Central Bank of Egypt

Annual Report

2006/2007

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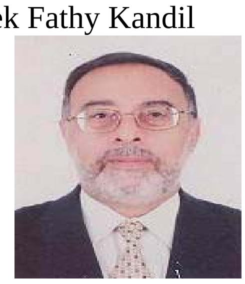
Mr. Tarek Hassan Aly Amer

Deputy Governor
Mr. Tarek Fathy Kandil

Dr. Ahmed Saad Abdel Latif

Mr. Momtaz El-Said



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Mr. Abd El Salam El Anwar

Mr. Mohamed Kamal El-Din Barakat

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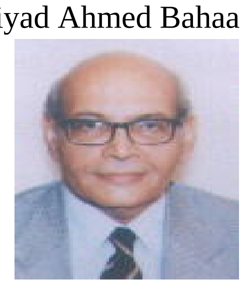


Dr. Mahmoud Abd El-Fadeel Hussein

Mr. Aladdin Saba

Mr. Hisham Ramez Abdel Hafez

Preface

During FY 2006/2007, the growth of world economy decelerated to 3.3 percent, from 3.8 percent in FY 2005/2006, reflecting the slackened economic performance of the USA, the euro area and Japan. These economies were negatively affected by the record world oil prices of over 70 US$/barrel during the first and last months of the reporting year and the associated tightening of monetary policies to contain the inflationary pressures. This, in turn, weakened the consumer demand and the growth rate of investment spending.

Fortunately, this slowdown was mitigated by the robust growth in some emerging economies, particularly China and India. The two countries have become no less important than the USA as main drivers of the global economy. Consequently, the global economy has become less vulnerable to the boom and bust of the US economy.

Most central banks in many major industrial countries adopted tightening monetary policies, which helped keep inflation at low levels. The European Central Bank raised the repo rate five times during the reporting year, bringing it up to 4.0 percent. The Bank of Japan lifted up its discount rate twice to 7.5 percent. Likewise, the Bank of England increased the repo rate four times during the year, to 5.5 percent. Meanwhile, the US Federal Reserve kept the discount rate at a high level (6.25 percent). However, in the second half of 2007 and also at the time of preparing this report, the US Federal Reserve reduced its policy rate more than once, to contain the repercussions of the sub-prime mortgage crisis. The spillover effects of this crisis extended to the capital markets and exchange rates in other industrial countries, and prompted the central banks to pump more liquidity.

The sluggish US economy and the concomitant depreciation of the US dollar vis-à-vis most major currencies motivated some countries to diversify the composition of their international reserves to include larger amounts of other more stable currencies as the euro. This was intended to alleviate the adverse effects of the volatile US dollar.

On the domestic level, the performance of the Egyptian economy continued to improve during FY 2006/2007, driven by a higher domestic demand, growing non-oil exports; and a buoyant Stock Exchange. This was also helped by the continuing progress of the banking system reform plan which is about to reach its final stage; the stability and efficiency of the foreign exchange market; tax and customs reforms; streamlining of investment procedures; and the continued implementation of the e-government program. Real GDP growth rate at factor cost increased from 6.9 percent during FY 2005/2006 to 7.1 percent during FY 2006/2007. The main contributors to this rise were the sectors of manufacturing; wholesale & retail trade; construction and building; agriculture and irrigation; and the Suez Canal.

Total implemented investments markedly picked up by about 34.2 percent, reaching LE 155.3 billion or 21.2 percent of GDP during the reporting year. The private sector accounted for the bulk (75.2 percent) of the increase in investments, as its investments significantly rose by 44.9 percent, posting some LE 96.1 billion or 61.9 percent of total implemented investments during FY 2006/2007. Consequently, the private sector's share in the GDP at factor cost increased to 62.3 percent during the reporting year.

The improvement in the investment climate and its favorable impact on the economic performance and implemented investments led to broadening the absorptive capacity of the labor market. As a result, the employment increased by about 600 thousand employees or 3.1 percent, reaching 20.1 million, whereas unemployment receded to 9.1 percent during FY 2006/2007, from 9.5 percent a year earlier.

Turning to the monetary policy, the CBE continued to work on realizing price stability as the overriding objective of its monetary policy. To this end, the Monetary Policy Committee (MPC) decided in its periodical meetings during FY 2006/2007 to raise the CBE's key policy rates. The MPC decisions aimed at curbing the inflationary pressures associated with the accelerating economic growth and the second round effects of supply shocks (avian flu and oil subsidy cuts). The CBE overnight deposit and lending rates were raised by 0.5 percent in the MPC meeting dated November 2, 2006, and by 0.25 percent in the meeting of December 14, 2006. These rates were kept unchanged till the end of the year under review.

To sterilize the effect of excess liquidity resulting from higher foreign capital flows, the CBE reactivated its deposit auctions, to be used along with other instruments (CBE notes and certificates of deposit). The outstanding balance of these instruments amounted to LE 163.6 billion at end of June 2007, against LE 93.7 billion at end of June 2006.

The monetary policy adopted during the reporting year helped contain the inflationary pressures. The annual headline CPI inflation declined to 8.5 percent in June 2007 (against 9.6 percent in September 2006, 12.4 percent in December 2006, and 12.8 percent in March 2007). The policy also achieved consistency between the overnight inter-bank rate (the operational target of the monetary policy) and the MPC key interest rates. Meanwhile, market interest rates on deposits and loans have become more responsive to changes in the CBE key interest rates. As such, interest rates on three-month deposits reached about 6.6 percent at end of July 2006; increasing to 6.8 percent in October 2006; and ranging from 6.7 percent to 6.8 percent in November 2006-June 2007. Meanwhile, interest rates on loans of one-year were less flexible, as they ranged between 11.3 percent and 11.9 percent during the year under review.

The annual growth rate of domestic liquidity (M2) accelerated to 18.3 percent during FY 2006/2007, against 13.5 percent during the previous FY. The (M2) growth rate during the reporting year was slightly higher than that of real GDP (7.1 percent) plus the CPI inflation rate (8.5 percent). However, the fact that quasi money accounted for most of the increase in domestic liquidity helped to subdue the inflationary pressures.

As for the Forex market, the CBE was keen to enhance the liberalization of the market, so as to ensure that all transactions are absorbed through legitimate channels. These efforts led to the appreciation of the LE vis-à-vis the US dollar, as the weighted average of the US dollar exchange rate in the interbank market fell to LE 5.7579 on 29/6/2006, from LE 6.2137 at the launch of the market on 23/12/2004, and further to LE 5.6968 on 28 June 2007. This denoted a 9.1 percent pickup in the LE value since the launch of the US dollar inter-bank market, and a rise of 1.1 percent throughout the reporting year.

Net international reserves (NIR) at the CBE continued to increase by US$ 5.6 billion or 24.5 percent during the reporting year, to US$ 28.6 billion at end of June 2007. Remaining on the rise at the time of preparing this report, NIRs amounted to US$ 29.9 billion at the end of September 2007.

With respect to **reserve management**, the CBE continued to pursue its new investment policy that aims to move away from the traditional investment instruments (deposits) to other more innovated instruments, selected according to conservative investment determinants and standards. Accordingly, the composition of NIRs was diversified to include other currencies alongside the US dollar, taking into account certain strategic factors such as Egypt’s external debt structure and the currencies of Egypt’s main trade partners. Furthermore, the CBE distributed foreign exchange reserves among many portfolios, with different maturities, targets and determinants that are risk/return balanced. Moreover, the CBE sought the assistance of two international investment managers to manage part of its reserves, in collaboration with an international investment advisor.

To enhance the management of foreign exchange reserves in accordance with the new policy, the CBE -in collaboration with the World Bank and other international institutions- introduced the most advanced international electronic systems, and set up the required infrastructure for risk management, by applying international risk measurement systems. In addition, a number of expertise and qualified professionals were recruited to work in this vital field. Through a greater diversification of the foreign reserve currencies, this new policy has managed not only to escape losses of US$ 950 million, but also to realize investment revenues of US$ 1 billion during the reporting year.

In the context of the CBE banking reform plan, voluntary and compulsory mergers took place among a number of banks, to strengthen their competitiveness and boost their capital. Accordingly, the number of banks operating in Egypt declined to 41 at end of June 2007 (against 54 in December 2004). Banque Misr acquired 100 percent of Banque du Caire stakes. Moreover, under this plan, 80 percent of the Bank of Alexandria (BOA) stock was successfully sold off on 17 Oct. 2006 to Italy's Sanpaolo IMI, following a public auction among four final bidders of Arab and European financial institutions. The value of the BOA as estimated by Sanpaolo stood at US$ 2.0 billion and the deal was about US$ 1.6 billion for 80% of the Bank's shares. On December 12, 2006, stock ownership was transferred to Sanpaolo IMI on the Stock Exchange. According to the international standards, this deal is a landmark in the history of acquisitions in emerging economies. Selling off the state-owned holdings in the BOA (20 percent) is currently under way; by floating 15 percent on the Stock Exchange and offering the remaining 5 percent to the Bank staff. Divestiture of the state holdings of the state-owned banks in joint venture banks is carried out according to the set plan.

Under the **banking restructuring plan**, state-owned banks have embarked upon implementing a comprehensive program, developed by the CBE's Banking Reform Unit (BRU), for the purposes of restructuring and risk management improvement. Moreover, the agreement the CBE has signed with the EC is scheduled to be accomplished in full by the end of 2008. According to the agreement, finance was provided for evaluation and application of best international practices in three backbone departments at the National Bank of Egypt and Banque Misr, namely risk management, IT & MIS and HR, with the assistance of international advisors. According to both the standards set by the BRU in agreement with the World Bank, and the international accounting standards, full audit reviews of commercial state-owned banks were completed. Through the finance provided by the Banking Reform Fund, state-owned banks started recruiting highly qualified banking cadres and management staff.

As regards **the problem of** NPLs, the reform plan managed to coordinate among the CBE, the NBE, Banque Misr, Banque du Caire and the Industrial Development Bank of Egypt to address small NPLs (up to LE 1 million) in the manufacturing, trade and services sectors through a program launched on March, 5th, 2007 and completed in June 2007. The program succeeded in settling around 7600 cases or 63 percent of the total listed NPLs cases (4300 cases had been already subject to legal actions). Through this program, 1200 cases against which judgments were passed and 31 cases already serving imprisonment terms were completely resolved. The NPL Management Unit at the CBE which follows up the workout units at banks, managed to settle 67 percent of irregular debts (excluding public enterprises' debt) from 1/1/2004 to 31/3/2007, and recovered 27 percent (including 23 percent in cash). Moreover, a final agreement was reached with the Ministry of Investment regarding the value of irregular debt (LE 26 billion) owed by public business enterprises to commercial state-owned banks. Of this amount, LE 6.9 billion were repaid in cash in January 2006 to the Bank of Alexandria. In December 2006, LE 9.1 billion were repaid to the other three banks; namely National Bank of Egypt, Banque Misr and Banque du Caire. It was also agreed to repay the remaining debt (LE 10 billion) of these banks from the privatization proceeds within 12 months.

As for upgrading **the Supervision Sector**, a program was devised to achieve a number of goals namely: (I) raising the efficiency of the sector and benefiting from the best international practices in this regard (II) recruiting highly efficient and professional leaderships who are acquainted with the latest banking technology (III) raising the efficiency of banking cadres (IV) attracting the expertise required to apply the latest international supervisory standards and (V) upgrading the management information systems (MIS). A protocol was signed with the European Central Bank (ECB) and four European central banks to provide a two-year technical assistance program, starting in December 2005. Furthermore, the agreement signed between Egypt and the European Commission to upgrade the Supervision Sector was activated. As for on-site supervision, examination techniques were improved, and an examination plan for 2007 was designed to cover a number of banks that hold more than half of the assets of the banking sector.

In order to strengthen the country's **payments system and information technology** to minimize credit and settlement risks and enhance the reliability and speed of payment settlements, the Central Bank, in cooperation with the European Commission, has signed a contract with a leading international corporation for supplying the real time gross settlement (RTGS) system. Implementation of the system will take place during the second quarter of the next year. Moreover, the CBE, in cooperation with the Arab Monetary Fund, has prepared and published the “White Book” of the A.R.E. that provides comprehensive information about payments in the A.R.E., in addition to a glossary of the terms used in payment systems in Arabic.

Turning to the **banking sector activity** during the reporting year, the CBE's financial position (banknote issue and banking operations) went up by LE 91.2 billion or 25.6 percent, against a decline of LE 35.2 billion or 9.0 percent during the previous FY.

The aggregate financial position of banks (excluding the CBE) mounted by LE 176.4 billion or 23.2 percent during the reporting year, to record LE 937.9 billion at end of June 2007. Deposits at banks grew by LE 81.1 billion or 14.3 percent during the year, to register LE 649.9 billion or 69.3 percent of the aggregate financial position of banks at end of June 2007. Lending and discount balances at banks also rose by LE 29.7 billion or 9.2 percent during the year, to reach LE 353.7 billion or 37.7 percent of the aggregate financial position.

Egypt's **stock exchange** has been very active during the reporting year. CASE 30 moved up by 63.5 percent during the year, to reach 7803.4 points at end of June 2007. Similarly, the CMA general index scaled up by 61.1 percent to record 2733.7 points at the end of June 2007. The market capital of traded shares on the Exchange reached LE 601823 million, constituting 82.3 percent of GDP in FY 2006/2007.

During the reporting year, **the fiscal policy** while aiming to bolster the economic growth, gave due consideration to the social dimension. The relative importance of salaries, social contributions, pensions and subsidies rose accordingly, representing almost half of the total government expenditure. Moreover, the overall deficit as a percentage of GDP declined to 7.5 percent during the reporting year, from 8.2 percent a year earlier. However, domestic public debt remained on the rise, reaching LE 637.2 billion or 87.1 percent of GDP at end of June 2007.

As for **external transactions**, the BOP unfolded an overall surplus of about US$ 5.3 billion or 4.1 percent of GDP during the reporting year, against US$ 3.3 billion a year earlier. During FY 2006/2007, the current account ran a surplus of US$ 2.7 billion, representing 2.1 percent of GDP. This was a reflection of the increase in both the services surplus and net unrequited transfers. The capital and financial account revealed a net inflow of US$ 1.1 billion during the year, (against US$ 3.5 billion), mainly because of the noticeable rise in FDI in Egypt recording a net inflow of US$ 11.1 billion against US$ 6.1 billion.

External debt rose by around US$ 0.3 billion at end of June 2007 as compared with June 2006, bringing its outstanding balance in US$ (both public and private) up to US$ 29.9 billion. The increase reflected the appreciation of most currencies of borrowing vis-à-vis the US$, (which led to a rise of US$ 0.6 billion in the balance of external debt) and the net repayment of loans and facilities of US$ 0.3 billion during FY 2006/2007.

External debt service fell by US$ 0.7 billion to US$ 2.3 billion during FY 2006/2007. This was an outcome of the decrease of US$ 0.8 billion in principal repayments to US$ 1.7 billion and the increase of US$ 58.4 million in interest payments to US$ 0.6 billion. Accordingly, the ratio of debt service to current receipts improved from 7.3 percent during the previous FY to 4.7 percent during the reporting year.

In the field of **combating money laundering**, the Money Laundering Combating Unit (MLCU) continued during the reporting year to receive reports of suspicious transactions and to take the necessary actions in this regard. Moreover, ad-hoc-committee for training affairs was formed under the National Council for Coordination for Anti-money Laundering and Combating the Financing of Terrorism AML\CFT. Moreover, the MLCU made a number of achievements during the reporting period. Salient of these were tracing the balances of some suspected customers abroad and restoring the balances of a convict, through contacting the United Bank of Switzerland and coordinating with the public prosecution and the Central Bank. Moreover, many studies were conducted in the area of AML/CFT. As of February 2007, a declaration disclosing the amount of foreign currency held by a passenger became a requirement at Egypt's sea and air ports. The MLCU also organized, and participated in, seminars and workshops in the field of AML/CFT.

In conclusion, I would like to express my thanks and appreciation to all the staff of the CBE for their sincere efforts to enable the Bank to effectively fulfill its designated role, praying to Allah to bestow upon our country more progress and welfare.

Governor

Dr. Farouk El Okdah

Contents of the Annual Report

Chapter 1: Central Bank of Egypt

1/1- Developments in the Financial Position of the CBE

1/2- Banknote Issue

1/3- Monetary Policy

1/4- Domestic Liquidity and Counterpart Assets

1/5- Banking Supervision

1/6- Banking Reform

1/7- Management of the Forex Market and International Reserves

1/8- Domestic and External Public Debt

1/9- Payment Systems and Information Technology (IT)

1/10- Human Resources Development

Chapter 1
Central Bank of Egypt

1/1- Developments in the Financial Position of the CBE

The CBE aggregate financial position (banknote issue and banking operations) increased by LE 91.2 billion or 25.6 percent during FY 2006/2007, against a decline of LE 35.2 billion or 9.0 percent during the previous FY, to reach LE 447.6 billion at end of June 2007.

The increase on the assets side during the reporting year was an outcome of the pickup in both domestic and foreign assets. Domestic assets went up by LE 60.5 billion or 26.7 percent, to reach LE 287.4 billion or 64.2 percent of the aggregate financial position at end of June 2007. Likewise, foreign assets moved up by LE 30.7 billion or 23.7 percent, to reach LE 160.2 billion.

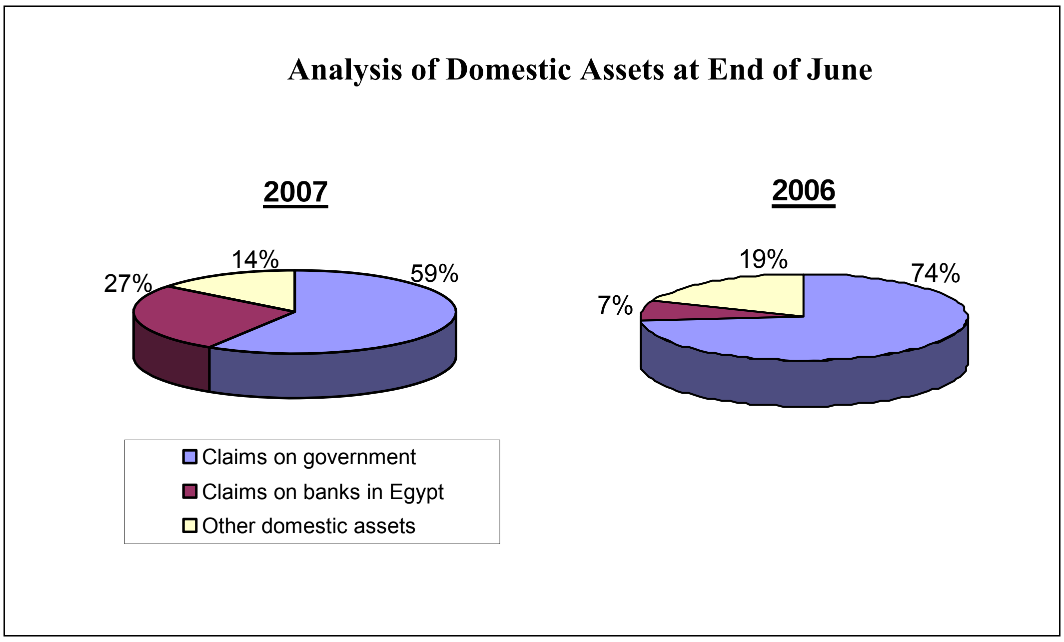
Most of the increase in domestic assets was ascribed to a rise in claims on banks in Egypt by LE 59.7 billion, of which LE 50.9 billion worth were CBE's deposits in foreign currencies with banks. This is in addition to a step-up in claims on the government by LE 1.9 billion as an outcome of higher government securities and bills by LE 2.0 billion.

CBE: Assets Analysis

(LE mn)

End of June	2005	2006	2007
Total Assets	**391529**	**356330**	**447550**
Foreign Assets	**108520**	**129454**	**160175**
Domestic Assets	**283009**	**226876**	**287375**
Claims on the government, of which:	218450	167685	169608
- Government securities	206034	164761	166724
Claims on the NIB	-	10	10
Claims on banks in Egypt	11835	16537	76230
Other domestic assets	52724	42644	41527

Foreign assets in the CBE augmented noticeably during the reporting year, as a reflection of higher foreign currency inflows to Egypt, mainly the selling of the third mobile license and 80 percent of the Bank of Alexandria (BOA) stake. Foreign bills and securities, being the main vessel of investment for foreign assets, reached LE 107.4 billion worth or 67.0 percent of total foreign assets at end of June 2007.



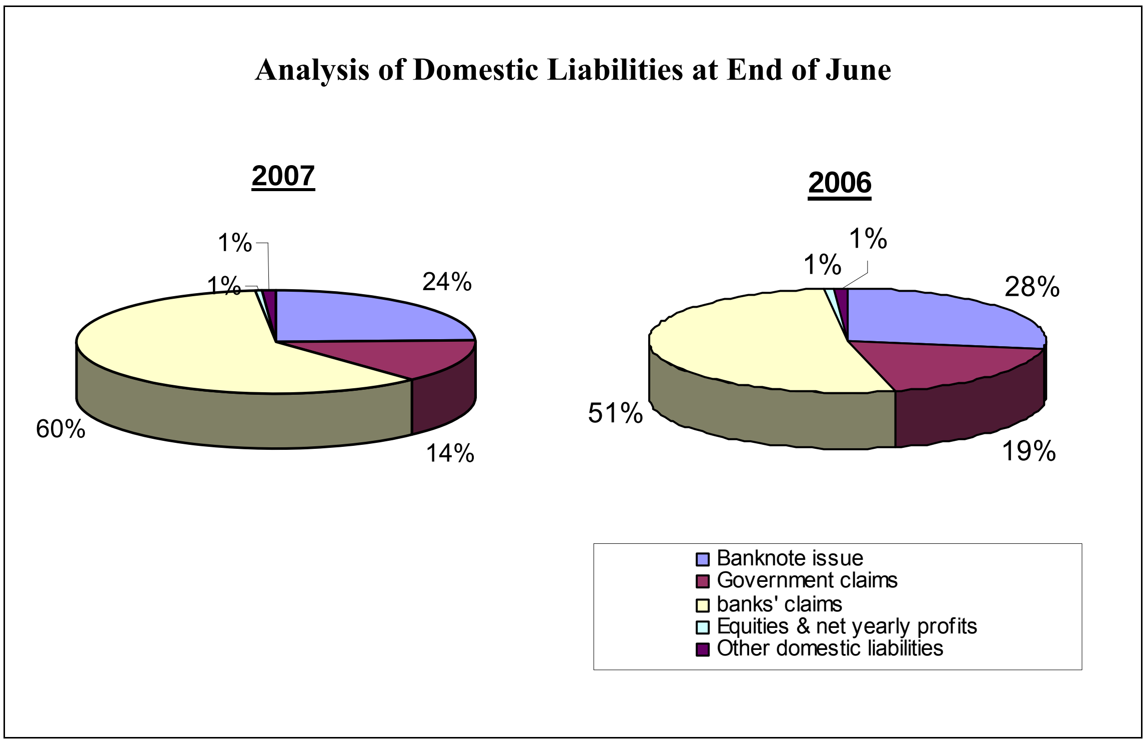
Total liabilities posted an increase during the reporting period as domestic liabilities were up by LE 94.5 billion or 32.9 percent to reach LE 381.4 billion or 85.2 percent of the aggregate financial position at end of June 2007. On the other hand, the CBE's foreign liabilities dropped by the equivalent of LE 3.3 billion or 4.7 percent, to reach the equivalent of LE 66.2 billion at end of June 2007.

CBE: Liabilities Analysis

(LE mn)

End of June	2005	2006	2007
Total Liabilities	**391529**	**356330**	**447550**
Foreign Liabilities	**72863**	**69440**	**66168**
Domestic Liabilities	**318666**	**286890**	**381382**
Banknote issue	67527	79017	93240
Government claims	97519	53079	51897
NIB claims	819	496	544
Banks' claims	144411	149088	229701
Equities & net profits	2513	2423	2270
Provisions	302	50	41
Other domestic liabilities	5575	2737	3689

The increase in domestic liabilities was a main result of the rise in banks' claims by LE 80.6 billion or 54.1 percent (due to higher interest bearing deposits in local banks), and the pickup in the balance of banknote issue by LE 14.2 billion or 18.0 percent, and other domestic liabilities by LE 1.0 billion or 34.8 percent. Meanwhile, government claims decreased by LE 1.2 billion or 2.2 percent, and "equities and net profits" by LE 0.2 billion or 6.3 percent.



1/2- Banknote Issue

Banknote issue (including subsidiary coins) mounted to LE 93.5 billion at end of June 2007. This indicates a rise of LE 14.2 billion or 18.0 percent during the reporting year, against LE 11.5 billion and 17.0 percent during the preceding FY.

Banknote Issue*

(LE mn)

End of June	Balance of Banknote Issue	Change During FY	
		Value	%
2003	52432	6799	14.9
2004	59922	7490	14.3
2005	67753	7831	13.1
2006	79253	11500	17.0
2007	93499	14246	18.0

* Including subsidiary coins issued by the Ministry of Finance

As for the components of the issue cover, the value of gold rose by LE 0.3 billion worth, to reach LE 6.7 billion, as a result of its revaluation on June 30, 2007. The value of government bonds in the cover also mounted by LE 13.9 billion, reaching LE 86.5 billion. Accordingly, the relative structure of the issue cover at end of June 2007 was as follows: 92.8 percent as government bonds and 7.2 percent as gold.

As a consequence of the increase in banknote issue, the currency in circulation outside the CBE rose by LE 13.6 billion or 17.3 percent to LE 92.2 billion at end of June 2007. A breakdown of the currency in circulation outside the CBE by denomination shows an increase of 51.3 percent in the LE 100 note at end of June 2007, against 45.0 percent at end of June 2006. Meanwhile, pt 25 and 50 denominations remained unchanged, whereas the other denominations declined. In response to the rising level of prices and higher value of transactions, the LE 200 note was placed into circulation as of May 2007, with a relative importance of 3.3 percent at end of June 2007.

Accordingly, the average value per note climbed to LE 25.6 at end of June 2007, against LE 22.0 at end of June 2006.

Currency in Circulation outside the CBE*

(LE mn)

	June 2006		June 2007		Change During FY	
Denominations	**Value**	**Relative Importance**	**Value**	**Relative Importance**	**2005/ 2006**	**2006/ 2007**
Total	**78604**	**100.0**	**92175**	**100.0**	**16.9**	**17.3**
Banknote in Circulation	**78368**	**99.7**	**91916**	**99.7**	**16.9**	**17.3**
PT 25	135	0.2	142	0.2	14.4	5.2
PT 50	239	0.3	234	0.2	10.1	(2.1)
LE 1	540	0.7	550	0.6	5.5	1.9
LE 5	1095	1.4	987	1.1	(12.5)	(9.9)
LE 10	4215	5.3	3323	3.6	(15.7)	(21.2)
LE 20	9128	11.6	8553	9.3	(10.9)	(6.3)
LE 50	27737	35.3	27967	30.3	13.9	(0.8)
LE 100	35279	44.9	47136	51.1	39.3	33.6
LE 200**	-	-	3024	3.3	-	-
Subsidiary Coins	**236**	**0.3**	**259**	**0.3**	**4.4**	**9.7**

* Representing the difference between banknote issue and the cash at the CBE
** The LE 200 denomination was placed into circulation as of May 2007.

1/3- Monetary Policy

In virtue of the Law of the Central Bank, the Banking Sector and Money No. 88 for 2003, the CBE works on realizing price stability as the overriding objective of its monetary policy. To this end, the Monetary Policy Committee (MPC) decided in its periodical meetings during FY 2006/2007 to raise the key CBE interest rates (the overnight deposit and lending rates). The purpose of the

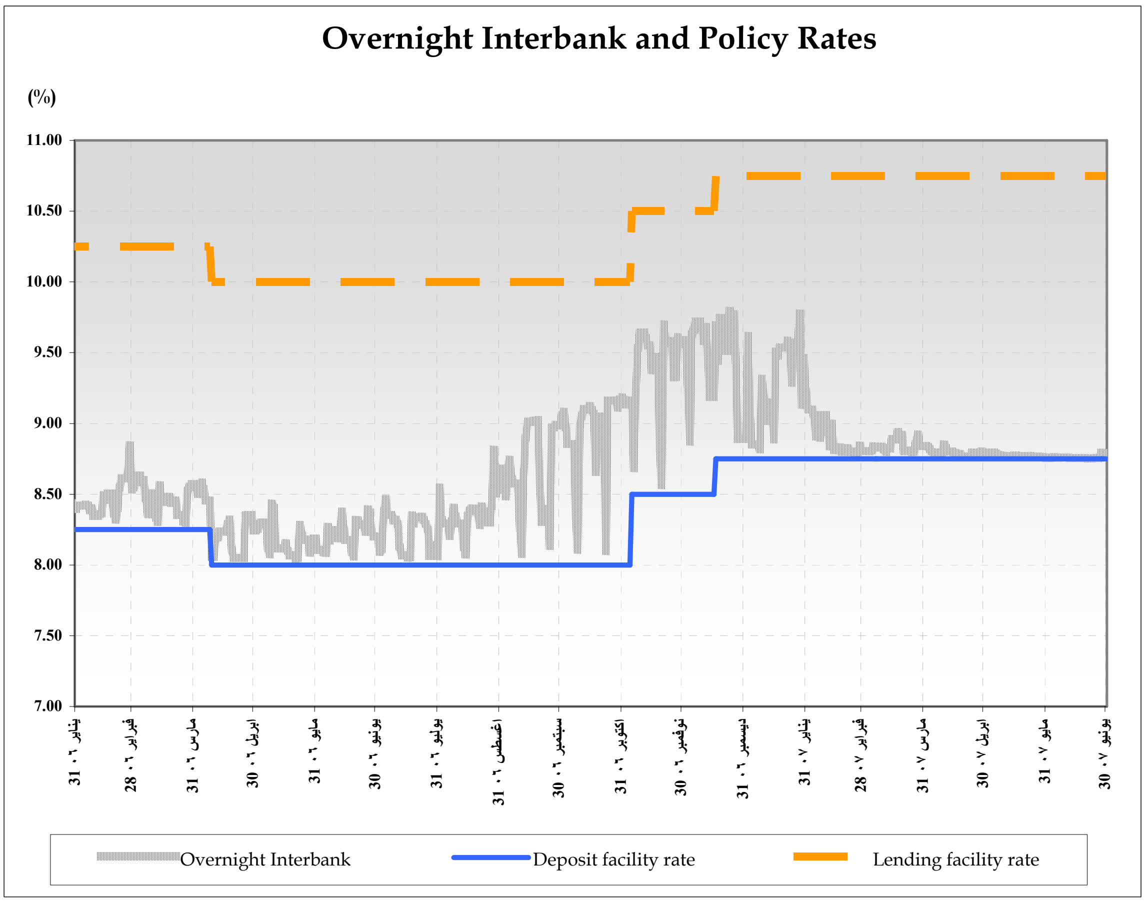
MPC decisions was to contain the inflationary pressures resulting from the acceleration of economic growth and the second round effects of supply shocks (set off by the outbreak of the avian flu and oil subsidy cuts). The CBE's key policy rates were changed as follows:

	Overnight Deposit Rate	**Overnight Lending Rate**
In July 2006, the rates reached	8.00%	10.00%
Following the MPC meeting in Nov. 2006, the rates were raised by ½% to reach	8.50%	10.50%
Following the MPC meeting in Dec. 2006, the rates were raised by ¼% to reach	8.75%	10.75%
(These rates remained unchanged till the end of FY 2006/2007)		

Due to the increasing liquidity in the market as a result of higher foreign direct and indirect investment flows, the CBE used two instruments to absorb excess liquidity. It reactivated deposit auctions in January 2007, and used its certificates of deposits (CDs) and notes. The outstanding balance of these instruments amounted to LE 163.6 billion at end of June 2007, against LE 93.7 billion at end of June 2006.

The following are the outcomes of the monetary policy adopted during the reporting year:

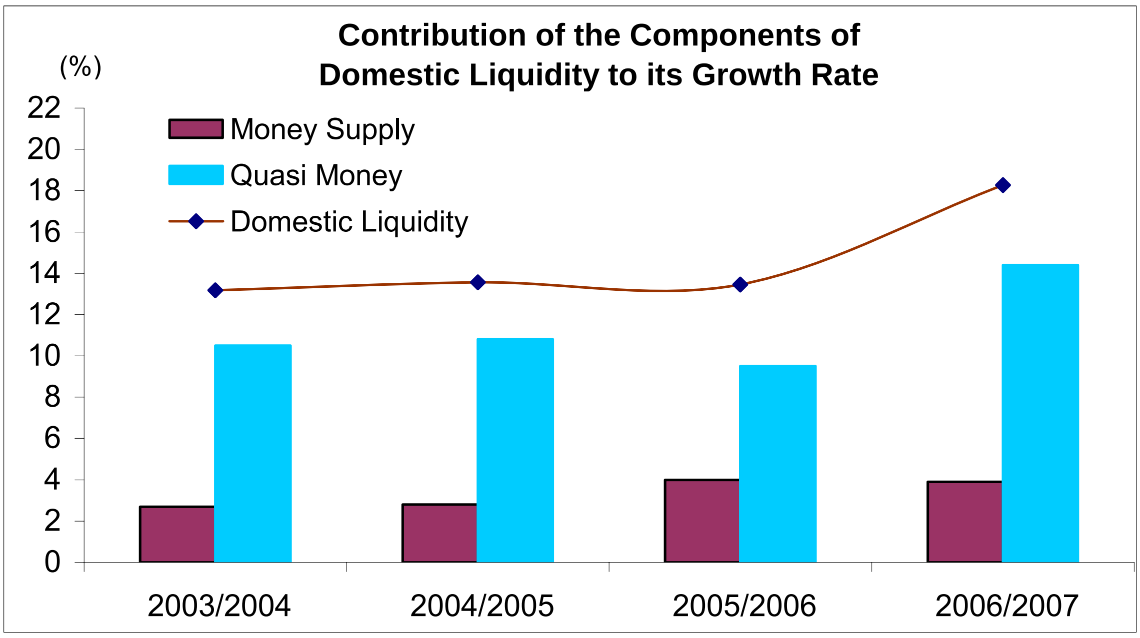
- Inflationary pressures were eased as the annual CPI inflation rate (urban) declined to 8.5 percent in June 2007, against 9.6 percent in September 2006, 12.4 percent in December 2006, and 12.8 percent in March 2007.
- Consistency was achieved between the overnight interbank rate (the operational target of the monetary policy) and the MPC's decisions (See the following chart). As such, the weighted average of the overnight interbank rate moved in the lower half of the corridor due to the excess liquidity in the banking system.



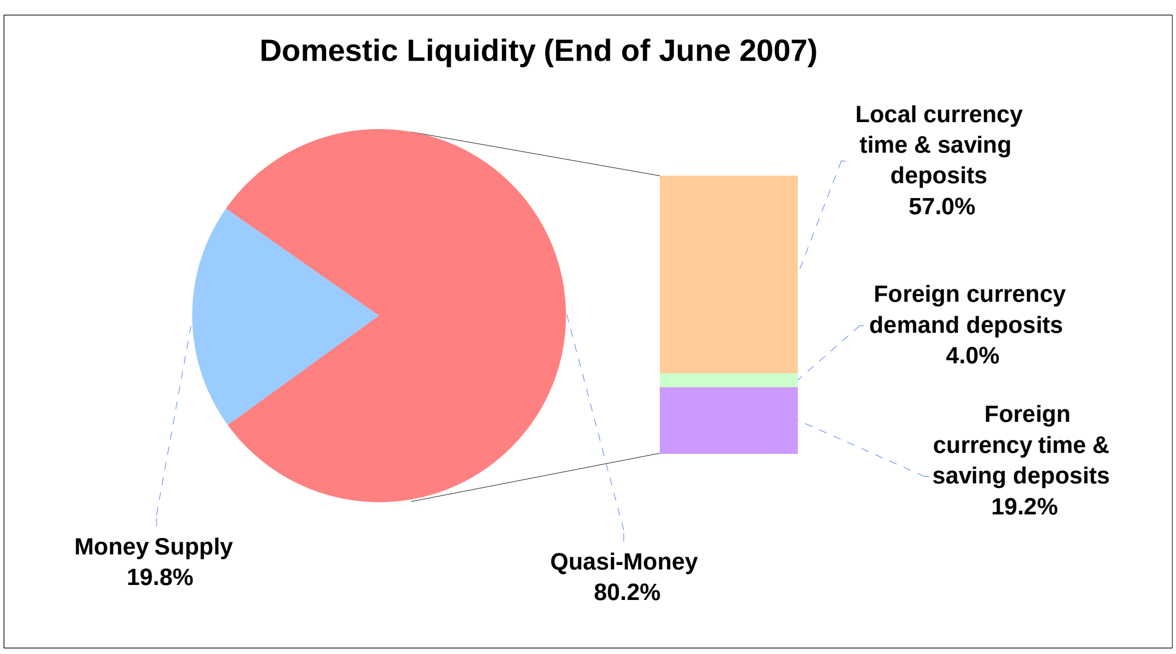
- The monetary policy transmission mechanisms improved as the interest rates on clients' deposits and loans became more responsive to the changes in the CBE’s overnight interest rates. The interest rates on three-month deposits reached about 6.6 percent at end of July 2006; increased to 6.8 percent in October 2006; and ranged between 6.7 percent and 6.8 percent from November 2006 till June 2007. Meanwhile, interest rates on loans of one-year-or-less were less flexible as they ranged between 11.3 percent and 11.9 percent during the year.

1/4- Domestic Liquidity and Counterpart Assets

At end of June 2007, domestic liquidity amounted to LE 662.7 billion (representing 90.6 percent of GDP in FY 2006/2007), with a remarkable growth of LE 102.3 billion or 18.3 percent (the highest since Dec. 2004), against 13.5 percent during the preceding FY. Quasi-money accounted for the bulk of the growth realized in domestic liquidity during the year. This helped contain the inflationary pressures that would have been generated by such a high rate. (See the following chart)



As to the components of domestic liquidity, money supply stepped up by some LE 22.0 billion or 20.1 percent during the year under review (against LE 19.6 billion and 21.8 percent in the previous FY), to reach LE 131.3 billion or 19.8 percent of total domestic liquidity at end of June 2007. This step-up was a dual effect of the increase in currency in circulation outside the banking system by LE 12.6 billion or 17.0 percent (against LE 11.2 billion and 17.8 percent), to reach LE 86.9 billion at end of June 2007, and the rise in demand deposits in local currency by some LE 9.4 billion or 26.8 percent (against LE 8.4 billion and 31.4 percent), to reach LE 44.4 billion at end of June 2007.



The second component, i.e., quasi-money, noticeably increased by LE 80.3 billion or 17.8 percent during the reporting year (against LE 46.9 billion and 11.6 percent during the preceding FY). Consequently, quasi-money reached LE 531.4 billion or 80.2 percent of total domestic liquidity at end of June 2007. Most of the increase in quasi-money (78.7 percent) was concentrated in LE time and saving deposits, which climbed by LE 63.2 billion or 20.1 percent (against LE 31.2 billion and 11.0 percent in the previous FY), to reach LE 377.4 billion (about two thirds of deposits, and more than half of domestic liquidity) at end of June 2007. This indicated a continued preference for saving in Egyptian pound, against a backdrop of the stability or (even rise) of LE exchange rate vis-à-vis the US dollar during the reporting year. Moreover, this trend was strengthened by the action taken by the US Federal Reserve to keep the short-term interest rate unchanged, following many successive increases during the previous FY.

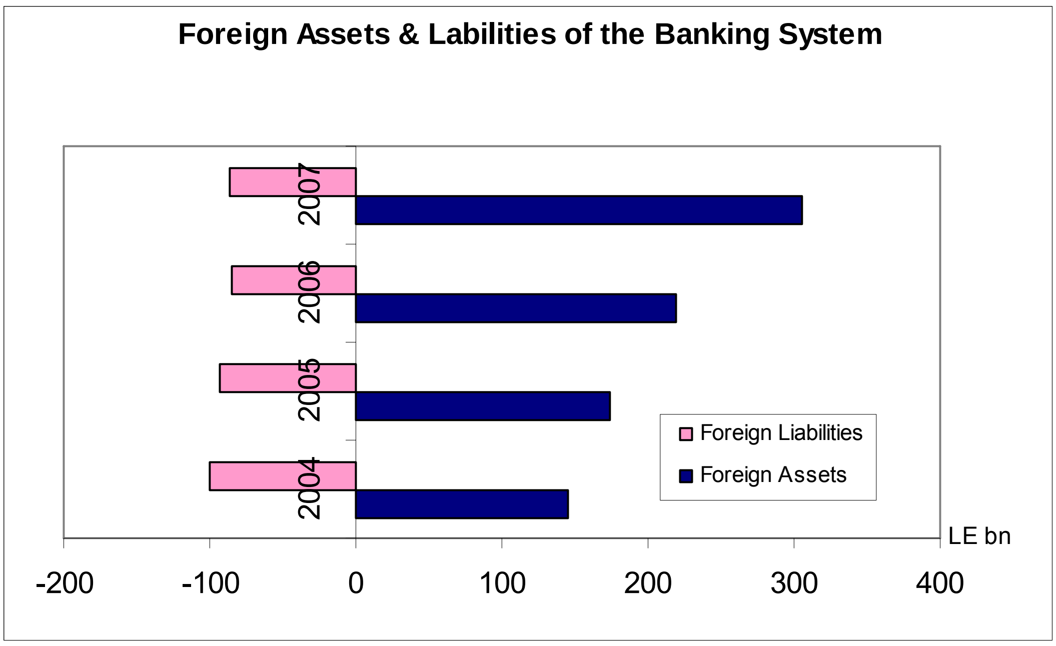
Foreign currency deposits also augmented by the equivalent of LE 17.1 billion or 12.5 percent during the reporting year (against LE 15.7 billion worth or 13.0 percent during the previous FY), to stand at the equivalent of LE 154.0 billion at end of June 2007.

As for the counterpart assets of domestic liquidity, net foreign assets continued to exert an expansionary effect thereon. As such, they remained the main contributor to the growth in liquidity at the account of net domestic assets (domestic credit and net balancing items).

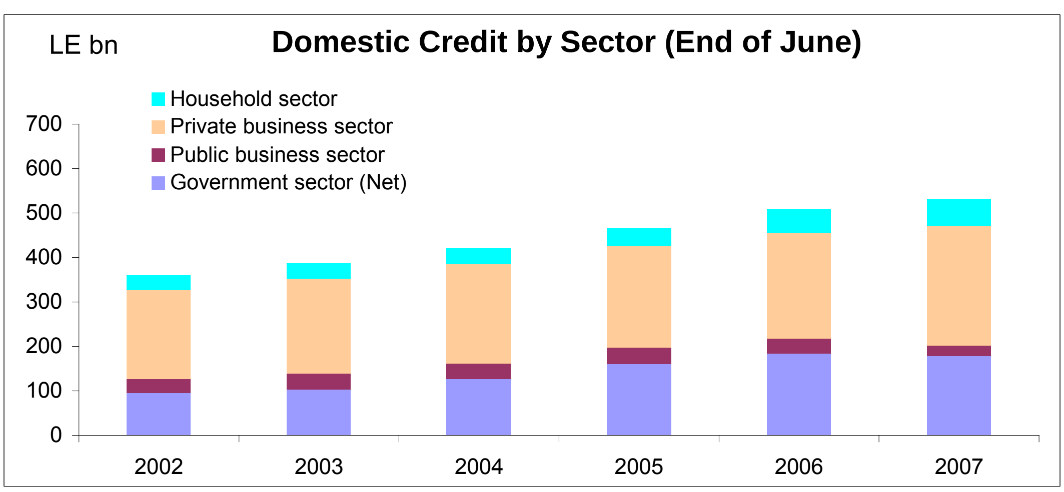
Domestic Liquidity Counterpart Assets

June	2004	2005	2006	2007
Domestic liquidity growth rate (%)	13.2	13.6	13.5	18.3
Net foreign assets (%)	5.2	8.2	10.6	15.2
Net domestic assets (%)	8.0	5.4	2.8	3.1

Net foreign assets at the banking system mounted by the equivalent of LE 85.2 billion or 63.9 percent during the reporting year (against the equivalent of LE 52.5 billion and 64.8 percent during the previous FY), to stand at LE 218.6 billion worth at end of June 2007. The rise in net foreign assets during the reporting year was an outcome of the pickup in net foreign assets at both banks and the CBE. Net foreign assets at banks grew by LE 51.2 billion worth, owing to a step up in their foreign assets by the equivalent of LE 55.3 billion, thereby exceeding the rise of only LE 4.1 billion worth in their foreign liabilities. Those at the CBE increased by the equivalent of LE 34.1 billion, due to a rise of LE 30.7 billion worth in its foreign assets and a drop of LE 3.4 billion worth in its foreign liabilities, as a result of higher foreign currency inflows during the reporting year.



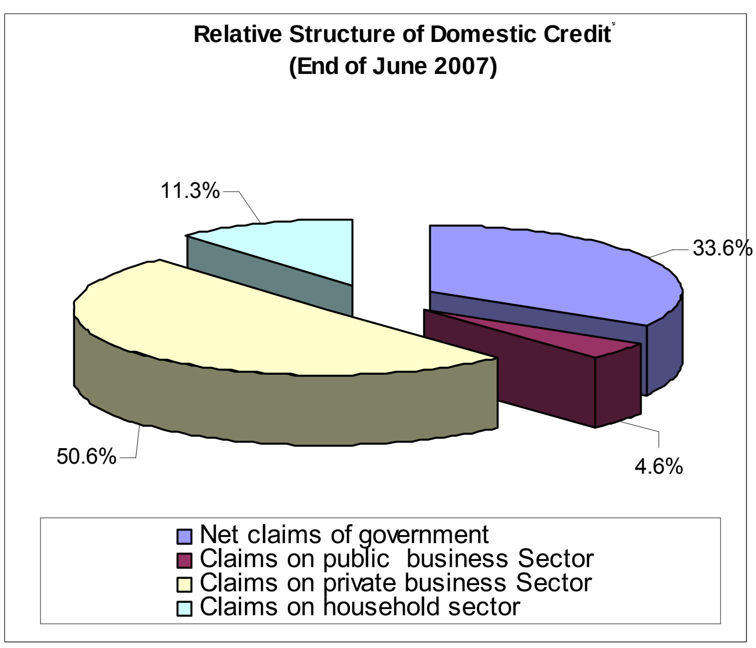
Domestic credit stepped up by LE 21.8 billion or 4.3 percent during the year under review (against LE 42.8 billion and 9.2 percent in the preceding FY), to stand at LE 531.4 billion at end of June 2007.



The increase in domestic credit was ascribed to the expansion in credit to the private business sector which escalated by some LE 29.3 billion or 12.2 percent, more than double both its volume and growth rate during the year of comparison. Thus, the private business sector's debt reached LE 268.6 billion or more than half of domestic credit at end of June 2007. The high credit to the sector comes in view of the increasing importance of its role in development, as its share in total investments reached 62.0 percent during FY 2006/2007. Moreover, credit to the household sector went up by almost LE 6.8 billion or 12.7 percent, against LE 11.9 billion and 28.9 percent during the preceding FY.

Net credit to the government, including public economic authorities, dropped by LE 5.8 billion or 3.2 percent during the reporting year (against a rise of LE 24.2 billion or 15.2 percent in the previous FY), bringing its debt down to some LE 178.3 billion (or about one third of domestic credit) at end of June 2007. The decline was an outcome of a decrease in banks' government securities by LE 18.0 billion, and an increase in government deposits by LE 11.9 billion on the one hand, and higher loans by LE 24.1 billion on the other.

Credit to the public business sector declined (under the settlement of its debt to banks) by LE 8.5 billion or 25.7 percent, bringing down its debt to banks to LE 24.5 billion at end of June 2007.



Net balancing items exercised a contractional effect on domestic liquidity, with its negative balance rising by LE 4.7 billion during the reporting year, against a rise of LE 28.8 billion during the previous FY. The rise during the reporting year was attributed to the increase in capital accounts by LE 12.4 billion. The contractional effect was somewhat mitigated by the increase in net unclassified assets and liabilities by LE 4.3 billion and net credit positions among banks by LE 3.4 billion.

1/5- Banking Supervision

The Central Bank of Egypt continued its efforts to improve its supervisory function to go in line with the international best practices in bank supervision. The agreement between Egypt and the EC for upgrading the Supervision Sector was activated via a number of pivots. These include on-site supervision, analysis of financial stability indicators, off-site supervision, the legislative framework and instructions, automation, and training.

Concerning on-site supervision, examination over banks (risk-based supervision) is currently being upgraded. This includes examination techniques and their automation. Add to this relevant reports and effective coordination between on-site and off-site supervision to ensure regular monitoring of the banking system soundness.

On the other hand, an examination plan for 2007 was designed to cover a number of banks holding more than half the assets of the banking system. According to this plan, the examination of any of these banks should be completed within two years, and priority is given to banks with high exposures. The plan also allows for conducting other special tasks in some banks during the year, whenever deemed necessary. Under this new framework, examination of a large number of banks that are covered by the plan has already been completed, along with other special tasks, for limited examinations over other number of banks.

In addition, the CBE – represented in the Supervision Sector – cooperates with the investigation authorities in issues related to the relevant technical banking issues, and follow-up of the complaints and enquiries of banks and customers, as well as responding to each case as per the results of investigation.

During the reporting year, a number of circulars were issued by the CBE, concerning the improvement of the registration system of negative lists and amending some regulations that govern credit registration. Accordingly, any bank violates credit registration regulations is obliged to deposit, for every violation it commits, at the CBE non-interest bearing balances equivalent to 5 percent of the value of facilities extended to the customer, for a period of time equal to that of the violation. Fines are to be imposed on banks that fail to submit their reports at the set date. ID information on bank borrowers (natural persons) was completely reported.

1/6- Banking Sector Reform

As a further step to strengthen the banking sector to ensure the soundness of its units; in such a way as to increase their domestic and global competitiveness, and enlarge their leading role in economic activity and growth, the Banking Reform Unit (BRU) –a unit reporting to the Deputy-Governor– was established at the CBE. The BRU with its staff of high caliber is responsible for restructuring the banking sector. A reform plan was worked out on a basis of four pillars: (i) privatization and consolidation of the banking sector; (ii) streamlining the financial and managerial structure of State-owned banks; (iii) addressing the issue of non-performing loans; (V) Upgrading CBE banking supervision. The Program was approved by the President of the Republic in September 2004, and is currently under implementation. Hereunder is a review of the progress made so far since its outset up to the end of FY 2006/2007 and thereafter (till the time of printing this Report).

1/6/1 Privatization and Consolidation Plan

A- Issue of the Rules and Procedures of Mergers

- The CBE Board of Directors issued the rules and regulations for applying the provisions of Article 79 of Law No. 88 for the year 2003 of the Central Bank, the Banking Sector and Money, regarding dealing with banks exposed to problems affecting their financial positions.

- The CBE Board issued a decision on the enforcement of Article 41 of Law No. 88 for the year 2003, regarding the rules and procedures of voluntary mergers.

B- Mergers and Acquisitions

- Misr Exterior Bank was merged in Banque Misr on 16/9/2004, whereupon the latter assumed the rights and obligations of the former.

- The Arab African International Bank (AAIB) acquired 100 percent of the issued and paid-in capitals of Misr America International Bank (MAIB) and a merger was effected at end of September 2005.

- The Société Arabe Internationale de Banque (SAIB) acquired 100 percent of the issued and paid-in capitals of the Port-Said National Bank for Development, in preparation for the merger.

- The Crédit Agricole Indosuez Bank (Egypt) was merged with the branch of Credit Lyonnais in Egypt, giving birth to "Calyon Bank-Egypt". Also, a merger was made between the Egyptian American Bank (EAB) and the branches of American Express Bank of Egypt.

- The merger of Al Mohandes Bank in the National Bank of Egypt (NBE) on 5/10/2005.

- The Bank of Commerce and Development "Al-Tegaryoun" was merged in the National Bank of Egypt (NBE) on 29/12/2005.

- Initial approval was granted for merging the Arab Egyptian Land Bank in the Housing and Development Bank (HDB); and the evaluation of the two banks is to be finished shortly.

- Initial approval was granted for merging the Egyptian Workers Bank in the Industrial Development Bank of Egypt; the evaluation of the two banks is about to be finalized.

- The CBE's Board of Directors decided on 20/6/2006 to establish the United Bank, in which the CBE is the majoirty holder of 99.9% of the issued and paid-in capital. On 25/6/2006, a decision was issued on the registration of the said Bank at the CBE's bank register. On 29/6/2006 another decision was issued on merging the Islamic International Bank for Investment and Development, the Nile Bank and the United Bank of Egypt in the United Bank, and delisting them from the CBE bank register.

- The Egyptian American Bank (EAB) was merged in Calyon Bank to form "Crédit Agricole Bank–Egypt".

- The Misr International Bank (MIBank) was merged in the National Société Générale Bank (NSGB) as of November 30, 2006.

- At the end of May 2007, it was announced that Banque Misr acquired 100 percent of the shares of Banque du Caire (BdC).

C- <u>Privatization of the Bank of Alexandria (BoA)</u>

- The pre-sale preparation phase for the privatization of the Bank of Alexandria started in September 2004 and the following procedures were taken:

  - A number of accounting firms (partners with international bureaus) and international legal advisors were chosen to conduct a complete Vendor Due Diligence (financial, technical and legal) and prepare the financial statements of the Bank for the last four fiscal years ending 2006, in accordance with international accounting standards.

  - Citigroup acted as the Government Sell-Side Advisor and undertook the evaluation of the Bank and preparation of all marketing materials.

  - On February 28, 2006, the government announced its intention to sell the Bank of Alexandria, and the Ministry of Investment acted as a coordinator of the sale process. The privatization plan was set as follows: 75 percent - 80 percent of the Bank's total shares are offered to an anchor investor and 5% to the Bank's staff. Following the sale of the majority stake to the anchor investor, the remaining 15 percent - 20 percent are to be placed in an initial public offering on the CASE.

  - On March 30, 2006, an announcement was made in local and international journals to solicit expression of interest in acquiring the Bank, whereupon anchor investors were invited to the bid. The announcement stated the conditions that should be met by eligible bidders.

  - The Ministry of Investment received thirteen initial bids from local, regional and foreign financial institutions, expressing their interest in studying the acquisition of the Bank. These bids met the aforementioned conditions.

  - Prior to studying the BoA acquisition, these institutions were invited to sign a confidentiality agreement, and be committed accordingly not to disclose any information they acquire for the purpose of studying the bank acquisition.

- Eight of these institutions submitted initial technical and financial offers. Only six institutions were granted approval for conducting due diligence reviews (financial, technical and legal) of the Bank, in preparation for submitting their final offers.
- It was announced on October 17, 2006 that Italy's Sanpaolo IMI won the bid for the majority stake of 80 percent of the BoA, following a public auction among four final bidders of Arab and European financial institutions. Sanpaolo valued the whole stakes of BoA at US$ 2.0 billion, offering about US$ 1.6 billion for the deal (80 percent of the Bank's shares).
- The ownership of BoA was transferred to the Italian bank on 12/12/2006.

It is noteworthy that the remaining shares of the Bank of Alexandria (20 percent) are to be offered for sale, by floating 15 percent through a public subscription on CASE and 5 percent for the Bank's employees. A financial advisor was chosen to undertake this process, including marketing, which was expected to be completed by end-2007.

D- Divestiture of Public Stakes in Joint-Venture Banks

- Under the plan of divesting the state-owned banks (SOBs) holdings in joint-venture banks, the stakes of Banque du Caire Barclays were sold to the British Barclays Bank and the NBE's stake in the NSGB was sold to the French Société Générale. Likewise, the stakes of Banque du Caire (BdC) and the Industrial Development Bank in Misr America International Bank were sold to the Arab African International Bank. The stake of Bank of Alexandria in the Egyptian Commercial Bank was purchased by the Greek Piraeus Bank.
- The stake of the National Bank of Egypt (NBE) in Suez Canal Bank was sold to the Arab International Bank. The stake of Banque Misr in MIBank was purchased by the National Société Générale Bank (NSGB), while the stake of Banque Misr in Misr Romania Bank was sold to Bank of Lebanon and El Mahgar (Blom).
- The stake of the BoA in the Egyptian American Bank (EAB) was sold to Crédit Agricole Group (Calyon). The stake of the National Bank of Egypt (NBE) in the Commercial International Bank (CIB) was purchased by the Ripplewood-led consortium. Moreover, the shareholders of Delta Bank purchased the BoA's stake in the Bank, while the stake of BdC in Cairo Far East Bank was sold to Bank Audi.

- The stakes of BdC and the NIB in Alexandria Commercial and Maritime Bank (ACMB) were sold to the UAE-based Union National Bank (UNB).

1/6/2- Restructuring and Risk Management in State-owned Banks

- Since the beginning of 2005, state-owned banks have been implmenting a comprehensive restructuring plan (with a specified timetable). The plan was devised by the Banking Reform Unit (BRU) at the CBE to develop all departments and technological systems, besides establishing new departments. The BRU follows up the implementation of the plan on a regular basis.
- A finance agreement was forged with the European Commission to conduct diagnostic reviews of, and develop, the current practices of three backbone departments at the NBE and Banque Misr (Risk Management, IT and Human Resources), in line with international best practices. In October 2005, international consultants were chosen to conduct this process (ABN AMRO for Banque Misr and ING Bearing for the NBE). The project is currently under implementation, and is to be completed by end-2008.
- The four state-owned banks have undergone full audit reviews, in accordance with international accounting standards, conducted by international audit firms, with a focus on asset quality, the regulatory systems, and identification of the provisioning gap. The audit reviews have been completed.
- The state-owned banks have proceeded with the appointment of qualified senior staff and cadres, and raised the necessary finance through the "Deposit Insurance Fund at Banks", mentioned in the Law of the Central Bank, the Banking Sector and Money.

1/6/3- Non-Performing Loans (NPL) Unit at Banks

- Pursuant to the CBE's decision No. 2119 dated 28 September 2004, an "NPL Management Unit" was established at the CBE. All banks operating in Egypt (public and private) were instructed to establish similar independent workout units. The NPL Management Unit at the CBE monitors the achievements of these units at banks.
- The "NPL database" was set up in the public and private sectors and has already been operated. The NPL Management Unit updates and analyzes the data on a monthly basis.

- The CBE assists, through its moral suasion, banks to conduct collective settlements with multi-lender NPL critical.
- The Unit monitors the workout units at banks, which have made settlements and recoveries of 67 percent and 27 percent of NPLs (23 percent cash recoveries) respectively (excluding the non-performing debt of the public enterprises sector) from 1/1/2004 to 31/3/2007.
- Through a program announced in March 5, 2007 and completed at end of June 2007, coordination was made between the CBE, NBE, Banque Misr, Banque du Caire and the Industrial Development Bank of Egypt. This program, dealing with small non-performing debts (a maximum of LE 1 million each) in the manufacturing, trade and service sectors, resulted in resolution of about 7600 NPL cases or 63 percent of the total cases addressed by the program. The program gives real support to bona fide cases of non-performing loans: 4300 or 57 percent of the total NPL cases against whom legal actions had been taken, were resolved; 1200 of NPL debtors against whom judgments were passed and 31 serving imprisonment terms. This will, of course, help raise the efficiency of these institutions and enable them to resume their activities. Consequently, this will help reduce unemployment, improve economic indicators and enhance small- and medium-scale enterprises.
- It was finally agreed with the Ministry of Investment on the value of non-performing debt of public enterprises to the four state-owned banks (LE 26 billion). In January 2006, an amount of LE 6.9 billion was repaid in cash to the Bank of Alexandria, and thereafter, cash repayments of LE 9.1 billion were also made to the National Bank of Egypt, Banque Misr and Banque du Caire in December 2006. In addition, it was agreed to repay the remaining debt (LE 10 billion) to the three state-owned banks from the privatization proceeds within 12 months.
- The “Conciliation and Arbitration Administration” at the CBE is in charge of managing the conciliation and arbitration mechanism in accordance with the prescribed rules and regulations. This mechanism aims at expediting final NPL settlements between banks and NPL customers within a period not exceeding 4 months. The NPL Unit prepared a list of conciliators and arbitrators, including elite of lawmakers and bankers in this field, in addition to a list of audit experts whose assistance may be sought. A number of meetings were held with all banks to clarify their roles and responsibilities, as well as the details of the above-said mechanism. This mechanism was announced to the market through banks; and the cases applying for addressing their NPLs through this mechanism are currently being worked out.

1/6/4- Supervision Sector at the CBE

- To improve the Egyptian banking sector, a program for upgrading the Supervision Sector has been set on track, to achieve the following goals:
    - Raising the efficiency of the Supervision Sector through applying the international best practices and shifting to "risk-based supervision", to ensure the robustness and soundness of the banking sector.
    - Recruitment of highly qualified and professional staff to the senior banking management positions to take charge of, and reform, this key sector in the state.
    - Improving the efficiency of human resources, and recruiting the expertise required for the application of the most advanced international supervisory standards.
    - Improving the management information systems (MIS) to ensure timely access to accurate information.

- Against this background, a protocol was signed with the European Central Bank (ECB) and four central banks in Europe (Banque de France, Bank of Greece, Banca d'Italia and Deutsche Bundesbank) to introduce a two-year technical assistance program, starting in December 2005. This program is made up of the following two phases:
    - **First phase:** conducting diagnostic analysis of the current practices in the field of Banking Supervision and the design of an upgrading plan in line with the international best practices, to raise the efficiency of the Sector. After the completion of this phase, the recommendations were approved at end of March 2006.
    - **Second Phase:** improving the supervisory techniques, besides organizing comprehensive training courses to qualify the Supervision Sector's staff for applying to the up-to-date techniques.

- In the context of the recommendations made for raising the efficiency of the Sector and ensuring the application of newly introduced standards, six projects were designed for developing the main departments of the Supervision Sector. A work team co-headed by two officials (from the CBE and the European side) was formed for every project, to draw upon international best practices.

- Clearly-defined and time-lined targets were set for the six respective projects until the end of the program.

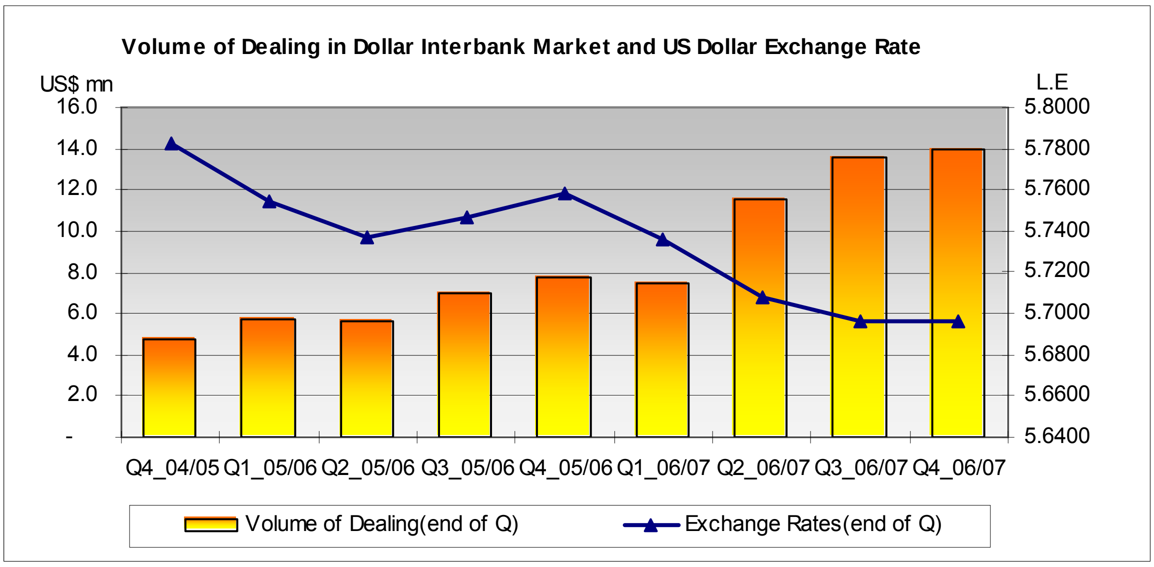
- During 2006, 22 training courses (covering 2083 training days) were organized by international organizations, central banks and international banks, besides the educational missions sent abroad. Through these courses and missions, 235 bank examiners were trained during the said year.

1/7- Management of the Forex Market and International Reserves

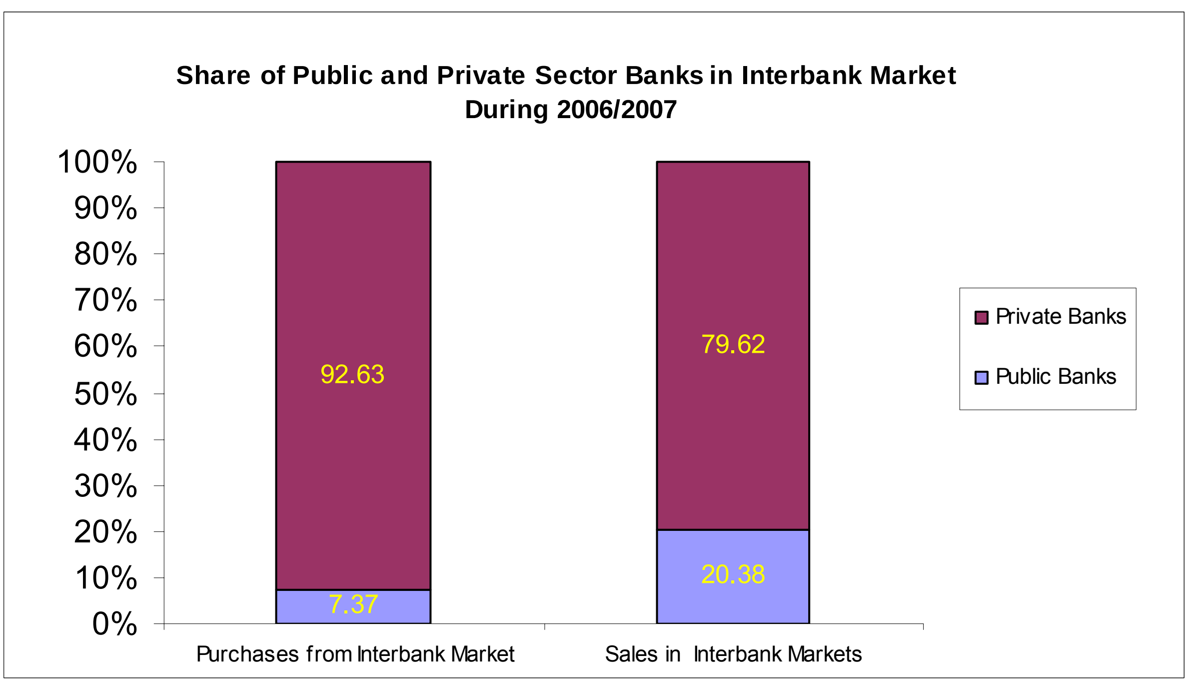
1/7/1- The Forex and Dollar Inter-bank Markets

In its management of the Forex market and international reserves, the CBE achieved tangible positive results lauded by most international rating agencies. Ratings of the Egyptian economy have, accordingly, been upgraded. Outstandingly, the parallel foreign exchange market was elimniated and the LE exchange rate vis-à-vis the US dollar was noticeably appreciated over the last three years. The US dollar posted LE 5.7 at the end of June 2007 after hitting a peak of more than LE 7.0 at the end of 2003. This led the individuals to surrender their US dollar holdings in return of the Egyptian pound, and consequently, foreign exchange resources have become increasingly available. Importers have been able to finance their imports especially of investment and intermediate goods which remarkably rose to 53.8 percent of total merchandise imports during FY 2006/2007.

An important contributor to the CBE achievements was the dollar inter-bank market at end of 2004. This market was established in the context of a package of consistent economic and banking policies that enhanced foreign investors' confidence in the Egyptian economy and encouraged them to increase their investments in Egypt. Notably, the weighted average of the US dollar exchange rate dropped vis-à-vis the LE in the inter-bank market; from LE 6.2137 when the inter-bank mechanism was launched on 23/12/2004 to LE 5.7579 on 29/6/2006, and LE 5.6968 on 28/6/2007. This denoted a 9.1 percent rise in the value of the Egyptian pound throughout the period since the launch of the inter-bank market, and a 1.1 percent rise during the reporting year.



The volume of dealings in the market amounted to US$ 46.5 billion during FY 2006/2007 (the purchases and sales of private sector banks constituted 92.6 percent and 79.6 percent, respectively), against US$ 26.1 billion during the previous FY. Thus, the total volume of transactions amounted to US$ 82.2 billion from the launch of the inter-bank market to 30/6/2007.



The Forex market achieved US$ 10.8 billion during FY 2006/2007, more than double the preceding FY level of US$ 5.0 billion. This was due to a surge in resources by US$ 14.4 billion (the banking system contributed about 85.5 percent) i.e., one and half times the increase of US$ 8.6 billion in utilizations (the increase in the banking system utilizations was 73.2 percent).

It is noteworthy that the significant surge in the CBE's resources was attributed to the inclusion of part of the receipts generated from selling the third mobile license (US$ 1.9 billion), and the US$ 1.6 billion proceeds of privatizing the Bank of Alexandria (80 percent). This is in addition to the US$ 1.0 billion revenues stemmed from investing part of the foreign exchange reserves.

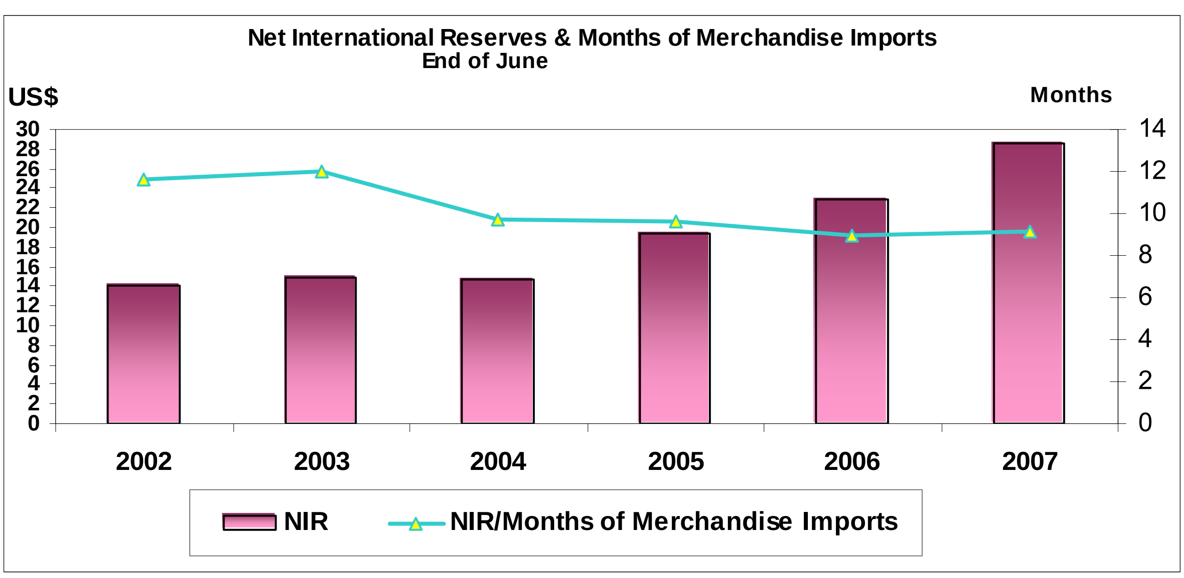
Resources and Utilizations of the Forex Market

(US$ mn)

During FY	2005/2006	2006/2007
Surplus/Deficit (-)	**5032**	**10804**
Banking system	4862	10847
Foreign exchange dealer companies	170	-43
Resources	**29742**	**44098**
Banking system	26852	39124
Foreign exchange dealer companies	2890	4974
Utilizations	**24710**	**33294**
Banking system	21990	28277
Foreign exchange dealer companies	2720	5017

1/7/2- International Reserves

Net international reserves with the CBE continued its improvement augmenting by US$ 5.6 billion or 24.5 percent during FY 2006/2007 to US$ 28.6 billion. Covering about 9.1 months of merchandise imports at end of June 2007, these reserves (net) stepped up to reach US$ 29.9 billion at end of September 2007.

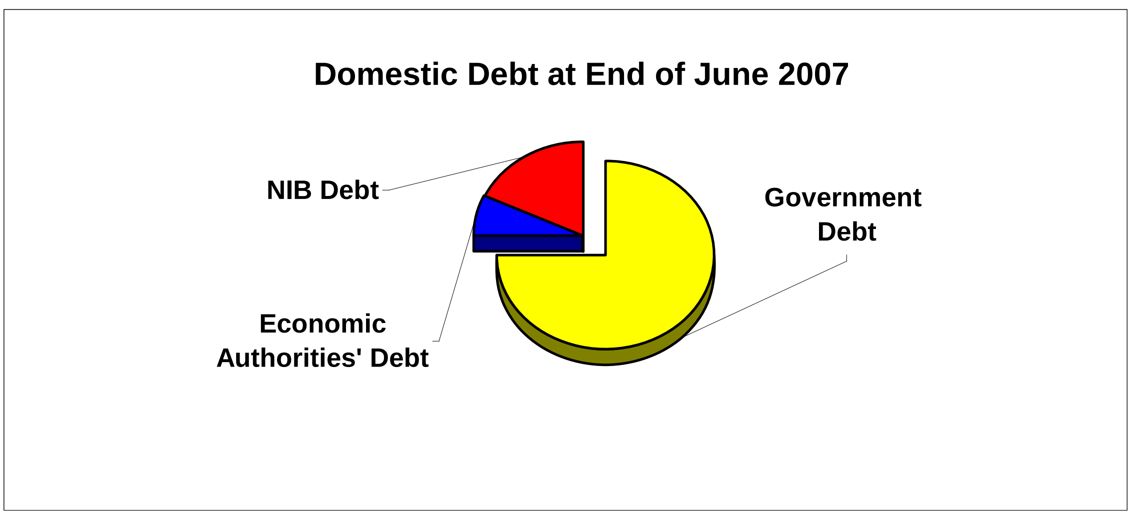


Concerning the reserve management, the first stage of the automation system – a system connecting the three departments responsible for the investment process at the CBE – was successfully completed during the year. The network of correspondents abroad has been expanded, and new investment instruments and currencies have been used. Moreover, the reserve management staff was dispatched abroad in specialized training courses, or post-graduate studies in the field of reserve management, with a view of raising their efficiency.

1/8- Domestic and External Public Debt

1/8/1- Domestic Public Debt

Domestic public debt (debts of the government, public economic authorities and the National Investment Bank), remained on the rise; it increased by LE 43.7 billion or 7.4 percent during FY 2006/2007 to reach some LE 637.2 billion or 87.1 percent of GDP at end of June 2007. The high domestic public debt (as a percentage of GDP) is expected to decline, hand in hand with the retreat in the budget deficit/GDP. The government's debt represented 75.0 percent of the total, public economic authorities 7.0 percent and net debt of the NIB 18.0 percent.



1/8/1/1- Domestic Debt of the Government

Domestic debt of the government totaled LE 478.2 billion, with an increase of LE 90.5 billion or 23.3 percent during FY 2006/2007, as an outcome of the following developments. Treasury bonds and bills rose by LE 212.9 billion; government's net credit position at the banking system dropped by about

LE 15.7 billion (due to the increase of some LE 18.5 billion in government loans exceeding the LE 2.8 billion in government deposits); a new item was introduced to represent the counterpart of the deposits of insurance and pension funds (SIFs) at the Treasury (LE 4.5 billion); and the NIB debt to SIFs declined by nearly LE 142.6 billion, because of clearing the balance of government debt to the NIB to zero. It is to be noted that the NIB's obligations to SIFs were transferred to the government within the limits of the government's debt to the Bank till 30/6/2006, and a new item "SIFs bonds" was introduced as of 1/7/2006.

The rise in the balance of bonds by LE 197.4 billion during the year was an interaction of the factors listed hereunder:

- Issue of two SIFs bonds against transferring the NIB's debt to the Treasury (about LE 197.7 billion) on 1/7/2006, and another SIFs bond of LE 0.1 billion on 30/6/2007.

- Issue of a non-interest bearing treasury bond (ten-year) in favor of the CBE in the amount of LE 3.0 billion on 30/6/2007, representing part of the debit balances related to the revaluation differences of principal repayments (of rescheduled loans) to abroad for the period till 30/6/2004.

- Issue of a seven-year treasury bond in the amount of LE 2.0 billion, with an interest of 9.45 percent on 29/5/2007.

- Increase of the value of two SIFs bonds issued earlier on September 2005 and January 2007 by LE 2 billion each, bringing the value of each bond up to LE 6.0 billion, according to the same issue conditions.

- Redemption of two treasury bonds; the first at a value of LE 4.0 billion and fell due on 1/1/2007, and the second at LE 3.0 billion on 3/5/2007.

- Redemption (on 30/6/2007) of the treasury bonds issued in FY 1986/1987 at a value of about LE 1.0 billion to finance the cash deficit.

- Amortization of part of other bonds (almost LE 1.4 billion) on July 2006, including LE 1.2 billion that represented the redemption of the first tranche of the balance of dollar-denominated sovereign bonds held by the resident financial institutions in Egypt.

Domestic Government Debt

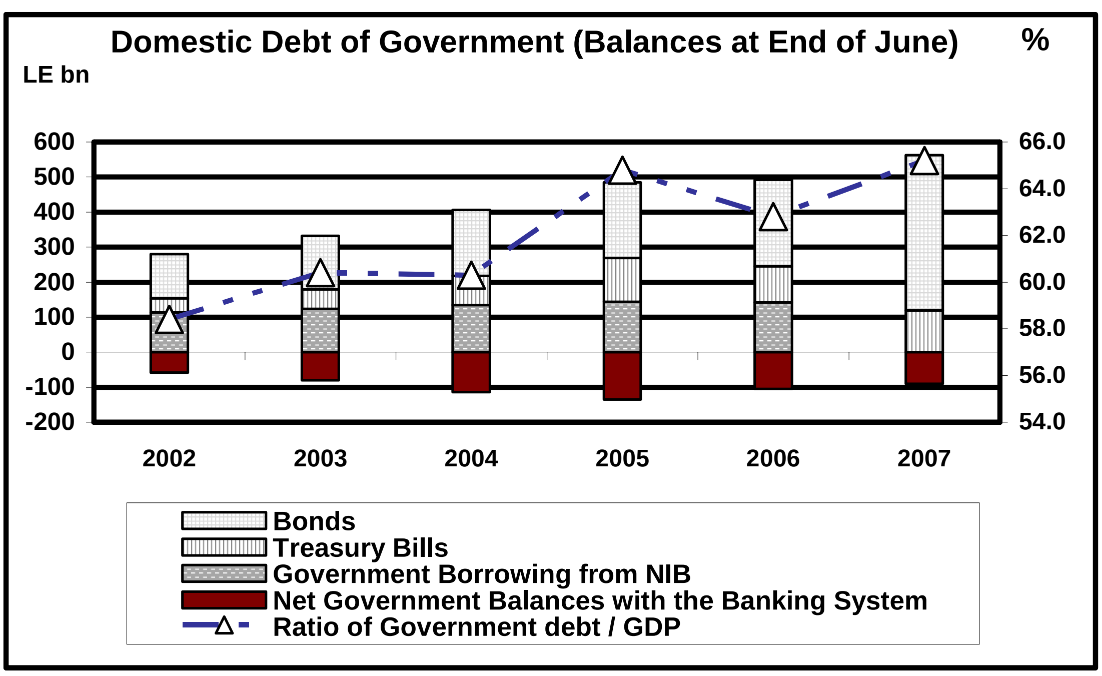
(LE bn)

Balances at End of June	2006 Value	2006 %	2007 Value	2007 %	Change + (-)
Domestic Government Debt	**387.7**	**100.0**	**478.2**	**100.0**	**90.5**
- Balances of Bonds and Bills	**350.0**	**90.2**	**562.9**	**117.7**	**212.9**
. Notes and bonds*	246.8	63.6	444.2	92.9	197.4
Of which: tradable on stock exchanges	63.2	16.3	61.0	12.8	(2.2)
. Treasury bills	103.2	26.6	118.7	24.8	15.5
-Net Govern. Balances at the Banking System	**-104.9**	**-27.0**	**-89.2**	**-18.7**	**15.7**
. Credit Facilities	5.1	1.3	23.6	4.9	18.5
. Deposits	-110.0	-28.3	-112.8	-23.6	(2.8)
- Counterpart of Insurance Deposits at the Treasury	**0**	**0.0**	**4.5**	**1.0**	**4.5**
-Government Borrowing from NIB	**142.6**	**36.8**	**0.0**		**(142.6)**
- Domestic Government Debt/GDP (%)	62.8		65.4		

Source: Ministry of Finance, CBE and NIB.
Ratios are in terms of LE million.

* Including treasury bonds, housing bonds, foreign currency bonds with public commercial banks, the 5% ratio retained from the profits of companies subject to Law No. 97 for 1983 for the purchase of government bonds, and holdings of resident financial institutions in Egypt (the banking system and the insurance sector) of dollar-denominated sovereign bonds tradable on world stock exchanges

The total balance of treasury bills rose by about LE 15.5 billion at end of June 2007. The largest part of this increase (about 64.3 percent) was concentrated in banks' subscriptions in these TBs, followed by foreigners' subscriptions (27.5 percent), mutual funds (5.4 percent), insurance companies and funds (2.2 percent), and others (0.6 percent).



1/8/1/2- Debt of Public Economic Authorities

The total debt of public economic authorities decreased by some LE 2.9 billion, to LE 44.5 billion during the reporting year. The decline was attributed to an improvement in the net credit position of these authorities at the banking system by almost LE 4.4 billion (due to a pickup of LE 9.8 billion in their deposits; i.e. by more than the LE 5.4 billion increase in their loans), on the one hand, and the increase in their borrowings from the NIB by LE 1.5 billion, on the other.

Debt of Public Economic Authorities

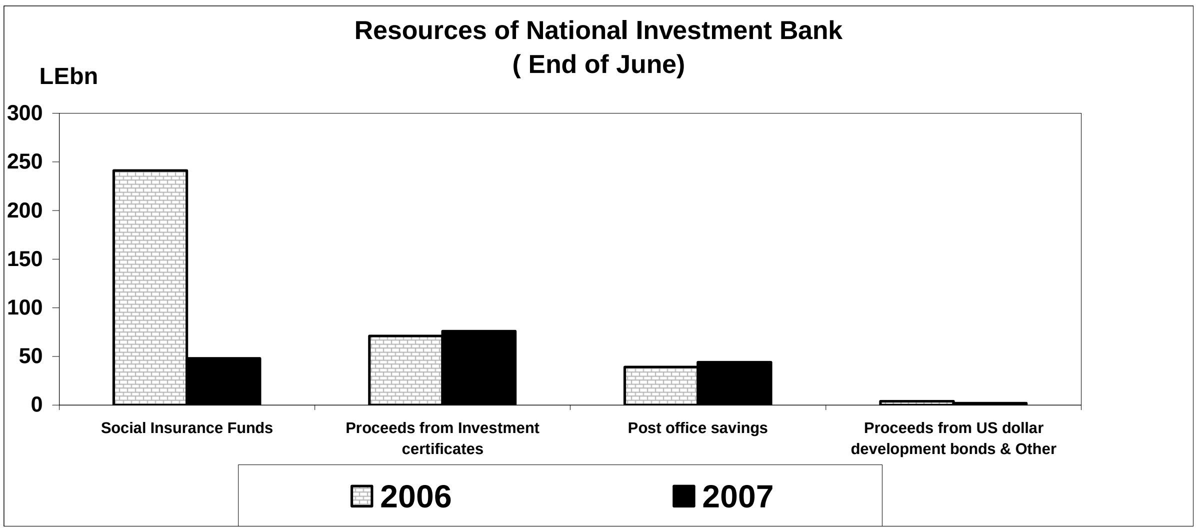
(LE bn)

Balances at End of June	2006		2007		Change + (-)
	Value	%	Value	%	
Total Debt	**47.4**	**100.0**	**44.5**	**100.0**	**(2.9)**
- Net credit position at the banking system	-2.8	-5.9	-7.2	-16.1	(4.4)
. Credit facilities	23.4	49.4	28.8	64.8	5.4
. Deposits	-26.2	-55.2	-36.0	-80.9	(9.8)
- Borrowings from NIB	50.2	105.9	51.7	116.1	1.5
Total Debt/GDP (%)	**7.7**		**6.1**		

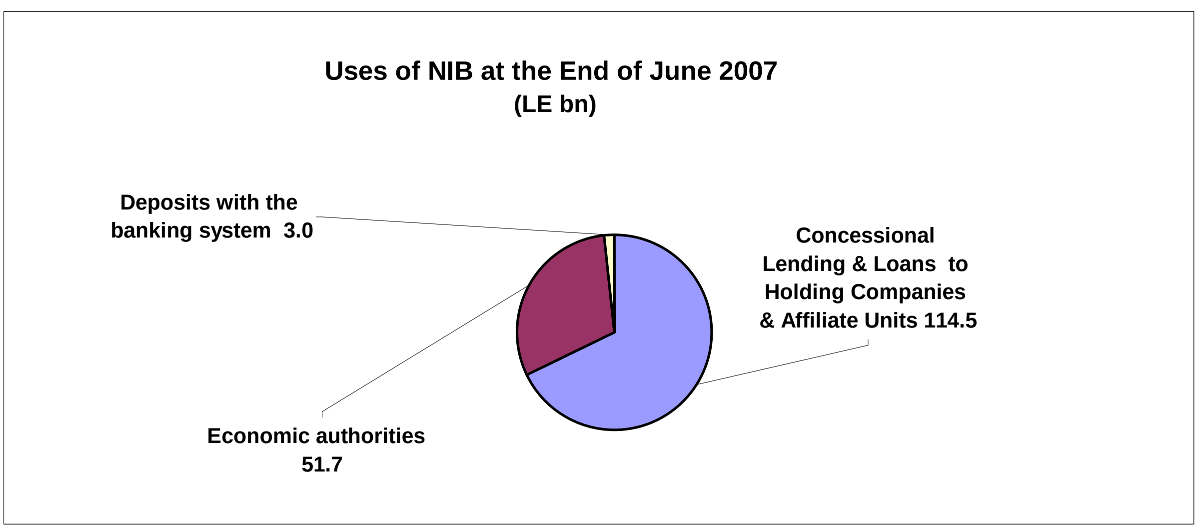
Source: Ibid.

1/8/1/3- Debt of National Investment Bank (NIB)

NIB's resources posted a significant decline of LE 185.8 billion during the reporting year, to reach LE 169.2 billion at end of June 2007. This drop was in the first place a direct result of a decrease of LE 193.4 billion in the surpluses transferred to the NIB by the two Social Insurance Funds for Civil Servants and for Business Sectors' Employees (public and private) as the balance of government debt to the NIB was cleared to zero as of the 1st of July 2006. Add to this the fall of LE 1.5 billion in the transfers by the private insurance funds, saving certificates and deposits of various authorities and of LE 0.3 billion in the receipts of US dollar development bonds. However, this decline was offset by a rise of LE 4.4 billion in the post office savings , and LE 5.0 billion in the investment certificate proceeds and the accumulated interest on investment certificates (group A). It is worth mentioning that interest rate rose by 0.5 percent, to 9.5 percent on Group A of Investment Certificates, and to 10.0 percent on Group B, as of the 1st of February 2007 (Minister of Finance's Decree No. 40 for 2007).



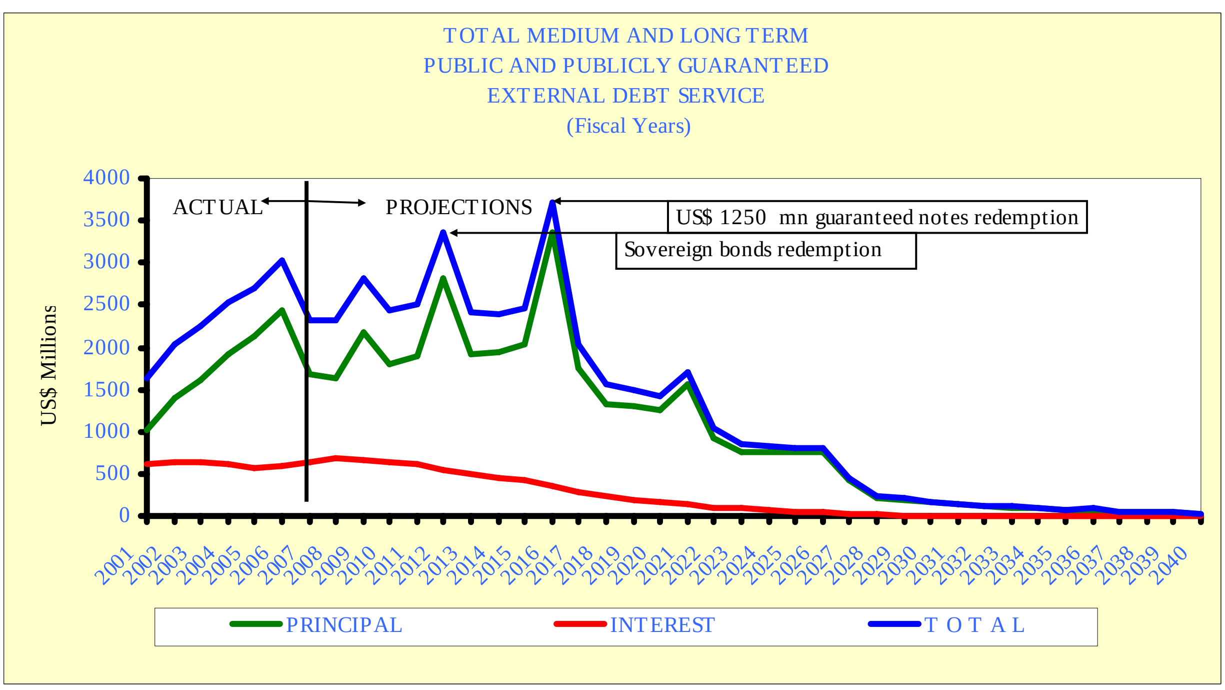
The NIB used LE 51.7 billion (about 30.6 percent of its total resources) to finance the investments of public economic authorities. The Bank used around LE 114.5 billion (about 67.7 percent of its total resources) to finance various activities (i.e., concessional lending to low-cost housing, and lending to holding companies and their affiliates).



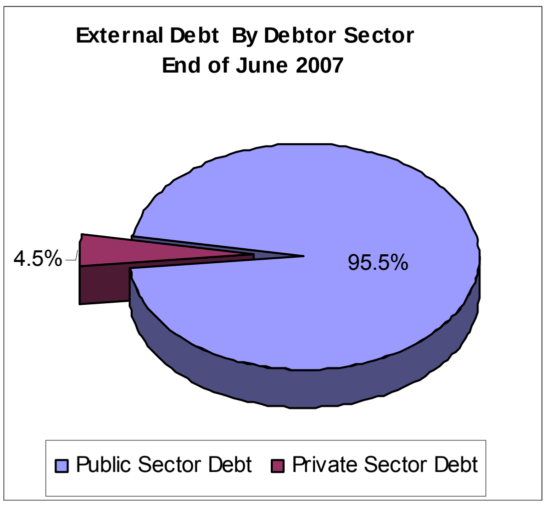
1/8/2: External Debt

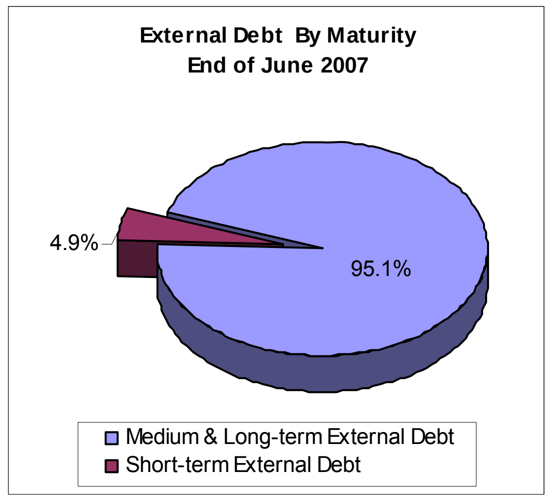
The outstanding external debt of all maturities (public and private) denominated in US dollar increased by about US$ 0.3 billion, to US$ 29.9 billion at the end of June 2007, compared with the end of June 2006. This was ascribed to the interaction of the following two factors. Firstly, there was a rise in most currencies of borrowing against the US dollar, driving up the external debt by some US$ 0.6 billion. Secondly, net repayments reached US$ 0.3 billion of total loans and facilities, as an outcome of principal repayments of nearly US$ 2.7 billion and disbursements of some US$ 2.4 billion.

External debt service decreased by US$ 0.7 billion, posting about US$ 2.3 billion during FY 2006/2007, compared with the preceding FY. This decline was attributed to the retreat in principal repayments by US$ 0.8 billion, to US$ 1.7 billion, and the rise of nearly US$ 0.1 billion in interest payments, to about US$ 0.6 billion.



External debt of the public sector amounted to some US$ 28.6 billion or 95.5 percent of total external debt at the end of June 2007.



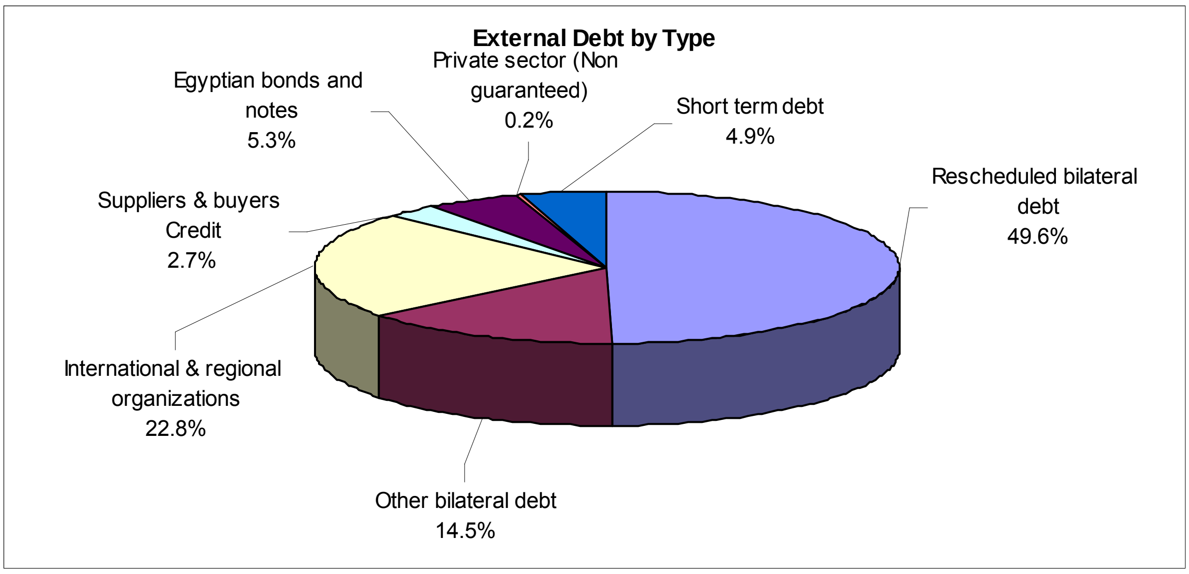


A distribution of external debt by maturity, debtor, main creditors and main currencies shows the following developments:

1- External Debt by Maturity:

A breakdown of external debt by maturity indicates that medium- and long-term external debt reached about US$ 28.4 billion or 95.1 percent of total debt at the end of June 2007. Of this amount, US$ 19.3 billion (64.4 percent of the total) were owed to Paris Club member countries in the form of bilateral loans (rescheduled and non-rescheduled) and suppliers' and buyers' credit. Debt due to countries other than Paris Club members amounted to US$ 0.7 billion or 2.4 percent.

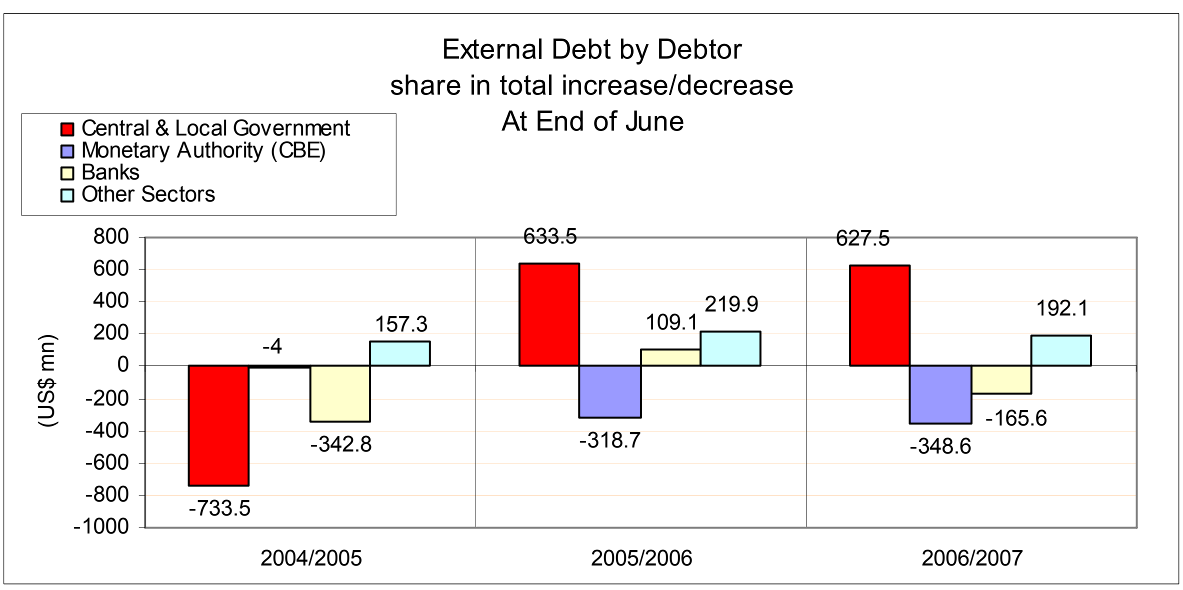
Debts due to international and regional organizations posted some US$ 6.8 billion or 22.8 percent of the total at the end of June 2007 (94.9 percent of which was owed by the public sector). The balance of Egyptian bonds and notes (holdings of non-residents) reached some US$ 1.6 billion or 5.3 percent of the total external debt (including US$ 1.3 billion as guaranteed government securities, and US$ 0.3 billion as dollar denominated sovereign bonds). The non-guaranteed debts of the private sector reached US$ 0.1 billion or 0.2 percent of the total at the end of June 2007.



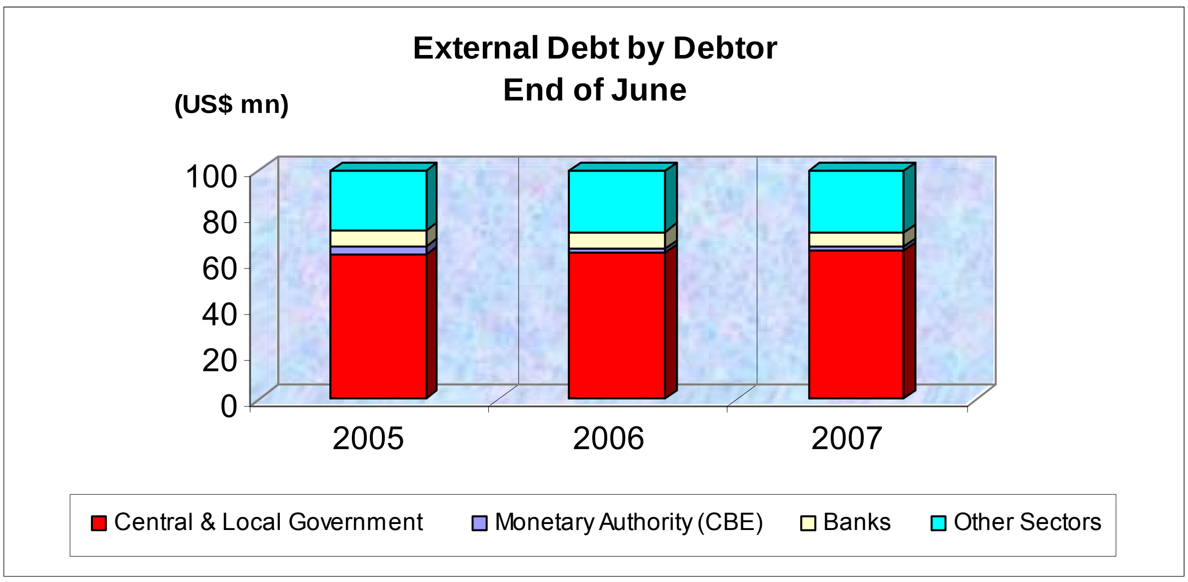
The balance of short-term debt posted US$ 1.5 billion or 4.9 percent (61.1 percent of which was owed by the private sector).

2- External Debt by Debtor:

A distribution of external debt by debtor at the end of June 2007 indicates that the debt owed by the central government increased by US$ 0.6 billion to reach US$ 19.5 billion. Other sectors' debt surged by US$ 0.2 billion to US$ 8.1 billion. However, the debt of the CBE declined by US$ 0.3 billion to US$ 0.3 billion and that of banks by US$ 0.2 billion to US$ 2.0 billion.



Nevertheless, these developments did not affect the structure of the external debt by debtor. As such, the debt of the central government accounted for the bulk (65.1 percent) of total external debt, followed by the other sectors 27.3 percent, banks 6.5 percent, and the CBE 1.1 percent.



3- External Debt by Creditor:

External debt by creditor points out that 40.2 percent of the total debt was due to EU countries [mainly France (15.3 percent) and Germany (12.1 percent)]. The USA accounted for 13.6 percent and Japan for 10.7 percent, and the Arab countries combined for 3.2 percent. The debt due to international and regional organizations represented 22.8 percent of the total, of which 5.8 percent was due to the European Investment Bank.

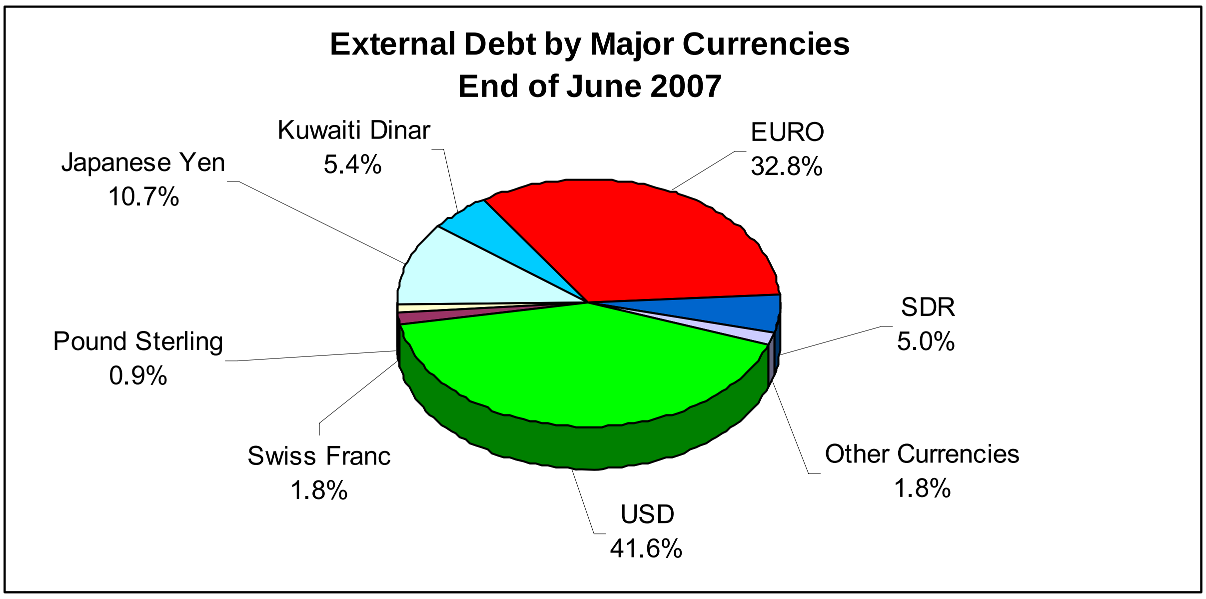
External Debt by Main Creditors

(US$ mn)

At End of	June 2006		June 2007	
	Value	Relative Importance	Value	Relative Importance
Total External Debt	**29592.6**	**100.0**	**29898.0**	**100.0**
USA	4318.6	14.6	4065.1	13.6
Japan	3587.9	12.1	3207.0	10.7
Total EU Countries	**11981.8**	**40.4**	**12008.9**	**40.2**
France	4635.3	15.7	4574.4	15.3
Germany	3323.5	11.2	3599.3	12.1
Spain	831.8	2.8	829.7	2.8
Italy	761.0	2.6	697.7	2.3
UK	1417.6	4.8	1162.6	3.9
Austria	538.5	1.8	544.7	1.8
Other	474.1	1.5	600.5	2.0
Total Arab Countries	**1097.5**	**3.7**	**988.3**	**3.2**
Kuwait	535.5	1.8	542.2	1.8
Saudi Arabia	187.0	0.6	116.8	0.4
UAE	96.0	0.3	91.2	0.3
Bahrain	8.6	0.0	15.6	0.1
Other	270.4	1.0	222.5	0.6
Total International and Regional Organizations	**5205.0**	**17.6**	**6815.2**	**22.8**
IDA	1340.0	4.5	1484.4	5.0
Arab Fund for Economic and Social Development	961.8	3.2	1094.3	3.7
European Investment Bank	1591.0	5.4	1733.7	5.8
World Bank	353.9	1.2	1007.4	3.4
AMF	364.4	1.2	315.7	1.1
African Development Fund and Bank	434.5	1.5	963.8	3.2
Islamic Development Bank (Jeddah)	53.0	0.2	70.4	0.2
Other Institutions	106.4	0.4	145.5	0.5
Egyptian Bonds and Notes	**1861.9**	**6.3**	**1570.3**	**5.3**
Other Countries	**1539.9**	**5.3**	**1243.2**	**4.2**

4- External Debt by Main Currency:

The breakdown of external debt by main component currencies (US dollar, Japanese yen and euro) indicated that the US dollar was the main borrowing currency, with a relative importance of 41.6 percent of the total, because the outstanding obligations in US dollar are also owed to creditors other than the USA. The euro came next constituting 32.8 percent, the Japanese yen 10.7 percent and the Kuwaiti dinar 5.4 percent.



- New Commitments on Loans and Facilities

During FY 2006/2007, the new commitments on loans and facilities reached US$ 2.5 billion. The bulk of these commitments was in loans and facilities provided by the international and regional organizations (US$ 1.9 billion or 73.8 percent) particularly the International Bank for Reconstruction and Development (IBRD), the African Development Bank and the European Investment Bank (EIB). Moreover, bilateral loans accounted for US$ 0.4 billion or 17.1 percent of total commitments, followed by suppliers' and buyers' medium- and long-term credit for US$ 0.2 billion or 9.0 percent of the total.

- Main Indicators of External Debt

During the FY ending June 2007 -for the third year in row- the main indicators of external debt improved, as reflected by the drop in the external debt/GDP ratio. Likewise, the growth of 19.4 percent during FY 2006/2007 in the export proceeds of goods and services resulted in the improvement of the ratios of debt service to current receipts (including transfers) and to export proceeds of goods and services.

Despite the increase in the balance of external debt, the external debt per capita slightly declined to US$ 398.5 at the end of June 2007, from US$ 401.7 at the end of June 2006, in the light of the increase in population.

Main Indicators of External Debt

(%)

	FY		
	2004/2005	**2005/2006**	**2006/2007**
Debt balance/GDP	31.1	27.6	23.3
Debt balance/exports of goods and services	100.3	82.4	70.5
Debt service/exports of goods and services	9.4	8.5	5.5
Debt service/current receipts (including transfers)	7.9	7.3	4.7
Interest payments/exports of goods and services	2.0	1.6	1.5
Interest payments/current receipts (incl. transfers)	1.7	1.4	1.3
Short-term debt/total external debt	6.4	5.5	4.8
Short-term debt/net international reserves	9.6	7.1	5.1
External debt per capita (US$)	402.6	401.7	398.5

It is observed that the ratio of debt service in Egypt is lower than the ratio of developing countries combined, as illustrated in the following table.

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

(%)

Calendar Years	2005 Interest	2005 Principal Repayments	2005 Total	2006 Interest	2006 Principal Repayments	2006 Total
Developing countries	4.4	10.5	14.9	4.4	9.4	13.8
Africa	3.2	7.8	11.0	3.0	9.5	12.5
Asia (developing countries)	2.2	5.2	7.4	2.2	4.4	6.6
Middle East	1.8	3.4	5.2	1.9	4.4	6.3
Egypt*	1.7	7.9	9.6	1.6	5.1	6.7

Source: IMF's World Economic Outlook – April 2007 (statistical appendix).

* According to BOP data during the two calendar years 2005 and 2006.

1/9- Payment Systems and Information Technology (IT)

- In cooperation with the SWIFT, a system was developed to secure the confidentiality of message-related transfers and financial transactions.

- As for the systems of deferred settlements of small value payments, new regulations were issued to attune with the developments introduced into the Cairo Automated Clearing House where such payments are settled. After being revised from the legal perspective, these regulations are currently in the course of approval by the Bank's senior management. The ACH system was also used to settle cheques (finance) by linking the system of these cheques with the ACH, so as to benefit from its advantages.

- A study is being made on how to settle the transfers of foreign currencies among local banks using the Fin-Copy service. This will return benefits to local banks as the costs of transfers will be reduced and settlements will be made on real time basis. Another study is also being conducted, on settlement of foreign currency cheques through the CBE, using the existing ACH.

- The CBE, in cooperation with the Arab Monetary Fund, has prepared and published the "White Book" of the A.R.E. that provides comprehensive information about the payments in A.R.E. A payment system glossary in Arabic was also compiled and published.

In the area of information technology,

- The CBE's new website was completed and all information and data to be posted on the internet were collected from the Bank's different departments. Following its experimental operation, the website will be launched.

- A follow-up of the final stages of the new CBE building was made. Many of the Bank's departments were already relocated to the new building without any disruption in their work. Currently, actions are being taken to follow-up the establishment of new branches in Tanta and Assiut.

- A new human resources management system (HRMS) is being implemented. The system aims at raising the efficiency of the Bank staff, as well as ensuring an objective evaluation of their performance.

- Coordinating with the Ministry of Finance to implement a project on the settlement of government receipts. Automation of these transactions was finalized, so as to shorten the settlement duration –for the Account of the Ministry of Finance–to two days, instead of one month under the manual system, at the banks representing the CBE in the governorates. The operation of this system was initiated, a matter that creates more liquid government accounts.

1/9/1- SWIFT Local Services and Clearing Houses Activity

Data of Fin-Copy system via SWIFT, indicate that the number of transfers effected in Egyptian pound stepped up to 525.2 thousand, with a value of LE 2280.2 billion during FY 2006/2007 (against 404.8 thousand and LE 1658.8 billion during the previous FY).

SWIFT Local Services in Local Currency

During FYs	Number of Executed Transfers (Unit)	Value of Executed Transfers (LE mn)	Change During the Period	
			Number	Value
2003/2004	258501	970617	41567	(27588)
2004/2005	326341	1246023	67840	275406
2005/2006	404776	1658794	78435	412771
2006/2007	525236	2280198	120460	621404

As for the US dollar transactions executed according to the Fin-Copy system through the inter-bank market launched as of September 2004, they amounted to 12.1 thousand, with a value of US$ 79.0 billion during the year under review, against 11.0 thousand and a value of US$ 39.8 billion during the previous FY.

SWIFT Local Services in US Dollar

During FYs	Number of Executed Transfers (Unit)	Value of Executed Transfers (US$ mn)	Change During the Period	
			Number	Value
2004/2005	10604	11933	-	-
2005/2006	11049	39773	445	27840
2006/2007	12070	78997	1021	39224

According to the statistics of the ACH at the CBE, the number of exchanged cheques rose to 10.5 million, with a total value of 356.9 billion during the reporting year (against 9.5 million cheques, with a total value of LE 288.7 billion during the previous FY). As a result, the average value per cheque increased to LE 34.1 thousand, against LE 30.4 thousand during the year of comparison.

Activities of CBE Clearing Houses*

During FYs	Number of Cheques (000s)	Value of Cheques (LE mn)	Change in	
			Number	Value
2003/2004	9591	248224	(4.3)	1.5
2004/2005	9321	262423	(2.8)	5.7
2005/2006	9508	288713	2.0	10.0
2006/2007	10481	356900	10.2	23.6

* As of 1/1/2006, the manual clearing houses in Alexandria and Port Said were abolished and all their `activities were transferred to the Automated Clearing House in Cairo.

1/10- Human Resources Development

During FY 2006/2007, the CBE continued to prepare and qualify new generation of young banking leaders capable of keeping up with the international banking developments. To this end, the CBE introduced a number of qualifying and training programs delivered by local and foreign parties.

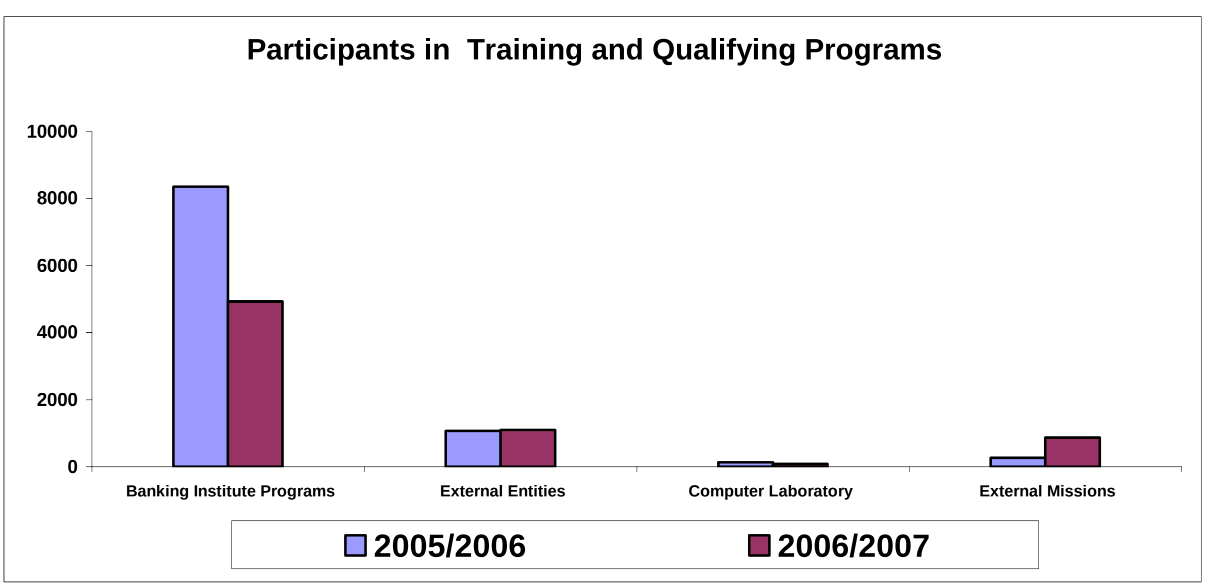
1/10/1- CBE Programs

The number of participants in the banking staff programs provided by the CBE reached about 7083. The Banking Institute provided 4929 trainees with specialized, administrative, English language and computer programs, as well as some preparatory training courses for promotion purposes. Programs also included some courses organized by non-CBE parties (attended by 1099 trainees), in addition to others provided by the CBE Computer Laboratory (869 trainees).

Number of Participants in the Training and Qualifying Programs

	2005/2006	2006/2007
Programs for the banking sector staff, through:	**280**	**0**
▪ Training courses in specialized banking business (governorates)	280	-
Programs for the CBE staff, in:		
▪ The Banking Institute	8355	4929
▪ Other training parties	1068	1099
▪ Computer laboratory	266	869
▪ Missions abroad	129	87
For trainees from abroad	**33**	**99**
Total	**10131**	**7083**

Furthermore, the CBE dispatched 87 trainees to participate in training courses, organized by international and regional institutions, to catch up with the latest developments. The Central Bank also admitted 99 trainees from abroad to be trained in its various departments.



1/10/2- Activity of the Egyptian Banking Institute (EIB)

In its pursuit of upgrading the skills of the banking staff, the Banking Institute set, during FY 2006/2007, a training agenda composed of 8 main sets of programs. The programs covered banking, financial, economic, marketing, legal and administrative topics, in addition to other complementary programs including computer and the English language. The agenda also covered specialized and contract-based programs that are provided upon the request of banks, in cooperation with the Luxembourg Financial Technology Transfer Agency (ATTF); in addition to a program for journalists. Moreover, the Institute –in collaboration with the Industrial Modernization Center (IMC)- organized a course on developing the culture of dealing with banks.

The number of training programs conducted by the Institute during the year under review reached 1232, attended by 23018 trainees, taking up 28600 training hours. The programs were held at the Institute's headquarters in Nasr City and its branches in Mohandeseen, Alexandria and Port Said in addition to some governorates (such as Assiut and Tanta). Short-term training programs, accounting for the largest share of the Institute's agenda, registered 22065 trainees or 95.9 percent of the total number of participants in the Institute.

Number of Participants in the EBI Programs

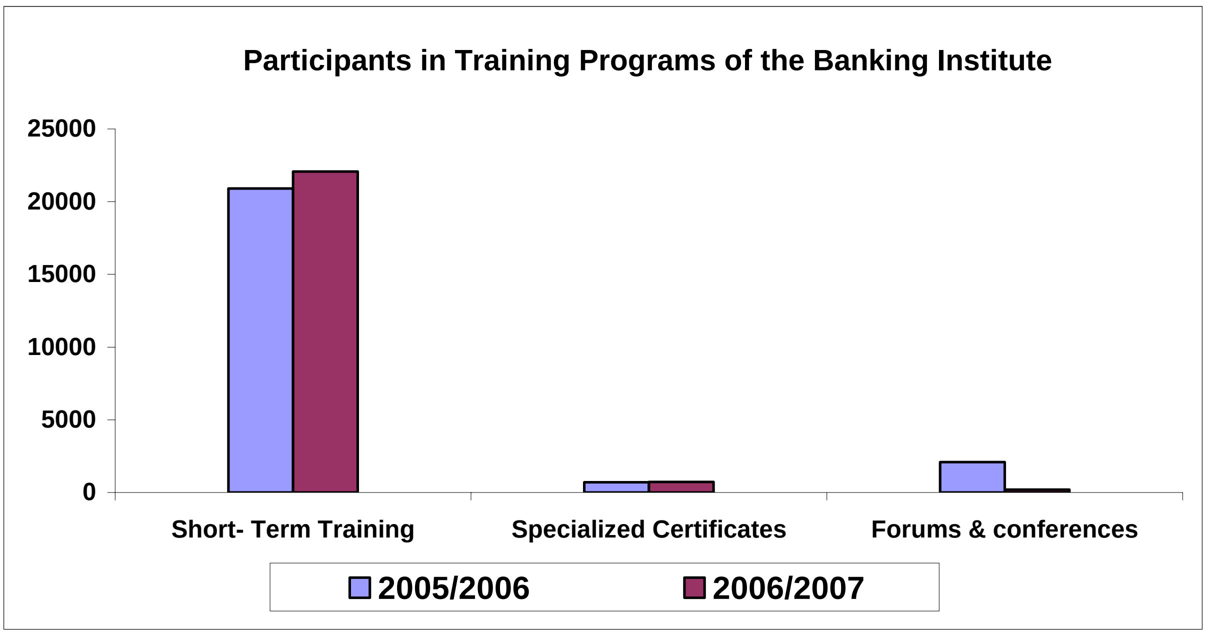
	2005/2006	2006/2007
Short-term training*	20900	22065
Specialized certificates	711	733
Banking leadership programs	22	22
Symposiums and conferences	2086	198
Total	**23719**	**23018**

* Includes the training agenda programs in addition to the specialized and contractual programs.

The EBI provided a comprehensive set of specialized programs and certificates (local and international) during the reporting year to upskill the bank staff. The local certificates are the Banking Lawyer Certificate, the Professional Certificate in Human Resource Management and the Customer Service Certificate. On the other hand, the international certificates include: the Banking Operations Certificate, Banking Credit and Risks Certificate, ACI Dealing Certificate, Certificate of Banking Auditor (CBA), the Association of Chartered

Certified Accountants (ACCA) and the International Computer Driving License (ICDL) certificates. The specialized programs were attended by 733 trainees, through 137 programs spanning over 3797 training hours.

In the field of preparing banking cadres for leadership posts, the Institute organized during the year 20 programs covering 439 training hours and attended by 22 participants.



Continuing its role in HR development, the EBI organized during the reporting year the first session on “the Role of Human Resources in Banking Sector Reform” at the Bibliotheca Alexandrina. To improve the banking staff researching skills, the Institute continued to support the research activity. To this end, it started issuing a quarterly newsletter covering the latest economic and financial news at the local, regional and international levels. In addition, the Institute organized a number of seminars on some issues and topics that are of interest to the banking and financial sectors.

Chapter 2: Banking Developments

Chapter 2
Banking Developments

2/1- Financial Position

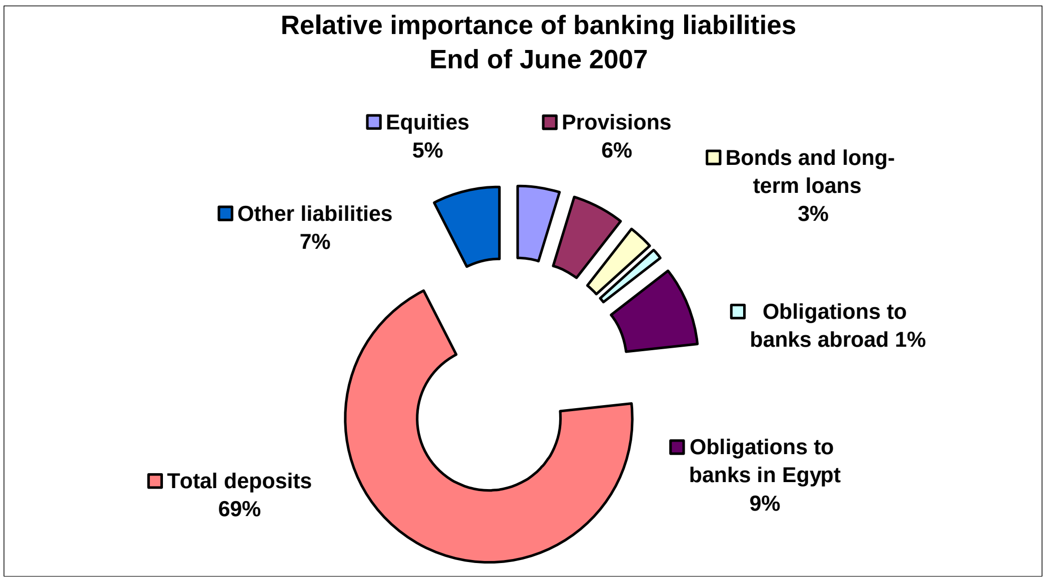
The number of banks operating in Egypt stood at 41 banks by the end of June 2007. Banks' aggregate financial position reached LE 937.9 billion, denoting a rise of LE 176.4 billion or 23.2 percent during 2006/2007, against LE 57.9 billion or 8.2 percent during the previous FY.

Aggregate Financial Position of Banks

(LE mn)

End of June	**2003**	**2004**	**2005**	**2006**	**2007**
Cash	5557	5412	6594	6813	7705
Securities and investments	111337	137431	170659	193965	176098
Balances with banks abroad	29798	43290	51204	72554	124366
Balances with the CBE	84642	94882	109773	109597	199542
Balances with local banks	26232	21408	15213	12098	17821
Loan and discount balances	284722	296199	308195	324041	353746
Other assets	35650	34814	41990	42494	58645
(Assets = Liabilities)	**577938**	**633436**	**703628**	**761562**	**937923**
Capital	18155	20346	22949	27112	33037
Reserves	11805	11454	12419	13418	12552
Provisions	40099	44584	49541	54950	53469
Bonds and long-term loans	14866	15012	14254	17526	26351
Obligations to banks abroad	16248	10332	12262	8770	10006
Obligations to the CBE	10301	9579	8011	10379	66485
Obligations to local banks	25277	20354	14660	11109	16134
Deposits	403144	461697	519649	568841	649953
Other liabilities	38043	40078	49883	49457	69936

On **the liabilities side**, the increase was mainly due to the growth in deposits by LE 81.1 billion; obligations to local banks by LE 61.1 billion (mainly Central Bank's deposits in foreign currencies); bonds and long-term loans by LE 8.8 billion and equities by LE 5.1 billion. This is in addition to the LE 1.5 billion drop in balances of banks' provisions.

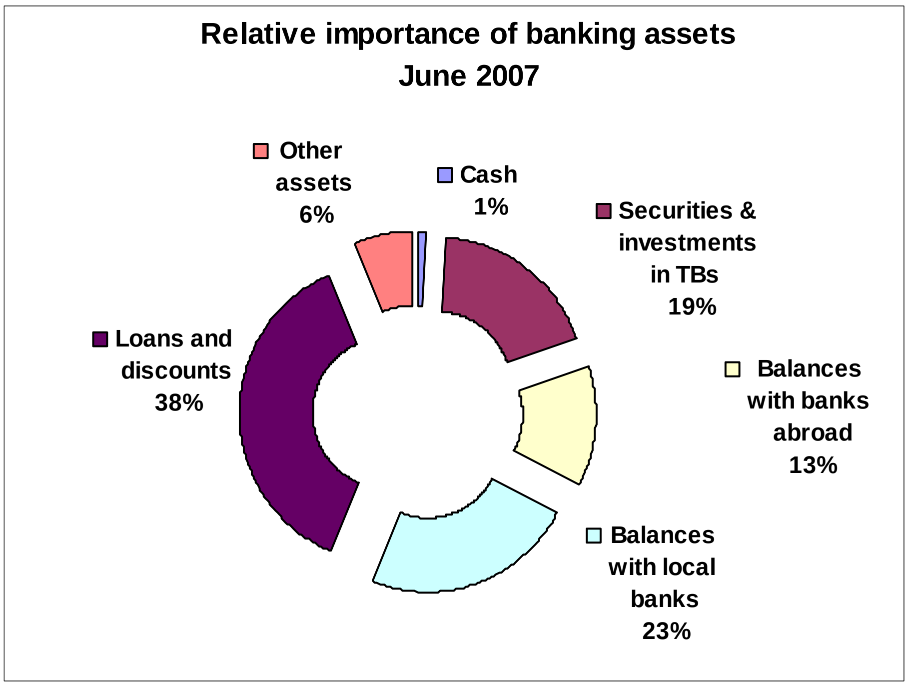


Changes in Liabilities

(LE mn)

End of June	Change during FYs 2005/2006 Value	Percent	2006/2007 Value	Percent
Capital	4163	18.1	5924	21.9
Reserves	1000	8.0	(866)	(6.5)
Provisions	5408	10.9	(1480)	(2.7)
Bonds and long-term loans	3271	23.0	8825	50.4
Obligations to banks abroad	(3492)	(28.5)	1236	14.1
Obligations to local banks	(1183)	(5.2)	61131	284.5
Deposits	49192	9.5	81112	14.3
Other liabilities	(425)	(0.9)	20479	41.4
Total Liabilities	**57934**	**8.2**	**176361**	**23.2**

On **the assets side**, the increase mainly stemmed from a rise in balances with local banks by LE 95.7 billion (of which 94 percent was in CBE accepted deposits under the open market operations used for monetary policy purposes during the FY), and the step-up in the balances with banks abroad by the equivalent of LE 51.8 billion. Adding to this is the LE 29.7 billion rise in lending and discount balances.

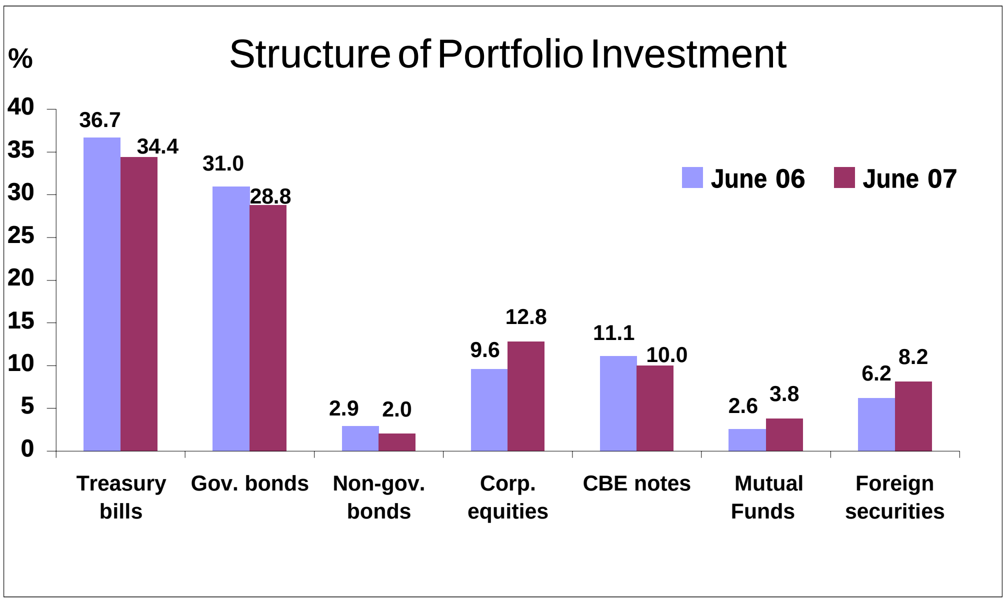


Changes in Assets

(LE mn)

End of June	Change during FYs 2005/2006 Value	2005/2006 Percent	2006/2007 Value	2006/2007 Percent
Cash	220	3.3	892	13.1
Securities and investments	23305	13.7	(17867)	(9.2)
Balances with banks abroad	21350	41.7	51812	71.4
Balances with local banks	(3290)	(2.6)	95669	78.6
Loan and discount balances	15846	5.1	29705	9.2
Other assets	503	1.2	16150	38.0
Total Assets	**57934**	**8.2**	**176361**	**23.2**

Banks' investments in securities and bills retreated by LE 17.9 billion. This was an outcome of the following: a decline in bank's investments in TBs by LE 10.6 billion; amortization of LE 9.3 billion of government bonds (as they fell due); and a drop of LE 3.9 billion in banks' investments in CBE notes and of LE 2.1 billion in non-government bonds. In the meantime, banks' investments in corporate equities rose by only LE 5.6 billion and in foreign securities by the equivalent of LE 2.4 billion.



Banks' net transactions with their correspondents abroad during FY 2006/2007 showed a significant rise in their net credit balances by the equivalent of LE 50.6 billion or 79.3 percent to reach LE 114.4 billion at the end of June 2007 (against LE 63.8 billion at the end of June 2006). This was due to a noticeable pick-up in their balances with banks abroad by the equivalent of LE 51.8 billion (mainly because of a rise in foreign currency deposits and the CBE's deposits with banks in foreign currencies) exceeding that of LE 1.2 billion worth in their obligations to these banks.

2/2- Deposits

Banks' deposits showed a noticeable step-up during the reporting year. They scaled up by LE 81.1 billion or 14.3 percent to reach LE 650.0 billion or 69.3 percent of banks' aggregate financial position at the end of June 2007, compared with a rise of LE 49.2 billion or 9.5 percent during the previous FY.

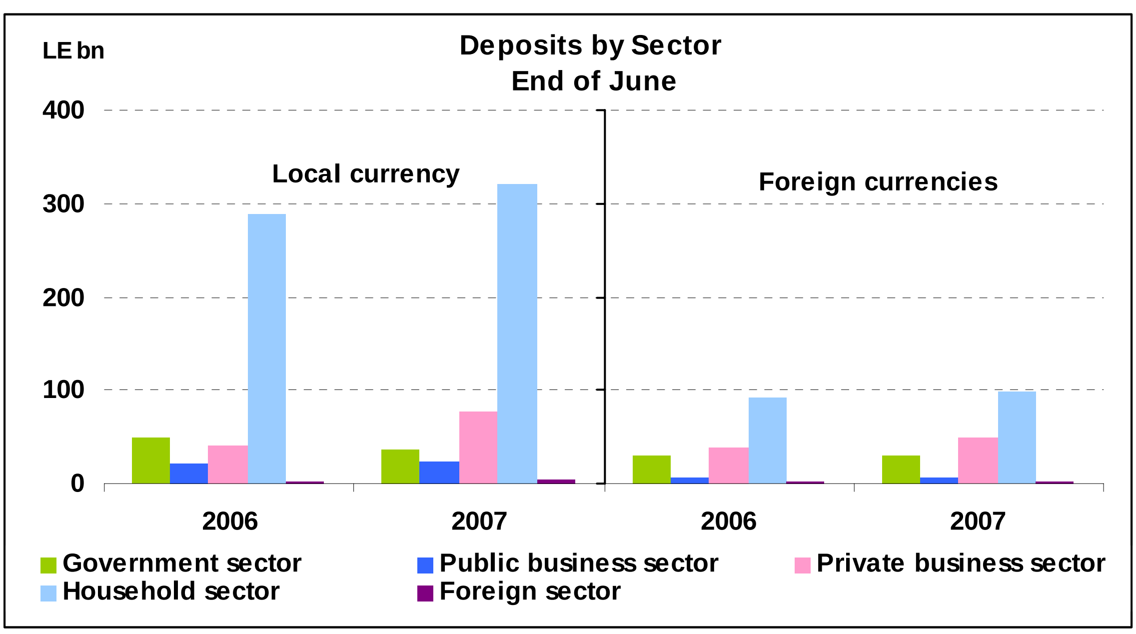
The balances of **LE deposits** amounted to LE 463.3 billion at the end of June 2007, up by LE 62.2 billion or 15.5 percent during the reporting year, almost double the rise in the year of comparison. The increase in the deposits of the private business and household sectors exceeded that of local currency deposits. Deposits of the private business sector grew by LE 36.0 billion or 87.0 percent (mainly in the deposits of mutual funds by LE 15.7 billion) and of the household sector by LE 33.8 billion or 11.7 percent.

Deposits with Banks by Sector

(LE mn)

End of June	Local Currency			Foreign Currencies		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
Total	**369067**	**401143**	**463320**	**150582**	**167698**	**186633**
Government sector	57649	49422	37233	27252	29290	30329
Public business sector	16727	20399	23464	4195	5668	6721
Private business sector	39668	41444	77504	31337	39263	49093
Household sector	253865	287973	321793	85813	92174	98331
External sector	1158	1905	3326	1985	1303	2159

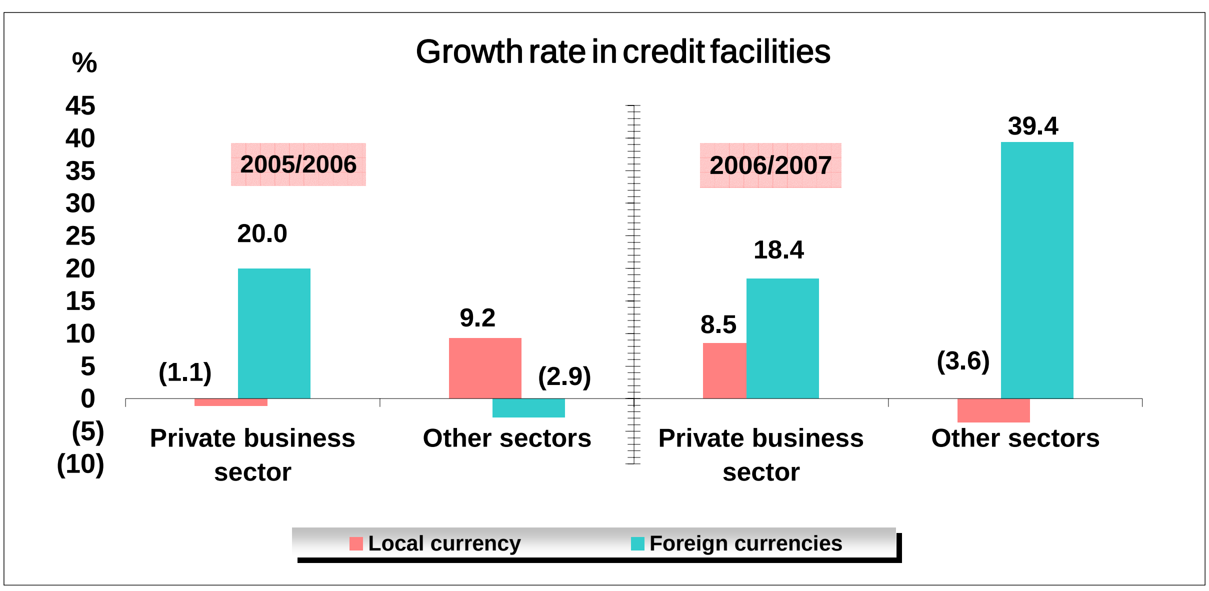
Foreign currency deposits augmented by LE 18.9 billion or 11.3 percent, reaching LE 186.6 billion worth at the end of June 2007 (against an increase of LE 17.1 billion or 11.4 percent during the previous FY). The increase was mainly in the private sector's deposits (the equivalent of LE 9.8 billion or 25.0 percent in the deposits of the private business sector and the equivalent of LE 6.2 billion or 6.7 percent in those of the household sector). This indicated that the sector's deposits in local currency continued to grow faster than foreign currency deposits. The balance of the sector's deposits in local currency constituted almost half that of total deposits at end of June 2007. This showed a higher propensity to save in Egyptian pound, given the stability of its exchange rate vis-à-vis the US dollar. This was also helped by the decision of the US Federal Reserve to keep the short-term interest rate unchanged, following the successive raises during the previous FY.



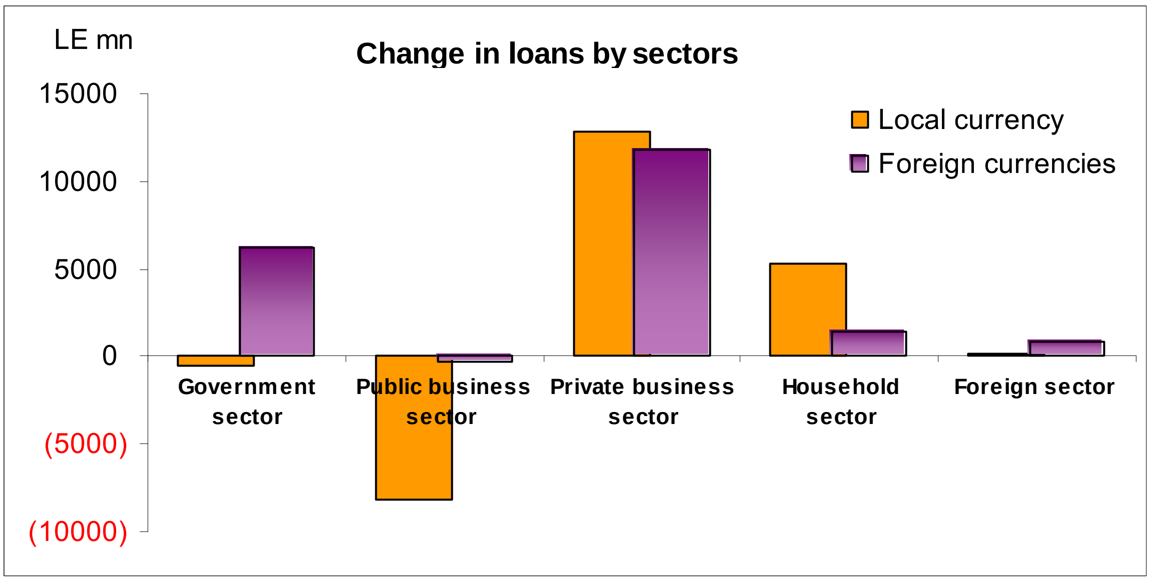
2/3- Lending Activity

Bank lending expanded during the reporting year, as credit facilities rose by LE 29.7 billion or 9.2 percent to LE 353.7 billion or 37.7 percent of banks' aggregate financial position and 54.4 percent of total deposits at the end of June 2007. Over two thirds of the increase in lending balances was attributed to the rise in foreign currency loans. As such, foreign currency loans went up by LE 20.1 billion worth or 23.6 percent to reach LE 105.2 billion worth. Likewise, local currency loans increased by LE 9.6 billion or 4.0 percent, reaching LE 248.5 billion or 70.3 percent of total loans extended by banks at the end of June 2007.

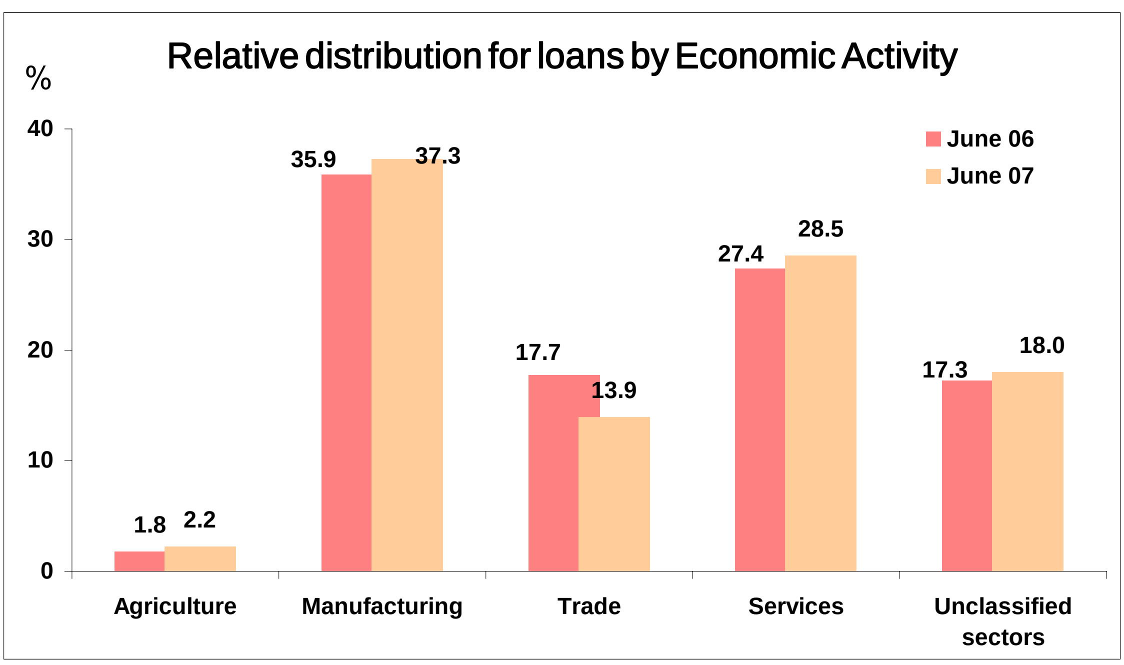
Against a background of a higher role assigned to the private sector to play in development process, loans to the **private business sector** in local currency increased by LE 12.8 billion worth or 8.5 percent. As such, the debt of this sector to banks recorded LE 163.3 billion, representing 65.7 percent of total local currency loans. In addition, the debt of the private business sector to banks in foreign currency reached an equivalent of LE 76.0 billion (with a rise of LE 11.8 billion worth or 18.4 percent) representing 72.3 percent of total foreign currency loans.



Loans extended to the **public business sector**, whether in local or foreign currency, decreased as a result of the settlement of some of its debt to banks. Loans to the **government sector** in local currency declined by 4.4 percent, whereas those extended to the sector in foreign currencies increased by 63.7 percent during the reporting year.



A breakdown of loans by economic activity shows that the manufacturing sector accounted for the bulk of loans extended by banks in both local and foreign currencies, with a relative share of 37.3 percent of the total at the end of June 2007. The services sector followed with 28.5 percent, then trade with 13.9 percent and finally the unclassified sectors with 18.0 percent.



At end of June 2007, loans and advances (excluding discounts) offered by banks registered LE 352.4 billion, with an increase of LE 29.4 billion or 9.1 percent during the reporting year. With the improvement of the investment climate, the increase was concentrated in long-term loans (i.e. loans with more than one year maturity), which rose by LE 23.7 billion or 18.0 percent. The increase was a result of the rise in local currency loans by LE 12.2 billion and in foreign currency loans by LE 11.5 billion worth. On the other hand, loans of one year or less moved up by only LE 5.7 billion or 3.0 percent, as an outcome of the rise of LE 8.4 billion worth in foreign currency loans and the decline of LE 2.7 billion in local currency loans.

2/4- Cash Flows

Banks' cash flows statement showed a surplus of about LE 53.0 billion in domestic transactions during FY 2006/2007. Banks' resources reached LE 195.4 billion and their uses LE 142.4 billion. In contrast, banks' external transactions unfolded a deficit equivalent to the aforementioned surplus.

Banks' Cash Flows Statement*

(LE mn)

During FYs	2005/2006	2006/2007
First: Domestic Transactions		
1.Total Resources:	**68090**	**195431**
A. From the Increase in Obligations (Liabilities)	**64976**	**175125**
Deposits	49192	81112
Obligations to the CBE	2368	56106
Capital accounts (equities)	5163	5058
Loans and bonds	3271	8825
Obligations to local banks	-	5025
Other obligations	4982	18999
B. From the Decrease in Assets	**3114**	**20306**
Balances with local banks	3114	-
Portfolio investments	-	20306
2. Total Uses:	**41331**	**142415**
A. In Reducing Obligations	**3551**	**-**
Obligations to local banks	3551	-
B. In Increasing Assets	**37780**	**142415**
Cash and balances with the CBE	43	90837
Portfolio investments	21388	-
Loans and discount	15846	29705
Balances with local banks	-	5723
Other assets	503	16150
Surplus (+) Or Deficit (-)	**26759**	**53016**
Second: External Transactions		
1. Total Resources:	**0**	**1236**
A. From the Increase in Obligations	**0**	**1236**
Obligations to banks abroad	0	1236
B. From the Decrease in Assets	**0**	**0**
2. Total Uses:	**26759**	**54252**
A. In Reducing Obligations	**3491**	**0**
Obligations to banks abroad	3491	0
B. In Increasing Assets	**23268**	**54252**
Portfolio investments	1918	2440
Balances with banks abroad	21350	51812
Surplus (+) Or Deficit (-)	**-26759**	**-53016**

* The figures in this statement are limited to the change in the balance at the end of the year from that at the end of the preceding year.

2/5- Bank Performance Indicators

The CBE ensures the soundness of banks' financial positions and evaluates their performance through its on- and off-site supervision. In this regard, consideration is given to risk-based supervision and banks' compliance with the CBE regulatory standards, including minimum reserve and liquidity ratios, a bank’s exposure to a single customer and his connected parties, and to abroad. In this regard, a set of recognized indicators is used for evaluating banks' financial soundness, including capital adequacy (according to Basel I Accords), asset quality, bank profitability and liquidity.

The following are the results realized by banks in each area, as shown in their financial position at end of June 2007:

First: Capital Adequacy Standard

According to this standard,banks registered at the CBE (34 banks) -except foreign banks’ branches which are considered part of the parent bank and are subject to the supervisory authority of the mother country- are obliged to maintain a specific ratio (a minimum of 10%) of the capital (core and supplementary) to risk-weighted assets and contingent liabilities, according to Basel I accords. The core capital consists of the paid-up capital, reserves and the retained profits. Supplementary capital is composed of the general risk provision; the supplementary loans of more than five-year maturity that a bank may obtain; 45% of the increase in the fair value over the book value of the financial investments that are available for sale, held until maturity and used in subsidiary and common-interest companies. The supplementary capital should not exceed 100 percent of the core capital.

Assets and contingent liabilities are calculated on risk weights ranging between 0 percent and 100 percent, according to a weighting system set by the CBE according to the degree of risk. Meeting that standard reflects a bank’s ability to face any potential risks.

A follow up of banks' compliance showed the following results:

- For banks combined, the ratio reached 14.6 percent (against 10.0 percent as a minimum established ratio). Core capital represents the major part in this standard, as it accounts for about 10.0 percent, while supplementary capital accounts for 4.6 percent.

- The number of banks whose capital adequacy ratio ranges between 10 percent and 15 percent reached 13; 20 banks registered over 15 percent, and a single bank posted less than 10 percent.

Second: Assets Quality

On May 24th, 2005, the CBE issued the regulations regarding the basis of classifying customers' credit ratings. These regulations covered the standards of loans granted for institutions, taking into account the obligor risk rate, the consumer-purpose, real estate and personal housing loans, and the rating bases of the small loans for business purposes. On June 12th, 2007, banks were required to submit the rules of assessing their obligor risk rate with the aim of completing the database available at the Central Credit Registry Department in preparation for producing the reports required for banking supervision. In accordance with Article (84) of the Law of the Central Bank, Banking Sector and Money, No. 88 for 2003, in addition to auditors' reports on some banks for FY 2006 that revealed a drop in their provisions, some banks strengthened their provisions using the surplus shown in their income statements, so that these statements denoted a balance. Other banks were also instructed to augment their provisions by debiting their income statements so that these statements will show net losses, in accordance with the Egyptian accounting standards. Other banks used part of their profits to augment their reserve balances, and retained the remainder for the next FY.

Third: Profitability

The level of profits realized by a bank reflects its ability to strengthen its capital (equities) and to distribute dividends among its shareholders. A follow up of the levels of banks' profits reveals the following:

A. <u>Banks Whose FY Ends June 30 (Mostly Public Sector Banks)</u>

- Banks' net profits amounted to some LE 2204 million for the FY ending June 30, 2006, (mainly due to the profits of selling some of financial investments held with the Bank of Alexandria) compared with LE 714 million for the previous FY.

- The ratio of banks' net return on average equities was 11.6 percent for the FY ending June 30, 2006, against 3.9 percent for the preceding FY. The ratio of net return on average assets was 0.5 percent against 0.2 percent during the previous FY.

B. Banks Whose FY Ends 31 December

- Banks' net profits amounted to LE 3730 million for the year ending December 31, 2006, against LE 3714 million for the previous FY.

- The ratio of banks’ net return on average equities was 16.5 percent for the FY ending December 31, 2006, compared with 22.1 percent for the previous FY. Banks’ net return on average assets reached 1.1 percent, against 1.5 percent.

The main financial indicators of banks' financial positions at the end of June 2007 are shown in the following table:

(%)

	June 2006	June 2007
Liquidity requirement ratio (Minimum):		
Domestic 20%	38.0	27.9
Foreign 25%	51.0	55.0
Liquid assets/customers' deposits	62.8	76.8
Assets in foreign currency/liabilities and equities in foreign currency	101.7	101.1
Loans to customers/customers' deposits	53.1	54.4
Claims on banks in Egypt/due to banks in Egypt	130.7	110.5
Claims on banks abroad/due to banks abroad	825.1	1242.9
Claims on banks abroad/due to banks abroad (&) deposits in foreign currency	41.3	63.2
Contingent liabilities/total assets	15.6	15.5

Fourth: Reserve Requirement Ratio

For banks combined, reserve ratio scored 14.0 percent (the established minimum for the ratio) during the period ending July 2, 2007.

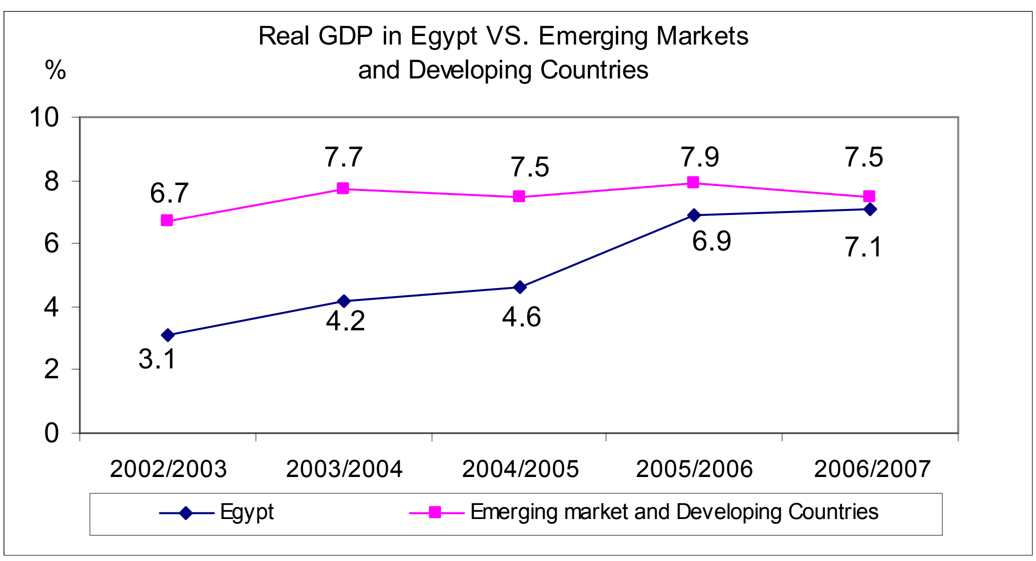
Chapter 3: Domestic Economic Developments

3/1- Economic Growth
3/2- Inflation
3/3- Consolidated Fiscal Operations of the General Government
3/4- Balance of Payments and Foreign Trade
3/5- Stock Exchange
3/6- Insurance Sector

Chapter 3
Domestic Economic Developments

3/1- Economic Growth

The Egyptian economy continued its robust growth improves during FY 2006/2007. Real GDP growth rate at factor cost increased according to the Ministry of State for Economic Development, from 6.9 percent during the comparison year to 7.1 percent, to reach LE 456.2 billion during the reporting year. The improvement was driven by the increase in domestic demand and non-oil exports; the upsurge in the stock exchange; and the tax reform. This is in addition to the ongoing efforts made to create a favorable investment climate, a matter that helped spur the role of the private sector in the development process and attract more FDI to Egypt.



Source: Ministry of State for Economic Development.
World Economic Outlook, IMF, April 2007.

3/1/1- GDP by Sector

A follow-up of the implementation of the Development Plan for FY 2006/2007 reveals that the productive and service sectors contributed 3.1 and 4.1 percentage points, respectively, of real GDP growth rate (7.1 percent). Main contributors to GDP growth mainly were manufacturing (1.3 percentage points); wholesale and retail trade (1.0 percentage points); construction and building (0.8 percentage points); agriculture and irrigation (0.6 percentage points) and finally Suez Canal (0.5 percentage points).

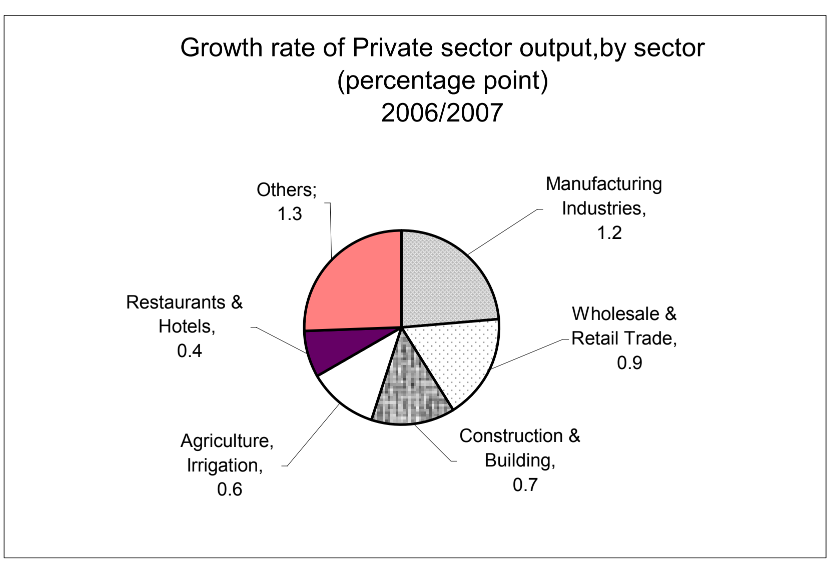
Productive and Services Sectors: GDP Real Growth Rate at Factor Cost

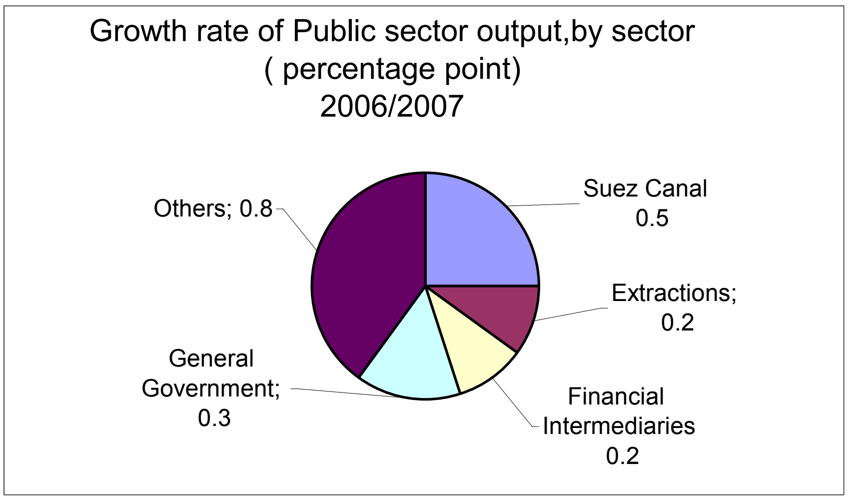
(Percentage point)

	2005/2006	2006/2007
Total GDP	**6.9**	**7.1**
Productive Sectors, of which:	**4.1**	**3.1**
Agriculture, irrigation & fishing	0.5	0.6
Extractions (oil, natural gas and others)	1.6	0.3
Manufacturing (oil refining and others)	1.1	1.3
Construction & building	0.7	0.8
Services Sectors, of which:	**2.8**	**4.0**
Wholesale & retail trade	0.8	1.0
Financial intermediaries & supporting services	0.3	0.4
Transportation & storage	0.4	0.4
Suez Canal	0.3	0.5
Restaurants & hotels	0.1	0.4
Communications	0.2	0.3

Source: Ministry of State for Economic Development.

The private sector's real GDP growth rate remained on the rise posting 7.6 percent during FY 2006/2007, against 6.2 percent during the previous FY. Of Egypt's real GDP growth rate, the private sector contributed 5.1 percentage points during the reporting year (against 4.1 percentage points during the previous FY). The sectors of manufacturing; wholesale and retail trade; construction and building; and agriculture, irrigation and fishing were the main contributors to the overall growth rate.





Real Growth Rates of the
Public and Private Sectors

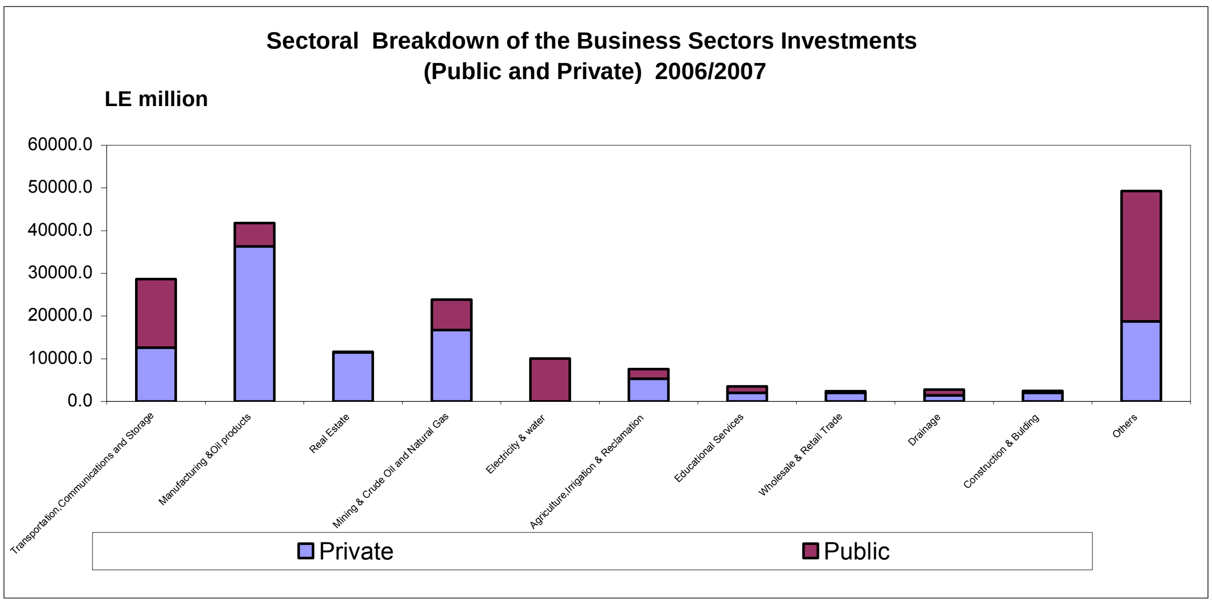
(%)

	2005/2006 Growth Rate		2006/2007 Growth Rate	
	Public	**Private**	**Public**	**Private**
Total GDP	**8.5**	**6.2**	**6.0**	**7.6**
Productive Sectors, of which:	**14.6**	**6.2**	**4.8**	**6.8**
Agriculture, irrigation & fishing	-79.0	3.3	4.9	3.7
Extractions (oil, natural gas and others)	20.3	23.7	3.5	6.2
Manufacturing (oil refining and others)	4.8	5.9	5.8	7.5
Construction & building	12.4	14.3	12.0	16.4
Services Sectors, of which:	**5.2**	**6.1**	**6.7**	**8.6**
Wholesale & retail trade	4.5	6.6	7.6	8.3
Financial intermediaries & supporting services	5.4	5.2	6.9	7.6
Transportation & storage	6.4	7.8	7.6	8.1
Suez Canal	9.4	0.0	14.9	0.0

Source: Ministry of State for Economic Development.

3/1/2: GDP by Expenditure

The increase in both domestic and external demand played a key role in improving the country's economic performance. As such, total implemented investments significantly grew by 34.2 percent to reach LE 155.3 billion, or 21.2 percent of GDP during the reporting year. The sectors of manufacturing and transportation, communications and storage accounted for the bulk (83.8 percent) of the total increase in implemented investments. Of the rise in these investments, the private sector contributed 75.2 percent, as its investments stepped up by 44.9 percent to LE 96.1 billion or 61.9 percent of total implemented investments during FY 2006/2007. This helped raise the private sector's contribution to GDP at factor cost and current prices to 62.3 percent during the reporting year. This was coupled with an increase of 12.3 percent in the credit to this sector during the year.



During the reporting year, private consumption continued to grow at a high rate (up by 18.2 percent against 13.2 percent), reaching LE 515.5 billion or 70.5 percent of GDP. The tangible cuts in income taxes and customs duties contributed to the achievement of this growth.

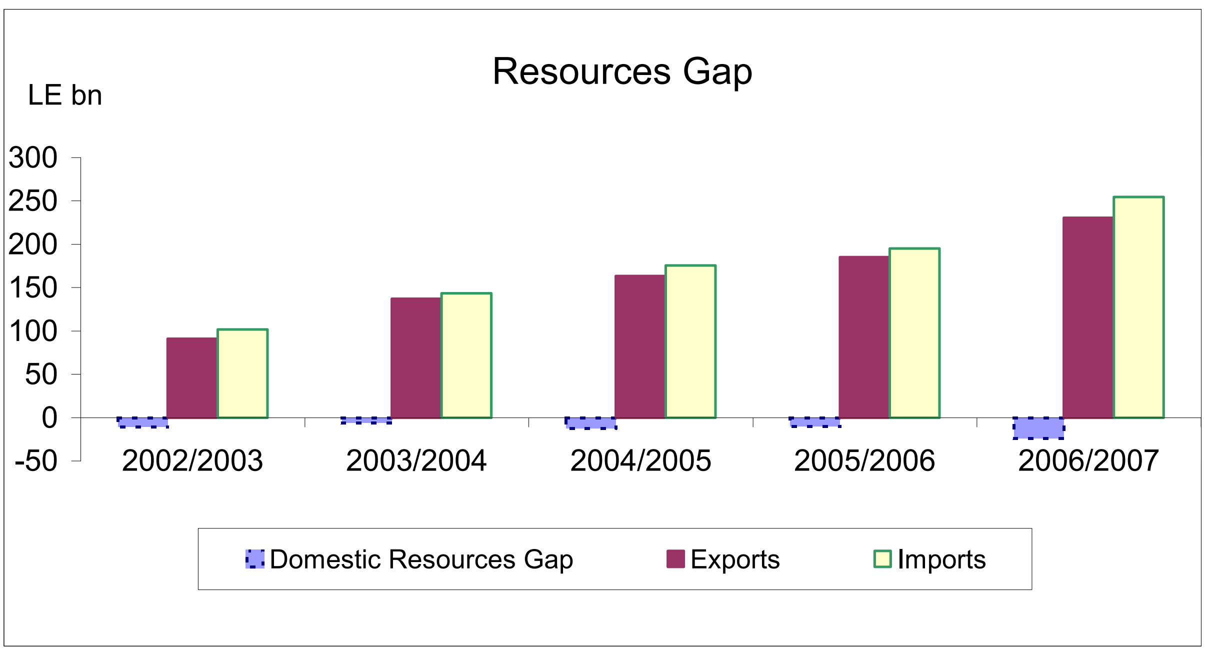
GDP by Expenditure

(Current prices)

	Value in LE Billion		Growth Rate (%)	
	2005/06	2006/07	2005/06	2006/07
1- GDP at Market Prices (2+5-6)	**617.7**	**731.2**	**14.7**	**18.4**
2- Gross Domestic Expenditure (3+4)	**627.7**	**755.2**	**14.0**	**20.3**
3- Final Consumption	**512.0**	**599.9**	**12.8**	**17.2**
- Private	436.1	515.5	13.2	18.2
- Public	75.9	84.4	10.6	11.2
4- Gross Capital Formation	**115.7**	**155.3**	**19.5**	**34.2**
- Implemented investments	115.7	155.3	19.5	34.2
- Inventory change	0.0	0.0	0.0	0.0
5- Exports of Goods and Services	**185.0**	**230.6**	**13.2**	**24.6**
6- Imports of Goods and Services	**195.0**	**254.6**	**11.0**	**30.6**
7- Gross Domestic Saving (1-3)	**105.7**	**131.3**	**24.9**	**24.2**
8- Domestic Resource Gap (5-6) = (7-4)	**-10.0**	**-24.0**	**-**	**-**

Source: Ministry of State for Economic Development.

The improved economic performance was also driven by strong exports of goods and services, which grew by 24.6 percent during the reporting year (against 13.2 percent during the year of comparison), reaching LE 230.6 billion. In spite of the rise in the growth rate of exports (goods and services), it was still lower than that of imports. The goods and services imports grew by 30.6 percent during the reporting year (against 11.0 percent), to reach LE 254.6 billion. This led in turn to widening the domestic resource gap. However, this was mitigated by the rise of 24.2 percent in gross domestic saving (24.9 percent a year earlier).



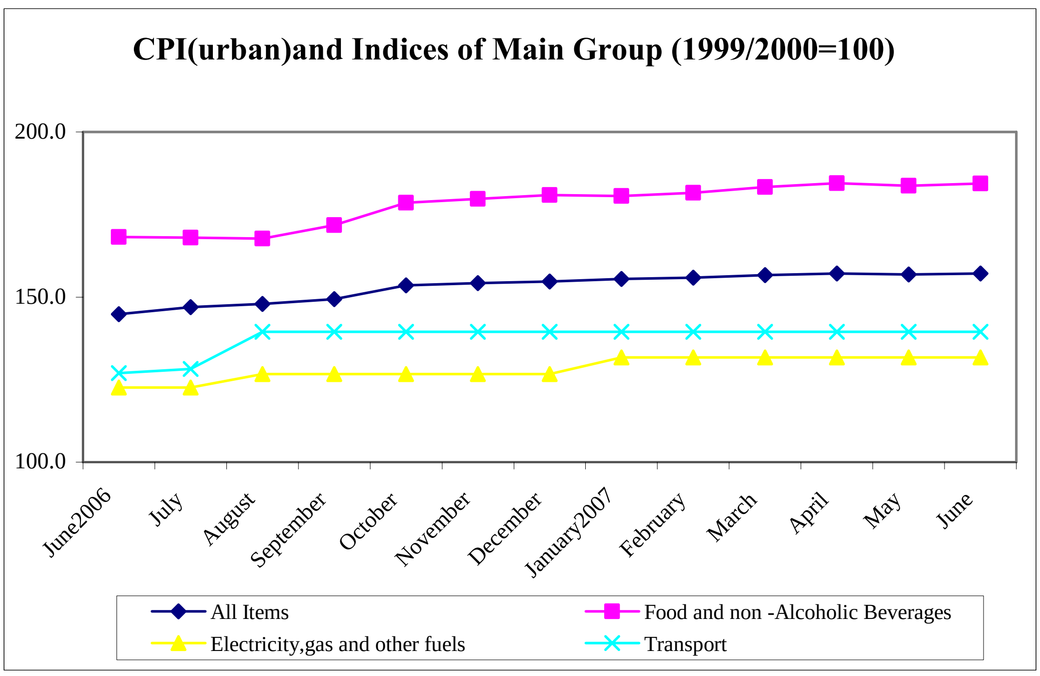
3/1/3- Labour Force and Unemployment

A follow up of the economic performance shows that the labor force grew by 2.3 percent to reach 22.1 million persons in mid FY 2006/2007, representing 30.4 percent of the total population, against 21.6 million persons in the previous FY.

The better economic performance during the year under review caused an expansion in the absorptive capacity of the labour market. As such, employment grew by 3.1 percent or around 600 thousand persons, to reach 20.1 million persons. This rise exceeds the total increase in the labour force that recorded 500 thousand persons. Consequently, unemployment declined from 9.5 percent to 9.1 percent during FY 2006/2007.

3/2- Inflation

According to the CPI (urban) released by the CAPMAS, inflation posted some 8.5 percent during FY 2006/2007, against 7.2 percent during the preceding fiscal year. This rise in inflation was attributed to the second round effects of supply shocks. These shocks were related to oil subsidy cuts and the avian flu (that led to a decrease in poultry supply and a surge in its prices) and the spillover effects in the prices of meat and fish, and many other goods. Add to this the inflationary demand pressures associated with higher economic growth.



Hereunder are the main CPI groups that showed a rise in their price indices:

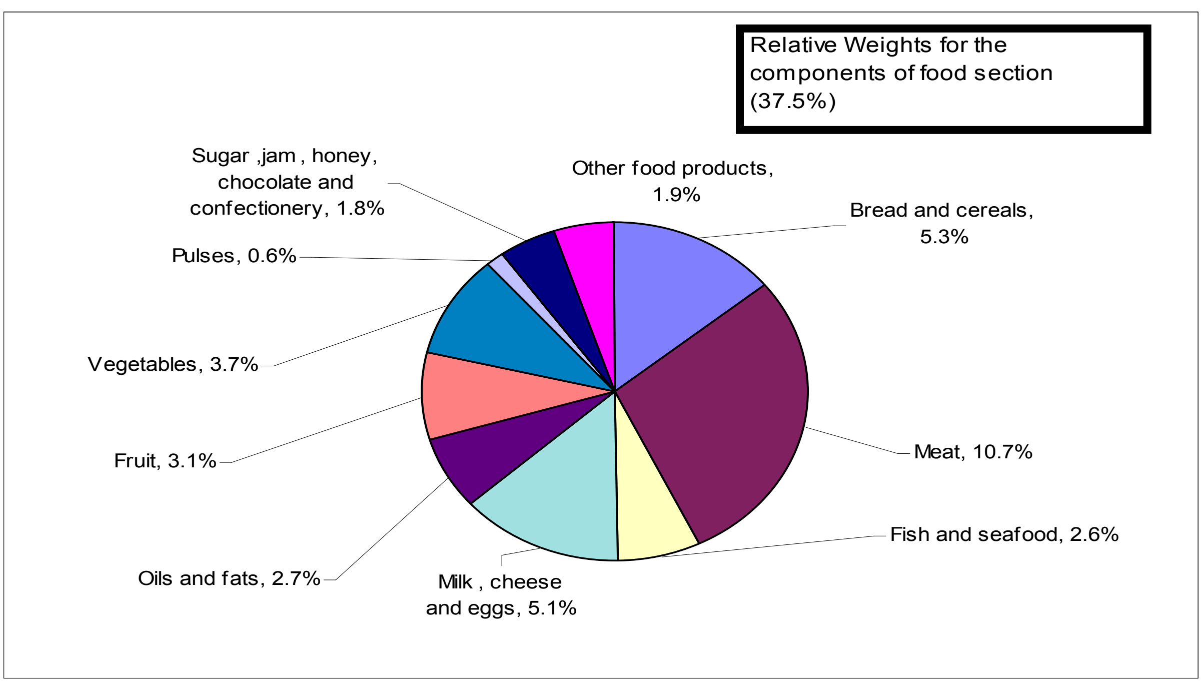
1- The group of foodstuffs and beverages rose by 9.6 percent, mainly due to an increase in the prices of foodstuffs especially:

   A- Vegetables by 24.6 percent, as a result of the surge in the prices of potatoes by 53.6 percent, onion by 35.9 percent and tomatoes by 17.8 percent (mainly due to seasonality); as well as the significant increase in the exports of potatoes and onion.

   B- Meat by 8.3 percent as a result of the higher prices of poultry by 12.0 percent (due to lower supply under the continuing impact of the avian flu), and fresh red meat by 6.6 percent (under lower supply due to foot & mouth and lumpy skin diseases). Add to this the continued high demand for fresh meat under the influence of the avian flu.

C- Fish and seafood by 10.4 percent, mainly due to the rise in fresh fish prices (triggered by lower supply due to banning of fishing in the Mediterranean Sea, from the first of May till the end of June of every year –in accordance with the Minister of Agriculture and Land Reclamation's Decree No. 130 for 2007, effective as of April, 29th, 2007).

D- Bread and cereals by 12.4 percent, mainly because of the higher prices of rice by 30.5 percent and wheat flour by 6.6 percent.



2- Housing, water, electricity and fuel by 5.7 percent, mainly due to the hike in the prices of water and housing related- services by 34.0 percent and of electricity, natural gas and fuel by 7.5 percent (because of raising the prices of car fuel by 27.5 percent –pursuant to the Prime Minister's Decree on 21/7/2006- and gas and butagas by 14.0 percent).

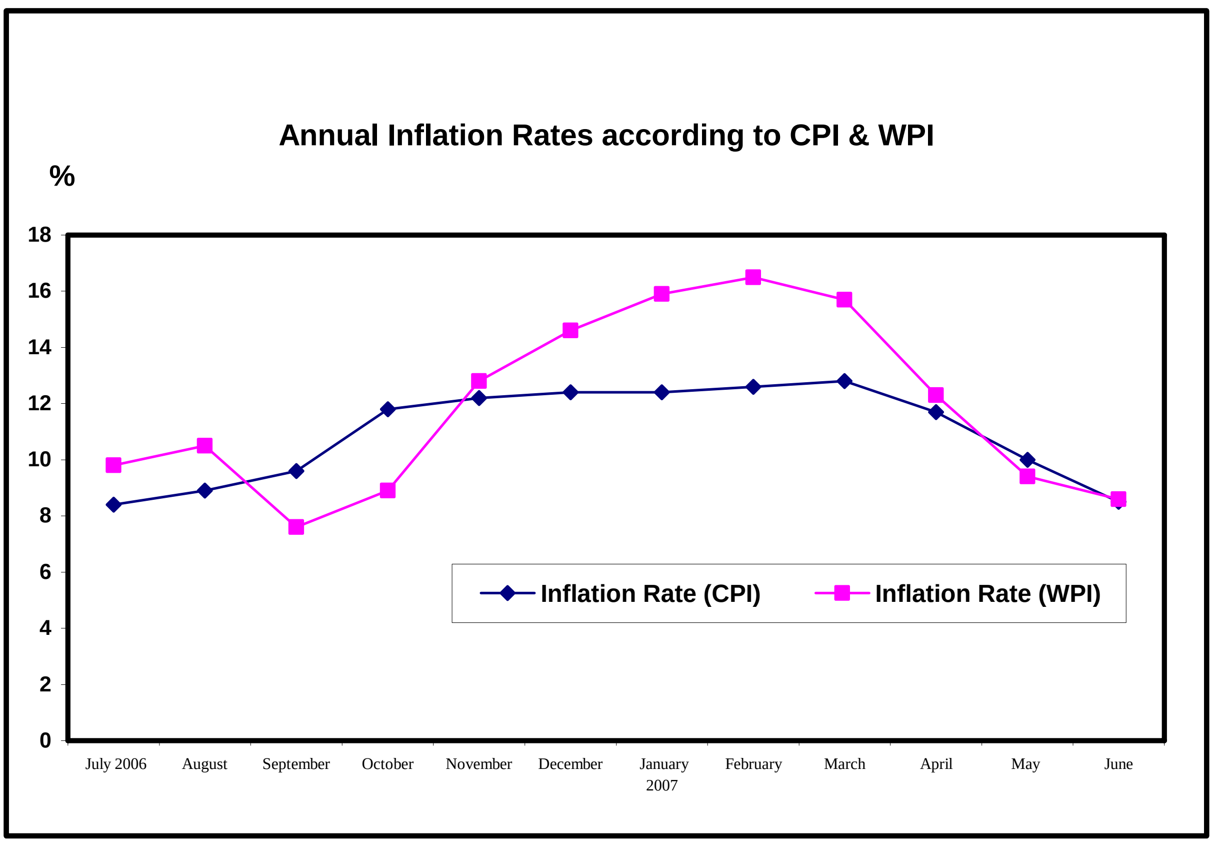
3- Transportation by 9.8 percent owing to higher expenditure on private transportation by 16.4 percent and transportation services by 6.8 percent.

4- Clothing, textiles and footwear by 4.9 percent, mainly due to the price increase of ready-made clothes, tailoring and footwear.

5- Culture and recreation by 19.5 percent because of the higher prices of organized tourist tours by 26.7 percent and newspapers, books, and magazines by 21.1 percent.

6- Education by 11.1 percent as a result of higher expenditures on secondary education by 16.8 percent, higher education by 14.9 percent and primary education by 5.0 percent.

According to the WPI released by the CAPMAS, inflation posted 8.6 percent in FY 2006/2007, against 5.7 percent in the previous fiscal year.



The following table displays that inflation, according to the CPI of Egypt’s main trade partners, ranged between 0.05 percent and 1.05 percent, with a weighted average (for comparison purposes) of 2.53 percent during FY 2006/2007, against 3.05 percent a year earlier. This average was calculated on the basis of the relative weights of Egypt’s merchandise exports and imports to and from those partners during 2005/2006 and 2006/2007, after excluding crude oil exports and commodity grants.

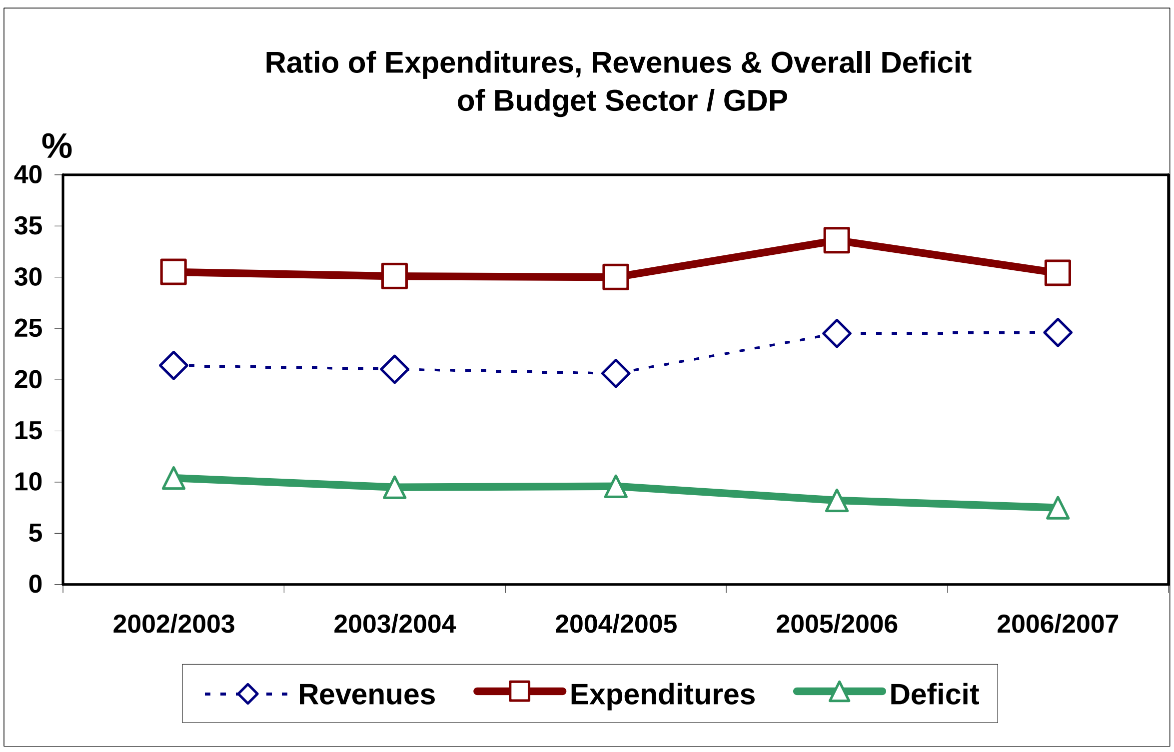
Inflation in Egypt's Main Foreign Trade Partners

	Relative Weight of Foreign Trade	Inflation Rates (%)	
		2005/2006	2006/2007
USA	0.388	1.68	1.05
UK	0.131	0.30	0.31
Italy	0.070	0.16	0.11
Germany	0.095	0.21	0.17
Netherlands	0.044	0.09	0.07
France	0.090	0.19	0.05
Switzerland	0.083	0.13	0.05
India	0.045	0.22	0.48
China	0.054	0.07	0.24
Total	**1.000**		
Weighted Average		**3.05**	**2.53**

3/3: Consolidated Fiscal Operations of the General Government

The fiscal policy pursued by the government during FY 2006/2007 aimed at strengthening economic growth, while cushioning the vulnerable brackets in the society. The government increased the number of beneficiaries of the social security pension, and raised allocations for health and education. As for revenues, the fiscal policy continued to increase revenues by activating tax collection, expanding the taxpayers’ base, and facilitating the settlement of tax disputes. These efforts led to the drop of the overall fiscal deficit/GDP ratio to 7.5 percent during the reporting year, against 8.2 percent during the previous year.

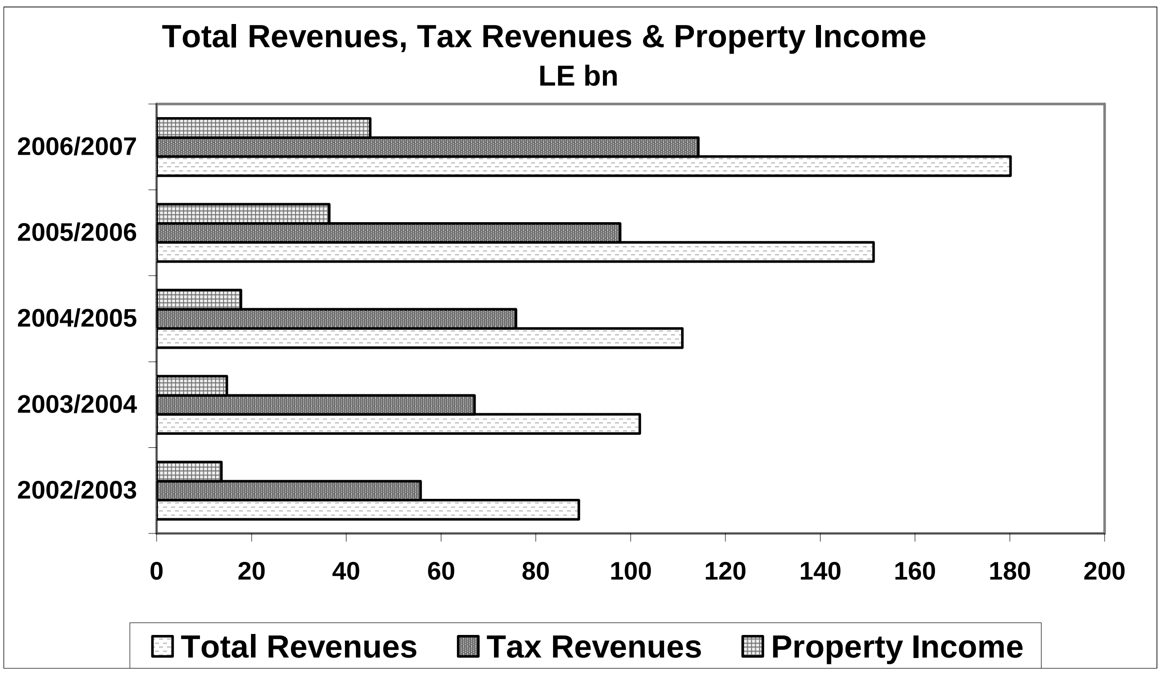
During the reporting year, a number of legislations were issued in the area of the fiscal policy. Foremost of these came the issue of the Executive Regulations of the Stamp Tax Law and the amendment of certain provisions of the Social Insurance Law. Moreover, a decree was issued by the prime minister providing that a holding company, "the Egyptian Holding Company for Healthcare", be established to ensure the provision of high quality medical care of all types to the low income earners and beneficiaries of health insurance. Amendments were also made to certain provisions of the executive regulations of the laws of the Customs Tariff and Income Tax. Furthermore, subsidy cuts were made on some oil products as of 20 July 2006.



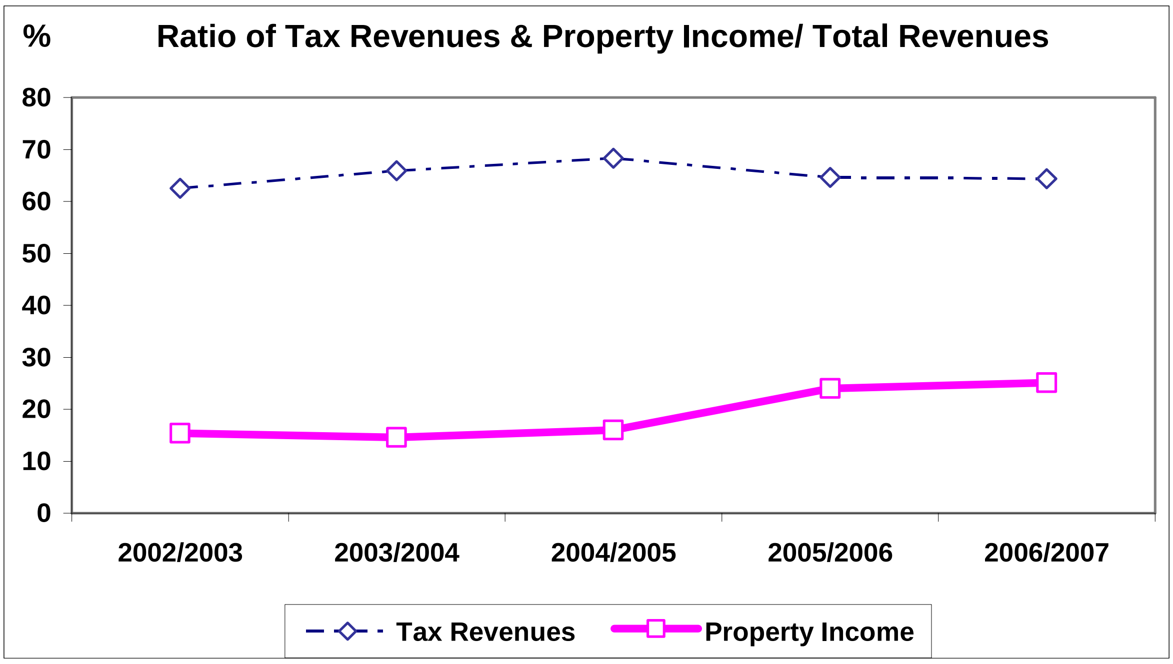
Hereunder is a follow-up of the executed consolidated fiscal operations of the general government during FY 2006/2007 according to the preliminary actual data of the Ministry of Finance.

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

A follow-up of the executed fiscal operations of the budget sector during FY 2006/2007 indicates that total collected revenues reached LE 180.2 billion, up by 19.1 percent over the previous FY and 9.9 percent above budgeted revenues for the whole year.



Tax revenues contributed 57.2 percent of the total rise in public revenues, reaching LE 114.3 billion, up by 16.9 percent as compared with the preceding FY and 8.2 percent over the total projected for the whole year. 62.0 percent of the increase came from the taxes on income and business profits, which rose by LE 10.3 billion or 21.3 percent over preceding year, to LE 58.5 billion or 51.2 percent of total tax revenues. The acceleration in the revenues from taxes on income and business profits was largely ascribed to the rise in the taxes collected from companies by LE 6.3 billion or 79.9 percent to LE 14.3 billion; exceeding by more than the double (101.3 percent) the total estimated for the whole year due to the growth in corporate profits. Higher revenues were also collected from the Suez Canal Authority, up by 24.9 percent due to the rise in its earnings, from the EGPC by 7.5 percent and from taxes on individual income by 3.6 percent.

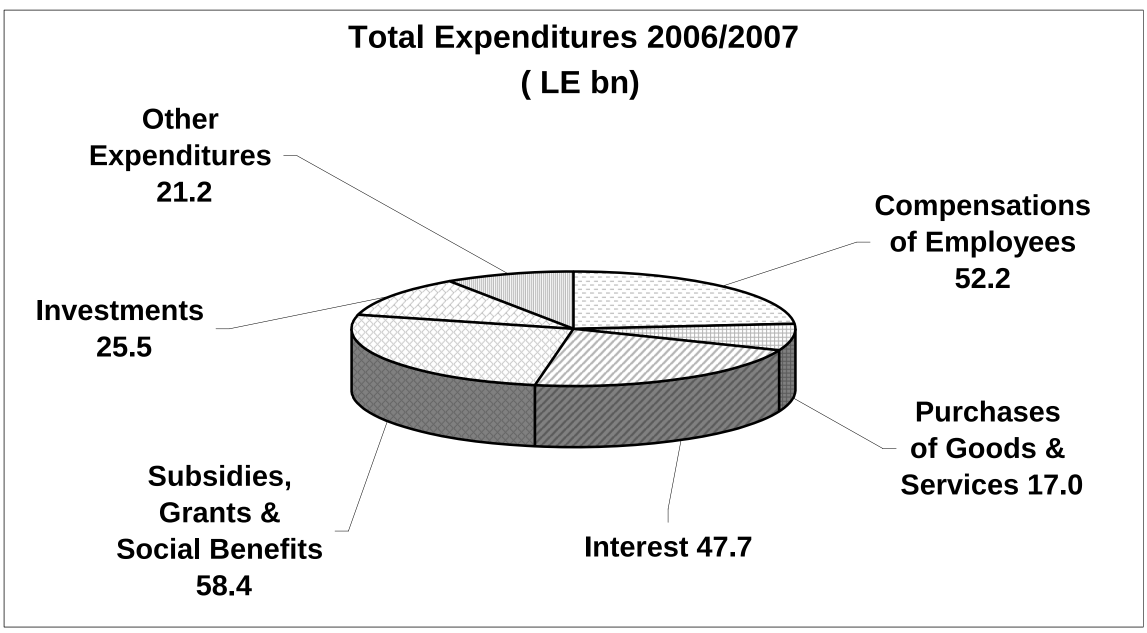


Likewise, taxes on goods and services surged by LE 4.7 billion or 13.7 percent as compared with the previous FY, constituting 28.6 percent of the rise in total tax revenues, reaching LE 39.4 billion. Moreover, receipts from customs duties scaled up by LE 0.7 billion or 7.4 percent as compared with the previous FY, and 8.0 percent above the estimates of the whole year, owing to the continued notable escalation in the value of merchandise imports.

Revenues from property income went up by LE 8.7 billion or 24.0 percent, reaching LE 45.1 billion or 25.0 percent of the total collected revenues. This was a result of the "one-time receipts" generated by the award of the third mobile license, which represented 35.5 percent of the total property income. In addition, transfers of profit surpluses from companies accelerated by 156.6 percent, from some public economic authorities by 22.1 percent, and from the SCA by 13.8 percent. In contrast, profit transfers from the EGPC went down by 12.1 percent, and from other units by 34.2 percent.

Grants obtained during FY 2006/2007 reached LE 3.9 billion, up by 63.3 percent over the level of the previous FY. This was largely attributed to the rise in current grants, on the one hand, and the decline in capital grants, on the other.

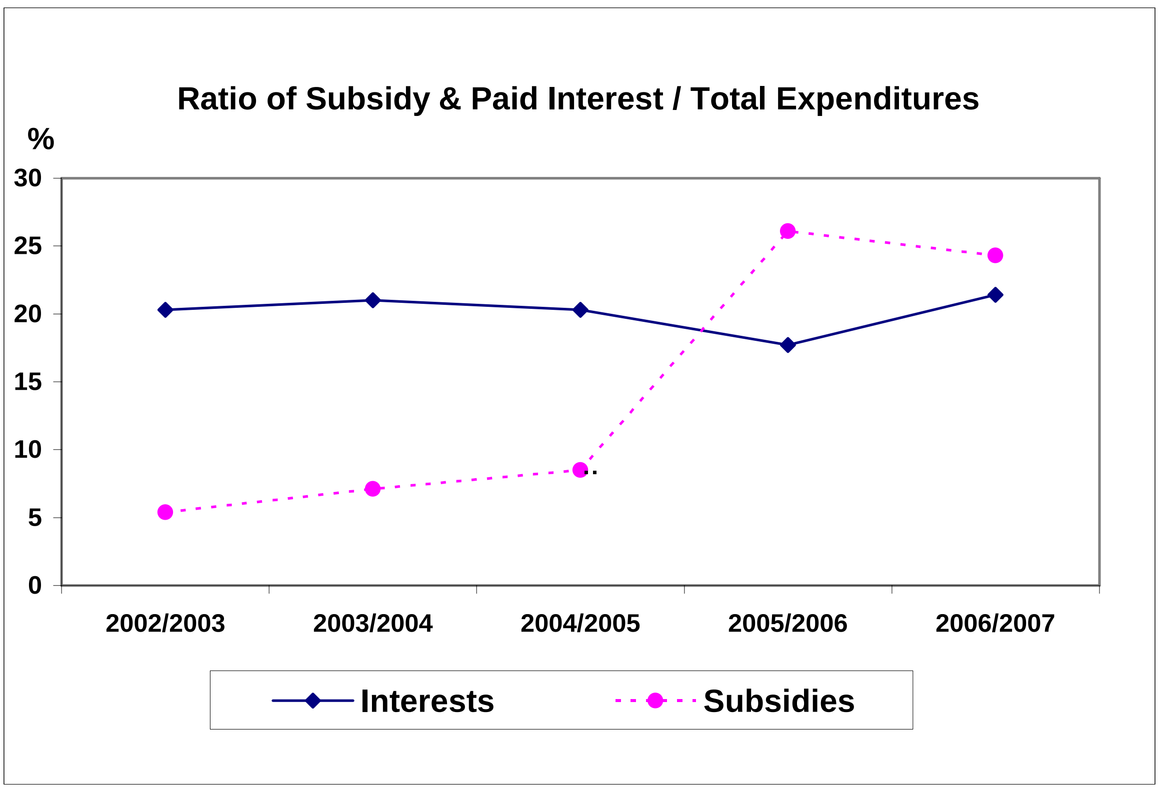
Expenditure, according to the preliminary actual data, totaled LE 222.0 billion during FY 2006/2007, with a rise of LE 14.2 billion or 6.8 percent over the pervious FY, i.e. significantly below the rate of increase in public revenues during the same year (19.1 percent). The bulk of this year's rise in expenditures (almost 38.2 percent) was on the compensations of employees (including salaries and wages), accounting for some LE 52.1 billion or 23.5 percent of total expenditures. The marked rise in this item came in line with the government's policy of improving the conditions of civil servants. It should be noted that this item included cash and in-kind benefits, all the increases, periodical allowances and incentives set at the beginning of the FY, and the costs of adding the special allowance of 2001/2002.



Interest payments (external and domestic) rose by LE 10.9 billion or 29.6 percent, to LE 47.7 billion or 21.5 percent of total expenditures. This was mainly due to the increase of LE 10.7 billion or 31.4 percent in domestic interest payments to the NIB, the SIFs and the other expenditures related to the public debt service. On the other hand, the increase in external interest payments was LE 0.2 billion only, a matter that clearly expresses the government policy of minimizing external borrowing. Defense outlays posted LE 17.7 billion, while purchases of goods and services & the costs of regular maintenance for the management of government operations amounted to LE 17.0 billion.

Total investments reached LE 25.5 billion or 11.5 percent of total expenditures, up by LE 4.3 billion or 20.2 percent of the total executed investment in the previous FY.

Subsidies reached LE 54.0 billion or 24.3 percent of total expenditures, down by LE 0.3 billion below the previous year. This was an outcome of the reduction of subsidy on some oil products by LE 1.6 billion, according to the above mentioned decision, and the increase in other subsidy items.



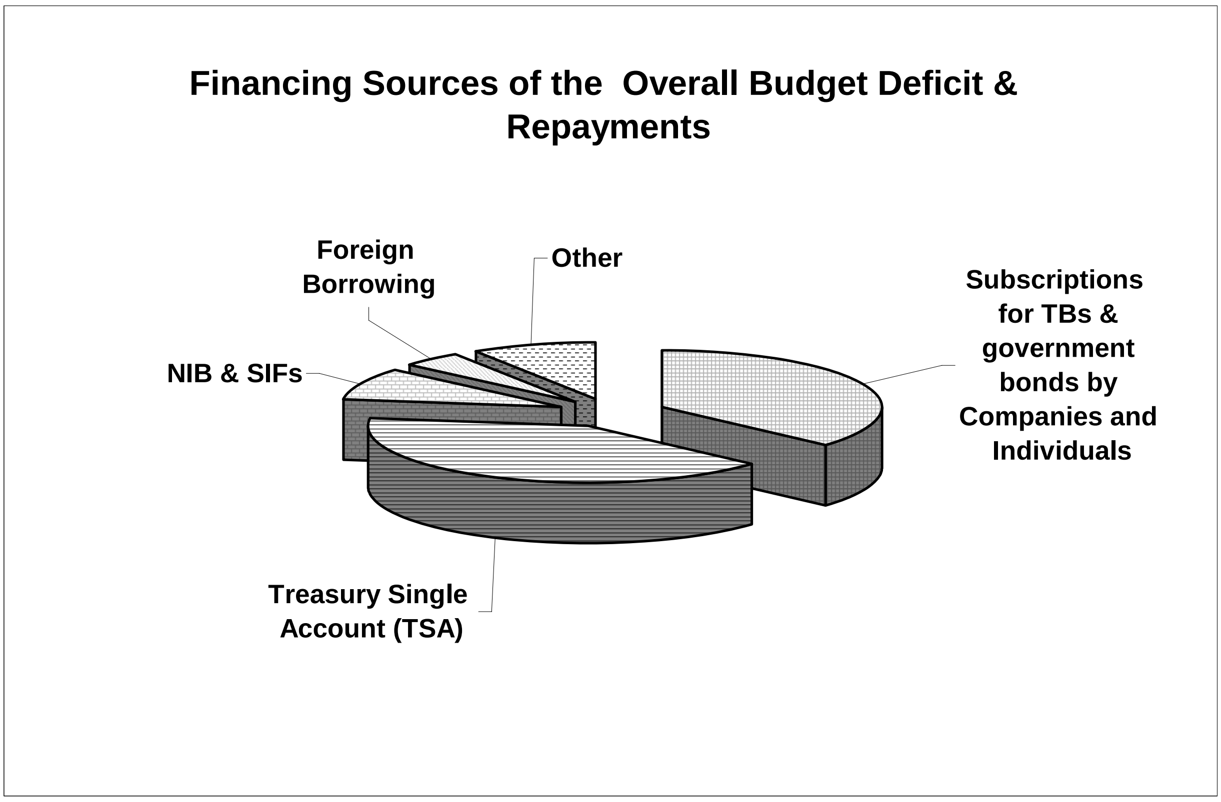
Summary of the Consolidated Fiscal Operations of the General Government

(LE mn)

Revenues	2005/06 Actual	2006/07 Preliminary Actual	Execution Ratio	Expenditures	2005/06 Actual	2006/07 Preliminary Actual	Execution Ratio
Total Revenues	**151266**	**180215**	**109.9**	**Total Expenditures**	**207811**	**222030**	**102.2**
Tax revenues	97779	114326	108.2	Compensations of employees	46719	52153	101.4
Taxes on income & profits	48268	58535	109.1	Purchases of goods & services	14428	17028	110.0
Taxes on property	1214	1788	148.5	Interest	36815	47700	94.0
Taxes on goods & services	34699	39436	106.8	Subsidies, grants & social benefits	68897	58442	100.0
Customs	9654	10369	108.0	Subsidy	54245	53959	100.3
Other taxes	3944	4198	98.0	Grants	2174	2599	112.3
Grants	2379	3886	111.6	Social benefits	12336	1612	107.6
Other revenues	51108	62003	113.2	Others	142	272	31.8
Property income	36373	45111	105.0	Other expenditures	19740	21209	101.3
Proceeds of selling goods & services	7891	9776	114.7	Defense	15770	17718	103.0
Financial investments	3705	4376	308.4	Other	3970	3491	93.4
Others	3139	2740	146.8	Purchases of non-financial assets (investments)	21212	25498	126.0

As a result of the above mentioned developments, the budget showed a cash deficit of LE 41.8 billion or 5.7 percent of GDP against 9.2 percent during the previous FY. By adding the net acquisitions of financial assets (LE 12.9 billion), the overall budget deficit posted LE 54.7 billion during FY 2006/2007 or 7.5 percent of GDP against 8.2 percent a year earlier.

The finance for the overall budget deficit (LE 54.7 billion) and various domestic repayments of LE 23.2 billion (mostly to the banking system), was provided by local non-banking sources (LE 67.2 billion). These sources comprised subscriptions of individuals and companies for TBs and government bonds (LE 28.5 billion), the funds at the Treasury Single Account at the CBE (around LE 31.6 billion) and the NIB and the SIFs (LE 7.1 billion). The remaining finance was covered by external borrowing (LE 3.6 billion worth), privatization proceeds (LE 0.2 billion), and some other miscellaneous sources (LE 6.9 billion).



3/3/2- The Budget Sector, the NIB, and the SIFs

Adding the fiscal operations of the NIB, and the SIFs to those of the budget sector during FY 2006/2007, collected revenues surged by LE 25.4 billion to LE 205.6 billion, constituting 28.1 percent of GDP. Likewise, expenditures rose by LE 22.0 billion to some LE 244.0 billion or 33.4 percent of GDP.

Accordingly, the above mentioned fiscal operations gave rise to a cash deficit of LE 38.4 billion in the consolidated fiscal operations of the general government during FY 2006/2007. By adding the net acquisition of financial assets (LE 17.8 billion), the overall deficit reaches LE 56.2 billion.

Summary of Consolidated Fiscal Operations of the General Government

(LE mn)

	2005/2006 (Actual)	2006/2007 (Preliminary Actual)
Total Revenues	175929	205654
Total Expenditures	223625	244018
Cash Deficit	47696	38364
Net acquisition of financial assets	8942	17849
Overall deficit	56638	56213
Finance resources	56638	56213
Domestic finance	64949	35404
Banking finance	27826	-17662
Non-banking finance	37123	53066
External borrowing	3641	3581
Arrears	-1777	-693
Others	-4806	19320
Exchange rate revaluation	-311	-432
Net privatization proceeds	126	172
Difference between treasury bills face value & present value	-709	-1168
Discrepancy	-4475	29

Non-banking domestic sources were primarily drawn upon to cover this deficit as well as some domestic repayments. Other sources of finance included the government's Treasury Single Account and net privatization proceeds.

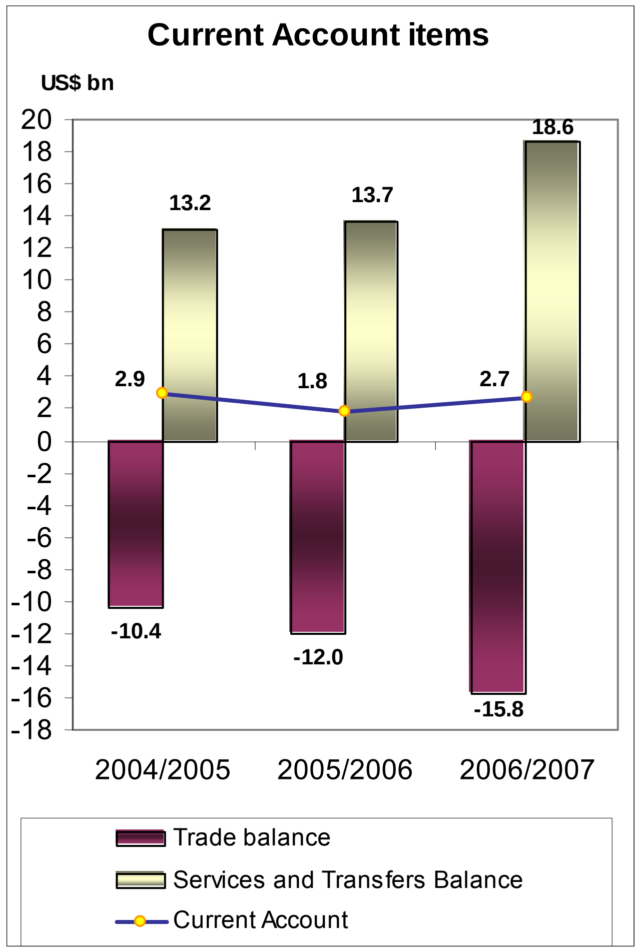
3/4- Balance of Payments and External Trade

During FY 2006/2007, Egypt’s transactions with the external world realized an overall BOP surplus of US$ 5.3 billion, or 4.1 percent of GDP due mainly to the surplus of LE 2.7 billion in the current account, and the net inflows of US$ 1.1 billion in the capital and financial account.

The surplus on the current account was an outcome of the rise in the services surplus and net unrequited transfers, on the one hand, and the wider trade deficit on the other. The trade deficit widened by 32.0 percent due to the rise in merchandise imports by 24.3 percent, while merchandise exports stepped up by 19.3 percent.

The services surplus rose by 39.8 percent, constituting 8.9 percent of GDP due to the following factors:

- The 17.0 percent rise in invisible receipts as a result of the pickup in both travel receipts (tourism revenues) by 10.7 percent, or 39.3 percent of total service receipts, and Suez Canal receipts by 17.2 percent.
- The 3.1 percent decline in invisible payments that reached only US$ 9.0 billion, due to the fall in the item of other payments by 25.1 percent because of weak external transfers of Egyptian oil companies and the commissions of securities brokerage.



Net unrequited transfers rose by 27.3 percent (representing 5.5 percent of GDP). This was ascribed to the increase in private transfers by 25.8 percent to US$ 6.3 billion, and official transfers by 40.0 percent to US$ 0.8 billion.

Capital and financial account realized net inflows of US$ 1.1 billion during FY 2006/2007 against US$ 3.5 billion a year earlier. This was a dual effect of the fact that foreign direct investment achieved net inflows of US$ 11.1 billion (against US$ 6.1 billion), and portfolio investments in Egypt achieved net outflows of US$ 0.9 billion against net inflows of US$ 2.8 billion.

Net other assets and liabilities unfolded outflows of US$ 10.0 billion against US$ 5.9 billion. Medium- and long- term loans resulted in net repayments of US$ 0.3 billion against US$ 1.0 billion.

3/4/1- Trade Balance

The volume of external trade of Egypt rose to almost US$ 60.0 billion during FY 2006/2007, with a growth rate of 22.4 percent as compared with the previous FY. The total external trade/GDP ratio therefore rose to 46.8 percent against 45.5 percent, reflecting more economic openness to the external world. Exports and imports increased by 19.3 percent and 24.3 percent, respectively, to US$ 22.0 billion and US$ 37.8 billion.

The rise in export proceeds was due to the continuing growth in non-oil exports at a marked rate of 44.7 percent to US$ 11.9 billion, representing 54.1 percent of total exports. This rise was mainly pronounced in the exports of finished goods that reached US$ 7.5 billion, up by 45.4 percent, and semi-finished goods that rose by 66.8 percent to US$ 2.0 billion.

The pickup in import bill was attributed mainly to the surge in the imports of all commodity groups, particularly intermediate and investment goods which accounted for 28.6 percent and 26.5 percent of the total increase, respectively. This helped expand investments, a matter that increases production, merchandise exports, and ultimately strengthening the country's economic growth

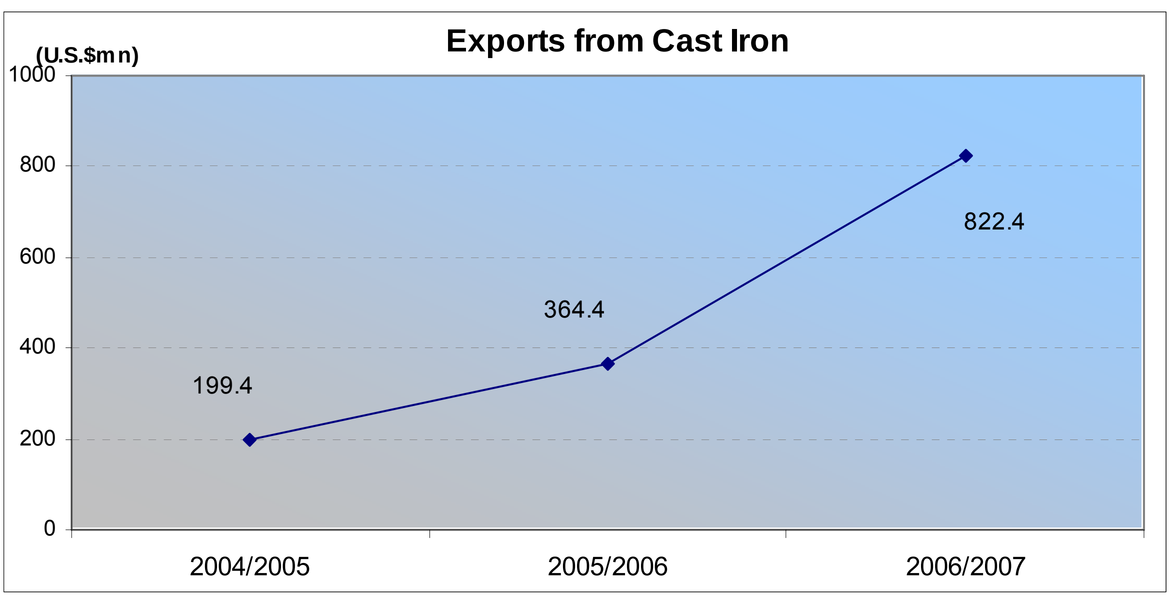
As imports grew faster than exports, the trade deficit enlarged by 32.0 percent to US$ 15.8 billion during FY 2006/2007, representing 12.4 percent of GDP. Moreover, the coverage ratio of merchandise export proceeds/merchandise import payments fell from 60.6 percent to 58.2 percent.

Main Economic Indicators (%)	**FY**	
	2005/2006	**2006/2007**
Total external trade /GDP	45.5	46.8
Merchandise exports/GDP	17.2	17.2
Merchandise imports/GDP	28.4	29.6
Trade balance/GDP	(11.2)	(12.4)
Merchandise exports/Merchandise imports	60.6	58.2
Oil exports/Merchandise exports	55.4	45.9

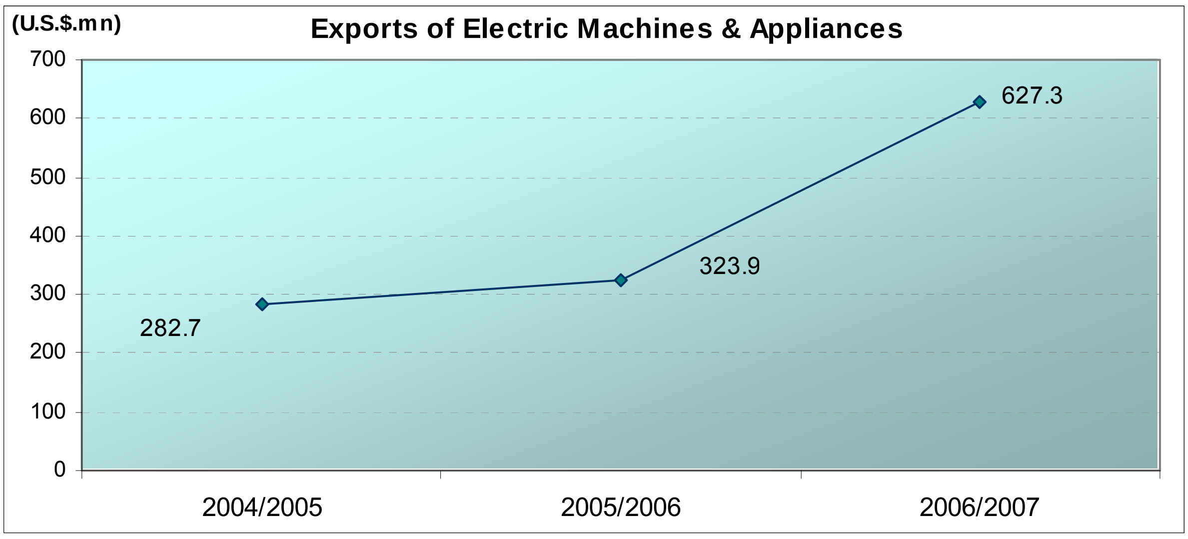
3/4/1/1- Merchandise Distribution of Exports

Proceeds of merchandise exports rose by US$ 3.6 billion during FY 2006/2007, to US$ 22.0 billion or 17.2 percent of GDP. The public sector contributed 48.2 percent of these proceeds, followed by the private sector 39.5 percent, and the investment sector 12.3 percent.

The marked pickup in exports was owed to the increase in non-oil goods by 44.7 percent. As such, export proceeds of semi- finished goods rose by 66.8 percent to US$ 2.0 billion, mainly due to the higher exports of cast iron and articles thereof (see the following graph), unalloyed aluminum, and animal and vegetable fats, greases and oils & products thereof.

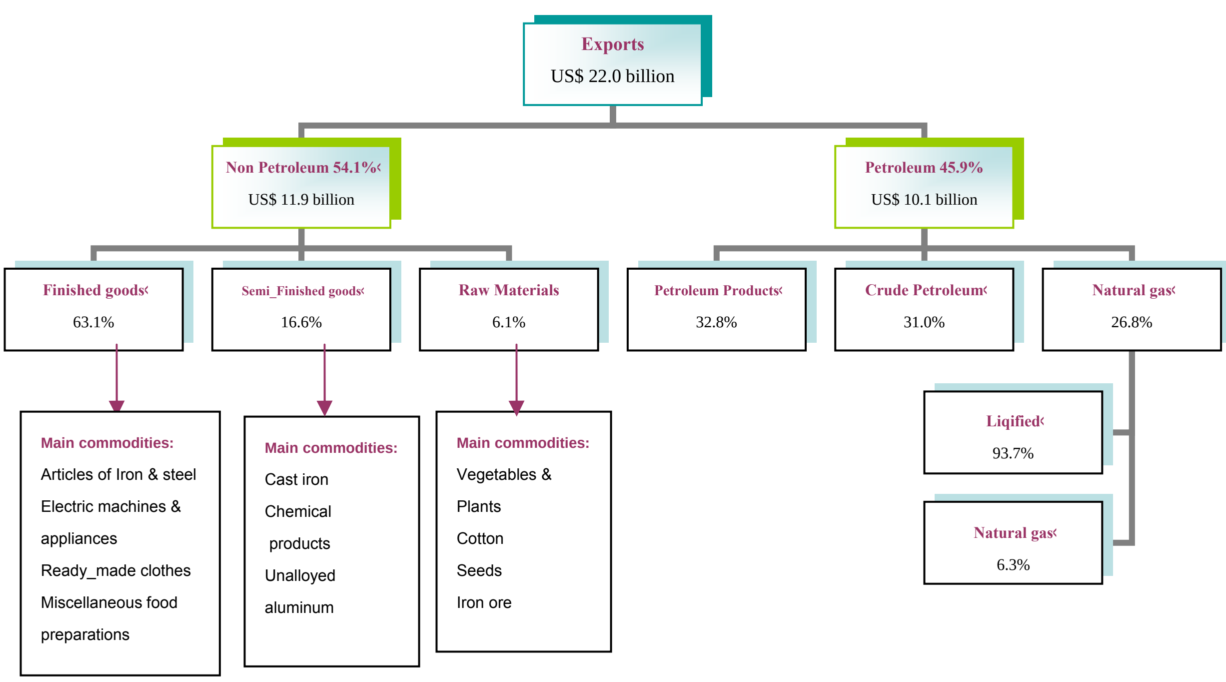


The exports of finished goods came next with an increase of 45.4 percent, reaching US$ 7.5 billion. The increase was mostly in the exports of electric machines and appliances (see the following graph), miscellaneous articles of base metals and miscellaneous food preparations.



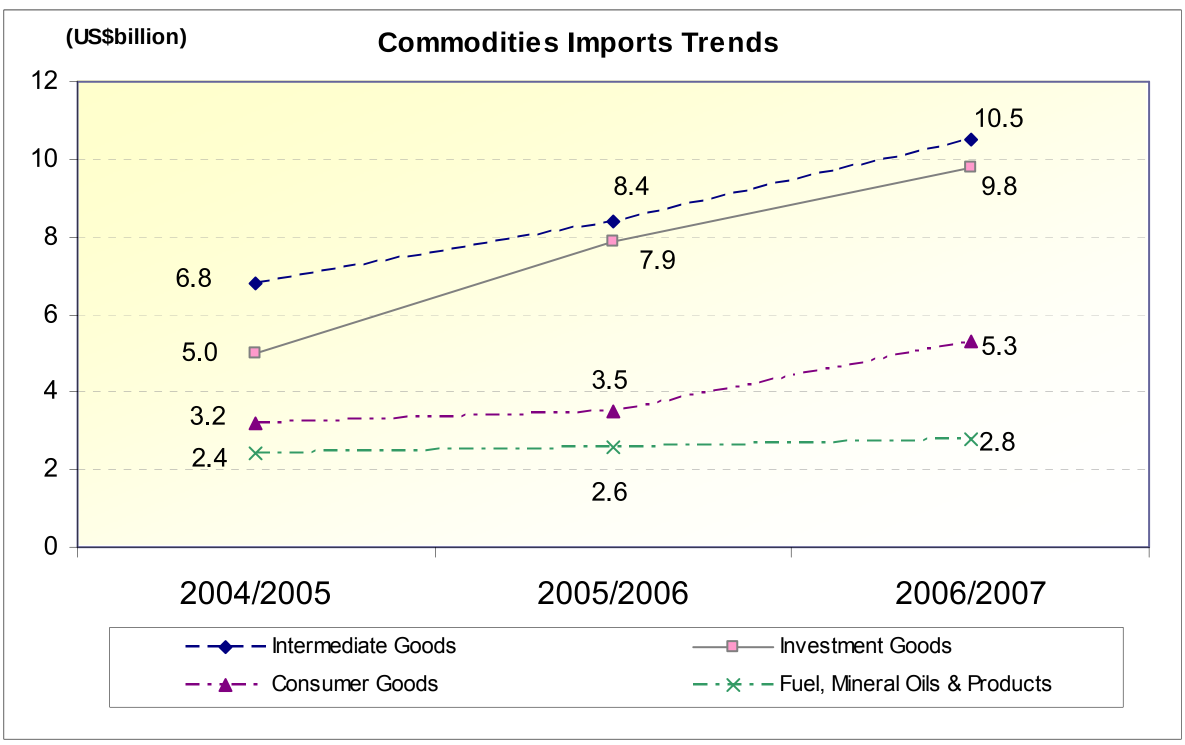
Exports of raw materials rose by 8.8 percent. The increase was particularly pronounced in the exports of oil seeds and oleaginous fruits, vegetables, plants, roots and tubers.

In contrast, the proceeds of oil exports went down by 1.1 percent to US$ 10.1 billion, because of the decline in the exports of natural gas by 3.6 percent and crude oil by 2.7 percent.

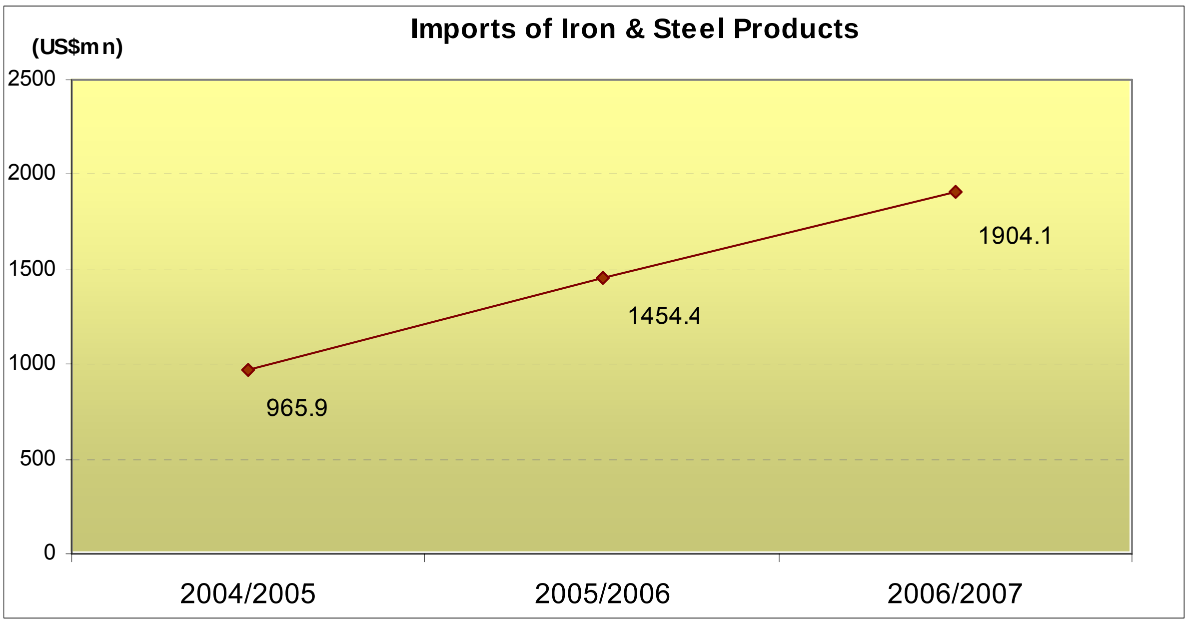


3/4/1/2- Merchandise Distribution of Imports

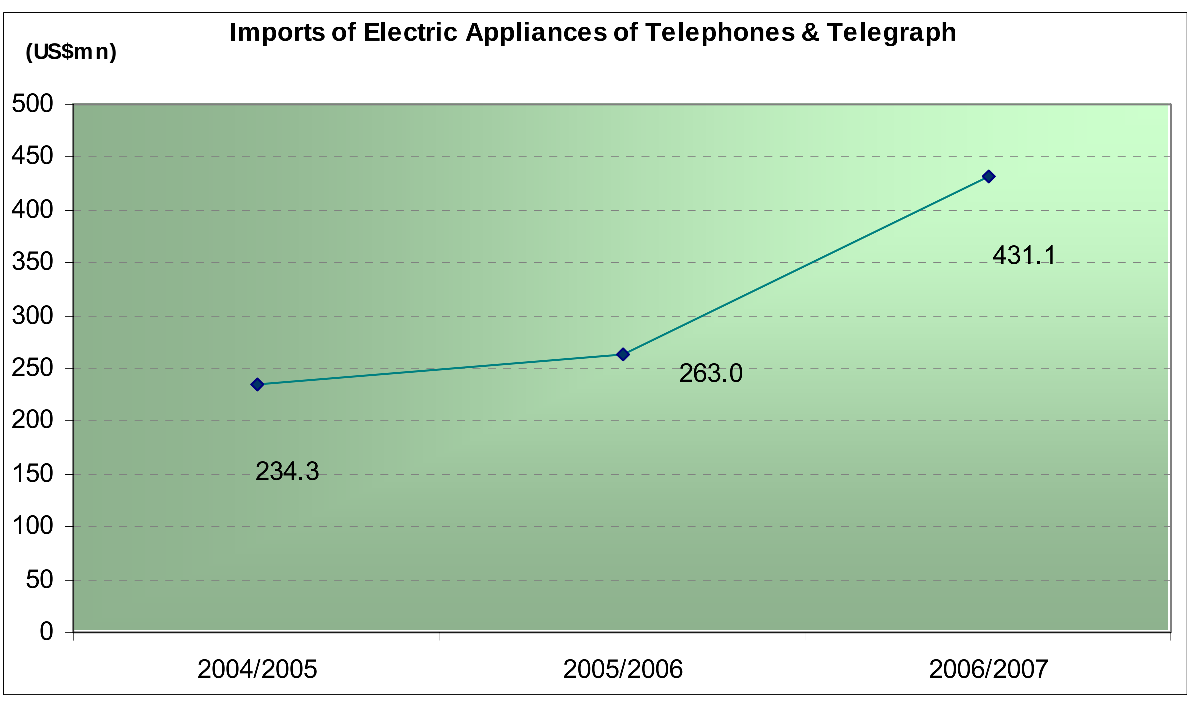
Merchandise import payments scaled up by US$ 7.4 billion to US$ 37.8 billion or 29.6 percent of GDP. This was ascribed to the increase in the imports of all groups, particularly intermediate, investment and consumer goods which accounted for 78.8 percent of total rise in imports. The following graph illustrates the main developments in imports throughout the previous three FYs.



Imports of intermediate goods stepped up by 25.1 percent, to reach US$ 10.5 billion or 27.8 percent of total imports. The share of the private sector in imports stood at 65.9 percent, while that of the public sector was 26.7 percent only. The rise was concentrated in the imports of organic and inorganic chemicals, iron & steel products (see the following graph), animal and vegetable fats, greases and oils & products thereof, plastics and articles thereof, and aluminum and articles thereof. In the meantime, there was a decline in the imports of fertilizers, raw sugar, and cement.



Imports of investment goods scaled up by US$ 2.0 billion or 24.8 percent to US$ 9.8 billion. The majority of this increase was in the electric appliances of telephones and telegraph (as shown in the following graph); cranes, bulldozers and parts thereof; and computers. However, there was a decrease in the imports of vehicles for passengers' transport, and agricultural machines.

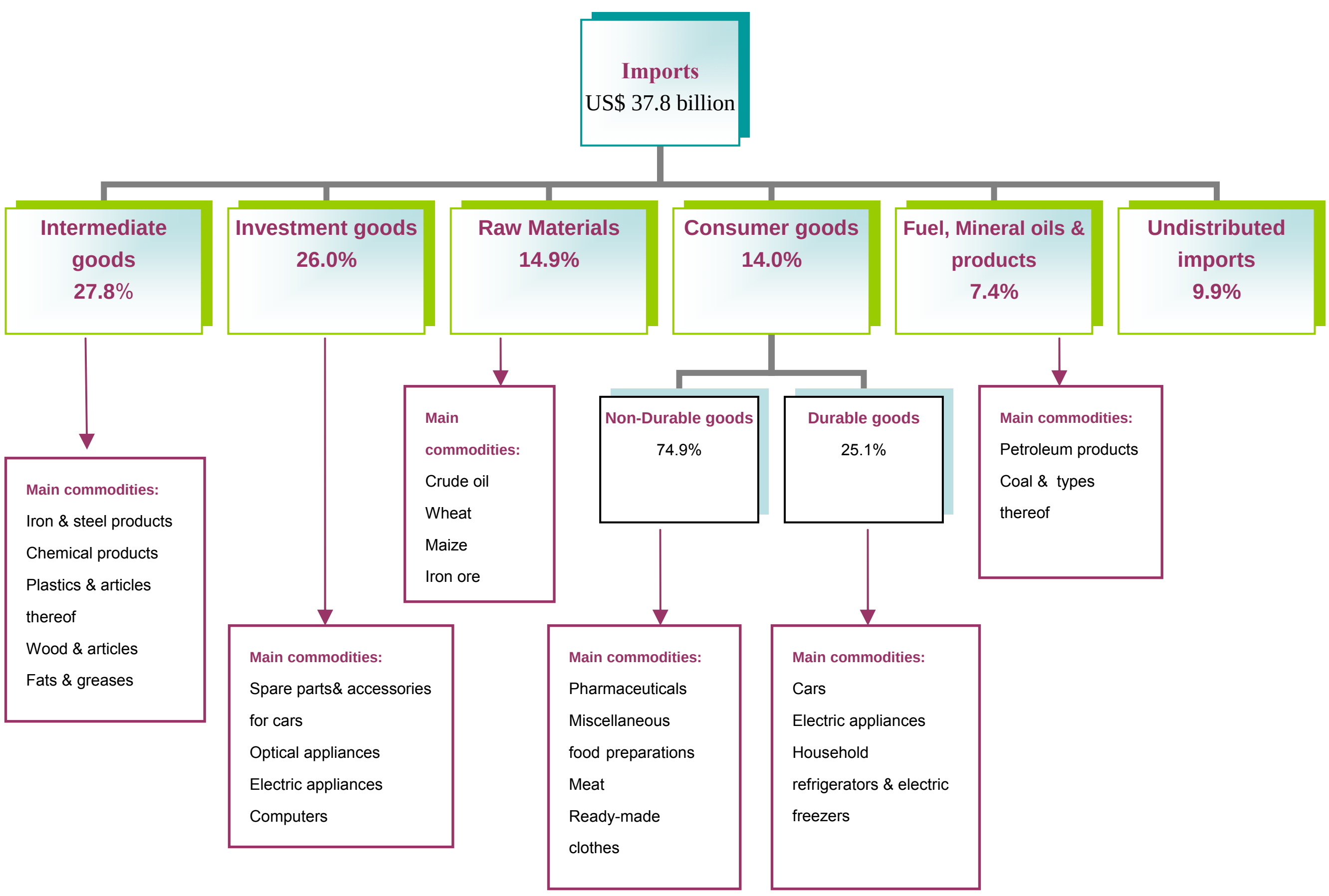


Imports of consumer goods increased by US$ 1.8 billion or 49.6 percent, reaching US$ 5.3 billion or 14.0 percent of total imports. The private sector accounted for the bulk of this increase (86.2 percent).

Imports of non-durable goods went up by 55.3 percent to US$ 4.0 billion owing to the increase in the imports of pharmaceuticals, meat, ready-made clothes; and vegetables, plants, roots and tubers. However, there was a decline in the imports of lentil.

As for durable goods, imports rose by 34.8 percent to US$ 1.3 billion. The main imports were cars and household electric appliances.

Imports of fuel and mineral oils & products climbed 6.8 percent to US$ 2.8 billion or 7.3 percent of total imports. The public sector accounted for the bulk of these imports (78.1 perecent). Oil products being the major component of this group (92.5 percent), posted US$ 2.6 billion.

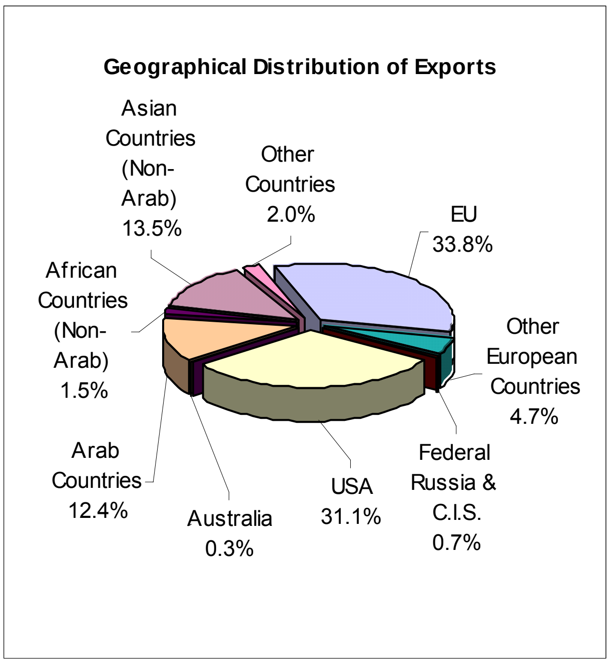


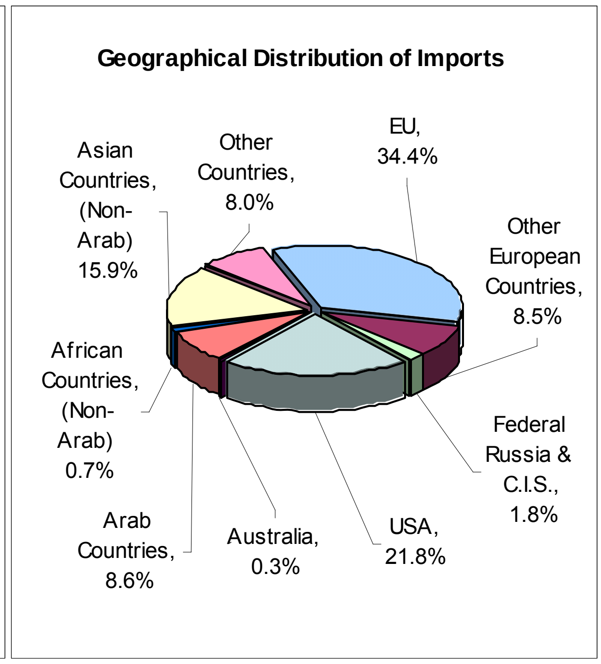
3/4/1/3- Geographical Distribution of Merchandise Transactions

The EU was the major importer of Egyptian exports, as it imported US$ 7.4 billion worth of Egyptian goods (representing 33.8 percent of Egypt's total export proceeds). The main EU importers were Italy, the UK, Spain, Germany, France, and the Netherlands. The key exports to the EU were crude oil and products thereof, cast iron, unalloyed aluminum, and iron and steel products. The USA came second with a share of US$ 6.8 billion or 31.1 percent of the total, chiefly importing crude oil and products, organic and inorganic chemicals, ready-made clothes and cast iron.

Exports to the non-Arab Asian countries reached US$ 3.0 billion or 13.5 percent (mainly India, South Korea, Singapore, Hong Kong, and Indonesia). In addition to crude oil and its products, exports to these countries included fertilizers and ready-made clothes. As for Arab countries (mainly the UAE, Saudi Arabia, Jordan, Lebanon, and Tunisia), they contributed some US$ 2.7 billion or 12.4 percent of the export proceeds. Their main exports were crude oil and products, articles of iron and steel, cast iron, and rice.

The other European countries –headed by Switzerland and Turkey- received Egyptian exports of US$ 1 billion or 4.7 percent. Exports to these countries included oil products, articles of base metals, and cast iron. On the other hand, the share of the African countries (non-Arab) reached US$ 328.1 million or 1.5 percent (mainly Kenya, Ghana, South Africa and Nigeria). Exports to this group covered sugar and its products, electric machines and appliances, oil products, and pharmaceuticals. The exports to the Russian Federation and the CIS totaled US$ 151.9 million and were concentrated in crude oil, miscellaneous food preparations and rice. The following two graphs show the relative importance of the geographical distribution of merchandise imports and exports.



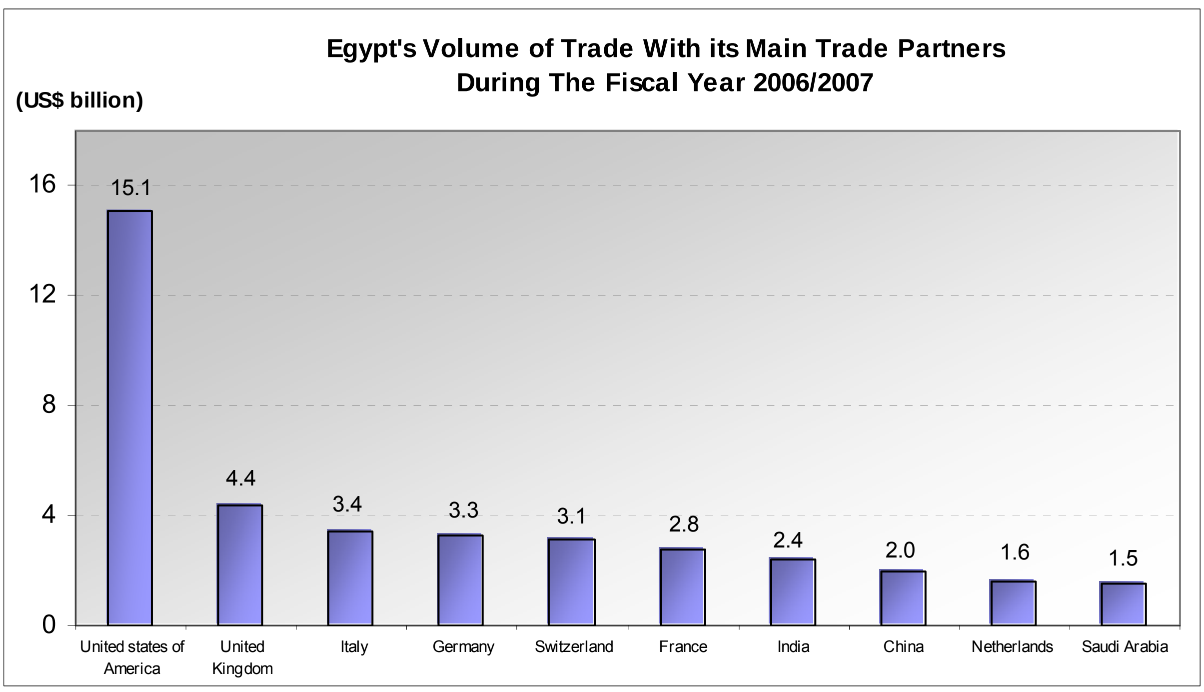


On the import side, The EU countries continued to be the lead source of Egypt's imports. Imports from these countries (mainly, the UK, Germany, France, Italy, and the Netherlands) amounted to US$ 13.0 billion or 34.4 percent of total import payments. The said imports included crude oil and its products, pharmaceuticals, organic and inorganic chemicals, and articles of iron and steel. Imports from the USA (primarily maize, crude oil and its products, wheat, and articles of iron and steel.) accounted for US$ 8.3 billion or 21.8 percent of the total

The group of non-Arab Asian countries ranked third with imports from this group (mainly China, Japan, South Korea, India, and Hong Kong) amounting to US$ 6.0 billion or 15.9 percent .The main imports from this group were parts, accessories and spare parts of cars; passengers' cars; and articles of iron and steel. Arab countries came next, with imports from these countries (mostly Saudi Arabia, the UAE, Bahrain, Lebanon, and Syria) reaching US$ 3.2 billion or 8.6 percent. The main imports from this region were crude oil and its products, plastics and articles thereof, and articles of iron and steel. The share of other European countries, led by Switzerland and Turkey, was US$ 3.2 billion or 8.5 percent. The main imports from this countries were animal and vegetable fats, greases and oils & products thereof, wheat, iron & steel products, and pharmaceuticals.

Meanwhile, imports from the group of Russian Federation and the CIS recorded only US$ 685.2 million or 1.8 percent. The main imports from this group were iron and steel products, wheat, and wood & articles thereof.

The volume of trade between Egypt and the rest of the world rose by 22.4 percent to US$ 60.0 billion during FY 2006/2007. The USA was the main trade partner with a share of US$ 15.1 billion or 25.2 percent of the total, followed by the UK with US$ 4.4 billion or 7.4 percent. The volume of trade with the other partners ranged between US$ 3.4 billion and 1.5 billion. (See the following graph).



Geographical Distribution of Commodity Transactions

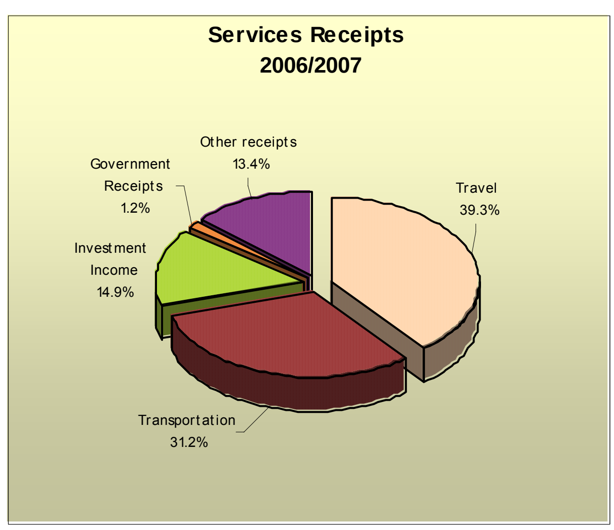
(US$ mn)

	Export Proceeds		Import Payments		Trade Balance	
FY	**2005/06**	**2006/07**	**2005/06**	**2006/07**	**2005/06**	**2006/07**
Grand Total	**18455.1**	**22017.5**	**30441.0**	**37834.2**	**(11985.9)**	**(15816.7)**
EU	6948.0	7440.6	11289.4	13005.5	(4341.4)	(5564.9)
Other European Countries	964.5	1048.6	2340.1	3205.6	(1375.6)	(2157.0)
Russian Federation & CIS	68.7	151.9	744.8	685.2	(676.1)	(533.3)
USA	5644.3	6849.8	5737.1	8262.3	(92.8)	(1412.5)
Arab Countries	2125.2	2729.6	2735.7	3244.4	(610.5)	(514.8)
Asian Countries (non- Arab)	2094.0	2969.0	4444.8	6027.6	(2350.8)	(3058.6)
African Countries (non- Arab)	251.3	328.1	176.5	269.2	74.8	58.9
Australia	16.9	64.0	277.1	107.8	(260.2)	(43.8)
Other Countries & Regions	342.2	435.9	2695.5	3026.6	(2353.3)	(2590.7)

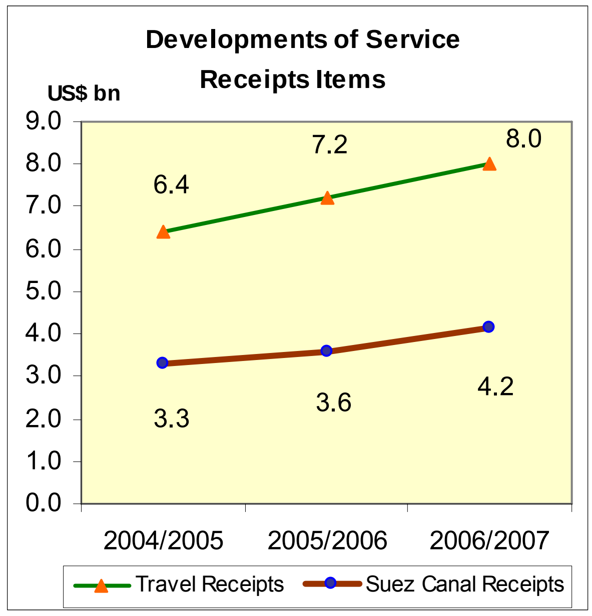
3/4/2- Balance of Services and Transfers

The services surplus mounted to US$ 11.5 billion or 8.9 percent of GDP during FY 2006/2007 against US$ 8.2 billion or 7.6 percent of GDP a year earlier. This surplus was 39.8 percent higher over the previous corresponding period, because of the increase in services receipts by 17.0 percent to US$ 20.4 billion and the decline in services payments by 3.1 percent to only US$ 9.0 billion.

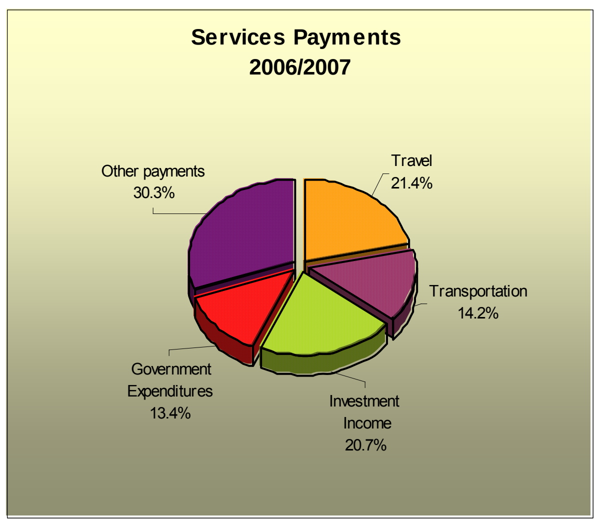
The rise in services receipts was due to the pickup in the item of travel receipts (tourism revenues) by 10.7 percent to US$ 8.0 billion or 6.3 percent of GDP. This was an outcome of the rise in the number of tourist nights to 94.2 million against 85.1 million during the previous FY, given that the average tourist spending per night remained unchanged at US$ 85.



Transportation receipts rose by 28.8 percent to US$ 6.4 billion, constituting 5.0 percent of GDP. This was largely attributed to the 17.2 percent rise in the receipts of Suez Canal due to the increase in the number of transiting ships and their net tonnage.

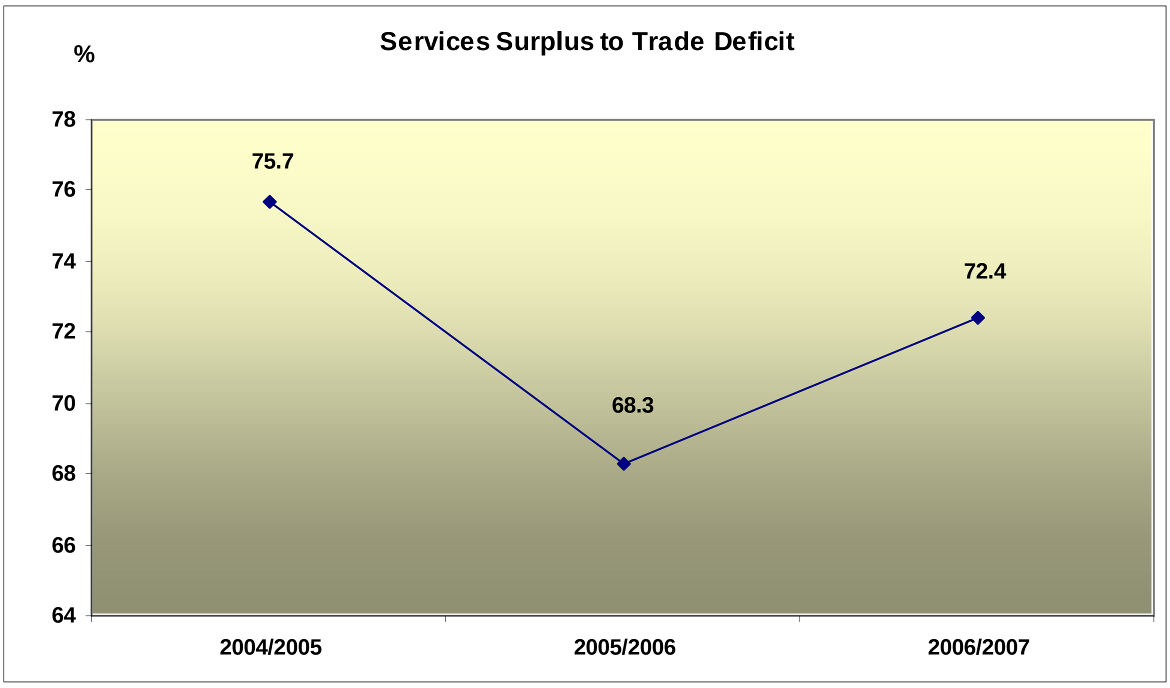


Investment income went up by 52.1 percent to US$ 3.0 billion. This was due to the rise in the receipts of portfolio investment income, and the higher interest payments on foreign assets abroad.



Services payments declined by 3.1 percent to US$ 9.0 billion, mainly because of the decrease in " other payments" by 25.1 percent. This, in turn, was an outcome of the decline in the external transfers of Egyptian oil companies, the lower brokerage commissions of securities and a fall of 9.4 percent in government expenditures.

It is noteworthy that the coverage ratio of the services surplus to the trade deficit restored its course of improvement during FY 2006/2007 as compared with the previous FY.



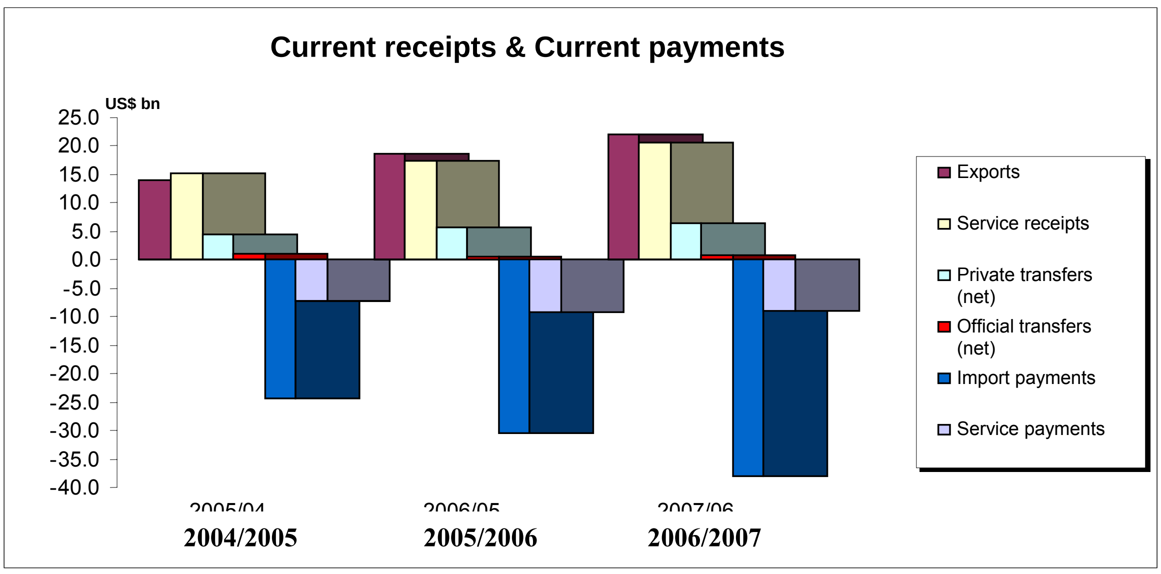
Net unrequited transfers rose by 27.3 percent to US$ 7.1 billion, representing 14.3 percent of current receipts or the equivalent of 5.5 percent of GDP during the reporting year (against 13.4 percent and 5.2 percent respectively during the previous FY).

Unrequited Transfers

(US$ mn)

	FY			
	2005/06	**2006/07**	**Change(-)**	**Change %**
Net Current Transfers	**5547.1**	**7061.3**	**1514.2**	**27.3**
1- Official Transfers (Net)	**571.7**	**800.3**	**228.6**	**40.0**
- Inward cash grants	190.2	375.0	184.8	97.2
- Other inward grants	409.6	461.1	51.5	12.6
- Outward grants (-)	-28.1	-35.8	(7.7)	27.4
2- Private Transfers (Net)	**4975.4**	**6261.0**	**1285.6**	**25.8**
- Workers' remittances	5034.2	6321.0	1286.8	25.6
- Other transfers	48.1	92.4	44.3	92.1
- Foreigners' transfers abroad (-)	-106.9	-152.4	(45.5)	42.6

As a result of the above mentioned developments in FY 2006/2007, the current account ran a surplus of US$ 2.7 billion. This was the outcome of the rise in current receipts by US$ 8.0 billion or 19.4 percent to US$ 49.5 billion and in current payments by US$ 7.1 billion or 17.9 percent to US$ 46.8 billion.



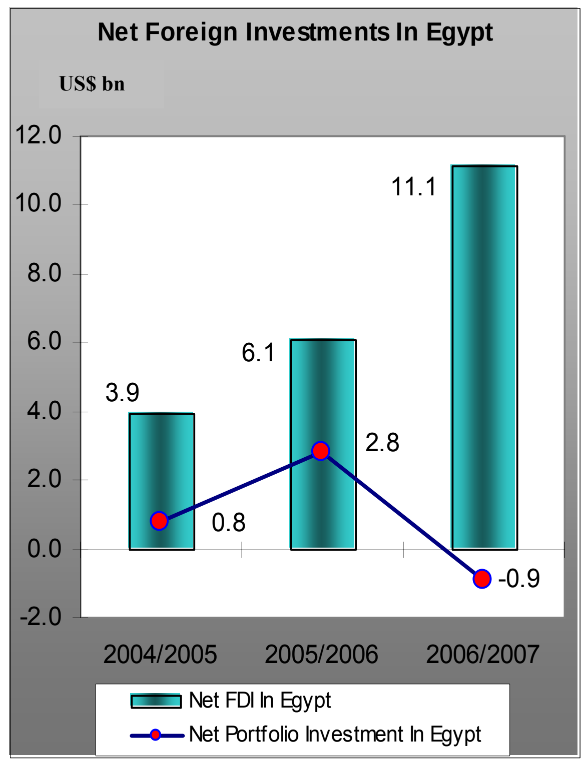
Most indicators of the current external transactions denoted an upturn as follows:

	FY	
	2005/06	**2006/07**
	%	**%**
Merchandise exports/merchandise imports	60.6	58.2
Services receipts/ services payments	188.6	227.8
Current receipts (excluding official transfers)/ current payments	103.0	104.1
Current receipts/current payments	104.4	105.8

3/4/3- Capital and Financial Account

The capital and financial account revealed a net inflow of US$ 1.1 billion during FY 2006/2007, compared with US$ 3.5 billion during the previous FY. This was an outcome of an interaction of the following developments:

- Foreign investment in Egypt (direct and portfolio) realized an inflow totaled US$ 24.2 billion, and an outflow totaled US$ 14.1 billion during FY 2006/2007 against US$ 24.4 billion and US$ 15.5 billion, respectively, a year earlier.



A- Net FDI* in Egypt (US$ 11.1 billion) included net investments of US$ 3.0 billion in the oil sector and US$ 2.8 billion representing the proceeds of selling some local companies and productive assets to foreign investors (against US$ 1.8 billion and US$ 0.9 billion, respectively).

In addition to the oil sector, FDI activities in Egypt during the reporting period were mostly in the sectors of finance, communications and information technology, and manufacturing.

B- Net portfolio* investment in Egypt included purchases by banks and insurance companies in Egypt of dollar-denominated sovereign bonds, in the amount of US$ 291.6 million (outflows). It also comprised foreigners' sales on the Egyptian stock exchange (outflows) in the amount of US$ 386.0 million in addition to US$ 259.1 million representing the redemption of other Egyptian bonds and notes.

* 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, foreign investor's equity participation shall be equal to or more than 10 percent of the capital of any enterprise.

* Representing foreigners' net portfolio (according to the CMA statement), excluding their equity participation in local enterprises, which is equal to 10% or more of the capital of any enterprise. Their portfolio comprises the data of dealing in Egyptian bonds and notes.

- Net outflows of other assets and liabilities (reflecting change in banks' foreign assets and liabilities, in the CBE non-reserve foreign assets and the counterpart of some items of the current account) rose to US$ 10.0 billion during the period under review against US$ 5.9 billion during the period of comparison.

- Medium- and long-term loans and facilities revealed a net repayment of US$ 0.3 billion against US$ 1.0 billion. This was an outcome of the following:

  A- Total repayments decreased to US$ 1.67 billion against US$ 2.45 billion, due to a 51.1 percent decline in the repayments of international organizations' medium-and long-term loans, and a sharp drop of 61.6 percent in suppliers' and buyers' medium- and long-term credit .
  B- Total disbursements declined to US$ 1.35 billion against US$ 1.42 billion, due to the decline in the disbursements of medium- and long-term facilities by 90.8 percent and bilateral loans by 32.7 percent.

3/5-Stock Exchange

During FY 2006/2007, the government continued its efforts to improve the legislative and structural environment of the stock exchange, to cope with the present and future market developments. No doubt, such improvements enhance the disclosure and transparency on the one hand, and protect investors' rights on the other.

In this context, the Minister of Investment issued Decree No. 243 for 2006 regarding the issuance of new Egyptian accounting standards to comply with the international ones. In addition, Decree no 314 for 2006 raised the requirements of minimum issued and paid-in capital of securities brokerage companies in order to strengthen their solvency and ensure their financial soundness. Moreover, the Prime Minister issued a Decree no 12 for 2007, adding a new part to the executive regulations of the on the Capital Market Law No. 95 of 1992 to re-regulate the rules for purchase of joint stock companies for the purpose of acquisition of ownership and management.

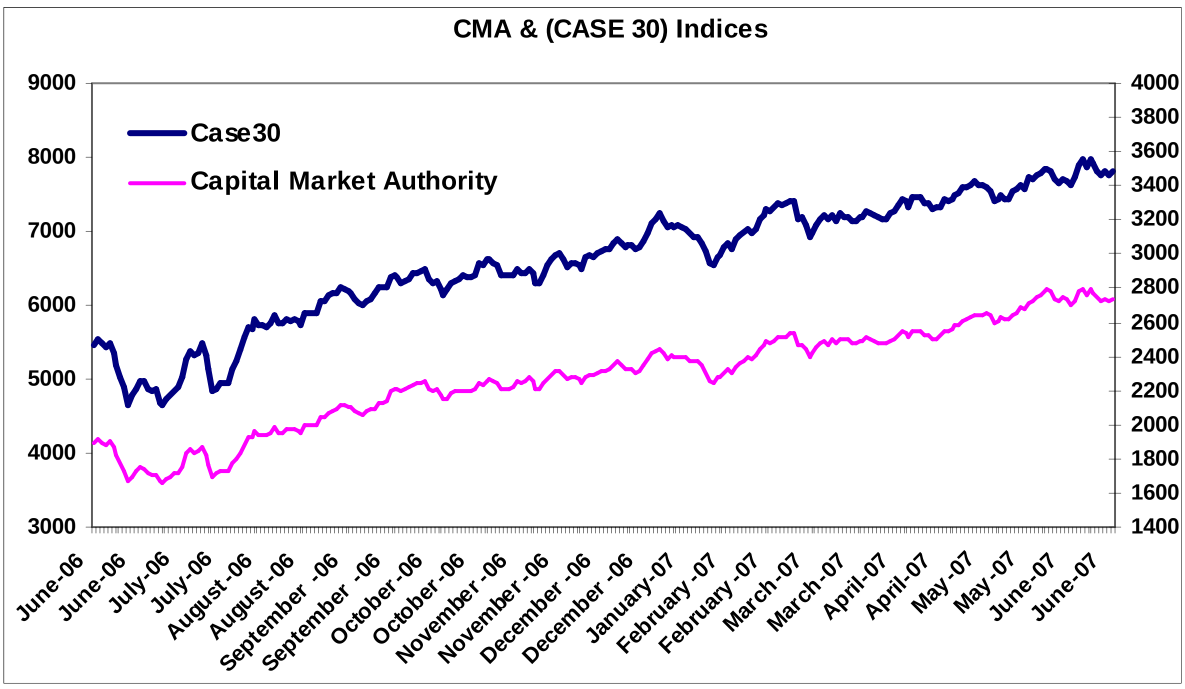
As for regulating the market, enhancing disclosure and transparency and ensuring the protection of investors, the Capital Market Authority (CMA) took several measures. Salient of these were the issue of the regulations of listing, continued listing and delisting of securities on the stock exchange; amendment of the rules of listing at CMA auditors' register and setting of fees on the study of financial statements. Furthermore, the reporting year witnessed the issue of the quality control standard for auditors performing audits and limited reviews of historical financial information and the standards regulating the publication of researches on listed active companies; which will guide investors make investment decisions. Other decisions were made regarding the bond repurchase agreements and contracts concluded by dealing, intermediation, and brokerage companies; and the rules of splitting the nominal value of listed shares.

Moreover, the CMA issued the rules of applying corporate governance to unlisted securities companies, and a guide for applying these rules. Other decisions were also issued concerning the capital adequacy requirements of securities companies; and the application of these requirements when opening new branches or introducing new financial instruments-related activities. Also, the standards of staff licensing for securities companies; and regulations for financial advisors and valuations, upon capital increase or acquisition, were issued. Another decision was issued to amend the provisions of trading in unlisted securities. In this respect, dealing on unlisted securities shall be restricted to the "ownership transfer market" and the CMA should take necessary measures to transfer securities traded at "orders market" to ownership transfer market. In addition, the CMA issued a decision specifying fees for reviewing tender offers and applications for offering securities in public subscription or private placement; and another one concerning the code of ethics for accountants and auditors registered at the CMA.

As for raising the operational efficiency of the market, the CMA required Misr for Central Clearing, Depository and Registry (MCDR) to shorten the duration of paper and financial settlements of securities listed at CASE, to be within two workdays (T+2) from the date of completion of sale or purchase transaction. This decision applies to all securities listed at CASE regardless of being active or not. In addition, (T+0) settlement shall be applied for all securities purchased or sold according to same-day trading mechanism.

Moreover, to regulate the offering of public stakes in joint venture companies or public enterprises whose shares are listed in CASE, the Prime Minister’s Decree no. 505 for 2007 provided that the guiding fair value shall be determined prior to the offer. Another Decree was issued regarding on-line trading in securities after fulfillment of the terms and conditions for protecting and securing information from intrusion through the internet; by providing a “firewall” system.

Thanks to these decisions and measures, and the concomitant political, banking and economic reforms, the growth of the Egyptian economy has strengthened. This trend helped attract an increased number of investors on the stock exchange (Egyptians, Arabs and foreigners), and was positively reflected on dealing indicators on CASE. As such, CASE 30 moved up by 63.5 percent during the year to 7803.4 point at end of June 2007. The CMA index also notably rose by 61.1 percent to 2733.7 point at the same date.



As for the primary market, the number of new issues approved by the CMA during the year reached 2852 with a total value of LE 97.7 billion, against 2239 with a value of LE 43.8 billion a year earlier. Issues for new incorporations accounted for 1937, with a value of LE 35.4 billion or 67.9 percent of the total number. Issues for the capital increase of existing companies reached 913 with a value of LE 58.3 billion or 32.0 percent. Concurrently, only two new issues were offered on the bonds market at a value of LE 4.0 billion.

As for listing on the stock exchange, the companies which had not met the relevant terms and conditions were delisted. This brought the number of listed companies to 544 at end of June 2007 down from 656 at end of June 2006. However, the nominal capital value of these companies rose to LE 121.1 billion at end of June 2007 against LE 109.2 billion at end of June 2006 and also their market value mounted to LE 601.8 billion against US$ 377.1 billion or 82.3 percent of GDP during FY 2006/2007.

Listing and Capital of Companies

At End of June	2004	2005	2006	2007
Number of Listed Companies (Unit)	**803**	**770**	**656**	**544**
- Official schedules	129	132	141	147
- Unofficial schedules	528	612	503	394
- Temporary schedules	146	26	12	3
Number of Listed Shares (mn)	**6252**	**6985**	**10457**	**14993**
- Official schedules	3661	4236	7881	11450
- Unofficial schedules	2383	2646	2560	3534
- Temporary schedules	208	103	16	9
Nominal Value of Shares (LE mn)	**96527**	**108209**	**109165**	**121072**
Market Capital (LE mn)	**172865**	**337059**	**377070**	**601826**
Market Capital /GDP (%)	**35.6**	**62.6**	**61.0**	**82.3**

The CMA approved seven new mutual funds during the reporting year, thus bringing their total number up to 37 (34 open-end funds and 3 close-end funds). The value of their certificates reached LE 7.5 billion.

Indicators of overall trading on the stock exchange exhibit a 30.4 percent rise in the number of transactions to 7.7 million during FY 2006/2007. Likewise, the number of dealt-in securities stepped up by 60.3 percent to some 11259 million and the value of traded securities rose by 8.8 percent to LE 277.0 billion.

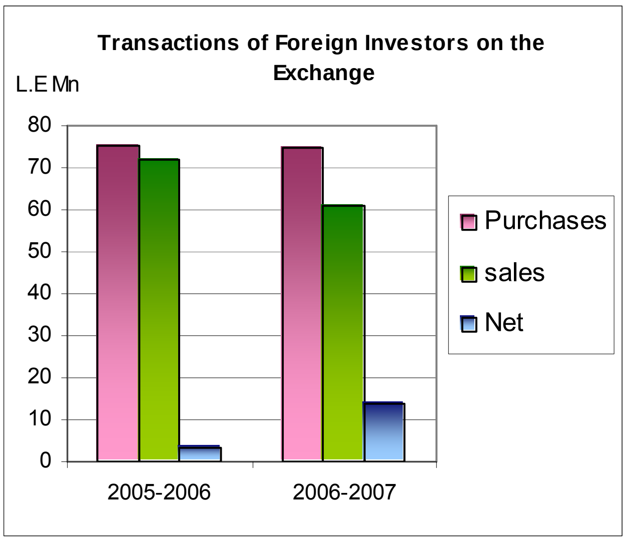
The bulk of trading on the Stock Exchange (94.4 percent of the total) was in shares (against 95.4 percent a year earlier). On the other hand, dealing in bonds constituted 5.6 percent of the total, against 4.6 percent.

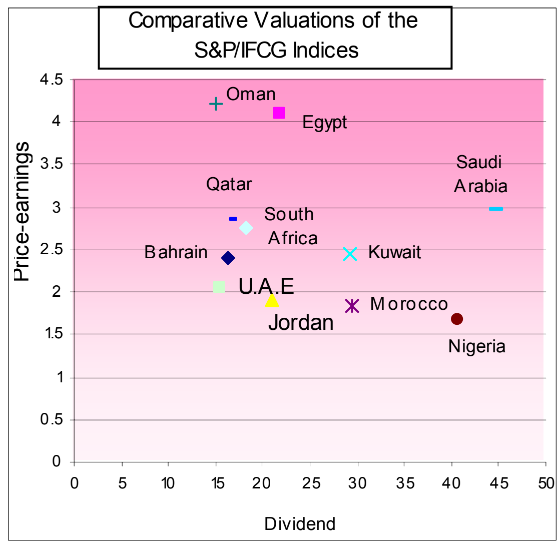
Trading in Securities

During FY	2003/2004	2004/2005	2005/2006	2006/2007
No. of Transactions (000s)	**1501**	**2436**	**5904**	**7698**
A. Listed shares, bonds and mutual fund certificates	1467	2272	5696	7482
B. Unlisted shares, bonds and mutual fund certificates	34	164	208	216
No. of Traded Securities (mn)	**2112**	**3251**	**7024**	**11259**
A. Listed shares, bonds and mutual fund certificates	1680	2392	5834	9454
B. Unlisted shares, bonds and mutual fund certificates	432	859	1190	1805
Value of Trading (LE mn)	**32422**	**83715**	**254609**	**277009**
A. Listed shares, bonds and mutual fund certificates	27543	75728	241305	259230
B. Unlisted shares, bonds and mutual fund certificates	4879	7987	13304	17779

Source: CMA's Monthly Report.

Foreigners' purchases on the Stock Exchange were high during the reporting year, as their net purchases reached LE 14.0 billion from LE 3.2 billion. Foreigners' transactions totaled LE 135.7 billion against LE 147.1 billion a year earlier. Foreigners were really encouraged by upgrading the rating of the Egyptian economy by international agencies in the previous two years; in appreciation of the reform policies and the government's unrelenting commitment to continue the course of reform. In addition, the Egyptian stock exchange continued to attract investment as shown by profitability indicators (dividend yield and price/earning ratio) as compared with other exchanges in the region, and in emerging markets according to the Standard & Poor’s index, and the IFC index.





3/6- Insurance Sector

At end of June 2006, investments of the insurance sector* reached LE 278.8 billion, up by LE 26.4 billion or 10.5 percent during FY 2005/2006.

Investments of Insurance Sector

(LE bn)

At End of June	2005 Insurance Companies and Funds	2005 National Authority for Social Insurance	2005 Total	2006 Insurance Companies and Funds	2006 National Authority for Social Insurance	2006 Total
Grand Total	**31.4**	**221.0**	**252.4**	**35.4**	**243.4**	**278.8**
Real estates	0.7	-	0.7	0.8	-	0.8
Securities	20.2	2.0	22.2	22.8	2.0	24.8
Deposits at NIB	-	219.0	219.0	0.0	241.4	241.4
Loans	0.4	-	0.4	0.4	-	0.4
Fixed deposits at banks	10.0	-	10.0	11.3	-	11.3
Others	0.1	-	0.1	0.1	-	0.1

* Including the National Authority for Social Insurance, insurance companies and private insurance funds.

The National Authority for Social Insurance accounted for the bulk of 87.3 percent of total investments of the insurance sector with a value of LE 243.4 billion at end of June 2006. Investments of insurance companies and funds reached LE 35.4 billion or 12.7 percent.

Analysis of the structure of investments of the insurance sector shows that most investments were in the deposits of the National Authority for Social Insurance at the NIB that reached LE 241.4 billion or 86.6 percent of the total at end of June 2006. Securities investments (mainly of insurance companies and funds) reached LE 24.8 billion or 8.9 percent. In addition, deposits at banks represented 4.1 percent of the total (completely belonging to insurance companies and funds).

It is noteworthy that investments of the National Authority for Social Insurance reached LE 247.8 billion at end of June 2007. The structure of these investments was shifted, as securities rose to LE 199.8 billion at end of June 2007 from LE 2.0 billion at end of June 2006, whereas investments at the NIB dropped to LE 48.0 billion from LE 241.4 billion, after the government cleared its debt to the NIB to zero as of 1/7/2006 and replaced it with government bonds.

Annex

Statistical Section

Statistical Section

(1/1) CBE : Financial Position

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Foreign Assets	**53349**	**61643**	**86212**	**88111**	**108520**	**129454**	**160175**
Balances with correspondents abroad	36829	43529	64299	65266	85788	72763	43425
Foreign securities	10628	14061	16424	16908	16404	48069	107362
Gold and other foreign balances	5892	4053	5489	5937	6328	8622	9388
Domestic Assets	**120255**	**147064**	**195698**	**245143**	**283009**	**226876**	**287375**
Claims on government, of which:	94545	113231	131689	175579	218450	167685	169608
Government securities	79734	98484	116512	163629	206034	164761	166724
Claims on National Investment Bank	-	130	-	-	-	10	10
Claims on banks in Egypt	12513	11314	10649	10184	11835	16537	76230
Other domestic assets	13197	22389	53360	59380	52724	42644	41527
ASSETS = LIABILITIES	**173604**	**208707**	**281910**	**333254**	**391529**	**356330**	**447550**
Foreign Liabilities	**41328**	**53047**	**75268**	**79840**	**72863**	**69440**	**66168**
Domestic Labilities	**132276**	**155660**	**206642**	**253414**	**318666**	**286890**	**381382**
Note issued	40809	45427	52219	59703	67527	79017	93240
Claims to government	28659	41504	54284	75869	97519	53079	51897
Claims to National Investment Bank	1032	150	5478	487	819	496	544
Claims to banks in Egypt	49626	56685	84915	107572	144411	149088	229701
Equities & net profits of the year	5149	5500	1790	2325	2513	2423	2270
Provisions	108	22	235	307	302	50	41
Other domestic liabilities	6893	6372	7721	7151	5575	2737	3689

Source: Central Bank of Egypt.

(1/2) CBE : Banknote Issue by Denomination

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total	**41008**	**45633**	**52432**	**59922**	**67753**	**79253**	**93499**
Currency by Denomination	**40809**	**45427**	**52219**	**59703**	**67527**	**79017**	**93240**
PT 25	115	128	136	118	120	136	144
PT 50	216	225	235	203	220	241	240
LE 1	405	427	455	515	517	545	565
LE 5	1187	1047	1119	1226	1279	1121	1071
LE 10	5656	5745	5728	5490	5074	4274	3470
LE 20	11589	12005	12110	11010	10329	9226	8796
LE 50	13409	15035	19381	22686	24517	27959	28152
LE 100	8232	10815	13055	18455	25471	35515	47552
LE 200*	0	0	0	0	0	0	3250
Subsidiary Coins**	**199**	**206**	**213**	**219**	**226**	**236**	**259**

Source: Central Bank of Egypt.

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

** Issued by the Ministry of Finance.

(1/3) CBE : Clearing Houses Activity *

During FY	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
First : Cairo Branch							
Number of cheques (thousands)	6881	6737	9250	8856	8618		
Value of cheques (LE mn)	249613	232323	215703	215091	231943		
Second : Alexandria Branch							
Number of cheques (thousands)	1182	1037	663	626	593		
Value of cheques (LE mn)	39156	35208	26383	30652	27874		
Third : Port Said Branch							
Number of cheques (thousands)	165	144	112	109	110		
Value of cheques (LE mn)	3399	3012	2495	2481	2606		
Fourth : All Branches							
Number of cheques (thousands)	8228	7918	10025	9591	9321	9508	10480
Value of cheques (LE mn)	292168	270543	244581	248224	262423	288715	356901

Source : Central Bank of Egypt.

* As of 1/1/2006, the manual Clearing Houses in Alexandria and Port Said were cancelled and all their activities were transferred to Cairo Automated Clearing House.

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

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
First : Domestic Liquidity	**284873**	**328728**	**384262**	**434911**	**493884**	**560356**	**662688**
a - Money Supply	**53448**	**59805**	**67212**	**77606**	**89685**	**109274**	**131290**
Currency in circulation outside the banking system	38161	42299	48258	55933	63029	74239	86860
Demand deposits in local currency	15287	17506	18954	21673	26656	35035	44430
b - Quasi-Money	**231425**	**268923**	**317050**	**357305**	**404199**	**451082**	**531398**
Time & saving deposits in local currency	170681	192718	212010	233610	283020	314188	377424
Demand and time & saving deposits in foreign currencies	60744	76205	105040	123695	121179	136894	153974
Second : Counterpart Assets							
Net foreign assets	18957	17285	25429	45241	80913	133385	218629
Domestic credit	321870	360090	387446	422040	466771	509532	531314
Other items (net)	-55954	-48647	-28613	-32370	-53800	-82561	-87255

Source : Central Bank of Egypt.

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

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total Deposits in Local Currency	**185968**	**210224**	**230964**	**255283**	**309676**	**349223**	**421854**
Demand Deposits	**15287**	**17506**	**18954**	**21673**	**26656**	**35035**	**44430**
Public business sector *	2556	2813	2937	2857	3027	4934	6278
Private business sector	6033	7385	7989	9235	12228	15863	20681
Household sector	7610	8255	8674	10306	11985	14831	18378
Minus: purchased cheques & drafts	912	947	646	725	584	593	907
Time and Saving Deposits	**170681**	**192718**	**212010**	**233610**	**283020**	**314188**	**377424**
Public business sector *	10258	11116	10990	12557	13700	15465	17186
Private business sector	23047	24209	22099	25984	27439	25580	56823
Household sector	137376	157393	178921	195069	241881	273143	303415

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	2001	2002	2003	2004	2005	2006	2007
Total Deposits in Foreign Currencies	**60744**	**76205**	**105040**	**123695**	**121179**	**136894**	**153974**
Demand Deposits	**6742**	**8267**	**12159**	**16280**	**18140**	**18534**	**26917**
Public business sector *	236	311	475	878	1249	935	947
Private business sector	3936	4155	6123	8891	10234	10417	18453
Household sector	2753	3992	5689	6697	6823	7392	7689
Minus: purchased cheques & drafts	183	191	128	186	166	211	172
Time and Saving Deposits	**54002**	**67938**	**92881**	**107415**	**103039**	**118360**	**127057**
Public business sector *	2344	1883	2403	2554	2946	4734	5774
Private business sector	13629	15272	19056	20659	21103	28845	30641
Household sector	38029	50783	71422	84202	78990	84782	90642

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	2001	2002	2003	2004	2005	2006	2007
Net Foreign Assets	**18957**	**17285**	**25429**	**45241**	**80913**	**133385**	**218629**
Foreign Assets With	**78630**	**90125**	**126068**	**145297**	**174328**	**218982**	**304968**
Central Bank of Egypt	53599	61894	86287	88313	108737	129477	160197
Banks	25031	28231	39781	56984	65591	89505	144771
Foreign Liabilities With	**59673**	**72840**	**100639**	**100056**	**93415**	**85597**	**86339**
Central Bank of Egypt	40596	52078	73944	78455	71443	68176	64825
Banks	19077	20762	26695	21601	21972	17421	21514

Source : Central Bank of Egypt.

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

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
First : Domestic Credit	**321870**	**360090**	**387446**	**422040**	**466771**	**509532**	**531314**
Net claims on the government (A+B-C)	83323	95423	103518	126343	159889	184131	178323
A-Securities	129676	162675	203845	258178	311375	295974	278011
B-Credit facilities	31340	33580	33493	33075	41364	28044	52151
C-Government deposits	77693	100832	133820	164910	192850	139887	151839
Claims on public business sector *	29185	31143	34986	35588	37420	32888	24446
Claims on private business sector	178597	200230	214308	223096	228195	239338	268607
Claims on household sector	30765	33294	34634	37013	41267	53175	59938
Second : Other Items (Net)	**-55954**	**-48647**	**-28613**	**-32370**	**-53800**	**-82561**	**-87255**
Capital accounts, of which :	-62530	-68579	-76905	-83821	-94179	-102139	-114534
Capital and reserves	-27343	-29205	-31750	-34125	-37881	-43043	-48133
Provisions	-31584	-36165	-40334	-44891	-49843	-55000	-53510
Net unclassified assets and liabilities	6576	19932	48292	51451	40379	19578	27279

Source : Central Bank of Egypt.

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

(2/6) Total Saving Vessels

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total Saving Vessels	**289118**	**335651**	**395068**	**445887**	**498190**	**560229**	**655376**
Savings at the Banking System	**231425**	**268923**	**317050**	**357305**	**404199**	**451082**	**531398**
Time & saving deposits in local currency	170681	192718	212010	233610	283020	314188	377424
Demand and time & saving deposits in foreign currencies	60744	76205	105040	123695	121179	136894	153974
Net Sales of Investment Certificates	**43966**	**49008**	**55218**	**60178**	**58485**	**63697**	**68311**
Post Office Saving Deposits	**13727**	**17720**	**22800**	**28404**	**35506**	**45450**	**55667**

Source : Central Bank of Egypt.

(3/1) Domestic Debt of the Government & Economic Authorities

(LE mn)

Balances at End of June	2002	2003	2004	2005	2006	2007
Total Domestic Debt	**329800**	**370619**	**434846**	**510805**	**593493**	**637197**
Domestic Debt of the Government	**221224**	**252185**	**292721**	**349169**	**387719**	**478173**
- Bonds & Bills	**165907**	**208592**	**272074**	**340898**	**349957**	**562897**
- Treasury bonds, of which :	113091	137192	171809	200284	231125	230848
Bonds in local currency with public sector banks	-	4000	4000	4000	4000	4000
Euro sovereign bonds offered abroad *	2511	4612	5647	5122	5109	3868
- Treasurey notes to compensate the actuarial deficit in social insurance funds	2000	2000	2000	2000	2000	2000
- Housing bonds	136	132	128	124	122	119
- Treasury bills	40007	55318	83774	124907	103144	118657
- Foreign currency bonds at commercial public sector banks	9406	12610	12938	12070	12014	11886
- The equivalent of the retained 5% of companies profit to purchase government bonds	1267	1340	1425	1513	1552	1588
- Bonds of the two insurance funds (against the transfer of NIB debt to the treasury)	0	0	0	0	0	197799
- Net Government Balances with the Banking System	**-58469**	**-80346**	**-113678**	**-135480**	**-104860**	**-89241**
Amounts paid against Insurance Funds' deposits with the Treasury	**0**	**0**	**0**	**0**	**0**	**4517**
- Government Borrowing from NIB	**113786**	**123939**	**134325**	**143751**	**142622**	**0**
The Economic Authorities Debt	**41141**	**39195**	**40064**	**47176**	**47387**	**44557**
- Net balances of economic authorities with the banking system	-5983	-10899	-13707	-11089	-2809	-7177
- Borrowing of economic authorities from NIB	47124	50094	53771	58265	50196	51734

Source : The Ministry of Finance, Central Bank of Egypt & National Investment Bank.

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

(3/2) National Investment Bank
(Resources & Uses)

(LE mn)

Balances at End of June	2002	2003	2004	2005	2006	2007
Resources :	**231145**	**262354**	**294550**	**321393**	**354962**	**169152**
. Social Insurance Fund for Gov. Employees	83779	95886	108991	122913	135735	27428
. Social Insurance Fund for Pub. & Priv. Sector Employees	70879	78947	87166	96093	105703	20574
. Proceeds of Investment Certificates	49008	55218	60178	58485	64038	68485
. Accumulated returns on Investment Certificates (Category A)	7417	6560	6737	6852	7028	7579
. Proceeds of US Dollar Development Bonds	1303	1736	1738	1418	824	483
. Post Office Saving	17109	22300	27776	33902	39097	43518
. Other *	1650	1707	1964	1730	2537	1085
Uses:	**231145**	**262354**	**294550**	**321393**	**354962**	**169152**
. Government	113786	123939	134325	143751	142622	0
. Economic Authorities	47124	50094	53771	58265	50196	51734
. Holding Companies & Affiliates , Concessional Loans & Other	67435	79239	102061	114460	158387	114467
. NIB Balances at the Banking System	2800	9082	4393	4917	3757	2951

Source : The Ministry of Finance, Central Bank of Egypt & National Investment Bank.

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

(3/3) External Debt

(US$ mn)

End of June	2001	2002	2003	2004	2005	2006	2007 +
Total External Debt*	**26560**	**28661**	**29396**	**29872**	**28949**	**29593**	**29898**
Rescheduled bilateral debt **	14779	15337	16192	16385	15734	15229	14847
ODA	7345	7456	7900	8053	7836	7611	7397
Non-ODA	7434	7881	8292	8332	7898	7618	7450
Other bilateral debt	3894	4057	4350	4433	4291	4295	4346
Paris Club countries	3353	3405	3320	3264	3530	3590	3630
Other countries	541	652	1030	1169	761	705	716
International & regional institutions	4311	4698	4904	5081	5058	5205	6815
Suppliers' & buyers' credit	896	924	1133	1333	782	980	792
Egyptian bonds & notes	0	953	735	588	614	1862	1570
Arab International Bank's deposit ***	0	0	0	0	500	300	0
Private sector debt (non-guaranteed)	473	542	217	85	115	89	79
Short-term debt	2207	2150	1865	1967	1855	1633	1449
Deposits	1311	1338	1305	1267	819	633	536
Other short-term facilities	896	812	560	700	1036	1000	913

Source : Central Bank of Egypt - Loans & External Debt Department.

+ 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

(US$ mn)

End of	June 2006 *		June 2007 *		Change
	Value	%	Value	%	(-)
Total	**29592.6**	**100.0**	**29898.0**	**100.0**	**305.4**
US dollar **	12456.6	42.1	12453.0	41.6	(3.6)
Canadian dollar	164.0	0.6	167.0	0.5	3.0
Australian dollar	129.0	0.4	139.0	0.5	10.0
Swiss franc	550.0	1.9	526.0	1.8	(24.0)
Sterling pound	247.0	0.8	260.0	0.9	13.0
Japanese yen	3531.0	11.9	3200.0	10.7	(331.0)
Danish krone	144.0	0.5	146.0	0.5	2.0
Norwegian krone	28.0	0.1	1.0	0.0	(27.0)
Swedish krona	37.0	0.1	37.0	0.1	0.0
Kuwaiti dinar	1450.0	4.9	1601.0	5.4	151.0
Saudi riyal	37.0	0.1	31.0	0.1	(6.0)
UAE dirham	45.0	0.2	41.0	0.1	(4.0)
Euro	9427.0	31.9	9793.0	32.8	366.0
SDRs	1347.0	4.5	1503.0	5.0	156.0

Source : Central Bank of Egypt - Loans & External Debt Department.

* Provisional.

** Including other liabilities in US dollar.

(4/1) Participants in the CBE Training Programs

FY	2005/2006	2006/2007
First : Banking System Employees	**280**	**0**
- Specialized banking courses (in the governorates)	280	0
Second : CBE Employees :	**9851**	**7083**
1 - Banking Institute Programs	**8355**	**4929**
• Specialized & managerial programs, computer & English	7995	2923
• Qualifying programs (specialized & managerial programs, computer & English)	360	2006
2 - External Entities	**1068**	**1099**
• Specialized & managerial programs, computer & English	..	259
• Qualifying programs (specialized & managerial programs, computer & English)	..	840
3 - Computer Laboratory	**266**	**869**
4 - External Missions (Regional & International Institutions)	**129**	**87**
5 - Training in the CBE Departments (Foreigners)	**33**	**99**
Total	**10131**	**7083**

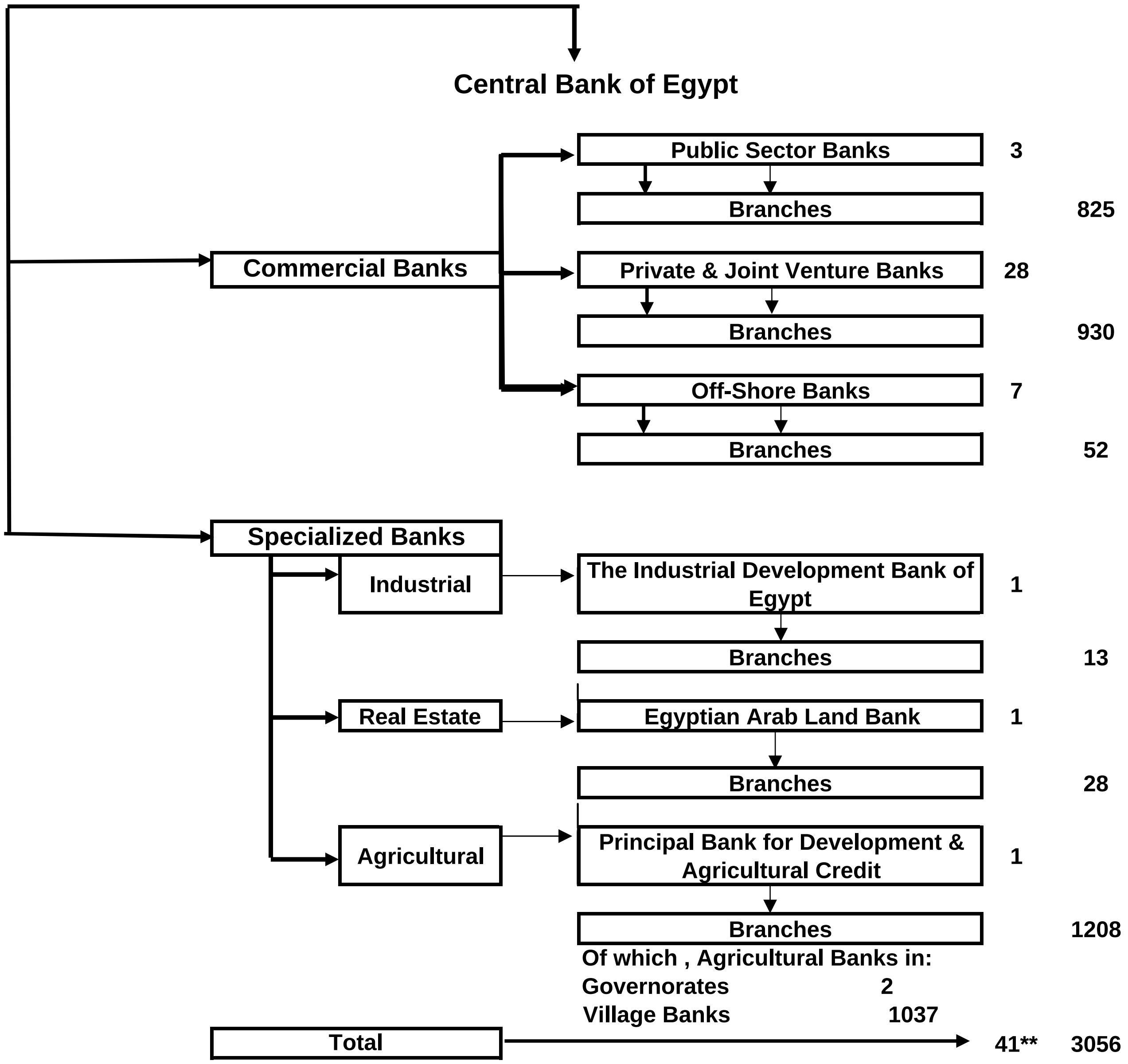
Source : Central Bank of Egypt.

(4/2) Banking Institute Activities

During FY	2005/2006		2006/2007	
	Number		Number	
	Programs	Participants	Programs	Participants
First: Short-Term Training	**980**	**20900**	**1066**	**22065**
1 - Training Programs	**747**	**15114**	**734**	**14624**
- Banking and Managerial Programs	**444**	**8835**	**399**	**8257**
. Finance & Credit	102	1918	85	1691
. Banking Operations	177	3788	136	2772
.Treasury & Investment	23	438	25	457
. Accounting & Auditing	25	440	18	354
. Legal Aspects	44	903	38	1000
. Economic Programs	6	92	3	39
. Management and HR	48	895	76	1541
. Marketing & Customer Service	19	361	18	403
- Complementary Programs	**303**	**6279**	**335**	**6367**
Computer	216	3649	226	3770
English Language	87	2630	109	2597
2 - Special and Contractual Programs	**233**	**5786**	**332**	**7441**
Second : Specialized Certificates	**106**	**711**	**137**	**733**
Third : Senior Management Programs	**25**	**22**	**20**	**22**
Fourth : Seminars & Conferences	**36**	**2086**	**9**	**198**
Total	**1147**	**23719**	**1232**	**23018**

Source : Egyptian Banking Institute.

(4/3) Structure of the Egyptian Banking System
As at 30/6/2007*



* Branches of the Egyptian banks abroad are excluded, while two banks are established under private laws and are not registered with CBE: Arab International Bank and Nasser Social Bank.

** Compered with 43 banks at end of June 2006 due to the merger and acquisition operations in the banking sector, according to the reform plan implemented by the CBE .

(4/4) Representative Offices Registered with the CBE
(up to June 30, 2007)

Name	Registration Date	Address
Al-Raghi Banking & Investment Corp.	20/10/1993	19 Adly St., 2nd Floor, Apart. 59, Cairo
Bank of New York	27/10/1993	9 Abd El- Moneim Riad St., Dokki, Giza
Societe Generale	6/2/1994	2 Abd El –Kader Hamza St., Cairo Center Building, 5th Floor, Garden City, Cairo
Commerz Bank AG	31/5/1994	153 Mohamed Farid St.,(Banque Misr Tower), 22nd Floor, Cairo
Monte dei Paschi di Siena S.P.A.	5/7/1994	Nile Hilton Building (Commercial Center), Tahrir Square, 2nd Floor, Room No.24, Cairo
Union De Banques Arabes et Francaises (UBAF)	15/8/1994	4 Behlar Passage, Kasr El-Nil St., Cairo
Dresdner Bank AG	23/8/1994	21& 23 Giza St., El-Nil Tower, Floor No.12, Giza
State Bank of India	3/10/1994	15 Kamel El-Shinnawy St., Garden City, Cairo
Deutsche Bank AG	10/11/1994	6 bolis hanaSt., El Doki.
Banca Intesa Banca SPA	13/3/1995	3 Abo Elfeda St., Zamalek, Cairo
Credit Agricole Indosuez	17/7/1995	42 Al Batal Ahmed Abdel Aziz St., Mohandeseen
Arab Islamic Bank	11/12/1995	21& 23 Giza St., Nile Tower, Giza
JP Morgan Chase Bank	5/8/1996	3 Ahmed Nessim St., Giza
Bank of Tokyo Mitsubishi Ltd	4/3/1997	Nile Hilton, Commercial Center (No.247), Cairo
Union Bank of Switzerland (UBS AG)	22/10/1997	1191 Corniche El-Nil St., World Trade Center, 13th Floor, Cairo
Credit Suisse	16/3/1998	7B Ibn Shamar St., Giza
Wachovia Bank National Association	6/5/1998	9 El-Gomhoria El-Motahida Square, Dokki, Giza
ING Bank N.V.	12/7/1999	9 Hode El-Laban St.,Garden City, Cairo
Credit Industriel et Commercial, CIC	22/7/1999	28 Sherif St., Cairo
B.H.F Bank AG	2/8/1999	8 El-Sadd El-Aley St., Dokki , 12311,Giza
ABN Amro Bank N.V.	17/11/1999	31 Gezirat El-Arab St., Mohandeseen, Giza
Natexis Banque	22/3/2000	50 Abd El –Khalek Sarwat St., Cairo
Den Norske Bank	27/5/2001	19 El-Gabalaya St., Zamalek, Cairo
Bank of Valleta PLC	10/7/2003	106 Mohei El-Deen Aboul-Ezz St., Dokki, Giza
Sumitomo Mitsui Banking Corporation	19/1/2004	3 Ibn Kassir Corniche El-Nil St., 14th Floor, Flat 6, Giza
Bank Hofmann AG	22/4/2004	3 & 5 Mosadak – Nahda Tower El Dokki
American Express Bank Ltd	12/9/2005	Star Capital 2, Sheikha Fatma St., Office no. 21-22

Source : Central Bank of Egypt.

(5/1) Banks : Aggregate Financial Position

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Assets							
Cash	3485	4453	5557	5412	6594	6813	7705
Securities & investments in TBs, of which:	71142	87726	111337	137431	170659	193965	176098
CBE notes	-	-	-	-	-	21563	17617
Balances with banks in Egypt	67047	83244	110874	116290	124986	121695	217363
Balances with banks abroad	16252	20002	29798	43290	51204	72554	124366
Loans and discount balances	241470	266100	284722	296199	308195	324041	353746
Other assets	28966	33939	35650	34814	41990	42494	58645
Assets = Liabilities	**428362**	**495464**	**577938**	**633436**	**703628**	**761562**	**937923**
Liabilities							
Capital	12038	12531	18155	20346	22949	27112	33037
Reserves	10156	11238	11805	11454	12419	13418	12552
Provisions	31200	35869	40099	44584	49541	54950	53469
Bonds & Long-term loans	11922	14057	14866	15012	14254	17526	26351
Obligations to banks in Egypt	28158	35094	35579	29933	22671	21488	82619
Obligations to banks abroad	11486	11830	16247	10332	12262	8770	10006
Total deposits	291225	340868	403144	461697	519649	568841	649953
Other liabilities	32177	33977	38043	40078	49883	49457	69936

Source : Central Bank of Egypt.

(5/2) Banks : Deposits by Maturity

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total Deposits	**291225**	**340868**	**403144**	**461697**	**519649**	**568841**	**649952**
Demand deposits	26678	30913	37233	46742	51557	62431	78758
Time & saving deposits	244858	286953	342535	389483	445132	479805	542982
Blocked or retained deposits	19689	23002	23376	25472	22960	26605	28212
Local Currency Deposits	**218238**	**250106**	**278179**	**310870**	**369067**	**401143**	**463319**
Demand deposits	18354	21063	22929	27168	31606	41793	50365
Time & saving deposits	186545	213385	242058	269505	324664	345953	396351
Blocked or retained deposits	13339	15658	13192	14197	12797	13397	16603
Foreign Currency Deposits	**72987**	**90762**	**124965**	**150827**	**150582**	**167698**	**186633**
Demand deposits	8324	9850	14304	19574	19951	20638	28393
Time & saving deposits	58313	73568	100477	119977	120468	133852	146631
Blocked or retained deposits	6350	7344	10184	11276	10163	13208	11609

Source : Central Bank of Egypt.

(5/3) Banks : Deposits by Sector

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total Deposits	**291225**	**340868**	**403144**	**461697**	**519649**	**568841**	**649953**
Local Currency Deposits	**218238**	**250106**	**278179**	**310870**	**369067**	**401143**	**463320**
Government sector	31064	38578	46071	54120	57649	49422	37233
Public business sector *	12814	13930	13929	15414	16727	20399	23464
Private business sector	29079	31594	30088	35219	39668	41444	77504
Household sector	144986	165648	187594	205375	253865	287973	321793
Foreign sector **	295	356	498	742	1158	1905	3326
Foreign Currency Deposits	**72987**	**90762**	**124965**	**150827**	**150582**	**167698**	**186633**
Government sector	10943	13328	18977	26187	27252	29290	30329
Public business sector *	2580	2194	2878	3432	4195	5668	6721
Private business sector	17565	19426	25179	29550	31337	39263	49093
Household sector	40782	54775	77111	90899	85813	92174	98331
Foreign sector **	1117	1039	820	759	1985	1303	2159

Source : Central Bank of Egypt.

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

** Including counterpart deposits of US aid.

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

(LE mn)

End of June	2001	2002	2003	2004	2005	2006	2007
Total	**241470**	**266100**	**284722**	**296199**	**308195**	**324041**	**353746**
In Local Currency	**193981**	**213008**	**218696**	**228159**	**233141**	**238926**	**248544**
Government sector	9521	9901	9049	9963	10938	11285	10788
Public business sector *	24742	25831	26835	27690	30164	26269	18097
Private business sector	128618	144446	149118	154162	152193	150491	163292
Household sector	29777	32225	33285	35955	39354	50158	55453
Foreign sector	1323	605	409	389	492	723	914
In Foreign Currencies	**47489**	**53092**	**66026**	**68040**	**75054**	**85115**	**105202**
Government sector	3853	4661	4248	6240	11080	9712	15896
Public business sector *	4198	5060	8051	7740	7078	6373	6091
Private business sector	36388	40670	50827	51668	53502	64184	76020
Household sector	988	1070	1350	1059	1913	3017	4485
Foreign sector	2062	1631	1550	1333	1481	1829	2710

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 2001/2002 prices

(LE mn)

Sectors	2005/2006			2006/2007			Growth Rate (%) 2006/2007		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
GDP	**141739.1**	**284410.8**	**426149.9**	**150206.7**	**305987.3**	**456194.0**	**6.0**	**7.6**	**7.1**
Agriculture, Irrigation & Fishing	**10.3**	**66159.7**	**66170.0**	**10.8**	**68594.5**	**68605.3**	**4.9**	**3.7**	**3.7**
Extractions	**31800.7**	**5770.3**	**37571.0**	**32906.6**	**6130.4**	**39037.0**	**3.5**	**6.2**	**3.9**
Oil	14225.0	2174.0	16399.0	13994.0	2297.0	16291.0	-1.6	5.7	-0.7
Natural gas	17219.0	3119.0	20338.0	18540.0	3333.0	21873.0	7.7	6.9	7.5
Others	356.7	477.3	834.0	372.6	500.4	873.0	4.5	4.8	4.7
Manufacturing	**10382.9**	**70258.0**	**80640.9**	**10986.1**	**75513.0**	**86499.1**	**5.8**	**7.5**	**7.3**
Oil refining	1787.0	1214.0	3001.0	1746.0	1201.0	2947.0	-2.3	-1.1	-1.8
Others	8595.9	69044.0	77639.9	9240.1	74312.0	83552.1	7.5	7.6	7.6
Electricity	**6727.9**	**1112.0**	**7839.9**	**7158.6**	**1174.7**	**8333.3**	**6.4**	**5.6**	**6.3**
Water	**1849.8**	**0.0**	**1849.8**	**1982.1**	**0.0**	**1982.1**	**7.2**	**-**	**7.2**
Construction & Building	**2368.3**	**17318.9**	**19687.2**	**2651.5**	**20155.1**	**22806.6**	**12.0**	**16.4**	**15.8**
Transportation & Storage	**4425.2**	**16910.6**	**21335.8**	**4763.5**	**18285.2**	**23048.7**	**7.6**	**8.1**	**8.0**
Communications	**465.5**	**9022.0**	**9487.5**	**529.2**	**10291.4**	**10820.6**	**13.7**	**14.1**	**14.1**
Suez Canal	**14262.0**	**0.0**	**14262.0**	**16380.1**	**0.0**	**16380.1**	**14.9**	**-**	**14.9**
Wholesale & Retail Trade	**2041.9**	**47054.3**	**49096.2**	**2196.6**	**50969.8**	**53166.4**	**7.6**	**8.3**	**8.3**
Financial Intermediation & Supporting Services	**15846.6**	**8549.4**	**24396.0**	**16937.6**	**9200.5**	**26138.1**	**6.9**	**7.6**	**7.1**
Insurance	**597.0**	**218.0**	**815.0**	**637.0**	**231.2**	**868.2**	**6.7**	**6.1**	**6.5**
Social Solidarity	**9764.0**	**0.0**	**9764.0**	**10416.4**	**0.0**	**10416.4**			
Restaurants & Hotels	**173.9**	**13996.0**	**14169.9**	**196.5**	**15850.6**	**16047.1**	**13.0**	**13.3**	**13.2**
Real Estate	**636.4**	**14941.0**	**15577.4**	**664.8**	**15589.0**	**16253.8**	**4.5**	**4.3**	**4.3**
Real Estate Ownership	267.5	7898.0	8165.5	277.6	8226.2	8503.8	3.8	4.2	4.1
Business Services	368.9	7043.0	7411.9	387.2	7362.8	7750.0	5.0	4.5	4.6
General Government	**39546.0**	**0.0**	**39546.0**	**40898.1**	**0.0**	**40898.1**	**3.4**	**-**	**3.4**
Education, Health & Personal Activities	**840.7**	**13100.6**	**13941.3**	**891.2**	**14001.9**	**14893.1**	**6.0**	**6.9**	**6.8**
Education	0.0	3013.8	3013.8	0.0	3177.1	3177.1	0.0	5.4	5.4
Health	840.7	4756.1	5596.8	891.2	4991.2	5882.4	6.0	4.9	5.1
Others	0.0	5330.7	5330.7	0.0	5833.6	5833.6	0.0	9.4	9.4

Source : Ministry of State for Economic Development.

(6/2) GDP by Expenditure

At 2001/2002 Prices

	Value at LE bn		Structure (%)		Growth Rate (%)	
	2005/2006	2006/2007	2005/2006	2006/2007	2005/2006	2006/2007
1- GDP at Market Prices (2+5-6)	**454.3**	**486.5**	**100.0**	**100.0**	**6.8**	**7.1**
2- Total Domestic Expenditure (3+4)	**463.8**	**506.2**	**102.1**	**104.0**	**7.2**	**9.1**
3- Final Consumption	**378.8**	**394.2**	**83.4**	**81.0**	**6.0**	**4.1**
Private consumption	325.8	339.5	71.7	69.8	6.4	4.2
Government consumption	53.0	54.7	11.7	11.2	3.1	3.2
4- Gross Capital Formation	**85.0**	**112.0**	**18.7**	**23.0**	**13.3**	**31.8**
Investments	85.0	112.0	18.7	23.0	13.3	31.8
Change in stock	0.0	0.0	0.0	0.0	0.0	0.0
5- Exports of goods and services	**144.3**	**177.9**	**31.8**	**36.6**	**21.3**	**23.3**
6- Imports of goods and services	**153.8**	**197.6**	**33.9**	**40.6**	**21.8**	**28.5**
7- Gross Domestic Saving (1-3)	**75.5**	**92.3**	**16.6**	**19.0**	**11.5**	**22.3**

Source : Ministry of State for Economic Development.

(6/3) Consumer Price Index (Urban) (1999/2000=100)

	Relative Weights	End of June			Inflation Rate (%)	
		2005	2006	2007	July / June 2005/2006	July / June 2006/2007
All Items	**100.0**	**135.0**	**144.8**	**157.1**	**7.2**	**8.5**
Food and non-alcoholic beverages	38.9	150.7	168.2	184.4	11.6	9.6
Tobacco	2.8	136.1	146.2	146.2	7.4	0.0
Clothing & footwear	10.4	130.8	131.9	138.4	0.8	4.9
Housing, water, electricity & fuel	11.7	112.4	114.9	121.5	2.2	5.7
Furnishings, household equipment & routine maintenance of the house	4.9	132.5	138.0	144.7	4.2	4.9
Health	4.6	120.3	125.0	129.0	3.9	3.2
Transportation	5.6	125.5	127.0	139.5	1.2	9.8
Communications	2.0	180.7	216.6	219.1	19.9	1.2
Recreation & culture	5.9	119.5	128.2	153.2	7.3	19.5
Education	5.7	119.5	125.0	138.9	4.6	11.1
Restaurants, cafes & hotels	2.5	130.1	130.1	141.1	0.0	8.4
Miscellaneous services	5.0	121.1	124.3	138.7	2.7	11.5

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

(6/4) Wholesale Price Index (1999/2000=100)*

	Relative Weights	June 2005	June 2006	June 2007	Inflation Rate(%) July/June 2005/2006	Inflation Rate(%) July/June 2006/2007
All Items	**100.0**	**167.5**	**177.1**	**192.3**	**5.7**	**8.6**
Farm products	34.4	..	207.2	224.8	..	8.5
Foodstuffs	18.2	..	172.5	181.6	..	5.3
Beverages & tobacco	2.7	..	169.0	196.1	..	16.0
Yarn & textiles	3.9	..	173.2	174.3	..	0.6
Wearing apparel	1.4	..	124.5	124.5	..	0.0
Leather & footwear	0.2	..	174.9	182.5	..	4.3
Wood & its products	1.5	..	167.1	191.9	..	14.8
Paper & printing	1.7	..	154.3	157.3	..	1.9
Chemicals & products	7.4	..	126.4	127.4	..	0.8
Fuel & related products	10.5	..	125.1	142.9	..	14.2
Rubber & plastic products	0.6	..	142.7	146.7	..	2.8
Non-metallic mineral products	3.5	..	132.3	146.1	..	10.4
Metals	5.2	..	248.2	302.4	..	21.8
Metal products,machinery & equipment	5.4	..	164.2	173.2	..	5.5
Transportation equipment	2.8	..	175.4	189.5	..	8.0
Other manufacturing products	0.6	..	205.7	223.9	..	8.8

Source : Central Agency for Public Mobilization and Statistics (CAPMAS), (Monthly Bulletin of Wholesale Price Index issued every two months).

* A new series was developed by taking the average of the fiscal year 1999/2000 as a base period. The averages of two years (1999/2000 and 2000/2001) for agricultural & industrial production values were taken as weights for this series, in order to avoid big and sudden changes which may occur in the production of some commodities in case of selecting one year. This series has been released as of September 2005.

.. Not available

(7/1) Summary of Consolidated Fiscal Operations of General Government

(The Budget Sector, NIB & SIFs)

(LE mn)

During FY	2003/2004		2004/2005	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
Total Revenues	**101881**	**123964**	**110864**	**132926**
Tax Revenues	67147	67147	75759	75759
Grants	5051	5051	2853	2853
Property Income	14824	20252	17758	23611
Sales of Goods and Services	7755	7755	7197	7197
Financing Investment	2569	2569	3146	3146
Other	4535	21190	4151	20360
Total Expenditures	**145988**	**153366**	**161611**	**170790**
Compensation of Employees	37266	37630	41546	42012
Purchases of Goods and Services	9340	9409	12613	12714
Interest	30704	27517	32780	29805
Subsidies,Grants and Social Benefits	24747	34839	29705	41223
Other Expenditures	21080	21104	21692	21738
Purchases of Non-Financial Assets (Investments)	22851	22867	23275	23298
Cash Deficit	**44107**	**29402**	**50747**	**37864**
Net Acquisition of Financial Assets	**1770**	**10551**	**896**	**7404**
Overall Fiscal Balance Finance	**45877**	**39953**	**51643**	**45268**

Source : The Ministry of Finance.

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

(LE mn)

During FY	2003/2004		2004/2005	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
Financing Sources	**45877**	**39954**	**51643**	**45270**
Domestic Financing	**45334**	**36738**	**63569**	**53998**
Banking Financing	**21002**	**23479**	**31395**	**29462**
Central Bank	23506	28488	24764	24434
Other Banks	-2504	-5009	6631	5028
Non-Banking Financing	**24332**	**13259**	**32174**	**24536**
NIB	24274	4797	13433	7121
SIFs	-142	0	1985	0
Other	200	200	16756	16756
NIB Borrowing	0	8262	0	659
Special Accounts for Economic Authorities	0	0	0	0
Foreign Borrowing	**503**	**503**	**-4243**	**-4243**
Arrears	**-1075**	**-1075**	**-2477**	**-2477**
Others, of which :	**486**	**3159**	**1876**	**5074**
Financing Effects for Eliminations				
Exchange Rate Revaluation	**1486**	**1486**	**-3935**	**-3935**
Net Privatization Proceeds	**15**	**15**	**1012**	**1012**
Difference between Treasurey Bills Face Value & Present Value	**-266**	**-266**	**-3084**	**-3084**
Discrepancy	**-606**	**-606**	**-1075**	**-1075**
Cash deficit (surplus) as a percentage of GDP	**9.1%**	**6.1%**	**9.4%**	**7.0%**
Overall fiscal balance as a percentage of GDP	**9.5%**	**8.2%**	**9.6%**	**8.4%**
Revenues as a percentage of GDP	**21.0%**	**25.5%**	**20.6%**	**24.7%**
Expenditures as a percentage of GDP	**30.1%**	**31.6%**	**30.0%**	**31.7%**

Source : The Ministry of Finance.

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

(The Budget Sector , NIB & SIFs)

(LE mn)

During FY	2005/2006		2006/2007 (Prel.Actual)	
	The Budget Sector	The Budget Sector,NIB & SIFs	The Budget Sector	The Budget Sector,NIB & SIFs
Total Revenues	**151266**	**175929**	**180215**	**205654**
Tax Revenues	97779	97779	114326	114326
Grants	2379	2379	3886	3886
Property Income	36373	43393	45111	50593
Sales of Goods and Services	7891	7891	9776	9776
Financing Investment	3705	3705	4376	4376
Other	3139	20782	2740	22697
Total Expenditures	**207811**	**223625**	**222030**	**244018**
Compensation of Employees	46719	47258	52153	52746
Purchases of Goods and Services	14428	14493	17028	17121
Interest	36815	34812	47700	38368
Subsidies,Grants and Social Benefits	68897	86056	58442	88684
Other Expenditures	19740	19762	21209	21571
Purchases of Non-Financial Assets (Investments)	21212	21244	25498	25528
Cash Deficit	**56545**	**47696**	**41815**	**38364**
Net Acquisition of Financial Assets	**-6159**	**8942**	**12883**	**17849**
Overall Fiscal Balance Finance	**50386**	**56638**	**54698**	**56213**

Source : The Ministry of Finance.

(7/2) Summary of Consolidated Fiscal Operations of General Government (Contd.)
(The Budget Sector , NIB & SIFs)

(LE mn)

During FY	2005/2006		2006/2007 (Prel.Actual)	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
Financing Sources	50386	56638	54698	56213
Domestic Financing	54381	64949	33286	35404
Banking Financing	14802	27826	-20926	-17662
Central Bank	-11463	-9915	3146	3196
Other Banks	26265	37741	-24072	-20858
Non-Banking Financing	39579	37123	54212	53066
NIB	12599	13764	143	0
SIFs	11000	0	6861	0
Other	15980	15980	28528	28528
NIB Borrowing	0	7379	0	5858
Special Accounts for Economic Authorities	0	0	18680	18680
Foreign Borrowing	3641	3641	3581	3581
Arrears	-1777	-1777	-693	-693
Others, of which :	-489	-4806	19922	19320
Special Accounts for Budget Entities	0	0	12952	12952
Exchange Rate Revaluation	-311	-311	-432	-432
Net Privatization Proceeds	126	126	172	172
Difference between Treasury Bills Face Value & Present Value	-709	-709	-1168	-1168
Discrepancy	-4476	-4475	30	29
Cash deficit (surplus) as a percentage of GDP	9.2%	7.7%	5.7%	5.2%
Overall fiscal balance as a percentage of GDP	8.2%	9.2%	7.5%	7.7%
Revenues as a percentage of GDP	24.5%	28.5%	24.6%	28.1%
Expenditures as a percentage of GDP	33.6%	36.2%	30.4%	33.4%

Source : The Ministry of Finance.

(8/1) Balance of Payments

(LE mn)

	Fiscal Year				Change
	2005/2006		2006/2007*		
	Value	%	Value	%	(-)
Balance of Current Account	**10116.4**		**15548.4**		**5432.0**
Balance of Current Account (Excluding Transfers)	**(21836.2)**		**(24841.1)**		**(3004.9)**
Receipts	**206491.3**	**100.0**	**242400.4**	**100.0**	**35909.1**
Export proceeds**	106160.8	51.4	125792.4	51.9	19631.6
Transportation, of which:	28463.2	13.8	36401.7	15.0	7938.5
Suez Canal dues	(20475.0)	(9.9)	(23822.9)	(9.8)	(3347.9)
Travel	41631.1	20.1	45793.6	18.9	4162.5
Investment income	11515.0	5.6	17390.9	7.2	5875.9
Government receipts	2061.4	1.0	1447.6	0.6	(613.8)
Others	16659.8	8.1	15574.2	6.4	(1085.6)
Payments	**228327.5**	**100.0**	**267241.5**	**100.0**	**38914.0**
Import payments**	175149.7	76.7	216110.5	80.9	40960.8
Transportation	6989.9	3.1	7270.4	2.7	280.5
Travel	9318.4	4.1	10956.3	4.1	1637.9
Investment income, of which:	8467.6	3.7	10615.7	4.0	2148.1
Interest paid	(3305.2)	(1.4)	(3414.5)	(1.3)	(109.3)
Government expenditures	7567.4	3.3	6782.7	2.5	(784.7)
Others	20834.5	9.1	15505.9	5.8	(5328.6)
Transfers	**31952.6**	**100.0**	**40389.5**	**100.0**	**8436.9**
Private (net)	28624.9	89.6	35759.9	88.5	7135.0
Official (net)	3327.7	10.4	4629.6	11.5	1301.9

* Preliminary figures.

** Including exports & imports of free zones.

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

(LE mn)

	Fiscal Year	
	2005/2006	2006/2007*
	Value	Value
Capital & Financial Account	**20250.5**	**6503.0**
Capital Account	**-216.3**	**-223.9**
Financial Account	**20466.8**	**6726.9**
Direct investment abroad	**-835.9**	**-3056.5**
Direct investment in Egypt (net) **	**35169.0**	**63209.5**
Portfolio investment abroad	**-4186.7**	**-3183.3**
Portfolio investment in Egypt (net), of which:	**15938.9**	**-5328.1**
Bonds	15518.8	-3154.5
Other Investments (Net)	**-25618.5**	**-44914.7**
Net Borrowing	8208.3	12299.8
Medium-and Long-Term Loans	-5332.3	-566.5
Drawings	4579.0	7376.5
Repayments	-9911.3	-7943.0
Medium-Term Suppliers' Credit	-580.5	-1269.5
Drawings	3597.8	329.1
Repayments	-4178.3	-1598.6
Short-Term Suppliers' Credit (net)	14121.1	14135.8
Other Assets	-29362.2	-61605.7
CBE	17.6	-1230.8
Banks	-24141.0	-56604.1
Others	-5238.8	-3770.8
Other Liabilities	-4464.6	4391.2
CBE	12.7	91.4
Banks	-4477.3	4299.8
Net Errors & Omissions	**-11636.6**	**8125.3**
Overall Balance	**18730.3**	**30176.7**
Change in CBE Reserve Assets, Increase (-)	**-18730.3**	**-30176.7**

Source : CBE

* Preliminary figures.

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

(8/2) Balance of Payments

(US$ mn)

	Fiscal Year				Change
	2005/2006		2006/2007*		
	Value	%	Value	%	(-)
Balance of Current Account	**1751.9**		**2695.6**		**943.7**
Balance of Current Account (Excluding Transfers)	**(3795.2)**		**(4365.7)**		**(570.5)**
Receipts	**35893.0**	**100.0**	**42425.7**	**100.0**	**6532.7**
Export proceeds**	18455.1	51.4	22017.5	51.9	3562.4
Transportation, of which :	4947.1	13.8	6371.3	15.0	1424.2
Suez Canal dues	(3558.8)	(9.9)	(4169.6)	(9.8)	(610.8)
Travel	7234.6	20.1	8011.7	18.9	777.1
Investment income	2001.8	5.6	3044.7	7.2	1042.9
Government receipts	358.2	1.0	253.5	0.6	(104.7)
Others	2896.2	8.1	2727.0	6.4	(169.2)
Payments	**39688.2**	**100.0**	**46791.4**	**100.0**	**7103.2**
Import payments**	30441.0	76.7	37834.2	80.9	7393.2
Transportation	1214.9	3.1	1272.9	2.7	58.0
Travel	1619.6	4.1	1917.6	4.1	298.0
Investment income, of which :	1471.1	3.7	1856.9	4.0	385.8
Interest paid	(586.5)	(1.5)	(597.4)	(1.3)	(10.9)
Government expenditures	1319.9	3.3	1195.9	2.5	(124.0)
Others	3621.7	9.1	2713.9	5.8	(907.8)
Transfers	**5547.1**	**100.0**	**7061.3**	**100.0**	**1514.2**
Private (net)	4975.4	89.7	6261.0	88.7	1285.6
Official (net)	571.7	10.3	800.3	11.3	228.6

* Preliminary figures.

**Including exports & imports of free zones.

(8/2) Balance of Payments (Contd.)

(US$ mn)

	Fiscal Year	
	2005/2006	2006/2007*
	Value	Value
Capital & Financial Account	**3511.3**	**1133.7**
Capital Account	**-37.6**	**-39.0**
Financial Account	**3548.9**	**1172.7**
Direct investment abroad	**-145.3**	**-535.6**
Direct investment in Egypt (net) **	**6111.4**	**11053.2**
Portfolio investment abroad	**-729.1**	**-557.5**
Portfolio investment in Egypt (net), of which :	**2764.0**	**-936.7**
Bonds	2690.2	-550.7
Other Investments (Net)	**-4452.1**	**-7850.7**
Net Borrowing	1425.8	2148.5
Medium-and Long-Term Loans	-927.5	-94.7
Drawings	795.6	1295.0
Repayments	-1723.1	-1389.7
Medium-Term Suppliers' Credit	-101.2	-221.7
Drawings	625.4	57.7
Repayments	-726.6	-279.4
Short-Term Suppliers' Credit (net)	2454.5	2464.9
Other Assets	-5102.8	-10770.3
CBE	3.3	-215.3
Banks	-4197.7	-9900.5
Others	-908.4	-654.5
Other Liabilities	-775.1	771.1
CBE	2.2	16.0
Banks	-777.3	755.1
Net Errors & Omissions	**-2009.8**	**1453.0**
Overall Balance	**3253.4**	**5282.3**
Change in CBE Reserve Assets, Increase (-)	**-3253.4**	**-5282.3**

Source : CBE

* Preliminary figures.

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

(8/3) Average Exchange Rates

(In piasters per foreign currency unit)

End of	June 2006		June 2007	
First : Interbank Rates (US$)				
Minimum	575.76		569.64	
Maximum	575.80		569.68	
Weighted average	575.79		569.67	
Second : Market Rates	**Buy**	**Sell**	**Buy**	**Sell**
US Dollar	575.23	577.20	568.92	570.73
Euro	720.53	723.06	766.17	768.72
Pound Sterling	1041.97	1045.66	1139.09	1142.78
Swiss Franc	460.33	462.06	463.18	464.77
100 Japanese Yens	493.76	495.67	462.69	464.28
Saudi Riyal	153.37	153.91	151.66	152.19
Kuwaiti Dinar	1988.97	1996.48	1974.32	1981.30
UAE Dirham	156.61	157.16	154.89	155.40

Source : CBE

The interbank market started as of 23/12/2004

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

During FY	2005/2006			2006/2007		
	Number of Transactions in unit	Amount (Thousands)	M.Value (mn)	Number of Transactions in unit	Amount (Thousands)	M.Value (mn)
In LE	**5708728**	**6587149**	**227953**	**7417261**	**10159593**	**242992**
Floor Trading	5501188	5517762	218496	7210676	8521503	228365
Over the Counter Trading	207540	1069387	9457	206585	1638090	14627
In Foreign Currencies (US$)	**194666**	**424502**	**2580**	**279471**	**1082893**	**3259**
Floor Trading	194192	303483	1979	270526	915966	2711
Over the Counter Trading	474	121019	601	8945	166927	549
In Other Foreign Currencies	**1**	**10**	**615**	**-**	**-**	**-**
Floor Trading	-	-	-	-	-	-
Over the Counter Trading	1	10	615	-	-	-

Source : Capital Market Authority (CMA).

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

During FY	2005/2006			2006/2007		
	Number of Transactions	Amount	M.Value	Number of Transactions	Amount	M.Value
	(in unit)		(in Thousand)	(in unit)		(in Thousand)
In LE	**635**	**12197050**	**11347982**	**923**	**16627995**	**15266118**
Floor Trading	635	12197050	11347982	923	16627995	15266118
Over the Counter Trading	-	-	-	-	-	-
In Foreign Currencies (US$)	**42**	**99504**	**73506**	**10**	**209527**	**23492**
Floor Trading	3	66700	6870	9	207327	21292
Over the Counter Trading	39	32804	66636	1	2200	2200

Source : Capital Market Authority (CMA).

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

During FY	2005/2006		2006/2007	
	LE	(US$)	LE	(US$)
Net Number of Transactions (unit)	**25166**	**-17326**	**178688**	**11162**
Purchases	638554	16986	765591	42678
Sales	613388	34312	586903	31516
Net Volume of Securities (mn)	**139**	**-24**	**464**	**-275**
Purchases	1232	67	1710	216
Sales	1093	91	1246	492
Net Value of Securities (mn)	**4754.7**	**-263.7**	**21206.1**	**-1264.1**
Purchases	73384.7	305.2	72094.9	478.8
Sales	68630.0	568.9	50888.8	1743.0

Source : Capital Market Authority (CMA), Monthly Report.

(9/4) Investments of the Insurance Sector

(LE mn)

End of June	2005				2006			
	Local Insurance & Reinsurance Companies	National Authority for Social Insurance	Private Insurance Funds*	Total	Local Insurance & Reinsurance Companies	National Authority for Social Insurance	Private Insurance Funds*	Total
Grand Total	**16813**	**221006**	**14597**	**252416**	**18695**	**243438**	**16629**	**278762**
First : Real Estates	**627**	**0**	**118**	**745**	**497**	**0**	**261**	**758**
Second : Securities	**9995**	**2000**	**10224**	**22219**	**11085**	**2000**	**11698**	**24783**
Government bonds,notes and bills	4923	2000	9843	16766	5762	2000	11228	18990
Securities available for sale	1696	0	365	2061	1972	0	454	2426
Securities Held - to - maturity	3376	0	16	3392	3351	0	16	3367
Third : Deposits with the National Investment Bank	**0**	**219006**	**0**	**219006**	**0**	**241438**	**0**	**241438**
Fourth : Loans	**215**	**0**	**142**	**357**	**232**	**0**	**198**	**430**
To the government	0	0	0	0	0	0	0	0
With other guarantees	215	0	142	357	232	0	198	430
Fifth : Banks Fixed Deposits	**5976**	**0**	**4041**	**10017**	**6881**	**0**	**4363**	**11244**
Deposits at banks	3885	0	4041	7926	4157	0	4363	8520
Saving certificates	2091	0	0	2091	2724	0	0	2724
Sixth : Other Investments	**0**	**0**	**72**	**72**	**0**	**0**	**109**	**109**

Source : Yearbook of the Egyptian Insurance Supervisory Authority , CBE's Government Accounts Department; and the Ministry of Finance.

* Including the Government Insurance Funds for Insurance on Cashiers.