



# ANNUAL REPORT December 31 2019

MISR BANK – EUROPE GMBH

(This English version serves as a convenience translation of the legally binding German version only)

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**MISR BANK – EUROPE GMBH**

Marienstr. 15

D-60329 Frankfurt am Main

Fon: +49-(0)69-29974-401

Fax: +49-(0)69-29974-414

Info@misr.de

www.misr.de

SINCE  
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## 1. STATUS REPORT OF THE MANAGEMENT

Trade financing within the scope of commercial lending is the main focus of Misr Bank - Europe GmbH. Against the background of the ownership structure, this business relates in particular to Egypt and some other countries in the MENA region. In Europe, we concentrate on Germany, Austria and Switzerland as well as selected customers in Central and Eastern Europe.

Our available refinancing funds are additionally invested in syndicated loans, promissory notes and securities. Maturity transformation is only used to a limited extent. We mitigate interest rate risks by investing primarily at variable interest rates.

### Macroeconomic, industry-specific conditions

Egypt has achieved an above-average growth in 2019 which is expected to be around 5 % to 6 %. In addition to remittances from Egyptian nationals working abroad, both the industrial and the service sectors recorded extraordinary increases. In addition to the increase in income from the Suez Canal business - the trade barriers between China and the US had only an insignificant impact for geographical reasons - the tourism sector recorded strong growth rates.

Egypt again ranked among the preferred destinations of European tourists and again invested substantially in tourism infrastructure last year. Furthermore, the fresh and frozen food sectors and the textile industry have positioned themselves very successfully and conquered new sales markets, especially in the USA. As a result of this development, the Egyptian currency increased in value on the international currency markets against the Euro and US dollar, although the Central Bank of Egypt cut interest rates during the previous year.

The European Central Bank's continuing low interest rate policy is a gradual burden on the income side of the bank. Our customers expect at least 0% interest on their EUR deposits, while EUR can only be placed on the market at a negative rate of interest. The majority of our deposits are denominated in USD and are invested in line with the currency.

The rise in costs resulting from compliance with regulatory requirements continued in 2019 also.

### Business development

The 2019 financial year was initially characterised by a continued satisfactory development of business, building on the consolidation measures implemented in 2017 and the further intensification of relations with Egyptian exporters and European corporate customers.

The Bank's operating result improved significantly, with income from foreign exchange transactions playing a substantial role alongside letters of credit and commission income. Business with SME customers was also further expanded.

This overall very encouraging development was hampered by the fact that the bank became the victim of credit fraud through falsified "Bills of Lading". As a result of the required value adjustment for an impending loss, the Bank has to report a net loss of T€ 1,318 for the financial year 2019, which means that the net accumulated loss increased from T€ 1,523 to T€ 2,841. The case is pending before the competent court in Alexandria.



## Our Financials

**Loans and advances from banks** fell by 63.4% from € 311 million to € 114 million, and **loans and advances from customers** fell by 3.6% from € 112 million to € 108 million.

The portfolio of **securities** amounts to € 107 million compared to € 60 million in the previous year. The securities held are mainly bonds issued by European countries and supranational institutions, which are primarily suitable for the liquidity reserve in the context of HQLA (High Quality Liquid Assets), as well as floating-rate bonds issued by major European companies and banks.

**Liabilities to banks** amounted to € 28 million (previous year € 48 million), while **liabilities to customers** fell by € 134 million to € 255 million.

**Off-balance sheet commitments** amounted to € 37.1 million (previous year € 48.2 million). This includes **irrevocable loan commitments** amounting to € 16.8 million (previous year € 12.0 million).

The Bank's readiness and ability to fulfill its payment obligations given at all times during the past financial year. The Bank refinances itself almost exclusively through deposits from Egyptian institutions. Investments are made in matching currencies and, for the most part, with matching maturities. This, together with sufficient available unused refinancing facilities, ensures the Bank's solvency at all times.

Through its largest customer the bank is able to extend the maturity structure of the liabilities side if necessary. This may increase interest expenses, but also enables an improvement on the refinancing profile. At the same time, this move will open up the possibility of tapping further earnings potential.

The **net interest result** of T€ 4,976 was significantly higher than the previous year's result of T€ 3,531.

**Net commission income** of T€ 1,728 was slightly below the previous year's figure of T€1,917, driven mainly by a slight decline in business in the foreign trade sector.

The net result from **foreign exchange transactions** was T€ 449 after T€ 60 in the previous year. The Bank carried out these transactions exclusively on behalf of customers.

Income from **securities transactions** was realised in the amount of T€ 326 (previous year: T€ 199).

**Personnel expenses** rose from T€ 2,717 to T€ 3,270, while other administrative expenses increased from T€ 2,146 to T€ 2,422, mainly due to increased staffing levels and replacement hires, as well as higher expenses for regulatory requirements.

In the lending business, risk provisions of T€ 3,978 were built, which were offset by a release of T€ 600.

The **net loss for the year** after risk provisioning will amount to T€ 1,318, following a surplus of T€ 410 in the previous year. The loss brought forward will be increased to T€ 2,841, compared with the loss carried forward of T€ 1,523 at the end of 2018.



## Financial performance indicators

We consider the liquidity ratio LCR, ratios of equity to certain segments of the balance sheet and the solvency ratio as performance indicators.

The liquidity coverage ratio according to the LCR was 325.6 % on the reporting date.

Capital accounts for 17.1 % of the balance sheet total, bank deposits for 8.2 % and customer deposits for 74.4 % of the balance sheet total.

The equity ratio (CoRep) was 23.95 % on the reporting date.

Further information can be found in the disclosure report.

## Risk Report

### Opportunities and risks

The main objective of risk management at Misr Bank - Europe GmbH is to ensure the Bank's resistance to risks arising from its business activities and its continued existence, while generating a sustainable and at the same time risk-adequate return on the capital employed by its shareholders. Under this premise, the Bank is prepared to take on risks in a conscious, controlled and economically viable manner. Risks may arise from adverse developments or unexpected future deviations in the financial or liquidity situation.

The structure of the Bank's risk management system is determined by its business and risk strategy. The Management Board is responsible for the development and implementation of these strategies. The risk strategy is consistently derived from the Bank's business strategy. It defines rules according to a materiality concept for dealing with risks and opportunities that arise directly or indirectly from the Bank's business activities. These rules form the basis for a uniform understanding of corporate objectives throughout the Group in connection with risk management, and features essential to the business model are constantly monitored via an internal limit system.

The risk strategy covers in particular the objectives of risk management and is in proportion to the opportunities taken. Key business activities, including market-driven developments and instruments provided for internal management, are reviewed at least once a year and adjusted as necessary.

Opportunities for the Bank arise from the positive economic development in the target markets. Even with a constant market share in German-Egyptian trade, the expected growth of the latter will result in increased commission income. Additional earnings potential lies in the targeted sustainable increase in our market share in German-Egyptian trade in the planning period 2019 - 2022.

Risks may only be taken on within the scope of the risk-bearing capacity. The necessary risk awareness and the opportunity and risk-oriented corporate and risk culture is supported by effective communication and conscious handling of risks.

During the financial year, Misr Bank - Europe GmbH always remained within the defined risk-bearing capacity. All applicable regulatory requirements for capital adequacy were fulfilled at all times.



The solvency of Misr-Bank Europe was at no time jeopardised during the period under review. Due to the business model, sufficient liquidity reserves are maintained and can be adjusted appropriately in response to specific situations. In addition, the regulatory requirements for liquidity adequacy were fulfilled at all times.

On the basis of the 2019 financial statements and the analysis of the results of the risk management system, there are currently no discernible risks to the Bank's continued existence as a going concern.

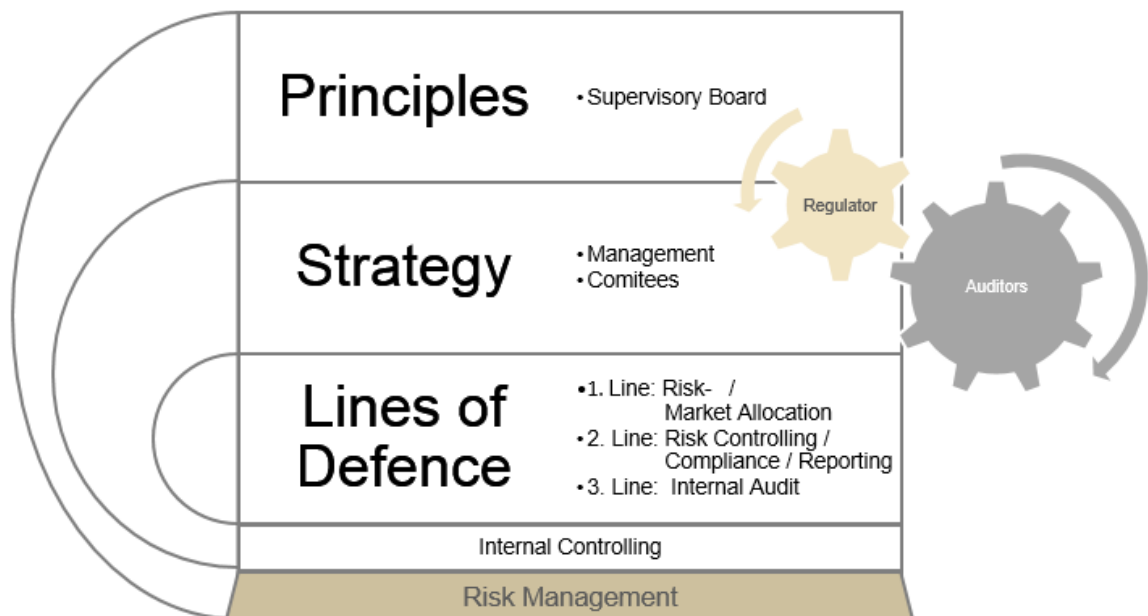
## Bank governance & risk culture

The fundamental internal understanding of governance and risk culture is based on the risk strategy approved by the management. It is based on a comprehensible management culture and transparent communication.

The management defines clear expectations for dealing with risks and itself acts in an exemplary manner in implementing them. Employees understand their contribution to risk management and take responsibility for their decisions (risk appetite).

Existing expert knowledge is continuously adapted to the current framework conditions. Dissenting opinions are respected and a targeted analysis of risks is encouraged.

The entire governance structure (MaRisk-compliant) thus forms a guiding framework for risk management





In addition, an integrative interaction of three lines of defence (different functional areas) creates the prerequisites for effective holistic risk management. The individual lines of defence take on the following roles:

1. Line: operative, active risk exposure on the market and reporting to the management
2. Line: independent monitoring and further development on the legal basis (Pillar 1) with additional reporting to the management and supervisory board
3. Line: immanent and resilient review of the monitoring processes (Pillars 1 & 2) external communication with the regulator

## Risk Management

The risk management process covers all activities relating to the handling of risks. These include the identification, analysis, evaluation, control, documentation and communication of risks as well as the review of the effectiveness and appropriateness of risk management measures.

The Bank bases the design of its risk management process on the guidelines of the EBA and the principles of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB).

The following risks were identified as part of the regular risk inventory:

Type of risk	Subcategory	Definition
Credit risk	classical issuer risk Migration risk	Risk of unexpected default of counterparties or migration of issuer's creditworthiness and subsequent deterioration of creditworthiness
Market price risk	Interest rate risk Credit Spread Risk Exchange rate risk Market liquidity risk	Risk of unexpected changes in market liquidity or in the parameters influencing the market prices of assets
Operational risk	Disaster Risk Human/System Failure	Risk of unexpected events caused by human behaviour, processes or external events
Business risk	Competition risk Regulatory risk	Risk of unexpected developments in terms of conditions or new trends (digitalization/competitive pressure) or regulatory requirements
Reputation risk	Company reputation risk Product reputation risk	Stakeholder support decreases Winning business customers under difficult conditions

Risk types material to Misr Bank's business model are calculated on an ongoing basis within the scope of the bank's risk-bearing capacity and reported to the supervisory authorities.

## Management of risk exposures

The risks arising from **general business development** and the **country risk** Egypt, which is inherent in our business structure, are closely monitored. Due to the fundamentally more positive assessment of the medium and long-term prospects in Egypt, the Bank maintains a moderate and proportional expansion of business.

When purchasing risks in the secondary market, we concentrate mainly on OECD countries and only a few selected non-OECD countries.



With regard to the non-bank loan portfolio, we ensure a broad diversification with regard to sector risks. We limit counterparty risks in money trading with banks by focusing on international names with stable credit ratings.

Compliance with the guidelines and work instructions issued by the management is subject to ongoing checks. The management is supported in this by the internal audit department as an independent monitoring body.

Risks that could have a significant impact on the net assets, financial position and results of operations are identified early on by the risk management system and monitored and controlled in a timely manner. This includes the further strain on the earnings side due to the ongoing phase of low interest rates as well as additional operating expenses as a result of increased regulatory requirements.

## Definition of risk types

The Bank defines **credit risk** as possible losses arising from the non-fulfilment of payment obligations by borrowers, in money market transactions with other banks and issuers of securities or, in the traditional sense, from defaults on receivables. Country risk is also included here at a cumulative level.

Credit risk is managed in accordance with the requirements of the risk strategy. A careful creditworthiness analysis and risk classification are decisive for credit decisions. For lending transactions, a two-vote process by the front and back office units must be observed when granting loans. Creditworthiness is reviewed at least once a year. Appropriate processing procedures have been established for loans requiring intensive support and for problem loans. Credit decisions are subject to the allocation of authority as laid down in the rules of procedure. Only the Managing Directors are authorised to make decisions. The management and control of credit risks is supported by IT Systems. They are quantified using generally accepted procedures. The risk classes are assigned default probabilities determined by independent third parties.

**Market risks** refer to those risks which, as a result of changes in market parameters (e.g. interest rates, exchange rates, bond prices, etc.), may alter the market prices of assets to the detriment of the Bank and may therefore result in temporary write-downs or realised losses.

Due to the defined strategy, interest rate risk, currency risk and price risk in the securities portfolio are relevant market risks for the Bank, although they are less significant than counterparty default risk, as the duration of the banking book is kept short-term.

**Interest rate risks**, which may arise from different interest rate periods for assets and liabilities, are limited by a proactive and extensive congruence of fixed interest rates for receivables and deposits. The interest rate risk is quantified and monitored using internally defined procedures.

**Currency risks** are relevant in as much as the Bank refinances its assets to a significant extent with USD deposits, so that the income generated predominantly in USD is offset by administrative expenses in euros. This risk is taken into account in the budgeting process. Due to the strategic decision of the Bank not to hold any open foreign exchange positions, USD deposits are invested exclusively in the same currency. Open currency risks are limited to the difference between future inflows or outflows of interest on loans and deposits. In certain justified cases, with the approval of the Supervisory Board, an open currency position may be held for a longer period of time. The resulting open positions are strictly limited.





In order to assess the **market price risk of the securities portfolio**, the Bank distinguishes between investment holdings and current assets, which are used for liquidity management.

**Operational risks** comprise events which, individually or in their entirety, may jeopardise the Bank's operational performance or even its very existence. As a rule, these are the consequence of the inappropriateness or failure of internal procedures, errors by employees, errors in IT systems or the consequence of external events, as well as legal risks.

Operational risk is determined and calculated on the basis of a self-assessment in all areas. Major operational risks are existing in the following areas:

- IT
- Operations / Interruption of operation
- Personnel

To minimise IT risks, the Bank operates IT systems designed to support business processes. The risks of electronic data processing are reduced by outsourcing to competent external service providers. The adequacy of IT systems is reviewed annually as part of the planning process. The Bank's IT strategy is defined separately.

Operational readiness at all times is guaranteed by the installation of external back-up solutions as well as external workstations and external data access to all IT applications.

With regard to personnel risks, the Bank pursues in particular the approach of deploying qualified personnel and training them according to the necessary requirements. Close coordination between the departments and the management and clear communication within the departments together with the prompt implementation of controls should also contribute to this.

Other operating risks are mitigated above all by employing qualified staff and by increasingly anchoring the risk culture and process orientation.

The Bank uses the basic indicator approach to quantify operational risk.

The **liquidity risk** is reduced by a high level of liquidity provisioning and a high congruence structure of maturities of assets and liabilities or high marketability of assets.

**Refinancing risk** is taken into account within the framework of the risk-bearing capacity concept. Complementary to this, we calculate possible scenario analyses (stress test), which simulate a short-term withdrawal of customer deposits.

## Risk provisioning

Provisions for losses on loans comprise individual loan loss provisions, general loan loss provisions and country risk provisions.

The most important criterion for the creation of individual value adjustments is the impending default of a certain receivable resulting from the debtor's lasting impaired debt servicing ability. The amount of the specific allowance to be recognized is determined by the balance of the receivable less the value of any collateral ("unsecured portion") and the debtor's risk classification, from which the ratio of the allowance for losses on loans is derived.

General value adjustments for latent default risks in the loan portfolio are calculated in accordance with the BMF letter of 10 January 1994.



In addition, the instrument of open risk provisioning in accordance with §340g HGB (fund for general banking risks) is also available.

## Risk-bearing capacity

The Bank determines risk-bearing capacity on the basis of a profit and loss-oriented approach assuming the going concern principle.

The allocation within the framework of the risk-bearing capacity calculation to cover the potential loss is carried out as follows as at 31 December 2019 after deduction of the regulatory capital required for the continued existence of the company as a going concern:

		31.12.2019
<b>Core capital (Tier 1)</b>	€k	58,504
Risk-weighted assets ("Pillar 1")	€k	244,238
Solvency ratio (SolV)	€k	23,95%
8% RWA according to minimum capital requirements ("Pillar 1")	€k	(-)19,539
1,5% Supervisory Review and Evaluation Process (SREP)	€k	(-)3,664
<b>Subtotal II</b>	€k	23,203
Preliminary net income as of 31.12.2019	€k	0
<b>Risk coverage potential (regulatory perspective)</b>	€k	35,301
Capital conservation buffer (2.58% of risk-weighted assets)	€k	(-)6,301
<b>Allocated risk cover funds</b>	€k	29,000

Maximum loss limits for the individual risk types are derived from the allocated risk cover funds, which are compared with the actual utilisation. These are as follows:

	31.12.2019			31.12.2018		
	Limit in T€	utilised in T€	in %	Limit in T€	utilised in T€	in %
Credit/counterparty default risk	17.400	10.136	58%	17.915	5.935	33%
Market price risks	8.120	1.955	24%	6.868	3.431	50%
Refinancing risks	580	55	9%	597	29	37%
Operational risks	2.900	2.739	94%	4.479	1.656	37%
<b>Gesamt</b>	<b>29.000</b>	<b>14.885</b>	<b>51%</b>	<b>29.859</b>	<b>11.051</b>	<b>37%</b>

The Bank's risk-bearing capacity was ensured throughout 2019.

## Outlook

In principle, the Bank will maintain its business activities with a focus on business with Egyptian exporters.

However, the uniqueness of the corona pandemic reduces the validity of a reasonable forecast. It is currently impossible to estimate how long economic life will be exposed to the current restrictions that are intended to steer the pandemic in a controlled direction. However, this time span is crucial for the extent of the recession that the European and also the Egyptian economy will face afterwards.

While, from today's perspective, only the manufacturers of food and beverages and consumer non-durable goods will be reasonably spared by the crisis, for all other sectors the role of the state in overcoming the economic challenges will play a decisive role.



Overall, every institution must expect moratoria and isolated loan defaults in the current situation.

In our case, this should be at least partially compensated for by the fact that the Egyptian state authorities involve the institutions affiliated to them much more in settling their cross border transactions than was the case in the past.

As far as the liquidity and refinancing situation is concerned, there have been no impacts to date that can be directly attributed to the Corona crisis. However, it is to be expected that funds from Egypt, which represent the main refinancing base, will not be available in the course of 2020 to the same extent as in previous years.

Despite the continuing challenges, particularly in the regulatory environment, we forecast a sustained positive overall earnings situation at the operating level in the medium term. In addition, we expect a reduction in loss carried forward and a partial realization of court-prosecuted claims in 2020.

In any case, the result for the first quarter of 2020 allows this conclusion to be drawn, so that we do not expect any material negative deviations in the financial performance indicators compared to 2019.



## 2. BALANCE SHEET

<b>Assets</b>	<b>EUR</b>	<b>EUR</b>	<b>previous year EURk</b>
<b>1. Cash reserve</b>			
a) Cash	193		1
b) Due from central banks	12.587.536	12.587.729	14.706
thereof: Deutsche Bundesbank			
<b>EUR</b>	12.587.536		
<b>2. Due from banks</b>			
a) payable on demand	1.994.178		2.012
b) other	111.886.398	113.880.576	308.753
<b>3. Due from customers</b>		107.699.319	111.733
thereof: Collateralized by			
mortgages	<b>EUR</b>	0	(Vj. TEUR 0)
due from municipalities	<b>EUR</b>	0	(Vj. TEUR 0)
<b>4. Bonds and other fixed rate securities</b>			
a) Bonds and debentures			
aa) public issuers	18.612.729		29.408
thereof: eligible as collateral at Deutsche Bundesbank			
<b>EUR</b>	18.612.729	(Vj. TEUR 16.233)	
ab) other issuers	88.845.615	107.458.344	30.903
thereof: eligible as collateral at Deutsche Bundesbank			
<b>EUR</b>	9.491.317	(Vj. TEUR 8.140)	
<b>5. Equities and other non-fixed-income securities</b>		0	0
<b>6. Intangible fixed assets</b>			
b) nongratisuitous concessions, industrial property rights and similar rights and assets as well as licences regarding such rights and assets		54.872	125
<b>7. Tangible fixed assets</b>		470.684	540
<b>8. Other assets</b>		336.190	817
<b>9. Deferred expenses and accrued income</b>		157.532	46
<b>Total assets</b>	<b>342.645.246</b>		<b>499.044</b>









## 4. NOTES TO THE FINANCIAL STATEMENT

The financial statements as of December 31, 2019 were 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 assets for 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.
- Currency receivables and liabilities were translated at the reference rates of the European Central Bank on the balance sheet date. The result of foreign currency conversion is reported under other operating expenses or income. Foreign currency transactions which are specifically covered by balance sheet items are valued on the basis of the spot rate plus swap accrual and deferral. Provisions are created for unrealised exchange losses resulting from the comparison with the contract rates. The swap rate is deferred over the term of the transactions and the deferral is shown under deferred items. The income or expense from these swap transactions is shown under interest income or interest expense.
- 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 § 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.
- Negative interest on financial assets or financial liabilities is deducted from the relevant interest income or interest expense in the income statement.





- For interest-related transactions in the banking book, the valuation was carried out in accordance with IDW RS BFA 3 n. F. using the static (present value) method. This did not result in an obligation overlap from the (pending) interest claims and interest obligations still open on the balance sheet date. The formation of a provision for impending losses in accordance with § 340a in conjunction with § 249 (1) sentence 1 HGB can therefore be dispensed with.
- 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 § 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 § 274 HGB.

## Balance sheet disclosures

### Loan volume

The gross loan volume is as follows:

			<b>Prior year</b>
Due from central banks	€	12.6 Mio.	€ 14.7 Mio.
Due from banks	€	113.9 Mio.	€ 310.8 Mio.
Due from non-banks	€	117.0 Mio.	€ 117.5 Mio.
Securities	€	107.5 Mio.	€ 60.3 Mio.
Guarantees and letters of credit	€	30.1 Mio.	€ 70.5 Mio.
Irrevocable loan commitments	€	16.8 Mio.	€ 12.0 Mio.
Loan volume	€	397.9 Mio.	€ 585.8 Mio.

### Due from banks

			<b>Prior year</b>
Total	€	113,880,576	€k 310,765
Payable on demand	€	1,994,178	€k 2,012
With fixed terms	€	111,886,398	€k 308,753

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

<b>Due with a residual term of:</b>			<b>Prior year</b>
up to 3 months	€	77,041,194	€k 241,605
3 months to 1 year	€	11,414,318	€k 33,327
1 to 5 years	€	23,430,885	€k 33,821
more than 5 years	€	0	€k 0

Due from shareholder banks are included as follows:

			<b>Vorjahr</b>
Payable on demand	€	25,396	T€ 0
With fixed terms	€	4,829,931	T€ 4,753

Due from affiliated banks are included as follows:

			<b>Prior year</b>
Payable on demand	€	23	T€ 0
With fixed terms	€	0	T€ 0



## Due from customers

	€		€k	Prior year
Total (after bad debt allowances)	€	107,699,319	€k	111,733
Thereof: payable on demand	€	7,822,996	€k	3,672

Amounts due from customers break down as follows:

Due with a residual maturity of:	€		€k	Vorjahr
up to 3 months	€	13,528,916	€k	15,276
3 months to 1 year	€	18,005,613	€k	7,428
1 to 5 years	€	68,341,793	€k	85,357
more than 5 years	€	0	€k	0

## Fixed assets

Securities classified as financial fixed assets, tangible and intangible fixed assets can be displayed as follows:

	Land and Buildings	Office Equipment	Tangible Assets Total in €k	Intangible Assets	Securities (financial assets) <sup>1) 2)</sup>
	in Tk	in €k	in €k	in €k	in €k
Acquisition Cost as of 01. January 2019	0	782	782	483	47,313
Additions	0	6	6	0	11,883
Disposals	0	0	0	0	16,152
Acquisition Cost as of 31. December 2019	0	788	788	483	43,044
Accumulated Depreciation as of 01. January 2019	0	242	242	358	300
Additions	0	75	75	70	392
Disposals	0	0	0	0	36
Accumulated Depreciation as of 31. December 2019	0	317	317	428	656
Exchange Rate Changes as of 31. December 2018	0	0	0	0	122
Exchange Rate Changes as of 31. December 2019	0	0	0	0	412
Residual Bookvalue as of 31. December 2018	0	540	540	125	47,135
Residual Bookvalue as of 31. December 2019	0	471	471	55	42,800

<sup>1)</sup> Compared to the previous year, interest accruals and deferrals shown in the balance sheet form are not taken into account in the statement of changes in fixed assets for 2019.

<sup>2)</sup> In comparison to the previous year, changes in value due to changes in the exchange rate are summarized in one amount.

## Bonds and other fixed rate securities

	€		€k	Prior year
Total	€	107,458,344	€k	60,311

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	107,458	105,445	2,013	0
Total	107,458	105,445	2,013	0



Thereof: Securities classified as financial fixed assets

				Prior year
Total	€	43,378,622	€k	47,771

Bonds and other fixed rate securities were recognized with the following residual terms

Up to 3 months	€	11,744,531	€k	1,323
3 months to 1 year	€	23,391,419	€k	17,270
1 to 5 years	€	68,417,739	€k	27,913
More than 5 years	€	3,904,655	€k	13,805

This includes interest accruals in the total amount of € 1,098,861.

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	T€	43,379	T€	43,471	T€	1
Total	T€	43,379	T€	43,471	T€	1

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

## Tangible fixed assets

				Prior year
Total	€	470,684	T€	540

Operating and office equipment is recognized at a book value of € 470,683.68 (prior year: € 540k). The above items are shown in the statement of changes in fixed assets.

## Intangible fixed assets

				Prior year
Total	€	54,872	T€	125

This item discloses inter alia 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	€	336,190	T€	817

This item essentially consists of VAT refund claims against the tax office in the amount of € 178,177, a deposit paid for rented office space in the amount of € 59,378 and refund claims from double payments in the amount of € 56,737. A total of € 41,897 is attributable to other assets.

## Deferred expenses and accrued income

				Prior year
Total	€	157,532	T€	46



This item chiefly includes prepaid expenses for 2020, thereof €k 151 for general administrative expenses and €k 5 accruals from export finance transactions.

## Due to banks

				Prior year
Total	€	28,267,952	€k	48,323
Payable on demand	€	4,961,421	€k	6,513
With an agreed term or period of notice	€	23,306,531	€k	41,810

Amounts due to banks break down as follows:

Debts due with a residual term of:				Prior year
up to 3 months	€	180,854	€k	18,810
3 months to 1 year	€	11,042,818	€k	0
1 to 5 years	€	12,082,858	€k	23,000
more than 5 years	€	0	€k	0

Due to shareholder banks are included as follows:

				Prior year
Payable on demand	€	172,775	€k	615
With an agreed term or period of notice	€	0	€k	17,467

Due to affiliated banks are included as follows:

				Prior year
Payable on demand	€	421,189	€k	539
With an agreed term or period of notice	€	0	€k	0

Shareholder banks have pledged € 421,189.47 (prior year: € 1,605 k) to us as collateral for contingent assets arising from letters of credit.

## Due to customers

				Prior year
Total	€	255,001,197	€k	388,952
Payable on demand	€	38,572,608	€k	41,113
With an agreed term or period of notice	€	216,428,590	€k	347,839

Amounts due to customers break down as follows:

Debts due with a residual term of:				Prior year
up to 3 months	€	127,643,531	€k	255,952
3 months to 1 year	€	81,419,860	€k	84,062
1 to 5 years	€	7,365,199	€k	7,825
1 to 5 years	€	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	€	7,125,794	€k	29,869
With agreed term or period of notice	€	2,375,391	€k	2,886

## Other liabilities

				Prior year
Total	€	112,970	€k	145



This item includes liabilities relating to outstanding taxes including solidarity surcharge and outstanding social insurance contributions in a total amount of € 82,158. In addition, the item also includes liabilities of € 27,085 from interest and commission components to be transferred, which are only due in the first months of 2020. Other liabilities account for € 3,727.

## Deferred income and accrued expenses

				Prior year
Total	€	136,735	€k	151

This item includes discount income and fees from receivables purchased à forfait and from letters of credit in the amount of € 29,132. In addition, credit commissions received and premiums on loans in the total amount of € 106,936 are shown here. € 667 is attributable to other accrued interest. This future income is to be allocated to the following financial years.

## Provisions

				Prior year
Total	€	567,706	€k	597

This item includes uncertain costs of the 2019 financial year, such as the audit costs of the annual financial statements, the recognition of vacation obligations, bonus accruals, costs of the Supervisory Board meeting to approve the annual financial statements, court and legal fees for non-performing loans and other costs relating to the 2019 financial year that have not yet been invoiced. There is no need to discount the provisions due to their terms of less than 12 months.

## Fund for general banking risks

				Prior year
Total	€	0	€k	1,000

The fund for general banking risks in accordance with § 340g HGB was released in full to the income statement in the financial year under review in connection with the creation of specific risk provisions for individual and country risks.

## Subscribed capital

				Prior year
Total	€	60,000,000	€k	60,000

The following banks are holding a share in the above subscribed capital:

Banque Misr S.A.E., Cairo, Egypt	74,75%	€k	44,848
National Bank of Egypt S.A.E., Cairo, Egypt	10,25%	€k	6,152
Banque du Caire S.A.E., Cairo, Egypt	10,00%	€k	6,000
National Investment Bank, Cairo, Egypt	5,00%	€k	3,000

## Other revenue reserves

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

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



## Net balance sheet loss

				Prior year
Total	€ —	2,841,316	€k —	1,523

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

Net profit for fiscal year 2019	€ —	1,318,138
Plus income carried forward from the prior year	€ —	1,523,177
Net balance sheet loss	€ —	2,841,315

The management proposes to carry forward the accumulated loss of € -2,841,316 to new accounts.

## Contingent liabilities

				Prior year
Total	€	37,054,962	€k	48,205

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 € 30,148,060 (prior year: € 70,543k) on the balance sheet date.

In addition the bank granted irrevocable loan commitments to business partners amounting to € 16,829,276 (prior year: € 12,023k). 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 the risk of utilization is deemed to be low.

## Derivatives

On the balance sheet date there was a forward exchange transaction in the amount of GBP 770,000 (previous year TGBP 185) with a nominal value of € 905,031 converted at the rate on the balance sheet date and a market value of € 9.550. The remaining term of the transactions is 7 days.

## Foreign currency assets and liabilities

On the balance sheet date foreign currency assets and liabilities are as follows:

				Prior year
Assets	€	236,391,847	€	361,965
Liabilities	€	235,249,747	€	361,523

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



## 5. NOTES TO THE INCOME STATEMENT

Net interest income (interest income less interest expense) amounted to € 4,976,397 in the fiscal year (prior year: € 3,531k).

Interest expenses resulted at € 108,404 (prior year € 63k) from liabilities to banks and at € 7,574,741 (prior year € 6,104k) from liabilities to other creditors. Of the interest income, € 3,364,411 (prior year € 1,003k) resulted from fixed-interest securities and debt register claims and € 9,295,131 (prior year € 8,695k) from lending and money market transactions. The latter resulted at € 5,415,427 (prior year € 5,639k) from loans and advances to banks, at € 3,819,951 (prior year € 3,004k) from loans and advances to customers and at € 59,753 (prior year € 53k) from other interest income. Negative interest on financial assets or financial liabilities was deducted from the relevant interest income or interest expense in the income statement.

Net commission income (commission income less commission expense) amounted to €1,727,977 (prior year: € 1,916k). This resulted from commission expenses of € 43,663 (prior year € 40k) and commission income of € 1,771,640 (prior year € 1,956k), which can be broken down by origin as follows:

				Prior year
Comm. from the LC business	€	566,418	€k	677
Comm. from guarantees	€	316,795	€k	444
Loan commissions	€	746,174	€k	712
Comm. from payment transactions and acct maintenance fees	€	142,178	€k	113
Other commission	€	75	€k	10

Interest Income, commission income and other operating income can be broken down by geographical region as follows:

	Total	domestic	EU countries	third countries
Interest Income from Lending and Money Market Transactions	9.295.131	2.361.440	2.461.211	4.472.480
Current Income from Fixed-Income Securities	3.364.411	551.145	2.144.132	669.134
Total Interest Income	12.659.542	2.912.585	4.605.343	5.141.614
Share of earnings in % of total revenues	100%	23%	36%	41%
Commission Income	1.771.640	261.027	340.390	1.170.223
Share of earnings in % of total revenues	100%	15%	19%	66%
Other operating income from customer-related banking business	146.417	146.417	0	0
Share of earnings in % of total revenues	100%	100%	0%	0%

The main expenses were general administrative expenses (non-personnel expense for banking business) of € 2,422,367 (prior year: € 2,146k) and personnel expenses of €3,269,534 (prior year: € 2,717k).

Significant items included in other operating expenses are:

				Prior year
IT costs	€	618,237	€k	669
Communication & Information Systems	€	302,009	€k	227
Legal, Auditing and Consultancy Costs	€	443,069	€k	403
Contributions and Insurance	€	290,690	€k	247
Office Rent	€	281,463	€k	89



Other operating expenses amounted to € 1,271 (previous year € 4k). Other operating income amounted to € 613,325 (previous year € 395k) and mainly included income from foreign currency conversion amounting to € 448,790 and capitalised input tax claims from supplier invoices amounting to € 146,416 as well as income from the release of provisions amounting to €18,118.

Depreciation of and allowances for intangible and tangible fixed assets amounted to € 145,147 (prior year € 174k).

Loan loss provisions and write-offs amounted to € 3,522,924 (prior year € 311k). Of this amount, € 600,000.00 is attributable to the first-time establishment of a country risk provision.

Taxes on income and earnings amounted to € 26,363 (previous year € 0k) in the financial year and consisted mainly of retained foreign withholding tax. The other taxes amounted to € 4,714 (previous year € 21k).

## Other financial obligations

The costs for information services such as Reuters and S.W.I.F.T. amount to € 148k (previous year € 142k).

The costs of outsourcing electronic data processing and software maintenance fees amount to €488k (previous year € 527k). The remaining terms of these contracts are one year each. The costs for the rented business premises at Marienstraße 15 in 60329 Frankfurt amount to € 183k (previous year € 0k). The remaining term of the contract is 8 years. The contractually agreed was a rent-free period up to and including January 2019.

Leasing costs for vehicles amount to € 15k p.a. (previous year: € 14k). The remaining term of the agreement is 1 year.

## Auditor's fees

The auditor's fees for the fiscal year amounted to

			Prior year
a) for statutory auditing services	73	€k	71
b) for audit-related services	4	€k	4
c) for tax services	0	€k	0
d) for other services	0	€k	0

## Addendum Report

The operational effects of the Corona pandemic, which has been ongoing since the beginning of 2020, could be absorbed without material damage due to the existing emergency precautions. Moratoria and individual loan defaults in the loan portfolio cannot be ruled out for our bank either, due to the economic consequences of the crisis, although the extent of these cannot be determined at present.

As far as the liquidity and refinancing situation is concerned, there have been no effects to date that can be directly attributed to the Corona crisis. However, it is to be expected that funds from Egypt, which represent the main refinancing basis, will not be available in the course of 2020 to the same extent as in previous years.





On the other hand, however, we also expect the Egyptian government authorities to involve their related institutions, such as Misr Bank-Europe GmbH, much more in the processing of their transactions than was the case in the past. For further information on the expected course of business in 2020, please refer to the forecast report in the status report of the management.

## General Information

Misr Bank-Europe GmbH, established in Frankfurt am Main, is registered in the commercial register Frankfurt am Main under No. HRB 34940.

## 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]
- Österreichisch-Arabische Handelskammer [Austrian-Arab Chamber of Commerce]
- Union of Arab Banks

## Employees

During fiscal year 2019 the Bank employed 24 (prior year 23) persons on average. As on the balance sheet date 27 persons were employed, of whom 10 were female and 17 male (prior year 26, thereof 11 female and 15 male).



## Bodies of the Bank

### ➤ Supervisory board:

**Akef Abdel Latif El Maghraby, Chairman**

Vice Chairman, Banque Misr S.A.E., Cairo

**Mohamed Hamed**

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

**Hesham Mohamed Adel Elsafty**

Group Head, Financial Institutions & 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

**Amr El Shafei**

Executive Vice President, Banque du Caire, Cairo

**Ayman Foda**

General Manager, Banque Misr, Paris

### ➤ Management

**Dr. Gerald Bumharter** (Market Division)

**Bülent Menemenci** (Back Office, Risk Management and Operations)

**Richard Schmidt** (Back Office, Credit and Organisation), since 01.09.2019

## Compensation of the executive and supervisory bodies

Management compensation amounted to € 524,820 (prior year € 367k) in the fiscal year and supervisory board compensation to € 81,798 (prior year € 78k) including assumed taxes.

Frankfurt am Main, Mai 29<sup>th</sup> 2020

Dr. Gerald Bumharter

Bülent Menemenci

Richard Schmidt



## 6. AUDITOR'S OPINION

### Auditor's reports on the audit of the annual financial statements and the status report of the Management

#### Opinions

We have audited the annual financial statements of Misr Bank - Europe GmbH - consisting of the balance sheet as at 31 December 2019 and the income statement for the financial year from 1 January 2019 to 31 December 2019 and the notes to the financial statements, including the presentation of the accounting policies. We have also audited the management report of Misr Bank - Europe GmbH for the financial year from 1 January 2019 to 31 December 2019.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with the provisions of German commercial law and give a true and fair view of the net assets and financial position of the Company as of 31 December 2019 and of its earnings position for the financial year from 1 January 2019 to 31 December 2019 in accordance with German principles of proper accounting, and
- on the whole the attached management report provides a suitable understanding of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Frankfurt am Main, June 15<sup>th</sup> 2020

**Mazars GmbH & Co. KG**  
**Wirtschaftsprüfungsgesellschaft**  
**Steuerberatungsgesellschaft**

signed  
**Steffen Neuweiler**  
**Wirtschaftsprüfer**

signed  
**Marvin Strache**  
**Wirtschaftsprüfer**



## 7. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND RESOLUTION ON THE ALLOCATION OF THE NET INCOME

On 30 June 2020, the Supervisory Board adopted the annual financial statements of Misr Bank - Europe GmbH, Frankfurt am Main, as at 31 December 2019 and approved the appropriation of the net loss for the year of € -1,318,138 as proposed by the Management Board.

June 30<sup>th</sup> 2020