# Annual Report 2014

Misr Bank-Europe GmbH, Frankfurt am Main

# Annual Report 2014

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# Report of the Management
# for the Business Year 2014 and forecast

## 1. General comments

The ongoing crises in Egypt and Europe, the main markets of Misr Bank-Europe GmbH again had a considerable impact on the business year 2014, nevertheless the bank could achieve a result that surpassed the projections made last even before non-recurring items. Worth mentioning is the charge to profitability due to the risk-averse business strategy favouring liquidity and security.

Egypt's newly elected president Abd al Fattah as-Sisi took office early June 2014. Large parts of the population put high hopes in the new government. Four years after the people's up-rising, Egypt still finds itself in a period of transition. But first signs of an economic recovery can be seen, leading to upgraded credit ratings. The EGYPTIAN ECONOMIC DEVELOPMENT CONFERENCE titled "Egypt the Future" which took place early March 2015 can be the starting point for further improvement of the economic conditions. The country yet has to face massive economic and social problems. The continuing support by for example the GCC states will be needed for some time.

Despite recent increases the growth rates will not return to pre-revolution figures in a short notice. The foreign reserves should stabilise, mainly through the support given by some neighbouring Arab states.

Cost and work load of the staff caused by the regulatory environment remain high, as the impact on the business model as well.

The volume of trade handled through us on the basis of commercial letters of credit and commission income stabilised on a slightly higher level. In the inter-bank money market Egyptian banks were mainly depositors. The securities portfolio increased again. The business with medium size corporate customers has been expanded according to the Bank's strategy.

Management proposes to carry forward the balance sheet profit of T€ 731.2.

## 2. Assets and liabilities

The item due from banks increased by 11.4 % from € 346.6 million to € 386.2 million which reflects the increase of the deposits from customers.

The position due from customers increased by 12.3 % from € 79.2 million to € 89.0 million.

The volume of the securities amounts to € 18.8 million compared to € 10.8 million the year before. The portfolio exclusively includes bonds issued by large European corporations and commercial banks.

Liabilities to banks increased from € 41.4 million to € 49.6 million liabilities to customers also increased by € 49.0 million to € 419.7 million (previous year € 370.7 million).

## 3. Liquidity

The difference between the positions due to banks and customers payable on demand and due from banks and customers payable on demand amounted to € -33.5 million at the balance sheet date. The bank's ability to honour its payment obligations was secured at any time of the year. The bank finances itself almost exclusively in Egypt. Equity represents 6.4% of Total Assets, bank deposits 9.9 % and customer deposits 83.4 %.

**4. Profit and Loss**

Net interest income increased from T€ 2,882.2 to T€ 3,329.1. Net Commission income stood at T€ 1,147.3 slightly above previous year's level. The net income from foreign currency transactions amounted to T€ 37 compared to T€ 82 in the previous year.

Staff costs decreased from T€ 2,061.4 to T€ 2,029.2, while general and administrative expenses increased from T€ 1,905.1 to T€ 2,318.9.

The profit for the year is shown at T€ 256.4 (previous year T€ 55.4). The profit carried forward amounts to T€ 731.2.

In view of the ongoing challenges we project an overall stable earnings situation on a sustainable operational level, meaning low positive results. Due to non-recurring issues the profit for the year 2015 will probably be higher than the expected average for the coming years given unchanged conditions.

The business partner of the bank who was placed on OFAC's SDN list in February 2014 has been completely rehabilitated in October 2014. The intensive efforts of the company to be delisted thus were finally crowned with success. But due to the temporary restrictions imposed of the company's activities, a restructuring became a necessity. Independent experts confirmed the prospect of successfully completing that process.

**5. Addendum Report**

There were no events of particular importance after the close of the business year.

**6. Risk report**

Misr Bank Europe GmbH assumes risk in a controlled way applying a risk bearing capacity concept and a profit oriented management. Part of the steering process is the allocation of risk covering potential in order to secure the risk bearing capacity and the calculation of capital costs. Consciously assuming, actively managing and systematically transforming risk are essential functions of the bank which serve the generation of profits and competitiveness. A comprehensive and forward looking management of risks is a determining factor of the bank's success. The revision of the Risk Management Systems has become a continuous task due to the ongoing development of the supervisory system and the subsequent increase of the exigencies imposed. The bank is convinced to be well prepared for the existing challenges by its conservative guidelines. The restrictive allocation of risk capital in the frame of the yearly up-date of the risk strategy plays hereby an important role.

The risk strategy is derived from the business plan and defines the parameters and limits of the risk the bank has identified during the risk inventory process. The implemented risk steering and –controlling system encompasses an appropriate identification, assessment, steering, controlling and communication of the essential risks of the bank. As result of the process of identifying and assessing risks and taking into consideration the balance sheet structure, Misr Bank-Europe GmbH classifies address-, concentration and liquidity risks as essential. Consequently these risks are monitored more closely than the less essential risk categories market risk and operational risk.

Informing the functional units thoroughly about the risks is the basis of an effective risk management. It is necessary to provide complete and liable information about the risks in order to enable appropriate reaction. To document this as well as the compliance with limits and the strategy, the risk manager reports monthly in the frame of a risk report.

The risks in the general business development and especially the country risk for Egypt – which, due to our business structure, is the driving risk for us - are closely monitored. By reason of the above reported events in Egypt we see - despite a generally positive assessment of medium and long term perspectives - still an increased risk in the short term. Consequently the bank prepares itself by following the above mentioned conservative policy and special consideration of the country risk inside the framework for the calculation of the risk bearing capacity.

Counterparty risks in connection with the handling of Egyptian - German trade are managed by partially taking collateral. When acquiring risks in the secondary market we concentrate mainly on bank or bank-guaranteed or insurance-covered risk and on investment grade countries and only a few selected non-investment grade countries. Regarding the corporate bonds portfolio we look at a wide diversification of industry risk. In any event a credit decision is reached on a case by case basis after analyzing the respective actual global situation. Address risks in the inter-bank money market are limited due to our concentration on European names of very good quality. The management and controlling of address risk is done with computer based applications. The risk class are mapped to probabilities of default which are calculated by an independent third party.

Close monitoring, controlling and management of market risk, less important for us in our capacity as a non-trading institution, is facilitated by computer based applications as well. This is true for price risks in securities and currencies but also for interest rate risks. We consider the current markdowns on the securities booked as fixed assets which significantly decreased compared to last year, as market driven and not reflecting the credit risk. Inter-bank placing and foreign exchange trading is done within a detailed framework. The management has established relatively restrictive limits.

The liquidity risk is minimized by keeping large amounts of liquidity and structuring assets and liabilities conservatively.

Via outsourcing to competent third parties we have reduced the electronic data processing risk and secured back-up facilities. Other operational risks are reduced by employing qualified banking professionals, strict written procedures issued by the management and frequent as well as timely controls.

There were no material changes of the above mentioned risks compared to last year.

Internal audit is an independent supervising entity. Based on audit plans approved by the Managing Directors, Internal Audit inspects effectiveness, adequacy and efficiency of the risk management and points out possible deficiencies.

The analysis of the results of the risk management system and the financials statements of 2014 does not reveal any risk which could endanger the existence or the going concern of the bank. Risks impacting the financial standing and / or the profit situation of the bank are identified, monitored and controlled appropriately in a timely fashion.

## 7. Forecast Report

The bank will stick to the strategy approved by the supervisory board which has its focal point in the development of business with European corporate customers. Adaption to current market developments is an ongoing task. Safety and liquidity are clearly priority objectives. We assume that due to special factors the result in 2015 will be better than in the following years. Under the current conditions profitability in the coming years will remain on low positive levels. Further significant improvement can only be achieved if the contribution through the intended restructuring of the refinancing materializes.

Support by the Shareholders will improve the future prospects of the bank, who could achieve the above mentioned increase of the profitability at an earlier time. Details of this support are still under discussion.

## 8. Acknowledgement

We thank our employees for their dedicated effort and our business partners for the trustful cooperation. We also thank the supervisory authorities for their constructive dialog with our institution.

Frankfurt am Main, April 29, 2015

| | |
|---|---|
| Hubert F. Bock | Ulrich Thomas Bartoszek |
| Managing Director | Managing Director |

## Balance sheet as at December 31, 2014 Misr Bank-Europe GmbH, Frankfurt am Main

**Assets**

| | | EUR | EUR | previous year EURk |
|---|---|---|---|---|
| **1. Cash reserve** | | | | |
| a) Cash | | 1.075,22 | | 1 |
| b) Due from central banks | | 4.241.004,25 | 4.242.079,47 | 3.849 |
| thereof: Deutsche Bundesbank | | | | |
| EUR | 4.241.004,25 | | | |
| **2. Due from banks** | | | | |
| a) payable on demand | | 1.769.030,75 | | 2.441 |
| b) other | | 384.433.954,89 | 386.202.985,64 | 344.172 |
| **3. Due from customers** | | | 88.956.678,89 | 79.229 |
| thereof: Collateralized by | | | | |
| mortgages EUR | 0,00 | | | |
| due from municipalities EUR | 0,00 | | | |
| **4. Bonds and other fixed rate securities** | | | | |
| a) Bonds and debentures | | | | |
| aa) public issuers | | 2.009.245,60 | | 0 |
| ab) other issuers | | 16.808.203,48 | 18.817.449,08 | 7.794 |
| thereof: eligible as collateral at Deutsche Bundesbank | | | | |
| EUR | 0,00 | | | |
| **5. Equities and other non-fixed-income securities** | | | 0,00 | 3.000 |
| **6. Intangible fixed assets** | | | | |
| **a)** nongratuitous concessions, industrial property rights and similar rights and assets as well as licences regarding such rights and assets | | | 209.490,42 | 252 |
| **7. Tangible fixed assets** | | | 4.461.037,84 | 4.509 |
| **8. Other assets** | | | 243.099,26 | 174 |
| **9. Deferred expenses and accrued income** | | | 60.055,04 | 353 |
| | | **Total assets** | **503.192.875,64** | **445.774** |

**Liabilities and equity**

| | EUR | EUR | previous year EURk |
|---|---|---|---|
| **1. Due to banks** | | | |
| a) payable on demand | 3.384.655,26 | | 2.235 |
| b) with contractual notices or periods of notice | 46.232.576,77 | 49.617.232,03 | 39.207 |
| **2. Due to customers** | | | |
| b) other liabilities | | | |
| ba) payable on demand | 46.237.493,60 | | 45.407 |
| bb) with contractual notices or periods of notice | 373.472.107,99 | 419.709.601,59 | 325.262 |
| **3. Other liabilities** | | 124.037,47 | 54 |
| **4. Deferred income and accrued expenses** | | 20.011,50 | 39 |
| **5. Provisions** | | | |
| b) provisions for taxes | 44.600,00 | | 15 |
| c) other provisions | 546.180,08 | 590.780,08 | 680 |
| **6. Fund for general banking risks** | | 1.000.000,00 | 1.000 |
| **7. Equity** | | | |
| a) capital | 30.000.000,00 | | 30.000 |
| c) revenue reserves | | | |
| cd) other revenue reserves | 1.400.000,00 | | 1.400 |
| d) balance sheet loss / profit | 731.212,97 | 32.131.212,97 | 475 |
| **Total liabilities and equity** | | **503.192.875,64** | **445.774** |

| | EUR | previous year EURk |
|---|---|---|
| **1. Contingent liabilities** | | |
| a) Liabilities from guarantees and indemnity agreements | 25.271.538,44 | 27.526 |
| **2. Other obligations** | | |
| a) Irrevocable loan commitments | 1.860.080,18 | 916 |

## Profit and loss statement for the financial year January 1st, 2014 to December 31st, 2014 Misr Bank-Europe GmbH, Frankfurt am Main

**Expenses**

| | EUR | EUR | EUR | previous year EURk |
|---|---|---|---|---|
| **1. Interest expenses** | | | 518.809,10 | 675 |
| **2. Commission expenses** | | | 28.069,87 | 26 |
| **3. General administrative expenses** | | | | |
| a) personnel expenses | | | | |
| aa) salaries and wages | 1.741.235,76 | | | 1.766 |
| ab) compulsory social security contributions and expenses for pensions and other employee benefits | 287.968,17 | 2.029.203,93 | | 296 |
| thereof: for pensions EUR 57.562,80 | | | | |
| b) other general administrative expenses | | 2.318.864,39 | 4.348.068,32 | 1.905 |
| **4. Depreciation of and allowances for intangible and tangible fixed assets** | | | 262.125,81 | 235 |
| **5. Other operating expenses** | | | 1.785,23 | 1 |
| **6. Write-offs and valuation allowances on loans and certain securities as well as allocations to loan loss provisions** | | | 0,00 | 133 |
| thereof: Appropriation to general banking risks (§ 340g HGB) | EUR | 0,00 | | |
| **7. Write-offs and valuation allowances on investments, shares in related companies and securities treated as fixed assets** | | | 0,00 | 11 |
| **8. Income taxes** | | | 150.794,69 | 79 |
| **9. Other taxes** | | | -2.411,62 | 15 |
| **10. Net income for the year** | | | 256.362,67 | 55 |
| | | **Total expenses** | **5.563.604,07** | **5.197** |

**Income**

| | EUR | EUR | previous year EURk |
|---|---|---|---|
| **1. Interest income from** | | | |
| a) loans and money market transactions | 3.638.156,80 | | 3.358 |
| b) bonds and other fixed interest rate securities | 209.731,07 | 3.847.887,87 | 199 |
| **2. Current income from** | | | |
| a) equities and other non-fixed-income securities | | 210.997,48 | 282 |
| **3. Commission income** | | 1.175.410,65 | 1.116 |
| **4. Income from revaluation to loans and certain securities as well as from the release of provisions from lending business** | | 61.659,14 | 0 |
| **5. Income from revaluation of investments, shares in related companies and securities treated as fixed assets** | | 21.523,05 | 0 |
| **6. Other operating income** | | 246.125,88 | 242 |
| **7. Net loss for the year** | | 0,00 | 0 |
| | **Total income** | **5.563.604,07** | **5.197** |

| | EUR | previous year EURk |
|---|---|---|
| **1. Net loss / net profit for the year** | 256.362,67 | 55 |
| **2. Profit carried forward from previous years** | 474.850,30 | 419 |
| | 731.212,97 | 474 |
| **3. Transfer to revenue reserves** | | |
| d) to other revenue reserves | 0,00 | 0 |
| **4. Balance sheet loss / profit** | **731.212,97** | **474** |

# Notes to the financial statements as of December 31, 2014

## Preparation of the financial statements

The financial statements as of December 31, 2014 have been prepared in accordance with the provisions set out in the "Handelsgesetzbuch" ["HGB", German Commercial Code], the “Gesetz betreffend die Gesellschaften mit beschränkter Haftung” [GmbHG, German Limited Liability Companies Act], and the “Verordnung über die Rechnungslegung von Kreditinstituten” [RechKredV, German Bank Accounting Directive].

The income statement is based on form 2 of the RechKredV (account form). Disclosures that can be made in either the balance sheet or the notes to the financial statements are made in the notes to the financial statements.

## Accounting and valuation methods

Assets and liabilities are stated prudently in accordance with generally accepted German accounting principles and provisions of German commercial law.

- The cash reserve is recognized at nominal value.
- Assets and liabilities are generally recognized at nominal value or settlement value and include accrued interest.
- Bad debt allowances are deducted from the relevant asset items.
- The bank assigned securities to liquidity reserve and to financial fixed assets. The liquidity reserve are reassess on a tight-line basis, the financial fixed assets are written down to their nominal value on a straight-line basis over their residual term. They are disclosed in the statement of changes in fixed assets.
- Foreign currency receivables and liabilities are converted at the applicable references rates of the European Central Bank of the balance sheet date.
- There were no unsettled foreign exchange, interest-related or other forward transactions as of the balance sheet date.
- The development of fixed assets is shown in the statement of changes in fixed assets. Tangible assets are carried at cost less accumulated depreciation charged over their expected useful lives and impairment losses. The amount of scheduled depreciation is based on allowable tax depreciation rates. For low-value assets the measurement option provided by Sec. 6 (2) et seq. “Einkommensteuergesetz” [EStG, German Income Tax Act] is exercised.
- Provisions are set up for uncertain liabilities in the amount of the expected settlement amount.
- Since the introduction of the sixth amendment of the "Kreditwesengesetz" [KWG, German Banking Act] the Bank uses the provisions for non-trading book institutions. The legal requirements pursuant to Sec. 2 (11) KWG for use of the simplified procedure are satisfied.
- The computed deferred tax asset resulted from temporary differences and was not recognized in the fiscal year in accordance with the option provided by Sec. 274 HGB. Deferred tax assets mainly relate to temporary differences in land and buildings. The calculation was based on a tax rate of 31.925%.

## Balance sheet disclosures

### Loan volume

The gross loan volume is as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Due from central banks | € | 4.2 m | € | 3.8 m |
| Due from banks | € | 386.2 m | € | 346.6 m |
| Due from non-banks | € | 90.9 m | € | 81.1 m |
| Securities | € | 18.8 m | € | 10.8 m |
| Guarantees and letters of credit | € | 45.7 m | € | 48.5 m |
| Irrevocable loan commitments | € | 1.9 m | € | 0.9 m |
| Loan volume | € | 547.7 m | € | 491.8 m |

### Due from banks

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 386,202,985.64 | €k | 346,612 |
| Payable on demand | € | 1,769,030.75 | €k | 2,440 |
| With fixed terms | € | 384,433,954.89 | €k | 344,172 |

The fixed term assets due from banks break down as follows:

| Due with a residual term of: | | | | Prior year |
|---|---|---|---|---|
| up to 3 months | € | 381,209,614.56 | €k | 335,796 |
| 3 months to 1 year | € | 3,224,340.33 | €k | 8,376 |
| 1 to 5 years | € | 0.00 | €k | 0 |
| more than 5 years | € | 0.00 | €k | 0 |

Due from shareholder banks are included as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Payable on demand | € | 0 | €k | 0 |
| With fixed terms | € | 1,057,906.34 | €k | 990 |

Due from affiliated banks are included as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Payable on demand | € | 23.07 | €k | 0 |
| With fixed terms | € | 0.00 | €k | 0 |

### Due from customers

| | | | | Prior year |
|---|---|---|---|---|
| Total (after bad debt allowances) | € | 88,956,678.89 | €k | 79,229 |
| Thereof: payable on demand | € | 14,328,694.14 | €k | 8,678 |

Amounts due from customers break down as follows:

| Due with a residual maturity of: | | | | Prior year |
|---|---|---|---|---|
| up to 3 months | € | 14,944,393.70 | €k | 13,410 |
| 3 months to 1 year | € | 14,285,181.78 | €k | 10,352 |
| 1 to 5 years | € | 41,398,409.27 | €k | 44,290 |
| more than 5 years | € | 4,000,000.00 | €k | 2,500 |

## Fixed assets

| Fixed assets | Acquisition cost | Fiscal year | | | Depreciation write-downs | | Residual book value | Residual book value |
|---|---|---|---|---|---|---|---|---|
| | Jan. 1, 2014 | additions | disposals | Exchange rate changes | Total | Fiscal year | Dec. 31, 2014 | Dec. 31, 2013 |
| | €k | €k | €k | €k | €k | €k | €k | €k |
| Securities (Financial assets) | 10,763 (10,763) | 6,244 (6,244) | 7,761 (7,761) | 517 (517) | -36 (-36) | -4 (-4) | 9,799 (9,799) | 10,794 (10,794) |
| Land and buildings | 5,706 | 0 | 0 | 0 | 1,493 | 138 | 4,213 | 4,351 |
| Office equipment | 1,095 | 178 | 22 | 0 | 1,003 | 64 | 248 | 159 |
| (tangible assets) | (6,801) | (178) | (22) | (0) | (2,496) | (202) | (4,461) | (4,510) |
| Intangible assets | 1,297 | 18 | 0 | 0 | 1,105 | 60 | 209 | 252 |
| Total | 18,861 | 6,440 | 7,783 | 517 | 3,565 | 258 | 14,470 | 15,556 |

Statement of changes in fixed assets 2014

## Bonds and other fixed rate securities

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 18,817,449.08 | €k | 7,794 |

Bonds and other fixed rate securities include the following:

| | negotiable | thereof: listed | thereof: not listed | non-negotiable |
|---|---|---|---|---|
| | €k | €k | €k | €k |
| Debt securities and other fixed-interest securities | 15,578 | 15,578 | 0 | 3,240 |
| Total | 15,578 | 15,578 | 0 | 3,240 |

thereof:
Securities classified as financial fixed assets

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 9,798,907.96 | €k | 7,794 |

Securities classified as financial fixed assets were recognized with the following residual terms:

| | | | | |
|---|---|---|---|---|
| Up to 3 months | € | 0.00 | €k | 2,004 |
| 3 months to 1 year | € | 1,251,848.03 | €k | 3,747 |
| 1 to 5 years | € | 6,537,814.33 | €k | 5,043 |
| More than 5 years | € | 2,009,245.60 | €k | 0 |

This includes the following interest accruals with a residual term of

| | | |
|---|---|---|
| up to 3 months | € | 0,00 |
| 3 months to 1 year | € | 22,441.79 |

Securities classified as financial fixed assets break down as follows:

| | | |
|---|---|---|
| Debt securities and other fixed-interest securities | € | 9,798,907.96 |
| Shares and other variable-yield securities | € | 0.00 |
| Total | € | 9,798,907.96 |

Nominal €k 1,235 value of our securities classified as financial fixed assets was pledged to an associated commercial bank as collateral for a confirmed credit line.

There were no securities pledged to Deutsche Bundesbank as of the balance sheet date.

Valuation at market value would have resulted in impairment losses. The carrying amounts and fair values of the securities not measured at the lower of cost or market and the unrealized losses on securities classified as fixed assets were as follows as of the balance sheet date:

| | | Carrying amount | | Fair value | | Unrealized losses |
|---|---|---|---|---|---|---|
| Debt securities | €k | 2,992 | €k | 2,761 | €k | 209 |
| Shares | €k | 0 | €k | 0 | €k | 0 |
| Total | €k | 2,992 | €k | 2,761 | €k | 209 |

The affected securities are held-to-maturity debt securities.
Negotiable bonds and debt securities not valued at lower of cost or market amounted to € 3,567k.

**Tangible fixed assets**

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 4,461,037.84 | €k | 4,509 |

Tangible fixed assets include the business property acquired in 2004. It is fully used for operating activities and solely by the Bank. It was disclosed as of the balance sheet date at a residual book value of € 4,212,788.46 (prior year: € 4,351k) including capitalisable incidental acquisition cost.
Furniture, fixtures and office equipment was recognized at a book value of € 248,249.38 (prior year: € 159k). The above items are shown in the statement of changes in fixed assets.

**Intangible fixed assets**

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 209,490.42 | €k | 252 |

This item discloses the residual book value of our purchased application software. Amortisation of this item is shown in the statement of changes in fixed assets.

**Other assets**

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 243,099.26 | €k | 174 |

This item mainly includes capitalized claims against the tax office resulting from corporate income tax including the solidarity surcharge (€ 95,341.65) and from sales tax refunds (€ 112,886.09). Miscellaneous other assets such as other advances amount to € 34,871.52 in total.

## Deferred expenses and accrued income

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 60,055.04 | €k | 353 |

This item chiefly includes prepaid expenses for 2015.

## Due to banks

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 49,617,232.03 | €k | 41,442 |
| Payable on demand | € | 3,384,655.26 | €k | 2,235 |
| With an agreed term or period of notice | € | 46,232,576.77 | €k | 39,207 |

Amounts due to banks break down as follows:

| Debts due with a residual term of: | | | | Prior year |
|---|---|---|---|---|
| up to 3 months | € | 46,232,576.77 | €k | 25,038 |
| 3 months to 1 year | € | 0.00 | €k | 169 |
| 1 to 5 years | € | 0.00 | €k | 14,000 |
| more than 5 years | € | 0.00 | €k | 0 |

Due to shareholder banks are included as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Payable on demand | € | 836,891.37 | €k | 1,235 |
| With an agreed term or period of notice | € | 2,934.300.48 | €k | 5,182 |

Shareholder banks have pledged € 2,833,979.24 (prior year: € 5,000 k) to us as collateral for contingent assets arising from letters of credit.

Due to affiliated banks are included as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Payable on demand | € | 123,564.83 | €k | 26 |
| With an agreed term or period of notice | € | 0.00 | €k | 0 |

## Due to customers

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 419,709,601.59 | €k | 370,669 |
| Payable on demand | € | 46,237.493.60 | €k | 45,407 |
| With an agreed term or period of notice | € | 373,472,107.99 | €k | 325,262 |

Amounts due to customers break down as follows:

| Debts due with a residual term of: | | | | Prior year |
|---|---|---|---|---|
| up to 3 months | € | 370,972,274.45 | €k | 322,941 |
| 3 months to 1 year | € | 2,499,833.54 | €k | 2,321 |
| 1 to 5 years | € | 0.00 | €k | 0 |
| more than 5 years | € | 0.00 | €k | 0 |

The following amounts due to customers are pledged as collateral for contingent assets arising from bank guarantees and letters of credit:

| | | | | Prior year |
|---|---|---|---|---|
| Payable on demand | € | 13,730,582.22 | €k | 15,044 |
| With agreed term or period of notice | € | 3,863,663.21 | €k | 3,860 |

## Other liabilities

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 124,037.47 | €k | 54 |

Liabilities relating to outstanding taxes including solidarity surcharge and outstanding social insurance contributions amount to € 37,663.49. In addition this item includes amounts of € 86,373.98, which are largely payable in the subsequent months of 2015.

## Deferred income and accrued expenses

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 20,011.50 | €k | 39 |

This item relates to discount proceeds and charges from receivables purchased without recourse which are attributable to future accounting years.

## Provisions

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 590,780.08 | €k | 695 |

The provisions for taxation amount to € 44,600.00 and relate to trade tax of the fiscal year 2014.
Other provisions of € 546,180.08 relate to contingent costs incurred in fiscal year 2014 such as audit fees for the financial statements, the recognition of vacation obligations, bonus provisions, costs of the Supervisory Board meeting to approve the financial statements and other as yet unbilled costs.

## Fund for general banking risks

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 1,000,000.00 | €k | 1,000 |

In the years 2008 and 2012 the bank allocated the amount of € 500,000.00 to the fund for general banking risks pursuant to Sec. 340g HGB.

## Subscribed capital

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 30,000,000.00 | €k | 30,000 |

The following banks hold a share in the above subscribed capital:

| | | | |
|---|---|---|---|
| Banque Misr S.A.E., Cairo, Egypt | 69.747% | €k | 20,924 |
| National Bank of Egypt S.A.E., Cairo, Egypt | 10.253% | €k | 3,076 |
| Banque du Caire S.A.E., Cairo, Egypt | 10.000% | €k | 3,000 |
| National Investment Bank, Cairo, Egypt | 10.000% | €k | 3,000 |

## Other revenue reserves

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 1,400,000.00 | €k | 1,400 |

Other revenue reserves remain unchanged at € 1,400,000.00.

### Net balance sheet profit

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 731,212.97 | €k | 475 |

The Bank's retained net balance sheet profit developed as follows in the fiscal year:

| | | |
|---|---|---|
| Net profit for fiscal year 2014 | € | 256,362.67 |
| Plus income carried forward from the prior year | € | 474,850.30 |
| Net balance sheet profit | € | 731,212.97 |

The management proposes that the net profit of € 731,212.97 be brought forward to new account.

### Contingent liabilities

| | | | | Prior year |
|---|---|---|---|---|
| Total | € | 25,271,538.44 | €k | 27,526 |

This item contains the remaining risks from issued guarantees as well as from confirmations of letters of credit.
The total volume of guarantees and letters of credit, not taking into account amounts pledged as collateral, stood at € 45,699,763.12 (prior year: € 48,482k) as of the balance sheet date.
In addition we had irrevocable loan commitments made to business partners amounting to € 1,860,080.18 (prior year: € 916k).
The assessment of the risk of utilization arising from contingent liabilities depends in particular on the collateral provided, as well as on the counterparty's credit rating. From the Bank's perspective, therefore, the risk of utilization is deemed to be low.

### Foreign currency assets and liabilities

As of the balance sheet date foreign currency assets and liabilities were as follows:

| | | | | Prior year |
|---|---|---|---|---|
| Assets | € | 391,927,924.17 | €k | 347,185 |
| Liabilities | € | 391,183,686,67 | €k | 347,015 |

The result from the conversion of balance sheet items denominated in foreign currencies is disclosed in the income statement under "Other operating income".

## Notes to the income statement

Net interest income (interest income less interest expense) amounted to € 3,329,078.77 in the fiscal year (prior year: € 2,882k). Current income from other variable-yield securities amounted to € 210,997.48 (prior year: € 282k). Net commission income (commission income less commission expense) stood at € 1,147,340.78 (prior year: € 1,090k). Other operating income of € 246,125.88 (prior year: € 242k) mainly represents the result of foreign currency transactions, the release of other provisions from the prior year and capitalised sales tax refund claims. The income from additions to claims amounted to € 61,659.14 (prior year € -133k).

The main expenses reducing income were general administrative expenses (non-personnel expense for banking business) of € 2,318,864.39 (prior year: € 1,905k) and personnel expenses of € 2,029,203.93 (prior year: € 2,061k). Other operating expenses amounted to € 1,785.23 (prior year: € 1k). Depreciation of and allowances for intangible and tangible fixed assets amounted to € 262,125.81 (prior year: € 235k).
Income taxes were € 150,794.69 in the fiscal year (prior year: € 79k). Other taxes amounted to € -2,411.62 (prior year: € 15k).

## Other financial obligations

Costs for information services such as Reuters and S.W.I.F.T. total to € 138k p.a. The agreements have a term of one year. The costs of outsourcing electronic data processing and Software maintenance charges amount to € 343k p.a. The residual term of the agreement is five years.

## Auditor’s fees

The auditor’s fees for the fiscal year amounted to

a) € 72k for auditing services
b) € 0k for audit-related services
c) € 20k for tax services
d) € 15k for other services

## Memberships

Misr Bank-Europe GmbH is a member of the following associations and organisations:

- Bundesverband deutscher Banken e.V. [Association of German Banks]
- Bankenverband Hessen e.V. [Association of Hessian Banks]
- Prüfungsverband deutscher Banken e.V. [Auditing Association of German Banks]
- Arbeitgeberverband des privaten Bankgewerbes e.V. [Employers’ Association of the Private Banking Industry]
- Verband der Auslandsbanken in Deutschland e.V. [Association of Foreign Banks in Germany]
- Vereinigung für Bankbetriebsorganisation e.V. [Association of Banking Organisation]
- Nah- und Mittel-Ost Verein e.V. [German Near and Middle East Association]
- Ghorfa Arab-German Chamber of Commerce and Industry e.V.
- Deutsch-Arabische Industrie- und Handelskammer [German-Arab Chamber of Industry and Commerce]
- Union of Arab Banks

## Employees

During fiscal year 2014 the Bank employed 19 persons on average. As of the balance sheet date 20 persons were employed, of whom 8 were female and 12 male.

## Bodies of the Bank

### Supervisory board

Mounir Abdel Wahab El Zahid, Chairman
Chairman and CEO, Banque du Caire S.A.E., Kairo

Mohamed Abbas Hassan Fayed, Vice Chairman (until 30.09.2014)
Vice Chairman Banque Misr S.A.E., Kairo

Effat Ishak
General Manager, Banque Misr S.A.E., Kairo

Hazem Hassan Mokbel
General Risk Management, Chief Risk Officer, Banque Misr S.A.E., Kairo

Jean Olivier Bartholin (until 13.09.2014)
Directeur Général, Banque Misr S.A.E., Paris

Hisham Okasha
Chairman, National Bank of Egypt S.A.E., Kairo

Ahmed Elsayyad
Vice Chairman and Managing Director, National Investment Bank S.A.E., Kairo

## Management
Hubert F. Bock
Ulrich Thomas Bartoszek

## Compensation of the executive and supervisory bodies
Management compensation amounted to € 380,770.15 in the fiscal year and supervisory board compensation to € 57,027.00 including assumed taxes.

Frankfurt am Main (Germany), April 29th, 2015

Hubert F. Bock    Ulrich Thomas Bartoszek

## Auditor's opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Misr Bank-Europe GmbH, Frankfurt am Main, for the fiscal year from 1 January 2014 to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Institution's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Institution and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Institution in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Bank's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 28 May 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Griess | Pfeil |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| [German Public Auditor] | [German Public Auditor] |

## Approval of the annual financial statements and resolution on the allocation of the net income

The supervisory board representing the shareholders (Section 2g of the by-laws of the Supervisory Board) has approved the financial statements of Misr Bank-Europe GmbH, Frankfurt am Main, as of December 31, 2014 on June 9, 2015.
The supervisory board agreed to the management's proposal on the allocation of the bank's net income of EUR 256,362.07.

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