

Central Bank of Egypt

Annual Report

2009/2010

Board Members



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Preface

I have the honor to present the CBE's annual report for the FY 2009/2010. The report sheds light on the major domestic economic developments: inter alia economic growth, inflation, state budget, balance of payments, and foreign trade. Also, the CBE's activities were reviewed, along with the main monetary, credit and banking developments.

The annual real GDP growth (at factor cost) gradually picked up, registering 5.1 percent in FY 2009/2010 (against 4.7 percent in FY 2008/2009). Obviously, domestic economic growth in the reporting year was very close to the average of emerging economies (5.6 percent). The economic rebound owes much to the successful implementation of the first stage of the banking reform and development program that proved highly instrumental in counteracting the negative impact of the global financial crisis. In this respect, the private sector played a key role in the development process, with a substantial contribution of some 4.0 percentage points to the growth rate (against 3.3 points in the previous FY). The public sector added 1.1 point (against 1.4 point a year earlier).

The CBE continued to pursue the primary and overriding **objective of monetary policy**, that is price stability, by seeking to bring inflation to a reasonable and stable level, which is essential for deepening confidence in the Egyptian economy and sustaining adequate levels of investment and economic growth. The CBE adopted the overnight interbank interest rate as the operational target of the monetary policy, by applying a framework based on the corridor system (within which the ceiling is the overnight interest rate on the Bank's lending, and the floor is the overnight deposit interest rate at the Bank). During the reporting year, more specifically on 25 Oct. 2009, the CBE, like many other central banks, prepared an important economic indicator known as the "core inflation measure". It is a variant of the headline CPI inflation that excludes goods of regulated prices and the impact of temporary price shocks on inflation. Core inflation is a complementary indicator, devised primarily to distinguish the underlying trend of inflation from its transitory movements. By timely communicating the core inflation measure, the CBE aims to improve understanding of inflation dynamics. This is expected to reduce the pass-through of temporary price shocks to inflation expectations and, in turn, minimize the variability in inflation.

The decisions of the Monetary Policy Committee (MPC) during FY 2009/2010 were supportive of economic growth, yet without jeopardizing price stability. In this context, the MPC held eight meetings during the year. In the first quarter, several MPC decisions were made to cut the key CBE interest rates (the overnight deposit and lending rates) in line with the decline in the annual inflation rate. Afterwards,

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these rates were kept unchanged at 8.25 percent and 9.75 percent, respectively, and the discount rate at 8.5 percent per annum. After the reporting period, and during the preparation of this report, the MPC decided in the two meetings dated 29 July and 16 Sept. 2010 to maintain the same level of overnight deposit and lending rates, as well as the discount rate.

Alongside the MPC's decisions that supported economic growth at a time of subdued inflationary pressures, the CBE set in motion a comprehensive initiative to enhance bank credit to small and medium enterprises, by exempting banks that lend SMEs from the reserve requirement ratio (14 percent), in proportion to the amount of credit granted.

The report also elaborately reviews the second stage of the banking reform plan, following the successful completion of the first stage. The main pillars of this stage are the following: preparing and implementing a comprehensive program for the financial and administrative restructuring of specialized state-owned banks; conducting a periodical follow-up of the results of the first stage of the restructuring program of the National Bank of Egypt (NBE), Banque Misr (BM) and Banque du Caire (BdC), which revealed an improvement in their performance; finalizing the requirements necessary to improve the efficiency of these banks in financial intermediation and risk management; applying Basel II standards in Egyptian banks to enhance their risk management practices; and reviewing and strictly applying the international governance rules in the Egyptian banking sector.

The CBE, through the Supervision Sector, ensures the soundness of banks' financial positions and assesses their performance from the perspective of risk-based supervision. In addition, it ascertains banks' compliance with the established regulatory requirements. Accordingly, the CBE issued some supervisory rules and regulations during the FY.

The financial position of registered banks operating in Egypt (39 banks) posted LE 1220.7 billion at end of June 2010, up by LE 128.7 billion or 11.8 percent during FY 2009/2010. Deposits at banks grew by LE 82.8 billion or 10.2 percent, and lending and discount balances by LE 36.0 billion or 8.4 percent.

The report highlights the achievements made in the **payment systems and information technology sector** at the CBE. Paramount of these were the project of developing the core accounting system which is still on track; and the design, installation, and operation of the new Domestic Money Monitoring System (DMMS) that aims to electronically monitor the performance of the domestic market (mutual funds, interbank market, and interest rates).

The CBE continued its successful management of the foreign exchange market through the dollar interbank market. Such successful management fostered confidence in the efficiency of the forex market, thus dispelling dealers' concerns about any LE fluctuations, and enhancing their confidence in the market's responsiveness to the finance needs of investors. Needless to say that the confidence in the efficiency of the forex market had a key role to play in attracting investments to the Egyptian economy. The weighted average of the US dollar in the interbank market reached LE 5.6952 on 30/6/2010 (against LE 5.5964 on 30/6/2009), signifying a depreciation of 1.7 percent in the LE value in the reporting year.

Net international reserves (NIR) at the CBE rose by US\$ 3.9 billion or 12.5 percent during FY 2009/2010, to reach US\$ 35.2 billion, covering 8.6 months of merchandise imports at end of June 2010. It is worthy to note that NIR continued to rise during the preparation of the report, recording US\$ 35.5 billion at end of Sept. 2010.

The report demonstrates also developments in the non-banking financial services sector, represented in the stock market, insurance, and mortgage finance. As for the stock market, EGX 30 rose by 5.8 percent during the reporting year, hitting 6033.1 points at end of June 2010. However, EGX 70 and EGX 100 declined by 15.3 percent and 9.4 percent, standing at 527.7 points, and 908.7 points, respectively, at end of June 2010.

Moving to **the insurance sector**, the companies operating in the insurance market were 29 in number. The Egyptian Financial Supervisory Authority (EFSA) agreed to grant license to 12 companies to perform insurance intermediation after fulfillment of the stipulated conditions and requirements. The value of insurance companies' assets (including investments) totaled LE 44.9 billion at end of June 2010, with a growth rate of 36.1 percent during the reporting year. As for **mortgage finance**, four more companies joined this field, raising the number of mortgage finance companies to 13, in addition to the Egyptian Mortgage Refinance Company and 19 banks exercising this activity. Loans extended by banks and mortgage finance companies increased by LE 1.1 billion or 36.5 percent during the year, to register LE 4.0 billion at end of June 2010.

As for **the fiscal policy**, the overall budget deficit reached some LE 98.0 billion or 8.1 percent of GDP (against LE 71.8 billion or 6.9 percent of GDP a year earlier). According to this report, the stock of **public government debt** (domestic and external) rose by 15.1 percent during the reporting year, to post LE 812.9 billion at end of June 2010, constituting 67.4 percent of GDP (LE 663.8 billion were domestic debt and LE 149.1 billion worth were external debt).

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Transactions with **the external world** unfolded an overall surplus of US\$ 3.36 billion (against an overall deficit of US\$ 3.38 billion during the previous FY). Hence, the current account deficit declined by 2.4 percent to US\$ 4.3 billion (against US\$ 4.4 billion), while the capital and financial account achieved net inflows of US\$ 8.3 billion (against US\$ 2.3 billion).

Finally, we pray to God to help us serve our dear country and work to promote its progress and prosperity. I seize this opportunity to thank, and express my appreciation for, all the CBE staff for their sincere efforts that enabled the Bank to perform its designated role under the umbrella of development and modernization.

The CBE Governor

Dr. Farouk El Okdah

Executive Summary

The annual report for FY 2009/2010 reviews CBE activity, along with the main monetary, credit and banking developments. Also, the report sheds light on the key economic developments at the domestic arena, including economic growth, inflation, the state budget, balance of payments and foreign trade.

At the level of **domestic economy**, the FY 2009/2010 bore witness to the Egyptian economy's resilience in the face of the global financial crisis and its complications. The annual real growth of GDP at factor cost gradually picked up to 5.1 percent in FY 2009/2010, against 4.7 percent in FY 2008/2009. Obviously, Egypt's economic growth in the reporting year was very close to the average growth of the emerging economies as a whole (5.6 percent). The economic rebound owes much to the successful implementation of the first stage of the banking sector reform and development program that proved highly effective in counteracting the negative effects of the global financial crisis and its repercussions. Another contributing factor was the steady confidence in the efficiency of the forex market.

As a contributor to economic growth (5.1 percent), **the private sector** continued to play a key role in the development process, with a share of 4.0 percentage points (against 3.3 points a year earlier), compared with 1.1 point for **the public sector** (against 1.4 point).

On **the supply side**, the rise in economic growth was largely generated by domestic-demand driven sectors, with a share of 4.6 points. The manufacturing sector came in the lead, followed by the wholesale and retail sectors, construction and building, agriculture, and communications. On the other hand, the sectors driven by external demand accounted for a modest share of 0.5 point, generated mainly by the sectors of tourism and extractions.

On **the demand side**, the improvement in the real GDP growth (5.1 percent against 4.7 percent) was essentially the result of the rise in the share of total investment (including change in the inventory) to 0.8 point (against a negative of 2.0 points). That rise was mainly ascribed to the higher contribution of the private investment. Another factor behind the stronger economic performance was the continued positive contribution of private consumption to growth (3.7 points or 72.5 percent of the overall growth rate), though to a lesser extent than that of the previous FY (4.1 points). Such developments in domestic demand offset the decline in the contribution of net external demand (merchandise and services exports minus merchandise and services imports) to growth, to only 0.1 point during the reporting year (against 2.0 points a year earlier).

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Executed investments* (2006/2007 prices) reached LE 166.4 billion, with a growth rate of 3.9 percent during the reporting year (against a decline of 10.2 percent during the preceding FY). The pickup in investments stemmed primarily from the rise in the share of the private sector to 1.0 point (against a negative contribution of 13.5 points). However, the contribution of the public sector to investment growth slightly decreased to 2.9 points (from 3.0 points). The upturn in private investments (domestic and foreign) was underpinned by the development of the legislative framework governing the investment climate; the continued simplification of the procedures of incorporation; and the expansion in infrastructure projects.

The breakdown of total investments (at constant prices) by economic sector ran as follows: about 18.9 percent was implemented in the oil and gas sector, 11.3 percent in the manufacturing sector (including oil refining), 9.7 percent in electricity and water, 8.8 percent in communications, 2.9 percent in agriculture and irrigation, 1.9 percent in building and construction, 30.3 percent in the social services sectors, and 16.2 percent in the productive services sectors.

The CBE continued to pursue the overriding **objective of the monetary policy**, that is price stability, by seeking to bring inflation to a reasonable and stable level, conducive to reinforcing confidence in the Egyptian economy and maintaining adequate levels of investment and economic growth. The CBE adopted the overnight interbank interest rate as the operational target of the monetary policy, by applying a framework based on the corridor system (within which the ceiling is the overnight interest rate on the Bank's lending, and the floor is the overnight deposit interest rate at the Bank). In the reporting year, more specifically on 25 Oct. 2009, the CBE, like many other central banks, prepared an important economic indicator, known as the "core inflation measure". It is a variant of the headline CPI inflation that excludes goods of regulated prices, and the impact of temporary price shocks on inflation. Core inflation is a complementary indicator, devised mainly to distinguish the underlying trend of the inflation rate from its transitory movements. By timely communicating the core inflation measure, the CBE aims to improve understanding of the inflation dynamics. This is expected to reduce the pass-through of temporary price shocks to inflation expectations and, in turn, minimize the variability in inflation.

The Monetary Policy Committee at the CBE held eight meetings during FY 2009/2010 and came up with decisions in line with the overriding objective of the monetary policy. In the first quarter, the MPC decided to reduce its overnight deposit and lending rates by 0.75 percent, bringing them to 8.25 percent and 9.75 percent, respectively. The credit and discount rate was also cut by 0.5 percent to 8.5 percent per annum. Subsequently, in the six successive meetings held in (Nov. 2009 - June

*Excluding change in the inventory.

2010), the MPC decided to keep the overnight deposit and lending rates, as well as the discount rate, unchanged. During the preparation of this report, the MPC decided in the two meetings dated 29 July and 16 Sept. 2010 not to make any changes in the overnight deposit and lending rates and the discount rate.

The MPC's decisions to cut, or keep the key interest rates unchanged were responsive to changes in inflation and to the MPC's assessment of inflationary pressures. The reduction of the key interest rates was prompted by the decline in annual headline CPI inflation that recorded a 20-month low of 9 percent in August 2009. Such an action helped to strengthen economic growth without jeopardizing the target of curbing inflationary pressures. Thereafter, the MPC kept key interest rates unchanged, in response to the increase in the annual inflation rate hitting 13.6 percent in Jan. 2010. As inflation moderated to 10.7 percent in June 2010, the MPC believed that the level of policy interest rates was appropriate, supportive of the economic recovery and conducive to maintaining core inflation (an average of 6.9 percent throughout Dec. 2009 to July 2010) within the CBE's comfort zone in the medium-term.

Alongside the MPC's decisions that supported economic growth at a time of subdued inflationary pressures, the CBE set in motion a comprehensive initiative to enhance bank credit to small and medium enterprises, by exempting banks that lend SMEs from the reserve requirement ratio (14 percent), in proportion to the amount of credit granted. In this context, the Central Bank of Egypt and the Egyptian Banking Institute (EBI), in collaboration with the Central Agency for Public Mobilization and Statistics (CAPMAS), embarked on a field survey of small- and medium-sized enterprises (SMEs), covering all the governorates of Egypt, on the basis of the full count approach.

Reserve money (according to the CBE' balance sheet) rose by LE 28.0 billion or 16.0 percent in the reporting year, due to the increase in net foreign assets at the CBE by LE 18.5 billion worth, and net domestic assets by LE 9.5 billion. Such an increase reflected the pickup in banks' deposits in local currency at the CBE by LE 10.0 billion and the currency in circulation outside the CBE by LE 18.0 billion. The rise in the currency in circulation resulted from the acceleration in banknote issue by LE 18.3 billion or 14.3 percent, to LE 146.2 billion at end of June 2010.

Domestic liquidity went up by LE 86.3 billion or 10.4 percent. Net domestic assets accounted for the bulk of this increase, as they rose by LE 58.0 billion or 10.0 percent, while net foreign assets scaled up by LE 28.3 billion worth or 11.1 percent. The rise in domestic liquidity was reflected in the pickup in quasi-money (LE time and saving deposits and foreign currency deposits) by LE 55.2 billion or 8.5 percent and money supply by LE 31.1 billion or 17.0 percent.

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The CBE continued to move ahead with **the banking reform** plan, as the second stage (2009 - 2011) has been in progress. The second stage aims at enhancing the efficiency and soundness of the Egyptian banking sector and upgrading its competitiveness and risk management ability, so that it can perform its role in financial intermediation for the interest of the national economy, and achieve the targeted development. The main pillars of this stage are as follows: (1) prepare and implement a comprehensive program for the financial and administrative restructuring of specialized state-owned banks; and (2) follow up the results of the first stage of the restructuring program of the National Bank of Egypt (NBE), Banque Misr (BM) and Banque du Caire (BdC), which revealed that the first stage of the reform plan had positively affected their performance levels; besides finalizing the requirements for improving the efficiency of these banks in financial intermediation and risk management.

The **second stage** aims also at applying Basel II standards in Egyptian banks to enhance their risk management practices, as well as reviewing and strictly applying the international banking governance rules. In this context, a protocol had been signed with the European Central Bank and seven European central banks to provide a three-year technical assistance program launched on 1 January 2009, to implement Basel II requirements in the Egyptian banking sector. It is worthy to note that the strategy of the CBE for the implementation of Basel II framework is based on the two main principles of simplicity and consultation with banks, to ensure banks' compliance with these standards. This strategy will be phased in over four stages, the first of which has already been completed.

The second stage of the banking reform plan has been launched, after the successful completion of the preceding stage. The **first stage** was centered on four pillars: as for the **first pillar**, some voluntary and state-forced mergers took place, leading to a decrease in the number of banks operating in Egypt from 57 at end of December 2004 to 39 banks at end of June 2010. Under this plan, 80 percent of the stake of the Bank of Alexandria was sold to Italy's Sanpaolo Bank, besides the divestiture of the shareholdings of state-owned banks in a number of joint venture banks. According to the **second pillar**, state-owned banks were restructured under a comprehensive and time-lined plan, designed by the Banking Reform Unit at the CBE. Concerning the **third pillar**, addressing the problem of non-performing loans, the CBE's NPL Management Unit worked out a variety of approaches and programs that helped settle more than 90 percent of NPLs (excluding debts of the public business sector). With regard to the irregular debts of the public business sector enterprises to public banks, 62% was repaid in cash to the public commercial banks. As for the remaining debts (38%), an agreement was signed on 14/9/2010 whereby in-kind repayments of outstanding debt were made at end of June 2010. With respect to the **fourth pillar**, which addresses the reform of the Supervision Sector, a program was developed to achieve the following targets: enhance the efficiency of the

supervision sector by benefiting from the international best practices, and apply the concept of risk-based supervision to ensure the sector's robustness and soundness. Furthermore, efforts were exerted to recruit highly qualified staff versed in advanced technology, while enhancing the efficiency of the existing personnel.

The CBE, represented by the Banking Supervision Sector, is responsible for ensuring the soundness of banks' financial positions and assessing their performance, on the basis of risk-based supervision and banks' compliance with the established regulatory requirements. Accordingly, the CBE has issued a number of regulatory and supervisory rules and instructions during the reporting year.

The financial position of registered banks operating in Egypt (39 banks) recorded LE 1220.7 billion at end of June 2010, with an increase of LE 128.7 billion or 11.8 percent during FY 2009/2010 (against LE 8.7 billion and 0.8 percent in the preceding FY). Deposits with banks augmented by LE 82.8 billion or 10.2 percent during the reporting year, (against LE 62.5 billion or 8.4 percent in the preceding FY), posting LE 892.5 billion or 73.1 percent of the aggregate financial position at end of June 2010. In addition, the lending and discount balances went up by LE 36.0 billion or 8.4 percent to LE 466.0 billion, constituting 38.2 percent of the aggregate financial position of banks. Banks' investments in securities and bills escalated by LE 73.3 billion or 22.0 percent, standing at LE 405.9 billion or 33.3 percent of the aggregate financial position at end of June 2010.

As regards **the payment system and IT**, the reporting year has witnessed a number of achievements, salient of which are the following: (1) A project for the development of the core banking and financial systems is currently under way. An international bid was made for this purpose and offers were received from international companies with high experience in that field. The CBE is now in the process of making technical evaluations of these offers and bringing them to discussion with the relevant companies. The project aims at raising the efficiency of the CBE's branches (including the Printing Press), departments and sectors. By facilitating the Ministry of Finance access to relevant data and reports, with timeliness and accuracy, the aforementioned system will enable the said Ministry to monitor - on a real time basis - the transactions that affect its accounts at the CBE. Moreover, the project aims to apply international accounting standards. As an initial step, the updating and development of the Bank's accounting framework was completed, with the participation of all the sectors concerned. (2) The development of the banking sector units database at the CBE is currently under way, by setting up a data warehouse conforming to the international standards. (3) The establishment of a permanent backup site for the CBE is on track, to be functional in emergencies as a substitute for the present main center. (4) Finally, the CBE has designed, installed

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and operated the new domestic money monitoring system (DMMS). The system serves to electronically monitor the performance of the domestic market (mutual funds, interbank market and interest rates).

The CBE went ahead with its successful management of **the Forex market** through the dollar interbank market. It managed to boost dealers' confidence in the efficiency of the foreign exchange market, and dispel their concerns at any imminent fluctuations in the Egyptian pound. The Forex market proved its flexibility and responsiveness - through banks - to investors' demands for foreign exchange, that were partly triggered by external shocks to the financial markets. Consequently, such efficiency and flexibility helped enhance market stability, encourage investments, and attract more foreign investments. It is to be noted that the weighted average of US dollar in the interbank market reached LE 5.6952 on 30/6/2010 (against LE 5.5964 on 30/6/2009), indicating the depreciation of the LE pound by 1.7 percent during the reporting year.

The volume of transactions in the interbank market decreased by US\$ 6.5 billion or 12.6 percent, as compared with the previous FY, posting US\$ 45.3 billion. That brings the total volume of transactions since the initiation of the market and up to the end of June 2010 to US\$ 247.2 billion.

Net international reserves at the CBE increased by US\$ 3.9 billion or 12.5 percent in FY 2009/2010, to stand at US\$ 35.2 billion, covering roughly 8.6 months of merchandise imports at end of June 2010. It is noteworthy that NIR in Egypt continued to step up, reaching US\$ 35.5 billion at end of September 2010 (at the time of preparing this Report).

Concerning the **non-banking financial services**, the year witnessed the unification of the supervisory authorities regulating this sector under the single regulatory umbrella of the Egyptian Financial Supervisory Authority (EFSA). The Authority was established by virtue of Law No. 10 for 2009, regulating non-banking financial markets and instruments. The Authority is in charge of supervising non-banking financial markets and instruments (capital markets, derivative markets, insurance business, mortgage finance, financial leasing, factoring and securitization). The Law states that the Authority shall replace the Egyptian Insurance Supervisory Authority (EISA), the Capital Market Authority (CMA), and the Mortgage Finance Authority (MFA) as of 1/7/2009. As for the **stock market**, the EGX benchmark index (EGX 30) moved up by 5.8 percent during the reporting year, to 6033.1 points at end of June 2010. In contrast, EGX 70 and EGX 100 moved down by 15.3 percent and 9.4 percent to post 527.7 points and 908.7 points, respectively, at end of June 2010.

The new issues approved by EFSA in the **primary market** reached 3426, at a total value of LE 154.3 billion. Issues for setting up new businesses accounted for 2154, at a value of LE 12.6 billion and for capital increases 1272, at a value of LE 141.7 billion. As for **the secondary market**, the number of companies listed on EGX reached 215, and the nominal value of their capital amounted to LE 134.7 billion. The market value of corporate shares decreased by LE 53.5 billion or 11.5 percent, to LE 410.1 billion at end of June 2010. On the other hand, the value of traded securities (shares and bonds) went up by LE 121.6 billion or 38.0 percent, posting some LE 441.3 billion.

Turning to **the insurance sector**, the number of companies operating in the insurance market reached 29. Licenses were also granted to 12 companies to exercise insurance mediation after meeting all prerequisites. The total value of insurance companies' assets (including investments) mounted by 36.1 percent during the reporting year, reaching LE 44.9 billion at end of June 2010. Total investments of those companies increased to LE 32.1 billion at end of June 2010, up by 11.1 percent. Total direct premiums reached LE 8.7 billion in FY 2009/2010, and direct paid claims LE 5.2 billion.

As to **mortgage finance**, 4 new companies entered this field, bringing the number of mortgage finance companies to 13 during the reporting year, in addition to the Egyptian Mortgage Refinance Company and 19 banks exercising this activity. Loans extended by banks and mortgage finance companies increased by LE 1.1 billion or 36.5 percent during the reporting year, to register LE 4.0 billion at end of June 2010. Moreover, the number of housing units financed by the Mortgage Finance Subsidy and Guarantee Fund reached 5200 units, with an overall subsidy of LE 51.7 million. In addition, the low-income housing program was activated. As such, an amount of LE 1650 million was provided for subsidizing 65000 housing units over the next three years.

The **fiscal policy** in the reporting year aimed at stimulating the economic activity to cushion the adverse effects of the global economic crisis. To this end, two supplementary packages of fiscal stimulus measures were adopted. The first package was used in FY 2008/2009 at a value of LE 15 billion to finance public investments, especially infrastructure and public utilities projects. The second package, ranging between LE 5.5 billion and LE 6 billion, was pumped in FY 2009/2010 to be used in additional investments. As for the third package, a supplementary appropriation of LE 10.0 billion was made in the state budget to meet the additional investment requirements, particularly potable water and sanitation projects, roads and the Hinterland villages.

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Total expenditures rose to about LE 366.0 billion (30.3 percent of GDP), up by LE 14.5 billion above the previous FY. The rise mainly stemmed from the sharp increase in interest payments (external and domestic) by some LE 19.5 billion, or 37.0 percent, to reach LE 72.3 billion. Likewise, wages and compensations of employees went up by LE 9.2 billion, or 26.9 percent of total current government spending. On the other hand, public revenues scaled down by LE 14.4 billion to LE 268.1 billion (22.2 percent of GDP) reflecting the negative repercussions of the global financial crisis on economic activity. Against this background, the cash deficit amounted to LE 97.9 billion. By adding the net acquisition of financial assets (LE 165 million) to the cash deficit, the overall deficit would post LE 98.0 billion or 8.1 percent of GDP, against LE 71.8 billion and 6.9 percent of GDP a year earlier. Such developments reflect the increasing ratio of the overall deficit/GDP. It is worthy to mention that the fiscal policy aims to reduce such ratio, as a prerequisite for decreasing the ratio of domestic public debt/ GDP. Local financing sources, mainly banks' subscriptions for treasury bills, were chiefly used to finance the overall deficit, while an amount of LE 2.5 billion was provided from external sources.

Government public debt (domestic and external) totaled LE 812.9 billion at end of June 2010 (representing 67.4 percent of GDP), up by 15.1 percent in FY 2009/2010.

Moving to **external transactions**, the balance of payments ran an overall surplus of US\$ 3.36 billion in FY 2009/2010, constituting 1.5 percent of GDP (against an overall deficit of US\$ 3.38 billion and 1.8 percent of GDP a year earlier).

The current account deficit narrowed by 2.4 percent, to US\$ 4.3 billion or 2.0 percent of GDP (against US\$ 4.4 billion a year earlier). The decline was an outcome of the relative stability of the trade deficit at US\$ 25.1 billion, the increase in net unrequited transfers by 26.9 percent and the retreat in services surplus by 17.3 percent. Capital and financial transactions unfolded a net inflow of US\$ 8.3 billion in the reporting year (against US\$ 2.3 billion), as portfolio investments registered a net inflow of US\$ 7.9 billion (against a net outflow of US\$ 9.2 billion). Moreover, FDI in Egypt recorded a net inflow of US\$ 6.8 billion (against US\$ 8.1 billion).

The **external debt** increased by about US\$ 2.2 billion. Its outstanding balance (public and private) denominated in US dollar posted US\$ 33.7 billion at end of June 2010. The increase was mainly ascribed to the realization of net disbursements of loans and facilities in the amount of US\$ 3.4 billion during FY 2009/2010 and the depreciation of most currencies of borrowing versus the US dollar by an amount equivalent to US\$ 1.2 billion.

External debt service (medium and long-term) retreated by 16.3 percent, to reach only US\$ 2.6 billion in FY 2009/2010, due to the decrease in principal repayments by US\$ 416.4 million to US\$ 2.0 billion, on the one hand, and the fall in interest payments by US\$ 92.9 million to US\$ 649.3 million, on the other hand. Owing to the increase in the BOP's current receipts, the ratio of debt service to current receipts declined to only 4.5 percent in the reporting year (from 5.4 percent a year earlier).

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Chapter 1 Central Bank of Egypt

1/1: Monetary Policy

As the overriding objective of the monetary policy is price stability, the CBE seeks to bring inflation to such an appropriate and stable level that helps build confidence and sustain appropriate levels of investment and economic growth. The CBE adopted the overnight interbank interest rate as the operational target of the monetary policy, by applying a framework based on the corridor system, within which the ceiling is the overnight interest rate on lending from the Bank, and the floor is the overnight deposit interest rate at the Bank.

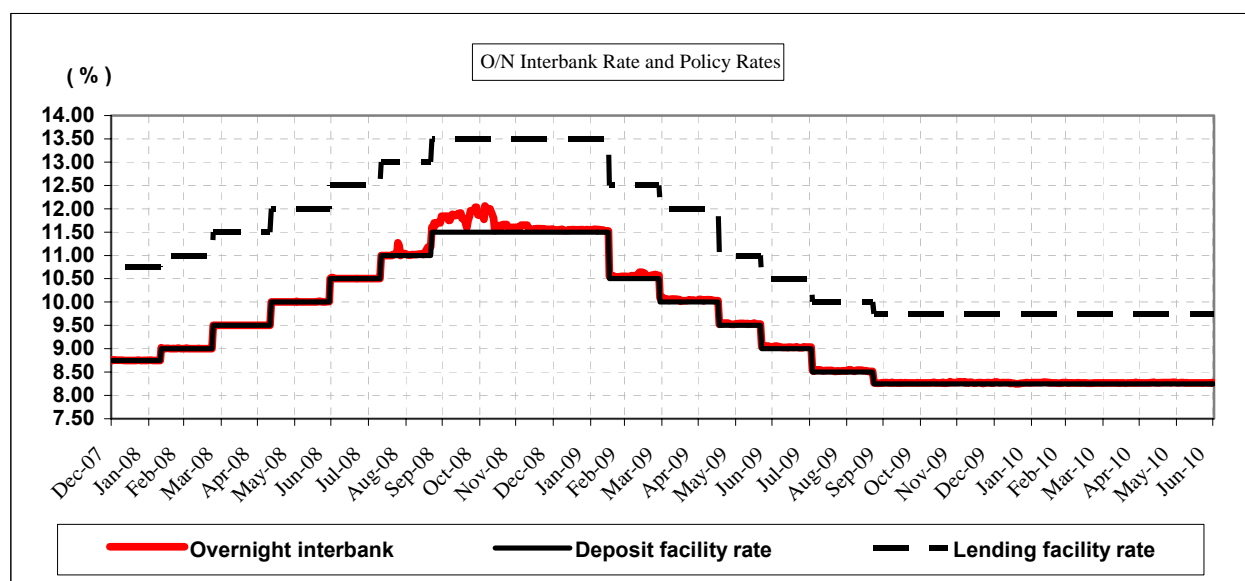
It is worth mentioning that the CBE announced on 25 Oct. 2009 a new measure of core inflation. The core measure is used as a complementary indicator that distinguishes the underlying trend of the inflation rate from its transitory movements. It is derived from the headline CPI, prepared by the Central Agency for Public Mobilization and Statistics, after excluding the prices of most volatile items and regulated prices, to make an accurate analysis of the causes for the increase of prices.

The decisions of the Monetary Policy Committee (MPC) during FY 2009/2010 aimed at achieving the overriding objective of the monetary policy. Accordingly, the MPC decided in the first quarter to cut the CBE key interest rates (the overnight deposit and lending rates), with a cumulative drop of 0.75 percent to 8.25 percent and 9.75 percent, respectively. The discount rate was also cut by 0.5 percent to 8.5 percent per annum. The MPC decided in 6 successive meetings, from November 2009 to June 2010, to keep the overnight deposit and lending rates and the discount rate unchanged. During the preparation of the annual report, the MPC decided on 29 July 2010, and 16 Sept. 2010 to keep the overnight deposit and lending rates, as well as the discount rate unchanged.

The following are the CBE's key interest rates according to the MPC's decisions taken during FY 2009/2010:

	Overnight Deposit Interest Rate	Overnight Lending Interest Rate	Lending & Discount Rate
18 June 2009	9.00%	10.50%	9.00%
30 July 2009	8.50%	10.00%	8.50%
17 Sept. 2009	8.25%	9.75%	Unchanged
5 Nov. 2009 - 17 June 2010	Unchanged	Unchanged	Unchanged

The above decisions of the MPC were reflected on the overnight interbank interest rate. Given the excess liquidity at the banking system, the weighted average of the said rate moved closer to the overnight deposit rate at the CBE in the reporting year (see the following chart).



The MPC's decisions were also reflected on the market interest rates on deposits and loans. Hence, the average interest rate on three-month deposits reached about 6.3 percent per annum at end of June 2010 (against 6.9 percent at end of July 2009), while those on one-year or-less loans averaged 11.1 percent* per annum (against 12.1 percent).

Open Market Operations:

The reporting year witnessed a rise in the outstanding balance of liquidity, which the CBE had absorbed from the market. It registered LE 101.5 billion at end of June 2010 (against LE 82.9 billion at end of June 2009). Such an increase was mainly due to the pickup in the purchases of foreign exchange by the CBE from banks.

1/2: Reserve Money

Reserve money (currency in circulation outside the CBE and banks' local currency deposits) reached LE 203.1 billion at end of June 2010, up by LE 28.0 billion or 16.0 percent during FY 2009/2010 (against LE 5.2 billion or 3.1 percent a year earlier). The rise resulted in a growth in currency in circulation outside the CBE by LE 18.0 billion, and in banks' local currency deposits by LE 10.0 billion.

* The data on interest rates (deposits and loans) were compiled using the Domestic Money Monitoring System (DMMS) launched in June 2010.

Reserve Money and Counterpart Assets*

	Balances at End of June 2010	Change During FY	
		2008/09 Value	2009/10 Value
<u>A- Reserve Money</u>	<u>203071</u>	<u>5193</u>	<u>27967</u>
-Currency in circulation outside the CBE	144253	14856	17985
-Banks' local currency deposits	58818	(9663)	9982
<u>B- Counterpart Assets</u>	<u>203071</u>	<u>5193</u>	<u>27967</u>
<u>Net Foreign Assets</u>	<u>190234</u>	<u>(8601)</u>	<u>18502</u>
Foreign assets	198605	(8966)	25550
Foreign liabilities	8371	(365)	7048
<u>Net Domestic Assets</u>	<u>12837</u>	<u>13794</u>	<u>9465</u>
Claims on the government (net)	80611	(13259)	11998
Claims on banks (net)	29010	(77247)	28676
<u>Other Items (Net)</u>	<u>-96784</u>	<u>104300</u>	<u>(31209)</u>

* Derived from the CBE's balance sheet

As for the components of reserve money, the breakdown of currency in circulation outside the CBE by denomination indicates that the relative importance of large denominations (LE 200, LE 100 and LE 50) continued to rise, recording 92.1 percent of total currency in circulation outside the CBE at end of June 2010 (against 90.5 percent at end of June 2009). The increase was mainly concentrated in the relative importance of the new LE 200 note (after modifying its specifications and size and putting it in circulation as of August 2009). That mirrored the continued preference for large notes, in the light of the increasing value of transactions associated with higher prices. Against these developments, the average value per note increased from LE 30.8 at end of June 2009 to LE 33.4 at end of June 2010.

Currency in Circulation Outside the CBE*

(LE mn)

Banknotes	June 2009		June 2010		Change during FY	
	Value	Relative Importance	Value	Relative Importance	2008/09	2009/10
<u>Total</u>	<u>126268</u>	<u>100.0</u>	<u>144254</u>	<u>100.0</u>	<u>13.3</u>	<u>14.2</u>
<u>Banknote in Circulation</u>	<u>125981</u>	<u>99.8</u>	<u>143948</u>	<u>99.8</u>	<u>13.4</u>	<u>14.3</u>
PT 25	158	0.1	184	0.1	9.0	16.3
PT 50	308	0.3	293	0.2	27.3	(4.9)
LE 1	770	0.6	843	0.6	30.3	9.5
LE 5	1257	1.0	1495	1.0	13.8	18.9
LE 10	2911	2.3	2844	2.0	2.3	(2.3)
LE 20	6297	5.0	5480	3.8	(12.5)	(13.0)
LE 50	22898	18.1	18704	13.0	(9.9)	(18.3)
LE 100	60867	48.2	68641	47.6	11.6	12.8
LE 200**	30515	24.2	45464	31.5	60.1	49.0
<u>Subsidiary Currencies</u>	<u>287</u>	<u>0.2</u>	<u>306</u>	<u>0.2</u>	<u>4.4</u>	<u>6.6</u>

* The difference between banknote issue and cash at the CBE vaults.

** The LE 200 note has been in circulation as of May 2007.

The pickup in currency in circulation outside the CBE was due to the increase in the balance of banknote issue by LE 18.3 billion or 14.3 percent during the reporting year (against a rise of LE 15.2 billion or 13.5 percent during the previous FY) to reach LE 146.2 billion at end of June 2010. As for the components of the issue cover, the value of gold increased by LE 3.0 billion, as a result of its revaluation on 30 June 2010, to register LE 12.4 billion. Likewise, Egyptian government bonds rose by LE 4.2 billion to LE 122.4 billion. In addition, about LE 11.1 billion worth of foreign currencies were added to the issue cover. Accordingly, the structure of the cover at end of June 2010 was as follows: 83.9 percent as government bonds, 8.5 percent as gold, and 7.6 percent as foreign currencies.

Banknote Issue*

(LE mn)

At End of June	Balance of Banknote Issue	Change during the Year	
		Value	%
2006	79253	11500	17.0
2007	93499	14246	18.0
2008	112705	19206	20.5
2009	127912	15207	13.5
2010	146220	18308	14.3

*Including subsidiary coins issued by the Ministry of Finance

The increase in **the counterpart assets of reserve money** was due to the pickup in both net foreign assets and net domestic assets. Adding 10.6 percentage points or LE 18.5 billion worth, net foreign assets at the CBE contributed the bulk of the increase in reserve money, while net domestic assets contributed some 5.4 points or LE 9.5 billion.

A number of factors stood behind the pickup in net domestic assets. First, the CBE's net claims on the government went up by LE 12.0 billion (due to the rise in its claims on the government by LE 3.4 billion and the decline in government deposits therewith by LE 8.6 billion). Second, the CBE's net claims on banks went up by LE 28.7 billion due to the increase in the CBE's claims on banks by LE 28.1 billion (represented in the rise of the CBE's foreign currency deposits at banks) and the drop in banks' foreign currency deposits at the CBE by LE 0.6 billion worth. On the other hand, the negative balance of other items (net) rose by LE 31.2 billion, owing to the LE 18.6 billion increase in the deposits accepted by the CBE under the open market operations, and the LE 12.6 billion drop in net unclassified assets and liabilities.

The rise of LE 18.5 billion worth in net foreign assets with the CBE was an outcome of the pickup of LE 25.6 billion worth in foreign assets, curbed by the rise in foreign liabilities by the equivalent of LE 7.1 billion. It is worthy to note that SDR allocations - issued by the IMF to its members to boost global financial markets - were classified as foreign assets and liabilities, according to the IMF's proposed classification.

1/3: Payment Systems and Information Technology (IT)

The CBE continued to develop the payment systems and information technology to enhance the soundness and stability of the financial system, reduce credit risks, speed up payment systems, ensure their liabilities and confidentiality, and progressively move to a cashless society. In this respect, the following achievements were made during FY 2009/2010:

- A project was initiated to develop the Core Banking & Financial Systems. An international bid was made for this purpose and offers were received from international companies with high experience in that field. The CBE is now in the process of making technical and financial evaluations of these offers. The project aims at raising the efficiency of the CBE's branches (including the Printing Press) and different departments and sectors. By facilitating the Ministry of Finance access to its relevant data and reports, with timeliness and accuracy, the aforementioned system will enable it to monitor - on a real time basis - the transactions that affect its accounts at the CBE. Moreover, the project aims to apply the international accounting standards. As an initial step, the updating and development of the Bank's accounting framework was completed with the participation of all the sectors concerned.
- The development of the banking sector units database at the CBE is currently under way, by setting up a data warehouse conforming to the international standards. The warehouse is designed to help the CBE's different sectors to obtain such accurate and transparent reports that are required for them to follow up the performance of the banking sector's units and make the appropriate decisions.
- The establishment of a permanent backup site for the CBE is on track, to be functional in emergencies as an alternative of the main center at El- Gomhoria building. The action aims at ensuring access to data and services with accuracy and timeliness, taking into account that the backup site should conform to the international rules and conditions. The CBE building in Tanta was chosen to be the location for this site, and a study was approved for this purpose. Moreover, necessary procedures for implementing the project were taken.
- The CBE has finished the preparation, installation and operation of the new Domestic Money Monitoring System (DMMS). The system aims to electronically monitor the performance of the domestic market (mutual funds, interbank, and interest rates). Technically, the system receives electronic files through the interface with the CBE. After files are uploaded to the system, data would be analyzed and a number of monitoring reports are produced with the aim of following up banks' performance.

- The Central Chamber for FX Statistics was transferred to the CBE building in El-Gomhoria Street. In this context, actions were taken concerning its interface with banks and forex companies in addition to the hardware, software, and application programs.
- Out of its keenness to secure the data of banks, especially with the increased risks associated with internet use and the provision of banking services via the internet, the CBE adopted a project that obliges banks to identify and assess the vulnerabilities of the data network that serves the banking operations system and the CBE's website. Banks should also revise the design of the data security systems, and conduct penetration tests in cooperation with specialized companies. The project also obliges banks to present a plan that addresses any detected vulnerabilities, with the agreement of the companies specialized in this regard. Moreover, banks should submit to the CBE a report on the identification and assessment of vulnerabilities, a report on the remedial plan, and another on the penetration tests.
- To automate the procedures of submitting offers for the auctions of treasury bills and bonds and the CBE's certificates of deposits (CDs), an electronic system called the “auction portal system” was introduced. Through this system, the primary and non primary dealers can submit their offers for the auctions online within the scope of the secure and private data network which connects the banks operating in Egypt with the CBE according to specific regulations.
- The payment systems and information technology sector is participating in the project, by designing and monitoring the infrastructure of Qasr El Nile building.

1/3/1: RTGS and SWIFT Local Services

Data on local banking transfers under the RTGS system, applied as of mid-March 2009, showed an increase in the number and value of executed messages, registering 1.2 million messages, with a value of LE 13274.7 billion (against 0.9 million, with a value of LE 5294.4 billion a year earlier). The marked rise in the number of transactions during the year was ascribed to the implementation of the RTGS system (whereas in the year of comparison, the system's impact was not felt except in the last quarter). In addition, the RTGS transactions included banks' deposit acceptance operations at the CBE (corridor transactions and deposits for monetary policy purposes).

RTGS and SWIFT Local Services in Local Currency

During FY	Number of Messages (Unit)	Value of Transfers (LE mn)	Change During the Year	
			Number	Value
2006/2007	525236	2280198	120460	621404
2007/2008	700668	3092401	175432	812203
2008/2009	897205	5294357	196537	2201956
2009/2010	1191374	13274677	294169	7980320

According to the statistics of the CBE Automated Clearing House, included in the RTGS since its launch, the number of exchanged cheques increased during the reporting year to 13.0 million cheques from 12.1 million. Their total value went up to LE 584.5 billion from LE 548.0 billion a year earlier. As a result, the average value per cheque declined to LE 45.0 thousand during the year from LE 45.4 thousand during the previous year.

CBE Automated Clearing House Activity

During FY	Number of Cheques (thousand)	Value of Cheques (LE mn)	Change	
			Number	Value
2006/2007	10481	356900	10.2	23.6
2007/2008	11724	483113	11.9	35.4
2008/2009	12062	548038	2.9	13.4
2009/2010	12994	584546	7.7	6.7

Transactions executed in foreign currencies under the Fin-Copy system, via SWIFT, showed a decrease in both number and value. As such, the number of executed transactions reached 12.2 thousand at a value of US\$ 70.0 billion, against 12.4 thousand at a value of US\$ 83.0 billion a year earlier.

SWIFT Local Service Activity in US Dollar

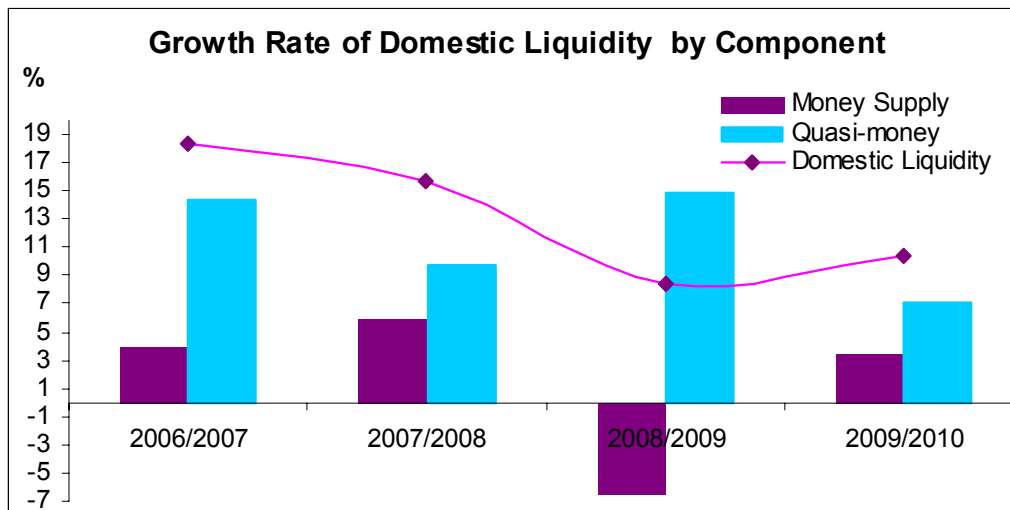
During FY	Number of Messages (Unit)	Value of Transfers (US\$ mn)	Change During the Year	
			Number	Value
2006/2007	12070	78997	1021	39224
2007/2008	13925	105586	1855	26589
2008/2009	12365	83019	(1560)	(22567)
2009/2010	12204	70008	(161)	(13011)

1/4: Domestic Liquidity and Counterpart Assets

Domestic liquidity went up by LE 86.3 billion or 10.4 percent during FY 2009/2010 (against LE 64.5 billion and 8.4 percent a year earlier) to reach LE 917.5 billion at end of June 2010. The rise resulted from the growth in net domestic assets by LE 58.0 billion or 10.0 percent, and net foreign assets by LE 28.3 billion worth or 11.1 percent.

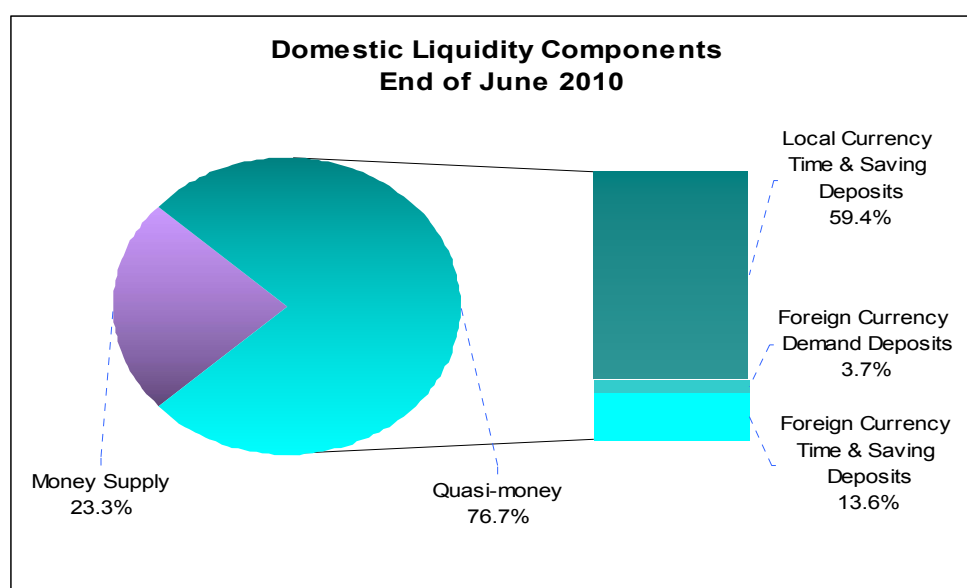
The rise in domestic liquidity was reflected on the growth of money supply and quasi-money. **Money supply** augmented by LE 31.1 billion or 17.0 percent (against LE 12.4 billion or 7.3 percent a year earlier) reaching LE 214.1 billion or 23.3 percent of total domestic liquidity at end of June 2010. The pickup in money supply

was a result of the rise in currency in circulation outside the banking system by LE 17.1 billion or 14.4 percent (against LE 13.5 billion and 12.9 percent) to reach LE 135.2 billion at end of June 2010. Another contributing factor was the rise in local currency demand deposits by LE 14.0 billion or 21.6 percent (against a decline of LE 1.1 billion or 1.6 percent) to stand at LE 78.8 billion at end of June 2010. The bulk of the increase in these deposits (57.2 percent) was contributed by the private business sector.



Quasi-money accelerated by LE 55.2 billion or 8.5 percent during the reporting year (against LE 52.1 billion or 8.7 percent during the previous FY) to post LE 703.4 billion at end of June 2010. The rise was due to the LE 64.3 billion or 13.4 percent increase in LE time and saving deposits by all sectors, to register LE 545.3 billion or 77.5 percent of total quasi-money, and 59.4 percent of total liquidity at end of June 2010.

Most of the increase (93.4 percent) in LE time and saving deposits was contributed by the household sector. Deposits of that sector rose by LE 60.0 billion or 15.5 percent, to reach LE 448.3 billion or 82.2 percent of total LE time and saving deposits and 63.7 percent of total quasi-money. By contrast, foreign currency deposits of all sectors declined by LE 9.1 billion worth or 5.4 percent, to stand at LE 158.1 billion worth and to represent 22.5 percent of total quasi-money at end of June 2010.



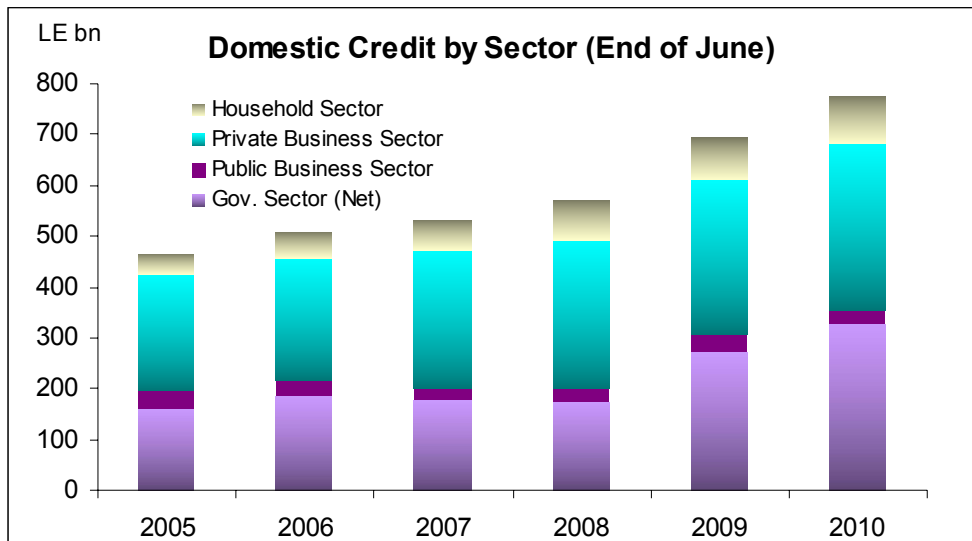
Against these developments, the ratio of foreign currency deposits / total deposits (dollarization ratio) declined from 23.4 percent at end of June 2009 to 20.2 percent at end of June 2010, a fact that reflects the propensity for saving in Egyptian pound rather than foreign currencies, especially, given the increasing confidence in the efficient management of the forex market that dispelled dealers' concerns about the LE fluctuations. Add to this the higher interest rate on local currency deposits as compared with the US dollar and other main currencies.

Domestic Liquidity Growth Rate by Counterpart Assets

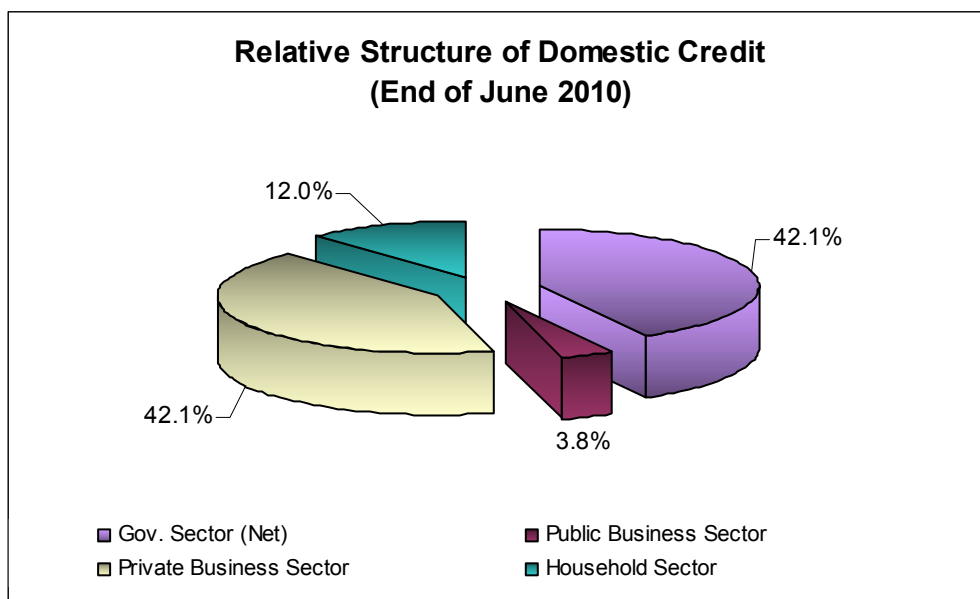
June	2007	2008	2009	2010
Domestic liquidity growth rate (%)	18.3	15.7	8.4	10.4
Net foreign assets (%)	15.2	12.8	(6.5)	3.4
Net domestic assets (%)	3.1	2.9	14.9	7.0

Domestic credit rose by LE 79.9 billion or 11.5 percent during the reporting year (against LE 124.4 billion or 21.8 percent a year earlier) to reach LE 775.3 billion at end of June 2010.

The rise in domestic credit reflects mainly the increase in net credit to the government (including public economic authorities) by LE 53.0 billion or 19.4 percent (against LE 99.1 billion or 57.0 percent a year earlier) reaching LE 326.1 billion or 42.1 percent of total credit at end of June 2010. Such a rise came as a result of the increase in banks' holdings of government securities by LE 42.6 billion, and in government borrowing by LE 12.2 billion, on the one hand, and the rise in government deposits by LE 1.8 billion, on the other hand.

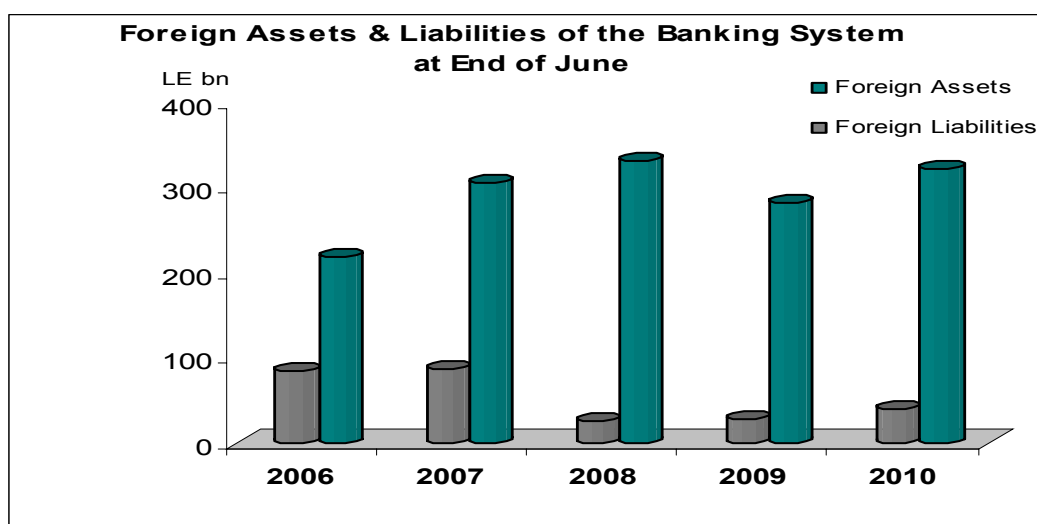


Given the marked rise in its investments, credit to the private business sector augmented by LE 21.9 billion or 7.2 percent (against LE 12.8 billion or 4.4 percent) posting LE 326.4 billion or 42.1 percent of total domestic credit at end of June 2010. Credit to the household sector surged by LE 8.2 billion or 9.7 percent (against LE 6.3 billion or 8.0 percent) bringing its balance to LE 92.8 billion or 12.0 percent of total credit at end of June 2010, due to the increase in the activities of retail banking and consumer credit (especially personal loans). However, credit to the public business sector rolled back by LE 3.2 billion or 9.5 percent (against a rise of LE 6.2 billion or 23.2 percent), bringing its indebtedness to banks to LE 30.0 billion or 3.9 percent of total credit at end of June 2010.



Net foreign assets with the banking system amounted to LE 282.4 billion worth at end of June 2010, with a rise of LE 28.3 billion worth or 11.1 percent in the reporting year (against a decline of LE 49.5 billion worth or 16.3 percent a year

earlier). The rise reflects larger net foreign assets at the CBE by LE 18.5 billion worth (due to the rise in its foreign assets by LE 25.6 billion worth, and its foreign liabilities by LE 7.1 billion worth) and higher net foreign assets at banks by LE 9.8 billion. The marked increase in net foreign assets at the CBE reflects the stronger performance of the balance of payments that registered an overall surplus of US\$ 3.4 billion during the reporting year (against an overall deficit of almost the same amount in the preceding FY).



Net balancing items exerted a contractional effect on domestic liquidity during the year. Its credit balance rose by LE 22.0 billion (against LE 10.3 billion a year earlier). That was an outcome of the increase in capital accounts by LE 22.5 billion, and the decline in unclassified assets and liabilities by LE 0.5 billion.

1/5: Banking Supervision

The CBE conducts supervision over banks in Egypt to ensure the soundness of their financial positions and to evaluate their performance from the perspective of risk-based supervision. In addition, it checks that banks comply with the CBE regulatory standards, including the minimum-reserve and liquidity ratios, the maximum limits of a bank's exposure to a single customer, his connected parties, and exposure abroad, as well as the asset-liability matching in terms of maturity and currency. Add to this a number of qualitative standards that ensure – besides the abovementioned standards – the sound performance of banks and the safety of depositors' funds. Those standards include good governance rules, information system efficiency and appropriate competency standards for officials and managers of banks' key sectors.

The implications of the financial crisis showed that the instructions and the reform policies adopted by the CBE to restructure banks, raise their capital and strengthen their risk management system were instrumental in containing the effects of this crisis. Moreover, during the reporting year, the CBE had thoroughly monitored the financial crisis in Dubai, Greece and some EU countries, so as to be capable of making immediate decisions when necessary to counteract the spillovers in due time. The CBE's Board of Directors issued a decision, on its session dated 22 June 2010, approving the regulations relating to the maximum exposure of banks operating in Egypt to their customers of financial institutions abroad.

In the reporting year, the CBE issued other regulations and instructions, the most important of which were the following:

- 1- The CBE emphasized that banks operating in the foreign exchange market shall be prohibited from conducting any margin trading on any currency or precious metal on behalf of their customers.
- 2- Banks should be free to change the list of their announced market rates, whenever the interbank rates change, provided that the buying market rates do not exceed the buying interbank rates, and that the selling market rates are higher than those of the interbank rates.
- 3- Banks are required to obtain data and information from the Egyptian Credit Bureau (I-Score) on the credit history of natural persons and SMEs, as part of the process of analyzing information on, and assess the creditworthiness of, each customer to decide whether credit be offered, increased or renewed. Moreover, banks should observe accuracy of the information sent therefrom to the Credit Bureau to ensure the reliability of the Bureau's reports, on the basis of which banks should assess the creditworthiness of their customers.
- 4- The CBE agreed to include the bonds issued by a public economic authority in the numerator of the local currency liquidity ratio, and the US dollar bonds issued by the Treasury in a stock market in the numerator of the foreign currency liquidity ratio.
- 5- The CBE agreed to include the repo transactions it conducts with its customers – apart from the banks registered at the CBE – on government securities (treasury bonds and bills) in the components of reserve ratio.
- 6- The CBE approved a new electronic system called the “Domestic Money Monitoring System” whereby banks shall be committed to submit daily data on their interbank rates, weekly data on mutual funds, and monthly data on interest rates of loans and deposits.

- 7- Offers for the auctions of treasury bills and bonds and the CBE certificates of deposits (CDs) shall be submitted through a new system called the “Auction Portal System” operating within the scope of the secure and private data network, which connects the banks operating in Egypt with the CBE.
- 8- Prior to providing e-banking services or entering into a contract with a company operating in this field, a bank should obtain the approval of the CBE.
- 9- The rules and regulations governing the operation of payment orders via mobile phones in Egypt (mobile-banking) were established, with the aim of regulating money transfer transactions through mobile phones. If it is found out, upon verification by the CBE, that the technical and administrative systems of an applicant bank do not conform to the above-said rules and regulations, it shall be denied the CBE’s approval.
- 10- The CBE called on banks to ensure the efficient security of their information systems, taking into account the increasing risks resulting from using and providing banking services via the internet.
- 11- The CBE set out its strategy for applying Basel II accords at the Egyptian banking sector as of the beginning of 2009 till the end of 2011. Within the framework of applying these accords, the CBE prepared discussion papers on operational risks, credit risks, market risks, and the capital base for assessing the capital adequacy of own funds to know the comments of banks and exchange their viewpoints prior to conducting quantitative studies.
- 12- Forms sent by banks to the Supervision Sector at the CBE (40 forms) shall be automated in compliance with the rules entitled “preparation and presentation of banks’ financial statements and the principles of recognition and measurement” approved by the CBE Board of Directors on its session of 16/12/2008. These rules shall be effective on, or after, January 1st, 2010.
- 13- Banks shall start increasing their “risk reserves” annually, by 10 percent of the value of assets that are transferred to their ownership, in discharge of the debts owed to them by other parties, in the event that these debts are not disposed of within the legal period. However, this action shall not be an alternative to disposing of the assets in question, as banks were urged to do such disposals.
- 14- Each bank shall specify the required security deposit when opening documentary credits; confirming the bills submitted under suppliers’ credit; or issuing letters of credit to import commodities on behalf of traders for the purpose of trading, or on behalf of government entities. The minimum limit of such ratio shall be 50 percent for each individual case, in accordance with the bank’s credit policy and its customer case studies.

As for enhancing the framework of governance at the Egyptian banking sector, the CBE's Board of Directors approved on its session dated 6 April 2004, the competency criteria for chairmen, board members and executive managers of banks to make sure that they are qualified for their positions. Moreover, the Board agreed, on its session dated 24 November 2009, to modify these criteria by adding a new criterion stipulating that “It shall be prohibited for any one to simultaneously occupy the two positions of a senior manager in one bank and a member of the board of directors of another bank. This shall only be applicable to future nominations, and an exception shall be made for those banks that are entirely owned by the CBE.” The criterion in question is intended to prevent any conflict of interests, in compliance with sound corporate governance practices. In addition, interviews should be made with the chairmen and their deputies, delegated members, executive board members of banks and the executive managers to ensure that they are eligible for the positions they are nominated for, with a focus on the occupants of risk- and compliance-related positions.

As for foreign nominees at banks (board members and executive managers), a regulation was set in relation to consulting the regulatory authority to which the nomination entity is affiliated with the aim of ensuring that these nominees are eligible for the positions they are nominated for.

In light of the study conducted on some of the banks' statutes relating to the periodicity and place of holding the meetings of banks' boards of directors, the CBE Board of Directors agreed, on its session dated 20 June 2009, to exceptionally allow banks to hold their board meetings outside Egypt for one time during the fiscal year.

Regulations are currently set to allow banks to promote the products of real estate finance companies through the branches of banks.

The Egyptian Financial Supervisory Authority (EFSA) issued Decision No. (3) for 2010 concerning the regulations of depository banks activity and the issuance of Egyptian depository receipts. The regulations shall be applicable to banks that apply for the CBE to practise this activity.

In line with the CBE's policy of encouraging the growth and spread of banks by opening new branches nationwide, the applicable criteria for approving the establishment of new branches/agencies for banks were revised, with a view to organizing and simplifying the relevant procedures. Moreover, a number of guidelines were set for the applicant banks, that give due regard to the soundness of banks' financial positions, internal control systems, the efficiency of their information systems and their capital adequacy to ensure that they can better face the risks arising from the expansion in their activities. In addition, the CBE has set and modified the rules concerning the business hours of all banks operating in Egypt.

That step is meant to ensure equality among banks, with respect to the number of hours of offering customer services, thus ensuring fair and equal standards of competition among banks. The CBE also laid out the security regulations of foreign exchange offices at banks. The regulations aim at avoiding events which can affect the safety and security of these offices.

The CBE is currently in the process of updating the rules of examining the documents required from the houses of expertise (that are qualified for participating in the evaluation of collaterals/guarantees provided to banks) to be listed in the register of houses of expertise at the CBE (63 houses of expertise were listed). This step is bound to raise the efficiency and effectiveness of the credit decisions made by banks to prevent the recurrence of the problem of non-performing loans.

On the other hand, the auditors who are authorized to audit the financial statements of banks shall be registered in a special register in conformity with certain criteria that ensure a satisfactory degree of efficiency and expertise.

Recently, banks have been eager to provide e-banking services to keep pace with the technological progress in this field. These are either traditional banking services or innovative ones (effected via electronic networks) and had already been regulated by the rules issued by the CBE Board of Directors on 28 February 2002. On 2 February 2010, the CBE Board of Directors approved the regulations governing the operation of payment orders via mobile phones in Egypt. Furthermore, the CBE is currently in the process of updating the rules of internet banking so as to reduce the risks resulting from the provision of e-banking services.

Moreover, the CBE's system of pooling credit risk aims at providing all the information (positive and negative) about customers who make regular or irregular payments and obtain finance and credit facilities in an amount of LE 30 thousand or more. The purpose is to notify banks, through the CBE's data network, of the positions of these customers before deciding whether credit be offered, renewed, or increased. On the other hand, the credit registration system at the CBE provides a set of supervisory reports that ensure banks' compliance with the CBE's supervisory regulations in this respect.

The credit registration system at the CBE was updated with the aim of making it more effective and transparent, and thus enhance the efficient performance and soundness of the banking system and its ability to manage banking risks and to cope with the global changes in the structure of economic activities. In doing so, the CBE introduced the following measures:

- Obliging banks to send the Obligor Risk Rating (ORR) of their customers on a monthly basis.

- Updating the information from banks on the activities of each customer, according to the International Standard Industrial Classification (ISIC) set by the CAPMAS.
- Approving applications submitted by some lease finance companies and real estate finance companies to participate in the credit registration system and to have an online access to the CBE's information network either when submitting declarations or being notified of customers' positions.
- Approving -on a preliminary basis- the application submitted by the Social Fund for Development to be immediately registered with the CBE's credit registration system.

In this respect, the CBE has been exerting strenuous efforts to ensure banks' compliance with the rules regulating the credit registration system at the CBE according to the provisions of Law No. 88 of 2003 of the Central Bank, the Banking Sector and Money and its Executive Regulations, and the CBE's Board of Directors' decision dated 26 April 2005. A step forward in this direction was the field inspection made recently on a number of banks (in accordance with the Supervision Sector's plan for 2009/2010).

It is worthy noting that the field inspection made by the CBE's system of pooling credit risk through inspection teams aims in the first place to verify banks' compliance with the rules and decisions mentioned above. Also, a great deal of the information and data sent by banks on their customers were corrected, to enhance more disclosure and transparency of customers' positions and help make informed credit granting decisions.

As regards on-site supervision, the Central Bank continued its 2010 plan for the inspection of the banking sector units (banks) and exchange dealer companies. Under this plan, the inspection is expected to cover as many banks as possible and each bank is inspected annually either in a comprehensive or a limited manner according to its level of risk and quality of products and activities. In this context, the inspection capacity has been gradually increased whether in terms of number or quality. It is worth noting that a major part of bank inspection is conducted by means of automated systems and laptops. For this purpose, a program was developed to produce the credit examination sample in a more comprehensive way, and to help inspectors identify - with a higher degree of accuracy - the strengths, weaknesses and risks of customers and banks. Moreover, an examination of certain aspects of specific bank customers has been under way, to help take immediate corrective actions as deemed necessary, needless of waiting for the full examination over these banks to be made. In addition, the system of examination according to specialization was adopted whereby the inspection of banks is carried out by specialized inspectors. For

example, the examination of retail banking at each bank is carried out by a team whose members are specialized in retail banking. The same applies to information systems and market risks. That approach makes inspection more effective and profound by providing a thorough view of the risks of the inspected bank.

In this context, a core team was formed to follow-up and manage the IT systems, being tasked with analyzing and reporting on risk areas at banks. Together with off-site supervision, this will help outline a blueprint for the inspection plans and progress on the corrective actions.

The inspection reports made lately have contributed not only to upgrading the risk management framework in several banks and furthering the application of the international best practices in various fields (e.g. governance, and outsourcing), but also to creating a more conducive environment for on-site supervision and the combating of money laundering and terrorism finance. On the other hand, the Supervision Sector at the CBE continued to cooperate with the other supervisory and judicial authorities in resolving a number of money and banking issues. Moreover, the sector examines the complaints filed by bank customers and provides the required banking expertise.

1/6: Banking Sector Reform

Pressing forward with its banking reform plan, launched in September 2004, the Central Bank has completed preparations for the second stage (2009 - 2011). This stage aims at enhancing the efficiency and soundness of the Egyptian banking sector, and upgrading its competitiveness and risk management ability so that it can perform its role in financial intermediation for the interest of the national economy, and achieve the targeted development. The reform plan is based on a number of pillars, namely:

- Prepare and implement a comprehensive program for the financial and administrative restructuring of specialized state-owned banks (the Principal Bank for Development and Agricultural Credit, Egyptian Arab Land Bank, and Industrial Development and Workers Bank of Egypt), which is expected to positively affect these banks' performance by the end of the second stage of the said banking reform plan.
- Follow up -on a periodic basis- the results of the first stage of the restructuring program of the National Bank of Egypt (NBE), Banque Misr (BM) and Banque du Caire (BdC), which revealed that the first stage of the reform plan (2004/2008) had already yielded fruit and positively affected their performance levels. All requirements necessary to increase the efficiency of these banks in financial intermediation, risk management,

human resources, and IT to ensure the continued improvement of their financial performance and competitiveness were completed in the second stage.

- Apply Basel II standards in Egyptian banks to enhance their risk management practices. In this context, a protocol had been signed with the European Central Bank and seven European central banks to provide a three-year technical assistance program launched on 1 January 2009, to implement Basel II requirements in the Egyptian banking sector. It is worthy to note that the strategy of the CBE in implementing Basel II framework, which was announced for Egyptian banks and the relevant parties in an extensive meeting held on Oct. 2009, is based on two main principles; simplicity and consultation with banks, to ensure banks' compliance with these standards. According to the above-said strategy, Basel II standards should be phased in over the following stages:
 - **The first stage** (January 2009 - June 2009) focused on the capacity building of the CBE's core team and elaboration on the Egyptian strategy for Basel II implementation. That stage was successfully completed.
 - **The second stage** (July 2009 - June 2011) - the pivotal stage of the reform plan - covers extensive coordination with the banking sector, through discussion papers related to the most important topics and selection of the most appropriate methods for application in Egypt, taking into consideration similar experiences in other countries that have implemented Basel II. Moreover, the quantitative impact of the possible consequences of Basel II standards will be measured before the mandatory application.
 - **The third stage** (July 2011 - December 2011) will focus on the fine-tuning of future supervisory regulations related to Basel II, taking into account the legal aspects and development of corrective action plans commensurate with the different types of banks, according to the simulation results for each bank on a case by case basis. Also, a parallel run of existing regulations and Basel II will be applied upon issuance, and a new data warehousing framework will be implemented to support the future updated supervisory regime.
 - **The fourth stage** (continuing implementation) - a parallel run of Basel II and existing regulations concerning capital adequacy will be applied upon issuance. Moreover, the data warehousing framework will be completed.

- Adopt an initiative promoting the development and growth of banking activities/services catering and access to finance for various sectors, especially small- and medium-sized enterprises (SMEs). In this context, to encourage banking credit to small- and medium-sized enterprises (SMEs), the CBE exempted banks' deposits -equivalent to the size of loans extended thereby to finance SMEs- from the reserve requirement ratio (14 percent). It is noteworthy that poor access to adequate, timely and reliable statistical data and information is one of the main obstacles to improving and financing small - and medium-sized enterprises (SMEs). Hence, the Central Bank of Egypt and the Egyptian Banking Institute (EBI), in collaboration with the Central Agency for Public Mobilization and Statistics (CAPMAS), embarked on a field survey of small - and medium-sized enterprises (SMEs) covering all the governorates of Egypt, on the basis of the full count approach. As a preliminary stage, this survey will be initiated in Al Sharqiya Governorate, and in the light of the results, it will be completed in the rest of the governorates. According to the findings, a database will be set up and is to be periodically updated.
- Review and strictly apply the international governance rules to the Egyptian banking sector and the CBE.

Preparations for the second stage of the banking reform plan have proceeded, after the first stage was successfully implemented. The first stage was centered on four pillars: (1) consolidation and privatization of the banking sector, (2) financial and managerial restructuring of state-owned banks, (3) addressing of the non-performing loans issue, (4) upgrading of the Supervision Sector at the CBE.

As for the first pillar, some voluntary and state-forced mergers took place, leading to a decrease in the number of banks operating in Egypt from 57 at the end of December 2004 to 39 banks at the end of December 2008. Under this plan, 80 percent of the stake of the Bank of Alexandria was sold to Italy's Sanpaolo Bank, besides the divestiture of the shareholdings of state-owned banks in a number of joint venture banks.

With respect to the second pillar, state-owned banks were restructured under a comprehensive and time-lined plan, designed by the Banking Reform Unit at the CBE. The plan was intended to reform the practices of all departments and technological systems, besides establishing new departments, particularly for risk management, information technology (IT), management information systems (MIS) and human resources. To this end, a project on the application of the international best practices - implemented with the assistance of foreign consultants - was completed on time. In addition, a full audit of state-owned banks was conducted according to the international accounting standards, covering the years from 2004 to 2008. Finally, the recruitment of highly qualified banking cadres and leaderships at state-owned banks (with finance from the Banking Reform Fund) enabled those banks to push ahead with reform and development.

Concerning the third pillar, to address the problem of non-performing loans, the CBE's NPL Management Unit worked out a variety of approaches and programs that helped settle more than 90 percent of NPLs (excluding debts of the public business sector). With regard to the irregular debts of public business sector enterprises to public banks, about 62 percent was repaid in cash to the public commercial banks. As for the remaining debts (38 percent), an agreement was signed on 14/9/2009 whereby the cash repayment of the remaining debt will have been made by the end of June 2010.

A program for the reform of the Supervision Sector was devised to achieve the following targets: enhance the efficiency of this sector by benefiting from the international best practices, and apply the concept of risk-based supervision to ensure the sector's robustness and soundness. Furthermore, efforts were exerted to recruit highly qualified staff versed in advanced technology, enhance the efficiency of human cadres to be capable of managing this key sector, and upgrade the management information system (MIS) to ensure timely access to accurate data. In this context, a technical assistance program in collaboration with the European Central Bank (ECB) and four European central banks, was completed in the last quarter of 2007.

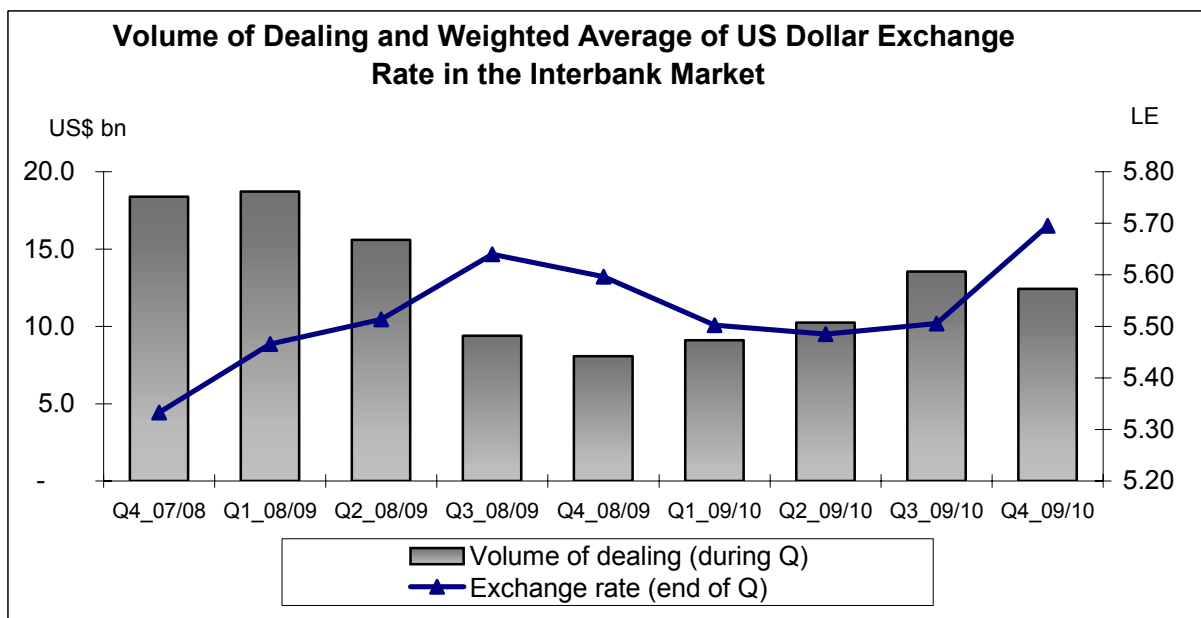
It is worthy to note that the successful and timely implementation of the first stage of the CBE's banking reform plan has helped this sector to weather the adverse effects of the world financial crisis.

1/7: Management of the Foreign Exchange Market and International Reserves

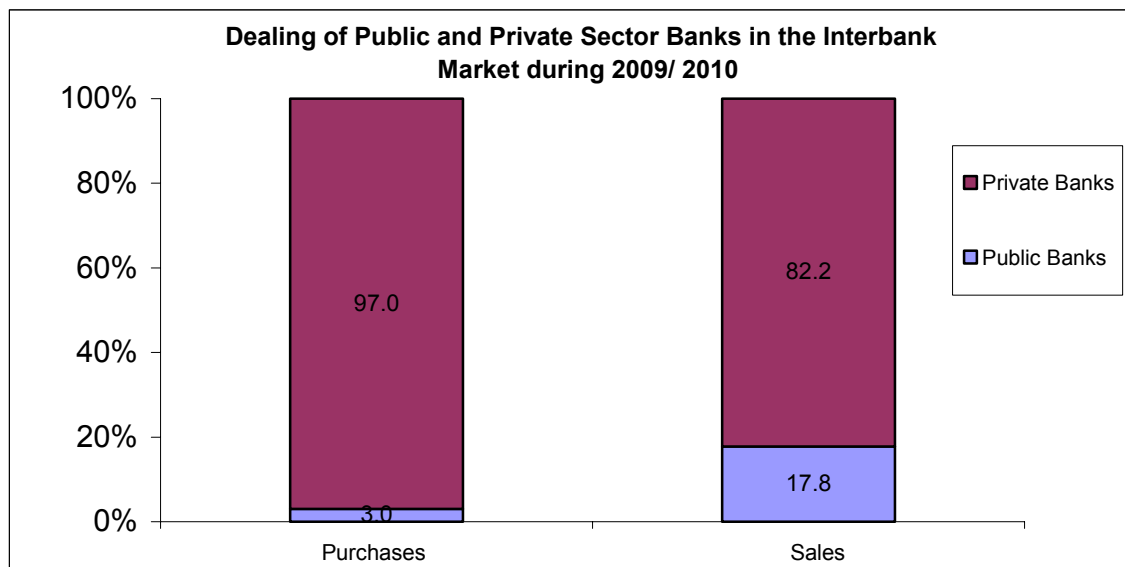
1/7/1: Foreign Exchange and Dollar Interbank Market

The CBE went ahead with its successful management of the forex market through the dollar interbank market. It managed to boost dealers' confidence in the efficiency of the forex market, and to dispel their concerns about any imminent fluctuations in the Egyptian pound.

The weighted average of the US dollar interbank rate rose from LE 5.5964 on 30/6/2009, to LE 5.6952 on 30/6/2010, down by 1.7 percent in the LE value during the reporting year.

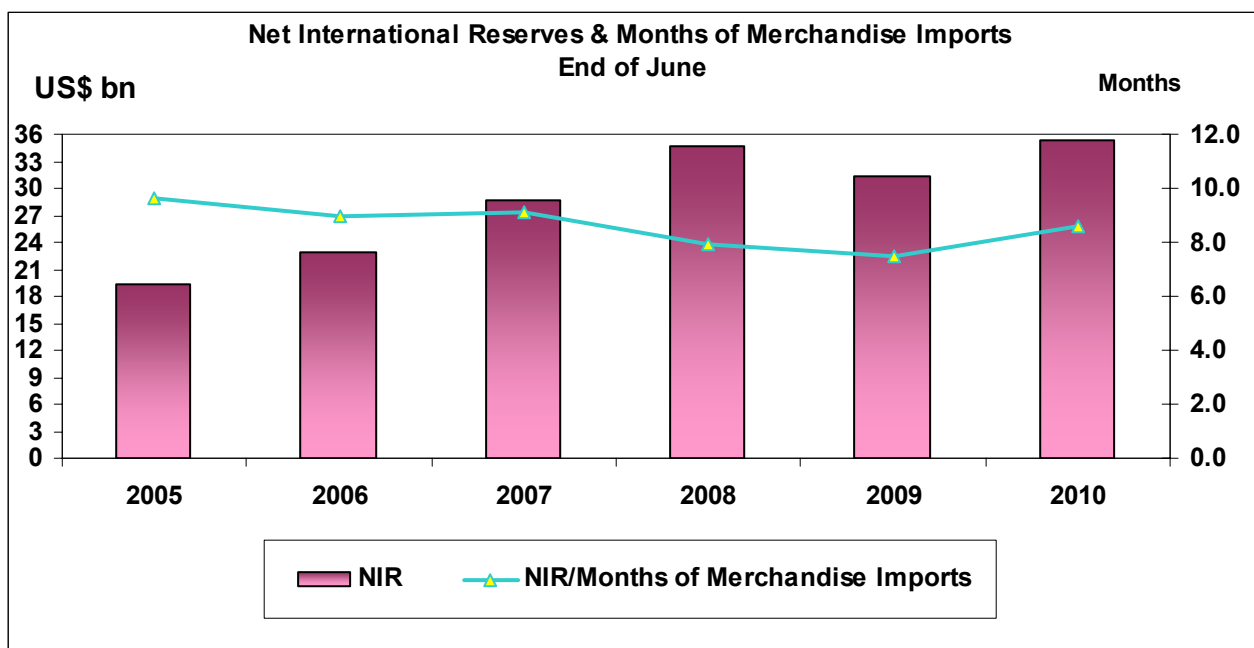


The volume of transactions in the interbank market rolled back by US\$ 6.5 billion, or 12.6 percent, posting US\$ 45.3 billion. Thus, the total volume of transactions amounted to US\$ 247.2 billion since the initiation of the interbank market on 23/12/2004 up to the end of June 2010. Sales and purchases of public banks constituted 17.8 percent and 3.0 percent, respectively, of the total volume of transactions, while private banks' sales constituted 82.2 percent and their purchases 97.0 percent.



1/7/2: International Reserves

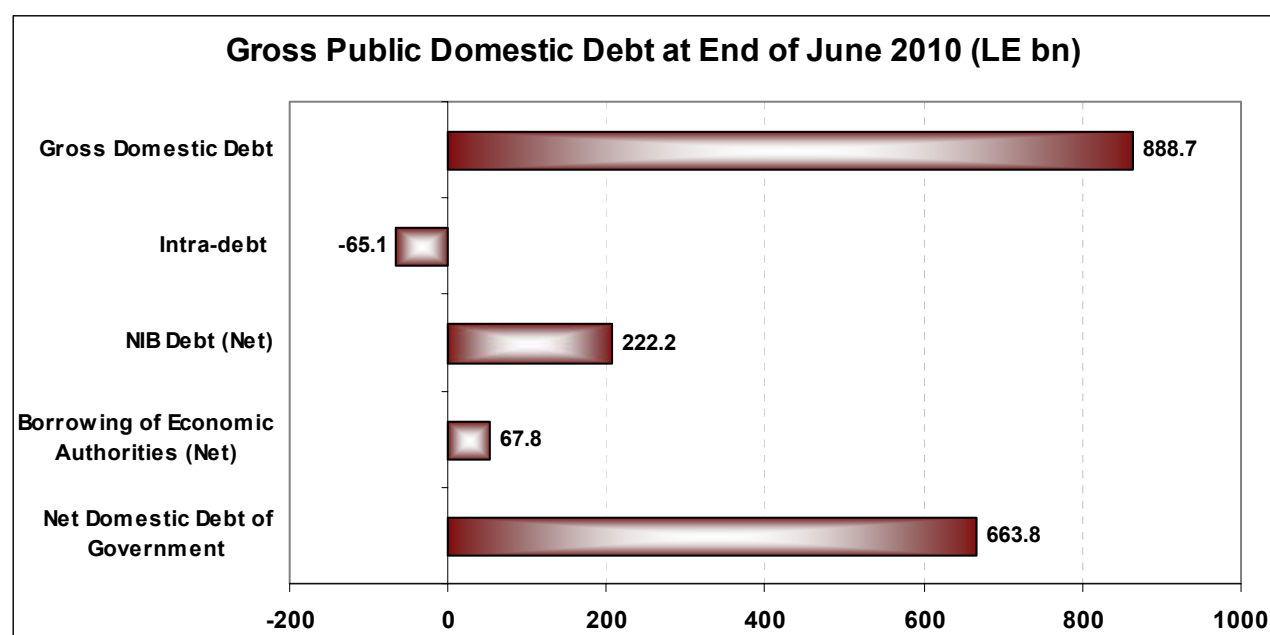
Net international reserves (NIR) with the CBE registered US\$ 35.2 billion (covering 8.6 months of merchandise imports) at end of June 2010, against US\$ 31.3 billion (7.5 months) at end of June 2009, up by US\$ 3.9 billion or 12.5 percent during the year under review. Such an increase was due to the rise in foreign currencies by LE 2.3 billion worth, Egypt's allocations of SDRs by the equivalent of US\$ 1.1 billion, and the value of gold by LE 0.5 billion worth, following its revaluation at end of June 2010. It is noteworthy that NIR have been on the rise during the preparation of this report, reaching US\$ 35.5 billion at end of September 2010.



1/8: Domestic and External Public Debt

1/8/1: Domestic Public Debt

During FY 2009/2010, domestic public debt went up by about LE 133.4 billion or 17.7 percent, to stand at LE 888.7 billion at end of June 2010 (73.7 percent of GDP against 72.5 percent a year earlier). Domestic public debt consists of the sum of net government debt, public economic authorities' debt, and that of the National Investment Bank (minus intra-debts of the public economic authorities and the government to the NIB).



1/8/1/1: Net Domestic Debt of the Government

The government's debt (net) amounted to LE 663.8 billion or 55.0 percent of GDP at end of June 2010, up by LE 101.5 billion or 18.0 percent in the FY 2009/2010. That increase was an outcome of the rise in the balances of treasury bonds and bills by LE 97.4 billion, and the decrease in the credit position of net government balances at the banking system by about LE 4.1 billion (due to the pickup in the government loans and deposits by LE 11.3 billion and LE 7.2 billion, in order).

Net Domestic Debt of the Government

(LE bn)

Balances at End of June	June 2009		June 2010		Change + (-) 2009/2010
	Value	%	Value	%	
Net Government Debt	562.3	100.0	663.8	100.0	101.5
-Balances of Bonds & Bills*	681.8	121.3	779.2	117.9	97.4
• Notes and bonds	442.7	78.8	513.1	77.6	70.4
Of which, tradable on exchanges	100.4	17.9	169.7	25.7	69.3
• Treasury bills	239.1	42.5	266.1	40.3	27.0
-Credit Facilities from SIFs	2.3	0.4	2.3	0.3	0
-Net Balances at the Banking System	-121.8	-21.7	-117.7	-17.7	4.1
• Credit Facilities	15.5	2.7	26.8	4.1	11.3
• Deposits (-)	137.3	24.4	144.5	21.8	(7.2)
Net government debt/GDP (%)	54.0		55.0		

Source: Ministry of Finance, CBE and NIB.

Percentages are calculated in terms of LE million.

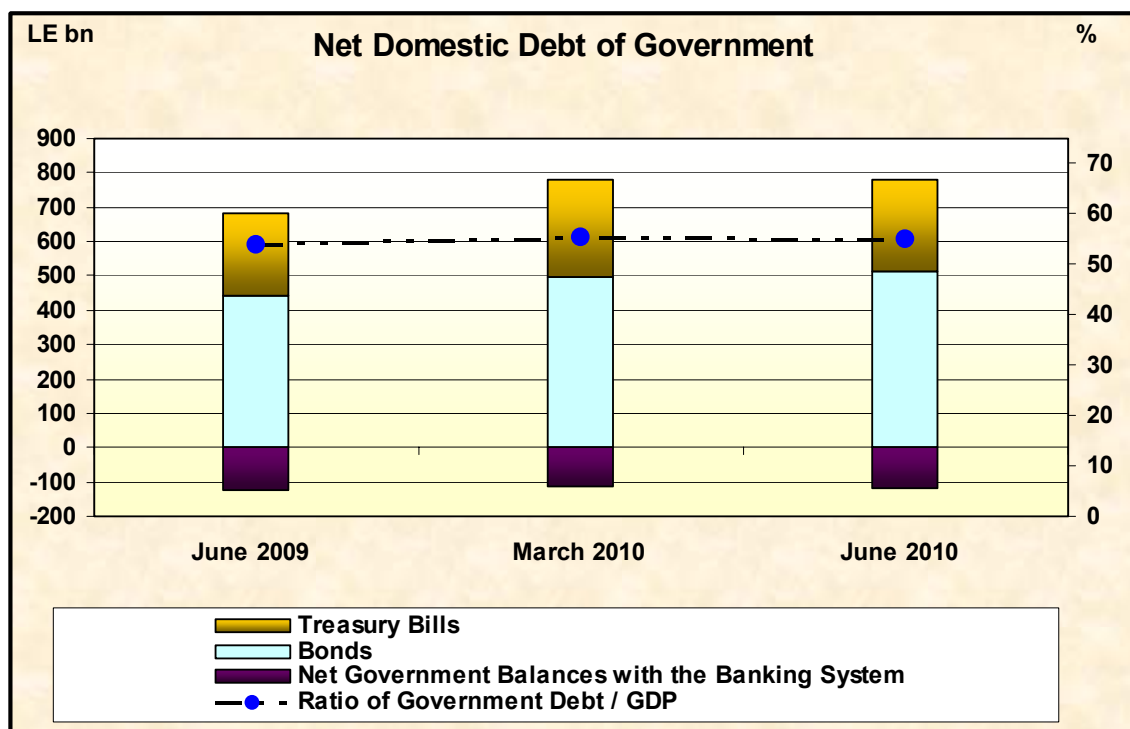
* Including Treasury bonds; housing bonds; bonds denominated in foreign currencies with public commercial banks; the 5 percent ratio retained from the profits of corporations subject to Law No. 97 of 1983 for purchasing government bonds; the holdings of resident financial institutions (banking system and insurance sector) of bonds tradable on world exchanges; and SIFs bonds against the transfer of NIB obligations to the Public Treasury.

The LE 97.4 billion increase in the balance of treasury bonds and bills was an outcome of:

A-The pickup in the balance of treasury bonds by LE 70.4 billion to LE 513.1 billion at end of June 2010, as a result of the following:

- 1- The LE 67.3 billion rise in the balance of Egyptian treasury bonds due to:
 - The LE 3.5 billion rise in the 50th tranche of 7-year Egyptian treasury bonds issued on 16 February 2010, at an annual interest rate of 12.6 percent. The rise took place in April, May and June 2010, respectively, by LE 1.0 billion, LE 1.5 billion, and LE 1.0 billion (on the same conditions of issuance).
 - The LE 7.0 billion increase in the 51st tranche of 5-year treasury bonds issued on 20 March 2010, at an annual interest of 12.5 percent. The rise occurred in April, May and June 2010, respectively, by LE 1.5 billion, LE 3.0 billion, and LE 2.5 billion (on the same conditions of issuance).
 - The issuance of the 52nd tranche of 3-year bonds in April 2010, at a value of LE 3.0 billion and an interest of 11.35 percent. Subsequently, this tranche was increased by LE 6.5 billion (LE 1.5 billion in April, and LE 2.5 billion in May and once more in June 2010) to reach as much as LE 9.5 billion (on the same conditions of issuance).
 - The issuance of LE 55.3 billion of Egyptian treasury bonds during July/March of FY 2009/2010.
 - The redemption of Egyptian treasury bonds at a value of LE 8.0 billion, of which LE 6.0 billion were amortized in July/March 2009/2010. This is in addition to the 26th tranche amortized on 2 May 2010, at a value of LE 2.0 billion.
- 2- The issuance of 10-year treasury bonds (non-interest bearing) at a value of LE 9.1 billion on July 1st, 2009.
- 3- The issuance of treasury bonds for the benefit of the Social Insurance Fund for Civil Servants at a value of LE 989 million on 30/6/2010.
- 4- The redemption of Public Treasury bonds at a value of LE 9.2 billion, issued to finance the budget deficit (LE 4.0 billion), the cash deficit (LE 4.6 billion), and the deficit of the Supply Commodities Authority (LE 0.6 billion) till 1981.

- 5- The increase in the balances of bonds floated abroad in US dollar by the equivalent of LE 2.0 billion, and those issued in Egyptian pound by LE 35 million.
- 6- The rise in the balances of foreign currency bonds at public commercial banks, by the equivalent of LE 0.2 billion, due to revaluation differences.
- B- The pickup in the outstanding balances of Public treasury bills by about LE 27.0 billion to LE 266.1 billion at end of June 2010, compared with LE 239.1 billion at end of June 2009.

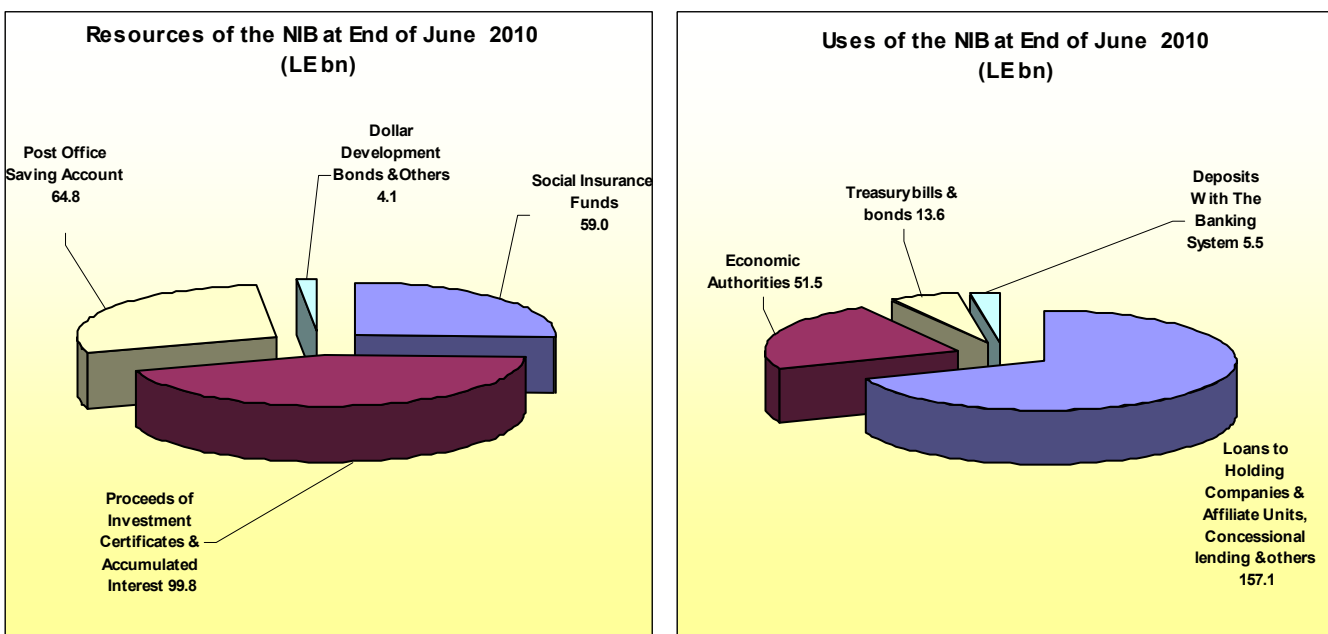


1/8/1/2: Net Debt of Public Economic Authorities

Debt of the public economic authorities scaled up by LE 15.5 billion (net basis), standing at LE 67.8 billion at end of June 2010. That was attributable to the increase in their net borrowing from the banking system by LE 14.1 billion (owing to the rise in the claims due on those authorities by LE 8.0 billion and the decline in their deposits by LE 6.1 billion), along with the increase of LE 1.4 billion in their borrowing from the National Investment Bank (NIB).

1/8/1/3: Net Debt of the National Investment Bank (NIB)

Debt of the National Investment Bank (including intra-debt) amounted to some LE 222.2 billion (net basis) at end of June 2010, up by LE 21.5 billion compared with the end of June 2009. The rise in the NIB's debt was due to the expansion in its total invested resources by LE 22.2 billion above the level of the end of June 2009, to register LE 227.7 billion at end of June 2010. Concurrently, its deposits with the banking system grew by LE 0.7 billion, to LE 5.5 billion.



1/8/1/4: Intra-Debt

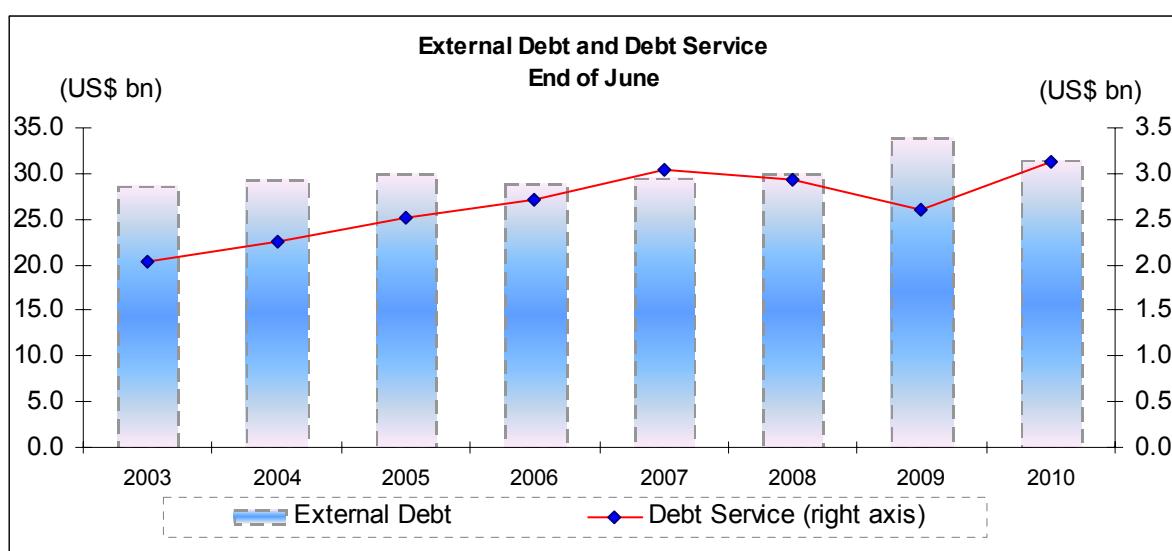
The intra-debt of the public economic authorities and the government to the NIB reached about LE 65.1 billion at end of June 2010, against LE 60.0 billion at end of June 2009. Loans extended by the NIB to those authorities amounted to some LE 51.5 billion, up by LE 1.4 billion in the reporting year, and the NIB's investments in government securities (bills and bonds) reached roughly LE 13.6 billion, denoting a rise of LE 3.7 billion during the reporting year.

1/8/1/5: Public Domestic Debt Service

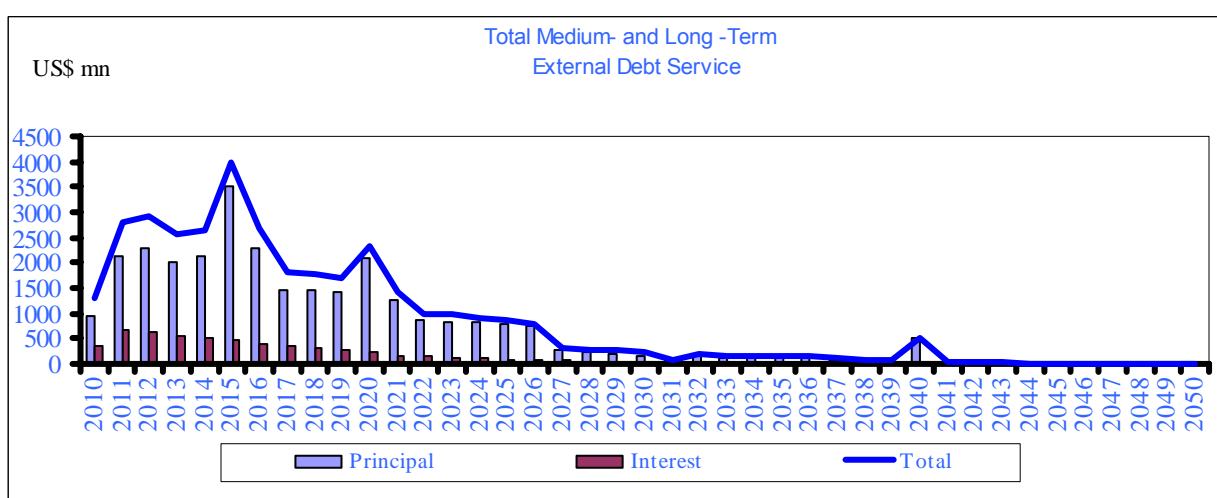
In 2009/2010, debt service reached LE 87.9 billion, up by LE 28.3 billion above the level of the previous year. The increase mostly came from the rise in interest payments by some LE 20.6 billion to LE 69.9 billion. Also, principal repayments scaled up by LE 7.7 billion to LE 18.0 billion. The ratios of domestic debt service to GDP, and to total revenues, rose to 7.3 percent and 33.5 percent, respectively, in the reporting year (from 5.7 percent and 21.1 percent a year earlier).

1/8/2: External Debt *

The outstanding external debt (public and private - all maturities), denominated in the US dollar, increased by about US\$ 2.2 billion, to US\$ 33.7 billion at end of June 2010. The increase was traceable to the realization of net disbursements of US\$ 3.4 billion of loans and facilities (an outcome of disbursements of some US\$ 5.4 billion and principal repayments of nearly US\$ 2.0 billion). However, the depreciation of most currencies of borrowing against the US dollar somehow drove down the stock of debt by some US\$ 1.2 billion.



Regarding external debt service (medium- and long-term), total payments decreased by US\$ 509.3 million, posting about US\$ 2.6 billion during FY 2009/2010, compared with the preceding FY. The decline reflected the fall in principal repayments by US\$ 416.4 million to US\$ 2.0 billion, and the retreat of nearly US\$ 92.9 million in interest payments to about US\$ 649.3 million.



* The structure of Egypt's external debt, according to currencies of borrowing, is considered one of the main indicators employed by the CBE to determine the structure of international reserves by currency.

The public sector remained the principal obligor (official debt) accounting for 93.2 percent of the total debt, registering some US\$ 31.4 billion, at end of June 2010, while external debt of the private sector reached merely US\$ 2.3 billion or 6.8 percent of the total.

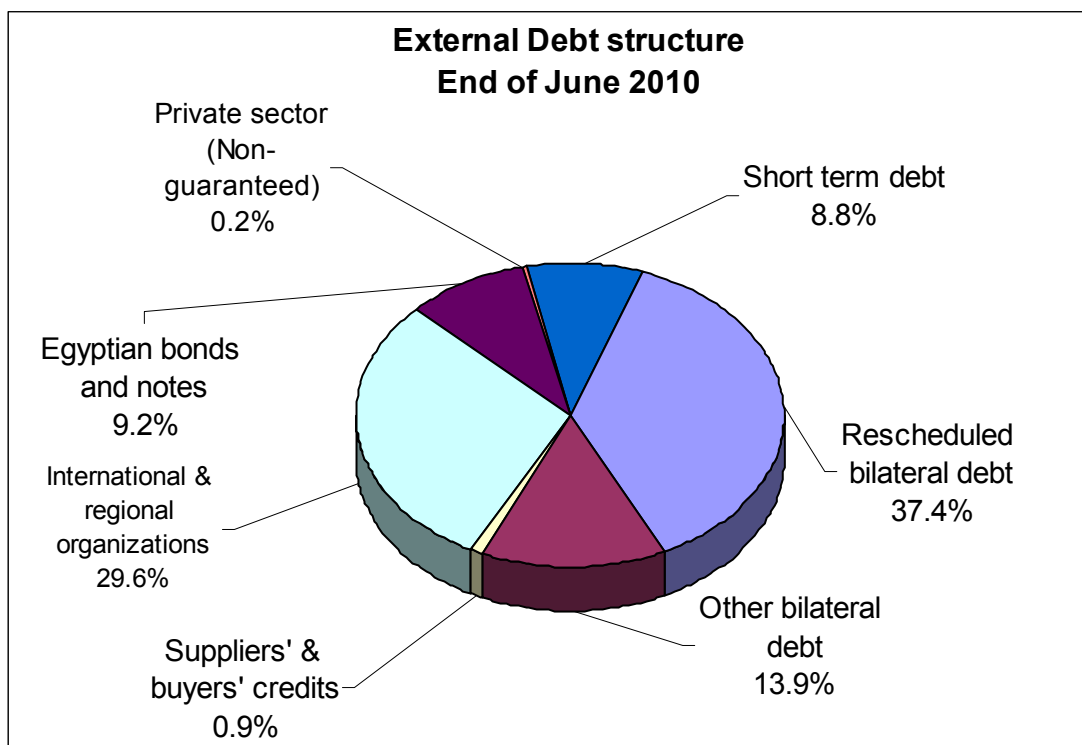
Below is a distribution of external debt by:

- 1- Maturity
- 2- Debtor
- 3- Main currencies
- 4- Main creditors

1- External Debt by Maturity

The breakdown of external debt by maturity indicates that medium- and long-term loans and facilities (guaranteed and non-guaranteed) amounted to US\$ 30.7 billion or 91.2 percent of total debt at end of June 2010. Of this figure, long-term loans constituted US\$ 30.3 billion and medium-term loans US\$ 460.9 million. Short-term debt accounted for the remainder (8.8 percent).

Around US\$ 16.7 billion of medium- and long-term loans (49.5 percent of total debt) was owed to Paris Club members, in the form of bilateral loans (rescheduled or non-rescheduled), and suppliers' and buyers' credits. Debt to countries other than Paris Club members amounted to US\$ 917.7 million or 2.7 percent.

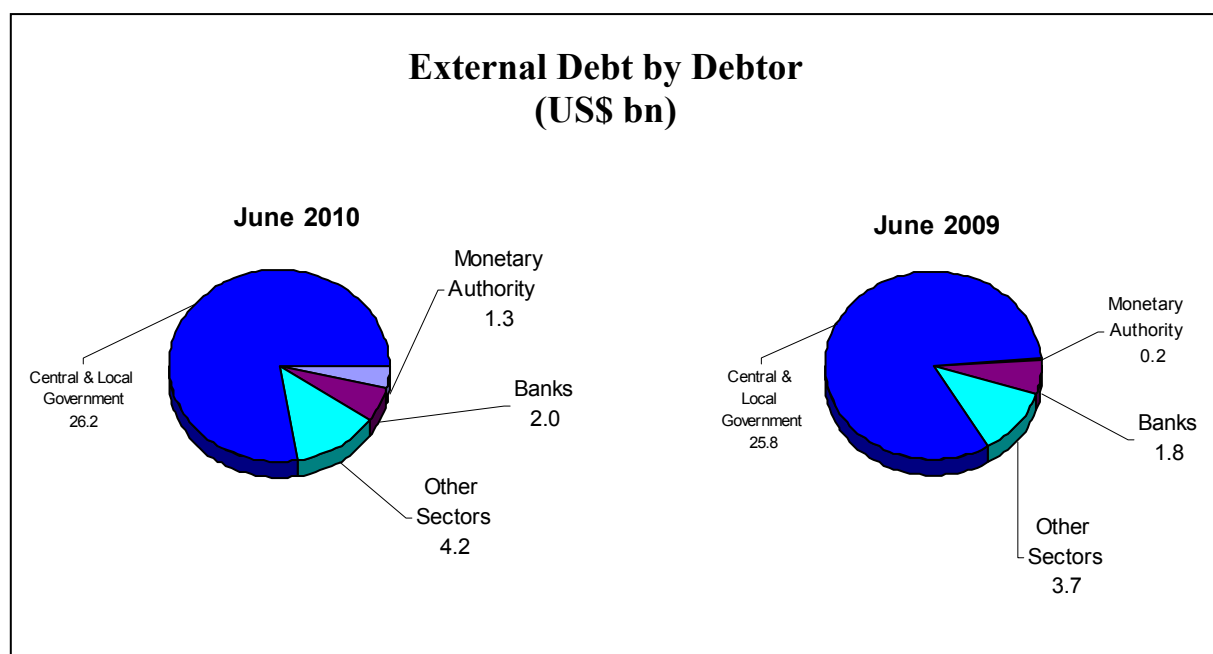


Debt to international and regional organizations posted some US\$ 10.0 billion or 29.6 percent of the total stock of debt at end of June 2010 (the public sector owed 98.5 percent). The balance of Egyptian bonds and notes (holdings of non-residents) reached US\$ 3.1 billion (9.2 percent). That figure comprises US\$ 1.3 billion of guaranteed government securities; US\$ 226.2 million of sovereign dollar bonds; and US\$ 385.7 million of government bonds issued in LE abroad. This is in addition to the bonds issued in April 2010 (of which US\$ 1.2 billion were held by non-residents), reaching maturity over two tranches in 2020 and 2040.

Non-guaranteed debt of the private sector registered US\$ 77.2 million (0.2 percent of total external debt). Short-term debt (8.8 percent) surged by 39.1 percent to US\$ 3.0 billion (69.8 percent was owed by the private sector). The rise resulted from the pickup in short-term trade facilities by 64.8 percent to US\$ 1.6 billion, and in short-term deposits of non-residents by 17.6 percent to US\$ 1.4 billion.

2- External Debt by Debtor

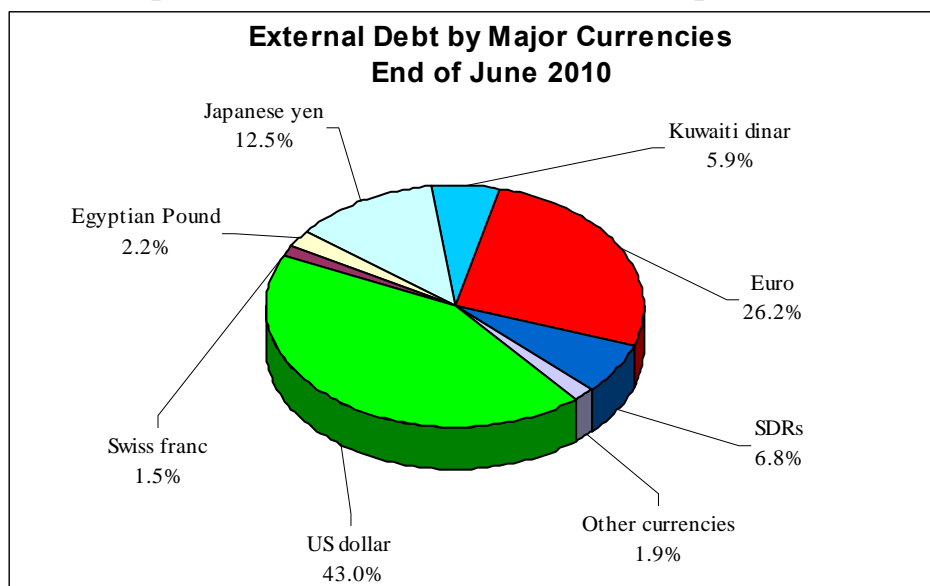
The breakdown of external debt by debtor at end of June 2010 showed an increase in the stock of debt of the monetary authority by US\$ 1.0 billion to US\$ 1.3 billion (including the US\$ 1.2 billion rise in long-term obligations, to cover the IMF's allocations of SDRs for Egypt). Rises were also noted in the debt of other sectors by about US\$ 516.6 million to US\$ 4.2 billion; the central government by US\$ 431.6 million to US\$ 26.2 billion, and banks by US\$ 166.7 million to US\$ 2.0 billion.



Nonetheless, the above-mentioned developments had no significant effect on the structure of external debt by debtor, as the central government remained the major obligor, with a share of 77.9 percent of total external debt at end of June 2010, followed by the other sectors (12.5 percent), banks (5.9 percent) and the monetary authority (3.7 percent).

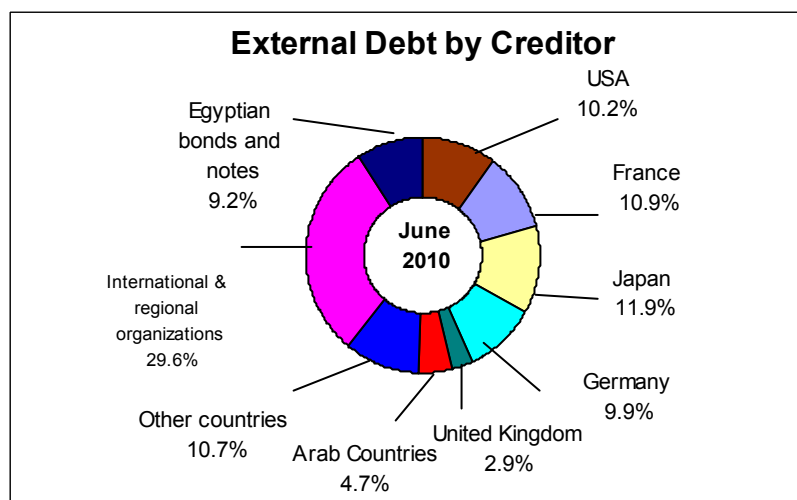
3- External Debt by Currency

A breakdown of external debt by main component currencies indicates that the US dollar is the main currency of borrowing, with a relative importance of 43.0 percent, due to outstanding obligations in US dollar owed to creditors other than the USA. The euro comes next with 26.2 percent, followed by the Japanese yen (12.5 percent), the SDRs (6.8 percent), and the Kuwaiti dinar (5.9 percent).



4- External Debt by Creditor

A breakdown of external debt by creditor shows that 42.9 percent of the total debt was due to four main Paris Club members; namely Japan (11.9 percent), France (10.9 percent), USA (10.2 percent) and Germany (9.9 percent). On the other hand, the Arab countries combined accounted for 4.7 percent led by Kuwait (2.3 percent), Saudi Arabia (0.9 percent) and UAE (0.6 percent)



External Debt by Creditor

(US\$ mn)

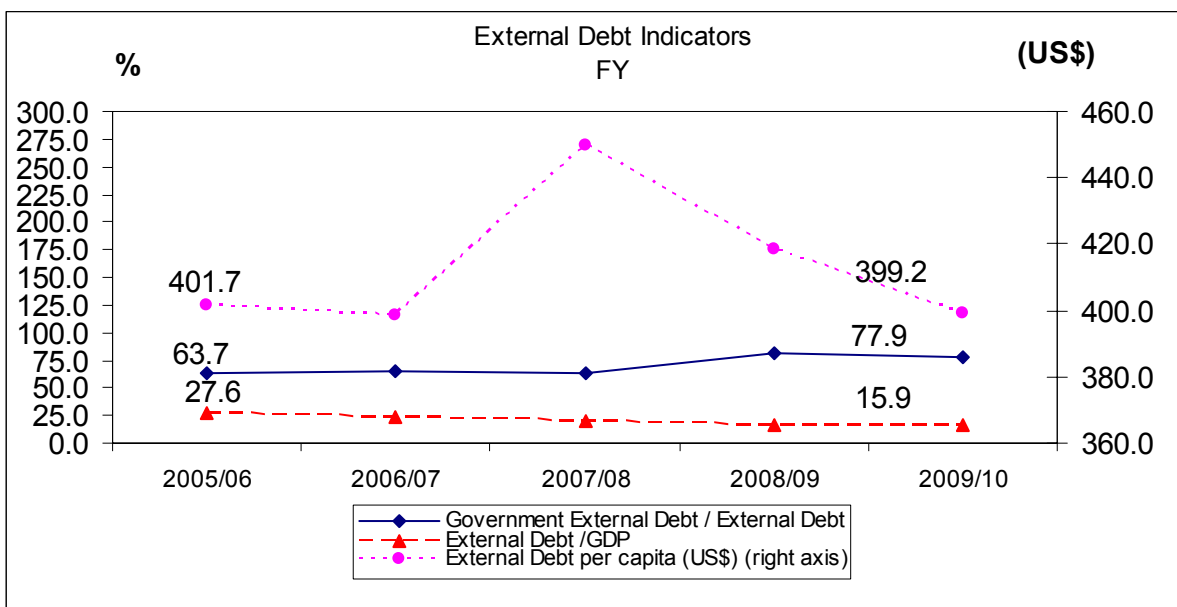
At End of	June 2009		June 2010	
	Value	Relative Importance	Value	Relative Importance
Total External Debt	31531.1	100.0	33694.2	100.0
USA	3620.6	11.5	3431.1	10.2
Japan	3799.1	12.0	4005.2	11.9
EU Countries	11111.0	35.2	10318.7	30.6
France	4213.5	13.4	3674.7	10.9
Germany	3870.6	12.3	3350.1	9.9
UK	663.6	2.1	961.0	2.9
Spain	756.4	2.4	680.1	2.0
Italy	583.7	1.8	762.8	2.3
Austria	487.1	1.5	384.1	1.1
Denmark	237.1	0.8	247.6	0.7
The Netherlands	113.0	0.4	102.3	0.3
Belgium	102.3	0.3	87.3	0.3
Sweden	40.7	0.1	36.9	0.1
Others	43.0	0.1	31.8	0.1
Arab Countries	1524.7	4.8	1607.3	4.7
Kuwait	729.5	2.3	779.9	2.3
Saudi Arabia	223.8	0.7	307.7	0.9
UAE	246.4	0.8	192.1	0.6
Libya	63.2	0.2	71.9	0.2
Jordan	35.8	0.1	41.2	0.1
Yemen	54.6	0.2	49.7	0.1
Sudan	25.1	0.1	25.5	0.1
Others	146.3	0.4	139.3	0.2
International and Regional Organizations	8168.8	25.9	9977.5	29.6
IDA	1436.8	4.6	1342.5	4.0
Arab Fund for Economic and Social Development	1077.3	3.4	1234.3	3.7
European Investment Bank	2126.5	6.7	1984.9	5.9
World Bank	1770.3	5.6	2529.3	7.5
AMF	149.4	0.5	73.4	0.2
African Development Fund and Bank	1318.9	4.2	1366.2	4.1
Islamic Development Bank (Jeddah)	51.3	0.2	63.6	0.2
Other Organizations	238.3	0.7	1383.3	0.6
Egyptian Bonds and Notes	1926.1	6.2	3079.5	9.2
Other Countries	1380.8	4.4	1274.9	3.8

- New Commitments on Loans and Facilities

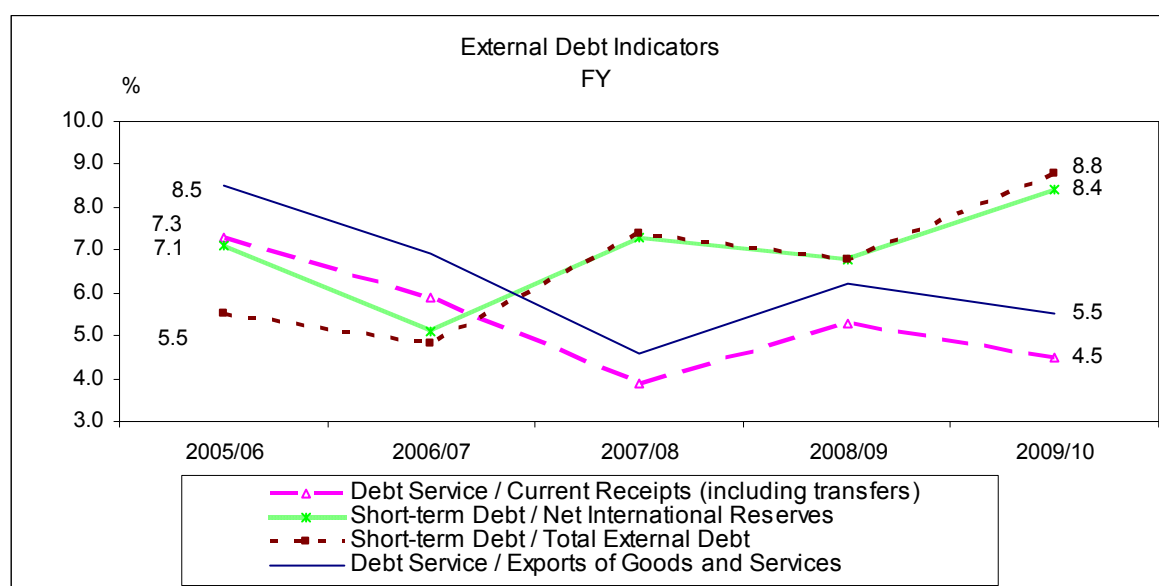
During FY 2009/2010, new commitments on loans and facilities reached US\$ 3.2 billion. The bulk of those commitments were provided by international and regional organizations (US\$ 2.2 billion or 69.7 percent of total commitments). Bilateral loans represented some US\$ 945.2 million or 29.9 percent, and suppliers' and buyers' credit US\$ 12.8 million or 0.4 percent of the total. Thus, total commitments exceeded the previous year's level by some US\$ 647.5 million.

- Main Indicators of External Debt

During the FY ending June 2010, the key indicators of external debt showed a drop in the debt/GDP ratio, to stand at 15.9 percent against 16.9 percent. External debt per capita dropped, as well, to merely US\$ 399.2 from US\$ 418.6 at end of June 2009. Likewise, the ratio of government external debt/total external debt decreased to only 77.9 percent from 81.9 percent at end of June 2009.



The rise of 1.2 percent in current receipts (export proceeds of goods and services and net transfers) during FY 2009/2010 drove down the ratio of debt service to current receipts to only 4.5 percent from 5.4 percent a year earlier. However, the 39.1 percent increase in the short-term debt drove up its ratio to total debt from 6.8 percent to 8.8 percent, and its ratio to net international reserves from 6.8 percent to 8.4 percent.



The following table shows the indicators of debt service in Egypt compared with those in the developing countries combined. It indicates an improvement in the capacity of the Egyptian economy to repay its external debt.

Debt Service/Exports of Goods and Services in Egypt Vs. the Group of Developing Countries

(%)

Calendar Years	2008			2009		
	Interest	Principal Repayments	Total	Interest	Principal Repayments	Total
Developing countries	2.4	18.2	20.6	2.6	23.5	26.1
Africa	2.1	10.7	12.8	3.1	11.9	15.0
Asia (developing countries)	1.8	7.5	9.2	2.0	9.4	11.4
Middle East	-1.1	10.9	9.8	-2.1	16.6	14.5
Egypt*	1.4	5.1	6.5	1.4	4.1	5.5

Source: IMF's World Economic Outlook – April 2010 (statistical appendix)

* According to BOP data over the two calendar years 2008 and 2009

1/9: Human Resources Development

During FY 2009/2010, the CBE continued to upgrade the skills of the banking staff, so as to provide a new generation of banking leaders who are capable of leading this vital sector. To this end, the CBE introduced a number of qualification and training programs that were conducted by local and foreign parties, and applied the latest international banking developments.

1/9/1: Activity of the Egyptian Banking Institute

During the reporting year, the Egyptian Banking Institute offered diverse training activities. It also announced a number of initiatives that cope with the new financial and banking developments.

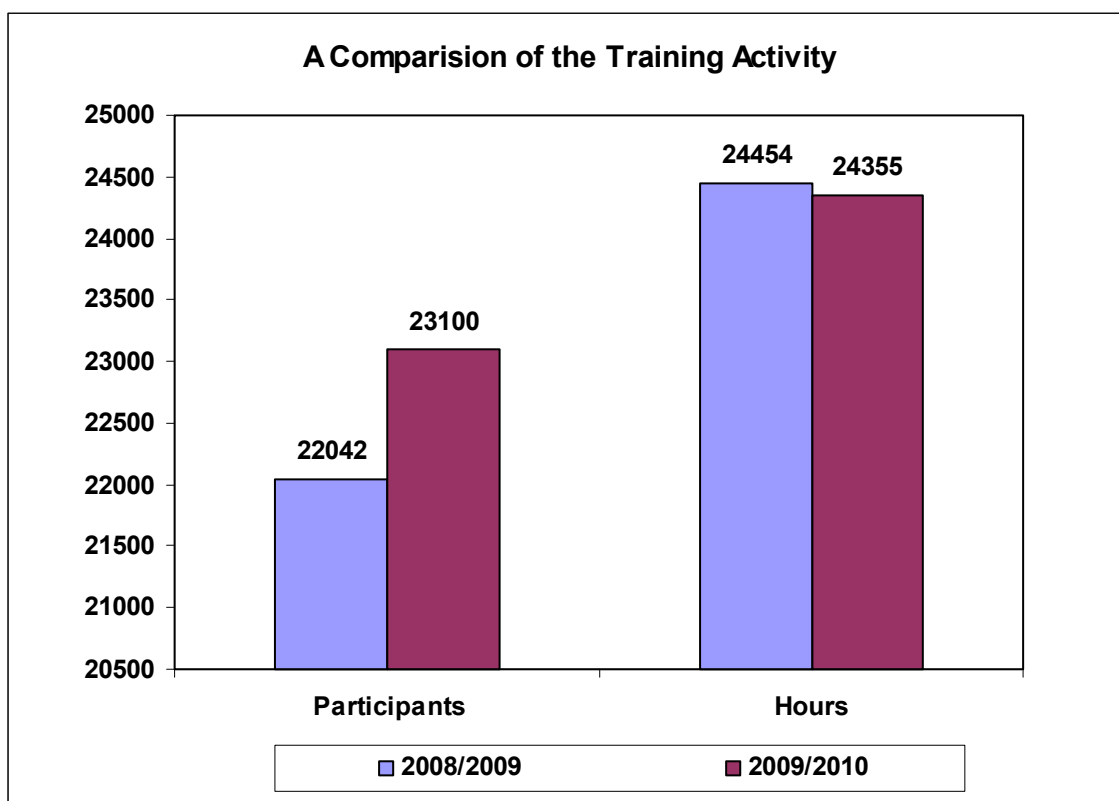
Asserting its role in satisfying the diverse training needs, under the government's plan for enhancing the involvement of small and medium enterprises (SMEs) in the development process and encouraging banks to provide finance to SMEs, the EBI announced the year 2010 as its "Access to Finance Year". In addition, the EBI, under the sponsorship of the CBE, started to carry out a comprehensive survey of SMEs in Egypt, in cooperation with the CAPMAS and the Centre for Surveys and Statistical Applications (CSSA) at the Faculty of Economics and Political Science, at Cairo University. The first exploratory phase of the survey in Sharkia governorate was completed, and work is underway in the other five governorates. The survey is scheduled to be completed by mid-2011. The survey aims to establish a database on SMEs that can be used as a reference by planners, policy makers and banks' officials to activate the mechanisms that facilitate SMEs access to finance as a main pillar for sustainable development. During FY 2009/2010, six training programs on SMEs were implemented, with the participation of 120 trainees. In addition, international experts were invited to provide technical assistance to SME units at Egyptian banks.

In order to realize its mission of creating qualified banking cadres, bridging the gap between the academic university education and labor market requirements, and building the capacity of persons to interact and communicate more effectively with others, the EBI, in cooperation with Cairo University, conducted a "Training for Recruitment Program" attended by 897 trainees and spanning over 2097 training hours in the reporting year.

The EBI also activated the role of "Assessment and Test Centre" during the year, with the aim of evaluating the banking staff for recruitment, or for acquiring an appropriate training. In this context, tests were conducted for 4468 employees in the reporting year, compared with 2926 employees a year earlier.

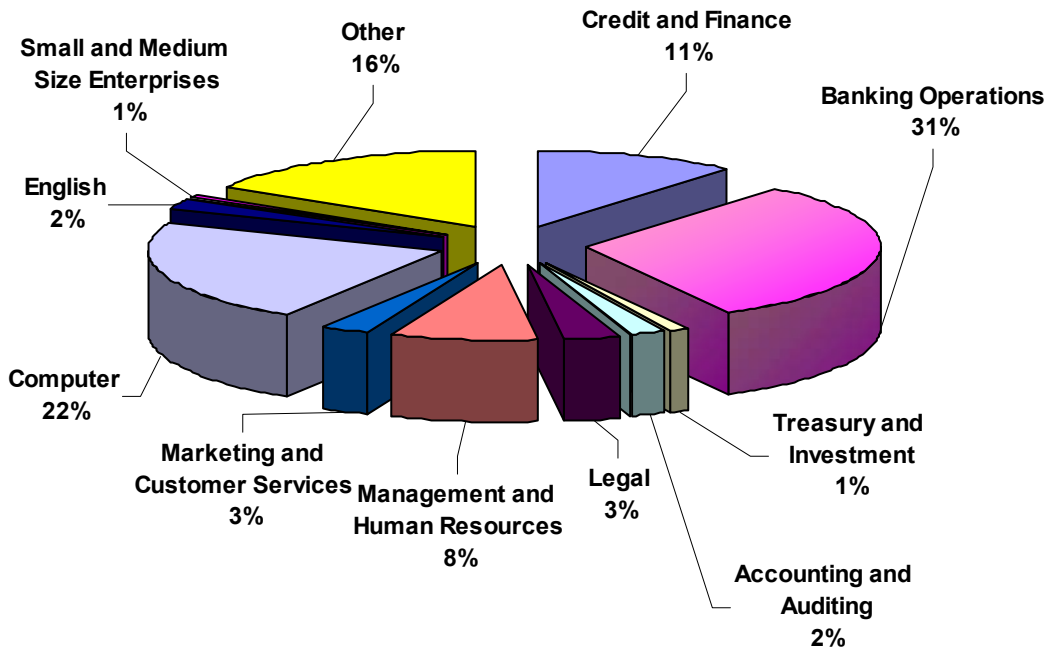
The EBI, in cooperation with the Development Dimension International (DDI), organized for the first time, the "Emerging Leaders Program", to help banks develop the performance of skilled employees and create a generation of young leaders who are capable of innovating and catching up with the latest developments. Graduates of this program will complete their training via the "Banking Leaders Preparation Program".

Emphasizing its role in raising awareness about the latest economic and banking developments, the Banking Institute organized a number of seminars, conferences and workshops. In this context, 18 seminars were organized, attended by 1056 trainees. It is worth mentioning that the number of participants in the training programs increased in the reporting year to register 23100 participants over 24355 training hours.

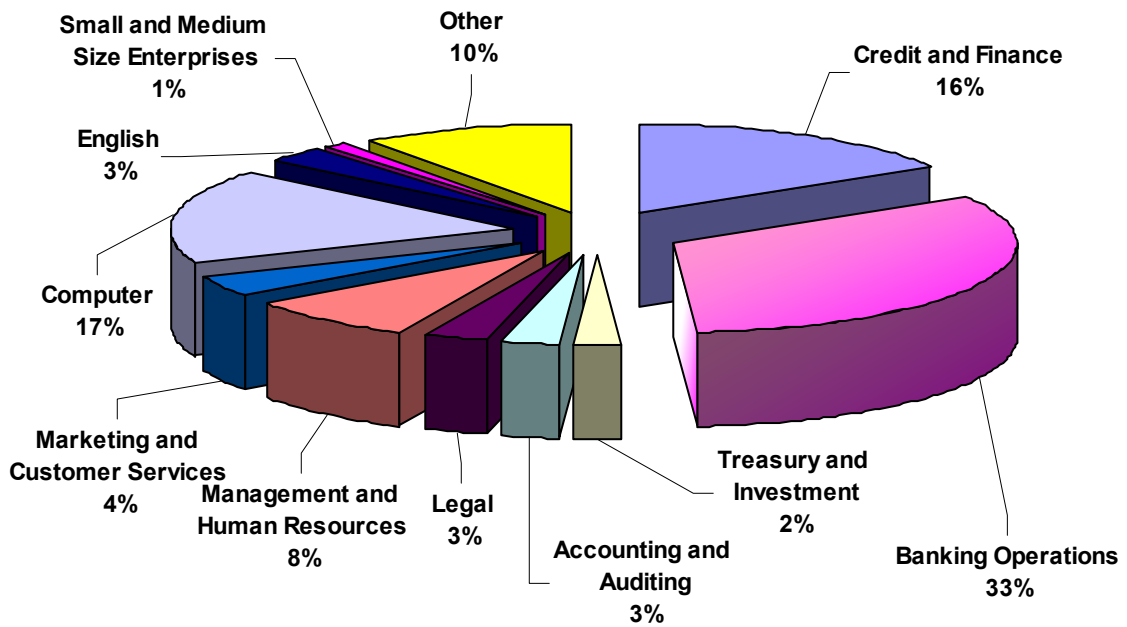


The following charts indicate the relative distribution of the number of trainees and the training hours during FY 2009/2010.

The Relative Distribution of the No. of Trainees in Training Programs



Relative Distribution of the No. of Hours of Training Programs



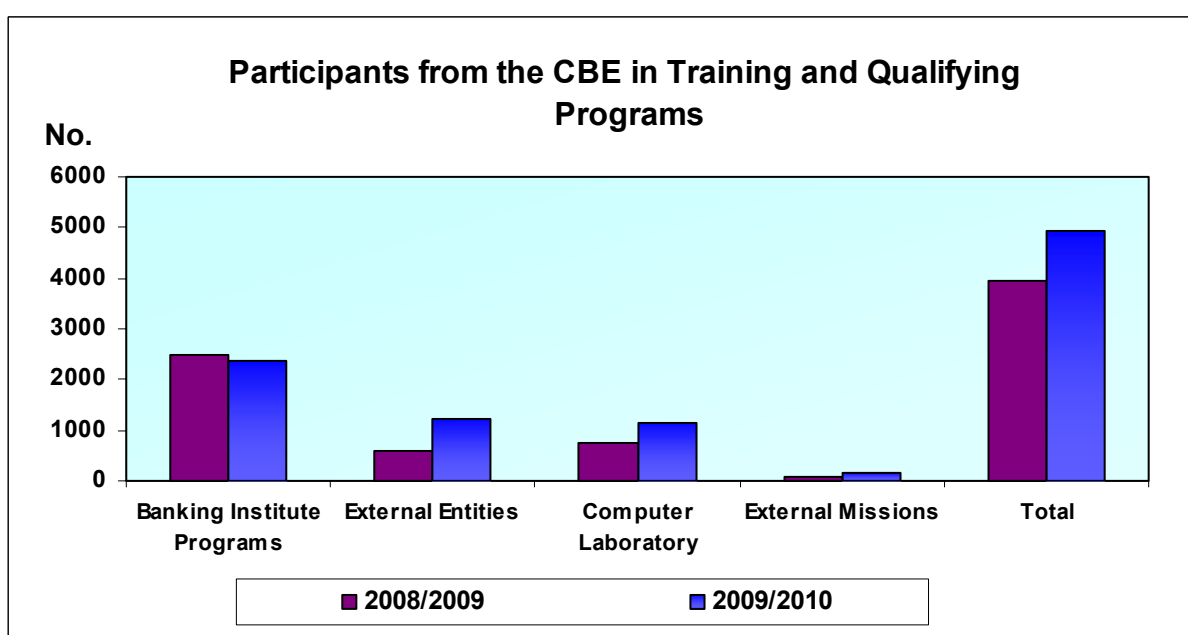
1/9/2: CBE Programs

The number of participants in the banking staff programs, provided by the CBE, reached about 4916 trainees. The Banking Institute provided the majority of these programs to 2380 trainees including specialized courses for the Banking Supervision Sector (134 trainees during the year). Programs also included qualification courses for promotion purposes (attended by 330 trainees), in addition to other courses provided by non-CBE parties (1217 trainees) and the CBE Computer Laboratory (1159 trainees).

Participants in the CBE Qualification and Training Programs

	2008/2009	2009/2010
CBE Employees:		
- Banking Institute Programs	2484	2380
- External Entities	580	1217
- Computer Laboratory	769	1159
- External Missions	98	145
Training in the CBE Departments (for Foreigners)	14	15
Total	3945	4916

Moreover, the CBE dispatched 145 trainees abroad to participate in the training courses organized by international and regional institutions, to catch up with the latest developments in banking business. On the other hand, 15 foreign trainees were admitted by the CBE to have practical training in its various departments.



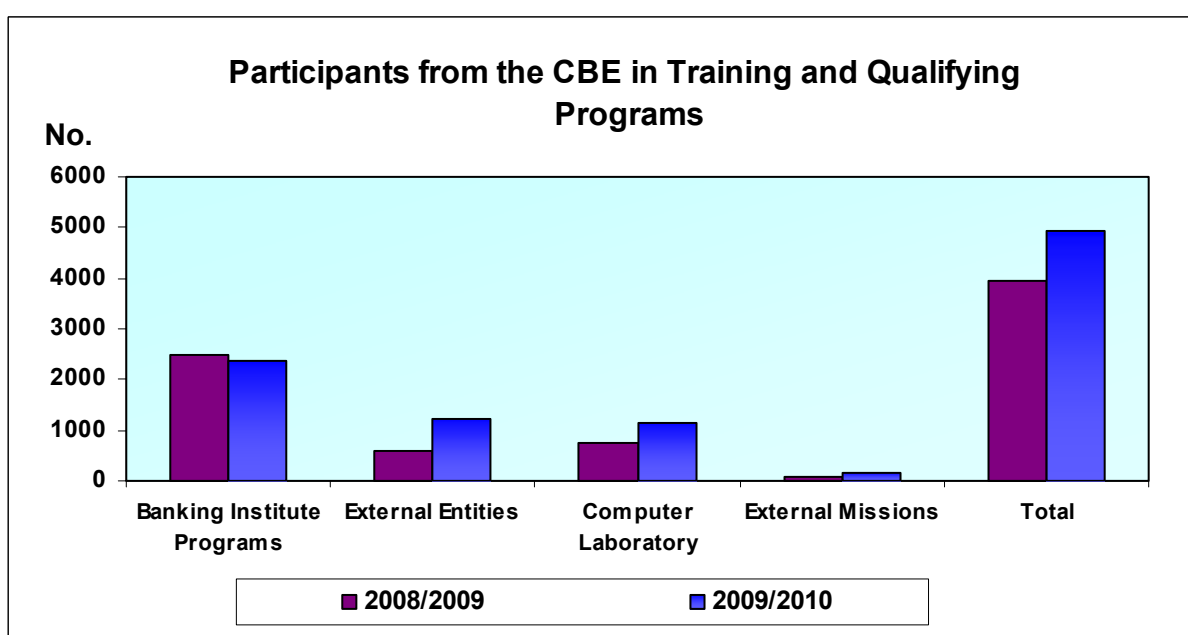
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Chapter 2: Banking Developments

- 2/1- Financial Position
- 2/2- Deposits
- 2/3- Lending Activity
- 2/4- Cash Flows
- 2/5- Performance Indicators

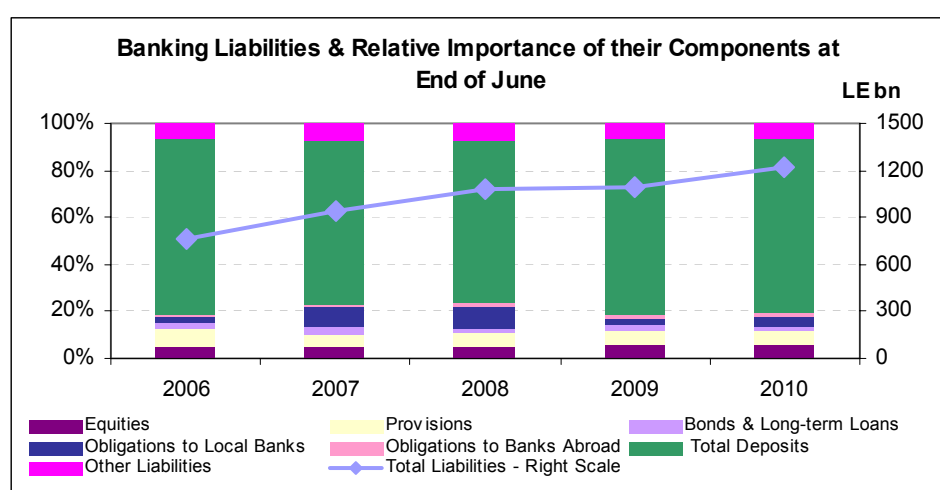
Chapter 2

Banking Developments

2/1: Financial Position

The aggregate financial position of registered banks operating in Egypt (39 in number) posted LE 1220.7 billion at end of June 2010, rising by LE 128.7 billion or 11.8 percent during FY 2009/2010, well above the figures of the previous FY (LE 8.7 billion and 0.8 percent).

Most of the rise on the **liabilities side** (roughly two thirds or 64.4 percent) stemmed from the pickup in deposits at banks (LE 82.8 billion or 10.2 percent). Obligations to local banks increased by LE 22.9 billion (an outcome of the LE 25.9 billion rise in obligations to the CBE and the LE 3.0 billion decline in obligations to other banks). Increases were also seen in banks' equities (by LE 12.2 billion or 19.3 percent) and their provisions (only by LE 0.7 billion or 1.0 percent).

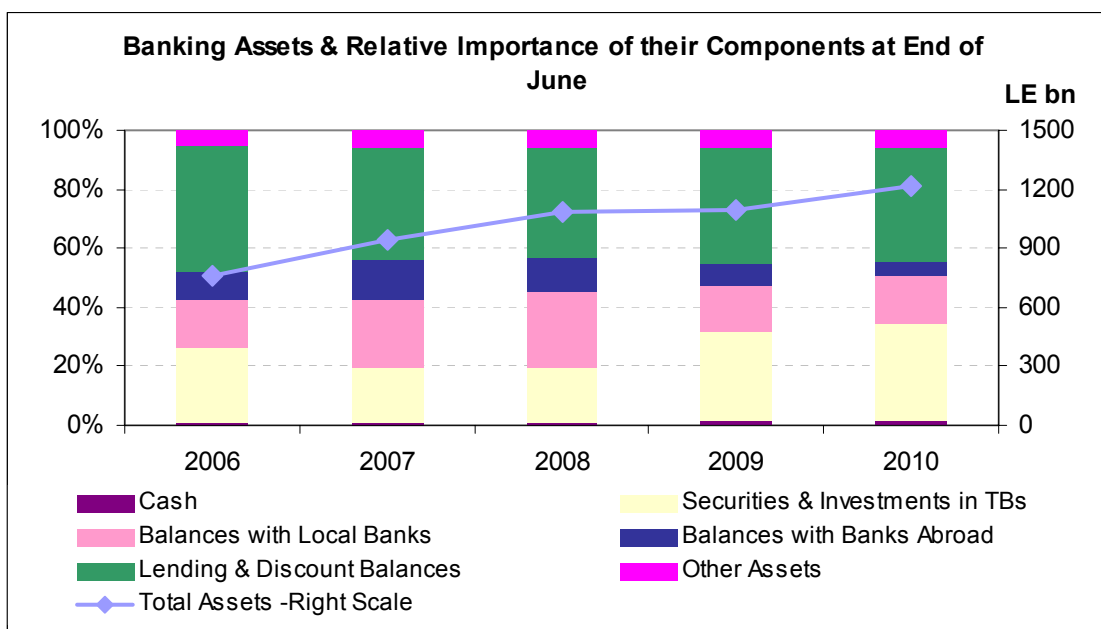


Changes in Liabilities

(LE mn)

	Change in FY			
	2008/2009		2009/2010	
	Value	%	Value	%
Capital	3974	9.6	5047	12.1
Reserves	1608	7.5	7115	33.3
Provisions	7434	11.9	670	1.0
Bonds and long-term loans	(240)	(1.1)	(348)	(1.6)
Obligations to the CBE	(75910)	(90.2)	25924	314.0
Obligations to local banks	8215	56.5	(3046)	(13.4)
Obligations to banks abroad	4868	36.5	2110	11.6
Total deposits	62495	8.4	82798	10.2
Other liabilities	(3762)	(4.6)	8392	10.7
Total Liabilities	8682	0.8	128662	11.8

Around 57.0 percent of the increase on the **assets side** was traceable to the surge in banks' investments in securities and bills by LE 73.3 billion or 22.0 percent, to LE 405.9 billion, representing 33.3 percent of the aggregate financial position of banks at end of June 2010. Likewise, increases were seen in the lending and discount balances by LE 36.0 billion or 8.4 percent to LE 466.0 billion, thereby constituting 38.2 percent of banks' aggregate financial position. In addition, balances with local banks augmented by LE 27.2 billion or 15.7 percent (due to the rise in the balances at the CBE by LE 30.9 billion and the drop in those at banks by LE 3.7 billion). On the other hand, balances with banks abroad retreated by LE 19.7 billion worth or 25.6 percent.

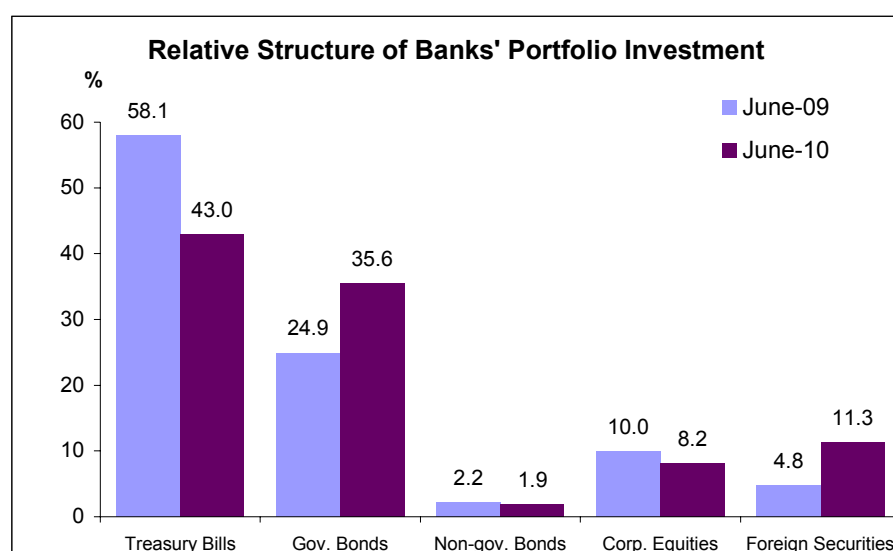


Changes in Assets

(LE mn)

	Change in FY			
	2008/2009		2009/2010	
	Value	%	Value	%
Cash	867	8.4	1321	11.9
Securities and investments	130739	64.8	73298	22.0
Balances with the CBE	(112100)	(42.7)	30922	20.6
Balances with local banks	7397	46.5	(3686)	(15.8)
Balances with banks abroad	(45672)	(37.2)	(19749)	(25.6)
Lending and discount balances	28532	7.1	36033	8.4
Other assets	(1081)	(1.6)	10523	15.5
Total Assets	8682	0.8	128662	11.8

The increase in banks' investments in securities and bills was largely ascribed to the rise in their investments in government bonds by LE 61.4 billion and in foreign securities by LE 30.1 billion. However, investments in treasury bills retreated by LE 18.6 billion.



During FY 2009/2010, **net transactions of local banks with correspondents abroad** unfolded a decline in their net credit balances by the equivalent of LE 21.8 billion or 37.1 percent, bringing their net transactions to LE 37.1 billion worth at end of June 2010 (against LE 58.9 billion worth at end of June 2009). The fall in banks' credit balances was a dual effect of the decrease in their balances with, and the increase in their obligations to, banks abroad by the equivalent of LE 19.7 billion and LE 2.1 billion, in order.

2/2: Deposits

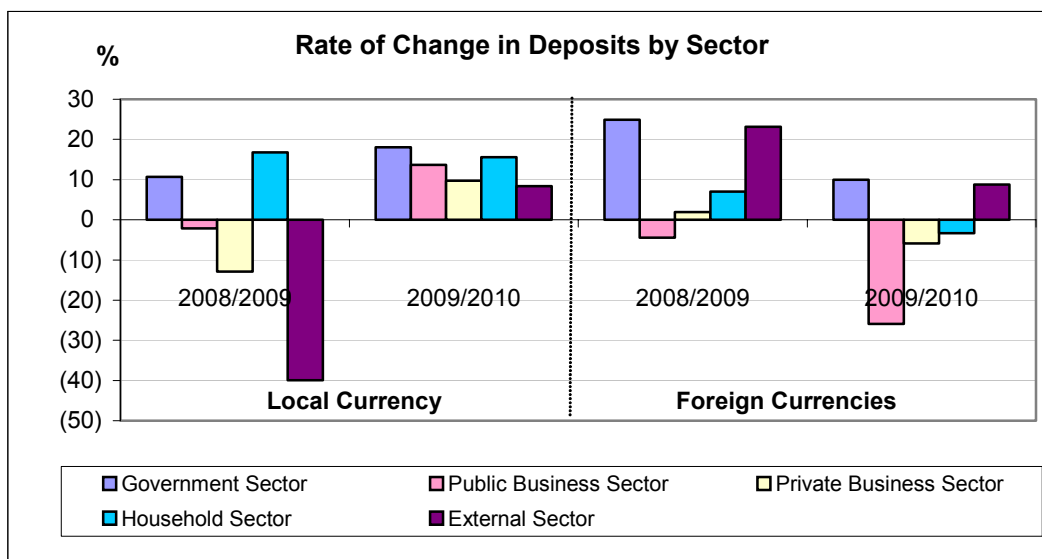
During FY 2009/2010, banks' deposits (including government deposits) grew by LE 82.8 billion or 10.2 percent (against LE 62.5 billion and 8.4 percent during the previous FY), standing at LE 892.5 billion or 73.1 percent of banks' aggregate financial position at end of June 2010. The increase in local currency deposits exceeded the total increase in deposits. In detail, local currency deposits rose by LE 87.5 billion or 14.6 percent to LE 686.1 billion or 76.9 percent of total deposits at banks at end of June 2010. In contrast, deposits in foreign currencies declined by LE 4.7 billion worth or 2.2%, attesting to the continued preference for saving in local currency.

Deposits at Banks by Sector

(LE bn)

End of June	Local Currency			Foreign Currencies		
	2008	2009	2010	2008	2009	2010
Total	552.1	598.6	686.1	195.1	211.1	206.4
Government sector	44.8	49.6	58.5	33.2	41.5	45.6
Public business sector	29.5	28.8	32.7	9.1	8.7	6.5
Private business sector	119.7	104.3	114.4	57.2	58.3	54.9
Household sector	354.1	413.5	477.9	93.7	100.2	96.9
External sector	4.0	2.4	2.6	1.9	2.4	2.5

The household sector was the key contributor to the increase in **local currency deposits** (73.5%). Its deposits in local currency scaled up by LE 64.4 billion or 15.5 percent to LE 477.9 billion, thereby representing 69.7 percent of total LE deposits at end of June 2010. Moreover, deposits of the private business sector rose by LE 10.1 billion or 9.7 percent, those of the government sector by LE 8.9 billion or 18.0 percent, and of the public business sector by LE 3.9 billion or 13.6 percent. Turning to **foreign currency deposits**, their decrease was attributed to the decline in the deposits of the private business sector by the equivalent of LE 3.4 billion, of the household sector by LE 3.3 billion worth, and of the public business sector by LE 2.3 billion worth. On the other hand, government sector deposits increased by the equivalent of LE 4.1 billion. Finally, the rise in the external sector's deposits was as modest as LE 0.2 billion worth.



2/3: Lending Activity

Banks expanded their lending activity during the year. As a result, their lending and discount balances grew by LE 36.0 billion or 8.4 percent, totaling LE 466.0 billion (38.2 percent of total assets and 52.2 percent of total deposits at end of June 2010). The increase in those granted in local currency accounted for nearly more than half the rise in total bank loans, as they scaled up by LE 18.4 billion or 6.3 percent, posting LE 313.7 billion at end of June 2010. Accounting for around 62.0 percent of the increase in local currency loans, the share of the household sector rose by LE 11.4 billion or 14.5 percent, compared with LE 9.0 billion and 12.9 percent in the previous FY. In addition, loans to the private business sector mounted by LE 8.6 billion or 4.8 percent, and to the government sector by LE 2.4 billion or 18.9 percent. Meanwhile, loans extended to the public business sector decreased by LE 2.7 billion or 11.3 percent, and to the external sector by LE 1.3 billion or 5.2 percent.

On the other hand, lending and discount balances in foreign currencies increased by LE 17.6 billion worth or 13.0 percent, to post LE 152.3 billion worth at end of

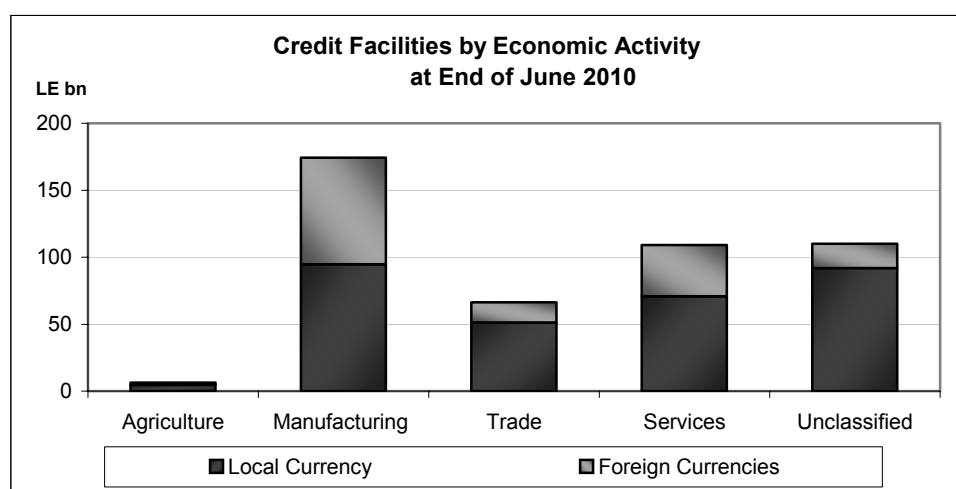
June 2010. The increase during the year was attributed to higher credit to the private business sector, up by LE 10.7 billion worth, to the government sector by LE 6.2 billion worth, and to the external sector by LE 4.3 billion worth. In contrast, credit to the household sector and the public business sector dropped by LE 3.2 billion worth and LE 0.4 billion worth, respectively.

Change in Bank Loans by Sector during FY 2009/2010

(LE mn)

End of June	<u>Local Currency</u> Change	<u>Foreign Currencies</u> Change
Total	<u>18462</u>	<u>17571</u>
Government sector	2443	6193
Public business sector	(2674)	(394)
Private business sector	8587	10676
Household sector	11439	(3236)
External sector	(1333)	4332

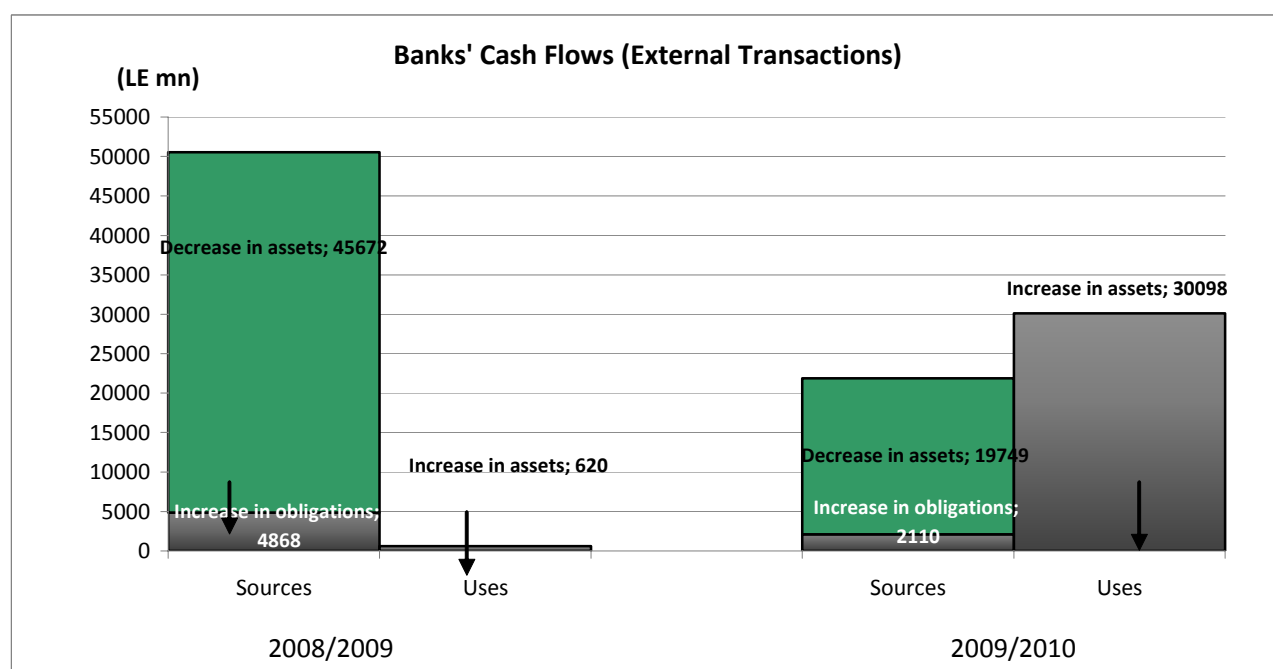
The relative distribution of loans by economic activity indicates that the manufacturing sector was the major recipient, with a relative share of 37.4 percent of the total loans extended by banks in both local and foreign currencies at end of June 2010. The unclassified sectors (including the household sector) came next with a share of 23.6 percent, then the services sector with 23.4 percent, trade with 14.2 percent, and agriculture with only 1.4 percent.



At end of June 2010, loans and advances (excluding discounts) -by maturity- registered LE 463.9 billion, with an increase of LE 36.4 billion or 8.5 percent during the reporting year. The increase was almost manifest in long-term loans (more than one-year), which rose by LE 36.4 billion or 18.6 percent, as a result of the expansion in local and foreign currency loans by LE 30.6 billion and LE 5.8 billion worth, in order.



As for banks' external transactions, their uses were confined to portfolio investments which rose by the equivalent of LE 30.1 billion. On the other hand, their external resources emanated from the withdrawal of some balances at banks abroad in the amount of LE 19.8 billion worth. The action was one of the precautionary measures taken by Egyptian banks in response to the global financial crisis and the turmoil in the international financial markets. Resources also stemmed from the pickup in obligations to banks abroad by LE 2.1 billion worth.



Banks' Cash Flows Statement*

(LE mn)

	2008/2009	2009/2010
First: Local Transactions		
1. Total Resources:	192278	133632
A. From the Increase in Obligations (Liabilities)	79964	129946
Deposits	62495	82798
Obligations to the CBE	-	25924
Capital accounts (equities)	5583	12162
Obligations to local banks	8215	-
Other obligations	3671	9062
B. From the Decrease in Assets	112314	3686
Cash and balances with the CBE	111233	-
Balances with local banks	-	3686
Other assets	1081	-
2. Total Uses:	242198	125393
A. To Reduce Obligations	76150	3394
Loans and bonds	240	348
Obligations to local banks	-	3046
Obligations to the CBE	75910	-
B. To Increase Assets	166048	121999
Cash and balances with the CBE	-	32243
Portfolio investment	130118	43200
Lending and discount	28532	36033
Balances with local banks	7398	-
Other assets	-	10523
Sources/Uses Surplus (+) or Deficit (-)	-49920	+8239
Second: External Transactions		
1. Total Resources:	50540	21859
A. From the Increase in Obligations	4868	2110
Obligations to banks abroad	4868	2110
B. From the Decrease in Assets	45672	19749
Balances with banks abroad	45672	19749
2. Total Uses:	620	30098
A. To Reduce Obligations	0	0
B. To Increase Assets	620	30098
Portfolio investment	620	30098
Sources/Uses Surplus (+) or Deficit (-)	49920	-8239

* Figures in this statement represent only the difference between the balances at end of both the reporting year and the preceding year.

2/5: Performance Indicators

The following are the results realized by banks in each area according to their financial positions at end of June 2010:

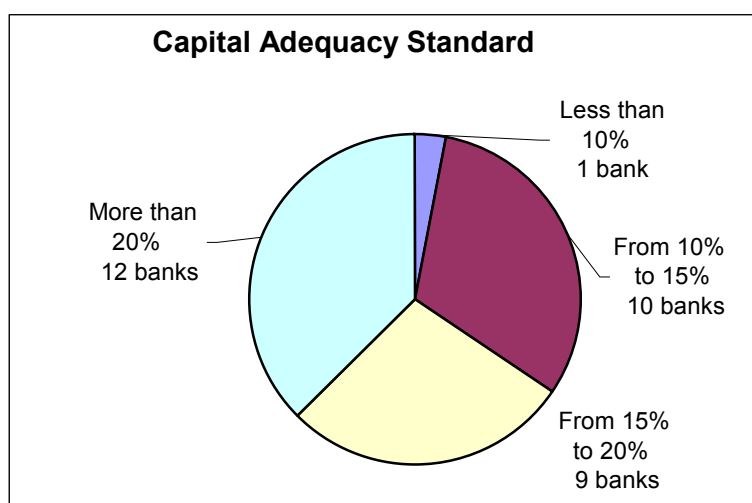
First: Capital Adequacy Standard

By virtue of this standard, banks registered at the CBE (32 banks, excluding branches of foreign banks) are obliged to maintain a specific ratio (a minimum of 10 percent) of the capital (core and supplementary) to risk-weighted assets and contingent liabilities.

Assets and contingent liabilities are calculated on risk-weights ranging between 0 and 100 or above 100 percent for each of the real estate development companies operating in the construction of for-sale housing units in case the project's leverage exceeds 2 : 1, and the banking finance granted for total or partial acquisition of companies. Meeting that standard reflects a bank's ability to face any potential risks.

A follow-up of banks' compliance came up with the following:

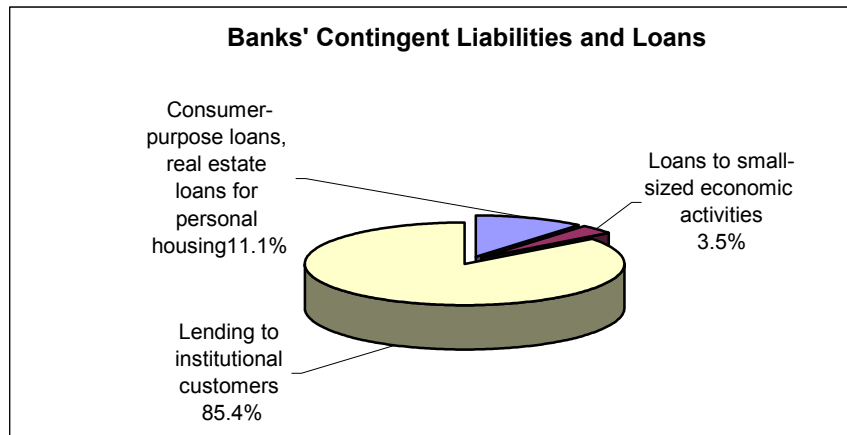
- For banks combined, the ratio reached 15.3 percent against a minimum established ratio (10.0 percent). That ratio reflected core capital of 11.9 percent and supplementary capital of 3.4 percent.
- Banks, on a case by case basis, (except for a single specialized bank) abided by the capital adequacy standard (the minimum established ratio of 10.0 percent). It is to be noted that a plan was launched for the restructuring of specialized public banks under the second stage of the banking sector reform. Moreover, the capital adequacy ratio ranged between 10-15 percent in 10 banks, and exceeded 15 percent in 21 banks.



Second: Asset Quality

On 24 May 2005, the CBE issued the regulations pertaining to customer credit rating and provisioning. These regulations comprise lending to institutional customers, taking into account the obligor risk rate (ORR), consumer-purpose loans, real estate loans for personal housing, and loans to small-size economic activities.

The following chart shows the beneficiary entities of credit facilities:

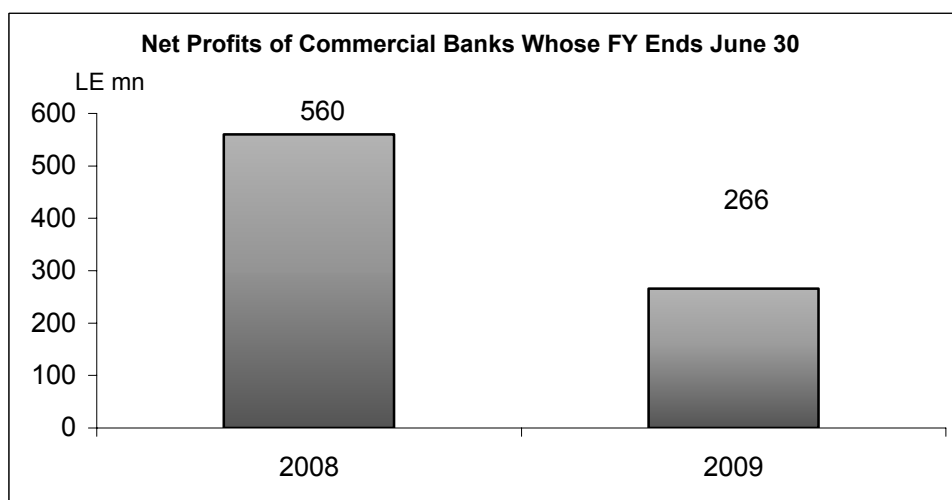


Third: Profitability

This indicator shows the level of profitability realized by a bank, its ability to strengthen its equities, and to distribute dividends among its shareholders. A follow-up of the levels of banks' profitability reveals the following:

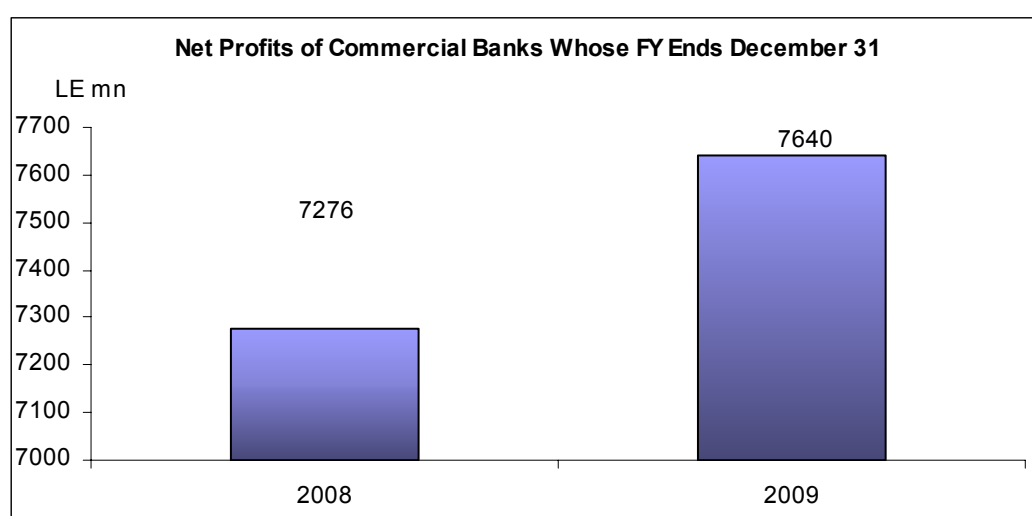
A- Banks for Which the FY Ends June 30 (Public Sector Banks and the Export Development Bank of Egypt)

- Net profits (mainly of the National Bank of Egypt) amounted to LE 266 million for the FY ending June 30, 2009.
- The respective ratios of banks' net profits to average equities and to average assets stood at 1.3 percent and 0.1 percent, in order.



B- Banks for Which the FY Ends December 31

- Bank's net profits for the FY ending December 31, 2009 registered LE 7640 million (according to the last available date)*.
- The ratio of banks' net profits to average equities was 17.5 percent, and to average assets 1.4 percent.



The main financial indicators of banks' financial positions at end of June 2010 are shown in the following table.

Statement	June 2009	June 2010
Average reserve ratio (against a minimum of 14 %):	14.0%	14.0%
Average liquidity ratio (minimum)		
Domestic 20%	44.3%	45.2%
Foreign 25%	43.2%	41.8%
Liquid assets/customers' deposits	68.5%	71.4%
Assets in foreign currencies/liabilities and equities in foreign currencies	102.2 %	101.7%
Loans to customers/customers' deposits	53.1 %	52.2%
Claims on banks in Egypt/ banks' claims in Egypt	102.4 %	99.5%
Claims on banks abroad/ banks' claims abroad	423.9 %	282.5%
Claims on banks abroad/ banks' claims abroad & customers' deposits in foreign currencies	33.6 %	25.3%
Contingent liabilities/total assets	16.6 %	16.7%

* Except for Industrial Development and Workers Bank of Egypt, as its final auditors' reports for FY 2009 have not been submitted yet.

Chapter 3: Domestic Economic Developments

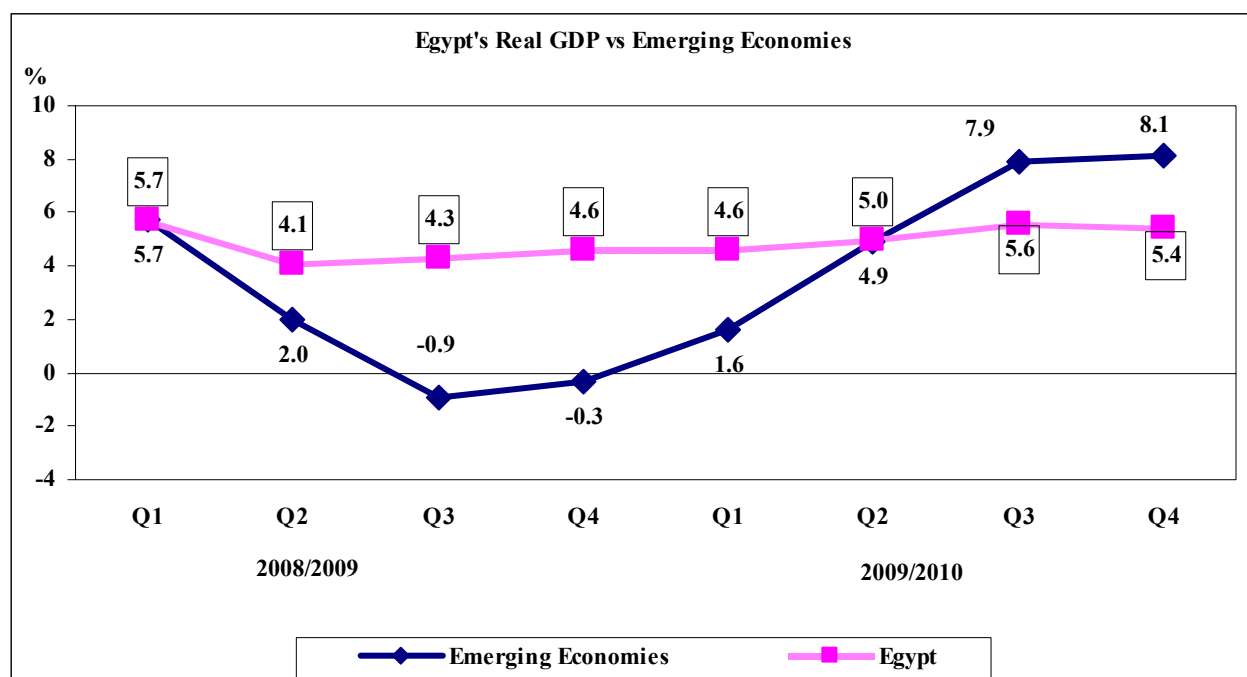
- 3/1- Gross Domestic Product (GDP)
- 3/2- Inflation
- 3/3- Consolidated Fiscal Operations of the General Government
- 3/4- Balance of Payments and External Trade
- 3/5- Non-Banking Financial Services Sector

Chapter 3

Macroeconomic Performance

3/1: Gross Domestic Product (GDP)

Egypt's economy almost recovered from the spillovers of the global financial crisis, as evident in the acceleration of the annual real GDP growth at factor cost to 5.1 percent in FY 2009/2010, from 4.7 percent in FY 2008/2009. Despite the improvement in the growth rate, it has not yet risen to the level of FY 2007/2008 (7.2 percent) although it was close to the estimated average growth of the emerging economies as a whole (5.6 percent in the reporting year).



Source: Ministry of Economic Development. As for emerging economies, J.P Morgan "World Financial Markets Reports", Sept. 2010.

On the **supply** side, the acceleration of the pace of growth was mainly attributed to higher contributions (4.6 percentage points) of domestic demand-driven sectors, particularly the manufacturing; followed by wholesale and retail trade; construction and building; agriculture; communications; and the general government. The external demand-driven sectors added only 0.5 percentage point to GDP growth, mainly tourism and extractions. Tourism contributed 0.5 percentage point, prompted by the increase in tourism revenues. Moreover, extractions continued to make a positive contribution, although its share was lower than the previous year's level (0.1 percentage point against 0.8 point). On the other hand, the share of the Suez Canal remained negative, due to the fall in the number of transiting ships and net tonnage under the risks of piracy off the Somali coasts.

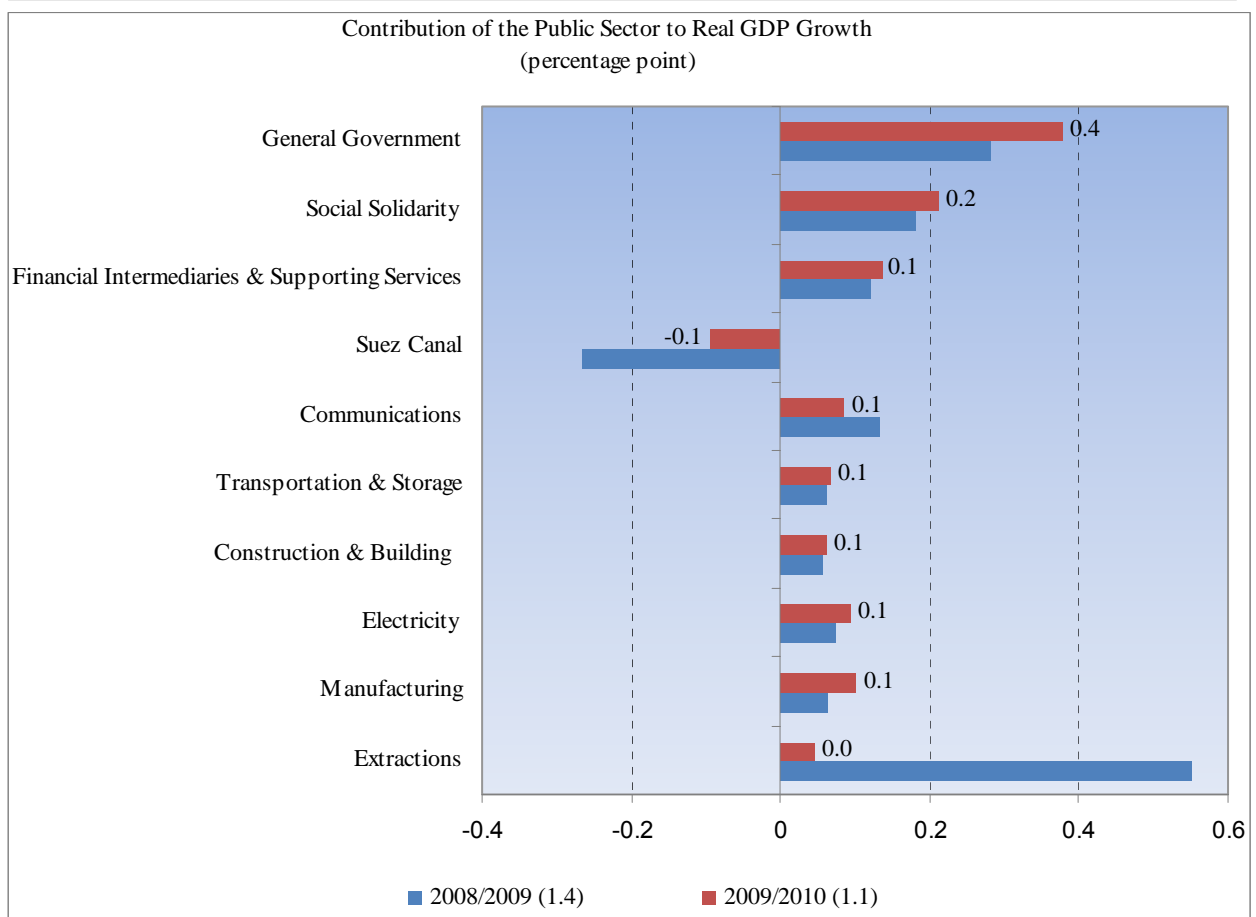
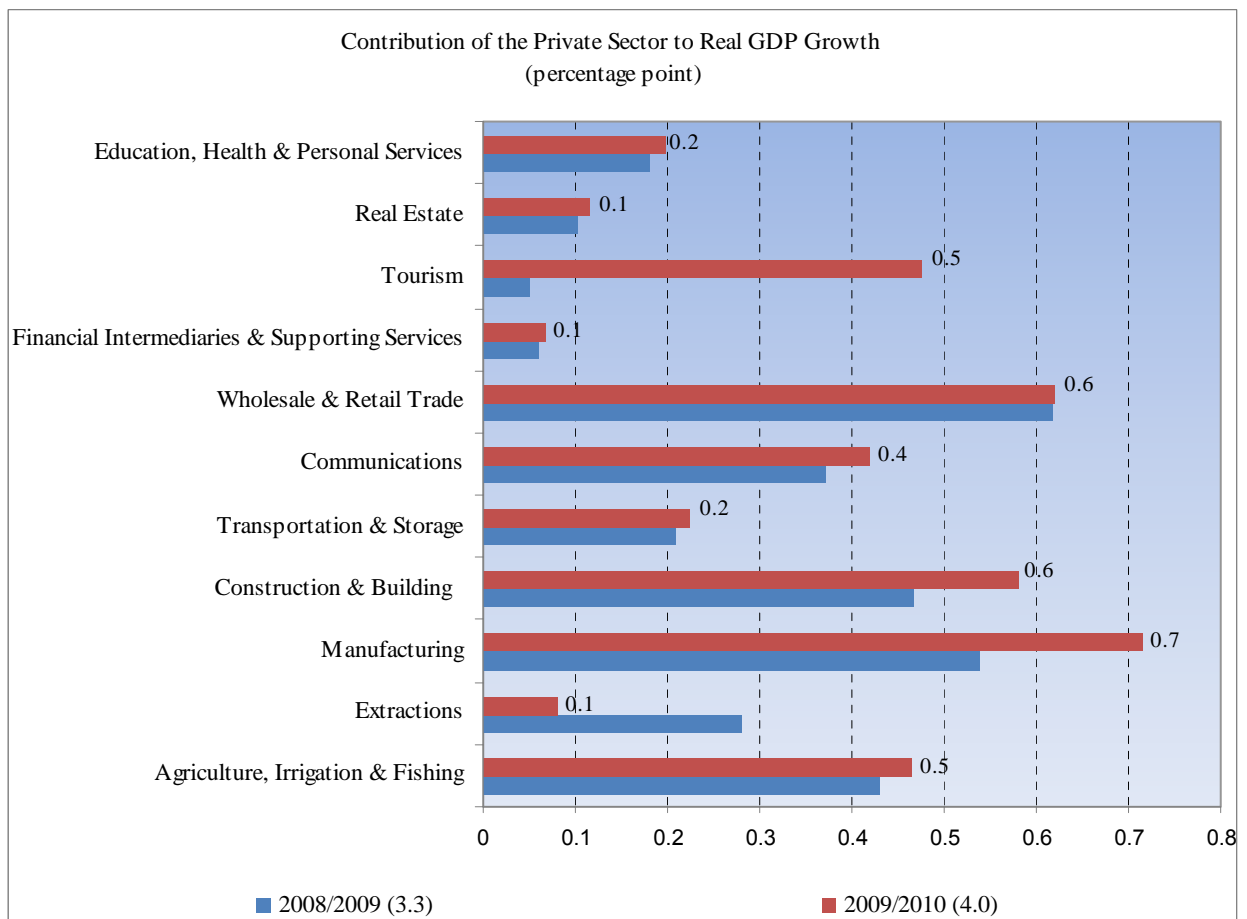
**GDP Growth by Domestic and External Demand-Driven Sectors
in FY 2009/2010**

Domestic Demand-Driven Sectors		
Sector	Growth Rate %	Share in Real GDP Growth (5.1 %) (percentage point)
Agriculture, Irrigation & Fishing	3.5	0.5
Manufacturing	5.1	0.8
Electricity	6.3	0.1
Construction & Building	13.2	0.6
Transportation & Storage	6.8	0.3
Communications	13.3	0.5
Wholesale & Retail Trade	6.1	0.6
Financial Intermediaries	5.2	0.2
General Government	4.3	0.4
Other sectors		0.6
Total		4.6
External Demand-Driven Sectors		
Sector	Growth Rate %	Share in Real GDP Growth
Extractions	0.9	0.1
Suez Canal	-2.9	-0.1
Tourism	12.0	0.5
Total		0.5

Source: According to the Ministry of Economic Development data for FY 2009/2010

It is worth mentioning that GDP real growth rates of most of the domestic demand-driven sectors exceeded that of GDP (5.1 percent). The growth rate of construction and building reached 13.2 percent (against 11.4 percent), transportation and storage 6.8 percent (against 6.4 percent) and electricity 6.3 percent (against 5.2 percent). As for the external demand-driven sectors, tourism inflows continued to increase, thus driving up the tourism growth rate to 12.0 percent in the reporting year (from only 1.3 percent in FY 2008/2009).

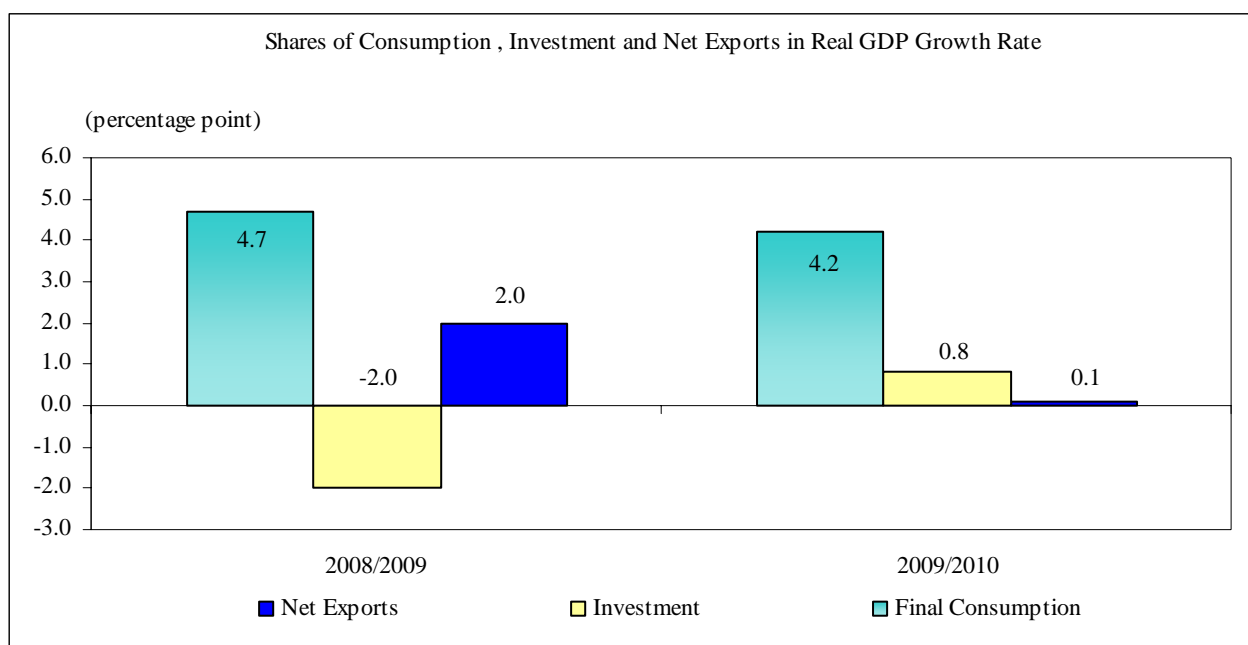
As regards the public and private sectors' contributions to economic growth (5.1 percent) during the reporting year, the public sector generated 1.1 percentage points (against 1.4 points a year earlier), and the private sector 4.0 points (against 3.3 points), indicating the key role played by the latter in economic development. The main contributors to economic growth were the sectors of manufacturing, wholesale and retail trade, construction and building, tourism, and agriculture. At the level of the public sector, the main driver of growth was the general government.



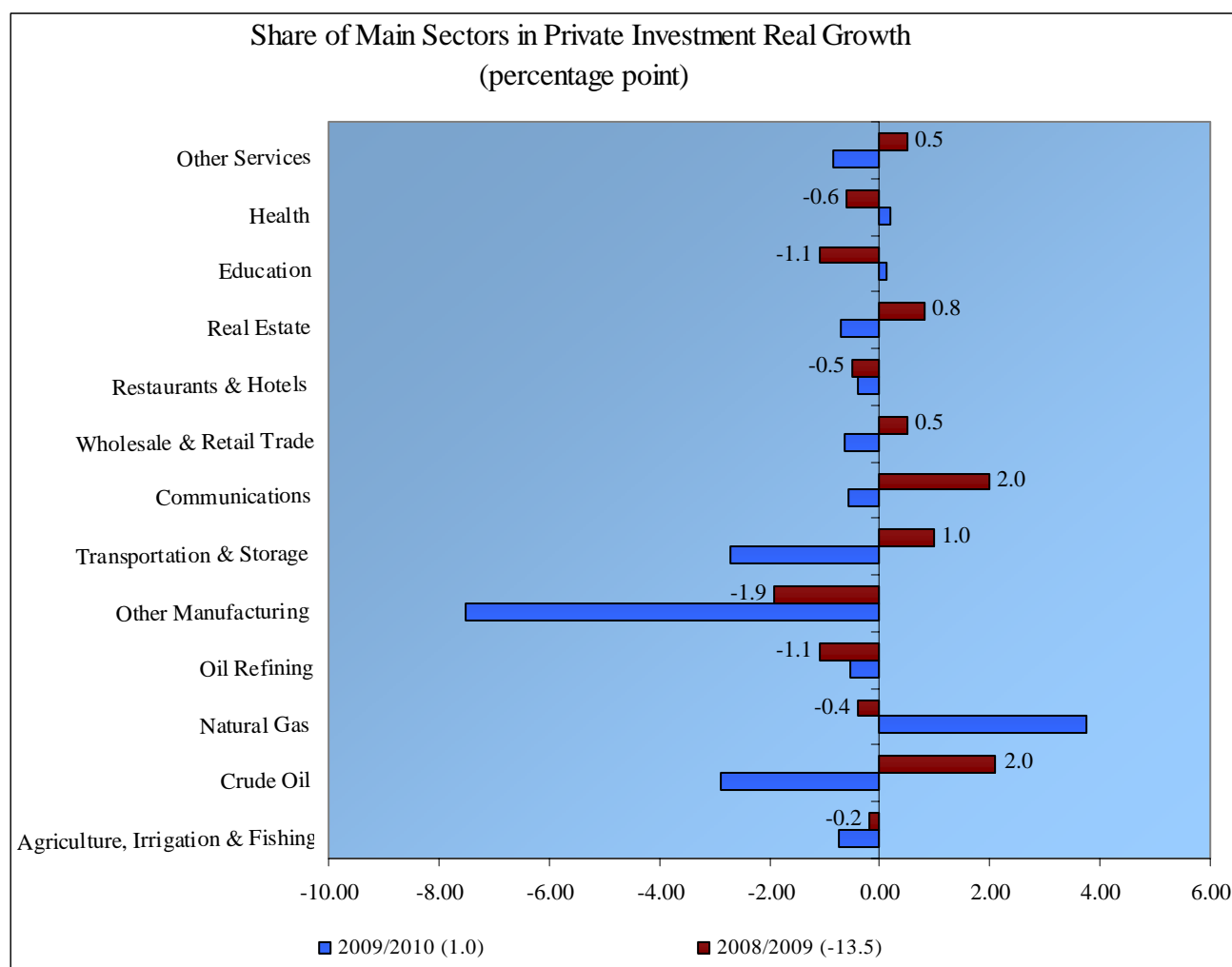
On the **demand** side, the improvement in real GDP growth (5.1 percent against 4.7 percent) was essentially ascribed to the higher contribution (0.8 percentage point against a negative contribution of 2.0 points) of total investment (including change in stock) to GDP growth. It was a main result of the increase in the private investment share in total investment. The improvement in economic growth was also helped by the continuous positive contribution of private consumption, which reached 3.7 percentage points, or almost 72.5 percent of the overall growth. However, this share declined as compared with the previous FY (4.1 percentage points). Such developments in domestic demand made up for the poor contribution of net external demand (exports of goods and services less imports of goods and services) which fell to as low as 0.1 percentage point in the reporting year (from 2.0 percentage points a year earlier).

Share of Demand Components in Real GDP Growth

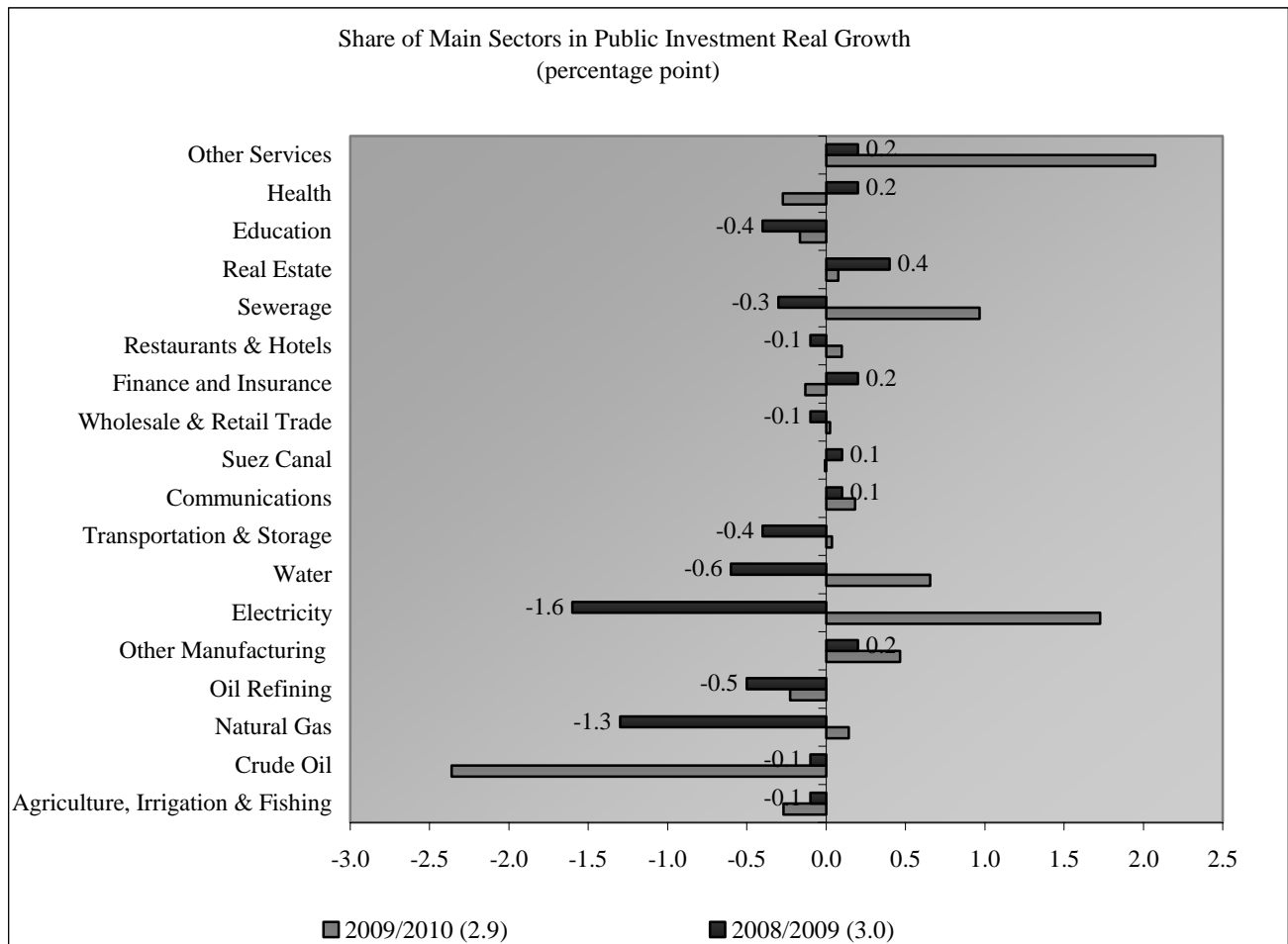
	Growth Rates during the FY (%)		Share in GDP Growth during the FY (percentage point)	
	2008/09	2009/10	2008/09	2009/10
Real GDP Growth Rate	4.7	5.1	4.7	5.1
1-Domestic Demand	2.5	4.9	2.7	5.0
<u>A- Final Consumption</u>	<u>5.7</u>	<u>5.0</u>	<u>4.7</u>	<u>4.2</u>
Private	5.7	5.1	4.1	3.7
Public	5.6	4.5	0.6	0.5
<u>B- Capital Formation</u> (Including Change in the Stock)	<u>-9.1</u>	<u>4.2</u>	<u>-2.0</u>	<u>0.8</u>
2- Net External Demand	44.0	5.2	2.0	0.1
A- Exports of Goods & Services	-14.5	-3.0	-5.3	-0.9
B- Imports of Goods & Services	-17.9	-3.2	7.3	1.0



Implemented investments* (at 2006/07 prices) reached LE 166.4 billion, with a growth rate of 3.9 percent in the reporting year (against a drop of 10.2 percent in the previous FY). The improvement seen in the investments' growth was essentially ascribed to the larger contribution of the private sector (1.0 percentage point against a negative of 13.5 points). That growth was mainly manifest in the sectors of crude oil, communications, transportation and storage and real estate. Moreover, the share of the public sector slightly declined to reach 2.9 percentage points in the reporting year (against 3.0 points in the year of comparison). About half of that contribution came from the sectors of real estate, other health and social services, financial intermediaries, manufacturing (excluding oil refining), communications and Suez Canal. The acceleration of private investments (local and foreign) was helped by the following factors: development of the legislative framework that govern the investment climate; streamlining the procedures of establishing companies; providing further facilities for investors, by supporting decentralization in governorates; more incentives to investors in Upper Egypt and the expansion of infrastructure projects.



* Excluding change in stock



A breakdown of total implemented investments (at constant prices) by economic sectors reveals that oil and gas accounted for 18.9 percent, manufacturing (including oil refining) 11.3 percent, electricity and water 9.7 percent, communications 8.8 percent, agriculture and irrigation 2.9 percent, construction and building 1.9 percent, social services 30.3 percent and finally productive services 16.2 percent.

According to the Annual Report on the Performance of the Ministry of Investment, the year witnessed the foundation of 7269 new companies, with a capital of LE 17.6 billion, up by 15 percent over the previous FY's level. A sectoral distribution of those companies during the reporting year shows that services accounted for 43.1 percent, manufacturing 18.7 percent and construction and building 14.2 percent. As for the geographical distribution, about 68 percent of those companies are located in Greater Cairo.

3/1/1: Employment and Unemployment

According to CAPMAS released data at end of FY 2009/2010, unemployment decelerated to 9.0 percent (from 9.4 percent at the end of the previous FY). It was an outcome of the retreat in both male unemployment from 5.2 percent to 4.93 percent and female unemployment from 23.2 percent to 22.2 percent.

Developments in Unemployment Rates

FY	2008/2009				2009/2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unemployment	8.6	8.8	9.4	9.4	9.4	9.4	9.1	9.0

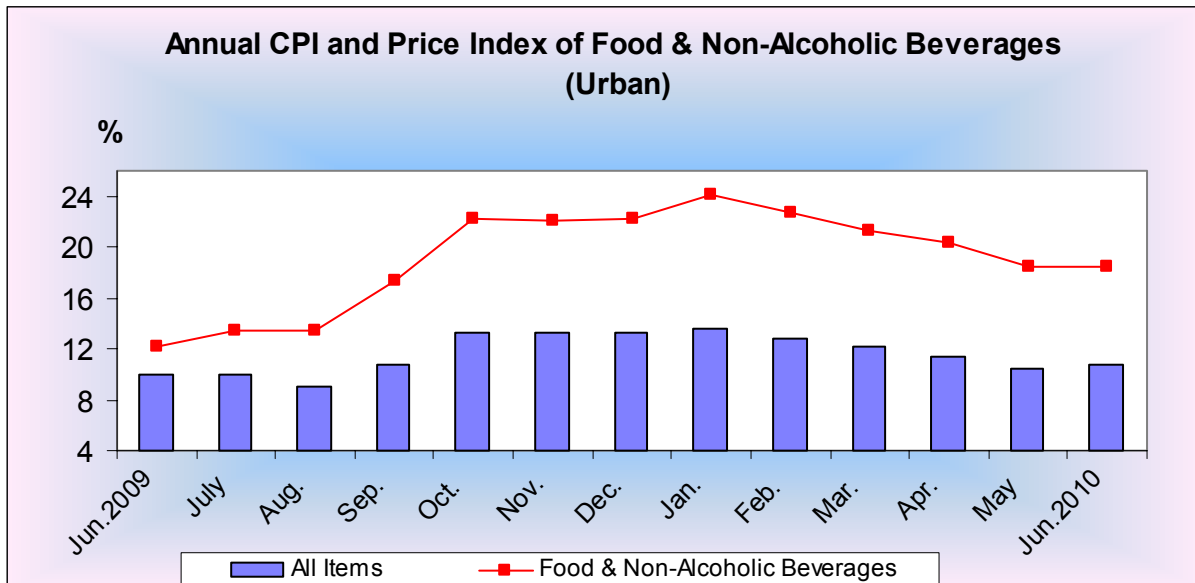
Source: Labor Force Survey, CAPMAS

According to the Ministry of Economic Development data, the number of new job opportunities reached about 521 thousands during the reporting year, with an increase of 14 percent over the previous FY's level. The Social Development Fund provided about 261 thousands of those opportunities.

3/2: Inflation

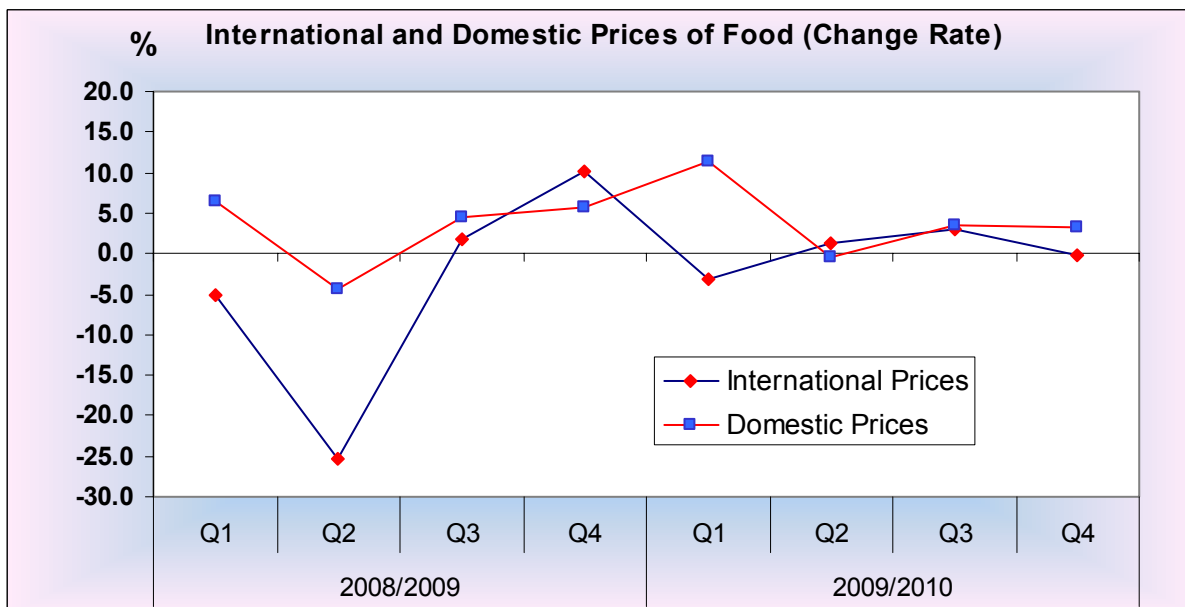
A - Consumer Price Index (CPI)

During FY 2009/2010, the **annual headline CPI inflation** (urban) rose to 10.7 percent at end of June 2010 (against 9.9 percent at end of June 2009). The increase was particularly pronounced in the prices of food and non-alcoholic beverages that added 8.9 percentage points to headline inflation (against 5.7 points).



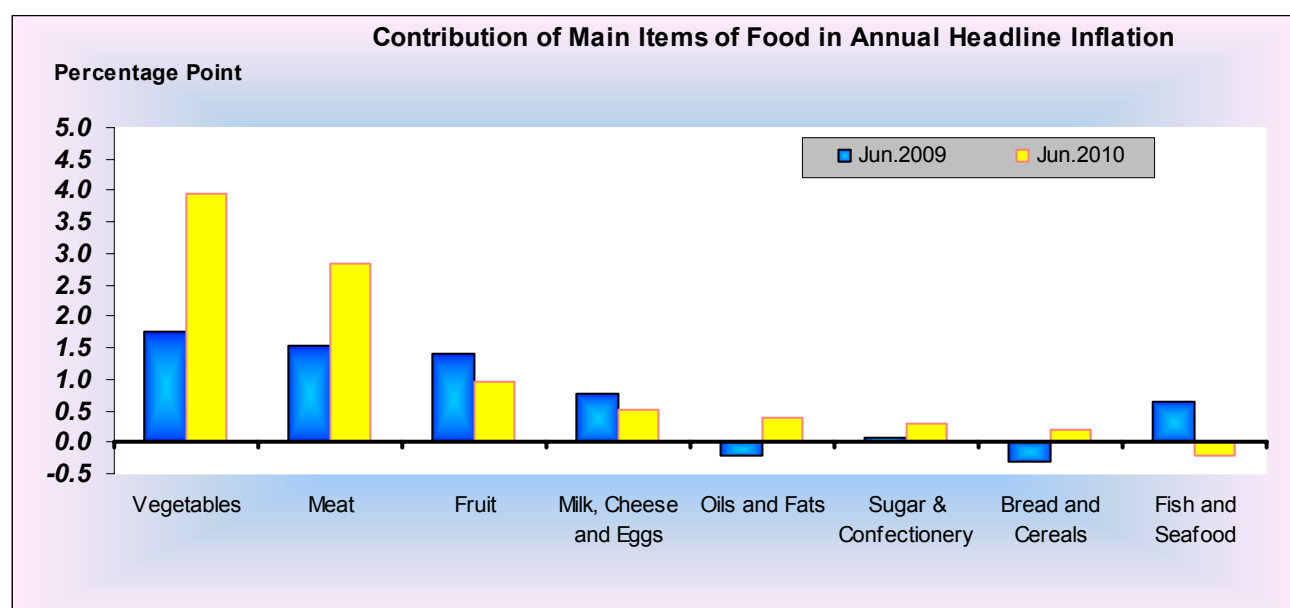
Source: CAPMAS

The inflation of food and non-alcoholic beverages accelerated to 18.5 percent in the reporting year (from 12.2 percent in the previous FY). In spite of the fall in international food prices by 4.8 percent in the reporting year, it did not curb the rise in inflation rate at the domestic level, indicating the weak response of local markets to the changes in international food prices, especially when they take a downturn.



Source: IMF

The rise in the share of food and non-alcoholic beverages was ascribed to stronger contributions of most subgroups, especially vegetables (3.9 percentage points against 1.7 point) and meat and poultry (2.8 points against 1.5 point). However, declines were observed in the groups of fish (-0.2 point against 0.7 point) and fruits (0.9 point against 1.4 point).

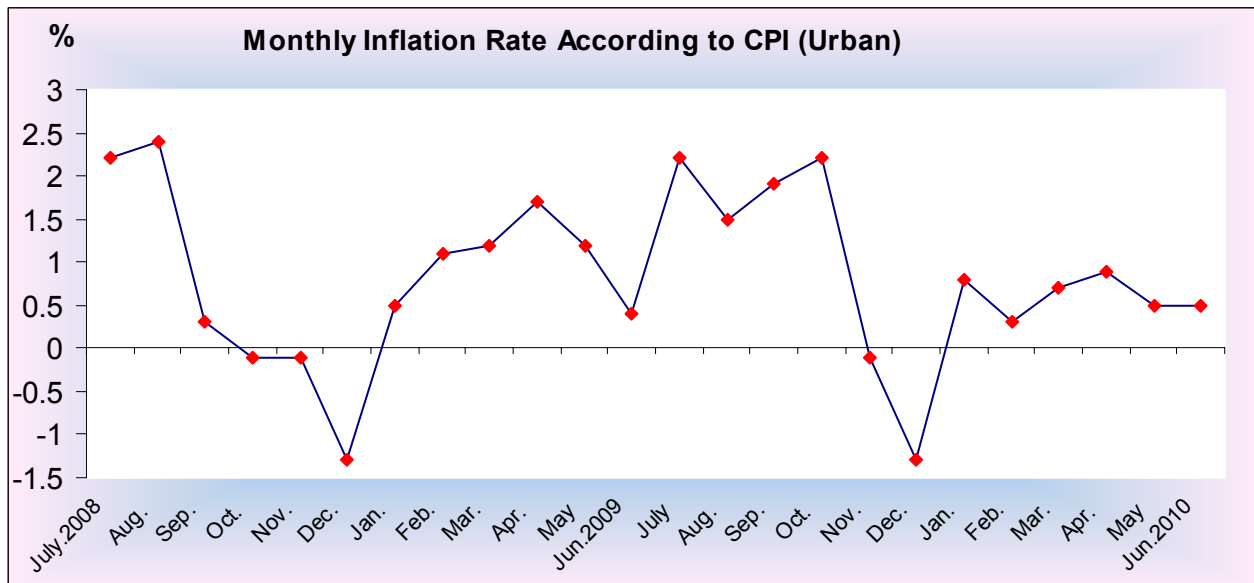


The increase in the annual inflation rate was also ascribed to the higher share of education (0.5 percentage point against 0.2 point); and miscellaneous goods and services (0.6 point against 0.3 point, due to the rise of health insurance fees in October 2009). However, the share of other CPI subgroups declined, thus curbing the rise in inflation rate, as illustrated in the following table:

Shares of CPI Groups (Urban) in Headline Inflation

Main CPI Groups	Inflation Rate During the Year Ending in June %		Share in Headline Inflation During the Year Ending in June (Percentage Point)	
	2009	2010	2009	2010
	General index	9.9	10.7	9.9
Food and non-alcoholic beverages	12.2	18.5	5.7	8.9
Alcoholic beverages, tobacco and narcotics	7.9	0.0	0.2	0.0
Clothing and footwear	13.4	0.6	0.9	0.0
Housing, water, electricity, gas & fuel	4.1	1.3	0.5	0.1
Furnishings, household equipment and routine maintenance	13.1	1.1	0.5	0.0
Health care	4.5	0.3	0.2	0.0
Transportation	4.1	1.4	0.2	0.1
Communications	5.2	-0.1	0.2	0.0
Culture and recreation	15.0	6.3	0.5	0.3
Education	4.6	9.4	0.2	0.5
Restaurants and hotels	12.7	4.7	0.5	0.2
Miscellaneous goods & services	8.3	16.6	0.3	0.6

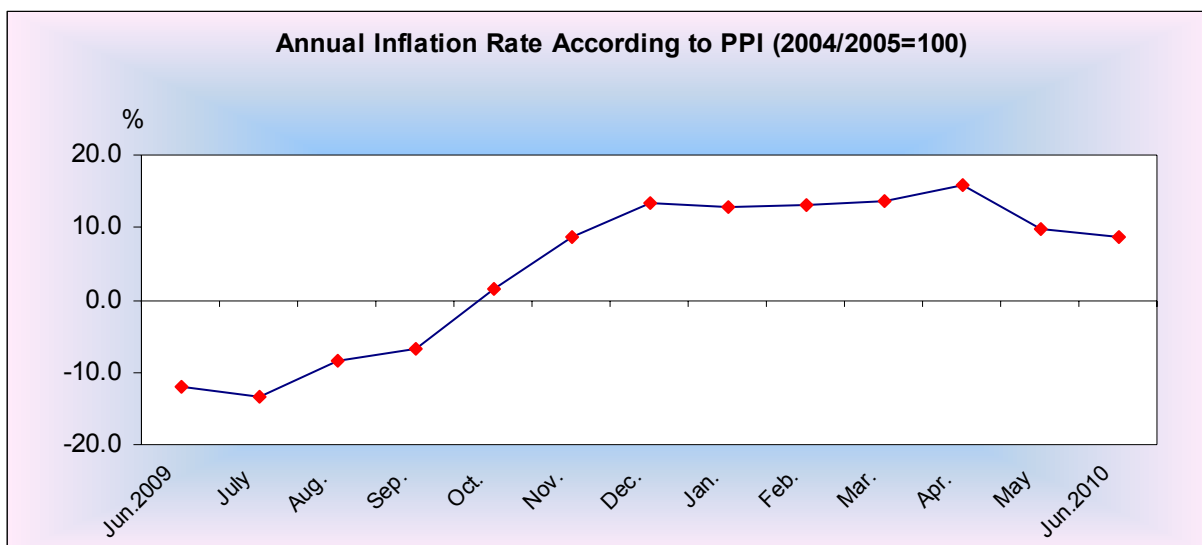
According to the CPI (urban), the **monthly headline inflation** reached 0.5 percent in June 2010, against 0.4 percent in June 2009, to record an average of 0.8 percent during the reporting year. The rise in the monthly headline inflation was concentrated in the subgroups of vegetables, meat and poultry and fruit.



Following suit of December 2008, the monthly rate noticeably subdued in December 2009 to record its lowest level in the reporting year (a negative 1.3 percent), evidently in food and non-alcoholic beverages, especially vegetables and fruit.

B - Producer Price Index (PPI)

Taking the same upward trend of the CPI, the annual PPI inflation accelerated during FY 2009/2010, registering 8.6 percent, against a negative 12.0 percent in the previous FY.



The rise in PPI inflation was largely ascribed to the higher contribution of mining and quarrying (2.0 points against a negative 12.6 points). Such a higher contribution stemmed from the noticeable pickup in the share of crude oil (3.0 points against -19.7 points), reflecting a significant increase in the inflation rate of this group (9.8 percent against -42.1 percent). Also, the share of manufacturing increased (2.5 points against -0.1 point) mainly due to the larger contribution of iron and steel industry (0.8 point against -2.3 points), agriculture and fishing (3.7 points against 1.4 point) and vegetables (2.0 points against 0.8 point).

The following table shows inflation rates and the shares of PPI groups in headline inflation during the reporting year and the year of comparison:

**Shares of PPI Groups in Headline Inflation
(2004/2005= 100)**

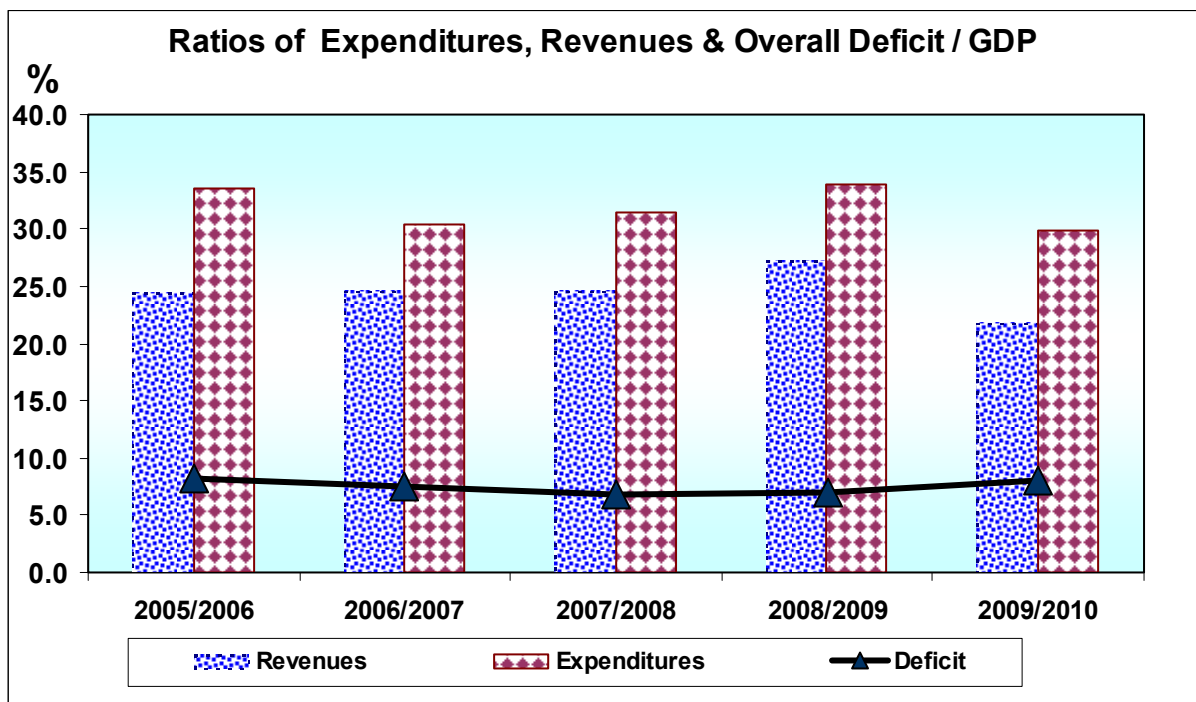
Main PPI Groups	Inflation Rate (%) <u>July/June</u>		Share in Headline Inflation (Percentage Point) <u>July/June</u>	
	2008/09	2009/10	2008/09	2009/10
<u>General Index</u>	<u>-12.0</u>	<u>8.6</u>	<u>-12.0</u>	<u>8.6</u>
<u>1-Agriculture, Forestry and</u>				
<u>Fishing, of which:</u>	<u>5.2</u>	<u>11.6</u>	<u>1.4</u>	<u>3.7</u>
Cereals and leguminous crops	-23.4	1.3	-1.1	0.1
Rice	-45.3	13.8	-0.7	0.1
Vegetables	19.3	37.5	0.8	2.0
Fruit	22.8	6.3	1.1	0.4
Poultry and eggs	13.3	23.3	0.4	0.8
Fish	9.5	-5.0	0.2	-0.1
<u>2-Mining and Quarrying,</u>				
<u>of which:</u>	<u>-42.1</u>	<u>9.8</u>	<u>-12.6</u>	<u>2.0</u>
Crude oil	-50.1	13.5	-19.7	3.0
Stone, sand and clay	3.7	13.8	0.0	0.0
<u>3-Manufacturing,</u>				
<u>of which:</u>	<u>-3.0</u>	<u>6.9</u>	<u>-1.0</u>	<u>2.5</u>
Processed food products, of which:	5.9	11.8	0.4	1.0
Oils and fats	5.0	0.5	0.1	0.0
Dairy products	7.9	3.6	0.1	0.0
Fertilizers	17.8	29.9	0.1	0.3
Wood & products	-6.7	-13.4	0.0	0.0
Cement	17.3	2.0	0.2	0.0
Iron and steel	-39.8	19.2	-2.3	0.8
<u>4-Electricity and Gas,</u>				
<u>of which:</u>	<u>0.9</u>	<u>22.0</u>	<u>0.0</u>	<u>0.4</u>
Electric power generation, transmission and distribution	1.1	29.4	0.0	0.4
<u>5-Water Supply Activities</u>	<u>0.0</u>	<u>5.6</u>	<u>0.0</u>	<u>0.1</u>
<u>6-Transportation and</u>				
<u>Storage, of which:</u>	<u>12.0</u>	<u>0.5</u>	<u>0.2</u>	<u>0.0</u>
Inland transport	0.0	3.5	0.0	0.0
<u>7- Food and Accommodation</u>				
<u>Services, of which:</u>	<u>-2.5</u>	<u>-3.5</u>	<u>-0.1</u>	<u>-0.1</u>
Meal serving services in limited service facilities	7.4	5.7	0.0	0.0
<u>8-Information and</u>				
<u>Communications</u>	<u>4.4</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>

Source: CAPMAS

3/3: Consolidated Fiscal Operations of the General Government

During FY 2009/2010, the **fiscal policy** aimed at stimulating the economic activity to cushion the adverse effects of the global economic crisis. To this end, two additional packages of fiscal stimulus measures were introduced. The first package, totaling LE 15.0 billion, was used during FY 2008/2009 to finance public investments, especially infrastructure and public utility projects. The second package (around LE 5.5 - LE 6 billion) was pumped in the current FY to finance additional investments. The third package (a new supplementary appropriation of LE 10.0 billion) was approved to meet additional investment requirements, particularly potable water and sanitation; roads; the Hinterland villages and Nuba housing projects.

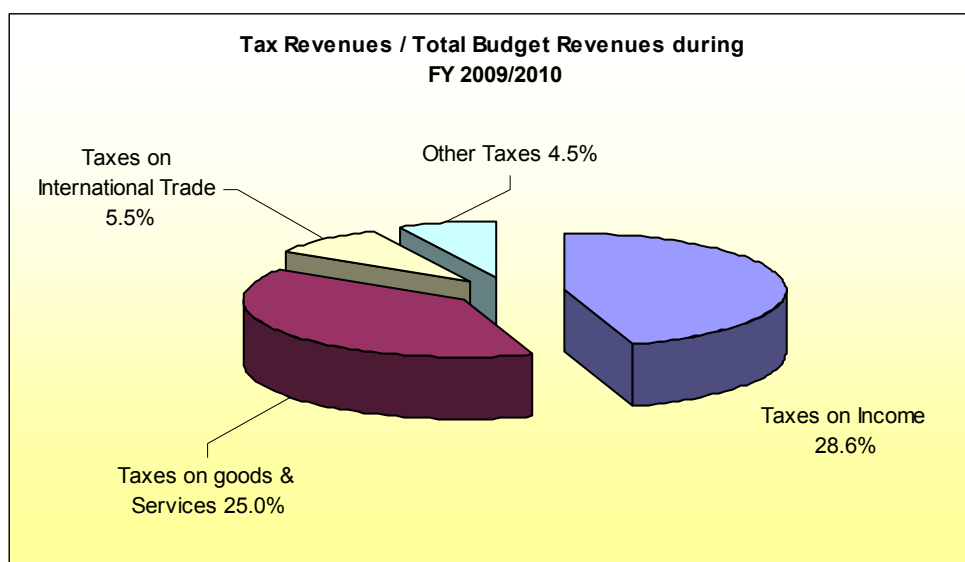
During the reporting year, total government expenditures increased by 4.1 percent above the level of the previous FY, to register LE 366.0 billion or 30.3 percent of GDP. By contrast, public revenues fell by 5.1 percent to LE 268.1 billion, representing 22.2 percent of GDP. Consequently, the overall budget deficit widened to LE 98.0 billion or 8.1 percent of GDP during the reporting year, from LE 71.8 billion and 6.9 percent a year earlier. Such developments reflect the increasing ratio of overall deficit/GDP. It is worthy to mention that the fiscal policy aims to reduce such ratio to as low as 3.5 percent by FY 2014/2015, as a prerequisite for decreasing the ratio of domestic public debt/ GDP.



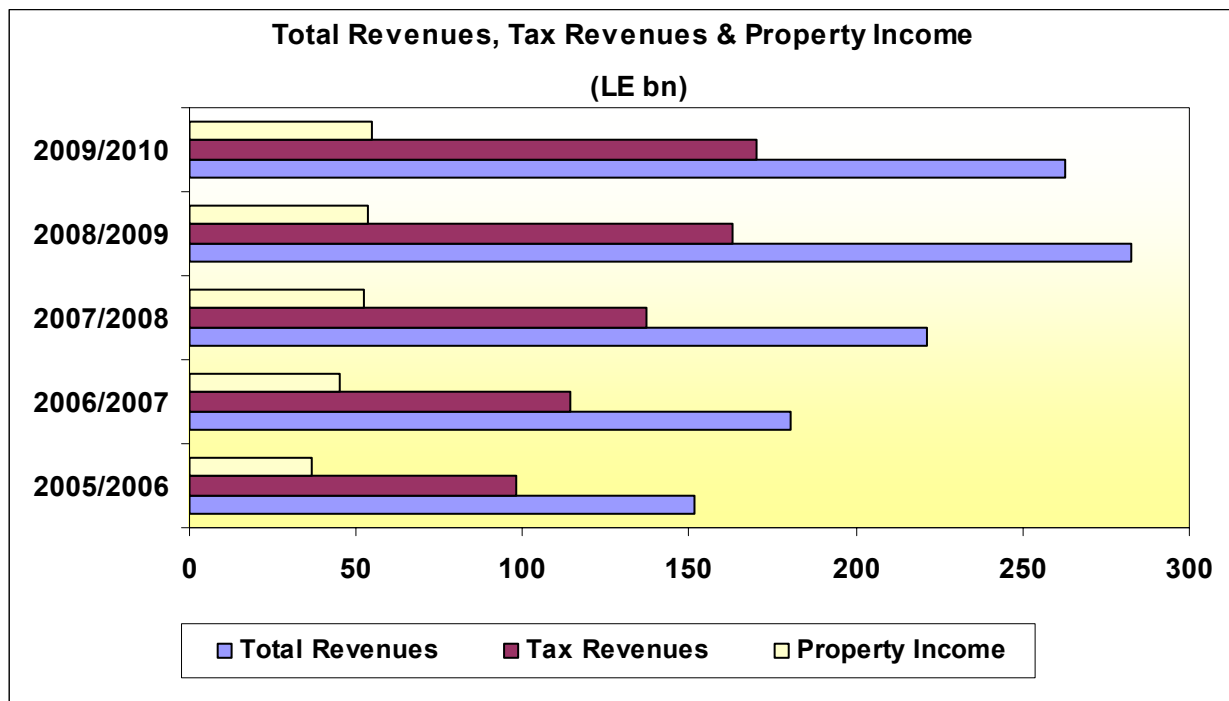
Hereunder is a follow-up of the execution of the consolidated fiscal operations of the general government in FY 2009/2010, according to the preliminary actual data of the Ministry of Finance:

3/3/1: Budget Sector (Administrative System - Local Administration - Service Authorities)

Reflecting the negative repercussions of the global financial crisis on the domestic economic performance, public revenues went down by LE 14.4 billion or 5.1 percent during FY 2009/2010, to reach LE 268.1 billion or 22.2 percent of GDP. The lower revenues were mainly ascribed to the retreat of non-tax revenues by LE 18.0 billion or 16.2 percent, mainly due to the settlement conducted between the budget and SIFs during the previous FY. However, that decrease was mitigated by the rise in some tax revenues under the efforts made to expand the taxable base to offset the decline in some revenues that were affected by the global crisis.

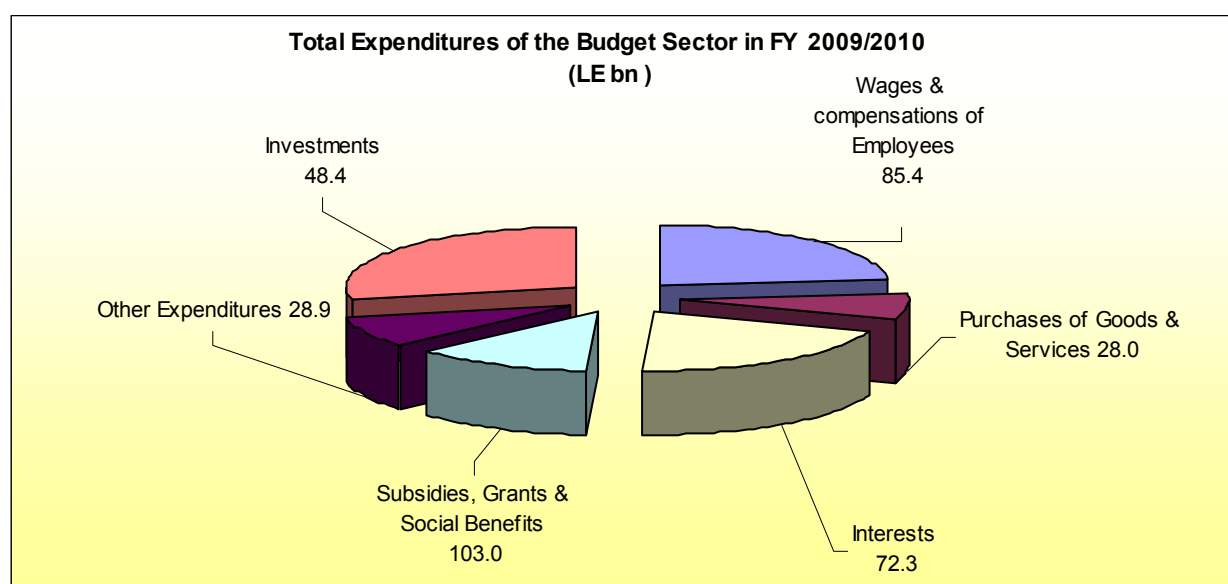


Following the inclusion of the revenues of taxes on treasury bills and bonds, earnings of property taxes augmented by LE 4.8 billion to LE 8.8 billion, more than double their level in the previous FY. Those of taxes on goods and services also scaled up by LE 4.4 billion or 7.1 percent and so did customs receipts by 4.3 percent, despite the negative repercussions of the global financial crisis and customs exemptions. The rise in customs receipts was rather attributed to streamlining the procedures of customs collection at sea and airports. Other factors at work were the availability of new devices that helped examine consignments, and the development of an electronic payment facility for the collection of government dues to simplify payment procedures for dealers with tax and customs authorities. Earnings of property income from the EGPC, CBE, some economic authorities and others (from EGPC and the third mobile license) surged by LE 4.5 billion to some LE 31.7 billion against some LE 27.2 billion in the previous FY. On the other hand, those from the Suez Canal Authority, companies and others declined by 12.6 percent to reach about LE 22.9 billion.



Grants amounted to LE 4.3 billion, down by LE 3.7 billion or 45.7 percent as compared with the previous FY. The decrease was mainly in current grants, while capital grants rose by 31.6 percent.

Expenditures, according to actual figures, totaled LE 366.0 billion (30.3 percent of GDP), with a rise of LE 14.5 billion or 4.1 percent over the previous FY. The increase stemmed mainly from the surge of interest payments on debts (external and domestic) by LE 19.5 billion or 37.0 percent, to reach LE 72.3 billion or 27.0 percent of total revenues, which in turn reflected the cumulative burden of interest charges on the budget. Wages and compensations of employees mounted by LE 9.2 billion to LE 85.4 billion, thus absorbing 31.8 percent of total revenues and making up 26.9 percent of the current government spending. Most of infrastructure-oriented investments increased by LE 4.9 billion, to stand at LE 48.4 billion. On the other hand, some items, mainly subsidies, grants and social benefits, steeply fell by LE 24.1 billion or 18.9 percent, to LE 103.0 billion. To elaborate, social benefits went down by 84.4 percent, to reach only LE 4.5 billion in the reporting year (against LE 28.7 billion in the previous FY). The retreat was attributed to the impact of the financial settlement between the budget and SIFs in FY 2008/2009. Moreover, food subsidies fell by 20.2 percent to LE 16.8 billion, in the wake of the decrease in world prices of a number of foodstuffs. By contrast, oil subsidies rose by 6.1 percent to face the world price hikes of main subsidized energy commodities; albeit their prices were not as high as the pre-crisis levels.



Summary of the Fiscal Operations of the Budget Sector

(LE mn)

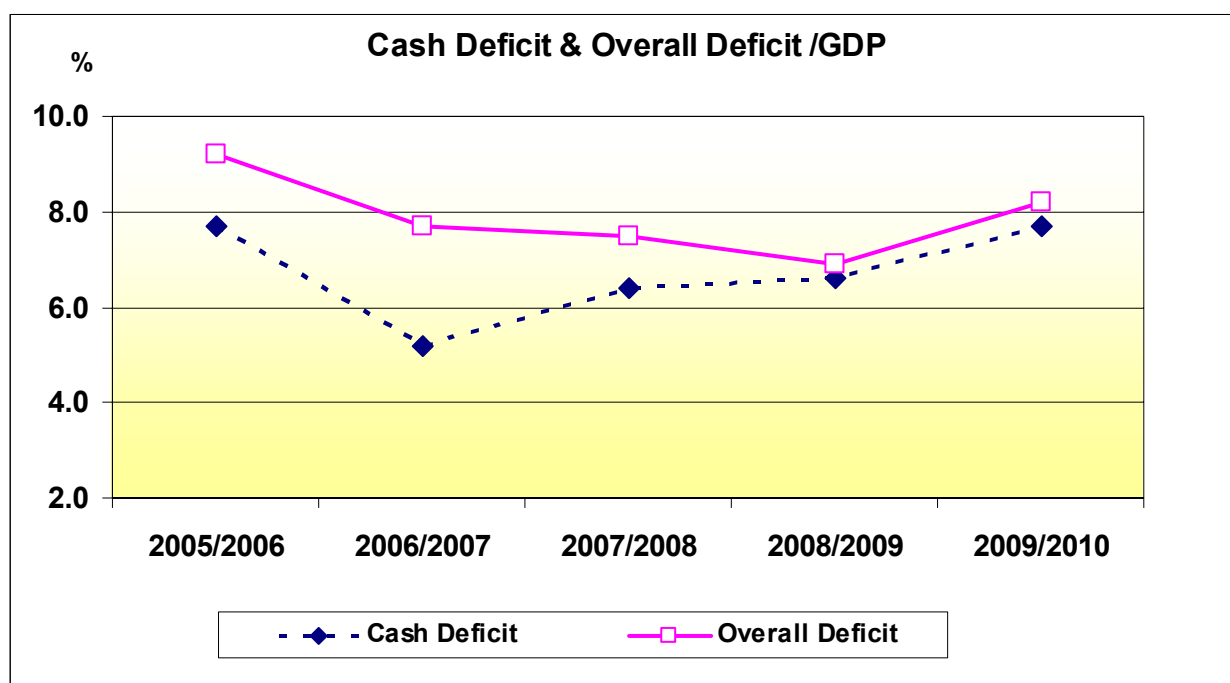
Revenues	2008/09	2009/10	Expenditures	2008/09	2009/10
	Actual	Preliminary Actual		Actual	Preliminary Actual
Total Revenues	282505	268114	Total Expenditures	351500	365987
Tax revenues	163222	170494	Wages & compensations of employees	76147	85369
Taxes on income & profits	79073	76618	Purchases of goods & services	25072	28059
Taxes on property	3944	8770	Interests	52810	72333
Taxes on goods & Services	62650	67095	Subsidies, grants & social benefits	127033	102975
Customs	14091	14702	Subsidies	93830	93570
Other taxes	3464	3309	Grants	4213	4380
Grants	7984	4332	Social benefits	28707	4483
Other revenues	111299	93288	Others	283	542
Property income	53395	54570	Other expenditures	27008	28901
Proceeds of selling goods & services	16216	17212	Defense	22267	23453
Financial investments	7855	8873	Others	4741	5448
Others	33833	12633	Purchases of non-financial assets (investments)	43430	48350

Against this background, the budget showed a cash deficit of LE 97.9 billion or 8.1 percent of GDP. By adding the net acquisition of financial assets (LE 165 million) to the cash deficit, the overall deficit would post LE 98.0 billion or 8.1 percent of GDP in the reporting year (against a deficit of LE 71.8 billion or 6.9 percent of GDP a year earlier).

Domestic financing sources (mainly banks' subscriptions for TBs) were chiefly used to finance the overall deficit, while external financing sources covered only LE 2.5 billion worth.

3/3/2: Budget Sector, NIB and SIFs

Adding the fiscal operations of the NIB and SIFs to those of the budget sector during FY 2009/2010, collected revenues would surge by LE 35.2 billion to LE 303.4 billion, constituting 25.1 percent of GDP. Likewise, public expenditures would rise by LE 30.8 billion, to LE 396.8 billion or 32.9 percent of GDP.



Accordingly, the above-mentioned fiscal operations would show a cash deficit of LE 93.4 billion in the consolidated fiscal operations of the general government. By adding the net acquisition of financial assets (LE 5.5 billion), the overall deficit would reach LE 98.9 billion or 8.2 percent of GDP.

**Summary of the Consolidated Fiscal Operations
of the General Government**

(LE mn)

	<u>2008/2009</u>	<u>2009/2010</u>
	Actual	(Preliminary Actual)
Total Revenues	288545	303361
Total Expenditures	356944	396768
Cash Deficit	68399	93407
Net Acquisition of Financial Assets	3980	5479
Overall Deficit	72379	98886
Financing Sources	72379	98886
Domestic Financing	79664	102415
Banking Financing	100140	39380
Non-Banking Financing	-20476	63035
Blocked Account Used in Amortizing Part of CBE Bonds	0	0
Foreign Borrowing	23343	2458
Arrears	-4	0
Others	3915	273
Financing Effects for Eliminations	0	-1
Exchange Rate Revaluation	3366	1328
Net Privatization Proceeds	183	425
Difference between Treasury Bills Face Value & Present Value	-10915	-227
Foreign Debt Reclassification Differences and Related FX Differences	-25155	0
Discrepancy	-2018	-7785

The overall deficit of the consolidated fiscal operations of the general government was mainly financed from local sources, while external sources provided no more than LE 2.5 billion worth.

3/4: Balance of Payments and External Trade

Egypt's transactions with the external world improved. The BOP* shifted to an overall surplus of US\$ 3.36 billion during FY 2009/2010, (from an overall deficit of US\$ 3.38 billion during the previous FY). The current account deficit retreated by 2.4 percent to post US\$ 4.3 billion, while the capital and financial account realized a net inflow of US\$ 8.3 billion (well above the US\$ 2.3 billion realized a year earlier).

* Compiled in accordance with the Fifth Edition of the IMF's Balance of Payments Manual, September 1993

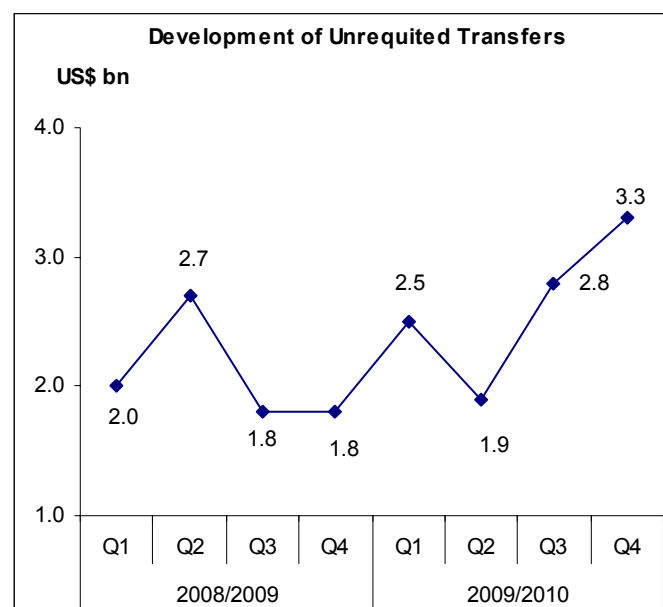
The retreat in the current account deficit was an outcome of the relative stability in the trade deficit, the increase in net unrequited transfers and the low services surplus.

The trade deficit remained almost stable at the level of US\$ 25.1 billion (against US\$ 25.2 billion). As such, merchandise export proceeds went down by 5.1 percent to US\$ 23.9 billion, and so did merchandise import payments by 2.7 percent to US\$ 49.0 billion.

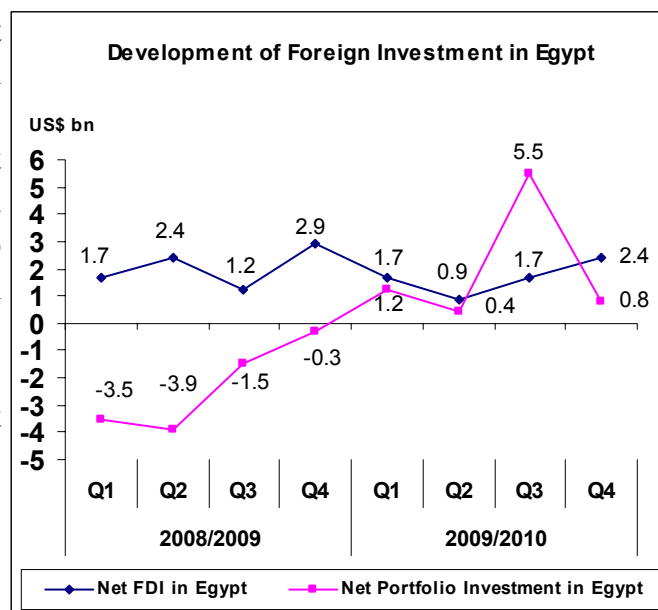
The services surplus declined by 17.3 percent, to about US\$ 10.3 billion (against some US\$ 12.5 billion in the previous FY). The decline came on the back of the slight retreat in service receipts by 1.0 percent and the pickup in service payments by 17.0 percent, as shown hereunder:

- Service receipts fell by 1.0 percent during FY 2009/2010, to only US\$ 23.6 billion (against US\$ 23.8 billion). The decrease was a result of the decline in most items, excluding tourism and other receipts. Hence, investment income shrank by 57.2 percent to US\$ 829.0 million (from US\$ 1.9 billion) and Suez Canal receipts by 4.3 percent to US\$ 4.5 billion (from US\$ 4.7 billion). Meanwhile, travel receipts (tourism revenues) moved up by 10.5 percent, to record US\$ 11.6 billion (against US\$ 10.5 billion), and other service receipts by 1.8 percent to US\$ 3.7 billion.
- Service payments surged by 17.0 percent to US\$ 13.2 billion (against US\$ 11.3 billion), as a result of the pickup in investment income payments and government expenditure by US\$ 5.2 billion and US\$ 1.5 billion, respectively. In contrast, other service payments and transportation payments fell by US\$ 2.9 billion and US\$ 1.2 billion, respectively.

Net unrequited transfers increased by 26.9 percent to US\$ 10.5 billion during FY 2009/2010, (against US\$ 8.2 billion in the previous FY). That was ascribed to the rise in net private transfers by 24.6 percent to US\$ 9.5 billion (mainly due to the increase of 25.0 percent in the remittances of Egyptians working abroad) and the pickup in net official transfers to post US\$ 954.0 million (against US\$ 614.3 million) because of the increase in cash grants to the Egyptian government.



The capital and financial account realized a net inflow of US\$ 8.3 billion during FY 2009/2010 (against US\$ 2.3 billion). That was due to the fact that portfolio investments in Egypt reversed from a net outflow of US\$ 9.2 billion to a net inflow of US\$ 7.9 billion, of which US\$ 5.0 billion were foreigners' investments in Egyptian TBs (inflows). In contrast, foreign direct investment (FDI) in Egypt declined by 16.7 percent, to post US\$ 6.8 billion (against US\$ 8.1 billion).



Other assets and liabilities recorded a net outflow of US\$ 7.1 billion, (against a net inflow of US\$ 3.9 billion).

The following table shows the main BOP indicators according to the GDP estimates and the main changes in the BOP items during FY 2009/2010 and the previous FY:

Balance of Payments Indicators

	<u>FY (%)</u>	
	2008/2009	2009/2010
<u>Trade Balance:</u>		
- Merchandise exports / GDP	13.3	10.9
• Oil exports / Total exports	43.7	43.0
• Crude oil exports / Oil exports	36.4	43.6
- Merchandise imports / GDP	26.7	22.4
• Non-oil imports / Total imports	86.0	89.5
Foodstuff & cereals imports / Non-oil imports	13.6	15.5
• Oil products imports / Total imports	8.8	6.7
- Volume of foreign trade / GDP	40.0	33.3
- Coverage ratio of merchandise exports / merchandise imports	50.0	48.7
- Trade Balance / GDP	-13.3	-11.5
<u>Services Balance:</u>		
- Services balance / GDP	6.6	4.7
• Total service receipts / GDP, of which:	12.6	10.8
Suez Canal receipts / GDP	2.5	2.1
Tourism / GDP	5.6	5.3
<u>Transfers:</u>		
- Net transfers / GDP	4.4	4.8
Remittances of Egyptians working abroad/ GDP	4.1	4.5
- <u>Current Account / GDP</u>	-2.3	-2.0
- Current receipts / GDP	30.3	26.5
- Current payments / GDP	32.7	28.5
- Current receipts / Current payments	92.8	93.1
<u>Capital and Financial Account:</u>		
- FDI in Egypt / GDP	4.3	3.1
- <u>Overall Balance / GDP</u>	-1.8	1.5
- Months of merchandise and services imports covered by NIRs (end of June)	6.1	6.8

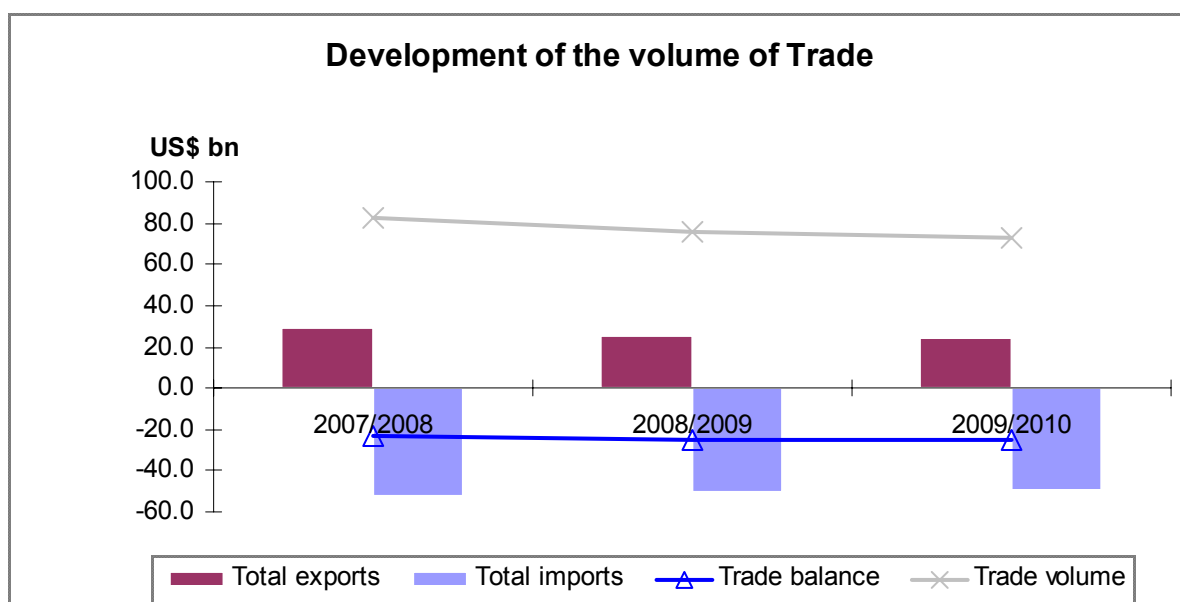
3/4/1: External Trade

In the light of the decline in the world's volume of trade on the back of the slowdown of economic growth, the volume of Egypt's external trade contracted by 3.5 percent, registering US\$ 72.9 billion during the reporting year, (against US\$ 75.5 billion a year earlier). As a result, the ratio of the volume of trade/GDP dropped to 33.3 percent from 40.0 percent.

Merchandise export proceeds declined by 5.1 percent, posting US\$ 23.9 billion (10.9 percent of GDP against 13.3 percent). The decline resulted from the fall in the exports of semi-finished goods by 14.9 percent; mineral fuels, oils and products by 6.4 percent and finished goods by 4.6 percent. However, exports of raw materials accelerated by 38.3 percent.

Merchandise import payments also retreated by 2.7 percent to US\$ 49.0 billion (22.4 percent of GDP against 26.7 percent). It was attributed to the decrease in the imports of mineral fuels, oils and products by 22.1 percent; raw materials by 14.2 percent; investment goods by 2.4 percent and intermediate goods by 2.3 percent. In contrast, import payments for consumer goods surged by 27.6 percent.

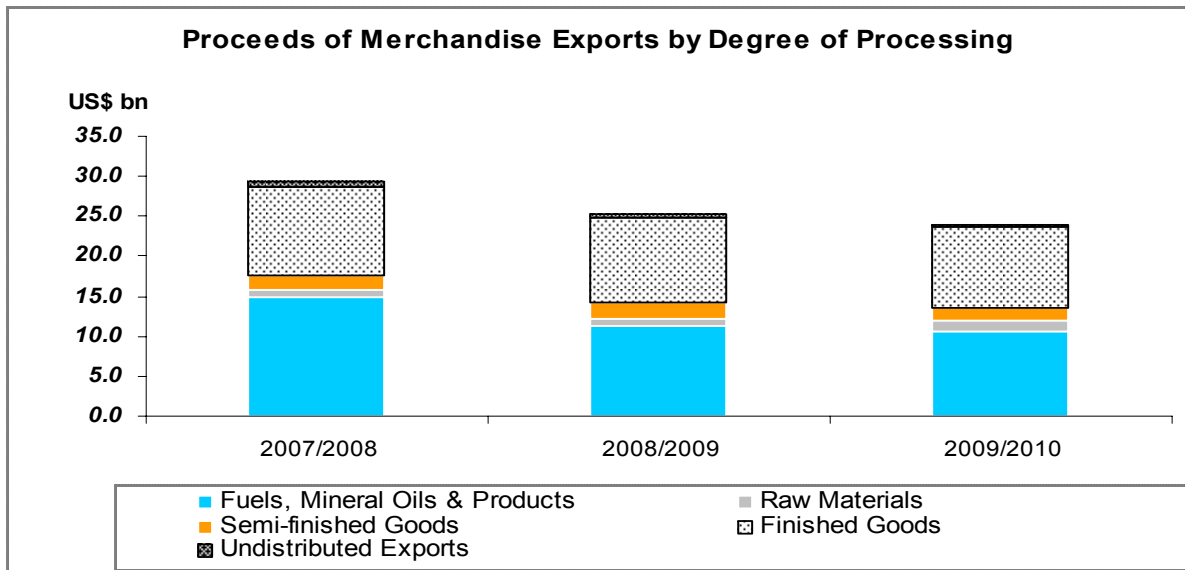
Against this background, the trade deficit scantily narrowed by 0.2 percent to US\$ 25.1 billion (from US\$ 25.2 billion a year earlier). In addition, the coverage ratio of merchandise export proceeds to merchandise import payments fell from 50.0 percent to 48.7 percent.



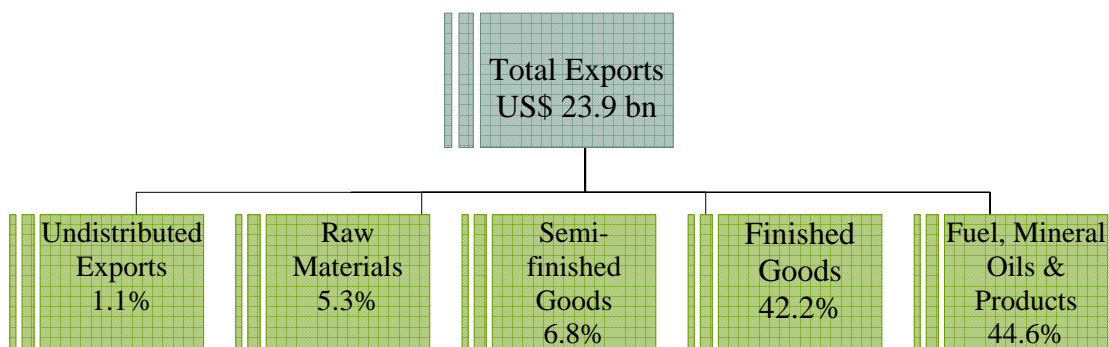
3/4/1/1: Distribution of Exports

In the reporting year, merchandise export proceeds* declined by 5.1 percent, scoring US\$ 23.9 billion, owing to the decrease in the exports of semi-finished goods by 14.9 percent; mineral fuels, oils and products by 6.4 percent; and finished goods by 4.6 percent. In contrast, exports of raw materials scaled up by 38.3 percent.

* Calculated on FOB basis, as their value is calculated at the customs borders of the Egyptian economy, i.e. excluding the costs of shipment, freight and insurance. They include exports of free zones to the rest of the world.



Hereunder is the breakdown of merchandise export proceeds by main groups:



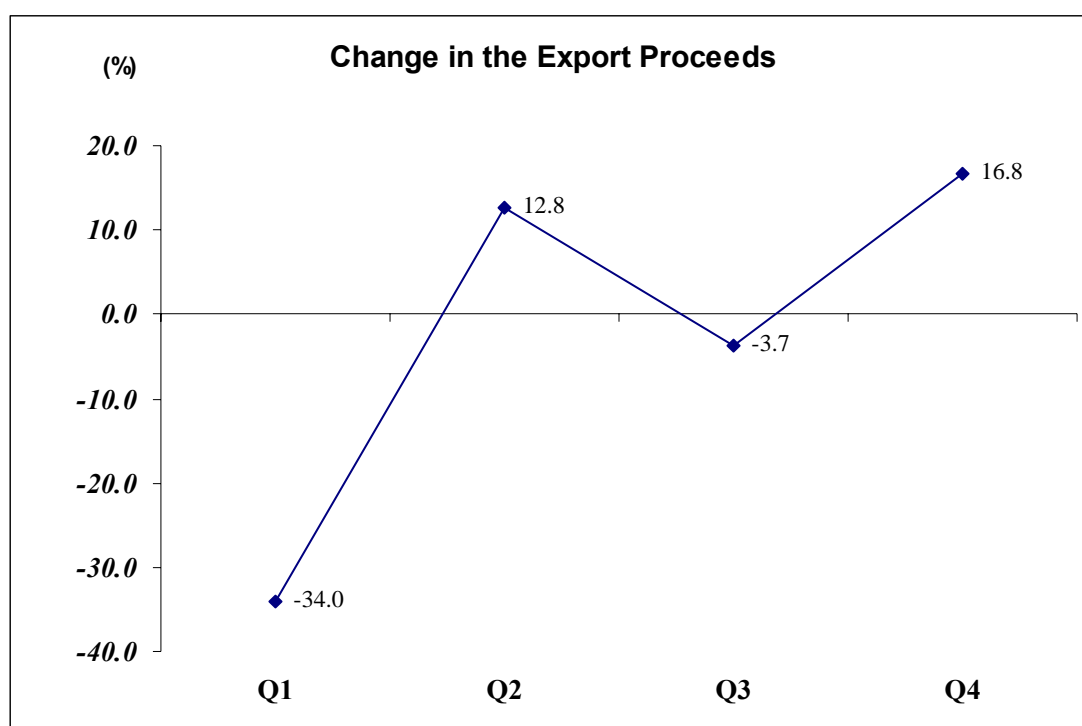
The exports of mineral fuels, oils and products retreated by 6.4 percent, registering US\$ 10.6 billion in the reporting year (against US\$ 11.4 billion a year earlier). The public sector was the major exporter, with a share of 94.0 percent of the total, followed by the investment sector with 3.2 percent and the private sector with 2.8 percent.

Finished goods declined by 4.6 percent to US\$ 10.1 billion (against US\$ 10.6 billion a year earlier), affected by the fall in the exports of most goods and the continued ban on the exportation of grey cement (by virtue of Decree no. 604 for 2009 of the Minister of Trade and Industry). The private sector accounted for 86.5 percent of the total exports of this group, followed by the investment sector (8.6 percent) and the public sector (4.9 percent). The key exports of this group were fertilizers; ready-made clothes; iron and steel products; cotton textiles; miscellaneous edible preparations; pharmaceuticals; aluminum articles; cars, tractors and bicycles; and articles of base metals.

Exports of semi-finished goods decreased to US\$ 1.6 billion (from US\$ 1.9 billion in the previous FY). The private sector shared with 79.6 percent of the total exports of this group. The investment sector came next with 17.0 percent, and the public sector with 3.4 percent. The main exports of this group were organic and inorganic chemicals; cast and rolled iron; plastics and articles thereof; cotton yarn; animal and vegetable fats, greases and oils and products and carbon.

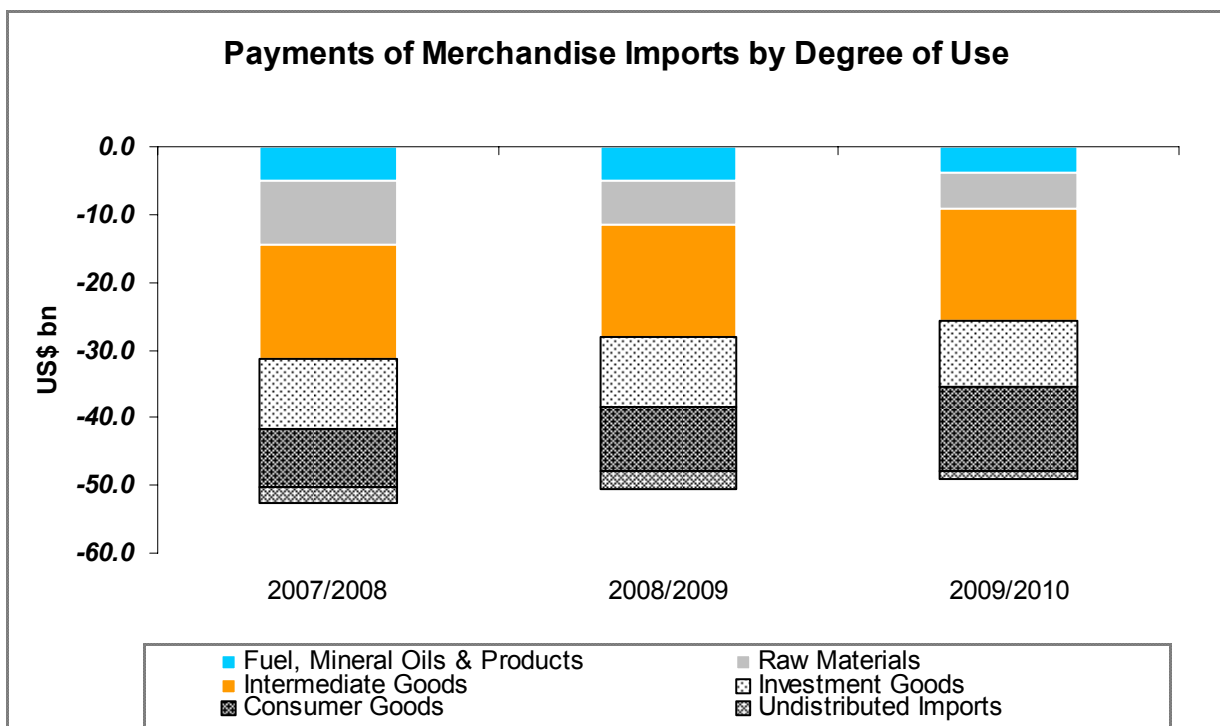
By contrast, exports of raw materials rose to US\$ 1.3 billion in the reporting year (against US\$ 0.9 billion). The private sector was in the lead, with a share of 84.9 percent of the total exports; followed by the investment sector (8.1 percent) and the public sector (7.0 percent). The chief exports of this group were edible fruits and nuts; edible vegetables, roots and tubers; cotton; oil seeds and oleaginous fruits for manufacturing; potatoes; and medicinal plants.

It is noteworthy that the quarterly growth rates of exports slowed by 34.0 percent in the first quarter of the relevant FY, compared to the previous corresponding quarter (due to the decrease in the exports of mineral fuels and oils by 41.0 percent). In the second quarter, export proceeds recorded a rise of 12.8 percent, then retreated by 3.7 percent in the third quarter, but rose once more in the fourth quarter by 16.8 percent. The significant fluctuations in the growth rates of exports were mainly ascribed to the sharp volatility in world oil prices at that time.



3/4/1/2: Distribution of Imports

Merchandise import payments* amounted to some US\$ 49.0 billion, down by 2.7 percent (from US\$ 50.3 billion a year earlier). The decline was indicative of the lower imports of all groups, except for consumer goods. In detail, imports of mineral fuels, oils and products fell by 22.1 percent; raw materials by 14.2 percent; investment goods by 2.4 percent and intermediate goods by 2.3 percent. Conversely, import payments for consumer goods went up by 27.6 percent.



Hereunder is a detailed breakdown of merchandise import payments by main groups:



* Calculated on CIF basis i.e. including costs of shipment, freight and insurance. They include imports of free zones from the rest of the world.

Imports of mineral fuels, oils and products – of which oil products represented 86.0 percent – rolled back by 22.1 percent, standing at US\$ 3.8 billion in the reporting year (against US\$ 4.9 billion in the previous FY).

The public sector accounted for 67.2 percent of total imports, followed by the private sector (23.9 percent) and the investment sector (8.9 percent).

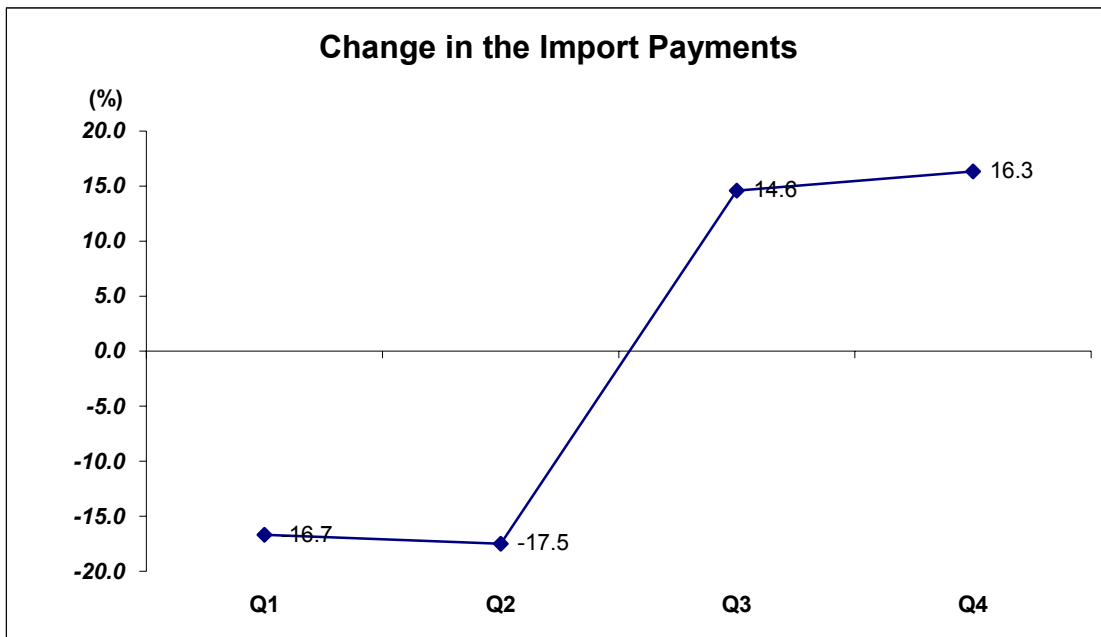
Import payments for **raw materials** scaled down by 14.2 percent, reaching US\$ 5.5 billion during the reporting year (against US\$ 6.5 billion a year earlier).

The private sector came first with 49.5 percent of total imports, followed by the public sector with 31.1 percent and the investment sector with 19.4 percent. Imports were mostly crude oil, wheat, tobacco, maize, oleaginous seeds and fruits and iron ore.

Imports of intermediate goods declined in value terms by 2.3 percent to US\$ 16.3 billion during the reporting year (from US\$ 16.7 billion a year earlier). The private sector contributed 85.4 percent of the total, followed by the investment sector with 8.2 percent, and the public sector with 6.4 percent. The main imports of this group were iron and steel products; spare parts and accessories; organic and inorganic chemicals; plastics and articles thereof; animal and vegetable fats, greases and oils and products; paper, cardboard paper and articles thereof and wood and articles.

Similarly, imports of investment goods went down by 2.4 percent, posting US\$ 10.0 billion (against US\$ 10.3 billion). The private sector ranked first with a share of 76.0 percent of the total, followed by the public sector with 14.2 percent and the investment sector with 9.8 percent. The chief imports of this group were cranes, bulldozers, and parts thereof; computers; pumps and fans and parts thereof; electric appliances for telephones and telegraphs; motors, generators and transformers; and optical photographic, cinematographic and medical appliances and parts.

Conversely, import payments of consumer goods stepped up by 27.6 percent, recording US\$ 12.2 billion (against US\$ 9.6 billion), due to larger imports of durable goods (by 63.5 percent to US\$ 3.3 billion) and of nondurable goods (by 17.9 percent to US\$ 8.9 billion). The increased imports of this group can be explained by the desire of importers to benefit from the fall in the world prices of such goods. The private sector contributed 86.5 percent of the total, followed by the public sector with 7.4 percent and the investment sector with 6.1 percent.



The key imports of durable consumer goods were cars; household electric-motor appliances; and household refrigerators and electric freezers. Imports of non-durable goods were pharmaceuticals; miscellaneous edible preparations; ready-made clothes; meat; cotton textiles; dairy products; edible vegetables, roots and tubers; and fish.

The quarterly growth rates of import payments showed the following:

Import payments decreased by 16.7 percent in the first quarter of the relevant FY, against the previous corresponding quarter. Such a downward trend continued in the second quarter, unfolding a decline of 17.5 percent. However, import payments increased by 14.6 percent in the third quarter, owing to larger imports of consumer goods (particularly durable ones, which constituted 68.0 percent) and also in the fourth quarter (by 16.3 percent).

3/4/1/3: Sectoral Breakdown of External Trade

The role of the private sector in external trade enlarged, with a share of 64.7 percent of the total volume of trade (against 60.1 percent a year earlier). The public sector came next with 27.0 percent (against 30.3 percent) and the investment sector with 8.3 percent (against 9.6 percent).

Hereunder is the breakdown of the main exports and imports by sector:**A- The Private Sector:**

The volume of trade of the private sector rose by 3.9 percent, posting US\$ 47.1 billion, owing to the rise in its exports and imports. Export proceeds slightly edged up by 0.8 percent, recording US\$ 11.4 billion (47.7 percent of total export proceeds) against US\$ 11.3 billion (finished goods represented 76.5 percent of the sector's exports). On the other hand, its imports rose by 5.0 percent to US\$ 35.8 billion from US\$ 34.1 billion (intermediate goods made up 38.8 percent and consumer goods 29.6 percent of the sector's imports).

The private sector's main exports were ready-made clothes; iron and steel products; miscellaneous edible preparations; fertilizers; organic and inorganic chemicals; cotton textiles; pharmaceuticals; cast iron and semi-finished products and rolled iron; and cars, tractors and bicycles. Its key imports were iron and steel products; pharmaceuticals; spare parts and accessories of cars; organic and inorganic chemicals; plastics and articles thereof; cars; paper, cardboard paper and articles thereof; computers; wood and products; cranes, bulldozers and parts thereof; and wheat.

B- The Public Sector:

The volume of trade of the public sector declined by 14.0 percent, amounting to US\$ 19.7 billion. Such a decline was ascribed to the fall in the export proceeds of this sector by 1.8 percent, from US\$ 11.1 billion to US\$ 10.9 billion (mineral fuels, oils and products represented 91.6 percent of its total exports). Another factor at work was the decline in the public sector's imports by 25.5 percent, to US\$ 8.8 billion from US\$ 11.8 billion (mineral fuels, oils and products constituted 29.3 percent and raw materials 19.7 percent).

The key exports were crude oil and products; aluminum articles; fertilizers; unalloyed aluminum; cotton; soap, detergents and artificial waxes; manufactured tobacco and tobacco substitutes; cotton textiles; coal and types thereof; organic and inorganic chemicals; and iron and steel products. Its chief imports were crude oil and products; wheat; animal and vegetable fats, greases and oils and products; motors, generators and parts thereof; pharmaceuticals; pumps and fans and parts thereof; tobacco; and optical photographic, cinematographic and medical appliances and parts.

C- The Investment Sector:

The trade volume of the investment sector shrank by 16.8 percent to some US\$ 6.1 billion; because of the drop in its export proceeds by 42.7 percent to US\$ 1.6 billion, from US\$ 2.8 billion (mineral fuels, oils and products represented 21.3 percent and finished goods 54.7 percent). Meanwhile, imports fell by 1.0 percent to US\$ 4.5 billion (intermediate and investment goods constituted 29.8 percent and 24.0 percent, respectively).

The investment sector mainly exported oil products; fertilizers; ready-made clothes; organic and inorganic chemicals; cotton textiles; cast iron, semi-finished products and rolled iron; carpets and other floor coverings; iron and steel products; ceramic products; and cotton.

The chief imports of this sector were crude oil and products; pumps and fans and parts thereof; animal and vegetable fats, greases and oils and products; spare parts and accessories of cars; oil products; iron and steel products; cranes, bulldozers and parts thereof; pharmaceuticals; and miscellaneous edible preparations.

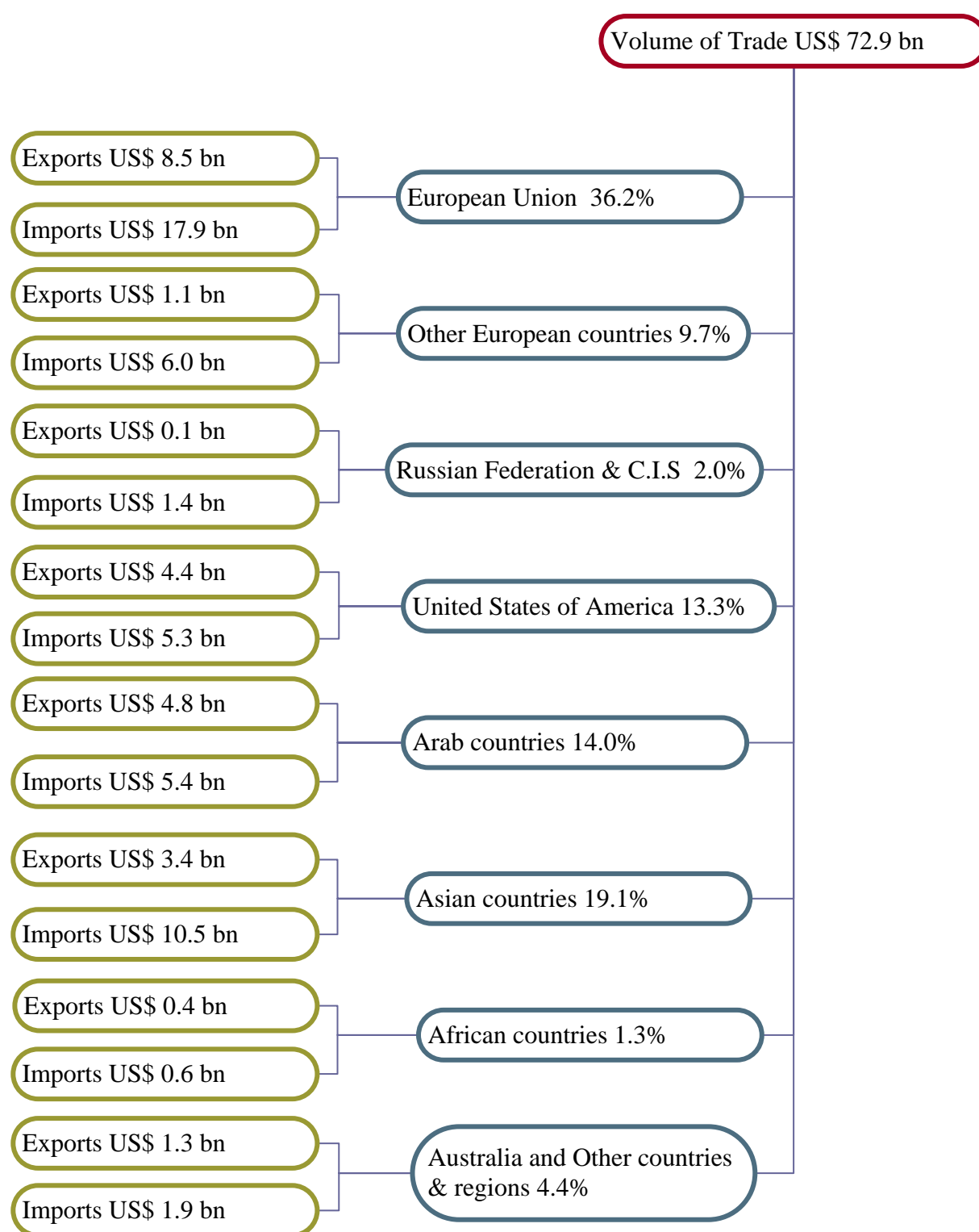
3/4/1/4: Geographical Distribution of Merchandise Transactions

Egypt's volume of trade with the rest of the world declined to US\$ 72.9 billion in FY 2009/2010, as mentioned earlier, down by 3.5 percent due to the fall in the volume of trade between Egypt and all groupings of trade partners, apart from the Arab countries, the other European countries and Asian countries.

As for merchandise exports, the EU countries came in the lead, contributing 35.5 percent of the total export proceeds, followed by the Arab countries (19.9 percent) and the USA (18.5 percent).

Turning to import payments, the EU countries were also the main exporter to Egypt, with a share of 36.5 percent of total imports in the reporting year, followed by the Asian countries (21.5 percent), and the other European countries (12.3 percent).

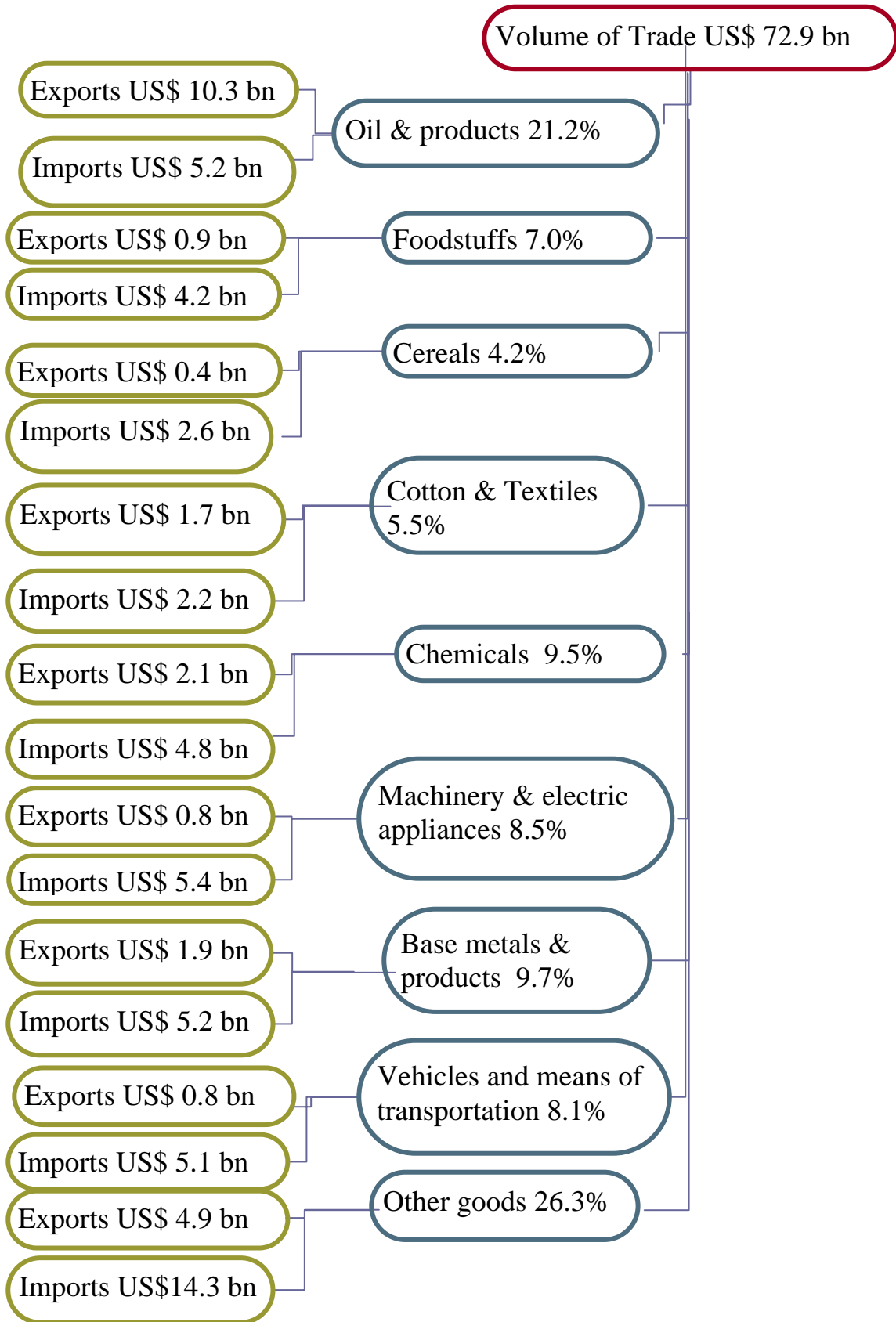
The following chart illustrates the geographical distribution of external trade between Egypt and some groups of countries:



3/4/1/5: Contribution of Some Commodities to the Volume of External Trade

As for the main commodities, all groups contributed to the rise in total external trade, excluding crude oil and products and metals and products. Crude oil and products accounted for 21.2 percent of the total volume of trade, followed by metals and products with 9.7 percent; and chemical products with 9.5 percent. Foodstuffs and cereals rose by 16.4 percent to US\$ 8.1 billion in the year under review,

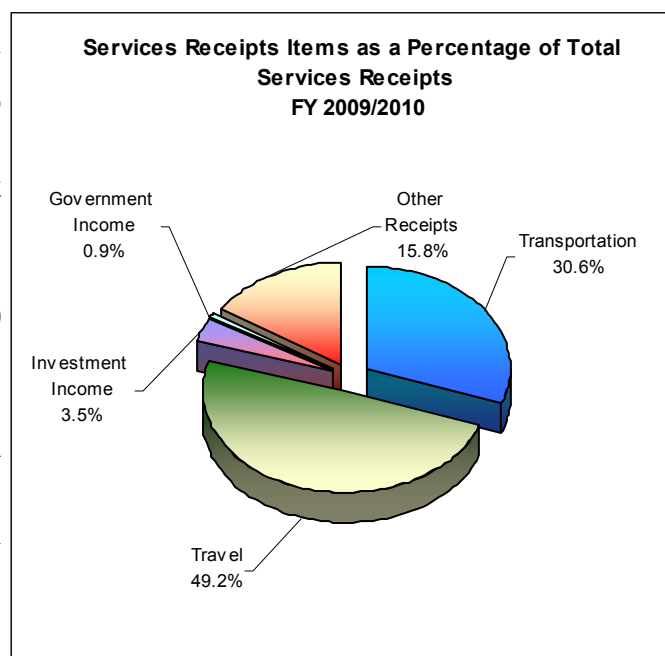
against US\$ 7.0 billion in the year of comparison. Exports of this group recorded US\$ 1.3 billion (representing 5.6 percent of the total exports), with a rise of 22.9 percent above the previous FY's level. On the other hand, imports of this group increased by 15.1 percent to US\$ 6.8 billion (constituting 13.9 percent of total imports).



3/4/2: Balance of Services and Transfers

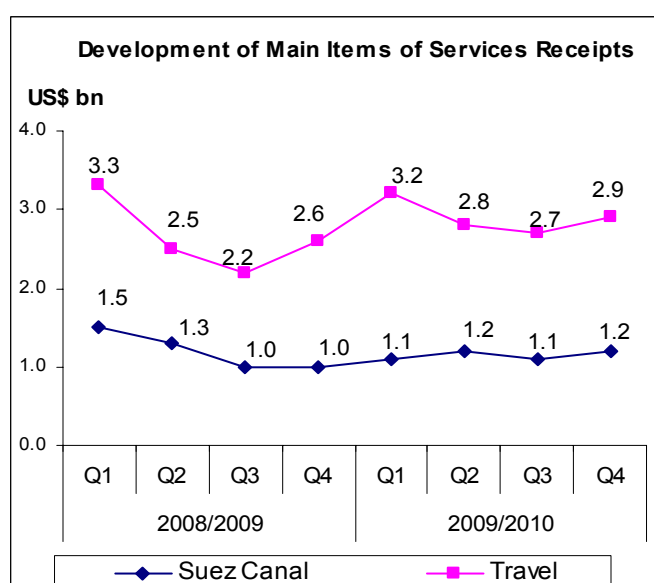
During the year under review, the services surplus fell by 17.3 percent to US\$ 10.3 billion (from US\$ 12.5 billion), as a reflection of the following factors:

- **Services receipts** decreased by 1.0 percent to only US\$ 23.6 billion (against US\$ 23.8 billion), attributable to the decline in most items as follows:
- Investment income receipts plunged by 57.2 percent to US\$ 829.0 million (against US\$ 1.9 billion), due to the lower interest payments on deposits abroad (held by the banking system or residents) and lower financial investment (portfolio) income.



- Transportation receipts dropped by 3.5 percent, registering US\$ 7.2 billion (against US\$ 7.5 billion), because of the decrease in Suez Canal earnings by 4.3 percent (following the decline in the number of transiting ships and their net tonnage).

Notably, when comparing the quarterly data of **Suez Canal revenues** in the year under review with those of the periods of comparison, an upturn was observed. After the sharp fall of 24.0 percent in the first quarter, the rate of decline in these revenues moderated to 8.3 percent in the second quarter; then reversed into a growth of 15.0 percent in the third quarter and 10.1 percent in the fourth quarter.



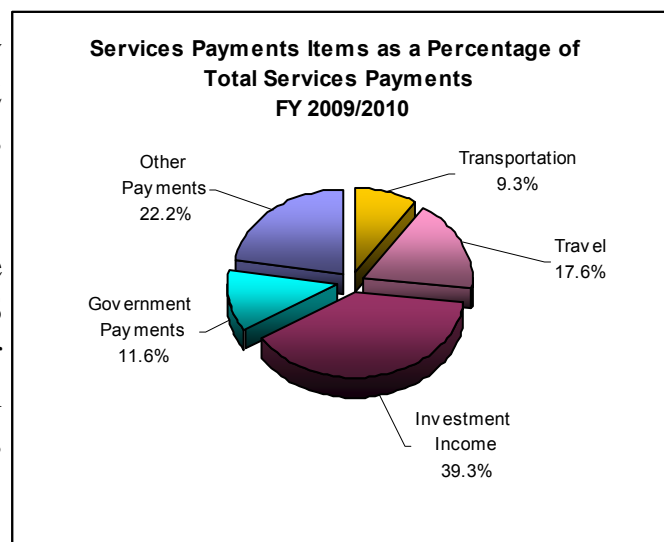
- Government receipts decreased by 13.8 percent, due to the retreat in the expenses of foreign embassies in Egypt.
- However, travel receipts (tourism revenues)* picked up by 10.5 percent to some US\$ 11.6 billion (against US\$ 10.5 billion), as a result of the rise in tourist nights to 136.4 million during the reporting year (against 123.4 million).

It is noteworthy that the comparison of the quarterly data of **tourism revenues** in the reporting year with those of the previous corresponding FY showed a substantial improvement. The 1.6 percent decline in the first quarter stands in sharp contrast to the growth rates realized in the second, third and fourth quarters (13.0 percent, 24.2 percent and 12.0 percent, respectively).

- Other service receipts also rose by 1.8 percent to US\$ 3.7 billion, primarily due to the rise in the invisible receipts of the EGPC.

- **Service payments** increased by 17.0 percent to some US\$ 13.2 billion (against US\$ 11.3 billion), due to the following factors:

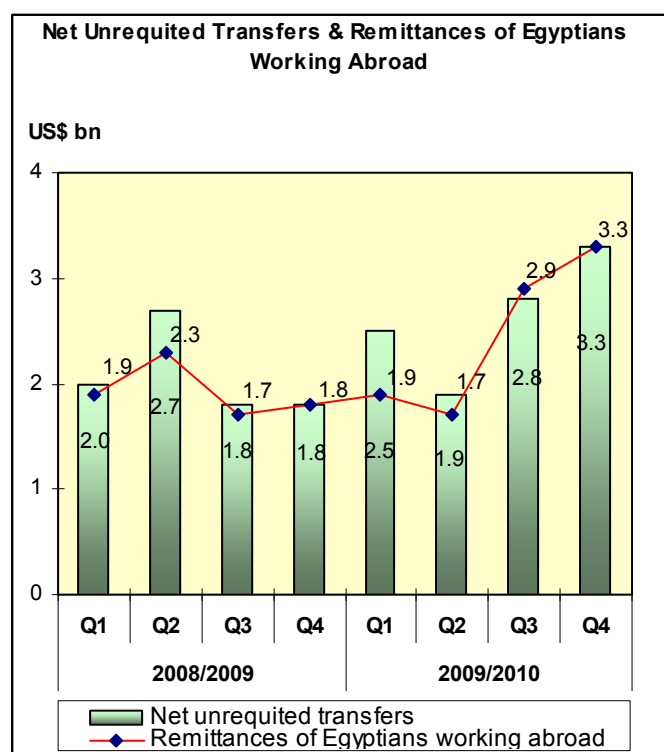
- Investment income payments rose to US\$ 5.2 billion (against US\$ 1.8 billion), driven by the larger profit transfers of the foreign companies operating in Egypt, particularly oil companies.



- Government expenditure accelerated by 29.8 percent to US\$ 1.5 billion (from US\$ 1.2 billion), ascribable to the expansion in other government expenses and the salaries and expenses of government employees seconded abroad.
- Other service payments decreased by 28.4 percent to US\$ 2.9 billion (against US\$ 4.1 billion), due to the fall in the transfers made abroad by Egyptian and foreign companies (oil and non-oil) and the lower payments for communication services.

* Calculated on the basis of the number of tourist nights of departures multiplied by the average tourist spending per night.

- Transportation payments fell by 17.6 percent to US\$ 1.2 billion, owing to the decline in the transfers of Egyptian navigation companies and the payments of SUMED pipeline and foreign aviation companies.
- Travel payments went down by 15.0 percent to only US\$ 2.3 billion, reflecting the drop in the expenses of tourism and medical treatment abroad, as well as the payments of visa cards and hotels and tourism companies abroad.
- **Net unrequited transfers** picked up by 26.9 percent to US\$ 10.5 billion (from US\$ 8.2 billion), because of the following factors:
 - The increase in net private transfers by 24.6 percent to US\$ 9.5 billion (mainly the remittances of Egyptians working abroad, with a rise of 25.0 percent).
 - The pick up in official transfers to US\$ 954.0 million from US\$ 614.3 million, owing to the pickup in cash grants to the Egyptian government.



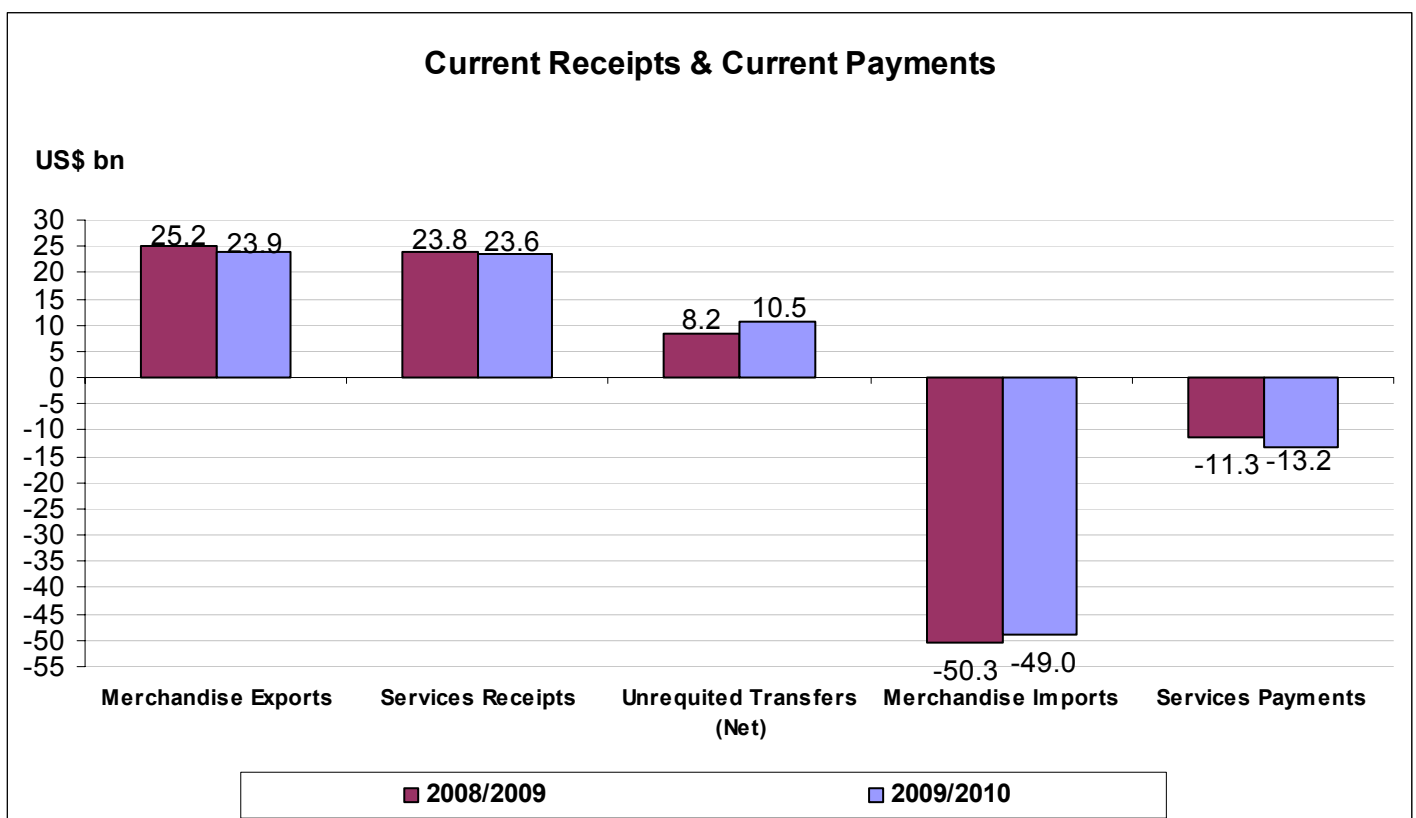
Net Unrequited Current Transfers

(US\$ mn)

	<u>FY</u>		<u>Change</u>	
	2008/2009	2009/2010	Value	%
Net Current Transfers	8246.6	10463.4	2216.8	26.9
1- Official Transfers (Net)	614.3	954.0	339.7	55.3
- Inward cash grants	375.1	563.6	188.5	50.3
- Other inward grants	317.1	479.3	162.2	51.2
- Outward grants (-)	-77.9	-88.9	-11.0	14.1
2- Private Transfers (Net)	7632.3	9509.4	1877.1	24.6
- Workers' remittances	7805.7	9753.4	1947.7	25.0
- Other transfers	71.5	64.0	-7.5	-10.5
- Private transfers abroad (-)	-245.0	-308.0	-63.0	25.7

As a result of the above-mentioned developments in FY 2009/2010, the current account deficit scantily narrowed to US\$ 4.3 billion (from US\$ 4.4 billion a year earlier). The improvement was an outcome of the pickup in the current receipts by US\$ 682.6 million or 1.2 percent to US\$ 57.9 billion (from US\$ 57.2 billion), and the rise in the current payments by US\$ 575.9 million or 0.9 percent to US\$ 62.2 billion (from US\$ 61.6 billion).

The following graph shows current receipts and payments in the reporting year and the year of comparison:



3/4/3: Capital and Financial Account

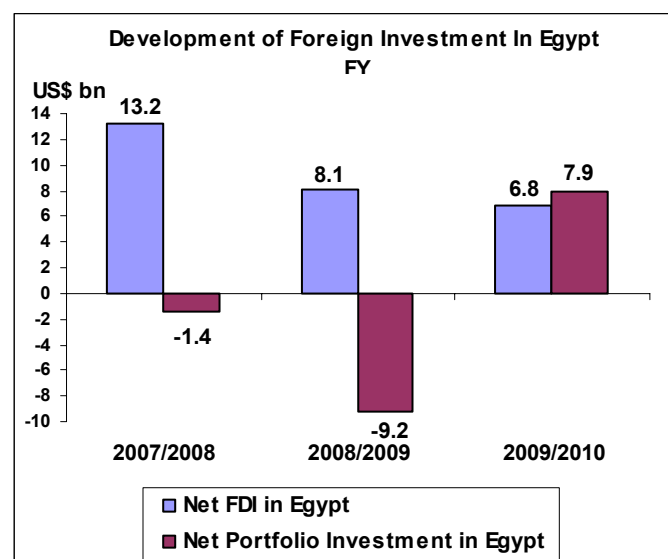
The **capital and financial account** realized a higher net inflow of US\$ 8.3 billion during FY 2009/2010 (against US\$ 2.3 billion a year earlier), due to the following developments:

- 1- Portfolio investment in Egypt* shifted into a net inflow of US\$ 7.9 billion during the reporting year (from a net outflow of US\$ 9.2 billion in the year of comparison). Such an inflow consisted of foreigners' net transactions on Egyptian TBs (US\$ 5.0 billion), their net transactions in shares (US\$ 1.5 billion) and net transactions in other Egyptian bonds and notes (US\$ 1.4 billion).

* Representing foreigners' net transactions in securities and Egyptian bonds and notes.

2- Foreign direct investment (FDI) in Egypt* registered a net inflow of US\$ 6.8 billion in the year under review (against US\$ 8.1 billion), with a decline of 16.7 percent, as an outcome of the following developments:

- Net direct investments in the oil sector retreated to US\$ 3.6 billion from US\$ 5.4 billion.
- Privatization proceeds (selling of companies and productive assets to non-residents) rolled back to US\$ 173.1 million (from US\$ 303.5 million).
- Net greenfield investments increased to US\$ 2.7 billion (from US\$ 2.3 billion).



The following table illustrates the sectoral distribution and the share of each sector in total FDI in Egypt.

US\$ mn

Activity Sector	Fiscal Year			
	2008/2009	Share (%)	2009/2010	Share (%)
Total FDI Inflows in Egypt	12836.1	100.0	11008.1	100.0
Manufacturing	851.9	6.6	456.3	4.1
Agriculture	76.3	0.6	261.6	2.4
Construction	225.5	1.8	303.8	2.8
Finance	440.7	3.4	873.9	7.9
Services	282.5	2.2	382.6	3.5
Tourism	121.7	0.9	246.9	2.2
Communications and IT	727.3	5.7	62.8	0.6
Real estate	138.4	1.1	305.3	2.8
Petroleum	9666.6	75.3	7577.4	68.8
Undistributed	305.2	2.4	537.5	4.9

3- Other assets and liabilities (representing the change in banks' foreign assets and liabilities; the CBE's non-reserve foreign assets and foreign liabilities; and the counterpart of some items included in the current account), recorded a net outflow of US\$ 7.1 billion, against a net inflow of US\$ 3.9 billion.

* FDI represents foreign investors who own 10 percent or more of the capital of any resident economic entity, or have an effective voice in its management. In Egypt, a foreign investor's equity participation shall be at least 10 percent of the capital of any enterprise.

- 4- Medium- and long-term loans and facilities revealed a net repayment of US\$ 562.5 million (against US\$ 307.7 million), as an outcome of the retreat in disbursements from US\$ 2.1 billion to US\$ 1.3 billion and in repayments from US\$ 2.4 billion to US\$ 1.8 billion.

3/5: Non-Banking Financial Services Sector*

The Egyptian Financial Supervisory Authority (EFSA) has assumed, as of 1 July 2009, the responsibility of supervising the activities of the capital market, insurance, mortgage finance, financial leasing, and factoring and securitization. The EFSA was established by virtue of Law No. 10 for 2009 regulating supervision over non-banking financial markets and instruments. According to said Law, the EFSA replaces the Capital Market Authority (CMA), the Mortgage Finance Authority (MFA) and the Egyptian Insurance Supervisory Authority (EISA), in enforcement of the provisions of the Insurance Supervision and Control Law No. 10 for 1981; the Capital Market Law No. 95 for 1992; the Central Securities Depository and Registry Law No. 93 for 2000 and the Mortgage Finance Law No. 148 for 2001, along with other related laws and decrees that are part of the mandates of the above authorities.

To encourage dealing in the stock market (the bond market, in particular), the Minister of investment issued Decrees No. (1) and (64) for the year 2010, in amendment of some provisions of the Executive Regulations of the Capital Market Law No 95 for 1992. Amendments focused on the development, deepening and boosting of the Egyptian bond market. In this respect, bond issuance procedures were streamlined (especially the issuance of medium- and long-term bonds), with companies and legal entities being strictly committed to high levels of disclosure concerning their cash flows and the expected liquidity and profitability ratios. The amendments covered also the regulation of bond issuance by legal personalities. In addition, the procedures of bond issuance on batches were simplified, and it was stipulated that issuance should take place within one year from the date of the EFSA's approval of the total value of issuance.

3/5/1: Stock Market

The EFSA approved a number of decisions in the reporting year, with the aim of revitalizing and developing the stock market. Foremost of these was replacing the security deposit (LE 5 million) required for intraday trading with a letter of guarantee at the same value, to help increase liquidity in the market. To regulate over-the-counter trading, two days were fixed for OTC trades (Monday and Wednesday) after the trading session on listed securities. OTC trades shall last for half an hour, and their transactions shall be settled on the third day of trading. Moreover, the EFSA issued Decision No. 71 for 2009 accepting credit rating reports from 10 international bodies on the securities issuances of corporate bonds, securitization bonds and finance notes in Egypt.

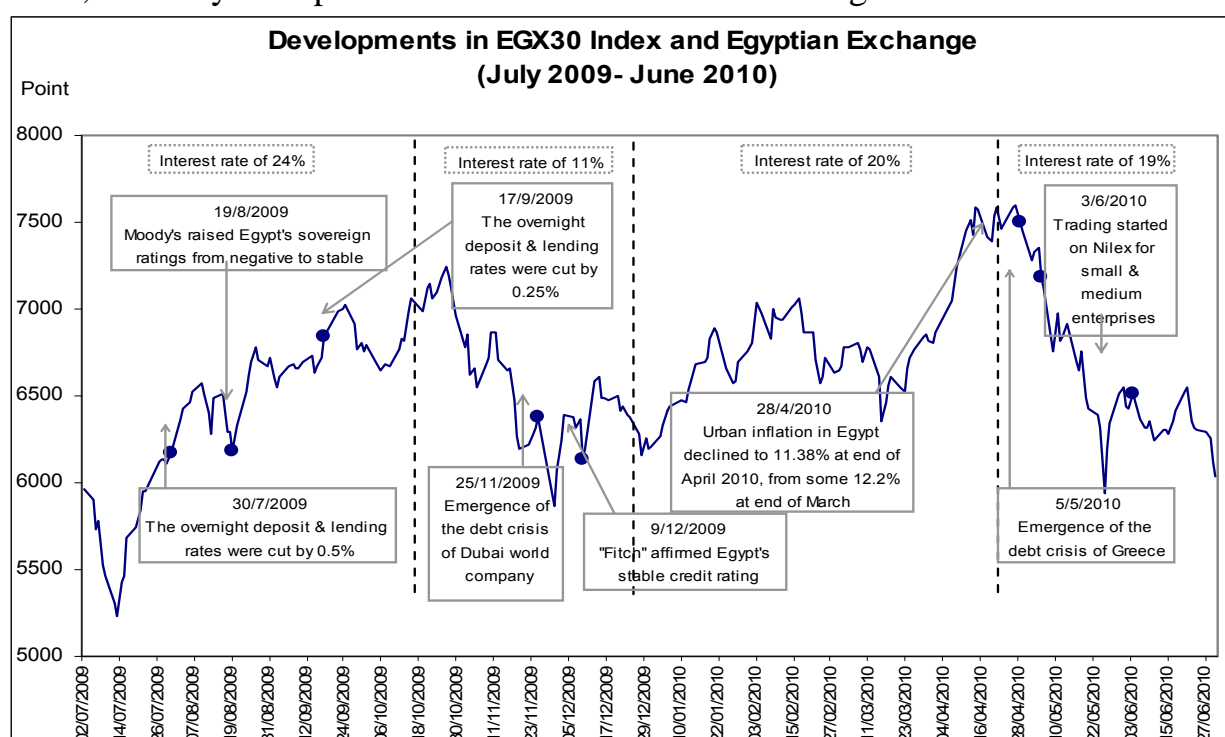
* Source: The Egyptian Financial Supervisory Authority (EFSA)

The EFSA's Board issued Decision No. 21 for 2010 regarding the basic professional performance criteria for companies working in the field of securities assessment and rating. The Decision set forth the following criteria: quality and credibility of the credit rating process; companies' independence and avoidance of conflict of interests; duties and responsibilities towards investors and credit rating applicants; and disclosure of professional performance and communication with market parties.

In order to attract more companies to trade on the Nilex (the market for medium and small companies), the EFSA issued Decision No. 74 for 2010 that raised the maximum capital of the companies listed on Nilex to LE 50 million, instead of LE 25 million.

In the "Second Gathering of Capital Market Institutions in Africa", the Capital Market Authority of Egypt (replaced by the EFSA) was the winner of the Most Innovative Capital Markets Regulator in Africa for its performance during the FY ending 30 June 2009. The Conference which was held in New York and attended by over 200 senior executives from across Africa and the USA, evaluates the performance of the biggest capital market institutions and announces the most innovative capital markets regulator. It is noteworthy that the CMA had been the first runner-up in the same Conference last year.

EGX 30 increased by 5.8 percent during FY 2009/2010, posting 6033.1 points at end of June 2010 (against 5702.9 points at end of June 2009). In contrast, EGX 70 declined by 15.3 percent, recording 527.7 points. Moreover, EGX 100 that tracks the performance of the constituent companies of EGX 30 and EGX 70, registered 908.7 points, down by 20.0 percent since its introduction in August 2009.



As for **the primary market**, the number of new issues approved by EFSA during the year reached 3426, at a total value of LE 154.3 billion (against 3153 issues at a total value of LE 71.5 billion a year earlier). Issues for new incorporations reached 2154 in number, at a value of LE 12.6 billion, or 62.9 percent of total issues. Issues for capital increases reached 1272, at a value of LE 141.7 billion or 91.8 percent of the total.

As for listing on the Egyptian Exchange, the number of listed companies declined to 215 at end of June 2010, from 333 at end of June 2009. In addition, the nominal capital value of these companies decreased by 9.9 percent, reaching LE 134.7 billion at end of June 2010. The market value of these companies also retreated by LE 53.5 billion or 11.5 percent to LE 410.1 billion at end of June 2010, constituting 34.2 percent of GDP during FY 2009/2010.

Turning to **the secondary market**, the volume of traded shares and bonds scaled up by 923.9 million papers in the reporting year, growing by 2.9 percent above the level of the preceding year. Their value also increased by LE 121.6 billion or 38.0 percent during the year, posting LE 441.3 billion. However, the number of transactions declined by 8.0 percent, reaching 12116 thousand transactions at end of June 2010.

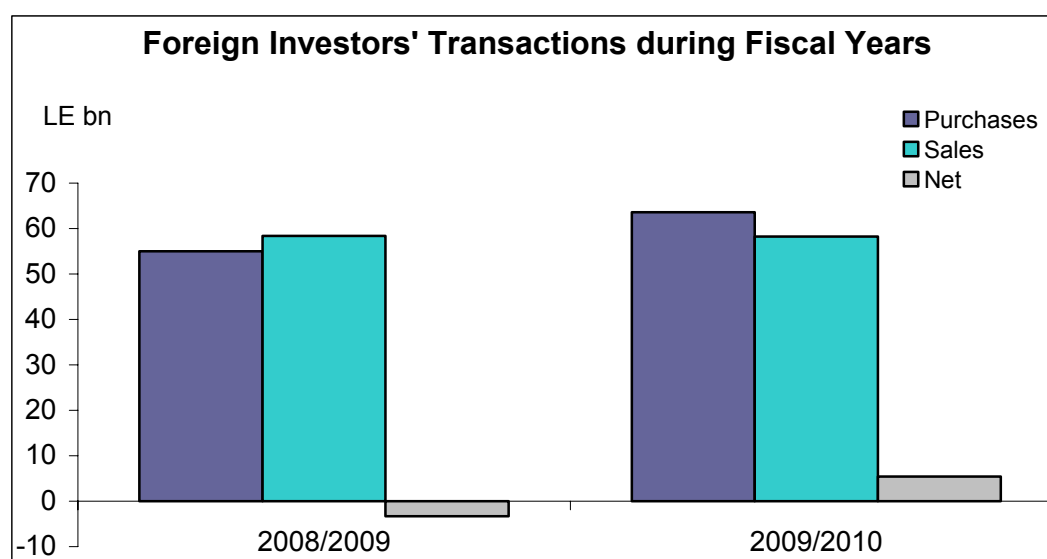
Share transactions accounted for the bulk of trading on the EGX during the year (89.1 percent against 91.2 percent a year earlier). In the meantime, trading in bonds represented 10.9 percent of the total trading (against 8.8 percent).

Trading in Securities

FY	2006/07	2007/08	2008/09	2009/10
<u>No. of Transactions (000)</u>	<u>7698</u>	<u>12974</u>	<u>13169</u>	<u>12116</u>
A-Shares, bonds and mutual fund certificates (listed)	7482	12374	12123	11383
B-Shares, bonds and mutual fund certificates (unlisted)	216	600	1046	733
<u>No. of Traded Securities (mn)</u>	<u>11259</u>	<u>23615</u>	<u>31956</u>	<u>32880</u>
A- Shares, bonds and mutual fund certificates (listed)	9454	19441	25455	25362
B-Shares, bonds and mutual fund certificates (unlisted)	1805	4174	6501	7518
<u>Value of Transactions (LE mn)</u>	<u>277009</u>	<u>610591</u>	<u>319682</u>	<u>441315</u>
A- Shares, bonds and mutual fund certificates (listed)	259230	544129	278383	312141
B-Shares, bonds and mutual fund certificates (unlisted)	17779	66462	41299	129174

Source: EFSA - monthly reports of the capital market.

The value of foreigners' trading on the EGX in the reporting year picked up from LE 113.4 billion to LE 129.7 billion. Their dealings unfolded net purchases of LE 5.6 billion (against net sales of LE 3.3 billion a year earlier).



3/5/2: Insurance Sector

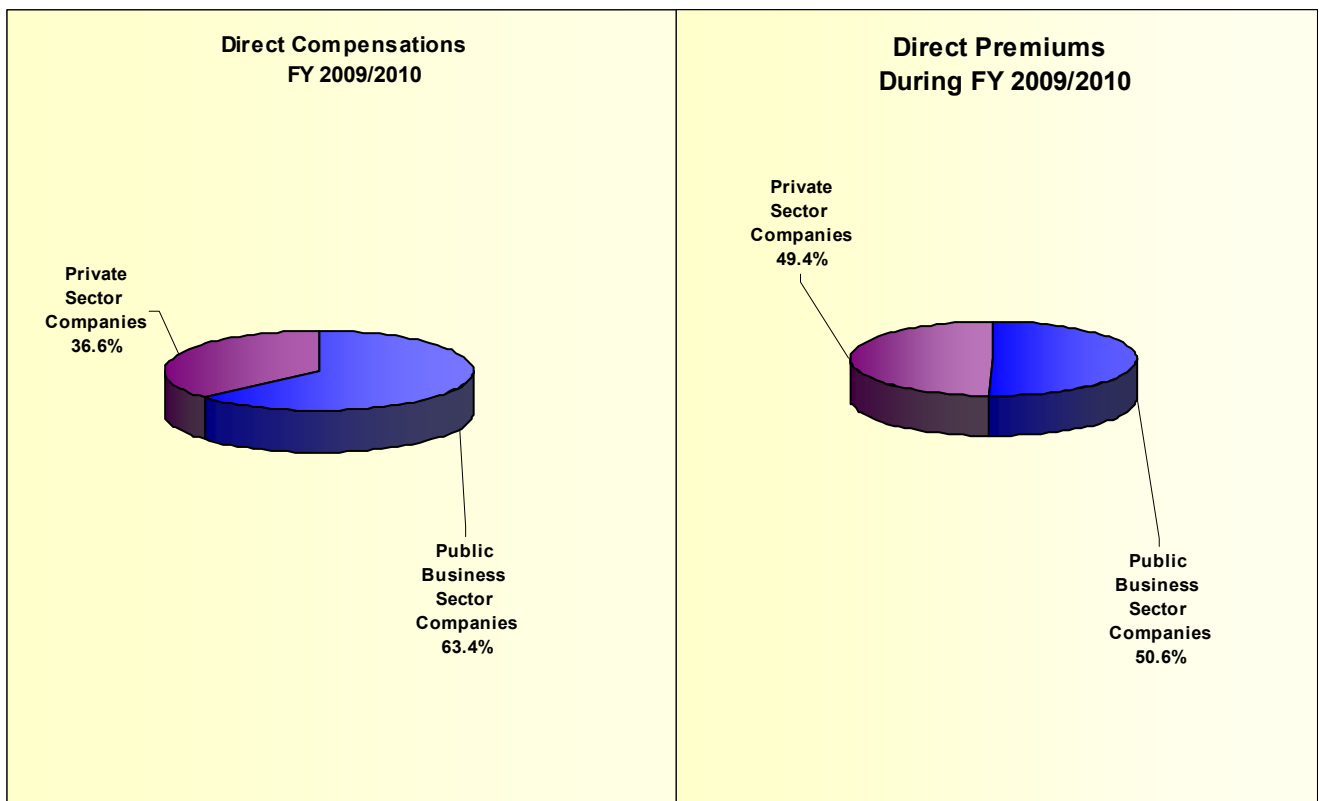
In FY 2009/2010, efforts continued with the aim of developing the laws and rules regulating the activities of the insurance sector in the context of the second phase of the Financial Sector Reform Program (2009/2012). At the centre of the objectives of this program came insurance of small and medium enterprises (SMEs) and the development of the rules of supervision on the insurance companies operating in the Egyptian market. The first phase of the Reform Program was implemented in the period (2005-2008), with a view to restructuring the insurance sector by merging a number of public insurance companies. At the first stage, Ministerial Decree No. 245 for 2008 was issued, amending certain provisions of the Executive Regulations of the Law of Insurance Supervision and Control in Egypt. The Decree prescribes the main rules of supervision over insurance and reinsurance activities, on the basis of risk assessment and management methods, along with the financial solvency rules.

In the reporting year, a bill was drafted on private insurance funds and optional pension companies, to regulate these funds with respect to how to invest their money in safe channels to minimize risks. Furthermore, the bill allows for the foundation of optional pension funds to widen the insurance scheme to cover all the social brackets. Another bill was drafted on the supervision of healthcare companies to regulate the activity of healthcare provision and set a legislative framework for healthcare providers. In pursuit of modernizing the insurance market and raising the efficiency of the staff, the EFSA signed a cooperation agreement with the Ministry of Finance to provide professional training and support capacity building to enhance the actuarial expertise critically required for insurance companies and providers.

The insurance market, at end of FY 2009/2010, comprised 29 companies and societies: 5 companies performing life insurance and property and casualty insurance activities; 9 companies of property and casualty insurance; 6 companies of life insurance; 7 companies of solidarity insurance; a single cooperative insurance society; and a single company for export credit guarantee. The EFSA licensed 12 companies to practice insurance intermediation after fulfilling all required conditions.

The total value of insurance companies' assets (including investments) rose by 36.1 percent in the reporting year, posting LE 44.9 billion at end of June 2010, compared with LE 33.0 billion at end of June 2009. Investments of insurance companies escalated to LE 32.1 billion, with a growth rate of 11.1 percent.

Direct premiums, during FY 2009/2010, reached LE 8.7 billion (against LE 7.8 billion in FY 2008/2009); and direct paid claims reached LE 5.2 billion (against LE 4.9 billion).



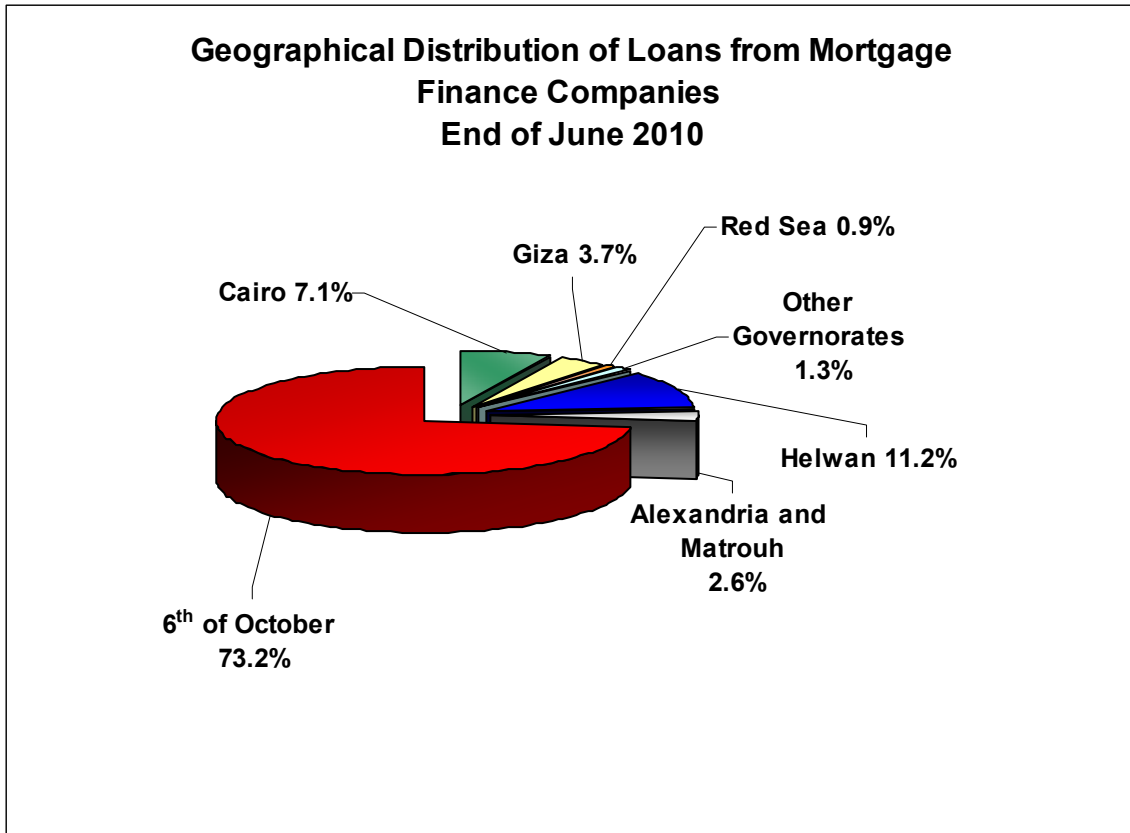
3/5/3: Mortgage Finance

During FY 2009/2010, efforts were kept up to develop the mortgage finance sector, with a focus on tightening the supervision rules to avoid any future financial crises. In this context, a bill was drafted in the reporting year to amend certain provisions of the Mortgage Finance Law No. 148 for 2001. The bill aims to reinforce the regulatory powers of the Egyptian Financial Supervisory Authority (EFSA) over the mortgage finance business, streamline the procedures of real estate warranty registration as related to mortgage finance contracts, and simplify the procedures of land registration for new urban communities. Concomitantly, other additional amendments were made by virtue of the Presidential decree No. 272 for 2009 concerning the system of the Mortgage Finance Subsidy and Guarantee Fund. The amendments included broadening the scope of the Fund to cover all mortgage finance activities, providing subsidies for low-income housing, and protecting the Fund's customers.

The indicators of mortgage finance activity manifested the marked growth of the market, despite the adverse impact of the global financial crisis. Loans extended by banks and mortgage finance companies rose by LE 1.1 billion or 36.5 percent during the year, reaching LE 4.0 billion at end of June 2010. The total subsidy provided by the Fund hit LE 51.7 million, for 5200 housing units. The program of low-income housing, "the Affordable Mortgage Finance Program," was activated to provide affordable housing for low and middle income households. So far, under this program, a sum of LE 1650 million has been allocated for subsidizing 65000 housing units over the next three years.

The number of companies operating in the mortgage finance business rose to 13 in the reporting year, after 4 companies have recently joined the market, in addition to the Egyptian Mortgage Refinance Company (EMRC) and 19 banks. In parallel, the number of investors increased from 9098 (with a total finance of LE 1308 million) at end of June 2009, to 15603 investors (with a total finance of LE 1882 million) at end of June 2010.

Mortgage finance activities expanded nationwide, covering all the governorates. The major part of this finance (98 percent) was directed to the purchase of housing units, particularly small ones (about 86 m²) which accounted for 60 percent of the total units. The 6th of October governorate received the bulk of the loans extended from the mortgage finance companies (73.2 percent), followed by Helwan (11.2 percent), and Cairo (7.1 percent).



Annex

Statistical Section

Statistical Section

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(1/1) CBE Financial Position: Reserve Money and Counterpart Assets

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Reserve Money</u>	<u>94288</u>	<u>101080</u>	<u>116050</u>	<u>134126</u>	<u>169911</u>	<u>175104</u>	<u>203071</u>
Currency in circulation outside CBE *	59415	67241	78604	92174	111412	126268	144253
Banks' deposits in local currency	34873	33839	37446	41952	58499	48836	58818
<u>Counterpart Assets</u>	<u>94288</u>	<u>101080</u>	<u>116050</u>	<u>134126</u>	<u>169911</u>	<u>175104</u>	<u>203071</u>
<u>Net Foreign Assets *</u>	<u>9858</u>	<u>37295</u>	<u>61302</u>	<u>95372</u>	<u>180333</u>	<u>171732</u>	<u>190234</u>
<u>Foreign Assets</u>	<u>88313</u>	<u>108738</u>	<u>129477</u>	<u>160197</u>	<u>182021</u>	<u>173055</u>	<u>198605</u>
Gold	4438	4500	6429	6744	8695	9385	12393
Foreign securities	17103	16665	48353	108606	151175	150556	162247
Foreign currencies	66772	87573	74695	44847	22151	13114	23965
<u>Foreign Liabilities **</u>	<u>78455</u>	<u>71443</u>	<u>68175</u>	<u>64825</u>	<u>1688</u>	<u>1323</u>	<u>8371</u>
<u>Net Domestic Assets</u>	<u>84430</u>	<u>63785</u>	<u>54748</u>	<u>38754</u>	<u>-10422</u>	<u>3372</u>	<u>12837</u>
<u>Net Claims on Government</u>	<u>99472</u>	<u>122264</u>	<u>114055</u>	<u>117254</u>	<u>81872</u>	<u>68613</u>	<u>80611</u>
Claims; of which:	181313	227367	171808	192192	159697	146899	150288
Government securities **	164441	208021	164761	166724	123123	121708	121533
Deposits	81841	105103	57753	74938	77825	78286	69677
<u>Net Claims on Banks</u>	<u>-35544</u>	<u>-21983</u>	<u>1018</u>	<u>59512</u>	<u>77581</u>	<u>334</u>	<u>29010</u>
Claims	9530	11572	17412	77270	97828	21786	49863
Deposits in foreign currencies	45074	33555	16394	17758	20247	21452	20853
<u>Other Items (Net) *</u>	<u>20502</u>	<u>-36496</u>	<u>-60325</u>	<u>-138012</u>	<u>-169875</u>	<u>-65575</u>	<u>-96784</u>
Assets **	54355	49071	41743	39141	25233	28978	15431
Liabilities	33853	85567	102068	177153	195108	94553	112215

Source : Central Bank of Egypt.

* Including subsidiary coins issued by the Ministry of Finance.

** At the end of June 2008, the CBE and the government agreed on using part of the rescheduled debts-under Paris Club agreement- which are not yet due, to settle part of the government debt to the CBE.

+ According to the updated statistical treatment adopted by the IMF, SDR allocations are to be classified as foreign liabilities rather than capital accounts as of August 2009.

(1/2) CBE: Banknote Issued By Denomination

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total</u>	<u>59922</u>	<u>67753</u>	<u>79253</u>	<u>93499</u>	<u>112705</u>	<u>127912</u>	<u>146220</u>
<u>Currency by Denomination</u> ⁺	<u>59703</u>	<u>67527</u>	<u>79017</u>	<u>93240</u>	<u>112430</u>	<u>127625</u>	<u>145914</u>
PT 25	118	120	136	144	147	160	184
PT 50	203	220	241	240	252	309	294
LE 1	515	517	545	565	608	772	845
LE 5	1226	1279	1121	1071	1169	1309	1619
LE 10	5490	5074	4274	3470	2938	2991	2930
LE 20	11010	10329	9226	8796	7394	6419	5619
LE 50	22686	24517	27959	28152	25646	23045	18836
LE 100	18455	25471	35515	47552	54987	61561	69299
LE 200*				3250	19289	31059	46288
<u>Subsidiary Coins</u> **	<u>219</u>	<u>226</u>	<u>236</u>	<u>259</u>	<u>275</u>	<u>287</u>	<u>306</u>

Source : Central Bank of Egypt

+ Including coins denominations of 50, 100 piasters

* The LE 200 note has been in circulation as of May 2007.

** Issued by the Ministry of Finance

(1/3) CBE: Transactions via RTGS and SWIFT

During FY	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
<u>Local Currency Transactions via RTGS*</u>						
1- Automated Clearing House (ACH)						
Number of transactions (thousand)	9321	9508	10481	11724	12062	12994
Value of transactions (LE mn)	262423	288715	356900	483113	548038	584546
2- Other Transactions via RTGS**						
Number of transactions (in unit)	326341	404776	525236	700668	897205	1191374
Value of transactions (LE mn)	1246023	1658794	2280198	3092401	5294357	13274677
<u>Foreign Currency Transfers (Dollar Interbank Transactions) via the Fin-Copy System***</u>						
Number of transactions (in unit)	10604	11049	12070	13925	12365	12204
Value of transactions (US\$ mn)	11933	39773	78997	105587	83019	70008

* The RTGS was launched on 15 /3/ 2009.

** Including corridor operations and deposits for monetary policy purposes as of 15/3/2009.

*** This service was introduced on 19/ 9/ 2004.

(2/1) Banking Survey : Domestic Liquidity and Counterpart Assets

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>First : Domestic Liquidity</u>	<u>434911</u>	<u>493884</u>	<u>560356</u>	<u>662688</u>	<u>766664</u>	<u>831211</u>	<u>917459</u>
<u>a - Money Supply</u>	<u>77606</u>	<u>89685</u>	<u>109274</u>	<u>131290</u>	<u>170579</u>	<u>182991</u>	<u>214040</u>
Currency in circulation outside the banking system	55933	63029	74239	86860	104656	118146	135209
Demand deposits in local currency	21673	26656	35035	44430	65923	64845	78831
<u>b - Quasi-Money</u>	<u>357305</u>	<u>404199</u>	<u>451082</u>	<u>531398</u>	<u>596085</u>	<u>648220</u>	<u>703419</u>
Time & saving deposits in local currency	233610	283020	314188	377424	436268	481054	545303
Demand and time & saving deposits in foreign currencies	123695	121179	136894	153974	159817	167166	158116
<u>Second : Counterpart Assets</u>							
Net foreign assets	45241	80913	133385	218629	303680 *	254134	282408
Domestic credit	422040	466771	509532	531314	570953*	695326	775268
Other items (net)	-32370	-53800	-82561	-87255	-107969	-118249	-140217

Source : Central Bank of Egypt

* Rescheduled debts -under Paris Club agreement- were settled between the CBE and the government.

(2/2) Banking Survey : Deposits in Local Currency

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total Deposits in Local Currency</u>	<u>255283</u>	<u>309676</u>	<u>349223</u>	<u>421854</u>	<u>502191</u>	<u>545899</u>	<u>624134</u>
<u>First : Demand Deposits</u>	<u>21673</u>	<u>26656</u>	<u>35035</u>	<u>44430</u>	<u>65923</u>	<u>64845</u>	<u>78831</u>
Public business sector *	2857	3027	4934	6278	8698	7145	8938
Private business sector	9235	12228	15863	20681	34301	33240	41246
Household sector	10306	11985	14831	18378	24003	25235	29510
Minus: Purchased cheques & drafts	725	584	593	907	1079	775	863
<u>Second : Time and Saving Deposits</u>	<u>233610</u>	<u>283020</u>	<u>314188</u>	<u>377424</u>	<u>436268</u>	<u>481054</u>	<u>545303</u>
Public business sector *	12557	13700	15465	17186	20736	21654	23788
Private business sector	25984	27439	25580	56823	85415	71076	73183
Household sector	195069	241881	273143	303415	330117	388324	448332

Source : Central Bank of Egypt

* Including all public sector companies subject or not to Law No. 203 for 1991.

(2/3) Banking Survey : Deposits in Foreign Currencies

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total Deposits in Foreign Currencies</u>	<u>123695</u>	<u>121179</u>	<u>136894</u>	<u>153974</u>	<u>159817</u>	<u>167166</u>	<u>158116</u>
<u>First : Demand Deposits</u>	<u>16280</u>	<u>18140</u>	<u>18533</u>	<u>26917</u>	<u>26581</u>	<u>32050</u>	<u>33901</u>
Public business sector *	878	1249	935	947	943	1334	1055
Private business sector	8891	10234	10417	18453	17417	21104	22313
Household sector	6697	6823	7392	7689	8404	9712	10673
Minus: Purchased cheques & drafts	186	166	211	172	183	100	140
<u>Second : Time and Saving Deposits</u>	<u>107415</u>	<u>103039</u>	<u>118361</u>	<u>127057</u>	<u>133236</u>	<u>135116</u>	<u>124215</u>
Public business sector *	2554	2946	4734	5774	8202	7401	5419
Private business sector	20659	21103	28845	30641	39785	37217	32594
Household sector	84202	78990	84782	90642	85249	90498	86202

Source : Central Bank of Egypt

* Including all public sector companies subject or not to Law No. 203 for 1991.

(2/4) Banking Survey : Foreign Assets and Liabilities

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Net Foreign Assets</u>	<u>45241</u>	<u>80913</u>	<u>133385</u>	<u>218629</u>	<u>303680</u>	<u>254134</u>	<u>282408</u>
<u>First : Foreign Assets</u>	<u>145297</u>	<u>174328</u>	<u>218982</u>	<u>304968</u>	<u>330770</u>	<u>282913</u>	<u>322209</u>
Central Bank of Egypt	88313	108737	129477	160197	182021	173055	198605
Banks	56984	65591	89505	144771	148749	109858	123604
<u>Second : Foreign Liabilities</u>	<u>100056</u>	<u>93415</u>	<u>85597</u>	<u>86339</u>	<u>27090</u>	<u>28779</u>	<u>39801</u>
Central Bank of Egypt	78455	71443	68176	64825	1688 *	1323	8371
Banks	21601	21972	17421	21514	25402	27456	31430

Source : Central Bank of Egypt

* Due to settling rescheduled debts -under Paris Club agreement-between the CBE and the government.

(2/5) Banking Survey : Domestic Credit and Other Items (Net)

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>First : Domestic Credit</u>	<u>422040</u>	<u>466771</u>	<u>509532</u>	<u>531314</u>	<u>570953</u>	<u>695326</u>	<u>775268</u>
Net claims on the government (A+B-C)	126343	159889	184131	178323	174005	273122	326141
A- Securities	258178	311375	295974	278011	271788**	397804	440410
B- Credit facilities	33075	41364	28044	52151	67732	55939	68140
C- Government deposits	164910	192850	139887	151839	165515	180621	182409
Claims on public business sector *	35588	37420	32888	24446	26897	33146	29985
Claims on private business sector	223096	228195	239338	268607	291719	304470	326350
Claims on household sector	37013	41267	53175	59938	78332	84588	92792
<u>Second : Other Items (Net)</u>	<u>-32370</u>	<u>-53800</u>	<u>-82561</u>	<u>-87255</u>	<u>-107969</u>	<u>-118249</u>	<u>-140217</u>
Capital accounts	-83821	-94179	-102139	-114534	-135401	-148332	-170877
Net unclassified assets and liabilities	51451	40379	19578	27279	27432**	30083	30660

Source : Central Bank of Egypt

* Including all public sector companies subject or not to Law No. 203 for 1991.

** Due to settling rescheduled debts -under Paris Club agreement-between the CBE and the government.

(2/6) Total Saving Vessels

(LE mn)

End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total Saving Vessels</u>	<u>445887</u>	<u>498190</u>	<u>560229</u>	<u>655376</u>	<u>742177</u>	<u>803063</u>	<u>794350</u>
<u>Savings at the Banking System</u>	<u>357305</u>	<u>404199</u>	<u>451082</u>	<u>531398</u>	<u>596085</u>	<u>648220</u>	<u>703419</u>
Time & saving deposits in local currency	233610	283020	314188	377424	436268	481054	545303
Demand and time & saving deposits in foreign currencies	123695	121179	136894	153974	159817	167166	158116
<u>Net Sales of Investment Certificates</u>	<u>60178</u>	<u>58485</u>	<u>63697</u>	<u>68311</u>	<u>79354</u>	<u>81262</u>	<u>90931</u>
<u>Post Office Saving Deposits</u>	<u>28404</u>	<u>35506</u>	<u>45450</u>	<u>55667</u>	<u>66738</u>	<u>73581</u>	<u>not available</u>

Source : Central Bank of Egypt

(3/1) Gross Domestic Debt

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	(LE mn)					
End of June	2005	2006	2007	2008	2009	2010
<u>Gross Domestic Debt (1+2+3-4)</u>	<u>504681</u>	<u>587405</u>	<u>630966</u>	<u>658307</u>	<u>755297</u>	<u>888661</u>
<u>1- Net Domestic Debt of Government (A+B+C+D)</u>	<u>349169</u>	<u>387719</u>	<u>478173</u>	<u>478811</u>	<u>562327</u>	<u>663818</u>
<u>A- Balances of Bonds & Bills</u>	<u>340898</u>	<u>349957</u>	<u>562897</u>	<u>568960</u>	<u>681838</u>	<u>779232</u>
. Treasury bonds with the CBE	164162	164016	165980	122378	121708	121533
. Local currency bonds with public sector banks	4000	4000	4000	4000	4000	4000
. Bonds offered abroad *						
US\$	5122	5109	3868	3750	4036	6005
LE	0	0	0	112	3773	3808
. Egyptian treasury bonds	27000	58000	57000	78500	92500	159767
. Government notes to compensate for the actuarial deficit in social insurance funds	2000	2000	2000	2000	2000	2000
. Housing bonds	124	122	119	117	116	114
. Treasury Bills	124907	103144	118657	146439	239080	266121
. Foreign currency bonds with public sector commercial banks	12070	12014	11886	11126	11677	11883
. The equivalent of the retained 5% of corporate profits to purchase government bonds	1513	1552	1588	1636	1700	1764
. Bonds of the Insurance Funds (against the transfer of NIB debt to the Treasury)	0	0	197799	198902	201248	202237
<u>B- Credit Facilities from the Social Insurance Funds</u>	<u>0</u>	<u>0</u>	<u>4517</u>	<u>2343</u>	<u>2343</u>	<u>2343</u>
<u>C- Net Government Balances with the Banking System</u>	<u>-135480</u>	<u>-104860</u>	<u>-89241</u>	<u>-92492</u>	<u>-121854</u>	<u>-117757</u>
<u>D- Government Borrowing from NIB</u>	<u>143751</u>	<u>142622</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>2- Borrowing of Economic Authorities (Net)</u>	<u>47176</u>	<u>47387</u>	<u>44557</u>	<u>50123</u>	<u>52255</u>	<u>67771</u>
Net Balances of Economic Authorities with the Banking System	-11089	-2809	-7177	-1156	2193	16302
Borrowing of Economic Authorities from NIB	58265	50196	51734	51279	50062	51469
<u>3- NIB Debt (Net)</u>	<u>316476</u>	<u>351205</u>	<u>166201</u>	<u>189180</u>	<u>200754</u>	<u>222205</u>
NIB Debt	321393	354962	169152	193071	205560	227715
Deposits of the NIB with the banking system (-)	4917	3757	2951	3891	4806	5510
<u>4- Intra-Debt</u>	<u>208140</u>	<u>198906</u>	<u>57965</u>	<u>59807</u>	<u>60039</u>	<u>65133</u>
Government debt to the NIB (investments in government securities)	6124	6088	6231	8528	9977	13664
Government Borrowing from NIB	143751	142622	0	0	0	0
Loans of economic authorities to NIB	58265	50196	51734	51279	50062	51469

Source: Central Bank of Egypt - Ministry of Finance - National Investment Bank.

* (Holdings of resident financial institutions in Egypt represented in the banking system and the insurance sector).

.. As of 1/7/2006, the government debt to the NIB was cleared to zero, and the Bank's obligations to insurance and pension funds were transferred to become obligations on the government. Moreover, bonds were issued against the government debt to the Bank at an initial value of LE 197.7 billion.

**(3/2) National Investment Bank
(Resources and Uses)**

(LE mn)

End of June	2005	2006	2007	2008	2009	2010
<u>Liabilities :of which</u>	<u>321393</u>	<u>354962</u>	<u>169152</u>	<u>193071</u>	<u>205560</u>	<u>227715</u>
. Social Insurance Fund for Gov. Employees	122913	135735	27428	29076	29638	31613
. Social Insurance Fund for Pub. & Priv. Business Sectors Employees	96093	105703	20574	22632	24895	27384
. Proceeds from investment certificates	58485	64038	68485	79232	81454	91134
. Accumulated interest on investment certificates (category A)	6852	7028	7579	7509	8654	8648
. Proceeds from US dollar development bonds	1418	824	483	152	11	10
. Post office savings	33902	39097	43518	49255	54487	64837
. Others*	1730	2537	1085	5215	6421	4089
<u>Assets :of which</u>	<u>321393</u>	<u>354962</u>	<u>169152</u>	<u>193071</u>	<u>205560</u>	<u>227715</u>
. Loans to government	143751	142622	0	0	0	0
. Loans to economic authorities	58265	50196	51734	51279	50062	51469
. Investments in government securities (bills and bonds)	6124	6088	6231	8528	9977	13664
. Deposits of the NIB with the banking system	4917	3757	2951	3891	4806	5510
. Lending for equity participations, concessional loans, and others (NIB debt minus its intradebt)	108336	152299	108236	129373	140715	157072

Source : Central Bank of Egypt - National Investment Bank.

* Including deposits of the private insurance funds, saving certificates, and loans & deposits of various authorities.

(3/3) External Debt

	(US\$ mn)						
End of June	2004	2005	2006	2007	2008	2009	2010 ⁺
Total External Debt*	29872	28949	29593	29898	33893	31531	33694
Rescheduled bilateral debt **	16385	15734	15229	14847	15606	14081	12599
ODA	8053	7836	7611	7397	7788	7448	7054
Non-ODA	8332	7898	7618	7450	7818	6633	5545
Other bilateral debt	4433	4291	4295	4346	4972	4824	4692
Paris Club countries	3264	3530	3590	3630	4130	3978	3775
Other countries	1169	761	705	716	842	846	917
International & regional institutions	5081	5058	5205	6815	7362	8169	9978
Suppliers' & buyers' credit	1333	782	980	792	764	324	313
Egyptian bonds & notes	588	614	1862	1570	2652	1926	3080
Long-term deposits ***	0	500	300	0	0	0	0
Private sector debt (non-guaranteed)	85	115	89	79	18	83	77
Short-term debt	1967	1855	1633	1449	2519	2124	2955
Deposits	1267	819	633	536	1048	1156	1360
Other facilities	700	1036	1000	913	1471	968	1595

Source: Loans & External Debt Department - CBE.

+ Provisional

* The difference from World Bank data is in short-term debt.

** According to the agreement signed with Paris Club countries on May 25, 1991.

*** As of December 2004, the deposit of the Arab International Bank was transferred from short-term debt to long-term deposits.

(3/4) Distribution of External Debt by Main Currencies

End of June	(US\$ mn)				
	2009		2010 *		Change (-)
	Value	%	Value	%	
Total	31531.1	100.0	33694.2	100.0	2163.1
US dollar **	12670.1	40.2	14493.2	43.0	1823.1
Canadian dollar	140.0	0.4	144.0	0.4	4.0
Australian dollar	114.0	0.4	107.0	0.3	(7.0)
Swiss franc	541.0	1.7	509.0	1.5	(32.0)
Sterling pound	207.0	0.7	215.0	0.6	8.0
Japanese yen	3949.0	12.5	4212.0	12.5	263.0
Danish krone	137.0	0.4	112.0	0.3	(25.0)
Norwegian krone	5.0	0.0	4.0	0.0	(1.0)
Swedish krona	28.0	0.1	26.0	0.1	(2.0)
Kuwaiti dinar	1731.0	5.5	1973.0	5.9	242.0
Saudi riyal	28.0	0.1	33.0	0.1	5.0
UAE dirham	33.0	0.1	30.0	0.1	(3.0)
Euro	10217.0	32.4	8835.0	26.2	(1382.0)
Egyptain pound	424.0	1.4	722.0	2.2	298.0
SDRs	1307.0	4.1	2279.0	6.8	972.0

Source: Loans & External Debt Department- CBE

* Provisional.

** Including other liabilities due in US dollar.

(4/1) Participants in the CBE Training Programs

	2008/2009	2009/2010
<u>First : CBE Employees, through:</u>		
<u>Banking Institute Programs</u>	<u>2484</u>	<u>2380</u>
<u>External Entities</u>	<u>580</u>	<u>1217</u>
Specialized & Managerial Programs, Computer & English	569	1092
Qualifying Programs (Specialized & Managerial, Computer & English)	11	125
<u>Computer Laboratory</u>	<u>769</u>	<u>1159</u>
<u>External Missions</u>	<u>98</u>	<u>145</u>
<u>Second : Training in the CBE Departments (Foreigners)</u>	<u>14</u>	<u>15</u>
Total	3945	4916

Source: Central Bank of Egypt

(4/2) Structure of the Egyptian Banking System

As at 30/6/2010*

→	Central Bank of Egypt		
→	Public Sector Banks	5	
	Branches **		2080
→	Private & Joint Venture Banks	27	
	Branches		1329
→	Off-shore Banks	7	
	Branches		93
	Total	39	3502

* Excluding branches of Egyptian banks abroad, and two banks which were established under private laws and not registered with the CBE: the Arab International Bank, and Nasser Social Bank.

** Including village banks (1015 banks) which are affiliate to the Principal Bank for Development and Agriculture Credit.

**(4/3) Representation Offices Registered with the CBE
(on June 30, 2010)**

Name	Registration Date	Address
Al-Raghi Banking & Investment Corp.	20/10/1993	19 Adly St., 2 nd Floor , Apart. 59, Cairo.
Bank of New York Mellon	27/10/1993	9 Abd El- Moneim Riad St., Dokki, Giza.
Commerz Bank AG	31/05/1994	Building No. 2401 B-first floor, Smart Village, Cairo-Alex. Highway (28Km).
Monte dei Paschi di Siena S.P.A	05/07/1994	10 Sarai EL- Gezeera St., 2 nd Floor, Flat 5, Zamalek 11211, Cairo.
Union De Banques Arabes et Francaises (UBAF)	15/08/1994	4 Behlar Passage, Kasr El- Nil St., Cairo.
State Bank of India	03/10/1994	15 Kamel El-Shinnawy St., Garden City, Cairo.
Deutsche Bank AG	10/11/1994	6 Polis Hanna St., Dokki, Giza.
Intesa San Paolo SPA	13/03/1995	3 Abo Elfeda St. Zamalek, Cairo.
Arab Islamic Bank	11/12/1995	21& 23 Giza St., El- Nil Tower, Floor No.12, Giza.
JP Morgan Chase Bank N/A	05/08/1996	3 Ahmed Nessim St., Giza.
Bank of Tokyo Mitsubishi UFJ Ltd	04/03/1997	Nile City Towers - South Tower, 10 th floor/C, Corniche El- Nil St., Cairo.
UBS AG	22/10/1997	International Trade Building - 1191 Corniche El- Nil St.S, 13 th floor, Cairo.
Credit Suisse AG	16/03/1998	7B Ibn Shamar St., Giza.
Wells Fargo Bank National Association	06/05/1998	9 El-Gomhoria El-Motahida Square, Dokki, Giza.
ING Bank N.V.	12/07/1999	9 Hode El-Laban St., Garden City, Cairo.
Credit Industriel et Commercial, CIC	22/07/1999	28 Sherif St., Cairo.
B.H.F Bank AG	02/08/1999	8 El-Sadd El-Aley St., Dokki , 12311, Giza.
Royal Bank Of Scotland (RBS)	17/11/1999	31 Gezirat El-Arab St., Mohandeseen, Giza.
Natexis	22/03/2000	El-Kamel Building -54/B, Banks Zone, 6 th of Oct.
Den Norske Bank	27/05/2001	19 El-Gabalaya St., Zamalek, Cairo.
Bank of Valleta PLC	10/07/2003	7 EL-Thawra Sq., Dokki, 7 th Floor, Flat No.71.
Sumitomo Mitsui Banking Corporation	19/01/2004	3 Ibn Kassir Corniche El- Nil St., 14 th Floor, Flat 6, Giza.
Clariden Leu Ltd.	22/04/2004	4A Hassan Sabri St., Floor No. 12, Flat No. 82, Zamalek, 11211, Cairo.
Standard Chartered Bank	12/09/2005	Star Capital 2, Sheikha Fatma St., Office No. 21-22, Heliopolis, Cairo.
Egyptian-Sudanese Bank	28/05/2008	4 Ahmed Basha St., Floor No.15, Garden City, Cairo.
China Development Bank Corporation	02/11/2009	41-18 St. (units 1&2), Maadi, Cairo.
Turkey Is Bankas, A.S	31/03/2010	Nile City Towers - North Tower- 27 th floor, Corniche El- Nil St, Cairo.

Source : Central Bank of Egypt

(5/1) Banks : Aggregate Financial Position

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Assets</u>							
Cash	5412	6594	6813	7705	10261	11128	12448
Securities & investments in TBs, of which:	137431	170659	193965	176098	201858	332597	405895
CBE notes	-	-	21563	17617	-	-	-
Balances with banks in Egypt	116290	124986	121695	217363	278185	173482	200719
Balances with banks abroad	43290	51204	72554	124366	122792	77120	57371
Loan and discount balances	296199	308195	324041	353746	401425	429957	465990
Other assets	34814	41990	42494	58645	68790	67709	78232
Assets = Liabilities	633436	703628	761562	937923	1083311	1091993	1220655
<u>Liabilities</u>							
Capital	20346	22949	27112	33037	37576	41550	46598
Reserves	11454	12419	13418	12552	19763	21371	28486
Provisions	44584	49541	54950	53469	62314	69748	70418
Bonds & long-term loans	15012	14254	17526	26351	22285	22045	21697
Obligations to banks in Egypt	29933	22671	21488	82619	98699	31004	53881
Obligations to banks abroad	10332	12262	8770	10006	13327	18195	20305
Total deposits	461697	519649	568841	649953	747199	809694	892492
Other liabilities	40078	49883	49457	69936	82148	78386	86778

Source : Central Bank of Egypt

(5/2) Banks : Deposits by Maturity

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total Deposits</u>	<u>461697</u>	<u>519649</u>	<u>568841</u>	<u>649953</u>	<u>747199</u>	<u>809694</u>	<u>892492</u>
Demand deposits	46742	51557	62431	78759	100569	102853	119518
Time & saving deposits	389482	445132	479805	542982	612737	673048	738650
Blocked or retained deposits	25473	22960	26605	28212	33893	33793	34324
<u>First : In Local Currency</u>	<u>310870</u>	<u>369067</u>	<u>401143</u>	<u>463320</u>	<u>552079</u>	<u>598587</u>	<u>686052</u>
Demand deposits	27168	31606	41793	50366	71971	69262	84152
Time & saving deposits	269505	324664	345953	396351	460285	509156	580020
Blocked or retained deposits	14197	12797	13397	16603	19823	20169	21880
<u>Second : In Foreign Currencies</u>	<u>150827</u>	<u>150582</u>	<u>167698</u>	<u>186633</u>	<u>195120</u>	<u>211107</u>	<u>206440</u>
Demand deposits	19574	19951	20638	28393	28598	33591	35366
Time & saving deposits	119977	120468	133852	146631	152452	163892	158630
Blocked or retained deposits	11276	10163	13208	11609	14070	13624	12444

Source : Central Bank of Egypt

(5/3) Banks : Deposits by Sector

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total Deposits</u>	<u>461697</u>	<u>519649</u>	<u>568841</u>	<u>649953</u>	<u>747199</u>	<u>809694</u>	<u>892492</u>
<u>In Local Currency</u>	<u>310870</u>	<u>369067</u>	<u>401143</u>	<u>463320</u>	<u>552079</u>	<u>598587</u>	<u>686052</u>
Government sector	54120	57649	49422	37233	44789	49564	58496
Public business sector *	15414	16727	20399	23464	29434	28800	32726
Private business sector	35219	39668	41444	77504	119716	104250	114372
Household sector	205375	253865	287973	321793	354119	413558	477842
External sector **	742	1158	1905	3326	4021	2415	2616
<u>In Foreign Currencies</u>	<u>150827</u>	<u>150582</u>	<u>167698</u>	<u>186633</u>	<u>195120</u>	<u>211107</u>	<u>206440</u>
Government sector	26187	27252	29290	30329	33203	41481	45618
Public business sector *	3432	4195	5668	6721	9146	8735	6474
Private business sector	29550	31337	39263	49093	57202	58321	54907
Household sector	90899	85813	92174	98331	93653	100210	96875
External sector **	759	1985	1303	2159	1916	2360	2566

Source : Central Bank of Egypt

* Including all public sector companies subject or not to Law No. 203 for 1991.

** Including counterpart deposits of USAID

(5/4) Banks : Lending and Discount Balances by Sector

	(LE mn)						
End of June	2004	2005	2006	2007	2008	2009	2010
<u>Total</u>	<u>296199</u>	<u>308195</u>	<u>324041</u>	<u>353746</u>	<u>401425</u>	<u>429957</u>	<u>465990</u>
<u>In Local Currency</u>	<u>228159</u>	<u>233141</u>	<u>238926</u>	<u>248544</u>	<u>267166</u>	<u>295192</u>	<u>313654</u>
Government sector	9963	10938	11285	10788	9698	12946	15389
Public business sector *	27690	30164	26269	18097	19475	23725	21051
Private business sector	154162	152193	150491	163292	167258	177107	185694
Household sector	35955	39354	50158	55453	69838	78827	90266
External sector	389	492	723	914	897	2587	1254
<u>In Foreign Currencies</u>	<u>68040</u>	<u>75054</u>	<u>85115</u>	<u>105202</u>	<u>134259</u>	<u>134765</u>	<u>152336</u>
Government sector	6240	11080	9712	15896	21460	17802	23995
Public business sector *	7740	7078	6373	6091	7177	9155	8761
Private business sector	51668	53502	64184	76020	90829	90778	101454
Household sector	1059	1913	3017	4485	8494	5762	2526
External sector	1333	1481	1829	2710	6299	11268	15600

Source : Central Bank of Egypt.

* Including all public sector companies subject or not to Law No. 203 for 1991.

(6/1) GDP at Factor Cost by Economic Sector
At 2006/2007 prices

(LE mn)

Sectors	2008/2009			2009/2010			Growth Rate % 2009/2010		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Total GDP	300957.8	495878.3	796836.1	310254.3	527516.0	837770.3	3.1	6.4	5.1
Agriculture, Irrigation & Fishing	20.2	106554.0	106574.2	21.1	110256.0	110277.1	4.5	3.5	3.5
Extractions	93291.6	20435.1	113726.7	93643.0	21070.0	114713.0	0.4	3.1	0.9
Oil	40322.0	7066.0	47388.0	40104.0	6951.0	47055.0	-0.5	-1.6	-0.7
Natural gas	52588.0	10484.0	63072.0	53139.0	11082.0	64221.0	1.0	5.7	1.8
Others	381.6	2885.0	3266.7	400.0	3037.0	3437.0	4.8	5.3	5.2
Manufacturing Industries	20318.2	107950.7	128268.9	21117.0	113647.0	134764.0	3.9	5.3	5.1
Oil refining	3386.0	2725.0	6111.0	3368.0	2731.0	6099.0	-0.5	0.2	-0.2
Others	16932.2	105225.6	122157.9	17749.0	110916.0	128665.0	4.8	5.4	5.3
Electricity	9665.0	1536.0	11201.0	10402.0	1508.0	11910.0	7.6	-1.8	6.3
Water	2739.5	0.0	2739.5	2927.0	0.0	2927.0	6.8	0.0	6.8
Sewerage	662.2	0.0	662.2	702.2	0.0	702.2	6.0	0.0	6.0
Construction & Building	4280.1	34608.1	38888.2	4777.0	39230.0	44007.0	11.6	13.4	13.2
Transportation & Storage	8621.5	25368.8	33990.3	9155.0	27158.0	36313.0	6.2	7.1	6.8
Communications	9441.2	20817.8	30259.0	10130.0	24164.0	34294.0	7.3	16.1	13.3
Information	595.4	1095.2	1690.6	635.4	1165.4	1800.8	6.7	6.4	6.5
Suez Canal	26075.0	0.0	26075.0	25328.5	0.0	25328.5	-2.9	0.0	-2.9
Wholesale & Retail Trade	3000.9	81333.0	84333.9	3188.0	86277.0	89465.0	6.2	6.1	6.1
Finance	20226.8	10775.9	31002.7	21317.0	11313.0	32630.0	5.4	5.0	5.2
Insurance	2056.6	584.2	2640.8	2160.0	615.0	2775.0	5.0	5.3	5.1
Social Solidarity	27328.0	0.0	27328.0	29016.0	0.0	29016.0	6.2	0.0	6.2
Tourism	297.4	31534.0	31831.4	320.0	35328.8	35648.8	7.6	12.0	12.0
Real Estate	941.7	21589.7	22531.4	975.0	22511.0	23486.0	3.5	4.3	4.2
Real Estate Ownership	383.0	11257.0	11640.0	395.0	11739.0	12134.0	3.1	4.3	4.2
Business Services	558.7	10332.7	10891.4	580.0	10772.0	11352.0	3.8	4.3	4.2
General Government	70644.0	0.0	70644.0	73651.0	0.0	73651.0	4.3	0.0	4.3
Education, Health & Personal Services	752.5	31695.8	32448.3	789.1	33272.8	34061.9	4.9	5.0	5.0
Education	0.0	9151.9	9151.9	0.0	9578.0	9578.0	0.0	4.7	4.7
Health	721.1	9865.5	10586.6	756.0	10361.0	11117.0	4.8	5.0	5.0
Others*	31.4	12678.4	12709.8	33.1	13333.8	13366.9	5.4	5.2	5.2

Source : Ministry of Economic Development.

(6/2) GDP by Expenditure

(At 2006/ 2007 prices)

	<u>Value at LE bn</u>		<u>Structure %</u>		<u>Growth Rate %</u>	
	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010
<u>1-GDP at Market Price(2+5-6)</u>	<u>835.5</u>	<u>878.5</u>	<u>100.0</u>	<u>100.0</u>	<u>4.7</u>	<u>5.1</u>
<u>2- Total Domestic Expenditure (3+4)</u>	<u>856.5</u>	<u>898.4</u>	<u>102.5</u>	<u>102.3</u>	<u>2.5</u>	<u>4.9</u>
<u>3- Final Consumption</u>	<u>693.5</u>	<u>728.5</u>	<u>83.0</u>	<u>82.9</u>	<u>5.7</u>	<u>5.0</u>
Final private consumption	602.5	633.4	72.1	72.1	5.7	5.1
Final government consumption	91.0	95.1	10.9	10.8	5.6	4.5
<u>4- Gross Capital Formation</u>	<u>163.0</u>	<u>169.9</u>	<u>19.5</u>	<u>19.4</u>	<u>-9.1</u>	<u>4.2</u>
Investments	160.1	166.4	19.2	19.0	-10.2	3.9
Change in stock	2.9	3.5	0.3	0.4
<u>5- Exports of Goods & Services</u>	<u>248.0</u>	<u>240.5</u>	<u>29.7</u>	<u>27.4</u>	<u>-14.5</u>	<u>-3.0</u>
<u>6- Imports of Goods & Services</u>	<u>269.0</u>	<u>260.5</u>	<u>32.2</u>	<u>29.7</u>	<u>-17.9</u>	<u>-3.2</u>
<u>7-Gross Domestic Saving (1-3)</u>	<u>142.0</u>	<u>150.0</u>	<u>17.0</u>	<u>17.1</u>	<u>0.1</u>	<u>5.6</u>

Source : Ministry of Economic Development.

..Not available

(6/3) Consumer Price Index (Urban Population) (January 2007=100)

Group	Relative Weights	End of June			Inflation Rate (%)	
		2008	2009	2010	July / June 2008/2009	July / June 2009/2010
		All Items	100.0	121.5	133.6	147.9
Food & non-alcoholic beverages	43.9	130.3	146.2	173.3	12.2	18.5
Tobacco	2.5	112.1	121.0	121.0	7.9	0.0
Clothing & footwear	7.9	104.3	118.3	119.0	13.4	0.6
Housing, water, electricity, gas & other fuel	13.5	107.6	112.1	113.5	4.1	1.3
Furnishings, household equipment & routine maintenance of the house	4.2	110.7	125.2	126.6	13.1	1.1
Health	3.6	112.1	117.2	117.6	4.5	0.3
Transportation	5.2	120.1	125.0	126.8	4.1	1.4
Communications	3.6	104.0	109.4	109.3	5.2	-0.1
Recreation & culture	3.4	121.7	139.9	148.7	15.0	6.3
Education	4.4	137.7	144.1	157.6	4.6	9.4
Restaurants, cafes & hotels	3.6	146.1	164.6	172.3	12.7	4.7
Miscellaneous goods and services	4.2	111.5	120.7	140.8	8.3	16.6

Source: Central Agency for Public Mobilization and Statistics(CAPMAS), (Monthly Bulletin of Consumer Price Index) .

(6/4) Producer Price Index (PPI) (2004/2005 = 100)

Group	Relative Weights	End of June			Inflation Rate (%)	
		2008	2009	2010	July / June 2008/2009	July / June 2009/2010
		<u>100.0</u>	<u>168.5</u>	<u>148.2</u>	<u>160.9</u>	<u>-12.0</u>
Agriculture, Forestry and Fishing	25.1	179.5	188.9	210.9	5.2	11.6
Mining and Quarrying	21.8	232.3	134.6	147.8	-42.1	9.8
Manufacturing	38.9	144.4	140.0	149.6	-3.0	6.9
Electricity, Gas, Steam and Air Conditioning Supply	2.3	114.0	115.0	140.3	0.9	22.0
Water Supply, Sewerage, Waste Management and Remediation Activities	2.0	138.7	138.7	146.5	0.0	5.6
Transportation and Storage	2.8	110.9	124.2	124.8	12.0	0.5
Accommodation and Food Service Activities	5.0	117.5	114.6	110.6	-2.5	-3.5
Information and Communications	2.1	107.8	112.5	112.5	4.4	0.0

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) the PPI Bulletin as of Sept. 2007 to replace the WPI Bulletin, as the publication of the latter was stopped as of January 2008.

**(7/1) Summary of Consolidated Fiscal Operations of the General Government
(The Budget sector , NIB & SIFs)**

(LE mn)

During	Actual			
	2006/2007		2007/2008	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<u>Total Revenues</u>	<u>180215</u>	<u>205654</u>	<u>221404</u>	<u>248835</u>
Tax Revenues	114326	114326	137195	137195
Grants	3886	3886	1463	1463
Property Income	45111	50593	52455	59308
Sales of Goods and Services	9776	9776	12038	12044
Financing Investment	4376	4376	5765	5765
Others	2740	22697	12488	33060
<u>Total Expenditures</u>	<u>222029</u>	<u>244018</u>	<u>282290</u>	<u>305795</u>
Compensations of Employees	52153	52746	62839	63531
Purchases of Goods and Services	17028	17121	18470	18790
Interests	47700	38368	50528	40956
Subsidies ,Grants and Social Benefits	58442	88684	92371	124249
Other Expenditures	21208	21571	23891	23972
Purchase of Non-Financial Assets (Investments)	25498	25528	34191	34297
Cash Deficit	41814	38364	60886	56960
Net Acquisition of Financial Assets	12883	17849	236	10603
Overall Fiscal Balance	54697	56213	61122	67563

Source : The Ministry of Finance.

(7/1) Summary of Consolidated Fiscal Operations of the General Government (Contd.)
(The Budget sector , NIB & SIFs)

(LE mn)

During	Actual			
	2006/2007		2007/2008	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<u>Financing Sources</u>	<u>54697</u>	<u>56213</u>	<u>61122</u>	<u>67563</u>
<u>Domestic Financing</u>	<u>33283</u>	<u>35401</u>	<u>527</u>	<u>6604</u>
<u>Banking Financing</u>	<u>-20926</u>	<u>-17662</u>	<u>-3187</u>	<u>-4701</u>
Central Bank	3146	3196	-33394	-35306
Other Banks	-24072	-20858	30207	30605
<u>Non- Banking Financing</u>	<u>54209</u>	<u>53063</u>	<u>3714</u>	<u>11305</u>
NIB	143	0	2271	0
SIFs	6861	0	119	0
Other	28525	28525	7545	7545
NIB Borrowing	0	5858	0	9981
Special Accounts for Economic Authorities	18680	18680	-6221	-6221
<u>Blocked Account Used in Amortizing Part of CBE Bonds</u>	<u>0</u>	<u>0</u>	<u>38970</u>	<u>38970</u>
<u>Foreign Borrowing</u>	<u>3581</u>	<u>3581</u>	<u>11439</u>	<u>11439</u>
<u>Arrears</u>	<u>-693</u>	<u>-693</u>	<u>-56</u>	<u>-56</u>
<u>Others, of which :</u>	<u>19922</u>	<u>19320</u>	<u>14791</u>	<u>15154</u>
Special Accounts for Budget Entities	12952	12952	0	0
<u>Financing Effects for Eliminations</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Exchange Rate Revaluation</u>	<u>-432</u>	<u>-432</u>	<u>-4276</u>	<u>-4276</u>
<u>Net Privatization Proceeds</u>	<u>172</u>	<u>172</u>	<u>673</u>	<u>673</u>
<u>Difference between Treasury Bills Face Value & Present Value</u>	<u>-1168</u>	<u>-1168</u>	<u>-1149</u>	<u>-1149</u>
<u>Foreign Debt Reclassification Diff. and Related FX Diff.</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Discrepancy</u>	<u>32</u>	<u>32</u>	<u>203</u>	<u>203</u>
Cash deficit (surplus) as a percentage of GDP	5.7%	5.2%	6.8%	6.4%
Overall fiscal balance as a percentage of GDP	7.5%	7.7%	6.8%	7.5%
Revenues as a percentage of GDP	24.6%	28.1%	24.7%	27.8%
Expenditures as a percentage of GDP	30.4%	33.4%	31.5%	34.1%

**(7/2) Summary of Consolidated Fiscal Operations of General Government
(The Budget sector , NIB & SIFs)**

(LE mn)

During	Actual		Pre. Actual	
	2008/2009		2009/2010	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<u>Total Revenues</u>	<u>282505</u>	<u>288545</u>	<u>268114</u>	<u>303361</u>
Tax Revenues	163222	163222	170494	170494
Grants	7984	7984	4332	4332
Property Income	53395	60391	54570	61618
Sales of Goods and Services	16216	16216	17212	17212
Financing Investment	7855	7855	8873	8873
Others	33833	32877	12633	40832
<u>Total Expenditures</u>	<u>351500</u>	<u>356944</u>	<u>365987</u>	<u>396768</u>
Compensations of Employees	76147	76968	85369	86377
Purchases of Goods and Services	25072	25203	28059	28244
Interests	52810	43755	72333	62277
Subsidies ,Grants and Social Benefits	127033	140262	102975	142360
Other Expenditures	27008	27276	28901	29047
Purchase of Non-Financial Assets (Investments)	43430	43480	48350	48463
Cash Deficit	68995	68399	97873	93407
Net Acquisition of Financial Assets	2831	3980	165	5479
Overall Fiscal Balance	71826	72379	98038	98886

Source : The Ministry of Finance.

(7/2) Summary of Consolidated Fiscal Operations of the General Government (Contd.)

(The Budget sector , NIB & SIFs)

(LE mn)

During	Actual		Pre. Actual	
	2008/2009		2009/2010	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<u>Financing Sources</u>	<u>71826</u>	<u>72379</u>	<u>98038</u>	<u>98886</u>
<u>Domestic Financing</u>	<u>83627</u>	<u>79664</u>	<u>101492</u>	<u>102415</u>
<u>Banking Financing</u>	<u>98818</u>	<u>100140</u>	<u>40263</u>	<u>39380</u>
Central Bank	-15285	-15285	11561	11561
Other Banks	114103	115425	28702	27819
<u>Non- Banking Financing</u>	<u>-15191</u>	<u>-20476</u>	<u>61229</u>	<u>63035</u>
NIB	1449	0	3687	0
SIFs	5417	0	5176	0
Other	-19930	-19930	53014	53014
NIB Borrowing	0	1581	0	10669
Special Accounts for Economic Authorities	-2127	-2127	-648	-648
<u>Blocked Account Used in Amortizing Part of CBE Bonds</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Foreign Borrowing</u>	<u>23343</u>	<u>23343</u>	<u>2458</u>	<u>2458</u>
<u>Arrears</u>	<u>-4</u>	<u>-4</u>	<u>0</u>	<u>0</u>
<u>Others, of which :</u>	<u>-601</u>	<u>3915</u>	<u>347</u>	<u>273</u>
Special Accounts for Budget Entities	0	0	0	0
<u>Financing Effects for Eliminations</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>
<u>Exchange Rate Revaluation</u>	<u>3366</u>	<u>3366</u>	<u>1328</u>	<u>1328</u>
<u>Net Privatization Proceeds</u>	<u>183</u>	<u>183</u>	<u>425</u>	<u>425</u>
<u>Difference between Treasury Bills Face Value & Present Value</u>	<u>-10915</u>	<u>-10915</u>	<u>-227</u>	<u>-227</u>
<u>Foreign Debt Reclassification Diff. and Related FX Diff.</u>	<u>-25155</u>	<u>-25155</u>	<u>0</u>	<u>0</u>
<u>Discrepancy</u>	<u>-2018</u>	<u>-2018</u>	<u>-7785</u>	<u>-7785</u>
Cash deficit (surplus) as a percentage of GDP	6.6%	6.6%	8.1%	7.7%
Overall fiscal balance as a percentage of GDP	6.9%	6.9%	8.1%	8.2%
Revenues as a percentage of GDP	27.1%	27.7%	22.2%	25.1%
Expenditures as a percentage of GDP	33.7%	34.2%	30.3%	32.9%

Source : The Ministry of Finance.

(8/1) Balance of Payments

(US\$ mn)

	FY				Change (-)
	2008/2009		2009/2010*		
	Value	%	Value	%	
Balance of Current Account	(4424.3)		(4317.6)		106.7
Balance of Current Account (Excluding Transfers)	(12670.9)		(14781.0)		(2110.1)
Receipts	48970.2	100.0	47436.0	100.0	(1534.2)
Export proceeds**	25168.9	51.4	23873.1	50.3	(1295.8)
Transportation, of which	7481.0	15.3	7216.5	15.2	(264.5)
<i>Suez Canal dues</i>	4720.6	9.6	4516.8	9.5	(203.8)
Travel	10487.6	21.4	11591.3	24.4	1103.7
Investment income	1936.7	4.0	829.0	1.8	(1107.7)
Government receipts	252.8	0.5	217.9	0.5	(34.9)
Other receipts	3643.2	7.4	3708.2	7.8	65.0
Payments	61641.1	100.0	62217.0	100.0	575.9
Import payments**	50342.2	81.7	48993.1	78.7	(1349.1)
Transportation	1491.9	2.4	1229.7	2.0	(262.2)
Travel	2739.3	4.4	2327.5	3.7	(411.8)
Investment income, of which	1783.1	2.9	5193.7	8.4	3410.6
<i>Interest paid</i>	620.5	1.0	553.6	0.9	(66.9)
Government expenditures	1182.3	1.9	1534.5	2.5	352.2
Other payments	4102.3	6.7	2938.5	4.7	(1163.8)
Transfers	8246.6	100.0	10463.4	100.0	2216.8
Private (net)	7632.3	92.6	9509.4	90.9	1877.1
Official (net)	614.3	7.4	954.0	9.1	339.7

* Preliminary figures.

** Including the exports & imports of free zones.

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(8/1) Balance of Payments (Contd.)

	(US\$ mn)	
	FY	
	2008/2009	2009/2010*
	Value	Value
Capital & Financial Account	<u>2284.7</u>	<u>8325.4</u>
Capital Account	<u>-2.6</u>	<u>-36.2</u>
Financial Account	<u>2287.3</u>	<u>8361.6</u>
Direct Investment Abroad	-1340.5	-976.6
Direct Investment in Egypt (Net) **	8113.4	6758.2
Portfolio Investments Abroad (Net)	-410.8	-522.2
Portfolio Investments in Egypt (Net), of which :	-9210.7	7879.3
Bonds	-1013.2	1357.3
Other Investments (Net)	5135.9	-4777.1
Net Borrowing	<u>1251.6</u>	<u>2350.0</u>
Medium -and Long -Term Loans	121.5	-522.8
Drawings	2010.3	1228.9
Repayments	-1888.8	-1751.7
Medium -Term Suppliers' and Buyers' Credit	-429.2	-39.7
Drawings	59.6	51.8
Repayments	-488.8	-91.5
Short -Term Suppliers' and Buyers' Credit (Net)	1559.3	2912.5
Other Assets	<u>3744.0</u>	<u>-9669.1</u>
CBE	49.0	-40.7
Banks	8313.8	-2073.0
Other	-4618.8	-7555.4
Other Liabilities	<u>140.3</u>	<u>2542.0</u>
CBE	6.3	1187.1
Banks	134.0	1354.9
Net Errors & Omissions	<u>-1238.0</u>	<u>-652.1</u>
Overall Balance	<u>-3377.6</u>	<u>3355.7</u>
Change in Reserve Assets, Increase (-)	<u>3377.6</u>	<u>-3355.7</u>

Source: CBE.

* Preliminary figures.

** Includes foreign direct investment in petroleum sector and receipts from selling some local companies to foreign investors.

(8/2) Average Exchange Rates

(In piasters per foreign currency unit)

End of	June 2009		June 2010	
First: Interbank US\$ Rates				
Minimum	559.40		569.40	
Maximum	560.00		569.70	
Weighted average	559.64		569.52	
Second: Market Rates	Buy	Sell	Buy	Sell
US Dollar	558.55	561.34	568.07	570.96
Euro	788.72	793.05	697.53	701.48
Pound Sterling	926.13	931.03	853.02	857.64
Swiss Franc	516.89	519.85	525.31	528.28
100 Japanese Yens	582.67	585.70	640.44	643.77
Saudi Riyal	148.93	149.69	151.46	152.24
Kuwaiti Dinar	1943.44	1956.55	1948.12	1966.12
UAE Dirham	152.06	152.84	154.63	155.48
Chinese Yuan	81.77	82.18	83.76	84.19

Source : CBE daily exchange rates

The interbank system started at 23/12/2004.

(9/1) Trading in Shares on the Stock Exchange

	<u>During FY</u>					
	<u>2008/2009</u>			<u>2009/2010</u>		
	<u>Number of Transactions in unit</u>	<u>Amount (Thousands)</u>	<u>M.Value (mn)</u>	<u>Number of Transactions in unit</u>	<u>Amount (Thousands)</u>	<u>M.Value (mn)</u>
<u>In LE</u>	<u>12853288</u>	<u>30642746</u>	<u>256223</u>	<u>11788386</u>	<u>31752703</u>	<u>372693</u>
Floor Transactions	11818745	24195831	223668	11062889	24336192	253432
Over the Counter Trading	1034543	6446915	32555	725497	7416511	119261
<u>In Foreign Currencies (US\$)</u>	<u>292085</u>	<u>1205774</u>	<u>6343</u>	<u>326727</u>	<u>1077180</u>	<u>3593</u>
Floor Transactions	280686	1156374	4783	318742	979575	1959
Over the Counter Trading	11399	49400	1560	7985	97605	1634
<u>In Foreign Currencies (Euro)</u>	<u>10</u>	<u>4529</u>	<u>11</u>	<u>26</u>	<u>3388</u>	<u>88</u>
Floor Transactions	0	0	0	0	0	0
Over the Counter Trading	10	4529	11	26	3388	88

Source : Egyptian Financial Supervisory Authority (EFSA), Capital Market Monthly Report.

(9/2) Trading in Bonds on the Stock Exchange

	<u>During FY</u>					
	<u>2008/2009</u>			<u>2009/2010</u>		
	Number of Transactions	Amount	Market Value	Number of Transactions	Amount	Market Value
	(in unit)		(in Thousands)	(in unit)		(in Thousands)
<u>In LE</u>	<u>24100</u>	<u>102846338</u>	<u>28014154</u>	<u>1218</u>	<u>46492990</u>	<u>47889797</u>
Floor Transactions	24100	102846338	28014154	1218	46492990	47889797
Over the Counter Trading	-	-	-	-	-	-
<u>In US\$</u>	<u>9</u>	<u>1300</u>	<u>128</u>	<u>0</u>	<u>0</u>	<u>0</u>
Floor Transactions	9	1300	128	0	0	0
Over the Counter Trading	0	0	0	0	0	0

Source : Egyptian Financial Supervisory Authority (EFSA), Capital Market Monthly Report.

(9/3) Foreigners' Transactions on the Stock Exchange

	<u>During FY</u>			
	<u>2008/2009</u>		<u>2009/2010</u>	
	LE	US\$	LE	US\$
<u>Net Number of Transactions (unit)</u>	<u>-77401</u>	<u>-10194</u>	<u>131934</u>	<u>6747</u>
Purchases	849530	36818	1055605	47196
Sales	926931	47012	923671	40449
<u>Net Volume of Securities (mn)</u>	<u>-404</u>	<u>-72</u>	<u>346</u>	<u>30</u>
Purchases	2808	159	4241	243
Sales	3212	231	3895	213
<u>Net Value of Securities (mn)</u>	<u>-2875</u>	<u>-85</u>	<u>5004</u>	<u>106</u>
Purchases	53424	291	64421	580
Sales	56299	376	59417	474

Source : Egyptian Financial Supervisory Authority (EFSA), Capital Market Monthly Report.

Periodical Publications of the Central Bank of Egypt

Name of Publication	Language	Periodicity
1 -Monthly Statistical Bulletin	Arabic and English	Monthly
2 -Economic Review	Arabic and English	Quarterly
3 -Annual Report	Arabic and English	Every fiscal year
4 -External Position of the Egyptian Economy	English	Quarterly

Notes:

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