MISR BANK - EUROPE
بنك مصر أوروبا

ANNUAL REPORT 31.12.2016

MISR BANK – EUROPE GMBH

YEARS ANNIVERSARY 1992-2017

MISR BANK - EUROPE GMBH
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ANNUAL REPORT 2016

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I. Status Report of the Management for the Business Year running from January 1, 2016 to December 31, 2016

1. General comments

Fiscal year 2016 for the bank can be considered as a déjà vu of last year's results.

The quite positive operating result surpassed the budget figures. But this gain was compensated by impairments on single exposures by far, so a net loss has to be shown for 2016 also.

Having increased loan loss provisions substantially we consider having the credit portfolio cleaned up with last year's actions and we will have a chance to reduce the carried forward balance sheet loss over the next years. Please see chapter "risk report" or disclosure report for more details.

Egypt as a country still faces great challenges even when substantial improvements have been achieved in 2016 which also are reflected in the evaluation of the credit profile. At beginning of November 2016 the EGP conversion rate was changed to floating leading to a large devaluation of the currency which has only partly recovered since. The expected economic revival is urgently needed with first hints in a positive direction. Banking sector in Egypt has shown a strong resilience however.

Evidently the continuing low interest rate policy of the European Central Bank still is putting some pressure on the revenues of the bank. This even more as holding a high liquidity reserve is a main pillar of the risk strategy. Further on we are confronted with a tight banking regulation, whose implications for an institute of the size and complexity like ours are severe, and, seen in the context of the ECB policies, could at least in parts been seen as contradictory. Cost and work load on the staff caused by the regulatory environment remain high, as well as the impact on the business model.

The volume of trade finance handled through us on the basis of commercial letters of credit and commission income showed some expected decrease which has to be looked at in light of previous year's non-recurrent results based on single large volume trades.

In the inter-bank money market Egyptian banks were mainly debtors. The securities portfolio decreased in value. The business with medium size corporate customers has been expanded according to the Bank's strategy.

Management proposes to carry forward the balance sheet loss of € 6,196.7k.

2. Assets and liabilities

Assets due from banks decreased by 26.6 % from € 282.0 million to € 207.0 million which mainly reflects the decrease in the deposits from customers.

Assets due from customers increased by 14.7 % from € 96.0 million to € 110.1 million.

The volume of the securities amounts to € 23.9 million compared to € 29.5 million the year before. The portfolio exclusively consists of bonds issued by large European corporations and commercial banks, and for the liquidity reserve in form of High Quality Liquid Assets (HQLA) bonds of European countries and supranational institutions.

Liabilities to banks increased from € 5.3 million to € 17.8 million. Liabilities to customers decreased by € 75.2 million to € 317.7 million (previous year € 392.9 million).

3. Liquidity

The bank's ability to honour its payment obligations was given at any time of the year. The bank finances itself almost exclusively in Egypt. Placements are done with matching maturities in the currencies of the monies received. This strategy together with the sufficient availability of unutilised refinancing facilities shall secure the ability to pay.

The bank achieved an agreement with main investors to lengthen the maturity structure of deposits. On one hand this will increase interest expenses, but on the other hand this may as well open up new investment opportunities.

4. Profit and loss

Net interest income of € 3,374.8k was slightly higher than last year's € 3,358.8k. Net commission income with € 1,399.2k showed a considerable decrease from previous year's € 1,589.1k driven by non-recurrent factors. The net income from foreign currency transactions amounted to € 78.6k compared to € 1,544.5k in the previous year. The bank carries out these transactions only on customers' behalf. The average net income from foreign currency transactions over the years is considerably below the income achieved on extraordinary factors in 2015.

Staff costs increased from € 2,121.8k to € 2,173.3k. General and administrative expenses decreased from € 2,309.4k to € 2,087.6k as budgeted.

After impairments the loss for the year is shown at € 3,410.6k compared with previous year's loss of € 3,517.3k. The loss carried forward amounts to € 6,196.7k.

In view of the ongoing challenges we predict an overall stable earnings situation on operational level, meaning low positive results. The bank expects to recover some of the loss carried forward. For further information on impairments please refer to "risk report" and the disclosure report.

5. Balance sheet structure

Equity represents 6.9 % of total assets, bank deposits 4.9 % and customer deposits 87.5 %. Equity stood at 11.26 % of risk weighted assets. Further information to be found in the disclosure report.

6. Risk report

We explicitly point to the disclosure report of the bank, to be found on the website.

Misr Bank Europe GmbH assumes risk in a controlled way applying a risk bearing capacity concept and a profit oriented management. Essential part of the steering process is the attribution of risk covering potential in order to secure the risk bearing capacity and the allocation of risk with required capital costs. Consciously assuming, actively managing and systematically transforming risk are core functions of the bank which support 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. Allocation of risk capital will be decided restrictively in the course of the yearly up-date of the risk strategy.

Risk strategy of the bank 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 counterparty, operational and liquidity risks as material. Consequently these risks are monitored more closely than the less material risk categories as market risk and concentration risk.

Keeping the functional units thoroughly informed about the risks is the basis of an effective risk management hence it is necessary to provide complete and liable information about the risks in order to enable appropriate action. The risk manager reports regularly in the frame of a risk report about his checks on compliance of activities with risk limits and the strategy to the Management Board which is, due to the size and structure of the bank, involved in most issues anyway.

The risks in the general business development and especially the country risk for Egypt, which, due to our business structure, is an immanent risk for us, are closely monitored. By reason of the above reported developments in Egypt we see - despite a generally positive assessment of medium and long term perspectives - still an increased risk in the short term but comparably reduced to the previous year. Consequently we mitigate this risk for example by requesting collateral for counterparty risks in connection with the handling of Egyptian - German trade.

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 analysing the respective actual global situation. Counterparty risks in the inter-bank money market are limited due to our concentration on international names of very good quality. The management and controlling of counterparty risk is done with computer based applications. The risk class are mapped to probabilities of default which are calculated by an independent third party.

The impairments which determined the results of the fiscal year 2016 stem from the cases already mentioned in 2015. Management and Risk Controlling of the bank consider them as sufficient, the more as for the first time a general loan loss provision has been built.

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 fact for price risks in securities and currencies but also for interest rate risks. Interbank placements and foreign exchange trading is done within a detailed framework. The management has established relatively restrictive limits.

The liquidity risk is minimized by holding 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.

Despite the long lasting low interest bearing environment the bank has managed to stabilise its net interest ratio. It is to highlight that this target could be gained under condition of extended duration of deposits taken from customers because of regulatory requirements to improve our liquidity coverage ratio which automatically led to raising our interest expenses.

Revenue risk remains when missing the envisaged increase in interest income.

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 financial statements of 2016 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.

The strain put on the revenues by the continuing low interest rate levels, increased costs resulting from regulation (e.g. the enormous time effort and expenses in order to meet ever growing requirements for reporting) and the structure of the bank's liability side belong to these.

Opportunities are arising from improvement of economic conditions in the core markets. Even with current levels of share in German - Egyptian trade we expect rising commission income from the growth of the trade volume. Increased market share for the bank would essentially contribute additional income potential. Same is estimated for an expected rise of interest rate levels for investments in US-dollars (as liabilities and assets of the bank are USD denominated to a substantial part).

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 under the current conditions profitability in the coming years will remain on low positive levels. Despite the existing challenges the bank can withstand adverse developments especially as the current impairments and tentative valuation of credit risks has built a buffer for unidentified risk.

Further significant improvement of profitability can only be achieved when the contribution through the initiated restructuring of the refinancing base materializes into new business opportunities.

Financial support by the Shareholders, whose form has been discussed for some time, would improve the future prospects of the bank, which then could achieve the above mentioned increase of the profitability at an earlier time. But type and extent of this support depend on the development of the economic conditions in Egypt.

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 dialogue with our institution.

Frankfurt am Main, May 04th 2017

Hubert F. Bock Managing Director	Bülent Menemenci Managing Director

II. Balance Sheet as at December 31, 2016

1. Assets

Assets			
	€k	€k	previous year €k
1. Cash reserve			
a) Cash	0.3		0
b) Due from central banks	17,288.1	17,288.4	16,546
thereof: Deutsche Bundesbank	17,288.1		
2. Due from banks			
a) payable on demand	1,186.9		756
b) other	205,825.2	207,012.1	281,217
3. Due from customers		110,101.8	95,998
thereof: collateralised by mortgages	0.0		
thereof: due from municipalities	0.0		
4. Bonds and other fixed rate securities			
b) Bonds and debentures			
ab) public issuers	2,026.4		4,040
bb) other issuers	21,832.0	23,858.4	25,463
thereof: eligible as collateral at Deutsche Bundesbank	5,329.7		
5. Equities and other non-fixed-income securities		0.0	0
6. Intangible fixed assets			
b) Non-gratuitous concessions, industrial property rights and similar rights and assets as well as licences regarding such rights and assets		209.3	181
7. Tangible fixed assets		4,079.2	4,354
8. Other assets		207.8	565
9. Deferred expenses and accrued income		105.7	40
Total assets		**362,862.7**	**429,160**

2. Liabilities and equity

Liabilities and equity					
			€k	€k	previous year €k
1.	Due to banks				
	a)	payable on demand	1,969.7		3,329
	b)	with contractual notices or periods of notice	15,837.0	17,806.7	1,965
2.	Due to customers				
	b)	other liabilities			
		ba) payable on demand	41,298.0		108,689
		bb with contractual notices or periods of notice	276,383.6	317,681.6	284,249
3.	Other liabilities			444.4	238
4.	Deferred income and accrued expenses			96.4	64
5.	Provisions				
	b)	provisions for taxes	0.0		0
	c)	other provisions	630.3	630.3	1,012
6.	Fund for general banking risk			1,000.0	1,000
7.	Equity				
	a)	Capital	30,000.0		30,000
	c)	revenue reserves			
		cd) other revenue reserves	1,400.0		1,400
	d)	balance sheet loss / profit	-6,196.7	25,203.3	-2,786
			Total liabilities and equity	**362,862.7**	**429,160**
				€k	previous year €k
1.	Contingent liabilities				
	b)	liabilities from guarantees and indemnity agreements		33,757.7	29,488
2.	Other obligations				
	c)	irrevocable loan commitments		8,882.3	3,265

III. Profit and loss statement as of December 31, 2016

1. Expenses

Expenses	€k	€k	€k	previous year €k
1. Interest expenses			1,514.2	545
2. Commission expenses			34.1	38
3. General administrative expenses				
a) personnel expenses				
aa) salaries and wages	1,873.1			1,826
ab) compulsory social security contributions and expenses for pensions and other employee benefits	300.2	2,173.3		296
thereof: for pensions	58.2			
b) other general administrative expenses		2,087.6	4,260.9	2,309
4. Depreciation of and allowances for intangible and tangible fixed assets			273.0	258
5. Other operating expenses			0.2	1
6. Write-offs and valuation allowances on loans and certain securities as well as allocations to loan loss provisions			4,310.6	5,549
thereof: appropriation to funds for general banking risks (Sec. 340g HGB)		0.0		
7. Write-offs and valuation allowances on investments, shares in related companies and securities treated as fixed assets			16.8	7
8. Income taxes			8.6	-73
9. Other taxes			16.4	10
10. Net income for the year			0.0	0
		Total expenses	**10,434.8**	**10,766**

2. Income

Income				
		€k	€k	Previous year €k
1.	**Interest income from**			
	a) loans and money market transactions	4,462.3		3,477
	b) bonds and other fixed interest rate securities	426.7	4,889.0	427
2.	**Current income from**			
	a) equities and other non-fixed-income securities		0.0	0
3.	**Commission income**		1,433.3	1,627
4.	**Income from revaluation to loans and certain securities as well as from the release of provisions from lending business**		0.0	0
5.	**Income from revaluation of investments, shares in related companies and securities treated as fixed assets**		0.0	0
6.	**Other operating income**		701.9	1,718
7.	**Net loss for the year**		3,410.6	3,517
		Total income	**10,434.8**	**10.766**

		€k	Previous year €k
1.	**Net loss / net profit for the year**	-3,410.6	-3,517
2.	**Profit / loss carried forward from previous years**	-2,786.1	731
		-6,196.7	-2,786
3.	**Transfer to revenue reserves**		
	a) to other revenue reserves	0.0	0
4.	**Balance sheet loss / profit**	**-6,196.7**	**-2,786**

IV. Notes to the financial statements as of December 31, 2016

1. Preparation of the financial statements

The financial statements as of December 31, 2016 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.

2. 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 reassessed 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%.

3. Balance sheet disclosures

Loan volume

The gross loan volume is as follows:

				Prior year
Due from central banks	€	17.3 m	€	16.5 m
Due from banks	€	207.0 m	€	282.0 m
Due from non-banks	€	119.2 m	€	102.1 m
Securities	€	23.9 m	€	29.5 m
Guarantees and letters of credit	€	60.3 m	€	85.5 m
Irrevocable loan commitments	€	8.9 m	€	3.3 m
Loan volume	€	436.6 m	€	518.9 m

Due from banks

				Prior year
Total	€k	207,012	€k	281,974
Payable on demand	€k	1,187	€k	756
With fixed terms	€k	205,825	€k	281,217

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

Due with a residual term of:				Prior year
up to 3 months	€k	162,448	€k	270,272
3 months to 1 year	€k	26,834	€k	4,271
1 to 5 years	€k	16,543	€k	6,674
more than 5 years	€k	0	€k	0

Due from shareholder banks are included as follows:

				Prior year
Payable on demand	€k	0	€k	0
With fixed terms	€k	194	€k	890

Due from affiliated banks are included as follows:

				Prior year
Payable on demand	€k	0	€k	0
With fixed terms	€k	0	€k	0

Due from customers

				Prior year
Total (after bad debt allowances)	€k	110,102	€k	95,998
Thereof: payable on demand	€k	1,015	€k	6,187

Amounts due from customers break down as follows:

Due with a residual maturity of:				Prior year
up to 3 months	€k	8,166	€k	8,195
3 months to 1 year	€k	10,798	€k	16,130
1 to 5 years	€k	90,123	€k	65,486
more than 5 years	€k	0	€k	0

Fixed assets

Statement of changes in fixed assets 2016								
Fixed assets	Acquisition cost Jan. 1, 2016	Fiscal year addi-tions	disposals	Exchange rate changes, transfers	Depreciations, write-downs Total	2016	Residual book value Dec. 31, 2016	Residual book value Dec. 31, 2015
	€k	€k	€k	€k	€k	€k	€k	€k
Securities	8,155	1,009	3,056	687	2	17	6,797	8,952
(Financial assets)	(8,155)	(1,009)	(3,056)	(687)	(2)	(17)	(6,797)	(8,952)
Land and buildings	5,706	0	0	0	1,769	138	3,937	4,075
Office equipment	1,351	41	26	-83	1,141	69	142	279
(tangible assets)	(7,057)	(41)	(26)	(-83)	(2,910)	(207)	(4,079)	(4,354)
Intangible assets	1,338	11	0	83	1,222	66	209	182
Total	16,550	1,061	3,082	687	4,134	290	11,085	13,488

Bonds and other fixed rate securities

				Prior year
Total	€k	23,858	€k	29,503

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	23,858	18,197	5,661	0
Shares and other variable-yield securities	0	0	0	0
Total	23,858	18,197	5,661	0

Thereof: Securities classified as financial fixed assets

				Prior year
Total	€k	6,798	€k	8,952
Bonds and other fixed rate securities were recognized with the following residual terms:				
Up to 3 months	€k	0	€k	0
3 months to 1 year	€k	8,678	€k	3,233
1 to 5 years	€k	12,380	€k	5,719
More than 5 years	€k	2,800	€k	0

This includes interest accruals in the total amount of € 73k.

Securities classified as financial fixed assets break down as follows:

Debt securities and other fixed-interest securities	€k	6,798
Shares and other variable-yield securities	€k	0
Total	€k	6,798

There were no securities pledged to Deutsche Bundesbank or another commercial bank 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	2,140	€k	2,137	€k	3
Shares	€k	0	€k	0	€k	0
Total	€k	2,140	€k	2,137	€k	3

The affected securities are held-to-maturity debt securities.

Negotiable bonds and debt securities not valued at lower of cost or market amounted to € 2,140k.

Tangible fixed assets

				Prior year
Total	€k	4,079	€k	4,354

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 € 3,937k (prior year: € 4,075k) including capitalisable incidental acquisition cost.

Fittings, fixtures and office equipment was recognized at a book value of € 142k (prior year: € 279k). The above items are shown in the statement of changes in fixed assets.

Intangible fixed assets

				Prior year
Total	€k	209	€k	181

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	€k	208	€k	565

This item mainly includes capitalized claims against the tax office resulting from corporate income tax including the solidarity surcharge (€ 88k) and from sales tax refunds (€ 119k). Miscellaneous other assets such as other advances amount to € 1k in total.

Deferred expenses and accrued income

				Prior year
Total	€k	106	€k	40

This item chiefly includes prepaid expenses for 2017.

Due to banks

				Prior year
Total	€k	17,807	€k	5,294
Payable on demand	€k	1,970	€k	3,329
With an agreed term or period of notice	€k	15,837	€k	1,965

Amounts due to banks break down as follows:

Debts due with a residual term of:				Prior year
up to 3 months	€k	2,107	€k	1,965
3 months to 1 year	€k	2,730	€k	0
1 to 5 years	€k	11,000	€k	0
more than 5 years	€k	0	€k	0

Due to shareholder banks are included as follows:

				Prior year
Payable on demand	€k	416	€k	324
With an agreed term or period of notice	€k	0	€k	0

Shareholder banks have pledged € 416k (prior year: € 324k) 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	€k	80	€k	18
With an agreed term or period of notice	€k	0	€k	0

Due to customers

				Prior year
Total	€k	317,682	€k	392,938
Payable on demand	€k	41,298	€k	108,689
With an agreed term or period of notice	€k	276,384	€k	284,249

Amounts due to customers break down as follows:

Debts due with a residual term of:				Prior year
up to 3 months	€k	231,558	€k	281,553
3 months to 1 year	€k	36,711	€k	2,696
1 to 5 years	€k	8.115	€k	0
more than 5 years	€k	0	€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	€k	22,326	€k	50,841
With agreed term or period of notice	€k	3,885	€k	4,803

Other liabilities

				Prior year
Total	€k	444	€k	238

Liabilities relating to outstanding taxes including solidarity surcharge and outstanding social insurance contributions amount to € 42k. In addition this item includes amounts of € 383k, which are largely payable in the subsequent months of 2017.

Deferred income and accrued expenses

				Prior year
Total	€k	96	€k	64

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

Provisions

				Prior year
Total	€k	630	€k	1,012

Other provisions of € 630k relate to contingent costs incurred in fiscal year 2016 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 risk

				Prior year
Total	€k	1,000	€k	1,000

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

Subscribed capital

				Prior year
Total	€k	30,000	€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	€k	1,400	€k	1,400

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

Net balance sheet loss

				Prior year
Total	€k	-6,197	€k	-2,786

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

Net loss for fiscal year 2016	€k	-3,411
Plus loss carried forward from the prior year	€k	-2,786
Net balance sheet loss	€k	-6,197

The management proposes that the net loss of € 6,197 be brought forward to new account.

Contingent liabilities

				Prior year
Total	€k	42,640	€k	32,753

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 € 60,385k (prior year: € 85,456k) as of the balance sheet date.

In addition we had irrevocable loan commitments made to business partners amounting to € 8,882k (prior year: € 3,265k).

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	€k	251,367	€k	272,685
Liabilities	€k	251,410	€k	282,068

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

4. Notes to the income statement

Net interest income (interest income less interest expense) amounted to € 3,375k in the fiscal year (prior year: € 3,359k). Current income from other variable-yield securities amounted to € 0k (prior year: € 0k). Net commission income (commission income less commission expense) stood at € 1,399k (prior year: € 1,589k). Other operating income of € 702k (prior year: € 1,718k) mainly represents the result of foreign currency transactions, the release of other provisions from the prior year and capitalised sales tax refund claims.

The main expenses reducing income were general administrative expenses (non-personnel expense for banking business) of € 2,088k (prior year: € 2,309k) and personnel expenses of € 2,173k (prior year: € 2,122k). As of December 31, 2016 expenses relating to premiums for credit loss insurance in the amount of € 165k (prior year: € 144k) are recognized as write-offs and valuation allowances on loans in the profit and loss statement.

Other operating expenses amounted to € 0k (prior year: € 1k).

Depreciation of and allowances for intangible and tangible fixed assets amounted to € 273k (prior year: € 258k).

Loan loss provisions and write-offs amounted to € 4,311k (prior year: € 5,549k).

Income taxes were € 9k in the fiscal year (prior year: € -73k). Other taxes amounted to € 16k (prior year: € 10k).

5. Other financial obligations

Costs for information services such as Reuters and S.W.I.F.T. total to € 136k p.a. The agreements have a term of one year. The costs of outsourcing electronic data processing and Software maintenance charges amount to € 403k p.a. The residual term of the agreement is three years.

6. Auditor's fees

The auditor's fees for the fiscal year amounted to
a) € 71k for auditing services
b) € 0k for audit-related services
c) € 13k for tax services
d) € 0k for other services

7. Addendum Report

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

8. General Information

Misr Bank-Europe GmbH, incorporated in Frankfurt am Main, is listed in the Frankfurt am Main commercial register [Handelsregister] under reference number HRB 34940.

9. 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

10. Employees

During fiscal year 2016 the Bank employed 21 persons on average. As of the balance sheet date 22 persons were employed, of whom 9 were female and 13 male.

11. Bodies of the Bank

Supervisory board

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

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

Ahmed El Sayyad
Deputy Chairman and Managing Director, National Investment Bank S.A.E., Cairo

Mohamed Hamed
General Manager Risk Management, Banque Misr S.A.E., Cairo

Yehia Abou Elfotouh (until 30.11.2016)
Board Member and CRO, National Bank of Egypt S.A.E., Cairo

Hesham Mohamed Adel Elsafty (since 01.12.2016)
Group Head, Foreign Relations & International Financial Services,
National Bank of Egypt S.A.E., Cairo

Dina Shehata
Independent Consultant, Claygate

Hisham Hassan
Ex-Chairman, Export Development Bank of Egypt, Cairo

Ayman Foda
General Manager, Banque Misr S.A.E., Paris

Management

Hubert F. Bock

Ulrich Thomas Bartoszek (until 30.09.2016)

Bülent Menemenci (since 01.10.2016)

Compensation of the executive and supervisory bodies

Management compensation amounted to € 391k in the fiscal year and supervisory board compensation to € 64k including assumed taxes.

Frankfurt am Main Germany), May 04th 2017

Hubert F. Bock   Bülent Menemenci

V. 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 2016 to 31 December 2016. 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 Institution's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 4. Mai 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

VI. 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, 2016 on May 11, 2017. The supervisory board agreed to the management's proposal on the allocation of the bank's net loss of € 3,411k.

MISR BANK - EUROPE
بنك مصر أوروبا

25 YEARS ANNIVERSARY 1992-2017

MISR BANK - EUROPE GMBH

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