The Central Bank of Egypt

Legislative and Policy Reforms to Promote FDI in Egypt

Cairo, 25 June 2013

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Central Bank of Egypt



CBE's Reform Program

Two phases of Banking Sector Reform in Egypt:

Phase I: 2004-2008 Phase II: 2009-2011



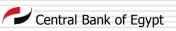
Reform Objective

A complete structural and financial reform coupled with consolidations to create a strong, efficient, resilient and wellsupervised banking sector sustaining future domestic growth and competing regionally.



Phase I Banking Sector reform main pillars (2004-2008)

- Privatization & consolidation of the banking sector,
- Addressing the problem of non-performing loans,
- Operational restructuring of state owned banks,
- Upgrading CBE banking supervision.



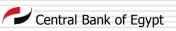
Phase II Banking sector reform main pillars (2009-2011)

Follow up on the operational and institutional restructuring of NBE, BM and BDC

>Implement the Basel II accords by the banking sector

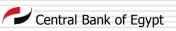
>Adopting an initiative promoting the development and growth of banking services with special focus on SME's

Review and enforce the implementation of Corporate Governance rules in the banking sector and the Central Bank of Egypt



Reform Results

- Egyptian banking sector is strong and resilient to the world financial crisis and shocks.
- Having strong well capitalized banking sector with wellqualified senior management and executives.
- Fully provisioned banks against NPL's with proper identification and valuation of collaterals.
- In December 2008 the issuance of the rules of preparation and presentation of financial statement for banks which is in line with the International financial reporting standards IFRS.



Reform Results

- Bank Governance regulation was issued by CBE board decree dating 5 July 2011
- Basel II regulation package was issued by CBE board decree dating 18 December 2012
- Law 88 amendments to ensure CBE governance issued October 2011



Post Revolution Challenges

Liquidity Pressures

Reserve Pressures

Outflow of Foreign Investments



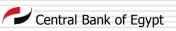
Post Revolution Measures

- Reduction of the bank's statuary reserve ratio from 14% to 10% to avail liquidity to the market.
- Introduction of the CBE auction system to ensure the proper utilization of the Egyptian foreign currency reserve.



Post Revolution Measures

- Exempting genuine trade finance transactions, foreign investors and individuals from transfer restrictions.
- Introduction of the CBE repatriation mechanism covering convertibility risks.
- Conducting stress tests on individual banks & the banking sector as a whole to ensure financial stability under stressful periods



Monetary Policy

Policy Prediction

Inflation Targeting



Banking Sector Current Status



1- Financial Soundness Indicators



البغك المركزي المعري

قطاء الرقابة والاشراف – الرقابة المكتبية

M.I.S Unit

مؤشرات السلامة المالية للبنوك (بخلاف البنك المركزي المصري) •

Banking Sector : Financial Soundness Indicators

| | السنة المالية • 2009 | السنة المالية • 2010 | السنة العالية * 2011 | 2012 | 2012 | 2012 | 2012 | |
|---|----------------------|----------------------|----------------------|-------|-------|--------|--------|--|
| (%) Indicators | FYE * 2009 | FYE * 2010 | FYE • 2011 | مارس | يونيه | سيتمير | ديسمبر | المؤشرات (٪) |
| | | | | March | June | Sep | Dec | |
| | | | | | | | | |
| First: Capital Adequacy | | | | | | | | أولا : كفاية رأس المال. |
| Capital Base to Risk weighted assets | 15.1 | 16.3 | 15.9 | 15.5 | 15.7 | 16.4 | 15.9 | القاعدة الرأسمالية إلى الأصول المرجحة بأوزان مغاطر |
| Tier 1 Capital to Risk-Weighted Assets | 12.0 | 12.7 | 13.3 | 12.9 | 13.6 | 13.9 | 13.5 | الشريحة الأولى من رأس المال إلى الأصلول المرجحة بأوزان مخاطر |
| Net Worth to Assets | 6.4 | 6.7 | 6.8 | 6.3 | 7.1 | 7.1 | 7.0 | حقوق العلكية إلى الأصلول |
| Second: Asset Onality | | | | | | | | ثقيا : جودة الأصبول. |
| Nonperforming Loans to Total Loans | 13.4 | 13.6 | 10.5 | 10.7 | 9.9 | 10.1 | 10.0 | القروض غير المنتظمة إلى إجمالى القروض |
| Loza Provisions to Nonperforming Loans | 100.4 | 92.5 | 94.5 | 96.2 | 95.4 | 95.7 | 97.1 | مخصصات القروض ليى القروض غير المنتظمة |
| Loans to Private Sector to Loans to Costomers | 81.0 | 80.5 | 81.0 | 81.5 | 82.2 | 82.4 | 82.2 | الأروض للقنبة للطاع للذاص إلى إجمالي الاروض المنوحة للعلاء |
| Third: Earnings | | | | | | | | ثقثا : الريصة |
| Return on Average Assets ** | 0.8 | 1.0 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | العائد على متوسط الأصبول" |
| Return on Average Equity ** | 13.0 | 14.3 | 11.7 | 11.7 | 11.7 | 11.7 | 11.7 | العائد على متوسط حقوق الملكية ** |
| Net Interest Margin ** | 2.2 | 2.3 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | صافى هامش العائد"" |
| Fourth: Liquidity | | | | | | | | والبعا والمبيولية |
| Liquidity Ratio: | | | | | | | | متوسط نسبة السيولة القعلية لدى البنوك |
| Local Currency | 43.4 | 44.7 | 55.6 | 55.5 | 56.0 | 57.7 | 59.1 | بالسلة السطية |
| Foreign Currencies | 41.0 | 40.6 | 51.8 | 53.7 | 53.9 | 55.4 | 57.2 | بالعملات الأجنبية |
| Securities ⁺ to Assets | 13.8 | 18.0 | 18.7 | 18.9 | 19.8 | 20.6 | 21.2 | الأوراق العالية * إلى الأصول |
| Deposits to Assets | 82.4 | 81.0 | 82.5 | 74.3 | 75.3 | 74.5 | 75.8 | الودائع إلى الأصول |
| Lozns to Deposits | | | | | | | | القروض إلى الودائع. |
| Total | 52.7 | 51.8 | 50.2 | 49.4 | 49.6 | 48.7 | 47.7 | إجمالــــــــــى |
| Local Currency | 46.5 | 44.0 | 45.7 | 46.7 | 46.6 | 45.4 | 45.0 | بالسلة المحلية |
| Foreign Currencies | 69.3 | 75.8 | 62.5 | 58.1 | 59.1 | 59.4 | 56.2 | بالمملات الأجنبية |

Audited Financial Statements (including Banks' Branches Abroad). ** As per latest Fiscal Year End.

•• وقاةً للموقف في أخر سنة مالية معتمدة.

+ لا يشعل أذون الخزانة وتتضمن صكوك البنك المركزي.

+ Excluding EgyptianT-bills and including CBE notes.

* Fiscal year ends at Jume 30th for public sector banks, and December 31st for other banks -

Other Indicators

| | 2004 | 2012 | Change % | | | |
|-----------------------------------|------|------|----------|--|--|--|
| Total Assets (Billion EGP) | 594 | 1313 | 121 | | | |
| Total Owners Equity (Billion EGP) | 32 | 94 | 194 | | | |
| Net Profits (Billion EGP) | 2.8 | 13.6 | 386 | | | |
| Return on Assets (ROA%) | 0.5 | 1.0 | 0.5 | | | |
| Return on Equity (ROE%) | 8.7 | 13.9 | 5.2 | | | |
| Capital Adequacy Ratio (CAR%) | 12.2 | 15.9 | 3.7 | | | |

Other Indicators

| | 2004 | 2012 | Change % |
|--------------------|------|------|----------|
| Number of Banks | 57 | 39 | (32) |
| Number of Branches | 1795 | 2626 | 46 |
| Number of ATMs | 1288 | 6115 | 375 |

Forward Looking



Third Wave of Reform Pillars

(Tentative, still under discussion)

Financial inclusion and consumer empowerment

- SME access to bank finance
- Framework for financial consumer protection
- Regulation governing E- banking
- Branchless banking
- Strengthening national and international financila integration
- Continue the development to support a more resilient banking sector

Thank You