

**Middle East Bank  
Munich Branch**



**Disclosure Report  
according to § 26a KWG in conjunction  
with Article 433c (2) CRR**

**Deadline:  
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**List of abbreviations**

AT1	Additional Tier 1 Capital (additional core capital)
CET1	Core Equity Tier 1 (hard core capital)
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
DVO	Implementing Regulation
EBA	European Banking Authority
EU	European Union
ECB	European Central Bank
GL	Guideline
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and communication technology risk
InstitutsVergV	Remuneration Ordinance for Institutions
KWG	German Banking Act
LCR	Liquidity Coverage Ratio
MaRisk	Minimum requirements for risk management
MB	Middle East Bank, Munich Branch
NSFR	Net Stable Funding Ratio
OVR	Overall Capital Requirement
OpRisk	Operational risk
OTC	Over the counter
RDP	Risk coverage potential
RTF	Risk-bearing capacity
RWA	Risk Weighted Assets
SfO	Written order
SREP	Supervisory Review and Evaluation Process
T1	Tier 1 capital (core capital)
T2	Tier 2 capital (supplementary capital)
TSCR	Total SREP Capital Requirement



## 1 Foreword and objective

In this disclosure report as at 31 December 2021, the regulatory requirements under the Basel III framework that have been in force since 1 January 2014 are applied. These were implemented by Regulation (EU) 575/2013 (Capital Requirements Regulation - "CRR") and Directive 2013/36/EU (Capital Requirements Directive - "CRD IV") of the European Parliament and of the Council. The disclosure requirements result from Part 8 of the CRR and Section 26a of the German Banking Act (KWG).

Middle East Bank, Munich Branch ("MB") is neither a "large institution" within the meaning of Article 433a CRR, nor is it considered a "small and non-complex institution" within the meaning of Article 433b CRR. Rather, MB is an "other institution" within the meaning of Article 433c CRR. As an unlisted entity, MB may make use of the relief provided for in Article 433c(2) CRR for the purposes of this disclosure report. In this respect, the provisions of this Article applicable to MB as an "unlisted", "other institution" are decisive for the preparation of this report. This results in annual disclosure, with the date of disclosure taking into account the date of publication of the annual financial statements.

The disclosure report is published on the MB's website ([www.middle-east-bank.de](http://www.middle-east-bank.de)) and should be read in conjunction with the annual financial statements and the management report. These are published with the Federal Gazette at [www.bundesanzeiger.de](http://www.bundesanzeiger.de).

In accordance with Article 432 CRR and in line with EBA/GL/2014/14 on materiality and confidentiality of disclosure, the report contents presented are subject to the materiality principle. Legally protected or confidential information is not the subject of this report. In order to ensure adequate disclosure practices, regular reviews of the report contents take place.

The corresponding responsibilities and framework conditions are set out in the written regulations (SfO). The MB further assumes that the following information provides a comprehensive overview of the institution's overall risk profile.

## 2 Risk management objectives and policy

### 2.1 Risk management

MB's business activities are inherently risky. Accordingly, the management has implemented a comprehensive risk management system. This is based on the regulatory requirements of the national and international supervisory authorities as well as on MB's internal economic conditions in particular. The risk management system is essentially shaped by the corporate objectives documented in the business and risk strategy and the measures to ensure the long-term success of the company, which is manifested in the risk-adequate return on capital employed. The business and risk strategy is defined by the Executive Board and sets the framework for the business activities conducted by the bank and their



(risk) management at the overall bank level. The aim is to achieve an appropriate risk-return ratio based on the Bank's risk-bearing capacity. The risk strategy is reviewed at least annually as part of the strategy process. Based on the existing risk potential as well as the current and planned business figures, the amount of the risk appetite is determined within the framework of the risk strategy. The risk-bearing capacity, which is calculated monthly, is ensured if the material risks are covered by the existing risk coverage potential.

Within the framework of risk management, the bank refrains from transactions whose risk is not justifiable against the background of the bank's risk-bearing capacity and risk strategy. The goal is to systematically build up business positions in which the opportunities for earnings and the risks are in an appropriate relationship.

MB has established a risk management process that covers all activities for the systematic handling of risks in the business unit. This includes in particular the identification, analysis, assessment, management and documentation of risks. As part of a risk inventory, the MB obtains an overview of the risks on an annual basis - and if necessary on an ad hoc basis - and examines whether and to what extent the material risks could impair the capitalisation and/or the earnings or liquidity situation. A process integrated into the overall bank management ensures the monitoring of the management measures and the measurement of the effectiveness and appropriateness of the derived risk management measures.

The following table, in accordance with Article 135(1) CRR, describes in detail MB's risk management objectives and policies.



Table 1: Risk management approach of the Institute - Table EU-OVA

Legal basis	Line	Information
Article 435(1)(f) CRR	a	<p><i>Disclosure of the concise risk statement approved by the management body</i></p> <p>MB has a risk statement approved by the management body in accordance with Article 435(1)(f) CRR. The strategic direction of MB is set out in the business and risk strategy. The business strategy and the objectives for the main business activities are defined within the framework of the annual revision of the strategy (planning). All influencing factors and the assumptions on which they are based are included in the strategic planning, taking into account internal parameters such as the risk-bearing capacity, the earnings situation or the liquidity situation. Derived from the business strategy, the management decides on a risk strategy for the coming business year that is consistent with the business strategy. Prior to this, the risk inventory takes place, which includes relevant aspects from the business strategy.</p> <p>The defined risk strategy is divided into sub-strategies according to the main types of risk. The overriding goal of the risk strategy is to ensure that MB's risk-bearing capacity is given at all times. Risk management at MB is carried out for all material risks separately according to risk type. The basis for determining materiality is again the result of the risk inventory. Non-significant risks are taken into account as a lump sum in the risk-bearing capacity calculation by means of a buffer amount. The management limits risks through a regularly reviewed limit system. If a limit is exceeded, an escalation procedure is triggered. All tasks and areas of responsibility are documented in the SfO, which determines the principles of the risk management system at MB, taking into account regulatory requirements and specific organisational instructions.</p>
Article 435(1)(b) CRR	b	<p><i>Information on the risk management structure for each risk category</i></p> <p>The Executive Board has overall responsibility for risk management. The risk controlling function is performed by the Senior Risk Officer, who reports directly to the Head of Back Office. This ensures an organisational separation of the risk controlling function from the front-office units up to and including the level of the Executive Board. The Senior Risk Officer is responsible for the identification, assessment, control, monitoring and communication of each risk category in MB. In addition, he has all the necessary powers and information to be able to fulfil the risk controlling function in an adequate manner. As a member of the Bank's risk-relevant (steering) committees, he is involved in all important risk policy decisions of the management, including the definition of the risk strategy for MB. In addition, he supports the management in developing and establishing appropriate risk management and controlling processes.</p>



Article 435(1)(e) CRR	c	<p><i>Statement on the adequacy of risk management procedures approved by the management body.</i></p> <p>MB has a comprehensive risk strategy including a risk-bearing capacity concept. The revision/updating takes place annually as well as on an ad hoc basis. Approval is given by the management.</p>
Article 435(1)(c) CRR	d	<p><i>Disclosure of the scope and nature of risk reporting and/or measurement systems.</i></p> <p>Risks identified as material are monitored and managed at MB through a comprehensive reporting system. Risks are generally considered in various stress scenarios in addition to the planned scenario and compared to the risk coverage potential. The reviews including reporting of the risk-bearing capacity take place monthly. The findings from stress tests are taken into account in a more comprehensive quarterly report.</p>
Article 435(1)(c) CRR	e	<p><i>Disclosure of information on the main features of the risk reporting and measurement systems.</i></p> <p>Risk quantification forms the core of MB's risk management process. It is through this that the assessment, management and monitoring of risks is made possible in the first place. Furthermore, it is only on the basis of the quantified risks that the risk-bearing capacity can be checked. At MB, all material risks are quantified using the so-called Pillar 1+ approach, which takes into account additional material risks under the second pillar in addition to the Pillar 1 risks under Basel II.</p>
Article 435(1)(a) CRR	f	<p><i>Strategies and procedures for managing risks for each individual risk category.</i></p> <p>The Executive Board is informed of all limit overruns on an ongoing basis as part of the risk reporting system. If there is an exceedance of defined upper loss limits, this is immediately recognised by risk management and appropriate recommendations are made. The Executive Board then decides on appropriate measures and communicates them to the affected division and to Risk Management.</p>





<p>Article 435(1)(a) and (d) CRR</p>	<p>g</p>	<p><i>Information on strategies and procedures for controlling, hedging and mitigating risks as well as monitoring the effectiveness of the measures taken to hedge and mitigate risks.</i></p> <p>Risks in the MB are controlled by means of a limiting system to limit the respective material risks. Risk-bearing capacity is regularly reviewed by risk management. The calculation of risk-bearing capacity is carried out in accordance with the regulatory guidelines for the realignment of internal bank risk-bearing capacity concepts of BaFin (Federal Financial Supervisory Authority) in the normative and the economic perspective. Both perspectives are equally relevant to management. For the normative approach, a calculation system is used in the MB for (minimum) ratios defined by the management (e.g. capital or liquidity ratios), with which compliance with the risk-bearing capacity in the normative perspective is continuously monitored. In order to determine the risk surplus in the economic perspective of the risk-bearing capacity, the risk cover funds are compared to the total risk position. At MB, the risk coverage capital is composed of the working capital made available to it after deduction of current and future planned profits/losses, intangible assets and possible hidden burdens from fixed assets. The minimum of this calculated value and EUR 8,000,000 is used as the risk coverage potential for calculating the risk overcollateralisation. The resulting utilisations as at 31.12.2021 can be found in Table 2.</p> <p>The processes for identifying, assessing, managing, monitoring and communicating risks ensure that the material risks are identified at an early stage, recorded in full and managed and monitored in an appropriate manner. Furthermore, the processes are regularly reviewed and promptly adapted to changing conditions. Likewise, the methods and procedures applied are regularly validated by the risk management department, in which the appropriateness of the procedures as well as the underlying assumptions are reviewed and modified if necessary.</p>
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The MB has appropriately designed implemented methods, models and processes with a view to effective risk management and early risk detection. MB's primary objective is to ensure risk-bearing capacity at all times. As part of the risk inventory, the MB has identified the following material risk types:

- Credit risk
- Market price risk
- Operational risk
- Liquidity risk
- Interest rate risk in the banking book
- Migration risk
- Credit spread risk
- Information and communication technology risk
- Country risk
- Reputational risk
- Concentration risk

These risks are limited within the framework of the risk-bearing capacity calculation. In order to determine the risk surplus in the normative perspective, the own funds are applied as risk coverage potential and compared to the risk amounts based on reporting date values. The risk-bearing capacity is ensured in each case if the applied risk coverage potential exceeds the total risk position. In the normative perspective, there is a utilisation of approx. 28 % as at 31.12.2021.

Risk overcollateralisation in the economic perspective of risk-bearing capacity, the risk coverage fund is compared to the overall risk position. At MB, the risk coverage fund is composed of the working capital made available to it after deduction of current and future planned losses, intangible assets and possible hidden burdens from fixed assets. The minimum of this calculated value and EUR 8,000,000 is used as the risk coverage potential for calculating the excess risk coverage. This results in the following utilisations as of 31.12.2021:



Table 2: Utilisation of risk-bearing capacity in the economic perspective

Risk-bearing capacity (RBC) [Pillar 1+ Approach]	2021	Absolute upper loss limit	Load
	TEUR		
Own resources	14.852		
Result of the next 12 months (only if negative)	-651		
Risk coverage potential [RDP]	14.201		
<b>Risk coverage potential allocated</b>	<b>8.000</b>		
<b>Pillar 1 risks (CRR) of the coming 12 months - Credit</b>	<b>1.774</b>	<b>2.500</b>	71%
<b>Pillar 1 risks (CRR) of the coming 12 months - OpRisk</b>	<b>382</b>	<b>1.000</b>	38%
<b>Supplementary Pillar 2 Risks in the coming 12 months</b>	<b>2.009</b>		
Interest rate risk	501	1.500	33%
Migration risk	177	300	59%
Additional factor migration risk on RWA credit [in %]	10%		
Credit spread risk	266	500	53%
Add-on factor credit spread risk on RWA credit [in %]	15%		
Insolvency risk	0		
ICT risk	57	400	14%
Add-on factor ICT risk on RWA OpRisk [in %]	15%		
Reputational risk	336	600	56%
Risk concentration	336	600	56%
Country risk	336	600	56%
<b>Free risk coverage potential</b>	<b>3.835</b>	<b>8.000</b>	<b>52%</b>

In the economic perspective, approx. 52 % of the allocated risk coverage potential is utilised by risk positions as at 31 December 2021.

In summary, it can be stated that MB's risk-bearing capacity was not jeopardised at any time in the financial year 2021 and that the company's continued existence as a going concern was ensured even in the event of the worst stress scenario occurring. Further information can be found in the risk report section of the MB management report as at 31 December 2021.

## 2.2 The governing body

The MB management is responsible for risk management. The risk policy principles are defined on the basis of the strategic business orientation and the risk-bearing capacity. MB's business management function is performed by two business managers, which provides for a division into front office and back office. The front office function is performed by the Managing Director, Mr. Vahid Moshrefi. The



responsibility for the back office in terms of individual transaction-related risk monitoring, the risk controlling function, the compliance function and the internal audit is held by Mr Werner Lang. In addition to his position as Managing Director of MB, he also has another management function. Supervisory functions are not performed by any managing director.

**Table 3: Mandates of the governing bodies**

Residence	Occupation	Function	Number of management positions	Number of supervisory positions
Bad Homburg von der Höhe	Banker; Responsibility: Back Office Division	Managing Director; Spokesman of the Executive Board	2	0
Munich	Banker; Responsibility: Market Division	Managing Director	1	0

The appointment of the managing directors is made by the Supervisory Board of Middle East Bank, Tehran. Expertise as well as balance and diversity of knowledge, skills and experience play an essential role. The management informs the supervisory body in the head office regularly, promptly and comprehensively about all material issues of business and risk strategy and the risk situation in MB. Special committees such as the Asset Liability Committee or the Risk Controlling Committee support the management in controlling and decision-making.

The following table summarises the MB's corporate governance rules in accordance with Article 135(2) CRR.

**Table 4: Disclosure of corporate governance arrangements - EU OVB table**

Legal basis	Line	Information
Article 435(2)(a) CRR	a	<i>Number of management or supervisory functions held by members of the management body</i>  The number of management and supervisory functions held by members of the Executive Board and the Supervisory Board is shown in Table 3.



Article 435(2)(b) CRR	b	<p><i>Information on the strategy for the selection of the members of the management body and on their actual knowledge, skills and experience</i></p> <p>The strategy for the selection of the members of the MB's management body is regulated in the Rules of Procedure and takes into account the specific regulations of the German Banking Act. The managing directors have appropriate knowledge, skills and experience, which is ensured by means of CVs, references and personal interviews. In addition, potential managing directors must undergo the professional qualification and approval procedure of BaFin and Deutsche Bundesbank.</p>
Article 435(2)(c) CRR	c	<p><i>Diversity strategy for the selection of members of the management body</i></p> <p>MB's diversity strategy is fundamentally in line with the General Equal Treatment Act. When selecting MB's management bodies, the Supervisory Board of the head office pays attention to the necessary diversity in terms of professional competence and personal and social skills. In addition, appropriate consideration is given to age, degree of disability, gender, ethnic origin, religion and sexual identity.</p>

### 3 Disclosure of own funds

#### 3.1 Own funds structure

As at the reporting date of 31 December 2021, MB has own funds in accordance with Article 72 CRR in the amount of EUR 14,852 thousand, which consist exclusively of hard core capital. Based on the equity capital shown in the balance sheet (€20,000 thousand), losses (€4,700 thousand) and intangible assets (€448 thousand) are deducted.

**Table 5: Reconciliation of balance sheet equity to own funds**

Position	TEUR
Balance sheet equity	20.000
<i>Corrections/Adjustments</i>	
+/- Balance sheet profit/loss	-4.700
- Intangible fixed assets	-448
<b>Regulatory capital</b>	<b>14.852</b>

The following table contains detailed information on the own funds structure of MB in accordance with Article 437 CRR.



Table 6: Composition of own resources - Table EU CC1

		a)	b)
		Amounts in TEUR	Source by balance sheet reference numbers/let- ters
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Capital instruments and the premium associated with them	20.000	
	of which: working capital	20.000	P12a
	of which: type of instrument 2	0	
	of which: type of instrument 3	0	
2	Retained earnings	0	
3	Accumulated other comprehensive income (and other reserves)	0	
EU-3a	Fund for general banking risks	0	
4	Amount of items within the meaning of Article 484(3) CRR plus the related premium whose imputation to CET1 expires	0	
5	Minority interests (allowable amount in consolidated CET1)	0	
EU-5a	Independently audited interim profits, net of any foreseeable levies or dividends	0	
<b>6</b>	<b>Hard core capital (CET1) before regulatory adjustments</b>	20.000	
<b>Hard core capital (CET1): regulatory adjustments</b>			
7	Additional valuation adjustments (negative amount)	0	
8	Intangible assets (reduced by corresponding tax liabilities) (negative amount)	-448	A11
9	Not applicable.		
10	Deferred tax assets dependent on future profitability with the exception of those resulting from temporary differences (reduced by corresponding tax liabilities if the conditions of Article 38 (3) CRR are met) (negative amount)	0	



11	Reserves from gains or losses on fair value hedges of cash flows for non fair value financial instruments	0	
12	Negative amounts from the calculation of expected loss amounts	0	
13	Increase in equity resulting from securitised assets (negative amount)	0	
14	Gains or losses from own liabilities measured at fair value due to changes in own credit rating	0	
15	Defined benefit pension fund assets (negative amount)	0	
16	Direct, indirect and synthetic positions of an institution in own Common Equity Tier 1 instruments (negative amount)	0	
17	Direct, indirect and synthetic positions of the institution in Common Equity Tier 1 instruments of financial sector entities that have entered into a cross-shareholding with the institution for the purpose of artificially increasing its own funds (negative amount)	0	
18	The institution's direct, indirect and synthetic positions in Common Equity Tier 1 instruments of financial sector entities in which the institution does not hold a material interest (more than 10% and net of eligible short positions) (negative amount)	0	
19	The institution's direct, indirect and synthetic positions in Common Equity Tier 1 instruments of financial sector entities in which the institution has a material interest (greater than 10% and net of eligible short positions) (negative amount)	0	
20	Not applicable.		
EU-20a	Exposure amount from the following items to which a risk weight of 1250 % is to be assigned, if the institution deducts as an alternative that exposure amount from the amount of Common Equity Tier 1 items	0	
EU-20b	of which: from qualifying participations outside the financial sector (negative amount)	0	



EU-20c	of which: from securitisation positions (negative amount)	0	
EU-20d	of which: from intermediate consumption (negative amount)	0	
21	Deferred tax assets resulting from temporary differences (above the threshold of 10%, reduced by corresponding tax liabilities if the conditions of Article 38 (3) CRR are met) (negative amount)	0	
22	Amount exceeding the threshold of 17.65 % (negative amount)	0	
23	of which: direct, indirect and synthetic positions of the institution in Common Equity Tier 1 instruments of financial sector entities in which the institution holds a significant participation	0	
24	Not applicable.		
25	of which: deferred tax assets resulting from temporary differences	0	
EU-25a	Losses of the current business year (negative amount)	-4.700	P12d
EU-25b	Foreseeable tax charge on Common Equity Tier 1 items, unless the institution appropriately adjusts the amount of Common Equity Tier 1 items, if such tax charge reduces the amount up to which those items can serve to cover risks or losses (negative amount)	0	
26	Not applicable.		
27	Amount of items to be deducted from the Additional Tier 1 items that exceeds the Additional Tier 1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	0	
28	<b>Total regulatory adjustments to Common Equity Tier 1 capital (CET1)</b>	-5.148	
29	<b>Hard core capital (CET1)</b>	14.852	
<b>Additional Tier 1 capital (AT1): Instruments</b>			
30	Capital instruments and the premium associated with them	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities according to applicable accounting standards	0	





33	Amount of items within the meaning of Article 484(4) CRR plus the related premium whose eligibility for Additional Tier 1 capital is phased out	0	
EU-33a	Amount of items within the meaning of Article 494a(1) CRR whose eligibility for Additional Tier 1 capital is phased out	0	
EU-33b	Amount of items within the meaning of Article 494b(1) CRR whose eligibility for Additional Tier 1 capital is phased out	0	
34	Qualifying core capital instruments included in consolidated Additional Tier 1 capital (including minority interests not included in line 5) issued by subsidiaries and held by third parties	0	
35	of which: instruments issued by subsidiaries whose eligibility expires	0	
<b>36</b>	<b>Additional Tier 1 capital (AT1) before regulatory adjustments</b>	0	
<b>Additional Tier 1 capital (AT1): regulatory adjustments</b>			
37	Direct, indirect and synthetic positions of an institution in own Additional Tier 1 instruments (negative amount)	0	
38	Direct, indirect and synthetic positions of the institution in Additional Tier 1 capital instruments of financial sector entities that have entered into a cross-shareholding with the institution for the purpose of artificially increasing its own funds (negative amount)	0	
39	The institution's direct, indirect and synthetic positions in Additional Tier 1 instruments of financial sector entities in which the institution does not hold a material interest (more than 10% and net of eligible short positions) (negative amount)	0	
40	The institution's direct, indirect and synthetic positions in Additional Tier 1 instruments of financial sector entities in which the institution holds a material interest (net of eligible short positions) (negative amount)	0	
41	Not applicable.		



42	Amount of items to be deducted from the items of supplementary capital that exceeds the items of the institution's supplementary capital (negative amount)	0	
42a	Other regulatory adjustments to Additional Tier 1 capital	0	
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 capital (AT1)</b>	<b>0</b>	
<b>44</b>	<b>Additional core capital (AT1)</b>	<b>0</b>	
<b>45</b>	<b>Core capital (T1 = CET1 + AT1)</b>	<b>14.852</b>	
<b>Supplementary capital (T2): Instruments</b>			
46	Capital instruments and the premium associated with them	0	
47	Amount of the items referred to in Article 484(5) CRR plus the related premium, the inclusion of which in Tier 2 capital shall expire in accordance with Article 486(4) CRR.	0	
EU-47a	Amount of items within the meaning of Article 494a(2) CRR whose eligibility for Tier 2 capital expires	0	
EU-47b	Amount of items within the meaning of Article 494b(2) CRR whose eligibility for Tier 2 capital expires	0	
48	Qualifying own fund instruments included in consolidated Tier 2 capital (including minority interests or Additional Tier 1 instruments not included in line 5 or line 34 of this reporting sheet) issued by subsidiaries and held by third parties	0	
49	of which: instruments issued by subsidiaries whose eligibility expires	0	
50	Credit risk adjustments	0	
<b>51</b>	<b>Supplementary capital (T2) before regulatory adjustments</b>	<b>0</b>	
<b>Supplementary capital (T2): regulatory adjustments</b>			
52	Direct, indirect and synthetic positions of an institution in its own supplementary capital instruments and subordinated loans (negative amount)	0	



53	Direct, indirect and synthetic positions of the institution in supplementary capital instruments and subordinated loans of financial sector entities that have entered into a cross-shareholding with the institution for the purpose of artificially increasing its own funds (negative amount)	0	
54	Direct, indirect and synthetic positions of the institution in supplementary capital instruments and subordinated loans of financial sector entities in which the institution does not hold a material interest (more than 10 % and net of eligible short positions) (negative amount)	0	
54a	Not applicable.		
55	Direct, indirect and synthetic positions of the institution in supplementary capital instruments and subordinated loans of financial sector entities in which the institution holds a material interest (net of eligible short positions) (negative amount)	0	
56	Not applicable.		
EU-56a	Amount of items to be deducted from the items of eligible liabilities that exceeds the items of eligible liabilities of the institution (negative amount)	0	
EU-56b	Other regulatory adjustments to supplementary capital	0	
<b>57</b>	<b>Total regulatory adjustments to supplementary capital (T2)</b>	<b>0</b>	
<b>58</b>	<b>Supplementary capital (T2)</b>	<b>0</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>14.852</b>	
<b>60</b>	<b>Total risk amount</b>	<b>17.024</b>	
<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1 ratio	87,24	
62	Core capital ratio	87,24	
63	Total capital ratio	87,24	
64	Requirements for the institution's total Common Equity Tier 1 capital ratio	2,50	
65	of which: requirements with regard to the capital conservation buffer	2,50	



66	of which: requirements with regard to the countercyclical capital buffer	0,00	
67	of which: requirements with regard to the systemic risk buffer	0,00	
EU-67a	of which: requirements with regard to the buffers to be held by global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs)	0,00	
EU-67b	of which: additional own funds requirements to mitigate risks other than the risk of excessive leverage	0,00	
68	<b>Hard core capital ratio (expressed as a percentage of the exposure amount) after deduction of the values required to meet the minimum capital requirements</b>	<b>84,74</b>	
<b>National minimum requirements (if different from Basel III)</b>			
69	Not applicable.		
70	Not applicable.		
71	Not applicable.		
<b>Amounts below the thresholds for deductions (before risk weighting)</b>			
72	Direct and indirect positions in own funds instruments or instruments of eligible liabilities of financial sector entities in which the institution does not hold a material interest (less than 10 % and less eligible short positions)	0	
73	The institution's direct and indirect positions in Common Equity Tier 1 instruments of financial sector entities in which the institution holds a material interest (below the 17.65% threshold and net of eligible short positions)	0	
74	Not applicable.		
75	Deferred tax assets resulting from temporary differences (below the threshold of 17.65%, reduced by the amount of associated tax liabilities if the conditions of Article 38(3) CRR are met)	0	
<b>Applicable limits for the inclusion of value adjustments in supplementary capital</b>			
76	Credit risk adjustments eligible for Tier 2 capital in respect of exposures subject to the Standardised Approach (before application of the ceiling)	0	



77	Upper limit for the inclusion of credit risk adjustments in supplementary capital under the standardised approach	0	
78	Credit risk adjustments eligible for Tier 2 capital in respect of exposures subject to the internal assessment-based approach (before application of the limit)	0	
79	Upper limit for the recognition of credit risk adjustments on supplementary capital under the internal assessment-based approach	0	
<b>Equity instruments subject to the phasing-out rules (applicable only from 1 January 2014 to 1 January 2022)</b>			
80	Current limit for Common Equity Tier 1 instruments subject to phasing-out provisions	0	
81	Amount excluded from Common Equity Tier 1 capital due to cap (amount above cap after redemptions and maturities)	0	
82	Current limit for Additional Tier 1 capital instruments subject to phasing-out rules	0	
83	Amount excluded from Additional Tier 1 capital due to cap (amount above cap after repayments and maturities)	0	
84	Current limit for supplementary capital instruments subject to phasing-out rules	0	
85	Amount excluded from Tier 2 capital due to cap (amount above cap after redemptions and maturities)	0	

### 3.2 Reconciliation of own funds items to the audited financial statements

The table below contains a reconciliation of the equity components of MB's approved 2021 financial statements to the final level of own funds used for regulatory purposes as at 31 December 2021.



**Table 7: Reconciliation of regulatory own funds to the balance sheet included in the audited financial statements - Table EU CC2**

		a)	c)
		Balance sheet in published financial statements	Reference
		Reporting year (TEUR)	
<b>Assets</b>			
1	Cash reserve	184.642	
2	Loans and advances to credit institutions	11.145	
3	Receivables from customers	8	
4	Bonds and other fixed-income securities	0	
5	Shares and other variable-yield securities	0	
6	Intangible fixed assets	448	8
7	Property, plant and equipment	25	
8	Other assets	1.044	
9	Prepaid expenses	53	
	<b>Total assets</b>	<b>197.365</b>	
<b>Liabilities</b>			
1	Liabilities to credit institutions	95.586	
2	Liabilities to customers	85.299	
3	Securitised liabilities	0	
4	Trust liabilities	0	
5	Other liabilities	67	
6	Prepaid expenses	0	
7	Provisions	1.113	
	<b>Total liabilities</b>	<b>182.065</b>	
<b>12 Equity</b>			
1	Subscribed capital	20.000	1
2	Capital reserve	0	
3	Retained earnings	0	
4	Balance sheet profit/loss	-4.700	25a
	<b>Total equity</b>	<b>15.300</b>	



## 4 Disclosure of risks and capital requirements

### 4.1 Capital requirements

The result of the institution's own procedure for assessing the adequacy of MB's internal capital is not required by the supervisory authorities. In this respect, the disclosure requirement resulting from Article 438 letter c) CRR is not relevant for MB.

**Table 8: ICAAP information - EU OVC table**

Legal basis	Line	Information
Article 438(c) CRR	b	Article 438(c) is not relevant to Middle East Bank, Munich Branch.

MB calculates its regulatory capital requirements in accordance with the regulations of the CRR. For counterparty risk, the calculation is based on the Credit Risk Standardised Approach in accordance with Part 3, Title II, Chapter 2 of the CRR, for operational risk on the Basic Indicator Approach in accordance with Part 3, Title III of the CRR, for market risk on the standardised methods of Part 3, Title IV of the CRR and for settlement risk in Part 3, Title V of the CRR. The regulatory own funds for the risk of a credit valuation adjustment are calculated on the basis of the standard method according to Article 384 CRR. As no positions are held in OTC derivatives, no corresponding credit valuation adjustment had to be calculated and reported in the reporting year.

MB has to comply with a 50% higher capital requirement for the first three full financial years, starting in 2019. This surcharge is equivalent to a hard Pillar 2 requirement, which must meet the same criteria for capital quality and capital composition as those set in Pillar 1 for the capital requirements there. This results in an internal Total SREP Capital Requirement (TSCR) of 12% or in absolute terms of EUR 2,043 thousand as at 31 December 2021. Together with the combined capital buffer requirement of MB, consisting of the capital conservation buffer (2.50%) and the institution-specific countercyclical capital buffer (0.00%), this results in an Overall Capital Requirement (OCR) of 14.50% or TEUR 2,468 in absolute terms as at 31 December 2021. In order to comply with the OCR, MB is required to hold additional capital components consisting of hard core capital in addition to the TSCR in the amount of EUR 425 thousand as at the reporting date.

Table 9 provides an overview of the regulatory capital requirement for the individual risk position classes of the MB as at 31.12.2021.



Table 9: Overview of the total risk amounts - Table EU OV1

Amounts in TEUR		Total risk amount		Total own funds requirements
		a	b	c
		31.12.2021	31.12.2020	31.12.2021
<b>1</b>	<b>Credit risk (without counterparty default risk)</b>	<b>12.249</b>	<b>12.602</b>	<b>980</b>
2	Of which: standard approach	12.249	12.602	980
3	Of which: IRB foundation approach (F-IRB)	0	0	0
4	Of which: Slotting approach	0	0	0
EU 4a	Of which: equity exposures according to the simple risk weighting approach	0	0	0
5	Of which: Advanced IRB Approach (A-IRB)	0	0	0
<b>6</b>	<b>Counterparty default risk - CCR</b>	<b>0</b>	<b>0</b>	<b>0</b>
7	Of which: standard approach	0	0	0
8	Of which: Internal model based method (IMM)	0	0	0
EU 8a	Of which: risk positions vis-à-vis a CCP	0	0	0
EU 8b	Of which: Credit valuation adjustment (CVA)	0	0	0
9	Of which: Other CCR	0	0	0
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
<b>15</b>	<b>Settlement risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>16</b>	<b>Securitisation positions in the banking book (after application of the ceiling)</b>	<b>0</b>	<b>0</b>	<b>0</b>
17	Of which: SEC-IRBA	0	0	0
18	Of which: SEC-ERBA (incl. IAA)	0	0	0
19	Of which: SEC-SA	0	0	0
EU 19a	Of which: 1250 % / deduction	0	0	0
<b>20</b>	<b>Position, currency and commodity position risks (market risk)</b>	<b>0</b>	<b>0</b>	<b>0</b>
21	Of which: standard approach	0	0	0
22	Of this: IMA	0	0	0
<b>EU 22a</b>	<b>Large loans</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>23</b>	<b>Operational risk</b>	<b>4.775</b>	<b>4.688</b>	<b>382</b>
EU 23a	Of which: Basic indicator approach	4.775	4.688	382
EU 23b	Of which: standard approach	0	0	0
EU 23c	Of which: Advanced measurement approach	0	0	0





24	Amounts below the deduction thresholds (with a risk weight of 250%)	0	0	0
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	<b>Total</b>	<b>17.024</b>	<b>17.289</b>	<b>1.362</b>

#### 4.2 Key parameters

In accordance with Article 447 CRR, key regulatory parameters must be disclosed. According to the Implementing Regulation (EU) 2021/637, Table EU KM1 is to be used for this purpose, which contains a comparison of the relevant disclosure periods. Due to the only annual disclosure obligation of the MB, a presentation with a comparison to the previous year is made. The necessity of presenting columns 20 to 40 for the first three quarters in 2021 is therefore not given.

**Table 10: Key parameters - Table EU KM1**

Amounts in TEUR		a	b
		31.12.2021	31.12.2020
<b>Available own funds (amounts)</b>			
1	Hard core capital (CET1)	14.852	15.773
2	Core capital (T1)	14.852	15.773
3	Total capital	14.852	15.773
<b>Risk-weighted position amounts</b>			
4	Total risk amount	17.024	17.289
<b>Capital ratios (in % of risk-weighted exposure amount)</b>			
5	Hard core capital ratio (CET1 ratio) (%)	87,23	91,23
6	Core capital ratio (%)	87,23	91,23
7	Total capital ratio (%)	87,23	91,23
<b>Additional capital requirements for risks other than the risk of excessive leverage (in % of the risk-weighted exposure amount)</b>			
EU 7a	Additional capital requirements for risks other than the risk of excessive leverage (%)	4,00	4,00
EU 7b	Of which: to be held in the form of CET1 (percentage points)	2,25	2,25
EU 7c	Of which: to be held in the form of T1 (percentage points)	3,00	3,00
EU 7d	SREP total capital requirement (%)	12,00	12,00
<b>Combined capital buffer and total capital requirement (in % of risk-weighted exposure amount)</b>			
8	Capital conservation buffer (%)	2,50	2,50



EU 8a	Capital conservation buffer due to macro-prudential risk or systemic risk at Member State level (%)	0,00	0,00
9	Institution-specific countercyclical capital buffer (%)	0,00	0,00
EU 9a	Systemic risk buffer (%)	0,00	0,00
10	Buffer for global systemically important institutions (%)	0,00	0,00
EU 10a	Buffer for other systemically important institutions (%)	0,00	0,00
11	Combined capital buffer requirement (%)	2,50	2,50
EU 11a	Total capital requirements (%)	14,50	14,50
12	CET1 available after meeting the SREP total capital requirement (%)	78,99	82,98
<b>Debt ratio</b>			
13	Total risk position measure	196.928	196.830
14	Debt ratio (%)	7,54	8,01
<b>Additional capital requirements for the risk of excessive leverage (in % of the total risk position measure)</b>			
EU 14a	Additional own funds requirements for the risk of excessive leverage (%)	0,00	0,00
EU 14b	Of which: to be held in the form of CET1 (percentage points)	0,00	0,00
EU 14c	SREP total debt ratio (%)	3,00	3,00
<b>Buffer requirement for leverage ratio and total leverage ratio (in % of total exposure measure)</b>			
EU 14d	Buffer in the debt ratio (%)	0,00	0,00
EU 14e	Total debt ratio (%)	3,00	3,00
<b>Liquidity coverage ratio</b>			
15	Total high quality liquid assets (HQLA) (weighted value - average)	165.908	173.398
EU 16a	Cash outflows - total weighted value	121.246	145.536
EU 16b	Cash inflows - Total weighted value	35	4
16	Total net cash outflows (adjusted value)	121.211	145.532
17	Liquidity coverage ratio (%)	136,88	119,15
<b>Structural liquidity ratio</b>			
18	Total stable refinancing available	59.294	41.156
19	Required stable refinancing, total	12.684	13.465
20	Structural liquidity ratio (NSFR) (%)	467,47	305,65

### 4.3 Counterparty default risk

Counterparty risk is generally understood as the risk that a borrower or counterparty will not be able to provide the service owed in full or at all due to insolvency-related default. The MB generally makes credit decisions on the basis of a standardised credit risk classification procedure.



A description of the risk management objectives and policies for credit risks in accordance with Article 435 (1) CRR can be found in Table 11.

**Table 11: General qualitative information on credit risk - EU CRA table**

Legal basis	Line	Information
Article 435(1)(f) CRR	a	<p><i>The concise risk statement in accordance with Article 435(1)(f) CRR shall explain the relationship between the business model and the components of the credit risk profile of the institution.</i></p> <p>The risk strategy of the counterparty risk is part of the integrated business and risk strategy of MB. At the end of 2021, this was revised with regard to the business orientation, the overall economic situation and the Bank's capital and liquidity resources. The resulting risk capital requirement was appropriately provided as a limit for this risk type, taking into account the available risk cover funds and the Bank's risk-bearing capacity, and monitored on a daily basis. With regard to counterparty risks, MB distinguishes between credit, migration and credit spread risks, which are explained in more detail below. Within the scope of the customer lending business as defined by section 1 (1) no. 2 KWG, credit lines are granted to corporate customers. A risk here results from unsecured drawdowns and possible overdrafts on the reporting date. Credit risk also includes migration risks in a broader sense, which may result in changes in the value of the current credit exposure due to a change in the probability of a loan default occurring in the future. Credit (default) and migration risks thus arise in the lending and guarantee business conducted by MB.</p> <p>Credit spread risk describes the risk of changes in credit spreads, which are defined as the difference in yield between a risk-free bond and a risky bond. It is backed by own funds at the MB as part of the risk-bearing capacity calculation depending on the level of credit risks.</p>



Article 435(1)(a) and (d) CRR	b)	<p><i>As part of the discussion of its credit risk management policies and procedures and risk hedging and mitigation strategies in accordance with Article 435(1)(a) and (d) CRR, the criteria and approach for setting credit risk management policies and credit risk limits are explained.</i></p> <p>Appropriate processes have been set up in the MB to ensure adequate credit risk monitoring. If the front office intends to enter into a counterparty risk for a customer, it must first apply to Risk Management in the form of a standardised procedure. For this purpose, MB uses an internal rating procedure which ensures the allocation of a risk class for the customer. This serves as the basis for decisions regarding the granting of credit. Risk management decides on the granting of credit or limits in accordance with the defined competence regulations of the MB together with the head of the back office.</p> <p>If a limit already granted for counterparty default risks is exceeded, the risk management team reports this to the management with a corresponding proposal for action. The Executive Board then decides on a measure to be initiated, the implementation of which is monitored by Risk Management. In addition, any breaches of the counterparty risk limit are reported to the Executive Board as part of ad hoc or ongoing reporting.</p>
Article 435(1)(b) CRR	c)	<p><i>The information on the structure and organisation of the risk management function in accordance with Article 435(1)(b) CRR explains the structure and organisation of the credit risk management and control function.</i></p> <p>Reference is made to Table 1 "Risk management approach of the institution - EU-OVA table" line b).</p>
Article 435(1)(b) CRR	d)	<p><i>The information on responsibilities, statutes and other procedures for the risk management function in accordance with Article 435(1)(b) CRR explains the relationships between the credit risk management, risk control, compliance and internal audit functions.</i></p> <p>In addition to the explanations in line a), the responsibilities in credit risk management are structured according to the three-lines-of-defence model. Business is initiated by the front office. After a (positive) second vote by the back office division, monitoring takes place at the individual exposure and portfolio level in Risk Controlling. The third line of defence is carried out by the internal audit department, which, as part of its ongoing auditing activities, checks the internal credit processes for correctness, regularity, expediency and efficiency.</p>



#### 4.4 Market price risk

The following table describes the objectives and policies of market risk management in accordance with Article 435(1).

**Table 12: Qualitative disclosure requirements related to market risk - EU MRA table**

Legal basis	Line	Information
Article 435(1)(a) and (d) CRR	a	<p><i>Description of the Institute's market risk management strategies and processes.</i></p> <p>In general, MB understands market price risks as all risks resulting from the change in the market price of a financial instrument over a certain period of time. Depending on the influencing parameters, a distinction is made between share price risk, interest rate risk and currency risk. The share price risk refers to the risk from the price change of shares. The interest rate risk is the risk of a reduction in the present value of an interest-sensitive financial instrument induced by changes in market interest rates. Exchange rate risk is the risk of a loss due to unfavourable changes in exchange rates. The risk strategy for identifying, managing and monitoring market price risks is part of MB's integrated business and risk strategy. Due to the fact that all transactions and business are conducted in euros, MB is not exposed to any currency risks. Interest rate risks play only a minor role at MB. The majority of the balances of third-party banks and customers are payment accounts payable on demand with corresponding interest rates, which are based on the interest rates of deposits with the ECB and the Deutsche Bundesbank. Correspondingly, the lending business of MB mainly consists of credit balances at the Deutsche Bundesbank. Risks of changes in the market value of interest-bearing products due to changes in the market interest rate environment therefore arise only to a limited extent. Furthermore, no trading book transactions subject to market price risk were contracted as at the balance sheet date. MB is considered a non-trading book institution. There are therefore no significant market price risks for MB.</p> <p>The Bank's risk management is responsible for monitoring, measuring and communicating market price risks.</p>



Article 435(1)(b) CRR	b	<p><i>A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the institution's strategies and processes described in a) above, which provides information on the relationships and communication mechanisms between the different areas involved in market risk management.</i></p> <p>The risk strategy of MB as well as further guidelines are subject to at least an annual revision with regard to the current business orientation, the economic situation as well as the capital and liquidity situation of the bank. The resulting risk capital requirement is appropriately provided as a limit for the market price risk, taking into account the available risk cover funds and the Bank's risk-bearing capacity. Due to the lack of trading book or currency positions in the MB on the current reporting date, there is no need to maintain a limit or monitoring system and the associated internal control and communication mechanisms.</p>
Article 435(1)(c) CRR	c	<p><i>Scope and nature of risk reporting and measurement systems.</i></p> <p>Due to the non-existence of trading book and currency position in the MB as at the reporting date, the disclosure according to Article 435 (1) letter b) CRR is omitted</p>

#### 4.5 Operational risk

In Article 4 paragraph 1 no. 52, operational risk is defined as the risk of losses caused by the inadequacy or failure of internal procedures, people, systems or by external events, including legal risks. In accordance with the Minimum Requirements for Risk Management (MaRisk), operational risk must always be considered a material risk and as such must be integrated accordingly in the Bank's risk-bearing capacity calculation.

MB uses the so-called "basic indicator approach" in accordance with Article 315 CRR to determine the capital requirement for operational risk. The basis for calculation in this procedure is the three-year average of the so-called "relevant indicator", which at MB is essentially derived from net interest income, net commission income and other operating income per calendar year. The three-year average of this relevant indicator is to be multiplied by 15% in order to calculate the capital requirement.

Operational risks are taken into account at the MB to the extent that they are reduced to a minimum by means of suitable control measures. This applies in particular to organisational and procedural



measures as part of the MB's internal control system. To minimise losses due to non-compliance or incorrect compliance with a process, organisational measures are regularly examined with regard to regulatory requirements and their practical implementation. In its SfO, the MB has anchored competency regulations, responsibilities, guidelines as well as work instructions in order to ensure effective corporate governance.

Risks in the personnel area are reduced through additional training and further education measures. Other potential losses are mitigated through appropriate outsourcing and insurance contracts.

The following table contains the qualitative disclosures on operational risk and describes the risk management objectives and policy.

**Table 13: Qualitative operational risk disclosures - EU ORA table**

Legal basis	Line	Information
Article 435(1)(a), (b), (c) and (d) CRR	a)	<p><i>Disclosure of risk management objectives and policy</i></p> <p>The operational risk strategy is part of MB's integrated business and risk strategy and was revised at the end of 2021 with regard to the current business orientation, the economic situation and the Bank's capital and liquidity situation. The resulting risk capital requirement was appropriately provided as a limit for this risk type, taking into account the available risk cover funds and the Bank's risk-bearing capacity. The review of whether the risk capital provided (upper loss limit) is sufficient to cover unexpected losses from operational risks is carried out on an ongoing basis in risk management and, in addition to the risk report, is also a component of monthly reporting to the Executive Board.</p> <p>The risk potential is assessed by risk management in the course of the annual risk inventory. The results are presented to the Executive Board. In addition to being involved in the assessment of the risk potential, it is the task of the risk management to report losses incurred from operational risks. For this purpose, MB uses a database in which losses incurred above a defined loss amount are to be recorded. A loss is a financial loss that is directly related to the operational risk. Significant loss events are then immediately analysed with regard to their causes and, if necessary or possible, measures are taken to avoid the occurrence of such loss events in the future.</p>
Article 446 CRR	b)	<p><i>Disclosure of procedures for the assessment of minimum own funds requirements</i></p> <p>The regulatory capital requirement for operational risk is determined at MB using the Basic Indicator Approach in accordance with Article 315 CRR.</p>



Article 446 CRR	c)	<i>Description of the advanced measurement approach (AMA) used.</i> Not applicable.
Article 454 CRR	d)	<i>Risk mitigation with the help of insurance in the advanced measurement approach.</i> Not applicable.

#### 4.6 Liquidity risk

Liquidity or refinancing risk is defined as the risk of not being able to procure the cash required to settle maturities at a future date (or not being able to do so on time). The financing risk is relatively low due to the fact that MB conducts maturity transformation exclusively on its own and not with external financing. In the original lending business, no maturity transformation has been carried out so far. Sight and term deposits are accepted and balances due on demand are invested. In addition to the working capital provided, MB has sufficient liquid funds to avoid payment difficulties.

The following table describes the qualitative information on liquidity risk management.





Table 14: Qualitative disclosures on liquidity risk management - EU LIQA table

Line	Information
<p>a) <i>Liquidity risk management strategies and processes, including strategies to diversify the sources and maturities of planned funding</i></p>	<p>Liquidity risk management aims to ensure that all payment obligations of the institution can be met at all times. The risk strategy for identifying, managing and monitoring liquidity risks is part of MB's integrated business and risk strategy. In addition, there are further guidelines issued by the Risk Management division and the Treasury division, which focus on liquidity planning and liquidity management. MB's risk strategy and further guidelines are revised at least once a year with regard to the Bank's current business orientation, economic situation and liquidity situation.</p> <p>MB's business model is essentially based on the execution of payment transaction services, which are processed via deposits from third-party banks.</p> <p>All of MB's deposits are held exclusively at the Bundesbank. In this respect, even the immediate withdrawal of funds would be possible at any time, even in stress situations. To secure a "basic liquidity" and as a precautionary measure to comply with all liquidity-related regulatory requirements, the MB can draw on additional liquid funds from the head office at any time. This ensures compliance with all regulations as well as sufficient liquidity in any liquidity scenario.</p>
<p>b) <i>Structure and organisation of the liquidity risk management function (responsibilities, statutes, other procedures)</i></p>	<p>Risk management is responsible for monitoring the liquidity risk. In order to fulfil this task adequately and to initiate countermeasures in a timely manner, various monitoring mechanisms have been installed. For regulatory purposes, MB monitors liquidity risk via the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio), which have to be reported regularly. Due to the business orientation of the Bank described in line a), no further procedures for liquidity management are specified in the MB. The liquidity risk including forecast (in the form of the LCR and NSFR ratios) is reported to the management on a quarterly basis as part of the risk report. In addition, the current and future liquidity (risk) situation is discussed with the Executive Board at the monthly Asset &amp; Liability Committee meetings.</p>
<p>c) <i>A description of the degree of centralisation of liquidity management and the interaction between the Group's entities</i></p>	<p>Operational liquidity management and liquidity risk management are carried out centrally at the level of Middle East Bank, Munich Branch.</p>



d)	<i>Scope and nature of risk reporting and measurement systems</i>	In addition to the information on liquidity risks contained in the risk report, MB's management receives a monthly report that includes key liquidity risk-relevant indicators (in particular LCR and NSFR).
e)	<i>Guidelines for liquidity risk hedging and mitigation and the policies and procedures for monitoring the ongoing effectiveness of the measures taken to hedge and mitigate risks</i>	Management, including risk mitigation and monitoring of liquidity risk, is carried out in accordance with the Bank's policies listed above.
f)	<i>An overview of the Bank's contingency funding plans</i>	A liquidity contingency plan has been prepared by Risk Management. This contains a final list of potential sources of liquidity.
g)	<i>An explanation of how stress tests are used</i>	The MB calculates a liquidity stress test under extreme conditions (adverse scenario). In this scenario, it is assumed that all material sources of income as well as all deposits from customers and credit institutions flow out ad hoc at a constant cost basis. Even under these extreme stress conditions, MB would still be viable from a liquidity perspective for at least a time horizon of more than one year.
h)	<i>A statement approved by the management body on the adequacy of the institution's liquidity risk management processes, ensuring that the liquidity risk management systems in place are appropriate to the profile and strategy of the institution</i>	The appropriateness of liquidity risk management is ensured by the Executive Board as part of the annual revision of the risk strategy.
i)	<i>A concise liquidity risk statement approved by the management body that succinctly describes the institution's overall liquidity risk profile associated with the business strategy</i>	The liquidity risk strategy is part of MB's integrated business and risk strategy. At the end of 2021, this was revised with regard to the current business orientation, the economic situation and the Bank's liquidity situation. No monetary amount is held in the risk-bearing capacity for this type of risk.

The minimum requirements for the short-term liquidity ratio, the LCR, derives from Part 6 of the CRR.

Article 412(1) of the CRR requires institutions to have liquid assets with a total value that at least covers



liquidity outflows less liquidity inflows under stress conditions to ensure that they have adequate liquidity buffers to face a possible mismatch between liquidity inflows and outflows under significant stress conditions during 30 days. In addition to the LCR, the NSFR was developed to establish minimum requirements for structural changes in the liquidity risk profile of banks. In contrast to the LCR, this metric requires a minimum amount of stable funding over a time horizon of up to one year that covers the maturity-matched required liquidity of corresponding transactions. The requirements for this ratio are met if the stock of refinancing funds with a reliable availability of at least one year is greater than the refinancing requirements of long-term lending transactions. In the course of the first-time application of the regulations from CRR II, which represents the amendment regulation to CRR I, the regulations on the NSFR must be applied and complied with as of 28 June 2021. For the presentation of the LCR and NSFR ratios relevant for the disclosure period, please refer to the information in Table 10 reference is made to the disclosures in

## **5 Disclosure of the remuneration policy**

### **5.1 Qualitative disclosure on the remuneration policy**

MB is subject to the scope of application of EU-wide and national requirements regarding the appropriateness of its remuneration systems. In addition to the remuneration-related provisions of the CRR, it must apply selected provisions of the German Banking Act (KWG) and the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung). As part of the disclosure requirements, MB has to publish specified information on its remuneration policy on an annual basis.

For persons who influence the Bank's risk profile through their activities (so-called "risk takers"), the scope of the remuneration disclosures is based on Article 433c CRR in conjunction with Article 450 (1) (a) to (d) and (h) to (k) CRR. In addition, as a non-significant institution, MB is required to disclose cumulative quantitative remuneration information for all employees pursuant to section 1 (3c) KWG (section 16 (2) InstitutsVergV).



**Table 15: Remuneration Policy - Table EU REMA**

Qualitative data	
a)	<p><i>Information on the decision-making process leading to the determination of the remuneration policy as well as information on the bodies responsible for remuneration oversight.</i></p> <p>MB's business activities are inherently risky. The deliberate taking, active management and on-going monitoring of risks are the core elements of business and risk management. The related business and risk strategic orientation is laid down in the business and risk strategy. The remuneration strategy is linked to the business and risk strategy defined by the Executive Board and provides the framework for the design of the remuneration systems. It describes the content-related connection between the business and risk strategy and the contribution that the remuneration instruments and processes make to its successful implementation. The remuneration parameters applied take appropriate account of the risks assumed.</p> <p>The remuneration strategy sets the principles for appropriate, transparent, gender-neutral remuneration systems that are aligned with the sustainable development of MB. If the remuneration systems provide for variable remuneration elements, these are designed in such a way that the achievement of the targeted objectives is incentivised, but inappropriate risk incentives are excluded and only sustainable success and performance bases are used for setting variable incentives. The variable remuneration in MB is designed to be performance- and market-oriented and meets the regulatory requirements.</p> <p>Clear responsibilities exist for the determination of the remuneration policy as a whole as well as for the design of the remuneration systems and the determination of remuneration amounts: The Supervisory Board decides on the remuneration system and the remuneration of the members of the Executive Board. The Executive Board, in turn, is responsible for the design and implementation of the remuneration system for employees. The principles of the employee remuneration system are laid down in the SfO and are regularly reviewed for appropriateness.</p>
b)	<p><i>Correlation between the remuneration of employees and their performance</i></p> <p>The MB is a non-significant institution within the meaning of section 1 (3c) KWG. With the entry into force of the Risk Reduction Act of 14 December 2020, it has to identify employees whose activities have an influence on the risk profile of the institution (risk takers) as of 2021. The catalogue of criteria for determining risk takers is derived from section 1 (21) KWG in conjunction with section 25a (5b) sentence 1 KWG. In addition to the function performed and the hierarchical classification, the amount of the individual total remuneration is also taken into account. The calculation is updated annually. In the MB, a total of 4 persons were classified as risk takers for 2021. This includes 2 members of the Executive Board. The special requirements of the InstitutsVergV for risk taker remuneration do not apply. While there are separate remuneration systems for the managing directors, uniform remuneration systems are generally applied to the employees, i.e. without special requirements for risk takers.</p>



c)	<p><i>Description of the most important design features of the remuneration system</i></p> <p>Managers and employees receive a fixed basic remuneration, the amount of which is based on the requirements of the function performed and the remuneration customary in the market. The underlying job evaluations are reviewed regularly as part of the annual personnel planning. In addition, the Bank may grant special remuneration elements in individual cases: Allowances reward the assumption of special tasks or permanent additional workloads. In comparable cases, bonuses are granted and assessed independently of discretionary decisions to all employees concerned on the basis of a uniform institution-wide regulation. Severance payments are payments in connection with the premature termination of employment. The Bank has established material principles for the determination of severance payments and a framework concept for the determination and approval of severance payments. In justified individual cases, the Bank grants retention bonuses to retain particularly success-critical employees.</p>
d)	<p><i>The values determined in accordance with Article 94(1)(g) CRD for the ratio between the fixed and variable remuneration components.</i></p> <p>The total remuneration is generally composed of fixed salary components and, for the Executive Board, additionally of variable salary components. The upper limit of the variable component is based on Section 25a (5) KWG in conjunction with Section 6 InstitutsVergV and generally amounts to a maximum of 100% of the fixed remuneration.</p>

## 5.2 Quantitative disclosures on the remuneration policy

In addition to the above qualitative disclosures on the remuneration schemes pursuant to Article 450(1)(a) to (d) CRR, MB discloses further quantitative remuneration ratios pursuant to Article 450(1)(h) to (k) CRR. The requirements of Article 17 of the Implementing Regulation (EU) 2021/637 of 15 March 2021 are applied with regard to the contents to be disclosed and their presentation. The remuneration disclosures refer to the 2021 financial year (all figures in TEUR). However, due to the assumption of the supervisory function by the head office of MB, no quantitative information on the remuneration of the persons concerned is provided.

**Table 16: Remuneration granted for the financial year - Table EU REM1**

		a	b	c	d
		Governing body - Supervisory Board	Governing body - Executive Board	Other members of the Executive Board	Other identified employees
1	Number of employees identified	0	3		2



2	Fixed remuneration	Total fixed remuneration	0	460		240
3		Of which: monetary remuneration	0	460		240
4		(Does not apply in the EU)				
EU-4 a		Of which: shares or equivalent participations	0	0		0
5		Of which: instruments linked to shares or equivalent non-cash instruments	0	0		0
EU-5x		Of which: other instruments	0	0		0
6		(Does not apply in the EU)				
7		Of which: other positions	0	0		0
8		(Does not apply in the EU)				
9	Variable remuneration	Number of employees identified	0	0		0
10		Total variable remuneration	0	0		0
11		Of which: monetary remuneration	0	0		0
12		Of which: retained	0	0		0
EU-13a		Of which: shares or equivalent participations	0	0		0
EU-14a		Of which: retained	0	0		0
EU-13b		Of which: instruments linked to shares or equivalent non-cash instruments	0	0		0
EU-14b		Of which: retained	0	0		0
EU-14x		Of which: other instruments	0	0		0
EU-14y		Of which: retained	0	0		0
15	Of which: other positions	0	0		0	
16	Of which: retained	0	0		0	
17	<b>Total remuneration (2 + 10)</b>		0	<b>460</b>		<b>240</b>

Table 17: Supplementary information pursuant to Section 16 (2) InstitutsVergV

Information	Value
Total amount of all remuneration for the financial year (TEUR)	1.407
Thereof fixed (TEUR)	1.407
Thereof variable (TEUR)	0
Number of beneficiaries of the variable remuneration	0



**Table 18: Special payments to employees whose professional activities have a material impact on the risk profile of the institution (identified employees) - Table EU REM2**

		a	b	c	d
		Governing body - Supervisory Board	Governing body - Executive Board	Other members of the Executive Board	Other identified employees
<b>Guaranteed variable remuneration - total amount</b>					
1	Guaranteed variable remuneration granted - Number of employees identified	0	0	0	0
2	Guaranteed variable remuneration granted - total amount	0	0	0	0
3	Of which: guaranteed variable remuneration paid during the financial year that is not counted towards the upper limit for bonus payments	0	0	0	0
<b>The severance payments granted in previous periods that were paid during the financial year</b>					
4	Termination benefits granted in prior periods and paid during the financial year - Number of employees identified	0	2	0	0
5	Termination benefits granted in prior periods and paid during the financial year - total amount	0	240	0	0
<b>Severance payments granted during the financial year</b>					
6	Severance payments granted during the financial year - Number of employees identified	0	0	0	0
7	Severance payments granted during the financial year - total amount	0	0	0	0
8	Of which: paid during the financial year	0	0	0	0
9	Of which: retained	0	0	0	0
10	Of which: severance payments made during the financial year that are not counted towards the upper limit for bonus payments	0	0	0	0
11	Of which: highest severance payment granted to a single person	0	0	0	0



Table 19: Retained remuneration - table REM3

	a	b	c	d	e	f	g	h
	Total amount of retained awards granted for prior performance periods	Of which: to be drawn in the financial year	Of which: to be drawn in subsequent financial years	Amount of benefit adjustments made in the financial year to retained remuneration to be drawn in the financial year	Amount of benefit adjustments made in the financial year to retained awards to be earned in future annual performance periods	Total amount of adjustments due to subsequent implicit adjustments during the financial year (such as changes in value due to changes in the prices of the instruments concerned)	Total amount of retained remuneration granted prior to the financial year that was actually paid in the financial year	Total amount of awards granted and withheld for prior performance periods that are earned but subject to vesting periods
<b>1</b>	<b>Governing body - supervisory function</b>							
2	Monetary remuneration	0	0	0	0	0	0	0
3	Shares or equivalent participations	0	0	0	0	0	0	0
4	Instruments linked to shares or equivalent non-cash instruments	0	0	0	0	0	0	0
5	Other instruments	0	0	0	0	0	0	0
6	Other forms	0	0	0	0	0	0	0
<b>7</b>	<b>Governing body - Executive Board</b>							
8	Monetary remuneration	0	0	0	0	0	0	0





9	Shares or equivalent participations	0	0	0	0	0	0	0	0
10	Instruments linked to shares or equivalent non-cash instruments	0	0	0	0	0	0	0	0
11	Other instruments	0	0	0	0	0	0	0	0
12	Other forms	0	0	0	0	0	0	0	0
<b>13</b>	<b>Other members of the Executive Board</b>								
14	Monetary remuneration	0	0	0	0	0	0	0	0
15	Shares or equivalent participations	0	0	0	0	0	0	0	0
16	Instruments linked to shares or equivalent non-cash instruments	0	0	0	0	0	0	0	0
17	Other instruments	0	0	0	0	0	0	0	0
18	Other forms	0	0	0	0	0	0	0	0
<b>19</b>	<b>Other identified employees</b>								
20	Monetary remuneration	0	0	0	0	0	0	0	0
21	Shares or equivalent participations	0	0	0	0	0	0	0	0
22	Instruments linked to shares or equivalent non-cash instruments	0	0	0	0	0	0	0	0
23	Other instruments	0	0	0	0	0	0	0	0
24	Other forms	0	0	0	0	0	0	0	0
<b>25</b>	<b>Total amount</b>								



**Table 20: Remuneration of EUR 1 million or more per year - Table EU REM4**

		a
	EUR	Identified employees receiving a high income within the meaning of Article 450(1)(i) CRR
1	1 000 000 to under 1 500 000	0
2	1 500 000 to under 2 000 000	0
3	2 000 000 to under 2 500 000	0
4	2 500 000 to under 3 000 000	0
5	3 000 000 to under 3 500 000	0
6	3 500 000 to under 4 000 000	0
7	4 000 000 to under 4 500 000	0
8	4 500 000 to under 5 000 000	0

**Table 21: Information on the remuneration of staff whose professional activities have a material impact on the risk profile of the institution (identified staff) - Table EU REM5**

		a	b	c	d-i	j
		Remuneration of the management body			Business segments	-
		Governing body - supervisory function	Governing body - management function	Total sum governing body	All business areas	Total sum
1	Total number of employees identified					4
2	Of which: members of the governing body	0	2	2		
3	Of which: other members of the Executive Board				0	
4	Of which: other identified employees				2	
5	Total remuneration of identified employees	0	460	460	240	
6	Of which: variable remuneration	0	0	0	0	
7	Of which: fixed remuneration	0	460	460	240	