



MISR BANK - EUROPE

بنك مصر أوروبا

DISCLOSURE REPORT

31.12.2016

MISR BANK – EUROPE GMBH

25 YEARS
ANNIVERSARY
1992-2017

MISR BANK - EUROPE GMBH

Neue Mainzer Strasse 82 Fon: +49 (0) 69-29974-0 info@misr.de
D-60311 Frankfurt am Main Fax: +49 (0) 69-29974-414 www.misr.de

DISCLOSURE REPORT 2016



Disclosure Report of Misr Bank-Europe GmbH as of 31 December 2016

pursuant to Articles 435 to 455 of Regulation (EU) No 575/2013 (CRR)

DISCLOSURE REPORT 2016



CONTENTS

I.	Table of abbreviations	3
II.	Reason and objectives of the Disclosure Report.....	4
III.	Risk management objectives and policies (CRR Art. 435)	5
IV.	Scope of application (CRR Art. 436).....	6
V.	Own funds / equity capital (CRR Art. 437).....	6
VI.	Reconciliation of equity capital / own funds with figures shown in the audited financial statements.....	8
VII.	Capital requirements (CRR Art. 438).....	8
VIII.	Countercyclical capital buffer (CRR Art. 440)	9
IX.	Exposure to credit risk (CRR Art. 442)	10
X.	Loan loss provisions (credit risk adjustments) and definitions	13
XI.	Use of nominated rating agencies - ECAs (CRR Art. 444)	15
XII.	Credit risk mitigation (CRR Art. 453)	15
XIII.	Non-trading-book equity exposure (CRR Art. 447).....	17
XIV.	Exposure to counterparty credit risk (CRR Art. 439).....	17
XV.	Unencumbered assets (CRR Art. 443).....	17
XVI.	Exposure to market risk (CRR Art. 445)	17
XVII.	Operational risk (CRR Art. 446).....	18
XVIII.	Exposure to interest rate risk on non-trading book positions (CRR Art. 448)	18
XIX.	Corporate governance arrangements (CRR Art. 435)	18
XX.	Remuneration policy (CRR Art. 450)	19
XXI.	Leverage (CRR Art. 451).....	20
XXII.	Closing statement.....	22

DISCLOSURE REPORT 2016



I. Table of abbreviations

AT1	Additional Tier 1 Capital
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht Federal Financial Supervisory Authority
CET1	Common Equity Tier 1
CLLP	Country loan loss provision
COREP	Common Solvency Ratio Reporting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EU	European Union
GLLP	General loan loss provisions for credit risks
GmbHG	Law relating to private limited companies
HGB	German Commercial Code
InstitutsVergV	Regulation on the supervisory requirements for institutions' remuneration systems
IRB	Internal Ratings Based Approach
KWG	Banking Act
NPV	Net present value
P+L	Profit and loss account / income statement
SACR	Standardised approach to credit risk
SFT	Securities Financing Transaction
SLLP	Specific loan loss provisions for credit risks
§ ()	Section (paragraph)

DISCLOSURE REPORT 2016



II. Reason and objectives of the Disclosure Report

In accordance with Part 8 of the Regulation (EU) No 575/2013 (hereinafter referred to as CRR), which came into force on 1 January 2014, in conjunction with § 26a KWG, Misr Bank-Europe GmbH is required to publish on an annual basis qualitative and quantitative information on the following points:

- Risk management objectives and policies,
- Scope of application,
- Capital and capital adequacy requirements,
- Countercyclical capital buffers,
- Exposure to borrower / credit default risk,
- Exposure to market risks - risks relating to changes in market prices,
- Interest rate risk in non-trading book,
- Operational risk
- Unencumbered assets,
- Corporate governance rules,
- Remuneration policy and
- Leverage

This report serves to comply with Misr Bank-Europe GmbH's disclosure requirements as at its 31 December 2016 reporting date. The Bank's internet site www.misr.de is used as the medium for this disclosure.

Pursuant to Art. 432 CRR and in accordance with EBA/GL/2014/14 relating to materiality and confidentiality of the disclosure, the information provided in this Report is subject to the principle of materiality. Legally protected or confidential information is not included in this Report. To ensure satisfactory disclosure practice, reviews of its contents are conducted regularly. The relevant areas of responsibility and procedural framework are laid out in working procedures instructions. Misr Bank-Europe GmbH considers that the contents of the Report provide comprehensive information on the Bank's overall risk profile.

This Disclosure Report has to be read in conjunction with the annual financial statements and status report. These have been published in the Bundesanzeiger (Federal Gazette), accessible under www.bundesanzeiger.de.

The current Disclosure Report as of the 31 December 2016 reporting date is published pursuant to the requirements of Regulation (EU) No 575/2013 that came into force on 1 January 2014.

The following CRR articles currently do not apply to Misr Bank-Europe GmbH. This Disclosure Report thus contains no detailed information in relation to these articles:

- CRR Art. 441: Misr Bank-Europe GmbH is not an institution of global systemic importance.
- CRR Art. 449: There are no securitisation positions.
- CRR Art. 452: To calculate credit risk exposures, the Bank uses the Standard Approach to Credit Risk (SACR) and not the Internal Ratings Based Approach (IRB).

DISCLOSURE REPORT 2016



- CRR Art. 454: To evaluate operational risk, the Bank uses the Basis Indicator Approach and not the Advanced Measurement Approach.
- CRR Art. 455: The Bank does not use any Internal Market Risk models.

III. Risk management objectives and policies (CRR Art. 435)

Statement on the adequacy of risk management procedures (CRR Art. 435 (1. (e)))

It is Misr Bank-Europe GmbH's objective to achieve a sustainable return on capital employed for its shareholders commensurate with the risks involved. The Bank makes selective use of the opportunities available in its markets. For this, it is prepared to take deliberated risks at levels that are economically sustainable.

The organisation of the Bank's risk management system is governed by its business and risk strategy. The executive management board is responsible for the development and implementation of these strategies. The risk strategy derives from the Bank's sustainable business strategy on an ongoing basis. It defines rules for dealing with risk that are directly or indirectly inherent in the Bank's business activities. These rules form the basis for a company-wide, uniform understanding of the company's objectives in the context to its risk management.

The Bank's risk strategy includes in particular the objectives of risk-managing the main business activities and is an instrument that is geared to market activities and internal controlling. It is reviewed at least on a yearly basis and adjusted as required. Risks may be incurred only within the Bank's risk-bearing capacity. The necessary risk awareness is underpinned by effective communication. This is achieved not only through instructions, control measures and sanction mechanisms. Risk awareness is rather more an expression of an opportunity- and risk-orientated corporate culture too. This in turn is shaped by management style and how executive management deals with risks.

The risk management process encompasses all activities dealing systematically with risks in the company. This includes the identification, analysis, assessment, management, documentation and communication of the risks in the company, the operational monitoring of the success of the controlling measures and oversight of the effectiveness and appropriateness of the risk management measures.

To summarise, Misr Bank-Europe GmbH believes that the methods, models and processes implemented are at all times suited to ensure a risk management system geared to the Bank's strategy and overall risk profile.

DISCLOSURE REPORT 2016



Statement by executive management on the risk profile of Misr Bank-Europe GmbH (CRR Art. 435 (1. (f)))

The Bank's risk management is conducted within the framework of the Basel III Pillar 2. In the context of § 25a KWG and various circulars, the legislator has commented extensively on this issue. For Misr Bank-Europe GmbH, the primary objective is to ensure its risk-bearing capacity at all times.

As part of its risk inventory, the Bank has identified the following significant risks:

1. Counterparty credit risk, including country risks
2. Risks from changes in market prices
3. Operational risks
4. Liquidity risks

Provided they are reasonably quantifiable, these risks are limited accordingly as part of the risk-bearing capacity calculation. On this basis, the limit utilisations as of 31 December 2016 are as follows:

Table 1: Risk-bearing capacity limit utilisation as of 31 December 2016

Type of risk	Limit €k	Risk €k
Counterparty credit risk	3,303	2,980
Market price change risk	708	295
- interest change risk	661	292
- price change risk	47	3
Operational risk	661	805
Total	4,672	4,080

Here, the Bank uses the P+L-based going concern approach.

More detailed information is provided in the Risk Report of our Status Report.

IV. Scope of application (CRR Art. 436)

Misr Bank-Europe GmbH is a CRR credit institution, having its registered office in Frankfurt am Main.

The Bank does not consolidate financial statements on the basis of commercial-code or regulatory statutes. The Disclosure Report is prepared at single-entity level.

V. Own funds / equity capital (CRR Art. 437)

As at 31 December 2016, Misr Bank-Europe GmbH's own funds pursuant to Art. 72 CRR amounted to €25,998k and consisted of Common Equity Tier 1.

DISCLOSURE REPORT 2016



Table 2: Breakdown of own funds / equity capital as at 31 December 2016

Breakdown of own funds		(A)	(B)
		Amount	Reference to Articles in Regulation (EU) No 575/2013
		€k	
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and related share premium accounts	30,000	26 (1), 27, 28, 29, EBA list pursuant to Art. 26 (3)
2	Retained earnings	1,400	26 (1) (c)
3	Cumulative other income (and other reserves in respect of unrealised profits and losses in accordance with applicable accounting standards)	-6,209	26 (1)
3a	Funds for general banking risk	1,000	26 (1) (f)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	26,191	
8	Intangible assets (net of related tax liability) (negative amount)	-193	36 (1) (b), 37, 472 (4)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-193	
29	Common Equity Tier 1 (CET1) capital	25,998	
44	Additional Tier 1 (AT1) capital	0	
45	Tier 1 capital (T1 = CET1 + AT1)	25,998	
58	Tier 2 (T2) capital	0	
59	Total capital (TC = T1 + T2)	25,998	
60	Total risk-weighted assets	230.339	
61	Common Equity Tier 1 (as a percentage of the amount of total risk exposure)	11.29 %	92 (2) (a), 465
62	Tier 1 capital (as a percentage of the amount of total risk exposure)	11.29 %	92 (2) (b), 465
63	Total capital (as a percentage of the amount of total risk exposure)	11.29 %	92 (2) (c)
64	Institution-specific capital buffer requirement (minimum CET1 requirement pursuant to Art. 92 (1) (a)) plus capital conservation and countercyclical buffer requirements plus systemic risk buffer, plus the systemically important institution (G-SII or O-SII) buffer, expressed as a percentage of the amount of risk exposure)	0.625 %	CRD 128, 129, 130
65	of which: capital conservation buffer	0.625 %	
68	Common Equity Tier 1 available for buffers (as a percentage of the amount of total risk exposure)	6.20 %	CRD 128

In the interests of easier readability and clarity, only those positions relevant to Misr Bank-Europe GmbH are shown.

DISCLOSURE REPORT 2016



VI. Reconciliation of equity capital / own funds with figures shown in the audited financial statements

The equity capital components in the commercial-code balance sheet are elaborated in the table below so that all elements are shown as in Table 2 “Breakdown of own funds / equity capital”. At the same time, they are mapped with cross-references to the corresponding row numbers in the above-mentioned table.

Table 3: Breakdown of equity capital components in the commercial-code balance sheet and mapping to equity capital structure as at 31 December 2016

	Commercial-code balance sheet	Cross reference to breakdown of equity capital
	€k	
Assets		
Intangible assets	-209	8
Liabilities		
Own Funds / Equity capital	25,203	6
of which: subscribed capital	30,000	1
of which: retained earnings	1,400	2
of which: balance sheet loss	-6,197	3
Funds for general banking risk	1,000	3a

VII. Capital requirements (CRR Art. 438)

Adequacy of internal capital

The adequacy of the Bank’s internal capital is assessed by means of the risk-bearing capacity concept described in the Risk Report contained in the Status Report.

Regulatory requirements for capital adequacy

Misr Bank-Europe GmbH calculates the regulatory requirements for capital adequacy in compliance with the CRR provisions.

Exposure to counterparty credit risk is calculated according the Standardised Approach to Credit Risk pursuant to Part 3, Title II, Chapter 2 CRR, operational risk according to the Basic Indicator Approach pursuant to Part 3, Title III CRR and market risk according to Part 3, Title IV CRR.

The table below gives an overview of the Bank’s regulatory capital requirements.

DISCLOSURE REPORT 2016



Table 4: Regulatory capital requirements as at 31 December.2016

	Capital requirements €k
Credit risk	
Standardised Approach to Credit Risk	220,276
Central governments or central banks	0
Regional or local authorities / municipalities	0
Public authorities / public sector entities	0
Multilateral development banks	0
International organisations	0
Institutions	50,685
Corporations	162,888
Retail business	1
Secured by mortgages on real estate	0
Amounts in default	1,922
Particularly high-risk positions	0
Covered bonds / debentures	282
Securitisation positions	0
Banks / companies with short-term external rating	0
Collective investment undertakings (CIU)	0
Non-trading-book equity exposure	0
Other items	4,498
Market risk	
Standard approach	0
Foreign currency risk	0
Operational risk	10,063
Basic indicator approach	10,063
Total	230,339

As at 31 December 2016 our capital ratios can be summarised as follows:

Table 5: Summary of capital adequacy ratios

	31.12.2016
Common Equity Tier 1	11.29 %
Tier 1	11.29 %
Total capital	11.29 %

Our capital ratios are thus well above the regulatory minimum requirements in each case.

VIII. Countercyclical capital buffer (CRR Art. 440)

According to CRR Art. 440 in conjunction with the Delegated Regulation (EU) No. 1555/2015 of 28 May 2015, the institutions are obliged to state the geographical distribution of the credit risk positions essential for the calculation of the countercyclical capital

DISCLOSURE REPORT 2016



buffer and the institution-specific level. The countercyclical capital buffer can be between 0% and 2.5% of the sum of the risk-weighted assets and has to be held by Tier 1 capital. The level of the countercyclical capital buffer in Germany is determined by BaFin, taking into account possible recommendations by the Committee on Financial Stability. For the fiscal year 2016 BaFin sees no necessity for a countercyclical capital buffer in Germany. Other countries, such as Norway, Sweden and Hong Kong have set up a capital buffer.

The following table shows the allocation of the risk-weighted assets by geographical areas and the level of the institution-specific countercyclical capital buffer of Misr Bank-Europe GmbH (the bank does not hold trading book and securitization positions):

Table 6: Geographical allocation of the credit risk positions essential for the calculation of the countercyclical capital buffer:

Country	Counterparty credit risk	Capital requirements	Weighting of capital requirements	Level of countercyclical capital buffer
	T€	T€	%	%
Germany ¹⁾	-252,078	-97,103	44.08	0
Egypt	-61,895	-32,695	14.84	0
Austria	-53,284	-27,910	12.67	0
France	-17,598	-16,843	7.65	0
Luxembourg	-12,306	-6,990	3.17	0
Switzerland	-10,527	-6,839	3.10	0
The Netherlands	-10,470	-9,039	4.10	0
Turkey	-8,682	-8,582	3.90	0
Oman	-8,577	-8,577	3.89	0
United Arab Emirates	-5,698	-5,698	2.59	0
Total	-441,115	-220,276	100.00	0

¹⁾ According to delegated regulation (EU) No. 1152/2014, all foreign risk positions with less than 2% of its risk-weighted positions are included in Germany. These are (ordered by size): USA, Saudi Arabia, Kuwait, Qatar, Tunisia, Belgium, Azerbaijan, Singapore, Italy, UK, Norway, Denmark, Australia, Finland, Romania, Spain, Jordan, Hungary, Thailand, Portugal, Taiwan, Mexico and the multilateral development banks EIB, IBRD and IFC.

Table 7: Level of the institution-specific countercyclical capital buffer

	31.12.2016
Total counterparty credit risk	441,115
institution-specific anticyclical capital buffer	0
Requirement for the institution-specific capital buffer	0

IX. Exposure to credit risk (CRR Art. 442)

Pursuant to Art. 442 CRR, the credit volume has to be broken down according credit-risk-bearing instruments, significant geographic areas, main industry sectors and residual

DISCLOSURE REPORT 2016



term to maturity. The following quantitative information for the entire loan portfolio represents Misr Bank-Europe GmbH's maximum credit risk. The maximum credit risk exposure is a gross figure. The credit-risk-bearing instruments are shown without taking into account credit-risk-mitigation and after credit risk adjustments (loan loss provisions). For credits and unused loan commitments, the gross credit volume is based on book values; for non-trading-book securities and the liquidity reserve, on acquisition cost / lower market value. The gross credit volume includes credit lines not yet drawn down.

Table 8: Gross credit volume as at 31 December 2016 broken down by exposure classes / type of borrower

Regulatory exposure classes	Gross credit volume €k	Average credit volume €k
Central governments or central banks	-38,588	-39,983
Regional or local authorities / municipalities	0	-1,003
Public authorities / public sector entities	-4,725	-3,625
Multilateral development banks	-7,490	-7,157
Institutions	-186,633	-183,271
Corporations	-185,785	-178,904
Retail business	-4	-6
Amounts in default	-10,573	-11,789
Covered bonds / debentures	-2,819	-1,377
Other items	-4,498	-4,721
Total	-441,115	-431,836

The average amount of the gross credit volume is derived from the averages of the individual quarterly reports in 2016.

The three tables below show the gross credit volume according to significant geographic area, industry sector and contractual residual term to maturity.

Table 9: Gross credit volume as at 31 December 2016 according to geographic region

Regulatory exposure classes	Germany €k	Other EU-states €k	Rest of the world €k
Central governments or central banks	-17,288	-2,026	-19,274
Regional or local authorities / municipalities	0	0	0
Public authorities / public sector entities	-4,240	-485	0
Multilateral development banks	0	-3,694	-3,796
Institutions	-112,945	-66,593	-7,095
Corporations	-66,419	-57,908	-61,458
Retail business	-4	0	0
Amounts in default	-1,809	0	-8,764
Covered bonds / debentures	-2,819	0	0
Other items	-4,498	0	0
Total	-210,022	-130,706	-100,387

DISCLOSURE REPORT 2016



From the table it can be seen that the predominant portion of the credit portfolio is spread across Germany and other EU states, which is the focus of the Bank's lending.

Table 10: Gross credit volume as at 31 December 2016 according to industry sector

Regulatory exposure classes	Banks	Public authorities	Private persons and corporations	Not allocated to any sector
	€k	€k	€k	€k
Central governments or central banks	-17,288	-21,300	0	0
Regional or local authorities / municipalities	0	0	0	0
Public authorities / public sector entities	-4,725	0	0	0
Multilateral development banks	-7,490	0	0	0
Institutions	-186,633	0	0	0
Corporations	-46,374	0	-139,411	0
Retail business	0	0	-4	0
Amounts in default	0	0	-10,573	0
Covered bonds / debentures	-2,819	0	0	0
Other items	0	0	0	-4,498
Total	-265,329	-21,300	-149,988	-4,498

Table 11: Gross credit volume as at 31 December 2016 broken down by residual tenor

Regulatory exposure classes	Less than 1 year	1 year to 5 years	Over 5 years to indefinite tenor
	€k	€k	€k
Central governments or central banks	-31,511	-6,079	-998
Regional or local authorities / municipalities	0	0	0
Public authorities / public sector entities	0	-4,725	0
Multilateral development banks	-1,880	-3,808	-1,802
Institutions	-182,400	-4,233	0
Corporations	-76,675	-109,110	0
Retail business	-4	-0	0
Amounts in default	-10,573	0	0
Covered bonds / debentures	0	-2,819	0
Other items	0	0	-4,498
Total	-303,043	-130,774	-7,298

X. Loan loss provisions (credit risk adjustments) and definitions

Details of past due and impaired positions and loan loss provisions

All loans and credit relationships are subject to regular review. This involves establishing to what extent loans are partially or totally uncollectible. A non-scheduled review of loans including collateral security is conducted when a credit institution obtains information that indicates a negative change in the risk assessment of the credit relationship or collateral.

A credit exposure is basically considered past due when the borrower is in arrears with a significant portion of its total debt to the Bank on more than 90 consecutive days and at a significant level.

Such arrears are calculated and monitored at single-borrower level.

If a provision has been set aside for a credit exposure, then it is considered impaired.

A provision is to be established if, based on concrete indications, the Bank is of the opinion that it appears unlikely that the borrower will meet in full its payment liabilities to the Bank from the loan without the Bank's resorting to measures such as realising collateral, if available, or to other recovery measures.

Approaches and methods to determine loan loss provisions / credit risk adjustments

For its credit relationships, the Bank has monitoring tools to spot, manage and evaluate counterparty default risks and to account for them in its statutory financial statements with credit risk adjustments (specific loan loss provisions, reserves).

The level of the credit risk adjustment to be established in a specific case is determined by the probability that the borrower (based on an assessment of economic circumstances) can no longer meet its contractual obligations and by the customer's payment history. To evaluate the level of expected payments after delinquency has set in, collateral, to the extent provided, is taken into account at its probable realisation value.

The decisions regarding loan loss provisions, reserves or direct write offs are taken on the basis of internal rules in effect at the time. With regard to existing loan loss provisions, regular re-views are conducted to monitor their adequacy and any adjustments predicted by the review are made. A sustainable improvement in the borrower's economic situation or an assured loan repayment from available collateral will enable the loan loss provisions to be reversed.

DISCLOSURE REPORT 2016



Table 12: Development of loan loss provisions in the balance sheet for fiscal year 2016

	Opening balances 01.01.2016 €k	Additions €k	Reversals k€	Used €k	Exchange rate and other changes €k	Closing balances 31.12.2016 €k
Specific loan loss provisions	6,111	5,130	-1,920	-969	179	8,531
Reserves	0	0	0	0	0	0
General loan loss provisions	0	575	0	0	0	575
Total	6,111	5,705	-1,920	-969	179	9,106

Table 13: Non-performing loans and arrears broken down by main sector as at 31 December 2016

	Banks €k	Public authorities €k	Corporations and private persons €k	Not allocated to any sector €k	Total €k
Loans in arrears not needing provisions	0	0	0	0	0
Total amount of impaired credit exposures (non-performing loans)	0	0	-10,573	0	-10,573
Specific loan loss provisions and reserves	0	0	8,531	0	8,531
General loan loss provisions	0	0	575	0	575
Net addition or reversal (-)	0	0	2,420	0	2,420
Write offs	0	0	0	0	0
Recoveries of written-off loans	0	0	0	0	0

DISCLOSURE REPORT 2016



Table 14: Non-performing loans and arrears broken down by main geographical region as at 31 December 2016

	Germany €k	Other EU states €k	Rest of the world €k	Total €k
Loans in arrears not needing provisions	0	0	0	0
Total amount of impaired credit exposures (non-performing loans)	-1,809	0	-8,764	-10,573
Specific loan loss provisions and reserves	531	0	8,000	8,531
General loan loss provisions	260	219	96	575
Net addition or reversal (-)	-2,094	0	4,514	2,420
Write offs	0	0	0	0
Recoveries of written-off loans	0	0	0	0

XI. Use of nominated rating agencies - ECAIs (CRR Art. 444)

To calculate equity capital requirements using the Standardised Approach to Credit Risk, the Bank has nominated the rating agency Moody's Investors Service for the credit categories "institutions" and "corporations". For the assessment of country risks, the Bank uses Moody's likewise.

Transfers of issuer / issue ratings to comparable, similar or higher-level credit exposures were not made in the reporting year.

XII. Credit risk mitigation (CRR Art. 453)

To mitigate credit counterparty default risk when granting loans, Misr Bank-Europe GmbH uses valuable collateral security on a case-by-case basis. The basis for this is the credit risk strategy drawn up by the Bank's executive board.

Credit collateral essentially takes the form of personal collateral (guarantees and indemnities) and tangible collateral (charges on real estate, hypothecations of cash balances and assignments of receivables).

The valuation and management of collateral is carried out on the basis of uniform and recognised principles, according to which credit collateral has to be assessed with regard to its long-term value. If the worth of evaluated collateral depends essentially on the circumstances of a third party (e.g. guarantee, assignment of receivables), the circumstances of the third party have to be examined in the same way as those of the borrower.

DISCLOSURE REPORT 2016



The intrinsic value of the collateral taken and any changes, particularly due to wear and tear and variations in market price and creditworthiness, are reviewed at regular and non-scheduled valuations of collateral. Routinely scheduled valuations of collateral depend on the type of collateral and the lending-value level of the collateral. Non-scheduled valuations of collateral are conducted when there is negative information on the collateral or loans are in danger of default.

The exposure value pursuant to Art. 111 CRR defines the level of an amount in danger of default and forms the basis of determining the risk-weighted exposure amounts and capital adequacy requirement.

As part of credit risk mitigation techniques, the following collateral instruments are applied in compliance with regulatory provisions:

- Financial collateral in the form of cash deposits with Misr Bank-Europe GmbH

The table below shows the pre- and post-collateral exposure values according to the Standard Approach to Credit Risk.

Table 15: Pre- and post-credit-mitigation exposure values as at 31 December 2016

Credit category (according to COREP return)	Exposure values before credit mitigation	Exposure values after credit mitigation
	€k	€k
Central governments or central banks	-38,588	-19,314
Regional or local authorities / municipalities	0	0
Public authorities / public sector entities	-4,725	-4,725
Multilateral development banks	-7,490	-7,490
Institutions	-186,633	-186,633
Corporations	-185,785	-178,901
Retail business	-4	-4
Amounts in default	-10,573	-10,573
Covered bonds / debentures	-2,819	-2,819
Other items	-4,498	-4,498
Total	-441,115	-414,957

The overview below shows eligible collateral.

DISCLOSURE REPORT 2016



Table 16: Total amount of collateralised exposure values as at 31 December 2016

Credit category (according to COREP return)	Guaran- tees / in- demnities	Financial collateral	Other collateral	Total
	€k	€k	€k	€k
Central governments or central banks	0	19,273	0	19,273
Regional or local authorities / municipalities	0	0	0	0
Public authorities / public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
Institutions	0	0	0	0
Corporations	0	6,884	0	6,884
Retail business	0	0	0	0
Amounts in default	0	0	0	0
Covered bonds / debentures	0	0	0	0
Other items	0	0	0	0
Total	0	26,157	0	26,157

XIII. Non-trading-book equity exposure (CRR Art. 447)

As at 31 December, Misr Bank-Europe GmbH had no non-trading-book equity exposure.

XIV. Exposure to counterparty credit risk (CRR Art. 439)

There was no derivative counterparty credit risk during the fiscal year or on balance sheet re-reporting date.

In line with its overall management policy, Misr Bank-Europe concludes no transactions to hedge interest rate, market price and currency risks involved in its general banking business.

XV. Unencumbered assets (CRR Art. 443)

All Misr Bank-Europe GmbH's assets are, as a matter of principle, at its free disposal. The asset encumbrance ratio is 0.00 %

XVI. Exposure to market risk (CRR Art. 445)

With regard to risk-bearing capacity and the adequacy of equity capital / own funds, we refer to our remarks in the section "Capital adequacy requirements".

DISCLOSURE REPORT 2016



As a non-trading bank, Misr Bank-Europe GmbH has no exposure to market risk in its trading book. Because of the types of transaction entered into, it has no market risk positions either.

XVII. Operational risk (CRR Art. 446)

We refer to the comments on capital adequacy requirements for operational risks under the point “Capital adequacy requirements”.

Capital adequacy requirements for operational risk are calculated according to the Basic Indicator Approach pursuant to Art. 315 CRR.

XVIII. Exposure to interest rate risk on non-trading book positions (CRR Art. 448)

For the regular evaluation of the risk relating to changes in interest rates, an interest rate shock of ± 200 basis points prescribed by the banking regulator is used.

The quantitative effects resulting from a regulatory interest rate shock pursuant to BaFin circular 11/2011 are as follows:

Table 17: Interest rate shock effects as at 31 December 2016

	Reduction in NPV of interest rate book applying +200 bp €k	Increase in NPV of interest rate book applying -200 bp €k
Exposure in EUR	-228.9	+228.9
Exposure in USD	-356.0	+356.0
Total	-584.9	+584.9

Misr Bank-Europe GmbH has defined foreign currency exposure in USD as relevant for interest rate risk. Foreign currency exposure in other currencies is not relevant for interest rate risk and is shown under “Exposure in EUR”.

XIX. Corporate governance arrangements (CRR Art. 435)

Members of Misr Bank-Europe GmbH's executive management board carry out no other management or supervisory functions than their roles as managing directors of the Bank.

Members of the executive management board are - in compliance with GmbHG and KWG - appointed by the supervisory board. Here, technical know-how and a balance and diversity of expertise, skills and experience play key roles.

DISCLOSURE REPORT 2016



The Bank's executive management board currently consists of two members with a functional distinction of responsibilities in marketing and risk management (Markt und Marktfolge).

As a subcommittee of the supervisory board, the Bank has established a risk and audit committee comprising mandated members of the supervisory board. The internal auditor, the anti-money laundering officer and the compliance officer report regularly to this committee. This committee meets at least three times a year.

Risk management informs the executive board regularly on significant, risk-relevant issues, particularly as part of quarterly risk reporting. In addition, the Bank uses an extensive management information system, through which important information can be provided in customised form regularly on a daily, weekly, monthly and / or, if required, on an ad hoc basis.

XX. Remuneration policy (CRR Art. 450)

§ 16 InstitutsVergV forms the basis of Misr-Bank Europe GmbH's disclosure obligations. Disclosure is made on the Bank's website (www.misr.de).

Misr Bank-Europe GmbH's remuneration policy is outlined in the remuneration guideline "MBE salary and benefits policy".

The objectives of the Bank's remuneration structures and practices are geared to the following remuneration principles:

- Maximising the performance of the staff and the company
- Gaining and securing the best staff potential
- Alignment with the various business areas and the levels of responsibility
- Simple and transparent remuneration model

These remuneration principles form the basis for compliance with regulatory requirements and achieving a balanced remuneration structure. The Bank pursues these principles not only to safeguard the interests of the staff, management and shareholders, but also to motivate the staff to act in the Bank's interests and to give their best at all times.

By far the largest portion of a Misr Bank-Europe GmbH employee's annual salary is contractually fixed and is paid in twelve equal monthly amounts irrespective of the business and / or revenues that an employee has transacted / earned for the Bank.

The staff's fixed remuneration is made up of:

- Gross annual salary (payable in 12 monthly amounts)
- Contribution to BVV pension scheme (variable according to employment contract)
- Eating allowance in the form of meal vouchers
- The members of the executive board are entitled to use a company car for private purposes, and the related expenses are an additional component of the fixed remuneration.

DISCLOSURE REPORT 2016



Voluntary, variable remuneration in the form of bonus payments may account for only part of annual remuneration. This variable component of total remuneration is not linked to specific targets for individual staff, but, on the one hand, to the Bank's performance and, on the other hand, to the employee's personal performance during the year. This arrangement applies to all staff, including the institution's executive management board.

The Bank employs no staff whose activity has a significant impact on its risk profile (so-called risk takers).

In view of the small number of employees and the small portion of variable remuneration in Misr Bank-Europe GmbH's total remuneration, the Bank, in the interests of materiality, protection and confidentiality, waives disclosing the total amounts of the fixed and variable remuneration components.

XXI. Leverage (CRR Art. 451)

The following information complies with the provisions of the new Delegated Regulation (EU) 2015/62 and Implementing Regulation 2016/200 governing the disclosure of the leverage ratio.

Application of the provisions of the new Delegated Regulation gives a 31 December 2016 leverage ratio for Misr Bank-Europe GmbH of 6.69 %.

The following table gives an overview of the positions and the calculation.

Table 18: Common disclosure of the leverage ratio

31.12.2016		€k
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	362,952
2	Asset amounts deducted in determining Tier 1 capital	-136
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	362,816
11	Derivatives exposures	0
16	Securities financing transaction exposures (SFT)	0
19	Other off-balance sheet exposures	25,812
EU-19 a/b	On- and off-balance sheet exposures exempted pursuant to Art. 429 (14) of Regulation (EU) No 575/2013	0
Equity capital and total exposure measure		
20	Tier 1 capital	25,998
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a/b)	388,628
Leverage ratio		
22	Leverage ratio	6.69 %
Choice of transitional arrangements		
EU-23	Choice of transitional arrangements for the definition of the capital measure	Art.499 (1) (a) CRR

DISCLOSURE REPORT 2016



Table 19: Summary reconciliation of accounted assets and leverage ratio exposures

31.12.2016		€k
1	Total assets as per published financial statements	362,863
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	25,812
EU-6a	Adjustment for intra-group exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	0
EU-6b	Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	0
7	Other adjustments	-136
8	Leverage ratio total exposure measure	388,539

Table 20: Breakdown of on-balance sheet exposure positions (excluding derivatives, SFTs and exempted exposure)

31.12.2016		€k
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	405,799
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which: (Total of rows EU-4 to EU-12)	405,799
EU-4	Covered bonds / debentures	2,819
EU-5	Exposures treated as sovereign exposures	19,315
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereign exposures	12,215
EU-7	Institutions	186,633
EU-8	Secured by mortgages of immovable properties / real estate	0
EU-9	Retail exposures	4
EU-10	Corporates	178,273
EU-11	Exposures in default	2,042
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	4,498

Misr Bank-Europe GmbH monitors its balance sheet development, which includes analysing the key balance sheet ratios, including the leverage ratio. As part of monitoring the regulatory capital, the leverage ratio is an integral part of the overall management of the Bank.

DISCLOSURE REPORT 2016



Over the years, the leverage ratio has shown a moderately rising trend parallel to the Bank's growth strategy. During the year - as in the reporting year - special factors due to the Bank's refinancing structure mean there are temporary fluctuations.

XXII. Closing statement

With its signature, Misr Bank-Europe GmbH's executive management board declares that the risk management methods and procedures employed in the Bank are appropriate to convey a comprehensive picture of the Bank's risk profile. With the support of the models used, the Bank is in a position particularly to sustainably ensure its risk-bearing capacity.

Frankfurt/Main, 04 May 2017

Hubert F. Bock
Managing Director

Bülent Menemenci
Managing Director



MISR BANK - EUROPE

بنك مصر أوروبا

MISR BANK - EUROPE GMBH

Neue Mainzer Strasse 82 Fon: +49 (0) 69-29974-0 info@misr.de
D-60311 Frankfurt am Main Fax: +49 (0) 69-29974-414 www.misr.de

25 YEARS
ANNIVERSARY
1992-2017