

# EGYPT

London Media 2015 Series

EGYPT THE FUTURE  
مصر المستقبل

## STABILITY & GROWTH

The recent discovery of the supergiant Zohr gas field off the Egyptian coast, estimated to contain a potential 30 trillion cubic feet of gas – equivalent to 5.5 billion barrels of oil – will help alleviate energy shortages and accelerate Egypt's economic recovery.



President El-Sisi  
addresses EEDC  
Source: Egyptian  
Government

**F**our years on from the 2011 revolution, the aftermath of which frightened off tourists and investors, Egypt's economy is showing signs of recovery. Since coming to power in July 2013, general-turned-president Abdel-Fattah El-Sisi has focused on delivering stability and progress. Bold reforms on energy subsidies, taxation and public-sector wages are underway and, whilst growth has been hampered by bottlenecks in the energy sector and the availability of foreign currency, the 2015/2016 budget projects growth of 5% as political stability improves and economic reform progresses.

### Gas Security

Last month's record gas discovery by Italian energy giant Eni, which could ultimately meet Egypt's natural gas needs for decades, is a much-needed boon for the government as it tries to balance a swelling budget deficit and rising inflation with stimulating sufficient economic growth to create jobs for a burgeoning population approaching 90 million. Whilst experts warn the Zohr find will be no quick fix, it is expected to prompt a revival in industrial expansion previously stymied by gas supply shortages and to encourage fresh foreign investment in gas exploration bids.

### EEDC

The public finances have relied heavily on aid from Gulf states, but Egypt is now looking to its international partners for investment. A raft of public-sector investment initiatives was announced at the Egypt Economic Development Conference in March, securing over \$60 billion worth of investments, loan agreements and grants, including a \$12 billion energy deal with

BP. The conference reinforced the government's commitment to continue structural reforms, promote inclusive growth and restore investor confidence. The mega projects announced will act as important economic drivers and none more so than the Suez Canal Development Project.

### New Suez

Last month, just one year after President El-Sisi announced the ambitious expansion plans for this crucial global trade route, Egypt inaugurated the wider and deeper New Suez Canal. The \$8.2 billion project, which will almost double capacity to 97 ships per day, should, according to government calculations, increase annual revenue to some \$13.5 billion in 2023, from \$5.3 billion last year. Entirely domestically funded, with the required EGP 60 billion (\$8 billion) raised in just eight days through the sale of investment certificates to thousands of Egyptian citizens and entities, the canal clearly remains a symbol of Egyptian national pride. The long-term plan is to develop the entire 450km<sup>2</sup> canal area into a giant international economic zone encompassing a number of ports, new cities and logistical and trading hubs to drive trade and foreign investment.

### Maintaining Momentum

Diversity is a key strength of the Egyptian economy and, along with a large and growing domestic consumer base, presents solid opportunities for growth across multiple sectors from construction, real estate and shipping to manufacturing, services and tourism. Investor confidence is returning with foreign direct investment up by nearly 140% year-on-year, but maintaining this momentum is essential if Egypt is to reach its full potential. ■

# INVESTMENT

The environment here, despite any challenges, is very rewarding. I believe that the future, economically, is going to be very sound.



*Hassan Abdalla, Vice Chairman & CEO  
Arab African International Bank (AAIB)*

The economy is set to jumpstart. Companies and individuals are regaining their faith in the country; in short, Egypt is now a go.



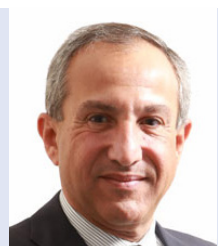
*Hisham Ezz Al-Arab, Chairman & MD  
Commercial International Bank (CIB)*

We believe in the market here, we believe the returns are very good provided you have the right partner and the right model.



*Osama Bishai, CEO  
Orascom Construction*

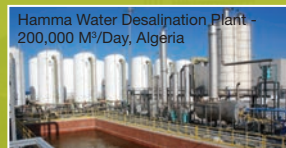
Given the fundamental strengths supporting Egypt's economy, GB Auto sees real growth potential in the Egyptian market and is continuing to invest accordingly.



*Dr. Raouf Ghabbour, Chairman & CEO  
GB Auto*



## BUILDING TODAY SECURING TOMORROW



Orascom Construction is a leading global engineering and construction contractor primarily focused on infrastructure, industrial and high-end commercial projects in the Middle East, North Africa, the United States, and the Pacific Rim for public and private clients.

We take pride in our shared achievements on every project and welcome the contribution our success makes towards social and economic progress.

[www.orascom.com](http://www.orascom.com)

Assiut Simple Cycle Power Plant - 1000 MW, Egypt

# BANKING

## HASSAN ABDALLA, VICE CHAIRMAN & CEO ARAB AFRICAN INTERNATIONAL BANK

# Q&A

The Egyptian banking sector has come through the recent period of economic instability relatively unscathed, in large part due to a long-term process of consolidation, privatisation and recapitalisation initiated in the early 2000s by the Central Bank of Egypt. It has resulted in the creation of a stable, liquid and well-capitalised banking industry in little under a decade.

### How did AAIB keep its financial performance on track over the past four years?

The last four years have certainly posed challenges, not only for AAIB but for the whole banking sector. Starting from the ability, at certain times, to simply be physically available to managing your asset portfolio and ensuring the asset quality of your books is resilient. AAIB has managed to keep an intact and good asset quality book. What you may find surprising, is that most Egyptian companies achieved record breaking results during this period, particularly in the retail as well as food and beverage sectors. The sector that faced most challenges was tourism but we are used to dealing with this in Egypt. Historically, there have been periodic blips in the sector but tourism in Egypt always bounces back and we believe the sector has started to rebound so we are in quite good shape.

### Have you emerged stronger?

Yes, as we have been able to increase our footings dramatically, our liabilities base and our asset base selectively. Not only AAIB, but the whole Egyptian banking sector has been able to do that because it has been consolidating and following best practices for many years. We are fortunate that, despite significant challenges, including the Global Financial Crisis in 2008, the Egyptian financial sector has maintained its resilience and capacity to absorb shocks. Of course, the sector still faces challenges but if you look at similar examples worldwide we have done well and, as we speak, those challenges are being handled properly. The banking sector in Egypt is as sound as any banking sector in the developed world – in some cases it is even in better shape.

### Are you confident in the government's ability to continue pro-business reforms?

Living here in Egypt and witnessing all the change, we believe that the government has its money where its mouth is. We are already seeing very clear signals that are encouraging business both in terms of legislation and infrastructure and it is obvious to us that the government is determined to do this as fast and efficiently as possible. They are relying heavily on the private sector which is where our role comes in for financing and there are a lot of PPPs and BOTs underway.



Hassan Abdalla

*The banking sector in Egypt is as sound as any banking sector in the developed world.*

*Look at the financials of most of the multinationals and even local companies working in Egypt over the last three years and you will see that, despite the challenges, this economy has been able to generate growth.*

#### Where do you see AAIB's future growth?

AAIB has been mainly focused on corporate services as one of our core competencies. We offer distinct and tailor-made finance structures to fit clients' needs, varying from short, medium and long term loans. AAIB is focused on the region, specifically the Gulf, where we find a lot of deal flow that we are part of between the Gulf and Egypt. In terms of services for investing in Egypt, AAIB provides the funding and investment banking services such as finding a partner, conducting research, sourcing the finance, whether from AAIB or from the sector.

#### What importance does AAIB place on sustainable CSR?

Here at AAIB, we believe very strongly in CSR and Sustainability. We are proud to have established We Owe it to Egypt the first banking foundation for social development in the Middle East for CSR activities, and are pleased to see others banks in Egypt following our example. We Owe it to Egypt focuses on developing health and education on a sustainable basis so we do not just donate money but instead partner with hospital management to create centres of excellence that meet international health standards. In public hospitals we provide anything from daily resources, training and recruitment of nursing staff, to basic services such as cleaning and security. We sign MOUs and appoint representatives, from both the foundation and the hospital, to monitor the efficiency and sustainability of the project, thereby ensuring that donations are allocated on a best value for money basis.

#### What still motivates you in your work today?

On the professional side, I still have the goal of taking AAIB at least regionally. Last year we were positioned as a top player in the MENA region and Africa in terms of syndicated loans. AAIB has now been transformed into a fully integrated financial group with asset management, brokerage, leasing and mortgage arms, so we can go regional with these investment banking products to achieve our vision of becoming a leading financial group in the region. We are one of the few banks in Egypt with branches outside the country, in Lebanon and the UAE, and further expansion fits perfectly with our strategy to serve projects and investment banking from the Gulf to Egypt and vice-versa.

On a more personal note, I have been teaching at the American University for over twenty years and still find it extremely rewarding. That's when you really feel you can help in shaping young minds which are the core of the country. When I meet my former students and they say "I am in this field because of your lecture or because of your presentation", that is very fulfilling.

#### Did you consider leaving during the troubles?

No. The challenges had to be taken and I wanted to stand for the institution and for AAIB's employees. Skipping would have been the easy option.

#### What message would you like to send to investors?

Look at the financials of most of the multinationals and even local companies working in Egypt over the last three years and you will see that, despite the challenges, this economy has been able to generate growth. The Egyptian economy is distinctive in two aspects, first it's diversified and second there is a large informal economy so the actual economy is bigger than official figures reflect and the returns are relatively high compared to anywhere in the world. The environment here, despite any challenges, is very rewarding. I believe that the future, economically, is going to be very sound so don't miss the boat. ■

A commemorative poster for AAIB's 50th anniversary. The background is a mosaic of dark, irregular tiles. Several tiles are lighter and feature text: "CORPORATE COMPETENCIES", "STRONG EQUITY", "DOLLAR BASED EQUITY", "REGIONAL PRESENCE", "SOLID SHARE-HOLDERS", and "since 1964". In the center is a large, golden, stylized logo of AAIB. Below the logo, the text "DISTINCTION carved in HISTORY..." is written. Underneath that, a smaller line reads: "Egypt's only private bank with a wide reaching regional presence leveraging solid shareholders, strong dollar based equity and superior corporate competencies." Below this is the phrase "Distinguished foundations to lead the future." At the bottom, the AAIB logo is repeated in a smaller size, followed by the text "البنك العربي الافريقي الدولي" and "arab african international bank". To the right, it says "Call 19555" and "aaiib.com". At the very bottom, the words "Confidence.. Distinction" are written.

## HISHAM EZZ AL ARAB, CHAIRMAN & MD COMMERCIAL INTERNATIONAL BANK

# Q&A

Over the past four years of radical changes in the Egyptian market, CIB has successfully navigated political and economic volatility as the most profitable bank in the sector, guided by sound management decisions and forward-looking policies.

### How did CIB keep its financial performance on track?

Despite the political and economic challenges of recent years, Egypt's fundamentals remain solid. The diversity of our economy, in particular, buoyed the country's resilience and the underlying Egyptian business growth story is a good one; promising investment opportunities are still to be found in Egypt.

The banking sector in general, and CIB specifically, has consistently supported the economy since 2011. We took it as an opportunity to invest in infrastructure and human capital. Significant investments have been made over the past four years and brought us closer to becoming the "Bank of Tomorrow" we hope to be. CIB has proven yet again that it is the market leader with an extensive reach, producing value in the banking sector and playing a vital role in shaping the financial future of thousands of individuals and enterprises.

### What are the current priorities for the banking sector in Egypt today?

With the parallel market now crippled and foreign exchange and import needs secured, "pushing financial inclusion" and access to finance and consumer financial literacy, rate high on the CBE's priority list. According to the Governor of the Central Bank, Mr Hisham Ramez, the speed with which funds were deposited by Egyptian citizens not only provided a liquidity boost to the banking system, but served as a "lesson in financial inclusion". The tangible proof of which we saw in the successful sale of certificates of deposit to Egyptian nationals in the amount of EGP64 billion in just eight days, to finance the expansion of the Suez Canal.

Opportunities in Egypt are limitless across all sectors. The banking sector offers many untapped opportunities, for example, although the SME segment is expected to be the primary driver of employment, most SMEs operate without formal institutional banking support. The registration and support of such enterprises,



Hisham Ezz Al Arab

*Despite the political and economic challenges of recent years, Egypt's fundamentals remain solid.*

*CIB is ideally positioned to benefit from improving growth dynamics. As a firm believer in the Egyptian underlying growth story, CIB will continue to deliver superior performance, enhance the bank's financial position, and drive real development in the economy to produce value for our customers, employees and shareholders.*

through specialised investment and capacity-building programs, will definitely be a future growth driver for the banking industry.

Another promising area is being generated by the government commitment to attract local and foreign investment through public-private partnership projects.

**How important to Egypt's recovery is the government's commitment to reform?**

With the government proactively addressing chronic economic and social issues, focusing on the deficit, infrastructure and unemployment, a more conducive environment for investment seems to be forming. The introduction of the investment law, a stable taxation policy, laws protecting companies against unwarranted litigation, amending bankruptcy and liquidation laws, simplifying the process to start a business in Egypt and building a one-stop-shop for licenses/permits are all initiatives that have contributed to significant improvements in local sentiment. The Egyptian Economic Development Conference held in March this year drew attention to what has been done and what will be done to support domestic and international investors.

**Which of CIB's services would you like to highlight?**

Business Banking has been a significant highlight for the institution. The team has leveraged the CIB platform to turn what had been a fragmented offering into a comprehensive bouquet of services that serves this critical growth segment. Also noteworthy is the Global Transaction Services team, who leveraged the infrastructure in which we've invested over the past four years to create a nexus of trade hubs, trade platforms and cash management systems unrivalled by the competition. Today, they're going further, anticipating market demand from the New Suez Canal to create an entirely new product category and automate the processes of Suez Canal Authority payments. This will also create an opportunity for us to grow our business with shipping agencies while making a notable contribution to the overall goal of the New Canal, namely the reduction of waiting

time for vessels. Finally, I would like to commend the team at CIB Capital, who amid exceptionally challenging market conditions, has built their brand into one of the two leading players in the market.

**What motivates you most in your work today?**

I've spent the bulk of my career in various financial institutions where my experience and exposure inspired me to instil a different culture and standards by changing processes and creating new systems. Since joining the Bank in 2001, I have seen CIB constantly evolve, nearly double in size and transform into the leading private sector bank in Egypt. My experience in CIB has, by far, been the most rewarding. Operating in an emerging market, with a banking sector that's still in its infancy, witnessing the birth of banking products and their maturity are some of the opportunities that one would not find in any other market. But the most motivating aspect of all is the people. Over a period of years, our staff have built an institution, based on a can-do culture, that rewards creativity, minimises risk and maximises productivity by recruiting, empowering and retaining professionals capable of building the responsive systems that have made us what we are today: Egypt's largest private-sector bank.

**What message would you like to send to investors?**

In light of the political stability and the government stance on the economy, the economy is set to jumpstart and companies as well as individuals are regaining their faith in the country; in short, Egypt is now a go. CIB is ideally positioned to benefit from improving growth dynamics. As a firm believer in the Egyptian underlying growth story, CIB will continue to deliver superior performance, enhance the bank's financial position, and drive real development in the economy to produce value for our customers, employees and shareholders. The financial needs of the country, companies and individuals will continue to grow over time, and CIB, armed with its liquid and robust balance sheet, is there to harness that growth and help others grow. ■

## NEW SUEZ CANAL

### 150 years in Egypt

It is with great honour that once again Barclays Bank Egypt is present to witness the opening of the Suez Canal as it did back in 1869, making it part of Egypt's economic milestones over the last two centuries.



*Tarek Elrefai, GM  
Barclays Bank Egypt*

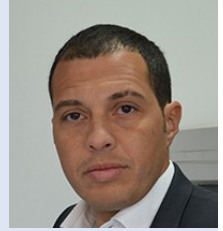
The New Suez Canal signifies a major opportunity to stimulate the future of the Egyptian economy as a vital source of foreign currency. This is a new lifeline for Egypt's prosperity.



*Hisham Ezz Al-Arab, Chairman & MD  
Commercial International Bank (CIB)*

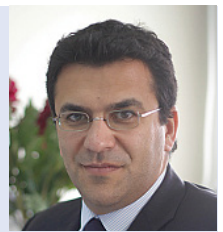
## REAL ESTATE

The demand is there. There are between 700,000-900,000 marriages in Egypt every year. Add to that 1.5% population growth and 4% urbanisation rate and Cairo grows by nearly 5.5% per annum. That's one million people a year.



*Tarek Abdel Rahman,  
Co-CEO  
Palm Hills Developments*

The number of homes being brought to the market today barely scratches the surface of the hundreds of thousands of units needed on an annual basis.



*Ahmed (Dasha) Badrawi, MD  
SODIC*

## CHOOSING EGYPT IS SMART, CHOOSING CIB IS GENIUS

A more than 5,000 years old wonder continues to hold so much mystery & potential. At CIB we see the potential in our nation and strive daily to realize it.



**emeafinance**  
Europe • Middle East • Africa



[www.cibeg.com](http://www.cibeg.com)



A BANK TO TRUST

# CONSTRUCTION

## OSAMA BISHAI, CEO ORASCOM CONSTRUCTION

# Q&A

The construction industry is experiencing increased demand due to continued investment in the residential, infrastructure and energy markets. The Suez Canal Zone development, the New Capital City and other large-scale construction projects, together with private sector investment which is pouring into factories, office blocks and major shopping malls will all support growth of the sector.

In March this year, Orascom Construction demerged from its Dutch parent, OCI NV, via a pair of separate listings on Nasdaq Dubai and the Egyptian Stock Exchange. The demerger allowed Orascom Construction to raise \$185.4m through the issue of almost 13m new shares and capitalise on improving domestic growth prospects. Chief executive, Osama Bishai explains:

### What was the rationale behind the demerger?

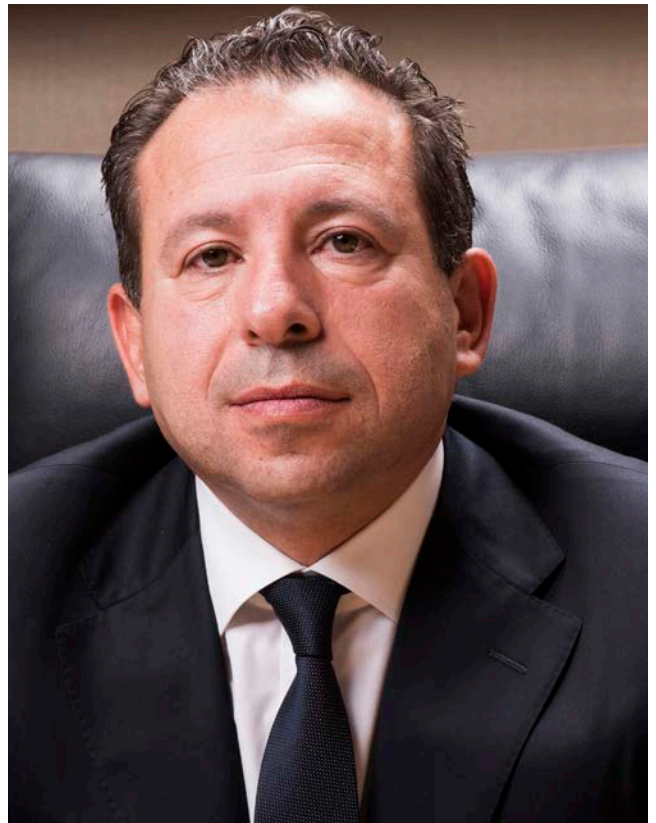
Construction has been the origin and driver of the business since its creation by the founding Sawiris family over sixty years ago. Our business model is very simple. As a contractor, we create cash flow from the business, and utilise some of that cash flow in creating equity value and a construction opportunity. Primarily it was the cement business, which was sold to Lafarge in a \$12.8bn deal in 2007. Then we entered the fertiliser business establishing plants in North Africa and the US.

The company was growing substantially and, as part of a larger group, priorities change. The mix of businesses not directly related to each other was also having a dampening effect on the stock. Under the fertiliser umbrella, the cash and focus of the company was directed towards fertiliser growth and, as an investment in a fertiliser plant is five or six times larger than a cement plant, the potential we saw to grow the construction group, not only by being a contractor, but also by using that cash and investing it in opportunities such as infrastructure, could not be fully taken advantage of.

The split has allowed the construction group to come back to its original model of using its cash flow to create equity stories. We are now very much focused on construction and infrastructure development and believe that it may be our third story. We had cement, we had fertiliser and we now have infrastructure.

### Why did you choose Dubai and Egypt for the listings?

In addition to the founding shareholders, who retain a 51% stake which underscores their commitment to the construction group, we have other institutional shareholders from UK and US who want a dollar-based jurisdiction with similar laws, so Nasdaq Dubai was acceptable to them.



Osama Bishai

*Construction has been the origin and driver of the business since its creation.*

*This is our home market, where the original growth took place, and we used to be listed here. The fact that we were six times oversubscribed shows that people believe in the brand and believe in our story.*

Regarding the capital increase in Cairo, we felt that we could benefit from the momentum of what's happening in Egypt. This is our home market, where the original growth took place, and we used to be listed here. The fact that we were six times oversubscribed shows that people believe in the brand and believe in our story. Investors made money with us in past and wanted to do so again.

**There's a strong focus on stimulating the economy through infrastructure projects. Are local contractors getting their fair share of these projects?**

I have to give credit to the current government as they have encouraged national contractors. We're probably one of the best positioned in the current market. We have the experience and we've had exposure with international partners. We have very good people and an edge in the market. The government is allocating more challenging contracts to local contractors allowing us to expand our scope and skills which will give us even better access to the international markets in future. One recent major achievement is the completion of the first phase of Assiut power plant in the south of Egypt, generating and connecting 375 MW to Egypt's national grid in world record timing. We took over the site mid-December when it was pure desert and completed this first phase in just five and a half months, beating the world record of eight months.

**Which projects are Orascom currently participating in?**

We are involved in many of the major infrastructure underway. This year we have been working on power projects in the neighbourhood of 4500MW, we are part of a joint venture which has been working on the Cairo Metro for 20-25 years, and we are doing almost 15% of the 4000km road network that was initiated by the Egyptian government. We are also constructing special projects for the private sector. With medical care being considered a new lucrative business in Egypt, we're building three state of the art hospitals for different groups, we are working with many of the major developers such as the Al Futtain Group, we recently finished a mall for them and are currently building the Mall of Egypt. Major players make sure we are part of their overall equation in Egypt. Real estate developers use our name as part of their marketing campaigns.

**As one of the country's biggest employers, how challenging is skilled recruitment?**

We are a people's business. We are only ever as good as our people. We're proud to say that staff turnover has always been low. We have a great system which encourages people to stay longer including financial tools similar to the US 401k plan. With operations in Saudi, Algeria and the US, we are able to present our people with opportunities that are just not limited to this market and to continually upgrade their skills. Obviously with the expansion in the construction sector there will be pressure on skills, just half of the planned projects would double or triple the construction business in one year.

**Is the government making sufficient progress in restoring investor confidence?**

I think confidence in Egypt is improving but there's a lot more to be done. People have to see there's a long term vision, a structured plan. The government are focusing on creating an investor-friendly environment and attracting FDI which is key, but it is also important to encourage local investment as there's not a single foreign investor who will invest if he doesn't feel the locals are investing. That's the real sign of confidence. We're seeing the locals starting to move in the market but I think there should be a business development effort by the government to encourage locals to seriously invest. We're looking at PPPs and putting in equity, we believe in the market here, we believe the returns are very good provided you have the right partner and the right model.

**Orascom's future growth?**

We're focusing on Egypt, Algeria, Saudi and Iraq which make up almost 60% of the Arab population. It's a cyclical business so those four countries alternate but we believe we can create a balance of sustainable growth. Today the lion's share is in Saudi and Egypt, five years from now it could be Iraq and Egypt. Growth plans, other than construction, is to invest in infrastructure. We're looking on a case by case basis at Africa, again populous, high growth potential countries. We are also focusing on our two US companies which we would like to mimic the Orascom model, the ability to invest while creating construction opportunities. ■