

2024



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1. Introduction

As a non-significant institution within the meaning of Section 1(3c) of the German Banking Act (KWG), Europäisch-Iranische Handelsbank Aktiengesellschaft, Hamburg, (eihbank) is required to publish information regarding the design of the remuneration systems. The disclosure requirements for eihbank as a CRR institution are based on Section 16 of the German Remuneration Ordinance for Institutions (InstitutsVergV, IVV) in conjunction with Article 450 of Regulation (EU) No 575/2013 (CRR). A review of eihbank's balance sheet total over the last four years showed that the average was below EUR 15 billion.

This overview contains detailed information about remuneration at eihbank for the 2024 financial year.

The remuneration report is structured as follows:

- Remuneration governance at eihbank
- Design of the remuneration system
- Remuneration system at eihbank
- Remuneration key figures

2. Remuneration governance at eihbank

As a non-significant institution within the meaning of Section 1(3c) of the German Banking Act (KWG), eihbank must also comply with the requirements for remuneration governance, in addition to the requirements for the design and disclosure of remuneration.

All remuneration matters and compliance with regulatory requirements are decided on and monitored by the remuneration governance structure:

- The Supervisory Board decides on the design and implementation of the remuneration system for the members of eihbank's Board of Management. It also monitors the design of the remuneration systems and their compliance with the business and risk strategy.
- The Board of Management is responsible for, decides on and monitors the appropriate design of the remuneration systems for employees.

Employees of eihbank are prohibited from using hedging or other countermeasures to limit or cancel the risk adjustment of remuneration (cf. Section 8 IVV).

The targets described in the overall bank strategy and the associated risk-related environmental, social and governance targets are taken into account in the remuneration parameters and are compatible with eihbank's remuneration system (cf. Section 4 IVV).

Principles of Remuneration

The control units within the meaning of Section 2(11) IVV (Compliance, Internal Audit and Risk Management) are integrated and appropriately involved in the design and monitoring of the remuneration systems in accordance with Section 3 IVV as part of their duties.

The remuneration of the employees in the control units is primarily fixed remuneration, in accordance with Section 9(2) IVV, in order to take into account the nature of their areas of responsibility and to ensure the required and necessary independence and objectivity.

It is ensured in this case that performance parameters under target agreement with employees of the control units do not conflict with the control function.

The works council's rights of participation are taken into account appropriately.

After approval by the Supervisory Board, the employees of eihbank are informed of the bank's remuneration principles in the first quarter of the year under consideration (cf. Section 11 IVV in conjunction with Section 13 IVV).

3. Design of the remuneration system

3.1 Principles of remuneration

The principles of remuneration form the basis for the medium- and long-term strategic and risk-based remuneration design at eihbank and describe the contribution that the instruments of remuneration and the remuneration processes make to the successful implementation of the business and risk strategy and to the corporate culture.

The remuneration parameters for variable remuneration thereby support sustainably achieving the goals derived from the business and risk strategy.

eihbank sets out the minimum requirements for the remuneration system, which is monitored by eihbank as part of remuneration governance and provides the framework for employee performance and remuneration within governance. The overarching goal is to design the remuneration system in a way that complies with the strategy and with risk.

The following are the primary objectives of the principles of remuneration:

- Establish a consistent framework for the design and implementation of processes for future performance management, the design of remuneration and determining remuneration in a gender-neutral way.
- Embed performance management and remuneration processes in the principles of corporate governance and risk management for variable remuneration.
- Focus the actions of employees on key corporate objectives in line with regulatory requirements.

Principles of Remuneration

Given dynamic external influencing factors (tightening of the regulatory environment for the business activities of banks and therefore also of eihbank), the business and risk strategy is continuously further developed. This is reflected in the principles of remuneration, which are reviewed annually and changed, if necessary.

eihbank therefore has a stable governance structure that ensures there is appropriate design, implementation and monitoring of the principles of remuneration. The principles of remuneration are accessible to all employees on eihbank's intranet.

3.2 Remuneration structure and remuneration elements

When designing the principles of remuneration, the implementation of the relevant legal requirements is ensured under IVV and other regulations to be observed in this area. Variable remuneration is closely linked to the long-term success of the company and is designed so that conflicts of interest relating to customer interests are also avoided.

eihbank provides fixed remuneration, variable remuneration and benefits, with the focus on fixed remuneration.

The remuneration system is designed so that incentives to take disproportionately high risks are avoided. This is why upper limits for the ratio of fixed to variable components of remuneration have been defined at eihbank, which guarantee an appropriate ratio of remuneration components and avoid a significant dependence on variable remuneration.

The maximum limit for variable remuneration is up to EUR 500,000.00 p.a. in accordance with Section 20 IVV (cf. Section 20 IVV and the applicable interpretative guidance), though there is always a 1:1 upper limit (cap) for the ratio of performance-related variable remuneration to fixed remuneration on an annual basis, which means that all the relevant regulatory provisions are complied with.

Relevant factors for remuneration include, among other things, the tasks and requirements of the job, the requirements in terms of the qualification and skills of the employees, and sustainable individual performance in the future.

There are no employment contracts at eihbank under which there are obligations to pay severance on an employee leaving the company. Any potential severance payments in case of payments are also calculated transparently in accordance with Section 5(6) IVV.

3.2.1 Fixed remuneration

The fixed remuneration is based on the function performed, the market conditions and the value assigned to the function in accordance with the applicable collective agreements or individually negotiated agreements.

The ratio of fixed remuneration to variable remuneration ensures that there is no significant dependence on variable remuneration for employees.

Principles of Remuneration

3.2.1.1 Individually negotiated fixed remuneration

Employees under individually negotiated agreements at eihbank in Hamburg receive 13-month salaries. The employees at the branches who are generally not bound by collective agreements also receive 13 monthly salaries.

In the event of adjustment to the collective agreement, the basic salaries under individually negotiated agreements in Hamburg are adjusted in accordance with the adjustment of the highest pay scale level and years of service.

An individual increase is also possible, for which the Board of Management can pass a budget each year. Additionally the responsible manager in each case may propose a specific increase for individual employees, but the decision on this is made by the Board of Management.

Individual changes to salary are conceivable in particular in the following circumstances:

- Assumption of a higher-ranking function
- Approaching/adapting to the relevant market indicator for the function
- Sustained good to very good performance by the employee

3.2.1.2 Fixed remuneration under collective agreement

The collectively agreed fixed remuneration is based on the collective wage agreement for private banking (the "Banktarif").

The increase in the fixed salaries of employees covered by collective agreements follows the agreements and provisions of the collective wage agreement for banking.

An individual increase is also possible, for which the Board of Management can pass a budget each year. The responsible manager in each case may propose a specific increase for individual employees, but the decision on this is made by the Board of Management.

3.2.1.3 Other fixed components

In addition to the employer-financed contribution, there is also the option of building up further entitlements via salary sacrifice.

In addition to the contractually agreed fixed salary, the fixed remuneration of the Board of Management also includes the contributions to the company pension scheme and all other benefits (primarily use of a company car).

Where there are pension commitments, these have been made either under a works agreement or as commitments for a group or individuals.

4. Performance-related variable remuneration

The total amount of performance-related variable remuneration at eihbank is calculated/set in a uniform, transparent and comprehensible process. As part of the 3-year forecast, a bonus budget and how it is to be distributed is set, which is divided between Board members and employees.

After the end of the financial year, performance-related variable remuneration is paid by eihbank depending on achievement of the Bank's targets and its budget plan as well as compliance with Section 7 IVV.

The above model for performance-related variable remuneration for the Board of Management and employees sees eihbank continue to following a conservative remuneration policy.

The performance-related variable remuneration rewards lasting success at eihbank and above-average contribution by the employee to such success.

The performance-related variable remuneration is linked in particular to an individual target agreement, which is based on the following principles:

- The individual bonus allocation is based on function, set targets and achieving targets, as well as fulfilling the role. It is based on the quantitative and qualitative achievement of targets.
- The performance-related variable remuneration does not offer any incentive to take disproportionately high risks. There is no link between the income from assuming risk and the performance-related variable remuneration that can be achieved.

- The amount of the available bonus budget is based on compliance with risk-sensitive key figures (e.g. indicators for the recovery plan).

4.1 Employees

The Board of Management is responsible for the remuneration system at eihbank and for determining the variable remuneration of employees.

4.2 Board of Management

The Supervisory Board makes decisions on the remuneration system for the Board of Management and its appropriateness as well as on setting the remuneration of the individual members of the Board of Management, and reviews these regularly.

The performance-related variable remuneration of the members of the Board of Management is based on the sustainable overall success of the Bank and the performance contributions of the members. The contribution of the individual to performance is linked to the achievement of targets that are aligned with the business strategy and the forecast. The performance-related variable remuneration is determined conclusively on the basis of the overall achievement of targets, by resolution of the Supervisory Board in the following financial year.

The variable remuneration is determined and paid in accordance with Section 10 IVV.

Principles of Remuneration

4.3 Supervisory Board

eihbank's shareholder meeting decides in the following year on remuneration of the members of the Supervisory Board and on the reimbursement of expenses for the last year.

The members of the Supervisory Board receive fixed remuneration for the applicable financial year. The chair of the Supervisory Board receives 1.2 times the fixed remuneration of a Supervisory Board member.

For attending a meeting of the Supervisory Board, each member of the Supervisory Board and the chair of the Supervisory Board receive an attendance fee.

The members of the Supervisory Board are also reimbursed for any expenses incurred in connection with their duties as members of the Supervisory Board (travel expenses, individual bank-related training, etc.). In addition, the members of the Supervisory Board are reimbursed the VAT they are liable to pay as a result of their activity as a member of the Supervisory Board or of a committee.

The remuneration for Supervisory Board members who are not members of the Supervisory Board for the whole financial year is calculated pro rate on the basis of the term in office.

5. Identifying risk takers

Risk takers within the meaning of IVV are employees whose professional activities have a material impact on the overall risk profile of the institution. In contrast, non-risk takers at eihbank are all employees who are not risk takers.

Risk takers are identified at least once a year via a corresponding analysis.

6. Disclosure of remuneration

eihbank duly publishes the information on total remuneration at eihbank, as required by Section 16(2) IVV as well as the additional disclosures on the remuneration of risk takers in accordance with Article 450 of Regulation (EU) No 575/2013 (CRR).

In addition to the applicable fixed remuneration, the other fixed salary components and benefits in kind, e.g. company pension scheme, social security contributions, company car and meal allowance, are also set out in the publication.

Likewise, variable remuneration takes into account benefits in kind in addition to variable salary components such as special payments.

7. Review of appropriateness

The annual review of appropriateness, which reviews whether the remuneration policy is implemented, appropriate and complied with in accordance with the remuneration principles adopted by the Supervisory Board, is conducted by an independent auditing company as part of the audit of the annual financial statements.

In its annual review of the remuneration system and its parameters, the Bank takes into account the reports of Internal Audit and the annual auditors in accordance with Section 12 IVV.