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The impact of the reforms of the 2000s and the Arab Spring of 2011 on the performance of the Egyptian banking sector

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ABSTRACT

This paper aims to assess the current condition of the Egyptian banking sector, based on the past reforms of the 2000s. This analysis is based on data from the Central Bank of Egypt (CBE), data from the Egyptian banking sector and the literature review. The main finding is that despite many changes in the political and economic scene that drove the country into a crisis, the Egyptian banking sector was able to work well in the post-2008 period, achieving high growth rates. This study contributes to the academic literature on factors influencing financial development in emerging countries, based on the analysis of the Egyptian banking.

JEL Classification: G20, G21, G28

Keywords: Banks; Egyptian Banking Sector; Egyptian Revolution; Arab Spring

1. INTRODUCTION

The banking sector plays a vital role in the performance of the economy of any country as a pillar for stability and growth. Efficiency and performance have always been considered an important topic not only in the banking sector but in the economy in general, receiving wide attention from economists and policymakers. Egypt is a major player on both political and economic fronts in the Middle East and North African region; it is in the first rank in Africa in term of GDP, the second in the Arabian countries, and the 21st worldwide with 236.5 USD billion in 2017. Its GDP growth rate was 4.2% in 2017 and GDP per capita was 12 700 USD in 2017 (The world factbook, 2019).

In Egypt, banks are considered as a backbone and a basic player in the financial system as they provide financial support to the investment needs of both the public and private sectors. The total deposits in local currency have increased, from 943 972 million EGP in December 2010 to 5 535 707 million EGP in April 2021, while loans have increased by from 458 081 million EGP to 2 717 353 million in the same period, 486% and 493% respectively.² These figures show the

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² Figures are in nominal value from the monthly statistical bulletin of the CBE.

considerable expansion of the banks' activities in Egypt, despite the economic crisis in Egypt after the revolution, as a main financial intermediary that convert household savings into investments.

One of the current debates in Egypt is whether privatization could develop and improve efficiency, profitability, and performance in the banking sector. Since the beginning of the 1990s, Egypt has enhanced its financial sector after facing huge losses and inability to compete with the private sector. The enhancement started by share issue privatization and privatizing the state-owned firms that had dominated the Egyptian economy since the nationalization of the Egyptian economy during the era of Nasser, aiming to imitate the British plan of privatization during the 1980s. However, the privatization stayed away from the banking sector until 2006 when the Bank of Alexandria (BA) sold 80% of the bank to Italian Intesa Sanpaolo Group.

Despite Egypt's significant position, there is a lack in the literature concerning the banking sector in most middle eastern countries including Egypt. Poshakwale and Qian (2011) analyzed the impact of financial reform on the production efficiency in Egyptian banks during the period 1992 – 2007. Herrera et al. (2013) examined the decrease in credit supply and demand in Egypt during the period 1998 – 2001. Hashem (2016) studied the determinants of banking sector profitability in Egypt during the period 2004 – 2014.

The aim of this paper is to outlines the current structure of the Egyptian banking sector, stressing the results of the reform of the 2000s. This study used secondary data analysis from the Central Bank of Egypt (CBE), it makes use of literature reviews, official documents, and statistics compiled by official bodies such as the CBE and Egyptian banks to determine the performance of the Egyptian banking sector following the revolution of 2011. The first section analyses the historical background, the second stresses the reform of the 2000s, their motives, trends, and results. The third section talks about the situation after the revolution of 2011. The last section is dedicated to the conclusion.

2. HISTORICAL BACKGROUND

The idea of establishing an Egyptian bank extends back to the rule of Mohamed Ali (1805–1848). Radwan (2000) states that in 1842 Mohamed Ali ordered the establishment of a bank with a capital of 700 thousand riyals; however, the project of the bank collapsed after his illness during his last years. El-Qobtan (2006) states that this bank worked only for 2 years at Alexandria where it was established before declaring bankruptcy in 1844.

According to El-Sherbini (1995) banks began to re-operate in Egypt in 1856 when the Bank of Egypt, headquartered in London, was established to support and finance trade between Egypt and UK, followed by branches of the Imperial Ottoman Bank in 1867 (founded in 1856 in Istanbul), the Banco di Roma in 1880, and the Comptoir national d'escompte de Paris in 1889.

Distinguin et al. (2013) believe that one of the roles of banks is to hold illiquid assets and provide cash to provide liquidity by funding long-term, illiquid assets with short-term, liquid liabilities. Greuning and Bratanovic (2009) confirmed that the increase in bank credit supports macroeconomic growth. However, El-Sherbini (1995) believes that it was due to its excessive offers of short-term loans that the Bank of Egypt stopped fulfilling its obligations and declared bankruptcy in 1911.

Cassis and Cottrell (2015) confirm that private banks in Europe found a place for themselves as players in the field of government loans, trade finance, and commercial credit. They also cite the case of the Bank of England (nationalised only in 1948) as an example of private banks functioning as central banks. When the National Bank of Egypt (NBE) was established in 1898, the Egyptian government granted it the privilege of issuing banknotes, convertible to gold for

a period of 50 years³; the bank also carried out many of the functions of a central bank until the establishment of the Central Bank of Egypt in 1960.

Politics and social issues clearly influence banking and financial policies as well. Feldman (2015) state that in Austria after the Anschluss in 1938, following political orders, all banks established policies aimed at eliminating any Jewish presence, including customers. According to Errera (2007), anti-Semitism only began in Egypt in the 1960s, largely as a result of the political cleavages that began following the coup of 1952; this, she says, was the beginning of the stage of discrimination. Benin (2005) agrees that the situation before the coup was totally different, indicating that Jews were highly represented in the upper levels of the economy, especially in the financial and banking sectors, as they were not considered as Jews but as nationalists. Talaat Harb cooperated on that basis with Joseph Kattawi and Joseph Cicurel to establish the first independent Egyptian bank in 1920, Banque Misr.

During the second half of the 1950s, Nasser began the phase of nationalization. Barda (2006) states that after the Crisis of Suez, accounts of foreign citizens were frozen in banks across Egypt. In February 1960, Nasser nationalized Banque Misr and converted all the shares of the bank to be 12-year bonds with 5% interest. He then nationalized the National Bank of Egypt as well, dividing it into the National Bank of Egypt and the Central Bank of Egypt (see Abd El-Mejid 1989). The Egyptian General Establishment of Banks was also established to supervise the 27 existing banks.

Moreover, a series of mergers started and ended with only 10 banks in 1961 in place of 32 in 1956, according to El-Dweini (2017). That same year all banks were nationalized, including the NBE which was splatted into two banks, the NBE as a commercial bank and the CBE as a central bank of Egypt responsible of the monetary policy and issuing the banknote.⁴ A new series of mergers and acquisition ended in 1971 with there being only four commercial banks (NBE, Banque Misr, Bank of Alexandria, and Banque du Caire) and two other specialized banks (one for real estate and another for agriculture).

After the war of 1973, Sadat started the Openness policy to encourage private investment. El-Dweini (2017) confirms that this allowed having two types of banks without the supervision of the CBE – Arab International Bank and Islamic Banks. El-Ansari (1993) states that during the 1980s, Egypt faced the shadow banking system, plus speculations in the international gold markets which led to losses in millions of pounds for certain banks like Development and Trade Bank.

Banking reform started in 1990 after Egypt joined the World Trade Organization, with the liberalization of deposit and lending rates. Abdel-Baki (2011) finds that the “bank reform program has helped the economy weather the impact of the global economic meltdown” and confirms that “Egyptian banks were saved from the world’s financial turmoil because the CBE prohibits Egyptian banks from holding risky assets, like derivatives and securitized bonds”. During the last two decades, banking in Egypt has significant achievements at the local and global levels (Hassan and Jreisat, 2016 a; Hassan and Jreisat, 2016 b).

In 2006, Bank of Alexandria – the third-largest bank – was privatized, which affected the market share of the state-owned banks in Egypt. Followed in 2007 by the acquisition of Banque du Caire by Banque Misr (both are state-owned banks). Today there are 38 banks working in Egypt, with a total number of 4 220 branches covering all Egypt with a total value of trading in the Egyptian Stock market by (6 460.7 million EGP).

³ The first banknote issued by the NBE was on the 3rd of April 1899.

⁴ Law number 250 of 1961, issued on the 19th of July 1961 amended by law number 377 of 1961 issued on the 2nd of November 1961.

3. THE REFORM OF THE 2000S

The CBE contributes to the enhancement of the Egyptian economy. It is responsible for legalising the regulations of the banking sector, supervising the working banks in Egypt, ensuring a safe and strong banking system, managing the foreign exchange reserves, and issuing banknotes. Moreover, according to Article 5 of Law no. 88 of 2003, the CBE is responsible for the formulation and implementation of the monetary policy to maintain price stability⁵. The Central Bank of Egypt is considered as an independent body under the Egyptian constitution⁶. Keefer and Stasavage (2003) emphasize that the independence of central banks reduces inflation. Bodea and Hicks (2015) find that independence makes central banks more conservative when they are delegated to the monetary policy. This is reflected in lower rates of growth for the money supply. In addition, they found that it “reduces the risk of time inconsistency in monetary policy”.

In accordance with Basel II⁷, the CBE started the first phase of reform in 2004 and ended by 2008 aiming to “strengthening the banking sector and increasing its robustness to face global and regional competition effectively and help achieve economic growth”. This first phase consisted of four basic pillars:

1. Privatization and consolidation processes in the banking sector aiming to create strong and efficient entities to sustain future domestic growth.
2. Addressing the problem of non-performing loans (NPLs).
3. Restructuring the commercial public banks financially and administratively.
4. Upgrading the supervision sector of the CBE.
5. Increasing the issued and fully paid-up capital to be 500 million EGP for Egyptian Banks, and 50 million USD or their equivalent for the branches of foreign banks.

The reform phase ended with the following:

1. Privatising of Bank of Alexandria by selling 80% of the bank to Italian Intesa Sanpaolo Group in 2006.
2. An acquisition of Banque du Caire by Banque Misr in 2007⁸. In 2010, BM transferred the ownership of all the shares of BDC to Misr Capital Investments (the investment arm of BM).
3. The Egyptian United Bank, The Islamic Bank for Development and Investment, and The Nile Bank were not able to withstand the part of increasing the capital. Thus, these three banks were acquired by a new entity, The United Bank of Egypt, which is the only Egyptian bank owned by the CBE (the CBE owns 99.9% of the bank).
4. Al Watani Bank of Egypt was acquired in 2007 by the National Bank of Kuwait to be National Bank of Kuwait-Egypt.
5. The license of four foreign banks was withdrawn by the CBE as they were not able to increase their capital.⁹
6. Other M&A reduced the number of banks from 63 (pre-reform) to 40.
7. Supervision shifted from compliance-based to a risk-focused approach (consists mainly of a capital adequacy ratio beside other fundamental prudential regulations) intending to “address essential relevant areas of risks such as credit and liquidity risks”. It has also improved its management information system to ensure the quality and timeliness of required data.

⁵ Egyptian Official Journal, Issue No. 24, 15/06/2003 – Law no.88 of 2003; Law of the Central Bank, Amended by Law No. 162/2004 and Law No. 93/2005

⁶ Egypt's constitution of 2014, Article 215.

⁷ Basel III is implemented in Egypt under the name of Basel II Amendments.

⁸ In September 2005, the Government announced that Banque du Caire would be incorporated into Banque Misr in a period of 6–18 months. Banque Misr has conducted a comprehensive study to deal with the BDC's problems. BM concluded that a merger between the two banks would adversely affect BM. Thus, the CBE decided in 2007 that BM acquire BDC instead of merging, in order to preserve the economic and legal entity of BDC and its management as one of the assets owned by BM.

⁹ National Bank of Sudan, National Bank of Pakistan, Jammal Trust Bank (Lebanon), and Rafidain Bank (Iraq)

In 2009, the CBE started the second phase of the reform program, the phase was supposed to have ended in 2011; however, due to the political situation representing in the Egyptian Revolution in January 2011, the program was extended to March 2012. This phase consisted of four basic pillars:

1. Restructuring public specialized banks financially and administratively.
2. Facilitate financial support and banking services for SME.
3. Following and evaluating the restructuring of the commercial banks in the first phase.
4. Applying Basel II regulations in the Egyptian banking sector.

Today, the Egyptian banking sector is composed of 38 banks,¹⁰ all working under the supervision of the CBE, with a total number of 4220 branches covering all Egypt. Figure number A1 in the appendix shows the current structure of the banking sector in Egypt.

4. THE DEVELOPMENTS AFTER 2011: Lotus Revolution

In December 2010, a number of demonstrations broke out in Tunisia following the self-immolation of Mohamed Bouazizi. Thousands of Tunisians protested high unemployment and poor living conditions, as well as what they saw as a lack of social justice and worsening corruption within the regime. On January 14th 2011, Tunisian President Zine El Abidine Ben Ali was forced to step down from power and ask for asylum in Saudi Arabia.

The Tunisian Revolution, also referred to as the Jasmine Revolution, gave hope to many peoples from the Middle East and North Africa (MENA) that they could change the dictatorships that have governed for years. The success of the Tunisian revolution led many to believe that the power of the people lies in demonstration and going out into the streets and that the army could be a supportive force for the people and not a tool by the regime to suppress the people. Calls for protests and demonstrations soon filled the pages of Facebook, which sparked protests and demonstrations in many other MENA countries.

In Egypt, calls for demonstrations began on the eve of the success of the Tunisian Revolution, and 25 January, the Police National Day, was chosen as a day for demonstrations. The peaceful demonstrations began on Tuesday morning and evolved into a sit-in at Tahrir Square, the largest square in the Egyptian capital, Cairo; however, after midnight the police forcibly attempted to break up the peaceful sit-in. This led to further tension and more demonstrations and sit-ins the following day.

On 28 January, known as the Friday of Anger, the Egyptian government took a decision to cut off mobile and Internet services to avoid further demonstrations. After Friday prayers, hundreds of thousands in many Egyptian cities demonstrated against the Egyptian government and burned and besieged many National Democratic Party headquarters and police stations. By Friday's afternoon, the Ministry of Interior had completely lost control, especially in the governorates of Suez and Alexandria; this was followed by the withdrawal of police from police stations. A curfew was declared in Cairo, Alexandria, and Suez, and two hours later the curfew was extended to the whole of Egypt. The army then intervened to take responsibility for safety in the streets. This was the first time both for a country-wide curfew across Egypt and, since the Bread Uprising of 1977, for the army to be seen in streets in Egypt.¹¹

According to the Egyptian Constitution, the President of the Republic is the Supreme Commander of the Armed Forces and chairs all meetings of the Supreme Council of the Armed Forces (SCAF). However, on Thursday, 10 February, the SCAF announced that it was in

¹⁰ On 2 May 2019, the National Bank of Greece obtained an approval from the CBE to commence in the processes of ceasing operations in Egypt.

¹¹ In 1986, during the conscripts riot in Cairo, there was a curfew in areas of unrest in Cairo only. In contrast to what happened in 1977 when the army was on the people's side, the army was used in 1986 to crush the protesters who were described by the government as mutinous

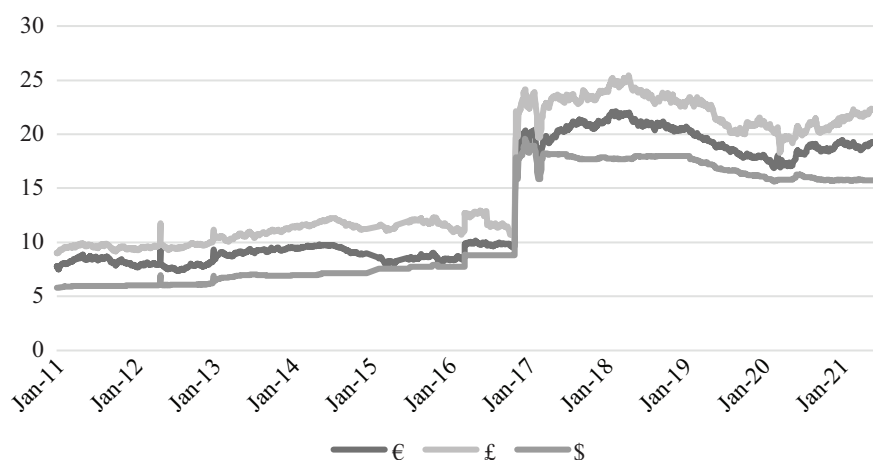
permanent session – something that had last occurred during the Yom Kippur War of 1973, and which normally happens only during wars – to discuss the latest developments. The meeting was chaired by the Egyptian Minister of Defense, Mohamed Tantawi; it was thus widely assumed that the army had already taken power in Egypt and let go of Mubarak.

On Friday, 11 February 2011, a statement was issued by the Presidency of the Republic declaring President Hosni Mubarak would step down as President and hand over the affairs of the country to the SCAF. According to the constitution, if the president cannot fulfil his responsibilities, a new temporary president of the parliament is to be announced and charged with preparing the country for an election. In this case, the constitution was totally ignored, and later officially suspended.

Following the revolution in 2011, the Egyptian economic and political situation faced a notable crisis where the foreign reserves fell significantly which led to a devaluation of the Egyptian pound to lose a large percentage of its value against the foreign currencies (figure number 1 shows the Euro, the British Sterling, and the American Dollar against the Egyptian Pound during the period (02/01/2011–30/06/2021). Moreover, Egypt faced high inflation rates after the revolution, reaching its highest value in November 2016, 5.333%, following the devaluation of the EGP on 3 November 2016; the lowest value was in September 2019 – 2.26%. The CBE calculates the core inflation index using the exclusion method by removing the direct effect of price movements in items that tend to exhibit undue volatility, not reflecting the persistent inflation pressure in the economy.¹² Figure number 2 shows the monthly inflation rate in Egypt during the period 2011–2021.

Figure 1

Main foreign currencies vs the EGP (Jan 2011 – June 2021).



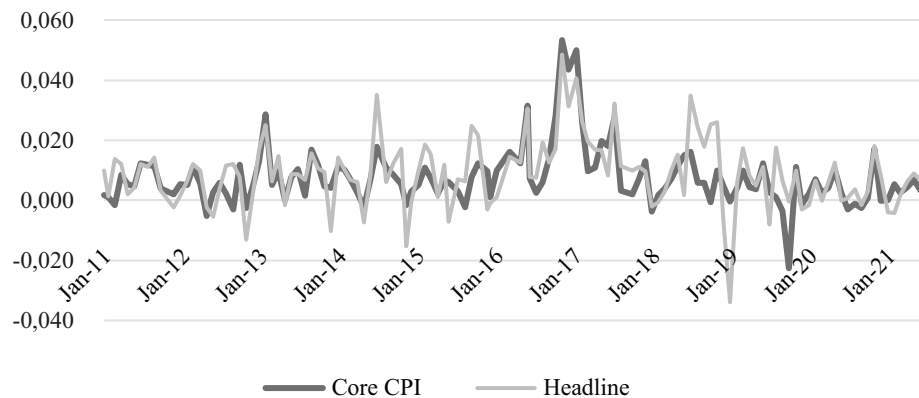
Source: Self-preparation based on data from the CBE (www1).¹³

¹² Items excluded from the index are vegetables and fruits as they considered subject to price volatility (8.8% from of the CPI basket) and items with regulated prices by the Egyptian government (19.4% from the CPI basket) – there is no official list of these regulated items.

¹³ On November 3, 2016, the CBE released the Egyptian pound to give flexibility to banks operating in Egypt to price the foreign exchange rate in order to restore its circulation within the legal channels and eliminate the parallel market of foreign exchange

Figure 2

Monthly inflation rate in Egypt (Jan 2011 – June 2021)

Source: Based on data from the CBE (www1)¹⁴

The banking sector was not far from the crisis in Egypt; due to the decline in political and security stability which increased operational risks, the banking sector faced the exit of a number of major foreign banks working in Egypt. In addition, some of the other reasons for the exit of these banks were the poor financial situation of some of these banks and the change in their strategy, and the economic situation in the home countries of these banks.

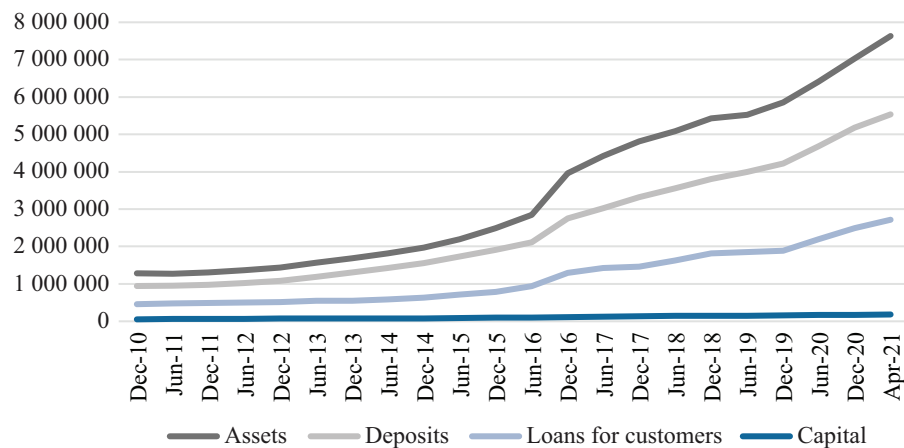
In 2013, two French banks, the Société Générale and BNP Paribas, stopped their activities in Egypt, the Société Générale in Egypt was sold to QNB and BNP Paribas was sold to Emirates NBD. Followed by the National Bank of Oman (NBO) waiver of its license in 2014. In 2015, Arab African International Bank acquired the loans and deposits of the Canadian Bank of Nova Scotia. Commercial International Bank acquired Citibank's retail banking portfolio with \$ 140 million in assets and \$ 190 million in deposits. Al Ahli Bank of Kuwait acquired Greek's Piraeus Bank in Egypt in a deal worth \$ 150 million to become Al Ahli Bank of Kuwait-Egypt. Last and not least was the British Barclays which was sold to the Moroccan Altijari Wafa Bank.

Despite all this, Egyptian banks maintained good performance during this period. At the end of the third quarter of 2015, the Egyptian banking sector ranked fourth among the Arab banking sectors in terms of asset size and ranked first among the banking sectors of the non-oil Arab countries (Union of Arab Banks, 2015). Figures 3.1, 3.2, and 3.3 show the aggregate financial position of banks (except CBE) starting from December 2010, 1 month before the revolution, ending by April 2021.

¹⁴ Core CPI excludes from the headline CPI regulated items and the most volatile food items, namely fruits & vegetables.

Figure 3.1

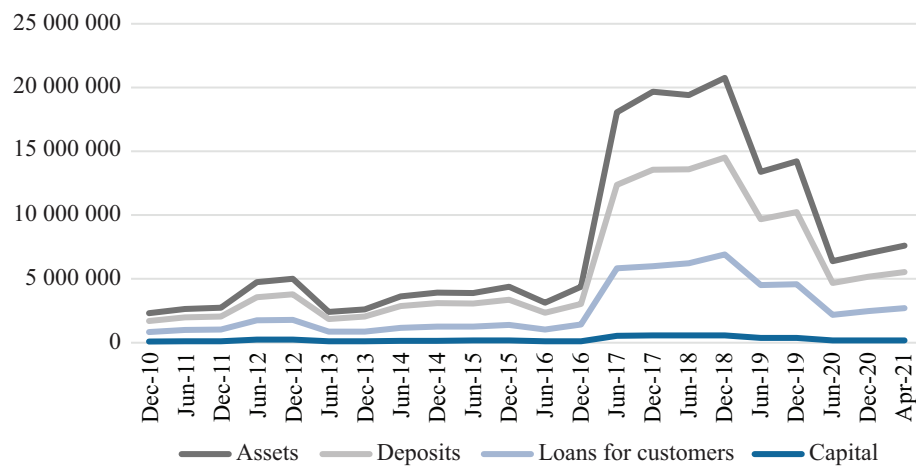
The aggregate financial position of Egyptian banks (except CBE) (Dec 2010–April 2021). Numbers by million EGP (Nominal Value)



Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

Figure 3.2

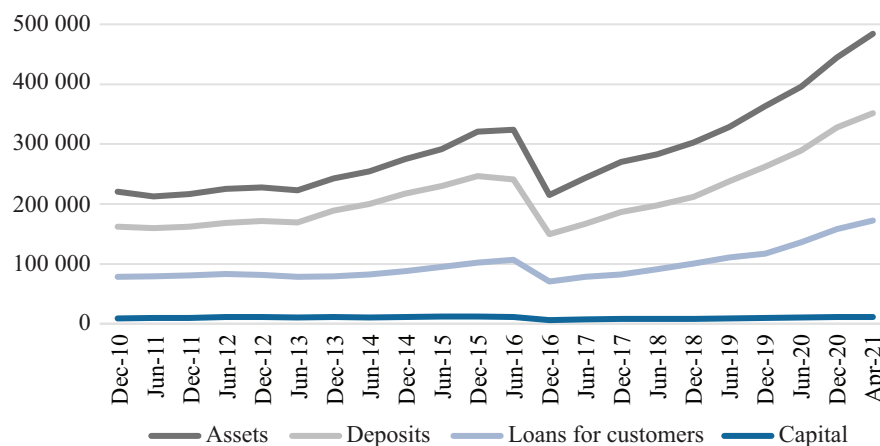
The aggregate financial position of Egyptian banks (except CBE) (Dec 2010–April 2021). Numbers by million EGP (Real Value)



Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

Figure 3.3

The aggregate financial position of Egyptian banks (except CBE) (Dec 2010–April 2021). Numbers by million USD¹⁵



Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

¹⁵ Calculated according to the exchange rate on the date of publishing the monthly report.

5. THE CURRENT STATE OF THE EGYPTIAN BANKING SECTOR

The Financial Soundness Indicators (FSIs) were developed by the International Monetary Fund (IMF) in order to support the analysis and assess the strengths and vulnerabilities of financial systems aiming to have financial stability presented into a robust financial system considering it as a must for economic development. The indicators can be divided into two main categories:

- Core indicators – based on the CAMELS framework (Capital adequacy, Assets, Management capacity, Earnings, Liquidity, and Sensitivity to market risk).
- Additional indicators

The CBE uses the four core indicators: Capital adequacy, Assets, Earnings, and Liquidity in analysing the Egyptian banking sector. Using these financial indicators is very important to evaluate the performance of a bank or a financial firm. Beaver (1966) was one of the firsts to use the financial ratios as predictors of failure and bankruptcy considering that ratio analysis provides useful information and helps to detect the financial illness to prevent firms from failing.

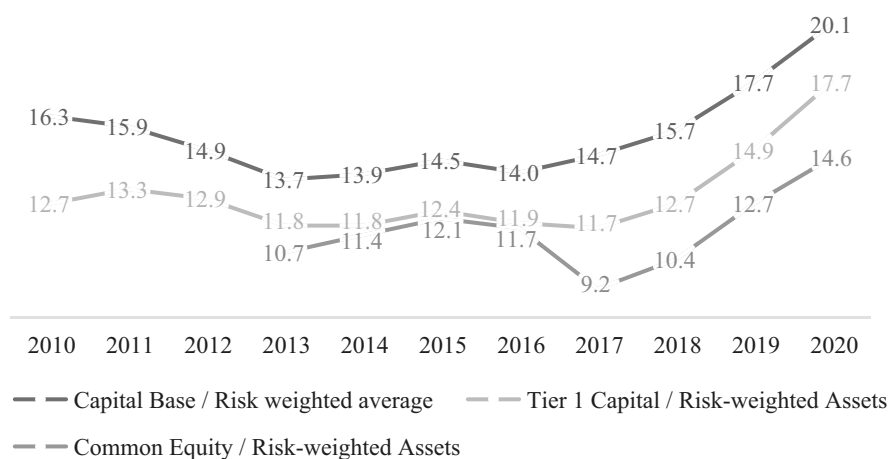
The Core Indicators are as follows:

1. Capital Adequacy measures the sufficiency of capital to support possible losses. Posner (2015) emphasizes that it measures the ability to withstand a financial loss and it “refers to the extent to which the assets of a bank exceed its liabilities”. Acharya (2017) finds that capital adequacy is used to measure the systemic risk because “undercapitalized financial sectors lead to significant loss of economic output due to withdrawal of efficient intermediation services and possibly misallocation of resources”. Alber (2013) considers it the milestone in the CAMEL approach as it “represents management quality and affects earnings, within capital adequacy and liquidity constraints”.

Within the framework of the implementation of the Basel standards, banks operating in Egypt – except for foreign banks – are required to maintain a minimum ratio of 11.25% for the capital base / the risk-weighted average in order to meet the risks of credit, market and operation. According to Mr Tarek Hassan Amer, the CBE governor, “all banks have complied with the minimum capital adequacy and precautionary standard of 11.25% except two banks which are followed by the CBE”¹⁶. Figure number 4 shows the evolution of capital adequacy from 2010 to 2020.

Figure 4

Capital adequacy indicators (2010–2020)



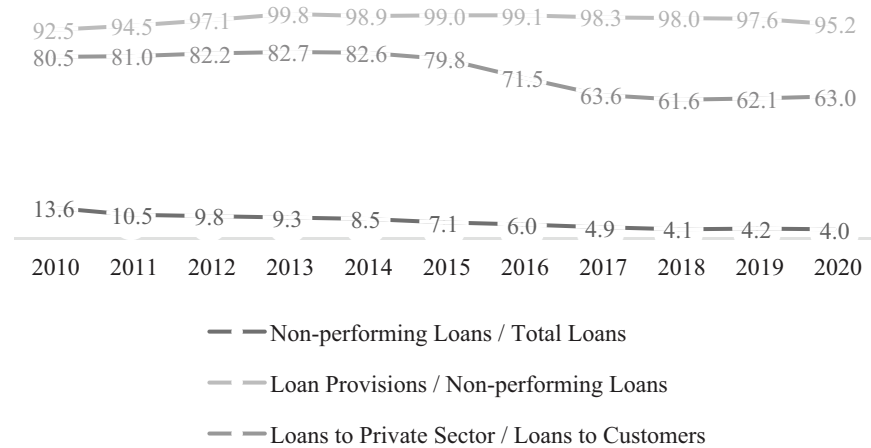
Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

¹⁶ The annual report 2016/2017, CBE.

- Asset Quality gives a “picture of the deposit-taker’s asset composition, and show vulnerabilities in terms of potential losses from nonperforming loans and risks from lack of diversification” (Asian Development Bank, 2015).

Figure 5

Asset Quality indicators (2010–2020)

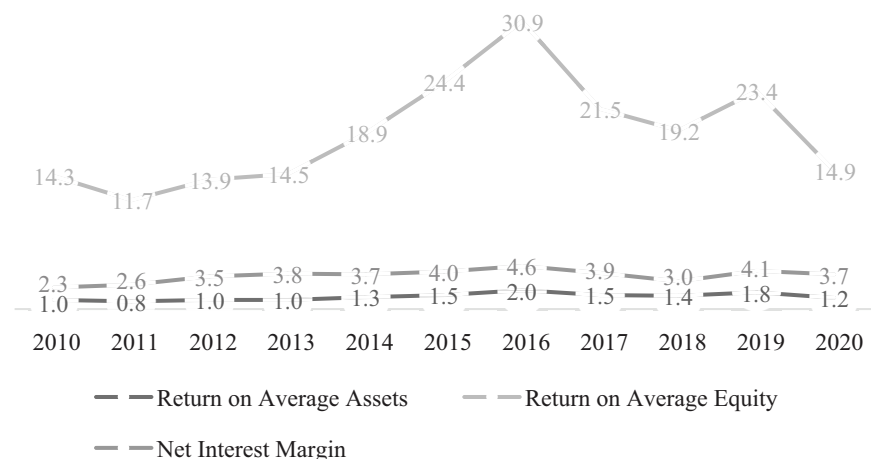


Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

- A bank’s earnings and profitability reflect its efficiency in using its assets and capital. Moreover, it measures the bank’s ability to generate interest income.

Figure 6

Earnings indicators (2010–2020)



Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

- Liquidity is the ability to sell assets without having a change in its price, the indicators measuring the ability of the bank in meeting a sudden cash demand.

Table 1

Liquidity indicators in the Egyptian banking sector, except CBE, (2010–2020)

Indicator (%)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Liquidity Ratio											
Local Currency	44.7	55.6	58.4	61.8	62.7	59.7	55.4	47.1	40.3	44.4	53.8
Foreign Currencies	40.6	51.8	56.3	55.2	57.4	52.0	60.2	66.4	67.7	67.7	71.5
Securities / Assets	18.0	18.7	21.9	20.9	24.3	24.2	20.8	15.9	14.2	19.5	24.9
Deposits / Assets	81.0	82.5	82.7	83.6	84.6	84.0	79.6	72.6	74.9	77.4	78.6
Loans / Deposits:											
Total	51.8	50.2	48.1	44.1	40.8	40.9	47.0	46.0	46.2	46.7	46.4
Local Currency	44.0	45.7	45.8	40.2	36.2	34.5	39.9	39.4	39.9	40.1	42.3
Foreign Currencies	75.8	62.5	56.1	56.8	57.0	64.8	64.6	62.5	67.5	74.7	68.9

Source: Self-preparation based on data from the monthly statistical bulletin of the CBE (www1).

6. CONCLUSION

The development and performance of the financial sector present real indicators of economic stability in any country. The financial sector is based on two pillars, banks and stock exchange markets. Efficiency in the banking sector is an important topic because of the changing nature of competition and regulation. Berger and Mester (1997) find that efficient firms drive out the inefficient firms and keeping always an enduring level of inefficiency regards firms remaining in the market.

Despite the large number of literature on banking in developed, less developed and developing countries, there is a significant gap in the literature on the banking sector in Arab countries in general and in Egypt in particular. This study aimed to fulfil this gap in the literature by studying banking in Egypt during the post-revolution period. Although this era is very prosperous, the country also faced two phases of the Egyptian revolution, one in January 2011 against Mubarak's 30-year rule and another in June 2013 against the Islamists who came to rule after the first stage of the revolution. These two revolutions brought out many changes in the political and economic scene and drove the country into a crisis. The Egyptian exchange market (EGX) stopped working on 27 January 2011 two days after the demonstrations began, aiming to stop the bleeding losses. However, the first day of resumption of trading after 55 days, on 23 March, EGX lost about 37 billion EGP of its market value. By the end of 2011, the total losses reached 173 billion EGP (Al-Ahram, 2011; Al-Masry Al-youm, 2011; Akhbarak, 2018) (figure A3 in the appendix shows the main trading indicators for the EGX and figure A4 shows the turnover ratio).

Comparing between market-based systems and bank-based systems, Levine (2002) concludes that banks are doing a better job in mobilizing saving and identifying good investments, in particular, in weak institutional environments and early stages of economic development. Egypt's finance system is considered to be more bank-based than market-based. Although the EGX suffered heavily post-revolution, the Egyptian banking sector was able to work well during this period achieving high growth rates in most areas. By the end of the third quarter of 2015, the Egyptian banking sector ranked fourth among the Arab banking sectors in terms of asset size and ranked first among the banking sectors of the non-oil Arab countries.

The CBE in Egypt is like any other central bank – it is not only responsible for the national monetary policy, but also follows the “rules of the game,” and determines the interest rates (Nell,

1998). The financial position and the FSIs of the Egyptian banks after 2011 indicate financial safety and remarkable stability in the performance of Egyptian banks in spite of the difficult operating conditions in which these banks operate. During the post-revolution era, despite the turbulent economic and security situation in the country, large Egyptian banks have not seen a significant decline in their performance, which reflects solidity and resilience of the Egyptian banking sector in dealing with local, regional, and international changes.

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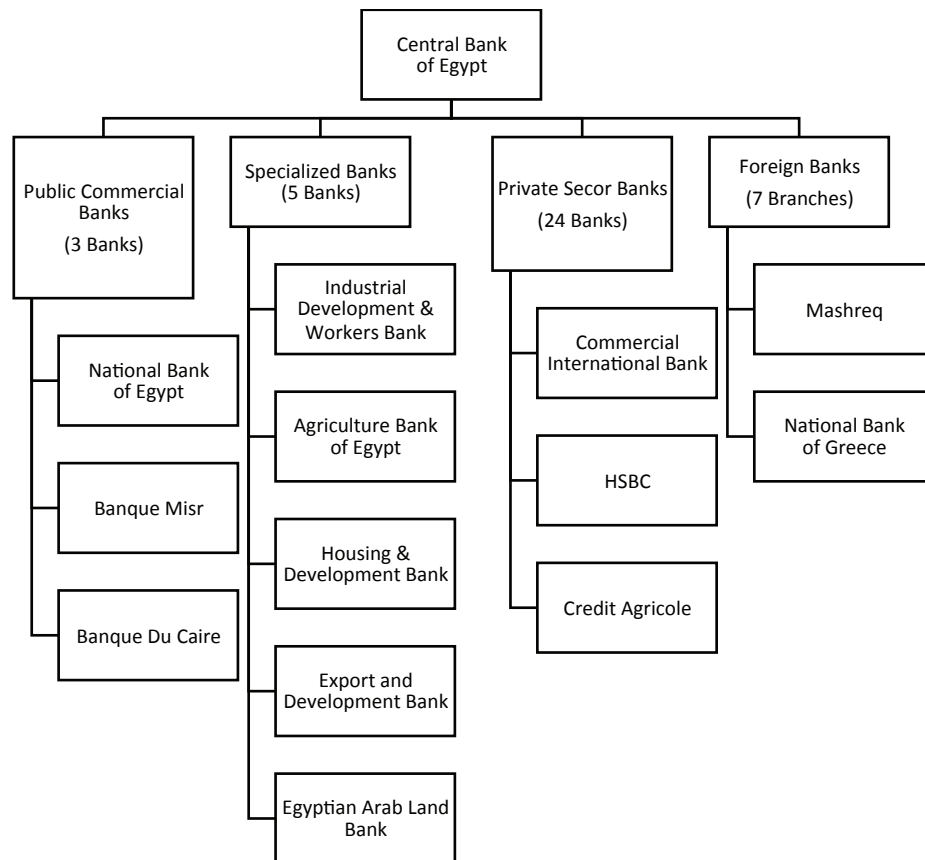
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APPENDIX

Figure A1

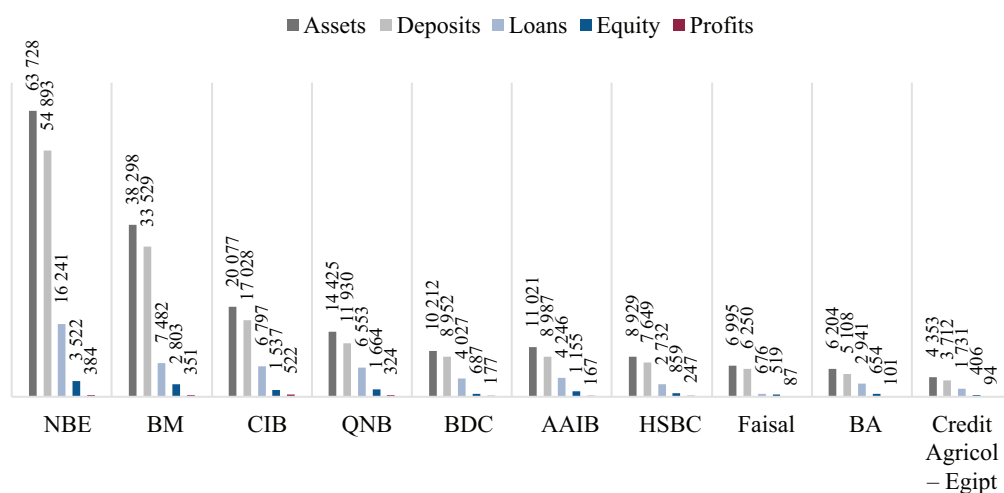
The structure of the Egyptian banking sector (main banks)



Source: Self-preparation based on data from CBE.

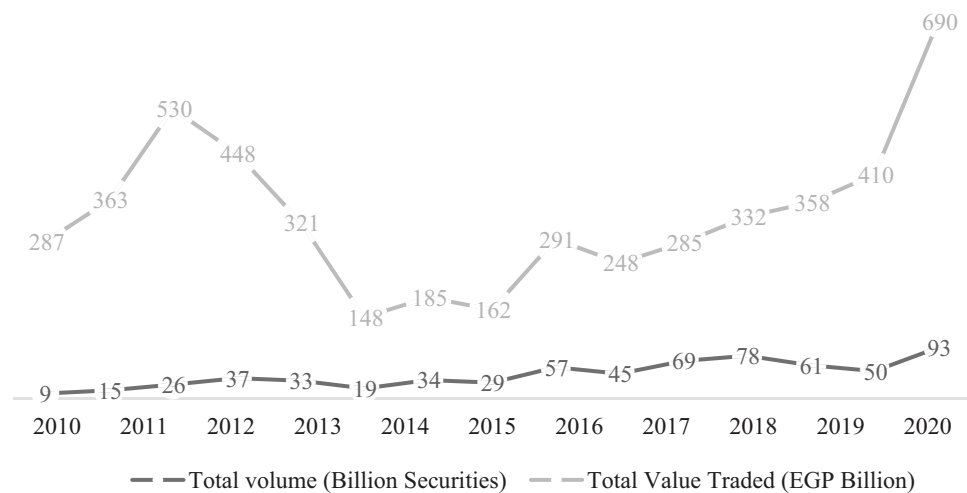
Figure A2

Data for the 10 largest Egyptian Banks in 2014 (numbers in million USD)



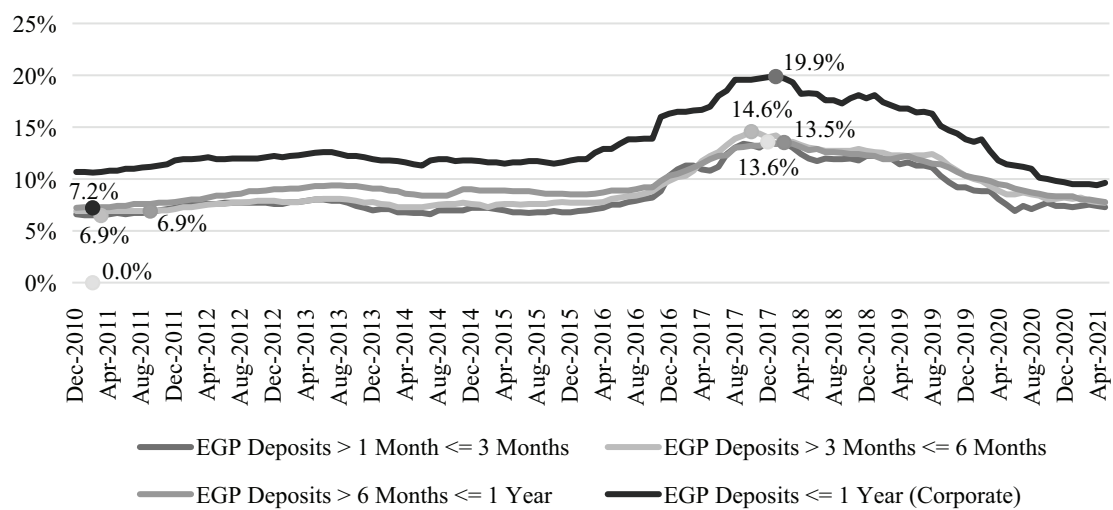
Source: Union of Arab Banks (2014).

Figure A3
EGX main indicators (2006–2020)



Source: Self-preparation based on data from the annual reports of the EGX (2006–2020) (www2).

Figure A4
Weighted average of the interest rates in Egypt (Dec. 2010–May 2021)



Source: Self-preparation based on data from the CBE (www1).