



# THE ARAB REPUBLIC OF EGYPT

**U.S.\$1,360,000,000 4.622% Notes due 2017**

and

**U.S.\$1,320,000,000 6.750% Notes due 2024**

and

**U.S.\$1,320,000,000 7.000% Notes due 2028**

The U.S.\$1,360,000,000 4.622% Notes due 2017 (the “**Series A Notes**”) (Issue Price: 100.0%), the U.S.\$1,320,000,000 6.750% Notes due 2024 (the “**Series B Notes**”) (Issue Price: 100.0%) and the U.S.\$1,320,000,000 7.000% Notes due 2028 (the “**Series C Notes**”) (Issue Price: 100.0%) (collectively, the “**Notes**”) are being issued by The Arab Republic of Egypt (the “**Issuer**”, the “**Republic**” or “**Egypt**”). The Issuer will pay interest on the Notes semi-annually in arrear on 10 May and 10 November in each year, commencing on 10 May 2017. In the case of the Series A Notes, there will be a short last interest period from, and including, 10 November 2017 to, but excluding, 10 December 2017. The Series A Notes mature on 10 December 2017, the Series B Notes mature on 10 November 2024 and the Series C Notes mature on 10 November 2028. Payments on the Notes will be made without deduction for or on account of taxes imposed by the Republic or any political subdivision thereof or any authority therein or thereof having power to tax, to the extent described under “*Terms and Conditions of the Notes—Taxation*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resales of Notes, see “*Placing of the Notes and Selling Restrictions*”. The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”).

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**INVESTING IN THE NOTES INVOLVES RISKS. SEE “RISK FACTORS” FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES.**

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The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish law and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes, which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”) or which are to be offered to the public in any member state of the EU (“**Member State**”). The Prospectus constitutes a prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the “**Official List**”) and trading on its Main Securities Market (the “**Market**”). The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Egypt’s long-term foreign currency debt is currently assigned a rating of “B-” with a negative outlook by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), a rating of B3 with a stable outlook by Moody’s Investors Service Limited (“**Moody’s**”) and a rating of “B” with a stable outlook by Fitch Rating Ltd (“**Fitch**”). Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) № 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”). The Notes themselves will not be rated by any credit rating organisation upon their issue, although the Issuer has applied for the Notes to be rated following their issue.

The Notes will be offered and sold in registered form in denominations of U.S.\$200,000 or any amount in excess thereof, which is an integral multiple of U.S.\$1,000. Each of the Series A Notes, Series B Notes and Series C Notes will be represented by either beneficial interests in a global note (each, a “**European Global Note**”) in registered form without interest coupons attached, which will be registered in the name of a nominee for and will be deposited on or about 10 November 2016 (the “**Issue Date**”) with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) or will be represented by beneficial interests in one or more global notes (each a “**DTC Global Note**”) in registered form without interest coupons attached, which will be deposited on or about the Issue Date with Citibank N.A., London Branch, as custodian (the “**Custodian**”) for, and registered in the name of Cede & Co., as nominee for, The Depository Trust Company (“**DTC**”). Beneficial interests in the European Global Notes and DTC Global Notes (collectively, the “**Global Notes**”) will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg, DTC and their respective participants. Except in the limited circumstances as described herein, definitive note certificates will not be issued in exchange for beneficial interests in the Global Notes.

**LEAD SETTLEMENT MANAGER**

**HSBC**

**CO-SETTLEMENT MANAGERS**

**BANQUE MISR**

**NATIONAL BANK OF EGYPT**

The date of this Prospectus is 9 November 2016

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having made all reasonable enquiries and having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import and completeness of such information.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, HSBC Bank plc (the “**Lead Settlement Manager**”), Banque Misr S.A.E. or National Bank of Egypt S.A.E. (the “**Co-Settlement Managers**” and, together with the Lead Settlement Manager, the “**Settlement Managers**”) to subscribe or purchase any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Placing of the Notes and Selling Restrictions*”.

No person is authorised in connection with the offering of the Notes to give any information or to make any representation regarding the Republic or the Notes not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Republic or the Settlement Managers. A potential investor should carefully evaluate the information provided herein in light of the total mix of information available to it, recognising that neither the Republic nor any other person can provide any assurance as to the reliability of any information not contained in this document. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Republic since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial, political and/or economic position of the Republic since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Settlement Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Settlement Managers or on their behalf in connection with the Republic or the issue and offering of the Notes. The Settlement Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this Prospectus or any such statement. The Fiscal Agent, the Registrar, the Paying Agents and the Transfer Agents referred to herein make no representation regarding this Prospectus or the Notes.

## PRESENTATION OF INFORMATION

Annual information presented in this Prospectus is based upon 1 July to 30 June periods (which is the fiscal year of the Republic), unless otherwise indicated. Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them. It should be noted that certain historic data set out herein may be subject to minor amendment as a result of more accurate and updated information becoming available.

Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies of the Republic, including, *inter alia*, the Central Agency for Public Mobilisation and Statistics (“**CAPMAS**”), as well as the Central Bank of Egypt (the “**CBE**”). Certain statistical information has also been derived from information publicly made available by the International Monetary Fund (the “**IMF**”). Certain historical statistical information contained herein is based on estimates that the Republic or its agencies believe to be based on reasonable assumptions.

See “*Risk Factors—Risks Relating to the Republic—The statistics published by the Republic may differ from those produced by other sources*”.

The Republic’s official financial and economic statistics are subject to review as part of a regular confirmation process. Accordingly, financial and economic information presented herein may differ from previously published figures and may be subsequently adjusted or revised. Certain of the information and data contained in this Prospectus for all or part of the fiscal years 2014/15, 2015/16 and 2016/17 is preliminary and subject to further adjustment or revision. While the government of the Republic (the “**Government**”) does not expect revisions to be material, no assurance can be given that material changes will not be made. Final figures will be published on the relevant Government website, when available. Unless specified otherwise, budget data for the fiscal years 2015/16 and 2016/17 is included as approved in Presidential Decree № 32 of 2015 and by the House of Representatives in June 2016, respectively. Results for interim periods are not necessarily indicative of full year results. The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Information contained herein that is identified as being derived from a publication of the Republic or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of the Republic. All other information contained herein with respect to the Republic is included as an official public statement made on the authority of the Minister of Finance of the Republic.

Websites referred to in this Prospectus and the websites of the Government and the CBE and any information contained therein do not form part of, and are expressly not incorporated by reference into, this Prospectus.

### Data Dissemination

The Republic is a subscriber to the IMF’s Special Data Dissemination Standard (the “**SDDS**”), which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released, the so-called “Advance Release Calendar”. For the Republic, precise dates or “no-later-than dates” for the release of data under the SDDS are disseminated no later than three months in advance through the Advance Release Calendar, which is published on the Internet under the IMF’s Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF’s Dissemination Standard Bulletin Board.

### Certain Conventions

The following terms have the following meanings for the purposes of this Prospectus:

- Gross domestic product, or “**GDP**”, is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current

prices. “**Real GDP**” measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. In this Prospectus, Real GDP figures for Egypt are based on constant 2006/07 prices for each year from 2009/10 to 2011/12 and constant July-December 2011/12 prices for all subsequent years and periods.

- The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The Republic measures the inflation rate by the percentage change between two periods in the consumer price index (the “**CPI**”), unless otherwise specified. The CPI is based on a basket of goods and services that reflects the pattern of consumption of Egyptian households. The Republic calculates the CPI on the basis of a weighted basket derived from the 2008/09 income and expenditure survey conducted by CAPMAS.

## **Currencies and Exchange Rates**

All references in this Prospectus to:

- “**Egyptian Pounds**” and “**LE**” are to the Egyptian Pound, the legal currency of the Republic;
- “**U.S. Dollars**” and “**U.S.\$**” are to United States Dollars, the legal currency of the United States of America; and
- “**Euros**” and “**€**” are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the EU, as amended.

For ease of presentation, the Issuer presents certain financial information as translated into U.S. Dollars. Unless otherwise indicated, such translations have been performed using the weighted average exchange rate for the year to which the translated amount relates. The CBE calculated this weighted average exchange rate for amounts prior to 1 January 2005 based on the official exchange rate and, since the introduction of the Egyptian interbank market for foreign currency in December 2004, based on spot transactions in the interbank market. These translations, including translations of Egyptian Pounds into U.S. Dollars, have been performed solely for convenience purposes and should not be construed as a representation that the amounts in question have been, could have been or could be, converted into any particular denomination at any particular rate or at all.

On 7 November 2016, the market exchange rate (buy rate), as published by the CBE, was U.S.\$1.00 = LE 16.4111. See “*Monetary System—Foreign Exchange Rates*”.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “shall”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Issuer’s beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Government believes that beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Prospectus identifies important factors that could cause such differences, including, but not limited to:

- adverse external factors, such as changes in international oil and other commodity prices, high international interest rates and recession, continuing or increased regional instability, international terrorism, low economic growth in the Issuer’s trading partners, reduced international trade (including shipping through the Suez Canal), changes in policies of international institutions, credit downgrades or changes in foreign aid policies. Changes in international commodity prices and high international interest rates could increase the Issuer’s current account deficit and budgetary expenditures. Recession, international terrorism or low economic growth in the Issuer’s trading partners could decrease exports, tourism receipts, induce a contraction of the Issuer’s economy and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the Issuer’s fiscal accounts. Changes in the policies of international institutions, such as the IMF or the World Bank, or countries’ foreign aid policies could affect the Issuer’s future access to funding;
- adverse domestic factors, such as: (i) continuing or increased political and socio-economic unrest; (ii) declines in foreign direct investment (“**FDI**”), taxation receipts or GDP growth; (iii) increases in domestic inflation, unemployment, Government expenditures (including subsidies) or the current account deficit; (iv) high domestic interest rates and exchange rate volatility; and (v) increases in domestic terrorism; all of which could lead to lower economic growth or a decrease in the Issuer’s international reserves; and
- other adverse factors that may affect the Middle East and North Africa (“**MENA**”) region.

## ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in England and Wales, the United States or any other country against the Republic, including actions under the civil liability provisions of the U.S. securities laws or any state or territory of the United States. In addition, it may be difficult for Noteholders to enforce, in original actions brought in courts in jurisdictions located outside the United States or the United Kingdom, liabilities predicated upon English laws or upon U.S. laws.

The Republic has irrevocably appointed its Ambassador to the Court of St. James, and each of his successors, as its authorised agent in the United Kingdom on whom process may be served in any action arising out of, or based on, the Notes. The Republic will irrevocably submit to, and accept the non-exclusive jurisdiction of, the courts of England and Wales, with respect to any suit, action or proceeding arising out of or based on the Notes and will irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection which the Republic may have based on improper venue or forum *non conveniens* to the conduct of any such suit, action or proceeding in any such court.

Enforcement of foreign court judgments in the Republic is subject to the following conditions:

- the foreign courts rendering the relevant judgment must offer reciprocal treatment to judgments obtained in the courts of the Republic; if such reciprocal treatment is not offered by the foreign court where the judgment is obtained, the Republic's courts will re-examine the merits of the case;
- the courts of the Republic are not exclusively competent to hear the dispute that is the subject of the foreign judgment, and the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;
- the parties to the dispute were duly notified and properly represented in the proceedings;
- the foreign judgment is final, non-appealable and conclusive in accordance with relevant law; and
- the foreign judgment does not conflict with a prior Egyptian judgment or a court order on the same subject matter and is not contrary to public order in the Republic.

There is no treaty between the Republic and the United Kingdom as to the enforcement of foreign court judgments which would satisfy the first criterion above. See *“Risk Factors—Risks relating to the Notes— Investors may experience difficulty in enforcing foreign judgments in the Republic.”*

To the extent that the Republic may in any jurisdiction claim or acquire for itself or its assets immunity (sovereign or otherwise) from suit, execution, attachment or other legal process (whether through service or notice or otherwise), the Republic irrevocably agrees for the benefit of holders of Notes not to claim, and irrevocably waives such immunity, to the fullest extent permitted by the laws of such jurisdiction.

The Republic's waiver of sovereign immunity shall constitute a limited and specific waiver for the purposes of the Fiscal Agency Agreement, the Deed of Covenant (each as defined herein) and the Notes, and, under no circumstances shall such waiver be interpreted as a general waiver by the Republic or a waiver of immunity in respect of: (i) property used by a diplomatic or consular mission of the Republic; (ii) property of a military character and under the control of a military authority or defence agency of the Republic; or (iii) property located in the Republic and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use) by the Republic.

Without limiting the generality of (i), (ii) or (iii) in the preceding sentence, the holders of Notes shall have no recourse to the assets of the CBE held for its own account.

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## **RISK FACTORS**

*An investment in the Notes involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Republic and the Notes. Additional risks and uncertainties not presently known or currently believed to be immaterial could also impair the ability to make payments on the Notes. If any of the following risks actually materialise, the financial condition and prospects of the Republic could be materially adversely affected. If that were to happen, the trading price of the Notes could decline and The Republic may be unable to make payments due on the Notes, and investors may lose all or part of their investment.*

### **Risks relating to Investments in Emerging Markets**

***Investing in securities involving emerging markets generally involves a higher degree of risk than more developed markets***

Investors in emerging markets, such as Egypt, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. These risks have been exacerbated by the 2011 Revolution (as defined below) and subsequent events in Egypt. Investors should also note that emerging economies, such as the Egyptian economy, are subject to rapid change and that the information set out herein may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

In addition, market participants in countries in emerging markets, including Egypt, may be particularly susceptible to disruptions in the capital markets and the resulting reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty and limit their ability to service their indebtedness, including the Notes.

### **Risks relating to the Republic**

***Significant political unrest since January 2011 has had and could continue to have a material adverse effect on the Republic generally and on its economic growth.***

Commencing on 25 January 2011 and precipitated by the uprising in Tunisia, which led to the “Arab Spring” and the departure of Tunisia’s long-standing president in December 2010, demonstrations and protests occurred in Cairo, Alexandria and a number of other Egyptian cities, with protestors demanding the overthrow of President Mubarak. Following several weeks of unrest, President Mubarak dissolved the Government and resigned, ending 30 years in power (the “**2011 Revolution**”). Power was then assumed by the Supreme Council of the Armed Forces (the “**SCAF**”), which suspended the constitution and announced it would govern Egypt until elections were held. Demonstrations and protests, which often escalated into violence, continued throughout 2011 in response to the perceived slow pace of political change. Egypt experienced continued political uncertainty and instability over the course of 2012. Presidential elections were held in June 2012 and were won by the Freedom and Justice Party candidate, Mr. Morsi, who took office on 30 June 2012.

Following further demonstrations and protests in 2013, which culminated in a revolution on 30 June 2013 calling for President Morsi’s resignation, the Egyptian military removed President Morsi from office. Following protests and demonstrations by supporters of former President Morsi in August 2013, the interim Government declared a state of emergency and a curfew was imposed (which was lifted in November 2013). In September 2013, following a number of terrorist attacks on army personnel, the military launched a campaign against militants in northern Sinai, and a court banned the Muslim Brotherhood from carrying out any activities in Egypt. In December 2013, the interim Government declared the Muslim Brotherhood a terrorist organisation following a bomb blast in Mansoura. In April 2015, Muslim Brotherhood leader, Mr. Badie, and 13 other senior members of the organisation were sentenced to death, and a number of other members of the organisation were sentenced to life imprisonment, in connection with the violence following the removal of President Morsi. In May 2015, Mr. Morsi and 105 others were sentenced to death for their role in planning jailbreaks and attacks on police during the 2011 Revolution. Mr. Morsi’s death sentence was confirmed by the Grand Mufti in June 2015. In May 2015, following a retrial, Mr. Mubarak was convicted of corruption charges relating to his time in office. There can be no assurance that there will not be protests, attacks or other violent or political reactions to such convictions and sentencings, which could have a material adverse effect on the political climate and economic activity of the Republic.



In January 2014, the current constitution (the “**Constitution**”), which was prepared by a panel of judges and legal scholars and approved by an assembly of political, religious, union and other representatives and public figures, was adopted by referendum. The Constitution came into force on 18 January 2014. In March 2014, the then-defence minister, Field Marshal Al-Sisi, announced his intention to run for president and resigned from the military. Mr. Al-Sisi ran against Mr. Sabahi, the leader of the Egyptian Popular Current, in the elections and won with approximately 96.9% of the valid votes cast. President Al-Sisi was sworn in on 8 June 2014.

Parliamentary elections were held between October and December 2015. In January 2016, the House of Representatives held its first session, the first parliamentary session in more than three years.

The Government is likely to continue to face social, economic and political challenges and the risk of instability that often accompanies political transition. These challenges, together with incidents of social and political unrest and violence in Egypt and in the wider region, have had and may continue to have a significant adverse effect on the Egyptian economy. There can be no assurance that further incidents of political or social instability, terrorism, protests or violence will not directly or indirectly negatively affect Egypt and its economy.

***Egypt has experienced several terrorist attacks, which have contributed to a decline in tourism, a key sector of the economy, among other adverse consequences***

In recent years, Islamic militants, including the so-called “Islamic State”, have operated in a number of countries in the region. In common with other countries in the region, Egypt has experienced a number of terrorist attacks. Since the removal of President Morsi, terrorist attacks in North Sinai on Egyptian military bases, in particular, have increased, resulting in the deaths of soldiers and police. In July 2015, the so-called “Islamic State” launched a wave of further attacks in North Sinai, which have continued in 2016. As a result of such attacks and the related security situation prevailing in North Sinai, Egyptian Natural Gas Holding Company (“**EGAS**”) is facing difficulties transporting gas through the Sinai Peninsula to Jordan. Smaller scale attacks have also occurred in Cairo and other cities.

In October 2015, the so-called “Islamic State” claimed responsibility for the destruction of a Russian airliner in Sinai, which was flying from Sharm el Sheikh airport. All crew and 224 passengers were killed. Sporadic terrorist attacks resulting in fatalities have continued in 2015 and 2016, including attacks in the tourist resorts of Giza and Hurghada in January 2016. These events have affected the Egyptian economy, in particular, the tourism sector. While combatting terrorism continues to be a priority of the Government, there can be no assurance that extremists or terrorist groups will not continue violent activities in Egypt. Terrorist attacks in Egypt have adversely affected, and may continue to adversely affect, the Egyptian economy.

***Egypt is located in a region that has been subject to on-going political and security concerns and the “Arab Spring” has brought significant political instability to the region***

Egypt is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political instability in the Middle East has increased since the terrorist attacks of 11 September 2001, the U.S.-led intervention in Iraq, the ongoing conflict in Syria, the threat of the so-called “Islamic State”, the ongoing conflict in Yemen and instability and conflict in Libya. Some Middle Eastern and North African countries have experienced in the recent past or are currently experiencing political, social and economic instability, extremism, terrorism, armed conflicts and war. Within Egypt, state and civilian institutions have been the targets of terrorist attacks in recent years.

A number of Arab countries have experienced significant political and military upheaval, conflict and revolutions as part of the “Arab Spring”, which has led to the departure of long-time rulers in Tunisia, Egypt, Yemen and Libya. Among the short-term effects of the Arab Spring has been a destabilisation of the region and increased political and social instability. This instability is likely to continue for some years. In addition, a number of Arab countries, including Iraq, Libya, Syria and Yemen, have continued to experience significant civil unrest and internal conflict. In particular, the ongoing conflict in Syria has been the subject of significant international attention and intervention, including by the Russian military, and its impact and resolution are difficult to predict. Any further escalation of this conflict, additional international military intervention in Syria or a more aggressive stance by parties to the conflict could be a further destabilising factor for the region. The instability caused by the ongoing conflict has been exacerbated by terrorist attacks by the so-called “Islamic State” in the region and internationally, which has, in turn, increased the security challenges faced by Egypt, as well as other countries in the region and beyond.

In March 2015, a coalition of Arab countries led by Saudi Arabia and including other Gulf Co-operation Council (“**GCC**”) members, Egypt, Jordan, Morocco, Sudan and others, supported by the United States and other western governments, announced its intention to intervene in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen’s capital, Sana’a. The coalition has conducted a number of air strikes on Houthi positions in Sana’a and elsewhere, and the Saudi military has deployed troops and armour on the

Saudi-Yemeni border. In March 2015, Saudi and Egyptian military ships were also deployed to the Bab al-Mandab strait. In April 2015, Saudi Arabia announced that the coalition's intervention in Yemen would shift focus from military operations to the political process; military operations, however, continue on a reduced scale. Although the Egyptian military is not currently involved in any military operations in Yemen, there can be no assurance that it will not become involved in military operations in the future.

The continuation of such events or the occurrence of new, similar events in the region could further strain political stability in the region and the Government's finances. These events have had, and are likely to continue to have, a material adverse impact on the Egyptian economy, including, but not limited to, a reduction in tourism (which historically has been an important source of foreign currency). Any of the foregoing could also lead to a reduction in, and increased difficulty in, attracting FDI to Egypt, as well as the diversion of Government resources towards increased military and security spending.

International investors' reactions to events occurring in one emerging market or "Arab Spring" country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect occurs, Egypt could be adversely affected by negative economic, security or financial developments in other emerging market countries. Egypt has been adversely affected by "contagion" effects in the past, including recent events in Sudan, Yemen and Libya, violence involving the so-called "Islamic State", other recent events of volatility in the MENA region, as well as global events, such as the Eurozone crisis and the global financial crisis. No assurance can be given that it will not be affected by similar events in the future.

***The Egyptian economy has faced significant challenges since the 2011 Revolution, which has put increasing pressure on its public finances and has led to a rising balance of payments deficit***

The 2011 Revolution and subsequent events have had material negative macro-economic consequences for the Egyptian economy. These events have contributed to declines in economic growth, as well as decreases in FDI and tourism revenues. The real GDP growth rate slowed in recent years following the economic shock that occurred concurrently with the effects of the Arab Spring and the 2011 Revolution. Although real GDP growth has increased in recent periods, growth rates still remain below 2009/10 levels. Net FDI inflows have followed a similar trend.

Tourism revenue decreased by 48.9% in 2015/16 to U.S.\$3.8 billion, as compared to U.S.\$7.4 billion in 2014/15, which, in turn, contributed to the widening of the Republic's current account deficit. The tourism industry has been significantly impacted by the terrorist attacks in Egypt in 2015 and 2016.

The current account deficit has increased over the past five years from U.S.\$10.1 billion in 2011/12 to U.S.\$18.7 billion in 2015/16. In 2015/16, the current account deficit widened by 54.5%, as compared to 2014/15. The increase in the current account deficit in 2015/16 was primarily due to decreases in net unrequited transfers (principally grants from GCC countries) and the reduction in tourism activity discussed above. In addition, there has been a decrease in the level of remittances from Egyptian workers abroad in reaction to on-going instability in the exchange rate for the Egyptian Pound and as a result of the decline in international oil prices, which have negatively affected the incomes of Egyptian workers abroad, which has, in turn, led to a decrease in remittances from such workers. Continued increases in the current account deficit could have a material adverse effect on the Egyptian economy, the Government's finances and its ability to service its foreign currency debt.

As a result of efforts to compensate for the effects of the contraction in foreign investments in treasury bills and securities on the Egyptian Exchange (the "EGX") and the declines in tourism revenues and net FDI, net international reserves with the CBE decreased by U.S.\$2.5 billion, or 12.6% in 2015/16, to U.S.\$17.5 billion as at 30 June 2016, equivalent to 3.7 months of merchandise imports, as compared to U.S.\$20.1 billion as at 30 June 2015, equivalent to 3.9 months of merchandise imports. Net international reserves with the CBE were U.S.\$19.6 billion as at 30 September 2016.

Such factors have also contributed, in part, to Egypt's increasing budget deficit. See "*Egypt's budget deficit has increased in recent years*".

There can be no assurance that Egypt will be able to adequately address these and other economic issues. Any failure to do so will negatively affect investor confidence in Egypt and the willingness of investors to invest money, and engage in transactions in, Egypt and will affect the Government's finances and, accordingly, the Republic's capacity to service its debt (including the Notes). See "*Public Debt*".

### ***Egypt's budget deficit has increased in recent years***

Egypt's budget deficit has increased from 9.8% of GDP in 2010/11 to 12.2% of GDP in 2015/16 (according to preliminary estimates). This increase is primarily due to the impact of the 2011 Revolution, decreases in FDI and tourism revenues, the regional and global economy and other economic factors, which have negatively affected the Egyptian economy. The 2016/17 budget projects a budget deficit 9.8% of GDP. If the budget deficit is not reduced, it could have a material adverse effect on the Egyptian economy, the Government's structural reform efforts, the Government's finances and its ability to service its debt. On 3 November 2016, the CBE announced that it had reached agreement with the Ministry of Finance to gradually phase out the monetary financing of the budget, which may make it more difficult for the Ministry of Finance to finance Egypt's budget deficits and may cause it to rely on public borrowing to a greater extent than it has historically.

The Republic's budget deficits have led to increased levels of Government borrowing, which has, in turn, increased the public debt. See “*High levels of debt could have a material adverse effect on Egypt's economy and its ability to service its debt, including the Notes*”. If the Republic is unable to control or reduce its budget deficit and the resulting effect on the public debt, it could raise the Republic's cost of funding of its debt, negatively affect the Egyptian economy, strain the general resources of the Government and the Government's finances, hinder the Government's structural reform efforts and materially impair the Republic's capacity to service its debt (including the Notes).

### ***High levels of debt could have a material adverse effect on Egypt's economy and its ability to service its debt, including the Notes***

Over the past five fiscal years, public debt, as a percentage of GDP, has been increasing. As at 30 June 2016, general Government debt represented 93.8% of GDP (according to preliminary estimates), as compared to 89.0% of GDP as at 30 June 2015, 86.3% of GDP as at 30 June 2014, 84.8% of GDP as at 30 June 2013 and 74.6% of GDP as at 30 June 2012. Total general Government debt is forecasted to be approximately 92.2% of GDP in the 2016/17 budget. High levels of indebtedness, which may increase as a result of continued borrowing, could negatively impact Egypt's credit rating and could have a material adverse effect on the Egyptian economy, the Government's finances and its ability to service its debt.

### ***Any failure to address structural reforms may result in reduced support from multilateral and bilateral creditors, including the IMF***

As at 30 June 2016, multilateral and bilateral debt accounted for approximately 25% and 26% of Egypt's external debt, respectively. Egypt expects to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by Egypt's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Republic or fund new or existing projects could have a significant adverse effect on the financial position of the Republic.

In August 2016, the IMF announced that it had reached a staff-level agreement with the Government on a three-year extended fund facility (“**EFF**”) in an amount of approximately U.S.\$12 billion, subject to approval by the IMF's Executive Board. The EFF, when signed, will be aimed at supporting the Government's economic reform programme (see “*The Economy—Government Programme, Recent Developments and Reforms*”), improving the functioning of foreign exchange markets, reducing the budget deficit and government debt and increasing growth and creating jobs. The signing of, and disbursements under, the EFF are expected to be subject to the completion of certain structural reforms. Any failure to complete such reforms may result in the EFF not being approved by the Executive Board of the IMF or the withholding of funds under the EFF (once concluded).

In December 2015, the Government and the World Bank Group (including the International Bank for Reconstruction and Development (“**IBRD**”)) approved the Country Partnership Framework 2015-19. This framework, which is based on the Government's medium-term strategy and national priorities for economic development, envisages the disbursement of approximately U.S.\$8 billion to Egypt between 2015-2019. In September 2016, a first disbursement of U.S.\$1.0 billion was made under this framework and a further loan of U.S.\$500 million was approved by the World Bank. Any failure to complete reforms under the Government's reform programme may result in the withholding of future disbursements from IBRD.

The Government has also entered into other funding arrangements with bilateral and multilateral creditors. Disbursements of certain amounts under these arrangements are contingent on the completion of certain reforms and the satisfaction of other conditions precedent. See “*Public Debt—Debt Restructuring—International Aid*”.

If Egypt is unable to satisfy the conditions for disbursement in order to allow it to receive funding under the EFF (once concluded) or other arrangements with multilateral or bilateral creditors or is otherwise unable to borrow at an

acceptable cost, it could have a material adverse effect on the Egyptian economy, the Government's structural reform efforts, the Government's finances and its ability to service its debt.

***The Government's failure to implement economic, fiscal and monetary reforms may have a negative effect on the performance of the Egyptian economy, including preventing the Government from realising its economic targets, and may result in the withholding of funds under external financing***

The Government's programme, which was approved by the House of Representatives in April 2016 sets out economic targets, including increasing annual GDP growth from 4.2% in 2014/15 to 5.5-6.0% in 2018/19 and reducing the budget deficit to approximately 7% of GDP by 2018/19. The aim of the Government's economic, fiscal and monetary reforms is to increase revenue and job creation, to reallocate public spending to productive and socially inclusive uses and to decrease the Republic's budget deficit. Disagreements among political parties, social discontent and protest against the introduction of such reforms, any reduction in external support (including from GCC countries, other bilateral creditors and multilateral creditors) or additional reforms, if any, required under the EFF with the IMF, the political situation in the region and changes in international energy, food and other commodity prices, in particular those that are subsidised by the Government (including wheat prices) could delay the implementation of this programme. Any failure to implement the programme or meet the targets included therein may hinder the Government from addressing the structural imbalances in Egypt's economy. Any such failure may also hinder the Republic's ability to obtain external financing. Although the Government intends to proceed with its economic, fiscal and monetary reforms, there can be no assurance that these reforms will be fully implemented or that, if implemented, they will achieve the anticipated results or meet anticipated economic targets.

***Significant depreciations of the Egyptian Pound against the U.S. Dollar, the Euro or other major currencies have had and, if they continue to occur, would have, a material adverse effect on Egypt's ability to service its debt denominated in currencies other than the Egyptian Pound, including amounts due under the Notes***

The exchange rate of the Egyptian Pound has been volatile when measured against the U.S. Dollar, the Euro and other major foreign currencies. While the CBE has historically managed the Egyptian Pound/U.S. Dollar exchange rate, the value of the Egyptian Pound has been and continues to be impacted by a number of factors, which are outside of the control of the Government and the CBE. In addition, restrictions in auctions and on the interbank market, as well as only partial clearance of foreign exchange requests from commercial banks, has generated a parallel market for foreign exchange. From time-to-time, there has also been a shortage of U.S. Dollars in the Egyptian market to service foreign currency transactions, as a result of which, the ability to repatriate foreign currency has been limited or curtailed, which has resulted and may, in the future, continue to result in reduced FDI and, therefore, reduced economic growth in Egypt. Recent currency depreciations have increased, and any future currency depreciations would continue to increase, external debt servicing costs. Although restrictions on the remittance of foreign currency outside of Egypt were liberalised in November 2016, certain limitations on remittances remain in place. See "*Monetary System—Foreign Exchange Rates*".

In March 2016, the Egyptian Pound was devalued against the U.S. Dollar by 13%, representing the then-largest devaluation of the Egyptian Pound in more than ten years. On 3 November 2016, the CBE announced the move to a liberalised exchange rate regime and other measures in order to quell distortions in the domestic foreign currency market and reduce foreign exchange shortages. Pursuant to the new exchange rate regime, banks and other market participants are at liberty to quote and trade at any exchange rate, and bid and ask exchange rates are expected to be determined by supply and demand. As a result, the Egyptian Pound depreciated against the U.S. Dollar to LE 14.6350 per U.S.\$1.00 (buy rate) on 3 November 2016, as compared to LE 8.7700 per U.S.\$1.00 (buy rate) on 2 November 2016. See "*Monetary System—Foreign Exchange Rates*". As the liberalised exchange rate regime has only recently been implemented, the currency may depreciate further.

The depreciation of the Egyptian Pound against the U.S. Dollar, the Euro or other major foreign currencies could have an effect on Egypt's ability to repay its debt denominated in currencies other than the Egyptian Pound, including amounts due under the Notes denominated in U.S. Dollars. Furthermore, there may be mismatches between U.S. Dollar denominated loans and individual borrowers' access to U.S. Dollar denominated revenues, as well as between U.S. Dollar denominated loans and deposits within individual banks, which could enhance the impact of devaluations or depreciations. In addition, a significant depreciation of the Egyptian Pound against the U.S. Dollar, the Euro or other foreign currencies may result in reduced Government and other revenues and outflows of capital from Egypt, each of which could have a material adverse effect on Egypt's economy and may not achieve the results, which the CBE intended. As at 30 June 2016, 71.8% of Egypt's total external debt was denominated in U.S. Dollars and 12.4% in Euros (as compared to 69.6% and 13.3%, respectively, as at 30 June 2015 and 61.8% and 17.7%, respectively, as at 30 June 2014). The recent depreciation could lead to greater inflation, which, in turn, could have an adverse effect on the Egyptian economy. Significant interventions in the exchange rate (or a lack thereof), however, may affect Egypt's

foreign currency reserves and may, in turn, have a material adverse effect on the Egyptian economy, the Government's finances and its ability to service its external debt.

***The Egyptian economy is subject to the risk of inflation***

Annual inflation, as measured by the CPI, has been relatively high in recent years and was 10.1% in 2011, 7.1% in 2012, 9.5% in 2013, 10.1% in 2014 and 10.4% in 2015. The Egyptian economy is subject to further risk of high or increasing inflation due to the effects of the recently implemented VAT law, the devaluation of the Egyptian Pound since the 2011 Revolution, as well as any further potential devaluation resulting from future pressure on the Egyptian Pound, rising food prices as a result of subsidy reform, volatility in global wheat harvests and other factors), rising energy prices (as a result of subsidy reform, including recent increases in petroleum prices, and future increases in international energy prices) and an expected recovery in GDP growth rates as economic, fiscal and monetary reforms are implemented. In past years, most recently in 2013, price increases, particularly in respect of food, have led to social unrest. Although price stability is at the centre of the CBE's monetary policy, there can be no guarantee that the CBE will be able to achieve or maintain price stability and thus control inflation. A failure to control inflation could have a material adverse effect on the investment climate in Egypt and negatively affect the Egyptian economy.

***The Republic's foreign currency credit rating is sub-investment grade and was repeatedly downgraded following the 2011 Revolution***

The rating of Egypt's long-term foreign currency debt was downgraded in recent years due to, among other things, the political and economic challenges faced by Egypt following, and as a result of, the political protests and uprisings. Certain ratings agencies have upgraded Egypt's credit ratings in light of post-2011 Revolution policies adopted by the Government.

Egypt's long-term foreign currency debt is currently assigned a rating of "B-" with a negative outlook by S&P, a rating of B3 with a stable outlook by Moody's and a rating of "B" with a stable outlook by Fitch. These ratings are sub-investment grade, and past rating downgrades have negatively affected, and may continue to negatively affect, investor confidence in Egypt. There can be no assurance that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Republic has no obligation to, and will not, inform the holders of Notes of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Republic may adversely affect the market price of the Notes.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Notes could raise the cost of financing required by the Republic so as to put further pressure on budget deficits and adversely affect the price that a purchaser will be willing to pay for the Notes, cause trading in the Notes to be volatile and adversely affect the trading price of the Notes.

***The statistics published by the Republic may differ from those produced by other sources***

A range of Ministries, public statistic agencies (including CAPMAS) and the CBE produce statistics relating the Republic and its economy, including those in relation to GDP, balance of payments, revenues and expenditure of the Government and the indebtedness of the Republic. The statistical data appearing in this Prospectus has been obtained from public sources and documents. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source-to-source.

Additionally, the statistics produced by the Republic may have certain weaknesses that could impede an analysis of the Egyptian economy. The Republic subscribed to the SDDS of the International IMF in January 2005, but data improvements in certain areas are still required. For example, in 2015, the IMF reported that while Egypt met all SDDS requirements for coverage, advance release calendar and integrity for all data categories, it did not meet requirements for periodicity, timeliness and punctuality in certain data categories, which included general government operations, central government operations and central government debt. In addition, the Government does not currently compile and publish breakdowns of Government-guaranteed debt and is in the process of establishing a database to provide more comprehensive coverage of government and Government-guaranteed debt data, which is expected to be completed during 2017. Accordingly, any estimate which includes the guaranteed debt of state-owned enterprises that are not Economic Authorities or Service Authorities will be approximate until that database is established.

As a result of the foregoing, financial and economic information may differ from previously published figures and may subsequently be adjusted or revised. No assurance can be given that material changes will not be made. Consequently, the statistical data contained in this Prospectus should be treated with caution by prospective investors.

***Failure to adequately address actual and perceived risks of corruption may adversely affect Egypt's economy and its ability to attract FDI***

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Egypt. Egypt was ranked 88 out of 168 countries in Transparency International's 2015 Corruption Perceptions Index. Egypt's score in the 2015 index was 36 (with 1 the most corrupt score and 100 being the least corrupt).

Egypt's business climate and competitive indicators are also negatively affected by bureaucracy, cumbersome regulations, an unpredictable judicial system and poor enforcement of contracts and protections for minority investors. In the World Bank's *Doing Business Survey*, Egypt ranked 131 out of 189 countries for ease of doing business, while Egypt ranked 118 out of 140 countries in the World Economic Forum 2015-16 *Global Competitiveness Index*.

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Egypt, as well as failure to implement the proposed reforms to improve Egypt's business climate, including proposed changes to investment, bankruptcy and corporate laws and regulations, could have a material adverse effect upon Egypt's ability to attract FDI and lead to further instances of political instability, which could, in turn, have a material adverse effect on the Egyptian economy.

***The level of foreign grants to Egypt has reduced in recent years***

Since the 2011 Revolution, the Government's budget has benefited from foreign grants. Grants amounted to LE 95.9 billion, or 21.0% of total revenues and grants, in 2013/14 and LE 25.4 billion, or 5.5% of total revenues and grants, in 2014/15, before decreasing further to LE 4.2 billion, or 0.9% of total revenue and grants in 2015/16. The largest foreign grants have typically come from GCC countries. Since 2014/15, the level of foreign grants has reduced, primarily due to falling international oil prices, which have, in turn, negatively affected the economies of donor countries in the GCC. The 2016/17 budget forecasts grants to account for LE 2.2 billion, or 0.3% of total revenues and grants. There can be no assurance that the Republic will be able to attract increased foreign grants in the future or that it will be able to raise sufficient funds to fill the gaps left by previous foreign grants, which could, in turn, lead to increased budget deficits, further straining Government financials and forcing the Government to rely on more costly funding sources.

***Egypt faces socio-economic challenges, including high youth unemployment***

Egypt faces certain socio-economic challenges, including high levels of youth unemployment. These challenges require continuing attention by the Government. The percentages of the labour force aged 15 to 19 and 20 to 24 who were out of labour as at 31 December 2014 (the most recently available information from CAPMAS) were 82.3% and 45.7%, respectively. In addition, the impact of the recent terrorist attacks in Egypt and the subsequent decline in tourism receipts are also expected to lead to an increase in unemployment in 2016, as the difficulties in the tourism sector result in lay-offs and less seasonal job opportunities. In addition, subsidy reform may have an adverse impact on the financial circumstances of certain sectors of the Egyptian population, which may, in turn, lead to instances of social unrest.

***Deterioration of economic conditions in the EU, including as a result of financial crises, could adversely affect the Egyptian economy***

The EU is Egypt's largest trading partner, and trade with the EU accounted for 32.3% of exports and 30.9% of imports in 2015/16, as compared to 33.8% of exports and 29.0% of imports in 2014/15. FDI inflows from the EU were U.S.\$7.9 billion in 2015/16, representing approximately 63.2% of total FDI inflows, as compared to U.S.\$6.5 billion in 2014/15, representing approximately 52.0%. As a result, the Egyptian economy is impacted by events in the EU, including events affecting the Euro and the Eurozone.

A decline in economic growth in Eurozone countries, any inability of such countries to issue securities in the sovereign debt market or to service existing debt or a protracted period of slow or negative economic growth in the Eurozone would reduce demand for Egyptian imports and may lead to reduced levels of FDI and tourism revenues received from the Eurozone. Economic weakness in the EU and other European and Mediterranean countries could lead to declines in Suez Canal traffic as import demand weakens in such countries, which could reduce the revenues the Government receives from such traffic. In addition, the impact of the United Kingdom's decision to leave the EU on the EU and Egypt cannot yet be determined but may be negative. These events could have a material adverse impact on Egypt's balance of trade and have a material adverse effect on the Egyptian economy.

### ***A significant portion of the Egyptian economy is not recorded***

A significant portion of the Egyptian economy is comprised of an informal, or shadow, economy. The informal economy is not recorded and is only partially taxed. This results in a reduction of potential tax and other revenue for the Government in respect of this sector, ineffective regulation, unreliability of statistical information (including a possible understatement of GDP and the contribution to GDP of various sectors) and an inability to otherwise monitor this portion of the economy. Although the Government is attempting to address the informal economy, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector, which could, in turn, have a material adverse effect on the Egyptian economy.

### ***Egypt has in the past and continues to trade with certain sanctioned countries or entities***

In the past, and on an ongoing basis, Egypt has had trade relations and has engaged in trading activities with certain countries or entities subject to sanctions administered by the Office of Foreign Assets Control (“**OFAC**”) of the U.S. Department of the Treasury, the EU and other member states of the EU and the U.N. Security Council (collectively, “**Sanctions**”). Egypt also maintains diplomatic relations with, and has embassies in, certain countries subject to sanctions, including Sudan. Egypt believes that these trade relations and diplomatic activities have not violated, and do not violate, any Sanctions. If such trade transactions were engaged in by U.S. persons (as such term is defined in 31 C.F.R. §538.315) and/or transacted in U.S. Dollars, such transactions could potentially fall under sanctions administered by OFAC. The application of Sanctions, in particular in circumstances in respect of sovereigns (such as, the Republic), is to a degree situational and discretionary, and likely to be related to foreign policy considerations. Egypt has maintained a strong and longstanding partnership with the United States and the EU. The existence of Sanctions, however, leaves open the possibility of interpretations or actions that could adversely affect Egypt’s trade flows or other activities with such sanctioned countries or entities and/or Egypt’s ability to attract third-party financing.

### ***Investment treaty arbitrations and cases challenging the privatisation of formerly public sector companies may have an impact on the financial condition of the Republic if material adverse awards or judgments are issued against Egypt or further cases are brought seeking to invalidate privatisation transactions***

During the 1990s, a number of public sector companies were privatised by the Republic as part of an effort to deal with macroeconomic imbalances. At that time, the wave of privatisation alleviated fiscal pressures and helped to stimulate the country’s economy. Since 2010, eight cases have been filed before the State Council challenging the validity of the privatisation of companies that are alleged to have been undervalued and not disposable in accordance with Egyptian law. In certain of these cases, the Republic has been named as a defendant. In the majority of these cases, the Supreme Administrative Court has upheld the decisions of the State Council invalidating the privatisations. The State Council has cited allegations of corruption and violation of laws and Governmental decrees in connection with certain cases. The State Council considers a number of matters when judging a privatisation dispute, including the fairness of the financial evaluation of the company, the preservation of employees, the continuation of existing activities and the disposal of land. In addition, arbitration initiated by investors challenging the renationalisation of certain companies are also being disputed in international arbitrations pursuant to the rules of the International Center for Settlement of Investment Disputes (“**ICSID**”). These cases, and the consequent uncertainty surrounding privatisations or acquisitions of State-owned enterprises, may deter foreign investment which could have a negative impact on the Republic’s overall balance of payments deficit and adversely affect its economy if more lawsuits are filed and successful.

In April 2014, the then-interim President Adly Mansour issued Law № 32 of 2014 (“**Law 32**”) by Presidential decree, which regulates the process of challenging the contracts to which the State or any Government authorities are a party (“**State Contracts**”). Law 32 limits contractual parties’ rights to file any lawsuit contesting the validity of any State Contracts and provides that courts should *ex officio* hold all lawsuits pending before the courts or any future lawsuits yet to be filed, inadmissible without prejudice to the *res judicata* effects of the final verdicts. A claim before the Supreme Constitutional Court has, however, been made challenging the constitutionality of Law 32, and, accordingly, there is a risk that Law 32 may be revoked and that, in turn, such lawsuits will continue or further lawsuits may arise. In addition, the amended investment law, introduced in March 2015, sets out a legal framework and standard procedures for the resolution of investor disputes. Such framework and procedures are, however, untested and there can be no assurance that they will be effective in the successful management of investor disputes.

Furthermore, there are a number of ongoing investment treaty arbitrations and international litigation proceedings against Egypt, certain of which, if adversely determined, could have a significant effect on Egypt’s financial position. See “*The Arab Republic of Egypt—Legal Proceedings—Certain International Investment Treaty Claims*”.

***Ethiopia is constructing a dam, which could reduce Nile River flows***

In April 2011, the Ethiopian government began construction of the Grand Ethiopian Renaissance Dam on the Blue Nile River, a tributary of the Nile River. The Government has stated its opposition to the construction of this dam. Construction is expected to be completed in 2017. When completed, Nile River flows reaching Egypt may be reduced over several years as the reservoir behind the dam fills. In future years, Nile River flows may also be reduced, as may the energy-generation capacity of the Aswan High Dam due to increased water volumes being retained in Ethiopia, rather than behind the Aswan High Dam. The impacts of such reduced flows cannot presently be assessed but may adversely affect agriculture and industry in the Republic and lead to social unrest and other economic and political challenges, which may have a significant adverse effect on the Egyptian economy.

***The Egyptian legal system may create an uncertain environment for investment or business activity and may take longer to resolve economic disputes than is the case in non-emerging market jurisdictions***

Egypt's legal and regulatory systems and institutions are in various stages of development and are not yet as sophisticated as similar institutions characteristic of more developed markets. As a result, procedural safeguards, as well as formal regulations and laws, may not be applied consistently. In certain circumstances, it may not be possible to obtain the legal remedies provided under the relevant law and regulations in a timely manner. As the legal environment remains subject to ongoing development, investors in Egypt may face uncertainty as to the security of their investments. Any unexpected changes in Egypt's legal system may have a material adverse effect on the rights of Noteholders.

**Risks relating to the Notes**

***The cash proceeds of the issue of the Notes payable to the Issuer will be significantly less than the aggregate principal amount of the Notes and the CBE is expected to enter into a number of repurchase transactions with an undertaking to repurchase the Notes before they mature***

The cash proceeds of the issue of the Notes payable to the Issuer will be significantly less than the aggregate principal amount of the Notes, as a result of the arrangements described elsewhere in this Prospectus. In addition, it is expected that the CBE will enter into a series of repurchase transactions with a limited number of international financial institutions with an undertaking by the CBE to repurchase the Notes after one year, as such date may be accelerated or extended pursuant to the terms of the respective repurchase agreements to be entered into by the CBE. See "Use of Proceeds" for further information.

***Payments on the Notes are subject to exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. Dollars would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***The Notes are subject to interest rate risks***

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

***Investors may experience difficulty in enforcing foreign judgments in the Republic***

Payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.



The Conditions, the Notes, the Fiscal Agency Agreement and the Deed of Covenant are governed by English law. The Republic will irrevocably submit to, and accept the non-exclusive jurisdiction of, the courts of England and Wales, with respect to any suit, action or proceeding arising out of or based on the Notes and will irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection which the Republic may have based on improper venue or forum *non conveniens* to the conduct of any such suit, action or proceeding in any such court. Enforcement of foreign court judgments in the Republic is subject to the following conditions:

- the foreign courts rendering the relevant judgment must offer reciprocal treatment to judgments obtained in the courts of the Republic; if such reciprocal treatment is not offered by the foreign court where the judgment is obtained, the Republic's courts will re-examine the merits of the case;
- the courts of the Republic are not exclusively competent to hear the dispute that is the subject of the foreign judgment, and the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;
- the parties to the dispute were duly notified and properly represented in the proceedings;
- the foreign judgment is final, non-appealable and conclusive in accordance with relevant law; and
- the foreign judgment does not conflict with a prior Egyptian judgment or a court order on the same subject matter and is not contrary to public order in the Republic.

There is no treaty between the Republic and the United Kingdom as to the enforcement of foreign court judgments which would satisfy the first criterion above.

In addition, the Republic is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in England and Wales or any other country against the Republic, as described in "*Enforcement of Civil Liabilities*". The Republic's waiver of sovereign immunity constitutes a limited and specific waiver for the purposes of the Fiscal Agency Agreement, the Deed of Covenant and the Notes. Investors should not under any circumstances interpret the Republic's waiver as a general waiver by the Republic or a waiver of immunity in respect of legal actions arising out of property that is: (a) used by a diplomatic or consular mission of the Republic; (b) of a military character and under the control of a military authority or defense agency of the Republic; or (c) located in the Republic and dedicated to a public or governmental use (as distinct to property dedicated to a commercial use) by the Republic. Without limiting the generality of (a), (b) or (c) in the preceding sentence, the holders of Notes shall have no recourse to the assets of the CBE held for its own account.

***An investment in the Notes may not be suitable for all investors***

Generally, investment in emerging markets such as Egypt is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal, tax and financial advisers before making an investment. Each potential investor in the Notes must determine the suitability of that investment with regard to its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or, any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact which the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, and/or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***The liquidity of the Notes may be limited and trading prices may fluctuate***

There will not be an established trading market for the Notes upon issue and one may never develop. In addition, the Notes are expected to be subscribed for in their entirety by the CBE in a private placement arranged by the Lead Settlement Manager (see “*Use of Proceeds*” for further details). In the event that a market does develop, it may not be very liquid. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market therein does develop at any time, that it will continue. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that are sold more widely or that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of the Notes.

If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of The Arab Republic of Egypt.

***Definitive Notes not denominated in an integral multiple of U.S.\$200,000 or its equivalent may be illiquid and difficult to trade***

The Notes have denominations consisting of a minimum of U.S.\$200,000 plus integral multiples of U.S.\$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of U.S.\$200,000. Any holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time may not receive a certificate in definitive form (a “**Note Certificate**”) in respect of such holding (should Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to U.S.\$200,000.

If Note Certificates are issued, holders should be aware that Note Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of U.S.\$200,000.

***The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa***

The Notes will at all times rank at least *pari passu* with all other unsecured and unsubordinated obligations of the Republic. The Republic will have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsubordinated and unsecured obligations and, in particular, will have no obligation to pay other unsubordinated and unsecured obligations at the same time or as a condition of paying sums due on the Notes and *vice versa*. Accordingly, the Republic may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured and unsubordinated creditors as payments fall due.

***The Notes contain a “collective action” clause under which the terms of the Notes may be amended, modified or waived without the consent of all the holders of the Notes***

The Conditions (as defined below) contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

In the future, the Republic may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that the Notes would be capable of aggregation with any such future debt securities. This means that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the Notes.

Any modification or actions relating to Reserved Matters (as defined in the Conditions), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75% of the aggregate principal amount outstanding of the Notes and to multiple series of debt securities which may be issued by the Issuer

with the consent of both (i) the holders of 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple debt securities with the consent of only 75% of the aggregate principal amount outstanding of all debt securities being aggregated, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk, therefore, that the Conditions may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different debt securities and as such, less than 75% of the Noteholders would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

***The Conditions restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such an Event of Default***

The Notes contain a provision which, if an Event of Default occurs, allows the holders of at least 25%, in aggregate nominal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Republic, whereupon the Notes shall become immediately due and payable, at their nominal amount with accrued interest, without further action or formality.

The Conditions also contain a provision permitting the holders of at least 50%, in aggregate nominal amount of the outstanding Notes to notify the Republic to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Republic shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

***Credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes***

One or more independent credit rating agencies may assign credit ratings to the Republic. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

## TERMS AND CONDITIONS OF THE SERIES A NOTES

*The following is the text of the Conditions (as defined below) of the Series A Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Series A Notes and will (subject to the provisions thereof) apply to each Global Note in respect thereof:*

The issue of the Notes was authorised by Budget Law № 8 of 2016. A fiscal agency agreement dated 10 November 2016 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Notes between The Arab Republic of Egypt (the “**Issuer**” or the “**Republic**”), Citibank N.A., London Branch as fiscal agent and principal paying agent, Citigroup Global Markets Deutschland AG as registrar and the other agents referred to therein. The Notes have the benefit of a deed of covenant (the “**Deed of Covenant**”) dated 10 November 2016 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the “**Fiscal Agent**”, the “**Registrar**” and the “**Transfer Agents**”. “**Agents**” means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the forms of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and any Transfer Agents. The holders of the Notes (the “**Noteholders**”) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. All capitalised terms that are not defined in these terms and conditions (the “**Conditions**”) will have the meanings given to them in the Fiscal Agency Agreement.

### 1. Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.\$200,000 and higher integral multiples of U.S.\$1,000.

The Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a) below, each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” and “**holder**” means the person in whose name a Note is registered in the Register.

*Upon issue, the Notes will be represented by Global Notes which will be registered in the name of nominees for Euroclear, Clearstream, Luxembourg and DTC (as applicable). Ownership interests in the Global Notes will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable) and their respective participants. Payments of interest and principal in respect of the Notes will be effected in accordance with investors’ holdings through participants in Euroclear, Clearstream, Luxembourg and DTC (as applicable).*

### 2. Transfers of Notes

- (a) **Transfer:** A holding of Notes may, subject to Condition 2(d) below, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and

surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for redemption of that Note or during the period of seven days ending on (and including) any Payment Record Date (as defined in Condition 7(a)(ii) below).

### 3. Status

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer. The full faith and credit of the Issuer is pledged for the due and punctual payment of principal of, and interest on, the Notes and for the performance of all other obligations of the Issuer in respect of the Notes and the Deed of Covenant. The Notes shall at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured External Indebtedness of the Issuer from time-to-time outstanding. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to other External Indebtedness and, in particular, the Issuer shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due under the Notes, and *vice versa*.

### 4. Negative Pledge

So long as any Note remains outstanding, the Issuer will not create or permit to subsist any Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future assets or revenues to secure any Public External Indebtedness of the Issuer or any other Person or any Guarantee thereof unless, at the same time or prior thereto, the obligations of the Issuer under the Notes and the Deed of Covenant are secured equally and rateably therewith or have the benefit of such other arrangements as may be approved by an Extraordinary Resolution or a Written Resolution of the Noteholders.

For the avoidance of doubt, any right granted to holders of *sukuk* representing the credit of The Arab Republic of Egypt or any other similar instruments to redeem or enforce such certificates or instruments by requiring the issuer thereof to sell the relevant underlying asset(s) to the Issuer (or any person on its behalf) or by any other mechanism provided for and implemented in accordance with the applicable laws and regulations having an analogous effect (and howsoever documented) shall not of itself comprise a Security Interest or guarantee or indemnity for the purposes of this Condition 4.

In these Conditions:

“**External Indebtedness**” means any indebtedness of any Person for money borrowed or raised, which is payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Republic;

“**Guarantee**” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation): (i) any obligation to purchase such indebtedness; (ii) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness; (iii) any indemnity against the consequences of a default in the payment of such indebtedness; and (iv) any other agreement to be responsible for such indebtedness;

“**Permitted Security Interest**” means:

- (a) any Security Interest upon property incurred for the purpose of financing the acquisition or construction of such property or any renewal or extension of any such Security Interest, which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

- (b) any Security Interest existing on any property at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Security Interest in existence on 9 November 2016; and
- (d) any Security Interest incurred for the purpose of financing all or part of the costs of the acquisition, construction, development or expansion of any project (including costs such as escalation, interest during construction and financing and refinancing costs), provided that the property over which such Security Interest is granted consists solely of the assets and revenues of such project;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Public External Indebtedness**” means any External Indebtedness, which: (i) is in the form of, or represented by, any bond, debenture, note or other similar instrument; and (ii) as of the date of its issue is, or is capable of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market; and

“**Security Interest**” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect.

## 5. Interest

The Notes bear interest on their outstanding principal amount from and including 10 November 2016 at the rate of 4.622% *per annum*, payable semi-annually in arrear in equal instalments of U.S.\$23.11 per Calculation Amount (as defined below) on 10 May and 10 November in each year (each an “**Interest Payment Date**”) commencing on 10 May 2017, except that the final payment of interest, to be made on 10 December 2017, will be in respect of the period from, and including, 10 November 2017 to, but excluding, 10 December 2017 and will amount to U.S.\$3.85 per Calculation Amount. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder; and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 10 November 2016 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Note shall be calculated per U.S.\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## 6. Redemption and Purchase

- (a) **Final Redemption:** Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount on 10 December 2017.
- (b) **Purchase:** The Issuer and any Public Sector Instrumentality (as defined in Condition 12(i)) may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, resold or, at the discretion of the holder thereof, surrendered for cancellation and, upon surrender thereof, all such Notes will be cancelled forthwith. Any Notes so purchased, while held by, or on behalf of, the Issuer or any Public Sector Instrumentality, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of meetings of Noteholders or for the purposes of any Written Resolution (as defined in Condition 12(a)) or for the purposes of Conditions 9, 12 or 13, all as more particularly set out in Condition 12(i).

- (c) **Cancellation:** Any Certificates surrendered for cancellation in accordance with Condition 6(b) above may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7. Payments

(a) **Method of Payment:**

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the “**Payment Record Date**”). Payments of interest on each Note shall be made in U.S. Dollars by transfer to an account in U.S. Dollars maintained by the payee with a bank that processes payments in U.S. Dollars.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

- (b) **Payments subject to Fiscal Laws:** All payments of principal and interest in respect of the Notes are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8; (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; and (iii) any withholding or deduction required pursuant to Egyptian Tax Law №91 of 2005 of the Republic, or any similar laws, regulations and directives passed in the Republic, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.

- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. Dollars, payment instructions (for value on the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

- (d) **Appointment of Agents:** The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent; and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (e) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

- (f) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London, New York and the place in which the specified office of the Registrar is located.

## 8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Republic shall pay such additional amounts as will result in receipt by the Noteholders, after such withholding or deduction, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) **Other connection:** held by or on behalf of a holder, that would not have been payable or due but for the holder being liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic, or any political subdivision or any authority thereof or therein having power to tax, other than the mere acquisition or holding of any Note or the enforcement or receipt of payment under or in respect of any Note; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder of such Note would have been entitled to such additional amounts on surrendering such Note for payment on the last day of such period of 30 days; or
- (c) **FATCA:** where such withholding or deduction is required pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

“**Relevant Date**” in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 15 that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

## 9. Events of Default

If any of the following events shall have occurred and be continuing (each an “**Event of Default**”):

- (a) **Non-payment:** the Issuer fails to pay any amount of principal or interest in respect of the Notes when due and payable and such failure continues for a period of 15 days; or
- (b) **Breach of other obligations:** the Issuer fails to perform any other obligations in respect of the Notes, and that failure continues unremedied for 30 days after written notice to remedy such failure, addressed to the Issuer by any Noteholder, has been delivered to the Issuer and to the specified office of the Fiscal Agent; or
- (c) **Cross-acceleration of the Issuer:** (A) any other Public External Indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of default; (B) any such Public External Indebtedness is not paid at maturity thereof or (C) any Guarantee of such Public External Indebtedness is not honoured when due and called upon, and, in the case of either sub-paragraph (B) or (C) above, such failure continues beyond any applicable grace period; *provided that* the amount of Public External Indebtedness referred to in sub-paragraph (A) and/or (B) above and/or the amount payable under any Guarantee referred to in sub-paragraph (C) above, as applicable, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$20,000,000 (or its equivalent in any other currency or currencies); or
- (d) **IMF Membership:** the Issuer ceases to be a member in good standing, or becomes ineligible to use the resources of, the International Monetary Fund (the “**IMF**”) or of any successor of which the Issuer shall have become a member that performs the function of, or functions similar to, the IMF; or
- (e) **Moratorium:** the Issuer shall have declared a general moratorium on the payment of principal of, or interest on, all or any part of its Public External Indebtedness; or



- (f) **Unlawfulness:** for any reason whatsoever, the obligations under any Notes or the Fiscal Agency Agreement become unlawful or are declared by a court of competent jurisdiction to be no longer binding on, or no longer enforceable against, the Issuer; or
- (g) **Validity:** the Issuer or any of its political sub-divisions on behalf of the Issuer contest the validity of any Notes,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest to the date of payment without further action or formality (any such declaration, a “**Default Declaration**”). Notice of any Default Declaration shall promptly be given to all Noteholders by the Issuer in accordance with Condition 15.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any Default Declaration is or are cured following any such Default Declaration and that such Noteholders wish such Default Declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon such Default Declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

## 10. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8) in respect of them.

Any money paid by the Issuer to the Fiscal Agent for payment due under any Note that remains unclaimed at the end of two years after the due date for payment of such Note will be repaid to the Issuer, and the holder of such Note shall thereafter look only to the Issuer for payment.

## 11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the costs, expenses, taxes and duties incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12. Meetings of Noteholders; Written Resolutions

### (a) Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (i) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (ii) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 12(i)) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification

to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

- (iv) The notice convening any meeting will specify, *inter alia*:
  - (A) the date, time and location of the meeting;
  - (B) the agenda and the text of any Extraordinary Resolution (as defined below) to be proposed for adoption at the meeting;
  - (C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
  - (D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
  - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
  - (F) whether Condition 12(b), Condition 12(c) or Condition 12(d) shall apply and, if relevant, in relation to which other series of debt securities it applies;
  - (G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
  - (H) such information that is required to be provided by the Issuer in accordance with Condition 12(f);
  - (I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g); and
  - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (v) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 12(a)(iv) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
- (vi) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution as set out below.
- (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
- (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (ix) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk representing the credit of the Arab Republic of Egypt or any other similar instrument) issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.
- (x) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 or provisions substantially in these

terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Notes only**

- (i) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (ii) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) by a majority of:
  - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or
  - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.
- (iii) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
  - (A) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or
  - (B) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) **Multiple Series Aggregation – Single limb voting**

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.
- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other

affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

- (v) The “**Uniformly Applicable**” condition will be satisfied if:
  - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (1) the same new instrument or other consideration or (2) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
  - (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vi) It is understood that a proposal under Condition 12(c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (vii) Any modification or action proposed under Condition 12(c)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation – Two limb voting**

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a), as supplemented if necessary, which is passed by a majority of:
  - (A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
  - (B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
  - (A) at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

- (B) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (v) Any modification or action proposed under Condition 12(d)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (vi) to change the definition of “Uniformly Applicable”;
- (vii) to change the definition of “outstanding” or to modify the provisions of Condition 12(i);
- (viii) to change the legal ranking of the Notes;
- (ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 9;
- (x) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 18;
- (xi) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(e);

- (xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or
- (xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
  - (A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
  - (B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

**(f) Information**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b), Condition 12(c) or Condition 12(d), the Issuer shall publish in accordance with Condition 13, and provide the Fiscal Agent with the following information:

- (i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 12(a)(iv)(G).

**(g) Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) and Condition 12(d), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

**(h) Manifest error, etc.**

The Notes, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) **Notes controlled by the Issuer**

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 12 and (c) Condition 9, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any Public Sector Instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding; where:

- (i) **“Public Sector Instrumentality”** means the Central Bank of Egypt and any department, ministry or agency of the government of The Arab Republic of Egypt; and
- (ii) **“control”** means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 13(d) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any Public Sector Instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g).

(k) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

### **13. Aggregation Agent; Aggregation Procedures**

(a) **Appointment**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may

be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

**(c) Written Resolutions**

If a Written Resolution has been proposed under these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

**(d) Certificate**

For the purposes of Condition 13(b) and Condition 13(c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(b), Condition 12(c) or Condition 12(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 12(i) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

**(e) Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

**(f) Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

**(g) Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 9, Condition 12 and this Condition 13:

- (i) through Euroclear Bank SA/NV, Clearstream Banking, *société anonyme*, The Depository Trust Company and/or any other clearing system in which the Notes are held;
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.



#### 14. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes; provided that, either (i) such additional Notes, for purposes of U.S. federal income taxation (regardless of whether any holders of such Notes are subject to the U.S. federal income tax laws), are not treated as issued with original issue discount (or are issued with a *de minimis* amount of original issue discount as defined in U.S. Treasury Regulation 1.1273-1(d)) or (ii) such additional securities are issued in a “qualified reopening” for U.S. federal income tax purposes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

#### 15. Notices

Notices to the holders of Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Notes shall also, for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, be sent to the Companies Announcement Office of the Irish Stock Exchange for publication.

#### 16. Currency Indemnity

U.S. Dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. Dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

#### 17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

#### 18. Governing Law and Jurisdiction

- (a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Covenant and the Notes (including the remaining provisions of this Condition 18) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Issuer agrees for the benefit of the Noteholders that the courts of England and Wales shall have jurisdiction to hear and determine any suit, action or proceedings which may arise out of or in connection with the Notes (“**Proceedings**”) and to settle any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including a dispute or difference as to the breach, existence or validity of the Notes) (“**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- (c) **Appropriate forum:** The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England and Wales being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) **Service of Process:** The Issuer irrevocably appoints the Ambassador of the Republic to the Court of St James’s as its authorised agent for the service of process in England and Wales. Nothing in this Condition 18(d) shall affect the right of any Noteholder to serve process in any other manner permitted by law.

- (e) **Non-exclusivity:** The submission to the jurisdiction of the courts of England and Wales shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.
- (f) **Consent to enforcement etc.:** Subject to Condition 18(g) and for the purposes of the State Immunity Act 1978, the Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (g) **Waiver of Immunity:** To the extent that the Republic may in any jurisdiction claim or acquire for itself or its assets immunity (sovereign or otherwise) from suit, execution, attachment or other legal process (whether through service or notice or otherwise), the Republic irrevocably agrees for the benefit of holders of Notes not to claim, and irrevocably waives such immunity, to the fullest extent permitted by the laws of such jurisdiction (other than immunity from pre-judgment attachments, which is expressly not waived). The Republic's waiver of sovereign immunity shall constitute a limited and specific waiver for the purposes of the Fiscal Agency Agreement, the Deed of Covenant and the Notes and under no circumstances shall such waiver be interpreted as a general waiver by the Republic or a waiver of immunity in respect of: (a) property used by a diplomatic or consular mission of the Republic; (b) property of a military character and under the control of a military authority or defence agency of the Republic; or (c) property located in the Republic and dedicated to a public or governmental use (as distinct from property dedicated to a commercial use) by the Republic. Without limiting the generality of (a), (b) or (c) in the preceding sentence, the holders of Notes shall have no recourse to the assets of the Central Bank of Egypt held for its own account.

## **TERMS AND CONDITIONS OF THE SERIES B NOTES**

The Terms and Conditions of the Series A Notes shall apply, *mutatis mutandis*, to the Series B Notes, save that the Series B Notes shall bear interest at the rate of 6.750% per year (and references to the “rate of interest” shall be construed accordingly), payable semi-annually in arrear in equal instalments of U.S.\$33.75 per Calculation Amount on 10 May and 10 November of each year, commencing 10 May 2017, up to, and including, 10 November 2024, and (unless previously purchased and cancelled), will be redeemed at their principal amount on 10 November 2024.

## **TERMS AND CONDITIONS OF THE SERIES C NOTES**

The Terms and Conditions of the Series A Notes shall apply, *mutatis mutandis*, to the Series C Notes, save that the Series C Notes shall bear interest at the rate of 7.000% per year (and references to the “rate of interest” shall be construed accordingly), payable semi-annually in arrear in equal instalments of U.S.\$35.00 per Calculation Amount on 10 May and 10 November of each year, commencing 10 May 2017, up to, and including 10 November 2028, and (unless previously purchased and cancelled), will be redeemed at their principal amount on 10 November 2028.

## THE GLOBAL NOTES

*The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.*

*The following provisions apply equally to the Global Notes issued in respect of the Series A Notes, the Series B Notes and the Series C Notes.*

### 1. Accountholders

For so long as any of the Notes are represented by one or more Global Notes, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each, an “**Accountholder**”) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with, and subject to, the terms of the Global Notes. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

### 2. Cancellation

Cancellation of any Note following its purchase by the Issuer will be effected by reduction in the aggregate principal amount of the relevant Global Note in the Register.

### 3. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will be made, in the case of payment of principal, against presentation and surrender of such Global Note to, or to the order of, the Fiscal Agent, or such other Agent as shall have been notified to the holders of one or more Global Note for such purpose.

All payments in respect of the Notes represented by a Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a day on which each clearing system for which a Global Note is being held is open for business.

Holders of book-entry interests in the Notes held through DTC will receive, to the extent received by the Fiscal Agent, all distributions of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be entered in the Register by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

### 4. Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for delivery as required by Condition 15. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to the relevant clearing system.

Whilst any Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the relevant clearing system and otherwise in such manner as the Fiscal Agent and the relevant clearing system may approve for this purpose.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

## 5. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective) direct and indirect participants, as more fully described under “*Clearing and Settlement Arrangements*”.

## 6. Exchange

Each European Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar; or (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs, by the holder giving notice to the Registrar.

Each DTC Global Note will be exchangeable, free of charge to the holder, in whole (but not in part), for Note Certificates if: (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to a DTC Global Note or ceases to be a “**clearing agency**” (as defined in the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or is at any time no longer eligible to act as such, and the Issuer is (in the case of DTC ceasing to be a depository) unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Issuer giving notice to the Registrar and the holders; or (ii) any of the circumstances described in Condition 9 (*Events of Default*) occurs, by the holder giving notice to the Registrar, in each case of its intention to exchange interests in a DTC Global Note for Note Certificates.

The Issuer has agreed to notify Noteholders of the occurrence of any of the events specified in the previous two paragraphs as soon as practicable thereafter.

## CLEARING AND SETTLEMENT ARRANGEMENTS

*The Issuer has obtained the information in this section from third party sources including DTC, Euroclear and Clearstream, Luxembourg. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by DTC, Euroclear and Clearstream, Luxembourg, no facts have been omitted which would render the reproduced information inaccurate or misleading, however, the Issuer takes no responsibility for the accuracy of this information. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the European Global Notes and in the DTC Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.*

### DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organisations (“**DTC Participants**”) and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“**Indirect DTC Participants**”).

Because DTC can only act on behalf of DTC Participants, who, in turn, act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The Rules applicable to DTC and its Participants are on file with the U.S. Securities and Exchange Commission.

### Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless DTC notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Note or DTC ceases to be a clearing agency registered under the Exchange Act and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from DTC or becoming aware that DTC is no longer so registered. In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, or interest in respect of the Notes.

### Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organisations, and facilitate the clearance and settlement of securities transactions between their respective participants, through electronic book entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are recognised financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations and include the Settlement Managers. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

## **Book-Entry Ownership**

### ***Euroclear and Clearstream, Luxembourg***

The European Global Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II. B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy. L-1855, Luxembourg.

### ***DTC***

The DTC Global Notes will have a CUSIP number and will be deposited with a custodian (the “**Custodian**”) for and registered in the name of Cede & Co., as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, NY 10041, USA.

### ***Relationship of Participants with Clearing Systems***

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer, to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depository by whom such Global Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or account holders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

### ***Settlement and Transfer of Notes***

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through direct participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will, in turn, be recorded on the direct and indirect participants’ records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for interests evidenced by a Note Certificate.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who, in turn, act on behalf of Indirect DTC Participants, the ability of a person having an interest in a DTC Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.



Investors that hold their interests in the Notes through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in the Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

## **Secondary Market Trading**

Since the purchaser determines the place of delivery, it is important to establish at the time of trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### ***Trading between DTC Participants***

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

### ***Trading between Euroclear and/or Clearstream, Luxembourg participants***

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

### ***Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser***

When Notes are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or the Euroclear operator will instruct its respective depository to receive the Notes against payment. Payment will include interest accrued on such beneficial interest on the Note from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depository to the DTC Participant's account against delivery of Notes. After settlement has been completed, the Notes will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as of the actual settlement date.

Euroclear and Clearstream, Luxembourg participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit. Under this approach, participants may take on credit exposure to the Euroclear operator or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, as the case may be, such participant may elect not to pre-position funds and may allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in a Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interest in the Note was credited to their accounts. However, interest on the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note would accrue from the value date and the investment income on the interest in the Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for transferring interests in the Global Notes to the respective depositories of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants, a cross-market sale transaction will settle no differently than a trade between two DTC Participants.

### ***Trading between Clearstream, Luxembourg or Euroclear Seller and DTC purchaser***

Due to time zones differences in their favour, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in a Note are to be transferred by their respective clearing system, through its respective depository, to a DTC Participant, at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depository to deliver the interest in the Note to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in the Note from and including the last interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued at the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Note from DTC Participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

## USE OF PROCEEDS

The Notes will be issued at par and subscribed for in their entirety by the CBE in a private placement.

It is expected that the CBE will enter into a series of repurchase transactions with a limited number of international financial institutions, including either HSBC Bank plc or an affiliate of HSBC Bank plc, with an undertaking by the CBE to repurchase the Notes after one year, as such date may be accelerated or extended pursuant to the terms of the respective repurchase agreements to be entered into by the CBE (collectively, the “**Repurchase Transactions**”).

Consideration for the Notes to be paid by the CBE will consist of: (x) U.S.\$2,000,000,000, being the net proceeds payable to the CBE under the Repurchase Transactions; and (y) the cancellation of indebtedness due to the CBE by the Issuer in an Egyptian-Pound amount corresponding to U.S.\$2,000,000,000, calculated at the LE/U.S.\$ market exchange rate (buy rate), as published by the CBE, on 8 November 2016. As set out above, the cash proceeds payable to the Issuer in connection with the issue of the Notes will be significantly less than the aggregate principal amount of the Notes.

The Issuer will use the cash proceeds it receives from the CBE from the issue of the Notes for one or more of the purposes permitted under Articles 7 and 8 of Budget Law № 8 of 2016.

Neither the Issuer, HSBC Bank plc (acting in its capacity as Lead Settlement Manager) nor either of the Co-Settlement Managers is a party to the Repurchase Transactions, and this Prospectus does not purport to be a description of the Repurchase Transactions.

## THE ARAB REPUBLIC OF EGYPT

### Area and Population

Egypt occupies 386,662 square miles (1,001,450 square kilometres) of North Africa, bordering the Mediterranean Sea, the Red Sea, Libya, the Gaza Strip, Israel and Sudan. The terrain is mostly vast desert plateau interrupted by the Nile River valley and delta (the “**Delta**”). The Western Desert accounts for approximately two thirds of Egypt’s land area. Approximately 3% of the land is arable and approximately 3.2% of the total land area is under irrigation. Agricultural land is currently being lost due to urbanisation and windblown sands, although some land is being reclaimed through irrigation. There are limited fresh water resources other than the Nile, which is the only perennial fresh water source in Egypt. The climate is hot and dry, with the temperature in Cairo during the mid-winter months ranging from 46°F to 64°F (8°C to 18°C), rising to an average maximum temperature of 97°F (36°C) in July, the warmest month on average. Even in the wettest months, such as December, January and February, an average of only one fifth of an inch (five millimetres) of rainfall is recorded. Egypt’s natural resources include petroleum, natural gas, coal, iron ore, phosphates, manganese, limestone, gypsum, talc, lead and zinc.

Egypt is the most populous country in the Middle East and the third most populous country on the African continent. According to the 2006 Census, Egypt had a population of 72.6 million, which CAPMAS estimates to have grown to 90.1 million as of January 2016, an average annual growth rate of over 2.6% since 2006. CAPMAS estimates that the population is 51.0% male and 49.0% female. According to CAPMAS estimates, the birth rate has increased in recent years, increasing from 25.7 per 1,000 population in 2004 to 31.2 per 1,000 in 2014; over the same period, the death rate has decreased from 6.4 per 1,000 to 6.1 per 1,000.

Major cities in Egypt include Cairo, the capital of Egypt, Alexandria, Aswan, Asyut, Port Said, Suez and Ismailia. According to the most recent census, which was conducted in 2006 (the “**2006 Census**”), the overwhelming majority of Egypt’s population live along the Nile River, the Nile Delta and the Suez Canal, particularly in Cairo and Alexandria with metropolitan populations of 14.1 million (including Giza and Kalyobeya) and 4.1 million, respectively, making these areas among the most densely populated areas in the world. In January 2016, CAPMAS estimated that metropolitan Cairo and Alexandria had populations of 22.4 million and 4.9 million, respectively. There are small communities throughout the desert regions of Egypt, which are clustered around oases and historic trade and transportation routes. The number of Egyptians living in rural areas of Egypt continues to decrease as people move to the cities in search of employment and higher living standards.

Egyptians are fairly homogeneous, with 99% of the population coming from an Eastern Hamitic origin (Egyptians, Bedouins and Berbers). Approximately 90% of the Egyptian population is made up of Sunni Muslims, and the remaining 10% is made up mostly of Coptic Christians. Arabic is the official and dominant language, however, English and French are widely understood by the educated classes. According to data published by the World Bank, in 2013, the female adult literacy rate (15+ years) was 67.2% and the male adult literacy rate (15+ years) was 82.6%, reflecting improvements in the literacy rate, as compared to prior years.

Egypt is generally classified as a lower-middle-income developing country. The following table sets forth selected comparative statistics published by the World Bank.

The following table sets forth selected comparative statistical data for the countries indicated.

Comparative Statistics <sup>(1)(2)</sup>								
	Egypt	Tunisia	Morocco	Jordan	Philippines	South Africa	Indonesia	United Kingdom
Gross national income <i>per capita</i> (U.S.\$) <sup>(3)</sup> .....	3,340	3,970	3,040	4,680	3,540	6,050	3,440	43,340
Average annual growth of GDP (%) .....	4.2	0.8	4.4	2.4	5.8	1.3	4.8	2.3
Life expectancy: Male (years) <sup>(4)</sup> .....	69	72	73	72	65	55	67	80
Life expectancy: Female (years) <sup>(4)</sup> .....	73	77	75	76	72	59	71	83
Literacy rate: Adult Male (%) ages 15 and older <sup>(5)</sup> ...	83	88	76	98	95	95	96	—
Literacy rate: Adult Female (%) ages 15 and older <sup>(5)</sup> .....	67	72	58	94	93	93	90	—
Under 5 mortality ( <i>per 1,000 live births</i> ) .....	24	14	28	18	28	41	27	4.2
National poverty rate (%) <sup>(6)</sup> .....	25.2	15.5	8.9	14.4	25.2	54	11.3	—

*Source: The World Bank, World Development Indicators*

#### Notes:

- (1) World Bank figures may differ from figures published by other organisations, including CAPMAS and other Government agencies.
- (2) Figures are for 2015, except where indicated.
- (3) Figures are calculated based on the World Bank atlas method. The atlas method represents the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad.
- (4) Survey year: Egypt, 2014; Tunisia, 2014; Morocco, 2014; Jordan, 2014; Philippines, 2014; South Africa, 2014; Indonesia, 2014; and United Kingdom, 2014.
- (5) Survey year: Egypt, 2013; Tunisia, 2011; Morocco, 2011; Jordan, 2012; Philippines, 2008; South Africa, 2012; and Indonesia, 2011.
- (6) Survey year: Egypt, 2010; Tunisia, 2014; Morocco, 2007; Jordan, 2010; Philippines, 2012; South Africa, 2010; and Indonesia, 2014.

## History

Egypt has endured as a unified state for over 5,000 years, despite approximately 2,500 years of occupation by Persian, Greek, Roman, Turkish, Mameluke, French and British troops. Egypt's location has made it a natural hub for trade routes: westward along the coast of North Africa, northwest to Europe, northeast to the Levant, south along the Nile to Africa and southeast to the Indian Ocean and Far East. The opening of the Suez Canal in 1869 enhanced this natural advantage, connecting the Mediterranean to the Red Sea and had an immediate and dramatic effect on world trade. The strategic and commercial value of the Suez Canal to European powers (primarily the French and British) made it one of the most important factors influencing the history of Egypt in the 19th century.

The Ottomans, French and British struggled for financial and political control of Egypt throughout the nineteenth century. Napoleon Bonaparte's Egypt campaign ended in 1801, following which Anglo-Ottoman forces controlled Egypt until 1882, which was followed by complete occupation and virtual inclusion of Egypt within the British Empire. Britain declared an official protectorate over Egypt in 1914 in order to secure British interests during World War I. The British protectorate lasted until February 1922 when, in deference to increasing nationalism, Britain unilaterally declared Egypt's independence. In 1936, the Anglo-Egyptian Treaty was signed requiring the withdrawal of British troops from Egypt, except those necessary to protect the Suez Canal and its environs. The Wafd Government unilaterally abrogated the treaty in 1951. Three years later, Britain agreed to withdraw its troops. The withdrawal was finalised in July 1956, which Egyptians view as the date of full independence.

The Kingdom of Egypt, which lasted until the revolution of 1952, was a constitutional monarchy. During this post-independence period, three political forces competed with one another: the King, the Wafd (a broadly based nationalist political party opposed to British influence) and the British, who were determined to maintain control over the Suez Canal.

Following the creation of the State of Israel in 1948, Egypt, together with Iraq, Jordan, Lebanon and Syria, engaged in the first of four wars that it fought with Israel.

Following World War II and the first Arab-Israeli War in 1948, Egypt was in an unstable condition, the King was highly unpopular among the Egyptian population, and anti-British sentiment grew. In July 1952, a group of army officers led by Colonel Gamal Abdel Nasser, known as the “Free Officers Movement”, toppled the monarchy, and in 1953, Egypt was declared a republic. Colonel Nasser became president in 1954 and over time, became a charismatic leader of Egypt and of the Arab world as a whole. President Nasser is regarded as one of the most important political figures in both modern Arab history and Third World politics in the 20th century.

On 26 July 1956, in retaliation for the loss of funding and to help pay for the Aswan High Dam project following the United States and the World Bank’s withdrawal of their respective offers to help finance the Aswan High Dam, President Nasser nationalised the privately-owned Suez Canal Company, which provoked the Suez Canal Crisis, in which Britain, France and Israel invaded the Sinai Peninsula in order to assume control of the Suez Canal. The crisis ended in November 1956 after a ceasefire was agreed.

Egypt, under President Nasser, fought two major wars: the Suez War in 1956, following the joint British, French and Israeli invasion, and the war with Israel in 1967, the latter resulting in Israeli occupation of the Gaza Strip and Sinai Peninsula (which has since been returned to Egypt), in addition to the Golan Heights and the West Bank (which remain under Israeli control).

President Nasser died on 28 September 1970 and was succeeded by his vice president, Anwar El-Sadat. In the October 1973 war with Israel, the Egyptian army succeeded in crossing the Suez Canal, partially liberating the Egyptian territories occupied by Israel. In 1977, President Sadat became the first Arab leader to visit Israel and, in 1978, made history by signing the Camp David Accords, which, in turn, led to the 1979 signing of the Egypt-Israel peace treaty. As a result of this, President Sadat won the Nobel Peace Prize. Following the peace treaty, all occupied territories in the Sinai Peninsula were returned to Egypt. Domestically, President Sadat relaxed Government controls over the economy and encouraged private investment. On 6 October 1981, President Sadat was assassinated by Islamic extremists and Mr. Hosni Mubarak succeeded him as president.

In the period following the Camp David Accords, Egypt adopted a moderate approach to foreign policy, neither backing away from the peace with Israel nor loosening ties with the United States, and the occupied Sinai Peninsula was returned to Egyptian sovereignty in April 1982. While economic conditions in the Republic improved due to the adoption of liberal economic policies, leading to increases in international reserves and foreign direct investment, public discontent at the lack of social and political freedoms grew. This culminated in the 2011 Revolution, which ended Mubarak’s 30 years in power.

### ***Recent Events***

Commencing on 25 January 2011 and precipitated by the uprising in Tunisia, which led to the “Arab Spring” and the departure of Tunisia’s long-standing president in December 2010, demonstrations and protests occurred in Cairo, Alexandria and a number of other Egyptian cities with protestors demanding the overthrow of President Mubarak. Following several weeks of unrest, President Mubarak dissolved the Government and resigned, ending 30 years in power. Power was then assumed by the SCAF, which suspended the 1971 Constitution and announced it would govern Egypt until elections were held. Demonstrations and protests, which often escalated into violence, continued throughout 2011 in response to the perceived slow pace of political change.

Egypt experienced continued political uncertainty and instability over the course of 2012. Although power was transferred to the House of Representatives, as a result of a ruling of the Supreme Constitutional Court that the law on parliamentary elections was unconstitutional, the SCAF issued an interim declaration on 17 June 2012 (the “**Interim Declaration**”) granting itself more extensive powers and dissolving the House of Representatives following the Interim Declaration. Presidential elections were held in June 2012 and were won by the Freedom and Justice Party candidate, Mr. Morsi, who took office on 30 June 2012. President Morsi revoked the Interim Declaration and transferred all legislative powers to the Presidency. On 22 November 2012, President Morsi issued a decree, which, among other things, exempted presidential decisions from judicial review and tasked a constitutional assembly with drafting the 2012 Constitution. This decree sparked further unrest among protestors, who argued its effect was to immunise the actions of the President from judicial challenge and to grant him far-reaching powers. The President rescinded the majority of the provisions of the decree on 20 December 2012. The 2012 Constitution was approved by House of Representatives on 30 November 2012, although the vote was boycotted by a number of members, and approved by popular referendum on 26 December 2012.

Following further demonstrations and protests in 2013, which culminated in a revolution on 30 June 2013 calling for President Morsi’s resignation following his appointment of allies as governors in 13 of Egypt’s 27 governorates, the Egyptian military removed President Morsi from office. Supreme Court Chief Justice Mansour was appointed as

interim President, and Mr. El-Bablawi was appointed Prime Minister of the interim Government. Prime Minister El-Bablawi resigned on 1 March 2014, and Mr. Mahlab was appointed to replace Mr. El-Bablawi.

Following further protests and demonstrations in August 2013 and following a terrorist attack on the army in the Sinai Peninsula, the interim Government declared a state of emergency and imposed a curfew (which was lifted in November 2013). In September 2013, the military launched a campaign against militants in northern Sinai, and a court banned the Muslim Brotherhood from carrying out any activities in Egypt. In December 2013, the interim Government declared the Muslim Brotherhood a terrorist organisation following a bomb blast in Mansoura. In April 2015, Muslim Brotherhood leader, Mr. Mohammed Badie, and 13 other senior members of the organisation were sentenced to death and a number of other members of the organisation were sentenced to life imprisonment, in connection with the violence following the removal of President Morsi. Subsequently, former President Morsi and a number of other Muslim Brotherhood members were sentenced to 20 years in prison for ordering the arrest and torture of protestors during a sit-in held outside the presidential palace in December 2012. Mr. Morsi has announced his intention to appeal his conviction in this case. In May 2015, following a retrial, former President Mr. Mubarak was convicted of corruption charges relating to his time in office. In May 2015, Mr. Morsi and 105 others were sentenced to death for their role in planning jailbreaks and attacks on police during the 2011 Revolution. In May 2015, the Cairo Criminal Court requested the opinion of the Grand Mufti as to whether or not death sentences in respect of former President Morsi, as well as Mr. Badie and other individuals for other convictions would be in accordance with principles of Sharia. In June 2016, Mr. Morsi's death sentence was confirmed by the Grand Mufti. There can be no assurance that there will not be protests, attacks or other violent or political reactions to such convictions and sentencing. *See "Risk Factors—Risks Relating to the Republic—Significant political unrest since January 2011 has had and could continue to have a material adverse effect on the Republic generally and on its economic growth".*

In January 2014, the Constitution, which was prepared by a panel of judges and legal scholars and approved by an assembly of political, religious, union and other officials, was adopted by referendum. The Constitution came into force on 18 January 2014. In March 2014, the then-defence minister, Field Marshal Abdel Fattah Al-Sisi, announced his intention to run for the presidency and resigned from the military. Mr. Al-Sisi ran against Mr. Sabahi, the leader of the Egyptian Popular Current, in the elections and won with approximately 96.9% of the valid votes cast.

President Al-Sisi was sworn in on 8 June 2014. On 9 June 2014, Prime Minister Mahlab tendered his and the resignation of the Council of Ministers' to President Al-Sisi; who reappointed Mr. Mahlab as Prime Minister on the same day and asked him to form a new interim Government. The interim Government took office on 17 June 2014 and consisted of 34 ministers.

In November 2014, an Egyptian court acquitted former President Mubarak in connection with charges related to the killing of 240 protestors during the Revolution, but, in May 2015, former President Mubarak was convicted of corruption charges related to his time in office.

In February 2015, Egyptian aircraft bombed positions of the so-called "Islamic State" in eastern Libya, following the killing of 21 Egyptian Coptic Christians in Libya.

In March 2015, a coalition of Arab countries led by Saudi Arabia and including other GCC members, Egypt, Jordan, Morocco, Sudan and others, supported by the United States and other western governments, announced its intention to intervene in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a. The coalition conducted a number of air strikes on Houthi positions in Sana'a and elsewhere, and the Saudi military deployed troops and armour on the Saudi-Yemeni border. In March 2015, Saudi and Egyptian ships were deployed to the Bab al-Mandab strait. The Government also stated its willingness to provide ground troops, if necessary, and is leading efforts to create an Arab military force under the auspices of the Arab League. In April 2015, Saudi Arabia announced the end of the air strike campaign and the beginning of Operation Restoring Hope, which is intended to focus on a political solution to the conflict, as well as to focus on counter-terrorism, in Yemen. The Government is participating in Operation Restoring Hope. At the Arab League summit held in Sharm El Sheikh in March 2015, the heads of the Arab League states agreed to the principle of creating a joint Arab military force with further details to be agreed. *See "Risk Factors—Risks Relating to the Republic—Egypt is located in a region that has been subject to on-going political and security concerns and the "Arab Spring" has brought significant political instability to the region".*

In March 2015, the Egyptian Economic Development Conference was held in Sharm El Sheikh at which number of investment opportunities were proposed.

In August 2015, President Al-Sisi opened a new canal running parallel to the Suez Canal. *See "The Economy—Production Services Sector—Transport and Warehousing—Suez Canal".*

In September 2015, President Al-Sisi swore in a new interim Government headed by Prime Minister Mr. Sherif Ismail, the former petroleum minister, following the resignation of Mr. Mahlab's interim Government.

Parliamentary elections, which were originally due to take place in March and April 2015 but were postponed following a ruling by the Supreme Constitutional Court regarding the constitutionality of certain provisions of the electoral constituencies law, took place between October and December 2015. On 10 January 2016, the House of Representatives held its first session, the first parliamentary session in more than three years. See “—*Constitutional System—Legislative Branch—Parliamentary Elections*”.

In March 2016, ten new ministers, including the Minister of Justice, the Minister of Transportation, the Minister of Civil Aviation and the Minister of Finance, were sworn in by President Al-Sisi following a reshuffle of the Council of Ministers.

Since the removal of President Morsi, terrorist attacks in North Sinai, in particular, on Egyptian military bases, have increased, resulting in the deaths of soldiers and police. In July 2015, the so-called “Islamic State” launched a wave of further attacks in North Sinai which have continued in 2016. As a result of such attacks and the related security situation prevailing in North Sinai, EGAS is facing difficulties transporting gas through the Sinai Peninsula to Jordan. Smaller scale attacks have also occurred in Cairo and other cities.

In August 2015, the Ministry of Petroleum announced two large gas field discoveries by BP plc (“BP”) (the Atoll Field) and Eni S.A. (the Zohr Field). See “*The Economy—Commodity Sector—Extractive Industry*”.

In August 2016, the House of Representatives passed a VAT law, which introduced VAT at a rate of 13% for 2016/17 and 14% for 2017/18, subject to certain customary exemptions. See “*The Economy—Government Programme, Recent Developments and Reform*”.

In October 2015, the so-called “Islamic State” claimed responsibility for the destruction of a Russian airliner in Sinai, which had departed from Sharm El Sheikh airport, in which all crew and 224 passengers were killed. Sporadic terrorist attacks resulting in fatalities have continued in 2015 and 2016, including attacks against tourists at Giza and Hurghada in January 2016. See “*Risk Factors—Risks Relating to the Republic—Egypt has experienced several terrorist attacks, which have contributed to a decline in tourism, a key sector of the economy, among other adverse consequences*”. In May 2016, an EgyptAir aircraft en route from Paris to Cairo crashed into the Mediterranean Sea, resulting in 66 fatalities. The causes of this crash remain under investigation.

## **Constitutional System**

Prior to the 1952 revolution, Egypt was a constitutional monarchy. The first Egyptian constitution of 1923, which followed the declaration of the end of the British protectorate, stated that Egypt was an independent sovereign “Islamic State” with Arabic as its language and provided for a representative Parliament. This constitution was abolished and political parties were dissolved in 1953, and a new constitution was proclaimed in 1956. The 1956 constitution granted the President extensive executive and legislative powers. In 1958, the constitution of the United Arab Republic was enacted, following the political union of Egypt and Syria. The union was dissolved in 1961.

In 1964, a new constitution was enacted. It emphasised the socialist nature of the Government, proclaiming Egypt an Arab Democratic State with a socialist economy.

In 1971, during President Sadat's era, the 1971 Constitution was enacted, which was further amended in 1980, 2005 and 2007. It stated that Egypt was a democratic state based on citizenship, with Islam as its state religion and Arabic as its national language. Among its notable features, the constitution recognised three types of ownership, being public, cooperative and private and granted vast powers to the President.

In December 2012, the 2012 Constitution was adopted by referendum but has since been replaced by the current Constitution.

The referendum to approve the current Constitution in January 2014 was the first public vote since the removal of President Morsi in July 2013 and was supported by the majority of Egypt's secular and liberal political parties, as well as the Nour Party, the political arm of conservative Salafis. The referendum was approved by a majority of 98% of the vote.

The Constitution provides for three branches of government: the legislative branch, the executive branch and the judicial branch, and provides for the right of the SCAF to appoint the Minister of Defence for the eight years following its entry into force. The Constitution further provides that Islam is the religion of the State and Arabic is its official



language. It also provides that the principles of Sharia are the main source of legislation. Article 9 of the Constitution enshrined the principle of equal opportunities for all citizens without discrimination. The Constitution also guarantees, *inter alia*: (i) the rights of Christians and Jews to apply their respective religious principles to personal status, religious affairs and leadership matters; (ii) equality between genders; (iii) healthcare and social insurance services; (iv) education; (v) personal freedom; (vi) privacy; and (vii) rights of the accused. Article 94 of the Constitution enshrines the principle of the rule of law.

### ***Legislative Branch***

The Constitution provides for a unicameral Parliament consisting of the House of Representatives, which must be comprised of no less than 450 directly-elected members, elected by a direct secret public ballot. The President may appoint additional members who do not exceed 5% of the elected members. Members of the House of Representatives serve for a term of five years.

The principal role of the House of Representatives is to propose and approve laws, which, in turn, are implemented by the President, and to approve the State's national policy, the economic and social development plan, its national budget and to generally oversee the Government's performance, although the President and the Council of Ministers may also propose laws. Once passed by the House of Representatives, the President has the right either to sign or veto laws. The President must exercise his veto right within 30 days of passage or the law automatically comes into force. By a two-thirds vote, the House of Representatives may override a presidential veto.

The House of Representatives must approve the national budget, which must include all Government revenues and expenditures. Any amendments to the approved national budget must be approved by the House of Representatives. Final accounts for each year must be presented to the House of Representatives within six months from the end of the relevant fiscal year, together with a report of the Central Audit Bureau.

Under Article 146 of the Constitution, the President nominates a Prime Minister to form the Government and submit the Government's programme to the House of Representatives. If the Government does not win a vote of confidence of a majority of the members of the House of Representatives within 30 days of the nomination, the President must appoint a Prime Minister who is nominated by the party or coalition that holds the majority or, failing a majority, the largest number of seats in the House of Representatives. If the Prime Minister is nominated in this way, the President must also, in consultation with the Prime Minister, nominate the Ministers of Defence, Interior, Foreign Affairs and Justice. If the government of this Prime Minister fails to win the confidence of the majority of the members of the House of Representatives within 30 days, the House of Representatives shall be deemed to be dissolved, and the President must call for the election of a new House of Representatives.

The House of Representatives has the power to pass motions of no confidence with respect to the Prime Minister, or one of his/her deputies, or a minister, or one of his/her deputies. If the House of Representatives withdraws its confidence from any such person and the Government shall have announced its solidarity with such person prior to the vote of no confidence, then the Government must resign; otherwise, any vote of no-confidence only applies to the subject of the vote.

Pursuant to Article 161 of the Constitution, the House of Representatives has the power to pass motions of no confidence with respect to the President. If the House of Representatives approves a motion to withdraw its confidence from the President, the question of withdrawal of confidence and whether to call early presidential elections must be put to a referendum. If the referendum rejects the withdrawal of confidence, then the House of Representatives shall be deemed dissolved and the President must call for new parliamentary elections within 30 days. If the referendum approves the withdrawal of confidence, the presidency shall be deemed vacant and new elections must be called and held within 60 days.

The President cannot dissolve the House of Representatives except under special circumstances and following approval by referendum. The House of Representatives cannot be dissolved for the same reason that caused the dissolution of the previous House of Representatives. If the referendum approves the dissolution, the President must issue a decree dissolving the House of Representatives and calling parliamentary elections.

The new House of Representatives was elected in 2015 and its first parliamentary session began in January 2016. Prior to the election of the House of Representatives and pursuant to Article 156 of the Constitution of 2014, the President had legislated through presidential decrees. Following the convening of the House of Representatives such laws needed to be debated and approved within a 15-day constitutional deadline to remain in force. Between the date of appointment of President al-Sisi in June 2014 and the first parliamentary session in January 2016, the President had issued 342 decrees. In order to debate and approve these laws, 19 parliamentary committees were formed to discuss the proposed legislative ratifications. All but one of the proposed laws (the Civil Service Law) were approved by the House of

Representatives within the constitutional deadline. The Civil Service Law was not approved within the deadline but was provisionally approved by the House of Representatives in a revised form in July 2016 (a new Civil Service Law was promulgated in November 2016). The Constitution provides that the House of Representatives must enact laws relating to the media, the building of churches, education and health during its first parliamentary session. In August 2016, the House of Representatives approved Law № 80 of 2016, which sets out conditions for the construction of churches in Egypt (including as to location and the process for obtaining the necessary approvals).

In line with the requirements of the Constitution, the Government presented its programme to the House of Representatives in March 2016. This programme sets out a number of economic, fiscal, monetary and structural targets. The House of Representatives passed a vote of confidence in the Government and approving the Government's programme on 20 April 2016 by a margin of 433 to 38 votes. See "*The Economy—Government Programme, Recent Developments and Reform*".

### *Parliamentary Elections*

Parliamentary elections, which were originally due to take place in March and April 2015 but were postponed following a ruling by the Supreme Constitutional Court regarding the constitutionality of certain provisions of the electoral constituencies law, took place between October and December 2015. Of the 595 newly-elected members of the House of Representatives, 350 are independent members unaffiliated with any political party, and 245 are affiliated with various political parties (with the Free Egyptians Party holding the highest number of seats (65)). A further 27 members are appointed by the President, and there are 90 female members of the House of Representatives, representing approximately 14% of the members. According to statistics announced by the House of Representatives, turnout for the first and second stages of the elections was 28.3%.

The following table sets out the composition of the House of Representatives following the 2015 elections:

<b>Composition of the House of Representatives following the 2015 elections</b>	
<b>Party</b>	<b>Seats</b>
Independent members.....	350
Free Egyptians Party.....	65
Nation's Future Party .....	53
New Wafd Party .....	36
Nour Party .....	11
Other Parties.....	80
President-appointed members.....	27
<b>Total.....</b>	<b>622</b>

In August 2016, the speaker of the House of Representatives, Mr. Ali Abdel-Al, announced that the "Support Egypt" coalition, which comprises 315 members of the House of Representatives (both independent and party-affiliated members), would be the first coalition to be officially recognised by the House of Representatives.

### *Executive Branch*

Under the Constitution, executive power in Egypt is exercised by (i) the President of the Republic, (ii) the Government and (iii) the local administrations.

#### *The President of the Republic*

The President is the Head of State and head of the executive branch and is elected for a four-year term. Each President can serve no more than two consecutive terms. During his presidency, the President may not hold any partisan position.

The President is elected by an absolute majority of votes of the Egyptian people. A Presidential candidate must be nominated by (i) at least 20 elected members of the House of Representatives or (ii) 20,000 citizens who are entitled to vote from at least 15 governorates, provided that at least 1,000 citizens from each such governorates nominate such candidate.

Presidential powers include (*inter alia*):

- jointly with the Government, formulating general policy and supervising its implementation;
- relieving the Government of its duties, subject to the approval of a majority of the members of the House of Representatives;
- reshuffling the Council of Ministers, after consulting with the Prime Minister and subject to the approval of a majority of the members of the House of Representatives;
- acting as supreme commander of the Egyptian armed forces, provided that the President may not declare war or send armed forces on a combat mission outside of Egypt, except after consultation with the National Defence Council and with the approval of a two-thirds majority of the House of Representatives, except when the House of Representatives is not in session (in which event, the Constitution provides that the SCAF must be consulted and the approval of the Council of Ministers and the National Defence Council must be obtained);
- appointing and dismissing civil and military employees in accordance with applicable law;
- after consultation with the Council of Ministers, declaring a state of emergency in accordance with applicable law, which must be approved by a majority of the members of the House of Representatives within seven days;
- after consultation with the Council of Ministers, issuing pardons or reducing sentences;
- calling the House of Representatives into session for emergency sessions; and
- calling referendums.

#### *The Government*

The Government consists of the Prime Minister, the deputy prime ministers and the ministers. The functions of the Government include:

- together with the President, developing the general policy of the State and supervising its implementation;
- maintaining the security of the nation and to protecting the rights of citizens and the interest of the State;
- directing, co-ordinating and following-up on the work of ministries and their affiliated public bodies and organisations;
- preparing and submitting laws to the House of Representatives;
- issuing administrative decrees in accordance with the law and following-up on their implementation;
- drafting the national plan of the State;
- drafting and preparing the annual budget of the State;
- obtaining financing or raising debt in accordance with the Constitution; and
- implementing laws.

The Prime Minister supervises the work of the Government, and each Minister is responsible for the performance of his Ministry before the House of Representatives. The responsibilities of the Council of Ministers include the preparation of draft laws and decrees, as well as the preparation of the national budget and the national plan. Under the Constitution, if the President resigns, dies or becomes incapacitated, the Prime Minister shall act in his or her place.

In September 2015, President Al-Sisi swore in a new Government headed by Prime Minister Ismail, the former petroleum minister, following the resignation of Mr. Mahlab's interim Government. In March 2016, ten new ministers, including the Minister of Justice, the Minister of Transportation, the Minister of Civil Aviation and the Minister of Finance, were sworn in following a reshuffle of the Council of Ministers.

## *Local Administrations*

Article 175 of the Constitution provides that the Republic is divided into administrative units, including governorates, cities and villages. Local councils are elected by direct and secret ballot for terms of four years and are empowered to oversee local government matters, such as development plans, exercising oversight authority and withdrawing confidence in the heads of local units. Other administrative units may also be established. Article 176 of the Constitution enshrined the principle of decentralisation. Local administrations are required to develop their own budgets and have the authority to levy taxes and duties of a local nature.

## ***Judicial Branch***

The Constitution provides for an independent judicial branch headed by a Supreme Council. The judiciary has an independent budget that, following examination by the House of Representatives, is included in the State budget as a single line item. The judiciary is also entitled to be consulted with respect to any draft laws that regulate its affairs.

Article 189 of the Constitution provides that the Prosecutor General shall head the Public Prosecution, which is an integral part of the judiciary. The Public Prosecution carries out the investigation and prosecution of criminal cases.

The State Council is an autonomous judicial body with exclusive jurisdiction to settle administrative disputes. It also reviews and drafts bills and decrees of a legislative nature and reviews draft contracts to which the state or another public authority is a party.

The Supreme Constitutional Court was first established in 1979 and its powers are set out in Article 190 *et seq.* of the Constitution. In particular, the Supreme Constitutional Court has the sole constitutional power to: (i) determine the constitutionality of laws and regulations; (ii) interpret legislative provisions; and (iii) adjudicate on disputes pertaining to affairs of its members, certain jurisdictional matters, the implementation of certain contradictory judgments and on the execution of its judgments and decisions.

The Constitution also provides for two additional judicial authorities, which are (i) the Administrative Prosecution, which is responsible for the investigation of administrative and financial violations committed by public officials and filing disciplinary actions, and (ii) the State Lawsuits Authority, which represents the State in legal proceedings and drafts contracts referred to it by the relevant governmental authorities and to which the State is a party, in accordance with the applicable laws.

In order to improve the Egyptian economic and investment landscape, in 2008, the Government enacted Law № 120 of 2008 establishing the Economic Court, which specialises in bankruptcies, consumer protection, capital markets and intellectual property disputes. The Economic Court is divided into two bodies, a body handling disputes between the State and private citizens, and another handling disputes among private citizens.

## **Political Parties**

There are currently over 80 political parties in Egypt. Article 74 of the Constitution states that all citizens shall have the right to form political parties by notification under law. According to the same article, no political activity may be practiced and no political parties may be formed on the basis of religion or discrimination based on sex or origin or on a sectarian basis or geographic location.

In September 2013, a court ruling banned the Muslim Brotherhood from carrying out any activities in Egypt. A new law regulating public protests was passed in November 2013. In December 2013, the Government declared the Muslim Brotherhood a terrorist organisation following bomb blasts in Mansoura and other areas of Egypt.

See “*Risk Factors—Risks Relating to the Republic—Significant political unrest since January 2011 has had and could continue to have a material adverse effect on the Republic generally and on its economic growth*”, “*Risk Factors—Risks Relating to the Republic—Egypt has experienced several recent terrorist attacks*” and “*—Constitutional System—Legislative Branch—Parliamentary Elections*”.

## National Security

Egypt's armed forces, which are among the largest in the region, include the Republic's army, air force, air defence and navy. The armed forces utilise equipment from the United States, the United Kingdom, Russia, France and China. Articles 200 and 201 of the Constitution provides that the Egyptian armed forces are headed by a supreme council (*i.e.*, the SCAF) and are regulated by law and the Minister of Defence must be drawn from the officers of the armed forces. The Constitution also established a National Defence Council, chaired by the President and comprised of the Prime Minister, the Speaker of the House of Representatives, the Minister of Defence, the Minister of Foreign Affairs, the Minister of Finance, the Minister of Interior, the Chief of the General Intelligence Services, the Chief of Staff of the Armed Forces, as well as the Commanders of the Navy, Air Force and Air Defence, the Chief of Operations of the Armed Forces and the Head of Military Intelligence.

Egypt's police authority has the power to preserve public order, security and morals; protect lives and properties and to prevent crimes and seize criminals. It is also responsible for ensuring tranquillity and security for citizens of all types and for performing all duties afforded to it by laws and regulations. Amendments to the Police Authority Law, which were approved by the House of Representatives in August 2016, prohibit police from providing information to the media without the permission of the Government. See “—*Press and Media*”.

In 1981, the United States and Egypt, near the Egyptian coastal city of Alexandria, conducted the first “Bright Star” joint military exercises for infantry, airborne, artillery and armoured forces. Between October 2009 and the end of 2013, the Bright Star exercises were conducted with 15 other countries (including France, Greece, Kuwait, Pakistan and the United Arab Emirates), which included a computer-simulated command post exercise and tactical airborne and amphibious training.

Egypt and the United States share a bilateral relationship, an important aspect of which is U.S. military and economic assistance to Egypt that expanded following the signing of the Camp David Egyptian-Israeli peace treaty in 1979 and Egypt's participation in the Gulf War. U.S. economic and military assistance to Egypt has been in excess of U.S.\$73.2 billion since 1979. U.S. economic assistance to Egypt has concentrated on health, economic growth, education, improvements to economic policy and the business environment.

The amount of economic assistance from the United States used by the Republic varies from year to year, according to the Republic's needs. The total amount of economic assistance utilised by the Republic in each of 2012, 2013 and 2014 was U.S.\$190 million of budget support pursuant to an agreement relating to cash transfers signed by Egypt and the United States in March 2013. In 2014, six new agreements and two amendment agreements were signed representing U.S.\$268 million to support the education (basic and higher education) justice, antiquities, tourism and agriculture sectors, as well as small- and medium-sized enterprises (“SMEs”) and other economic sectors. In October 2013, the United States suspended military aid to Egypt in protest at the removal of President Morsi. In March 2015, the United States announced that military aid and deliveries would be resumed. The U.S. Consolidated Appropriations Act 2016, provides for a total of U.S.\$1.5 billion in military and economic aid to Egypt, subject to certain conditions.

Partially as a result of smuggling activity through man-made tunnels under Egypt's border with the Gaza Strip, the Government has increased its surveillance of the border and constructed a 10 km wall to combat such smuggling activity and the threat it poses to the Republic's national security.

In February 2015, President Al-Sisi established a new Council for National Security. The Council for National Security is responsible for investigating matters and methods to ensure the safety and security of the Republic.

In April 2015, the President stated that the security of the Kingdom of Saudi Arabia and other GCC countries and safe maritime passage through the Bab al-Mandab strait are national security issues for Egypt. In March 2015, a coalition of Arab countries led by Saudi Arabia and including Egypt, other GCC members, Jordan, Morocco, Sudan and others, supported by the United States and other western governments, announced its intention to intervene in the civil war in Yemen on the side of the Yemeni government against the Houthi rebels, who have taken control of Yemen's capital, Sana'a. The coalition conducted a number of air strikes on Houthi positions in Sana'a and elsewhere, and the Saudi military deployed troops and armour on the Saudi-Yemeni border. In March 2015, Saudi and Egyptian military ships were also deployed to the Bab al-Mandab strait. The Government has also stated its willingness to provide ground troops, if necessary. No Egyptian troops are currently involved in military operations in Yemen. See “*Risk Factors—Risks Relating to the Republic—Egypt is located in a region that has been subject to on-going political and security concerns and the “Arab Spring” has brought significant political instability to the region*”.

In January 2016, a new anti-terrorism law was approved by the House of Representatives. The law provides state security officers with wider immunity from prosecution, expands the Government's surveillance powers and imposes penalties on journalists who contradict official accounts of militant attacks. The anti-terrorism law was passed in the

context of increasing violence in the Sinai Peninsula and other terrorist and militant attacks in Egypt. See *“Risk Factors—Risks Relating to the Republic—Egypt has experienced several terrorist attacks, which have contributed to a decline in tourism, a key sector of the economy, among other adverse consequences”*.

In July 2016, the Government signed a co-operation agreement with the German government aimed at strengthening efforts to prevent crime and reinforce security, including in the areas of illegal immigration, counter-terrorism and airport security. The co-operation agreement also envisages the sharing of information and technical expertise, as well as the provision of training on security matters. See *“—Foreign Relations and International Organisations”*.

## Legal System

Article 2 of the Constitution provides that the principles of Shariah are the main source of legislation. Egypt’s legal system is also based on the Napoleonic codes, including the French *Code Civil*, upon which the Egyptian civil code has been largely based. Marriage and family law are based on the religious law of the individual concerned, which for most Egyptians is Islamic law. Islamic law is not forced upon non-Muslims, and non-Muslims have their own courts to settle marriage and family matters. Under Article 3 of the Constitution, certain affairs of Christians and Jews in the Republic are based on the general principles of their respective religions. While there have been moves to consolidate the influence of the Sharia in the Constitution, commercial law remains based on modern commercial practices.

Egypt’s Arbitration Law № 27 of 1994, as amended, serves as a framework for arbitration of domestic and international commercial disputes, as well as disputes between public enterprises and the private sector. Egypt acceded to the International Convention for the Settlement of Investment Disputes in 1972 and is a member of ICSID. Egypt adheres to the 1958 New York Convention on Enforcement of Arbitration Awards; the 1965 Washington Convention on the Settlement of Investment Disputes between States and the Nationals of Other States.

## Foreign Relations and International Organisations

The Republic’s foreign policy is not formally aligned with or against any major bloc. In addition, factors such as population size, historical events, military strength, diplomatic expertise and a strategic geographical position give the Republic extensive political influence in the Middle East, Africa and within the Non-Aligned Movement. In addition, Cairo has been at the crossroads of Arab commerce and culture for generations, and its intellectual and religious institutions are at the centre of the region’s social and cultural development.

The Republic’s foreign policy has not significantly changed since the 2011 Revolution, and Egypt maintains diplomatic relations with its trade and treaty partners. While the Republic has engaged in increasing cooperation with Arab countries, in particular, the Kingdom of Saudi Arabia and the United Arab Emirates, this has not been at the expense of its existing relations with non-Arab states.

Egypt maintains diplomatic relations with substantially all of the countries that are members of the United Nations, and its participation in international organisations includes: the African Development Bank; the Arab Fund for Economic and Social Development; the Arab League; the Arab Monetary Fund; Arab Petroleum Investment Corporation, the Council of Arab Economic Unity; the IMF and related organisations; the Non-aligned Movement; the Organisation of African Unity; the Organisation of Arab Petroleum Exporting Countries; the United Nations and related organisations; the World Bank and the World Trade Organisation.

In June 1998, Egypt joined the 21 member Common Market for Eastern and Southern Africa (**“COMESA”**) (which currently comprises 19 members, including Egypt) and reduced tariffs with other COMESA countries by 90%, with a view to the implementation of a common external tariff, based on a four band tariff structure of capital goods, raw materials, intermediate goods and final goods, respectively. In addition, the members are committed to establishing a monetary union.

In July 1999, Egypt and the United States signed a trade and investment free agreement (**“TIFA”**). TIFA’s objective is to enhance trade co-operation between the two countries, by facilitating greater reciprocal access to the respective markets of both countries through the removal of non-tariff barriers and other impediments to trade and investment flows.

In June 2001, Egypt signed an Association Agreement with the Member States of the EU establishing the Euro-Mediterranean Partnership (also known as the Barcelona Process), a wide framework of political, economic and social relations between the Member States and countries of the Southern Mediterranean, including Egypt (the **“Association Agreement”**). The Association Agreement, which was approved by the House of Representatives in March 2003, provides for immediate duty free access for certain Egyptian products into EU markets, while customs duties and charges payable on EU products imported into Egypt are to be phased out over a twelve-year period. In January 2004,

the trade component of the Association Agreement entered into force. In December 2004, an adjustment protocol was signed granting additional preferential treatment on market access of Egyptian agricultural and processed agricultural exports to EU markets.

During 2004, the Republic entered into a framework agreement for the establishment of a free trade area with the *Mercado Común del Sur* (“**MERCOSUR**”), which is comprised of Argentina, Brazil, Paraguay, Uruguay and Venezuela. The framework agreement aims (i) to promote the expansion of trade between the Republic and MERCOSUR and (ii) to provide the conditions and mechanisms to negotiate a free trade area between the Republic and MERCOSUR in conformity with the rules of the World Trade Organisation. In August 2010, Egypt entered into a free trade agreement with MERCOSUR.

In February 2004, Egypt signed the Agadir Agreement with Morocco, Tunisia and Jordan, which came into force in July 2006. The Agadir Agreement aims, among other things, to establish a free trade area in accordance with the provisions of the General Agreement on Tariffs and Trade of 1994.

In December 2004, Egypt, the United States and Israel entered into a “Qualified Industrial Zones” protocol pursuant to which manufacturing companies in specified zones in Egypt (the Greater Cairo Zone, the Alexandria Zone, the Suez Canal Zone and the Central Delta Zone) can export products to the United States duty free under the same terms as those governing trade under the U.S.-Israel Free Trade Area Agreement, provided that certain requirements as to Egyptian and Israeli content are met. The agreement entered into force in February 2005.

With effect from January 2005, the Government has committed to observing the obligations of Article VIII, Sections 2, 3 and 4 of the IMF’s Articles of Agreement. Pursuant to these sections, IMF members undertake not to impose restrictions on the making of payments and transfers for current international transactions and from engaging in any discriminatory currency arrangements or multiple currency practices without IMF approval.

In December 2005, Egypt signed a free trade agreement with Turkey, which entered into force in March 2007. The free trade agreement provides that imports of Egyptian products into Turkey (excluding agricultural goods) are free of duties and those duties and trade restrictions for Turkish products imported to Egypt will be eliminated in four stages by 2021. The first stage includes raw materials and machinery, followed by intermediary goods, then finished goods and finally other products.

In March 2006, negotiations began between countries in the Euro-Mediterranean region concerning liberalisation of services and right of establishment and a dispute settlement mechanism for trade between members.

In August 2007, the free trade agreement between Egypt and the European Free Trade Association (“**EFTA**”) entered into force. The agreement aims to liberalise trade in industrial products and processed agricultural products between Egypt and the four EFTA members: Switzerland, Iceland, Liechtenstein and Norway. The agreement also contains provisions on protection of intellectual property rights, as well as competition and technical cooperation.

In March 2007, the Egyptian European Action Plan under the European Political Neighbourhood framework was ratified. Under this action plan, Egypt and the EU have agreed to enter into political, security, economic, trade, investment, scientific, technological and cultural relations, with shared responsibility for establishing an area of peace and stability, including the prevention and settlement of conflicts in the region and reinvigorating regional and sub-regional cooperation.

In July 2007, Egypt became the 40th country to adhere to the Organisation for Economic Cooperation and Development Declaration on International Investment and Multinational Enterprises. Under this Declaration, Egypt is committed to improving its investment climate, ensuring equal treatment for foreign and domestic investors and promoting responsible international business conduct.

In June 2013, Egypt and the EU entered into a comprehensive dialogue to deepen its trade and investment ties, in particular, through the negotiation of a deep and comprehensive free trade agreement (“**DCFTA**”). The DCFTA aims to improve market access opportunities and the investment climate and to support economic reforms undertaken by Egypt. The DCFTA would extend the scope of the existing Association Agreement to include trade in services, government procurement, competition, intellectual property rights and investment protection. In 2014, a sustainability impact assessment of the entry into a DCFTA was, in line with EU regulations and procedures, conducted by an independent contractor.

In January 2015, the Executive Board of the IMF concluded its Article IV consultation with Egypt, the first since the 2011 Revolution. In its report, among other things, the Executive Board welcomed the Egyptian authorities’ focus on improving infrastructure and reforming the energy sector.

In April 2015, Kuwait, Saudi Arabia and the United Arab Emirates each deposited U.S.\$2 billion with the CBE (for a total of U.S.\$6 billion), which demonstrated such countries' continued support of the Egyptian economy. The interest rate on the deposits is 2.5%, and the maturities range from three to five years.

In December 2015, the Government and the World Bank Group approved the Country Partnership Framework 2015-19. In September 2016, the World Bank disbursed U.S.\$1 billion to Egypt, the first loan under the Country Partnership Framework. See "*Public Debt—Debt Restructuring—International Aid*".

In 2016, Egypt became a non-permanent member of the U.N. Security Council; its term will end in 2017.

In January 2016, the Government announced a U.S.\$15 billion financing program from China, which is expected to finance projects including the development of a China-Egypt Suez Economic and Trade Cooperation Zone, as well as other projects in the energy, transportation and sanitation sector.

In April 2016, President Al-Sisi announced the transfer of sovereignty over Tiran and Sanafir, two islands at the mouth of the Gulf of Aqaba, to Saudi Arabia during a visit to Egypt by the Saudi monarch, King Salman. The status of these islands had been disputed between Egypt and Saudi Arabia. This transfer led to protests in Cairo. In June 2016, Egypt's State Council annulled the maritime border agreement transferring the islands. The Government announced that it intends to appeal this decision. In September, the "Urgent Matters Court" issued an injunction against the freezing of the transfer.

In August 2016, the United Arab Emirates deposited U.S.\$1 billion with the CBE to support the Republic's foreign exchange reserves. This deposit has a maturity of six years.

In August 2016, the IMF announced that it had reached a staff-level agreement with the Government on a three-year EFF in an amount of approximately U.S.\$12 billion, subject to approval by the IMF's Executive Board. The EFF, when signed, will be aimed at supporting the Government's economic reform programme, improving the functioning of foreign exchange markets, reducing the budget deficit and government debt and increasing growth and creating jobs.

In September 2016, Saudi Arabia deposited U.S.\$2 billion with the CBE to support the Republic's foreign exchange reserves.

### ***Regional Security***

The Republic is a key partner in the search for peace in the Middle East and a peaceful resolution to the Israeli-Palestinian conflict. Egypt played an important role in the negotiations leading to the Madrid Peace Conference in 1991, which, under U.S. and Russian sponsorship, brought together all parties in the region to discuss peace in the region.

During the 1991 Gulf War, Egypt formed part of the international coalition which opposed Iraq's invasion of Kuwait. Egypt deployed 35,000 troops as part of the United Nations coalition forces to liberate Kuwait, making Egypt the third largest coalition force, after the United States and the United Kingdom.

In 2000, Egypt hosted two summits at Sharm El Sheikh and one at Taba in an effort to resume the Camp David negotiations suspended in July 2000. In June 2003, Egypt hosted another summit on the Middle East peace process. A further summit was convened in Sharm El Sheikh in early 2005, which was attended by Egypt, Israel, the Palestinian Authority and Jordan. In addition, Egypt continues to play a substantial role in negotiations between the Israeli and Palestinian sides.

In November 2007, Egypt attended the international peace conference held at Annapolis, Maryland and continues to be a major regional player by attending major peace conferences and organizing bilateral and multilateral meetings in order to work to resolve the Palestinian-Israeli conflict, as well as the conflicts in Darfur, Sudan, the Republic's southern neighbour. Since the 2011 Revolution, Egypt's position as a mediator between the main Palestinian groups in Gaza and Israel has been revived, including brokering ceasefires between the two sides following a confrontation in November 2012 and August 2014.

In March 2015, the Government announced its intention to participate in Operation Decisive Storm. In April 2015, Saudi Arabia announced the end of Operation Decisive Storm and the beginning of Operation Restoring Hope, which is intended to focus on a political solution to the conflict, as well as to focus on counter-terrorism, in Yemen. The Government is also participating in Operation Restoring Hope. See "*—History—Recent Events*" and "*Risk Factors—Risks Relating to the Republic—Egypt is located in a region that has been subject to on-going political and security concerns and the "Arab Spring" has brought significant political instability to the region*".



## Press and Media

Egypt has a varied press with publications in Arabic, French and English.

Article 70 of the Constitution provides for freedom of the press, printing and paper, visual, audio and electronic publication. According to the same article, every Egyptian, whether a natural or legal, public or private person, shall have the right to own and publish newspapers and establish visual, audio and digital media outlets. Newspapers may be published once the required legal notifications have been made.

Article 211 of the Constitution provides for the establishment of a Supreme Council for the Regulation of the Media, an independent entity with the power to regulate the affairs of audio and visual media, the printed and digital press and other media outlets. Articles 212 and 213 of the Constitution also provide for the establishment of a National Press Organisation and a National Media Organisation.

The press is regulated by Law № 96 of 1996 (“**Law 96**”), as amended. Article 3 of Law 96 states that Government scrutiny of the press is prohibited, save for during war or emergency situations for national security purposes.

The anti-terrorism law, introduced in August 2015, imposes penalties on journalists who contradict official accounts of militant attacks. See “—*National Security*”.

## Health

Article 18 of the Constitution guarantees every citizen the right to health and to comprehensive health care. It also requires the State to maintain and support public health facilities, to allocate funds representing a minimum of 3% of the gross national product to health spending and to establish a comprehensive health insurance system.

The Government is committed to fulfilling the constitutional mandate to increase health and education spending and aims to establish a programme-based budgeting framework to improve monitoring and evaluation of such spending. In this respect, the Government has allocated LE 48.9 billion for public health expenditure in the 2016/17 budget, as compared to LE 45.0 billion in 2015/16, which represents a 8.9% increase in funding over the period.

The Egyptian healthcare system is served by the Government, which provides approximately 28% of healthcare services in Egypt, and private sector service providers. Government providers include: (i) the Ministry of Health (accounting for 19% of healthcare services); (ii) university hospitals (accounting for approximately 5.3% of healthcare services); and (iii) other ministries (accounting for 3.4% of healthcare services).

The following table sets out the number of health units with hospital beds, by sector, for the years indicated:

<b>Health Units with Beds by Sector</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Government sector.....	643	646	657	659	660
Private sector .....	1,265	1,351	1,422	1,403	1,406
<b>Total</b> .....	<b>1,908</b>	<b>1,997</b>	<b>2,079</b>	<b>2,062</b>	<b>2,066</b>

Source: CAPMAS

There are 523 hospitals in Egypt, including 392 hospitals offering curative and critical care, eight curative care organisations, 23 general organisations for teaching hospitals and institutes, 43 specialist centres, 39 health insurance organisation hospitals and 18 centres for the treatment of mental health and addiction.

The Government is implementing a number of measures to reform the healthcare sector, including a national plan for upgrading Egypt’s emergency services to develop a framework for the provision of quality and free emergency medical services for all citizens. National plans for cancer control for the period 2015-2018 and for the prevention, care and treatment of viral hepatitis for the period 2014-2018 have also been established.

## Education

Education has long been considered an important factor in Egypt’s development, and the Government has allocated LE 104.0 billion to education in the 2016/17 budget, as compared to estimated actual expenditures of LE 99.3 billion to education in 2015/16.

Article 19 of the Constitution guarantees every citizen the right to education. Education is compulsory until the end of secondary education (or equivalent) and the State must provide free education. In addition, Article 80 of the Constitution provides that every child shall be entitled to an early education in a childhood centre until the age of six. Article 19 also requires the state to allocate funds representing a minimum of 4% of the gross national product to education spending. The Government is committed to fulfilling the constitutional mandate to increase education and health spending.

The table below sets out the number of students and schools by educational stage for 2014/15:

Number of Students and Schools by Educational Stage				
	Total	Females	Males	Schools
	(thousands of students)			(number)
Pre-University Education (excluding Al-Azhar)				
Pre-Primary .....	1,177	566	611	10,630
Primary .....	10,255	4,967	5,288	17,847
Preparatory .....	4,523	2,228	2,295	11,228
General Secondary.....	1,535	822	713	3,114
Industrial.....	809	291	518	966
Agricultural .....	169	31	138	205
Commercial .....	668	396	272	824
Handicapped Schools .....	38	14	24	921
Other.....	107	82	25	5,018
Total.....	19,281	9,397	9,884	50,753
Al-Azhar Pre-University Education				
Primary .....	1,028	475	553	3,536
Preparatory .....	455	199	256	3,304
Secondary .....	383	162	221	2,163
Other.....	61	32	29	297
Total.....	1,927	868	1,059	9,300

Source: CAPMAS

In 2013/14, 1.7 million students were enrolled in Egyptian state universities, approximately 49.4% of whom were female, and 0.1 million students were enrolled in 19 private universities in Egypt.

## Legal Proceedings

There are 20 investment treaty arbitrations and international litigation proceedings against Egypt, of which eight are ICSID arbitrations. Egypt is vigorously defending these claims and, save as set out below, does not believe that these claims, taken singly or collectively, as and when adjudicated, will have a significant effect on Egypt's financial position.

### *Certain International Investment Treaty Claims*

*Ampal-American Israel Corporation, EGI-Fund (08-10) Investors LLC, EGI-Series Investments LLC, BSS-EMG Investors LLC and David Fischer v. the Arab Republic of Egypt and Yosef Maiman, Merhav (mnf) Ltd., Merhav Ampal Group Ltd. and Merhav Ampal Energy Holdings Limited Partnership v. the Arab Republic of Egypt*

Egypt is the respondent party in two investment treaty arbitrations brought against it on the basis of identical facts by direct and indirect shareholders of East Mediterranean Gas S.A.E. ("EMG"). The dispute concerns the performance and termination of a gas supply and purchase agreement concluded by EMG with Egyptian General Petroleum Corporation ("EGPC") and EGAS, pursuant to which EMG purchased gas for onward sale to customers in Israel, which EGPC and EGAS terminated in April 2012 following EMG's decision not to pay invoices for gas delivered for over a year.

The arbitration captioned *Ampal-American Israel Corporation, EGI-Fund (08-10) Investors LLC, EGI-Series Investments LLC, BSS-EMG Investors LLC and David Fischer v. the Arab Republic of Egypt* is brought pursuant to the Egypt-United States and Egypt-Germany Bilateral Investment Treaties, under the auspices of ICSID. The arbitration captioned *Yosef Maiman, Merhav (mnf) Ltd., Merhav Ampal Group Ltd. and Merhav Ampal Energy Holdings Limited Partnership v. the Arab Republic of Egypt* is brought pursuant to the Egypt-Poland Bilateral Investment Treaty and administered by the Permanent Court of Arbitration ("PCA").

In each arbitration the claimants allege that Egypt violated multiple obligations under the relevant treaties and customary international law, including by failing to accord fair and equitable treatment, taking arbitrary and discriminatory measures, failing to provide full protection and security, failing to observe undertakings and expropriating their investments. Egypt considers the claims to be unfounded and is vigorously defending its rights in both arbitrations.

Hearings took place in the PCA arbitration in September 2014 and in the ICSID arbitration in October and November 2014. The arbitral tribunal in the PCA arbitration has determined that it has jurisdiction to consider the claimants' claims. The tribunal in the ICSID arbitration has decided that it has jurisdiction over only some of the claimants; it has dismissed the claim of Mr. Fischer and required Ampal-American Israel Corporation and its subsidiaries to pursue their claims either in the ICSID arbitration or the PCA arbitration. The claimants in the ICSID and PCA arbitrations withdrew parts of the claims previously made in both arbitrations as a result of the ICSID tribunal's decision.

The claimants in the ICSID arbitration claim damages from Egypt quantified at U.S.\$635 million, including interest calculated to April 2014. The claimants in the PCA arbitration claim damages from Egypt quantified at U.S.\$755.4 million, including interest calculated to April 2014. No award has been issued in either arbitration to date.

*Unión Fenosa Gas, S.A. v. Arab Republic of Egypt*

Egypt is the respondent party in an investment treaty arbitration brought against it by Unión Fenosa Gas, S.A. ("UFG"). The dispute concerns gas shortages experienced by the Damietta natural gas liquefaction plant, for which UFG alleges that Egypt and its instrumentalities EGAS and EGPC are responsible. UFG's predecessor-in-interest, Unión Fenosa Desarrollo y Acción Exterior, S.A. entered into a Natural Gas Sale and Purchase Agreement dated 1 August 2000 (the "SPA") with EGPC, which subsequently assigned its rights and responsibilities under the SPA to EGAS. UFG claims that Egypt's conduct was inconsistent with obligations under the SPA and led to a situation where the natural gas supply obligations to the Damietta plant set forth in the SPA were not met.

The arbitration was commenced by UFG on 14 February 2014 pursuant to the Agreement on the Reciprocal Promotion and Protection of Investments between the Kingdom of Spain and the Arab Republic of Egypt (the "**Spain-Egypt BIT**"), under the auspices of ICSID.

UFG alleges that Egypt violated multiple obligations under the Spain-Egypt BIT, including by failing to grant fair and equitable treatment to UFG's investment, hampering by means of unjustified or discriminatory measures the management, maintenance, use, enjoyment, expansion or disposal of UFG's investment, failing to protect UFG's investment, and failing to provide UFG's investment with treatment not less favorable than that accorded to investments made by its own nationals or investors of a third country. Egypt considers the claims to be unfounded and is vigorously defending its rights in the arbitration.

UFG claims damages from Egypt quantified at U.S.\$3.92 billion, including interest calculated to 31 December 2015. A hearing on jurisdictional and merits issues is scheduled to take place in March 2017.

## THE ECONOMY

### Background

Successive Governments appointed by President Nasser between 1954 and 1970 adopted socialist and inward-looking policies aimed at reducing foreign influences, which were believed to be responsible for the inequalities in Egyptian society. The upper class and wealthy land owners did not support Nasser's plans, and capital flight was pervasive. Consequently, the Government became primarily responsible for industrial development in Egypt. As the Government's role in the economy grew, inefficiencies accumulated, quality and innovation suffered and enterprises became overstaffed.

President Sadat's "Open-Door Policy", introduced in 1974, took steps towards economic liberalisation and developing a closer relationship with Europe and the United States. His policy encouraged private sector activity and sought foreign investment through the passage of new laws, including the adoption of Law 43, which provided guarantees against nationalisation, legalised foreign investments in most economic sectors, granted tax incentives and created free trade zones.

In 1981, President Mubarak embarked on a major economic reform programme in order to improve the Egyptian economy by increasing exports, reducing unemployment and poverty and increasing the private sector's role in the economy. His policies encouraged private sector activity in the Egyptian economy and attracted investment through legalising foreign investment in most sectors of the economy.

The Republic's economy grew significantly in the period from 2004/05 to 2009/10 (at an average annual rate of 5.9%), primarily due to economic reforms implemented during that period. Economic growth was driven primarily by domestic consumption, while investment grew at a slower rate and the external sector contributed negatively. However, while the unemployment rate fell during this period, the unemployment rate remained high among the youth. Following the 2011 Revolution, the growth rate of the economy (in real GDP terms) slowed to 1.8% in 2010/11, 2.2% in 2011/12, 2.1% in 2012/13 and 2.2% in 2013/14 before increasing to 4.2% in 2014/15. This resumption of growth was primarily driven by the improving political stability in Egypt and the Government's adoption of a range of macroeconomic reforms and other measures to improve the domestic investment environment. For the period from July 2015 to March 2016, real GDP grew by 4.3%, as compared to 4.8% in the corresponding period in 2014/15. This deceleration of growth was primarily driven by an approximately 25% contraction in the tourism sector and a 33.2% contraction in the extractive industry sector. See "*—Production Services Sector—Tourism*" and "*—Commodity Sector—Extractive Industry*". Given the diversified nature of the Egyptian economy, a broad range of sectors, including agriculture, manufacturing and tourism, have contributed to the overall recovery of the economy in recent years, thereby reducing the economy's reliance on any one sector.

Real GDP is expected to grow by 4.3% in 2015/16 and 4.5% in 2016/17, according to statistics published by the IMF.

### Government Programme, Recent Developments and Reforms

Egypt possesses one of the more developed and diversified economies in the Middle East, with sectors such as tourism, agriculture, industry and services at almost equal shares in national production.

In line with the requirements of the Constitution, the Government presented its programme to the House of Representatives in March 2016.

Economic targets included in the Government's programme include:

- increasing annual real GDP growth from 4.2% in 2014/15 to 5.5-6.0% in 2018/19;
- reducing the unemployment rate from 12.7% in 2014/15 to 10-11% in 2018/19 while focusing on measures to reduce the high youth unemployment rate;
- increasing savings and investment rates from 5.9% and 14.4%, respectively, in 2014/15 to 10.0% and 19.0%, respectively, by 2017/18;
- reducing annual inflation (as measured by the CPI) from 11.0% in 2014/15 to 10.1% in 2017/18 and to single digits thereafter;
- increasing Egypt's foreign exchange reserves to cover 5-5.5 months of imports by the end of 2018/19;

- reducing the overall budget deficit to approximately 7% of GDP by 2018/19; and
- reducing the debt to GDP ratio.

The Government's programme was approved by the House of Representatives on 20 April 2016 by 433 votes in favour to 38 votes against (with five abstentions and 118 members of the House of Representatives absent). In August 2016, the IMF announced that it had reached a staff-level agreement with the Government on a three-year extended fund facility in an amount of approximately U.S.\$12 billion, subject to approval by the IMF's Executive Board. The EFF, when signed, will be aimed at supporting the Government's economic reform programme, improving the functioning of foreign exchange markets, reducing the budget deficit and government debt and increasing growth and creating jobs. The EFF is also expected to be aimed at supporting structural reforms to promote a more competitive business environment, attract investment and increase productivity through the simplification of regulations and other measures.

In addition to the Government's economic targets, the Government announced a number of additional reforms to support macroeconomic growth and stability through the implementation of monetary, fiscal and structural reforms, as well as undertaking measures to enhance social protection and human development. Reforms to support macroeconomic growth and stability include:

- diversifying the financing mix for Government borrowing needs;
- adopting a new civil service law (which was promulgated in November 2016) to contain the public sector wage bill and introduce a performance-based payment structure;
- increasing electricity tariffs with the goal of improving the efficiency of the energy sector and reducing consumption;
- implementing the VAT law (which was passed in August 2016) with the goal of expanding the tax base and improving revenue collection;
- simplifying the tax regime for SMEs, introducing a new tax dispute settlement scheme and further tax administration reforms designed to improve revenue collection and the efficiency of tax authorities;
- issuing new telecoms licences (see "*—Production Services Sector—Telecommunications*") and considering which state-owned companies may be privatised (see "*—Privatisation Programme and Role of the State in the Economy*") in order to diversify and expand Government revenues;
- implementing further subsidies reform (see "*—Public Finance— Social Spending and Subsidies*"); and
- selling government-owned land.

In addition to considering privatisations, the Government's structural reform programme includes measures to streamline industrial licensing, prepare a modern insolvency law, adopt a law intended to promote the integration of informal businesses into the formal economy and encourage SMEs. The Government's social protection measures are focused on increasing Government spending on human development, promoting job creation and improving the focus of social spending so as to benefit lower-income groups with the aim of lowering poverty rates from 27% in 2015 to 24% in 2019, as well as allocating additional resources to cash transfers to benefit 2-2.5 million families (8-10 million individuals) in Egypt's poorest villages by 2018/19.

The Government has announced its intention to upgrade Egypt's infrastructure by: (i) doubling Egypt's electricity supply, including by adding 30 gigawatts ("**GW**") by the end of 2018/19; (ii) increasing daily production of natural gas from 3.8 billion cubic feet ("**bcf**") to 4.9 bcf by the end of 2016/17 and to 7.7 bcf by the end of 2018/19; (iii) increasing the share of renewable energy in the energy mix (see "*—Commodity Sector—Energy Reform Strategy*"); (iv) adding approximately 4,900 km of new roads to Egypt's road network (representing one-third of the current network) (see "*—Production Services Sector—Transport and Warehousing—Roadways*"); and (v) completing the Cairo Metro's third line, beginning work on a fourth line and entering into financial arrangements for a fifth line (see "*—Production Services Sector—Transport and Warehousing—Railways and the Cairo Metro*").

Key Government reforms implemented in recent years include: (i) reforming the food subsidy system, introducing a ration card system to access certain subsidised products and implementing fuel price increases (see "*Public Finance— Social Spending and Subsidies*"); (ii) setting a public sector wage ceiling and centralising public sector employee hiring; (iii) amending the competition law, investment law and the labour law to encourage investment and FDI; (iv) passing a

VAT law, which introduced VAT at a rate of 13% for 2016/17 and 14% for 2017/18, subject to certain customary exemptions; (v) the introduction of a new 10% tax on capital gains and dividends (although the implementation of the capital gains tax was initially postponed for two years, it is expected to become effective in May 2017; the dividend tax came into effect on 30 June 2014); (vi) introducing a property tax on residential and commercial units valued at over LE 2 million, subject to certain exemptions (which became effective in 2014); (vii) increasing excise tax on cigarettes and alcoholic beverages in 2015 and in 2016; (viii) introducing a new mining law in 2014, which aims to increase fees and royalties due to the Government while incentivising new investment in the mining sector; and (ix) reducing the top corporate tax rate to 22.5% and extending this rate to all economic zones in 2015.

### **Privatisation Programme and Role of the State in the Economy**

The role of the private sector in the Egyptian economy has increased considerably since 2001. Government ownership of companies was reduced through privatisation and the private sector grew significantly. However, the Government's privatisation programme was discontinued in 2009, and no further privatisations have taken place since then. As part of the Government's economic reform programme, however, the Ministry of Investment is in the preliminary stages of evaluating the portfolio of state-owned companies in order to determine which companies may be privatised in the future. The Ministry of Investment expects that any future initial public offerings of state-owned companies will be structured to: (i) attract FDI; (ii) enhance transparency and corporate governance in such companies; (iii) improve stock market liquidity and introduce new sectors to the EGX; (iv) diversify Government revenue sources; and (v) widen stock ownership in Egypt. The Ministry of Investment is evaluating a number of state-owned companies for initial public offerings in the banking, oil, gas and petrochemical, electricity, building material and real estate development sectors. No decisions have yet been made.

Pursuant to Law № 203 of 1991, the role of the state in the restructuring and modernisation of the 146 public enterprises ("PEs") has been mandatory. Accordingly, the Ministry of Investment has also been focusing its efforts on developing partnerships between PEs and the private sector to examine investment opportunities in a variety of sectors, including insurance, chemicals, petrochemicals, real estate development, metallurgical industries and tourism. Such opportunities have often involved the creation of joint ventures between PEs and private sector companies. See also "*—Public Private Partnerships*". A number of investment opportunities were presented at the Egypt Economic Development Conference in March 2015 in Sharm El Sheikh. See "*External Sector—Foreign Direct Investment—Investment Projects and Initiatives*".

Following the privatisation of various companies, a number of cases were filed before the State Council contesting the validity of certain transactions. In April 2014, then-interim President Mansour, issued Law 32, which regulates the process of challenging State Contracts. See "*Risk Factors—Risks Relating to the Republic—Investment treaty arbitrations and cases challenging the privatisation of formerly public sector companies may have an impact on the financial condition of the Republic if material adverse awards or judgments are issued against Egypt or further cases are brought seeking to invalidate privatisation transactions*".

The restructuring and reengineering of PEs and the introduction of principles of corporate governance have been key objectives of the Government. PEs have, since the 2011 Revolution, faced numerous challenges, which have led to declines in revenue and profitability (especially in service sectors such as tourism), which, while in some cases have started to recover, have not been restored to pre-2011 Revolution levels.

The following table sets forth the main indicators of the PEs:

<b>Public Enterprises</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Number of PE affiliates .....	146	146	146	124	125
Number of profitable PEs .....	98	80	72	58	72
Number of Workers .....					226,213
Salaries ( <i>LE millions</i> ) .....	310,651	309,613	304,272	234,781	
	9,669	11,445	13,574	12,418	13,093
Total Operating Revenue ( <i>LE millions</i> ) .....	68,936	67,074	70,987	51,715	55,523
Net Profit (net of losses) ( <i>LE millions</i> ) .....	3,829	3,068	1,156	(1,271)	(324)
Net Equity ( <i>LE millions</i> ) .....	8,948	10,795	8,229	2,089	6,555
Investments during the fiscal year (restructuring, modernisation, renovations) ( <i>LE millions</i> ) .....	3,345	2,542	3,452	3,257	3,025
Share of Ministry of Finance in Holding Companies' profits ( <i>LE millions</i> ) .....	834	840	855	809	1,034

**Note:**

(1) Figure for 2014/15 exclude data for the affiliates of the food industries holding company, which have been transferred to the Ministry of Supply and Internal Trade.

Any Government decision to restructure a PE is influenced by a number of factors, including financial considerations (such as return on investment) and socio-economic considerations. Public commercial banks may no longer provide any financing to a PE unless they are satisfied that the relevant PE will be able to repay any such debts incurred. Certain PEs, such as aluminium and steel companies and those in the chemical and insurance industries, among others, require extensive restructuring, including by way of cash injection or a partial retention of profits. The Government also seeks to consolidate companies within sectors where such consolidation may result in improved financial performance as a result of the combined companies taking advantage of economies of scale.

Various sector-based restructuring packages are either being prepared or implemented. For example, in the textiles sector, in which PEs employ approximately 60,000 workers, a special committee was established by order of the Prime Minister to prepare a comprehensive analysis and a phased plan for the restructuring of textile PEs. The final report estimated that the cost to restructure PEs in the textile sector would be approximately LE 6 billion. The Government has appointed an international consultant to conduct a full feasibility study and to develop an investment plan in respect of the recommendations in the final report.

Separately, in the iron and steel sectors, the Government is finalising a restructuring plan, which focuses on the renovation of existing facilities and furnaces and is estimated to cost approximately U.S.\$340 million, and conducting a project to increase production capacity.

In the second half of 2014, the Ministry of Investment announced the implementation of a PE monitoring programme, pursuant to which, the Ministry of Investment will evaluate financial results of PEs on a monthly rather than an annual basis in order to improve oversight and allow for more timely remedial action to be taken, if necessary.

### ***Principles of Corporate Governance, Good Management and Disclosure***

The Government has encouraged the modernisation of public sector enterprise management through the introduction and adoption of best practice corporate governance and improved disclosure. The Egyptian Institute of Directors, established in 2003 by the Ministry of Investment, is in charge of the adoption of corporate governance principles by both public and private sector companies in Egypt and provides workshops and training courses to acquaint management with these principles. In 2011, the Egyptian Institute of Directors was transferred from the authority of Ministry of Investment to the Egyptian Financial Supervisory Authority ("EFSA"). The Egyptian Institute of Directors collaborates with a number of leading international organisations, including the United Nations Development Program, the World Bank Institute, International Finance Corporation, the Organisation for Economic Cooperation and Development, the EU, the Center for International Private Enterprise and other local authorities.

### **Gross Domestic Product**

Following the 2011 Revolution, the growth rate of the economy (in real GDP terms) slowed to 1.8% in 2010/11, 2.2% in 2011/12, 2.1% in 2012/13 and 2.2% in 2013/14, before increasing to 4.2% in 2014/15. The slower rate of growth reflected the political and security challenges that Egypt faced since 2011, which resulted in a reduction in net FDI

inflows, a decline in Suez Canal receipts and declines in manufacturing outputs, exports, earnings from tourism and earnings in the extractive industry sector as a result of the significant decline in international crude oil prices. Growth has increased in recent periods as confidence has increased due to improved political stability and the Government's adoption of reform measures. See "*Recent Developments and Reforms*". For the period from July 2015 to March 2016, real GDP grew by 4.3%, as compared to 4.8% in the corresponding period in 2014/15. This deceleration of growth was primarily driven by an approximately 25% contraction in the tourism sector and a 33.2% contraction in the extractive industry sector. See "*Production Services Sector—Tourism*" and "*Commodity Sector—Extractive Industry*". The diversified nature of the Egyptian economy, however, reduces the Egyptian economy's reliance on any one sector, with a broad range of sectors, including agriculture, manufacturing and tourism, all contributing significantly to the overall recovery of the economy in the past two years.

The commodity sector includes agriculture, forestry and fishing, extractive industry, manufacturing, electricity, water and construction and building. It contributed LE 1,168.1 billion to GDP in 2014/15, or 47.5%, making it the largest contributor to GDP. In 2013/14, the commodity sector grew, in nominal terms, by 14.6% and, in 2014/15, the commodity sector grew, in nominal terms, by 7.0%. The continued growth in 2014/15 was primarily attributable to increases in the manufacturing industries, which grew by 14.2% in 2014/15, and the construction and building industry, which grew by 24.1% in 2014/15. The deceleration in growth in 2014/15, as compared to 2013/14, was primarily due to the contraction of 10.5% in the extractive industry sector in 2014/15, as compared to growth of 13.5% in 2013/14. The commodity sector contributed LE 912.5 billion to GDP in the period from July 2015 to March 2016, or 45.0%.

Production services include transport and warehousing, telecommunications, information, revenues from the Suez Canal, wholesale and retail trade, financial intermediation, insurance, social insurance and tourism. The production services sector contributed LE 656.3 billion to GDP, or 26.7%, in 2014/15. In 2014/15, the production services sector grew, in nominal terms, by 16.1%, as compared to 9.9% in 2013/14. This growth was primarily attributable to increases in the rate of growth of the wholesale and retail trade industry, which grew by 16.1% in 2014/15, the transport and warehousing industry, which grew by 15.7% in 2014/15, and the financial intermediation business, which grew by 15.0% in 2014/15. The production services sector contributed LE 596.2 billion to GDP for the period from July 2015 to March 2016, or 29.4%.

Social services include general Government services, education, health, real estate and other services. The social services sector contributed LE 634.6 billion to GDP, or 25.8%, in 2014/15. General Government expenditures represented 43.4% of this sector in 2014/15, or LE 275.7 billion, and grew by 29.3% in 2014/15. The social services sector contributed LE 517.5 billion to GDP for the period from July 2015 to March 2016, or 25.5%.



The following table sets forth the composition of Egypt's GDP at market prices (including net indirect taxes) for the periods indicated.

<b>Nominal Gross Domestic Product<sup>(1)</sup></b>							
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15<sup>(2)</sup></b>	<b>Jul-March 2014/15</b>	<b>Jul-March 2015/16<sup>(2)(3)</sup></b>
	<i>(LE millions, except where indicated)</i>						
<b>Nominal GDP .....</b>	<b>1,371</b>	<b>1,657</b>	<b>1,844</b>	<b>2,102</b>	<b>2,430</b>	1,864	2,052
<b>Domestic Demand .....</b>	<b>1,428</b>	<b>1,789</b>	<b>1,962</b>	<b>2,282</b>	<b>2,635</b>	2,021	2,240
Final Consumption .....	1,193	1,521	1,697	1,991	2,286	1,768	1,953
Private Consumption .....	1,036	1,334	1,486	1,739	1,998	1,567	1,733
Public Consumption .....	157	187	211	252	287	202	220
Investment <sup>(4)</sup> .....	235	268	264	291	349	253	287
<b>Net Exports .....</b>	<b>(57)</b>	<b>(133)</b>	<b>(118)</b>	<b>(180)</b>	<b>(205)</b>	<b>(157)</b>	<b>(187)</b>
Exports of Goods and Services <sup>(5)</sup> .....	282	275	317	303	321	251	203
Imports of Goods and Services ....	339	407	435	483	526	408	390
<i>Final Consumption (% of GDP) ..</i>	<i>87</i>	<i>92</i>	<i>92</i>	<i>95</i>	<i>94</i>	<i>95</i>	<i>95</i>
<i>Investment (% of GDP)<sup>(4)</sup> .....</i>	<i>17</i>	<i>16</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>
<i>Exports of Goods and Services (% of GDP)<sup>(5)</sup> .....</i>	<i>21</i>	<i>17</i>	<i>17</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>10</i>
<i>Imports of Goods and Services (% of GDP) .....</i>	<i>25</i>	<i>25</i>	<i>24</i>	<i>23</i>	<i>22</i>	<i>22</i>	<i>19</i>

Source: Ministry of Planning

**Notes:**

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Preliminary data.
- (3) Full year GDP figures for 2015/16 are not available as at the date of this Prospectus. According to estimates published by the IMF, real GDP is expected to grow by 4.3% in 2015/16.
- (4) Includes fixed capital formation and change in inventory.
- (5) Includes shares of foreign partners in the oil sector.

The following table sets forth the composition of Egypt's GDP at constant prices (including net indirect taxes) for the periods indicated.

<b>Gross Domestic Product at Constant Prices<sup>(1)</sup></b>							
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15<sup>(2)</sup></b>	<b>Jul-Mar 2014/15</b>	<b>Jul-Mar 2015/16<sup>(2)(3)</sup></b>
	<i>(LE millions, except where indicated)</i>						
<b>Real GDP</b> .....	<b>894</b>	<b>1,576</b>	<b>1,609</b>	<b>1,729</b>	<b>1,802</b>	<b>1,374</b>	<b>1,432</b>
Final Consumption ....	761	1,450	1,489	1,634	1,688	1,306	1,375
Private Consumption .	662	1,271	1,304	1,426	1,466	1,149	1,212
Public Consumption	99	179	185	207	222	157	163
Investment <sup>(4)</sup> .....	172	258	233	250	272	196	207
<b>Net Exports</b> .....	<b>(39)</b>	<b>(133)</b>	<b>(114)</b>	<b>(154)</b>	<b>(157)</b>	<b>(128)</b>	<b>(150)</b>
Exports of Goods and Services <sup>(5)</sup> .....	244	275	291	256	255	191	154
Imports of Goods and Services .....	282	407	405	410	412	319	304
<i>Final Consumption (% of GDP)</i> .....	85	92	93	95	94	95	96
<i>Investment (% of GDP)<sup>(4)</sup></i> .....	19	16	14	14	15	14	14
<i>Exports of Goods and Services (% of GDP)<sup>(5)</sup></i> .....	27	17	18	15	14	14	11
<i>Imports of Goods and Services (% of GDP)</i> .	32	26	25	24	23	23	21

Source: Ministry of Planning

**Notes:**

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Preliminary data.
- (3) Full year GDP figures for 2015/16 are not available as at the date of this Prospectus. According to estimates published by the IMF, real GDP is expected to grow by 4.3% in 2015/16.
- (4) Real GDP is calculated using constant prices using 2006/07 as the base year for each year from 2009/10 to 2011/12 and using 2011/12 as the base year for subsequent years.
- (5) Including change in inventory.

## Principal Sectors of the Economy

The following table sets forth the composition of Egypt's nominal GDP at factor cost, by economic activity, at current prices for the periods indicated.

Gross Domestic Product by Sector (at Factor Cost) <sup>(1)(2)</sup>							
	2010/11	2011/12	2012/13	2013/14	2014/15 <sup>(3)</sup>	July-Mar 2014/15	July-Mar 2015/16 <sup>(3)(4)</sup>
	(LE millions, except where indicated)						
<b>GDP</b> .....	<b>1,309,906</b>	<b>1,695,096</b>	<b>1,908,314</b>	<b>2,177,820</b>	<b>2,459,025</b>	<b>1,885,473</b>	<b>2,026,168</b>
<b>Nominal GDP Growth Rate (%)</b> .....	<b>13.8</b>	<b>29.4</b>	<b>12.6</b>	<b>14.1</b>	<b>12.9</b>	<b>31.4</b>	<b>7.5</b>
<b>Total Commodity Sector</b> .....	<b>682,156</b>	<b>846,127</b>	<b>951,805</b>	<b>1,091,157</b>	<b>1,168,065</b>	<b>901,250</b>	<b>912,483</b>
<i>Growth (%)</i> .....	<i>15.2</i>	<i>24.0</i>	<i>12.5</i>	<i>14.6</i>	<i>7.0</i>	<i>15.2</i>	<i>1.2</i>
Agriculture, Forestry and Fishing .....	190,159	188,785	209,748	241,493	274,960	216,360	245,821
Extractive Industry .....	195,136	278,234	309,074	350,660	313,739	239,231	159,719
Petroleum .....	81,566	110,619	124,748	146,953	137,511	103,997	69,033
Natural Gas .....	108,206	145,040	159,339	175,371	144,227	111,731	64,018
<i>Growth (%)</i> .....	<i>16.9</i>	<i>34.0</i>	<i>9.9</i>	<i>10.1</i>	<i>(17.8)</i>	<i>(18.1)</i>	<i>(42.7)</i>
Other .....	5,364	22,575	24,987	28,336	32,000	23,503	26,668
Manufacturing Industry .....	216,184	270,723	308,982	357,296	407,869	320,055	354,904
Petroleum Refinement .....	14,829	69,961	82,792	95,446	102,274	79,543	87,925
Other .....	201,355	200,762	226,190	261,849	305,595	240,512	266,979
Electricity .....	16,832	27,109	30,173	33,974	39,216	29,434	34,597
Water .....	3,775	10,329	11,353	12,602	14,247	10,774	12,244
Construction and Building .....	60,070	70,947	82,475	95,133	118,035	85,351	105,198
<i>Growth (%)</i> .....	<i>14.2</i>	<i>18.1</i>	<i>16.2</i>	<i>15.3</i>	<i>24.1</i>	<i>32.1</i>	<i>23.3</i>
<b>Total Production Services</b> .....	<b>404,837</b>	<b>460,437</b>	<b>514,076</b>	<b>565,188</b>	<b>656,315</b>	<b>530,729</b>	<b>596,154</b>
<i>Growth (%)</i> .....	<i>11.1</i>	<i>13.7</i>	<i>11.6</i>	<i>9.9</i>	<i>16.1</i>	<i>29.6</i>	<i>12.3</i>
Transport Rate and Warehousing .....	53,351	69,629	78,358	91,130	105,473	77,884	91,255
Telecommunications .....	37,301	24,014	26,509	30,054	33,652	36,612	39,473
Suez Canal .....	29,311	31,203	32,396	37,236	41,293	30,153	31,836
<i>Growth (%)</i> .....	<i>13.6</i>	<i>6.5</i>	<i>3.8</i>	<i>14.9</i>	<i>10.9</i>	<i>11.2</i>	<i>5.6</i>
Wholesale and Retail Trade .....	150,658	213,293	237,390	273,391	317,467	247,686	288,848
Financial Intermediation .....	44,834	64,321	71,615	82,157	94,511	74,938	85,601
Insurance and Social Insurance .....	47,627	12,302	13,981	16,055	18,774	13,960	15,975
Tourism (Hotels and Restaurants) .....	41,755	45,675	53,827	35,165	45,144	49,496	43,166
<i>Growth (%)</i> .....	<i>4.3</i>	<i>9.4</i>	<i>17.8</i>	<i>(34.7)</i>	<i>28.4</i>	<i>54.1</i>	<i>(12.8)</i>
<b>Total Social Services</b> .....	<b>222,912</b>	<b>388,532</b>	<b>442,433</b>	<b>521,474</b>	<b>634,645</b>	<b>453,540</b>	<b>517,532</b>
<i>Growth (%)</i> .....	<i>14.8</i>	<i>74.3</i>	<i>13.9</i>	<i>17.9</i>	<i>21.7</i>	<i>87.1</i>	<i>14.1</i>
Real Estate .....	34,066	153,042	174,151	200,679	235,050	172,856	204,050
General Government .....	133,688	150,924	174,234	213,144	275,688	186,339	204,489
Education .....	14,558	29,373	32,486	37,424	43,018	32,642	37,686
Health .....	16,595	36,842	40,875	46,451	53,694	41,109	47,458
Other Services <sup>(5)</sup> .....	24,005	18,352	20,687	23,777	27,196	20,594	23,849

Source: Ministry of Planning

### Notes:

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- (3) Preliminary data.
- (4) Full year GDP figures for 2015/16 are not available as at the date of this Prospectus. According to estimates published by the IMF, real GDP is expected to grow by 4.3% in 2015/16.
- (5) Includes the information sector.

## Investment by Sector

The single largest contributor to investment in the Egyptian economy is the private business sector, which invested LE 191.0 billion in the Egyptian economy (or 57.2% of total investment) in 2014/15. Public sector entities, including the Government, economic authorities ("Economic Authorities") (See "Public Finance—Treatment of Public Sector and State-Owned Entities—Economic Authorities") and PEs, invested LE 142.8 billion (or 42.7% of total investment) in the Egyptian economy in 2014/15. The commodity sector received 40.4% of total investment (which represented 5.5% of GDP) in 2014/15, the production services sector received 30.2% of total investment (which represented 4.1% of GDP), and the social services sector received 29.5% of total investment (which represented 4.0% of GDP).

From July 2015 to March 2016, investments grew by LE 34.5 billion, or 14.6%, as compared to the corresponding period in 2014/15.

The following table sets forth the distribution of total investments in the Egyptian economy between July 2015 and March 2016.

<b>Distribution of Investment in the Egyptian Economy<sup>(1)(2)</sup></b>						
	<b>Government</b>	<b>Economic Authorities</b>	<b>Public Business Sector</b>	<b>Private Business Sector</b>	<b>Total</b>	<b>Percentage of Total Investments</b>
			(LE millions)			(%)
<b>Total Investments .....</b>	<b>39,897</b>	<b>27,394</b>	<b>24,933</b>	<b>179,400</b>	<b>271,624</b>	<b>100.0</b>
<b>Total Commodity Sector .....</b>	<b>6,584</b>	<b>2,843</b>	<b>21,390</b>	<b>91,817</b>	<b>122,634</b>	<b>45.1</b>
Agriculture, irrigation and fishing ..	3,731	78	0.4	6,960	10,769	4.0
Crude oil, mining and natural gas ...	—	9	3,582	40,957	44,548	16.4
Manufacturing industries and petroleum products .....	79	7	5,634	36,400	42,120	15.5
Electricity and water .....	2,618	2,747	7,860	1,000	14,225	5.2
Construction and building .....	155	2	4,314	6,500	10,971	4.0
<b>Total Production Services .....</b>	<b>12,008</b>	<b>22,668</b>	<b>3,450</b>	<b>41,870</b>	<b>79,996</b>	<b>29.5</b>
Transportation and communication	11,982	22,647	3,093	27,870	65,592	24.1
Wholesale and retail trade .....	—	5	207	11,500	11,711	4.3
Financial services, insurance and social solidarity .....	18	0.2	0.3	—	18.5	0.007
Tourism .....	8	16	150	2,500	2,674	1.0
<b>Total Social Services .....</b>	<b>21,305</b>	<b>1,884</b>	<b>93</b>	<b>45,713</b>	<b>68,995</b>	<b>25.4</b>
Housing and real estate activities....	3,519	261	—	31,713	35,493	13.1
Educational services .....	4,769	231	—	3,900	8,901	3.3
Health services .....	2,236	180	—	3,200	5,616	2.1
Other services .....	10,780	1,211	93	6,900	18,985	7.0

Source: Ministry of Planning

**Notes:**

(1) Preliminary data.

(2) Excluding change in inventory.

## Commodity sector

Egypt's commodity sector is well diversified and represented 47.5% of GDP in 2014/15, as compared to 50.1% in 2013/14. The commodity sector includes agriculture, forestry and fishing, extractive industry, manufacturing, electricity, water and construction and building.

### Agriculture, forestry and fishing

The agricultural, forestry and fishing sector accounted for 11.2% of Egypt's GDP in 2014/15, as compared to 11.1% in 2013/14. From July 2015 to March 2016, the sector grew by 13.6% as compared to the corresponding period in 2014/15, accounting for 12.1% of GDP.

Approximately 96% of Egypt's total area is desert. The lack of forests, permanent meadows or pastures places a heavy burden on the available arable land.

Agricultural land in Egypt is primarily located in the Nile River valley and the Delta. According to statistics published by CAPMAS in 2016, in 2014, the total planted area was approximately 8.9 million acres (3.7 million hectares), representing approximately 3.7% of the total land area of Egypt and of which 0.5 million acres (0.2 million hectares) is reclaimed land. Other than along the Mediterranean coast, all agricultural land in Egypt is irrigated. Agricultural landholdings are fragmented, with average farm sizes of 2 *feddans* (0.8 hectares). Land under cultivation in Egypt is generally productive, with some land able to yield harvests two or three times per year, however increasing salinity affects up to 35% of land under cultivation. Certain principal field crops are corn, rice, wheat, sugar, sorghum, and broad beans (*fava ful*). Despite a considerable output, cereal production in Egypt falls short of total consumption needs. Accordingly, a proportion of foreign exchange is spent annually on the import of cereals and milling products. Other

important crops include sugar cane, tomatoes, sugar beets, potatoes and onions. Many varieties of fruit are grown, and some, such as citrus fruits, are exported.

### *Agricultural Policy*

Agricultural policy is a key component of the Government's development plans for the economy. Government objectives for the agricultural sector include: (i) ensuring the sustainable use of natural, agricultural resources; (ii) increasing agricultural productivity; (iii) raising the food security of strategic food commodities; (iv) increasing the competitiveness of Egyptian agricultural products in local and international markets; (v) improving the climate for agricultural investment; and (vi) improving the living standards of rural inhabitants and reducing poverty rates in rural areas. In particular, the Government's Agricultural Development Strategy aims to improve agricultural productivity by 2030 through: (i) planting newly-developed crop varieties, which are resistant to drought, salinity and pests; (ii) planting earlier-maturing crop varieties; (iii) increasing clover productivity; (iv) developing long- to medium-staple cotton varieties, which yield higher economic returns; and (v) improving integrated farm management and cultural practices.

The following table sets out targeted crop productivity in 2030 under the Agricultural Development Strategy, by crop type:

Targeted Crop Productivity	
Crop	Yield in 2030 (tonnes per feddan)
Wheat .....	3.6
Rice .....	5.2
Maize.....	5.0
Sugar Cane .....	65.4
Sugar Beet .....	35.0
Perennial Clover .....	50.0
Citrus.....	15.0
Grape .....	14.0
Mango.....	10.0
Tomatoes .....	30.0
Potatoes .....	14.0

*Source: Agricultural Research Centre*

### *Staple Production and Imports*

Although Egypt is the world's largest wheat-importing country, wheat occupies approximately 35% of the total winter crop area and is the major staple crop. Egypt has one of the highest *per capita* wheat consumption levels in the world), consumed mainly as bread. According to statistics published by the Ministry of Agriculture and Land Reclamation, as of March 2016, over 1.4 million hectares of crop area produced approximately 22.1 million tonnes of wheat. Despite increases in wheat output in recent years, Egypt continues to import substantial quantities of wheat from the United States, Canada, France, Ukraine, Russia and Argentina, among others. Total domestic consumption of wheat in 2015/16 was estimated at 19.2 million tonnes, including 11.9 million tonnes of imported wheat (representing approximately 61.9% of total wheat consumption).

In June 2014, the Government introduced plans to gradually overhaul the food subsidy scheme, pursuant to which in-kind food subsidies (*i.e.*, subsidising specific quotas for sugar, edible oil and rice) are being replaced by allocating subsidies of LE 15 to each beneficiary, which can, in turn, be used to purchase any of 54 commodities. The nationwide roll-out of this scheme was completed in 2015. In 2014/15, the Government spent LE 21.7 billion on bread subsidies and LE 17.7 billion on subsidies in the form of ration cards for food items. Bread subsidies were budgeted to be LE 22.6 billion and ration card for food items were budgeted to be LE 15.9 billion for 2015/16. See "*Public Finance—Social Spending and Subsidies*".

The Government has sought to reduce its reliance on imports, in particular wheat imports, through the adoption of measures to ensure that the maximum amount possible of each harvest reaches mills safely and in good condition. Upgrades to Egypt's network of silos, as well as planned improvements in logistics, are expected to reduce harvest wastage. In May 2014, nine new silos with a combined capacity of 45,000 tonnes, were opened in Alexandria, with a further 18 units, each capable of holding 5,000 tonnes of grain, opened in 2015. The new silos are part of a broader programme, announced in 2014, to expand the country's grain storage capacity from 3.0 million tonnes to 4.5 million tonnes in order to both reinforce food security and reduce wastage. Such measures are, in turn, also expected to reduce

Egypt's imports bill. This programme is supported by the United Arab Emirates, which has provided funding for the construction of up to 25 wheat silos with a combined capacity of 1.5 million tonnes.

Egypt has one of the highest *per capita* consumption rates of sugar in the world at 73 lbs (34 kg) per year. According to the U.N. Food and Agricultural Organisation, the global average sugar consumption per capita is 51 lbs (23 kg) per year. Egypt consumed 3.0 million tonnes of sugar in 2015, according to statistics published by the U.S. Department of Agriculture, with approximately 0.7 billion tonnes of raw sugar imported from sugar-producing nations, such as France, Brazil and Germany. Both sugarcane and sugar beet are grown on approximately 588,000 acres, mainly in Upper Egypt and the Delta. In January 2013, it was announced that an Emirati sugar producer, would launch a U.S.\$500 million project in Egypt to produce up to 400,000 tonnes per year of sugar from sugar beets. A private group is also implementing an agricultural project on 200,000 feddans, or 840 million m<sup>2</sup>, of land for a sugar beet plantation to meet the demand for beets and to cultivate crops such as wheat and corn, which is expected to reduce agricultural imports and expand arable farmland.

Rice is a major summer crop in Egypt, occupying approximately 10% of Egypt's land under cultivation. The Egyptian rice crop is irrigated and cultivation is largely located in the northern part of the Delta. Egypt is a net exporter of rice, exporting 0.3 billion tonnes in 2014/15. In December 2015, President Al-Sisi launched a project aimed at expanding Egyptian farmland by 1.5 million feddans through the reclamation of desert land in the Delta. This reclamation project is expected to be completed within two years. The state-owned Egyptian Rural Development Company will oversee the sale and distribution of desert land earmarked for reclamation.

See *"Risk Factors—Risks Relating to the Republic—Ethiopia is constructing a dam, which could reduce Nile River flows"*.

## **Manufacturing**

The manufacturing sector, which includes petroleum refining, accounted for 16.6% of Egypt's GDP in 2014/15, as compared to 16.4% in 2013/14. Egypt's largest manufacturing industries are food processing and textiles, which benefit from Egypt's competitive advantage in these sectors. Other major manufacturing industries include metallurgy, fertilisers, automotive assembly, pharmaceuticals and cement. From July 2015 to March 2016, the sector grew, in nominal terms, by 10.9%, as compared to the corresponding period in 2014, accounting for 17.5% of Egypt's GDP.

Petroleum refining contributed LE 102.3 billion, or 4.2%, to Egypt's GDP in 2014/15, as compared to LE 95.4 billion, or 4.4% in 2013/14. Egypt is Africa's second largest oil refining country and accounts for approximately 23% of total domestically-refined crude oil in Africa. There are nine refineries in Egypt, all of which are operated by EGPC, with the exception of the MIDOR Refinery in Alexandria, which is 78%-owned by EGPC, with the remainder held by other state-owned energy companies. EGPC's refineries sell a full range of refined petroleum products, including liquefied petroleum gas ("**LPG**"), naphtha, gasoline, gas oil (*i.e.*, diesel fuel) and fuel oil.

Since 2001, a number of international cement companies, including Italcementi, Cemex, Titan, Lafarge and Cimpor, have invested in the Egyptian cement industry. The Egyptian cement industry is facing challenges primarily arising from the increased price and short supply of natural gas, a key input for cement production. The price of natural gas for energy-intensive industries, such as the cement industry, was increased by the Government from U.S.\$3.00 to U.S.\$4.00 per million British thermal units ("**MBTU**") in 2012 and was further increased to U.S.\$6.00 per MBTU in February 2013. In June 2014, in line with the Government's decision to reduce fuel subsidies, the price of natural gas was increased further to U.S.\$8.00 per MBTU. There are approximately 20 cement factories in Egypt, which consume an aggregate of approximately 9% of the total amount of natural gas produced in Egypt, behind only the consumption of the electricity and fertiliser industries. In June 2014, as a result of the energy-intensive nature of the cement industry, the Government lifted the ban on the import and use of coal for energy generation, which is expected to increase utilisation rates and provide certain cost savings.

In 2015, 279,300 automobiles were sold in Egypt, as compared to 293,000 in 2014. According to Automotive Marketing Information Council's ("**AMIC**") 2015 report, sales of private automobiles decreased by 5.9% from 207,970 in 2014 to 196,470 in 2015, while sales of buses increased by approximately 6.6% and sales of trucks decreased by approximately 7.7 % over the same period. There are approximately 556 companies in the car assembly and automobile parts industries, which generate sales of approximately LE 40 billion (LE 30 billion of which is generated by sales of private automobiles). A number of major brands, including General Motors, Mercedes, Hyundai, BMW and China's Chery, assemble automobiles in Egypt. In 2015, 12,000 passenger automobiles and 24,000 commercial vehicles were produced in Egypt, a decline of 15.3% from the previous year, partially as a result of the impact of subsidy reforms, which negatively affected demand for automobiles, as well as a decrease in tariffs imposed on automobiles imported from the EU. Egypt also has a growing automobile components industry which takes advantage of the

country's low labour costs, low overheads and geographical location. With a large domestic market and a substantial local manufacturing base, Egypt's automotive retail sector is one of the largest in the MENA region.

### ***Extractive Industry***

Petroleum and related products comprise one of Egypt's key economic sectors. Petroleum and natural gas (excluding petroleum refining) accounted for 11.5% of GDP in 2014/15 and 14.8% in 2013/14. From July 2015 to March 2016, the sector declined by 33.2%, as compared to the corresponding period in 2014, accounting for 7.9% of GDP, principally due to lower international oil prices.

Fluctuations in world oil prices impact the contribution of this sector to GDP. According to statistics published by the U.S. Energy Information Administration, the average spot price of Brent crude oil declined to U.S.\$52.32 per barrel in 2015 as compared to U.S.\$98.97 per barrel in 2014 and U.S.\$108.56 per barrel in 2013. In the nine months ended 30 September 2016, the average spot price of Brent crude oil declined further to U.S.\$36.49 per barrel. As at 3 October 2016, the spot price of Brent crude oil had increased to U.S.\$48.24 per barrel. In addition to petroleum and natural gas, Egypt's natural resources include iron ore, phosphates, manganese, limestone, gypsum, coal, lead, talc and zinc. Iron ore is mined in the western desert and near Aswan in southern Egypt. Phosphates are mined in the Sinai Peninsula.

EGPC, the main state-owned entity acting in the oil and gas sector, accounts for approximately 20% of oil production. Multinational companies, such as Apache Corporation, ENI, Dana Gas, GDF Suez Group, Hess, Shell, Total Gas & Power, BG and BP, have operated both upstream and downstream activities in Egypt's petroleum and natural gas industry for many years, helping to achieve significant developments in the sector and the discovery of further reserves. The Government encourages foreign entities to conduct exploration for new oil and gas fields throughout the Republic. Once a new field has been identified, the foreign entity and either EGPC or EGAS generally enter into a development lease agreement and establish a joint operating company to develop the new field.

### ***Petroleum***

Petroleum accounted for 5.6% of GDP in 2014/15 and 6.7% in 2013/14. From July 2015 to March 2016, the sector declined by 33.6%, as compared to the corresponding period in 2014, accounting for 3.4% of GDP. Foreign and local investments in the oil sector decreased from U.S.\$7.2 billion in 2014/15 to U.S.\$6.6 billion in 2015/16.

The number of oil sector agreements between Egypt and international oil companies or other countries has increased over the last ten years with a total of 493 such agreements in place in 2015/16. New field exploration activity decreased, however, in 2015/16 with 38 exploration projects underway during the year, as compared to 57 projects in 2014/15.

According to statistics published by EGPC, Egypt's oil production derives from the Western Desert (56%), the Gulf of Suez (20%), the Eastern Desert (10%), Sinai (10%), the Mediterranean Sea (3%), the Delta (1%) and Upper Egypt (less than 1%). Most of Egypt's oil production is derived from relatively small oil fields that are connected to larger, regional production systems. Oil fields in Egypt are considered mature as they have been producing oil since the 1960s. As Egypt's current oil fields continue to mature, production from these fields has fallen. EGPC is the economic corporation responsible for the development and exploitation of Egypt's petroleum resources and for ensuring the supply of various petroleum products within Egypt. In recent years, two companies have been formed that operate; alongside EGPC, EGAS, which focuses on natural gas activities and the exploitation of gas reserves, and Egyptian Petrochemical Holding Company ("ECHEM"), which focuses on the petrochemicals business. Ganoub El-Wady Petroleum Holding Company ("GANOPE") has also been established to develop oil and gas activities in Southern Egypt. EGAS, ECHEM and GANOPE are wholly-owned subsidiaries of EGPC.

In recent years, the country has experienced shortages of fuel that have prompted an increased demand for alternative sources of supply, although the Government had previously sought to address fuel price increases as a result of shortages through the use of subsidies. Since July 2014, however, the Government has sought to reduce such subsidies and has implemented a number of fuel price increases, the most recent of which were implemented on 4 November 2016. See "*Electricity Subsidies*" and "*Public Finance—Social Spending and Subsidies*".

EGPC paid U.S.\$5.5 billion in arrears to international oil and gas companies in 2015/16, which reduced arrears to U.S.\$3.4 billion, as at 30 June 2016. EGPC paid the full amount in respect of its purchases of oil, gas and condensates in 2015/16, as well as certain invoices relating to previous years. EGPC is committed to not accumulating further arrears and to settling remaining outstanding arrears in by the end of 2016/17. See "*Energy reform strategy*" and "*Public Finance—Social Spending and Subsidies*".

The following table sets forth the amount of petroleum and product production and consumption for the periods indicated.

<b>Petroleum and Product Production and Consumption</b>					
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<i>(millions of tonnes)</i>				
<b>Production</b>					
Crude Oil, LPG and Condensates .....	34.9	34.4	34.5	35.1	34.5
Natural Gas .....	46.1	44.2	39.2	35.2	31.3
<b>Total Production</b> .....	<b>81.0</b>	<b>78.6</b>	<b>73.7</b>	<b>70.3</b>	<b>65.8</b>
<b>Domestic Consumption</b>					
Petroleum and Petrochemical Products .....	32.5	34.6	29.7	38.0	39.6
Natural Gas .....	39.1	39.2	37.6	35.3	36.7
<b>Total Consumption</b> .....	<b>71.6</b>	<b>73.8</b>	<b>67.3</b>	<b>73.3</b>	<b>76.3</b>

*Sources: Information and Decision Support Centre, Ministry of Petroleum*

### *Natural gas*

Natural gas accounted for 5.9% of GDP in 2014/15 and 8.1% in 2013/14. From July 2015 to March 2016, the sector declined by 42.7%, as compared to the corresponding period in 2014, accounting for 3.2% of GDP.

As at 31 December 2014, the Ministry of Petroleum estimated that Egypt's total proven gas reserves were 77 trillion cubic feet ("TCF"), which are believed to be the third highest in Africa, after Nigeria and Algeria. Over 80% of Egypt's natural gas reserves are located in the Mediterranean and Nile Delta. In 2015/16, Egypt produced approximately 31.3 million tonnes of natural gas, as compared to 35.2 million tonnes in 2014/15. In 2015/16, gas produced from reserves in the Mediterranean region accounted for approximately 51% of total sales of natural gas, as compared to the Western Desert (34%), the Delta (12%) and the Suez Gulf and Sinai region (3%).

Exploration projects for, and discoveries of, natural gas have increased in recent years. In 2015/16, there were 14 discoveries of natural gas (three located in the Mediterranean Sea, six in the Western Desert, four in the Delta and one in the Eastern Desert). These discoveries are expected to increase Egypt's reserves by 22.4 TCF of natural gas and 30.5 mmsb of condensate.

In August 2015, the Ministry of Petroleum announced two large gas field discoveries by BP (the Atoll Field) and Eni S.A. (the Zohr Field). In June 2016, BP approved investment in the first phase of development of the Atoll Field, which is expected to deliver its first gas in the first half of 2018 and to provide 300 mcf per day of gas to the Egyptian market. In September 2016, Eni S.A. completed the drilling of the fifth well on the Zohr Field, which confirmed the potential of the field to be 30 TCF of original gas in place. The Zohr Field is expected to produce first gas by the end of 2017.

EGAS's strategy is to maximise Egypt's natural gas reserves and to attract further investment and create additional job opportunities in the sector. In line with this strategy and following a tender process involving international oil and gas companies, EGAS awarded four new blocks in the Mediterranean Sea in 2015 for gas and crude oil exploration activities. The exploration agreements for these blocks are in the process of being ratified.

EGAS and the Government's strategy in the natural gas sector is to prioritise domestic market demand and provide support to certain sectors, including the electricity sector, to meet domestic energy needs. In order to cover the gap between natural production and consumption, EGAS has been taking steps since March 2015 to import liquid natural gas ("LNG") for the domestic market. EGAS' import strategy focuses on the use of floating storage regasification units ("FSRUs"), with the first two FSRUs delivered in April 2015 and September 2015, respectively. In July 2016, EGAS launched an international tender for a third FSRU. The FSRUs have been contracted for an initial period of five years.

As at 30 June 2016, 38 concession agreements were in effect, 26 of which were between EGAS and international companies for gas and crude oil exploration (representing 18 offshore concession agreements and eight onshore concession agreements) and 12 of which were between EGPC and international companies and were subject to EGAS' supervision (representing nine offshore concession agreements and three onshore agreements).

In 2015/16, eight natural gas development projects were initiated by EGPC or private investors to expand existing facilities or develop new gas fields. These projects had a total investment cost of U.S.\$1.6 billion.



In August 2016, the Government entered into an agreement with the Cypriot government paving the way for the supply of gas to Egypt via an undersea pipeline.

EGAS has also constructed six high pressure pipelines, which increase the national gas grid by a total length of 75 km, and feeding lines to two new power stations, in order to meet increasing demands for natural gas.

Natural gas accounts for a greater proportion of energy production in Egypt than crude oil. The use of natural gas by power stations and industrial areas has increased. The share of natural gas consumed in the transportation sector has also been rising since the development of compressed natural gas (“CNG”) infrastructure and vehicles. The electricity sector accounted for approximately 62% of local gas consumption in 2015/16, while the industrial sector accounted for approximately 23%, the petroleum sector accounted for approximately 9.5%, the residential sector accounted for approximately 4.2% and the CNG sector accounted for approximately 0.9%.

Egypt has been at the forefront of promoting the adoption of natural gas vehicles, starting with a pilot programme in 1985 supported by the Ministry of Petroleum. Subsequently, a number of private companies have entered the market. In 2015/16, 8,000 vehicles were converted to natural gas, resulting in over 224,000 CNG-powered vehicles on Egyptian roads. There are 182 CNG refuelling stations and 71 CNG conversion centres, of which five CNG refuelling stations and three CNG conversion centres were opened in 2015/16.

Domestic gas consumption is focused on a number of key areas, including electricity generation and industrial activities. EGAS, together with certain foreign investors, have developed a number of gas export projects, including two projects on the Mediterranean coast and one natural gas processing plant. At the Egypt Economic Development Conference at Sharm El Sheikh in March 2015, a number of international companies announced their investment intentions, which, if completed, would result in an increase in natural gas drilling and production activities and a corresponding increase in processing capacity. In particular, in March 2015, Dana Gas PSJC, a company incorporated in the United Arab Emirates, announced that it plans to invest U.S.\$350 million in Egypt by 2018, which is intended to be used to develop new wells and facilities, for debottlenecking and to increase the company’s natural gas production.

In 2001, Egypt agreed to supply Jordan with 2.3 billion cubic metres of natural gas per year for 15 years through the Arab Gas Pipeline (“AGP”), which commenced in 2003. The AGP originates in Egypt and connects to Jordan, Syria and Lebanon. The AGP is not currently delivering any natural gas. The Egyptian National Grid is also connected to another pipeline to Ashkelon in Israel. There have been disputes following the termination of an agreement between EGPC, EGAS and EMG for the supply of gas for export to Israel. See “*The Arab Republic of Egypt—Legal Proceedings—Certain International Investment Treaty Claims*”.

### **Electricity**

Electricity generation accounted for 1.6% of GDP in each of 2014/15 and 2013/14. From July 2015 to March 2016, the sector grew by 17.5%, as compared to the corresponding period in 2014/15, accounting for 1.7% of GDP.

The following table sets forth electricity generation and consumption for the periods indicated.

<b>Electricity Generation and Consumption</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<i>(millions of megawatt hours)</i>				
<b>Domestic Electricity Consumption</b>					
Industrial.....	40.7	42.1	39.9	37.3	38.2
Commercial and household .....	54.7	60.2	63.8	66.9	72.4
Other.....	49.8	53.4	60.4	63.4	63.6
Total electricity consumed domestically .....	<b>145.2</b>	<b>155.7</b>	<b>164.1</b>	<b>167.6</b>	<b>174.2</b>
Electricity generated, but not consumed domestically (build-own-operate and transfer and interconnection)...	1.6	1.7	0.5	0.5	0.7
<b>Total Electricity Generated .....</b>	<b>146.8</b>	<b>157.4</b>	<b>164.6</b>	<b>168.1</b>	<b>174.9</b>

*Source: Ministry of Electricity and Energy*

### **Electricity Generation**

The Government views the electric power sector as a key contributor to growth in the productive sectors of the economy. Egypt has significant electricity generating capabilities. Notably, the Aswan High Dam serves as a source of hydroelectric power. As at 30 June 2016, total installed capacity of Egyptian power plants was approximately 35 GW

(including hydroelectric, thermal and wind generating capacities). With demand for electricity growing at 2-5% per year, there are several new power plants being constructed in Egypt, and the Government expects that the total installed capacity will reach 68 GW by the end of 2019/20. Accordingly, the Government's energy policy focuses on increasing supply through improving the efficiency of existing electricity plants and networks, building new plants and diversifying sources of primary power for production of electricity.

The Government is expanding its electricity interconnection with neighbouring countries. To this end, the Government and the Saudi government entered into a U.S.\$1.6 billion agreement to connect the two countries via a 12-mile underwater 3-GW electricity cable beneath the Gulf of Aqaba. This project is expected to expand each country's electricity capacity by pulling from each other's supplies during peak demand times. According to Business Monitor International ("BMI"), peak demand times in Egypt and Saudi Arabia are at different times of the day (*i.e.*, noon and midnight in Saudi Arabia and after sunset in Egypt). The pilot phase of the project is expected to be completed in 2019.

Egypt's electric transmission grid is currently connected to Jordan, Syria, Iraq, Turkey and Libya. Egypt is also a part of the Nile Basin Initiative and has announced tentative plans to interlink its transmission grid with certain countries within the organisation.

Electricity in Egypt is produced by six public production companies, and there are nine distribution companies located in North Cairo, South Cairo, Alexandria, North Delta, South Delta, Suez Canal, El-Behera, Middle Egypt and Upper Egypt. Both production and distribution companies are wholly-owned by the Egyptian Electricity Holding Company.

In addition to the Aswan High Dam, hydroelectric power is also generated at Esna and the Nagah Hamadi hydroelectric power station has a maximum generation capacity of 64 MW. In 2014/15, hydroelectric power provided 8% of Egypt's total generated power.

As part of Egypt's power generation expansion plan, the Government intends to diversify Egypt's power generation mix to reduce dependence on fossil fuel sources, which currently account for approximately 90% of generation. In this respect, the Government has announced plans to award contracts for 5 GW of nuclear power generation and to expand renewable energy capacity to 20% by 2022.

#### *Wind and Solar Power Projects*

In February 2008, the Supreme Council of Energy approved a plan, which aims to satisfy 20% of the Republic's electricity needs with renewable energy by 2022, including 12% from wind energy generating approximately 7,200 MW from grid-connected wind farms, 6% from hydroelectricity and 2% from solar energy. One-third of the funds required will be provided from public investments and the remaining two thirds from private investments comprising competitive bidding, feed-in tariffs and third party access schemes.

According to the New and Renewable Energy Authority (the "NREA"), Egypt has a number of wind power resources, especially in the Gulf of Suez and Nile Valley. The majority of Egypt's wind power is generated by the Zafarana and Hurghada wind farms. Egypt's largest non-hydro renewable project is the Zafarana wind farm, which has a capacity of 550 MW and is located on the western coast of the Gulf of Suez. The wind farm houses a number of wind projects that were developed in several stages and financed in cooperation with development banks from Germany, Denmark, Spain and Japan.

With regards to solar energy, the first concentrated solar power plant with 140 MW capacity, including a 20 MW solar field, has been in operation since July 2011. In July 2012, the Egyptian Solar Plan was approved by the Council of Ministers, which is aimed at installing facilities for the generation of approximately 3,500 MW of solar power by 2027.

In 2014, Law № 203 of 2014 was introduced by Presidential Decree to encourage the production of electricity from renewable sources. Pursuant to this law, the NREA will offer tenders for new electricity production projects to be completed using renewable energy sources. Electricity generated from such projects will be sold to the Egyptian Electricity Transmission Company at a price determined by the NREA and approved by the Council of Ministers. Private investors will also be allowed to sell such electricity directly to consumers through the national transmission and distribution grid.

In order to increase participation in the development of wind and solar power plants, the Government introduced a feed-in tariff scheme pursuant to which power purchase agreements are granted for projects financed on a build, own and operate basis. For projects approved prior to 26 October 2016, such projects will be financed 85% by FDI and 15% from domestic investment. In September 2016, the Government announced a further round of feed-in tariff financing, which ends in September 2017, for solar projects, and March 2018, for wind projects. Pursuant to this second round, build, own and operate projects will be financed 70% by FDI and 30% by domestic investment for solar projects and

60% by FDI and 40% by domestic investment for wind projects. No agreements for such financing have been entered into to date.

### *Nuclear Power Projects*

In June 2009, the Egyptian Nuclear Power Plant Authority signed a consultancy services contract with the Australian engineering company Worley Parsons for technical assistance with site selection and evaluation, as well as with certain pre-construction activities, such as project specification, quality assurance, preparation of key contracts and a financial assessment. A law to regulate the nuclear industry was adopted in March 2010, and the executive regulation was finalised in October 2011. In March 2012, the Nuclear and Radiological Regulatory Authority was established, as an independent regulator of the sector.

In November 2015, the Government entered into an agreement with a Russian company, Rosatom, to construct Egypt's first nuclear power plant. The plant is expected to be located in El Dabaa on the Mediterranean coast and will have a capacity of 4,800 MW. As part of the agreement, Russia is expected enter into a 13-year, U.S.\$25 billion loan with the Government to finance 85% of the building and operation costs of the plant. A number of contracts related to the project are still under negotiation among the relevant parties. Construction of the first nuclear reactor is expected to be completed in 2022, and the four nuclear reactors are expected to be operational by the end of 2028.

Egypt is co-ordinating this initiative with the International Atomic Energy Agency. The plan has been well received both within the country and by the international community, with several members of the international community stating that they do not see an Egyptian nuclear power plant as giving rise to a threat of nuclear proliferation.

### *Electricity subsidies*

Historically, the electricity sector has benefited from significant subsidies from the Government. Electricity subsidies were LE 23.6 billion in 2014/15. Although estimated electricity subsidies for 2015/16 increased to LE 30.1 billion, the 2016/17 budget provides for electricity subsidies to decrease to LE 27.4 billion. See "*Public Finance—Social Spending and Subsidies*".

### *Energy Reform Strategy*

The Government is implementing a short- to medium-term strategy designed to revive the energy sector and bridge the gap between supply and demand over the next five years. This strategy has the following key aims:

- *Increasing energy security by boosting, diversifying and improving Egypt's energy production and efficiency.* This objective is intended to be met through, *inter alia*, accelerating existing gas field development, encouraging new exploration activities, securing LNG import contracts, expanding Egypt's power generation capacity, implementing energy efficiency rules in a new electricity law and implementing a new renewable energy law.
- *Increasing energy sustainability and the use of renewable energy.* This objective is intended to be met through, *inter alia*, paying down arrears to international oil and gas companies, reducing and restructuring energy subsidies (see "*Electricity Subsidies*" and "*Public Finance—Social Spending and Subsidies*") and mitigating the impact of the removal of subsidies.
- *Improving governance of the energy sector and encouragement of private sector investment.* This objective is intended to be met through, *inter alia*, developing a national energy strategy, further opening the oil and gas sector to private investment.

At the Egyptian Economic Development Conference held in Sharm El Sheikh in March 2015, a number of proposed investments in the energy sector were agreed. In connection with such investments, the German company Siemens was awarded a €6 billion engineering and procurement contract (excluding site preparation) to build three combined cycle power plants, each with a capacity of 4,800 MW. The first plant is expected to be constructed by the end of 2016. Siemens is also constructing six high voltage transformer substations at an expected cost of €238 million. In addition, the Chinese State Grid Company has been awarded a project to upgrade the Egyptian transmission network by adding more than 1,210 km of high voltage overhead transmission lines. This project is expected to cost U.S.\$757 million. See "*External Sector—Foreign Direct Investment—Investment Projects and Initiatives*".

In 2011, the EU and the Government announced the Energy Sector Policy Support Programme, a €60 million programme aimed at implementing energy reforms, improving energy security and promoting sustainable development.

This support has included reviewing and updating Egypt's Energy Strategy and developing a medium-term action plan for the energy sector.

In July 2015, Law № 87 of 2015 was introduced aimed at liberalising the electricity market. Pursuant to this new electricity law, the Government has an increased regulatory role and a reduced market player role. The law aims to encourage private sector investment in the electricity market and permits the state to give up management of the electricity sector's public utilities. The law also separates the Egyptian Electric Utility and Consumer Protection Regulatory Agency from the Electricity Ministry, making it an independent body tasked with regulating the electricity market.

### ***Construction and Building***

The construction sector has been one of the fastest growing sectors of the Egyptian economy, growing by 16.2% in 2012/13, 15.3% in 2013/14 and 24.1% in 2014/15. The construction sector's share of Egypt's GDP was 4.8% in 2014/15, as compared to 4.4% in 2013/14. From July 2015 to March 2016, the sector grew by 23.3%, as compared to the corresponding period in 2014/15, accounting for 5.2% of GDP.

The construction sector is expected to continue to grow as a result of major public projects, such as regional airport expansion, healthcare facilities and infrastructure projects, including in the electricity and water sectors, as well as new residential developments encouraged by the Government's policy to increase access to housing finance.

### ***Housing***

Following the 2011 Revolution, the level of activity in the housing market declined and investments, sales, lease rates and the rate of capital appreciation were negatively impacted. The housing sector has since recovered and there is steady demand for housing. According to CAPMAS estimates, Egypt's population has grown to 90.1 million as of January 2016, an average annual growth rate of over 2.6% since 2006. As of January 2016, approximately 61% of the population was below 29 years old, with this youth population growing at a rate of 2.5% per year. These population growth rates are expected to maintain the need for housing in the coming years.

During the Egypt Economic Development Conference in March 2015, the Minister of Housing announced plans to construct a new capital to be located east of Cairo and outside the Second Greater Cairo Ring Road in a currently largely undeveloped area halfway to the seaport city of Suez. It is anticipated that the new city would become the new administrative and financial capital of Egypt, housing the main government departments and ministries, as well as foreign embassies. It would also provide accommodation for up to five million people. Although there have been issues regarding the private funding of the project, the Government's current policy is to continue with the project. The total cost of the project has not yet been finalised and the Government is continuing to explore financing options for this project.

In December 2015, Law № 115/2015 was passed, which regulates pledges over moveables. Pursuant to the new law a new notarisation regime has been established to notarise pledges on a movable and moveables can remain the possession of the debtor. The law, which is enforced by the EFSA, is intended to facilitate and regulate the mortgage process in Egypt.

### **Production Services Sector**

The production services sector represented 26.7% of GDP in 2014/15, as compared to 26.0% in 2013/14. From July 2015 to March 2016, the sector grew by 12.3%, as compared to the corresponding period in 2014/15, accounting for 29.4% of GDP.

### ***Finance***

There are 38 banks registered with the CBE. The financial sector contributed 3.8% to GDP in both 2014/15 and in 2013/14. From July 2015 to March 2016, the sector grew by 14.2%, as compared to the corresponding period in 2014/15, accounting for 4.2% of GDP. There are three wholly state-owned commercial banks. In addition, the financial sector also includes non-bank financial institutions such as brokerage firms, investment banks and mutual funds. See "*Monetary System*" for further details.

The on-going banking sector reform programme of the CBE, which includes measures to strengthen banking supervision and regulation and reduce non-performing loans ("**NPLs**"), has aided the Egyptian banking system in withstanding the challenges posed by the 2011 Revolution and the external shock of the global financial crisis, has enhanced competition in the banking industry and has created a healthier business environment.

See “Monetary System”.

### Transport and Warehousing

Transport and warehousing, excluding the Suez Canal, contributed 4.3% to GDP in 2014/15 as compared to 4.2% in 2013/14. From July 2015 to March 2016, the sector grew by 17.2%, as compared to the corresponding period in 2014/15, accounting for 4.5% of GDP.

### Suez Canal

A primary driver of economic activity in this sector is the Suez Canal. Suez Canal revenues increased by 10.9% in 2014/15 to LE 41.3 billion from LE 37.2 billion in 2013/14.

In 2015, petroleum (both crude oil and refined products) and LNG accounted for 22.2% and 3.3%, respectively, of Suez Canal cargoes, measured by cargo tonnage. In 2015, 17,483 ships transited the Suez Canal, of which 24.7% were petroleum tankers and 3.8% were LNG tankers. As it is only 1,000 feet wide at its narrowest point, crude oil tankers classed as “Very Large Crude Carriers” or “Ultra Large Crude Carriers” cannot pass through the Suez Canal.

The following table provides information relating to Suez Canal traffic for the periods indicated.

Suez Canal Traffic <sup>(1)</sup>						Jul – Mar
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>(2)(3)</sup>
Number of vessels <sup>(4)</sup> .....	18,050	17,664	16,664	16,744	17,544	13,105
Vessels (millions of tonnes) .....	897	939	912	931	992	749
Receipts (U.S.\$ millions) ..	5,053	5,208	5,032	5,369	5,362	3,878

Source: Suez Canal Authority

#### Notes:

- (1) The data in this table differs from previously published data due to the revision of petroleum sector figures.
- (2) Preliminary data.
- (3) Interim data is not necessarily indicative of full year results.
- (4) Includes oil tankers and other vessels.

In August 2014, President Al-Sisi announced the Suez Canal project, to construct a new canal of 60-95 km, in addition to the deepening and widening of the Great Bitter Lakes by-passes and the Ballah by-pass of the existing canal. The new canal, parallel to the existing one, which was opened by President Al-Sisi in August 2015, cost approximately U.S.\$8.5 billion to construct and is intended to maximise the economic benefits of the present canal and its by-passes and to increase the capacity of the waterway to facilitate traffic in both directions, thereby minimising the waiting time for transiting ships in order to service anticipated growth in world trade. The new canal is expected to increase job opportunities for young people living in close to the canal, in Sinai and the neighbouring governorate.

The Suez Canal Area Development Project is also being implemented, which includes a number projects to develop services around the Canal’s core activities, six of which have been designated as top priority projects: (i) the conversion of the Cairo-Suez and Ismailia-Port Said roads from toll roads to free roads to facilitate transportation and movement; (ii) the construction of the Ismailia tunnel passing under the Suez corridor to link the Eastern and Western banks of the Suez Canal; (iii) the construction of a tunnel at southern Port Said port under the Suez Canal to link the Eastern and Western banks of the Suez Canal; (iv) the development of Nuweiba Port into a free zone; (v) the further development of Sharm El Sheikh airport; and (vi) the establishment of a new water by-pass on the Ismailia canal to support new development areas.

In order to finance the construction of the new canal, in September 2014, the Suez Canal Authority issued LE 64 billion (approximately U.S.\$9 billion) in certificates with a maturity of five years and a coupon of 12%. The certificates are guaranteed by the Government.

The Government is also implementing the National Suez Canal Corridor Development Project, which aims to create additional job opportunities by making the Suez Canal region an international centre for navigation, logistics, services and industry. Specific projects identified for implementation include the construction of a 200 km<sup>2</sup> industrial zone near

the port of El-Sokhna and the creation of a technology valley in Ismailia. A number of road and railway tunnels are also being constructed to connect Sinai with the Delta.

In August 2015, the Suez Canal economic zone was established by Presidential decree. The economic zone has an area of 460.6 km<sup>2</sup> and includes Port Said, the industrial zone in the east of Port Said, the industrial zone in west Qantara, the technology valley in Ismailia, Al-Adabia port, Sokhna port, Al-Arish port and el-Tor port.

### *Ports*

Egypt's navigable waterways total approximately 2,900 km (excluding the Suez Canal). Approximately 85-90% of Egypt's international trade travels through its ports. Grand Alexandria (Alexandria and Dekheila) is the main port, handling approximately 60% of Egypt's foreign trade. Other significant major ports are Damietta, Port Said and Suez. Total cargo handling capacity for all Egyptian ports was estimated to be 133 million tonnes as at 31 December 2015.

In 2002, Sokhna Port, which is located 40 km south of Suez, opened. The port is operated by the privately-owned company, Sokhna Port Development Company, under a 25-year concession agreement with the Republic. In November 2007, the Dubai port operator, DP World, acquired a 90% stake in Egyptian Container Handling Company for U.S.\$670 million.

The Government has encouraged shippers to increase their use of the Nile River to reduce road congestion, pollution and fuel subsidies expenditure, as the current share of the inland waterway is 0.5% of the total freight transported by all transportation modes. The River Transport Authority (the "RTA") engaged the Investment Security in the Mediterranean Support Programme ("ISMED") in connection with a project to construct four river ports at Oena, Sohag, Meet Ghamr and Assiut. Since 2013, ISMED has been working with the RTA, the PPP Central Unit and other public and private stakeholders on a legal framework and matters relating to risk allocation for river port projects in order to raise the profile of the RTA and improve the attractiveness of project tenders.

The National River Port Management Company ("NRPMC"), a river ports operator, began official operations at the Tanash Port in the Greater Cairo Area in the first quarter of 2010. The inauguration of the port coincided with the start of a strategic five-year contract with the General Authority for Supply Commodities, a governmental entity, and the largest importer of grains in Egypt, for the transportation of up to two million tonnes of wheat annually along the Nile River.

Tanash Port currently handles bulk goods such as grains, metals and aggregates, as well as containers. The port is 27,000 m<sup>2</sup> and serves as a hub for additional logistics services, together with the network of similar facilities, along Egypt's navigable waterways from Alexandria to Upper Egypt.

Port Said is being developed as part of the Suez Canal Area Development Project. The east port of Port Said was constructed between November 2015 and February 2016, with a length of 9.5 km, a width of 250 m and a depth of 18.5 m in order to accommodate large oil tankers. These works, which cost approximately U.S.\$36 million, are expected to increase the port's container handling capacity from two to three million containers in the first full year of operation.

### *Air transportation*

Egypt has eleven international airports, which are located at Cairo, Borg-El-Arab, Alexandria, Hurghada, Luxor, Sharm El Sheikh, Aswan, Assiut, Taba, Marsa Matrooh and Souhag.

Cairo International Airport is Egypt's largest airport and is the second busiest airport in Africa. Over 47 commercial and charter airlines and 12 cargo airlines use the Cairo airport. EgyptAir is the largest operator at the airport, holding 45.6% of the departure slots in 2015. EgyptAir was established in 1932 and commenced operations in 1933. Its fleet of 79 aircraft carried approximately 8.9 million passengers in 2015 and includes Airbus (A320, A330 and A340), Boeing (737 and 777) and Embraer (E-170 and E-300) aircraft, as well as cargo planes. It serves 81 destinations; 12 in Egypt, 19 in other countries in Africa, 20 in the Middle East, 21 in Europe, seven in Asia and two in the Americas.

In June 2007, a new subsidiary of EgyptAir, EgyptAir Express, began a low-cost, short-haul service from Cairo to Sharm El Sheikh, Hurghada, Luxor and Alexandria. With the inclusion of the carrier into Star Alliance in July 2008, Cairo International Airport has the potential to be a major hub given its location between Africa, the Middle East and Europe (especially in light of the airport's facilities for the Airbus A380). The Government owns EgyptAir, but it is self-financed and receives no subsidy from the Government.

In 2015, 14 million passengers travelled through Cairo International Airport. The number of flights from the airport in 2015 increased by 14.5%, reflecting an 11.1% increase in passenger numbers, as compared to 2014. Total airfreight tonnage handled at the airport in 2015 increased by 10.2%, as compared to 2014.

In 2015, the African Development Bank approved a U.S.\$140 million loan to Egypt's Sharm El Sheikh Development Project, which includes the construction of a new terminal, runway and control tower at Sharm El Sheikh airport. See "*Public Debt—Debt Restructuring—International Aid—African Development Bank*".

See "*—Tourism*".

#### *Railways and the Cairo Metro*

The railway sector plays a significant role in the Egyptian economy and is an essential mode of transport for low-income citizens. The 9,600-km network is concentrated in the Delta and along the Nile Valley, serving the main activities and population centres in Egypt. In 2015, total transported passengers and freight was approximately 200 million passengers and 4.1 million tonnes, respectively. Train fares in commuter trains and third class passenger trains are subsidised by the Government. The vast majority of engines are diesel-driven. While engines and rails are imported, passenger wagons are built and refurbished domestically.

The Egyptian National Railway Authority is implementing a number of projects to modernise the railway signalling system. Three projects to increase the safety of secondary railway lines are underway, covering a total length of 3,158 km.

The Cairo Metro, the first metro in Africa and the Middle East, opened in 1987 and currently operates three lines. Line 1 is 43 km long and runs between Helwan and El Marg, with 33 stations. Line 2 is 19 km long and runs between Shoubra El Kheima and Al Mounib. In October 2007, construction started on the first of four phases of a new Line 3, the total length of which will be 44 km. The first phase was completed in 2010 and linked Attaba to Abbassiya and the second phase linked Abbassiya to Heliopolis. Line 3 will ultimately extend from Imbaba in the northwest of Greater Cairo to the northeast at Adly Mansour station and will also serve Cairo International Airport. Line 3 comprises 40 stations, 12 of which will be above ground and 28 will be underground. Construction of Line 3 is expected to be completed by October 2019.

In 2015, the European Investment Bank granted a €200 million loan to the Government to promote public transport in greater Cairo and the European Bank for Reconstruction and Development ("**EBRD**") granted a €100 million loan to the Egyptian National Authority for Tunnels for the purchase of 13 new trains. See "*Public Debt—Debt Restructuring—International Aid*".

#### *Roadways*

The Egyptian road network consists of approximately 96,000 miles of roadways. As part of its scheme to improve the country's infrastructure, the Government continues to invest in highway and bridge systems. A network of roads has been constructed to link Sinai to the Nile valley. In addition, Upper Egypt and Lower Egypt have been connected through four vertical axial roads parallel to the Nile. The Nile valley is also joined to the Red Sea coast through eight transversal roads. More than 20 bridges have been constructed to connect the road network across the Nile.

The Government has launched a construction programme to build 3,400 km of new roads, which is expected to cost LE 36 billion. The first phase of this programme envisages the construction of 1,200 km of roads at an estimated cost of LE 17 billion and the programme is expected to be completed by the end of 2016.

#### *Tourism*

Tourism in Egypt benefits from historic sites which have been famous for centuries, including the Giza Pyramid Complex and its Great Sphinx, the southern city of Luxor and its Valley of the Kings and Karnak Temple, as well as Egypt's warm climate. The Red Sea is a popular tourist destination for diving, fishing and beach resorts, particularly in locations such as Ein-Sokhna, Taba, Hurghada, El-Gouna, Sharm El Sheikh and Marsa Allam.

Tourism has traditionally been an important source of foreign exchange, with at least 7.9 million visits to Egypt each year, although the number of tourists and volume of tourism revenues have fallen in times of political instability and in response to terrorist attacks in Egypt and the wider region. Most foreign visitors come from Western Europe and from other Arab countries. The Government is encouraging private sector development on the Mediterranean coast, especially at Sidi-Abdel Raham and Al-Alamein.

Tourism represented 1.8% of GDP in 2014/15, as compared to 1.6% in 2013/14, and is one of Egypt's principal sources of foreign exchange, generating approximately U.S.\$6 billion in 2014/15, as compared to U.S.\$5 billion in 2013/14. From July 2015 to March 2016, the sector contracted by 12.8%, as compared to the corresponding period in 2014/15, accounting for 2.1% of GDP. See *“Risk Factors—Risks Relating to the Republic—Significant political unrest since January 2011 has had and could continue to have a material adverse effect on the Republic generally and on its economic growth”* and *“Risk Factors—Risks Relating to the Republic—The Egyptian economy has faced significant challenges since the 2011 Revolution, which has put increasing pressure on its public finances and has led to rising balance of payments deficits”*.

The following table sets forth information regarding the contribution of tourism to GDP growth for the periods indicated.

Contribution to GDP Growth (PPT)								Jul – Mar
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
				(%)				
Contribution of tourism sector to GDP growth.....	0.1	0.5	(0.2)	0.1	0.2	(1.3)	0.9	(0.6)

The following table sets forth information regarding tourism activities for the periods indicated.

Tourism Activities							
	2010/11	2011/12	2012/13	2013/14	2014/15	Jul –Apr 2014/15	Jul –Apr 2015/16 <sup>(1)</sup>
Total Arrivals (in thousands).....	11,931	10,952	12,213	7,967	10,242	8,527	6,114
Total Number of Tourist Nights (in thousands) .....	124,571	131,768	142,432	72,919	99,256	82,933	47,552
Average Number of Nights (per tourist) .....	10.4	12.0	11.7	9.2	9.7	9.7	7.8
Tourism Income (U.S.\$ millions) .....	10,589	9,419	9,748	5,073	7,370	5,470	3,257 <sup>(2)</sup>
Tourism Income per Night (U.S.\$).....	85	71	68	70	74	65	68

Source: Ministry of Tourism

**Notes:**

(1) Preliminary data.

(2) Tourism income reflects the period July - March 2015/16.

The total number of tourist nights in 2014/15 was approximately 99.3 million, as compared to 72.9 million in 2013/14, an increase of 36.1%. This increase was primarily due to a perception among potential visitors that the political and social conditions in Egypt were improving. Tourism income was U.S.\$7.4 billion in 2014/15, as compared to U.S.\$5.1 billion in 2013/14, an increase of U.S.\$2.3 billion, or 45.3%. In the period from July 2015 to April 2016, the total number of tourist nights was 47.5 million, as compared to 82.9 million in the corresponding period in 2014/15. In the period from July 2015 to April 2016, tourism income was U.S.\$3.3 billion, as compared to U.S.\$5.5 billion in the corresponding period in 2014/15 and tourism contracted by 42.7%, by tourist nights, as compared to corresponding period in 2014/15. This contraction was primarily due to the impact of terrorist attacks on the tourism industry in Egypt.

Tourism revenue decreased by 48.9% in 2015/16 to U.S.\$3.8 billion, as compared to U.S.\$7.4 billion in 2014/15, widening the Republic's current account deficit. In 2015/16, tourism, as measured by tourist nights, contracted by 47.8%, as compared to 2014/15.

See *“Risk Factors—Risks Relating to the Republic—Egypt has experienced several terrorist attacks, which have contributed to a decline in tourism, a key sector of the economy, among other adverse consequences”*.

Tourism in Egypt is affected by tensions within the Republic and the Middle East, and tourism has historically declined following violent incidents in Egypt and the MENA region, as well as terrorist attacks. In October 2015, the so-called “Islamic State” claimed responsibility for the destruction of a Russian airliner in Sinai, which was flying from Sharm el Sheikh airport. All of the crew and 224 passengers were killed. The tourism industry was particularly impacted by this attack, following which a number of international airlines cancelled flights to Sharm el Sheikh airport, and Russia cancelled all direct flights to Egypt. The UK Foreign and Commonwealth Office has issued a travel advisory against all



but essential travel by air to or from Sharm el Sheikh. In May 2016, the German Ministry of Transport lifted its ban on direct flights to Sharm el Sheikh. In July 2016, Egypt invited Russian technical experts to assess Egypt's airport security in preparation for the resumption of flights to Egypt, which is expected by the end of 2016. In July 2016, the Government signed a co-operation agreement with the German government aimed at strengthening efforts to prevent crime and reinforce security, including in the areas of illegal immigration, counter-terrorism and airport security. The co-operation agreement also envisages the sharing of information and technical expertise, as well as the provision of training on security matters.

Terrorist attacks in Giza and Hurghada in January 2016, as well as the crash of an EgyptAir aircraft on route from Paris to Cairo in May 2016 have also had a negative impact on Egypt's tourism industry. See *"Risk Factors—Risks Relating to the Republic—Egypt has experienced several terrorist attacks, which have contributed to a decline in tourism, a key sector of the economy, among other adverse consequences"*. In addition, the political unrest and frequent demonstrations and protests after the 2011 Revolution has negatively affected the tourism industry. The tourism sector has, however, recovered quickly in the past. The Ministry of Interior is taking measures to prevent the recurrence of attacks of this kind, such as upgrading its surveillance infrastructure and increasing its security presence in and around major tourist areas, hotels, airports and museums.

The Government is also seeking to provide support to the tourism sector in the form of rescheduling and delaying electricity, energy and rent expense payments for hotels, in addition to providing lending facilities through banks and establishing a fund for crisis support to tourism companies, hotels and other related businesses.

The Government has announced targets of doubling tourist numbers to 15 million by 2017/18 and further increasing tourist numbers to 30 million by 2020. The Government's strategy to meet these targets includes: (i) developing existing tourism sectors, such as group tourism, beach tourism and cultural tourism through the tightening of quality controls and increased capacity and infrastructure development; (ii) broadening Egypt's tourism offering to include key sectors, such as business travel, conventions and specialist tourism (e.g., golf, yachting, medical, adventure and sports); (iii) expanding sources of tourism to include more tourists from Asia and the wider Middle East through dedicated marketing campaigns; (iv) developing new areas of Egypt, most notably Egypt's North coast on the Mediterranean sea; (v) providing incentives for investors to invest in services such as shopping and associated infrastructure, in addition to hotel investment; (vi) implementing a comprehensive sustainability strategy to ensure that the envisaged growth can be absorbed while maintaining Egypt's tourism assets for future generations.

The following table sets forth information regarding tourism investments for the periods indicated.

	<b>Tourism Implemented Investments<sup>(1)</sup></b>		
	<b>Public</b>	<b>Private</b>	<b>Total</b>
	<i>(LE millions in current prices)</i>		
2010/11.....	373	5,372	5,745
2011/12.....	571	5,000	5,571
2012/13.....	331	6,300	6,631
2013/14.....	1,332	2,100	3,432
2014/15.....	317	1,760	2,077

*Source: Ministry of Planning*

**Note:**

(1) The figures in this table have been revised and differ from previously published data.

## **Insurance**

Total insurance premiums represented 0.8% of GDP in 2014/15 (including insurance companies and private pension funds), as compared to 0.7% of GDP in 2013/14. The Government believes that the insurance sector has growth potential, in particular, as Egypt has a low insurance density (premium *per capita*) and low penetration rate (premiums as a percentage of GDP), which are approximately 2.3% in peer countries. Insurance density in Egypt was U.S.\$22.3 in 2014/15, as compared to U.S.\$21.6 in 2013/14.

Insurance gross premium volume amounted to LE 16.2 billion in 2014/15, representing an increase of 12.5%, as compared to LE 14.4 billion for the year 2013/14. In 2014/15, LE7.3 billion (gross premium) was generated by life insurance business and LE 8.8 billion by non-life insurance business.

From July 2015 to March 2016, the sector grew by 14.4%, as compared to the corresponding period in 2014/15, accounting for 0.8% of GDP.

The following table sets forth information regarding the insurance market for the periods indicated.

<b>Direct Premiums and Market Shares</b>					
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<i>(LE millions)</i>				
State-owned companies .....	4,598	4,924	5,689	6,275	6,721
Egyptian-owned private sector companies .....	1,421	1,618	1,456	1,554	1,491
Foreign-owned private sector companies .....	3,636	4,030	5,067	5,872	7,244
<b>Total.....</b>	<b>9,655</b>	<b>10,572</b>	<b>12,221</b>	<b>13,701</b>	<b>15,457</b>

Source: EFSA

As at 31 December 2015, a total of 35 insurance companies were operating in Egypt, including 14 companies offering life and 19 companies offering properties and casualty insurance (including nine Islamic (*Takaful*) insurance companies operating in the market, four of which offer life insurance and five of which offer property and casualty insurance). The insurance market also includes one co-operative insurance company and one export credit insurance company, as well as 625 private insurance funds.

As at 31 December 2015, total insurance sector assets were LE 59.8 billion, as compared to LE 54.9 billion as at 31 December 2014, representing an increase of 8.9%. Gross investments in 2015 were LE 52.5 billion, as compared to LE 48.5 billion in 2014, representing an increase of 8.2%. Gross premiums written by the top five companies underwriting non-life insurance and the top five companies underwriting life insurance accounted for LE 6.3 billion and LE 6.6 billion in 2015, respectively, representing market shares of 86.4% and 74.2%, respectively.

#### *Insurance company consolidation*

A new holding company was established in August 2006 to facilitate the technical and financial restructuring, ownership and management of state-owned insurance companies and to improve their profitability, increase industry growth rates and increase insurance industry penetration.

A major step was taken in November 2007, when three insurance companies (Egypt Re, El-Chark Insurance and the non-life insurance arm of Misr Insurance Company) were merged into Misr Insurance Company, and the life insurance business of Misr Insurance Company was merged with the National Insurance Company to form Misr Life Insurance Co. The merger process was completed in 2008 and resulted in the creation of two of the five largest insurers in the region, with a combined capital of LE 3.5 billion and combined assets of LE 35.1 billion.

#### *Foreign owned insurance companies*

Since 1998, restrictions on foreign ownership of insurance companies have been abolished, and foreign personnel ceilings in the boards of directors of insurance and reinsurance companies have been removed. Many foreign insurers have entered the Egyptian insurance market. Currently 24 foreign-owned private sector companies are operating in the Egyptian insurance market.

#### *Insurance regulation reform*

In order to increase competition in the market, stimulate demand and provide customers with high quality insurance products, in 2000 the supervisory authority removed price ceilings on insurance premiums. After completing the merger of Egypt Re into Misr Insurance Company in 2008, compulsory reinsurance concessions were completely eliminated.

In addition, an audit committee has been set up in each insurance company to adopt principles of corporate governance, which comply with international standards.

EFSA has implemented measures to promote the development of the insurance sector, focusing on the following four pillars:

- updating the insurance regulatory and supervisory regime;
- upgrading the private pension regulatory and supervisory regime, including outsourcing to professional managers;
- moving towards a more liberalised insurance market; and

- reforming policy for third-party liability insurance.

In 2007, Law № 72 of 2007 (“**Law 72**”) and its accompanying regulations were enacted to replace the Compulsory Insurance Act 652/1955 regarding third party liability with the aim of introducing a no-fault system to cap the exposure of insurance companies to LE 40,000 for death or total disablement and LE 10,000 for property. Under Law 72, insurance companies should pay compensation to the insured immediately to facilitate the processing of third party claims without litigation and regardless of fault.

In addition to determining a maximum compensation limit to be paid by insurance companies, Law 72 established a Governmental fund to guarantee quick payment of compensation to victims for claims arising from uninsured vehicles and cases not covered by insurance companies.

In 2008, the supervisory authority adopted a number of reforms, including strengthening the independence of the regulator, implementing risk management and financial solvency based controls, separating life and non-life insurance businesses, increasing minimum capital and introducing corporate brokers. In addition, each insurance company operating in Egypt is obliged to join the Insurance Federation of Egypt.

The Government’s non-bank financial sector reform programme focuses on insurance products aimed at SMEs, micro-insurance in cooperation with international institutions, new legislation to promote private and optional pension funds and health care regulation.

The EFSA is preparing draft proposals to introduce amendments to the insurance law. These proposals are expected to include provisions relating to *takaful*, medical expenses insurance (in line with the Government’s proposal to introduce a national medical insurance scheme) and third party administrators.

### ***Egyptian Financial Supervisory Authority***

EFSA is an independent authority established in accordance with Law № 10 of 2009. EFSA is responsible for supervising and regulating non-banking financial markets and instruments, including the capital markets, the stock exchange, and all activities related to insurance services, mortgage finance, financial leasing, factoring and securitisation. EFSA’s role is to regulate the market and ensure its stability and competitiveness to attract more local and foreign investments. The mandate of EFSA also includes limiting inconsistency risks and addressing problems arising from applying different supervisory rules.

EFSA replaced the Egyptian Insurance Supervisory Authority, the Capital Market Authority and the Mortgage Finance Authority in application of the provisions of the supervision and regulation of Insurance Law № 10 of 1981, the Capital Market Law № 95 of 1992, the Depository and Central Registry Law № 93 of 2000, the Mortgage Finance Law № 148 of 2001, as well as other related laws and decrees that are part of the mandates of the above authorities. EFSA is also considered the administrative body entitled to apply the financial leasing provisions promulgated by Law № 95 of 1995.

In September 2014, EFSA was elected as a board member of the International Organisation of Securities Commission (“**IOSCO**”), the international body of capital markets regulators, for the first time. Egypt was also selected to host the 2016 annual meetings of the Union of Arab Securities Authorities, which took place in March 2016. Egypt is the current serving chair of the IOSCO.

The World Bank/IFC Doing Business Report for 2016 recognised Egypt for improving its investor minority protection rights, in particular, through the new listing and delisting rules introduced by EFSA and by placing restrictions on financial assistance by parent companies. This was reflected in an improvement of 11 places in Egypt’s ranking on the minority investors protection index, as compared to its ranking in the World Bank Doing Business Report for 2015.

The Global Competitiveness Report for 2015-2016 published by the World Economic Forum recognised a number of positive developments with respect to the Egyptian capital markets, with Egypt improving its ranking in “offering financing through stock markets” by five places (from 60<sup>th</sup> in 2014-15 to 55<sup>th</sup> in 2015-2016 out of 140 countries). Egypt’s ranking in the control and supervision of stock exchanges has also improved.

See “*Monetary System—The Egyptian Stock Market*”.

## Telecommunications

The following table sets forth information on the telecommunications sector in Egypt for the periods indicated.

	Telecommunications				
	2011	2012	2013	2014	2015
<b>Fixed Services</b>					
Exchange capacity ( <i>millions</i> ).....	14.6	14.7	14.8	15.2	17.7
Number of fixed line subscribers ( <i>millions</i> ) .....	8.7	8.6	6.8	6.3	6.2
Number of international connection circuits and links .....	72,124	77,882	81,746	n/a	n/a
<b>Mobile Phone</b>					
Number of mobile phone subscriptions ( <i>millions</i> ).....	83.4	96.8	99.7	95.3	94.0
Mobile service companies .....	3.0	3.0	3.0	3.0	3.0
<b>Internet Penetration</b>					
Internet capacity ( <i>GB per second</i> ) .....	185.7	214.4	253.5	471.3	652.4
Number of Internet users ( <i>millions</i> ) <sup>(1)</sup> .....	20.3	21.9	24.9	27.3	29.8

Source: Ministry of Communications and Information Technology

### Note:

(1) Figures based on a survey of ICT access and use by households and individuals.

### Fixed-line telephony

Telecom Egypt is 80% owned by the state and is the exclusive provider of fixed-line telephone services in Egypt. Telecom Egypt conducted an IPO in 2005, selling 20% of its shares to domestic and international investors.

As at 30 June 2016, there were 5.9 million fixed line subscribers in Egypt, as compared to 6.6 million as at 30 June 2015, which makes Telecom Egypt the largest fixed-line provider in the Middle East and Africa. The decrease in fixed line subscribers in 2016 was primarily due to the continuing shift in demand from landlines to mobile phones in recent years. Although in recent years the number of fixed-line subscribers has remained relatively stagnant, the number of asymmetric digital subscriber line (“ADSL”) subscribers continues to increase, from 3.5 million as at 30 June 2015 to 4.2 million as at 30 June 2016.

### Mobile telephony

Egypt has four mobile phone operators, Orange, Vodafone Egypt, Etisalat and, since August 2016, Telecom Egypt. Mobinil (now Orange), which was established in 1998, was the first mobile phone operator in Egypt. As at 30 June 2016, there were 96.2 million mobile subscribers, representing a year-on-year increase of 1.2%, as compared to 95.1 million mobile subscriptions as at 30 June 2015, with penetration reaching 109.0% in June 2016.

Orange is 98.9% owned by MT Telecom (which is 100% owned by France Telecom), following the sale of Orascom Telecom Holding SAE’s 5% interest to MT Telecom in March 2015. Vodafone Egypt is 55.05% owned by Vodafone, the UK-based mobile phone operator, and 44.95% owned by Telecom Egypt. Etisalat Egypt is 66% owned by Etisalat UAE, 20% by Egypt Post and 5% by DAS Holdings.

In August 2016, the National Telecom Regulatory Authority (“NTRA”) and Telecom Egypt, a new entrant to the mobile telephony market in Egypt, entered into a LE 7.1 billion license agreement to establish and operate fourth generation (4G) networks for mobile phones. Half of the licence fee, which is paid to the Government, is payable upfront. Half of the licence fee must also be paid in U.S. Dollars.

### Internet

As at 31 December 2015, there were 29.8 million internet users in Egypt, representing a year-on-year increase of 9.2%. The internet penetration ratio reached 37.8% as at 31 December 2015, as compared to 31.7% as at 31 December 2014. The Government considers the expansion of broadband access to be a key driver for sustained growth and development in the telecommunications sector, in particular, and the economy, in general.

In 2014, the Ministry of Communication and Information Technology introduced a strategy to develop the communications sector, regionally and internationally, by 2020. The development of the strategy involved input from non-governmental organisations, academics and multinational corporations. The strategy focuses on three key objectives: (i) the transformation of Egypt into a digital society; (ii) the development of the information and communications technology industry; and (iii) the establishment of Egypt as a global digital hub. The strategy is being rolled out through a number of strategic plans, five of which were released in 2014 and cover digital Arabic content, national Free and Open Source Software (FOSS), the Egyptian Government Cloud (EG-Cloud), social responsibility and electronic design and manufacturing.

The strategy aims to develop the sector by attracting FDI, supporting democratic transition and counteracting corruption, as well as by extending information and communication technology services in remote and marginalised areas. In addition, in line with the Government's "digital Government" concept, improvements are also being made to Government services through information technology.

The Government is also in the process of issuing telecom licences for universal services and high-speed internet that is expected to boost the telecoms industry, support growth and generate revenues to the treasury.

In 2015, the Ministry of Communication and Information Technology entered into a number of co-operation protocols with other ministries to promote information technology and the improvement of services in state institutions. In August 2015, the Ministry of Communication and Information Technology announced 52 information technology development and modernisation projects across all State sectors. In October 2015, the Giza governorate and 18 non-profit organisations entered into a number of co-operation agreements to create and activate 52 telecentres, aimed at building an integrated knowledge-based society.

## **Environment**

There has been a heightened level of interest and concern by the Government and the Egyptian population over environmental issues in recent years. This is due to increasing awareness of the value of Egypt's natural resources and the Government's desire to provide for the general welfare of the population. Law № 4 of 1994 and its related regulations (together, "**Law 4**") provide for comprehensive regulation of land, air and water pollution, including the discharge of contaminants that may be emitted into the air or discharged into the waterways and the disposal of solid and hazardous waste. Law 4 provides incentives for compliance, as well as penalties for non-compliance. The Agency for Environmental Affairs is responsible for the enforcement of Law 4. The Republic has entered into several international conventions and treaties relating to environmental protection.

The Government is promoting a national programme to encourage water re-use and tree planting in order to increase forested areas. In an effort to reduce air pollution in urban areas, the Government has introduced emission control standards, zoning restrictions, controls on the use of pesticides, noise limits and standards for the maintenance of acceptable levels of radiation.

## **Nile River**

The Nile River accounts for 72.6% of Egypt's total water resources. The Government has identified the protection of the Nile River as an important priority and has taken various measures to reduce pollution in the Nile River, such as establishing five stations to receive and treat waste from boats in Aswan, Asyut, Sohag, Menia and Cairo. Law 4 also regulates pollution of the marine environment generally, including coastal areas of the Red Sea, discharges of oil and hazardous materials and the disposal of sewage waste and rubbish. See "*Risk Factors—Risks Relating to the Republic—Ethiopia is constructing a dam, which could reduce Nile River flows*".

## **Employment and Labour**

Egypt has the largest labour force in the Arab world. According to the 2006 Census, the portion of the population between the ages of 15 and 60 was 57.3 million, and 31.3% of the population was under the age of 15. Approximately 28.0% of Egypt's labour force works in the agricultural sector, 48.0% in services and 24.4% in industry. The labour force was 28.3 million people as at 31 December 2015, as compared to 27.9 million people as at 31 December 2014 and 27.6 million people as at 31 December 2013. Approximately one third of the population participates in the labour force. The labour force was 77.2% male and 22.8% female as at 31 December 2015.

Workers are not required to join trade unions but may, if they so wish. All workers belonging to a trade union are required to belong to the Egyptian Trade Union Federation, the only legally recognised labour federation.

The following table sets forth trends in the labour force for the years indicated.

	<b>Employment<sup>(1)</sup></b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Labour force ( <i>millions</i> ).....	26.5	27.0	27.6	27.9	28.3
Employed ( <i>millions</i> ) .....	23.3	23.6	24.0	24.3	24.7
Unemployed ( <i>millions</i> ).....	3.2	3.4	3.6	3.6	3.6
Unemployment rate (%) .....	12.0	12.7	13.2	13.0	12.8

Source: CAPMAS

**Note:**

(1) The figures in this table have been revised and differ from previously published data.

The decrease in the unemployment rate in 2015 was as a result, in part, of the launch of several large infrastructure projects, including the Suez Canal Development Project in Egypt. See “—Transport and Warehousing—Suez Canal” and “External Sector—Foreign Direct Investment—Investment Projects and Initiatives”.

The following table sets forth the number of workers by sector for the periods indicated.

	<b>Number of Workers by Sector<sup>(1)</sup></b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>(thousands of people)</i>			
Agriculture, forestry and fishing.....	6,810	6,386	6,703	6,694
Mining .....	50	41	41	48
Manufacturing .....	2,292	2,619	2,571	2,707
Electricity, Gas and A/C supplies .....	260	253	226	223
Water supplies and drainage networks .....	172	159	214	211
Construction and building .....	2,716	2,795	2,728	2,742
Wholesale, retail, vehicles amendments .....	2,572	2,585	2,688	2,713
Transport and warehousing .....	1,602	1,648	1,699	1,756
Tourism .....	465	520	526	549
Information and telecommunications .....	198	202	189	190
Financial intermediaries and insurance.....	201	195	167	158
Real estate and leasing.....	12	17	26	32
Technology.....	416	378	372	414
Administrative activities and subsidy services .....	164	149	147	145
Public administration, defence and obligatory social security .....	1,862	1,889	1,886	1,913
Education.....	2,123	2,237	2,299	2,293
Health and social work activities .....	625	667	646	666
Art and entertainment .....	115	120	113	121
Other Services .....	516	550	597	602
Individual households' services.....	119	184	133	119
International organisations and embassies.....	2	3	2	4
Other.....	55	2	0	0.7
<b>Total</b> .....	<b>23,347</b>	<b>23,599</b>	<b>23,973</b>	<b>24,301</b>

**Note:**

(1) Full-year 2015 figures and interim figures for 2016 are not available as at the date of this Prospectus.

The following table sets forth labour force participation according to age as at 31 December 2014.

Labour Force Participation according to Age		
Age Group	Labour Force	Out of Labour
	(%)	(%)
15-19 .....	17.7	82.3
20-24 .....	54.3	45.7
25-29 .....	61.3	38.7
30-39 .....	61.9	38.1
40-49 .....	62.6	37.4
50-49 .....	58.6	41.4
60-64 .....	25.5	74.5
65+.....	10.7	89.3

Source: CAPMAS

Wages in Egypt are generally low. In 2015, the average wage for public and private sector employees was approximately LE 3,516 a month for a 6-day, 53-hour working week.

The Government has introduced a number of measures to control wages in the public sector, which became a priority as a result of a considerable increase in the public sector wage bill following the 2011 Revolution as a result of the practice of hiring temporary workers on a permanent basis and two increases in the minimum wage (to increase the minimum civil service wage to LE 700 per month in 2011/12 and then to LE 1,200 per month with effect from the second half of 2013/14). In 2014, the Prime Minister issued decree № 22 of 2014, through which the wages of public officials, whether permanent or temporary, were increased according to a specific equation depending on the seniority level of each employee.

In the period July 2015 to May 2016, wages and compensation of public sector employees increased by LE 12.8 billion, or 7.4%, to LE 184.9 billion. This increase was primarily due to: (i) a LE 1.7 billion increase in specific allowances to LE 22.5 billion; (ii) a LE 0.4 billion, or 17.2%, increase in in-kind benefits to LE 2.7 billion; and (iii) a 9.2% increase in insurance benefits to LE 18.2 billion; and (iv) a LE 2.3 billion increase in wages paid to permanent staff to LE 47.8 billion.

The following table sets forth weekly average wages for the years indicated.

Weekly Average Wages <sup>(1)</sup>					
	2011	2012	2013	2014	2015
	(LE)				
Public Sector.....	657	845	964	1,026	1,064
Private Sector .....	397	395	439	506	594
Overall.....	534	641	671	806	879

Source: CAPMAS

Statistics relating to employment and unemployment in Egypt are inherently unreliable for a variety of reasons. The definition of “employed” and “unemployed” are not comparable to international standards. Persons that are considered to be employed for purposes of unemployment statistics may nevertheless be underemployed, spending only a few hours a week at their job. Only a small proportion of unemployed workers actually register as being unemployed. Nevertheless, the statistical information in this Prospectus is included to illustrate in broad terms the dynamics of the unemployment situation in Egypt. See “*Risk Factors—Risks Relating to the Republic—The statistics published by the Republic may differ from those produced by other sources*”.

### Labour Law

To comply with the standards of the International Labour Organisation and other treaties, Egypt enacted Labour Law № 12 of 2003 (the “**Labour Law**”), which has since been amended on two occasions: Law № 180 of 2008 established committees for the resolution of disputes under the Labour Law and regulated certain dismissal procedures and the related compensation; and Law № 125 of 2010 established priority and legal liens over certain employer assets in order to guarantee the payment of employee salaries and wages.

The Labour Law is of general application to private and public sector companies. This includes workers in mines and quarries and construction. The Labour Law does not, however, apply to Government employees. Under the Labour Law, Egyptian workers are legally allowed to strike. In 2008, “dispute committees” were introduced to allow employers and employees to attempt to settle disputes amicably before further action is taken. The Labour Law expanded the role of labour unions and collective agreements, and created certain bodies to carry out specific functions, including:

- the High Commission for Labour Planning, which sets general labour policies;
- the National Commission for Wages, which sets minimum wages, with a minimum 7% annual increase of “basic salary” for social insurance purposes;
- the High Commission for Human Resource Development, which sets the national policy for human resources development;
- the High Advisory Commission for Safety and Occupational Health; and
- the Labour Advisory Commission, which advises on labour-related laws, international treaties and co-ordinates between relevant parties.

The Government has adopted a new strategy for administrative reform, which aims to create an efficient and effective public administration, promoting principles of professionalism, transparency, accountability, justice and responsiveness and providing better quality services, invoking citizen satisfaction and contributing to the achievement of Egypt’s development goals and improving citizens’ lives.

On 12 March 2015, Law № 18 of 2015 (“**Law 18**”), which was known as the “Civil Service Law”, was passed by Presidential decree. Law 18 was designed to increase the efficiency of the public service delivery process, targeting the improvement of working conditions for civil servants and providing for recruitment decisions for civil jobs to be based on merit, thereby removing favouritism and discrimination. Pursuant to Law 18, civil service jobs were to be granted on the basis of fair tenders organised by the Central Agency for Organisation and Administration and supervised by the Minister of Administrative Reform. Civil service promotions must be based on merit and not on years of service. A new wage system was put in place to complement the reforms introduced by the law. Law 18 granted women four months of maternity leave, as compared to the three months offered under previous laws, and permitted early retirement. Law 18 also set out an evaluation system and mandates the development of a new code of conduct for civil servants. Law 18 was the only presidential decree not approved by the House of Representatives within the constitutional deadline for ratification following the convening of the new House of Representatives. It was, however, provisionally approved by the House of Representatives in a revised form in July 2016.

In November 2016, a new civil service law (the “**New Civil Service Law**”) was promulgated, which, in line with the priorities set out in the Government’s reform programme, aims to reform the civil service and regulate the performance of employees in state departments and public authorities. The New Civil Service Law annulled the previous civil service law and provides for the introduction of more transparent hiring methods, performance reviews and bonus incentives. The New Civil Service Law also provides that the salaries of state and government employees will be raised by 7% annually and introduced a retirement age of 60 years.

## **Investment**

The Government’s strategy to boost growth and employment relies on increasing investment, through improvements to the business climate and the attraction of FDI, as well as the implementation of large infrastructure projects. See “*External Sector—Foreign Direct Investment—Investment Projects and Initiatives*”.

## **Public Private Partnership**

In 2010, Law № 67 of 2010 and its executive regulations (the “**PPP Law**”) was enacted to develop a comprehensive public private partnership (“**PPP**”) programme aimed at attracting additional investment through privately financed, built, operated and managed public infrastructure projects and public services. The PPP Law created an institutional framework for PPP projects comprised of: (i) the PPP Supreme Committee, which regulates PPP activities and is chaired by the Prime Minister; (ii) the PPP Central Unit, which is responsible for implementing and managing the PPP programme; and (iii) various PPP satellite units, which have since been established in various Government ministries. The PPP Central Unit also works closely with the Ministry of Planning and the Ministry of Investment to develop future PPP projects. The Government has announced its intention to use PPPs as a tool to enhance its economic reform programme and efforts to improve the investment climate and encourage co-operation across Government ministries to increase the effectiveness of PPPs.



The first Egyptian PPP project was completed in 2009, and, as at 31 August 2016, five infrastructure projects were being tendered through PPPs, with an estimated total investment capital of LE 5.0 billion. The PPP Central Unit has also announced plans for a number projects to be tendered in 2017/18, with an initial estimated total investment capital of between LE 16 and LE 20 billion. Although initial projects have been domestically funded, the International Finance Corporation and the EBRD, among others, have submitted bids to finance projects under the PPP programme.

Various tools have been used by the Government to date in order to increase the attractiveness of long-term PPP contracts, including bearing interest rate risk, to be calculated every three years, signing off-take agreements to offload demand risk borne by the private sector and banks and providing sovereign guarantees for certain projects.

## **Poverty**

Poverty is prevalent in Egypt. In 2014/15, the poverty rate rose to 27.8%, an increase of 5.7%, as compared to 2013/14.

One of the Government's highest priorities is to reduce poverty through the increase of expenditure on education, healthcare and social programmes and to improve its existing subsidy system to more efficiently target its subsidies at low-income Egyptians. In recent years, the Government's social policy framework has gradually shifted towards addressing the structural underpinnings of inter-generational development challenges and the Government has announced its intention for future social welfare provision to target improved inclusivity, efficiency and productivity enhancing measure. Further reforms are expected to be funded by re-channelling fiscal resources from current inefficient uses and social programmes are expected to be increasingly focused on targeting the most vulnerable households rather than specific goods. The Government intends to rely on geographic and various proxies for means testing to maximise the efficiency of its future social spending.

Measures introduced by the Government to combat poverty to date include the introduction of a new food subsidy system and the restructuring of fuel subsidies. See "*Public Finance—Social Spending and Subsidies*".

## **Informal Economy**

The Republic has a significant informal economy in terms of the production of both goods and services and is a significant source of employment. According to figures published by the Egyptian Centre for Economic Studies, approximately 8.2 million participate in the informal economy. Of the participants in the informal economy, approximately 68% work in the wholesale and retail sectors. See "*Risk Factors—Risks Relating to the Republic—A significant portion of the Egyptian economy is not recorded*".

## EXTERNAL SECTOR

### General

Egypt's balance of payments deteriorated in 2015/16, registering a deficit of U.S.\$2.8 billion, as compared to a surplus of U.S.\$3.7 billion in 2014/15. The current account deficit widened, registering a U.S.\$18.7 billion deficit in 2015/16, as compared to a U.S.\$12.1 billion deficit in 2014/15.

The increase in the current account deficit was attributed mainly to the decrease in net unrequited transfers (principally grants from GCC countries) to U.S.\$16.9 billion in 2015/16, as compared to U.S.\$21.9 billion in 2014/15. The services surplus decreased from U.S.\$5.0 billion in 2014/15 to U.S.\$2.1 billion, while the trade deficit decreased by 3.7% to U.S.\$37.6 billion in 2015/16, as compared to U.S.\$39.1 billion in 2014/15.

The capital and financial account recorded a net inflow of U.S.\$19.9 billion in 2015/16, as compared to U.S.\$17.9 billion in 2014/15, an increase of 10.7%. This increase was primarily due to an increase in other investments from U.S.\$12.5 billion in 2014/15 to U.S.\$14.4 billion in 2015/16.

Other assets and liabilities recorded a net inflow of U.S.\$8.3 billion in 2015/16, as compared to U.S.\$7.5 billion in 2014/15, reflecting an increase of 10.7%.

Net international reserves with the CBE decreased by U.S.\$2.5 billion, or 12.6% in 2015/16, to U.S.\$17.5 billion as at 30 June 2016, which represented 3.7 months of merchandise imports, as compared to U.S.\$20.1 billion as at 30 June 2015, which represented 3.9 months of merchandise imports. Net international reserves were U.S.\$19.6 billion as at 30 September 2016, as compared to U.S.\$17.5 billion as at 30 June 2016, representing an increase of 11.7%. This increase was primarily due to the receipt of a U.S.\$1 billion loan from the World Bank, as well as deposits from the United Arab Emirates. See “—*The Arab Republic of Egypt—Foreign Relations and International Organisations*”.

See “*Monetary System—Net International Reserves*”.

Net foreign assets held by Egyptian banks decreased by LE 67.7 billion, from LE 119.2 billion as at 30 June 2014, to LE 51.5 billion as at 30 June 2015. As at 30 June 2016, net foreign liabilities of Egyptian banks were LE 87.4 billion. See “*Monetary System—Net International Reserves*”. Foreign currency deposits at Egyptian banks increased from U.S.\$33.1 billion as at 30 June 2014, to U.S.\$34.6 billion as at 30 June 2015. As at 30 June 2016, foreign currency deposits at Egyptian banks were U.S.\$36.6 billion. As a result of the weakening of the Egyptian Pound relative to the U.S. Dollar and the widening of the interest rate differential between the Egyptian Pound and the U.S. Dollar, foreign currency deposits as a percentage of total deposits decreased from 19.0% as at 30 June 2014, to 17.9% as at 30 June 2015, before increasing to 18.5% as at 30 June 2016. See “*Monetary System—Liquidity and Credit Aggregates*”. Egypt's gross external debt (public and private) as at 31 December 2015 was U.S.\$47.8 billion, as compared to U.S.\$48.1 billion as at 30 June 2015, representing a decrease of 0.6%. As at 30 June 2016, gross external debt increased to U.S.\$55.8 billion primarily due to the devaluation of the Egyptian Pound against the U.S. Dollar in March 2016, as well as an increase in external borrowings. See “*Monetary System—Foreign Exchange Rates*”.

Government debt is the major source of external debt, comprising 53.5% of external debt as at 30 June 2015 and 43.8% as at 30 June 2016. Government domestic debt represented 80.8% of GDP as at 30 June 2015 and 86.3% of GDP (according to preliminary estimates) as at 30 June 2016. The gross external debt to GDP ratio increased to 17.6% as at 30 June 2016, as compared to 15.0% at 30 June 2015. See “*Public Debt*”.

## Balance of Payments

The following table sets forth data on Egypt's balance of payments for the periods indicated.

	Balance of Payments				
	2011/12	2012/13	2013/14 <sup>(1)</sup>	2014/15 <sup>(1)(2)</sup>	2015/16 <sup>(2)</sup>
	(U.S.\$ millions)				
Exports <sup>(3)</sup> .....	25,072	26,988	26,023	22,245	18,705
Imports .....	(59,211)	(57,683)	(60,182)	(61,306)	(56,311)
Trade Balance <sup>(4)</sup> .....	(34,139)	(30,695)	(34,159)	(39,060)	(37,606)
Services (net) <sup>(5)</sup> .....	5,585	5,039	1,012	5,042	2,062
Balance of Goods and Services .....	(28,554)	(25,655)	(33,148)	(34,018)	(35,545)
Official Transfers (net) .....	632	836	11,920	2,670	102
Private Transfers (net) .....	17,776	18,429	18,448	19,205	16,784
Total Transfers .....	18,408	19,265	30,368	21,876	16,886
Balance of Current Account .....	(10,146)	(6,390)	(2,780)	(12,143)	(18,659)
Foreign Direct Investment (net) <sup>(6)</sup> .....	3,982	3,753	4,178	6,380	6,838
Portfolio Investment in Egypt (net) .....	(5,025)	1,477	1,237	(639)	(1,287)
Net Borrowing .....	246	1,174	207	5,036	6,135
Medium and Long-Loans .....	(310)	750	(956)	(483)	(507)
Drawings .....	1,637	2,710	1,153	1,754	2,081
Repayments .....	(1,947)	(1,959)	(2,110)	(2,236)	(2,587)
Medium Term Suppliers' Credits .....	(7)	(18)	(56)	258	858
Drawings .....	78	43	8	313	936
Repayments .....	(85)	(62)	(64)	(55)	(78)
Short Term Suppliers' Credits (net) .....	563	442	1,220	5,261	5,784
Other Assets .....	1,163	(2,116)	(2,278)	(1,221)	(3,740)
Other Liabilities .....	1,151	5,732	1,912	8,671	12,019
Capital and Financial Account .....	1,023	9,773	5,190	17,929	19,852
Net Errors and Omissions .....	(2,155)	(3,146)	(931)	(2,061)	4,006
<b>Overall Balance</b> .....	<b>(11,278)</b>	<b>237</b>	<b>1,479</b>	<b>3,725</b>	<b>(2,813)</b>
Current Account/GDP (%) <sup>(7)</sup> .....	(3.7)	(2.2)	(0.9)	(3.6)	(5.4)
Balance of Payments/GDP (%) <sup>(7)</sup> .....	(4.1)	0.1	0.5	1.1	(0.8)
NIR <sup>(8)</sup> as Months of Imports (%) .....	3.1	3.1	3.3	3.9	3.7

Source: CBE

### Notes:

- (1) This data differs from previously published data due to the revisions of certain external debt and petroleum sector figures.
- (2) Preliminary figures.
- (3) Including petroleum and other exports.
- (4) Including exports and imports of Free Zones.
- (5) Includes transportation, travel, investment income, Government expenditure and other receipts and payments.
- (6) Includes foreign direct investment in the petroleum sector.
- (7) The Ministry of Planning, Monitoring and Administrative Reform has revised the GDP time series for the 2011/12, 2012/13 and 2013/14 fiscal years in accordance with data from the 2012/13 economic census. GDP estimates of LE 2,771.3 billion have been used for 2015/16.
- (8) Net International Reserves. See "Monetary System—Net International Reserves".

### Current Account

Exports from Egypt have decreased during the past five years from U.S.\$25.1 billion in 2011/12 to U.S.\$18.7 billion in 2015/16, a decrease of U.S.\$6.4 billion, or 25.4%. In addition, the trade deficit has widened during the same period from U.S.\$34.1 billion in 2011/12 to U.S.\$37.6 billion in 2015/16, an increase of U.S.\$3.5 billion, or 10.2%, principally due to the decline in international oil and commodity prices, which affected Egyptian exports. Export proceeds were U.S.\$18.7 billion in 2015/16, as compared to U.S.\$22.2 billion in 2014/15, representing a decrease of 15.9%. This is primarily due to the decrease in oil exports (crude oil and products) by value (although the quantity of exports increased), as a result of an average 41.3% decline in international crude oil prices during the period. As a result, the export/import ratio decreased to 33.2% in 2015/16 from 36.3% in 2014/15.

Services income decreased by 59.1% from U.S.\$5.0 billion in 2014/15 to U.S.\$2.1 billion in 2015/16. This decrease was primarily due to the decrease in services income receipts from U.S.\$22.0 billion in 2014/15 to U.S.\$16.5 billion in 2015/16, which was, in turn, principally due to a 48.9% decrease in tourism revenues. See "The Economy—Production

*Services Sector—Tourism*”. This decrease was partially offset by increases in travel payments from U.S.\$3.33 billion in 2014/15 to U.S.\$4.1 billion in 2015/16, which was, in turn, as a result of significantly increased Visa card payments. Investment income receipts increased to U.S.\$396.9 million in 2015/16, as compared to U.S.\$212.8 million for 2014/15, primarily due to an increase in profits from branches abroad.

Net transfers decreased by 22.8% from U.S.\$21.9 billion in 2014/15 to U.S.\$16.9 billion in 2015/16. This decrease is primarily due to a decrease in net official transfers (cash and commodities) to U.S.\$0.1 billion in 2015/16 from U.S.\$2.7 billion in 2014/15, and a decrease in net private transfers to U.S.\$16.8 billion in 2015/16 from U.S.\$19.2 billion in 2014/15, which was, in turn, due to a 11.7% decrease in workers’ remittances.

The following table sets forth data on net private transfers flowing into the Republic for the periods indicated.

	Net Private Transfers				
	2011/12	2012/13	2013/14	2014/15	2015/16
	(U.S.\$ millions)				
Total Private Transfers (Net) .....	17,776	18,429	18,448	19,205	16,784

Source: CBE

### *Capital and Financial Account*

The Republic’s capital and financial account surplus increased from U.S.\$17.9 billion in 2014/15 to U.S.\$19.9 billion in 2015/16, an increase of 10.7%, primarily due to: (i) an increase in net FDI inflows to U.S.\$6.8 billion in 2015/16, as compared to U.S.\$6.4 billion in 2014/15, as a result of increased investment in greenfield and oil sector projects; and (ii) an increase in other investments to U.S.\$14.4 billion in 2015/16, as compared to U.S.\$12.5 billion in 2014/15. Portfolio investments recorded a net outflow of U.S.\$1.3 billion in 2015/16, as compared to U.S.\$0.6 billion in 2014/15, an increase of 101.4%, primarily due to the repayment of U.S.\$1.3 billion of bonds in accordance with their scheduled maturity.

The capital account recorded a net outflow of U.S.\$141.4 million in 2015/16, as compared to a net outflow of U.S.\$122.9 million in 2014/15, primarily due to an increase in copyright, patent, trade mark and franchise expenditures.

### **Foreign Trade**

Foreign trade in Egypt has experienced significant developments in recent years. The Government has overhauled Egypt’s customs legislation to streamline the process for importing and exporting goods. A number of regulations and decrees have been introduced to improve inspection and control procedures, simplify documentation, reduce costs and delays, improve logistics and liberalise trade movements.

The number of customs procedures and approvals required to import or export goods have been reduced significantly. In addition, the time taken to issue customs declaration forms has been reduced to 24 hours. A “green route” allowing for the immediate release of imported/exported goods which meet certain criteria has also been introduced.

To ensure that customs legislation is implemented effectively and efficiently, a “one-stop” control point for export and import licensing and the release of consignments has been established through the General Authority for Export and Import Control and the Customs Authority (departments of the Ministry of Trade and Industry and the Ministry of Finance, respectively) in collaboration with other ministries and agencies.

Total trade increased from U.S.\$81.1 billion in 2010/11 to U.S.\$84.3 billion in 2011/12, U.S.\$84.7 billion in 2012/13 and U.S.\$86.2 billion in 2013/14 before decreasing to U.S.\$83.6 billion in 2014/15 and U.S.\$75.0 billion in 2015/16. This represents increases of U.S.\$3.2 billion (or 3.9%) in 2011/12, as compared to 2010/11, U.S.\$0.4 billion (or 0.5%) in 2012/13, as compared to 2011/12 and U.S.\$1.5 billion (or 1.8%) in 2013/14, as compared to 2012/13, and decreases of U.S.\$2.7 billion (or 3.1%) in 2014/15, as compared to 2013/14 and U.S.\$8.5 billion (or 10.2%) in 2015/16, as compared to 2014/15. Over the period 2010/11 to 2015/16, imports have grown by 4.1%, as compared to a decrease in exports by 30.7% over the same period. See “*The Republic—Foreign Trade and International Organisations*”.

## Exports

The following table sets forth the value of products exported for the periods indicated.

	Exports by Product <sup>(1)</sup>				
	2012	2013	2014 <sup>(2)</sup>	2015 <sup>(2)</sup>	2016 <sup>(3)</sup>
	(U.S.\$ billions)				
<b>Fuel Exports</b> .....	<b>11.2</b>	<b>13.0</b>	<b>12.3</b>	<b>8.9</b>	<b>5.7</b>
Crude Petroleum.....	5.2	7.3	7.7	6.2	3.6
Petroleum products <sup>(4)</sup> .....	6.0	5.7	4.6	2.7	2.1
<b>Non-Fuel Exports</b> .....	<b>13.8</b>	<b>14.0</b>	<b>13.7</b>	<b>13.4</b>	<b>13.0</b>
Raw Materials .....	1.2	1.3	1.5	1.7	1.6
Semi-finished goods .....	1.9	2.0	2.2	2.4	2.7
Finished goods.....	10.4	10.5	9.8	9.2	8.7
<b>Other Exports<sup>(5)</sup></b> .....	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Exports<sup>(5)</sup></b> .....	<b>25.0</b>	<b>27.0</b>	<b>26.0</b>	<b>22.2</b>	<b>18.7</b>

Source: CBE

### Notes:

- (1) According to the Harmonised System Coding (Degree of Processing).
- (2) The data in this table differs from previously published data due to the revision of petroleum sector figures.
- (3) Preliminary figures.
- (4) Including gas and bunker and jet fuel.
- (5) Including exports of Free Zones.

Export proceeds were U.S.\$18.7 billion in 2015/16, as compared to U.S.\$22.2 billion in 2014/15, a decrease of 15.9%, primarily due to the decrease in both fuel exports by 36.2% and non-fuel exports by 3.0%. As a result, the export/import ratio decreased to 33.2% in 2015/16 from 36.3% in 2014/15.

As a result of the decrease in both fuel and non-fuel exports, total exports decreased by 15.9% in 2015/16, as compared to 2014/15. Fuel exports accounted for 30.3% of total exports in 2015/16, as compared to 40.0% in 2014/15. Non-fuel exports accounted for 69.7% of total exports in 2015/16, as compared to 60.0% in 2014/15.

The following table sets forth the destination of exports from Egypt for the periods indicated.

	Destinations of Egyptian Exports				
	2012	2013	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2016 <sup>(2)</sup>
	(U.S.\$ billions)				
European Union.....	9.1	8.9	10.1	7.5	6.0
United States.....	3.4	3.8	2.5	2.2	1.3
Arab countries .....	5.3	5.2	5.5	5.5	5.8
Asian countries (excluding Arab countries).....	4.6	4.9	3.5	3.1	2.1
Other European countries .....	1.4	1.8	1.4	1.3	1.3
African countries (excluding Arab countries).....	0.5	0.4	0.5	0.5	0.5
Commonwealth of Independent States <sup>(3)</sup>	0.1	0.2	0.2	0.5	0.2
Other countries <sup>(4)</sup> .....	0.6	1.9	2.5	1.6	1.5
<b>Total Exports<sup>(4)</sup></b> .....	<b>25.1</b>	<b>27.0</b>	<b>26.0</b>	<b>22.2</b>	<b>18.7</b>

Source: CBE

### Notes:

- (1) The data in this table differs from previously published data due to ongoing revisions.
- (2) Preliminary figures.
- (3) Includes Russia.
- (4) Including exports of Free Zones.

In 2015/16, the EU was the largest importer of Egyptian goods, purchasing 32.3% of Egyptian exports, as compared to 33.6% in 2014/15. Arab countries were Egypt's second largest trading partners purchasing 30.7% of Egyptian exports

(24.8% in 2014/15), followed by Asian countries, with 11.0% of total exports (14.0% in 2014/15) and other countries, with 8.0% of total exports (7.4% in 2014/15).

## Imports

The following table sets forth the levels of Egyptian imports by product for the periods indicated.

	<b>Imports by Product<sup>(1)</sup></b>				
	<b>2012</b>	<b>2013</b>	<b>2014<sup>(2)</sup></b>	<b>2015<sup>(2)</sup></b>	<b>2016<sup>(3)</sup></b>
	<i>(U.S.\$ billions)</i>				
<b>Fuel Imports</b> .....	<b>11.8</b>	<b>12.1</b>	<b>13.3</b>	<b>12.4</b>	<b>9.3</b>
Petroleum products <sup>(4)</sup> .....	9.7	9.4	11.2	9.9	8.4
Crude Oil.....	2.1	2.7	2.1	2.5	0.9
<b>Non-Fuel Imports</b> .....	<b>47.4</b>	<b>45.6</b>	<b>46.9</b>	<b>48.9</b>	<b>47.0</b>
Raw Materials.....	6.1	5.6	5.9	7.5	6.3
Intermediate Goods .....	16.9	16.0	17.9	15.7	14.3
Investment Goods.....	9.6	9.8	8.8	8.9	9.6
Consumer Goods .....	13.7	12.9	13.3	15.2	14.7
<b>Other Imports</b> .....	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Imports<sup>(5)</sup></b> .....	<b>59.2</b>	<b>57.7</b>	<b>60.2</b>	<b>61.4</b>	<b>56.3</b>

Source: the CBE

### Notes:

- (1) According to The Harmonised System Coding (H.S.C.) (Degree of Use).
- (2) The data in this table differs from previously published data due to the revision of petroleum sector figures.
- (3) Preliminary figures.
- (4) Including gas and bunker and jet fuel.
- (5) Including imports of Free Zones, and commodity grants and loans.

Total imports decreased by 8.1% in 2015/16, as compared to 2014/15. Fuel imports accounted for 16.5% of total imports in 2015/16, as compared to 20.2% in 2014/15. Non-fuel imports accounted for 83.5% of total imports in 2015/16, as compared to 79.8% in 2014/15.

The following table sets forth the origin of Egyptian imports for the periods indicated.

<b>Origins of Egyptian Imports</b>					
	<b>2012</b>	<b>2013</b>	<b>2014<sup>(1)</sup></b>	<b>2015<sup>(1)</sup></b>	<b>2016<sup>(2)</sup></b>
	<i>(U.S.\$ billions)</i>				
European Union.....	19.3	17.7	16.2	17.8	17.4
United States.....	4.8	4.0	4.2	3.9	2.6
Asian countries (excluding Arab countries)	11.7	11.9	12.2	13.3	11.4
Arab countries .....	10.2	11.0	16.7	13.6	10.4
Other European countries .....	6.1	5.1	4.3	4.5	4.1
Commonwealth of Independent States <sup>(3)</sup> ....	2.6	2.0	2.6	3.0	4.0
African countries (excluding Arab countries).....	0.5	0.6	0.5	0.6	0.7
Other countries .....	4.0	5.4	3.5	4.7	5.7
<b>Total Imports<sup>(4)</sup> .....</b>	<b>59.2</b>	<b>57.7</b>	<b>60.2</b>	<b>61.4</b>	<b>56.3</b>

Source: CBE

#### Notes:

- (1) The data in this table differs from previously published data due to the revisions of petroleum sector figures.
- (2) Preliminary figures.
- (3) Includes Russia.
- (4) Including imports of Free Zones.

In 2015/16, the EU was the largest source of imported goods into Egypt, accounting for 30.9% of Egyptian imports, as compared to 29.1% in 2014/15. Asian countries were Egypt's second largest trading partners accounting for 20.2% of Egyptian imports (21.7% in 2014/15), followed by Arab countries, with 18.5% of total imports (22.2% in 2014/15) and other countries, with 10.2% of total imports (7.6% in 2014/15).

### Foreign Direct Investment

In recent years, the Government has introduced a number of legislative and institutional reforms aimed at improving Egypt's investment climate and attracting both domestic and foreign direct investment. The Government sought to address major constraints historically affecting inbound investment into Egypt. The General Authority for Investment and Free Zones ("GAFTI") has streamlined the procedures for inward investment thereby establishing a favourable investment climate which, among other factors, has historically helped to attract increased inflows of FDI and which, in turn, supports accelerated economic growth.

The Ministry of Investment was established in 2004, with a mandate to improve the investment climate in Egypt, further develop non-bank financial services and introduce an asset management programme for state-owned enterprises. In furtherance of its mandate, the Ministry of Investment has established "one-stop shops" throughout the various governorates of Egypt for establishing companies and obtaining various permits, licences and regulatory approvals. In addition, in 2007 seven investment zones in the information communications technology, textiles and apparel, auto-manufacturing and other industries were established. In 2015, 11,550 new companies were established in Egypt, as compared to 9,236 companies in 2014 and 8,348 in 2013, according to statistics published by the Ministry of Investment.

In 2015/16, overseas investment in Egypt's petroleum sector accounted for 53.2% of all FDI inflows, as compared to 58.4% in 2014/15. Overseas investment in the services sector accounted for 10.5% of total FDI inflows in 2015/16, as compared to 10.0% in 2014/15. Overseas investment in the manufacturing sector accounted for 3.4% of total FDI inflows in 2015/16, as compared to 2.3% in 2014/15.

Net FDI inflows decreased from U.S.\$4.0 billion in 2011/12 (representing 1.4% of GDP) to U.S.\$3.8 billion in 2012/13 (representing 1.3% of GDP), before increasing to U.S.\$4.2 billion in 2013/14 (representing 1.4% of GDP), U.S.\$6.4 billion in 2014/15 (representing 1.9% of GDP) and U.S.\$6.8 billion in 2015/16 (representing 2.4% of GDP). The increases in 2013/14, 2014/15 and 2015/16 were primarily due to increased investor confidence in Egypt and increased inflows for greenfield investment and oil sector projects.

The following table sets forth FDI figures and the principal countries of origin for the periods indicated.

	FDI by Country				
	2012	2013	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2016 <sup>(1)(2)</sup>
	(U.S.\$ millions)				
<b>Total Net Foreign Direct Investment .....</b>	<b>3,982</b>	<b>3,753</b>	<b>4,178</b>	<b>6,380</b>	<b>6,838</b>
<b>Inflows .....</b>	<b>11,768</b>	<b>10,274</b>	<b>10,856</b>	<b>12,546</b>	<b>12,434</b>
United States .....	578	2,183	2,230	2,116	807
United Kingdom .....	5,820	3,997	5,079	4,990	5,944
France .....	316	266	347	230	249
Spain .....	61	30	6	28	154
Germany .....	203	186	194	190	201
Saudi Arabia .....	240	192	284	649	313
Switzerland .....	125	115	95	165	128
Kuwait .....	64	46	130	237	133
Bahrain .....	153	263	194	137	165
United Arab Emirates .....	560	481	401	1,383	1,329
Netherlands .....	409	164	192	182	246
Oman .....	13	11	13	12	12
Others .....	3,226	2,340	1,691	2,227	2,753
<b>Outflows<sup>(3)</sup> .....</b>	<b>(7,786)</b>	<b>(6,520)</b>	<b>(6,678)</b>	<b>(6,166)</b>	<b>(5,596)</b>

Source: CBE

**Notes:**

- (1) The data in this table differs from previously published data due to the revisions of petroleum sector figures.
- (2) Preliminary data.
- (3) Including cost recovery and profit sharing related to international oil and gas companies.

**Investment Projects and Initiatives**

The Government's strategy to boost growth and employment is dependent upon increasing investment, through improvements to the business climate and the attraction of FDI, as well as through the implementation of large infrastructure projects. Recent initiatives to improve the framework for businesses and investment and to foster private sector-led growth include measures to streamline procedures for doing business and increase transparency, including:

- *Amendments to the competition law:* On 17 January 2005, the Parliament passed Law № 3 of 2005 known as "the Protection of Competition and Anti-Monopoly Law" (the "**Competition Law**"). The Competition Law was the first piece of legislation enacted in Egypt governing the competitive conduct of market participants and provided that economic activities could not be carried out in a manner "preventing, restricting or damaging free competition". The Competition Law was amended in 2014 to increase the competitiveness of the Egyptian market, including by strengthening the role of the Competition Authority through conferring on it judicial enforcement powers and the right to file lawsuits and settle cases independently, as well as by applying stricter confidentiality obligations in respect of the authority's employees.
- *Amendments to the investment law:* On 12 March 2015, President Al-Sisi signed an amended investment law, which was subsequently ratified by the House of Representatives, which aims to simplify certain administrative procedures for investors and reduce delays in connection with the issue of investment licences, the purchase of land and the process for obtaining utility services. Pursuant to the law, GAFI is granted authority to act as the sole point of contact for investors in obtaining government approvals and licences in connection with an investment. The law also includes a legal framework and set of standard procedures for the resolution of investor disputes. The Ministry of Investment is in the process of reviewing the current law to identify potential further improvements. Pursuant to Prime Ministerial Decree № 1272 of 2015, the Minister of Justice acts as the chairman of a ministerial committee formed to settle investment disputes, claims and complaints between investors and administrative authorities in relation to the application of the investment law.
- *Amendments to the civil service labour law:* In July 2016, a new civil service labour law was approved by the House of Representatives, which is intended to increase the efficiency of the public service delivery process.



- *Introduction of the new mining law:* On 9 December 2014, the President signed Law № 198 of 2014 (the “**New Mining Law**”), which introduced a new tax and royalty structure for the mining sector and measures to facilitate swifter allocation of mineral concessions to domestic and foreign companies. The New Mining Law also simplifies a number of administrative procedures in connection with the exploration and exploitation of mineral concessions. Draft regulations are currently under discussion to address certain implementation matters under the New Mining Law.
- *Introduction of the Third Party Contract Appeal Law:* In April 2014, Law № 32 was passed in order to regulate the appeals procedure and prohibits third party interference in contracts between the State and investors (subject to certain exceptions). See “*Risk Factors—Risks Related to Egypt—Investment treaty arbitrations and cases challenging the privatisation of formerly public sector companies may have an impact on the financial condition of the Republic if material adverse awards or judgments are issued against Egypt or further cases are brought seeking to invalidate privatisation transactions.*”
- *Introduction of a microfinance law:* In November 2014, the President passed Law № 141 of 2014, which permits licensed entities to offer microfinance loans of up to LE 100,000 to SMEs or low income persons engaged in production, services or trading.
- *Resolving outstanding investor disputes:* In accordance with its commitment to improve Egypt’s investment climate, the Government prioritised the settlement of investor disputes and, since August 2015, 311 out of 400 currently outstanding investor disputes have been successfully resolved, with the remaining 89 expected to be resolved in 2016. The Prime Minister is the chairman of a committee formed to settle major investment disputes.
- *Regulating Mortgage Finance:* The Mortgage Finance Law № 148 of 2001 (“**Law 148**”) was promulgated in 2001 to regulate mortgage finance through companies licensed by EFSA. Such financing is to be used for, among other things, projects for the purchase, building or renovation of real estate and is secured through liens or real estate mortgages over the financed assets. Law 148 was amended in 2014 to broaden the security to be granted in respect of such projects. The 2014 amendments also expanded the regulatory powers of EFSA, established the Egyptian Federation for Mortgage Finance to represent the collective interest of mortgage finance companies and exempted mortgage financings from stamp duties, other taxes and fees.
- *Regulations in respect of industrial lands:* In April 2016, President Al-Sisi passed Decree № 158 of 2016, which provides that investors may acquire certain land identified in industrial zones free of charge upon the fulfilment of certain criteria and subject to the approval of the Council of Ministers. Upon receiving the approval of the Council of Ministers to purchase the land, the investor must issue a guarantee to the Government equal to 1% of the total value of the land.
- *Regulations in respect of non-Egyptian workers:* In September 2015, Decree № 305 of 2015 was passed, which requires non-Egyptians working in Egypt to obtain a work permit from the Ministry of Labour or another authorised agency. Work permits granted to non-Egyptians allow them to work in Egypt for a year or less. Exemptions exist in relation to diplomatic positions and persons working in consulates. The new regulations also set a maximum 10% cap on the percentage of non-Egyptian workers working in an institution, unless approved by an “exceptions committee”.

Additional initiatives in the process of being implemented, include:

- *Introduction of a new bankruptcy law:* A draft new bankruptcy law is being prepared to encourage companies, in particular, SMEs, to resume economic activities following bankruptcy. The draft law sets out legal alternatives for debt restructuring before filing for bankruptcy and seeks to simplify the liquidation process, set out defined time-frames for liquidation and to provide creditors with a greater role in the selection of bankruptcy trustees and other matters.
- *Issuance of the Single Member Companies Law:* This draft law, which focuses on SMEs, aims to modernise certain corporate regulations. Among the most important features of the law is the introduction of the single-member limited liability companies.
- *Public entity companies:* Pursuant to Law № 127 of 2015, following approval of the Council of Ministers, the Prime Minister may authorise public law entities to incorporate as joint stock companies, either on their own or with other shareholders, or to participate in existing companies, so long as such participation does not contradict the aims of the public entity.

- *Amendment of the Capital Markets Law and its Executive Regulations:* Amendments to the Capital Markets Law and its implementing regulations are being prepared by the EFSA with the aim of supporting corporate governance, promoting transparency and protecting minority interests. See “*The Economy—Production Services Sector—Egyptian Financial Supervisory Authority*.”
- *Amendments to the commercial register law:* The Government has announced plans to update the commercial register law in line with international standards and to enable the modernisation of the commercial registry system, including the registration of foreign company branches, and to permit the participation of foreign individual traders.
- *Introduction of a new customs law:* The Ministry of Finance is drafting a new customs law to reflect the increasing shift of the Egyptian economy to market fundamentals and free trade. The draft customs law is being prepared in line with best international practices and aims, among other things, to simplify customs procedures to ensure the timely release of goods from the customs zone, to lower the unified customs rate on capital goods from 5% to 2% and to allow the settlement of due customs and fees on such goods to be paid in instalments.

The Government has also announced several large infrastructure projects designed to increase economic growth and employment, in particular, the Suez Canal Development Projects. See “*The Economy—Transport and Warehousing—Suez Canal*”. Other national projects are currently being implemented, including the new capital project, the building of one million houses around greater Cairo, the national roads improvement programme, reclamation of one million acres of land, various renewable energy projects and the “Golden Triangle”, which is aimed at exploiting the natural resources in the region between Qena, Quseir and Safaga, while developing the area for touristic, industrial, commercial and agricultural activities.

In March 2015, the Egyptian Economic Development Conference was held in Sharm El Sheikh and was attended by 22 heads of state and 3,500 delegates. The conference was intended to attract private investment through FDI and public-private partnerships. In the Prime Minister’s closing speech, he announced that approximately U.S.\$36.2 billion in new investments, in various industries, including energy, transportation and tourism, had been signed at the conference, although a number of these announced investments have not, to date, been implemented.

## MONETARY SYSTEM

### Central Bank of Egypt

The CBE, founded in 1961, is an autonomous public legal entity and is governed by Law № 88 of 2003, which outlines the CBE's authority and responsibilities. The CBE is the issuer of all Egyptian currency and banknotes. It is responsible for formulating and implementing monetary, credit and banking policy, maintaining price stability, managing the Republic's gold and foreign reserves and regulating and supervising the banking sector.

### *Monetary Policy*

Since 2005, the CBE has taken various steps to modernise its monetary policy formulation and operations. Several institutional and operational changes have been initiated to facilitate monetary policy formulation and assessment and provide the foundations for formally adopting an inflation-targeting regime, once certain pre-requisites have been met, including, *inter alia*, the CBE being in a position to announce annual inflation targets, the further enhancement of the CBE's data gathering and forecasting systems and developing a communication strategy. The monetary policy framework is published on the CBE's website.

The CBE's current monetary policy is to seek to control and gradually reduce inflation over the medium-term to enhance external competitiveness, while maintaining an active and orderly foreign exchange market that reflects supply and demand. In particular, in recent years the CBE has maintained a monetary policy that has sought to stimulate the economy amidst reduced investment and growth, without jeopardising price stability. Since December 2015, the Monetary Policy Committee (the “MPC”) has raised policy rates by 600 basis points in order to anchor inflation expectations and maintain price stability over the medium-term. See “—*Inflation and Interest Rates*” and “—*Foreign Exchange Rates*”.

### *Institutional developments*

The Coordinating Council on Monetary Policy, headed by the Prime Minister, was established in January 2005 to enhance consistency between monetary and fiscal policy.

The MPC convenes every six weeks to decide on appropriate actions with respect to key policy rates. The MPC consists of seven members including the CBE's Governor, two deputy governors and four members of the CBE's Board of Directors. To enhance transparency, the MPC's decisions are communicated to the market through a monetary policy statement, which is released on the CBE's website following each MPC meeting.

### *Operational developments*

In December 2004, the CBE formally launched an online interbank system for foreign exchange trading by consolidating the supply of foreign exchange in the banking system. As a result, most banks became capable of satisfying their clients' foreign exchange needs, which, in turn, reduced the parallel market and caused the Egyptian Pound to appreciate against the U.S. Dollar at the time. On 30 December 2012, the CBE introduced an auction mechanism alongside the foreign exchange interbank system (the “FX Auction”).

In June 2005, the CBE introduced an interest rate corridor for the CBE's two standing facilities, the overnight lending and a deposit facility. The interest rates on the two standing facilities define the ceiling and floor of the corridor. By setting the rates on the standing facilities, the MPC determines the corridor within which the overnight rate can fluctuate. Steering the overnight rate within this interest rate corridor is the operational target of the CBE.

In October 2009, the CBE introduced a core CPI index, derived from the headline CPI published monthly by CAPMAS. The core CPI index excludes fruit and vegetable prices, which largely depend on volatile weather and harvest conditions, and administered prices. The index has helped the CBE better formulate and communicate its views on underlying inflationary pressures. The core CPI index has also served as an important tool in efforts to prevent inflationary spill-over from food and certain energy price volatility. In March 2011, as part of the monetary policy measures taken by the CBE to manage market liquidity following the 2011 Revolution, the CBE introduced repurchasing agreements to its monetary policy operational framework. The CBE decided to use a seven day repurchasing agreement as the main monetary policy tool, issued each Tuesday. In June 2012, the CBE added longer term 28-day repurchasing agreements to its monetary policy operational framework to be issued once every month. On 2 April 2013, deposit operations were designated as a tool to absorb excess liquidity. The deposit auctions have seven days' maturity with a fixed annual interest rate. The interest rate was increased from 10.25% to 12.25% in March 2016.

## The Egyptian Banking Sector and Reform

As at 30 June 2016, there were 38 banks registered with the CBE, with 3,882 operating branches throughout Egypt. In addition, the financial sector also includes non-bank financial institutions, such as brokerage firms, investment banks and mutual funds. The financial sector contributed 3.8% to GDP in each of 2014/15 and 2013/14.

The financial sector has shown strength in recent periods, with private credit growth increasing for two consecutive years in 2014/15 and 2015/16, primarily due to growth in both private and public sector lending. In particular, the stock of private sector credit increased by 18.0% in 2015/16, as compared to 19.1% in 2014/15. Newly-issued private credit was LE 117.4 billion in 2015/16, as compared to LE 104.5 billion in 2014/15. New household credit accounted for LE 32.6 billion of the increase in 2015/16, while new private business credit accounted for LE 84.8 billion.

The following table sets forth statistics regarding the Egyptian banking sector, as at 30 June and 31 December for the years indicated.

**Structure of the Egyptian Banking System**

As at 30 June									
2012		2013		2014		2015		2016	
Banks	Branches	Banks	Branches	Banks	Branches	Banks	Branches	Banks	Branches
40	3,610	40	3,651	40	3,712	40	3,768	38	3,882

Source: CBE

The divestiture of public sector banks' stakes in joint venture banks has had a positive impact on Egypt's banking sector, as it has attracted a number of European and regional banks (such as, *Intesa Sanpaolo*, HSBC and Union National Bank). International banks, which were already active in the Egyptian banking sector (such as, *Crédit Agricole* and *Société Générale*), have consolidated their positions in the market, either through new acquisitions or through raising their shareholdings in their existing Egyptian subsidiaries. For example, on 22 January 2013, the CBE's Board of Directors approved the acquisition of *National Société Générale Bank-Egypt* by QNB Group.

The following table sets forth the aggregate financial position of banks in Egypt as at the dates indicated.

#### Aggregate Financial Position of Banks

	As at 30 June				
	2012	2013	2014	2015 <sup>(1)</sup>	2016 <sup>(1)</sup>
	(LE millions)				
<b>Assets</b>					
Cash.....	14,534	29,227	27,276	27,381	31,432
Securities and Investments Treasuries.....	555,326	653,889	825,524	1,016,025	1,283,616
CBE Notes & Certificates of Deposit Balances with Banks in Egypt .....	104,269	131,326	174,786	240,336	374,644
Loans and Discounts.....	978	953	963	1,500	1682
Balances with Banks.....	75,905	77,012	78,742	54,834	51,074
Loans and Discounts.....	2714	1,800	2,284	1,520	1,391
Loans and Discount Balances for customers .....	506,736	549,120	587,852	717,999	942,727
Other Assets .....	109,390	123,275	122,693	142,404	162,601
<b>Total Assets .....</b>	<b>1,366,160</b>	<b>1,563,849</b>	<b>1,816,873</b>	<b>2,198,979</b>	<b>2,846,094</b>
<b>Liabilities and Capital</b>					
Capital .....	67,345	72,061	77,555	92,550	100,726
Reserves .....	25,539	35,838	47,022	50,080	63,002
Provisions .....	54,127	61,264	62,777	66,049	66,880
Long-Term, Loans and Bonds .....	27,840	30,312	30,168	38,453	48,532
Obligations to Banks in Egypt.....	19,009	25,608	17,858	20,763	60,551
Obligations to Banks abroad.....	14,792	15,222	14,699	30,147	86,060
Total Deposits.....	1,023,517	1,186,985	1,429,432	1,734,178	2,116,117
Other Liabilities, of which: .....	133,991	136,559	137,362	166,759	304,226
<i>Cheques Payable .....</i>	<i>4,848</i>	<i>4,850</i>	<i>6,880</i>	<i>8,175</i>	<i>10,984</i>
<b>Total Liabilities.....</b>	<b>1,366,160</b>	<b>1,563,849</b>	<b>1,816,873</b>	<b>2,198,979</b>	<b>2,846,094</b>

Source: CBE

#### Note:

(1) Since March 2015, data relating to Arab International Bank have been included in data relating to the aggregate financial position of banks in Egypt.

The following table sets forth the composition of deposits with all domestically operating banks as at the dates indicated.

#### Aggregate Financial Position of Banks<sup>(1)</sup>

	As at 30 June				
	2012	2013	2014	2015	2016
	(LE millions)				
<b>Total Deposits .....</b>	<b>1,023,517</b>	<b>1,186,985</b>	<b>1,429,432</b>	<b>1,734,178</b>	<b>2,116,117</b>
Demand Deposits.....	133,704	167,939	215,870	308,915	354,033
Time and saving deposits and saving accounts	851,117	974,286	1,157,976	1,330,179	1,641,305
Blocked or retained deposits.....	38,696	44,759	55,586	95,084	120,779
<b>Local Currency Deposits .....</b>	<b>777,807</b>	<b>896,477</b>	<b>1,093,686</b>	<b>1,369,674</b>	<b>1,691,590</b>
Demand Deposits.....	86,742	110,598	150,297	236,440	275,374
Time and saving deposits and saving accounts	666,996	759,515	907,531	1,054,047	1,318,564
Blocked or retained deposits.....	24,069	26,364	35,858	79,187	97,652
<b>Foreign Currencies Deposits .....</b>	<b>245,711</b>	<b>290,508</b>	<b>335,747</b>	<b>364,504</b>	<b>424,527</b>
Demand Deposits.....	46,963	57,341	65,573	72,475	78,659
Time and saving deposits and saving accounts	184,121	214,771	250,445	276,132	322,741
Blocked or retained deposits.....	14,627	18,395	19,728	15,897	23,127

Source: CBE

#### Note:

(1) The figures in this table have been revised and differ from previously published data.

The following table sets forth indicators of banking sector financial soundness as at the dates indicated.

<b>Banking Sector Financial Soundness Indicators<sup>(1)</sup></b>					
	<b>As at 30 June</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(%)</i>				
Regulatory capital to risk-weighted assets <sup>(2)</sup> .....	14.9	13.7	13.9	14.5	13.8
Leverage ratio.....	—	—	—	—	5.1
NPLs to total loans .....	9.8	9.3	8.5	7.1	5.9
Loan provisions to NPLs .....	97.1	99.8	98.9	99.0	99.0
Return on assets.....	1.0	1.0	1.3	1.5	1.5
Return on equity .....	13.9	14.5	18.9	24.4	24.4
<b>Liquidity Ratios</b>					
Local currency.....	58.4	61.8	62.7	59.7	55.2
Foreign currency.....	56.3	55.2	57.4	52.0	60.5
Loans to deposits .....	48.1	44.1	40.8	40.9	44.5

Source: CBE

**Notes:**

- (1) The fiscal year ends 30 June for public sector banks and 31 December for other banks.  
(2) Basel II regulations introduced in December 2012 applied with effect from December 2012 to all banks whose fiscal year ends in December, and from June 2013 to those banks whose fiscal year ends in June.

The CBE has embarked on a banking sector reform programme launched in September 2004. Since then, significant progress has been made in the banking sector, foreign exchange market and monetary policy. Improvements have included the consolidation of the banking sector, the divestiture of state-owned banks' stakes in joint venture banks, the strengthening of the capital base of Egyptian banks, the strengthening of the supervisory capacity of the CBE and the gradual provisioning of NPLs.

The first phase of the CBE's banking sector reform programme was completed in 2008, and the second phase began in 2009 and was completed in 2011, as scheduled. The main pillars of the second phase were: (i) preparing and implementing a comprehensive programme for the financial and administrative restructuring of specialised state-owned banks; (ii) monitoring the ongoing performance of National Bank of Egypt, Banque Misr and Banque du Caire in light of the reforms introduced under the first phase of the restructuring programme; (iii) adopting Basel II standards in Egyptian banks to enhance their risk management practices; (iv) reviewing and issuing governance rules for banks in the Egyptian banking sector and the CBE; and (v) promoting the development and growth of banking services and access to finance for various sectors, especially SMEs.

Despite the economic turbulence of recent years, the banking sector has generally maintained both liquidity and credit quality. The CBE plans to continue enhancing the banking system regulatory environment through the finalisation of the second phase of Basel II and the subsequent implementation of Basel III. See “—*Banking Supervision—Basel II and Basel III*”. In addition, the CBE is working on strengthening the macro-prudential supervision framework through regular stress testing to ensure the safety and stability of the banking system.

The Government believes that its on-going banking sector reform programme, including the strengthening of banking supervision and regulation and a continuing effort to reduce non-performing loans, has aided the banking system in withstanding the external shock of the global financial crisis, has enhanced competition in the banking industry and has ultimately created a healthier business environment.

In August 2016, the CBE provided interest free, ten-year loans to National Bank of Egypt, Banque Misr and Banque du Caire in an aggregate principal amount of LE 31 billion, in order to support the banks' capital bases.

## ***Non-Performing Loans***

The CBE's reform programmes implemented between 2004 and 2010 to address NPLs developed a variety of approaches and programmes, which has facilitated the repayment of more than 90% of NPLs in the banking sector (excluding debts of the public sector enterprises, which were separately settled). System-wide NPLs declined from 9.8% in 2012 to 5.9% in June 2016, with provisioning coverage reaching 94.5% and 99.0%, respectively. Stress tests regularly performed by the CBE suggest that plausible losses could be absorbed by banks' profits and capital buffers and the system's foreign exchange rate exposure is not significant.

## ***Banking Supervision***

The objective of the Banking Supervision Sector at the CBE is to maintain the financial stability of the banking system, as well as the financial soundness of banks operating in Egypt. The Banking Supervision Unit aims to achieve this objective through on-site and off-site supervision, macro-prudential surveillance and by adopting a risk-based approach to supervision.

Reporting of prudential requirements, periodical financial data and credit registry data by banks takes place via electronic linkage between banks and the CBE. The first private credit bureau, I-Score, which was established by 27 Egyptian banks and the Social Development Fund and commenced operations in the first quarter of 2008, provides credit information on natural persons and SMEs to its members, including financial institutions, mortgage lenders, credit card companies and mobile phone operators.

Other key regulations currently imposed by the CBE on the banking sector include:

- *Basel II and Basel III:* The application of the executive instructions of Basel II standards to the Egyptian banking system commenced in 2012 and the standards have been effective for all banks since June 2013. In the context of the implementation of Pillar II of the Basel II framework, in September 2014, the CBE issued its Internal Control regulation, and, in March 2016, the CBE issued its Internal Capital Adequacy Assessment Process. In 2011 the Basel Committee on Banking Supervision agreed on a new standard, Basel III, that, *inter alia*, set new capital, liquidity and leverage requirements to be applied by 2019. In response, the CBE is continuing to implement Basel II requirements, while examining the possibility of implementation of Basel III in the Egyptian banking sector. In July 2015, April 2016 and July 2016, the CBE issued regulations regarding leverage ratios, capital conservation buffers and liquidity coverage ratios, respectively, which are being implemented according to the timetable set by the Basel Committee (see “—*Liquidity requirements*” and “—*Capital Conservation Buffer*”).
- *Capital requirements:* The minimum requirement for paid up capital is LE 500 million for domestic banks and U.S.\$50 million for branches of foreign banks.
- *Capital adequacy:* Banks are required to maintain a capital adequacy ratio (“**CAR**”) of at least 10.625% (including the conservation buffer) of risk weighted assets with effect from January 2016 (10% in 2012), which, in line with Basel III requirements, will increase annually by 0.625% to 12.5% in January 2019.
- *Reserve requirements:* Banks are required to maintain 10% of banks' deposits in local currency and 10% of banks' deposits in foreign currencies with the CBE. The reserve requirement for deposits in local currency was decreased from 14% to 12%, and subsequently to 10% during the first and second quarters of 2012, respectively. Local currency reserves are non-interest bearing, while foreign currency deposits receive interest at the London Interbank Bid Rate.
- *Liquidity requirements:* Banks are required to comply with a liquidity ratio of not less than 20% on the local portion of deposits and 25% in respect of the foreign portion. In order to prepare for the implementation of certain elements of Basel III, in July 2016, a new regulation on liquidity risk was issued, which requires banks to comply with two new ratios: a liquidity coverage ratio (“**LCR**”) and a net stable funding ratio (“**NSFR**”) of 100% in local and foreign currencies. According to the timetable set by the Basel Committee, the NSFR shall become effective immediately, while the minimum LCR requirement will be 70% in 2016, increasing to 80% in 2017, 90% in 2018 and 100% in 2019.
- *Capital Conservation Buffer:* In April 2016, a regulation regarding the requirement to maintain a capital conservation buffer was issued, requiring banks to gradually implement this buffer when calculating their minimum capital requirements, with full implementation expected in January 2019.

- *Exposure limits:* In December 2012, the CBE decreed that a bank's long position in any single currency must not exceed 1% of its capital base, while total long positions in all currencies must not exceed 2% of the capital base. Similarly, a bank's short position in any single currency must not exceed 10% of its capital base, while total short positions in all currencies must not exceed 20% of the capital base. The CBE has also issued a regulation setting out exposure limits for public banks in respect of countries, financial institutions and financial groups, as a percentage of a bank's capital base.
- *Asset classification and provisioning:* The instructions concerning asset classification and provisioning issued in 1991 were replaced by regulations issued by the CBE in May 2005, to be adopted by banks in December 2005. These regulations include standards for creditworthiness and provisioning, taking into consideration the obligor risk rating for loans granted to business organisations, grading the credit risk inherent to a customer into ten categories, and required provisioning (0% to 5% as general provision, and 20%, 50%, 100% as specific provision). The regulations allow some collateral to be taken under specific conditions and include standards for consumer and SME lending and provisioning.
- *Money Market Fund ("MMF"):* In January 2016, the CBE amended the MMF regulation to prohibit banks from holding more than 2.5% of the total bank's deposits in local currency in MMF and fixed income funds or to hold 50 times the maximum limit of total bank's share in total MMFs (calculated as 2% of its going concern capital common equity), whichever is lower.
- *Credit exposure limits:* Permitted exposure to a single borrower and its related parties was lowered in January 2016 to 15% and 20%, respectively, compared to 20% and 25% in the past. Total exposures exceeding 10% of a bank's capital base should not exceed eight times its capital base. In addition, the regulation requires the risk weighting to be increased for the purposes of calculating CARs where the total credit facilities granted to the top 50 bank's clients and their related parties exceed 50% of the bank's credit portfolio. In addition, the total exposure of foreign banks' branches to the top 50 clients and their related parties must not exceed 50% of the bank's capital base.
- Current exposure limits to connected parties are as follows:
  - Banks are not allowed to grant any type of credit facilities or guarantees to their board of directors, external auditors or their respective connected parties, as well as certain major shareholders and their respective connected parties.
  - In respect of major legal entity shareholders not represented on the board of directors:
  - For public companies, the exposure should not exceed 5% of a bank's capital base and the total exposures to these companies should not exceed 10% of a bank's capital base.
  - For private companies, the exposure should not exceed 2% of a bank's capital base and the total exposures to these companies should not exceed 5% of a bank's capital base.
  - Bank management other than board members and a bank's subsidiaries are to be treated on an arm's-length basis.
- *Country and counterparty limits of banks exposures:* Banks are also required to limit their exposure to single countries, financial institutions and financial groups, based on the bank's capital base and the relevant country's credit ratings and GDP. Any excess exposure to a single country must be approved in advance by the CBE. The regulation sets the following limits on exposure to a single financial group:
  - for investments in a foreign bank, 10% of the local bank's total exposures invested abroad or 40% of the bank's capital, whichever is the lower;
  - for investments in any financial group, 50% of the bank's capital base; and
  - for investments by a branch of a foreign bank in its head office, branches and affiliated banks and institutions in all countries, up to 100% of its capital base.
- *Equity Participation:* Banks may own up to 40% of the issued capital in non-financial companies and 100% of financial companies. The total value of these shares must not exceed a bank's total capital base. Any excess exposure to non-financial companies is subject to impairment.



- *Developer and Acquisition Finance:* Among other specified general rules, banks are required to increase the risk weights applicable to high risk transactions, such as developer finance and acquisition finance, while setting a limit on the total acquisition finance portfolio related to each bank's total loan portfolio.
- *Debt to Income Regulation:* According to CBE regulations, a bank must not grant finance to a retail client if its debt to income ratio exceeds 35% of its total monthly income after deduction of taxes and social security. This ratio may be increased to 40% for mortgage financing for housing to low and middle income clients, in accordance with the mortgage finance initiative of the CBE.
- *Acquisition Finance Regulation:* Amendments to the acquisition finance regulation have been introduced, which impose: (i) increased risk weighting for the financing of certain acquisitions; (ii) reduced limits on a bank's acquisition portfolio for acquisition financing (to 2.5% of the bank's total loan portfolio) and limits on acquisition financing transactions with single customers and their related parties (to 0.5% of the bank's total loan portfolio); and (iii) a restriction on the value of the bank's total acquisition financing portfolio, which should not exceed 50% of the value of the total acquisitions comprising the portfolio.

### *Banking Sector Governance*

Applying governance rules in Egyptian banks and the CBE has also become one of the centrepieces of the second phase of the banking reform programme. In this respect, bank governance rules were approved by the CBE in July 2011. A decree-law was also issued in October 2011, amending certain provisions of the Law of the Central Bank, the Banking Sector and Money № 88 of 2003, which provides for increased governance and conflict of interest rules to be followed by the CBE's Board of Directors.

### *Bancassurance Regulation*

The CBE has amended the bancassurance regulation to provide for Islamic insurance products.

### *Mobile payments Regulation*

The CBE has amended the mobile payments regulation to permit transfers from abroad to family members through mobile phones.

### *SME Financing*

As part of the banking sector reform in Egypt, an initiative was launched to enhance access to finance with a special focus on SMEs. Accordingly, the CBE's Board of Directors' issued a decree in December 2008 exempting direct finance to certain SMEs from the reserve requirements and enhancing coordination among the relevant authorities.

In 2014, Law № 141 of 2014 was enacted, which permits licensed banking entities to offer microfinance loans of up to LE 100,000 to SMEs engaged in production, services or trading. The principal amount may be increased by up to 5% *per annum*. Such financing is supervised by EFSA.

In 2015, the CBE launched a series of initiatives to encourage SME financing, including: (i) providing definitions for micro, very small and small and medium-sized companies based on their annual revenue; (ii) requiring banks to increase the percentage of loans provided to SMEs to 20% of their total lending portfolio over the subsequent four years; (iii) supporting SMEs in the industrial and agricultural sectors by granting them loans with a 7% interest rate to fund capital expenditure.

### *Banking Sector Reporting Guidelines*

In December 2008, the CBE issued guidelines requiring banks to prepare their financial statements in accordance with IFRS.

### *Ownership in Banks*

The CBE's written consent is required to acquire a stake greater than 10% in an Egyptian bank, and the CBE must be notified if ownership exceeds 5%.

### *Anti-Money Laundering and Combating Terrorism Measures*

Banks are required to determine the identities and the legal status of their customers and report all suspicious transactions to the Anti-Money Laundering and Combating Financial Terrorism units for the CBE. Each bank must appoint a compliance officer to ensure the effective application of the laws and to assess the effectiveness of such bank's anti-money laundering system. The banking sector also applies the relevant provisions of the U.S. Foreign Account Tax Compliance Act, as amended.

### *Mortgage finance initiative to low and middle income individuals*

Recognising the banking sector's role in supporting mortgage finance, in February 2014 the CBE introduced a mortgage finance initiative by providing a fund of LE 20 billion, to be supplied in tranches to participating banks. The first tranche of LE 10 billion is to be issued over a maximum period of 20 years and is directed towards mortgage lenders as an incentive to encourage banks to expand and improve their mortgage finance activity directed to low and middle income borrowers. The scope of the initiative was widened in February 2016 by adding a tranche available to low and middle income clients.

### *Tourism sector initiative*

In March 2013, the CBE launched an optional incentive initiative for banks in support of the tourism sector. The initiative is designed to postpone debt instalments and delay all outstanding or current dues on long-term or short-term credit. Following a number of extensions, this initiative is scheduled to end in February 2017.

In December 2015, an initiative was launched to support the financial situation of workers in the tourism sector by postponing amounts due under certain banking facilities until December 2016.

See "*The Economy—Production Services Sector—Tourism*".

### *Import transaction regulations*

A series of regulations were issued in respect of import transactions in December 2015, January 2016 and February 2016 to preserve Egypt's limited foreign currency reserves and direct such resources to imports of raw materials and basic goods. These regulations included the following:

- limiting the execution of import transactions to those executed through documents of collection negotiated through banks (*i.e.*, bank-to-bank);
- raising the minimum cash margin required for import transactions for trading purposes to 100% from 50%, subject to certain exceptions;
- establishing the minimum cash margin for import transactions executed through deferred unconfirmed bills of collection as 100%, subject to certain exceptions with respect to strategic goods;
- removing restrictions on imported commodities (not for trading purposes), such as raw materials used in production; and
- prohibiting certain refinancing of import transactions for trading purposes.

### **Inflation and Interest Rates**

Inflation, as measured by the CPI, was 10.1% in 2011, 7.1% in 2012, 9.5% in 2013, 10.1% in 2014 and 10.4% in 2015. The decrease in inflation between 2010 and 2012 was largely driven by the decline in prices of fresh vegetables, as well as lower prices for butane gas cylinders. Subsequent increases in inflation have been primarily due to increases in prices of core food and regulated items, in particular as a result of the introduction by the Government of a reformed energy subsidy programme and higher electricity tariffs since July 2014, which have partially offset the impact of lower international energy prices. See "*The Economy—Production Sectors—Electricity*" and "*Public Finance—Social Spending and Subsidies*".

In July 2014, the Government implemented measures to reform energy subsidies and increase electricity tariffs. This has resulted in several increases in headline CPI inflation since then.

Inflation averaged 9.6% in the first four months of 2016, before increasing to 15.5% in August 2016 (based on annual headline inflation). Increases in inflation in 2016 have been primarily a result of higher prices for regulated items, in particular electricity, as discussed above. In addition, increases in butane cylinder prices (due to a supply shortage), retail prices (particularly in respect of automobiles) and fresh vegetables, red meat prices and certain other food prices contributed to higher inflation rates. Supply shocks caused by religious festivals and the month of Ramadan have also had an inflationary effect during periods of 2016.

Monetary policy since 2010 has helped to support the Egyptian economy and maintain relative price stability during a period of political change. In addition, tackling supply-side bottlenecks (by investing in and upgrading the supply chain network) is expected to contribute to dampening inflationary pressures by avoiding spikes in the prices of commodities arising from supply shortages.

In its September 2016 statement, the MPC assessed that demand-side factors continued to pose downside risks to the inflation outlook. The MPC reported that real GDP growth of 4.3% in the nine months ended 31 March 2016, as compared to the corresponding period of 2014/15, was driven by domestic demand, while net external demand reduced real GDP growth. By sector, the services sector was the highest contributor to economic growth notwithstanding the contraction of the tourism industry. See “*The Economy—Production Services Sector—Tourism*”. Furthermore, growth continued to be supported by trade, agriculture and the general government sectors, while the industrial sector contributed negatively, primarily due to continued weakness in mining activity, as well as the negative contribution of non-petroleum manufacturing.

See “—*The Central Bank of Egypt—Monetary Policy*”, “—*Foreign Exchange Rates*” and “—*The Egyptian Banking Sector and Reform*”.

The following table sets forth annual inflation rates as measured by the CPI for the twelve months ended in the month indicated year-on-year.

	Inflation—Twelve Months Percentage Change				
	2012	2013	2014	2015	2016
	(%)				
January .....	8.6	6.3	11.4	9.7	10.1
February .....	9.2	8.2	9.8	10.6	9.1
March .....	9.0	7.6	9.8	11.5	9.0
April .....	8.8	8.1	8.9	11.0	10.3
May .....	8.3	8.2	8.2	13.1	12.3
June .....	7.3	9.8	8.2	11.4	14.0
July .....	6.4	10.3	11.0	8.4	14.0
August .....	6.5	9.7	11.5	7.9	15.5
September .....	6.2	10.1	11.1	9.3	14.1
October .....	6.7	10.4	11.8	9.8	—
November .....	4.3	13.0	9.1	11.1	—
December .....	4.7	11.7	10.1	11.1	—

Sources: CAPMAS and CBE

The following table sets forth the current composition of the CPI and the relative weight of the component that CAPMAS uses to calculate the Urban CPI.

Composition and Weighting of the CPI	
Component	Weight (%)
Food and non-alcoholic beverages .....	39.92
Tobacco and related products .....	2.19
Clothing and footwear .....	5.41
Housing, water, electricity, gas and other fuels .....	18.37
Furnishings, household equipment and routine maintenance of dwellings.....	3.77
Medical care .....	6.33
Transportation .....	5.68
Communications.....	3.12
Recreation and culture .....	2.43
Education.....	4.63
Hotels, cafés and restaurants.....	4.43
Miscellaneous services .....	3.72

*Sources: CAPMAS and CBE*

The ninth series of the CPI was introduced in September 2010. The weights involved in the formation of the CPI were taken from the results of the 2008/09 survey of household income, expenditure and consumption, using January 2010 as a base period.

During 2011/12, the MPC decided in its meetings held during July and October 2011 to keep the overnight deposit and lending rates, along with the discount rate, unchanged. However, as a precautionary measure against potentially higher inflationary pressures, the MPC decided in the November 2011 meeting to raise each rate, which then remained unchanged until the end of the fiscal year. To provide adequate liquidity for the banking system, the MPC decided in June 2012 to introduce a 28-day repurchasing agreement at various rate tenders with a minimum bid equal to the seven-day repurchase rate. The seven-day repurchases have been conducted by the CBE since March 2011. The CBE's Board of Directors also made two successive cuts to the required reserve ratio (from 14% to 12% and then to 10%).

While the CBE's interest rates (the overnight deposit and interest rates) underwent no change in MPC meetings convened between July 2012 and February 2013, they were raised in March 2013 by 50 basis points each, to 9.75% and 10.75%, respectively. The CBE's main operational rate was raised by 50 basis points to 10.25% and the discount rate was raised by 75 basis points to 10.25% at the same time.

The government revised the prices of several regulated items within the CPI basket upwards at the beginning of 2014/15, including fuel, electricity, and tobacco prices, in line with the Government's economic reform and subsidy restructuring programme. As a result, in July 2014, the MPC raised its policy rates by 100 basis points in order to pre-empt any second round inflationary effects of such regulated price increases, in line with its price stability mandate.

In January 2015, the MPC reduced its benchmark interest rate by 50 basis points, reflecting an improved inflation outlook as a result of declining oil prices and the subsequent revision of food price forecasts.

In December 2015, the MPC decided to raise its policy rates by 50 points given the balance of risks surrounding the inflation and the GDP outlooks. The MPC raised its policy rates by a further 150 points and 100 points in March 2016 and June 2016, respectively, in order to address inflationary pressures and anchor inflation expectations. As a result, the overnight deposit rate was increased from 8.75% in January 2015 to 11.75% in July 2016.

On 3 November 2016, in connection with the adoption of a liberalised exchange rate regime, the MPC raised its policy rates by 300 basis points, with the overnight interest rate increasing to 14.75%, the overnight lending rate increasing to 15.75% and the discount rate increasing to 15.25%. See “—*The Central Bank of Egypt—Monetary Policy*” and “—*Foreign Exchange Rates*”.

The following table sets forth the dates of the changes in the CBE's key interest rates.

CBE Key Interest Rates			
	Overnight Deposit Rate	Overnight Lending Rate	Discount Rate
		(%)	
9 June 2011.....	8.25	9.75	8.50
24 November 2011 .....	9.25	10.25	9.50
21 March 2013.....	9.75	10.75	10.25
1 August 2013 .....	9.25	10.25	9.75
19 September 2013 .....	8.75	9.75	9.25
5 December 2013.....	8.25	9.25	8.75
17 July 2014 .....	9.25	10.25	9.75
15 January 2015.....	8.75	9.75	9.25
24 December 2015.....	9.25	10.25	9.75
17 March 2016.....	10.75	11.75	11.25
16 June 2016.....	11.75	12.75	12.25
3 November 2016.....	14.75	15.75	15.25

Source: CBE

## Liquidity and Credit Aggregates

The following table sets forth the liquidity and credit aggregates for the periods indicated.

Liquidity and Credit Aggregates <sup>(1)</sup>					
	2011/12	2012/13	2013/14	2014/15	2015/16
	(LE millions, except where indicated)				
M1 <sup>(2)</sup> .....	274,510	344,100	410,554	499,065	572,935
Domestic Liquidity (M2) <sup>(3)</sup> .....	1,094,408	1,296,086	1,516,601	1,765,492	2,094,500
Change in Domestic Liquidity (%).....	8.4	18.4	17.0	16.4	18.6
Foreign Currency Deposits (as a % of M2) .....	17.0	17.3	15.6	14.9	15.5
Foreign Currency Deposits (as a % of Total Deposits) .....	20.7	21.3	19.0	17.9	18.5
<b>Domestic Credit</b>					
Government (net).....	578,654	802,539	1,045,186	1,291,427	1,166,487
Public Business Sector .....	40,620	42,866	45,417	63,218	93,073
Private Business Sector .....	340,865	369,814	389,275	448,276	503,659
Household Sector.....	112,427	127,921	145,263	175,290	208,017
<b>Total Domestic Credit</b> .....	<b>1,072,566</b>	<b>1,343,140</b>	<b>1,625,141</b>	<b>1,978,211</b>	<b>1,971,236</b>
Year-on-year Change in Domestic Credit (%).	20.1	25.2	21.0	21.7	24.8

Source: CBE

### Notes:

- (1) The figures in this table have been revised and differ from previously published data.  
(2) Money in circulation plus local currency demand deposits.  
(3) M1 plus local currency time and saving deposits and foreign currency deposits.

Domestic liquidity grew by 91.4% over the five-year period from 2011/12 to 2015/16, while domestic credit increased by 130.3% over the same period.

Domestic liquidity increased on a year-on-year basis by LE 329.0 billion, or 18.6%, from 30 June 2015 to 30 June 2016, as compared to a LE 248.9 billion, or 16.4%, increase from 30 June 2014 to 30 June 2015. Domestic credit increased by LE491.4 billion, or 24.8%, and LE 353.1 billion, or 21.7% over the same periods, respectively.

Foreign currency deposits, as a percentage of M2, increased from 14.9%, as at 30 June 2015, to 15.5 %, as at 30 June 2016, and foreign currency deposits, as a percentage of total deposits, increased from 17.9%, as at 30 June 2015, to 18.5%, as at 30 June 2016.

The following table sets forth the discount rate, 91-day treasury bill rate and overnight interbank rates as at the end of the periods indicated.

	Interest Rates <sup>(1)</sup>		
	Discount Rate	91-day Treasury Bills (%)	Overnight Interbank Rate
<b>2011</b>			
January .....	8.50	9.49	8.26
February .....	8.50	10.59	8.74
March .....	8.50	11.32	8.98
April .....	8.50	11.18	8.90
May .....	8.50	11.56	8.95
June .....	8.50	11.72	9.02
July .....	8.50	11.91	8.97
August .....	8.50	11.93	8.98
September .....	8.50	12.67	9.07
October .....	8.50	12.52	8.89
November .....	9.50	13.04	9.17
December .....	9.50	14.08	9.70
<b>2012</b>			
January .....	9.50	13.86	9.66
February .....	9.50	13.83	9.64
March .....	9.50	13.83	9.65
April .....	9.50	13.95	9.73
May .....	9.50	14.29	9.67
June .....	9.50	14.60	9.78
July .....	9.50	14.33	9.68
August .....	9.50	14.21	9.65
September .....	9.50	13.43	9.66
October .....	9.50	12.61	9.66
November .....	9.50	12.39	9.61
December .....	9.50	13.05	9.69
<b>2013</b>			
January .....	9.50	13.18	9.67
February .....	9.50	12.82	9.53
March .....	10.25	12.67	9.68
April .....	10.25	13.42	10.06
May .....	10.25	14.07	10.18
June .....	10.25	14.05	10.15
July .....	10.25	13.34	10.00
August .....	9.75	11.48	9.55
September .....	9.75	11.15	9.24
October .....	9.25	10.91	8.83
November .....	9.25	10.87	8.81
December .....	8.75	10.46	8.51
<b>2014</b>			
January .....	8.75	10.37	8.33
February .....	8.75	10.22	8.32
March .....	8.75	10.24	8.34
April .....	8.75	10.40	8.37
May .....	8.75	10.52	8.38
June .....	8.75	10.60	8.41
July .....	9.75	11.19	8.83
August .....	9.75	11.72	9.41
September .....	9.75	11.75	9.43
October .....	9.75	11.57	9.42
November .....	9.75	11.62	9.41
December .....	9.75	11.51	9.36
<b>2015</b>			
January .....	9.25	11.44	9.15
February .....	9.25	11.04	8.85
March .....	9.25	11.20	8.87
April .....	9.25	11.16	8.89

### Interest Rates<sup>(1)</sup>

	Discount Rate	91-day Treasury Bills (%)	Overnight Interbank Rate
May .....	9.25	11.41	8.93
June .....	9.25	11.73	8.97
July .....	9.25	11.44	8.92
August .....	9.25	11.21	8.89
September .....	9.25	11.28	8.88
October .....	9.25	11.17	8.87
November .....	9.25	11.22	8.96
December .....	9.75	11.22	9.14
<b>2016</b>			
January .....	9.75	11.47	9.52
February .....	9.75	11.38	9.53
March .....	11.25	12.21	10.18
April .....	11.25	13.00	10.91
May .....	11.25	12.90	10.90
June .....	12.25	13.51	11.30
July .....	12.25	14.12	11.89
August .....	12.25	14.10	11.83
September .....	12.25	14.77	11.89
October .....	12.25	14.55	11.89

Source: CBE

#### Note:

- (1) On 3 November 2016, in connection with the adoption of a liberalised exchange rate regime, the MPC raised its policy rates by 300 basis points, with the overnight interest rate increasing to 14.75%, the overnight lending rate increasing to 15.75% and the discount rate increasing to 15.25%. See “—Inflation and Interest Rates”.

### Foreign Exchange Rates

The currency of the Republic is the Egyptian Pound. The CBE has regularly intervened in foreign exchange rates, in particular between the Egyptian Pound and the U.S. Dollar. Restrictions in auctions and on the interbank market, as well as only partial clearance of foreign exchange requests from commercial banks, have generated a parallel market for foreign exchange. Prior to 3 November 2016, there were restrictions on the remittance of foreign currency outside of Egypt. From time-to-time, there has also been a shortage of U.S. Dollars in Egypt, as a result of which, the ability to repatriate foreign currency has been historically limited or curtailed. In order to address these imbalances, on 3 November 2016, the CBE announced the move to a liberalised exchange rate regime and the adoption of a series of other measures, as described below. These measures included lifting the restrictions on the deposit and withdrawal of foreign currency by individuals and companies, except for certain restrictions affecting companies which import non-essential goods and products and subject to an annual limit of U.S.\$100,000 for remittances abroad by Egyptian individuals and certain companies.

See “Risk Factors—Risks Relating to the Republic—Significant depreciations of the Egyptian Pound against the U.S. Dollar, the Euro or other major currencies have had and, if they continue to occur, would have, a material adverse effect on Egypt’s ability to service its debt denominated in currencies other than the Egyptian Pound, including amounts due under the Notes”.

From 1991-2003, the CBE pegged the exchange rate of the Egyptian Pound to the U.S. Dollar. From 1992 to 1997, the increased foreign exchange earnings on the back of the stabilisation programme, external debt forgiveness and rescheduling made the currency peg sustainable during that period. However, in 1997, the Republic’s balance of payments suffered from the combined effect of lower oil prices, reduced tourism revenues and reduced capital inflows following the Asian market crisis. Increased foreign currency demand in 1997 led to a shortage, in particular in respect of U.S. Dollars, and a gap developed between the official exchange rate announced by the CBE and the unofficial rate available on the foreign exchange market. The CBE gradually increased the peg from U.S.\$1.00 = LE 3.45 in June 2000 to U.S.\$1.00 = LE 4.50 in January 2002. The CBE abandoned the peg on 29 January 2003.

On 23 December 2004, the CBE launched an online interbank system for foreign exchange trading by consolidating the supply of foreign exchange in the banking system. As a result, most banks became capable of satisfying their clients’ foreign exchange needs, which, in turn, reduced the unofficial foreign exchange market and caused the Egyptian Pound to further appreciate against the U.S. Dollar at the time. Accordingly, the Government abolished the foreign exchange surrender requirement that had been introduced in 2003. The upgrade of the CBE’s foreign currency management and

the interbank system was a major stabilising factor during the global financial crisis, in particular during the period from August to October 2008, during which the Republic experienced a net capital outflow as a result of the liquidation of certain foreign investors' position in domestic financial securities.

Following the 2011 Revolution, the Republic witnessed net capital outflows from its domestic financial securities due to the political instability that took place at the time. The Egyptian Pound depreciated by 5% from January 2011 to December 2012.

In order to enhance the efficiency of the foreign exchange market, the CBE introduced FX auctions alongside the foreign exchange interbank system. The aim was to enhance transparency in the foreign exchange market, reduce speculation and avoid depletion of international reserves by rationing foreign currency sourcing. The FX Auction is a regular auction for buying and selling U.S. Dollars through which banks offer their tenders to the CBE. The mechanism became effective on 30 December 2012.

Since then, the CBE has conducted foreign currency auctions for domestic banks on a weekly basis. In January 2015, the Egyptian Pound depreciated against the U.S. Dollar by an aggregate of 6.3% at 10 consecutive auctions. In March 2016, the Egyptian Pound devalued against the U.S. Dollar by 13%, representing the then-largest devaluation of the Egyptian Pound in more than ten years. The devaluation was an effort to close the gap between the official and unofficial exchange rates and preserve foreign exchange resources. Although the devaluation was initially successful in closing the gap between official and unofficial exchange rates, the gap widened again subsequently as the CBE did not have sufficient foreign currency reserves to fully service foreign currency demand and speculation by currency traders continued.

In March 2016, the CBE announced that it had adopted a new exchange rate policy to address distortions in the foreign exchange market, restore confidence in the foreign exchange market and the banking sector and promote a more conducive investment climate. To these ends, the CBE announced that its policy was to:

- lift the limits on cash deposits and withdrawals that were imposed in February 2015 to resolve market imbalances;
- adopt a more flexible foreign exchange regime to better reflect supply and demand and improve transparency and foreign exchange liquidity;
- target international reserves of U.S.\$25 billion in 2016.

On 3 November 2016, the CBE announced the move to a liberalised exchange rate regime and other measures in order to quell distortions in the domestic foreign currency market and reduce foreign exchange shortages. To this end, the CBE:

- implemented a non-binding foreign exchange rate, which is intended to serve as soft guidance to the market, in order to improve Egypt's competitiveness, increase foreign currency liquidity and encourage the conduct of foreign exchange transactions in formal channels;
- abolished priority import lists, which were previously in place to allocate limited foreign currency;
- permitted banks to operate until 9 p.m. every day, including Friday and Saturday, for foreign exchange transactions and transfers;
- lifted restrictions on the deposit and withdrawal of foreign currency by individuals and companies, except for certain restrictions affecting companies which import non-essential goods and products and subject to an annual limit of U.S.\$100,000 for remittances abroad by Egyptian individuals and certain companies;
- announced that it would continue to monitor market activity and, if required, hold price auctions in order to support the process of market price discovery in the early days of adjustment.

Pursuant to the new exchange rate regime, banks and other market participants are at liberty to quote and trade at any exchange rate, and bid and ask exchange rates are expected to be determined by supply and demand. The CBE has also announced its intention to use the prevailing market rate for any transactions it undertakes. Following the CBE's announcement, the Egyptian Pound depreciated against the U.S. Dollar to LE 14.6350 per U.S.\$1.00 (buy rate) on 3 November 2016, as compared to LE 8.7700 (buy rate) per U.S.\$1.00 on 2 November 2016.



The new exchange rate regime is part of a broader package of measures aimed at encouraging macroeconomic stability through fiscal consolidation, in line with the Government's economic reform programme. The CBE also raised its key policy rates by 300 basis points and announced that it would introduce deposit auctions with longer maturities and market determined rates. See “—*Inflation and Exchange Rates*”.

In addition, the CBE announced its agreement with the Ministry of Finance to gradually phase out the monetary financing of the budget deficit. The CBE confirmed that its main policy objective remained ensuring price stability and that it will closely monitor reserves and continue to rely on indirect monetary policy tools.

As set out above, importers of non-essential goods and products are subject to a daily foreign exchange deposit limit of U.S.\$10,000 (subject to a monthly cap of U.S.\$50,000) and a daily foreign exchange withdrawal limit of U.S.\$30,000.

The following table sets forth average data relating to the official exchange rate between the Egyptian Pound and the U.S. Dollar for the periods indicated.

Egyptian Pound–U.S. Dollar Exchange Rates <sup>(1)(2)</sup>					
2011	2012	2013	2014	2015	Jan - Aug 2016
(LE per U.S.\$1.00)					
5.933	6.056	6.869	7.079	7.643	8.386

Source: CBE

**Notes:**

- (1) The rates in this table may differ from the actual rates used in the preparation of the information appearing in this Prospectus. See “*Presentation of Information*”.
- (2) On 7 November 2016, the market exchange rate (buy rate), as published by the CBE, was U.S.\$1.00 = LE 16.4111.

In the period from July 2014 to August 2016, the value of the Egyptian Pound, calculated on a monthly average basis, depreciated against the U.S. Dollar from U.S.\$1.00 = LE 7.14 to U.S.\$1.00 = LE 8.78, or by 18.7%. In August 2016, the CBE U.S. Dollar to Egyptian Pound weighted average rate as published by the CBE was U.S.\$1.00 = LE 8.78. Following the CBE's exchange rate liberalisation, the Egyptian Pound depreciated further to U.S.\$1.00 = LE 14.6350 (buy rate) as at 3 November 2016.

Derivatives, forward and swap transactions are allowed in the Egyptian foreign exchange interbank market, subject to certain limitations, including the requirement that they can only be initiated in connection with underlying commercial transactions and dividends payments. The market for such products, however, remains thin.

In August 2016, Law № 66 of 2016 was passed which introduces more stringent penalties for illegal foreign currency traders in the context of wider efforts to eliminate the black market. Pursuant to this law, those violating the foreign currency handling and transfer provisions of the banking law are subject to up to ten years imprisonment.

### Net International Reserves

Net international reserves (“**NIR**”) with the CBE were U.S.\$19.6 billion as at 30 September 2016, as compared to U.S.\$17.5 billion as at 30 June 2016, representing an increase of 11.7%. This increase was primarily due to the receipt of a U.S.\$1 billion loan from the World Bank, as well as deposits from the United Arab Emirates and Saudi Arabia. See “—*The Arab Republic of Egypt—Foreign Relations and International Organisations*”.

NIR decreased by U.S.\$2.5 billion, or 12.6%, in 2015/16, to U.S.\$17.5 billion as at 30 June 2016 (from U.S.\$20.1 billion as at 30 June 2015). NIR covered 3.7 months of merchandise imports as at 30 June 2016 and 3.9 months of merchandise imports as at 30 June 2015.

The following table sets forth the NIR of the CBE as at the end of the following years.

	Net International Reserves				
	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>(1)</sup>
	(U.S.\$ millions)				
<b>Net International Reserves</b> .....	<b>15,534</b>	<b>14,936</b>	<b>16,687</b>	<b>20,082</b>	<b>17,546</b>
Gross Official Reserves .....	15,556	14,960	16,710	20,104	17,570
Gold.....	3,303	2,463	2,662	2,420	2,602
Foreign Currencies .....	10,926	11,181	12,695	16,453	13,746
Special Drawing Rights .....	1,243	1,233	1,274	1,168	1,172
Loans to IMF .....	84	83	79	63	50
<b>Banks' Net Foreign Assets</b> .....	<b>13,462</b>	<b>12,122</b>	<b>11,452</b>	<b>3,481</b>	<b>(4,844)</b>
Assets .....	18,947	16,886	16,224	11,450	9,286
Liabilities.....	5,485	4,764	4,772	7,969	14,130
NIR in months of merchandise imports ....	3.1	3.1	3.3	3.9	3.7

Source: CBE

**Note:**

(1) Preliminary data.

The banks' net foreign liabilities of U.S.\$4.8 billion as at 30 June 2016, as compared to net foreign assets of U.S.\$3.5 billion as at 30 June 2015, was primarily due to the diversification of bank funding sources, including the increased placing of funds with overseas banks to finance the growth in banking sector foreign currency needs.

As at the date of this Prospectus, there are no encumbrances or potential encumbrances to the Republic's foreign exchange reserves, such as forward contracts or derivatives.

### The Establishment of the Egyptian Financial Supervisory Authority

The EFSA was established in 2009 as an integrated financial supervisory authority. See "*The Economy—Egyptian Financial Supervisory Authority*".

### The Egyptian Stock Market

Egypt's stock exchange, the EGX, is governed by a board of directors. The EGX's predecessor exchanges, the Alexandria Stock Exchange and the Cairo Exchange, were established in 1883 and 1903, respectively. Government policies adopted in the mid-1950s led to a drastic reduction in activity on the exchanges, which remained dormant between 1961 and 1992.

The then-Government's economic reform programme resulted in the adoption of the Capital Market Law № 95 of 1992 ("**Law 95**"), which empowered the CMA, an independent institution that has since been replaced by the EFSA, to regulate the securities industry and laid the regulatory framework for that industry. Law 95 permits the establishment of companies that provide underwriting of subscriptions, brokerage services, securities and mutual fund management, clearance and settlement of security transactions and venture capital activities. It also authorises the issuance of corporate bonds and authorises the issuance of bearer shares. Activity on the EGX increased following initial public offerings by the Government as part of its privatisation programme.

The Nile Stock Exchange (the "**NILEX**"), established under the EGX, was launched to offer small- and medium-sized companies the means to raise capital under an appropriate regulatory framework and is the first such market in the MENA region. As at 31 December 2015, 31 companies were listed on the NILEX, with a total market capitalisation of LE 1.0 billion.

Misr for Central Clearing, Depository and Registry ("**MCDR**") was established in 1994 to handle clearing and settlement operations. Its shareholders include the EGX, brokers and dealers, the public and private sector banks. Since the establishment of MCDR, the securities market has been moving towards dematerialisation of securities. Since July 2000, all shares are traded in dematerialised form on the EGX. MCDR is 50% owned by Egyptian banks and financial intermediaries, 45% owned by securities intermediaries and 5% owned by the EGX.

In relation to this work, major amendments have been introduced in recent years, including EFSA approval of the amendments to the listing rules in 2011 with regard to initial public offerings, treasury stocks and the obligation imposed on companies to release their shareholding structure. The NILEX listing rules were also amended to provide

investor protections, through freezing 25% of a company's shares to be held by the founders and the board members for at least two consecutive fiscal years from the date of an offering.

To ensure greater transparency, the listing rules were amended in 2012, requiring listed companies to launch a website in order to publish their annual and periodical financial statements with explanatory statements as well as the auditor's reports and other data and information defined by the EGX. Additionally, the rules concerning the listing of rights issues were also amended in 2012, which allowed the trading of the rights.

In February 2014, a new set of EGX listing rules was introduced, aiming at facilitating the procedures for new offerings by companies, as well as improving market transparency and minority protection rights. The new rules address, among other things, capital increases resulting from mergers, the acquisition or sale of an unlisted company or of assets exceeding 10% of a company's shareholders' equity, independence requirements for the board of directors of listed companies and matters regarding related party transactions.

Further amendments and additions were introduced in the listing rules in 2015 and 2016 to strengthen corporate governance requirements and enhance investor protection rights. As a result of the EGX's and the EFSA's latest review of the listing rules, additional rules relating to treasury shares, sales of 50% of a company's assets related to its main activities and cross holding ownership were introduced.

In accordance with technological developments, the EGX upgraded its trading platform to OMX high performance "X-Stream" solution in 2008. Additionally, the EGX launched a new automated surveillance trading system in 2012 from "Millennium IT", a member of the London Stock Exchange Group, to increase investor confidence and ensure protection for investors. The EGX has also launched its first online disclosure system, which provides a simpler, more accurate and faster system for companies to disseminate announcements to the market.

In 2015, the first exchange-traded fund ("**ETF**") was launched and the first license for an ETF market maker was granted.

In order to increase cross border trading, the EGX launched a FIX HUB in 2012 to enable international investors to trade Egyptian securities easily through a FIX gateway which will facilitate foreign investors' entry to the market thereby enhancing the Egyptian markets liquidity.

The EGX has continued to intensify its efforts to strengthen its international presence through becoming a member of the following organisations:

- the World Federation of Exchanges (WFE);
- the African Securities Exchanges Association (ASEA);
- presiding member of the Federation of Euro-Asian Stock Exchanges (FEAS);
- a founding member of the Union of Arab Exchanges; and
- an affiliate member of the International Organisation of Securities Commissions (IOSCO).

### ***EGX 30 Performance***

The EGX 30 Index (the "**Index**") increased by 15% in 2010, before decreasing by approximately 49% in 2011 as a result of political instability following the 2011 Revolution. The Index increased by 51% in 2012, showing renewed market confidence. In 2013 and 2014, the Index grew by 24.2% and 31.6%, respectively, as a result of increased political stability and reaction to the economic reforms announced and implemented by the Government. In 2015, the Egyptian market was affected by global and regional market challenges, resulting in a contraction of the Index by 21.5% in 2015. As at 19 September 2016, the Index had increased by 13.8%, as compared to as at 31 December 2015, and by 10.2% year-on-year.

As at 31 March 2016, the EFSA licenced three brokerage companies, 48 mutual fund managers, 19 underwriting and venture capital companies and one company for clearing and settlements. In 2015, there were 221 listed companies on the main market of the EGX, with a total market capitalisation of LE 430.0 billion.

The following table sets forth selected indicators for the EGX as at the dates, or for the periods, indicated.

Selected Indicators for the Egyptian Exchange						
	As at or for the year ended 31 December					As at or for the eight months ended 31 August 2016
	2011	2012	2013	2014	2015	
Total Market Capitalisation <sup>(1)</sup> ( <i>LE billion</i> ) .....	294.0	376.0	427.0	500.0	430.0	413.0
Total Market Capitalisation ( <i>% of GDP</i> ) .....	19.0	24.0	20.8	25.0	22.0	—
Total Value of Trading ( <i>LE billion</i> ) <sup>(2)</sup> .....	148.0	185.0	162.0	291.0	248.0	163.0
Number of Listed Companies <sup>(1)</sup> .....	213	213	212	214	221	222
Number of Transactions ( <i>million</i> ) .....	5.6	6.2	4.8	7.3	4.9	3.7
EGX 30 Index ( <i>end of period</i> ) .....	3,622.0	5,462.0	6,783.0	8,927.0	7,006.0	7,897.1 <sup>(3)</sup>

Source: EGX

**Notes:**

- (1) Main market.  
(2) Listed, NILEX & OTC. Trading on NILEX has been effective since 3 June 2010.  
(3) Figure as at 29 September 2016.

## **PUBLIC FINANCE**

### **The Budget Process**

The Government's fiscal year runs from 1 July to 30 June. In October of each year, the Ministry of Finance issues a circular to all Government authorities outlining in a general manner the fiscal policies, targets and economic assumptions to be adhered to in the preparation of their respective budgets. By December of each year, the Ministry of Finance receives and reviews the draft budgets submitted by Government authorities, following which mutual discussions of submitted budgets take place through joint committees. Such submitted budgets may be revised by the Ministry of Finance's Budget Department to ensure that the aggregate revenue and expenditure figures in the draft budget conform to the integrated macroeconomic targets previously set by the Macro Fiscal Policy Unit (the "MFPU").

By the following February, the Ministry of Finance submits a preliminary draft budget (comprising the budgets of the Government, the central and local administration units and service authorities) to the Ministerial Economic Sub-committee, which is headed by the Prime Minister. The Ministerial Economic Sub-Committee may introduce amendments to the draft budget before submitting the budget to the Council of Ministers for approval. The final budget is then submitted first to the President and then to the House of Representatives before the end of March, following which the budget is discussed among various legislative committees and must be approved and ratified in an annual budget law by the House of Representatives before the end of June. In the event that the House of Representatives has been dissolved or is otherwise absent, pursuant to the Constitution, the President has temporary legislative authority and may ratify the budget.

The ratified budget represents a ceiling for total expenditure for Government authorities during the year. If an exceptional expenditure item arises during a fiscal year, the Ministry of Finance will prepare a supplementary appropriation, which is submitted to the Ministerial Economic Sub-Committee and subsequently to the Council of Ministers, which, in turn, will submit it to the House of Representatives for approval and ratification.

Prior to the end of each fiscal year, the Final Accounts Department at the Ministry of Finance issues a circular to all Government authorities with instructions regarding the preparation of their final accounts. The Government authorities then submit their final accounts to the Ministry of Finance and the Accountability State Authority (the "ASA"), which audits the accounts both on a standalone (for each Government authority) and consolidated basis. Final accounts are submitted by the Minister of Finance to the House of Representatives before the end of October of each year for ratification.

### **Treatment of Public Sector and State-Owned Enterprises**

Law № 53 of 1973, as amended, together with executive regulations promulgated thereunder, regulate the process of preparing and implementing the General State Budget of the Republic. The consolidated general Government account is comprised of the budget sector, the National Investment Bank ("NIB") and the Social Insurance Fund ("SIF"). Fiscal reporting is completed on a consolidated cash basis, which requires the exclusion of financial interrelations among the consolidated bodies.

The budget sector consolidates the fiscal operations of the following entities:

- Central Administration Units, such as ministries and their affiliated agencies;
- Local Administration Units, representing the 27 governorates; and
- Service Authorities.

Both Local Administration Units and Service Authorities depend on the treasury to finance their respective yearly deficits.

There are two levels of published public finance data: (i) stand-alone budget sector fiscal data and (ii) general Government fiscal data, which include consolidated fiscal data of the budget sector, the NIB and Social Insurance Funds accounts.

### ***Service Authorities***

Service Authorities are Government-owned and administered organisations operating on a non-profit basis, such as Cairo University, the National Sewage Authority, the National Meteorology Authority and the National Authority for Roads and Bridges. Service Authorities generally provide public services, including public infrastructure services, education, health and research.

### ***Economic Authorities***

Economic Authorities, such as the Suez Canal Authority, the General Authority for Supply of Commodities, the New Urban Communities Authority, the National Postal Authority and the Radio and Television Authority are owned by the Government but operate on a for-profit basis. For purposes of the financial information set out in this Prospectus, EGPC is included in this classification. The financial operations of the Economic Authorities are accounted for in the national budget either in the form of dividends paid to the Ministry of Finance (if such entities are in profit) or capital contributions made by the Ministry of Finance to such authorities (if such entities are in deficit).

### ***Other Government-owned entities***

The Government also has a portfolio of other public sector companies that play an important role in the Egyptian economy. The companies are managed on a for profit basis and similar to private sector companies, seeking to maximise shareholder value. The profits of these companies are accounted for in the national budget in the form of dividends. The Government may also inject capital in such companies through capital contributions (in the case of a deficit). Other Government-owned entities include public sector banks regulated by Law № 88 of 2003, including National Bank of Egypt and Bank Misr, and holding companies regulated by Law № 203 of 1991, including Misr Insurance Holding Company, the Egyptian Electricity Holding Company (“**EEHC**”), EGAS and ECHEM.

### ***Improving Budget Classification***

According to Law № 97 of 2005, the annual State Budget is prepared in accordance with the IMF 2001 Government Finance Statistics (“**GFS**”) classification standard (modified to cash principles). This system is consistent with international budget accounting practices and is designed to generate standardised reporting during the year and to facilitate comparisons with budgets prepared by other countries. These accounting procedures were adopted to bring greater transparency to the budget and public sector economic activity. This permits better analysis of resources and expenditures to improve efficiency and to ensure that the budget remains focused on the social and economic priorities of the Government.

GFS distinguishes between economic, administrative and functional classifications. There is a clear distinction between revenues, expenditures and financing transactions, as well as between transfers and exchange transactions. Fiscal policy is monitored on the basis of the cash surplus/deficit and the overall fiscal balance.

### ***Budget Automation***

Use of an Automated Government Expenditure System (the “**AGES**”) has led to more efficient preparation of the budget and improved control of spending. The Ministry of Finance has applied the AGES since 2007/08 to link all budget entities to a central unit at the Ministry of Finance in order to facilitate the process of budget preparation, monitor expenditure more effectively, limit the use of cash in Government transactions and automate the issuance of end of year closing accounts. Pursuant to Circular № 2 of 2015, the Minister of Finance extended the application of the AGES across all budget entities and items, including wages and salaries, which is expected to permit the Ministry of Finance to monitor the public wage bill more effectively.

### ***The Treasury Single Account (TSA)***

Law № 139 of 2006 established the Treasury Single Account (the “**TSA**”) at the CBE. The TSA incorporates all the accounts of the Ministry of Finance, central and local administrative authorities, the service authorities and Economic Authorities and special funds. All revenues generated by such authorities are deposited in the TSA, and all expenditures are deducted from TSA.

## Government Finances and Projections

Since 2009/10, annual budgets include medium-term projections, as well as a fiscal sustainability analysis by the MFPU. The budget for 2016/17 includes a section on medium-term projections and Ministry of Finance medium-term fiscal and debt objectives. The MFPU also prepares economic and fiscal policy advice for the Minister of Finance. In addition, the MFPU is responsible for:

- monitoring budget execution to identify important developments and recommend appropriate action;
- recommending structural reforms to facilitate the sustainability of the fiscal and macroeconomic sectors;
- assessing macroeconomic and fiscal effects of different revenue and expenditure policy options;
- coordinating technical consultations between the Ministry of Finance and international financial institutions; and
- monitoring international economic developments to assess the impact on Egypt's economy.

## Fiscal Policy and Budget Performance

The soundness of public finances is a key pillar in the Government's economic programme, which aims to balance fiscal consolidation efforts with social objectives in order to promote inclusive and sustainable economic growth through, *inter alia*, enhancing tax efficiency and reprioritising public spending. As part of its economic programme, the Government has indicated economic targets, including a reduction of the overall budget deficit to approximately 7% of GDP by 2018/19; and to reduce the debt to GDP ratio. See "*The Economy—Recent Developments and Reforms*".

### Fiscal Reforms

Since 2014, Government reforms to increase Government revenue and control Government expenditure have included:

- **VAT:** In 2015, the Government announced its intention to replace the sales tax with a new VAT law in order to: (i) broaden the tax base by including services under the tax system; and (ii) assist in the prevention of tax evasion. The 2016/17 budget provides for a unified tax rate for all goods and services, although exemptions apply for basic products of social importance. In August 2016, the House of Representatives approved VAT rates of 13% for 2016/17 and 14% for 2017/18; the VAT law came into effect on 8 September 2016 and executive regulations are expected to be published in November 2016. VAT was not previously levied.
- **SMEs:** The Government is developing a simplified tax regime for SMEs and methods to improve tax compliance and control systems.
- **Capital gains and dividends tax:** The Government introduced a new 10% tax on capital gains and dividends (although the implementation of the capital gains tax was initially postponed for two years, it is expected to become effective in May 2017). The dividend tax came into effect on 30 June 2014.
- **Property tax:** In 2013, the Government introduced a tax on residential and commercial units valued at over LE 2 million, subject to certain exemptions (which became effective in 2014).
- **Excise tax:** In 2015 and in 2016, the Government increased excise tax on cigarettes and alcoholic beverages.
- **Mining law:** In 2014, the Government introduced the New Mining Law, which aims to increase fees and royalties due to the Government while incentivising new investment in the mining sector. See "*External Sector—Foreign Direct Investment—Investment Projects and Initiatives*".
- **Corporate tax:** In 2015, the Government reduced the top corporate tax rate to 22.5% while extending it to all economic zones.
- **Controlling the public sector wage bill:** In 2014, the Government set a public sector wage ceiling, discontinued the automatic inclusion of bonuses in basic wages after five years and subjected bonuses to income tax in an effort to control the public sector wage bill. Public sector employee hiring has also been centralised. Further controls to the public sector wage bill have been introduced through the New Civil Service Law, which was promulgated on 1 November 2016. See "*The Economy—Employment and Labour—Labour Law*".

- *Refocusing spending:* The Government is refocusing public spending through increased spending on infrastructure investment and social services, including health and education investment, in line with the Government's constitutional mandate. The Government is also implementing efficiency measures to reduce Government expenditure. See "*Public Finance—Social Spending and Subsidies*".

## **Recent Budgets**

### **2016/17 Budget**

The budget for 2016/17 was approved by the House of Representatives on 29 June 2016 with a projected budget deficit to GDP ratio of 9.8%, as compared to a budget deficit of 8.9% of GDP in the 2015/16 budget and an actual budget deficit ratio of 11.5% in 2014/15.

The budget for 2016/17 has been prepared on the basis of the following key economic assumptions:

- economic growth of 5.2%;
- average inflation of 11.5%;
- an average oil price (Brent crude) of U.S.\$40 per barrel; and
- global economic growth of 3.4%.

### **2015/16 Budget**

The budget for 2015/16 targeted a budget deficit of 8.9% of GDP. Preliminary estimates indicate that the actual budget deficit for 2015/16 will be approximately 12.2% of GDP, primarily due to the delay in the implementation of certain key reform measures, including the VAT law, a delay in the collection of tax arrears on treasury bills and treasury bonds and land settlements and a decline in mining receipts. The priorities of the 2015/16 budget were to continue the fiscal consolidation programme in order to meet the Government's economic targets through continued tax reforms (including the implementation of VAT) and rationalisation of public expenditure (including through continued subsidy reform and control of the public wage bill). The 2015/16 budget was prepared based on the following key economic assumptions:

- economic growth of 5.0%;
- average inflation of 11.0%;
- an average oil price (Brent crude oil) of U.S.\$70 per barrel; and
- global economic growth of 3.3%.



The following table sets out the budgets for the periods indicated.

<b>Budgets-2015/16—2016/17</b>		
	<b>2015/16<sup>(1) (2)</sup></b>	<b>2016/17<sup>(2) (3)</sup></b>
	<i>(LE millions)</i>	
<b>Revenues and Grants .....</b>	<b>622,277</b>	<b>669,756</b>
Tax Revenue.....	422,427	433,300
Grants .....	2,208	2,213
Other Revenues .....	197,641	234,243
<b>Expenditures .....</b>	<b>864,564</b>	<b>974,794</b>
Wages and Salaries.....	218,108	228,736
Purchases of Goods and Services .....	41,432	42,302
Interest Payments.....	244,044	292,520
Subsidies, Grants and Social Benefits .....	231,221	206,424
Other Expenditures.....	54,799	58,100
Purchases of Non-Financial Assets.....	74,961	146,711
<b>Cash Deficit .....</b>	<b>242,287</b>	<b>305,038</b>
<b>Net Acquisition of Financial Assets .....</b>	<b>8,806</b>	<b>14,422</b>
<b>Overall Fiscal Deficit .....</b>	<b>251,093</b>	<b>319,460</b>
Overall Deficit/GDP (%) <sup>(3)</sup> .....	8.9	9.8
Primary Deficit/GDP (%) <sup>(3)</sup> .....	0.2	0.8
Revenues/GDP (%) <sup>(3)</sup> .....	22.0	20.6
Expenditure/GDP (%) <sup>(3)</sup> .....	30.5	30.0

Source: Ministry of Finance

**Notes:**

- (1) Reflects budget figures set out in Presidential Decree № 32 of 2015.
- (2) No assurance can be given that the actual financial performance and condition will match the forecasts in the Republic's budget. Preliminary fiscal data for the full year 2015/16 is not yet available. Budgeted as approved by the House of Representatives in June 2016.
- (3) Projected GDP, according to estimates of the Ministry of Finance, of LE 2,771.3 billion have been used for the 2015/16 period. The GDP estimate for 2016/17 is LE 3,246.5 billion.

**Revenues**

Total revenues for 2016/17 are budgeted to be LE 669.8 billion, as compared to LE 622.3 billion in the 2015/16 budget, representing an annual increase of 7.6%, primarily due to an increase in tax revenues. Tax revenues are budgeted to increase by 2.6% to LE 433.3 billion for 2016/17, as compared to a budgeted amount of LE 422.4 billion for 2015/16. This budgeted increase is principally due to: (i) the introduction of VAT pursuant to the VAT law (see “*The Economy—Government Programme; Recent Developments and Reform*”), which is budgeted to increase revenues from taxes on sales of goods and services by 9.3%; (ii) a 7.8% increase in revenues from taxes on international trade and transactions.

Total grants are budgeted to be LE 2.2 billion in each of 2016/17 and 2015/16.

Other revenues comprising mainly of year-end profits, royalties and dividends transferred to the treasury from various Economic Authorities, such as the Suez Canal Authority, EGPC, the New Urban Community Authority or public sector banks and publicly-owned companies for 2016/17 are budgeted at LE 234.2 billion, as compared to a budgeted amount of LE 197.6 billion for 2015/16, representing an annual increase of 18.5%. This increase is primarily due to an 182.7% increase in budgeted capital revenues to LE 89.2 billion (including LE 61.2 billion for investments on housing and public utilities projects), as compared to LE 31.6 billion in the 2015/16 budget, reflecting the increased self-financed components of such projects.

**Expenditures**

Government expenditure is budgeted to increase by 12.8% to LE 974.8 billion in 2016/17, as compared to budgeted expenditure of LE 864.6 billion in 2015/16. This increase is primarily due to a 95.7% increase in purchases of non-financial assets from LE 75.0 billion in the 2015/16 budget to LE 146.7 million in the 2016/17 budget and a 19.9% increase in interest payments from LE 244.0 billion in the 2015/16 budget to LE 292.5 billion in the 2016/17 budget.

Wages and salaries are budgeted to increase by 4.9% from LE 218.1 billion in the 2015/16 budget to LE 228.7 billion in the 2016/17 budget.

Subsidies, grants and social benefits, which include subsidies for commodities (mainly fuel and food), transportation, medicine and exports, are budgeted to be LE 206.4 billion in 2016/17, as compared to LE 231.2 billion in the 2015/16 budget, representing an annual decrease of 10.7%, in line with the Government's continuing subsidy reform programme. See “—*Social Spending and Subsidies*”.

### Interim Results for the fiscal year 2016/17

The following table sets forth Egypt's actual fiscal results for the two months ended 31 August 2016, as compared to the corresponding period in 2015.

	Interim Results <sup>(1)</sup>	
	July 2015 - August 2015	July 2016 –August 2016
	(LE millions)	
<b>Revenues and Grants</b> .....	<b>46,376</b>	<b>46,651</b>
Tax Revenues .....	36,177	37,912
Grants .....	2,561	4
Other Revenues .....	7,638	8,735
<b>Expenditures</b> .....	<b>110,384</b>	<b>114,523</b>
Wages and Salaries .....	33,644	34,501
Purchases of Goods and Services .....	2,421	2,978
Interest Payments .....	35,668	41,731
Subsidies, Grants and Social Benefits .....	26,645	20,879
Other Expenditures .....	8,737	8,715
Purchases of Non-Financial Assets .....	3,270	5,718
<b>Cash Deficit<sup>(3)</sup></b> .....	<b>64,008</b>	<b>67,872</b>
<b>Net Acquisition of Financial Assets</b> .....	<b>4,211</b>	<b>649</b>
<b>Overall Fiscal Deficit</b> .....	<b>68,219</b>	<b>68,521</b>
Overall Deficit/GDP (%) <sup>(4)</sup> .....	2.5	2.1
Primary Deficit/GDP (%) <sup>(4)</sup> .....	1.2	0.8
Revenues/GDP (%) <sup>(4)</sup> .....	1.7	1.4
Expenditure/GDP (%) <sup>(4)</sup> .....	4.0	3.5

Source: Ministry of Finance

#### Notes:

(1) Results for interim periods are not necessarily indicative of full year results.

(2) Overall deficit excluding net acquisition of financial assets.

(3) July-August ratios are based on full year GDP. For 2016/17 interim figures, the Ministry of Finance's estimated GDP figure of LE 3,247 billion for 2016/17 has been used.

### Revenues

Total revenues and grants increased by 0.6% to LE 46.7 billion in the two months ended 31 August 2016 from LE 46.4 billion in the corresponding period in 2015, primarily due to an increase in tax revenue in the two months ended 31 August 2016, which was partially offset by a decrease in grants. Tax revenues increased by 5.0% to LE 37.9 billion in the two months ended 31 August 2016 from LE 36.2 billion in the corresponding period in 2015, primarily due to a 3.1% increase in taxes on goods and services, a 5.3% increase in income tax revenues and a 36.8% increase in taxes on property. Grants decreased by 99.8% to LE 4.0 million in the two months ended 31 August 2016 from LE 2.6 billion in the corresponding period in 2015, primarily due to the non-reoccurrence of exceptional grants. See “*Risk Factors—Risks Relating to the Republic—The level of foreign grants to Egypt has reduced in recent years*”. Other revenues increased by 14.4% to LE 8.7 billion in the two months ended 31 August 2016 from LE 7.6 billion in the corresponding period in 2015.

## ***Expenditures***

Total expenditures increased by 3.7% to LE 114.5 billion in the two months ended 31 August 2016 from LE 110.4 billion in the corresponding period in 2015, primarily due to increases in all expenditure items except subsidies, grants, social benefits and other expenditures. Wages and salaries increased by 2.5% to LE 34.5 billion in the two months ended 31 August 2016 from LE 33.6 billion in the corresponding period in 2015, primarily due to savings introduced pursuant to the civil service law approved by the House of Representatives in July 2016 and other budgetary savings. See “*The Arab Republic of Egypt—Constitutional System—Legislative Branch*”. Purchases of goods and services increased by 23.0% to LE 3.0 billion in the two months ended 31 August 2016 from LE 2.4 billion in the corresponding period in 2015, primarily due to a 71.6% increase in purchases of raw materials and a 12.2% increase in maintenance expenditures. Interest payments increased by 17.0% to LE 41.7 billion in the two months ended 31 August 2016 from LE 35.7 billion in the corresponding period in 2015, primarily due to increases in domestic interest rates. Subsidies, grants and social benefits decreased by 21.6% to LE 20.9 billion in the two months ended 31 August 2016 from LE 26.6 billion in the corresponding period in 2015, primarily due to the Government’s continued policy to reduce and better target subsidies. See “*—Social Spending and Subsidies*”. Other expenditures were LE 8.7 billion in each of the two months ended 31 August 2016 and the corresponding period in 2015. Purchases of non-financial assets increased by 74.9% to LE 5.7 billion in the two months ended 31 August 2016 from LE 3.3 billion in the corresponding period in 2015, in line with the Government’s policy to fund spending on infrastructure and public services through the treasury.

## Public Accounts

The following table sets forth an overview of the revenues, expenditure and overall balance of the budget sector public accounts for the periods indicated.

Overview of Government Fiscal Operations Budget Sector <sup>(1)</sup>						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>(2)</sup>
	(LE millions)					
<b>Revenues and Grants .....</b>	<b>265,287</b>	<b>303,621</b>	<b>350,322</b>	<b>456,787</b>	<b>465,241</b>	<b>487,925</b>
Tax Revenues .....	192,073	207,409	251,118	260,288	305,957	339,391
Income Tax .....	89,593	91,245	117,762	120,925	129,818	131,744
Property Taxes .....	9,452	13,089	16,453	18,761	21,107	28,607
Taxes on Goods and Services .....	76,068	84,593	92,924	91,867	122,930	141,343
Taxes on International Trade .....	13,858	14,788	16,771	17,673	21,867	26,726
Other Taxes .....	3,102	3,694	7,208	11,062	10,235	10,971
Grants .....	2,287	10,104	5,208	95,856	25,437	4,225
Other Revenues .....	70,927	86,108	93,996	100,643	133,847	144,309
Returns on Financial Assets .....	41,188	55,980	56,494	56,990	81,463	88,278
Proceeds from Sales of Goods and Services .....	17,405	17,818	22,733	28,498	26,457	28,855
Other .....	12,334	12,310	14,769	15,155	25,926	27,177
<b>Expenditures .....</b>	<b>401,867</b>	<b>470,987</b>	<b>588,187</b>	<b>701,515</b>	<b>733,350</b>	<b>810,181</b>
Wages and Salaries .....	96,271	122,813	142,956	178,589	198,468	212,023
Purchases of Goods and Services .....	26,148	26,826	26,652	27,247	31,276	33,152
Interest Payments .....	85,077	104,441	146,995	173,150	193,008	241,510
Subsidies, Grants and Social benefits .....	123,125	150,193	197,093	228,579	198,569	201,138
Other Expenditures .....	31,365	30,796	34,975	41,068	50,279	54,285
Purchases of Non-Financial assets .....	39,881	35,918	39,516	52,882	61,750	68,073
<b>Cash Deficit<sup>(3)</sup> .....</b>	<b>136,580</b>	<b>167,366</b>	<b>237,865</b>	<b>244,728</b>	<b>268,109</b>	<b>322,256</b>
<b>Net Acquisition of Financial assets .....</b>	<b>(2,120)</b>	<b>(665)</b>	<b>1,854</b>	<b>10,713</b>	<b>11,321</b>	<b>14,530</b>
<b>Overall Fiscal Deficit .....</b>	<b>134,460</b>	<b>166,701</b>	<b>239,719</b>	<b>255,441</b>	<b>279,430</b>	<b>336,786</b>
Overall Deficit/GDP (%) <sup>(4)</sup> .....	9.8	10.1	13.0	12.2	11.5	12.2
Primary Deficit/GDP (%) <sup>(4)</sup> .....	3.6	3.8	5.0	3.9	3.6	3.4
Revenues/GDP (%) <sup>(4)</sup> .....	19.3	18.3	19.0	21.7	19.1	17.6
Expenditure/GDP (%) <sup>(4)</sup> .....	29.3	28.4	31.9	33.4	30.2	29.2

Source: Ministry of Finance

### Notes:

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Preliminary estimated figures.
- (3) Overall deficit excluding net acquisition of financial assets.
- (4) For 2016/17, the Ministry of Finance's estimated GDP figure of LE 3,246.5 billion included in the 2016/17 Budget has been used.

### Overview

All figures presented in this section for 2015/16 budget results are the Ministry of Finance's preliminary estimates and are subject to revision and amendment, which may be material.

Total budget sector revenues have grown over each of the past six years from LE 265.3 billion in 2010/11 to LE 487.9 billion in 2015/16. Total budget sector tax revenues increased by 76.7% between 2010/11 and 2015/16. Principal factors in the growth of revenues since 2010/11 include increased GDP growth and increases in tax revenues, as a result of the implementation of tax reforms and measures to improve the efficiency of tax administration and widen the tax base.

Total budget sector expenditures have also grown over each of the past six years from LE 401.9 billion in 2010/11 to LE 810.2 billion in 2015/16. Total budget sector expenditures increased by 9.8% in 2010/11, 17.2% in 2011/12, 24.9% in 2012/13, 19.3% in 2013/14 and 4.5% in 2014/15 and are estimated to have increased by 10.5% in 2015/16. Principal factors in the growth of expenditures since 2010/11 include the growth of the wages and subsidies bills and the growth of public investments, as well as increases in interest payments as a result of an increased level of public debt.

The overall fiscal deficit was LE 279.4 billion in 2014/15 (representing 11.5% of GDP), as compared to LE 255.4 billion in 2013/14 (representing 12.2% of GDP), LE 239.7 billion in 2012/13 (representing 13.0% of GDP), LE 166.7 billion in 2011/12 (representing 10.1% of GDP) and LE 134.5 billion in 2010/11 (representing 9.8% of GDP). The overall fiscal deficit is estimated to be LE 336.8 billion in 2015/16 (representing 12.2% of GDP).

### ***Revenues***

All figures presented in this section for 2015/16 budget results are the Ministry of Finance's preliminary estimates and are subject to revision and amendment, which may be material.

The Government's principal sources of revenues are corporation taxes, general sales taxes, customs duties and transferred profits (dividends) from Government-owned entities. The Government also receives revenue in the form of grants from international agencies and countries.

The following table sets out budget sector revenues for the periods indicated.

	Revenues <sup>(1)</sup>					
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>(2)</sup>
	<i>(LE millions)</i>					
<b>Total Revenues and Grants</b>	<b>265,287</b>	<b>303,621</b>	<b>350,322</b>	<b>456,787</b>	<b>465,241</b>	<b>487,925</b>
Annual Change (%).....	(1.1)	14.5	15.4	30.4	1.9	4.9
Percentage of GDP <sup>(3)</sup> .....	19.3	18.3	19.0	21.7	19.1	17.6
Percentage of Tax Revenues....	138.1	146.4	139.5	175.5	152.1	143.8
<b>Tax Revenues</b> .....	<b>192,073</b>	<b>207,409</b>	<b>251,118</b>	<b>260,288</b>	<b>305,957</b>	<b>339,391</b>
Annual Change (%).....	12.7	8.0	21.1	3.7	17.5	10.9
Percentage of GDP <sup>(3)</sup> .....	14.0	12.5	13.6	12.4	12.6	12.2
Percentage of Total Revenues and Grants .....	72.4	68.3	71.7	57.0	65.8	69.6
<b>Taxes on Income, Profits and Capital Gains</b> .....	<b>89,593</b>	<b>91,245</b>	<b>117,762</b>	<b>120,925</b>	<b>129,818</b>	<b>131,744</b>
Annual Change (%).....	16.9	1.8	29.1	2.7	7.4	1.5
Percentage of GDP <sup>(3)</sup> .....	6.5	5.5	6.4	5.8	5.3	4.7
Percentage of Total Revenues and Grants .....	33.8	30.1	33.6	26.5	27.9	27.0
Percentage of Tax Revenues....	46.6	44.0	46.9	46.5	42.4	38.8
<b>Property Tax</b> .....	<b>9,452</b>	<b>13,089</b>	<b>16,453</b>	<b>18,761</b>	<b>21,107</b>	<b>28,607</b>
Annual Change (%).....	7.8	38.5	25.7	14.0	12.5	35.5
Percentage of GDP <sup>(3)</sup> .....	0.7	0.8	0.9	0.9	0.9	1.0
Percentage of Total Revenues and Grants .....	3.6	4.3	4.7	4.1	4.5	5.9
Percentage of Tax Revenues....	4.9	6.3	6.6	7.2	6.9	8.4
<b>Taxes on Goods and Services</b>	<b>76,068</b>	<b>84,593</b>	<b>92,924</b>	<b>91,867</b>	<b>122,930</b>	<b>141,343</b>
Annual Change (%).....	13.4	11.2	9.8	(1.1)	33.8	15.0
Percentage of GDP <sup>(3)</sup> .....	5.5	5.1	5.0	4.4	5.1	5.1
Percentage of Total Revenues and Grants .....	28.7	27.9	26.5	20.1	26.4	29.0
Percentage of Tax Revenues....	39.6	40.8	37.0	35.3	40.2	41.6
<b>Taxes on International Trade</b>	<b>13,858</b>	<b>14,788</b>	<b>16,771</b>	<b>17,673</b>	<b>21,867</b>	<b>26,726</b>
Annual Change (%).....	(5.7)	6.7	13.4	5.4	23.7	22.2
Percentage of GDP <sup>(3)</sup> .....	1.0	0.9	0.9	0.8	0.9	1.0
Percentage of Total Revenues and Grants .....	5.2	4.9	4.8	3.9	4.7	5.5
Percentage of Tax Revenues....	7.2	7.1	6.7	6.8	7.1	7.9
<b>Grants</b> .....	<b>2,287</b>	<b>10,104</b>	<b>5,208</b>	<b>95,856</b>	<b>25,437</b>	<b>4,225</b>
Annual Change (%).....	(47.2)	341.8	(48.5)	1740.7	(73.5)	(83.4)
Percentage of GDP <sup>(3)</sup> .....	0.2	0.6	0.3	4.6	1.0	0.2
Percentage of Total Revenues and Grants .....	0.9	3.3	1.5	21.0	5.5	0.9
Percentage of Tax Revenues....	1.2	4.9	2.1	36.8	8.3	1.2
<b>Other Revenues</b> .....	<b>70,927</b>	<b>86,108</b>	<b>93,996</b>	<b>100,643</b>	<b>133,847</b>	<b>144,309</b>
Annual Change (%).....	(24.0)	21.4	9.2	7.1	33.0	7.8
Percentage of GDP <sup>(3)</sup> .....	5.2	5.2	5.1	4.8	5.5	5.2
Percentage of Total revenues and Grants .....	26.7	28.4	26.8	22.0	28.8	29.6
Percentage of Tax Revenues....	36.9	41.5	37.4	38.7	43.7	42.5

Source: Ministry of Finance

**Notes:**

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Preliminary estimated figures.
- (3) For 2016/17, the Ministry of Finance's estimated GDP figure of LE 3,246.5 billion included in the 2016/17 Budget has been used.

Total budget sector revenues increased from LE 465.2 billion in 2014/15 to LE 487.9 billion in 2015/16, representing a 4.9% increase.

Tax revenues include income tax, corporation income tax, general sales tax and customs duties. EGPC and the Suez Canal Authority are principal sources of corporate income tax revenues, contributing LE 20.2 billion and LE 14.7 billion, respectively, in corporate income tax for 2015/16.

Tax revenues increased by 10.9% to LE 339.4 billion in 2015/16 from LE 306 billion in 2014/15. This increase in tax revenues is primarily due to an increase in taxes on goods and services by 15.0% to LE 141.3 billion in 2015/16 from LE 122.9 billion in 2014/15, which was, in turn, due to a 8.6% increase in revenues from general sales tax on goods and services. Taxes on income, profits and capital gains increased by 1.5% to LE 131.7 billion in 2015/16, as compared to LE 130 billion in 2014/15. Property taxes increased by 35.5% to LE 28.6 billion in 2015/16, as compared to LE 21.1 billion in 2014/15. Taxes on international trade increased by 22.2% to LE 26.7 billion in 2015/16, as compared to LE 21.8 billion in 2014/15. In 2015/16, tax revenues accounted for 69.6% of total budget sector revenues, as compared to 65.8% in 2014/15.

Non-tax revenues mainly comprise grants, the proceeds of assets sales, as well as yearly royalties, profits and dividend transfers from the Suez Canal Authority, the CBE, various Economic Authorities and other public sector enterprises. Non-tax revenues decreased by 6.7% to LE 148.5 billion in 2015/16 from LE 159.3 billion in 2014/15, primarily due to a 83.4% decrease in grants to LE 4.2 billion in 2015/16, as compared to LE 25.4 billion in 2014/15. This decrease in grants was due to the receipt of exceptional grants in 2014/15. In 2015/16, non-tax revenues accounted for 30.4% of total budget sector revenues, as compared to 34.2% in 2014/15.

## Expenditures

All figures presented in this section for 2015/16 budget results are the Ministry of Finance's preliminary estimates and are subject to revision and amendment, which may be material.

The following table sets out budget sector expenditures for the periods indicated.

	Expenditures <sup>(1)</sup>					
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 <sup>(2)</sup>
	(LE millions)					
<b>Expenditures .....</b>	<b>401,866</b>	<b>470,987</b>	<b>588,187</b>	<b>701,515</b>	<b>733,350</b>	<b>810,181</b>
Annual Change (%) .....	9.8	17.2	24.9	19.3	4.5	10.5
Percentage of GDP <sup>(3)</sup> .....	29.3	28.4	31.9	33.4	30.2	29.2
Percentage of Tax Revenues .....	209.2	227.1	234.2	269.5	239.7	238.7
<b>Wages and Salaries .....</b>	<b>96,271</b>	<b>122,818</b>	<b>142,956</b>	<b>178,589</b>	<b>198,468</b>	<b>212,023</b>
Annual Change (%) .....	12.8	27.6	16.4	24.9	11.1	6.8
Percentage of GDP <sup>(3)</sup> .....	7.0	7.4	7.8	8.5	8.2	7.6
Percentage of Total Expenditures .....	24.0	26.1	24.3	25.5	27.1	26.2
Percentage of Tax Revenues .....	50.1	59.2	56.9	68.6	64.9	62.5
<b>Purchases of Goods and Services .....</b>	<b>26,148</b>	<b>26,826</b>	<b>26,652</b>	<b>27,247</b>	<b>31,276</b>	<b>33,152</b>
Annual Change (%) .....	(6.8)	2.6	(0.6)	2.2	14.8	6.0
Percentage of GDP <sup>(3)</sup> .....	1.9	1.6	1.4	1.3	1.3	1.2
Percentage of Total Expenditures .....	6.5	5.7	4.5	3.9	4.3	4.1
Percentage of Tax Revenues .....	13.6	12.9	10.6	10.5	10.2	9.8
<b>Interest Payments .....</b>	<b>85,077</b>	<b>104,441</b>	<b>146,995</b>	<b>173,150</b>	<b>193,008</b>	<b>241,510</b>
Annual Change (%) .....	17.6	22.8	40.7	17.8	11.5	25.1
Percentage of GDP <sup>(3)</sup> .....	6.2	6.3	8.0	8.2	7.9	8.7
Percentage of Total Expenditures .....	21.2	22.2	25.0	24.7	26.3	29.8
Percentage of Tax Revenues .....	44.3	50.4	58.5	66.5	63.1	71.2
<b>Subsidies, Grants and Social Benefits .....</b>	<b>123,125</b>	<b>150,193</b>	<b>197,093</b>	<b>228,579</b>	<b>198,569</b>	<b>201,138</b>
Annual Change (%) .....	19.6	22.0	31.2	16.0	(13.1)	1.3
Percentage of GDP <sup>(3)</sup> .....	9.0	9.1	10.7	10.9	8.2	7.2
Percentage of Total Expenditures .....	30.6	31.9	33.5	32.6	27.1	24.8
Percentage of Tax Revenues .....	64.1	72.4	78.5	87.8	64.9	59.3
<b>Other Expenditures .....</b>	<b>31,365</b>	<b>30,796</b>	<b>34,975</b>	<b>41,068</b>	<b>50,279</b>	<b>54,285</b>
Annual Change (%) .....	8.5	(1.8)	13.6	17.4	22.4	8.0
Percentage of GDP <sup>(3)</sup> .....	2.3	1.9	1.9	2.0	2.1	2.0
Percentage of Total Expenditures .....	7.8	6.5	5.9	5.9	6.9	6.7
Percentage of Tax Revenues .....	16.3	14.8	13.9	15.8	16.4	16.0
<b>Purchase of Non-financial Assets .....</b>	<b>39,881</b>	<b>35,918</b>	<b>39,516</b>	<b>52,882</b>	<b>61,750</b>	<b>68,073</b>
Annual Change (%) .....	(17.5)	(9.9)	10.0	33.8	16.8	10.2
Percentage of GDP <sup>(3)</sup> .....	2.9	2.2	2.1	2.5	2.5	2.5
Percentage of Total Expenditures .....	9.9	7.6	6.7	7.5	8.4	8.4
Percentage of Tax Revenues .....	20.8	17.3	15.7	20.3	20.2	20.1

Source: Ministry of Finance

### Notes:

(1) The figures in this table have been revised and differ from previously published data.

(2) Preliminary estimated figures.

(3) For 2016/17, the Ministry of Finance's estimated GDP figure of LE 3,246.5 billion included in the 2016/17 Budget has been used.

Total expenditures increased from LE 733.4 billion in 2014/15 to LE 810.2 billion in 2015/16, representing a 10.5% increase, primarily due to increases in interest payments.

Interest payments increased by 25.1% to LE 241.5 billion in 2015/16 from LE 193.0 billion in 2014/15, primarily due to a 14.6% increase in interest on treasury bills and a 34.7% increase in interest on treasury bonds. In 2015/16, interest payments accounted for 29.8% of total expenditures, as compared to 26.3% in 2014/15.



Wages and salaries increased by 6.8% to LE 212 billion in 2015/16 from LE 198.5 billion in 2014/15, primarily due to the consolidation resulting from delinking basic pay from variable pay. See “*The Economy – Employment and Labour*”.

Subsidies, grants and social benefits increased by 1.3% to LE 201.1 billion in 2015/16 from LE 198.6 billion in 2014/15, primarily due to the decline in petroleum subsidies in line with the Government’s policy to reduce subsidy spending. In 2015/16, subsidies, grants and social benefits accounted for 24.8% of total expenditures, as compared to 27.1% in 2014/15.

Other expenditures increased by 8.0% to LE 54.3 billion in 2015/16 from LE 50.3 billion in 2014/15. In 2015/16, other expenditures accounted for 6.7% of total expenditures, as compared to 6.9% in 2014/15.

Purchases of non-financial assets increased by 10.2% to LE 68.1 billion in 2015/16 from LE 61.8 billion in 2014/15 primarily due to the increase in deficit financed investments. In 2015/16, purchases of non-financial assets accounted for 8.4% of total expenditures the same level as in 2014/15.

## **Social Spending and Subsidies**

Prior to 2014/15, Government spending on subsidies to support low-income Egyptians had increased year-on-year. In order to foster material and sustained improvements to living conditions, the Government has increasingly shifted its social policy framework to ensure efficient allocation of public resources and has developed a five-year plan to streamline fuel and electricity subsidies and to restructure the wheat and food subsidy system.

The Government’s social policy framework is aimed at fostering inclusive growth and reaching the most vulnerable sections of society. This framework focuses on: (i) employment policies and job creation through continued financing of public investments, promotion of sustainable energy and export and the expansion of vocational training; (ii) improvement of the quality and accessibility of public services; and (iii) the expansion of Egypt’s “social safety net” through subsidy and social programmes.

Since 2014/15, the Government has gradually shifted away from providing in-kind transfers, instead focusing on cash and semi-cash transfer programmes, which are expected to have a higher impact on poverty reduction.

The Government’s current subsidy policy consists principally of the following cash, semi-cash and limited in-kind transfer schemes:

- two cash transfer schemes, which operate in addition to the existing pension system: an unconditional benefit for the elderly and disabled (*Karama*) and a conditional transfer for families to support children’s health and education in poor areas (*Takaful*). These schemes are expected to cover 1.5 million beneficiaries for the three-year period to 2017/18;
- semi-cash transfer schemes for food subsidies pursuant to which the Government provides LE 18 in rations per person, which can be spread among over 100 products (rather than rationing specific quantities of chosen products); beneficiaries are also allocated a daily quota of five loaves of bread at a subsidised cost of LE 0.05;
- in-kind transfer schemes, including transportation, electricity and petroleum products (*e.g.*, diesel oil and butane) subsidies; and
- continued expenditures on health, education and scientific research in line with the constitutional mandate. See “*The Arab Republic of Egypt—Health*” and “*The Arab Republic of Egypt—Education*”.

Total subsidies for 2016/17 are budgeted to be LE 129.3 billion, as compared to estimated subsidies of LE 141.1 billion in 2015/16 (representing a decrease of 8.3%) and LE 150.2 billion in 2014/15 (representing a decrease of 13.9)%. The decrease in total subsidies reflects the reprioritisation of the Government’s public spending priorities, including the reform of fuel subsidies, as well as low international oil prices.

In line with the Government’s policy to phase out inefficient and poorly targeted energy subsidies and to replace such subsidies with better targeted social programmes, the Government has taken a number of steps to reduce energy subsidies through the improvement of production and consumption efficiency and the increase of petroleum products and electricity prices.

The following table sets forth the details of the actual subsidies for 2014/15, preliminary estimates of the subsidies for 2015/16 and the budgeted subsidies for 2016/17.

	Subsidies		
	Actual 2014/15	Estimated 2015/16 <sup>(1)</sup>	Budget 2016/17
	(LE millions)		
<b>Commodity Subsidies</b> .....	39,394	38,447	41,887
Bread Subsidies .....	21,654	22,571	23,715
Ration Cards <sup>(2)</sup> .....	17,740	15,876	18,172
<b>Petroleum Subsidies</b> .....	73,915	54,353	35,043
<b>Electricity subsidies</b> .....	23,630	30,073	27,379
<b>Support Subsidies</b> .....	13,259	18,218	24,996
Housing Loan Interest .....	631	410	500
Transportation .....	1,558	1,568	1,642
Potable Water .....	852	1,603	1,000
Low-income Housing .....	0	2,000	1,500
Export Subsidies .....	2,580	3,700	2,600
Industrial Zones .....	400	400	1,400
Other subsidies <sup>(3)</sup> .....	7,238	8,537	16,354
<b>Total</b> .....	<b>150,198</b>	<b>141,091</b>	<b>129,305</b>

**Notes:**

- (1) These figures are preliminary estimates and are subject to change.
- (2) In 2014/15, the Government replaced the ration card system with a semi-cash transfer scheme.
- (3) Includes, among other items, subsidies to farmers, medical insurance and subsidies in respect of the development of Upper Egypt.

See “*Risk Factors—Risks Relating to the Republic—The Egyptian economy has faced significant challenges since the 2011 Revolution, which has put increasing pressure on its public finances and has led to rising balance of payments deficits.*”

### **Fuel Subsidies**

In 2012, the Government raised the price of natural gas and electricity by approximately one-third for energy intensive industries. See “*The Economy—Extractive Industry*”. In 2013, the Government also raised the price of state-subsidised cooking gas (butane cylinders) for the first time in two decades. In particular, the Government increased the price of cooking gas cylinders sold for domestic use by 60% to LE 8.00 per cylinder and doubled the price for the larger cylinders used by businesses.

Fuel prices were increased by up to 300% at the beginning of 2013/14; the price of natural gas increased to U.S.\$8.00 per MBTU in June 2014 and, in July 2014, the Government increased prices of diesel for certain users by 64%, octane 80 gasoline by 78% and octane 92 gasoline by 41%. Estimated petroleum subsidies were LE 54.4 billion in 2015/16, as compared to LE 73.9 billion in 2014/15, a decrease of 26.5%. The 2016/17 budget envisages further cuts to fuel subsidies, which are expected to be partially offset by low international oil prices.

On 4 November 2016, the Prime Minister issued decrees increasing the prices of 92 octane gasoline by 34.6%, 80 octane gasoline by 46.8%, diesel by 30.5% and natural gas for vehicles by 45.5%, and confirming that the price of 95 octane gasoline will no longer be set by decree, will be based on market prices and fluctuate periodically according to procedures set by the Minister of Petroleum. Increases in the prices of LNG, fuel used by electricity and food production industries (among others) and natural gas used in private homes and by certain businesses were also implemented.

As EGPC receives free crude oil and natural gas under its product, or sharing contracts, when international prices exceed budgeted assumptions, the excess cost is borne by EGPC under the subsidy system, which, in turn, negatively affects EGPC’s financial performance and has, in the past resulted in large arrears (totalling U.S. \$6.1 billion in 2014) being owed to international oil and gas companies. See “*The Economy—Extractive Industry—Petroleum*”.

The Government is implementing measures to encourage investment in the oil and gas sector to increase production and is investing in the downstream sector by rehabilitating refineries to increase their efficiency.

## Electricity Subsidies

Estimated electricity subsidies were LE 30.1 billion in 2015/16, as compared to LE 23.6 billion in 2014/15. The 2016/17 budget envisages cuts to electricity subsidies to LE 27.4 billion.

At the beginning of 2014/15, the Government announced a five-year plan to eliminate electricity subsidies through the gradual increase of electricity prices, with prices to initially increase by an average of 31% per year. The Government has implemented three electricity price increases since the beginning of 2014/15. A price increase in June 2016, of up to 40%, was larger than initially forecasted due to the effect of the devaluation of the Egyptian Pound against the U.S. Dollar in March 2016. The Government has announced that the originally planned five year programme of electricity price increases will be extended by a further two years in order to compensate for the increased costs resulting from this devaluation.

The Government has invested in expanding and upgrading the national grid, including the introduction of a 3.6 GW emergency plan in 2014/15 and 2015/16, entering into an agreement with Siemens to construct more energy efficient plants, which are expected to become fully operational by April 2018, and introducing a fee-in-tariff programme. The Government is also taking measures to liberalise the electricity market and increase private sector participation. See “Commodity Sector—Energy Reform Strategy”.

## National Investment Bank

The NIB was established by Law № 119 of 1980 for funding infrastructure investments according to the Government’s five year economic and development plans.

The NIB serves as a development fund to finance infrastructure projects on a for-profit basis.

The following table sets forth the NIB’s sources and use of funds for the periods indicated.

National Investment Bank Sources and Uses					
	2010/11	2011/12	2012/13	2013/14	2014/15
	(LE millions)				
<b>Sources.....</b>	<b>240,851</b>	<b>253,679</b>	<b>268,388</b>	<b>282,674</b>	<b>295,339</b>
Social Insurance Fund for Government Employees	32,982	34,999	38,499	40,580	41,524
Social Insurance Fund for Public and Private Business Sector Employees .....	29,663	29,765	30,249	31,441	32,757
Proceeds from Investment Certificates .....	94,635	97,904	102,253	108,451	108,938
Accumulated Interest on Investment Certificates (Category A).....	8,747	8,005	7,149	7,240	7,874
Proceeds from U.S. Dollar Development Bonds ....	9	7	6	5	5
Post Office Savings .....	71,978	78,852	86,382	93,376	102,297
Others <sup>(1)</sup> .....	2,837	4,147	3,850	1,581	1,944
<b>Uses .....</b>	<b>240,851</b>	<b>253,679</b>	<b>268,388</b>	<b>282,674</b>	<b>295,339</b>
Loans to economic authorities .....	52,141	52,655	51,313	52,029	52,865
Investments in government securities (bills and bonds).....	15,543	13,877	12,301	9,154	7,365
Deposits of the NIB with the banking system.....	2,672	2,651	1,793	1,728	1,437

Source: National Investment Bank.

### Note:

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

## Social Insurance Funds

Egypt has two general pension funds: one for Governmental sector employees (“GSIF”) and the other for public and private sector employees (“PSIF”). The Government makes contributions to the Governmental sector pension fund in its capacity as an employer and its contributions were LE 44.0 billion in 2015/16, as compared to LE 33.2 billion in 2014/15.

Since 2006/07, there has been a diversified investment portfolio for the GSIF’s accumulated assets. In 2014/15, the fund’s invested assets totalled approximately LE 413.8 billion, of which 17.23% is invested in Government bonds and treasury bills, 10.44% is deposited with the NIB and 72.33% is invested in direct investments.

This pension system covers approximately 60% of the formal labour force and there are programmes for covering the informal labour force; one of these programmes is Law № 112 of /1980. Total collected contributions for the GSIF and the PSIF in 2014/15 were LE 63.9 billion.

In addition, in March 2015, the Government launched two cash transfer schemes, which operate in addition to the existing pension system. See “—*Social Spending and Subsidies*”.

## PUBLIC DEBT

### Overview

Egypt's public sector debt is comprised of the domestic debt of the central Government, the debt of Economic Authorities and Service Authorities and the external debt of the central Government. For the purposes of this section, external debt is debt payable in foreign currency held by non-Egyptian entities.

As at 30 June 2016, Egypt's net consolidated public domestic debt was LE 2,080.6 billion (according to preliminary estimates), representing 74.2% of GDP and a 22.7% increase, as compared to net consolidated public domestic debt as at 30 June 2015, which was LE 1,694.6 billion, representing 69.7% of GDP. This increase was primarily a result of the increase in treasury bonds and notes issued to the CBE, the increase in treasury issuances in the domestic market and reduced redemptions. Total outstanding tradable domestic Government securities increased by 30.6% from LE 1,221.8 billion as at 30 June 2015 to LE 1,596.1 billion as at 30 June 2016.

As at 30 June 2015, gross external debt was U.S.\$48.1 billion, representing 15.0% of GDP and a 4.3% increase, as compared to gross external debt as at 30 June 2014. As at 30 June 2016, gross external debt increased to U.S.\$55.8 billion, an increase of 21.6%.

As at 30 June 2015, gross external Government debt was U.S.\$25.7 billion, representing 8.0% of GDP and a 11.5% decrease, as compared to gross external Government debt as at 30 June 2014. As at 30 June 2016, gross external Government debt was U.S.\$24.4 billion, representing 7.7% of GDP.

The public debt figures set out in this Prospectus do not include Government guarantees of debt owed by all public entities (including state-owned enterprises that are not Economic Authorities or Service Authorities). The Government does not currently compile and publish breakdowns of Government-guaranteed debt and is in the process of establishing a database to provide more comprehensive coverage of government and Government-guaranteed debt data, which is expected to be completed in 2017. The Government estimates that total Government-guaranteed debt (including state-owned enterprise guaranteed debt) was approximately LE 226 billion, or 7% of GDP, as at 31 August 2016, which is split between domestic and external guaranteed debt. See *"Risk Factors—Risks Relating to the Republic—The statistics published by the Republic may differ from those produced by other sources"*.

The following table sets forth Egypt's general Government debt as at the dates indicated

<b>Total General Government Debt<sup>(1)(2)</sup></b>						
	<b>As at 30 June</b>					<b>As at 30 June</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(3)</sup></b>
	<i>(LE millions, unless otherwise stated)</i>					
<b>Gross Consolidated Public Domestic Debt .....</b>	<b>932,460</b>	<b>1,129,030</b>	<b>1,410,643</b>	<b>1,648,521</b>	<b>1,980,969</b>	<b>2,480,926</b>
Gross Consolidated General Government Domestic Debt .....	889,045	1,087,945	1,363,686	1,597,870	1,963,125	2,391,768
Economic Authorities' Domestic Debt .....	109,251	105,521	110,321	117,926	132,975	180,035
<i>Less:</i>						
<i>Economic Authorities' Borrowings from NIB .....</i>	<i>52,670</i>	<i>52,655</i>	<i>51,382</i>	<i>51,457</i>	<i>53,209</i>	<i>51,534</i>
<i>Economic Authorities' Deposits in TSA<sup>(4)</sup> .....</i>	<i>13,166</i>	<i>11,781</i>	<i>11,982</i>	<i>15,818</i>	<i>61,922</i>	<i>39,343</i>
<b>Public Sector Deposits .....</b>	<b>191,116</b>	<b>198,066</b>	<b>220,035</b>	<b>207,534</b>	<b>286,335</b>	<b>400,282</b>
General Government Deposits .....	166,527	173,292	191,395	172,678	231,004	321,924
Net Deposits of Economic Authorities .....	24,589	24,774	28,640	34,856	55,331	78,358
Economic Authorities Gross Deposits .....	42,432	42,409	46,995	60,138	128,295	146,829
<i>Less:</i>						
<i>SIF Deposits<sup>(5)(6)</sup> .....</i>	<i>4,677</i>	<i>5,854</i>	<i>6,373</i>	<i>9,464</i>	<i>11,042</i>	<i>29,128</i>
<i>Economic Authorities' Deposits in TSA<sup>(4)</sup> .....</i>	<i>13,166</i>	<i>11,781</i>	<i>11,982</i>	<i>15,818</i>	<i>61,922</i>	<i>39,343</i>
<b>Net Consolidated Public Domestic Debt .....</b>	<b>741,344</b>	<b>930,964</b>	<b>1,190,608</b>	<b>1,440,987</b>	<b>1,694,634</b>	<b>2,080,644</b>
<b>Gross External Debt (U.S.\$ millions) .....</b>	<b>34,906</b>	<b>34,385</b>	<b>43,233</b>	<b>46,067</b>	<b>48,063</b>	<b>55,764</b>
<b>Gross External Government Debt (U.S.\$ millions) ...</b>	<b>27,092</b>	<b>25,594</b>	<b>28,490</b>	<b>29,054</b>	<b>25,707</b>	<b>24,436</b>
Bonds and Notes (U.S.\$ millions) .....	2,821	2,901	5,159	6,085	4,938	n/a <sup>(7)</sup>
Loans (U.S.\$ millions) .....	24,271	22,694	23,331	22,969	20,770	n/a <sup>(7)</sup>
<b>Gross External Non-Government Debt (U.S.\$ millions) .....</b>	<b>7,814</b>	<b>8,790</b>	<b>14,744</b>	<b>17,013</b>	<b>22,356</b>	<b>31,310</b>
Monetary Authorities (U.S.\$ millions) .....	1,500	2,612	9,064	11,005	16,318	n/a <sup>(7)</sup>
Banks (U.S.\$ millions) .....	1,725	1,624	1,600	1,544	2,387	n/a <sup>(7)</sup>
Other sectors (U.S.\$ millions) .....	4,589	4,554	4,080	4,464	3,651	n/a <sup>(7)</sup>
<b>Total General Government Debt (LE millions)<sup>(8)</sup> .....</b>	<b>1,049,974</b>	<b>1,235,922</b>	<b>1,563,119</b>	<b>1,813,196</b>	<b>2,161,824</b>	<b>2,608,735</b>
<b>Debt to GDP Ratios<sup>(9)</sup></b>						
Gross Consolidated Domestic Debt/GDP (%) .....	68.0	68.2	76.5	78.4	81.5	89.3
Net Consolidated Domestic Debt/GDP (%) .....	54.1	56.2	64.6	68.6	69.7	74.2
Gross External Debt/GDP (%) .....	15.2	12.5	16.4	15.7	15.0	17.6
Gross External Government Debt/GDP (%) .....	11.8	9.3	10.8	9.9	8.0	7.7
General Government Debt/GDP (%) .....	76.6	74.6	84.8	86.3	89.0	93.8

Sources: Ministry of Finance and CBE

**Notes:**

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Excluding outstanding debt of Economic Authorities to NIB.
- (3) These figures are the Ministry of Finance's preliminary estimates and are subject to revision and amendment, which may be material.
- (4) Represents a portion of the Economic Authorities' deposits at TSA that is borrowed by the budget sector in the form of loan facilities. Accordingly, it represents an interrelated debt between the Budget and Economic Authorities and is deducted on consolidation from both gross public sector debt and deposits of Economic Authorities.
- (5) Data revised to exclude deposits used as loan facilities for the budget sector.
- (6) In 2006, outstanding debt of the treasury to the Social Insurance Fund (through the NIB) was recognised as a direct liability of the treasury to the Social Insurance Fund. (See "Public Finance—National Investment Bank"). The outstanding debt relates to the issuance of two treasury bonds in the interest of the Social Insurance Fund of LE 1.2 billion. A third bond of LE 74.5 million was issued in June 2007. A fourth bond of LE 1.1 billion was issued in June 2008. A fifth bond of LE 2.3 billion was issued in June 2009. A sixth bond of LE 988.8 million was issued in June 2010. A seventh bond of LE 1.8 billion was issued in June 2011. In December 2012, additional bonds were issued with a total amount of LE 15.5 billion to repay part of the historical liability.
- (7) These figures are not available as at the date of this Prospectus.
- (8) Total General Government debt is the sum of Gross Consolidated General Government Domestic Debt and Gross External Government Debt.
- (9) The Ministry of Planning, Monitoring and Administrative Reform has revised the GDP time series for the 2011/12, 2012/13 and 2013/14 fiscal years in accordance with data from the 2012/13 economic census. Projected GDP, according to estimates of the Ministry of Finance, of LE 2,771.3 billion have been used for the 2015/16 period and the quarterly ratio is based on full year GDP estimates.

## Domestic Debt

Budget Sector domestic debt consists of debt payable in Egyptian Pounds and foreign currency debt held by Egyptian entities and excludes the debt of the NIB and Economic Authorities. The first foreign-currency denominated domestic debt was the notes issued in 1991 by the Ministry of Finance to certain public sector banks in respect of their foreign exchange liabilities.

Egypt's net budget sector domestic debt represented 76.8% of GDP at the end of 2014/15, as compared to 73.2% as the end of 2013/14. As at 30 June 2016, net budget sector debt represented 81.7% of GDP, according to preliminary estimates. Total outstanding Government securities increased from LE 1,481.1 billion as at the end of 2013/14 to LE 1,718.4 billion at the end of 2014/15, and, as at 30 June 2016, total outstanding Government securities were LE 2,282.0 billion, according to preliminary estimates.

The following table sets forth Egypt's outstanding domestic debt as at the dates indicated.

<b>Budget Sector Domestic Debt<sup>(1)</sup></b>						
	<b>As at 30 June</b>					<b>As at 30 June 2016<sup>(2)</sup></b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	
	<i>(LE millions)</i>					
<b>Gross Domestic Budget Sector Debt .....</b>	<b>967,290</b>	<b>1,155,312</b>	<b>1,444,370</b>	<b>1,699,946</b>	<b>2,084,749</b>	<b>2,553,542</b>
<b>Ministry of Finance Securities .....</b>	<b>916,976</b>	<b>1,078,350</b>	<b>1,270,710</b>	<b>1,481,103</b>	<b>1,718,426</b>	<b>2,281,954</b>
Treasury Bills <sup>(3)</sup> .....	356,103	408,602	483,265	534,670	596,196	815,995
Treasury Bonds .....	206,767	270,567	315,478	436,510	590,993	735,307
Treasury Bonds and Notes issued to Bank Misr and NBE .....	—	—	—	21,390	22,560	26,310
Treasury Bonds and Notes issued to the CBE .....	112,470	162,471	222,470	222,470	222,470	371,470
Revaluation Bonds .....	18,126	16,360	16,360	17,860	17,860	19,360
Commercial Banks Recapitalisation Bonds .....	4,000	4,000	—	—	—	—
Insurance Notes .....	2,000	2,000	2,000	2,000	2,000	2,000
Eurobonds (held domestically) <sup>(4)</sup> .....	7,583	4,027	6,961	8,422	8,315	9,957
Egyptian Notes issued abroad and purchased Domestically .....	3,954	4,279	—	—	—	—
Housing Bonds .....	115	111	106	101	92	62
The 5% Government Bonds .....	1,830	1,905	1,998	2,052	2,124	2,199
Barwa Bonds .....	—	—	2,565	1,924	1,283	641
Social Insurance Fund Bonds .....	204,028	204,028	219,507	233,704	254,532	298,653
<b>Facilities from Social Insurance Funds<sup>(5)</sup> .....</b>	<b>2,343</b>	<b>1,725</b>	<b>1,225</b>	<b>1,225</b>	<b>450</b>	<b>250</b>
<b>Borrowing from other sources .....</b>	<b>2,000</b>	<b>13,036</b>	<b>25,348</b>	<b>15,686</b>	<b>5,640</b>	<b>0</b>
<b>Budget Sector Bank Loans .....</b>	<b>45,971</b>	<b>62,201</b>	<b>147,087</b>	<b>201,932</b>	<b>360,233</b>	<b>271,338</b>
Of which Economic Authorities' Deposits in TSA .....	13,166	11,781	11,982	15,818	61,922	—
<b>Budget Sector Deposits .....</b>	<b>159,178</b>	<b>164,788</b>	<b>183,230</b>	<b>161,485</b>	<b>218,561</b>	<b>290,048</b>
<b>Net Domestic Budget Sector Debt .....</b>	<b>808,112</b>	<b>990,524</b>	<b>1,261,140</b>	<b>1,538,461</b>	<b>1,866,188</b>	<b>2,263,444</b>
Gross Domestic Budget Sector Debt/GDP (%) <sup>(6)</sup> ..	70.5	69.7	78.3	80.9	85.8	92.1
Net Domestic Budget Sector Debt/GDP (%) <sup>(6)</sup> .....	58.9	59.8	68.4	73.2	76.8	81.7

Sources: Ministry of Finance and CBE

### Notes:

- (1) Outstanding domestic debt stock due from the central administration, local governments and public service authorities. The figures in this table have been revised and differ from previously published data.
- (2) These figures are the Ministry of Finance's preliminary estimates and are subject to revision and amendment, which may be material.
- (3) Includes treasury bills issued in U.S. Dollars and Euros.
- (4) Includes Eurobonds issued in 2001, 2010 and 2013. Since June 2012, this item includes an additional stock of the Egyptian Dollar Certificate, whereby in December 2014 the stock of the Eurobond amounted to LE 4.7 billion, and the stock of the Egyptian dollar certificate amounted to LE 2.3 billion.
- (5) A portion of the SIF deposits that are used as loan facilities for the budget sector are recognised as part of budget sector domestic debt obligations.
- (6) The Ministry of Planning, Monitoring and Administrative Reform has revised the GDP time series for the 2011/12, 2012/13 and 2013/14 fiscal years in accordance with data from the 2012/13 economic census. Projected GDP, according to estimates of the Ministry of Finance, of LE 2,771.3 billion have been used for the 2015/16 period and the quarterly ratio is based on full year GDP estimates.

## Treasury Bills and Bonds

Treasury bills and bonds placed through the auction market provide a substantial source of funding for the Government. As at 30 June 2016, treasury bills and bonds accounted for 68.9% of net domestic budget sector debt (according to preliminary estimates), as compared to 65.0% as at 30 June 2015.

The following table sets forth details of the Government's securities issuances, denominated in Egyptian Pounds for the periods indicated.

<b>Government Securities Issuances</b>						
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<i>(LE millions)</i>					
<b>Issued .....</b>	<b>549</b>	<b>647</b>	<b>726</b>	<b>963</b>	<b>1,086</b>	<b>1,342</b>
Treasury Bills .....	492	563	645	754	846	1079
Treasury Bonds.....	57	84	80	209	239	263
<b>Matured .....</b>	<b>412</b>	<b>531</b>	<b>617</b>	<b>767</b>	<b>862</b>	<b>981</b>
Treasury Bills .....	402	510	575	700	784	866
Treasury Bonds.....	10	20	42	68	79	115
<b>Net Issuances.....</b>	<b>137</b>	<b>116</b>	<b>109</b>	<b>196</b>	<b>223</b>	<b>362</b>
<b>Outstanding Stock (End of Period) .....</b>	<b>569</b>	<b>685</b>	<b>794</b>	<b>990</b>	<b>1,213</b>	<b>1,575</b>
Treasury Bills .....	356	408	478	533	596	809
Treasury Bonds.....	213	277	316	457	618	766
	<i>(%)</i>					
<b>Average Interest Rates</b>						
91-day Treasury Bills .....	11.5	13.1	13.3	10.9	11.4	11.8
182-day Treasury Bills .....	11.8	14.1	14.0	11.3	11.7	12.3
273-day Treasury Bills .....	11.4	14.8	14.3	11.4	11.8	12.5
364-day Treasury Bills .....	11.5	14.8	14.4	11.5	11.9	12.5

*Source: Ministry of Finance*

The Ministry of Finance began issuing U.S. Dollar-denominated treasury bills in the local market in November 2011 with the purpose of absorbing the excess liquidity of foreign currencies that was available with local banks. The first issuance was for a nominal amount of U.S.\$1.5 billion, issued at a 3.9% interest rate.

In August 2012, the Ministry of Finance issued its first treasury bills denominated in Euros in a nominal amount of €513 million, which bore interest at a rate of 3.25%.

In December 2013, the Ministry of Finance issued treasury bonds denominated in U.S. Dollars in a nominal amount of U.S.\$3.0 billion, which bear interest at a rate of 3.5%.

Subsequently, the Ministry of Finance has conducted numerous issuances of U.S. Dollar- and Euro-denominated treasury bills in the local market. As at 30 June 2016, the outstanding nominal amount of U.S. Dollar-denominated treasury bills was U.S.\$16,599.3 million, the outstanding nominal amount of Euro-denominated treasury was €1,357.7 million and the outstanding nominal amount of U.S. Dollar-denominated treasury bonds was U.S.\$3,000 million.

In September 2014, the Suez Canal Authority issued LE 64 billion (approximately U.S.\$9 billion) in certificates with a maturity of five years and a coupon of 12%. The certificates are guaranteed by the Government.



The following table sets forth details of Egypt's outstanding amount of U.S. Dollar-denominated treasury bills and treasury bonds as at 30 June 2016.

Issue Date	Issue Size	Interest Rate	Maturity Date
18 December 2013	U.S.\$3,000,000,000	3.50%	18 December 2016
24 November 2015	U.S.\$1,770,300,000	2.837%	22 November 2016
15 December 2015	U.S.\$1,163,700,000	2.838%	13 December 2016
12 January 2016	U.S.\$897,900,000	3.420%	10 January 2017
16 February 2016	U.S.\$1,098,400,000	3.585%	14 February 2017
10 May 2016	U.S.\$1,267,900,000	3.589%	9 May 2017
14 June 2016	U.S.\$745,400,000	3.629%	13 June 2017
29 March 2016	U.S.\$1,985,300,000	2.000%	27 December 2016
24 May 2016	U.S.\$2,933,700,000	2.000%	21 February 2017
31 May 2016	U.S.\$2,917,900,000	2.000%	28 February 2017
7 June 2016	U.S.\$1,818,800,000	2.000%	7 March 2017

*Source: Ministry of Finance*

### External Debt

External debt consists of the external portion of long-term indebtedness incurred directly by the Government, external long-term indebtedness incurred by Economic Authorities and Service Authorities and private sector non-guaranteed debt.

As at 30 June 2015, gross external debt was U.S.\$48.1 billion, representing 15.0% of GDP and a 4.3% increase, as compared to gross external debt as at 30 June 2014 (which represented 9.9% of GDP). As at 30 June 2016, gross external debt increased to U.S.\$55.8 billion, an increase of 21.6%.

As at 30 June 2015, gross external Government debt was U.S.\$25.7 billion, representing 8.0% of GDP and a 11.5% decrease, as compared to gross external Government debt as at 30 June 2014. As at 30 June 2016, gross external Government debt was U.S.\$24.4 billion, representing 7.7% of GDP.

Since 1991, the majority of Egypt's external borrowings have consisted of bilateral and multilateral finance, as well as debt securities placed in international capital markets. Egypt has been current on its external debt payments since 1991.

## Historical Development of Egypt's External Debt

The following table sets forth details of the development of Egypt's external debt stock as at the dates indicated.

	External Debt Stock					
	As at 30 June <sup>(1)</sup>					
	2011	2012	2013	2014	2015	2016
	(U.S.\$ millions) <sup>(2)</sup>					
Bilateral Loans (Paris Club) .....	17,072	14,944	13,641	12,623	9,984	10,089
Bilateral Loans (Non-Paris Club) .....	1,003	1,114	2,393	2,458	3,291	4,573
Suppliers and Buyers Credit .....	426	405	14	11	6	6
Multilateral Loans <sup>(3)</sup> .....	10,809	11,068	11,963	12,229	12,246	14,090
Sovereign Bonds (guaranteed by USAID)						
maturing 2015 .....	1,250	1,250	1,250	1,250	1,250	0
Sovereign Notes .....	1,041	866	909	835	838	798
Saudi Bonds .....	0	500	500	500	500	500
Euro Medium Term Notes (EMTN) <sup>(4)</sup> .....	0	0	2,500	3,500	1,000	1,000
Global Medium Term Notes (GMTN) <sup>(5)</sup> .....	0	0	0	0	1,350	1,195
Long -Term Deposits <sup>(6)</sup> .....	0	1,000	3,000	9,000	15,000	16,300
<b>Total</b> .....	<b>32,131</b>	<b>31,431</b>	<b>36,170</b>	<b>42,405</b>	<b>45,465</b>	<b>48,551</b>
<b>Private Sector Non-guaranteed Debt</b> .....	<b>18</b>	<b>51</b>	<b>17</b>	<b>11</b>	<b>23</b>	<b>195</b>
<b>Short Term Debt<sup>(7)</sup></b> .....	<b>2,757</b>	<b>2,902</b>	<b>7,046</b>	<b>3,651</b>	<b>2,575</b>	<b>7,018</b>
<b>Total</b> .....	<b>34,906</b>	<b>34,385</b>	<b>43,233</b>	<b>46,067</b>	<b>48,063</b>	<b>55,764</b>

Source: CBE

### Notes:

- (1) The figures in this table have been revised and differ from previously published data.
- (2) Using end of period exchange rate.
- (3) Includes U.S.\$1.3 million representing SDR allocations by the IMF to its member countries of which Egypt's share is SDR 898.45 million.
- (4) Represents the second issuance of EMTN notes of U.S.\$1,000 million due in July 2016.
- (5) Represents the Series 1 Notes issued under the Republic's U.S.\$10 billion Global Medium Term Note Programme, of which U.S.\$1,195.17 million represents subscriptions to non-residents.
- (6) Representing Saudi, Libya, United Arab Emirate, Kuwait and African Export-Import Bank deposits with the CBE of U.S.\$4.8, U.S.\$2.0, U.S.\$5.0, U.S.\$4.0 and U.S.\$ 0.5 billion, respectively.
- (7) Includes African Export-Import Bank treasury deposits of U.S.\$3.2 billion.

The following table sets forth Egypt's public external debt, by currency, as at the dates indicated.

	Public External Debt by Currency					
	As at 30 June					
	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>
	(U.S.\$ millions) <sup>(2)</sup>					
U.S. Dollar .....	13,732	15,019	25,355	28,448	33,430	40,046
Euros .....	10,064	8,384	8,311	8,149	6,391	6,904
Japanese Yen .....	4,480	4,380	3,236	2,964	2,345	2,593
Kuwaiti Dinar .....	2,112	2,223	2,414	2,543	2,414	2,390
Special Drawing Rights .....	2,599	2,724	2,689	2,630	2,233	2,534
Egyptian Pound .....	606	563	237	443	529	732
Swiss Franc .....	619	491	435	393	321	223
British Pound Sterling .....	203	168	145	121	90	46
Canadian Dollar .....	145	124	108	92	65	47
Australian Dollar .....	118	93	68	52	26	8
Danish Kroner .....	122	97	92	88	65	62
UAE Dirham .....	30	22	23	22	38	34
Swedish Kroner .....	28	22	19	14	7	7
Saudi Riyal .....	44	72	98	106	105	134
Norwegian Kroner .....	5	4	4	4	3	2
<b>Total</b> .....	<b>34,906</b>	<b>34,385</b>	<b>43,233</b>	<b>46,067</b>	<b>48,063</b>	<b>55,764</b>

Source: CBE

### Notes:

- (1) Preliminary data.
- (2) Using end of period exchange rate.

The following table sets forth details of Egypt's short-term external debt as at the dates indicated.

<b>Short-term External Debt</b>						
	<b>As at 30 June</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
	<i>(U.S.\$ millions)</i>					
<b>Short-Term Debt .....</b>	<b>2,757.48</b>	<b>2,901.89</b>	<b>7,046.1</b>	<b>3,651.0</b>	<b>2,575</b>	<b>7,017</b>
Deposits (Non-Residents) <sup>(2)</sup> .....	972.68	913.72	5,293.4	1,392.5	1,295	4,678
Other Facilities .....	1,784.80	1,988.17	1,752.75	2,258.49	1,126	1,905
Loans .....	0	0	0	0	154	434

*Source: CBE*

**Notes:**

(1) Preliminary data.

(2) Includes African Export-Import Bank treasury deposits of U.S.\$3.2 billion.

The following table sets forth Egypt's medium- and long-term public external debt, by origin of creditor, as at the dates indicated.

<b>Medium- and Long-term Public External Debt by Creditor</b>						
<b>Creditor</b>	<b>As at 30 June</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
	<i>(U.S.\$ millions)<sup>(2)</sup></i>					
France.....	3,691.38	2,934.21	2,686.98	2,363.06	1,588.48	1,198.86
United States.....	3,032.85	2,784.37	2,537.61	2,284.82	2,026.01	1,761.16
Germany.....	3,785.87	3,236.51	3,328.04	3,450.20	2,805.71	3,605.82
Japan.....	4,149.37	4,065.44	3,066.66	2,816.24	2,212.88	2,458.25
Spain.....	626.53	548.11	503.57	431.25	314.06	246.05
United Kingdom.....	159.67	136.37	113.10	100.63	66.51	31.72
Italy.....	433.30	365.48	306.96	244.83	361.23	396.34
Bahrain.....	0.00	0.00	0.00	0.00	0.00	255.0
Austria.....	392.81	291.05	250.82	205.85	120.03	66.11
Kuwait.....	784.11	890.05	939.45	988.87	901.21	918.26
Switzerland.....	413.32	306.70	257.18	207.39	133.33	60.03
Denmark.....	279.94	242.52	228.25	208.83	148.80	122.59
Canada.....	182.23	156.52	134.74	112.19	78.61	52.66
Qatar.....	0.00	0.00	0.00	0.00	0.00	50.00
Australia.....	153.42	123.74	92.68	69.98	37.48	12.68
Turkey.....	0.00	0.00	1,000.00	1,000.00	1,000.00	600.00
China.....	153.04	133.28	336.12	344.06	337.49	1,940.55
The Netherlands.....	96.14	80.79	82.38	83.89	65.93	63.17
Belgium.....	65.75	49.15	41.91	35.49	20.88	12.12
Finland.....	0.00	0.00	0.00	0.00	0.00	3.21
United Arab Emirates.....	25.42	21.43	21.80	20.94	949.04	680.20
Sweden.....	29.36	22.80	19.69	14.84	7.70	2.70
Saudi Arabia.....	40.64	68.74	95.71	103.98	103.08	129.30
Norway.....	5.98	5.17	4.39	3.55	2.60	1.67
International Organisations <sup>(3)</sup> .....	10,808.65	11,068.14	11,963.31	12,228.58	12,246.30	14,089.93
Guaranteed Sovereign Bonds <sup>(5)</sup> .....	1,250.00	1,250.00	1,250.00	1,250.00	1,250.0	0.00
Sovereign Notes.....	1,040.67	866.21	908.61	835.28	837.73	797.78
Saudi Bond.....	0.00	500.00	500.00	500.00	500.00	500.00
Deposits <sup>(6)</sup> .....	0.00	1,000.00	3,000.00	9,000.00	15,000.00	16,300.00
Global Medium Term Notes.....	0.00	0.00	0.00	0.00	1,350.00	1,195.17
Euro Medium Term Notes...	0.00	0.00	2,500.00	3,500.00	1000.00	1,000.00
<b>Total.....</b>	<b>32,130.73</b>	<b>31,431.23</b>	<b>36,169.96</b>	<b>42,404.75</b>	<b>45,465.09</b>	<b>48,551.33</b>

Source: CBE

**Notes:**

- (1) Preliminary data.
- (2) Using end of period exchange rate.
- (3) Includes international organisations, such as the European Investment Bank, the International Development Association, the Arab Fund for Economic and Social Development, the IBRD and the African Development Bank.
- (4) Includes U.S.\$1,254.1 million representing SDR allocations by the IMF to its member countries, of which Egypt's share is SDR 898.45 million.
- (5) Guaranteed Notes represent a Eurobond issued by the Government and guaranteed by the United States Government pursuant to U.S. Public Law 108 of 2003.
- (6) Representing Saudi, Libya, United Arab Emirates, Kuwait and African Export-Import Bank deposits.

At the end of December 2012, a long-term deposit of U.S.\$1 billion from the Saudi Fund of Development was placed at the CBE. The placing of this deposit was the principal reason for the U.S.\$3.8 billion increase in short-term debt as at 31 December 2012 to U.S.\$6.7 billion, as compared to June 2012.

In July 2001, the Republic issued its first Eurobonds for U.S.\$500 million, which matured and were repaid in 2006, and U.S.\$1 billion, which matured and were repaid in 2011.

The following table sets forth details of Egypt's outstanding international Government bonds.

Issue Date	Issue Size	Coupon	Maturity	S&P Rating
1 June 2012	U.S.\$500,000,000	5.000	1 June 2017	Non-rated <sup>(1)</sup>
29 April 2010	U.S.\$1,000,000,000	5.750	29 April 2020	BB+
11 June 2015	U.S. \$1,500,000,000	5.875	11 June 2025	B-
30 April 2010	U.S.\$500,000,000	6.875	30 April 2040	BB+

Source: Ministry of Finance

**Notes:**

(1) These notes are unlisted.

In April 2010, the Republic issued its U.S.\$1 billion 5.75% Notes due 2020 and its U.S.\$500 million 6.875% Notes due 2040 in order to refinance a U.S.\$1 billion bond that matured in July 2011, extend external debt maturities and diversify its investor base.

In June 2012, the Republic issued its U.S.\$500 million Notes due 2017, which bear interest at a rate of 5.0% per annum. These notes are not listed.

In May 2015, the Republic established its U.S.\$10 billion Global Medium Term Note Programme (the “**GMTN Programme**”). In June 2015, the Republic issued its U.S.\$1.5 billion Notes due 2025 under the GMTN Programme, which bear interest at a rate of 5.875% per annum.

The following table sets forth Egypt's medium and long-term public external debt service for the years indicated based on outstanding debt as at 30 June 2016.

**Projected External Debt Service Based on Outstanding Amounts as at 30 June 2016<sup>(1)</sup>**

Year	Principal Repayments	Interest Payments	Total Debt Service
		(U.S.\$ millions)	
2016 H2 .....	3,192.92	481.86	3,674.78
2017 H1 .....	2,426.23	436.81	2,863.04
2017 H2 .....	1,948.25	436.48	2,384.73
2018 H1 .....	4,654.36	396.98	5,051.34
2018 H2 .....	7,506.18	372.78	7,878.97
2019 H1 .....	3,820.15	330.02	4,150.17
2019 H2 .....	1,560.26	290.85	1,851.11
2020 H1 .....	4,206.38	266.92	4,473.30
2020 H2 .....	1,413.53	215.07	1,628.60
2021 H1 .....	1,532.39	191.23	1,723.63
2021 H2 .....	1,134.49	178.08	1,312.57
2022 H1 .....	969.37	159.59	1,128.96
2022 H2 .....	966.69	153.24	1,119.93
2023 H1 .....	894.52	138.04	1,032.56
2023 H2 .....	920.76	131.67	1,052.42
2024 H1 .....	803.11	116.56	919.67
2024 H2 .....	692.45	111.13	803.59
2025 H1 .....	1,852.84	101.15	1,953.99
2025 H2 .....	648.56	62.81	711.37
2026 H1 .....	617.02	54.15	671.18
2026 H2 .....	590.18	50.59	640.77
2027 H1 .....	374.09	43.63	417.71
2027 H2 .....	352.87	42.44	395.31
2028 H1 .....	288.53	38.27	326.80
2028 H2 .....	288.71	36.85	325.57
2029 H1 .....	254.52	33.76	288.28
2029 H2 .....	247.87	32.29	280.15
2030 H1 .....	222.60	30.02	252.62
2030 H2 .....	215.68	28.62	244.30
2031 H1 .....	197.66	27.11	224.77
2031 H2 .....	195.59	25.77	221.37
2032 H1 .....	191.89	24.49	216.38
2032 H2 .....	188.38	23.21	211.58
2033 H1 .....	177.96	21.98	199.94

**Projected External Debt Service Based on Outstanding Amounts as at 30 June 2016<sup>(1)</sup>**

<b>Year</b>	<b>Principal Repayments</b>	<b>Interest Payments</b>	<b>Total Debt Service</b>
		<i>(U.S.\$ millions)</i>	
2033 H2 .....	152.28	20.81	173.10
2034 H1 .....	144.69	19.87	164.56
2034 H2 .....	132.22	18.95	151.18
2035 H1 .....	123.81	18.17	141.98
2035 H2 .....	118.13	17.41	135.54
2036 H1 .....	91.60	16.72	108.33
2036 H2 .....	90.52	16.20	106.72
2037 H1 .....	77.94	15.68	93.62
2037 H2 .....	72.59	15.20	87.79
2038 H1 .....	59.10	14.73	73.83
2038 H2 .....	38.46	14.48	52.93
2039 H1 .....	28.63	14.32	42.95
2039 H2 .....	28.15	14.21	42.36
2040 H1 .....	405.11	14.10	419.21
2040 H2 .....	24.77	0.99	25.77
2041 H1 .....	18.00	0.89	18.89
2041 H2 .....	17.71	0.83	18.55
2042 H1 .....	16.30	0.76	17.06
2042 H2 .....	14.39	0.71	15.10
2043 H1 .....	13.96	0.65	14.62
2043 H2 .....	13.20	0.61	13.81
2044 H1 .....	9.82	0.56	10.38
2044 H2 .....	9.35	0.52	9.88
2045 H1 .....	8.50	0.49	8.99
2045 H2 .....	8.33	0.46	8.79
2046 H1 .....	7.51	0.43	7.93
2046 H2 .....	5.72	0.40	6.12
2047 H1 .....	4.60	0.38	4.98
2047 H2 .....	4.44	0.37	4.81
2048 H1 .....	3.79	0.35	4.14
2048 H2 .....	3.42	0.34	3.76
2049 H1 .....	1.28	0.32	1.60
2049 H2 .....	0.82	0.32	1.14
2050 H1 .....	0.65	0.31	0.96
2050 H2 .....	0.40	0.32	0.71

*Sources: Ministry of Finance and the CBE*

**Note:**

(1) Total external debt includes direct indebtedness and external debt of state-owned enterprises.

**Guaranteed Debt**

The following table sets forth details of Egypt's publicly-guaranteed private sector external debt outstanding as at 30 June 2016.

<b>Publicly-Guaranteed Private Sector External Debt</b>	
<b>Borrower</b>	<b>Outstanding Amount</b>
	<i>(U.S.\$ millions)<sup>(2)</sup></i>
<b>Medium and Long Term Debt</b>	
Export Development Bank .....	2.14
DANTECH .....	0.01
<b>Total</b> .....	<b>2.15</b>
<b>Short Term Debt</b>	
Trade Credits .....	144.67
<b>Total</b> .....	<b>144.67</b>

*Source: CBE*

## **Public Debt Management**

The role of the Ministry of Finance's Public Debt Management Unit is to procure Government budget funding requirements at the lowest long-term cost relative to the general level of interest rates, consistent with prudent fiscal and monetary policy framework. The Debt Management Unit follows a market-orientated funding strategy based on projected budgetary requirements, determining frequency, volume, timing and maturities for all debt issuances to ensure a prudent Government debt structure.

### ***Debt Management Strategy***

The Ministry of Finance installed an upgraded version of the Debt Management Financial System for Analysis and Statistics ("**DMFAS**"), a software system developed by the United Nations Conference on Trade and Development, in 2012 in order to upgrade its domestic debt management capabilities. DMFAS records the country's domestic debt, generates various reports, including domestic sovereign borrowing, contingent liabilities and on-lent loans and grants.

The Ministry of Finance's debt management policy is aimed at lengthening the maturity of domestic public debt, as well as consolidating a domestic yield curve by means of increasing its medium-to-long term issuances in order to reduce refinancing risk. To further this goal, it has increased its issuance of long-term fixed income securities, which, in turn, contributed to the increase of outstanding treasury bonds to LE 727.0 billion as at 31 March 2016, from LE 685.8 billion as at 31 December 2015, LE 505.9 billion as at 31 December 2014, LE 340.3 billion as at 31 December 2013 and LE 13 billion as at 30 June 2004, representing a 55 times increase. As at 31 March 2016, total outstanding debt issuances in the domestic market were LE 1,451.0 billion. As at 31 March 2016, the average life for domestic tradable debt was 2.1 years, and, as a result of planned upcoming issuances, the average life for domestic tradable debt is expected to increase to 2.2 years by the end of 2016/2017.

### ***Medium Term Debt Management Strategy***

The Republic's Medium Term Debt Management Strategy ("**MTDS**") was established to outline the process of managing the Republic's public debt using cost and risk analysis, in order to provide a key input into the debt management strategy decision-making process. Debt management is directed at providing the Government's budget funding requirements at the lowest long term cost relative to the general level of interest rates, at an examined degree of risk consistent with prudent fiscal and monetary policies frameworks. The strategy aims to extend the maturity profile of domestic debt in line with cost and risk trade-off. It also aims to maintain a level of interest rate risk that is well-balanced with the objective of supporting market development.

Each MTDS is implemented for a period of three fiscal years. The current MTDS covers 2014/15, 2015/16 and 2016/17. The objective of the current MTDS is to ensure that Government financing needs are met at the lowest possible cost over the medium-term and to manage risk. It also aims to support the development of the domestic securities market. The MTDS is reviewed on an annual basis. In November 2015, the Minister of Finance issued Ministerial Decree № 515 mandating the creation of a working group to review the Republic's debt management policies and to approve the MTDS document prior to its publication.

The MTDS focuses on managing risk exposure embedded in the Republic's debt portfolio. The MTDS analysis consists of eight steps: (i) clarifying the objectives and scope of the MTDS; (ii) clarifying the current debt management strategy and reviewing the cost-risk characteristics of existing debt to determine amendments to be made; (iii) reviewing potential funding sources for future borrowing strategies; (iv) reviewing macroeconomic and market environment and medium-term forecasts on an annual basis; (v) identifying risk factors facing the Egyptian economy to be taken into account in the MTDS; (vi) defining and analysing the cost-risk performance of alternative debt management strategies; (vii) reviewing the preferred strategy with policy makers and market participants; and (viii) producing a debt management strategy document for approval by the Minister of Finance and for subsequent public dissemination.

### ***Historical Debt Management Initiatives***

In July 2005, the Ministry of Finance, in coordination with EGPC, through a special purpose vehicle (Petroleum Export Ltd.), issued Egypt's first amortising pre-paid forward sale transaction backed by crude oil and naphtha products, which matured in July 2010.

In July 2007, in an effort to diversify its investor base, the Republic issued its first notes denominated in Egyptian Pounds with principal and interest payable in U.S. Dollars. The notes had a nominal value of LE 6 billion and bore interest at a rate of 8.75%. These notes matured in July 2012. In April 2010, the Republic issued a further two tranches of notes denominated in U.S. Dollars; its U.S.\$1 billion 5.75% Notes due 2020 and its U.S.\$500 million Notes 6.875% due 2040.

In May 2009, the New Urban Communities Agency (“NUCA”), an economic authority wholly-owned by the Ministry of Housing, in coordination with the Ministry of Finance issued the first asset-backed securities in Egypt in a nominal amount of LE 4.6 billion, which mature in 2017. The securities are guaranteed by the Government.

In January 2010, the regulations promulgated under the Capital Market Law were amended to allow public authorities to issue debt in the domestic market. Accordingly, NUCA issued a LE 2.5 billion five-year floating rate note (based on the six-month treasury bill yield) and a LE 2.5 billion 13-month fixed rate note. Both issues were guaranteed by the Government.

With effect from January 2010, in order to support and enhance the development of an effective Government securities market and reduce illiquidity premiums and refinancing risks, the Ministry of Finance implemented a new transparent and visible issuance strategy, which was comprised of the following pillars:

- limiting future debt issuances to a small number of benchmark maturities (*i.e.*, three, five, seven and ten years) (with the potential to add longer maturity debt as a new benchmark in the future);
- increasing the frequency of re-openings of each security so as to raise each security’s outstanding principal amount to LE 12 to 15 billion;
- increasing the standardisation of debt issuance, in particular for Government bonds; and
- creating a fixed calendar for the issuance of treasury bonds and auctions to avoid a “crowding” of maturities.

In addition, the MTDS focuses on diversifying the sources of financing through the issuance of new instruments, such as “*sukuk*”, to finance development and infrastructure projects, as well as expanding the Republic’s investor base by seeking to attract retail investors and incorporate more non-banking financial institutions.

Pursuant to the MTDS, the Government plans to raise between U.S.\$1.5 billion and U.S.\$3.0 billion from the international capital markets in each of 2015/16, 2016/17 and 2017/18.

### ***New Debt Instruments***

#### ***U.S. Dollar and Euro Treasury Bills***

The Ministry of Finance has issued a number of U.S. Dollar- and Euro-denominated treasury bills in the domestic market. See “—*Domestic Debt—Treasury Bills and Bonds*”.

#### ***Fixed and Floating Rate Notes***

In order to diversify Government securities issuances, in September 2012 the Ministry of Finance issued LE 1 billion floating rate notes due September 2014. The interest rate for the notes was linked to 182-day treasury bills issued by the Government.

#### ***Zero-Coupon Bonds***

In September 2013, the Ministry of Finance introduced zero-coupon bonds with a maturity of 1.5 years, followed by zero-coupon bonds with a maturity of three years. The Ministry of Finance now regularly issues zero-coupon bonds with a 1.5 year-tenor, which are primarily subscribed for by Egyptian banks.

#### ***Sukuk***

As a further tool of diversification, and in order to broaden its investor base, the Ministry of Finance established the infrastructure to issue Islamic *sukuks* alongside other Government securities and has been targeting financing infrastructure and development projects with *sukuk* issuances to help achieve the Ministry of Finance’s social justice targets, while alleviating social development financing burdens on the budget.

A *sukuk* law was promulgated by the Shoura Council in March 2013 to regulate both sovereign and corporate *sukuk* issuances. The law was an outcome of a series of dialogues between political parties and decision makers, including the CBE, EFSA, the EGX and the Islamic Finance Association. In addition, the law has received preliminarily approval from Al Azhar, which will include certain amendments on the Sharia advisory board structure. The law is currently under further review by the Ministry of Finance and EFSA.



## **Debt Restructuring**

In the late 1980s, the Egyptian economy faced two major problems: (i) economic stagnation and negative growth and (ii) heavy indebtedness. At the same time, inflation was within a 20-30% range. With the onset of hostilities in the Middle East in the August 1990 Gulf War, Egypt's economy suffered from substantial losses of tourist receipts, remittances from abroad and a depressed business climate.

To combat these problems, the Government, in 1990, embarked on a reform programme centred on creating a decentralised, market-based, open economy. This programme embodied less expansionary fiscal and monetary policies with real sector reforms, the introduction of market-based exchange and interest rate systems, a more efficient and equitable tax system and a reduction of import tariffs and subsidies. The Government reform programme was supported by measures agreed with the IMF.

In May 1991, the Paris Club, in coordination with the IMF and the World Bank, agreed to provide a comprehensive reorganisation of the entire stock of Egypt's external public debt, which amounted to U.S.\$20.6 billion. The agreement provided, over time, for up to a 50% reduction in the net present value of debt. In order to achieve this reduction, creditors were offered three options: (i) reduction of principal; (ii) reduction of the interest rate; and (iii) a lesser interest rate reduction than option (ii) combined with partial capitalisation of moratorium interest at longer maturities.

The economic reform programme that the Government had agreed on with the IMF was implemented over three phases and provided for certain debt forgiveness if certain economic reform programme goals were met. The first two phases were implemented in 1991 and the third phase was implemented in 1996.

## ***Debt Cancellation***

In late 1990, the United States forgave approximately U.S.\$7 billion in military debt owed by Egypt because of Egypt's support during the first Gulf War. This relieved Egypt of annual repayments of more than U.S.\$700 million. Other countries in Europe, the Arab Gulf and Canada also forgave certain debt obligations of the Republic. By November 1990, the total debt cancelled was approximately U.S.\$14 billion.

## ***International Aid***

In line with the Government's monetary policy framework, aid packages have been received from various countries.

## ***African Development Bank***

Egypt was one of the founding members of the African Development Bank in 1964 and remains its second-largest regional shareholder. Since 1974, the African Development Bank has financed almost 100 projects in Egypt, with an investment cost of approximately U.S.\$5.7 billion. Projects funded by the African Development Bank are primarily in the infrastructure, energy and social sectors, with a particular focus on providing loans to SMEs. Current projects supported by the African Development Bank focus on macroeconomic stabilisation to support the recovery of the economy and promoting inclusive growth to reduce poverty. In 2014, the African Development Bank disbursed approximately U.S.\$2.8 million to Egypt in support of the Judicial Authority in Egypt and funding preparations for the Egyptian Economic Development Conference held in Sharm El Sheikh in March 2015. In 2015, the African Development Bank approved: (i) a U.S.\$140 million loan to Egypt's Sharm El Sheikh Development Project, which includes the construction of a new terminal, runway and control tower at the Sharm El Sheikh airport; (ii) a €50.2 million loan in support of Egypt's National Drainage Programme to boost agricultural production and household income generation; and (iii) a U.S.\$500 million loan to support the Government's economic reform programme.

The African Development Bank's Board of Directors has approved a Cooperation Strategy with Egypt for the period 2015-2019. This Cooperation Strategy is based on two pillars: (i) infrastructure improvements to support sustainable development; and (ii) the strengthening of justice and transparency. The Cooperation Strategy sets out various proposed projects to be completed by 2019. The current portfolio of projects being undertaken with the African Development Bank includes 33 projects worth U.S.\$2.2 billion in a number of sectors, including in the electricity, energy, social sector, irrigation, airports and agricultural drainage sectors.

Within the framework of the Cooperation Strategy with Egypt, the African Development Bank and the World Bank signed a three-year U.S.\$4.5 billion Development Policy Financing Program (the "DPFP") with Egypt. The DPFP is intended to support the Government's reform programme, in particular: (i) advancing fiscal consolidation; (ii) ensuring a sustainable energy supply; and (iii) enhancing the business climate. Of the U.S.\$4.5 billion, U.S.\$3.0 billion is expected to be funded by the World Bank and U.S.\$1.5 billion is expected to be funded by the African Development Bank. The first tranche (U.S.\$1.0 billion) was disbursed in September 2016 following passage of the VAT Law.

See “—*International Bank for Reconstruction and Development*”.

#### *Arab Monetary Fund*

Egypt is a member state of the Arab Monetary Fund. In 2014, the Arab Monetary Fund made grants and loans in respect of, among other projects: (i) the financing of the Assiut Refinery Project to develop a refinery and construct a complex for high-level octane production in Upper Egypt; (ii) the Egyptian-Saudi Electricity Connection Project to construct an electricity connection line between Egypt and Saudi Arabia to meet growing energy demand; and (iii) projects aimed at encouraging SME activity. In September 2015, the Arab Monetary Fund extended a U.S.\$339 million loan to Egypt to support financial and banking sector reform programme.

#### *L'Agence Francaise de Developpement*

Egypt has received support from the *L'Agence Francaise de Developpement* in respect of the Government's economic reform programme. Projects financed by *L'Agence Francaise de Developpement* focus on promoting the modernisation and competitiveness of the private sector, improving living conditions and promoting sustainable development. In 2014, the *L'Agence Francaise de Developpement* disbursed approximately €200 million to Egypt in support of projects by the Social Fund for Development, a project to increase access to natural gas and projects to reduce pollution. In 2015, the *L'Agence Francaise de Developpement* granted: (i) a €30 million loan to Egypt to improve access to financing for agricultural producers and processors; (ii) a €15 million grant to upgrade infrastructure and public services in specified informal areas; and (iii) a €22 million grant to support agricultural small and medium-sized enterprises.

#### *European Union*

Egypt's partnership with the EU is based on the Association Agreement. In 2014, the EU disbursed approximately €25 million in grants through the Neighbourhood Investment Facility to support micro and small enterprises and to finance the Egyptian Pollution Abatement Project (third phase) to reduce pollution. On 14 March 2015, during the Egypt Economic Development Conference held in Sharm Al Sheikh, Egypt and the EU entered into a memorandum of understanding in respect of a Unified Support Program. Pursuant to the memorandum, the European Commission agreed to allocate a non-refundable grant of between €210 million and €257 million to Egypt to support the implementation of the Government's economic and social development reform programme. The amount of this grant was subsequently increased to between €311 million and €380 million.

#### *European Investment Bank*

The European Investment Bank (“**EIB**”) commenced its activities in Egypt in 1979. Since then, the EIB has provided funds to approximately 80 projects in both the public and private sector, amounting to €6.3 billion (including government loans and funds loaned to the private sector).

Egypt's partnership with the EIB focuses on promoting growth and the fostering of partnerships in the Mediterranean region by supporting projects that promote social cohesion, job creation and economic stability. Projects financed by the EIB in Egypt cover a number of sectors, including energy, transport, water and industry sectors, and provide support for SMEs. In 2014, the EIB disbursed approximately €50 million in connection with the Egyptian Pollution Abatement Project, €3.8 million in loans to finance the improvement of sanitation services in Kafr El-Shiekh and €205 million to finance upgrade works at the El-Shabab and West Damietta electricity power plants. In 2015, the EIB entered into loans for €200 million to promote public transport in Greater Cairo, a U.S.\$600 million loan for financing an electricity supply project, a €115 million loan to fund the construction of a wind farm in the Gulf of Suez and a €120 million loan with the National Bank of Egypt to finance private sector companies.

In March 2015, the Government and the EIB signed a Joint Declaration at the Egypt Economic Development Conference, which is focused on improving socio-economic infrastructure in key sectors such as energy, transport, urban development and PPPs and supporting private sector development in the fields of industry, FDI and SMEs.

#### *European Bank for Reconstruction and Development*

Egypt's partnership with the EBRD focuses on financing improvements in the private sector, including SMEs, through direct investments by way of loans and equity finance and providing support and expertise through policy dialogue, capacity building and other forms of technical assistance. The EBRD expanded its mandate in Southern and Eastern Mediterranean countries, including Egypt following the events of the Arab Spring. In 2014, the EBRD disbursed approximately U.S.\$190 million in loans to EEHC and €126 million in loans to the Ministry of Transportation. In October 2015, Egypt became an EBRD “country of operations”. As at 31 December 2015, the EBRD's total

investments in Egypt amounted to €1,799 million across 33 projects distributed among the following sectors: energy (36%), financial institutions (24 %), industry and trade (20%) and infrastructure (19%).

In December 2015, EBRD entered into a €100 million loan with the Egyptian National Authority for Tunnels for the purchase of 13 new trains. In February 2016, the EBRD formed part of a consortium lending U.S.\$341 million (of which the EBRD's portion was U.S.\$72 million) to Sonker, an Egyptian company providing hydrocarbon storage and bunkering, which is intended to support an upgrade of Egypt's oil and gas infrastructure and contribute to Egypt's energy security.

In March 2015, the Government and the EBRD entered into a joint declaration of intent during the Egyptian Economic Development Conference, pursuant to which the EBRD stated its intention to invest between €0.7 billion and €1.0 billion in Egypt.

#### *International Bank for Reconstruction and Development*

Egypt's partnership with the IBRD focuses on private sector job creation and reducing poverty. In 2014, the IBRD disbursed approximately U.S.\$12 million in grants to Egypt in connection with projects undertaken by EFSA and the Egyptian Environmental Affairs Agency. The IBRD has financed development projects and programs in energy, agriculture, irrigation and sanitation, transport and social sector sectors. As at 30 June 2015, total loans provided to Egypt by the World Bank (including those from the IBRD) were to U.S.\$4.3 billion in completed loans and U.S.\$3.2 billion in active loans.

In December 2015, the Government and the World Bank Group (including the IBRD) approved the Country Partnership Framework 2015-19. This framework is based on the Government's medium-term strategy and national priorities for economic developments and envisages the disbursement of approximately U.S.\$8 billion between 2015 and 2019, of which approximately U.S.\$6 billion is expected to come from the IBRD and U.S.\$2 billion is expected to come from the International Finance Corporation.

In the context of the Country Partnership Framework, the World Bank, the African Development Bank and the Government has entered into the U.S.\$4.5 billion DPF, a three-year development policy financing programme to support the Government's reform programme. See "*African Development Bank*".

In September 2016, the World Bank disbursed U.S.\$1 billion under the DPF (the first disbursement made in the context of the Country Partnership Framework 2015-19) to support, *inter alia*, fiscal consolidation through higher revenue collection, greater moderation of wage bill growth and stronger debt management.

In September 2016, the World Bank approved a U.S.\$500 million loan under the Country Partnership Framework to support development initiatives in Upper Egypt, including improving private sector development and strengthening local government capacity for infrastructure and service delivery.

#### *Islamic Development Bank*

Egypt has been working with the Islamic Development Bank ("**IDB**") since 1977. In 2014, the IDB approved disbursements of approximately U.S.\$2.1 billion to Egypt in connection with the financing of several projects including projects in the energy, agriculture (particularly, irrigation) and education sector, projects involving SMEs and project aimed at reducing unemployment.

As at 30 June 2016, the IDB was financing 16 projects in Egypt for a total funding amount of approximately U.S.\$2.0 billion (of which U.S.\$270 million had been disbursed as at 30 June 2016). The majority of IDB funding in Egypt is focused on the electricity and energy sectors, of which there were eight ongoing projects as at 30 June 2016 with a total funding amount of U.S.\$1.5 billion.

At the Egyptian Economic Development Conference held in Sharm El Sheikh in March 2015, the Minister of International Co-operation entered into four agreements with the President of the IDB worth a total amount of U.S.\$800 million to finance a number of development projects in Egypt, including: (i) U.S.\$220 million in lease financing for the Egyptian-Saudi Electricity Connection Project to construct an electricity connection line between Egypt and Saudi Arabia to meet growing energy demands; (ii) two tranches of lease financing of U.S.\$226.8 million and U.S.\$230 million for the Sharm El Sheikh Airport Development Project to increase the capacity of Sharm El Sheikh airport to 18 million passengers per year by 2025; and (iii) U.S.\$198 million in lease financing for the Assiut Refinery Project to develop a refinery and construct a complex for high-level octane production in Upper Egypt. In addition, a framework agreement for approximately U.S.\$3 billion was also entered into between the International Islamic Trade Finance

Corporation (an affiliate of the IDB) and EGPC to import petroleum products for the Egyptian market over the next three years.

#### *International Monetary Fund*

In August 2016, the IMF announced that it had reached a staff-level agreement with the Government on a three-year EFF in an amount of approximately U.S.\$12 billion, subject to approval by the IMF's Executive Board. The EFF, when signed, will be aimed at supporting the Government's economic reform programme, improving the functioning of foreign exchange markets, reducing the budget deficit and government debt and increasing growth and creating jobs.

#### **Debt Record**

Other than as described above, Egypt has not, within a period of 20 years prior to the date of this Prospectus, defaulted on the principal or interest of any external security.

## TAXATION

*The following is a general description of certain Egyptian and EU tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **Egyptian Taxation**

Under Egyptian Tax Law № 91 of 2005, interest payable on the Notes is subject to a 20% withholding tax unless reduced by a treaty. The Issuer will pay, subject to customary exceptions set out in Condition 8 (*Taxation*), such additional amounts as will result in the receipt by the Noteholder of such amounts as would have been received by such Noteholder had no such withholding or deduction been required. See Condition 8 (*Taxation*).

### **The Proposed Financial Transaction Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## **PLACING OF THE NOTES AND SELLING RESTRICTIONS**

The Lead Settlement Manager has agreed in a subscription and placement agreement dated 9 November 2016 (the “**Subscription and Placement Agreement**”) and made between the Issuer, the CBE and the Lead Settlement Manager, to settle the issuance of the Notes. The Notes will be placed in their entirety with the CBE. The Lead Settlement Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription and Placement Agreement on or before settlement of the Notes.

The Issuer has agreed to indemnify the Lead Settlement Manager against certain liabilities (including liabilities under the Securities Act) incurred in connection with the issue, placement and settlement of the Notes.

The Co-Settlement Managers are not party to the Subscription and Placement Agreement.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Nothing will be done in, from or otherwise involving the United Kingdom unless in compliance with all applicable provisions of the United Kingdom Financial Services and Markets Act 2000.

### **Arab Republic of Egypt**

The Notes to be issued have not been and will not be offered, sold or publicly promoted or advertised in Egypt, other than in compliance with any laws applicable in Egypt governing the issue, offering and sale of securities.

### **General**

No action has been taken by the Issuer or any of the Settlement Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

### **Transfer Restrictions**

A beneficial interest in the DTC Global Notes may be transferred to a person who wishes to take delivery of such beneficial interest through the European Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the DTC Global Notes or the European Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

The Arab Republic of Egypt is a foreign government as defined in Rule 405 under the Securities Act, and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

## GENERAL INFORMATION

### Authorisation

The Republic has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue and placing of the Notes was authorised by Budget Law № 8 of 2016.

### Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Market

The expenses in connection with the admission of the Notes to the Official List and to trading on the Market are expected to amount to approximately €7,740.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for Egypt in relation to the Notes and is not itself seeking admission to the Official List or trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

### No Significant Change

Since 30 June 2016, there has been no material adverse change in the information set out under the following headings in this Prospectus: “*The Economy*”, “*External Sector*”, “*Monetary System*”, “*Public Finance*” and “*Public Sector Debt*” (the “**Egypt Disclosure Sections**”). Since 30 June 2016, there has not been any significant change in the Egypt Disclosure Sections.

### Legal and Arbitration Proceedings

Save as set out under the caption “*The Arab Republic of Egypt—Legal Proceedings—Certain International Investment Treaty Claims*” on pages 57-58 of this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past a significant effect on the Issuer’s financial position or which are material in the context of the issue of the Notes.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC.

The European Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under, with respect to the Series A Notes, Common Code 150494834, and ISIN XS1504948347, with respect to the Series B Notes, Common Code 150494869 and ISIN XS1504948693 and, with respect to the Series C Notes, Common Code 150494877 and ISIN XS1504948776.

The DTC Global Notes have been accepted for clearance through DTC and, with respect to the Series A Notes, their CUSIP number is 038461 AG4, their ISIN is US038461AG46 and the applicable Common Code is 151162134, with respect to the Series B Notes, their CUSIP number is 038461 AH2, their ISIN is US038461AH29 and the applicable Common Code is 151162177 and, in respect of the Series C Notes, their CUSIP number is 038461 AJ8, their ISIN is US038461AJ84 and the applicable Common Code is 151162215.

The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium, the address of Clearstream, Luxembourg is Avenue J.F. Kennedy, L-1855 Luxembourg, and the address of DTC is 55 Water Street, New York, NY 10041, USA.

### Third-Party Information

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## **Documents Available for Inspection**

From the date of this Prospectus and for so long as any Note remains outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available in physical form, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent:

- the Fiscal Agency Agreement (which includes the forms of the Global Notes) relating to the Series A Notes;
- the Fiscal Agency Agreement (which includes the forms of the Global Notes) relating to the Series B Notes;
- the Fiscal Agency Agreement (which includes the forms of the Global Notes) relating to the Series C Notes;
- the Deed of Covenant relating to the Series A Notes;
- the Deed of Covenant relating to the Series B Notes;
- the Deed of Covenant relating to the Series C Notes;
- a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus in relation to the Notes; and
- a copy of Budget Law № 8 of 2016 and each subsequent annual budget of the Republic for so long as any Notes remain outstanding.

## **Transacting with the Issuer**

The Settlement Managers and/or their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business for which it has received, and for which it may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Settlement Managers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their respective customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its respective affiliates. The Settlement Managers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with customary risk management policies or engage as principal or as an intermediary for other parties in other transactions involving the Notes or other debt securities of the Issuer. Typically, the Settlement Managers and/or their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Settlement Managers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

See “*Use of Proceeds*”.

## **Interested Persons**

No person involved in the offering of the Notes has any interest in such offering which is material to such offering, other than as specified under “*Use of Proceeds*”.

## **Yield**

The initial yield in relation to (i) the Series A Notes is 4.622%, (ii) the Series B Notes is 6.750% and (iii) the Series C Notes is 7.000%, in each case calculated on an annual basis. These initial yields are calculated on the Issue Date on the basis of the relevant Issue Price and are not indications of any future yield.



**THE ISSUER**  
**The Arab Republic of Egypt**

Ministry of Finance  
Ministry of Finance Towers  
Ramsis Street Extension  
Nasr City  
Cairo  
Egypt  
Tel.: +2 02 2685 1400

**FISCAL AGENT, TRANSFER AND PAYING  
AGENT**

**Citibank N.A., London Branch**  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Deutschland AG**  
Reuterweg 16  
60323 Frankfurt am Main  
Germany

**LEAD SETTLEMENT MANAGER**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**CO-SETTLEMENT MANAGERS**

**Banque Misr S.A.E.**  
151 Mohamed Farid Street  
Cairo  
Egypt.

**National Bank of Egypt S.A.E.**  
1187 Corniche El Nil  
Maspero  
Boulak  
Cairo  
Egypt

**LEGAL ADVISERS  
TO THE ARAB REPUBLIC OF EGYPT**

*As to Egyptian law*  
**Matouk Bassiouny**  
12 Mohamed Ali Genah  
Garden City, Cairo  
Egypt

*As to English and U.S. law*  
**Dechert LLP**  
160 Queen Victoria Street  
London EC4V 4QQ  
United Kingdom

**TO THE SETTLEMENT MANAGER**

*As to Egyptian law*  
**Zaki Hashem & Partners**  
23 Kasr El Nil Street  
Cairo 11211  
Egypt

*As to English and U.S. law*  
**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

**LISTING AGENT**  
**Walkers Listing Services Limited**  
The Anchorage  
17/19 Sir John Rogerson's Quay  
Dublin 2  
Ireland