



The Central Bank of Egypt

Legislative and Policy Reforms to Promote FDI in Egypt

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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 well-supervised 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 **well-qualified** 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 statutory 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

Banking Sector : Financial Soundness Indicators

مؤشرات السلامة المالية للبنوك (بخلاف البنك المركزي المصري) *

Indicators (%)	السنة المالية * 2009	السنة المالية * 2010	السنة المالية * 2011	2012	2012	2012	2012	المؤشرات (%)
	FYE * 2009	FYE * 2010	FYE * 2011	مارس March	يونيه June	سبتمبر Sep	ديسمبر Dec	
أولاً : كفاية رأس المال								
Capital Base to Risk weighted assets	15.1	16.3	15.9	15.5	15.7	16.4	15.9	لقاعدة الرأسمالية إلى الأصول المرجحة بأوزان مخاطر
Tier 1 Capital to Risk-Weighted Assets	12.0	12.7	13.3	12.9	13.6	13.9	13.5	للتريحة الأولى من رأس المال إلى الأصول المرجحة بأوزان مخاطر
Net Worth to Assets	6.4	6.7	6.8	6.3	7.1	7.1	7.0	حقوق الملكية إلى الأصول
ثانياً : جودة الأصول								
Nonperforming Loans to Total Loans	13.4	13.6	10.5	10.7	9.9	10.1	10.0	القروض غير المنتظمة إلى إجمالي القروض
Loan Provisions to Nonperforming Loans	100.4	92.5	94.5	96.2	95.4	95.7	97.1	مخصصات القروض إلى القروض غير المنتظمة
Loans to Private Sector to Loans to Customers	81.0	80.5	81.0	81.5	82.2	82.4	82.2	القروض الممنوحة للقطاع الخاص إلى إجمالي القروض الممنوحة للعملاء
ثالثاً : الربحية								
Return on Average Assets **	0.8	1.0	0.8	0.8	0.8	0.8	0.8	العائد على متوسط الأصول**
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	صافي هامش العائد**
رابعاً : السيولة								
Liquidity Ratio:								متوسط نسبة السيولة الفعلية لدى البنوك
Local Currency	43.4	44.7	55.6	55.5	56.0	57.7	59.1	بالعملة المحلية
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 المالية* إلى الأصول
Deposits to Assets	82.4	81.0	82.5	74.3	75.3	74.5	75.8	قودائع إلى الأصول
القروض إلى القودائع								
Loans to Deposits								إجمالي
Total	52.7	51.8	50.2	49.4	49.6	48.7	47.7	بالعملة المحلية
Local Currency	46.5	44.0	45.7	46.7	46.6	45.4	45.0	بالعملات الأجنبية
Foreign Currencies	69.3	75.8	62.5	58.1	59.1	59.4	56.2	

* Fiscal year ends at June 30th for public sector banks, and December 31st for other banks - Audited Financial Statements (Including Banks' Branches Abroad).

** As per latest Fiscal Year End.

+ Excluding Egyptian T-bills and including CBE notes.

* السنة المالية تنتهي في 30 يونيو لبانك القطاع العام و 31 ديسمبر للبنوك الأخرى - قوائم مالية منقحة (تتضمن فروع البنك الخارجية)

** وفقاً للموافك في آخر سنة مالية معتمدة.

+ لا يشمل أذون الخزانة وتتضمن صكوك البنك المركزي.

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 financial integration
- Continue the development to support a more resilient banking sector

Thank You