

- ✦ Due to the fact of Corporate Governance importance, Piraeus Bank – Egypt is keen on executing all the regulations and principals of Corporate Governance in order to consider the interests of the recognized Shareholders (including minority interests), stakeholders, and protect the interest of the depositors.
- ✦ Applying corporate governance leads to many positive results, the most important are increasing the opportunities of financing, reducing the investment's cost, money market stability, and eliminating corruptions. When banks comply with applying the governance criteria this will encourage borrowing companies to apply the same principles especially transparency, disclosure & wise management that will leads to reduce the level of risk when dealing with banks which will decrease the level of delinquency.
- ✦ As applying Corporate Governance concepts assure that :-
  1. Achieve the goals of the strategic plan set by the Board of Directors.
  2. Facilitate to the Board of Directors effective monitoring of management, through the implementation of responsibility and accountability concepts.
  3. Apply Transparency and Disclosure principals.
  4. Applying of "Avoid the conflict of interest policy".
- ✦ And that will be executed by:-
  1. The proper Composition of the Board of Directors and the formed committees to help them ensure that the Bank is being soundly managed through the following :-
    - Enable the board to execute its roles in an efficient manner.
    - Achieve the strategic goals set up by the BOD.
    - Ensure that the BOD restrains itself from interfering too much in the daily operational work .
  2. Piraeus Bank - Egypt Corporate Governance Division, which includes the three following departments:
    - Risk Management Department
    - Compliance Department
    - Corporate Governance Department.

#### **Board Of Directors Composition**

The present Board of Directors consists of (9) members, (2) executive members and (7) non executive members .

Ilias Milis	Chairman
Nayera Amin	CEO & Managing Director
Maher Abou Steit	Assistant Managing Director
Yoannis Sgourovasilakis	Non executive member
Spyros Papaspyrou	Non executive member
Constantinos Loizides	Non executive member
Mohamed Mohamed Amer	Non executive member
Mohamed Hassaan	Non executive member
Hussein Loutfy El Sherbiny	Non executive member

The Board of Directors is assisted by (12) committees (4) of which are the Board Committees and (8) are Bank Committees.

#### **Piraeus Bank Committees:**

For the best practice of managing and controlling the organization Piraeus Bank - Egypt has formulated the Four ( 4 ) under listed Board Committees:

- Executive Committee
- Audit Committee.
- Risk Management Committee.
- Remuneration Committee.

#### **Other than (8) Eight bank committees as follows:**

- Alco
- Human Resources Committee
- Revenues & Expenses Committee
- Tariff Committee
- PBE Mutual Fund Activities Committee
- Provisions & Impairment Committee
- Retail Recovery Committee
- Business Recovery Committee

All above committees has its detailed charters which include all details i.e. purpose, quorum , and periodic meetings standards etc...

✦ Corporate Governance Division:

❖ Risk Management Department (RMD)

▪ Overview:

A Risk management, has being one of the Piraeus Bank functions key, which has within a particular interest and importance to the Bank Management, so that the continuous development and implementation of an effective risk management framework is consider a top priority, aiming to ensure the stability and continuity of its operations.

▪ The core mission of The Risk Management functions is:

- Design, specialization and implementation of policies, methodologies and procedures relating to risk management and capital adequacy, based upon the Bank's strategy and the various Central Bank of Egypt requirements.
- Identification, monitoring and quantification of all the major types of risk assumed by the Bank (credit, market, liquidity and operational).
- Propose risk taking limits in cooperation with the responsible business units.
- Support the activities of the business units by contributing to the design and development of new products and business activities.
- Measure and monitor the changes in capital adequacy and support decisions regarding the efficient allocation of available capital.

The RMD operational method & related units:-

▪ Credit Risk:

Defined as "the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract (or actual, contingent or potential claims) with the Bank or its failure to perform as agreed".

Credit risk is presented mainly in Loans activities to customer & banks, bond investment , due from banks term deposits from banks and rights and others' obligation stated in contingent liabilities are considered from the financial assets which are exposed to the credit risk which is represented in those parties inability to repay apart of full amount the loan at maturity date.

An effective credit risk management by implementing the best international practices is a strategic target for Piraeus Bank Egypt.

▪ **Market Risk:**

Defined as " probability of exposure to financial losses as a result of adverse changes in the level or volatility of interest rates, foreign exchange rates, commodity or equity prices".

Market Risk covers the following specific risk types:-

- Interest Rate Risk: Financial losses that results due to changes in interest rates.
- Foreign Exchange Risk : Financial losses that results due to changes in exchange rates.
- Equity Risk : Financial losses that results due to changes in equity prices.
- Commodity Risk : Financial losses that results due to changes in commodity prices.

The Bank's investment which exposed to the market risk are distributed to trading portfolio & non trading portfolio.

- Trading portfolio including the risk resulting from bank's direct dealing with Customers or Market.
- Non trading portfolio including Foreign Exchange & Equity Risks resulting from Held to Maturity investments& Available for sale investments.

Asset allocation and diversification can protect against market risk because different portions of the market tend to under perform at different times.

▪ **Operational Risk:**

Defined as "The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events".

Piraeus Bank Group has undertaken an Operational Risk Management framework to be compliant with Basel II requirements.

According to the Basel II Accord, Operational Losses are allocated to seven (7) Loss Event Type Categories as the following:-

- Internal Fraud
- External Fraud
- Employment Practices & Workplace Safety
- Clients, Products & Business Practices
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery, & Process Management

❖ **Compliance Department:**

Complying with laws procedures, standards and regulations is one of the most important foundations to achieve success and maintain the reputation, credibility and the interests of shareholders and depositors, and provides protection from the sanctions order.

So, Piraeus Bank - Egypt takes into consideration that Compliance has to be an integral part of the bank's culture in which the "Compliance Principles" are to be applied. Compliance is considered a full responsibility with numerous aspects that couldn't be considered as the sole responsibility for the Compliance Dept. but it's a collective responsibility that extends to all Piraeus Bank – Egypt employees, starting from the Board of Directors, Senior Management and ended with bank employees.

▪ **Compliance Concept and Function:**

Compliance is an independent job which assess and provide advice and counseling, monitor, and report on non-complying risk which might lead to administrative sanctions, or financial loss, or lead to harm the reputation of the bank due to his failure to comply with the procedures and controls regulatory, or standards of conduct and professional practice, this function is applied by the Compliance Department.

▪ **The Importance of the Compliance Function:**

Compliance play and post a key role in maintaining the reputation and credibility of the bank and the interests of shareholders and depositors, and to provide protection from the sanctions, by undertaking the following:

- Hedging the risk of non-compliance, specially the risk of non-compliance with laws and regulations, reputation risk and the risk of financial sanctions.
- Keep strong channels with local regulators to ensure full awareness of any changes and full coordination
- Creating mechanisms and frameworks to deal with crimes, and in particular, it's responsibility for the prevention of money laundering and combating financing of terrorism.
- Maintaining values and professional practices in the banking field.
- Ensure the application of corporate governance principles.

❖ **Corporate Governance Department:**

Corporate Governance Department in Piraeus Bank – Egypt aims assisting establishing, effecting and implementing of Corporate Governance principals, and the role of Corporate Governance represented through the following:-

- Monitor and Follow up the execution of the determined strategic action plan set by the Board of Directors, through the follow up of all formed committees.
- Monitor and Provide the maximum Transparency and Disclosure principals of the bank's operation and results.
- Enhance and develop the environmental framework of the Bank through its code of conduct and the social responsibility towards the employees and society.
- Monitor the effectiveness of the controls (internal & external).
- Monitoring the implementation of the "Avoid the Conflict of Interest policy".
- Applying the Fairness concept in the treatment of all shareholders.
- Accountability in the relations between the Board of Directors and the management.
- Accountability in the relations between the Board of Directors and the Stakeholders.