, see section "2. Accounting policies" and section "4. Notes to the items of the profit and loss account" in the notes to the financial statements.

a) The risk for the financial statements

In its profit and loss account for the period from 1 January to 31 December 2023, the Europäisch-Iranische Handelsbank Aktiengesellschaft records significant interest income. eihbank is a credit institution whose business is focused, among other things, on the advising of letters of credit from its Iranian correspondent banks and the hedging and financing of letters of credit for customers, as well as accepting deposits. As a result, significant parts of its income are generated in the form of interest income.

Therefore, the correct calculation and posting of interest income from these transactions has a material impact on the correct presentation of the Company's financial performance.

It was therefore of particular importance in our audit to obtain evidence that interest income has been recorded correctly, i.e. at the correct amount and on an accrual basis.

b) Our approach to the audit

In connection with the settlement of interest-related transactions, we have gained an understanding of the process of interest calculation and accrual of interest up to the posting of interest income and have tested selected controls. In particular, we conducted control tests to check the process of transferring the transaction data for interest rate

transactions to the IT systems that are used for interest calculation and the user access rights concepts that are deployed. We have also carried out audit procedures and, on the basis of tests of details, assessed the correct calculation and posting of interest income for a sample of transactions.

We are satisfied that the calculation logic of the IT systems that are used and the control activities that are implemented guarantee both proper interest calculation and correct accrual accounting.

c) Our conclusion

Interest income was recorded correctly, i.e. at the correct amount and on an accrual basis, in eihbank's profit and loss account.

Other information

The legal representatives are responsible for the other information obtained as at the date of this audit opinion. This other information is the corporate governance statement pursuant to Section 289f(4) HGB (information on the quota of women).

Our opinions on the annual financial statements and the management report do not extend to the other information and, accordingly, we do not express an opinion or any other form of conclusion with regard to the other information.

In connection with our audit, we have the responsibility to read the above other information and to assess whether the other information:

Independent Auditor's Opinion

- contains material discrepancies against the annual financial statements, the audited information in the management report or the knowledge acquired during the audit; or
- is otherwise materially misstated.

If, based on our work on the other information obtained by us prior to the date of this audit opinion, we conclude that there is a material misstatement of that other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for preparing the annual financial statements in all material respects in compliance with the requirements of German commercial law applicable to corporations, and for ensuring that the annual financial statements present a true and fair view of the financial position, cash flows and financial performance of the Company in accordance with German principles of proper accounting. The legal representatives are also responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted principles of proper accounting so that annual financial statements can be prepared that are free from material misstatement, whether due to fraud (i.e. manipulation of the accounting system or misstatement of assets) or error.

When preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also

responsible for disclosing matters relating to the continuing operation of the Company, if relevant. In addition, they are responsible for preparing the balance sheet on the basis of the going concern accounting principle, unless this is contrary to the factual or legal circumstances.

The legal representatives are also responsible for preparing the management report, which as a whole fairly presents the Company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the arrangements and measures (systems) that they have deemed necessary in order to prepare a management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for the preparation of the annual financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and management report

Our objective is to obtain reasonable assurance regarding whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an accurate view of the Company's position and is consistent, in all material respects, with the annual financial statements and the findings of our audit, complies with German statutory requirements and presents fairly the opportunities and risks of future development, and to submit

Independent Auditor's Opinion

a report that includes our opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always identify a material misstatement. Misstatements may result from fraud or error and are considered material if it could reasonably be expected that they would individually or collectively influence the economic decisions of stakeholders made on the basis of these annual financial statements and management report.

During the audit, we exercise our best judgement and maintain a critical attitude. We also:

- identify and assess the risks of material misstatement, whether due to fraud or error, of the annual financial statements and management report, plan and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate as a basis for our opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, falsification, intentional omissions, misrepresentations, or the over-riding of internal controls.
- gain an understanding of the internal control system relevant to the audit of the annual financial statements and of the arrangements and measures relevant to the audit of the management report to plan audit procedures that

are adequate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- assess the adequacy of accounting policies used and the reasonableness of accounting estimates made by legal representatives, as well as the reasonableness of accounting estimates made and related disclosures made by legal representatives.
- draw conclusions about the adequacy of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, draw conclusion regarding whether there is any material uncertainty in connection with events or circumstances that could cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in the audit opinion to the related statements in the annual financial statements and management report or, if such statements are inadequate, to modify our applicable opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Company no longer continuing as a going concern.
- express an opinion on the overall presentation, the structure and the content of the annual financial statements, including the disclosures, as well as on whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the financial position, cash flows and financial performance of the Company in accordance with German principles of proper accounting.

Independent Auditor's Opinion

- assess the consistency of the management report with the annual financial statements, its compliance with the law and the presentation of the Company's position by the management report.
- perform audit procedures on the forward-looking statements in the management report, as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we specifically consider the significant assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express a separate opinion on the forward-looking statements or the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and the timing of the audit and the significant findings of the audit with the parties responsible for monitoring, which includes discussion of any deficiencies in the internal control system that we identify during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that are reasonably believed to affect our independence and, when relevant, the actions taken or safeguards that have been put in place to address threats to our independence.

From the matters discussed with those responsible for monitoring, we identify those matters that have been most significant in the audit of the annual financial statements

for the current reporting period and are therefore the key audit matters. We describe these matters in the audit opinion, unless these matters may not be disclosed publicly by law or other regulations.

Other statutory and other legal requirements

Other information according to Article 10 of the EU Audit Regulation

We were elected as external auditor by the shareholders' meeting on 29 June 2023. We were engaged by the Supervisory Board on 29 June 2023. We are in our third year as the external auditor of Europäisch-Iranische Handelsbank AG, Hamburg.

We declare that the opinions contained in this audit opinion are consistent with the additional report to the audit committee pursuant to Article 11 EU-AR (Audit Report).

Responsible auditor

The auditor responsible for the audit is
Mr. Christian Klein.

Hamburg, 5 April 2024

Ypsilon Audit GmbH,
Wirtschaftsprüfungsgesellschaft (auditing company)

Peter Lenz, Auditor
Christian Klein, Auditor

Report of the Supervisory Board

In the 2023 financial year, the Supervisory Board dealt regularly and in detail with the position and development of Europäisch-Iranische Handelsbank AG (hereinafter referred to as eihbank or the Bank).

The Board of Management at all times informed the Supervisory Board promptly and comprehensively in writing and verbally about the material aspects of planning, the position of eihbank, including the risk situation and risk management, and about the course of business. There was also regular dialogue between the Chairman of the Supervisory Board and the Board of Management outside of meetings. On the basis of the Board of Management's reporting, the Supervisory Board monitored the management of eihbank's business on an ongoing basis and was therefore able to fulfil the tasks assigned to it by law and the statutes without restriction. All decisions of fundamental importance to eihbank and other transactions requiring the approval of the Supervisory Board in accordance with the rules of procedure were reviewed and discussed with the Board of Management before resolutions were passed.

The Supervisory Board held three meetings in the reporting year. The meetings of the Supervisory Board were generally held in person in 2023.

To perform its duties efficiently, the Supervisory Board has created a total of three committees from among its members. The tasks and responsibilities of the individual committees are set out in their applicable rules of procedure. Outside meetings, the Credit Committee passed its resolutions by circulation (in writing).

At its meetings, the Supervisory Board was informed in detail of the economic situation, business development and

risk management at eihbank. The Bank applies a sophisticated compliance system that allows it to conduct the Bank's business in compliance with all international regulations and German standards. The Supervisory Board received comprehensive information about the business and risk situation at eihbank on an ongoing basis in the 2023 financial year for this purpose. As part of its balanced lending decisions, the Supervisory Board contributed to the completion of important projects for Iran and the Bank's customers within Iran's infrastructure (e.g. transport, banking, energy, petrochemicals and other industries).

On 12 May 2023, following a thorough review, the Supervisory Board resolved to approve the 2022 annual financial statements prepared by the Board of Management. In this regard, the Supervisory Board's Balance Sheet Committee discussed the results of the 2022 annual audit with the auditors and commented on them. The Committee made its recommendation on the appointment of the auditors.

The Supervisory Board also dealt with key topics and the IT strategy for 2023. It also obtained information on the results of the Supervisory Review and Evaluation Process (SREP) in 2023. The Supervisory Board also passed resolutions on remuneration issues, including the remuneration of the Board of Management. The Chairman of the Supervisory Board also concluded target agreements with the Board of Management for the 2023 financial year.

At its meeting on 30 November 2023, the Supervisory Board reviewed the key topics for 2023 and looked ahead to the key topics for 2024. At this meeting, the auditors informed the Supervisory Board about current issues relating to supervisory law. The members of the Supervisory Board took responsibility for the training and ongoing professional development measures required for their roles.

Report of the Supervisory Board

At the meeting on 29 June 2023, Ypsilon Audit GmbH Wirtschaftsprüfungsgesellschaft (formerly Hundertmark GmbH Wirtschaftsprüfungsgesellschaft) was engaged to audit eihbank's annual financial statements in accordance with the German Commercial Code (HGB) as at 31 December 2023.

The audit was based on the annual financial statements of eihbank as at 31 December 2023, including the accounting records and the Management Report. The 2023 annual financial statements were issued with an unqualified audit opinion by the auditors. The Supervisory Board received a detailed report from the auditors. The Supervisory board took note of the report with approval. After completing its own review, it raises no objections and approves the annual financial statements as at 31 December 2023, the Management Report and the Board of Management's proposed resolution on the appropriation of the balance sheet profit 2023.

The Supervisory Board would like to thank the Board of Management and all the staff at eihbank for their dedicated work in the 2023 financial year. Special thanks go to all our valued shareholders, who have always responded with a great sense of responsibility to all matters at eihbank and have supported the Bank. Finally, I would like to thank all customers for the committed way they engage in an active business relationship with eihbank and assure them of the Bank's and the Supervisory Board's support in the coming years.

Tehran, May 2024

On behalf of the Supervisory Board

Dr. Ali Khorsandian
Chairman



2023

