BANKING SECTOR SURVEY

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FOREWORD

Objectives

The Government of Egypt and USAID commissioned a Survey of the Banking Sector to present a review and analysis of the sector's characteristics, operations and regulatory framework. Special attention is directed to the banking sector's practice in the area of term lending to the private business sector. This review and analysis should highlight operational, environmental and other constraints affecting the banking sector's ability to provide term loans to the private business sector. Based on the findings of the survey, solutions are suggested to relax perceived constraints to term lending in the private business sector.

Methodology and Structure

The Study Team (the "Team") in undertaking the Survey of the Banking Sector (the "Survey"), relied on published data of a large number of banks, and obtained the gracious cooperation of the Central Bank of Egypt in supplying the Team with aggregate and sectoral data on the banking sector.

In addition to published information and aggregate and sectoral data provided by the Central Bank, an extensive interview process was undertaken by the Team covering twenty banking institutions, Exhibit I details the institutions interviewed. Key officers interviewed in those institutions are listed in Exhibit II. Along with the interview process, the Team did gather data through a questionnaire which was distributed to the sample banks covered by the Survey, Exhibit III contains a copy of this questionnaire.

It should be noted that all four sources of information contributed to the understanding of the banking sector's characteristics and operations. The results obtained from the questionnaires were less than completely satisfactory. Some of the data requested was not received because it was not readily available or not gathered on a regular basis. Other institutions were reluctant to provide the information needed or were simply unwilling to provide such information in the form of a questionnaire. Nevertheless, the interview process was generally very successful and the Team obtained the full cooperation of most of the institutions visited.

The team believes that the data supplied by the Central Bank did provide the Study with aggregate and sectoral information needed to enable a comprehensive view of the data provided by individual institutions. In addition, the interview process was in general very successful, and allowed a penetrating assessment of the facts and data through which the team believes it captured the main variables under consideration.

In the following sections, a presentation of our findings, conclusions and recommendations is made.

Aknowledgements

The team would like to take this opportunity to express its appreciation to the Office of Economic Cooperation with the United States at the Ministry of Investment and International Cooperation, to USAID Cairo, to the Central Bank of Egypt and its Bank Control Department, and finally, to the management and staff of the banking institutions covered by the Survey for their sustained assistance and cooperation.

SUMMARY AND FINDINGS

The purpose of this Banking Sector Survey (the "Survey" or the "Study" is to provide a detailed description of the banking sector, its operations, characteristics and regulatory framework. The emphasis of the Study is on the banking sector's term lending practices to the private sector, and the constraints affecting such practice.

The aim of the Survey is to enable a better understanding of the workings of the banking sector, its strengths, and weaknesses and the constraints on its ability to provide an increasing volume of term lending to the private sector. Such an understanding should provide the basis for the development of policies, programs and mechanisms by USAID in cooperation with the Government of Egypt ("GOE"), to stimulate a larger flow of medium and long term lending to the private sector by the banking sector.

The Study found the banking sector to be regulated by law 163 for 1957, law 120 for 1975 and certain articles of law 43 for 1974 as amended by law 32 for 1977. In addition, the CBE issues periodic regulations relating to the traditional use of monetary instruments such as liquidity ratios, reserve requirements, etc. Lately, however, following the letters of intent and other understandings reached with the International Monetary Fund, the CBE resorted to more direct methods of intervention in the banking sector's operations. These have been in the form of ceilings on credit expansion for the economy as a whole or for selective sub-sectors of the economy. The current ceiling on credit expansion imposed by the CBE as a percentage of each indiviudal bank deposit base (65%) in Egyptian pounds seems to be the most constraining factor on the banking sector's ability to exte credit at the present time. Furthermore, the narrow range (two percentage points) set by the CBE for lending rates by the banking sector does not allow for the needed flexibility in discriminating for or against different forms of lending in terms of activities, (with the exception of food security projects) maturity, guarantees, etc.

Moreover, the Team found that many of the regulations are outdated, and to a certain degree archaic, in that they were formulated at a time when traditional crops (e.g. cotton) played a central role in the economy, and therefore, required special treatment in their financing. In addition, it was found that many of the banks interviewed do not regard the CBE as a lender of last resort. Some have mentioned that the laws governing the activities of the CBE allow it to lend to banks against such guaranteed commodities as cotton or gold.

Finally, the Team feels that the CBE possesses a less than adequate statistical data gathering, storage capabilities and management information system. The inadequacy of such capabilities or systems may explain the lack of early warnings for certain present problems or the delayed responsiveness of the CBE thereto.

The banking sector is composed of 59 banks. Twenty four of these institutions are commercial banks, of which four are public sector, with the remaining twenty divided between joint venture institutions and private Egyptian institutions. Other non-commercial banks include the public sector specialized banks, the investment and merchant banks, in addition to the branches of foreign banks operating in Egypt. Two institutions, included in the above count, are still regarded as offshore banking units. The first is the Arab International Bank organized through an international treaty between the Governments of Egypt, Lybia, United Arab Emirates, Oman, Qatar, in addition to some private arab participants. The second institution is the Manufacturers Hanover Trust Company's offshore branch. All other banking institutions operating in Egypt fall under the supervision and control of the Central Bank of Egypt.

Our survey of the banking sector yielded some very interesting findings. The following are some of the more important issues:

1. Efforts to mobilize resources into savings have been relatively successful. The deposit base of the banking sector increased from L.E. 4,034 million in December 1978 to L.E. 10,890 million in December 1981. This reflects a growth in the banking sector deposit base of 163% between December 1978 and December 1981, or an average annual growth rate of 36.5%.This growth in deposits was more pronounced in foreign currency which grew by 189% in the period 1978-1981, or an average of 38% per annum. The growth in L.E. denominated deposits grew by 150% between 1978-1981, or an average of 36% per annum. At present, the banking sector's deposit base stands at L.E. 10.9 billion, of which L.E. 3.955 billion is in foreign currency equivalents.

2. Successive increasesin interest rates paid on time and savings deposits, and the exemption of such revenues from taxation have yielded sustained growth in time and saving deposits as a percent of the total deposit base. Time and savings deposits as a percentage of the total deposit base have increased from 38% in 1978 to 56% in 1981. The high interest rates paid in international capital markets have had their impact on the local scene. This is reflected in the enormous increase in time and saving deposits denominated in foreign currencies from a level of 33% of total foreign deposits in 1978, to 66% of the same total in 1981. Another reason for the substantial increase in foreign currency deposits is the ability of individuals to realize substantial returns through arbitrage operations. Arbitrage operations, holding foreign currency deposits yielding higher rates and borrowing Egyptian pounds guaranteed by such deposits, paid up handsomely until the CBE decreed that debtor rates should be at least two percentage points higher than creditor interest rates on deposits guaranteeing such borrowings. On the Egyptian pound counterparts, time and savings deposits have increased from 40% of total L.E. deposits in 1978 to 51% of deposits in 1981.

3. The private sector deposits with the banking sector amounted to L.E. 6,956 million as of December 31, 1981. Such a deposit base is divided into L.E. 1,752 million in demand deposits, L.E. 4,601

million in time and savings deposits and L.E. 603 million in earmarked deposits. These deposits held by the private sector represent 64% of the total deposit base of the banking sector. In terms of categories, they represent 52% of total demand deposits, 75% of total time and saving deposits and 44% of earmarked deposits of the banking sector as a whole.

4. The average maturity of time and savings deposits is estimated at about 12 months in Egyptian pounds with the mode (most frequently observed) at 6 months. With respect to foreign currency time and savings deposits, the average maturity is about 60 days with the median maturity equal to 30 days. In this regard it is important to note that despite the success of government policy in mobilizing savings into the banking sector. It has not had proportionate success in lengthening the maturity of the deposit base. The National Bank of Egypt Certificates are the most successful instruments developed so far in terms of the lengthening of deposits' maturities (up to ten years for group C). Certain new instruments introduced by some of the public sector banks as well as other non public sector banks (for example the Golden Certificate offered by Egyptian American Bank) may hold the key to future innovations and creativity by the banking sector in an attempt to lengthen the maturity of its deposit base.

5. The loans and advances offered to the business sector by the banking sector have exhibited a continuous rate of growth between 1978 and 1981. Total loans and advances to the business sector provided by the banking sector amounted to L.E. 2,493 million in December 31, 1978, and have grown to L.E. 8,024 million in December 31, 1981. This represents a growth rate of 222%, or an average rate of growth of 48% per annum. When differentiating between Egyptian pound denominated loans and advances, and those in foreign currencies, we find that L.E. loans and advances have increased from a level of L.E. 2,268 million in December 1978 to L.E.6,523 million in December 1981. This reflects a growth rate of 188%, or an average growth rate of 42% per annum. In contrast, growth in loans and advances in foreign currencies reached L.E.1,501 million equivalent in December 1981 from a level of L.E. 245 million equivalent in December 1978. This reflects a growth rate of 513% or an average annual growth rate of 83%.

6. The loans and advances to the private business sector have shown a steady growth, both in absolute terms as well as a percentage of all loans and advances offered to the total business sector. Total private business loans and advances grew from L.E. 687 million in December 1978 to L.E. 4,120 million in December 1981. This is a growth of 500%, or 82% per annum. As a percentage of total loans and advances offered by the banking sector to the business sector, the private sector's share increased steadily from a level of 38% in December 1978 to 51% in 1981.

As stated above the private business sector received loans and advances from the banking sector in 1981 amounting to L.E.4,120 million of a total loans and advances offered by the banking sector to the business sector amounting to L.E.8,023 million, or 51%. . Loans and advances to the private business sector with maturities of over one year have increased from a level of L.E.97 million in December 1978 to L.E.531 million in December 1981, or a 447% growth reflecting an average annual rate of 76%. Loans for more than one year in Egyptian pounds grew by 475%, or 79% per annum. In contrast, the foreign currency counterpart grew 399% or 71% per annum.

The foreign currency component of Loan and Advances to the private business sector witnessed a growth of 1256% between December 1978 and December 1981, or 140% per annum. In contrast, the local currency component grew by 436% during the same period with an annual growth rate of 76%.

7. The concept of rollover of short term loans is quite popular in the banking sector, especially with public sector banks. At one such institution, the Team was told that if rollover was taken into account, then 50% of the loans of this public sector bank to the private sector are medium term (over 2 years), and 40% of the loans to the public sector can be classified as medium term.

The average size of loans and advances, as well as the type of limit the bank sets on such loans as a percentage of their networt differs greatly from one institution to the other.

8. With respect to the banking institutions, the Study found the banks to be facing severe problems in managing their liquidity in Egyptian pounds because of the CBE's regulation requiring that credit extension be equal to 65% of the individual bank's deposit base. In accordance with the CBE regulation, interbank deposits are not to be included in the bank's deposit base, even on a net basis; therefore, the need for and the raison d'etre for an inter-bank market in Egyptian pounds may have been completely obliterated

As for the liquidity management of foreign exchange, the Study found most banks to be fairly liquid in foreign currency and are mostly net placers of such assets, mainly abroad. Interbank borrowing and foreign lines of credit are abundant but not often used due to the banking sector's general over liquidity in foreign currency. It is only recently, and in view of decreases in certain sovereign revenues like petroleum, that the public sector banks have started to shoulder part of the shortfall through the commercial banks foreign exchange complex. In addition, the CBE received a $ 200 million term facility by a consortium led by Chase Manhattan Ltd. This facility is being offered to the CBE for a period of two years at a spread of 5/8% over LIBOR, with the borrower having the option to renew the facility for one year at a spread of 3/4 over LIBOR.

9. The management of liquidity varied greatly among banks which were interviewed. Some banks have a highly sophisticated system for their liquidity management, others use very primitive ratios and just attempt to be within the guidelines of the liquidity ratio set by the CBE. The management of liquidity is most notably

practised by certain branches and in the foreign currency section of certain joint ventures. In those institutions, the treasury operations aimed at enhancing the management of liquidity and profitability may account for up to 50% of the total branch balance sheet.

10. Other sources of funds may be made available to certain of the specialized public sector banks in the form of advances or loans made by the CBE. In addition, certain international bodies have provided concessional loans to specialized banks like the Development Industrial Bank (loans offered by IDA, USAID, OPEC fund, African Development Bank, IBRD, etc.). Misr/Iran Development Bank was also the recepient of a $ 30 million loan from the World Bank in December 1980. In addition MIDB was innovative in tapping the local capital market through the issuance of floating rate certificates of deposits. The team is not aware of any present attempt to follow suit in the local market. In the Eurobond market, Arab International Bank tapped the market with a $ 25 million floating rate note with a 3/8% over LIBOR and a 5 year maturity. At present, the National Bank of Egypt is preparing to launch a floating rate note of $ 30 million with 5 years maturity. The National Bank of Egypt Syndicate is lead managed by Dillon-Read and floated in the eurodollar market. Although there is a high degree of foreign exchange liquidity in the local market, it is for short term maturities. Thus, NBE issued these floating rate notes out of a desire for longer maturities.

The Survey found the banking sector, in line with Egyptian tradition and cultural heritage, to be highly legalistic in orientation and conservative in nature. The lending practices are highly biased toward collaterilized and guaranteed loans. This is both a cause and an effect of the legal setting. In view of the recent history of sequestration and nationalization, many of the private sector firms operating in Egyptian market are highly undercapitalized and their stated equity capital do not, in any form or shape, reflect the companies networths or justify the volume of business being undertaken. In view of this state of affairs, the banks have to resort to personal guarantees and collaterials which further reduces the importance of adequate capitalization in the equity holder's view.

The team found that policies of setting limits on exposure to any one client vary from one institution to the other. Usually, such a limit is set as a percentage of the bank's networth. In addition, and in accordance with the Central Bank's regulations, a commercial bank cannot have more than 25% equity participation in any project. Furthermore, the banks usually set a limit on their exposure to any one project as a percentage of their total networth. Sectoral limits are set per industry or line of activities. These sectoral limits may not be written down but are always present when approving new projects or loans. The procedures of credit approvals vary from one institution to another but they generally follow a similar pattern in regards to levels of authorization commensurable with the level of credit officers or committees under consideration.

13. As explained earlier, the banking sector is heavily biased toward requiring guarantees and collateralization of loans. In most cases a commercial and or real estate mortage is necessary in medium term lending. Other types of guarantees vary according to the kind of loan and maturities. Acceptable guarantees include cotton, agricultural crops, merchandise and other goods, stocks, bonds, bills, contracts, inkind securities and personal guarantees.

14. It was the finding of the Team that most banks adhere to the CBE's tarrif and that effective interest rates are based on the annual rates of interest detailed in the CBE's regulations with interest charged on a montly basis which makes a difference of somewhat over one percentage point annually. The team found that other fees and charges are levied in accordance to the CBE regulations with counterbalance requirements not used by all banks interviewed except the Development Industrial bank. Management fees vary between one half and one percentage point depending on the size of the loan and quality of the borrower with committment fees usually levied at one percent on undisbursed balances.

Constraints

The Survey found that there were major obstacles to increasing the flow of funds to the private sector. These obstacles may be categorized into two major types of groups.

A. Environmental and Economic Constraints

This group of constraints is general in nature with problems which go beyond the control of the investor or the banking sector. The following are some of the more important ones:

- The first deals with the degree of economic and political stability required to install confidence in the Egyptian private sector to commit itself to productive projects which will take years to pay off. In addition, it is the kind of political stability which would encourage the long awaited marriage of arab capital, western technology and Egyptian manpower.

- Futhermore, the instability of economic policies and frequent changes of laws and regulations affecting various types of economic activities have been found most discomforting and destabilizing to the investors' confidence in the declared economic policy. In this context there was wide agreement that the Government had to determine its priorities with clear demarcation lines for areas in which it desires the private sector's participation and those exclusive to the public sector. Many investors and bankers feel that there is an absence of clear policies outlining the functions of the private and public sectors respectively. Others feel that there is a clear cut and unmistakable bias for the public sector.

- Several of the key executives interviewed have complained of the lack of a proper spokesman for the private sector. This institution or person should unite the private sector's diverse organization and draw the Government's attention to the problems, needs and aspirations of the private sector. The current diverse organizations and syndicates representing the private sector are not united and do not even enjoy a minimum level of coordination. In addition, some of the present organizations seldom command the attention, let alone the interest of the policy maker.

- The current psychological climate is exerting tremendous pressures on the willingness of investors and business to undertake investments in Egypt. In the aftermath of the tragic incidents of October 1981, and in spite of high level directives to the contrary, the media seems to have taken up a campaign in which certain accounts are being settled, inside as well as outside the business community. This has had both political and economic ramifications, and such a state of affairs fuels the destabilizing factors referred to earlier.

- The lack of adequate infrastructure or industrial estates may have contributed to the reluctance or unwillingness of investors to undertake industrial projects. Finally, the lengthy procedures and multiple approvals and bureaucratic nightmares which the investors have to undergo add an additional constraint on the investors' willingness to undertake projects.

- Bureaucracy and red tape was often cited as one of the most discouraging factors affecting investments in Egypt. Multiple approvals procedures and a prolonged system of sectoral clearings add substantially to a project's lead time. Despite announcements to the contrary, the Government bureaucracy is yet to cater to the needs of the investor in terms of speed of decision making and approvals.

- In addition to the frequent changes in laws and regulations referred to earlier, the Survey found that economic policies are somewhat unrealistic in their attempt to keep the value of the Egyptian pound pegged at an unrealistic and ficticious level. Bankers and businessmen interviewed would like to see a rectification of such a state of affairs and a devaluation of the pound to a level at which the Government can interfere in support of the national currency and at which level, the Egyptian pound becomes convertible or close to convertibility.

- Related to the above point, the constant erosion of the value of the pound made many investors unwilling to borrow in foreign currencies due to exchange risk anticipated or already experienced. Many projects are facing serious problems at the moment, due to the fact that they have to repay foreign currency loans calculated at the time of borrowing at the level of US$ 1.0 = L.E.0.8; while the rate at the time of writing this report is in the range of $ 1.0 = L.E.1.20. Such projects having to rely on earnings denominated in Egyptian pounds are facing, with their bankers, serious problems.

Investors and bankers have, at times, voiced opinions about the use of fiscal policy to encourage certain types of projects. For instance, the lack of custom protection for Egyptian industries which are suffering from the destructive competition of imports is not readily accepted by many interviewees. In addition, the lack of sufficient differentiation in the tax exemption of industrial and commercial activities is not conducive to undertake industrial projects.

B. Projects and Banking Constraints

These constraints mainly deal with the projects submitted to the banking institutions for financing and the limits on the sector's ability to increase the flow of medium and long term loans to the private sector. The following are some of the more important ones which came to the Team's attention:

- Many bankers have complained of the lack of well studied and/or packaged projects. In this regard, complaints have centered on the absence of well prepared feasibility studies and/or the absence of well packaged (bankable) projects. The banks have limited human resources which can be directed toward the preparation or major revisions of feasibility studies (a function they do not wish to be involved in), and cannot afford to employ such resources for every project submitted. Banks would rather use such talents in the appraisal of feasibility studies already prepared, to determine their relative attractiveness for financing or equity participation by the bank.

- The general lack of market data does contribute to the inappropriateness of many of the projects submitted and makes their appraisal much more difficult and costly. Additionally, the lack of proper data increases the riskiness of the project; thereby making it financially unfeasible, or requiring a higher level of guarantees and collateralization.

- Another area of relative concern was the availability of entreprenuerial talents or people with a proven track record in industries or projects which they are promoting. Unless the bank is assured of the presence of such talents, or the bank is willing to take a major entrepreneurial or promotional role in the project under consideration, it is most likely that it will turn it down.

- Banks have often complained of the lack of proper capitalization of many projects which are submitted to their attention. It is not uncommon that projects with as low as 15% to 20% anticipated equity capital are being presented to the bank's attention. Such a lack of proper understanding of what is involved, and the required adequacy of capital structure leads many bankers to reconsider their general willingness to even review such projects.

Another source of concern is the general lack of skilled laborers in certain of the industries under consideration and the periodic unavailability of raw materials. If these two components are unavailable, it certainly affects the total riskiness of the project and makes it less likely to be implemented.

The ability of the banking sector to lend medium and long term loans in general is severely curtailed by the maturity structure of their deposit base. The inflexibility of the Central Bank regulations with respect to creditor interest rates does not allow the banking institutions to expand their longer term deposit base. Given the above situation, it should be noted that there is a limit on the maturity transforation function of any banking institution changing short term liabilities into longer term assets. This process is futher complicated if the Central Bank is not uniformly regarded as a lender of last resort.

Unlike the banking institutions operating in countries with developed capital markets, the management of banks in Egypt is a management of assets rather than liability management. Institutions operating in the Egyptian market, to a great extent, take their liabilities as a given, and attempt to make the best use of such resources by creating suitable assets portfolios. The inability of banks to rely on a readily available and viable financial market, severely limits their abilities and flexibility, and increases their respective maturities risk profiles.

The spread stipulated by the CBE in terms of minimum and maximum interest rates charged by banks on loans does not give the lending institutions the needed flexibility to differentiate between different maturities and different types of economic activities. In this regard, and lacking the proper incentives, banks will more readily finance commercial activities with shorter maturities as they offer more lucrative margins with lower business and maturity risks.

Staff limitations in project related areas is quite evident in many banks with the exception of a handful of institutions. This is a severe constraint on the ability of certain institutions to examine projects. At times, the examinations of projects for possible participation in equity or debt funding meant the use of foreign expertise (individual or institutions), to review fairly uncomplicated positions.

The lack of proper profit motivation on the part of banks made them reluctant to undertake project lending since shorter term commercial lending is much more profitable. Furthermore, it seems that the banking community in Egypt, along with many officials, have yet to psychologically accept the fact that in banking, as with other business activities, the possibilities of incurring losses on a given operation exists. The fact that there is a risk-return type of equilibrium and that the possibility of losses exists, is yet to be psychologically accepted. Therefore, many banks' executives are reluctant to take calculated risks and prefer the more sheltered traditional, and in many ways more profitable, commercial short term activities.

INTRODUCTION

The pronouncement of the open door policy in 1975 by the late President Sadat aimed at accelerating the pace of economic development through the liberalization of the economy and the introduction of laws and regulations which would stimulate foreign and domestic private investments. It is important to note that the move from a centralized economy into a more liberal economy was meant to be a gradual process rather than a radical break with the past.

In implementing the open door policy, a number of policy actions were introduced in order to mobilize resources, both external and domestic, to enable the achievement of rates of growth commensurate with social and political aspirations deemed appropriate at the time. The Egyptian government at the time faced severe shortages in foreign exchange funds required to undertake ambitious programs of economic and social development. To overcome the problem of foreign exchange and balance of payment deficits, the government attracted aid from arab and western countries, in addition to the liberalization of laws and regulations which enable the attraction of private foreign exchange held by Egyptian expatriates.

Following the October 1973 war, several factors, political and economic, led to a massive inflow of external assistance to Egypt from both arab and western countries. This period also witnessed the institutionalization of several of the assistance programs which were provided by western and arab countries.

In addition to the foregoing foreign assistance, foreign exchange resources were also provided by the increasing importance of the oil sector, workers' remittances, and the Suez Canal, as source of foreign exchange to the national economy.

On the domestic side, the government policies aimed at the mobilization of private and public resources toward increased, forced and voluntary, savings and the channeling of such resources toward investments. In addition, the government enacted various laws in an attempt to encourage foreign and arab investments into Egypt. In this context, policy makers took various steps to stimulate increased savings by the private sector through the elimination of taxes on interest earned on bank deposits. This policy action was not only a source of increased savings in the banking sector, but also contributed to the process of disinvestment in the real sector because of the beneficial tax treatment of deposits versus stocks or other real investments.

The success of the government policies in attracting savings into the banking sector is evident by the large increase in the deposit base of the banking sector, which reached L.E. 10.9 billion by December 31, 1981, from a level of L.E. 4.3 billion in 1978. In this context, the increased investments in the banking sector resulted in the presence of about 59 banking institutions which are currently operating in Egypt. This newly introduced measure of competition contributed substantially to the efficient mobilization of resources.

The increased resources available to the banking sector are reflected in the sector's utilization of these funds. Loans and advances made available by the banking sector were about L.E.9.5 billion.

The Government of Egypt, with USAID's assistance, is attempting to promote private sector investment in productive projects. It is suggested that one of the constraints affecting the implementation of private sector investments into production projects is the unavailability of medium and long term loans provided by the banking sector for these projects.

In the following sections, a review of the banking sector is presented with the view to highlighting constraints on the sector's ability to extend medium and long term loans to the private sector. Once the constraints are determined, solutions to the perceived obstacles to term lending to the private business sectors are then suggested.

Other parts of this survey deal with the regulatory framework of the banking sector (Annex A) with the view of determining its impact on the sector's term lending practices to the private business sector and sources of funds available for the private sector's investments. In this context, the Curb Market, Islamic Banks, Insurance Companies and Finance Companies are briefly discussed.

HISTORICAL OVERVIEW

The mid nineteenth century witnessed the introduction of banking in Egypt. Examples of such banks are "The Egyptian (Misri) Bank in 1856, the Anglo,Egyptian in 1864, the Othmany in 1867, the Comptoire in 1869 and the Credit Lyonnais in 1874(1)". These banks established by foreign institutions and/or foreigners residing in Egypt played a role in Egypt's debt servicing to Europe, and thereafter it financed European entrepreneurs operating in Egypt. Specialized banks were not established until 1880 when the Credit Foncier was established by the French; and the British established the Agricultural Bank in 1902 and the Land Bank in 1905. During the same period, other prominent commercial banks were established such as the Banco de Roma in 1880, the Casta Discounto in 1887, the Bank of Athens in 1895 and the Belgian Bank in 1911 (2).

Preeminence remained with the specialized real-estate banks until the first world war, when its assets reached L.E. 54.4 million in contrast to L.E.4.5 million for commercial banks in 1914 (3). The dominance of the real-estate banks probably reflected the pattern and structure of economic activities prevalent in Egypt at the time. It reflected the dominance of agriculture in the economy and the accompanying dominance of real-estate based wealth. Commercial banks concentrated on the financing of the cotton crop (an activity which remained prominent in the banking sector's heritage until the present time), in addition, these banks assisted and established some of the early industries in Egypt which were predominantly foreign owned. It is only after the first world war that Egyptian capital established its first banking institution in 1920: Banque Misr. This bank played a major role in fostering industrial development in Egypt by acting as an investment and development bank, and established a large number of institutions which numbered 19 by the period 1920-1929(4). Banque Misr continued to prosper and grow even through its financial crisis in 1939 when it borrowed L.E. 2.25 million from the National Bank of Egypt, which were guaranteed by the government. In return, the Banque Misr sold the government 1000 founders' shares in addition to a representation on the board of directors. Banque Misr, however, continued to grow through the late 1950's when its deposit base reached L.E. 100 million in 1959, representing 40% of the total banking sector's deposit base, and controlled companies with capital ten times its L.E. 2.0 million capital (5).

(1) Morsy, Fouad: "A new look at the composition of the Egyptian Banking System". L'Egypt Contemporaire, October 1971, P. 723 (In Arabic).

(2) Ibid

(3) Ibid

(4) Mokhtar, Ibrahim. Investment Banks, Cairo 1982, p. 173, (In Arabic).

(5) Morsi,Fouad, Op.Cit, pp. 744-745

During the early fifties, other Egyptian banks were established, such as Banqe du Caire in 1952, as well as the Gomhouria (Republic) Bank in 1955, in which the government participated. In addition, 1951 witnessed the authorization of the National Bank of Egypt to undertake certain of the functions of the Central Bank in accordance with Law 57 of 1951. This law authorized the National Bank to exercise banking and monetary control. The law supplemented powers already bestowed on the National Bank as a Central Bank in the area of banknotes' issuance which began in 1899.

Following the 1956 war, the government Egyptianized many of the foreign banks operating in Egypt through Law 32 of 1957. During the same year Law 163 organizing banking and credit was promulgated, thereby, defining for the first time, the banking sector, its parameters, rules and regulations.

In 1961, all banking institutions operating in Egypt were fully nationalized in accordance with Law 117 of the same year. This event was followed by a series of mergers which reduced the twenty one commercial banks operating in Egypt into eleven banks. Futhermore, in October 1963, another series of mergers reduced these eleven banks into five. These were namely: The National Bark of Egypt, Banque Misr, Bank of Alexandria, Banque du Caire and Port Said Bank (6). In 1964, the nationalized banks began to execute a policy of sectoral specialization for corporate public sector operations. In the early 1970's the five banks were further reduced to four by the liquidation of Port Said Bank and shifting the previous specialization policy into one which emphasized functional specialization in terms of foreign trade, local trade and agriculture, industrial and finally services. This latest form of specialization was again cancelled in the early seventies. The establishment of the Arab African International Bank and Arab International Bank as two offshore banking units in Egypt took place in 1964 and 1971 respectively. Table 1, below enumerates the composition of the banking sector as at the end of 1973.

The promulgation of Law 43 of 1974 and its amendment by Law 32 of 1977 signaled a change of policy by the Egyptian government with regard to the promotion of foreign and Arab investment in Egypt. Thereafter, the banking sector witnessed a tremendous growth in the number of institutions operating in Egypt. In view of such growth the government introduced Law 120 of 1975 to organize the Central Bank and the banking sector.

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(6) Ibrahim, Mohamed Nabil and Hafez, Mohamed Ali, Practical Aspects in Commercial Banks Policies, Cairo 1969, pp. 19-21. (In Arabic)

TABLE 1

Banks Operating in Egypt
As of December 31,1973

	Number
- Central Bank of Egypt	1
- Public Sector Commercial Banks:	(4)
National Bank of Egypt	1
Banque Misr	1
Bank of Alexandria	1
Banque du Caire	1
- Public Sector Specialized Banks:	(3)
Arab Land Bank	1
Credit Foncier Egyptien	1
Principal Bank for Development and Agricultural Credit	1
- Multinational Offshore Banks:	(2)
Arab African International Bank	1
Arab International Bank	1

The Present Banking Sector

The new open door policy substantially affected the composition and structure of the banking sector. As mentioned above, the banking sector was composed of four commercial banks and three specialized banks (see Table 1). At the time and as explained earlier these four commercial banks first specialized according to sectoral patterns and later, to functional patterns spanning all categories of economic activity. In this regard for instance, the National Bank specialized in financing foreign trade and thereby, all foreign transactions or all transactions with the rest of the world were carried through the National Bank of Egypt. Another example was the specialization of the Bank of Alexandria in the financing of industry, thereby, most of the industrial sector or all of the industrial sector's activities were carried through the Bank of Alexandria. This system of functional specialization was abolished in the mid 1970's and the public banks were given the flexibility to pursue the financing of all types of economic activities within the framework of the newly enacted banking law 120 of 1975, which afforded these public sector banks a greate degree of flexibility, in addition to the restructuring of the Central Bank in a more autonomous format.

In addition to the foregoing and as stated earlier, prior to 1975, there were three specialized banks operating in Egypt:

First, the Development and Agriculture Credit Bank, which finances the subsidized production credit program of the agriculture cooperatives. The second category of banks are Mortgage Banks providing financing for housing construction and other similar projects with secured loans and maturities up to 30 years. The Credit Foncier Egyptien is the oldest of these institutions and the Arab Land Bank is the second.

Finally, the Development Industrial Bank was re-established in 1976 (previously part of the Bank of Alexandria), to finance the capital requirements of private and public sectors industrial enterprises. The DIB lends in both local and foreign currencies with maturities up to 15 years.

The enactment of Investment Law No. 43 of 1974 allowed several foreign banks to enter the Egyptian market by forming joint ventures, as well as establishing branches to operate in this market. In addition, the amendments made to Law 43 (Law 32 of 1977) allowed the establishment of wholly owned Egyptian banks. At present, 48 banks are operating in Egypt under the auspices of Law 43, of these, 20 commercial banks are authorized to engage in a full range of banking activities in both Egyptian pound and foreign currencies. These banks may compete in several areas with government owned commercial banks. The other banks operate exclusively in foreign currencies and are supposedly primarily engaged in investment or merchant banking. A listing of the number of institutions within each category such as commercial, investment or merchant, branches and other categories is included in table 2 below.

The statistical information available from the CBE includes a set of information labelled the "banking system". This includes the following categories:

1. The Central Bank of Egypt
2. The Public Sector Commercial Banks
3. The Joint Venture and Private Commercial Banks
4. The Specialized Banks.

The "Team" found this definition inadequate for the purpose of the Survey for two reasons. First, it does not include either the business and investment banks or the branches of foreign banks operating in Egypt. Both categories have a considerable and growing share of deposits and loans and both are operating under the supervision of CBE. Second, this definition includes the CBE itself whose information is not available and whose role concerning deposits from and loans to the business sector, is rather indirect.

For that reason we adopted another definition which we believe would be more suitable for the purposes of the study. In our Survey, we are considering the banking sector as composed of all banks operating in Egypt under the supervision of the Central Bank of Egypt. This definition covers six categories of banks which are the following:

i) Public Sector Commercial Banks.

ii) Joint Venture and Private Commercial Banks.

iii) Business and Investment Banks.

iv) Branches of Foreign Banks.

v) Development Industrial Banks.

vi) Other Specialized Banks.

TABLE 2

Banks Operating in Egypt
As of December 31,1981

	Number
* Central Bank of Egypt	1
* Commercial Banks:	
- Public Sector	4
- Private Sector, Egyptian Owned	9
- Private Sector, Joint Ventures	11
* Public Sector Specialized Banks:	
- Arab Land Bank	1
- Credit Foncier Egyptien	1
- Development Industrial Bank of Egypt	1
- Principal Bank for Development and Agricultural Credit	1
* Investment or Merchant Banks:	
- Egyptian Owned	3
- Joint Ventures	6
- Branches of Foreign Banks	19
* Free Zone Banks	1
* Other Institutions:	
- Nasser Social Bank	1
- Representative Offices of Foreign Banks	29
- Multinational Offshore Bank	1

In the following section, an attempt is made to present certain of the banking sector highlights through a review of its balance sheets and an analysis of its deposit base and loan portfolio. This analysis is initially made for the banking sector as a whole, thereafter, in somewhat less detailed form, for each category or group of banks (i.e. Public sector commercial banks or branches of foreign banks etc.). The objective of such a review is to highlight structural changes which occured during the last few years and to determine the trend and direction of such changes with special attention being directed towards the private sector as both a source of funds and a user of such funds. As the general emphasis of this Study is on term lending to the private sector, the review will pay particular attention to term lending to the private business sector. The review will also attempt to describe and review the deposit structure of the banking sector, followed by a review of the deposit base of each category of banking institutions. In this regard, the Survey attempts to highlight differences between local and foreign currency deposits and their types (time vs demand or earmarked). Special emphasis is directed toward the behavior of the private sector as a source and user of funds. With this in mind, the Study develops loan/deposit ratios for private sector funds and the term lending components of such funds. The review begins with the banking sector followed by commercial banks. Within the commercial banks' category, the study decomposes the statistics for public vs joint venture and private commercial banks highlights their respective characteristics. Thereafter, the Study reviews the business and investment banks, the branches and finally the Development Industrial Bank.

It is important to note that the statistical data used in the analysis was developed from basic data provided by the Central Bank of Egypt. This statistical data base is supplemented by data gathered from the sample of banks included in the Survey. Greater reliance is, however, being made on the Survey data, questionnaires and interviews, in aggregate form for qualitative insights and interpretation of data representing structural changes of trends which would have otherwise been unnoticed by the Study team.

The Banking Sector

Our study covers the Banking Sector which, as previously explained, was found to be most suitable. However, for purposes of analysis, we follow the discussion of the banking sector with a brief comparison of both of the banking sector and the banking system.

A review of the banking sector should commence by initially highlighting its broad figures; this leads to the immediate realization of the phenomenal rates of growth which marked the development of the banking sector during the last few years. The results developed below and in the other parts of this Study reflect nominal rates of growth, that is, they do not take inflation into consideration when developing and presenting growth rates figures. Inflation notwithstanding, the banking sector grew at substantial real rates during the last few years. It is first noted that the total balance sheet of the banking sector (excluding the Central Bank) stands at L.E.19.3 billion as of December 31, 1981. This reflects an increase of L.E. 10.9 billion over December 31, 1978 figures or an average annual increase of over L.E.3.6 billion. In terms of growth rates, it represents a total growth rate of 129%, or an average annual increase of over 32% since 1978. Exhibit (IVa) details the balance sheet of the banking sector for the period 1978-1981.

During the same period the deposit base for the banking sector grew from L.E.4.3 billion to L.E.10.9 billion. This represents a total growth rate of 153% or an average rate of growth of 36% per annum over 1978 figures. Exhibit (IVb) reflects such growth with Exhibit (IVc) detailing the breakdown of such a growth in the deposit base by category of depositor and type of currency (local and foreign for the period December 31, 1978 through December 31, 1981. In this regard, a comparison of the growth of local currency versus foreign currency deposits yields average growth rates of 36% and 38% per annum respectively. A comparison in accordance with the type of deposits reveals that demand deposits grew by an average of 22% annually and earmarked deposits grew by an average growth rate of 20%.

L.E. deposits have experienced substantial growth in spite of the fact that interest rates have been negative with respect to inflation. This can be attributed to a number of factors. The growth of the economy and its concomitant increase in the money supply have led to an increase in holdings of L.E. deposits, other things equal. Moreover, this growth has been accompanied by increased familiarity on the part of the general population with banking and banking habits; more people are utilizing banks now than ever before. This situation, combined with attractive tax incentives (deposits are exempt from taxation) and a shortage of alternative investment options accounts for the recent rapid growth in L.E. deposits. However, FC deposits grew by more than LC deposits, indicating that people are aware of the negative interest rates and are adjusting to this by shifting away from L.E. into FC.

With the aim of lengthening the maturities of deposits in mind, the Central Bank of Egypt has recently allowed higher interest rates to be paid on deposits with longer maturities. Certain banks have taken steps that encourage longer term deposits. The National Bank of Egypt's Investment Certificates, the Golden Certificates of the Egyptian American Bank and Bank Misr's Dollar Certificates are examples of this.

Time and savings deposits, however, did experience an average annual growth rate of 55%. Further analysis of this development reveals that time and savings deposits denominated in Egyptian pounds grew at an average annual rate of 47%. In contrast, time and savings deposits denominated in foreign currencies experienced an average growth rate of 73% per annum. This change in the composition and structure of the deposit base of the banking sector is indicative of the general trend reflecting the continued weakness experienced by the Egyptian pound in contrast with foreign currencies, and the concomitant portfolio decision changing the composition of assets held in foreign and local currencies. This trend was encouraged by the continued high interest rates paid on foreign currencies, especially the dollar. In addition, large inflows from Egyptian expatriates still working in the Gulf tended to bias the total composition of local and foreign currency deposits in favor of the latter.

Increases in interest paid on local currency deposits did change the portfolio composition within the local currency base. This is reflected in the relative prominence of time and savings deposits in 1981, representing 51% of the total local currency deposit base in contrast to 40% in 1978. But those increases in interest rates paid on the local currency time and savings deposits did not, however, stop the continuing shift in the portfolio composition out of local and into foreign currencies.

This shift in the portfolio composition out of local currency and into foreign currencies reflects various economic realities. First, it reflected the pegging of the Egyptian pound to unrealistic exchange rates. Second, it reflected the continuing inflationary presures on the Egyptian market and their impact on the Egyptian currency. In this context, it also highlighted the unreasonable setting of creditor and debtor interest rates by the monetary authorities on the local currency. Third, it reflected the disquilibrium situation which allowed for substantial profits to be made in arbitrage operations by placing funds in a foreign currency time deposit (on the U.S. dollar for instance), thereby, earning international interest rates which exceeded 20% on the U.S. dollar at times, and borrowing against such deposits, Egyptian pounds at unrealistically low rates. This cycle was, sometimes, repeated several times, thereby, making the problem even more acute. Finally, substantial sums were transfered by Egyptian expatriates working abroad and left sizeable parts of such funds held in time and savings deposits in the original currency of transfer.

Without regard for category of bank, the main investment vehicle used when placing excess foreign currency abroad is eurodollar based deposits. Various rates and bonds have also been used, but this occurs only rarely.

Turning back to the total deposit base and the private sector's share, thereof, it is found that the total deposit base experienced an annual average rate of 36% between 1978 and 1981. For the same period, the private sector's deposit base grew by an average rate of 46% per annum. Its local currency component grew by an average annual rate of 38% and its foreign currency component grew by an average annual rate of 60% during the same period 1978-1981. The private sector foreign currency holdings grew in importance from a 33% of private sector deposit base in 1978 to 44% of the same in 1981.

More importantly, however, and for the reasons explained earlier, the time and savings deposits in foreign currency grew from a mere 35% of total private sector time and savings deposits in 1978 to 49% in 1981. Time and savings deposits in foreign currency held by the private sector experienced an increase from L.E. 366 million in 1978 to L.E.2,234 million in 1981, with an average annual growth rate of 83% in this deposit category.

Loans and Advances

With respect to the loan portfolio of the banking sector, the balance sheet in Exhibit (IVa), reflects an increase in loans and advances from L.E. 4.1 billion in 1978 to L.E. 9.5 billion in 1981. This is a total increase of 132% reflecting an average annual growth rate of 32%. Exhibit (IVd) reviews the loans and advances to the business sector with special emphasis on lending to the private business sector by sector of activity, maturity and currency. During the period 1978-1981, total loans and advances to the business sector grew from L.E. 2.5 billion to L.E. 8.0 billion, a growth of 222% with an average annual growth rate of 48%. During the same period, lending to the private business sector increased from L.E.0.7 billion to over L.E. 4.1 billion, an increase of 500% with an average annual growth rate of 82%. Loans to the private business sector as a percentage of loans to the total business sector have risen from a level of 28% in 1978 to 51% in 1981.

In local currency, the percentage of private business sector to total business sector increased from a level of 22% in 1978 to 41% in 1981 with the foreign currency portion increasing from a level of 87% in 1978 to 97% in 1981.

Long term lending is less lucrative for bankers relative to the profitable short term lending opportunities that exist. However, banks do make term loans to: protect an already existing client relationship; for political reasons - i.e to show support for the government's policy of increasing productive investments and projects; to generate future business opportunities that may develop from the project to be financed; or, in the interest of prestige, as the ability to make term loans is a function of a bank's strength and market position.

Business sector term lending, however, increased from L.E. 141 million in 1978 (6% of total business sector loans) to L.E. 835 million in 1981 (10.4% of total business sector loans). This is an increase of 492% or an average annual rate of growth of 81%. The composition of term lending also changed. The private business sector's share of term lending increased from 69% in 1978 to a level of 84% in 1981.

As stated earlier, total loans and advances to the private business sector reached L.E. 4.1 billion in 1981, of which L.E. 530.8 million was in more than one year maturity representing about 13% of this total. In contrast, total loans and advances to the private business sector stood at L.E. 686.7 million in 1978, of which L.E. 97.1 million was in more than one year maturity representing about 14%. Therefore, although total lending to the private business sector increased substantially and its term lending component more than quintupled (from L.E.97.1 million in 1978 to L.E. 530.8 million in 1981), the volume or amounts of term lending as a percentage of total lending to the private business sector decreased from about 14% to around 13%. Stated differently, the volume of short term loans has been increasing at rates higher than those experienced by the term lending component inspite of the relatively large base which originally represented short term credit to the private business sector.

As at the end of 1981, the following reflects the loans and advances situation in terms of sectors of activities: the commercial activities are predominant with respect to total loans to the private business sector representing over 48% of the total at the end of 1981. On the shorter end of the maturity, the commercial activities are even more predominant with over 53% of total short term loans and advances at the same date. In contrast, term lending for commercial activities represents only around 13% of total term lending to the private business sector. With respect to other types of economic activities, the agricultural sector commands a meager 7% of total lending to private business sector. Short maturities to the private agricultural sector represent about 6% of total short term lending to the private business sector with term lending representing 17% of total term lending to the private business sector. The service sector's share of total lending to the private business sector is close to 17% with the shorter end representing about 15% of total short term lending and term loans representing 32% of total term loans to the private business sector. Finally, industry commands a total of about 28% of total lending to the private business sector. In this context, industry's share of short term loans and advances constitutes 27% of total short term loans and advances to the private business sector. In contrast, term lending to industry represents 38% of total term lending to the private business sector.

If term lending is further analyzed, perhaps Table 3 below will assist in the analysis.

Term Lending to the Private Business Sector
by the Banking Sector
(L.E. Millions)

Sector of Activity	Volume as of 12/31/1981	Percentage of Total	Average Annual Growth Rate
			1978-1981
Agriculture	87.8	17	83
Industry	202.1	38	59
Commerce	71.1	13	83
Services	169.8	32	100
TOTAL	530.8	100%	76

It is apparent that term lending was directed mainly to industry, L.E. 202 million representing about 38% with services in second place at about L.E. 170 million representing 32%. Between industrial and services activities, 70% of all term loans are made with the latter increasing at larger rates of growth (100% per annum). The increase in term lending to the services sector reflects the recent growth trend in services. Private business sector involvement in service oriented industries is quite apparent especially in areas like tourism, and office building, which witnessed substantial investments in hotels, Nile cruises, restaurant and luxury office buildings.

The figures presented in table no. 3 above do not fully describe the volume of term lending advanced to the private business sector. It does, however, accurately present the statistical data obtained from the Central Bank. The reason is the frequency with which roll-overs of short term loans are being practiced by many banking institutions. Our survey revealed that it is primarily the public sector banks and, to a lesser degree, joint venture banks, which roll-over short term debt so that it effectively has a maturity period of over one year. The 65% limit is not old enough to permit conclusions to be drawn about its effect on roll-over at this time. Of course, all other things equal, the regulation ought to influence the magnitude of roll-over negatively. In certain major public sector banks if roll-overs are taken into consideration, then 40% of total loans and advances made by this major public sector bank to the private sector become term loans with maturities of over two years. This does not mean that all such loans and advances could be considered as term loans or are even obtained to finance term investments. It does, however, indicate that the figures presented in the above table and other Exhibits in this study may be understating actual term lending. The magnitude of such understatements, if any, could not be generalized. They will differ according to sectors of activities, type of banking institutions and borrower.

The Loan/Deposit ratio was calculated for the banking sector as a whole as of December 31, 1981, and found to be equal to approximately 87% excluding interbank deposits. It should be noted that this ratio fell from a level of about 95% in 1978. If an attempt is made to develop this ratio for private sector funds, it will be found to equal about 59% given that the numerator is equal to total loans and advances to the private business sector as given in Exhibit (IVd), and the denominator represents deposits of the private business sector and the household sector (individuals, non-profit organizations and foreign institutions operating in Egypt) as presented in Exhibit (IVc) The above ratio for the private business sector is equal to 68% and 48% for the local and foreign currency components respectively.

It is important to note that, because the denominator includes both the deposits of the private business sector and those of the household sector, the percentages given here may understate the extent to which the private business sector is a user, as opposed to a source of funds. For example, as of December 1981, loans extended to the household sector by public sector commercial banks were about L.E. 245 million (13% of total loans) while loans extended by public sector commercial banks to the private sector were L.E. 1,914 million. Thus, as the household sector's percentage of loans is relatively small, these figures should serve as a guide for the loan/deposit ratio of the private business sector.

If further analysis of the Loan/Deposit ratio is undertaken to determine the relationship between term deposits and term lending in private sector funds, it will be found that total Loan/Deposit ratio is equal to 11.5%, with the numerator representing total term loans to private business sector as in Exhibit (IVd), and the denominator representing total time and savings deposits by the private sector as defined earlier and in Exhibit (IVb). The local currency component for the above ratio is 14.6% and the foreign currency portion is equal to 8.3%.

CBE Regulation of October 15, 1981 for the Control of Credit Expansion:

Based on the premise of a causal relationship between the growth in credit, liquidity and inflation, the central banking authority attempted to limit the growth of liquidity and have its growth commensurate with the expected growth of the national product. Hence the CBE made an estimate of what was considered an acceptable rate of growth of liquidity and the corresponding credit expansion which was linked to the deposit base. This exercise fielded a loan/deposit ratio of 65% which was deemed appropriate for the period through the end of June 1982.

This global ratio was accompanied by sub-limits for credit expansion to the commercial private activities and the household sector. The sub-limits were determined as percentages of the loan and advances balances of each sector as of September 30, 1981. These percentages were 9% annually for the commercial private sector and 7.5% for the household sector.

Banking System/Sector Comparison:

A comparison of the Banking System and the Banking Sector must begin by analyzing the basic differences between the two, and then assessing the significance of these differences.

Table A

Composition of the Banking System and Banking Sector

Banking System	Banking Sector
1. Public Sector Commercial Banks	1. Central Bank of Egypt.
2. Joint Venture and Private Commercial Banks	2. Public Sector Commercial Banks
3. Business and Investments Banks	3. Joint Venture & Private Commercial Banks
4. Branches of Foreign Banks	4. Development Industrial Bank
5. Development Industrial Bank	5. Other Specialized Banks
6. Other Specialized Banks	

Table B

The Banking System vs. The Banking Sector

Statistical Summary

	The Banking System	The Banking Sector
A. Aggregate Figures as of Dec. 1981 (L.E. Billion)		
1. Balance Sheet	27.2	19.3
2. Total Deposit Base	10.5	10.9
3. Time and Savings Deposits in FC held by Private Sector	1.7	2.2
4. Total Loans and Advances	11.0	9.5
5. Total Term Lending to Business Sector	.98	.84
6. Total Term Lending to Private Business Sector	.43	.53
B. Average Annual Growth Rates (1978-1981)		
1. Balance Sheet	169%	129%
2. Deposits	38%	36%
a) LC deposits	36%	36%
b) FC deposits	42%	38%
c) Time and Savings Deposits	60%	55%
d) LC T & S deposits	47%	47%
e) FC T & S Deposits	107%	73%
f) Private Sector Deposits	47%	47%
g) LC Private Sector Deposits	38%	38%
h) FC. Private Sector Deposits	74%	60%
3. Loans and Advances	36%	32%
a) L & A to Business Sector	61%	48%
b) L & A to Private Business Sector	537%	500%
c) Term Lending to Business Sector	70%	81%

Note first that the balance sheet of both the banking sector and banking system experienced substantial growth between 1978 and 1981. The Banking System's total balance sheet is L.E. 27.2 billion for 1981; the corresponding figure for banking sector is L.E. 19.3 billion. Respectively, the balance sheets of banking system and banking sector experienced average annual growth rates of 169% and 129%.

Deposits

Second for deposits, both the system and sector underwent sizable growth: the deposit base of the system grew from L.E. 30 billion to L.E. 10.5 billion over the 1978-1981 period; this represents an average annual growth rate of 38%. The banking sector's deposit base grew from L.E. 4.3 billion to L.E. 10.9 billion, or by an average of 36% per year. Clearly, the deposit base of each group grew at similar rates. Likewise, a comparison of the growth of local and foreign currencies yields similar results: system's LC grew by 36%; sectors by 36% also. For foreign currency, the respective figures are 42% and 38%.

This pattern of similar growth rates pervades the entire deposit base analysis for both groups. Both demand and time and savings deposits experienced moderate growth; in both cases, however, a marked portfolio shift out of Egyptian pounds and into FC occurred. Banking system time and savings deposits grew by 60% and banking sector's by 55% - both over the 1978-1981 period. However, time and savings deposits in FC grew by 107% (system) and 73% (sector). For both groups, time and saving deposits in LC grew by 47% per annum. Thus, the banking system experienced a much more substantial increase in FC time and savings deposits than did the banking sector; both groups though, saw a relative shift away from LC into FC.

Consider now the deposit base of the private sector. For each group, the private sector's total deposit base experienced growth of about 47% per year. Local currency denominated deposits grew by 38% for both groups as well. Once again, however, the rate of growth of FC denominated deposit varies for the two groups: for the banking system it is 74%; for the banking sector 60%.

Total FC time and savings deposits grew for both groups: from 20% to 43% for banking system and from 35% to 49% for banking sector. (1978-1981 period). When compared with FC time and savings deposits held by the private sector, though, the figures are much more substantial. The banking system time and savings deposits in FC grew from L.E.167.8 million to L.E. 1,742.2 million (1978-1981), or by 124% annually. The banking sector's grew from L.E. 366 million to L.E. 2,234 million or by 83%. Clearly, the banking system's time and savings deposits denominated in FC underwent relatively more growth than those of the banking sector.

Loans and Advances

The balance sheets of both groups indicate an increase in Loan and Advances. For banking system, over the 1978-1981 period, loans and advances grew from L.E. 3.4 billion to L.E. 11.0 billion. This is a total increase of 226% (or 36% average annual growth). For banking sector the growth is substantial but not as pronounced. Loans and advances grew from L.E. 4.1 billion in 1978 to L.E. 9.5 billion in 1981, or by a total of 132% (average annual growth of 32%).

Specifically, loans and advances to business sector grew by 61% for banking system but by only 48% for banking sector. Likewise, loans and advances to the private business sector grew by 537% (from L.E. 0.6 billion to L.E.3.5 billion) for banking system and by 500% for the banking sector (from L.E. 0.7 billion to over L.E.4.1 billion) during 1978-1981. Thus, the banking system experienced relatively more growth in both total and private business sector Loans and Advances than the banking sector.

Term lending to the business sector grew from L.E. 221 million to L.E. 980 million for banking system (1978-1981) or by average annual growth of 70%. For the banking sector, business sector term lending grew from L.E. 141 million in 1978 to L.E. 835 million in 1981. This reflects a total increase of 492% or average annual growth of 81%. Analysis of the composition of this term lending produces some interesting results. The private business sector's share of term lending from banking system increased from 37% in 1978 to 44% in 1981. The opposite is true for the banking sector. Private business sector's share dropped from 69% in 1978 to 64% in 1981.

In 1981, for the banking system, 12% of total Loans and Advances were to the private business sector; the figure is 13% for the banking sector. Contrast this with respective percentages of 15% and 14% for 1978; clearly, although total lending to the private business sector witnessed sizable growth, the percentage of term loans declined slightly.

Loans and Advances information for both groups is broken down by category of activity: commercial, agrcultural, services, and industrial. For both the banking system and the banking sector ndustry commanded the most substantial portion of term loans to the private business sector (43% and 38% respectively). Again, in both cases, services was a close second with 31% and 32% respectively. Agriculture was third with 20% and 17%, followed by commerce with 6% and 13%.

The Agriculture activity category, however, experienced the largest average annual growth rate of 97% with a volume of L.E. 85.6 million in 1981 for the banking system. For the banking sector, it was the services category which grew the fastest - 100% annually with a final volume of L.E. 169.8 million in 1981.

Thus, although Industry commanded the largest percentage of term loans in both banking groups, Agriculture (in banking system) and Services (in banking sector) experienced the largest average annual growth rates. Most term lending went to the Industrial category, though.

For the whole banking system the Loan/Deposit ratio is 104% as of December 1981. This ratio fell from 140% in 1978. For the banking sector the Loan/Deposit ratio is 87%. It, too, fell from 95% in 1978. The Loan/Deposit ratio for private sector funds for the banking system is 57%; the figure is 59% for the banking sector. For local currency, the ratio is 68% for both banking groups and 39% (banking system) and 48% (banking sector)for foreign currency.

Finally, the loan/deposit ratio for term deposits and term lending in private sector funds is 10.5% for the banking system in 1981. In the same year, for the banking sector, it is 11.5% - not substantially different. There is a more marked divergence between the two banking groups when the LC and FC components are examined. The LC component of this ratio for the banking system is 8.7%; the banking sector figure is nearly twice this at 14.6%. For FC the banking system ratio is 5.4% and the banking sector ratio is 8.3%.

Commercial Banks

This category of banks is by far the largest category in the banking sector. It represents the four public sector commercial banks and the twenty joint ventures and wholly owned Egyptian (private) institutions. In terms of the total balance sheet, it represents 57% of the banking system, including the Central Bank.

More significantly, however, its deposit base constitutes 93% of the banking system's deposit base and its loans and advances represent 73% of that of the banking system.

In perusal of the financial figures of the commercial banks collectively the strong effect of these banks on the banking system in Egypt is immediately realized. If the growth trend and movements in Commercial Banks are followed, it is found that they move in tandem with their counterparts in the banking system (i.e. the trends are nearly the same). The total Balance Sheet of the commercial banks (Exhibit VIII), grew from L.E. 7,025 million in 1978 to L.E. 15,477 million in 1981, which refelcts an increase of L.E. 8,452 million or 120% growth rate, with an average annual growth rate of 30%.

Deposits

During the same period, the deposit base of the commercial banks grew from L.E. 3,792 million to L.E. 9,705 million or by L.E. 5,913 million, (Exhibit VIII). This represents a total growth of 156% or an average annual rate of growth of 37%. The breakdown of the growth in the deposit base by category of depositors and by type of currency (local and foreign) for the period from December 31, 1978 to December 31, 1981 is represented below and in Exhibit IX. In comparing the growth rate of deposits in local versus foreign currencies between 1978 and 1981, the average annual growth rates were 36% and 40% respectively. Also, both demand and earmarked deposits' annual growth rates recorded averages of 22% and 17% respectively. However, time and savings deposits showed a much higher growth rate of 306% during the period from December 31, 1978, or an average annual growth rate of 60%. Further analysis of the time and savings deposits reveals that its average annual growth rate in local currency (Egyptian pound) was 46% compared to

104% for its foreign currency counterpart. The change in the composition and structure of the deposit base was previously explained under the banking system analysis which further outlines the strong impact of the commercial banks over the whole banking system in Egypt. In addition to the above and due to increases in interest rates paid on local currency deposits, the portfolio composition within the local currency deposit changed. Accordingly, local time and savings deposits as a percentage of the total local currency deposit base grew from 41% in 1978 to 52% in 1981.

Although the total deposit base recorded a large increase of 158% or an average increase of 37% per annum, the private sector's deposit base recorded a much higher growth rate of 222% or an average annual growth rate of 48%. Its local currency component recorded an average annual growth rate of 37%, while its foreign currency component registered an average annual growth rate of 74% during the same period from 1978 to 1981. Furthermore, the foreign currency private sector deposits compared to total private sector's deposits increased to 39% in 1981 compared with 24% in 1978. The time and savings deposits in foreign currency grew from 20% of total private sector time and savings deposits in 1978 to 44% in 1981. Simultaneously, time and savings deposits in foreign currency held by the private sector experienced an increase from L.E. 168 million (equivalent) in 1978 to L.E. 1,742 million (equivalent) in 1981. This represents an increase of L.E. 1,575 million or a total growth rate of 938%, which means an average annual growth rate of 118%.

The statistics described above regarding the commercial banks deposit base are very much in line with the developments which occured in the banking system in general. They reflect a continuous growth in the deposit base with an increasing share held by the private sector. Furthermore, the changes in the portfolio structure are evident in the increasing importance of time and savings deposits and the gradual shift towards an ever increasing percentage of the deposit base held in foreign currencies. The reason for the two types of portfolio restructuring outlined above were explained elsewhere in the review of the banking system. This confirms the strong impact of the commercial banks and the general trend of the banking sector.

It should be noted that although the deposit base of the commercial banks grew by an average of 37% per annum during the last four years, their volume as a percentage of total deposits in the banking system decreased from 94% to 92%. The private sector's deposits, however, with commercial banks remained at the constant level of 97% of total private sector's deposits with the banking system.

Loans and Advances

With regard to the Loans and Advances portfolio of the aggregate commercial banks, the balance sheet reflects a total increase in loans and advances from L.E. 3,689 million in 1978 to L.E. 8,025 million in 1981 (i.e. an increase of L.E. 4,336 million or 118% for the period, or an average annual growth rate of 29%. Furthermore, Exhibit X shows that total loans and advances to the business sector grew from L.E.

2,193 million in 1978 to L.E. 6,822 million in 1981, a net growth of L.E. 4,629 million or 211%, with an average annual growth rate of 46%. During the same period, loans and advances to the private business sector increased to L.E. 3,133 million in 1981 from L.E. 427 million in 1978, reflecting a total of 634% growth rate or an annual average growth rate of 94%. Loans to the private business sector as a percentage of loans to the total business sector have actually more than doubled from a level of 20% in 1978 to 46% in 1981. In local currency, the percentage of private business sector to total business sector loans increased from a level of 17% in 1978 to 39% in 1981, during the same period, the foreign currency portion increased from a level of 78% in 1978 to 90% in 1981.

Moreover, term lending increased from L.E. 36 million in 1978 to L.E. 193 million in 1981, reflecting an average annual growth rate of 77%. The composition of term lending also changed during the same period where the private business sector's share of term lending increased from 79% in 1978 to 86% in 1981.

The Loan/Deposit ratio for the commercial banks is equal to 82% as of December 1981, this represents a decrease over the 1978 ratio which stood at over 97%; this ratio, as of the end of 1981, stands at 89% for local currency and 31% for foreign currencies. These figures clearly demonstrate the high utilization level for the local currency component to the point that this group is in violation of the Central Bank of Egypt's limits on credit extension guidelines which set credit expansion at a limit of 65% of a bank's own deposit base.

When calculating the above ratios for the private sector as a source of funds and user of funds, the total ratio equals 52% (where the numerator is total loans and advances to the private business sector and the denominator equals total deposits of the private sector as defined in Exhibit IX) with the local currency component's ratio equal to 62% and its foreign currency counterpart's ratio standing at 37% as of the end of 1981. These ratios mean that the private sector was a net source of funds in both Egyptian and foreign currencies. The high ratio of 89% for the Egyptian pound component for the commercial banking sector, when contrasted with its private sector's component of 62%, means that other sectors (the public sector for instance) are being financed by the private sector's deposits.

When the above analysis is extended to describe the relationship between term lending and time and savings deposits it yields for the commercial banking sector as a whole, a Loan/Deposit ratio of 3.6%, with the local currency and foreign currency components equaling 4.4% and 2.1% respectively. For the private sector the term lending to term deposit ratio stood at 4.1% with the local currency component equal to 5.5% and the foreign currency component equaling to 2.4%.

Public Sector Banks

This category always had its own special trend due to the nature of its operations and relationships with the Central Bank and Government. Taking the above into consideration, it is important to note that prior to the El-Infitah policy (Open-door policy), the public sector banks monopolized all banking transactions in Egypt. Even after El-Infitah the public sector banks still operate the largest segment of government and public sector transactions. In addition, the relationship between the public sector banks, the Central Bank and government is a very special relationship such that some even view the public sector banks as instruments of the government's monetary policies. In addition, the board of directors of the Central Bank includes the four chairmen of the public sector commercial banks. Finally, it should also be noted that these public sector banks are invariably the major shareholders in many of the joint venture commercial banks and/or business and investment banks.

All of the factors outlined above make this category of banks a very special category; therefore, its impact is not limited to its own operations exclusively. Taking this into consideration, this category, as of December 31, 1981, holds 68% of the banking system deposit base and 74% of the deposit base of all commercial banks. In addition, it extended 57% and 78% of loans and advances of banking system and all commercial banks respectively. Finally, the total assets of that group constitutes 41% of that of the banking system and 71% of all commercial banks' assets as of December 31, 1981.

In persual of the balance sheet, Exhibit XI, the steady increase in balance sheet footings throughout the period 1978 to 1981 is observed. It recorded an increase from L.E. 6,519 million to L.E. 11,148 million (an increase of L.E. 4,629 million) reflecting a growth of 71% or an average annual growth rate of 20%. This average annual growth rate of 20% is 17% lower than its counterpart for all commercial banks standing at 37%. This is indicative of the fact that, although the public sector banks are growing, their growth rate is nowhere near their private sector counterparts. If inflation is taken into account, it becomes unclear whether this category did register any real growth over the period 1978-1981.

Deposits

In reviewing the deposit base of the public sector banks we can realize that it grew from L.E. 3,464 million in 1978 to L.E. 8,161 million in 1981 (an increase of L.E. 3,697 million) or a 107% growth rate. This reflects an average annual growth rate of 27%. Also, in reviewing the breakdown of the deposit base by category of depositor and by type of currency (Exhibit XII) for the period from December 31, 1978 to December 31, 1981, we can calculate the average annual growth rate of deposits in both local versus foreign currencies recorded at 28% and 26% respectively. Also both demand and earmarked deposits during the same period recorded an average annual growth rate of 17% and 8% respectively. More remarkable and important is the growth in time and savings deposits. This reflects a much higher growth rate of 215% or an average annual growth rate of 47% during the period from 1978 to 1981. Further analysis of the time and savings deposits reveals that the average annual growth rates in deposits of local and foreign currencies are 136% and 93% respectively. The portfolio composition within the local currency deposits changed due to the the increases in interest rates paid on local currency deposits. Accordingly, local currency time and savings deposits as a percentage of total local currency deposits grew from 41% in 1978 to 49% in 1981.

If the total deposit base experienced a growth rate of 107% for the period from 1978 to 1981, it recorded a total growth rate during the same period of 142% for the private sector's deposits. This reflects an annual average growth rate in the private sector's deposit base of 34%. Its local and foreign currencies components grew by an average annual rate of 27% and 60% respectively.

The private sector foreign currency holdings grew in importance from a mere 19% of the private sector deposit base in 1978 to 32% in 1981. Moreover, the time and savings deposits in foreign currency grew from 14% of total private sector time and savings deposits in 1978 to 36% in 1981. Time and savings deposits in foreign currency held by the private sector experienced an increase from L.E. 110 million in 1978 to L.E. 984 million (equivalent) in 1981. This should represent an increase of L.E. 874 million or a total growth of 795% which means an average annual growth rate of 108%. Strangely enough, the total foreign currency demand deposits dropped by 10% during the period from 1978 to 1981, although during the same period, time and savings deposits increased by 617% reflecting an average annual increase of 93%.

Comparing the developments in the deposit base along the lines of all commercial banks, it is found that the general trends are similar, although less pronounced in the public sector category. In general, the public sector banks recorded an average growth rate in the deposit base of 27% in contrast to a 37% rate accomplished by the commercial banks category as a whole. Other percentages and rates follow a similar pattern reflecting the slower growth of the public sector banks than their joint venture and private counterparts.

Loans and Advances

As for the loans and advances portfolio of the public sector banks, it has its own characteristics in which the balance sheet (Exhibit XI) reflects an increase in loans and advances from L.E. 3,538 million in 1978 to L.E. 6,279 million in 1981 (i.e. increase of L.E. 2,741 million). The total growth rate, therefore is 77% or 21% per annum. Furthermore, during the same period 1978-1981, total loans and advances to the business sector grew from L.E. 2,089 million to L.E. 5,209 million respectively, a growth of 249% or an average growth rate of 36% per annum. However, during the same period, lending to private sector increased from L.E. 334 million in 1978 to L.E. 1,669 million in 1981 (i.e. increase of L.E. 1,335 million). This reflects a growth rate of 400% or an average growth rate of 71% per annum; further details of these percentages are found in Exhibit XIII.

Loans to the private business sector as percentage of total loans to the business sector have doubled from 16% in 1978 to 32% in 1981. In local currency, the percentage of loans and advances of private business sector to total local currency loans of business sector also doubled from 15% in 1978 to 30% in 1981 ; the foreign currency portion increased from 66% to 74%.

Term lending, however, increased from L.E. 21 million in 1978 (1% of total business sector loans) to L.E. 101 million in 1981 (2% of total business sector loans); this is an increase of 381% or an average annual growth rate of 69%. The private business sector term loans increased from L.E. 15 million in 1978 to L.E. 75 million in 1981 (i.e increase of L.E. 60 million) or total growth rate of 400%. This reflects an average growth rate of 71% per annum. The private sector's share of total term lending increased by only 3%, from 71% in 1978 to 74% in 1981.

The Loan/Deposit ratio of public sector commercial banks stood at 88% as of December 31, 1981, in comparison to 102% on 1978. In terms of local and foreign currency components, the ratios were 94% and 14% respectively, given that the numerator reflects loans and advances in both currencies to the business sector. If the private sector is singled out both as a source of funds (deposits) and user of funds (loans and advances),the ratio becomes 41% with the local and foreign currency components standing at 54% and 15% respectively as of. December 31, 1981. With respect to term loans and its relation with term deposits in the private sector, the ratio stands at 2.8% with the local currency component equal to 4.1% and the foreign currency counterpart equal to 0.5%.

Loans and advances extended by public sector banks also exhibited the slower growth rate as compared with their commercial banks counterpart.

In total, this is indicative of the changes brought about by the open door policy. A bigger role is seen for the private sector both as a banking client (depositor or borrower) and as banking institutions (joint ventures and wholly owned Egyptian). It is indicative of the possibilities which such a trend may reflect if the private sector is allowed to grow and prosper. It also indicates the disproportionately high rate of growth which was enjoyed by the non-public sector commercial banks.

The empirical parts of the Survey (questionnaires and interviews) did confirm and reinforce the analysis presented above.

To start with the significant powers enjoyed by public sector banks are felt throughout the market. Their impact is felt directly through their actions and in their influence on their respective joint venture affiliates.

In the area of credit extension, the Survey found that the most constraining factorson the ability of public sector banks to lend, in general, are the credit expansion rules issued by the Central Bank of Egypt. In this context, and as the aggregate figures reflect, the public sector banks are in violation of the 65% rule. At present, the public sector banks can extend medium term loans with maturities of 5-7 years and a grace period of up to two years. Usually, such loans are guaranteed or collateralized by commercial mortgages, real estate mortgages, personal guarantees and bank guarantees. In addition, public sector banks do not usually lend more than 50% - 60% of the total investment costs. There is a discernable trend reflecting the increasing volume of business transacted by the private sector, it is indicative of the aggressive and more financially astute nature of the private sector. It should be noted that with respect to term lending, the public sector banks do not extend term loans to government entities or public sector companies. Government organizations and public sector companies term funds for investment purposes are provided through allocations made in the government's budget or the newly established National Investment Bank. Public sector banks are net lenders of Egyptian pounds to other banking institutions with preferential treatment given to their joint venture affiliates.

With respect to foreign currencies, public sector banks are net placers of funds. As the analysis presented above indicates their aggregate utilization of foreign currency deposits does not exceed 14% in contrast to 94% for the local currency component as of December 31, 1981, (given that the numerator is equal to loans and advances to the business sector in the respective currencies). In addition to the foregoing, the Survey found public sector banks pursuing a relatively active posture in view of their equity participation in new ventures. One public sector bank interviewed had participated in 32 projects with its share of the capital of these projects ranging between L.E. 70 - 80 million.

Our interviews did confirm the fact that the growth in the deposit base was decreasing and that many of the previously interest free (demand) deposits were currently shifting into time and savings deposits. If this latter trend is coupled with the increase in the interest rates as regulated by the CBE, this explains the substantial increase in the internally calculated cost of funds from a level of 2 - 3% a few years ago to a level of about 8.5% at the present time.

It is clear that the open-door policy and the new competition in the banking sector have had a measurable impact on public sector banks. Although their monopoly powers, as a group, were substantially diminished, they seem to have acquired a new more competitive and business like type of spirit. They are modernizing their operations, upgrading their facilities and systems and training their personnel.

Joint Venture and Private Commercial Banks

This category of banks was established in accordance with Law 43 of 1974. Banks in this category are commercial in nature and are allowed to deal in both local and foreign currencies. At present, there are 11 joint venture institutions and 9 wholly owned Egyptian (private institutions with commercial banking licences operating in Egypt.

This category of the banking sector has become increasingly important. Having started in 1975 with the establishment of the first joint venture commercial bank (Chase National) it has gained 28% of the total balance sheet of all commercial banks. Joint venture and Private Banks "J.V.& P. banks" balance sheet stands at L.E. 4,328 million as of December 31, 1981. This represents a growth of 755% from 1978 figures, or an average annual rate of growth of 105%. Exhibit XIV, outlines this category's balance sheet during 1978-1981.

This category of banks is growing at rates much higher than its public sector counterparts. While the balance sheets of J.V.& P. banks grew at an average annual rate of 105% their public sector counterparts grew at a rate of 20% per annum. Taking the rate of inflation into account, it can be safely said that most of the real growth in commercial banking activities can be attributed to the growth enjoyed by J.V.& P. banks during the period 1978-1981.

Deposits

The deposit base for the group registered a growth rate of 676% in the period 1978-1981. This translates into an average annual rate of growth 98%, Exhibit XV outlines the breakdown of this deposit base. The deposit base grew from a modest L.E. 328 million in 1978 to L.E. 2,544 million in the 1981, as of the latter date, J.V.& P. banks hold 26% of the deposit base of all commercial banks operating in Egypt. This total deposit base for J.V.& P. banks is further divided into local and foreign currencies. Local currency deposits stand at L.E. 1,335 million as of December 31, 1981, having experienced an average annual growth rate of 149% between 1978 and 1981, while foreign currency reached L.E. 1,209 (equivalent) recording an average growth rate of 90% per annum during the same period. It is interesting to note that in this category, for the first time, the rate of growth of L.E. deposit base has been growing at higher rates than those of foreign currency deposits. This is the first time growth in local currency exceeded its foreign currency counterpart because, for the first time, the analysis is made for the two types of currencies, starting from equally modest levels of equal importance to all institutions operating within this category.

Concentrating on the private sector's deposit base, it experienced an increase from a total of L.E. 196 million in December 31, 1978 to L.E. 1,966 million in December 31, 1981, representing an average annual growth rate of 116%. In 1978, the above figure represented 60% of the J.V.& P. banks deposit base and at the same time, it represents 10% of total private sector's deposits with commercial banks. The corresponding percentages of December 31, 1981 are 77% and 33%.

During the 1978-1981 period, the private sector's total demand deposits grew from L.E. 90 million to L.E. 434 million with an average annual rate of growth of 69%, while that of its local and foreign currency components grew at average annual rates of 96% and 40% respectively. This is indicative of the fact that the L.E. deposit base is growing at rates significantly higher than the foreign currency counterpart (more than double). Perhaps this is reflective of the increasing importance of the private sector as a whole and the type of banking institutions it will increasingly deal with. The private sector earmarked deposits grew by an average rate of 122% with the local and foreign currency components growing at 192% and 100% respectively during the same period. Finally, time and savings deposits for the private sector increased from a level of L.E. 81 million in 1978 to L.E. 1,273 million in 1981, reflecting a rate of growth of 151% per annum. By the end of 1981, the private sector's time and savings deposits represented 75% of total time and savings deposits with J.V.& P. banks, and 32% of total private sector's time and savings deposits with all commercial banks. Their time and savings deposits in local vs foreign currencies stood at 62% and 71% of total local and foreign deposits respectively as of the end of 1981.

On the whole, this category of the banking system has experienced considerable growth rates in its deposit base substantially in excess of its public sector counterpart. It was most successful with the private sector and did, for the first time, exhibit rates of growth for the local currency deposits which are higher than their foreign currencies counterparts.

Loans and Advances

Loans and advances provided by the J.V.& P. banks have increased substantially from a level of L.E. 114 million in 1978 to a level of L.E. 1,613 million in 1981. This reflects an average annual rate of growth of 142% during the period 1978-1981. The private business sector's portion of such loans increased from a level of 81.7% in 1978 to 90.8% in 1981, Exhibit XVI details such figures. Term lending to the private business sector increased from L.E. 14 million in 1978 to L.E. 90 million in 1981. Term lending, however, as a percentage of total loans and advances to the private business sector, decreased from 15% to 6.1%. In contrast, term lending to the private business sector by J.V.& P. banks as a percentage of total term lending to the private business sector by all commercial banks increased from 49% in 1978 to 54% in 1981.

In this context, term lending to the private business sector by J.V. & P. banks, which reached L.E. 90 million in 1981, is divided into L.E. 49 million to industry (54%), with services and commerce each standing at L.E. 20 million (22%) and agriculture about L.E. 1 million. As of December 31, 1981, 60% of term lending was in Egyptian pounds and the balance in foreign currency.

In terms of sources and uses of funds available to the joint venture and private sector banks, the Loan/Deposit ratio of this group of banks is 69% as of December 31, 1981. This ratio shows substantial improvement over 1978's ratio of 46%. If this ratio is calculated for the business sector's loans and total deposits in different currencies it yields 68% for the local currency component and 58% for the foreign currency portion. Additionally, if the Loan/Deposit ratio is calculated for private sector funds it yields a ratio of 74%. Its local and foreign currencies components' ratios are 86% and 65% respectively. These ratios are indicative of what the Survey's questionnaires and interviews revealed in terms of this group of banks being a net taker of Egyptian pounds and, in effect, as a group, exceeding the limit set by the Central Bank on credit extension being 65% of the deposit base in Egyptian pounds. Furthermore, it reflects along with other items of the balance sheet that, as a group, they are net placers of foreign currencies in Egypt and abroad.

With respect to term fund uses, the ratio of the business sector's term loans to term deposits (time and savings deposits) is found to be equal to 5%. If the same ratio is calculated for private sector funds, it is found to equal 7% with its local currency component put at over 10% and its foreign currency component equal to approximately 5%.

Business and Investment (or Merchant) Banks

This group of banks comprises 9 banks at the present time, mostly established under the auspices of Law 43 of 1975, or established by special decrees. This category of banks is supposed to concentrate its activities in the field of investments and was originally supposed to deal in foreign currencies only. Exceptions to the rule exist, however, and there are currently several banks in this category which deal in both local and foreign currencies. At present, this group of banks constitute 3% of the total banking system loans and advances and a similar 3% of the system's deposit base.

A presentation of their balance sheet as produced in Exhibit XVII, reveals that these banks total assets increased from L.E. 266 million in 1978 to L.E. 892 million in 1981, this is an average annual growth rate of 58%.

Deposits

As presented in Exhibit XVIII, during the 1978-1981 period the deposit base grew from a modest L.E. 91 million to L.E. 337 million registering an average annual increase of 55%. The foreign currency component registered an average annual growth rate of 47%, albeit beginning from a modest base of less than L.E. 8 million in 1978.

As of December 31, 1981, the deposit base supplied by the private sector constitutes 80% of the total deposit base, with the private sector's share of local and foreign currency components representing 71% and 83% respectively. In terms of types of deposits held with this group of banks, it is found that as of December 31, 1981, L.E. 34 million were held in demand deposits with the private sector's share constituting 78%, time and savings deposits at L.E. 256 million with private sector's share at 80% and, finally, earmarked deposits standing at L.E. 43 million with the private sector's share undetermined from available information.

Loans and Advances

Total loans and advances increased from L.E. 34 million in 1978 to L.E. 282 million in 1981. Approximately 98% of loans and advances were in foreign currencies by the end of 1978; this figure was reduced to 64% by the end of 1981. Exhibit XIX, presents such figures for the business and investment banks. The public sector share of loans and advances in 1978 was nil, as of the end of 1981, it stood at close to 27%. More importantly, however, term loans increased from a total of L.E. 9 million in 1978 to L.E. 113 million in 1981. In the context of term lending, the private business share of term lending in December 31, 1981 stood at L.E. 52.6 million of a total L.E. 112.9 million or 47%. In determining the currency composition of term lending, we find that L.E. 70 million of term lending was made in Egyptian pounds, of which only L.E. 9 million was to the private sector (13%), with the balance going to the public sector. In foreign currencies, term loans made were L.E. 43 million, all to the private business sector.

With respect to the loans and advances provided by this group of banks to different sectors of activities, Exhibit IXX details the breakdown. For Agriculture, total loans and advances were L.E. 9.6 million in 1981. Of this 28% was in L.E. and the remaining 72% in FC. For Industry, by December of 1981, L.E. 4.9 million of loans and advances were made; 58.3 million were in FC for a total of 63.2 million. For Commerce and Services, total loans and advances were 86.1 and 51.8 million respectively. In the case of Commerce 83% of these loans were in foreign currency; the figure for service is 77%.

The total Loan/Deposit ratio for this group of banks stands at around 102%. This is the only group of banks which is characterized by such a high loan/deposit ratio as of December 31, 1981. This ratio will have to be reduced in conformity with the CBE regulations regarding credit expansion in Egyptian pounds. As stated earlier total deposits in L.E. stood at 68 million as of end of 1981, and loans stood at 102 million, in violation of the 65% rule.

In addition, if the analysis concentrated on the term lending portion carried in Egyptian pounds, it is found equal to L.E. 69.5 million in contrast to a total Egyptian pound deposit base of L.E. 68 million (Loan/Deposit ratio of 102%).

It is again quite clear that enforcement of the 65% rule as it currently stands will further squeeze the funds available for lending in local currency. If this occurs , it is likely that the institutions will tend to reduce term loans in favor of shorter lending as the latter is substantially more profitable.

If the loan to deposit ratio is calculated for private sector's term loans and time and savings deposits, the ratio stands at 26%, the highest of such ratios for various categories so far.

Branches of Foreign Banks

This group of banks is classified under the category of investment banks. The number of branches operating at the present time in Egypt equals nineteen, Their total deposit base as a group stands at L.E. 556.7 million representing 5.3% of the banking system deposit base and their loans and advances stand at L.E. 416.8 million representing 3.8% of the banking system loans and advances. Branches of foreign banks deal in foreign currency exclusively. It should, therefore, be borne in mind that although the financial analysis presented below is made in Egyptian currency, it actually represents foreign currency equivalents.

The branches' balance sheet as presented in Exhibit XX, grew from a level of L.E. 575.7 million in December 31, 1978, to L.E. 1,683.7 million at the same date in 1981. This represents a growth of 192% over the period or an average annual growth rate of 43%. During the same period, the branches' total deposit base grew by 92% representing an average annual growth rate of about 24%, reaching L.E. 556.7 million in December 31, 1981. Loans and advances reached L.E. 416.8 million in December 31, 1981, representing a total growth rate of 221% over the 1978-1981 period, or an average rate of growth of 48% per annum.

Analysis of other items of the balance sheet reveals various important points. The first is the decrease of net placements with banks abroad to reach a level of L.E. 42.3 million in 1981. This is reflected in L.E.590.3 which are deposited with banks abroad and L.E. 548.0 which are due to banks abroad representing borrowings from the outside world. Secondly, deposits with the Central Bank have shown a remarkable growth especially in 1981, reflecting the enforcement of the Central Bank decrees regarding depositing 15% of the foreign currency deposit base in an interest paying account with the CBE and the deposit, for a month of 75% of total value of letters of credit for imported items in imports schedule C.

Deposits

The deposit base as stated above grew by an average annual rate of about 24%. Demand deposits grew from L.E.59.6 million in 1978 to L.E. 68.2 million, a mere annual rate of growth of 4%. Earmarked deposits, mostly connected with opening of letters of credit, have grown to 93.1 million representing an average annual growth rate of 59%. Finally, time and savings deposits grew from L.E. 207.6 million to L.E. 395.4 million between 1978 to 1981, Exhibit XXI details these figures for branches. This represents a total growth of 90%, or an average annual rate of growth of 24%. The private sector is the predominant force in branches clientele. It represents 86% of the deposit base as of December 31, 1981, and its total deposit base grew by an average rate of growth of 28% per annum between 1978-1981. During the same period, its earmarked deposits reached L.E. 93.1 million (100% of earmarked deposits), and its time and savings deposits reached L.E. 320.1 million (81% of total time and savings deposits) reflecting average rates of growth of 64% and 28% respectively during the period 1978-1981.

Loans and Advances

Exhibit XXII, reviews the loans and advances to the business sector carried by branches which reached L.E. 382.9 million in December 31, 1981. This represents an average annual growth of 56%. The short term component of this portfolio (one year or less) represents 86% of the total portfolio. This short term component currently stands at L.E. 329.5 million, having experienced an average rate of growth of 52% per annum. Its relative importance, however, decreased from 91% of total volume to the current 86% stated above between 1978-1981.

In contrast, term lending (more than one year) increased in importance from 9% to the current 14% level. Term loans volume grew with an average annual rate of growth of 99% between 1978-1981 to reach a level of L.E. 53.3 in December 31, 1981.

The private business sector's share of total loans and advances represents 94% and stands at L.E. 361.2 million in December 31, 1981, having experienced an average rate of growth of 56% since December 31, 1978. As of the end of 1981, the short term portion of loans and advances to the private business sector represents 94% of total short term lending undertaken by branches, and 87% of total private business sector borrowings from branches. As of the same date the term lending component (more than one year) carried by the private business sector currently stands at L.E. 46.7 million. It represents 13% of total private business sector borrowings and 88% of total term lending carried by branches as of December 31, 1981.

If the branches' loans and advances portfolio to the private business sector is analyzed in terms of type of activities, it is found that agriculture and industry borrowed short term loans of L.E. 1.4 million and L.E. 10.1 million respectively as of December 31, 1981, relatively negligible in magnitude. Services borrowed L.E. 15.4 million by 1981 figures, of which L.E. 11.0 million are term loans (over one year) representing 24% of all term lending to the private business sector carried by branches. In contrast, commercial activities borrowed L.E. 314.4 million, or 95% of total private business sector borrowings. Term lending to commercial activities reached L.E. 35.7 million, representing 76% of total term lending to the private business sector.

For the branches, the Loan/Deposit ratio as of December 31, 1981, stands at 75%; a marked improvement over the 1978 level of 45%. If the loan to deposit ratio is calculated with the private sector's deposits as defined in Exhibit XXI in the denominator, the resulting ratio is equal to 76%. In addition, if the above exercise for the private sector is repeated with term lending and time and savings deposits of the private sector in the numerator and denominator respectively, the ratio becomes about 15%.

The Development Industrial Bank

The last category of banks is that of specialized public sector banks of which we single out the Development Industrial Bank ("DIB"). The DIB, a public sector institution and a wholly owned subsidiary of the Central Bank, specializes in providing medium and long term loans to the industrial sector. It was established in 1975 and started operations in 1976 with capital of L.E. 5 million. DIB's main objective is to support industrial activities by extending loans of maturities up to fifteen years. Loans are provided in both local and foreign currencies. DIB's clientele are mainly private sector enterprises, with an emphasis on small and medium scale enterprises.

As of December 31, 1981, the DIB's balance sheet stood at L.E. 208.5 million, having been at L.E. 57.1 million in 1978, thereby, registering an average annual rate of growth of 54%, Exhibit XXIII details DIB's balance sheet for the period 1978-1981. The DIB's balance sheet represents less than one percent (0.77%) of the banking system's balance sheet with its loans and advances standing at L.E. 183.5 million, representing 1.7% of total loans and advances provided by the banking system.

Sources of Funds

Since 1976, DIB's capital was increased several times and amounted to L.E. 25 million at the end of 1981. Due to its nature as a specialized bank mainly financing new investments, DIB's most important sources of funds, in addition to capital are loans from international institutions and from CBE. At the end of 1981, loans from international institutions* amounted to L.E. 78 million (or 38% of total liabilities) and credit from CBE was L.E. 53 million (25% of total liabilities). The third important source of funds was capital and reserves with L.E. 35 million (or 17%). These sources of funds have experienced substantial growth since 1978 ; capital increased by 150% and the Central Bank loans grew by 230% between 1978-1981, representing an average annual growth rate of 49%. Finally, deposits and loans from international agencies grew by 383%, registering an average annual growth rate of 70%.

Loans and Advances

Uses of funds are characterized by the overwhelming predominance of loans and advances which grew from L.E. 46.1 million in 1978 to L.E. 183.5 million in 1981, thereby reaching a level of 88% as of the end of 1981, Exhibit XXIV reviews the loans and advances provided by the DIB. This represents a growth of 298% or an average annual growth rate of 59%. Total loans supplied to the private sector amount to L.E. 163.8 million of a total loan portfolio of L.E. 183.3 million or 89%. Short term loans extended to the private sector amounted to

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* With about L.E. 3 million in deposits from borrowers required as margin for letters of credit open to import foreign components for projects financed by DIB.

L.E. 35.2 million with the balance amounting to L.E. 128.6 million (79% of private sector loans), representing medium and long term loans to the private sector. More interesting, however, the DIB, which holds less than one percent of the banking sector's total balance sheet footing, supplied the private sector with 30% of medium and long term lending made available by the banking sector.

In addition, a review of the DIB loan portfolio, shows that total term loans to the private sector amounting to L.E. 128.6 are divided into L.E. 75.8 million in local currency (59%), and L.E. 52.8 million in foreign currency (41%). In terms of sectors of activities, agriculture received 3.7% of private sector's term loans, industry received 67.3%, with services receiving the balance amounting to 29%. It is also important to note that between 1978 and 1981, the private sector's share of total lending made by the DIB increased from 75% to about 90%, with the local currency component increasing from 79% to 92%, and the foreign currency increasing from 64% to 83%.

With respect to further analysis of term lending, Exhibit XXV reviews the maturity structure of the DIB portfolio and the types of securities or guarantees being applied. The Exhibit reveals that L.E.80.2 million of the portfolio are five to ten year loans, L.E. 68.1 of one to five years maturity. The most often used security in term lending is the commercial and industrial mortgage with real estate and equipment coming second.

Term Lending

In this section, an analysis of term lending to the private sector is undertaken. This analysis is primarily based on information gathered in the interviews with banking institutions, the questionnaires to the participating banks, and finally supported by one analysis of aggregate and sectoral data provided by the Central Bank.

As of the end of 1981, and according to statistics provided by the Central Bank, total loan and advances to the business sector provided by the Banking system amounted to L.E. 980 million. The private business sector portion of those term loans and advances amount to L.E. 430 million or roughly 44%, an increase over the 1978 proportion of 37%.

The Survey found the banking system to be fairly liquid in foreign currencies, and accordingly, liquidity in foreign currencies could not be regarded as an overwhelming constraint on the banks abilities to extend medium and long term loans in foreign currencies. The short term nature of the deposit base, however, may discourage an institution from lending. Interbank borrowing in foreign currency is possible and lines of credits are abundant but seldom used.

In the Egyptian pound sector, the Survey found the Central Bank credit expansion regulations and the 65% rule to be the most important variable affecting the banking sector's liquidity in Egyptian pounds. An interbank market in Egyptian pounds cannot be said to exist. Certain transactions take place, but without the kind of regularity, speed and efficiency which could characterize it as a market.

Management of liquidity relies upon the existence of a money market. Because there is no money market for L.E., and no instruments, there is very little management of L.E. The existence of sporadic transactions in Egyptian pounds occurs mainly between public sector banks and their joint venture subsidiaries. Therefore, effectively, there is no liquidity management in L.E. denominated funds. The opposite is true for foreign currencies because, in this case, a market does exist - the eurodollar market. Interbank transactions in foreign currency allow banks to manage FC liquidity. For example, a bank may extend a loan and take out another with a similar maturity structure in order to cover itself against the vagarities of interest rate movements. Liquidity management therefore, ranges from the non-existent (in the case of L.E.) to the highly sophisticated transactions involved in managing foreign exchange.

Similarly, the Interbank market in L.E. is highly limited and sporadic and cannot be said to be a true interbank market. In contrast with this, there is a lively and efficient interbank market for foreign currency. This FC interbank market is tapped on a daily basis, primarily by joint venture subsidiaries. The Central Bank of Egypt's discount rate plays no role in the interbank market.

In contrast to the banking sector's liquidity, the demand for term loans is mainly in Egyptian pounds and to a much lesser extent in foreign currencies. Reluctance to borrow in foreign currencies is predicated on substantial losses incurred by investors who borrowed medium term funds in foreign currencies. The substantial increases in debtor interest rates on foreign currencies and the continuous depreciation of the Egyptian pound in relation to most foreign currencies brought about severe losses in the demand for foreign currency borrowings for medium or long term maturities.

As previous parts of this Report indicated, the deposit base of the banking system witnessed substantial growth. Two types of portfolio adjustments accompanied the growth in the deposit base. The first portfolio adjustment was in terms of a shift from demand deposits to time and savings (interest paying) deposits in both foreign and local currencies. The second portfolio adjustment was the gradual shift out of local currency and into foreign currencies to counter the erosion in the value of the Egyptian pound. The Survey found that most of the time deposits are short term in both foreign and local currencies. It is estimated that average maturity in local currencies is about 12 months, with a 6 months median. The foreign currencies' maturities average 60 days with a 30 days median.

Non commercial banks have relied on other sources of funding which are more suitable to the type of operations they are supposed to undertake. In this context, the increase in the Development Industrial Bank capital from L.E. 5 million to L.E. 25 million, and the substantial loans from International Agencies (L.E. 78 million in 1981), are good examples of funding for institutions which will be primarily engaged in term lending. One other law 43 investment bank, Misr/Iran Development Bank, has attempted to develop a structure for sources of funds which is commensurate with its objectives. In this regard, MIDB increased its capitalization from \$ 20 million to \$ 40 million, received a \$ 30 million loan from the World Bank and floated certificates of deposit of \$ 20 million. The MIDB concentrated on financing medium and large projects, often playing a promotional role in the development of the project and holding sizable equity participations in such ventures.

Apart from two to three investment banks organized according to law 43, the Team did not detect much difference between commercial banks and investment banks organized according to law 43. If all banks established under law 43 are pooled together, perhaps one, at the most two, institutions will stand out as being primarily investment oriented.

Based on our sample, Joint Venture Banks relative to their size, emerged as the most significant mobilizers of capital. Since this group of banks has been growing at the fastest rate relative to the others, and because they deal in both L.E. and FC, this is not surprising. The following list provide some examples of banks which have participated in syndicated lending or lead managed syndicated loans:

Syndicated Lending	Lead Managed Syndicated Loans
Arab International Bank	Arab/African Bank
Arab/African Bank	Misr/Iran Bank
Misr/Iran Bank	Egyptian American Bank
Egyptian American Bank	American Express
National Bank of Egypt	Citicorp.
Bank of Alexandria	
Cairo Barclays	
Arab Investment Bank	

Other institutions will have more similarities than differences when it comes to investments. Differences between institutions, commercial or investment, can be more properly characterized as those of emphasis rather than substance.

The Survey did not generally detect laid down rules governing the management of risk in the institutions. In this context, the Team did not find sectoral limits set by the institutions, but rather management being aware of its risk exposure profile, enforces a sectoral limit (in the back of their minds), on a case by case basis. An exception to the foregoing is the limit set on exposure to a project or client usually set as a percentage of networth.

Accurate information about bad debt losses is not available but the ratio of provisions/loans and advances and its history could serve as an indicator. This ratio stands at 7% for the banking sector at the end of 1981 compared with 5.3% at the end of 1978. This trend is representative for the different categories of banks. According to some bankers we interviewed bad debt losses account for between 1/4 and 1/3 the provisions amounts. This is in line with other estimates that bad debt losses range from 1% to 2% of total loans and advances. Some bankers tend to believe that newly established banks may suffer during the coming years from bad debt losses relatively greater than those of the public sector commercial banks because of the greater portion of new-in-business clientele.

Banks deal with arrearages at different levels of authority depending upon the age of the bank, its historical background, clientele characteristics, geographical spread and number of branches. The public sector commercial banks in general have several departments following up the repayment and arrears of loans and advances.

Borrowers late in repaying are first asked for repayment; if still not paid up their files are generally transfered to the arrearage committee. This committee re-investigates the loan situation and analyzes the possibilities for repayment and rescheduling. If loan repayment is rescheduled but repayment not fulfilled it is the arrearage committee which recommends legal action and the provisions to be allocated. For the other categories of banks, a similar but simplified organization exists with lesser emphasis on the periodic review of information.

With respect to maturities, however, the rules are much more clearly enunciated. Except the DIB, the Survey did not find institutions willing to go beyond seven years' maturities with most institutions oerating in the five years' range as a limit.

In terms of project or loan risk management, the Study found that strict equity to debt ratios are being enforced. These have been found in the range of 60-75%, which reflects a shift toward a more conservative approach to term lending. Two years ago, it was not uncommon to find many projects with equity to debt ratios in the 50% neighborhood. The Team found that the banking system is heavily biased towards securing term loans by collaterals, mortgages and other forms of guarantees. These securities were found to add substantially to the cost of borrowing; it is not uncommon that such costs represent over 2% of the loan value in up-front government dues.

Short term lending representing the overwhelming portion of total loans made by the banking sector, was found to be substantially more lucrative. This is primarily due to the presence of a fair portion of such funds in the form of commitments rather than disbursements (letters of guarantee for instance, or letters of credit from inception until payment) which represent interest earning assets. Other fees and expenses charged by the banks are much more substantial in short term lending if the turnover of such loans is taken into account.

Facing a line of business that is less profitable than other available lines, perceived to be more risky, with a relatively high risk structure of interest rates, banks are reluctant to finance the medium and long term funding needs of the business sector. In addition, the relatively narrow range of creditor interest rates does not allow the banks to differentiate between shorter and longer funding and the risk involved with project financing.

Complicating the situation is the generally less than adequate quality of projects presented in terms of the feasibility studies being presented or the suggested financial package. The banks, with the exception of a handful of institutions, are not adequately staffed to analyze, or at times, substantially revise these studies and have become even more reluctant to finance projects. If the banks do finance these projects, it is done after a substantial investment in terms of time and effort. To safeguard such an investment, in addition to the loanable funds, banks become increasingly conservative in their risk return tradeoff.

Further constraints on the ability of the banks to finance medium and long term loans are more general in nature and a function of perceived political and economic risks deemed unacceptable at the current risk-return tradeoffs.

In order to increase the flow of term loans to the private sector, measures have to be taken to relax some of the constraints, or variables, affecting the present risk-return tradeoffs available for term loans. In the following section, recommendations to that effect are presented in an attempt to relax some of the foregoing constraints or at least make them more acceptable from a standpoint of risk-return tradeoff.

RECOMMENDATIONS

In this section, several recommendations, suggestions and solutions are presented for the consideration of the GOE and USAID. As regards some of the recommendations presented below, it should be clarified that they were technical in nature and presented within this context. Their implementation, however, may hinge on other considerations unknown to the Team preparing the Survey. In addition, it should be clarified that some of the suggestions presented below may not constitute appropriate intervention areas by foreign donor or foreign organizations. The objective of the recommendations presented, hereinafter is two fold:

1. To recommend actions and undertakings aimed at relaxing some of the constraints affecting the flow of term lending to the private sector.

2. To recommend structures which will complement the policy actions referred to above and will assist in the institutionalization of the term lending processes to the private sector.

In the context of the above categories of recommendations, it should be clarified that the recommendations presented below deal, generally, with the regulatory framework and two areas of the problem: The first dealing with increasing the demand and the supply for term lending by the private sector, and the second area aims at increasing the efficiency of the market (mechanisms and institutions) in which term funds are being transacted.

The Regulatory Framework

Recommendations regarding the Regulatory Framework will, primarily, relate to the Central Bank of Egypt and its policies. In this context, it is strongly recommended that the Central Bank of Egypt should be strengthened as an institution and should be afforded the degree of autonomy and independence needed for it to assist in the planning and taking a major role in the implementation of the Egyptian monetary policy. It is recommended that some of the rules and regulations embeded in law 163 of 1957, which were not changed by the promulgation of law 120 for 1975, be revised and updated to accommodate the needs of an ever changing and demanding banking environment. As an example of such rules is the requirement that lending by the Central Bank be against guarantees represented in the cotton crop or gold. It should be important to stress the function of the Central Bank as a lender of last resort and that this function is readily accepted by both the Government of Egypt and the Central Bank to further assure the banking community operating in Egypt.

The Central Bank of Egypt suffered a severe brain drain during the last seven years. This drain on the human resources of the Central Bank should be remedied by increased funding of training programs of Central Bank's personnel on various aspects of Central Bank's functions. In addition, the Central Bank needs a major overhaul of its management information system to enable a more enlightned and informed planning and management of the banking system.

Based on our interviews we can state that banks' capabilities in the area of project appraisal vary according to category of bank, how old the bank is, whether it is a joint-venture or not...etc. The leading business and investment banks and the DIB have in general better capabilities than other categories of banks. For the 4 or 5 leading banks we estimate 5 to 10 qualified staff each of young, middle and senior management level. There are two main sources for recruitment of project appraisal staff. Middle and senior management staff are mainly former staff of either international and regional organizations or from credit departments in public sector commercial banks. Young staff are usually graduates from Egyptian universities or the AUC with backgrounds in economics, management, finance and commerce. Both middle and young staff usually have had training courses and seminars in project evaluation and feasibility studies. For the most part, the courses and seminars are given in Egypt. Among institutions providing such courses in Egypt there is the National Institute for Planning, the AUC and other universities. Some banks arrange, internally, introductory courses for their young staff and in some joint venture banks those courses are provided abroad by the foreign partner.

What follows are some recommendations for training of personnel:

Banking Staff:

Specifically, two courses may be provided at two different levels: an introductory course for young staff with up to five years experience and an advanced course for staff with experience of 6 to 12 years. In the latter course, emphasis may be directed toward legal and organizational aspects, particularly, with respect to loan agreements and loan syndications. In short:

(i) Project evaluation with emphasis on market studies, commercial profitability and cash flow projections (with separate statements for FX cash flow).

(ii) Project financing with particular attention to loan syndication.

Central Bank Staff:

For staff of the Central Bank, training in the following areas could be particularly useful:

(i) Introductory courses in project evaluation and credit analysis.

(ii) Financial Analysis of finance institutions.

(iii) Data collection, analysis and presentation.

(iv) Credit control - scope and methods.

In the area of Central Bank's regulations, it is suggested that more flexible policies regarding the structure of interest rates be implemented. More specifically, a wider range for debtor and creditor interest rates is suggested to enable a differentiation based on maturities of deposits or lending. If properly implemented, a more flexible creditor interest rate structure would encourage larger term savings and, to a certain extent, would be in line with creditor interest rates on deposits in other currencies. This should encourage term savings, thereby increasing the maturity structure of the banking system deposit base. On the debtor side, a wide range should make term lending more attractive than the present range warrants. At present, a two percentage point difference between minimum and maximum debtor rates is not sufficient to induce banks to lend longer term. If the range is increased, however, there will be greater room for manoeuvres and a greater possibility to accommodate term lending. In essence, there will be a return tradeoff which will make the risk incurred in term lending a viable proposition when compared with shorter maturities risk-return tradeoffs. The same differentiation for debtor interest rates based on maturities could also be applied to various types of sectors or types of activities. In this regard, lower rates could be applied to productive investments while higher interest rates could be charged to commercial activities. In essence, a need for more flexible policy structure is recommended to enable redirection of credit to selective areas of the economy, based on a priority system to be periodically revised. More specifically, the current range of 13%-15% could be expanded to a level of 11%-17%. Within this context, longer maturities are charged higher interest rates to compensate for the risk structure of interest rates and to bring about a risk return tradeoff commensurate with market expectations. In conjunction with such a new range of debtor interest rates, the Government could introduce a policy of selective interest rates, subsidies and levies which will supplement the banking sector and affect the price of credit to different sectors of the economy and types of activities.

Finally, the credit extention regulations which limit the extension of credit to 65% of the deposit base of any individual bank should be modified. This modification should augment the deposit base by the institution's capital and reserves. A modification of this nature could for example, expand the lending limit of all commercial banks by L.E. 267 million, given a resource of L.E. 411 million for December 31, 1981 figures. In addition, interbank borrowing (on a net basis) should be included. Furthermore, to encourage term lending, it may be appropriate that term lending for given maturities (say over 3 years) should be deducted from the total loans and advances of the individual institution, and thereby, not be subject to the 65% requirements. Other such formulas may be suggested and studied to choose those that are most appropriate from the developmental, as well as the regulatory framework.

Demand and Supply of Term Loans

This category of recommendations deals with increasing the demand and supply of term lending by the private sector. It should be noted that the Survey is suggesting measures to increase the demand for term loans because of the Team's belief that the final object is further participation and involvment of the private sector in productive investment.

In this context, it is recommended that the Government of Egypt attempt to provide the needed stability in the laws and regulations which govern economic activities. The Government should assist in the development of the proper psychological climate in order to induce the private sector to invest larger amounts of funds in projects. The development of the needed infrastructure and the establishment of industrial estates will assist, to some extent, in reducing the otherwise high cost of investments. In addition, the Government of Egypt should determine its priorities for industries and projects which it is seeking to implement, as well as clear demarcation lines reflecting areas in which the private sector is welcomed, and those where exclusivity is being given to the pulbic sector.

The continuous erosion in the value of the Egyptian currency is a major constraint on the willingness of the private sector to invest in projects requiring foreign currency financing, while lacking the potential foreign currency cash flows for repayment of loans. It is suggested that the Government of Egypt take measures necessary to either rectify the current imbalance between the value of the Egyptian pound and other currencies as reflected in the official exchange rates, or alternately assume the current risk borne by the individual investor.

Fiscal policies aimed at giving preferential treatment to industrial and other productive investments should be studied and implemented to attract the private sector into such endeavours. Furthermore, other fiscal policies aimed at, for example, projection of local industries through appropriate customs tarrifs, should be given greater attention to assure the private sector of the continuous interest of the government in its development and well being.

Recommendations, with regard to increasing the supply of term loans to the private sector will, primarily, focus on the relaxation of constraints affecting the supply of such term funds to the private sector. In this regard, and as discussed earlier, the banking sector should be encouraged to lengthen the maturity structure of its deposit base through the introduction of more innovative and diversified saving mechanisms to suit the preferences of various types of savers. The lengthening of the maturity structure of the banking institutions' deposit base should ease the severe constraints on the ability of the banking system to transform the maturity structure of its deposit base (mainly short term) into longer term loans.

The Survey reveals that many of the feasibility studies which are presented to the banks are either very preliminary in nature and need substantial efforts to be completed, or are carried out in such a way that they require major revisions. It is, therefore, suggested that major sectoral or industry studies be carried out and financed by the Government of Egypt. These studies could be made available to potential investors to enable them to determine, with a given degree of reliability, the actual situation within the industry in which they are interested. Furthermore, this will assist investors in the bette preparation of feasibility studies, thereby, allowing the banks to undertake their proper role with respect to these feasibility studies which is one of appraisal. In this context, the banking sector in general, may require training programs in area of project appraisals and preparation of feasibility studies.

It is important to note that the lack of accurate market data and the need to gather this data through empirical surveys substantially increases the costs of feasibility studies that are being prepared for projects. The degree of accuracy of such data, when gathered, may be a reason for the high degree of risk attached to many of the projects that are being submitted for financing to several of the banking institutions interviewed. The sectoral or industry data referred to above may go a long way towards reducing both the cost of such feasibility study and the riskiness of the projects being studied. It should be noted that most of the suggestions made so far in this section, aim mostly at reducing the cost, to the investor and to the bank, of undertaking and funding projects.

Mechanisms and Institutions

This area of the recommendations deals with the structures and instruments needed for a smoother flow of funds to the private sector and interaction between the supply and demand functions for such funds. Under Regulatory Framework, the recommendations dealt with some of the requirements for an orderly operating banking system and the efficiency thereof. Apart from the Regulatory Framework, however, there are certain instruments mechanisms, structures and institutions which many be necessary for the efficient working of the banking system.

To start with, the banking system cannot operate in isolation from other financial markets and institutions which should be operating and interacting with the banking system sector.

An orderly working money market, capital market and stock market could go a long way toward enabling the banking system to circumvent many liquidity constraints by covering its short positions regardless of maturities as long as the financial markets can accommodate its needs. The relative inactivity of other financial institutions as participants in money or capital markets, despite the longer term nature of their resources, is complicating the problem.

It is suggested that measures be taken to assist in the activation of financial markets to complement the work being requested from the banking sector.

Measures to reduce the risk in lending medium long term funds to the private business sector should be encouraged. In this context, a guarantee mechanism could substantially reduce the uncertainty involved in term financing to private sector's projects. This guarantee structure would provide partial or total guarantees as to payment of interest and principal on private sector's term loans for projects meeting a selective group of criteria commensurate with economic and developmental objectives.

Further analysis of this mechanism is needed to determine its funding, management, mode of operation, eligibility requirements and selective criteria for various levels of guarantees and the cost of such guarantees to ensure that no undue risk is being accepted because of facilities provided by the guarantee program.

In addition, a discount window should also reduce possible liquidity problems which are constraining the ability of banking institutions to lend medium and long term funds to the private business sector. In addition, the presence of such a discount window would help in the provision of needed instruments for more active money and capital markets. The discount window would provide, under certain circumstances, to the lending institutions, the possibility of discounting term loans originally extended to private business sector. As with the guarantee mechanism, further analysis and study is needed in order to determine the circumstances under which loans become eligible for discounting, and the rate at which these loans will be discounted. It is important to structure the discount trigger mechanism in such a way that it prevents the abuse of such a facility by irresponsible institutions.

In order to provide leverage for government or donor funds provided for programs to encourage private sector's investments in productive projects, it is suggested that such funds be blended with other commercial funds to extract the maximum possible leveraging of such funds. In this context, the relunctance of the banking sector to finance the longer maturities could be countered by having government or donor take the portions of loans which banks are unwilling to finance (furthest maturities).

Finally, certain high risk projects may not be suitable for total commercial financing. In addition, certain of these projects lack an adequate equity base given their high risk nature. In such a case, new instruments should be introduced like subordinated loans or convertible instruments which would make these, otherwise financially unviable projects, financially viable.

In view of all these programs which were suggested above, it may be suitable to consider the type of structure which would house and/or coordinate between any number of them. In this context the Central Bank would be an excellent choice, at least for the discount window

It seems, however, that the Central Bank will be preoccupied with efforts regarding the management of monetary aggregates, upgrading its management information system and the training of new cadres on various levels of its hierarchy.

Another alternative would be one of the public sector commercial banks acting as proxy for the Central Bank and instrumental in the execution of government policies. The interviews undertaken in the Survey revealed that, in conjunction with other programs, banks prefer to deal directly with the government or donor rather than through intermidiaries who are also their competitors.

In this context, the Private Investment Encouragement Fund "PIE Fund" is perhaps an appropriate vehicle to house and/or coordinate these various programs. The PIE Fund was orginally created as a co-financing vehicle with $ 30 million capitalization aimed at the private sector. The by-laws creating the PIE Fund as a vehicle, have afforded it with a greater degree of flexibility than just co-financing. It is the Team's belief that its by-laws can accommodate most of the programs suggested earlier. If the PIE Fund can be re-structured to house or coordinate the above programs along with the undertaking of major modifications in its operating systems, procedures and management, it would be a potent vehicle for private sector encouragement and development.

What follows are a few specific suggestions for ways in which the effectiveness of the PIE Fund may be increased:

The capital base of the PIE Fund ought to be enlarged from $ 30 million as a larger base would permit the Fund to increase the scope of its interaction with the private sector.

Limits on the amount which may be lent to any one investor ought to be established.

The application and decision making procedures ought to be simplified.

Fund participation should not be limited to new projects. The Fund may participate in already existing projects which need a readjustment of their capital structure and which are otherwise commercially profitable. Such corrections in the financial structure of projects or firms could take the form of equity participations, preference shares, or loans.

The Fund could provide assistance in project studies, preparation, implementation and promotion. Forms of assistance may include the following:

1) Financing parts of the feasibility studies of projects which have been provisionally accepted.

2) Selecting some project ideas for which the pre-feasibility studies could be financed by the Fund. In such a way the Fund would be providing promotional assitance to the private sector, and facilitate private sector interaction with the Fund.

The Fund's resources could be leveraged by increasing the degree of co-financing and participation in loans to the private sector. This leveraging will result from assigning shorter maturities to co-financing banks with the Fund being allocated the longer maturities of such loans.

The PIE Fund could assist in correcting the financing structure of those projects which are technically and commercially sound but do not have acceptable debt/equity ratios. This could be done in two ways:

1) The Fund participates in the capital share of such a project through preferential shares in order to reduce the risk assumed by the Fund and to guarantee a certain level of income. The Fund's participation may decrease over time.

2) The Fund provides such a project with complementary loans so that it need not compete for loans provided by banks.

The PIE Fund should be innovative in terms of the kind of financing it provides. It should consider convertible securities, subordinated loans, and islamic formulas of decreasing participation to more suitably cover the needs of various projects.

Exhibits

I. List and Type of Banks Covered by the Interview.

II. List of Interviewees.

III. Questionnaire.

IVa. Balance Sheet of Banking Sector.
IVb. Banking Sector Breakdown of Deposits as of Dec. 31.
IVc. Banking Sector Breakdown of Deposits by Category of Bank.
IVd. Loans and Advances to Private Business Sector Extended by Banking Sector.
IVe. Loans and Advances of Banking Sector by Category of Bank.

V. Balance Sheet of the Banking Sector as of December 31.

VI. Banking Sector Breakdown of Deposits as of December 31.

VII. Loans and Advances Extended to the Private Business Sector by the Banking Sector as of December 31.

VIII. Balance Sheet of Commercial Banks as of December 31.

IXa. All Commercial Banks Breakdown of Deposits as of December 31.
IXb. Commercial Banks Breakdown of Deposits 1978-1981.

Xa. Loans and Advances Extended to Private Business Sector by Commercial Banks.
Xb. Breakdown of Loans and Advances of Commercial Banks by Maturity & Type of Security.

XI. Balance Sheet of Public Sector Commercial Banks.

XII. Public Sector Commercial Banks Breakdown of Deposits as of December 31.

XIII. Loans and Advances Extended to Private Business by Public Sector Commercial Banks.

XIV. Balance Sheet of Joint Venture and Private Commerical Banks.

XV. Joint Venture and Private Commercial Banks Breakdown of Deposits as of December 31.

XVI. Loans and Advances to Private Business Extended by Joint Venture and Private Commercial Banks.

XVII. Balance Sheet of Business and Investment Banks.

XVIII. Business and Investment Banks Breakdown of Deposits as of December 31.

IXX. Loans and Advances to Private Business Extended by Business and Investment Banks as of December 31.

XX. Balance Sheet of Branches of Foreign Banks.

XXI. Branches of Foreign Banks Breakdown of Deposits as of December 31.

XXIIa. Loans and Advances to Private Business Extended by Branches of Foreign Banks as of December 31.
XXIIb. Total Loans and Advances Extended by Branches of Foreign Banks.

XXIII. Balance Sheet of Development Industrial Bank.

XXIV. Loans and Advances Extended to Private Business by the Development Industrial Bank as of December 31.

XXV. Development Industrial Bank Total Loans and Advances.

Exhibit I

List and Type of Bank Covered By the Interviews.

	Bank's Name	Type of Bank
1.	Alexandria Kuwait International Bank	Joint Venture (Commercial)
2.	Arab Bank Limited	Foreign Branch
3.	Bank of America NT & SA	Foreign Branch
4.	Cairo Barclays International Bank S.A.E.	Joint Venture (Investment)
5.	The Chase National Bank (Egypt)	Joint Venture (Commercial)
6.	Citibank N.A.	Foreign Branch
7.	Credit Suisse	Foreign Branch
8.	Development Industrial Bank	Public Sector Specialized
9.	Egyptian American Bank	Joint Venture (Commercial)
10.	Lloyds Bank International Limited	Foreign Branch
11.	Manufacturers Hanover Trust Company	Free Zone Branch
12.	Misr America International Bank	Joint Venture (Commercial)
13.	Misr International Bank S.A.E. (MIBank)	Joint Venture (Commercial)
14.	Misr Iran Development Bank	Joint Venture (Investment)
15.	National Bank of Egypt	Public Sector
16.	National Societe Generale Bank	Joint Venture (Investment)
17.	Nile Bank S.A.E.	Private Egyptian
18.	Societe Arabe Internationale de Banque (SAIB)	Joint Venture (Investment)
19.	Suez Canal Bank	Private Egyptian
20.	Union Arab Bank for Development and Investment (Arab Investment Bank)	Joint Venture (Investment)

Exhibit II.

List and Titles of Officers Covered By Interviews.

	Bank's Name	Interviewee	Position
1.	Alexandria Kuwait International Bank	Samir El-Kasry Fawzi El-Shahed	General Manager Assistant General Manager
2.	Arab Bank Limited	Hatem Sadek	Manager
3.	Bank of America NT & SA	Thomas Ransom	Vice President
4.	Cairo Barclays International Bank S.A.E.	Aly Faidy	Director and Joint General Manager
5.	The Chase National Bank (Egypt)	Aly Dabbous Roger Crevier Salma Abbasi	Chairman Managing Director General Manager Credit and Marketing
6.	Citibank N.A. .	Henry Batchelder	Vice President
7.	Credit Suisse	Giovanni Groppi	Branch Manager
8.	Development Investment Bank	Abdel Hamid Kabodan Mohamed Bassal	Chairman General Manager, and Accounts and Marketing Head
9.	Egyptian American Bank	Farid Saad	Managing Director
10.	Lloyds Bank International Limited	Goeffrey Clayton	Principal Manager
11.	Manufacturers Hanover Trust Company	Thomas Flattery M. Mounir Sabry	Vice President Vice President and Representative
12.	Misr America International Bank	Farouk Serour	Assistant Managing Director
13.	Misr International Bank S.A.E.(MIBank)	Antoine Michael	Credit Department Head
14.	Misr Iran Development Bank	Fouad Sultan	Chairman and Managing Director
		Al-Mootaz Mansour	General Manager
15.	National Bank of Egypt	Mahmoud Abdel Aziz	General Manager
16.	National Societe Generale Bank	Kazem Barakat	Deputy General Manager
17.	Nile Bank S.A.E.	Issa El-Ayouti	Vice Chairman and Managing Director
18.	Societe Arabe Internationale de Banque	Jean de Boisgrollier	General Manager
		Hesham El-Sheyati	Deputy General Manager
19.	Suez Canal Bank	Zakaria T. Abdel Fattah Mohamed H. El-Adawi	Chairman General Manager and Managing Director
20.	Union Arab Bank for Development and Investment (Arab Investment Bank)	Wagih Shindy	Chairman and Managing Director
		Hassan Faik Abdel Halim Amin	Advisor, Banking Sector Manager, Foreign Department.

QUESTIONNAIRE

A. General

1. To which category (ies) of clients are the Bank's services most suitably directed? Kindly explain and enumerate whenever appropriate.

2. With which category (ies) of clients was the Bank most successful? Please rank them in descending order of success.

3. What are the range of banking services offered by your Bank?

   a.

   b.

   c.

   d.

4. What other banking services does the Institution plan to introduce in the future?

a.
b.
c.
d.

5. Which aspects of your Bank's services distinguish and differentiate them from those offered by other banks?

a.

b.

c.

d.

6. What, in your opinion, are the guidelines, measures or yardsticks for assessing a bank's success in Egypt? Kindly enumerate in descending order(number of clientele, volume of deposits, total size of balance sheet, geographical coverage, range of integrated banking services, profitability, etc...).

7. What, in your opinion, are the factors affecting the Bank's ability to attract different types of deposits? Kindly enumerate in descending order of importance: (type of Bank's clientele, diversity of services offered, Bank's branch location, interest rates, legal or governmental factors, etc...).

a. Demand Deposits

1.
2.

3.
4.
5.

b. Time and saving deposits:

1.
2.
3.
4.

8. What are the factors affecting the overall size of your Bank's short and term lending? Kindly rank in descending order of importance:

a. Short Term Loans and Facilities:

1.
2.
3.
4.

b. Medium and Long Term Loans and Facilities:

1.
2.
3.
4.

9. What are the typical kinds of guarantees or collaterals required by the Bank in case of:

a. Short term loans and facilities

1.
2.
3.
4.

b. Medium & long term loans:

1.
2.
3.

B. Liquidity Management

1. Does your Bank's targeted liquidity ratio exceeds the legal liquidity ratio?

2. What are the most important factors leading to the difference, if any, between budgeted and legal ratios?

3. To what extent was your Bank's actual liquidity ratio different from legal and/or budgeted ratios during the period 1978-1981? Please state the extent and enumerate the main factors behind such difference?

4. What are the main and most frequent sources through which your Bank met deviations, if any, in actual liquidity requirements from the budgeted ratios during 1978-1981 (inter-bank borrowings, foreign lines of credit, etc...).

C. Nature & Structure of Sources of Funds

1. Deposits:

a. Please state the development of deposits (demand & time) in terms of volume and number of depositors during the period 1978-1981 (both in L.E. and foreign currencies).

b. What are the policies adopted, incentives and additional services offered by your Bank in order to increase deposits' volume, and/or extend their maturities? Kindly distinguish whenever appropriate, with regard to kind of currency (L.E. versus foreign currencies).

c. What are the most important category (ies) of your Bank's depositors? Kindly enumerate in descending order of importance.

1.
2.
3.
4.

2. Other Sources of Funds:

What were the other main sources of funds available to your Bank during the period 1978-1981 (Inter-bank borrowings, foreign lines of credit, raising of capital, issueing of funds, saving certificates, etc...). Kindly specify, whenever appropriate, specific uses for which different sources are allocated

1.
2.
3.
4.
5.
6.

3. Factors Limiting the Growth of Sources of Funds:

a. What are the most important factors limiting growth of your Bank's deposits in terms of volume and length of maturity

i) Economic Factors

ii) Factors due to Laws or Regulations:

iii) Other Factors (religion, competitors, beliefs etc..).

b. Are their obstacles limiting the availability of other sources of funds? If so, please list.

c. What are, in your opinion, the means by which the environment could be more suitable for growing sources of funds?

D. Risk Management

1. What are the main characteristics of your Bank's risk management policy (business risk and maturity risk)?

2. What are the main guidelines for risk evaluation regarding your Bank's direct investments and loans?

3. What are the legal constraints affecting the volume of:

a. Bank's direct investments.

b. Bank's term lending.

4. What are the major economic factors influencing the volume of:

a. Bank's direct investment.

b. Bank's term lending

5. Are there any differences in risk management and evaluation between your Bank's investments and term lending? If so, please list the main differences.

E. Loan Portfolio

1. Please list the development of the ratio of term loans with respect to total assets, total uses of funds, total deposits, etc..

1.1 Egyptian Pound Loans Ratios to:

Year	1978		1979		1980		1981	
	30/6	31/12	30/6	31/12	30/6	31/12	30/6	31/12
otal Assets								
otal Use of Funds								
ort Term Faci-ities								
vestments								
posits:								
Demand								
Time								
otal Deposits								

1.2. Foreign Currencies Loans Ratios to:

Year	1978		1979		1980		1981	
	30/6	31/12	30/6	31/12	30/6	31/12	30/6	31/12
otal Assets								
otal Use of Funds								
ort Term Faci-ties								
vestments								
posits:								
Demand								
Time								
tal Deposits								

2. Please indicate averages of loans amounts and relative distribution according to loans' maturity and borrower's legal status.

2.1 Averages according to maturities:

	1978	1979	1980	1981
a. Loans in L.E.				
Upto 1 year				
1-5 years				
More than 5 years				
b. Loans in Foreign Currencies				
Up to 1 year				
1-5 years				
more than 5 years				

2.2: Relative distribution according to maturities:

	1978	1979	1980	1981
a. Loans in L.E.				
Up to 1 year				
1-5 years				
More than 5 years				
	100%	100%	100%	100%
b. Loans in Foreign Currency				
Up to 1 year				
1-5 years				
More than 5 years				
	100%	100%	100%	100%

2.3. Averages according to legal status:

	1978	1979	1980	1981
a. Loans in L.E.				
- Gov. Authorities				
- Public Sector				
- Private Sector				
Joint Stc. Cos.				
Partnerships				
Individual Estbl.				

	1978	1979	1980	1981
- Others				
b. Loans in F.Curr.				
- Gov.Author.				
- Public Sector				
- Priv. & Joint Sectors:				
Joint Stc. Cos.				
Partnerships				
Individual Estbl.				

4 Relative distribution according to legal status:

a. Loans in L.E.	1978	1979	1980	1981
- Gov. Author.				
- Public Sector				
- Priv.& Joint Sectors:				
Joint Stc. Cos.				
Partnerships				
Individual Estbl				
	100%	100%	100%	100%

b. Loans in F. Curr.	1978	1979	1980	1981
- Gov. Author.				
- Public Sector				
- Priv.&Joint Sectors:				
Joint Stc. Cos.				
Partnerships				
Indvidual Estbl.				
	100%	100%	100%	100%

F. Loan Characteristics

1. Kindly indicate the main characteristics of Term Lending to projects/enterprises of different kinds of activities:

Kind of Activity	Maturity		Grace Period		Ceiling of Debt/Equity Ratios	Ceiling of Loan amount/Bank's Share*	
	From	To	From	To		L.E.	F.Curr.
Agriculture:							
Direct loans							
Syndicated Loans							
Industrial							
Direct loans							
Syndicated loans							
Commercial							
Direct loans							
Syndicated loans							
Touristic							
Direct loans							
Syndicated loans							
Others							
Direct loans							
Syndicated loans							

2. How do the above mentioned conditions apply differently to borrowers of different legal status?

   2.1. Governmental Authorities:

   2.2. Public Sector Companies

   2.3. Private & Joint Venture Sector
   - Joint Stock
   - Partnerships
   - Individual enterprises

* In case of Syndicated Loans

3. Kinds of guarantees and collaterals, their evaluation and their loanable ratios:

3.1. Accepted guarantees and other requirements:

Borrower	Mortgage			Other Guarantees	Un-Secured	Comparative Balances
	Real Estate	Fonds de Commerce	Inventory			
Gov. Authorities						
Public Sector						
Private & Joint Sector:						
- Joint Stock Cos.						
- Partnerships						
- Others						

3.2. Evaluation & Loanable Ratios:

	Real Estate	Machinery & Equipment	Inventory	Others
Purchase Value				
Book Value				
Market Value (Bank's Expert Evaluation)				
Loanable Ratios				

3.3. Does the "evaluated" value include the following items:

Transport Expenses
Installation Expenses
Customs
Legal Fees

3.4. Do the interest rates differentiate according to kinds of activity? or borrowers' legal status? If yes, kindly specify.

3.5. Do fees and expenses differentiate according to kind of activity or borrower's legal status? If yes, kindly specify.

3.6. Do interest rates, fees and expenses differentiate in case of syndicated loans? If so, please specify.

4. What, in your opinion, are the main factors limiting the growth of Term Lending volume (lack of studied projects, non-sufficiency of guarantees, general economic environment, laws and regulations, etc...). Kindly enumerate in decreasing order of importance.

Exhibit IVa

Balance Sheet
Of Banking Sector
As of December 31

(L.E. Million)

Item / Year	1978	1979	1980	1981
ASSETS				
Gold	-	-	0.1	0.1
Cash	103.0	132.9	171.1	231.4
Cheques for Collection	131.3	157.8	136.0	201.3
Securities Portfolio	534.5	613.5	715.7	778.7
Bills Discounted	18.0	31.5	34.7	35.1
Deposits with CBE	430.2	696.2	1,160.4	2,165.6
Due from Specialized Banks	65.2	137.4	119.0	303.3
Due from Other banks:				
- In Egypt	356.0	582.1	899.4	1,495.4
- Abroad	2,107.6	2,284.1	3,150.8	3,191.5
Loans and Advances	4,104.4	4,972.6	7,510.0	9,505.3
Investments in Fixed Assets	21.8	32.0	51.0	83.7
Other Assets	567.0	581.3	813.0	1,310.1
TOTAL ASSETS	8,439.0	10,221.3	14,763.0	19,301.5
LIABILITIES				
Capital	147.1	222.4	309.4	388.8
Issued Bonds	8.9	8.8	8.6	3.5
Reserves	97.8	133.7	222.4	260.3
Provisions	245.3	307.3	479.0	646.7
Due to CBE	1,759.4	1,206.0	1,859.5	501.9
Borrowings from CBE	-	-	-	-
Due to Other Banks:				
- In Egypt	459.7	704.7	1,099.9	1,834.9
- Abroad	770.6	923.2	1,661.1	2,416.4
Deposits	4,304.7	5,821.4	7,830.1	10,949.3
Profits Before Distribution	2.3	3.5	-	-
Cheques due for Payment	48.1	58.6	81.5	135.2
Other Liabilities	595.1	831.7	1,211.5	2,072.6
Long Term Loans	-	-	-	91.9
TOTAL LIABILITIES	8,439.0	10,221.3	14,763.0	19,301.5

Exhibit IVb

The Banking Sector Breakdown of Deposits

As of December 31.

(L.E. million)

Sector / Year	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Total
1. Government Deposits :												
- Demand Deposits	116	11	127	148	22	170	177	10	187	246	14	260
- Time and Saving Deposits	63	3	66	70	8	78	94	11	105	147	12	159
- Earmarked Deposits	42	18	60	54	17	71	48	75	123	56	12	68
Sub Total	221	32	253	272	47	319	319	96	415	449	38	467
2. Public Sector*:												
- Demand Deposits	413	234	647	772	286	1,058	944	405	1,349	1,167	148	1,315
- Time and Saving Deposits	235	53	288	323	130	453	592	137	729	993	230	1,223
- Earmarked Deposits	247	346	593	292	342	634	336	242	578	358	337	695
Sub Total	895	633	1,528	1,387	758	2,145	1,872	784	2.656	2.518	715	3,2[illegible]
3. Private Sector:**												
- Demand Deposits	718	293	1,011	835	287	1,122	1,028	348	1,376	1,295	457	1,752
- Time and Saving Deposits	693	366	1,059	988	760	1,748	1,450	1,339	2,789	2,367	2,234	4,601
- Earmarked Deposits	63	83	146	74	135	209	127	200	327	233	370	603
Sub Total	1,474	742	2,216	1,897	1,182	3,079	2,605	1,887	4,492	3,895	3,061	6,956
4. Others:												
- Demand Deposits	61	32	93	48	21	69	52	10	62	31	9	40
- Time and Saving Deposits	124	84	208	101	101	202	62	96	158	35	131	166
- Earmarked Deposits	4	2	6	4	4	8	5	2	7	7	1	8
Sub total	189	118	307	153	126	279	119	108	227	73	141	214
Total Deposits:												
- Total Demand Deposits	1,308	570	1,878	1,803	616	2,419	2,201	773	2,974	2,739	628	3,367
- Total Time and Saving Deposits	1,115	506	1,621	1,482	999	2,481	2,198	1,583	3,781	3,542	2,607	6,149
- Total Earmarked Deposits	356	449	805	424	498	922	516	519	1,035	654	720	1,374
Grand Total	2,779	1,525	4,304	3,709	2,113	5,822	4,915	2,675	7,790	6,935	3,955	10,890

* Public Sector includes Public Business Sector and Financial Interm diaries

** Private Sector includes Private Business and Household Sector (Individuals, non-profit organization and foreign institutions working in Egypt).
N.B. LC means Local Currency (Egyptian Pound) - FC means Foreign Currency equivalent in Egyptian pound.

Exhibit IVc

The Banking Sector Breakdown of Deposits
By Category of Banks
As of December 31.

(L.E. million)

Category of Banks \ Year	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1961 LC	1961 FC	1961 Total
I. Public Sector Commercial Banks:												
Demand Deposits	1,137	430	1,567	1,537	448	1,985	1,842	591	2,433	2,149	389	2,538
Time and Savings Deposits	1,021	159	1,180	1,314	467	1,781	1,807	736	2,543	2,576	1,141	3,717
Earmarked Deposits	337	380	717	392	365	757	451	327	778	515	391	906
Total I	2,495	969	3,464	3,243	1,280	4,523	4,100	1,654	5,754	5,240	1,921	7,161
II. Joint Venture and Private Commercial Banks:												
Demand Deposits	66	59	125	123	80	203	197	93	290	387	149	536
Time and Savings Deposits	75	78	153	125	173	298	333	350	683	831	863	1,694
Earmarked Deposits	9	40	49	24	73	97	53	125	178	117	197	314
Total II	150	177	327	272	326	598	583	568	1,151	1,335	1,209	2,544
III. Business and Investment Banks:												
Demand Deposits	1	19	20	4	18	22	8	29	37	12	22	34
Time and Savings Deposits	2	58	60	7	101	108	10	179	189	49	207	256
Earmarked Deposits	5	6	11	2	10	12	2	21	23	7	36	43
Total III	8	83	91	13	129	142	20	229	249	68	265	333
IV. Branches of Foreign Banks:												
Demand Deposits	-	60	60	-	61	61	-	60	60	-	68	68
Time and Savings Deposits	-	207	207	-	258	258	-	318	318	-	396	396
Earmarked Deposits	-	23	23	-	48	48	-	43	43	-	93	93
Total IV	-	290	290	-	367	367	-	421	421	-	557	557
V. Development Industrial Bank:												
Demand Deposits	12	-	12	1	-	1	2	-	2	2	-	2
Time and Savings Deposits	1	-	1	1	-	1	1	-	1	1	-	1
Earmarked Deposits	3	-	3	4	-	4	5	-	5	9	1	10
Total V	16	-	16	6	-	6	8	-	8	12	1	13
VI. Other Specialized Banks:												
Demand Deposits	92	2	94	122	-	122	152	-	152	189	-	189
Time and Savings Deposits	16	4	20	33	-	33	47	1	48	85	1	86
Earmarked Deposits	2	-	2	3	2	5	4	2	6	5	1	6
Total VI	110	6	116	158	2	160	203	3	206	279	2	281
Deposits of Total Banking Sector	2,779	1,525	4,304	3,692	2,104	5,796	4,914	2,875	7,789	6,934	3,955	10,889
Total Demand Deposits	1,308	570	1,878	1,787	607	2,394	2,201	773	2,974	2,739	628	3,367
Total Time and Saving Deposits	1,115	506	1,621	1,480	999	2,479	2,198	1,584	3,782	3,542	2,608	6,150
Total Earmarked Deposits	356	449	805	425	498	923	515	518	1,033	653	719	1,372

N.B. LC means Local Currency (Egyptian pound).
FC means Foreign Currency equivalent in Egyptian pound.

The Banking Sector
Breakdown of Loans and Advances
To the Private Business Sector
As of December 31

(L.E. Mill

Activity / Year	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Tc
I. Agriculture												
- One year maturity	72.2	-	72.2	62.7	1.1	63.8	94.4	3.2	97.6	195.7	20.7	21
- More than one year	14.4	-	14.4	20.5	3.2	23.7	23.8	4.3	28.1	83.2	4.6	E
Total Agriculture	86.6	-	86.6	83.2	4.3	87.5	118.2	7.5	125.7	278.9	25.3	3C
II. Industry												
- One year maturity	192.0	27.9	219.9	275.8	53.7	329.5	402.8	196.3	599.1	720.0	239.0	95
- More than one year	25.8	24.1	49.9	48.7	28.3	77.0	86.7	38.4	125.1	133.1	69.0	2C
Total Industry	217.8	52.0	269.8	324.5	82.0	406.5	489.5	234.7	724.2	853.1	308.0	1,16
III. Commerce												
- One year maturity	136.8	116.5	253.3	257.1	243.8	500.9	471.3	373.6	844.9	1,055.9	835.5	1,89
- More than one year	4.1	7.5	11.6	8.6	19.1	27.7	15.7	27.6	43.3	19.1	52.0	7
Total Commerce	140.9	124.0	264.9	265.7	262.9	528.6	487.0	401.2	888.2	1,075.0	887.5	1,96
IV. Services												
- One year maturity	29.7	14.5	44.2	62.6	28.1	90.7	116.5	72.0	188.5	342.4	180.4	52
- More than one year	15.6	5.6	21.2	37.1	13.1	50.2	57.2	25.8	83.0	109.7	60.1	16
Total Services	45.3	20.1	65.4	99.7	41.2	140.9	173.7	97.8	271.5	452.1	240.5	69
A. All Activities												
- Total one year maturity	430.7	158.9	589.6	658.2	326.7	984.9	1,085.0	645.1	1,730.1	2,314.0	1,275.6	3,58
- Total more than one year	59.9	37.2	97.1	114.9	63.7	178.6	183.4	96.1	279.5	345.1	185.7	53
Total (A)	490.6	196.1	686.7	773.1	390.4	1,163.5	1,268.4	741.2	2,009.5	2,659.1	1,461.3	4,12
B. Loans and Advances to the Public Business Sector												
- One year maturity	1,746.6	15.2	1,761.8	1,876.4	27.3	1,903.7	2,592.0	41.0	2,633.0	3,577.1	21.8	3,59
- More than one year	30.9	13.2	44.1	86.3	81.4	167.7	148.3	12.2	160.5	286.8	17.5	30
Total (B)	1,777.5	28.4	1,805.9	1,962.7	108.7	2,071.4	2,740.3	53.2	2,793.5	3,863.9	39.3	3,90
C. Total A and B	2,268.1	224.5	2,492.6	2,735.8	499.1	3,234.9	4,008.7	794.4	4,803.1	6,523.0	1,500.6	8,02
D. A/C %	22	87	38	28	78	36	32	93	42	41	97	5

Exhibit IVe

The Banking Sector
Breakdown of Loans and Advances Extended to the Private Business by Category of Banks
As of December 31

(L.E. Million)

Category of Banks / Year	1978			1979			1980			1981		
	LC	FC	Total	LC	FC	Total	LC	FC	Total	LC	FC	Total
I. Public Sector Commercial Banks												
- One year maturity	303	15	318	445	36	481	722	116	838	1,402	192	1,59[illegible]
- More than one year	6	9	15	23	2	25	37	4	41	71	5	[illegible]
Total I	309	24	333	468	38	506	759	120	879	1,473	197	1,67[illegible]
II. Joint Venture and Private Commercial Banks												
- One year maturity	50	30	80	146	115	261	254	242	496	737	638	1,37[illegible]
- More than one year	9	5	14	21	9	30	40	13	53	53	36	[illegible]
Total II	59	35	94	167	124	291	294	255	549	790	674	1,46[illegible]
III. Business and Investment Banks												
- One year maturity	1	24	25	6	50	56	13	96	109	25	130	15[illegible]
- More than one year	-	9	9	3	21	24	5	27	32	9	43	5[illegible]
Total III	1	33	34	9	71	80	18	123	141	34	173	20[illegible]
IV. Branches of Foreign Banks												
- One year maturity	-	89	89	-	125	125	-	192	192	-	314	31[illegible]
- More than one year	-	6	6	-	11	11	-	19	19	-	47	4[illegible]
Total IV	-	95	95	-	136	136	-	211	211	-	361	36[illegible]
V. Development Industrial Bank												
- One year maturity	8	-	8	10	-	10	17	-	17	35	-	3[illegible]
- More than one year	19	8	27	32	20	52	53	34	87	76	53	129
Total V	27	8	35	42	20	62	70	34	104	111	53	164
VI. Other Specialized Banks												
- One year maturity	70	-	70	51	-	51	78	-	78	116	-	116
- More than one year	26	-	26	37	-	37	49	-	49	136	-	136
Total VI	96	-	96	88	-	88	127	-	127	252	-	252
Total Banking Sector												
- One year maturity	432	158	590	658	326	984	1,084	646	1,730	2,315	1,274	3,589
- More than one year	60	37	97	116	63	179	184	97	281	345	184	529
Grand Total	492	195	687	774	389	1,163	1,268	743	2,011	2,660	1,468	4,118

Balance Sheet
Of the Banking System
As of December 31

Exhibit V

tem / Year	1977	1978	1979	1980	1981
sets					
Gold	40.9	73.1	73.1	71.9	542.6
Cash	99.0	116.8	153.3	187.8	265.4
Cheques for Collection	-	131.1	157.5	136.1	-
Securities Portfolio	2,223.7	2,920.0	4,236.6	4,756.6	6,647.1
Bills Discounted	-	13.3	29.5	18.9	34.1
Deposits with CBE	242.7	415.6	681.2	1,113.6	1,934.4
Due from Specialized Banks	-	230.4	252.0	327.0	617.2
Due from other banks					
- In Egypt	1,876.0(1)	1,902.5	1,600.8	2,375.0	1,302.8
- Abroad	1,690.7	1,991.9	2,228.5	3,330.8	3,207.6
oans and Advances	3,365.2(2)	5,636.4	6,263.4	8,664.9	10,966.7
nvest. in Fixed Assets	-	14.1	22.6	37.6	60.2
ther Assets	595.5(3)	566.3	531.4	857.4	1,648.3
Total Assets	10,133.7	14,011.5	16,229.9	21,877.6	27,226.4
abilities					
ssued Banknote	1,817.0	2,269.0	2,779.0	3,557.0	4,518.0
apital	52.3	88.2	142.7	214.0	273.9
ssued Bonds	12.5	8.9	8.8	8.6	3.5
eserves	72.4	111.1	153.5	244.0	292.6
ovisions	225.7	370.2	448.0	575.8	794.8
e to CBE	1,630.7	1,758.9	1,198.1	1,830.6	392.1
e to Other Banks					
- In Egypt	352.6	511.9	1,104.7	1,886.0	3,449.8
- Abroad	2,421.3	4,258.6	4,117.3	4,728.4	4,883.7
posits	3,034.5	4,031.1	5,451.1	7,573.7	10,586.9
eques due for payment	-	47.9	62.3	81.6	-
her Liabilities	514.7(4)	555.7	764.4	1,177.9	2,031.1

Exhibit VI

Banking System

Breakdown of Deposits

As of December 31.

(L.E. Millions)

Item / Year	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Total
1. Government Deposits:												
- Demand Deposits	157.4	10.8	168.2	172.9	21.7	194.6	270.4	10.9	281.3	355.3	18.9	374.2
- Time and Savings Deposits	63.1	2.9	66.0	69.3	7.4	76.7	94.3	10.7	105.0	146.3	11.9	158.2
- Earmarked Deposits	42.5	77.0	119.5	54.0	74.4	128.4	47.9	243.3	291.2	56.2	329.1	395.3
Sub-Total	263.0	90.7	353.7	296.2	103.5	399.7	412.6	264.9	677.5	577.8	359.9	917.7
2. Public Sector:*												
- Demand Deposits	412.9	232.7	645.6	771.7	283.9	1,055.6	1,047.2	401.7	1,448.9	1,235.9	142.4	1,378.3
- Time and Savings Deposits	234.1	39.3	273.4	323.2	100.2	423.4	587.7	105.0	692.7	977.2	190.5	1,167.7
- Earmarked Deposits	246.0	345.9	591.9	293.0	340.1	633.1	336.1	241.2	577.3	357.9	336.5	694.4
Sub-Total	893.0	617.9	1,510.9	1,387.9	724.2	2,112.1	1,971.0	747.9	2,718.9	2,571.0	669.4	3,240.4
3. Private Sector:**												
- Demand Deposits	719.1	223.1	942.2	833.7	217.6	1,051.3	1,025.6	290.5	1,316.1	1,290.9	374.8	1,665.7
- Time and Savings Deposits	692.4	167.8	860.2	980.8	500.1	1,480.9	1,444.2	938.7	2,382.9	2,334.3	1,742.2	4,076.5
- Earmarked Deposits	58.4	56.4	114.8	71.5	80.7	152.2	124.5	136.2	260.7	225.9	240.4	466.3
Sub-Total	1,469.9	447.3	1,917.2	1,886.0	798.4	2,684.4	2,594.3	1,365.4	3,959.7	3,851.1	2,357.4	6,208.5
4. Others:												
- Demand Deposits	65.7	24.4	90.1	49.9	62.0	111.9	53.6	7.9	61.5	32	6.1	39.1
- Time and Savings Deposits	123.6	31.5	155.1	101.0	34.8	135.8	62.0	86.3	148.3	35.4	63.6	99.0
- Earmarked Deposits	3.7	0.2	3.9	4.2	2.6	6.8	5.2	2.3	7.5	6.9	10.9	17.8
Sub-Total	193.0	56.1	249.1	155.1	99.4	254.5	120.8	96.5	217.3	74.3	80.6	154.9
Total Deposits	2,818.9	1,212.0	4,030.9	3,725.2	1,725.5	5,450.7	5,098.7	2,474.7	7,573.4	7,054.2	3,457.3	10,521.5
- Total Demand Deposits	1,355.1	491.0	1,846.1	1,828.2	585.2	2,413.4	2,396.8	711.0	3,107.8	2,914.1	542.2	3,456.3
- Total Time & Savings Deposits	1,113.2	241.5	1,354.7	1,474.3	642.5	2,116.8	2,188.2	1,140.7	3,328.9	3,493.2	2,008.2	5,501.4
- Total Earmarked Deposits	350.6	479.5	830.1	422.7	497.8	920.5	513.7	623.0	1,136.7	646.9	916.9	1,563.8

* Public Sector includes Public Business Sector and Financial Intermediaries.

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit organizations and foreign institutions operating in Egypt.

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Loans and Advances
Extended to the Private Business Sector*
By the Banking System
As of December 31.

Exhibit VII

(L.E. Thousands)

Sector of Activities	1978			1979			1980			1981		
	LC	FC	Total	LC	FC	Total	LC	FC	Total	LC	FC	Total
1. Agriculture												
- One year maturity	72,288	25	72,313	62,589	978	63,567	93,391	2,646	96,037	194,182	13,396	207,578
- More than one year	14,359	—	14,359	20,338	3,162	23,500	23,344	4,148	27,492	81,976	3,596	85,572
Total Agriculture	86,647	25	86,672	82,927	4,140	87,067	116,735	6,794	123,529	276,158	16,992	293,150
2. Industry												
- One year maturity	191,995	15,683	207,678	275,402	29,052	304,454	400,381	147,079	547,460	716,794	186,725	903,519
- More than one year	25,762	14,728	40,490	47,716	16,825	64,541	83,176	27,640	110,816	131,546	52,859	184,405
Total Industry	217.757	30.411	248,168	323,118	45,877	368,995	483,557	174,719	658,276	848,340	239,584	1,087,924
3. Commerce												
- One year maturity	136,080	23,799	159,879	252,498	102.607	354,105	463,291	163,715	627,006	1,043,781	471,447	1,515,228
- More than one year	4,050	1,831	5,881	7,248	3,526	10,774	14,610	6,112	20,722	16,883	9,926	26,809
Total Commerce	140,130	25,630	165,760	259.746	106.133	365,879	477,901	169,827	647,728	1,060,664	481,373	1,542,037
4. Services												
- One year maturity	29,579	5,961	35,540	61,981	18,624	80,605	114,521	44,029	158,550	334,686	157,942	492,628
- More than one year	15,760	5,594	21,354	37,020	8,061	45,081	57,241	13,152	70,393	105,481	27,354	132,835
Total Services	45,339	11,555	56,894	99,001	26,685	125,686	171,762	57,181	228,943	440,167	165,296	625,463
A. All Activities												
- Total one year maturity	429,942	45,468	475,410	652,470	151,261	803,731	1,071,584	357,469	1,429,053	2,289,443	829,510	3,118,553
- Total more than one year	59,931	22,153	82,084	112,322	31,574	143,896	178,371	51,052	229,423	335,886	93,735	429,621
Total A	489,873	67,621	557,494	764,792	182,835	947,627	1,249,955	408,521	1,658,476	2,625,329	923,245	3,548,574
B. Loans and Advances Extended to Public Sector												
- One year maturity	1,746,577	12,174	1,756,751	1,876,082	12,407	1,889,189	2,590,982	30,409	2,621,391	3,569,214	95,353	3,664,567
- More than one year	30,865	108,134	136,999	86,325	203,833	299,158	148,371	263,695	412,066	226,383	323,553	549,936
Total B	1,777,442	120,308	1,897,750	1,962,407	216,240	2,17[illegible]647	2,739,353	294,104	3,033,457	3,795,597	418,906	4,214,503
C. Total A and B	2,267,315	187,929	2,455,244	2,727,199	399,075	3,126,274	3,969,308	702,625	4,691,933	6,420,925	1,342,151	7,763,077
D. A/C %	22	36	23	28	46	30	31	58	35	41	.69	46

* Includes: non public sector joint-stock companies, limited liabilities, partnerships, cooperatives and individuals enterprises.

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

EXHIBIT VIII

BALANCE SHEET
OF COMMERCIAL BANKS*

As of December 31

(L.E. Million)

Item / Year	1978	1979	1980	1981
Assets				
Gold	-	-	0.1	0.1
Cash	89.9	121.9	160.0	219.4
Cheques for Collection	131.1	157.5	136.1	200.7
Securities Portfolio	516.6	585.9	673.7	750.3
Bills Discounted	13.2	29.5	18.9	34.1
Deposits with CBE	415.5	681.2	1,109.0	1,931.2
Due form Specialized Banks	65.2	135.9	118.8	303.3
Due from Other Banks:				
In Egypt	242.6	404.6	576.4	941.0
- Abroad	1,608.2	1,721.4	2,418.8	2,313.1
Loans and Advances	3,688,8	4,397.2	6,609.7	8,025.4
Investment in Fixed Assets	9.1	16.5	30.5	52.5
Other Assets	244.5	219.5	459.3	705.6
TOTAL ASSETS	7,024.7	8,471.1	12,311.3	15,476.7
LIABILITIES				
Capital	54.5	90.0	144.2	192.0
Reserves	85.6	116.0	194.5	219.0
Provisions	194.7	255.7	416.7	562.2
Due to CBE	1,588.9	1,078.2	1,622.5	82.8
Borrowings from CBE	-	-	-	-
Due to Other Banks:				
- In Egypt	195.0	363.1	591.5	1,071.9
- Abroad	635.0	739.4	1,350.5	1,730.9
Deposits	3,792.0	5,120.7	6,905.5	9,705.5
Cheques due for Payment	47.6	57.2	81.5	135.2
Other Liabilities	431.4	650.8	1,004.4	1,685.3
Long Term Loans	-	-	-	91.9
TOTAL LIABILITIES	7,024.7	8,471.1	12,311.3	15,476.7

*Includes Public Sector, as well as Joint Venture and Private Sector Commercial banks established under Law 43 of 1974.

All Commercial Banks

Breakdown of Deposits.

As of December 31.

Exhibit IV a

(L.E. Thousand)

Sector \ Year	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Total
1. Government Deposits												
- Demand Deposits	59,859	9,126	68.985	66,094	21,639	87,733	111,931	10,323	122,254	154,359	14,463	168,822
- Time and Savings Deposits	62,360	2,321	64,681	69,123	7,206	76,329	92,900	10,386	103,286	141,217	11,355	152,572
- Earmarked Deposits	42,291	17,631	59,922	53,960	17,155	71,115	47,912	74,669	122,581	56,182	11,395	68,577
Sub-Total	164,510	29,078	193,588	189,177	46,000	235,177	252,743	95,378	348,121	351,758	37,713	389,471
2. Public Sector:*												
- Demand Deposits	412,335	232,660	644,995	771,193	283,891	1,055,084	938,612	401,683	1,340,295	1,163,855	142,394	1,306,249
- Time and Savings Deposits	225,556	39,276	264,832	310,053	100,184	410,237	583,823	105,044	666,867	571,479	190,473	1,161,952
- Earmarked Deposits	245,859	345,332	591,191	292,984	339,944	632,928	336,079	241,193	577,272	357,839	336,543	694,382
Sub-Total	883,750	617,268	1,501,018	1,374,230	724,019	2,098,249	1,858.514	747,920	2,604,434	2,493,173	669,410	3,162.583
3. Private Sector:**												
- Demand Deposits	680,646	223,060	903,726	774,506	215,954	990,460	935,954	265,876	1,201,830	1,186,633	374,612	1,561,245
- Time and Savings Deposits	686,258	167,810	854,068	960,251	500,037	1,460,288	1,403,043	939,237	2,341,280	2,258,950	1,742,184	4,001,134
- Earmarked Deposits	54,088	56,477	110,565	65,321	80,689	146,010	117,436	135,964	253,400	215,206	239,256	454,462
Sub-Total	1,420,992	447,367	1,868,359	1,800,078	796,680	2,596,758	2,456,433	1,340,077	3,796,510	3,660,789	2,356,052	6,016,841
4. Others:												
- Demand Deposits	50,546	24,454	75,000	47,822	6,460	54,282	52,374	6,639	59,013	30,926	5,874	36,800
- Time and Savings Deposits	122,109	27,991	150,100	100,582	32,012	132,594	61,975	32,253	94,228	35,482	60,818	96,300
- Earmarked Deposits	3,693	202	3,900	3,212	484	3,696	2,935	233	3,168	3,204	288	3,492
Sub-Total	176,353	52,647	229,000	151,616	38,956	190,572	117,284	39,125	156,409	69,612	66,980	136,592
Total Deposits	2,645,605	1,146,360	3,791,965	3,515,101	1,605,655	5,120,756	4,684,974	2,222,500	6,905,474	6,575,332	3,130,155	9,705,487
- Total Demand Deposits	1,203,386	489,320	1,692,706	1,659,615	527,344	2,187,559	2,038,871	684,521	2,723,392	2,535,773	537,343	3,073,116
- Total Time & Savings Deposits	1,096,283	237,398	1,333,681	1,440,609	639,439	2, 79,448	2,139,741	1,085,920	3,225,661	3,407,128	2,004,830	5,411,958
- Total Earmarked Deposits	345,936	419,642	765,578	415,477	438,872	853,749	506,362	452,059	956,421	632,431	587,932	1,220,413

* Public Sector includes Public Business Sector and Financial Intermediaries

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit organizations and foreign institutions operating in Egypt.

N.b. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Commercial Banks

Breakdown of Deposits

1978 - 1981

Exhibit IX b

(L.E. Million)

Item / Year	1978 March	1978 June	1978 September	1978 December	1979 March	1979 June	1979 September	1979 December
I. Gov. Deposits								
1. Current Account	63.9	84.8	61.2	60.7	59.1	67.2	46.8	45.1
2. Time Deposits	56.9	62.9	69.2	86.5	83.6	90.1	87.2	99.5
II. Semi-Gov. Deposits								
1. Current Account	88.2	163.2	87.0	99.9	125.9	209.9	255	242.0
2. Time Deposits	78.2	60.4	70.9	100.3	115.9	120.4	126.3	168.7
III. Other Current Account								
1. Free	880.4	101.8	998.6	1024.6	1141.8	1235.6	1169.5	1327.2
2. Earmarked	92.9	101.9	115.8	130.6	138.6	165.0	208.4	220.9
IV. Free Deposits				557.9		764.5		813.2
One month maturity	191.4	197.6	181.6	127.2	205.8		234.6	
1-3 months maturity	98.5	79.6	67.8	88.2	103.5		105.9	
3-6 " "	65.9	65.4	78.9	83.8	83.2		97.6	
6-12 " "	125.5	146.1	124.7	117.4	128.5		131.7	
More than one Year maturity	1.6	1.6	49.0	61.3	157.0		213.5	
V. Earmarked Time Deposits	4.0	3.7	5.1	6.1	11.1	24.1	25.8	20.0
VI. Saving Deposits	351.0	378.0	402.7	430.1	443.5	468.0	484.7	529.8
VII. Other Deposits	48.5	46.0	40.5	44.1	41.0	46.6	44.4	48.7
VIII. Foreign Currency Deposits	572.0	603.4	659.1	746.8	856.6	1029.0	1133.5	1216.0
	2718.9	2096.4	3045.5	3287.6	3695.1	4200.4	4364.9	4731.1

Item / Year	1980 March	1980 June	1980 September	1980 December	1981 March	1981 June	1981 September	1981 December
I. Gov. Deposits								
1. Current Account	56.1	80.7	139.5	142.9	173.7	102.5	170.4	115.5
2. Time Deposits	106.8	116.6	123.3	113.6	127.3	132.2	138.0	142.7
II. Semi-Gov. Deposits								
1. Current Account	625.8	450.1	459.7	328.0	479.6	175.9	355.2	404.8
2. Time Deposits	150.4	193.8	194.4	212.7	213.3	405.9	281.1	368.7
III. Other Current Account								
1. Free	1380.8	1518.7	1520.8	1523.4	1504.4	1698.3	1817.7	1976.0
2. Earmarked	191.7	254.1	325.5	327.5	310.4	293.0	330.1	366.2
IV. Free Deposits								
One month maturity	271.7	259	209.3	292.3	329.6	333.2	391.4	134.8
1-3 months maturity	124.2	135.1	189.2	174.0	203.4	210.6	268.1	314.9
3-6 " "	122.5	140.8	100.5	134.6	148.4	197.4	226.4	300.0
6-12 " "	195.5	208.9	222.4	262.2	221.5	358.5	293.3	494.7
More than one Year maturity	274.8	296.0	359.3	398.6	507.7	470.2	699.2	605.3
V. Earmarked Time Deposits	24.3	29.7	30.2	34.0	31.0	40.8	43.7	42.3
VI. Saving Deposits	552.1	598.5	638.5	689.3	732.7	797.2	826.0	906.5
VII. Other Deposits	40.5	47.5	57.5	49.8	62.5	58.8	73.3	41.3
VIII. Foreign Currency Deposits	1399.1	1649.2	1747.5	1834.5	1998.2	2322.0	2263.0	2739.6
	5518.3	5978.7	6317.6	6517.4	7043.7	7596.5	8176.9	9303.3

* Includes Public Sector as well as Joint Venture and Private Sector Commercial Banks established under Law 43 of 1974.

Exhibit X a

Loans and Advances Extended to Private Business Sector* by Commercial Banks**

(L.E. Thousands)

Sector of Activities	December 1978			December 1979			December 1980			December 1981		
	LC	FC	Total	LC	FC	Total	LC	FC	Total	LC	FC	Total
1. Agriculture												
- One year maturity	3,102	25	3,127	11,844	978	12,822	15,114	2,646	17,760	79,294	13,396	92,690
- More than one year	437	-	437	1,364	11	1,375	1,125	127	1,252	2,757	-	2,757
Total Agriculture	3,539	25	3,564	13,208	989	14,197	16,239	2,773	19,012	82,051	13,396	95,447
2. Industry												
- One year maturity	184,891	15,683	200,574	267,733	29,052	296,785	384,252	147,079	531,331	686,308	186,725	873,033
- More than one year	10,375	9,219	19,594	27,983	5,135	33,118	42,006	6,217	48,223	77,511	19,967	97,478
Total Industry	195,266	24,902	220,168	295,716	34,187	329,903	426,258	153,296	579,554	763,819	206,692	970,511
3. Commerce												
- One year maturity	135,835	23,799	159,634	252,195	102,607	354,802	462,836	163,715	626,551	1,043,210	471,447	1,514,657
- More than one year	2,875	1,830	4,705	5,839	3,526	9,365	13,031	6,112	19,143	15,177	9,926	25,103
Total Commerce	138,710	25,629	164,339	258,034	106,133	364,167	475,867	169,827	645,694	1,058,387	481,373	1,539,760
4. Services												
- One year maturity	28,903	5,961	34,864	59,550	18,624	78,174	113,544	44,029	157,573	329,849	157,941	487,790
- More than one year	904	3,024	3,928	8,621	2,732	11,353	20,630	4,331	24,961	29,576	11,019	39,595
Total Services	29,807	8,985	38,792	68,171	21,356	89,527	134,174	48,360	182,534	358,425	168,960	527,385
A. All Activities												
- Total one year maturity	352,731	45,468	398,199	591,322	151,261	742,583	975,746	[illegible]	[illegible]	2,138,661	829,509	2,968,170
- Total more than one year	14,591	14,073	28,664	43,807	11,404	55,211	76,792	16,787	93,579	124,021	40,912	164,933
Grand Total	367,322	59,541	426,863	635,129	162,665	797,794	1,052,538	374,256	1,426,794	2,262,682	870,421	3,133,103
B. Loans and Advances Extended to the Public Business Sector												
- One year maturity	1,745,950	12,174	1,758,124	1,875,467	12,407	1,887,874	2,588,678	30,409	2,619,087	3,565,632	95,353	3,660,985
- More than one year	2,668	5,060	7,728	27,612	230	27,842	28,352	26	28,378	26,157	1,590	27,747
Total (B)	1,748,618	17,234	1,765,852	1,903,079	12,637	1,915,716	2,617,030	30,435	2,647,465	3,591,769	96,943	3,683,732
C. Total A and B	2,115,940	76,775	2,192,715	2,538,208	175,302	2,713,510	3,669,568	404,691	4,074,259	5,854,471	967,364	6,821,835
D. A/C %	17.4	77.6	19.5	25.0	92.8	29.4	28.7	92.4	35.0	38.6	90.0	45.9

* Includes non-Public Sector Joint Stock Companies, Limited Liabilities, partnerships, Cooperatives and proprietorships.

** [illegible] Commercial banks established undo Law 43 of 1974.

Breakdown of

Loans and Advances of Commercial Banks *

By Maturity & Type of Security

Exhibit X b

(L.E. Millions)

Item \ Year	1978 March	1978 June	1978 September	1978 December	1979 March	1979 June	1979 September	1979 December	1980 March	1980 June	1980 September	1980 December	1981 March	1981 June	1981 September	1981 December
I. One Year Maturity:																
1. Secured by cotton	87.0	77.0	73.0	132.0	132.8	95.4	93.5		172.6	124.3	119.2	216.6	175.0	131.3	131.3	378.3
2. Secured by other agricultural crops.	2.2	10.3	11.0	10.0	6.0	16.1	10.3		4.2	10.8	9.9	8.0	6.9	16.5	22.2	14.5
3. Secured by other goods	179.2	182,0	186.4	204.6	208.0	209.2	235.4		298.1	344.1	344.2	375.4	464.0	515.3	629.5	828.8
4. Secured by shares & bonds	1.4	1.5	0.1	1.1	1.0	1.5	2.2		1.8	6.1	2.0	2.0	3.2	2.9	12.0	3.2
5. Secured by gold	0.8	0.8	0.7	0.1	0.8	1.7	0.9		1.4	1.6	1.8	2.7	5.5	11.2	13.0	20.0
6. Secured by real estate mortgage	2.0	2.6	2.3	3.0	2.6	2.8	2.8		4.4	8.5	5.4	6.5	10.3	19.5	18.5	22.0
7. Secured by bills	26.2	28.0	31.3	33.5	41.0	53.8	6.6		88.[illegible]	104.7	113.4	146.0	193.2	275.1	329.8	394.7
8. Secured by contracts	8.4	9.6	9.6	10.0	9.0	12.0	12.4		15.6	23.6	23.0	28.7	39.6	39.6	60.0	53.5
9. Other corporeal securities	188.3	206.4	162.0	214.4	185.0	221.0	310.0		270.4	294.0	351.4	308.3	403.0	480.4	584.7	726.4
10. Without In-kind securities																
a) Personal guarantee	236.0	237.8	291.1	283.0	293	314.0	330.0		368.8	417.0	445.3	518.4	576.0	629.0	759.3	812.9
b) Non-Guarantee	2,519.0	2,652.0	2,286.0	2,695.0	3,102	3,344.0	3,123.0		3,650.0	3,488.0	3,989.0	4,675.0	4,722.0	4,727.0	5,208.7	4,458.0
Total One Year Maturity	3,250.5	3,408.0	3,053.5	3,585.7	3,981.2	4,271.5	4,127.1		4,876.0	4,512.7	5,404.6	6,287.6	6,598.7	6,847.8	7,769.0	7,712.3
II. More than Year Maturity																
1. Secured by real estate mortgage	1.8	0.01	0.0	0.0	0.0	2.1	2.4		14.6	13.1	31.1	37.3	35.0	37.6	42.3	52.0
2. Other securities	16.4	18.7	20.9	33.0	55.0	51.6	62.3		80.3	91.0	88.3	97.0	104.0	104.4	123.1	150.5
3. Non-Guaranteed	—	—	2.1	—	—	—	—		—	—	—	—	—	—	—	—
Total more than one year	18.2	18.71	23.0	33.0	55.0	53.7	64.7		94.9	104.1	119.4	134.3	139.0	142.0	165.4	202.5
Grand Total	3,268.7	3,426.7	3,076.5	3,618.7	4,036.2	4,325.2	4,191.8		4,970.9	4,616.8	5,524.0	6,421.9	6,737.7	6,989.8	7,934.4	7,914.8
Percentage more than one year/ Total loans	0.6	0.5	0.7	0.9	1.4	1.7	1.5		1.9	2.1	2.1	2.1	2.0	2.0	2.1	2.6

* Includes Public Sector as well as Joint Venture and Private Sector Commercial Banks established under Law 43 of 1974.

Balance Sheets of

Public Sector Commercial Banks

Exhibit XI

(L.E.Millions)

Item \ Year	1978				1979				1980				1981			
	March	June	September	December	March	June	September	December	March	June	September	December	March	June	September	December
Assets																
Gold																
Cash			73	89		75	108	112		104	122	148	119	150	140	195
Checks for Collection			453	125		95	118	140		118	108	109	87	141	127	123
Security Portfolio			3	509		547	569	576		603	648	657	673	677	692	713
Bills Discounted				12		16	3	29		4	2	18	33	12	14 63	28
Deposits with CBE			377	375		638	626	587		1051	946	830	830	900	1077	1261
Deposits with Specialized banks				56		160	134	116		136	152	83 97	80 146	48 210	53 258	236
Deposits with other banks																
- In Egypt			293	155		226	250	258		261	278	295	250	384	360	405
- Abroad			1235	1424		1497	1377	1453		1679	1872	1833	1672	1851	1475	1320
Loans & Advances			3041	3538		4146	4005	4015		3464	3690	4331	4606	4967	5435	6279
Investments in Fixed Assets			3	3			3	3		7	5	5	6	5	5	6
Other Assets			344	293		273	310	200		262	1625	1963	2041	1356	1718	577
Total Assets			5822	6519		7677	7503	7494		7689	9446	10369	10551	10701	11437	11148
Liabilities																
Capital			18	18		22	28	28		40	40	44	44	44	44	44
Reserves			77	84		81	110	110		150	150	174	174	174	175	174
Provisions			186	194		251	250	249		340	382	393	392	390	479	459
Due to CBE			1544	1589		1784	1506	1077		45	56	68	41	75	73	61
Borrowings from CBE											1347	1554	1432	1138	1272	
Due to Other Banks																
- In Egypt			94	136		166	171	200		251	246	296	304	343	358	346
- Abroad			294	593		699	627	678		669	865	1163	1007	1098	1116	1398
Deposits			3142	3464		4101	4189	4523		5515	5650	5754	6036	6494	6684	7161
Checks Due for Payment				40		44	52	54		71	66	72	66	73	79	114
Other Liabilities			467	401		529	570	675		608	646	851	1055	882	1077	1259
Long Term Loans															80	92
Total Liabilities			5822	6519		7677	7503	7494		7689	9448	10369	10551	10701	11437	11149

Exhibit XII

Public Sector Commercial Banks
Breakdown of Deposits
As of December 31.

(L.E. Thousands)

Sector \ Year	1978 LC	1978 FC	1978 TOTAL	1979 LC	1979 FC	1979 TOTAL	1980 LC	1980 FC	1980 TOTAL	1981 LC	1981 FC	1981 TOTAL
1. Government Deposits:												
- Demand deposits	59,859	9,126	68,985	65,604	21,560	87,164	11,376	10,278	121,654	151,055	14,370	165,425
- Time and Savings Deposits	62,360	2,321	64,681	67,833	6,971	74,804	88,896	9,582	98,478	123,160	10,329	133,489
- Earmarked Deposits	42,291	17,631	59,922	53,960	16,677	70,637	45,624	74,669	120,293	56,167	11,885	68,052
Sub-Total	164,510	29,078	193,588	187,397	45,208	232,605	245,896	94,529	340,425	330,382	36,584	366,966
2. Public Sector:*												
- Demand Deposits	386,258	222,721	608,979	728,353	265,885	994,238	890,278	384,169	1,274,447	1,081,134	128,394	1,209,528
- Time and Savings Deposits	204 280	21,328	225,608	270,490	68,650	339,140	459,688	63,806	523,494	700,163	115,277	815,440
- Earmarked Deposits	241,192	325,827	567,019	282,749	297,165	579,914	320,307	186,815	507,122	347,044	291,680	638,724
Sub-Total	831,730	569,876	1,401,606	1,281,592	631,700	1,913,292	1,670,273	634,790	2,305,063	2,128,341	535,351	2,663,692
3. Private Sector:**												
- Demand Deposits	640,325	173,669	813,994	695,835	154,461	850,296	788,197	191,158	979,355	886,108	240,884	1,126,992
- Time and Savings Deposits	662,349	110,475	772,824	915,591	364,268	1,279,859	1,236,492	643,287	1,879,779	1,743,485	984,185	2,727,670
- Earmarked Deposits	49,709	36,297	86,006	51,620	51,185	102,805	82,857	65,371	148,228	109,374	86,941	196,315
Sub-Total	1,352,383	320,441	1,672,824	1,663,046	569,914	2,232,960	2,107,546	899,816	3,007,362	2,738,967	1,312,010	4,050,977
4. Others:												
- Demand Deposits	50,527	24,323	74,850	47,082	6,001	53,083	52,116	5,220	57,336	30,655	4,985	35,640
- Time and Savings Deposits	92,109	25,178	117,287	60,582	26,548	87,130	21,573	19,511	41,084	8,912	31,615	40,527
- Earmarked Deposits	3,647	29	3,676	3,212	484	3,696	2,874	189	3,063	3,093	261	3,344
Sub-Total	146,283	49,530	195,813	110,876	33,033	143,909	76,563	24,920	101,483	42,650	36,861	79,511
Total Deposits	2,494,906	968,925	3,463,831	3,242,911	1,279,855	4,522,766	4,100,278	1,654,055	5,754,333	5,240,340	1,920,806	7,161,146
Total Demand Deposits	1,136,969	429,839	1,566,808	1,536,874	447,907	1,984,781	1,841,967	590,825	2,432,792	2,148,952	388,633	2,537,585
Total Time & Savings Deposits	1,021,098	159,302	1,180,400	1,314,496	466,437	1,780,933	1,806,649	736,186	2,542,835	2,575,720	1,141,406	3,717,126
Total Earmarked Deposits	336,839	379,784	716,623	391,541	365,511	757,052	451,662	327,044	778,706	515,668	390,767	906,435

* Public Sector includes Public Business Sector and Financial Intermediaries.

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit organizations and foreign institutions operating in Egypt.

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Loans & Advances Extended to
Private Business by Public Sector
Commercial Banks

Exhibit XIII

(L.E. Thousands)

Sector of Activities	December 31, 1978 LC	December 31, 1978 FC	December 31, 1978 Total	December 31, 1979 LC	December 31, 1979 FC	December 31, 1979 Total	December 31, 1980 LC	December 31, 1980 FC	December 31, 1980 Total	December 31, 1981 LC	December 31, 1981 FC	December 31, 1981 Total
I. Agriculture:												
- One year maturity	2,641	1	2,642	9,656	-	9,656	13,508	-	13,508	65,996	-	65,996
- More than one year	437	-	437	1,316	-	1,316	921	-	921	1,785	-	1,785
Total Agriculture	3,078	1	3,079	10,972		10,972	14,429	-	14,429	67,781	-	67,781
II. Industry:												
- One year maturity	168,913	8,655	177,568	237,164	4,026	241,190	326,961	23,365	350,326	543,800	56,804	600,604
- More than one year	2,658	7,781	10,439	11,689	1,998	13,687	20,937	4,115	25,052	45,270	3,149	4[illegible],[illegible]15
Total Industry	171,571	16,436	188,007	248,853	6,024	254,877	347,898	27,480	375,378	589,070	59,953	649,023
III. Commerce												
- One year maturity	109,702	3,122	112,824	154,929	24,210	179,139	304,906	24,390	329,296	604,788	49,063	653,851
- More than one year	2,536	796	3,332	1,789	-	1,789	4,524	-	4,524	5,440	-	5,440
Total Commerce	112,238	3,918	116,156	156,718	24,210	180,928	309,430	24,390	333,820	610,228	49,063	659,291
IV. Services												
- One year maturity	21,884	3,994	25,878	4[illegible]	8,106	51,619	76,345	67,889	144,234	186,970	86,028	272,998
- More than one year	4	470	474	8,[illegible]	-	8,140	10,826	-	10,826	18,083	1,546	19,629
Total Services	21,888	4,464	26,352	51,653	8,106	59,759	87,171	67,889	155,060	205,053	87,574	292,627
A. All Activities												
- Total one year maturity	303,140	15,772	318,912	445,262	36,342	481,604	721,720	115,714	837,464	1,401,554	191,895	1,593,449
- Total more than one year	5,665	9,047	14,682	22,934	1,998	24,932	37,208	4,115	41,323	70,578	4,695	75,273
Grand Total (A)	308,775	24,819	333,594	46[illegible],196	38,340	506,536	758,928	119,659	878,787	1,472,132	196,590	1,668,722
B. Loans & Advances Extended to the Public Business Sector												
- One year maturity	1,740,361	9,010	1,749,371	1,846,313	9,956	1,856,269	2,520,921	22,928	2,543,849	3,445,178	69,565	3,514,743
- More than one year	2,188	3,928	6,116	27,202	-	27,202	29,168	-	28,168	25,659	-	25,659
Total Public Sector	1,742,549	12,938	1,755,487	1,873,515	9,956	1,883,471	2,549,089	22,928	2,572,017	3,470,837	69,565	3,540,402
C. Total A and B	2,[illegible]51,324	37,757	2,089,081	2,339,711	48,296	2,390,007	3,308,017	142,787	3,450,804	4,942,969	266,155	5,209,124
D. All Sectors/Total A & B (A/C) %	15.1	65.7	16.0	20.0	79.4	21.2	22.9	83.9	25.5	29.8	73.9	32.0

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Balance Sheet of

Joint Venture and Private Commercial Banks.

Exhibit XIV

(L.E. Millions)

Item \ Year	1978 March	1978 June	1978 September	1978 December	1979 March	1979 June	1979 September	1979 December	1980 March	1980 June	1980 September	1980 December	1981 March	1981 June	1981 September	1981 December
Assets																
Gold											1			1	1	
Cash	1	1	1	1		4	5	5		13	14	12	15	24	24	20
Checks for Collection				6		10	13	17		23	23	27	28	43	59	73
Security Portfolio	3	5	5	8		8	9	10		13	14	16	18	20	25	37
Bills Discounted	1	1	1	1		1	1	1		3	2	1	7	13	10	6
Deposits with CBE	33	22	38	41		43	50	94		122	131	197	189	200	338	670
Due from Specialized Banks				9		6	4	20		17	25	22	37	51	72	67
Due from other banks:																
- In Egypt	28	42	57	88		125	128	146		182	210	281	334	[illegible]	350	535
- Abroad	107	118	168	186		210	216	268		408	490	585	587	670	748	993
Loans & Advances	70	87	105	151		274	341	382		509	612	725	851	1098	1422	1746
Investments in Fixed Assets	1	2	2	6		8	10	14		21	21	25	26	30	36	47
Other Assets	10	13	21	12		31	45	20		69	96	50	103	196	315	125
Total Assets	254	291	398	506		720	822	977		1380	1639	1941	2194	2672	3400	4328
Liabilities																
Capital	10	13	18	36		44	47	62		75	95	100	106	123	127	148
Reserves	1	1	2	2		3	4	6		20	20	20	22	35	35	45
provisions	1	1	1	1		3	4	7		16	18	24	28	42	45	63
Due to CBE						3		1						13	16	22
Borrowings from CBE																
Due to Other Banks																
- In Egypt	30	31	39	59		112	135	163		227	239	295	315	369	505	726
- Abroad	3	5	17	42		21	37	61		85	104	187	172	227	250	332
Deposits	194	218	287	328		470	508	598		822	966	1151	1313	1530	1921	2544
Checks Due for Payment				8		4	4	3		7	10	10	17	15	16	21
Other Liabilities	15	22	34	30		60	83	75		128	187	154	221	319	465	426
Total Liabilities	254	291	398	506		720	822	977		1380	1639	1941	2194	2672	3400	4328

Exhibit XV

Joint Venture and Private Commercial Banks
Breakdown of Deposits
As of December 31.

(L.E. Thousand)

Sector / Year	1978 LC	1978 FC	1978 TOTAL	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Total
1. Government Deposits:												
- Demand Deposits	-	-	-	490	79	569	554	44	598	3,304	93	3,397
- Time and Savings Deposits	-	-	-	1,290	235	1,525	4,004	804	4,808	18,057	1,026	19,083
- Earmarked Deposits	-	-	-	-	478	478	2,288		2,288	15	10	25
Sub-Total	-	-	-	1,780	792	2,572	6,846	846	7,694	21,376	1,129	22,505
2. Public Sector:*												
- Demand Deposits	26,077	9,939	36,016	42,840	18,006	60,846	48,334	17,513	65,847	82,721	14,000	96,721
- Time and Savings Deposits	21,276	17,948	39,224	39,563	31,534	71,097	122,135	41,238	163,373	271,316	75,196	346,512
- Earmarked Deposits	4,667	19,505	24,172	10,235	42,779	53,014	15,772	54,378	70,150	10,795	44,863	55,658
Sub-Total	52,020	47,392	99,412	92,638	92,319	184,957	186,241	113,125	299,370	364,832	134,059	498,891
3. Private Sector:**												
- Demand Deposits	40,321	49,411	89,732	78,671	61,492	140,163	147,757	74,718	222,475	300,524	133,728	434,252
- Time and Savings Deposits	23,909	57,335	81,244	44,660	135,768	180,428	166,550	294,949	461,499	515,466	757,999	1,273,465
- Earmarked Deposits	4,379	20,180	24,559	13,701	29,504	43,205	34,579	70,593	105,172	105,833	152,315	253,148
Sub-Total	68,609	126,926	195,535	137,032	226,764	363,796	348,886	440,260	789,146	921,823	1,044,042	1,965,865
4. Others:												
- Demand Deposits	19	131	150	740	459	1,199	258	1,419	1,677	271	889	1,160
- Time and Savings Deposits	30,000	2,813	32,813	40,000	5,464	45,464	40,402	12,742	53,144	26,570	29,203	55,773
- Earmarked Deposits	51	173	224	-	-	-	61	44	105	121	27	148
Sub-Total	30,070	3,117	33,187	40,740	5,923	46,663	40,721	14,205	54,926	26,962	30,119	57,081
Total Deposits	150,699	177,435	328,134	272,190	325,798	597,988	582,694	558,442	1,151,136	1,334,993	1,209,349	2,544,342
- Total Demand Deposits	66,417	59,481	125,898	122,741	80,036	202,777	196,903	93,694	290,597	386,820	148,710	535,530
- Total Time & Savings Deposits	75,185	78,096	153,281	125,513	173,001	298,514	333,091	349,733	682,824	831,409	863,424	1,694,833
- Total Earmarked Deposits	9,097	39,858	48,955	23,936	72,761	96,697	52,700	125,015	177,715	116,764	197,215	313,979

* Public Sector includes Public Business Sector and Financial Intermdiaries.

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit organizations and foreign institutions operating in Egypt.

Loans and Advances to Private Business* extended by Joint Venture and Private Commercial Banks

Exhibit XVI

(L.E. Thousands)

Sector of Activities	December 31, 1978 LC	FC	Total	December 31, 1979 LC	FC	Total	December 31, 1980 LC	FC	Total	December 31, 1981 LC	FC	Total
I. Agriculture:												
- One year maturity	461	24	485	2,188	978	3,166	1,606	2,646	4,252	13,298	13,396	26,694
- More than one year	-	-	-	48	11	59	204	127	331	972	-	972
Total Agriculture	461	24	485	2,236	989	3,225	1,808	2,773	4,583	14,270	13,396	27,666
II. Industry:												
- One year maturity	15,978	7,028	23,006	30,569	25,026	55,595	57,291	66,614	123,905	142,508	129,921	272,429
- More than one year	7,717	1,438	9,155	16,294	3,137	19,431	21,069	2,102	23,171	32,241	16,818	49,059
Total Industry	23,695	8,466	32,161	46,863	28,163	75,026	78,360	68,716	147,076	174,749	146,739	321,463
III. Commerce:												
- One year maturity	26,133	20,677	46,810	97,266	78,397	175,663	157,930	139,325	297,255	438,422	422,354	860,806
- More than one year	339	1,034	1,373	4,050	3,526	7,576	8,507	6,112	14,619	9,737	9,926	19,663
Total Commerce	26,472	21,711	48,183	101,316	81,923	183,239	166,437	145,437	311,874	448,159	432,310	880,469
IV. Services												
- One year maturity	7,019	1,967	8,986	16,037	10,518	26,555	37,199	33,140	70,339	142,879	71,913	214,792
- More than one year	900	2,554	3,454	481	2,732	3,213	9,804	4,331	14,135	10,493	9,473	19,966
Total Services	7,919	4,521	12,440	16,518	13,250	29,768	47,003	37,471	84,474	153,372	81,386	234,758
A) All Sectors												
- Total one year maturity	49,591	29,696	79,287	146,060	114,919	260,979	254,026	241,725	495,751	737,107	637,614	1,374,721
- Total more than one year	8,956	5,026	13,982	20,873	9,406	30,279	39,584	12,672	52,256	53,443	36,217	89,660
Grand Total	58,547	34,722	93,269	166,933	124,325	291,258	293,610	254,397	548,007	790,550	673,831	1,464,381
B) Loans and Advances Extended to the Public Business Sector												
- One year maturity	16,065	3,164	19,229	29,154	2,451	31,605	67,757	7,481	75,238	120,454	25,788	146,242
- More than one year	480	1,132	1,612	410	230	640	184	26	210	498	1,590	2,093
Total Public Sector	16,545	4,296	20,841	29,564	2,681	32,245	67,941	7,507	75,448	120,952	27,378	149,330
C) Total A & B	75,092	39,018	114,110	196,479	127,006	323,503	361,551	261,904	623,455	911,502	701,209	1,612,711
D) All Sectors/Total A and B (A/C) %	78.0	89.0	81.7	85.0	97.9	90.0	81.2	97.1	87.9	86.7	96.1	90.8

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

* Inclues Non-Public Sector Joint Stock Companies, Limited Liabilities, Partnerships, Cooperatives and Proprietorships.

Exhibit XVII

Balance Sheet of
Business and Investment Banks

(L.E. Millions)

Item \ Year	1978				1979				1980				1981			
	March	June	September	December	March	June	September	December	March	June	September	December	March	June	September	December
Assets																
Gold																
Cash		0.8		1.2	1.1	1.4	1.4	1.4	2.1	1.7	2.6	1.8	3.4	3.1	6.5	2.2
Cheques for Collection																
Sec. Portfolio		8.2		10.3	10.6	12.7	14.1	18.6	21.7	28.7	30.6	32.0	33.7	33.8	16.3	17.0
Bills Discounted		3.1		3.7	3.4	2.8	0.4	0.0			0.4	2.2			0.5	
Dep. with CBE		-		-	-	0.3	0.2	0.4	0.1	2.8	7.3	8.1	12.6	23.2	34.8	55.3
Due from specialized Banks								1.5	0.6	2.6	2.5	0.3				
Due from other Banks																
- In Egypt		14.7		23.4	23.2	34.0	51.3	65.2	73.6	89.5	97.3	128.7	146.9	119.2	112.0	158.5
- Abroad		112.6		170.9	120.7	146.4	145.7	185.4	148.0	154.0	138.0	211.5	171.7	203.1	175.2	284.4
Loans & Advances		22.5		48.2	58.1	70.1	87.8	99.4	113.3	129.4	136.1	175.0	181.1	232.0	259.5	333.6
Invst. in Fixed Assets		1.2		1.6	1.7	1.7	1.9	1.8	1.9	1.9	2.2	2.7	2.7	2.8	3.2	6.6
Other Assets		3.2		7.0	6.6	19.4	14.6	11.3	11.2	17.9	24.9	14.0	33.1	57.7	81.3	34.7
Total Assets		166.30		266.3	225.4	288.8	317.4	385.0	372.7	428.5	441.9	576.3	585.2	674.9	689.3	892.3
Liabilities:																
Capital		27.0		40.7	31.5	40.7	45.9	49.6	50.4	50.4	65.7	67.4	77.9	77.9	77.9	83.5
Reserves		1.2		2.3	2.7	2.7	4.2	4.2	4.2	7.9	9.3	7.9	9.3	12.5	12.7	16.0
Provisions		0.8		1.5	1.7	2.2	2.3	2.8	4.0	5.2	5.4	6.2	7.5	8.1	8.9	11.8
Due to CBE													11.1	49.2	55.2	77.8
Borrowings from CBE																
Due to Other Banks																
- In Egypt		40.0		72.4	58.6	62.6	71.2	77.3	71.1	87.3	105.2	130.1	133.3	133.8	113.1	170.3
- Abroad		17.5		50.5	32.5	32.3	47.6	87.3	50.5	42.5	27.6	78.2	36.9	50.9	63.2	137.5
Deposits		76.0		90.6	89.9	123.8	125.7	142.0	164.3	187.0	194.6	248.8	259.0	277.0	266.6	327.5
Cheques due for payment																
Other Liabilities		3.8		8.3	8.5	24.5	20.5	21.8	28.2	48.2	34.1	37.7	50.2	65.5	91.7	67.9
Total Liabilities		166.3		266.3	225.4	288.8	317.4	385.0	372.7	428.5	441.9	576.3	585.2	674.9	689.3	892.3

Business and Investment Banks
Breakdown of Deposits
As of December 31.

(L.E. Thousands)

Sector \ Year	1978			1979			1980			1981		
	LC	FC	Total	LC	FC	Total	LC	FC	Total	LC	FC	Total
1. Government Deposits:												
- Demand Deposits	-	-	-	2	138	140	65	113	178	159	52	211
- Time and Savings Deposits	-	-	-	100	35	135	107	244	351	482	423	905
- Earmarked Deposits	-	-	-	-	-	-	-	-	-	15	109	124
Sub-Total	-	-	-	102	173	275	172	357	529	656	584	1,240
2. Public Sector:*												
- Demand Deposits	-	596	596	702	2,159	2,861	3,757	3,044	6,801	3,083	4,133	7,216
- Time and Savings Deposits	-	12,048	12,048	-	23,230	23,230	2,818	28,036	30,854	16,150	34,857	51,007
- Earmarked Deposits	1,148	-	1,148	13	409	422	-	-	-	-	2,294	2,294
Sub-Total	1,148	12,644	13,792	715	25,798	26,513	6,575	31,080	37,655	19,233	41,284	60,517
3. Private Sector:**												
- Demand Deposits	586	18,334	18,920	3,684	15,444	19,128	4,282	26,193	30,475	8,423	18,378	26,801
- Time and Savings Deposits	1,877	46,399	48,276	6,914	77,728	84,642	6,520	150,591	157,111	32,612	171,730	204,342
- Earmarked Deposits	3,984	5,599	9,583	1,980	9,389	11,369	2,423	20,621	23,044	7,109	27,529	34,638
Sub-Total	6,447	70,332	76,779	12,578	102,561	115,139	13,225	197,405	210,630	43,144	217,637	265,781
4. Others:												
- Demand Deposits	-	-	-	-	-	-	-	-	-	-	-	-
- Time and Savings Deposits	-	-	-	-	-	-	-	-	-	-	-	-
- Earmarked Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-	-	-	-	-	-
Total Deposits	7,595	82,976	90,571	13,395	128,532	141,927	19,972	228,842	248,814	68,033	259,505	327,538
- Total Demand Deposits	586	18,930	19,516	4,388	17,741	22,129	8,104	29,350	37,454	11,665	22,563	34,220
- Total Time & Savings Deposits	1,877	58,447	60,324	7,014	100,993	108,007	9,445	178,871	188,316	49,244	207,010	256,254
- Total Earmarked Deposits	5,132	5,599	10,731	1,993	9,798	11,791	2,423	20,621	23,044	7,124	29,932	37,056

* Public Sector includes Public Business Sector and Financial Intermediaries.

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit institutions and foreign institutions operating in Egypt.

N.B. LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Loans and Advanced to Private Business*
Extended by Business and Investment Banks
As of December 31

(L.E. Thousands)

Sector of Activities	1978 LC	1978 FC	1978 Total	1979 LC	1979 FC	1979 Total	1980 LC	1980 FC	1980 Total	1981 LC	1981 FC	1981 Total
I. Agriculture												
- One year maturity	-	-	-	202	85	287	980	575	1,555	1,490	5,871	7,361
- More than one year	-	-	-	97	33	130	513	197	710	1,231	988	2,219
Total Agriculture	-	-	-	299	118	417	1,493	772	2,265	2,721	6,859	9,580
II. Industry												
- One year maturity	-	4,222	4,222	385	12,887	13,272	2,378	27,551	29,929	3,287	42,199	45,486
- More than one year	-	9,233	9,233	975	11,305	12,280	3,505	10,835	14,340	1,608	16,059	17,667
Total Industry	-	13,455	13,455	1,360	24,192	25,552	5,883	38,386	44,269	4,895	58,258	63,153
III. Commerce												
- One year maturity	812	16,229	17,041	4,615	32,422	37,037	8,011	53,299	61,310	12,061	65,494	77,555
- More than one year	-	10	10	1,433	5,959	7,392	1,083	5,066	6,149	2,188	6,378	8,566
Total Commerce	812	16,239	17,051	6,048	38,381	44,429	9,094	58,365	67,459	14,249	71,872	86,121
IV. Services												
- One year maturity	-	3,880	3,880	640	4,672	5,312	1,955	14,138	16,093	7,672	18,131	25,803
- More than one year	-	-	-	-	3,483	3,483	-	10,468	10,468	4,166	21,812	25,978
Total Services	-	3,880	3,880	640	8,155	8,795	1,955	24,606	26,561	11,838	39,943	51,781
A. All Activities												
- Total one year maturity	812	24,331	25,143	5,842	50,066	55,908	13,324	95,563	108,887	24,510	131,695	156,205
- Total more than one year	-	9,243	9,243	2,505	20,780	23,285	5,101	26,566	31,667	9,193	45,237	54,430
Grand Total	812	33,574	34,386	8,347	70,846	79,193	18,425	122,129	140,554	33,703	176,932	210,635
B. Loans & Advances Extended to Public Business Sector												
- One year maturity	-	-	-	284	-	284	1,035	150	1,185	7,878	6,770	14,648
- More than One year	-	-	-	-	-	-	-	-	-	60,394	-	60,394
Total (B)	-	-	-	284	-	284	1,035	150	1,185	68,272	6,770	75,042
C. Total A and B	812	33,574	34,386	8,631	70,846	79,477	19,460	122,279	141,739	101,975	183,702	285,677
D. A/C %	100	100	100	97	100	100	95	100	99	33	96	74

* Includes: Non public sector joint stock companies limited liabilities, partnerships cooperatives and proprietorships.

Balance Sheet of
Branches of Foreign Banks

(L.E. Million

Item / Year	1978 March	1978 June	1978 September	1978 December	1979 March	1979 June	1979 September	1979 December	1980 March	1980 June	1980 September	1980 December	1981 March	1981 June	1981 September
Assets															
Gold															
Cash		7.0		11.1	8.1	10.9	8.9	8.2	13.7	8.8	8.4	7.4	8.5	8.2	16.7
Cheques for Collection		-		0.2			1.0	0.3							
Sec. Portfolio		3.2		3.7	3.7	3.7	3.7	3.7	4.1	4.1	3.4	3.4	3.4	3.4	3.4
Bills Discounted		2.4		1.4	1.5	1.7	1.6	2.0	1.6	0.7	0.5	13.6	14.4	20.1	24.3
Dep. with CBE		14.5		14.6	14.6	14.6	14.5	14.5	14.4	12.9	13.9	38.6	48.2	46.3	143.7
Due from Specialized Banks															
Due from Other Banks															
- In Egypt		26.4		62.7	81.7	83.6	62.8	69.8	100.9	115.7	120.6	152.4	185.5	216.7	289.1
- Abroad		269.6		327.5	292.2	612.5	420.5	377.2	407.6	445.8	434.0	520.4	526.8	619.5	672.2
Loans & Advances		105.4		130.0	153.5	173.0	169.6	181.0	187.0	213.1	258.0	267.2	292.1	343.7	356.3
Invst. in Fixed Assets		4.4		6.2	6.8	7.0	8.0	7.7	8.5	9.6	10.1	10.9	11.0	12.3	13.6
Other Assets		26.4		18.3	29.8	40.1	61.5	49.8	54.3	72.0	69.9	26.5	103.7	128.1	174.8
Total Assets		459.3		575.7	591.9	947.1	752.1	714.2	792.1	882.7	918.8	1040.4	1193.6	1398.3	1694.1
Liabilities															
Capital		25.3		23.5	27.1	28.9	28.9	28.9	31.1	31.1	31.1	32.9	32.8	36.4	36.4
Reserves		0.1			0.1	0.1	0.1	0.2	0.3	0.5	0.5	0.9	0.9	0.9	1.2
Provisions		1.4		3.5	4.5	5.8	6.2	6.9	8.2	8.1	7.1	9.0	11.2	15.4	10.8
Due to CBE				0.6	0.7	5.7	17.0	7.9	36.5	45.8	47.3	28.9	32.1	30.2	19.4
Borrowings from CBE															
Due to Other Banks															
- In Egypt		72.7		130.9	110.1	124.8	126.5	146.0	182.7	132.6	209.2	259.4	280.6	254.3	223.7
- Abroad		65.3		85.1	[illegible]	394.6	147.9	96.4	104.9	150.6	126.3	232.4	311.3	434.3	649.5
Deposits		266.9		290.2	297.7	333.4	350.4	366.8	371.2	372.5	403.7	420.8	425.5	473.9	497.7
Cheques due for payment				0.5			0.4	1.4							
Other Liabilities		27.6		41.4	53.9	53.9	74.7	59.7	57.2	81.5	93.6	56.1	99.2	152.9	255.4
Total Liabilities		459.3		575.7	591.9	947.1	752.1	714.2	792.1	882.7	918.8	1040.4	1193.6	1398.3	1694.1

Exhibit XXI

Branches of Foreign Banks
Breakdown of Deposits
As of December 31. (F.C. Equivalent in L.E. Thousand)

Sector / Year	1978	1979	1980	1981
1. Government Deposits:				
- Demand Deposits	-	152	4	4
- Time Deposits/Savings	167	127	204	–
- Earmarked Deposits	–	–	–	1
Sub Total Deposits	167	279	208	5
2. Public Sector:*				
- Demand Deposits	1,106	218	555	963
- Time Deposits/Savings	1,799	6,291	3,874	5,032
- Earmarked Deposits	191	1,864	518	26
Sub-Total	3,096	8,373	4,947	6,021
3. Private Sector:**				
- Demand Deposits	51,178	55,053	55,741	63,732
- Time Deposits/Savings	153,234	182,436	249,681	320,215
- Earmarked Deposits	21,381	44,817	42,710	93,062
Sub-Total	225,793	282,406	348,132	477,009
4. Others:				
- Demand Deposits	7,309	5,071	3,840	3,514
- Time and Deposits Savings	52,392	69,198	63,641	70,164
- Earmarked Deposits	1,473	1,453	2	-
Sub-Total	61,174	75,722	67,483	73,679
Total Deposits	290,230	366,780	420,770	556,714
- Total Demand Deposits	59,593	60,494	60,140	68,213
- Total Savings & Time Deposits	207,592	258,052	317,400	395,411
- Total Earmarked Deposits	23,045	48,234	43,230	93,090

* Public Sector includes Public Business Sector and Financial Intermediaries

** Private Sector includes Private Business Sector and Household Sector (Individuals, non-profit organizations and foreign institutions operating in Egypt.)

N.B. FC means Foreign Currency.

Item / Year	1978	1979	1980	1981
I. Agriculture				
One year Maturity	44	-	-	1,415
More than one year	-	-	-	-
Total Agriculture	44	-	-	1,415
II. Industry				
One year maturity	8,035	11,707	21,575	10,056
More than one year	211	152	24	-
Total Industry	8,246	11,859	21,599	10.056
III. Commerce				
One year maturity	76,525	108,797	156,646	298,622
More than one year	5,668	9,570	16,423	35,677
Total Commerce	82,193	118,367	173,069	334,299
IV. Services				
One year maturity	4,598	4,842	13,929	4,351
More than one year	-	1,615	2,229	11,045
Total Services	4,598	6,457	16,158	15,396
A. All Sectors				
Total one year maturity	89,202	125,346	192,150	314,444
Total more than one year	5,879	11,337	18,676	46,722
Grand Total	95,081	136,683	210,826	361,166
B. Loans and Advanced Extended to Public Business Sectors				
One year maturity	3,038	14,904	10,365	15,046
More than one year	3,606	4,964	5,145	6,666
Total Public Sectors	6,644	19,868	15,510	21,712
C. Total A & B	101,725	156,551	226,336	382,878
D. All Sectors/Total A & B (A/C) %	93.5	87.3	93.1	94.3

*Includes Non-Public Sector Joint Stock Companies, Limited Liabilities, Partnerships,

Exhibit XXII b

Total

Loans and Advances Extended By

Branches of Foreign Banks

(L.E. Millions)

Sector \ Year	1978				1979				1980				1981			
	March	June	September	December	March	June	September	December	March	June	September	December	March	June	September	December
Loans and Advances																
I. One year maturity																
1. with inkind sec.	59.3	38.6	83.2		95.7	106.1	102.7	97.4	178.0	224.0	123.5		107.6	142.4	153.6	160.2
2. without inkind security	23.9	20.7	26.0		33.8	34.6	42.9	57.5	79.8	87.3	127.0		59.1	56.3	72.2	80.2
II. 1-5 yr maturity																
1. with inkind sec.	1.6	1.4	7.6		10.7	14.0	14.6	17.1	28.4	21.6	20.7		10.1	4.1	16.3	21.4
2. without inkind security	0.0	0.2	1.4		0.6	5.0	2.0	0.9	1.3	5.5	22.2		1.8	3.4	6.0	1.2
III. More than 5 years maturity																
1. with inkind sec.		28.6			0.4	1.2	0.3	0.3	2.0	1.7	2.2		0.8	1.4	3.8	1.6
2. without inkind security		3.0	0.4					0.3					0.5			
IV. Loans & Advances due and not paid.	8.9	12.8	12.5		12.2	11.2	7.1	7.5	2.6	3.0	4.6		7.0	5.5	6.1	2.6
Total	93.7	105.3	131.1		153.4	173.1	169.6	181	[illegible]	343.6	300.2		186.9	213.1	258	267.2

Exhibit XXIII

Balance Sheet of

Development Industrial Bank

(L.E. million)

1978				1979				1980				1981			
March	June	September	December	March	June	September	December	March	June	September	December	March	June	September	December
0.23	0.19	0.13	0.33	0.18	0.35	0.21	0.28	0.24	0.46	0.34	0.85	0.38	0.53	0.25	0.44
										0.07		0.07	0.13	0.10	0.57
0.28	0.28	0.28	0.54	0.54	0.54	0.60	0.86	0.92	1.37	1.43	1.57	1.56	1.57	1.59	1.72
1.04	2.10	2.82	0.92	2.95	1.74	4.90	3.04	3.54	3.70	3.21	3.43	3.18	3.06	2.36	5.2[illegible]
				0.10	0.17	0.04	0.10	0.10	0.07	0.04	0.05	0.24	0.26	1.63	3.67
32.51	37.63	42.23	46.10	49.55	54.62	63.44	74.83	83.49	98.53	107.12	121.83	136.30	147.73	160.79	183.46
0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
0.85	1.72	2.65	9.20	10.50	3.66	5.90	1.25	4.66	9.46	8.43	5.39	10.31	7.30	16.06	13.50
34.92	41.93	48.12	57.11	63.84	61.11	75.11	80.38	92.97	113.61	120.66	133.14	152.06	160.60	182.80	208.53
10.00	10.00	10.00	10.0	10.00	10.00	15.00	15.00	15.00	20.00	20.00	20.00	20.00	20.00	20.00	25.00
3.50	3.50	3.50													
	0.13	0.13	0.13	0.13	0.22	0.22	0.22	0.22	0.41	0.41	0.55	0.55	0.55	0.58	1.02
1.51	1.75	1.75	1.75	1.75	2.84	2.84	2.88	2.88	4.34	4.34	5.47	5.47	5.46	5.58	8.70
4.10	8.25	10.91	16.00	17.99	19.81	22.73	22.56	27.34	37.41	38.63	43.58	49.37	51.79	60.33	53.29
0.02		0.28	1.00	1.00	1.00	1.00	2.50	2.79	2.56	2.50	2.50	2.50	2.50	2.54	12.50
							0.09		0.28	0.01			0.01	0.01	
11.57	13.05	14.88	16.20	19.47	21.55	26.35	31.12	36.11	42.42	45.11	48.14	57.40	64.71	70.53	78.15
3.16	5.25	6.67	9.72	11.30	5.69	7.17	2.53	5.35	2.99	7.12	12.90	16.77	7.25	15.59	29.67
1.06			2.31	2.20			3.48	3.28	3.20	2.54			8.33	7.64	
34.92	41.93	48.12	57.11	63.84	61.11	75.11	80.38	92.97	113.61	120.66	133.14	152.06	160.60	182.80	208.53

elopment Industrial banks are effectively cash margins for opening
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Exhibit XXIV

Loans and Advances Extended to Private Business*

By The Development Industrial Bank

As of December 31.

(L.E. Thousands)

Sector of Activity	December 1978			December 1979			December 1980			December 1981		
	LC	FC	Total	LC	FC	Total	LC	FC	Total	LC	FC	Total
I. Agriculture												
- One year maturity	-	-	-	95	-	95	556	-	556	1,104	-	1,104
- More than one year	69	-	69	960	3,151	4,111	345	4,021	4,366	1,073	3,596	4,669
Total Agriculture	69	-	69	1,055	3,151	4,206	901	4,021	4,922	2,177	3,596	5,773
II. Industry												
- One year maturity	7,104	-	7,104	7,669	-	7,669	16,129	-	16,129	30,438	-	30,438
- More than one year	15,388	5,509	20,897	19,734	11,690	31,424	40,501	21,423	61,924	53,630	32,892	86,522
Total Industry	22,492	5,509	28,001	27,403	11,690	39,093	56,630	21,423	78,053	84,068	32,892	116,960
III. Commerce	-	-	-	-	-							
- One year maturity	-	-	-	-	-	-	-	-	-	-	-	-
- More than one year	-	-	-	-	-	-	-	-	-	-	-	-
Total Commerce	-	-	-	-	-	-	-	-	-	-	-	-
IV. Services												
- One year maturity	469	-	469	2,185	-	2,185	681	-	681	3,671	-	3,671
- More than one year	3,589	2,570	6,159	10,967	5,329	16,296	12,230	8,821	21,051	21,089	16,336	37,425
Total Services	4,058	2,570	6,628	13,152	5,329	18,481	14,911	8,821	21,732	24,760	16,336	41,096
A. All Sectors												
-Total one year maturity	7,573	-	7,573	9,949	-	9,949	17,366	-	17,366	35,213	-	35,213
-Total more than one year	19,046	8,079	27,125	31,661	20,170	51,831	53,076	34,265	87,341	75,792	52,824	128,616
Grand Total	26,619	8,079	34,698	41,610	20,170	61,760	70,442	34,265	104,707	111,005	52,824	163,825
B. Loans and Advances Extended to the Public business Sector												
- One year maturity	295	-	295	302	-	302	223	-	223	12	-	12
- More than one year	6,591	4,512	11,103	7,368	5,385	12,753	9,687	7,091	16,778	8,630	10,831	19,461
... Total Public Business Sector	6,886	4,512	11,398	7,670	5,385	13,055	9,910	7,091	17,001	8,642	10,831	19,473
C. Total A and B	33,505	12,591	46,096	49,280	25,555	74,935	80,352	41,356	121,708	119,647	63,655	183,302
D. All Sectors/Total A & B (A/C) %	79.4	54.2	75.3	84.4	78.9	82.6	87.7	82.9	86.0	92.8	83.0	89.4

* LC means local currency (Egyptian pound) - FC means foreign currency equivalent in Egyptian pound.

Exhibit XXV

Development Industrial Bank

Total Loans and Advances.

(L.E. Million)

Item / Year	1978	1979				1980				1981			
	December	March	June	September	December	March	June	September	December	March	June	September	December
I. One Year Maturity:													
1. Secured by merchandize	4.7	5.0	5.6	5.6	5.6	6.3	7.3	7.9	9.0	10.5	11.5	13.8	16.2
2. Secured by stocks & bonds													
3. Secured by commercial or industrial mortage	0.5	0.5	0.6	0.8	0.8	1.0	1.0	1.1	1.1	1.1	1.3	1.9	0.9
4. Secured by real estate & equipment mortage													0.1
5. With other inkind securities												0.2	
6. Without inkind securities													
a) Secured by government guarantee													
b) secured by personal guarantee	1.7	1.9	2.1	2.4	2.2	2.7	2.9	3.9	5.2	5.3	6.1	9.0	13.1
c) without security	0.7	0.6	0.7	0.8	1.4	1.4	1.8	2.4	2.0	2.2	2.5	2.9	4.2
II. One to Five Years Maturity:													
1. Secured by commercial or industrial mortage	10.2	11.6	12.3	13.5	16.6	19.4	21.7	24.1	27.0	30.3	33.0	35.8	42.1
2. Secured by real estate & equipment mortage	2.5	2.5	2.1	2.7	3.2	3.3	5.3	5.2	5.8	5.4	6.2	6.6	7.8
3. Without inkind securities	2.1	2.3	2.9	3.5	4.5	4.8	5.9	6.8	7.8	9.2	10.6	12.3	14.7
a) secured by government guarantee												3.1	
b) secured by personal guarantee	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.2	0.2		3.5
c) without security													
III. Five to Ten Years Maturity:													
1. Secured by commercial or industrial mortage	9.6	10.8	13.1	16.9	22.3	24.8	27.4	29.6	31.5	36.8	37.4	38.7	41.4
2. Secured by real estate & equipment mortage	2.7	2.8	3.6	4.2	5.2	6.5	10.4	11.1	15.1	15.8	19.2	20.1	22.5
3. Other inkind securities							0.1	0.2	0.2	0.3	0.3	0.2	0.2
4. Without inkind securities													
a) secured by government guarantee							0.1	0.1	0.1	0.1	0.1	0.1	0.1
b) secured by personal guarantee	10.9	10.9	11.3	12.6	12.5	12.8	14.1	14.3	16.5	18.9	19.1	15.8	16.0
c) without security													
IV. More than Ten Years Maturity													
Loans, installments and due interest rate	0.2	0.4	0.1	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.7
Total	46.0	49.5	54.6	63.4	74.8	83.4	98.5	107.3	121.8	136.3	153.3	160.7	183.6

"ANNEX A"

THE REGULATORY FRAMEWORK

of the functions of a central bank, the banking sector was without much effective control. The Government, through the Ministry of Finance and other ministries, attempted from time to time to influence credit policies. In other situations, the Government undertook to establish or assit in the establishment of specialized banks such as: The Credit Agricole Egyptien, Credit Foncier Egyptien, and the Industrial Bank. The Government also assisted banks facing difficulties. For example, in 1940, it provided Banque Misr with needed liquidity in return for 7000 founding shares and the appointment of a Government representative in the bank. The Government intervened, also, to assist some of the small commercial banks in Egypt during this period; the last instance of this was the Egyptian Commercial Bank.(1)

The enactment of Law 57 of 1951 authorized the National Bank of Egypt (NBE) to assume some of the functions of a central bank in the Egyptian financial system. Law 57 granted the NBE authority to issue Egyptian currency and allowed it to undertake certain limited measures to influence credit. Some of the foreign banks were Egyptianized in 1956 and their assets and liabilities transferred to Egyptian banks (and/or newly created Egyptian banks) to take over their assets and liabilities. Then the need arose for a law to regulate the banking system and give a greater degree of authority to the central bank for the direction, organization and implementation of banking and credit policies as well as the supervision of banks in Egypt. In view of the above, the Governemnt decided to enact Law no. 163 for 1957, which gave the Central Bank a greater degree of authority in the regulation of the banking sector, and strengthened its supervisory role over banks' operations in Egypt. The NBE was nationalized in 1960 and later Banque Misr was also nationalized. Then, in 1961, all the banks operating in Egypt were nationalized and their shares were ultimately transferred to the Government. In January of 1961, however, the NBE was divided into two independent entities. Into the first entity, the Central Bank of Egypt (CBE), were transferred the foreign assets and liabilities of the nationalized banks and the deposits of the government, pseudo-governmental and other international organizations. In addition, the CBE was made responsible for the issuance of banknotes and the handling of payment agreements.

The second entity became the National Bank of Egypt whose activities were limited to those undertaken by other commercial banks.

The enactment of Law No. 43 of 1974 which ushered in the policy of Infitah, was followed by the mushrooming of new forms of banking operations in Egypt which necessitated the introduction of a new law which would further strengthen the regulatory capabilities of the CBE in the issuance of instructions and in the supervision of banks. In

(1) El Greitly, Aly, and others: Study on Public Sector Banks . Economic Studies Unit, Ministry of Economy and Economic Cooperation, December 1980.

Morsy, Fouad: "A new look at the composition of the Egyptian Banking System". L'Egypte Contemporaire, October 1971.

this regard, the Governemnt issued Law 120 for 1975, reorganizing the CBE and providing it, as well as public sector banks, with a greater degree of autonomy.

As a result, the current regulatory framework organizing the operations of the banking system is based on Law 163 for 1957, certain of the articles of Law 43 for 1974 with its amendments in Law 32 for 1977, Law 120 for 1975 and finally the periodic regulations issued by the banks' control department of the CBE. The following is a review of the main aspects of these laws and regulations and the way they affect the operations of the banking sector. The sections below will be organized as follows:

I. Banking Laws

a) The Banking and Credit Law (No. 163 of 19~~75~~57).

b) The Central Bank of Egypt and the Banking System Law (No. 120 of 1975).

II. Relevant Provisions of the Law No. 43 of 1974 (as amended by Law No. 32 of 1977).

III. The Regulations of the Central Bank of Egypt.

I Banking Laws

The Banking and Credit Law 163 of 1957 is still in force, although some of its provisions have been amended by the promulgation of the Central Bank of Egypt and Banking System Law No. 120 of 1975. The following are the most relevant provisions of the two laws:

a) The Banking and Credit Law (No. 163 of 1957)

The main provisions of the Law enable the CBE to:

i. Influence the flow of credit in terms of volume, nature and price to meet the requirements of commercial, industrial and agricultural activities.

ii. Take suitable measures against general and/or local economic disturbances.

iii. Control banking institutions to ensure their financial soundness.

iv. Administration of the State's reserves of gold and foreign

In this regard, Law 63, of 1957 requires the banking institutions operating in Egypt to provide the CBE with:

i. Monthly financial statements reflecting their financial positions in accordance with forms designated by the executive regulations of this Law.

ii. Each banking institution must submit a copy of every report forwarded to its stockholders, and a copy of the minutes of its general assembly.

iii. The banking institutions' accounts are to be verified by two certified auditors; such auditors must notify the CBE, in writing, of any errors or violations. In addition, the annual reports should contain statements as to the means used by the auditors to verify the existence of assets and liabilities and the methods used in their evaluation. Finally, the auditors shall verify whether the operations audited violated any of the provisions of Law 163 of 1957. A copy of this annual report is to be forwarded to the Central Bank.

Furthermore, the regulations of the Law require each banking institution to hold funds in Egypt in an amount not less than the sum of liabilities due for payment to creditors and minimum required paid-up capital. The Law authorizes the Board of Directors of the CBE to formulate rules and regulations establishing the departments for the control and supervision of banks. Their functions especially deal with

i. Methods adopted in appraising the different assets of banks.

ii. Fixing the ratios to be observed between the value of loans and loanable value of guarantees, in addition to the designation of the nature of the guarantees and the fixing of the maturities.

iii. The establishment and organization of a department for banking control.

iv. Fixing the maximum creditor and debitor interest rates as well as those applying to arrears.

v. The designation of information to be published and the way it should be published.

This Law has defined a commercial bank as:

"Any institution that habitually accepts deposits payable on demand or after a period not exceeding one year."

In this regard, commercial banks were prohibited from dealing in moveable or immoveable property, whether through purchase, sale or exchange, except:

i. Premises appropriate for carrying out the bank's business or for the recreation of its employees.

ii. Moveable or immoveable properties accruing in settlement of debts provided they are disposed of in one year in case of moveables and within five years in case of immoveables.

In addition, commercial banks were prohibited from the issuance of bearer notes which are payable on demand, or to accept their own capital shares as guarantees for loans or to hold or own such shares except those accruing to the bank in settlement of a debt; provided they are disposed of within one year.

Commercial banks were prohibited from owing more than 25% of the paid-up capital of any joint stock company, with the provision that the nominal value of such shares owned do not exceed the commercial bank's paid-up capital and reserves.

The CBE was authorized to issue the general rules to be followed in the control of commercial banks. Such rules related to:

i. Fixing the liquidity ratio and type of liquid assets which should be held by commercial banks.

ii. Determining areas in which commercial banks are prohibited from making investments and the fixing of the reserves that should be available to face the fluctuation of such assets' values including the determination of maximum limits for loans and investments in various categories.

Finally, the Law stipulated the maintenance of reserve requirements which are interest free deposits by the commercial banks with the CBE, comprising a certain ratio of their deposits.

With respect to non-commercial banks and their control, the Law defined non-commercial banks as those whose main business is the financing of real estate, agriculture or industry, the acceptance of demand deposits is not one of their primary activities. With respect to their control the rules dealt mainly with:

i. The conditions of accepting deposits.

ii. Rules concerning the participation in establishing other companies or organizations, and the purchase of their shares.

iii. The maximum limit on the value of bonds which may be issued by the non-commercial banks and the conditions of such issues.

The law also laid down the means through which the Central Bank of Egypt can regulate the expansion of credit. In this case it authorizes the CBE to fix the discount and interest rates according to the nature and desirability of operations taking place. It also allows the CBE to engage in open market operations dealing in Egyptian government paper and government guaranteed bonds designated by its board of directors, and promisory notes and other commercial paper. Finally, the law allowed the CBE to guarantee loans concluded with Egyptian, foreign or international organizations after consultation with the Ministry of Finance and Economy.

b) The Central Bank of Egypt and the Banking System Law (No. 120 of 1975)

Law 120 of 1975 gave the Central Bank of Egypt more autonomy in operating like a banking institution rather than a governmental agency. Apart from removing certain restrictions that were imposed with respect to the salary structure and other organizational aspects, the law emphasized the authority invested in the CBE's board of directors in the management of the bank's affairs. It also authorized the CBE to regulate monetary, banking and credit policies, and to supervise the implementation of those policies. In this regard the board of directors was empowered to:

1. Influence the orientation of credit with regard to volume, type and cost, so as to meet actual requirements of various economic activities.

2. Participate in the arrangement of external credits.

3. Adopt suitable measures to combat general and local economic financial disturbances.

4. Fix the discount rates, as well as debtor and creditor interest rates for banking operations. This is done in accordance with the nature and needs of the general monetary and credit policies and is not restricted by ceilings stipulated in other laws or legislation.

5. Ensure the soundness of State owned, and joint venture banks and branches of foreign banks.

6. Manage the State's reserves, foreign exchange and gold.

7. Participate in the preparation of the State's foreign exchange budget and its implementation within the framework of the general policy drawn by the Ministry of Finance in agreement with the Ministries of Economy and Economic Cooperation, Trade, Planning and Supply.

The Central Bank of Egypt was given the authority to examine the books and records of any bank at any time to enable it to obtain or clarify information deemed appropriate to achieve its objectives.

Law 120 of 1975 in defining the banking system also defined various terms which are used in the Study. It defined the term Commercial Banks to mean "banks that usually accept deposits payable on demand or within a fixed period; carry out, internally and externally, financing and the servicing thereof in such a manner to achieve the objectives of the national economy; affect operations for the promotion of savings and for the financial investment locally and abroad, including participation in the establishment of projects, as well as the banking, commercial and financial operations pertaining thereto, in accordance with the conditions laid down by the Central Bank."

The term Specialized Banks (non-commercial banks) shall be held to mean "banks that carry out banking operations serving a specific type of economic activity in conformity with their constituting decree and for which the acceptance of demand deposits is not one of their main fields of activity."

Finally, the term Investment and Business Banks shall be held to mean "banks that carry out operations related to the pooling and promotion of savings for the sake of investment in accordance with the economic and development plans and the policy envisaging the fostering of the national economy. In this respect, such banks may establish investment companies or other companies exercising various types of economic activities. They may also undertake financing of Egypt's foreign trade operations."

Investment and Business Banks shall be subject to those provisions of Law 63 of 1957 referred to above, which are consistent with the nature and functions of these banks. The board of directors of the Central Bank may issue general rules concerning control of the aforementioned banks in conformity with the provisions of said law.

Apart from the above, the law did, to a great extent, free the public sector banks from many of the regulations that formerly bound their activities. It afforded these banks, through their board of directors and chairmen, the authority needed and the flexibility required to participate in any form of banking service activity with a much wider degree of authonomy. This has been particularly true in areas that require the motivation of personnel through the implementation of salary and compensation systems that are independent of those offered by the Civil Service Law No. 58 of 1971 and Public Sector Service Law No. 61 of 1971.

II. Law 43 of 1974 as amended by Law No. 22 of 1977

Law 43 of 1974 as amended by Law 32 of 1977 stipulated that the investment of Arab and foreign capital in the Arab Republic of Egypt will be for the accomplishment of social and economic objectives within the framework of the general policy of the State. Listing projects falling under the auspices of this law, it mentions that investment and business banks whose operations are undertaken exclusively in foreign currency, may participate in investment and financing operations whether related to projects within the free zone, or for local, joint venture, or foreign projects established within the Arab Republic of Egypt and may also finance Egyptian foreign trade. It also stipulates that joint venture banks may undertake operations in local currency if the Egyptian ownership is not less than 51%. They will be given special priority for projects which target exports or the promotion of tourism, lead to a reduction in needed imports of basic goods, or which need highly skilled and advanced technical know-how; or will use patterns or well known registered trade marks. The law also stipulates that Arab and Foreign capital can independently undertake investment and business in banks in the form of branches of financial institutions situated abroad. The operations are limited to those undertaken in foreign currency.

The law, within the aforementioned provisions, exempted banks established under the auspices of Law 43 from the requirement that all shares be owned by Egyptians, which is part of Article 21 of Law 63 of 1957. It also exempted investment and business banks referred to above from the laws and regulations which govern foreign currency control.

III. The Regulations of the Central Bank of Egypt

The various laws mentioned above have afforded the CBE a variety of instruments to effect monetary policy through regulations which are periodically issued by the board of directors of the CBE. These instruments relate to:

1. Interest and discount rate structures.
2. Reserve requirements
3. Liquidity ratios
4. Credit expansion control
5. Other regulations such as:
   (a) Mandatory foreign currency deposits with the CBE.
   (b) Banks' participation in different projects
   (c) Regulating local currency deposits with non-commercial banks.

The following is a review of some of the more important aspects of regulations issued by the CBE as instruments of control.

1. Interest and Discount Rates Structure

The CBE set its regulations for the Egyptian pound interest structure (debtors and creditors), at its board of directors' meeting of December 28, 1975. Since then, numerous revisions have been made. Exhibit A1 reviews the various changes up to the present structure effective August, 1981. The Exhibit reviews the breakdown of interest rate structures for various types of time deposits in terms of maturity starting from the 7 - 15 day category through the 5-year category. The Exhibit also deals with savings deposits and loan discount rates, as well as lending rates in terms of the minimum and maximum rates banks may charge. The Exhibit attempts to trace the historical trend in the interest rate structure in terms of dates, magnitude and circular numbers.

It is worthwhile mentioning that on April 15, 1980 (circular 249) the CBE board of directors decided to exempt Egyptian pound denominated loans from the ceilings on loans offered to individuals in accordance with the above Exhibit, if such loans are secured by foreign currency deposits. In such a case, the Egyptian pound loan should not bear an interest rate lower than that offered on the deposit securing the loan. In effect, a two percentage point differential is maintained between the lending and deposit rates.

A review of Exhibit A1 reveals the substantial changes which occured between the end of 1975 and the present regulatory interest rate structure. The credit interest rates have more than doubled for most categories and in some cases almost tripled. Take as an example the 1 - 3 month deposit rates on December 29, 1975. These were 2.5% per annum. At present and since August 3, 1981, the rate is 7.5%. With respect to saving deposits, we find that these have increased from a level of 4% at the end of 1975 to 8.5% at present time. Such increases in rates coupled with the exemption of the interest earned on such deposits from taxes on moveable objects (which amounted to approximately 40% and is presently at a rate of over 30%) is indicative of the degree to which the CBE is attempting to encourage savings as part of an overall effort on the part of the government of Egypt to mobilize resources.

On the debit side, the Exhibit also reflects an increase in the debit interest rate charged in terms of the minimum and maximum ranges which were allowed at the end of 1975 (between 7 - 8% which have at present moved to a range of 13 - 15%). The change not only reflects a virtual doubling of the rates but also a widening (doubling of the range itself) which should enable the banks to have greater flexibility in discriminating for or against various types of activities or industries. However, this range in terms of percentage has remained almost constant and has effectively deteriorated between 1980 and the present time. This Exhibit also reveals that during a period of 4 years (end of 1975 until the beginning of 1981), there have been 7 adjustments of the discount rate and the range of interest rates charged on loans by the banking sector. In 1980, 3 changes occured (each amounting to one percentage point), lifting the interest rates from a range of 10 - 12% to reach the current level of 13 - 15% which was initiated on January 1st, 1981. During the same period, the CBE's discount rate was raised from 10% in March 27, 1980 to the current 12% which became effective on January 1st, 1981.

As an exception to the foregoing rate structure, the Central Bank has set a rate of 10% for the refinancing of exports and discounting of export documents. The regulations also allow the National Investment Bank, specialized public sector banks and the Housing and Reconstruction Bank to lend at rates lower than the 13% minimum specified above, up to a maximum of 2.5% reduction. In addition, the regulations have given the specialized public sector banks a ½% increase in the rates offered on 3 years or longer deposits. For the financing of the cotton crop for export companies guaranteed by export contracts there is a minimum rate of 11% and a maximum rate of 13%. With regard to the imports of the General Organization of Supply Commodities, the Central Bank allowed the banking sector to finance documentary credits for the importation of subsidized goods at a rate of 1.5% per annum for a maximum maturity of 2 months, thereafter, the minimum rates in the main debit interest rate structure apply.

The regulations have also set the minimum interest rate charged by the real estate banks to finance new economic and middle class housing at 10.5% per annum. Government and public sector employees are charged rates of 5% per annum (deducted in advance) for loans not exceeding 2 months salary.

2. Reserves Requirements

The Central Bank of Egypt also attempts to regulate the rate of monetary expansion through the periodic adjustment of the reserve requirements. The first attempt to use reserve requirements as a means of monetary control was during the Central Bank of Egypt's meeting of September 11, 1957 where it set a very simple ratio for the daily average reserve within any given month. This ratio consisted of balances at the Central Bank of Egypt in the numerator with the amount due to banks, local currency deposits, checks; transfers and revolving letters of credit due for payment comprising the denominator. Since that date, numerous additions and/or alterations have taken place, especially concerning the yearly seasonal financing of the cotton crop. On February 6, 1966, the minimum daily average for reserve requirements was set at 20%. This was raised to 25% through the issuance of circular No. 239 on September 11, 1978. Circular 239 exempted cotton seasonal financing from this minimum daily average. It is important to note that circular No. 234 which was issued on December 21, 1977 did change the composition of the numerator and denominotor of the reserve ratio including cash (in pounds) balances at the Central Bank (both in pounds and foreign currency). The denominator was composed of deposits in local currency only. On March 29, 1979, circular No. 246 excluded all deposits of two years or more from the denominator of the aforementioned ratio.

Finally, On November 10, 1981, circular No. 264 was issued changing the daily average reserve requirements ratio to the following:

The numerator component included:

1. Cash, including Central Bank of Egypt's paper money, as well as the Ministry of Finance's paper money and coins.

2. Accounts in the Central Bank, both in local currency and foreign currency evaluated at the ongoing exchange rates. All borrowings guaranteed by all or partial amounts of the foreign currency with the Central Bank are deducted from this balance.

The sum of items 1 and 2 above is first calculated. The balance of the Central Bank of Egypt's finance account is then substracted from this sum to yield the numerator of the reserve ratio.

The denominator of the ratio is composed of the total deposits in local currency. Deposits are as shown in the monthly report, excluding item C (foreign currency deposits). It also excludes deposits for 2 years or more whether in saving certificates or time deposits. Finally, the exclusion also applies to local currency deposits which fall under the juridiction of ministerial decreee

No. 242 for 1981 concerning margins on letters of credit.

The ratio of the numerator and the deonominator, when multiplied by 100, gives the reserve requirement which is based on working the averages.

With respect to the financing of the cotton crop, Exhibit A1 shows the breakdown by season (month and year), of the reserve requirements which are adjusted to accommodate financing the cotton crop. This Exhibit starts with the 1975/1976 season and ends with the 1980/81 season.

3. Liquidity Ratio

The third instrument of control used by the Central Bank is the set of regulations related to the liquidity ratio required to be maintained by the banks. The first such set of regulations was issued on February 17, 1958, with a minor addition which took place at the June 24, 1958 meeting. No other changes or alterations took place until February 12, 1981. In what follows, we present the basic liquidity ratio issued on February 17, 1958, with the additions which went into effect on June 24, 1981.

Liquidity Ratio as of February 17, 1958

Numerator:

1. Cash.

2. Balances of the Central Bank of Egypt

3. Gold

4. Checks, transfers, coupons, paper money, foreign currency for collection.

5. Treasury, bills.

6. Commercial transactions due for payment in Egypt or abroad within 3 months and having at least two authorized signatures.

7. Egyptian government transactions and those guaranteed by it. Prices at the market or book value, whichever is lower, on condition that it does not exceed the nominal value.

8. Due from Banks.

NOTE: In case of borrowing from the Central Bank or any other bank or organization using the guarantee of some/or all of these assets, then, the amounts borrowed should be deducted from the items detailed above in the numerator.

Denominator:

1. Checks, transfers, revolving letters of credit due for payment.

2. Due to Banks

3. Deposits in local currency

4. Unpaid portions of export letters of guarantee.

NOTE: In case one of the banks issues a final letter of guarantee based on the request of another bank, the unpaid portion (cash) of this letter of guarantee is listed within the denominator of the liquidity ratio of each bank, to account for their respective obligations.

Liquidity Ratio as of June 24, 1958

- Due from banks and due to banks in numerator and denominator should be set through the clearing room transactions.

- Liquidity ratio should be set a minimum of 30%.

Board of Directors Meeting Dated February 12, 1981.

Liquidity Ratio as of February 12 1981:

Numerator:

As detailed earlier with the addition of:

1. Amounts deposited at the Central Bank in the account of the Ministry of Finance.

2. Amounts held especially for the finance of the public treasury.

Denominator:

As detailed earlier with the addition of:

1. Foreign currency deposits.

4. Credit Expansion Control

Recently, the Central Bank of Egypt, in relation to the understanding reached between the International Monetary Fund (IMF) and the Egyptian Government, started using ceilings on credit expansion in 1975.

The direct intervention of the Central Bank rather than the use of the more traditional means of credit outlined above may be indicative of the non-responsiveness of the system to such traditional restraints. It may also be indicative of the lack of proper information system enabling decision makers to use monetary tools more decisively and effectively, thereby, resorting to more direct and less traditional means of credit expansion controls.

The first phase started on August 19, 1975, when the previous credit ceilings were replaced by a new guideline linking uses (discounted commercial paper , loans and non-seasonal advances) to deposits, (excluding from these the counterpart of US assistance The new guideline set the uses at a level of 65% of the above mentioned deposit base for each bank individually.

The second phase (January 19, 1977 - June 1978). During this period two decisions by the Board of Directors of the Central Bank were made; (March 1977 and December 1977). This phase is characterized by the use of the growth in demand at each commercial bank as the base for the credit expansion of the bank. This was set as a level of 40% of the growth in the deposit base from the levels of December 31, 1976. In addition, credits were determined based on actual (draw down) for all non-governmental sectors without any exception other than the financing of the cotton crop.

The third phase (July 1978 - December 1979). Four decisions were issued during this phase (July 1978 - October 1978 and July 1979 - December 1979). This phase is characterized by determining credit expansion as a percentage of previous actual credit(balances of March 31, 1978 and other dates for banks which started their activities beyond March 19, 1978). This phase is also characterized by a differentiation between credit expansion allowable to public sector commercial banks versus the non public sector , in addition to the differentiation between the credit expansion allowed for the public sector versus the private sector. Furthermore, it is characterized by curtailing credit expansion to specialized banks. In this regard, the credit expansion allowed for banks which began their activities before March 31, 1978 was as follows:

Sector	Public	Private	
Banks granting credits		Public Sector Banks	Joint & Private Banks
Until Sept. 30, 1978	5.0%	20%	36%
Until Dec. 31, 1978	7.5%	31%	44%
Until March 31, 1979	10.0%	44%	56%
Until June 30, 1979	12.5%	56%	75%
Until Sept. 30, 1979	15.0%	65%	80%
Until Dec. 31, 1979	17.5%	78%	100%

For those banks which started their activities after March 31, 1978, the percentage of credit expansion was determined as follows:

Bank's Starting Date	March-December 1978	After December 1978
Ratio of expansion until:		
Dec. 31, 1978	50% of Deposits	
Sept. 30, 1979	75% of Debit Balances	50% of Deposits
Dec. 31, 1979	95% at the end of 1978	50% of Deposits

The fourth phase (January 1980 - October 1981), during this phase two decisions were made (December 1979 and April 1980), still using the balances of uses given as of December 31, 1979, as a base for the percentage credit expansion allowable. This phase is characterized by restraining certain banks from any credit expansion until they regain "the desired equilibrium" between their uses and their deposits. This phase is also characterized by the enforcement of a sub-limit for the private sector commercial activities as of April 1980. The following are the percentage credit expansions at the end of 1979.

	Public Sector Companies	Private & Cooperative Sector	
	Total Limit	Main Limit	Division for Commercial Activities
1. From Public Sector Commercial Banks	6%	18%	6%
Until June 30, 1980	6%	18%	6%
Until Sept. 30, 1980	9%	27%	9%
Unitl Dec. 31, 1980	12%	36%	11%
2. From Banks: Chase National, Misr International, Egyptian American, Cairo Far-East:			
Until June 30, 1980		18%	6%
Until Sept.30, 1980		27%	9%
Until Dec. 31, 1980		36%	11%
3. From Banks: Cairo & Paris, El Nil, Misr Rumania:			
Until June 30, 1980		25%	7.5%
Until Sept. 30, 1980		37.5%	11%
Until Dec. 31, 1980		50%	15%

The fifth phase, (from October 1981 until the present time). It started with the Baord of Directors decision of 1981 and is characterized by changing the base of credit expansion back to become a percentage of the deposits of both the public and the private sector. In addition, there are some special limits for credit expansion to the commercial private sector and the family sector; the limits are a percentage of the credit balances of each sector as of September 1981. On this basis, credit expansion for the financial year 1981/82 was set at a level of 65% of the total deposits for the public and private sectors at any time during the 1981/1982 years. In addition, the private commercial sector was further restrained by not allowing its credit to expand beyond a 9% annual rate (with its September 1981 credit balances as the base) provided that this percentage is spread over a 3% limit per quarter. As for the family sector, it was allowed to expand to a level of 7.5% of its credit balances in September 30, 1981, provided the quarterly expansion does not exceed 2.5%

5. Other Regulations

There have been other regulations issued from time to time to deal with specific issues. In this regard, we present three such regulations as examples:

a) Mandatory Foreign Currency Deposits with the Central Bank of Egypt:

On July 1st, 1980, the Board of Directors of the Central Bank decided that:

i. All registered banks should deposit with the Central Bank a sum equal to 15% of total foreign currency deposits. Those 15% will earn an interest rate set by the Central Bank which will inform the concerned banks of such rates and expiration dates.

ii. The deposits will be in US dollars in accordance with the bank's financial position as of June 30, 1980, and is adjustable every 3 months.

iii. The decision excluded the following from the deposit base on which the 15% is calculated:

- Prepaid margins transferred to correspondents

- Unused portions of foreign currency loans.

- Deposits in foreign currency with the Central Bank.

On September 3, 1980, the following were also excluded from the 15% calculation:

- Balance of loans to projects or individuals residing in Egypt.

- The paid up portions of capital participations in projects in Egypt.

- Participation in new governmental foreign currency issues, or those granted by the government.

It was decided that the 15% deposits with the Central Bank would earn the participating bank a rate equal to the London Interbank Offering Rate (LIBOR), which would be transmitted to the participating banks within 48 hours from the time the deposits with the Central Bank are made.

On August 10, 1981, the Central Bank issued a regulation stating that banks which have not been adhering to the 15% regulation must commence to do so based on their foreign currency financial position as of June 30, 1981, which should be adjusted every 3 months. It was determined that such deposits with the Central Bank would earn rates offered on 3 month LIBOR.

b) Banks Participation in Projects and Ownership of Shares

The Central Bank informed all registered banks that their semi annual reports should include detailed descriptions of all projects in which the registered banks are participating. It further prohibited commercial banks to own more than 25% of the paid-up capital of any associated company. The nominal value of such shares should not exceed the company's paid-up capital and reserves. Exception to the above may be granted by ministerial decree.

c) Regulating Local Currency Deposits with Non-Commercial Banks

In July 1978, the Central Bank decided that non-commercial banks can accept demand and time deposits in local currency on condition that these deposits would not exceed the paid-up capital and reserves of the bank on a no-interest earning basis. During the same Board of Directors meeting, the Central Bank decided that non-commercial banks could accept any form of time deposits so long as it is for more than 2 years' maturity.

REMARKS ON THE DEVELOPMENT OF RULES CONTROLLING CREDIT EXPANSION.

Changes in the Basis for Controling Credit Expansion

Prior to May 1977, credit control was achieved by limiting loans, facilities and discounted bills to 65% of the total deposit base. As of May 1977, the Central Bank of Egypt set the limits on credit expansion at 40% of the increase of non governmental deposits on balances existing on December 31, 1976. This ratio of credit expansion control was applied until June 1978. Starting July 1978, credit balances as of March 31, 1978, were used as the basis for determining the rate of credit expansion. This system was applied until October 1981, which used credit balances as of December 31, 1979 as the base. During this period, there were two exceptions to this ratio system concerning newly operating banks. In such cases, the amount of credit allowed to each bank was set at 50% of its deposit base. After 9 months of operations, the new bank would follow the credit balance rules as of a forthcoming date. On October 1981, the Central Bank reverted to linking the volume of credits and that of the deposits to control credit expansion. Credit was restricted to 65% of deposits from both the private and public sectors (Interbank deposits and USAID counterpart funds were excluded). Furthermore, when deposits were used as a base to control credit expansion, AID counterpart funds were excluded. The last regulation issued in October 1981 excluded interbank deposits as well.

When credit balances were used as a base, they prevented any bank from using the total surplus in its deposits if the ratio of deposit growth surpassed the ratio fixed for credit expansion. In such a case, the bank would have had to: either violate the rules or resort to linking the "surplus deposits" to a placement program abroad to avoid the loss which would have resulted from not using this surplus to cover paid interest on such deposits.

The Central Bank halted the credit expansion of banks where the ratio of their uses to their deposits did not provide the needed equilibrium; and such curtailment of credit expansion remained in effect until equilibrium between their uses and deposits was reinstated.

The Central Bank decided on penalties for banks exceeding the ratios set in its latest regulation. The contravenent bank should deposit with the Central Bank at no interest, a sum in local currency equal to the amount exceeding its allowances until the violation is eliminated.

The decisions setting the ratios of expansion at the end of every fiscal year were often followed by decisions dividing the total ratio into four yearly quarters, which would further decrease the bank's flexibility in settling their accounts during the year.

To have credit balances at a previous date as a base for growth or credit expansion has had a direct effect on the banks' readiness to grant medium and long term loans as they directly commit the bank to allocate certain amounts at the client's disposal during the drawdown period, which often reaches one year or more. This affects the ability of the bank to settle accounts in accordance with the Central Bank's regulations.

In view of the importance of the Central Bank's policy of direct intervention enunciated in mid 1975, it may be useful to follow the development of rules regulating the control of credit expansion.

Changes in the Bases for Controling Credit Expansion

The linking of credit expansion to deposits solely, ignores other sources of funds such as networth and interbank borrowings. Ignoring other sources of funds discriminates against banks which are highly capitalized since networth is not included in the base.

The regulation also neglects to take into account interbank borrowings even on a net basis. Perhaps the addition of interbank borrowings on a net basis would provide the required target. It should be borne in mind that the ratio for the system as a whole would be lower than the target ratio if a single bank failed to reach the 65% utilization target.

It should be noted that there has been a clear tendency to encourage the private sector in general, by affording to it a higher ratio of credit expansion than its public sector counterpart. The following are examples of the allowed ratios of credit expansion to both the public and private sectors at selected dates:

Sector	Public	Private		Base
Bank		Public Sector Banks	Joint & Private Banks	
Until Sept. 30, 1978	5%	20%	36%	Credit Balance in March 31, 1978
Until Dec. 31, 1979	17.5%	78%	100%	

However, this trend was revised in early 1980 when the Central Bank attempted to reduce the credit expansion made available to the commercial private sector by introducing sub-limits to credit expansion for the commercial activities of the private sector. These sub-limits were equal to 30-33% of the limit allowed for the other private sector activities as of June 30, 1980. As of December 31, 1980, these sub-limits were reduced to 30-31% of the overall private sector credit expansion limit. After the return of the credit expansion limit to a deposit-related base, the Central Bank maintained the same instructions for the sub-limits for the commercial activities of the private sector.

The Central Bank of Egypt's laws and regulations are to a great extent archaic and in need of modernization. The traditional instruments of monetary control have not been very effective and have witnessed little significant changes over the last two to three decades. The Central Bank's resort to direct intervention by enforcing credit expansion ceilings highlight the non-responsiveness of the banking system to the more traditional instruments of monetary control. It may also be indicative of the lack of proper data gathering and storage capabilities and the absence of a management information system which would enable decision makers to use monetary tools more effectively and decisively.

On the other hand, the Central Bank's regulations have had a positive impact on the mobilization of resources through successive and systematic increases in interest rates paid on various types of deposits. The current interest rates paid on deposits are double their 1976 levels for most maturity classifications . In addition, the Ministry of Finance's decision to have these deposits' revenues exempted from taxes have further enhanced the ability of the banking sector to attract deposits. Finally, the liberalization introduced in law 97 for 1976 allowing Egyptian nationals and institutions to own and keep foreign exchange, has greatly assisted in mobilizing foreign exchange resources, especially through workers' remittances which amounted to almost 3 billion US dollars in fiscal year 1980/81.

The regulatory framework needs to be further strengthened by modernizing the Central Bank of Egypt. Presently, this institution, suffers from a tremendous brain drain which benefited many of the new private banks and joint ventures. In addition, the Central Bank of Egypt's modus operandi needs to be changed to cope with other institutions which are currently operating in Egypt, which until seven years ago amounted to four public sector banks and 3 specialized banks. The huge increase in the number of banks operating in Egypt has not been balanced at the Central Bank with a commensurate increase in its own ability to cope with this new situation.

It is recommended that a special program be directed toward the upgrading of the capabilities of the Central Bank of Egypt in order to enable this important institution to further foster confidence and reliability in the banking sector as a whole.

CENTRAL BANK OF EGYPT

Interest Rates' Structure

(1977 - 1981)

Exhibit A1

Circular No.	226		228		236	241	245	248	250	260	262
Date	Dec. 29, 1975		Feb. 28,1977		June 15, 78	Dec.28,78	Mar.29,79	Mar.27,80	May 26,80	Jan.1, 81	Aug. 3, 81
Demand Deposits	--		--		--	--	--	--	--	--	--
Time & Savings Deposits											
	Indivi duals	Institu tions	Indivi duals	Institu tions							
	%	%	%	%	%	%	%	%	%	%	%
7-15 days (min.LE. 100,000)							4.0	4.5	4.5	5.0	5.0
15-30 days *	2.0	2.0	3.0	2.5	4.0	5.0	5.0	5.5	5.5	6.0	6.0
1-3 months	3.0	2.5	4.0	3.0	4.5	5.5	5.5	6.0	6.5	7.5	7.5
3-6 months	4.0	3.0	5.0	4.0	5.5	6.0	6.0	7.0	7.5	8.5	8.5
6-12 months	4.0	3.5	5.5	4.5	6.0	6.5	6.5	7.5	8.0	9.0	9.5
1-2 years	5.0	4.0	6.0	5.0	6.5	7.0	7.0	8.0	9.0	9.5	10.0
2-3 years					7.0	7.5	7.5	8.5	9.5	10.5	10.5
3-5 years						8.0	8.0	9.0	10.0	11.0	11.0
5 years						8.5	8.5	9.5	10.5	11.5	11.5
Savings Deposits	4.0		5.0		5.0	6.0	6.0	7.0	8.0	8.5	8.5
Lending Rates Minimum-Maximum	7-8		8-9		9-11	10-12	10-12	11-13	12-14	13-15	13-15
CBE Discount Rate	6.0		7.0		8.0	9.0	9.0	10.0	11.0	12.0	12.0

* Interest rates for 15-30 days deposits had a minimum amount required as follows:

Till March 29, 1979	Minimum of L.E. 10,000
From March 30, 1979 till December 31, 1980	Minimum of L.E. 50,000
From January 7, 1981 till present	Minimum of L.E. 100,000