A Comparative Study Between the Commercial Banks Sector in Egypt and the UK: A Case Study on the Performance of the National Bank of Egypt (NBE) and Barclays Bank- UK

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Abstract
This research paper is designed to explore the factors affecting the commercial banks financial performance in Egypt versus the UK. These comparisons cover wide span including the client's deposits, the risks in the covered sectors, the application of the Basel requirements, the Fitch rating, and the surrounding environment.

The Egyptian banking sector and the European banking sector are two very successful banking sectors worldwide. The Egyptian banking sector isn't only one of the largest banking sectors in North Africa, but also it is one of the most profitable one. In the 2000s, Egyptian lenders have gained easily from the high-yielding government debt after the 2011 revolution. On the other hand, the European banking sector targeted sustained economic expansion over the past years and the banking sector supported the financial stability within the Euro zone especially after the financial difficulties in some member countries, such as Greece. The European banking profitability has increased after the introduction of untraditional monetary policy measures. On the other hand, the sources of the weakness can be divided into cyclical factors, cost inefficiencies, and external competitive challenges emerging from outside the banking sector.

This study is based on a comparative case study of the biggest bank in terms of total assets in Egypt and the UK. The two banks that were qualified to meet this requirement were the National Bank of Egypt (NBE) in Egypt, and Barclays Bank in the UK. It was found at one stage of the comparative analysis that there is a significant effect of both the clients' risk and clients' deposits on the financial performance of the banks on both countries.

1.1 Introduction

The rapid change in the economic environment with the increasing competition in the banking sector worldwide is a result of the globalization, technological development, competitive business environment, and market saturation, together with the increased consumer power. Mergers and acquisitions are major drivers of change in the banking industry. Competition has created a fast-paced industry where banks must change in order to survive. Increased competition from other players in the financial services industry decreased the market-share of banks. This competition, along with the rapid changes in information technology (IT), increased the need of banks to innovate in products, services, and reaching clients.

The banking industry has changed considerably in the last few years, and this diverted the banks' day-to-day services. Customers' demands advanced IT solutions without the need for physical meetings. IT also decreased the costs of transacting with banks, and ultimately the number of customers increased. This increased competition between commercial banks and non-traditional financial service provider changed the requirements of the customers from their banks (Khambata, 2017).

Therefore, this research is designed to explore factors affecting banks financial performance including client's deposits, risk; sectors; Fitch rating, and Basel accords. The literature review introduces the previous studies findings regarding the relationship between clients deposits and banks performance. The study analysis the banks financial performance and how it could be measured using Return on Assets (ROA), Return on Equity (ROE) and acquisition ratio. Also, the study analyzes the relationship between risks and the banks' performance. Finally, a conclusion is derived in toward the end of the study.

1.2 Problem Definition

Banks manage their credit loans to customers with particular emphasis on the recovery of such loans upon maturity. However, there are still gross financial improprieties going on in these areas. The banking sector in Egypt was mainly concerned about three types of risks: credit risk, liquidity risk, and currency "foreign exchange" risk. The applications of the Basel accords brought new criteria in the banking sector worldwide which became a question of survival for any bank. Within the recent trend in Egypt, the most notable issues discussed involved questions related to the over exposure of Egyptian banks to government debt, the tools the banks use to cater to clients' foreign exchange needs in light of the foreign reserves requirements, and the actions they take to align with local and international demands as well as the future areas of growth for sector mainly in retail banking. These questions are analyzed in a comparative manner with the UK case.

1.3 Objectives of the Study

The main objective of the study is to analyze the performance of the National Bank of Egypt (NBE) as compared to Barclays Bank as the biggest banks in terms of total assets in Egypt and the UK respectively. Thus, the study is to:

- Examine the types of risks in Egypt and the UK.
- Analyze the effect of Basel standards on the banking sector.

1.4 Hypotheses

The hypothesis to be investigated is to compare between the two banks numerically as related to performance, and the implementation of the procedures of the Basel accords. The comparative analysis of the position of the two banks will lead to conclusion and recommendations for the future.

1.5 Research Questions

In the course of the study, the study answers these important questions: First, what is the position of the two banks as major banks in Egypt and the UK? Second, how to improve the performance of the banking sector in Egypt and the UK by taking these two banks as case study?

1.6 Importance of the Study

This study is a step in the direction to understand thoroughly the commercial banking sector in Egypt and the UK through real life case study especially in light of the new challenges given the Basel accords. This study will add to the existing knowledge by contributing to the building of the literature on this topic.

1.7 Limitations of the Study

The prime challenge was in establishing comparisons between two banks that exists in two different countries. Also, the researcher was heavily constrained by the non-availability of data in some cases due to the legal confidentiality of some data in the banking sector.

1.8 Population of Study

The population under consideration is within the banking sector in Egypt and the UK by taking the National Bank of Egypt (NBE) and Barclays Bank as case study.

2- Literature Review on the Relationship between Customers Deposits and Banks Financial Performance

(Okun, 2017) observed in Kenya a rise in both customer deposits and banks' profitability between 2009 and 2016. This study examined if there is a significant relationship between customer deposits and banks' profitability in Kenya during the period between 2009 and 2016, by taking the level of deposits in commercial banks as an independent variable, and the banks' performance as the dependent variable. Customer deposits are calculated by summing up demand deposits, savings deposits and time deposits. On the other hand, the banks' financial performance is measured by calculating the return on assets (ROA), and the return on equity (ROE).

Based on such analysis, it was found that there is a positive significant relationship between the customer deposits and the ROE in one hand, and between the customer deposits and the ROA in the other hand. Therefore, it was concluded that banks who are able to attract more deposits, are, thus; able to increase ROA and ROE, increase the profitability and enhance its financial performance.

Traditional banks attain profits from the difference between the interest paid on deposits and the interest charged on loans, which necessitate the careful adjustment of the debit interest rate and the credit interest rate with respect to the market mechanism of the demand and the supply of funds across banks.

Banks need to attract enough deposits to meet the level of demand on loans based on prudential market based pricing of the debit and credit interest rate. Depositors need an incentive to forgo present consumption for prospected gains. High interest rate means high

opportunity cost of holding cash and an incentive for depositors to deposit their money in banks. This will reduce the money in circulation, and the inflation.
Iannotta, Nocera, and Sironi (2017) studied commercial banks in South Africa by taking bank deposit costs as an independent variable and the bank financial performance as a dependent variable. After running multiple regression analysis of the collected data, it was proved that there is a significant relationship between banks' deposit costs and their financial performance.
This study claimed that there is a continuous need to attract deposits by increasing the interest rate paid on such deposits, while holding other factors constant. This increases the score of the bank's financial performance, and vice-versa. Therefore, the researchers find that the cost of deposit has significance positive effect on the financial performance of the bank.
According to Brunner, Jörg, Hardy, Daniel, and Beata (2016) the profitability of a commercial bank is based mainly on its deposit portfolio. A profitable commercial bank generates more low cost deposits to lend loans and make profits. This research considered Sri Lanka as a case study. In Sri Lanka, customer deposits represent the main source of funds in the banking sector contributing to almost 70% of its total liability.
The relationship between the deposit portfolio and commercial banks' financial performance from 2012 to 2016 was observed. The study covered the twelve commercial banks listed in Colombo Stock Exchange in Sri Lanka. The study concluded a positive relation between the level of banks' deposits portfolio and their financial performance.
The independent variable is the deposits as the sum of fixed deposits, saving deposits and demand deposits. The dependent variable is the financial performance of the commercial banks measured by their return on assets (ROA) and their return on equity (ROE).
Khambata (2017) proved a significant positive relation in a study carried in Spain (2006-2016), Tunisia (2000-2015), and Ukraine (2006-2016) between customers' deposits and banks' profitability measured by ROA and ROE. However, repeating this study in Switzerland between 2000 and 2016 led to a different conclusion. Switzerland is a special case because it attracts huge amount of deposits from all over the world keeping the country with a special characteristic of excess deposits. The study concluded that that the annual growth in deposits had no significant reflection on the Swiss banks performance because Swiss banks couldn't convert all these deposits into loans to generate more profits.

3- The Expansion of the National Bank of Egypt (NBE) in the Egyptian Banking Sector

The strategy of the Bank is based on several main principles to ensure the advancement of the rendered services, to support the economic and the social development, to support all initiatives of the Central Bank of Egypt (CBE), and to increase NBE's market share. (The Annual Book of NBE over the last 10 years, and the author field visits to the NBE Headquarters and the CBE Headquarters).
As part of the NBE plan to increase the number of branches, the number of branches currently reached 450 branches across all Egyptian governorates. Also, the expansion plan is targeting to reach 600 branches by the end of the fiscal year 2020 through the opening of 50 branches annually with a total of 150 branches in the next three years out of which 50 new electronic branches.

The number of customers registered in the National Bank of Egypt's (NBE) database makes NBE has the largest market share of up to 12 million customers with a plan to attract approximately 700 thousand new customers annually from various customer segments within framework of the national campaign of the "Financial Coverage" adopted by the Central Bank of Egypt (CBE). The bank serves all customers and seeks to focus more on the youth who are attracted to the banking sector through visits to schools, and universities. This is coupled with the dissemination of promotion programs and awareness about the importance of the role of the banking sector to society, and how to take advantage of the various banking services in the area of payments and management of savings.

The NBE's branches plan focuses on the development of the level of service offered by the branches to suit all customer segments under the slogan of the National Bank of Egypt, "Ahli" Bank of Egypt, which ensures the provision of excellent and fast service to customers in various segments. It was found that there are 155 service areas for VIP customers that are called "Al-Ahly Platinum" in the branches served by 460 specialized relationship managers. During the field visit, it was found that there are new services rendered for the first time in the Egyptian banking sector given by special places dedicated to the transfer of remittances for beneficiaries of remittances abroad, and other places and windows dedicated to dealing with the elderly and special needs, pensions' clients, and young people.

The portfolio of deposits and saving accounts currently reached in 2018 almost EGP 1.7 trillion. The Bank is planning to enhance its portfolio of deposits and saving accounts to meet the needs of the growth in the private domestic investments as part of the national required growth in the gross national product (GDP) of Egypt.

The portfolio of small and medium-sized enterprises loans reached EGP 52 billion, and 50% of which is to finance the productive sectors (mainly directed to the agricultural and industrial sectors). The percentage of acquisition of the governorates of Cairo and Alexandria of the portfolio of small and medium enterprises (SMEs) counts for almost 50% of the total, and other provinces occupy the other remaining 50%. The granting of credit to the SMEs is through 232 centers spread across the branches of the bank in all governorates. Concerning the individual financing, the retail banking portfolio has recorded a level of EGP 56 billion from all the income brackets.

The Bank aims to increase the size of the SMEs' portfolio to reach EGP 100 billion by 2020 by opening a new headquarters next to the Central Bank of Egypt (CBE) in the new administrative capital of Egypt.

The real-estate mortgage finance portfolio reached EGP 5.7 billion in 2018, out of which EGP 5.2 billion were for the low-income group under the initiative of the Central Bank of Egypt (CBE) which benefited 53 thousand customers. The relevant credit study and loan granting process are conducted by 45 units covering all Egypt through decentralization within the bank.

The new strategy of the NBE's branches is directed towards the electronic and digital transformation by providing a lot of services on alternative electronic channels, such as interactive Internet Banking screens, Cash IVR (Interactive Voice Response), ITM (Interactive Teller Machine), Phone Cash, and Mobile Banking. These new services allow customers to perform many services without any physical presence in the bank's branches.

The new online services include query balances, printing statements of accounts, bank transfers, purchase and recovery of certificates of deposits (CDs), deposits of various types, and other services. This saved the time and efforts of the customers. The new updated services included automated payments and electronic government receipts. The number of ATM (Automated Teller Machine) machines has reached more than 4000 ATM machines, with a plan to increase them annually by nearly 750 machines nationwide. The bank already opened the first new 5 electronic services branches in Egypt in coordination with the Central Bank of Egypt. Their number will reach 20 branches by the end of 2020. This will allow the client to deal in most transactions through the use of self-service through digital and electronic devices, which contributes to providing service to customers faster, easier and safer at the highest efficiency up-to-date level.

4- The Expansion of Barclays Bank in the United Kingdom

Based on online contacts with Barclays Bank together with both their interactive website and their published annual reports over the last 10 years, it was found that the bank is organized within a specific framework as follows:

Personal Banking Barclays Bank provides personal banking services through a specialized team that develop transparent and innovative solutions for their customers. This team is assigned to help Barclays' customers to connect the different aspects of their lives to their financial lives, at the time that suits them through innovative financial solutions. This ranges from opening their first bank account to completing a mortgage on their dream home. Savings, Investments & Wealth Management serves a spectrum of clients - from those who manage their own investments, requiring an execution service, to those who require a dedicated and holistic service through their Wealth Management business.

Community & Premier banking The Bank serves the "Community and Premier" customers through a range of new products and propositions, as well as enhancements to existing ones. The Barclays Mobile Banking (BMB) and Barclays App are innovative applications to reach even remote clients on 24/7 basis, and to help its customers to manage their financial needs more effectively.

For example Misplaced debit cards can now be temporarily frozen through BMB, preventing any cash machine withdrawals and online or in-store debit card purchases. BMB implemented a calendar view feature showing regular payments scheduled for the month ahead to assist in better financial planning, as well as an improved view of transaction details. This also includes a map view to help Barclays' customers to identify rapidly with whom they have spent their money.

Barclaycard Consumer UK Barclaycard Consumer UK is the leading credit card provider in the UK, providing flexible borrowing and payment solutions to more than 10 million customers across the UK. Barclaycard Consumer UK is a borrowing and payment tool that has the biggest client base in the UK. The amount of credit lent to any customer through the Barclaycard Consumer UK is based on the customer's credit history, ability to afford credit, and associated risk.

Business Banking Barclays Bank offers products, services and specialized advice to more than one million corporate clients in the UK, ranging from start-ups, to mid-sized businesses, and to big-sized businesses.

Business Banking provides support to clients across the whole UK at each stage of their business cycle through relationship-based and digitally-driven services.

This service helped many UK businesses to start and grow, with access to specialized industry averages and analysis in all economic sectors such as the agriculture sector, the real estate sector, and etc.

Business Banking Barclays became part of the new UK national program "Education, Social Housing and Local Authorities (ESHLA)". The lending to ESHLA clients made through Barclays Bank UK PLC is extended to cover a number of mergers within the Social Housing UK program, which finances building new homes to cope with the demand on the UK housing sector.

Performance Complaints In Barclays Bank UK, The Barclays Bank performance complaints volumes reduced by an average annual rate of 9% over the last 3 years. However, the Payment Protection Insurance (PPI) complaints increased by 2% over the same period. Therefore, the total Barclays UK complaints volume (including PPI) is declining annually.

5- Banks Financial Performance Measured by ROA, ROE and Acquisition Ratio

Financial performance of banks depends upon several factors. The determinants of financial performance of a bank can be divided into two major groups: internal and external factors. Internal factors include risk management, size, and ownership status along with many other factors such as asset quality and capital. External factors are generally considering the environment within which the bank operates, i.e.; the macroeconomic environment including inflation, regulations, interest rates, and the level of the economic growth.

For the purpose of the comparison between the NBE and Barclays Bank, it is still important to examine closely the general criteria of differentiation as related to the profitability and the financial performance. Considering the concerns about risk management, it was found that both banks consider two opposite risk management goals and techniques as well as perceptions about return and profitability. Therefore, there is a need to link the external or internal determinants of profitability to risk behavior of the banks to be able to capture the variation in nature. The first step would be to consider the internal factors since it is basic enough to spot on the difference in ownership type between the two banks. Barclays is a PLC, or a Public Limited Company listed on FTSE 100 (Financial Times Stock Exchange Index 100), while the NBE is a government owned enterprise. In the context of ownership structure and its relationship with risk preference of commercial banks, we conclude some of the additional literature covering this area:

Zhong (2017) explained the effect of ownership structure on risk preference by covering 25 Chinese banks. The study concluded a positive relationship between ownership concentration and bank's risk preference. According to the study, first; banks controlled by the shareholders accept more risks than the other banks which are controlled by the management. Second, small and medium size banks avoid high risks. Big size banks accept higher risks for higher returns. Therefore, the size of the equity is negatively correlated to the risk preference in banks.

6- Application On the National Bank of Egypt (NBE) and Barclays Bank

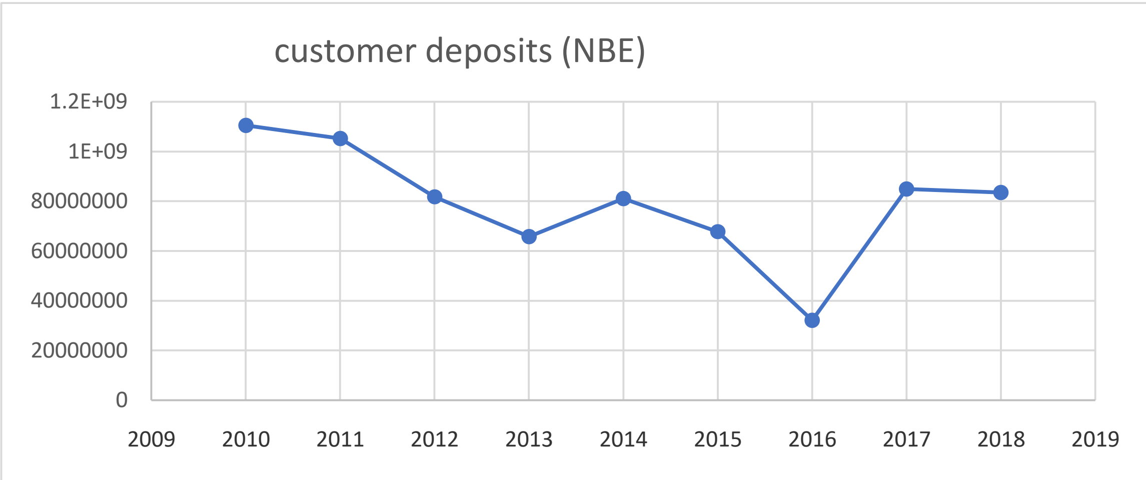
The variables used in the section are measured as follows:

1- Financial performance is measured by the Return on Assets (ROA) as Net Income / total assets, and by the Return on Equity (ROE) as Net Income / Total Equity.

2- Risk management is measuring interest rate risk through the Net Interest Margin NIM) as Net Interest income / Average earning assets

3- Liquidity risk (Lqr) is measured by the Current Ratio as Current assets / current liabilities.

Figure 1: Customer Deposits in NBE and Barclays Bank



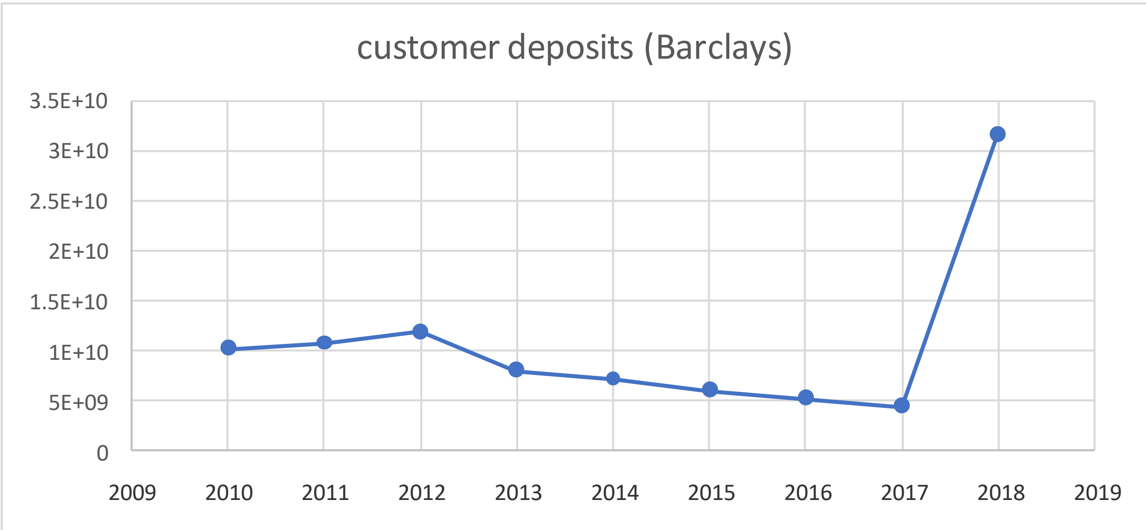
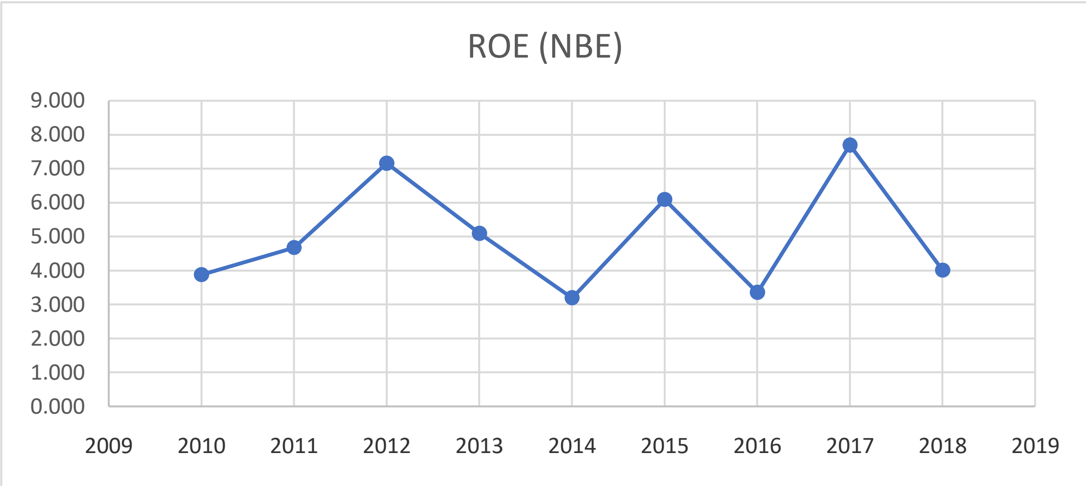


Figure 1 show the customer deposits in National Bank of Egypt (NBE) and Barclays against time during the period 2009-2018. In NBE, customer deposits were at its peak at £1,105,039,628 in 2010 and they started to decrease by time till it reached the trough at £320,895,747 in 2016, then customer deposits started to rise again in 2017 and 2018.

On the other hand, customer deposits in Barclays were almost in a stagnation and decrease very slowly along time till they reached the lowest point at £4,448 million in 2017 however customer deposits jumped to £31,682 million in 2018.

Figure 2: Banks Financial Performance in terms of ROE in NBE and Barclays Bank



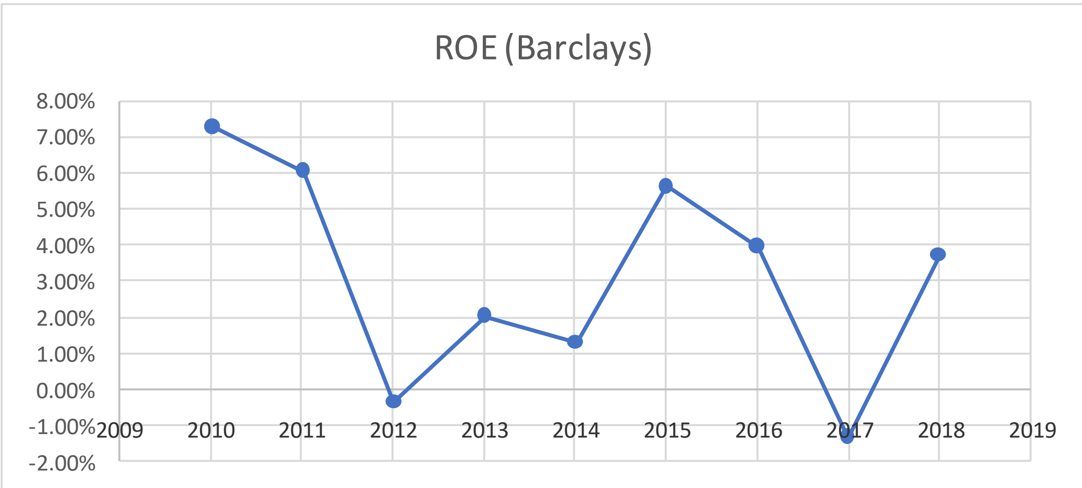
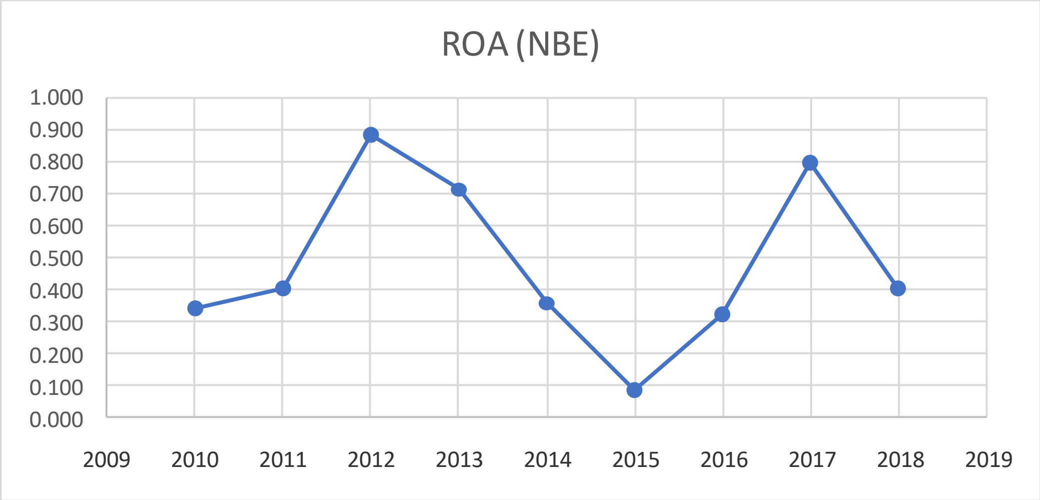
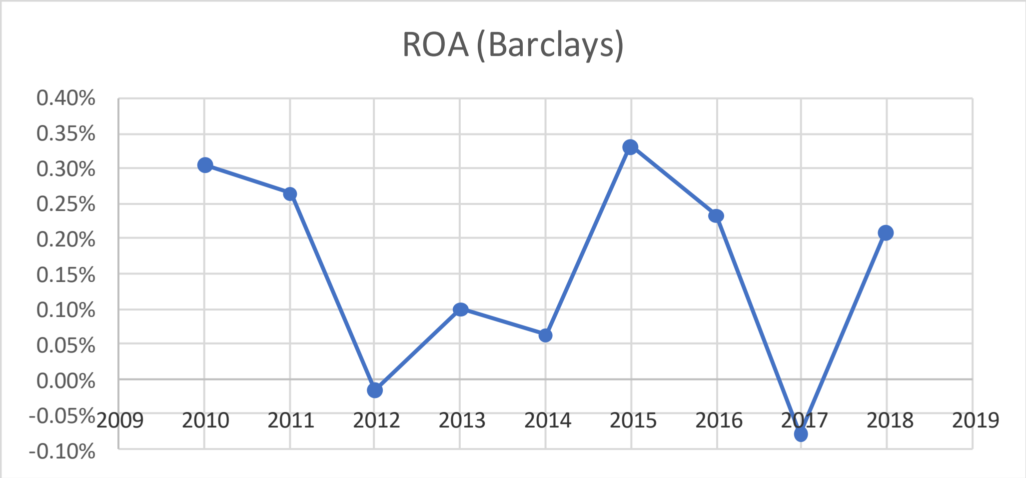


Figure 2 shows the Return on Equity (ROE) in both banks NBE and Barclays Bank during the period 2010-2018. It is clear that the return on equity in NBE is going up and down with maximum 7.896% and minimum 3.105%. While in Barclays, return on equity started at its peak at 7.81% in 2010 and decreased sharply to -0.38% in 2012, then, it went up and down until it reached 3.72% in 2018.

Figure 3: Banks Financial Performance in terms of ROA in NBE and Barclays





The above figures show the Return on Assets (ROA) in both banks, NBE and Barclays, during the period 2010-2018. In NBE, the return on assets started at 0.346% in 2010 and it went up and down with maximum 0.987% in 2012 and minimum 0.088% in 2015 and went up at 0.409% in 2018.

On the other hand, return on assets started at 0.31% in 2010 and it went up and down with maximum 0.33% in 2015 and minimum -0.08% in 2017 and ended up at 0.21% in 2018.

7- The Relationship Between Risk and Banks Financial Performance

From a macroeconomic point of view, banks need to increase their rate of investment to stimulate economic growth. In this concern, since banks are usually into risky activities, and it is believed that there is a relation between risk and financial performance. This hypothesis has been tested by García-Marco and Robles-Fernández (2016) on the base that risk is measured by: Interest rate risk, liquidity risk, credit risk, capital risk, and solvency risk. The study measured the financial performance by the Return on Assets across a sample of banks in Rwanda, and the results showed that the dependent variable (ROA) is positively related to liquidity risk by 20% impact. Therefore, there is a positive but not statistically significant relationship between ROA and liquidity rate. Credit risk and ROA have a negative relationship and statistically significant. There is a positive statistically significant relationship between ROA and capital risk. Finally, there is a strong impact of solvency on

ROA. That is 52.4% change in ROA is expected to every 1% change in solvency risk. In total, the independent variables are responsible for 84% of the change in a bank's profitability.
The study found that bank sector shocks caused some banks to shut down due to liquidity problems related to the liquidity risk. Accordingly, the relationship between risk management and the financial performance is observed in the banking sector.

8- Measuring Risks Against Banks Financial Performance

Financial performance is measured through Return on Asset and Return on Equity (ROA and ROE) while risk management is measured through the credit risk level, the operational risk, the liquidity risk and the interest rate risk. From the results it is observed that all explanatory variables successfully and linearly explained the variation in the financial performance of the bank. That is: credit risk, interest rate risk, liquidity risk, and operational risk have a significant impact on ROA and ROE.

Risk is defined as the likelihood of financial loss, and it is divided into two types, credit risk and liquidity risk. Liquidity risk is the failure of clients to pay back the due installments of and interests on the borrowed funds. Credit risk represents the ability of the bank to meet the demand on short-term and long-term loans at the lowest cost.
Panel data regression analysis was used to spot how risk management can affect financial performance in the two banks under consideration, NBE and Barclays Bank. ROA is the dependent variable and the independent variables are as follows:
NPL: Non performing loans/ total loans
CAR: capital Adequacy Ratio – total capital to risk weighted assets
LEV: leverage ratio
LDRL Loan Deposit Ratio

The results show significant positive relationships between both liquidity and credit risk management in one side and the financial performance of the two studied banks in the other side. All variables exhibit a positive relationship with ROA except for the LEV is negative in both banks.

The two independent variables measuring risk are the credit risk and the foreign exchange rate (Forex) risk. The model used explains the effect of variability in interest rates related to credit risk and the variability in Forex on the 2 banks' returns (r). It was found that the credit risk and the forex risk have significant impacts on the 2 banks financial performance given by ROA and ROE. It was found that the volatility on the bank returns is positively and significantly affected by the credit risk and market risk. Credit risk exposure had the highest impact on the bank financial performance in both the NBE and Barclays Bank.

In figure 4, ROE, since 2011 in our sample, is moving in opposing direction with the liquidity risk. In 2012 and 2017, the low ROE rates correspond respectively with the 2012 and the 2017 peaks in liquidity risk.

On the other hand, the 2015 high ROE is an all-time corresponds to a low level of Net Interest Margin (NIM). Based on the previously results, we observe that there is a clear strong relationship between ROE and both risk measures that is strong in magnitude and negative in direction. The ROE reached a trough in 2017 lower than that of 2012 with a higher Liquidity Ratio (Lqr) level at lower liquidity risk.

Figure 4: **Barclay's ROE and the Bank's Financial Performance**

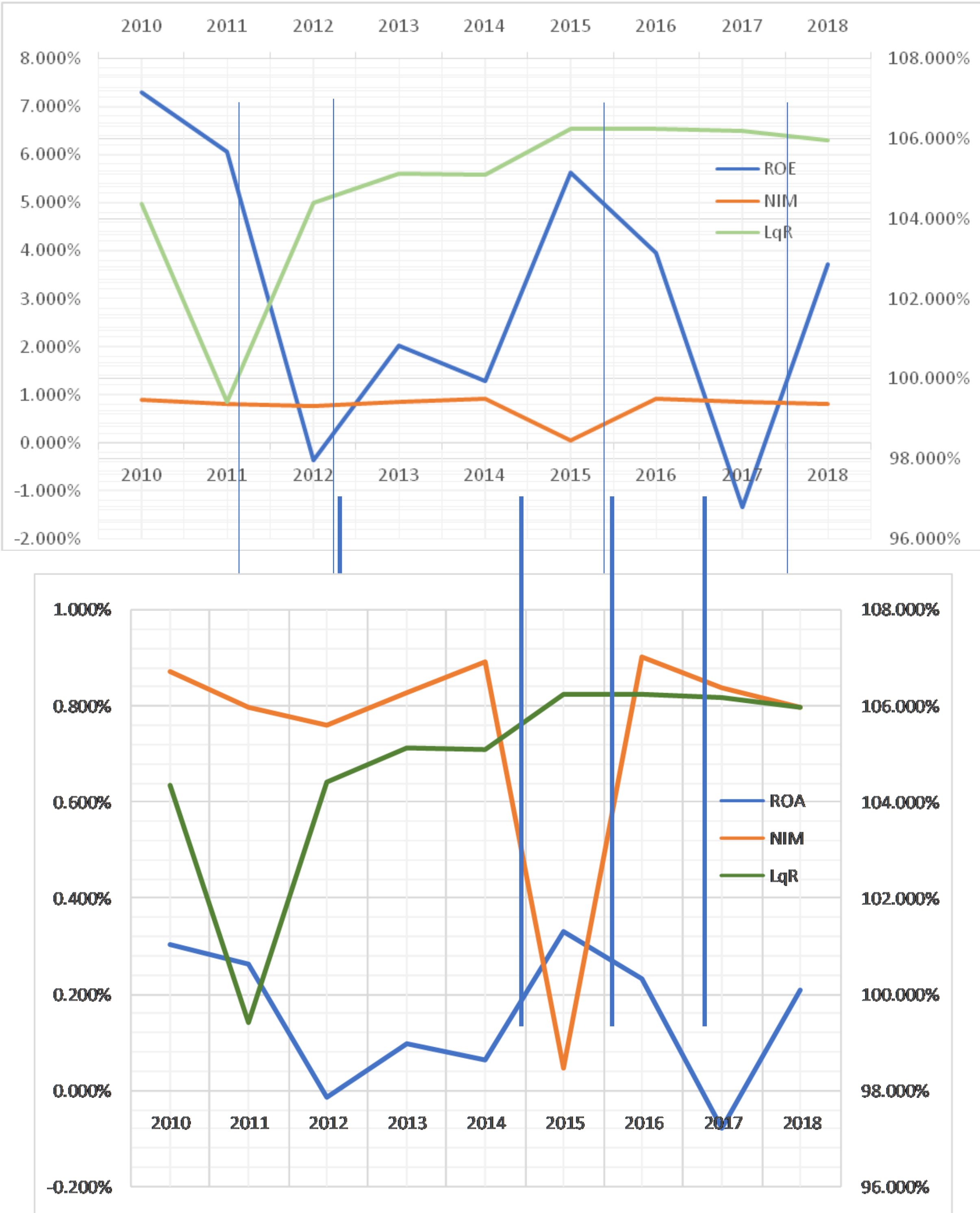
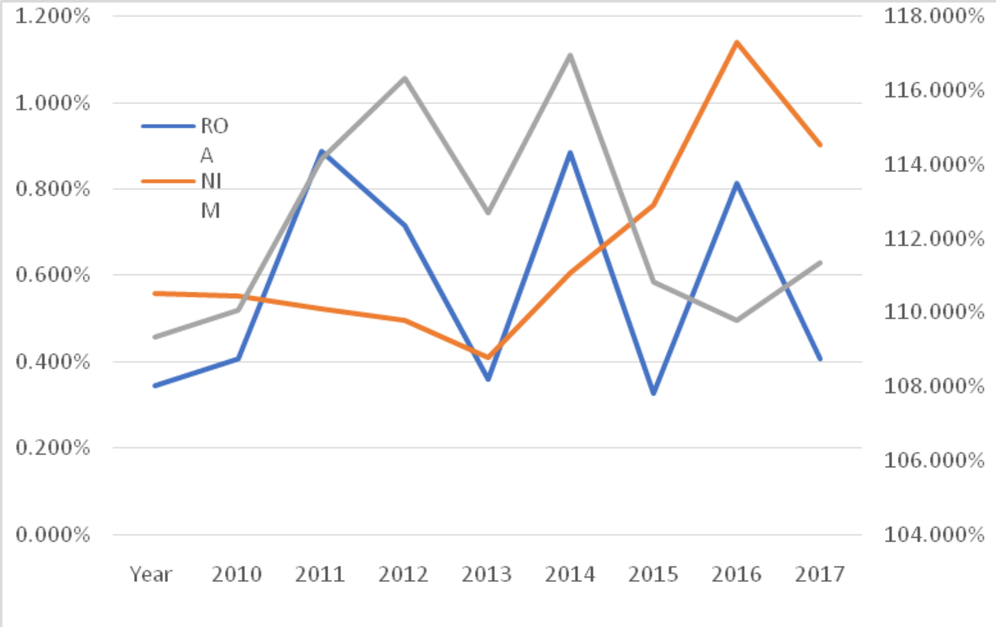
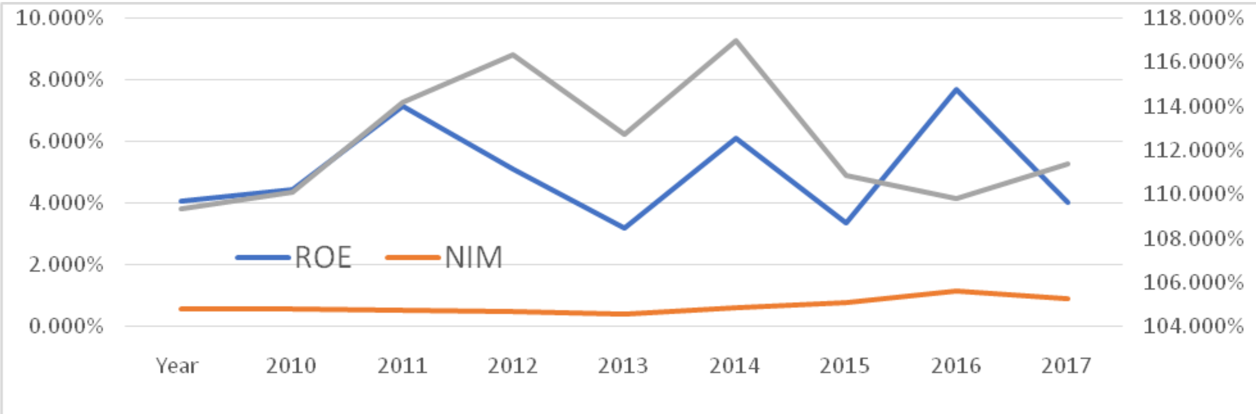


Figure 5 shows financial performance of Barclays Bank in the period of the study along with its risk measurements of liquidity and interest rate. It is the lowest observable levels of NIM. Lower interest rate risk corresponds to a peak on returns on assets in 2015. Furthermore, lower levels of ROA, in 2014 and 2016 are respectively linked to the peaks in the similar period of the NIM which suggests pattern of behavior that is repeated. Generally, trends on ROA are in opposite direction with higher levels of liquidity risk and interest risk associated with lower levels of return, which in turn confirms our hypothesis.

Figure 5: ***NBE ROA and the Bank's Financial Performance***





What is Fitch Ratings?
Fitch ratings is an international credit rating agency based out of New York City and London. Investors use the company's ratings as a guide as to which investments will not default and subsequently yield a solid return. Fitch bases the ratings on factors, such as what kind of debt a company holds and how sensitive it is to systemic changes like interest rates.

9- Breaking Down Fitch Ratings

Moody's, Standard & Poor's (S&P's), and Fitch are the top three credit rating agencies in the world. The Fitch rating system is very similar to S&P's. Both of them use a letter system.

National Bank of Egypt's (NBE)

According to Fitch (2018), Fitch Ratings has affirmed National Bank of Egypt's (NBE) Long-Term Issuer Default Rating (IDR) at 'B' driven by its 'b' Viability Rating (VR) with a “Positive Outlook”.

NBE's VR reflects the NBE's credit profile that holds Egyptian government debts amounting to 39% of the NBE’s total assets in 2017. The NBE has the highest market share of 31% of the Egyptian banks sector’s total assets. This is supported by the Egyptian growth of GDP by 5.2% in 2018 and an increase in foreign currency reserves that reached USD44 billion in 2018 against USD19 billion in 2016.

Barclays Bank, Barclays Bank UK 'A+'

According to Fitch (2018), Fitch Ratings has upgraded the Long-Term Issuer Default Ratings (IDRs) of Barclays Bank UK plc (BBUK plc) to 'A+' from 'A' driven by its 'a+' Viability Rating (VR) with “Stable Outlook” and removed from the Rating Watch Positive (RWP).

The Long-Term IDRs of BBUK plc reflect the amended ranking of internal senior loans eligible for the purpose of internal minimum requirement for eligible liabilities (MREL). The loans ranked as unsecured debt are combined with the existing large volumes of hybrid Additional Tier 1 (AT1) instruments and Tier 2 Debt specified by the British laws to protect the BBUK's external senior unsecured creditors in case of failure.

10- Basel Accords

Basel accords enhance the banking sector financial stability by improving the quality of banking supervision worldwide with better risks management inside banks.

Basel accords imposed minimum capital requirements to lower the credit, market and operational risks of banks, together with the disclosure of the information by banking institutions.

Basel accords provided for new challenges by emphasizing the followings:

1. Credit risk: Calculated by using a new framework to eliminate differences in the calculation of weighted assets among countries.
2. Operational Risk: Calculated by using a new framework by measuring the capital required to meet the operational risk.

In Egypt:

The implementation of Basel accords matches with the reforms in the Egyptian banking sector implemented by the Central Bank of Egypt (CBE) since 2004 to upgrade the competitiveness of the Egyptian banking sector.

The Central Bank of Egypt created a management full time dedicated team to handle all aspects related to Basel accords, together with a Project Committee which meets regularly to supervise the aspects related to progress and control.

Avoiding Pro-Cyclicality

The assessment of credit rating is to be measured all through the business cycle and not in a specific point in time, especially during economic downturns. This will help to avoid extended credit crunches, especially during economic and financial crisis.

Regular Assessments

Egyptian banks are subject to regular assessment by the CBE to ensure the timely implementation of Basel accords which provide for a platform to avoid pro-cyclicality. Also, this led to the success in the full implementation of Basel II and Basel III full requirements, with an additional capital protection ratio to total assets to be 7%.

In United Kingdom:

In the same manner, it was found that the implementation of Basel accords, developed by the Basel Committee on Banking Supervision, matches with the UK regulatory framework that aims to strengthen the regulation, supervision and risk management in the UK banking sector.
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11- Legal Reserves

In Egypt:

The Central Bank's financial statements showed an increase of EGP 108.22 billion in 2018 compared to EGP 125.546 billion in 2017.
The central bank had a legal reserve requirement of 14% of the deposits of each bank in 2018 with no interest rate payment.

In United Kingdom:

The Bank of England, which is the Central Bank of the UK, holds a voluntary reserve ratio with zero reserve requirements. The average cash reserve ratio across the entire UK banking sector never exceeded 1.5%.
Excess reserves do not exist on the UK due to the absence of the legal reserve requirements.

12- Conclusion and Recommendations

It could be observed that banks financial measured is commonly measured by ROA and ROE. There is a positive relationship between customers' deposits and banks financial performance in both banks under study, while there is a negative relationship between risk and financial performance.
Risk rating, such as Fitch rating, legal reserve and Basel accords complete the picture about the performance of bank to enhance the results of the ROA and that of the ROE.

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