

GOVERNANCE MANUAL

THE WAY OF PRACTISING GOOD GOVERNANCE

6th Issue

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INTRODUCTION

Governance has attracted noticeable interest due to its economic importance. Corporate governance in banks emerged owing to the breathtaking developments in financial markets, cash flow globalization and technological development which increased the competitive pressures among banks and non-bank financial institutions. Moreover, the growth of financial markets and the variety in the bank financial instruments highlighted the importance of risk measurement, management and control. To realize this, innovative methods should be continuously devised to manage business and risk; and changes should be introduced to laws and oversight systems, with a view to maintaining a sound banking system.

National Bank of Egypt (NBE) pays great attention to sound governance practices. NBE's Board is committed to apply the best standards of professional performance to all the Bank business activities. In this respect, NBE complies with the regulations of Central Bank of Egypt (CBE) which always endeavours to develop the banking sector and maintain its integrity through the application of best international and local governance practices.

This Manual was developed by NBE and was first approved by its Board of Directors (BoD) in 2012. The Manual is revised, updated and amended biannually or as necessary to meet the changing requirements of NBE and regulatory authorities and be in line with the best international practices. An updated version is available on NBE's website to the public.

GOVERNANCE WILL BE APPROACHED AS FOLLOWS:

1. Concept of Banking Governance
2. NBE Governance

I. CONCEPT OF BANKING GOVERNANCE

I.1 DEFINITION

Governance is a system of relationships between the bank management, the Board, shareholders and the other stakeholders¹, setting a clear definition of powers and responsibilities for each of them. Governance tackles the method adopted by the bank's Board and senior management to guide and oversee its affairs and daily activities, including the following:

1. Developing strategies and setting objectives.
2. Defining the bank's risk appetite.
3. Handling the bank's daily business activities.
4. Maintaining balance between assuming responsibility towards shareholders and protecting the interests of depositors, taking into consideration other stakeholders' interests.

¹ - A stakeholder is any person having an interest of any type in NBE, including employees, customers, suppliers and creditors.

5. Ensuring that the bank's business activities are conducted safely and properly within the framework of applicable laws controls.
6. Following effective disclosure and transparency policies.

The Bank for International Settlements, under whose supervision Basel Committee on Banking Supervision operates, defines banking governance as the methods by which the bank's Board and senior management direct the bank. Such methods determine how to set the bank's objectives and strategies and the means of achieving such objectives. Governance also ensures ongoing evaluation of performance and compliance with the laws, regulations and banking norms in order to protect the interests of depositors, shareholders and stakeholders. The system of governance is the framework which determines the appropriate distribution of powers and responsibilities and the foundations of decision-making.

1.2 BENEFITS OF GOVERNANCE

Developing an effective governance system is of paramount importance to ensure the proper functioning of the banking sector and the economy as a whole. Banks play a vital role in supporting the national economy by injecting funds into businesses and projects which drive economic growth. How banks are managed is key to financial stability which is critical for maintaining a healthy national economy. Weak governance systems in systemically important banks could cause contagion of crises to the banking sector and the economy at large.

Bank governance deals with developing policies to enhance management productivity. It ensures efficient application of regulatory rules and laws together with the elevation of the bank's financial performance indicators within a proper organizational framework for the bank's operations and policies. This would ensure accuracy in assigning responsibilities, control, performance evaluation and the availability of personnel capable of perceiving such strategic role.

Moreover, governance is the best method that empowers managers to direct and enhance corporate performance. The best Board is the one which believes that maintaining an outstanding performance stems from maintaining the balance between wealth creation and control, promoting the highest standards in both areas.

2. NBE GOVERNANCE

NBE, an Egyptian joint stock company (S.A.E), was established on June 25, 1898. It became a state-owned public entity by virtue of Presidential Decree No. 40 of 1960. It was subsequently turned into an Egyptian joint stock company by virtue of Presidential Decree No. 44 of 1961. It is currently a fully state-owned bank in the form of an Egyptian joint stock company which is subject to the provisions of CBE and the Banking Sector Law No. 194 of 2020. NBE undertakes all banking

activities performed by commercial banks in accordance with the relevant laws and regulations governing such activities; the salient of which are:

1. Accepting deposits, opening current accounts, procuring all forms of finance from Egypt and abroad, and extending finance and credit facilities for different terms whether against guarantees of different types or free of guarantees.
2. Issuing shares and bonds, raising and accepting public subscriptions, and carrying out all the activities related to securities pursuant to the provisions of applicable laws and regulations.
3. Handling collection and payment of orders, warrants and other papers of value.
4. Issuing bonds, bills, cheques and notes whether payable in Egypt or abroad, except for bearer bonds on demand, as well as discounting and negotiating bills, cheques and promissory notes of any type whether payable in Egypt or abroad.
5. Purchasing and selling securities at the Stock Exchange for its own account or on behalf of others.
6. Providing custodian services in all forms and carrying out all securities-related activities.
7. Making investments in corporations' capital and taking part in establishing investment companies and associations of capital.
8. Dealing in financial derivatives to secure NBE and its customers against fluctuations in exchange and interest rates in accordance with the rules and regulations of the CBE.
9. Providing safe deposit box services.
10. Acting as an investment trustee for others.
11. Representing different banking entities.
12. Engaging in foreign exchange activities.
13. Doing the business of mutual funds, financial leasing, and real estate finance in accordance with CBE's regulations.
14. Undertaking other necessary banking activities. In general, NBE carries out all banking, commercial and investment activities for the benefit of NBE or others or in participation with other entities. In addition, NBE performs all other standard banking activities. NBE may, in all respects, have interest in, partner with, purchase, affiliate to or merge under other banks, companies, entities or bodies that conduct similar business or help NBE fulfill its purposes, whether in Egypt or abroad pursuant to the relevant governing laws and regulations.

NBE attaches great importance to sound governance practices. NBE's Board applies the highest professional performance standards to its all activities. In this regard, NBE complies with the Law of the Central Bank and Banking Sector promulgated under Law No. 194 of 2020, CBE's instructions and the best international practices.

GOVERNANCE AT NBE IS BASED ON THE FOLLOWING PRINCIPLES:

1. Treatment of all stakeholders on the same basis.
2. Transparency and disclosure to allow the relevant parties to evaluate NBE's performance and financial position.
3. Balanced relationship between NBE's management and the Board, as well as among the Board, shareholders and other stakeholders.
4. Responsibility and accountability by clear segregation of duties.
5. Good example, as the conduct and behaviour of Board members give a good example for all NBE's management levels.
6. Developing a Code of Ethics for NBE's Staff and Senior Management, explaining the work philosophy adopted by management.
7. Introduction of the Whistleblowing and Whistle-blower Protection Policy.
8. Designing and applying the conflict of interest policy.
9. Social and environmental responsibility.

NBE is a pioneer in adhering to governance concepts. This is crystallized by how the Board and senior management direct and oversee NBE's business and daily activities, which affects the process of setting objectives and shouldering responsibility towards all stakeholders such as beneficiaries, depositors, regulatory bodies, and governments. NBE's Board and senior management also do business and act professionally in a way that ensures doing business safely and properly in compliance with the laws and regulations applicable to NBE.

3. NBE'S BOARD OF DIRECTORS (BOD)

The Board is fully responsible for governance, starting from inculcating the culture of governance and approving a Code of Ethics for NBE's Staff and Senior Management that will serve as a guide for performing their daily duties, up to taking the necessary steps to communicate the objectives and conduct that should be followed at NBE. At the same time, the best interest of all stakeholders should be protected. The Board also approves the standards and values which reflect NBE's policies that should be followed by all employees, senior management and directors. This comprises NBE's strategies. In addition, the Board sets general objectives for executive officers and oversees the realization of such objectives. Furthermore, the Board verifies the effectiveness of internal controls and risk management to ensure maintaining NBE's reputation.

3.1 BOARD COMPOSITION

The Bank is managed by a Board that comprises a number of directors having diverse experience and appointed by the Prime Minister's decision, subject to the CBE's current governance instructions, provided that the majority of the Board consists of non-executive members.²

The salaries, allowances and remuneration of the Chairman and Board directors shall be determined by the General Assembly.

3.2 NON-EXECUTIVE AND INDEPENDENT DIRECTORS

NBE applies and practices governance, and ensures the presence of effective audit and budgeting functions, allowing objective feedback on NBE's activities and the decisions made by the Board. This can be achieved through maintaining the balance, independence and objectivity of its Board by engaging both executive and non-executive directors who shall have the skills and experience that qualify each of them to express his/her opinion during the Board's discussions independently, resulting in proper decision-making.

Non-executive directors are those who are not full-time employees at NBE, do not receive any monthly or annual salary from NBE, and do not provide any paid consultancy. The Board discloses in its annual report the names of all non-executive directors who are deemed independent from management and do not have any kind of relationship that may prejudice their objectivity in decision-making.

A NON-EXECUTIVE DIRECTOR IS DEEMED INDEPENDENT IF S/HE:

1. is not a former employee of, nor have a family relationship with any of the employees of, the Bank or any of its affiliated parties during the three years preceding nomination.
2. does not have any personal interests or any relevant relations with NBE.
3. does not have family relations with directors, senior management member or any of their relatives up to fourth degree.
4. receives compensation only in the form of allowances for his/her representation in the Board and Board committees.
5. is not a major shareholder in NBE and does not represent it.
6. is not a partner or employee of NBE's external auditor during the last three years prior to the date of his/her nomination as director.
7. has not been a director for more than six successive years.

²- This is according to the provisions of Articles 118, 120, and 134 of the CBE and the Banking Sector Law No. 194 of 2020.

3.3 BOARD'S RESPONSIBILITIES

The Board is mainly responsible for the management of NBE as well as identifying and achieving the strategic objectives of the Bank. It is also responsible for overseeing senior management performance, and ensures that effective internal control and risk management systems are in place so as to maintain the Bank's reputation and stability on the long term. The Board shall be responsible for the following:

1. Approve and monitor the implementation of NBE's key strategies, policies and objectives, and ensure that they are communicated to NBE's staff.
2. Endorse the strategies related to business activities, and ensure the quality and integrity of financial and internal control as well as the Bank's financial soundness.
3. Ensure that the Bank's strategic plan clearly states the required capital at present, the targeted capital, the expected capital expenditure and external sources of capital which should be in line with the strategic objectives. The dividend policy and targeted growth rates should be taken into consideration.
4. Verify that the methods of risk measurement and management are commensurate with the complexity of the Bank's activities and risk exposure.
5. Approve, monitor the implementation of, and upgrade the organizational structure and determine NBE's structure of authorities and responsibilities, taking into consideration that.
 - 5.1. The organizational structure includes all the Bank's departments; and identifies lines of communication for each job in order to achieve an appropriate distribution of authorities and responsibilities; and a sound reporting system is adopted to ensure segregation of duties.
 - 5.2. The Board should be well-aware of the organizational structure of the Banking Group (NBE & its subsidiaries), with full understanding of all legal and operational risks at the group level to ensure effective control.
 - 5.3. The principle of dual control is applied within each function.
6. Ensure that the Bank's organizational structure allows the Board and senior management to assume their responsibilities, facilitates effective decision-making and good governance and clearly outlines the main responsibilities and authorities of the Board itself, senior management and control staff.
7. Select, supervise and, if necessary, replace NBE's senior executives after consultation with the CEO.
8. Oversee and monitor NBE's senior management performance and ensure that it is accountable to the Board which may obtain clear explanation and clarification in terms of accountability.
9. Ensure that the senior management undertakes the duties assigned within the responsibilities

and powers delegated to it by the Board in compliance with the risk management framework and the relevant policies and standards approved by the Board.

10. Make sure that the senior management has developed an appropriate and effective internal control system supporting the internal audit function to adequately perform its duties. The Board should revise the corrective measures recommended by the Audit Committee and the senior management to observe the remarks made by external and internal auditors and CBE inspectors on the internal control evaluation.
11. Ensure that there is an effective information system that secures efficient reporting to/from the Board and timely provides all NBE's management levels in the organizational structure with key information.
12. Ensure NBE's compliance with the relevant laws and legislation as well as its Articles of Association and by-laws, and safeguard the Bank against illegal and inappropriate practices and activities.
13. Supervise the designing and monitoring of internal controls in relation to anti-money laundering and combating the financing of terrorism (AML/CFT).
14. Approve a plan with a set of assumptions to manage severe incidents that may occur in the banking sector or NBE, any likely exposures to sustain financial distresses that may affect NBE's solvency, liquidity or profitability and the corrective actions necessary to recover the financial soundness in case that any of such assumptions occurs. Monitor the executive management's adherence to such plan, provided that it is updated biannually or whenever any critical change is introduced to NBE's activities, structure or placements, or to the plan assumptions.
15. Effectively undertake the control and oversight role of the directors; control and manage any potential conflict of interests in NBE's management; set rules that govern receiving or giving gifts; and make necessary disclosures, including disclosure to the CBE with respect to NBE's policies of avoiding conflict of interests and information about transactions with affiliated parties.
16. Adopt and periodically review disclosure policies and oversee policy implementation in line with the relevant provisions of law and international standards.
17. Ensure the validity of disclosure procedures and liaise with all relevant parties, in relation to the Bank's strategy, financial results and major developments.
18. Apply governance principles in the light of the Bank's business activities, market share and other relevant economic factors.
19. Disseminate the governance culture at NBE and urge all employees and senior management to adopt governance practices; and ensure that NBE encourages its customers to apply corporate governance rules.
20. Review governance framework periodically to remain responsive to material developments in

the Bank's size, complex transactions, geographical expansion and strategy as well as market conditions, the best governance practices and regulatory requirements.

21. Ensure that an effective reporting system is in place, through which wrong or improper behaviour can be reported to the Board.
22. Endorse NBE's committees and monitor their performance.
23. Develop the Bank's own values and standards, and ensure meeting obligations towards all stakeholders.
24. Approve all NBE's policies.
25. Set the Bank's risk appetite.
26. Approve and endorse the strategies and policies related to NBE's risk management, and review and re-assess such strategies and policies periodically; ensure that the risk management's policies and procedures are commensurate with the Bank's risk framework and strategic business plans and that such policies cover all activities and products.
27. Approve all by-laws, including the remuneration and compensation policy as well as allowances schedule, as per the Labour Law promulgated by Law No. 12 of 2003. Set one or more mechanisms to compensate staff members according to their performance, as well as the quantity and quality of their accomplishments, in addition to investigation and disciplinary action mechanism. Such mechanisms are used regardless of the laws and regulations applicable in the public sector and public business sector companies. Review and periodically re-evaluate these policies in line with the Bank's acceptable risk appetite.
28. Approve the rules of extending credit to customers and the procedures adopted to ensure customers' creditworthiness and the validity of submitted information, facilities granting procedures, relevant control system. Submit periodical reports on NBE's credit portfolio.
29. Approve and periodically review NBE's policies related to the bases of IT management, especially information security conditionality.
30. Approve NBE's balance sheet.
31. Conduct periodic review of arrangements and agreements concluded with auditors to ensure they are commensurate with the Bank's business volume and nature.
32. Ensure the credibility and adequacy of financial and accounting rules, including financial statements preparation rules.
33. Verify that necessary actions are taken to measure, follow up and control interest rate risks associated with non-trading positions, in line with the strategies and policies approved by the Board in this regard. Therefore, the Board shall approve the following:

- 33.1. Appropriate limits for interest rate risks associated with non-trading positions, indicating necessary actions and required approvals in case of any exceptions and ensuring compliance with the said limits regularly.
- 33.2. Adequate methods to measure interest rate risks associated with non-trading positions.
- 33.3. Procedures of evaluating and updating scenarios of interest rate shocks, stress testing and basic assumptions used in interest rate risk analysis for non-trading positions.
- 33.4. Comprehensive reporting and review systems in relation to interest rate risks associated with non-trading positions.
- 33.5. Effective internal control systems and management information systems (MIS).
34. Approve the quarterly evaluation of NBE's risk, especially investment and credit portfolio risk, and procedures taken in this regard, which is submitted to the Board by Risk Committee. Ensure that all necessary actions are taken to respond to any future risk.

In assuming these responsibilities, the Board shall observe the legitimate interests of depositors and other stakeholders, and ensure that the Bank maintains a sound and effective relationship with all regulatory bodies.

3.4 BOARD'S RESPONSIBILITIES AS REGARDS TO SUBSIDIARIES AND FOREIGN BRANCHES:

NBE's Board shall be aware of the risks and other factors that may affect the Bank as a group and its subsidiaries and foreign branches. Adequate control shall be exercised over subsidiaries, while respecting the independent legal and regulatory responsibilities that may apply to Sub Boards.

To assume these responsibilities, NBE's Board shall:

1. Establish a regulatory system and a governance framework that defines the duties and responsibilities of the Bank as well as its subsidiaries and foreign branches.
2. Develop an appropriate organizational structure of the Board and/or executive management that helps exercise effective control over the business activities of subsidiaries and foreign branches, and accounts for the nature of risks to which the Bank, as well as its subsidiaries and foreign branches, may be exposed.
3. Assess whether the Bank's governance framework includes adequate policies, procedures and controls to address the risks in the course of business and through different legal entities within the Bank's group.
4. Ensure that a sound conflict of interest policy is in place and provides for good management and regulation of transactions between the Bank and its subsidiaries and branches in such manner that would prevent any conflict of interests.

5. Adopt clear strategies on establishing new subsidiaries and foreign branches, and ensure that these strategies are commensurate with the Bank's policies and interests.
6. Verify that the Bank has adequate resources to monitor compliance by subsidiaries and foreign branches with all legal and regulatory requirements as well as applicable governance rules.
7. Maintain a sound relationship with all regulatory authorities of subsidiaries and foreign branches through their boards/senior management or via direct contact with regulators.
8. Approve policies and procedures of foreign branches.
9. Follow up the performance of branches and subsidiaries through the reports submitted to the Board.

3.5 CHAIRMAN'S RESPONSIBILITIES:

The Board is primarily and principally responsible for the Bank's management, through maintaining sound relationships between the Board, executive management and other affiliated parties. Therefore, the Chairman shall ensure that these relationships are effective and serve the Bank's best interests. The Chairman shall liaise with the executive management, manage the Board and ensure that the Board performs its duties in an appropriate and effective manner. Chairman's responsibilities are as follows:

1. Represent (himself or his authorized substitute) NBE before courts and third parties.
2. Have (himself, his authorized substitute or any director delegated by the Board for this purpose) the authority to sign individually for the Bank.
3. Chair the Board with an eye to achieving the strategic objectives of the Bank, and supervise the executive management to fulfill the Bank's vision and goals.
4. Manage the Board and set its agenda, noting that the agenda shall include all actions required to be taken by the directors.
5. Encourage discussion and criticism and make sure that opposing opinions have an avenue to be voiced and discussed within the framework of the decision-making process.
6. Ensure that decisions are duly taken based on full awareness of the subject matter and that a proper mechanism is available so that decisions can be effectively and timely implemented and followed up.
7. Check that the Board functions effectively to serve the best interests of NBE, avoiding any potential conflict of interest.
8. Maintain confidence among all directors in general and between executive and non-executive directors in particular, fostering the relationship between the Board as a whole and the senior management.
9. Ensure the flow of adequate and accurate information on a timely basis to both directors and shareholders.

10. Verify the effectiveness of the governance system applicable at NBE as well as the efficiency of Board committees' performance.
11. Ensure the effective implementation of the Board's decisions.
12. Initiate a well and comprehensively designed induction program for new directors, tailored to be commensurate with the Bank's business nature and relevant regulatory instructions, thus better informing directors about the Bank's business activities and operations and helping them assume duties and responsibilities in a more efficient manner.
13. Encourage directors to take effective role in meetings, especially non-executive directors;
14. Ensure that all directors conduct a self-assessment which includes determining each member's compliance with the responsibilities of his/her job and the necessary requirements to boost efficiency.
15. Ensure that Board meetings are held in accordance with the Bank's Articles of Association, CBE's governance instructions and relevant regulations and laws.

The Chairman undertakes the duties of the Chief Executive Officer (CEO), and the grounds for occupying this position are declared in the annual report.

3.6 BOARD MEETINGS:

The Board meets at NBE's Head Office at least once every month, and as dictated by NBE's best interest. The Board meetings are held upon an invitation from the Chairman or his substitute in case of his absence, or upon a request by the majority of the Board. Meetings are valid if the majority of members attend, provided that the Chairman, or his substitute in case of his absence, attends the meeting, with full adherence to all CBE's instructions in this regard.

Board meeting may be held outside the Head Office, provided that the meeting shall be held in Egypt.

No Board member may be absent for more than one-third of the Board meetings during a year; otherwise, the Chairman shall notify NBE's general assembly to take the action it deems appropriate.

Board decisions are passed by majority of votes of the attendees. In case of a tie, the Chairman, or his substitute, shall have a casting vote.

Furthermore, non-executive Board members shall meet at least once a year in the presence of the Chairman, without the executive Board members.

Participation in Board meetings via secured audio-visual means of communication:

Directors may participate in Board meetings via a secured audio-visual means of communication in accordance with the following conditions:

1. Directors shall in principle attend meetings in person; failing which, directors may participate via a secured audio-visual means of communication after obtaining the Chairman's approval and notifying the secretariat, subject to the instructions issued by the CBE in this regard.
2. Director's participation via a secured audio-visual means of communication shall be deemed an actual participation in Board meetings. Directors shall be entitled to vote and be counted for establishing the quorum and issuing valid decisions.
3. The means used in case of director's participation via a secured audio-visual means of communication must be safe and secure. The following requirements shall be satisfied as a minimum:
 - 3.1. Apply all measures and controls ensuring identification of participants via video conference or phone call.
 - 3.2. Use encryption technology to protect the confidentiality and safety of communication as well as all information and data exchanged during communication (documents, correspondence, etc.); the selected encryption technology shall be commensurate with the sensitivity and criticality of information exchanged during the meetings.
 - 3.3. Apply all measures and controls that ensure protecting the communication system against unauthorized access.
 - 3.4. The Bank's System Backend shall be located in the Bank's main IT center and secured by all means of data security;
 - 3.5. No cloud-based services (i.e. an external service operator or IT center) are allowed.
 - 3.6. The Bank shall conduct penetration tests to make a detailed and thorough assessment of system security before using it and following the introduction of any material changes to the system.

3.7 BOARD SECRETARIAT

NBE assigns the tasks of "Board Secretariat" to a person(s) whose role is not confined to taking minutes but also includes:

1. Preparing for the Board meetings, setting the agenda, arranging the information and details related to the agenda and sending the same to all directors, sufficiently before each meeting.

2. Following up the implementation of Board decisions within the mechanism set for this purpose.
3. Filing and documenting all matters relevant to Board decisions and all discussed issues and ensuring that the directors obtain key information timely.
4. Coordinating with the Compliance Head as well as all NBE's departments to submit their operational output to the Board.
5. Coordinating with all Board committees to ensure effective communication channels between these committees and the Board.
6. Coordinating with the Governance and Nomination Committee to provide necessary information supporting the Chairman's assessment of directors and committees, and the proposals submitted by the Board to the General Assembly.
7. Ensuring that the Directors are aware of the major supervisory or legal responsibilities introduced due to any developments in the operations/ business activities of NBE or by virtue of the Bank's legal framework, each within their respective scope of responsibilities without conflicting with the competent departments.
8. Providing the new directors with necessary information about NBE and introducing them to the other directors.
9. Making all valid information available on a timely basis to directors to assess the management's performance.
10. Coordinating with Governance and Nomination Committee to file the self-assessment forms of directors.

The Board's Secretary shall be an efficient person who possesses good knowledge of the banking operations.

3.8 EVALUATING BOARD PERFORMANCE

The Board shall follow a strict system for annual self-assessment to determine whether the Board and its committees are functioning effectively as a whole and as individuals. The individual assessment of each director is to identify the effectiveness of his/her contributions, and whether he/she has fulfilled his/her duties (noting that the director's contributions include the time spent and the efforts made in Board meetings and committees to fulfill his/her duties).

The Chairman will be in charge of evaluating directors' performance by conducting annual evaluation for each director to determine the strengths and weaknesses in the Board.

The Board shall have a separate charter and manual that defines its duties, responsibilities and course of action.

3- Pursuant to Article 81 of the Companies Law No. 159/ 1981 . "Minutes of board of directors' meetings shall be regularly maintained after each meeting in a special record signed by the chairman and secretary. This record shall be subject to the terms and conditions of general assembly records.

3.9 BANK COMMITTEES

The Board shall establish permanent or temporary committees from among its members and NBE employees, to assist the Board in carrying out its functions, identifying its duties, responsibilities and course of action. The Board Committees and other committees determined by the Board, by virtue of the CBE and Banking Sector Law No. 194 of 2020, shall play an important role in supporting the Board's decision-making process, as their power and authority emerge from the Board's assignment. Although the Board may delegate certain powers and authorities, but at all times, it is still held responsible.

Each committee shall have an approved written charter that outlines its membership, functions, frequency of meetings, quorum and rules of convening, decision-making rules, committee's secretary, call for meetings, agenda, and reporting.

3.9.1 BOARD COMMITTEES

They are formed by the Board subject to the CBE and Banking Sector Law No. 194 of 2020, CBE's governance instructions and relevant regulations. These committees assist the Board in carrying out its oversight responsibilities, and are mainly formed of executive and non-executive directors.

Each committee shall deal with one or more of the Board's duties based on its approved charter which defines its responsibilities and rules of convening. Board committees include the following:

1. Audit Committee.
2. Risk Committee.
3. Remuneration and Compensation Committee.
4. Corporate Governance and Nomination Committee.

3.9.1.1 AUDIT COMMITTEE

The Audit Committee's functions are determined in accordance with the CBE's governance instructions and its scope of work approved by the Board. The main role of the Audit Committee is to review the Bank's financial statements, ensure the effectiveness of internal control and oversee the performance of internal and external auditors, compliance and AML/CFT functions at the Bank.

The committee is composed of three non-executive directors. The Board may add an external experienced member after obtaining the approval of CBE's Governor according to the CBE and Banking Sector Law No. 194 of 2020, with adequate experience and sufficient knowledge in financial, audit and accounting fields.

3.9.1.2 RISK COMMITTEE

The Risk Committee's functions are determined in accordance with the CBE's governance instructions and its scope of work approved by the Board. The main role of Risk Committee is to develop, implement and monitor the Bank's risk management strategy and identify risk policies. The Committee reviews risk procedures and framework, and identifies relevant roles and responsibilities across the Bank.

The Risk Committee mainly comprises non-executive directors, provided that its members shall not be less than three and the head of the Committee shall be a non-executive director.

3.9.1.3 REMUNERATION AND COMPENSATION COMMITTEE

The Remuneration and Compensation Committee's functions are determined in accordance with the CBE's governance instructions and its scope of work approved by the Board. The main role of the Committee is to review the framework of benefits, compensation and remuneration.

The Remuneration and Compensation Committee consists of three non-executive directors, and the head of the Committee is preferred to be an independent director.

3.9.1.4 CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

The Corporate Governance and Nomination Committee's functions are determined in accordance with the CBE's governance instructions and its scope of work approved by the Board. The main role of the Committee is to oversee governance practices in the Bank, ensure that the Bank applies good governance measures and propose any amendments it considers significant to the governance policies approved by the Board.

The Corporate Governance and Nomination Committee consists of three non-executive directors, and the head of the Committee is preferred to be an independent director.

3.9.2 EXECUTIVE COMMITTEE

The Executive Committee's functions are determined in accordance with the CBE's governance instructions and its scope of work approved by the Board. The main role of the Executive Committee is to implement the Bank's strategy, direct the Bank's business activities and review the

reports submitted to it by different divisions and departments of the Bank.

The Executive Committee is constituted by the Board from executive directors and senior executives.

3.9.3 MANAGEMENT COMMITTEES

In view of implementing strategic plans to develop and boost the Bank and maintaining a good workflow and acceptable risk appetite, the Board may approve the composition of management committees to assist the executive management in carrying out its responsibilities, especially in relation to operating activities.

Management committees are mainly composed of executive directors, executive management and the Bank's staff. Each committee shall have a separate work charter which defines its duties and responsibilities and shall be approved by the Board.

4. GENERAL ASSEMBLY

The Bank's General Assembly shall be formed in accordance with the Law of the Central Bank and Banking Sector promulgated under Law No. 194 of 2020, by virtue of a decision by the Prime Minister, from individuals with banking, financial, economic, legal and accounting experience. The General Assembly is attended by the Chairman, directors, the two auditors, and one or more representatives from the CBE without having a counted vote.

The General Assembly shall in particular undertake the following:

- Approve the financial statements, dividends and the auditor's report.
- Amend the Articles of Association.
- Decide the Bank's merger or demerger, where such decision shall be effective only after obtaining the Cabinet's approval.
- Approve the draft budget.
- Determine the salaries, allowances and remunerations of the Chairman and directors.

5. EXECUTIVE MANAGEMENT

NBE's senior management consists of senior executive officers who carry the responsibility of supervising day-to-day activities, such as executive directors, and heads of groups and divisions

including, but not limited to, Head of Branch Network, Head of Retail Banking Group, the Chief Financial Officer (CFO), Head of Internal Audit and Inspection Group, Head of Regulatory Compliance and Corporate Governance Group, Head of Risk, Head of Legal Affairs and Head of Operations.

Senior management members should have the necessary experience, knowledge and skills for managing and leading NBE's staff, and develop such experience and receive adequate training in line with the changing volume of NBE's transactions. As a major role, senior management may delegate certain tasks to NBE's staff and establish an organizational structure that underscores accountability. Being primarily and principally responsible for the Bank's performance before the Board, senior management also follows up the delegated tasks.

The executive management directs and carries out the Bank's business activities in line with the Bank's strategy, risk appetite and Board-approved policies under the supervision of the Board through periodic reports.

For the executive management to be efficient and able to cover all of the Bank's business activities, each executive manager has authority over a set of banking activities pursuant to the organizational structure approved by the Board.

5.1 EXECUTIVE MANAGEMENT QUALIFICATIONS

The executive management shall have extensive knowledge, expertise and personal qualifications as indicated in their job description. The executive management shall apply the highest ethical standards as required by the Code of Ethics for NBE's staff and senior management.

All executives shall respect the segregation of duties and responsibilities, in line with the strategy (Board function) and its implementation (executive management functions) in the Bank.

All executives shall be aware of their governance-related role, and understand their role in adopting the regulatory requirements and Board's instructions so as to serve the Bank's best interests.

5.2 ROLE OF EXECUTIVE MANAGEMENT

RESPONSIBILITIES

The executive management is responsible for the proper execution of activities. It provides the Board with the information related to the performance of business units in a timely manner, and ensures the appropriateness, integrity and completeness of such information.

The executive management shall provide adequate information on the Bank's activities to all directors to help them perform their duties effectively.

The executive management is responsible towards the Board for the following:

1. The Bank's strategy and the strategy of the Bank's groups/divisions.
2. Annual budget and business plans.
3. Risk policy, outlining duties and responsibilities and risk reports.
4. Ongoing assessment of risk function and control functions.
5. Internal control system.
6. Financial reports, models and all periodic reports.

Duties of Executive Management

1. Monitor and manage all NBE's business activities and operations on a daily basis.
2. Implement the Board-approved strategies and policies, ensuring their efficiency and make proposals to develop or amend them.
3. Develop an organizational structure to be approved by the Board, which shall outline tasks, responsibilities and authorities and segregate executive duties from supervisory duties to avoid conflict of interests.
4. Ensure there are qualified staff having the necessary experience and professional skills in relation to all the Bank's functions and departments and pay attention to effective and continuous training in order to refine experiences.
5. Apply the relevant regulatory controls and Board's instructions to serve the Bank's best interests.
6. Take the necessary steps and procedures to identify, measure, follow up, monitor and mitigate risks and the methods of reducing their impact, after obtaining Board's approval.
7. Put in place measures to ensure the effectiveness and efficiency of internal control functions and follow up their performance regularly.
8. Maintain adequate records of all relevant procedures and decisions.
9. Submit periodic reports to the Board concerning the Bank's business activities and internal control remarks.

Additionally, senior management follows up the performance of departments/units managers in relation to NBE's business activities and transactions, to ensure compliance with procedures and policies set by the Board, the laws and regulatory controls. Under the Board's oversight, the executive management is responsible for having in place an effective internal control system across the Bank.

5. 3 EFFECTIVE RELATIONSHIP BETWEEN BOARD OF DIRECTORS AND SENIOR MANAGEMENT, CLEARLY IDENTIFYING RESPECTIVE POWERS AND DUTIES

Cooperation between NBE's board and senior management is a main pillar of effective governance. This is reflected in clearly identifying their respective powers and duties. The Board of Directors plays a significant role in direction and leadership, while the role of senior management is to prepare and implement the relevant strategies and policies developed and approved by the Board. Moreover, the Board and its members should act independently from senior management. There should be no relationships which may affect the objectivity of decision taking.

The Board ensures that senior management actively applies the policies preventing and minimizing the activities, relationships or circumstances which may jeopardize NBE's governance system. These include, for example, conflict of interests, internal lending and preferential treatment for related parties or certain institutions (e.g. soft-term loans which are not granted to other NBE customers, without deviating from banking norms). Both the Board and senior management should understand NBE's organizational structure and transaction volume.

Furthermore, NBE has in place an organizational chart and a manual of instructions which clearly state the powers and responsibilities across the Bank. The manual includes the most important business procedures and the duties of NBE's Board and senior management. Both the Board and senior management undertake the responsibility of instituting and underpinning professional and ethical standards, besides enhancing internal control culture. NBE shall design certain policies covering practices relating to such standards, ensuring the compliance of its staff with such policies.

NBE applies the principle of dual control. More than one person should jointly take vital decisions to ensure objectivity and avoid conflict of interests. Senior management verifies that the relevant policies and strategies have been properly communicated to all NBE's staff. In the meantime, the Board oversees senior management's activities and assesses how far they are in compliance with Board's policies. This is an essential part of checks and balances which should be available in an effective governance system.

NBE sets appropriate supervisory positions in its organizational chart able to assume their respective responsibilities, in order to ensure effective supervision and control over all job levels while accurately describing the authorities and responsibilities of each level, including:

1. directors, in their capacity as members in the Board and its committees.
2. senior managers.
3. NBE's functions of day-to-day work.
4. heads of groups who directly oversee NBE's various divisions.
5. heads of NBE's various divisions.
6. NBE's independent functions, such as Risk, Compliance, and Internal Audit and Inspection Groups.

In addition, it is important to check that the right person is in the right place, to ensure that duties are fully discharged.

Board and senior management shall perform their duties according to the following principles:

1. Comply⁴ to the Central Bank and Banking Sector Law No. 194 of 2020 and regulations and instructions issued as a result;
2. Exert due diligence as per technical and professional customs.
3. Collaborate with the Central Bank with credibility and transparency.
4. Notify the Central Bank of any grave violations in the Bank.
5. Verify that their duties are performed efficiently and effectively according to the applicable laws and regulations.
6. Ensure that their responsibilities are assigned to persons having the competency and authority necessary to perform the assigned duties, while assuming full responsibility for these duties.
7. Exercise all due diligence to protect the interests of customers, providing them with fair treatment.
8. Maintain disclosure and transparency upon providing information requisite for customers.
9. Avoid any conflict of interest.

6. INTERNAL CONTROL

6.1 DEFINITION

Internal control is a process whereby all the Bank's activities and operations are regularly monitored and reviewed by the Board, senior management, all NBE's committees and employees acting as part of the Bank's internal control function.

⁴-Pursuant to Article 121 of the Law of the Central Bank and the Banking Sector promulgated under Law No. 194 of 2020

6.2 CULTURE

The Board and senior management are responsible for setting and communicating the standards necessary for fostering internal control culture and establishing the control environment at the various levels of management at the Bank, which makes all employees at all levels aware of the nature of their respective roles and responsibilities in light of the Bank's approved policy. The policies of the Bank and the Code of Ethics for NBE's Staff and Senior Management should reflect the ethical values of the Bank and/or the overall banking group, with the objective of reducing any breaches or abuses committed by the staff, which may cause financial and moral losses to the Bank.

6.3 OBJECTIVES

1. Ensure the efficiency of activities and operations management at the Bank in order to optimally utilize resources and manage assets to avoid losses and maximize profits.
2. Check consistency and compliance of the Bank's activities and operations with applicable laws and control rules, and their conformity with policies, procedures and bylaws of the Bank.
3. Ensure the efficiency of risk management function and follow adequate procedures to control and reduce risk.
4. Verify the effectiveness of management information systems (MIS) to support timely decision-making as well as adequate and accurate reporting.

6.4 NBE'S INTERNAL CONTROL ELEMENTS

The integration of internal control elements is the cornerstone of success in achieving its objectives, especially regarding the protection of NBE's assets against risks and the achievement of the relevant strategic objectives, according to the following:

1. The effective role of the Bank's Board and senior management;
2. Consistency and effectiveness of internal control functions (Internal Audit and Inspection - Risk Management - Compliance).
3. Adequacy of risk control systems.
4. Efficiency of information systems and communication channels of the Bank.
5. Efficiency of the adopted internal control procedures to ensure dual control and segregation of duties.
6. Review of internal control policies and procedures, periodical assessment of their effectiveness, and adoption of the necessary corrective measures in this regard.

The organizational structure of the internal control functions is reviewed at least once annually by internal and external auditors.

6.5 BOARD'S RELATIONSHIP WITH INTERNAL AND EXTERNAL AUDITORS AND OTHER INTERNAL CONTROL FUNCTIONS

To ensure having an effective governance system, cooperation is maintained between the Bank's Board and the internal and external auditors in addition to NBE's internal control functions (Risk Group, Regulatory Compliance and Corporate Governance Group, and Internal Audit and Inspection Group). The Board and senior management shall make the best use of the deliverables of the Bank's Risk Group, Internal Audit & Inspection Group and Regulatory Compliance & Corporate Governance Group as well as external auditors' notes and reports, in order to verify the information disclosed by the management regarding the validity of the Bank's operations and performance.

Optimal use of the recommendations and comments of the departments/groups referred to above helps to verify the information disclosed by the management regarding the validity of the Bank's operations and performance.

When modifying its organizational structure, the Bank has observed the segregation of duties of the departments/groups exposed to risk and the departments/groups monitoring such risk. Moreover, the Bank's existing committees are reorganized to avoid any conflict of interests and work independently. Direct contact should be maintained between each of the aforementioned functions and the Bank's Board and senior management. The Bank's Board and senior management are responsible for ensuring the availability of sufficient resources for internal control functions (Risk, Regulatory Compliance and Corporate Governance and Internal Audit and Inspection) in addition to hiring skilled and experienced employees in such departments to adequately meet their needs and support these Groups to have readily available access to important reports and information from different NBE divisions and branches

6.6 INTERNAL AUDIT FUNCTION (INTERNAL AUDIT AND INSPECTION GROUP)

The importance of internal audit function stems from ensuring the effectiveness and adequacy of NBE's internal controls and governance to provide a comprehensive insight to the Audit Committee, the senior management and Board on internal control and governance. In addition, the internal audit evaluates the efficiency and adequacy of the procedures adopted by the Bank's different departments and business lines.

The internal audit function is completely independent of other activities being reviewed, which is reflected in the Bank's organizational structure and the powers vested to it. This enables its staff to fulfill the assigned tasks with full objectivity and impartiality. The internal audit department reports

directly to the Audit Committee, which submits its reports to the Board to ensure independence.

The Bank shall develop an Audit Charter, which will be reviewed and updated periodically. The Charter generally includes the objectives of the audit function and the tasks assigned to the Audit Department and clearly identifies the powers and responsibilities of its staff.

Pursuant to the provisions of Article (120) of the Central Bank and Banking Sector Law No. 194 of 2020 and the CBE's internal control instructions dated September 2, 2014, banks are committed to obtain the CBE's approval of the appointment of the Head/Director of Internal Audit in accordance with the relevant rules. Moreover, the Board shall approve the decision of resignation or removal of the Internal Audit and Inspection Group Head for any reason, provided that removal reasons are disclosed and discussed with CBE.

6.6.1 MAIN FUNCTIONS OF INTERNAL AUDIT

1. Evaluate the adequacy of internal control systems approved by NBE's senior management, ensure that appropriate review and continuous development and update of internal controls, risk management procedures and compliance systems are properly carried out in all NBE's units and branches inside Egypt and abroad, report remarks and corrective measures to the Audit Committee and/or the Board, and follow up the implementation of the relevant corrective measures.
2. Evaluate the compliance of NBE's various activities and business units with the adopted procedures and policies.
3. Assess the effectiveness of the applicable procedures and policies and their consistency with business and market developments.
4. Follow-up the feedback and proposals reported by Internal Audit and Inspection Group through the Manager of Audit and Inspection Follow-up Department with a view to ensuring that such feedback is sound and can consequently be reported. NBE's Board and senior management will verify the significance of the feedback made by the Internal Audit and Inspection Group, particularly such matters related to risk management and internal controls through the following procedures:
 - 4.1 continuously stressing the importance of internal audit and control functions and communicating this vision to all NBE's units to make sure that all NBE's employees are aware of the importance and impact of such functions in the Bank.
 - 4.2 timely and effectively making optimal use of the feedback made by the Internal Audit and Inspection Group; meanwhile, the senior management shall take the appropriate corrective measures in time.
 - 4.3 encouraging and enhancing the independence of internal auditors when conducting their audit via the Bank's organizational structure and the vested powers, which facilitates direct communication channels and direct reporting to Audit Committee for subsequent presentation to the Board to ensure independence. This enhances their competencies

when discharging their duties with full objectivity and impartiality and encourages their participation in judging the effectiveness of the Bank's internal controls and risk management. It is also necessary to ensure that there is an easy access to important reports and information from all NBE's divisions.

5. Develop an annual internal audit plan that defines the minimum scope and frequency of the audit and covers CBE's instructions, to be approved by the Audit Committee.

6.6.2 INTERNAL AUDIT RELATIONSHIP WITH REGULATORY AUTHORITIES

CENTRAL BANK OF EGYPT:

1. NBE's management should maintain a communication channel between the Head of the Internal Audit and Inspection Group and the CBE's Control and Supervision Sector, to discuss the measures taken on the weaknesses and the Bank's ways to address them.
2. According to the instructions issued on governance, the Audit Committee should provide the Control and Supervision Sector with a quarterly report to be discussed with the Board; and identify the corrective measures to be taken on a timely basis.
3. The Bank's management should notify the Control and Supervision Sector of the decisions, facts and developments that significantly affect its financial position, particularly the issues that require holding meetings between the Bank and the external auditors or the relevant regulatory authorities. In the light of such information, the CBE shall consider participation in such meetings.

EXTERNAL AUDITORS:

1. The Internal Audit and Inspection Group should coordinate with the external auditors especially when holding discussions with the senior management, Board and Audit Committee on the recommendations about developing Internal Control in the light of Article 125 of the CBE and Banking Sector Law No. 194 of 2020.
2. The Internal Audit and Inspection Group shall provide the external auditor with the necessary internal audit reports, highlighting key issues raised by the internal auditors that may be important to the CBE.
3. Efforts of internal audit and external auditors shall be coordinated and effective communication channels are to be established to discuss risk-related activities, identified weaknesses as well as the relevant procedures taken, and to understand risk management strategies adopted by the Bank.

6.6.3 AUDITING NBE'S FOREIGN BRANCHES & UNITS

NBE takes certain regulatory measures regarding its foreign branches and units ensuring that:

1. The business activities of foreign units are consistent with the organizational and strategic objectives of NBE's or the Group as a whole.
2. All foreign units and branches comply with the applicable instructions at the host country in addition to adhering to CBE instructions, particularly with regard to the rules of the preparation and presentation of financial statements. In case of inconsistency, NBE's foreign unit/branch should notify the Head of Compliance and Corporate Governance Group- Head Office who, in turn, should notify CBE's Control & Supervision Sector adequately to take the necessary action.
3. Decision-making authorities are in line with the targets of the units and their operational divisions.
4. Duties are segregated and the principle of dual control is effectively applied.
5. Foreign units perform internal audit and send periodic reports thereon to the Bank's H/O Audit Department or the Group.
6. The CBE's Control and Supervision Sector is informed of all audit reports prepared on NBE's foreign branches and units by the host country's regulatory authorities or auditors.

6.7 COMPLIANCE FUNCTION (REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE GROUP)

The compliance function is intended to establish and deepen effective, advanced and firm control policies, systems and tools to ensure NBE's compliance with the existing rules according to the applicable legislation and regulatory instructions at the local and international levels. This enables the Bank to face and control any potential risks of using NBE for illegal or suspicious purposes, particularly financial crimes including money laundering activities. NBE should, therefore, be well-aware of non-compliance risks. Such risks may include financial loss, legal or regulatory sanctions and/or impaired reputation of the Bank, as a result of failure to comply with the applicable laws or the rules and regulations issued by regulatory bodies inside Egypt and abroad. Accordingly, the responsibility for maintaining the Bank's good reputation does not fall upon the Compliance Group solely; rather it is the responsibility of all NBE's employees.

NBE's senior management is responsible for devising Board-approved policies on the compliance function and communicating them to all NBE's staff.

The Compliance Officer shall be independent, directly reporting to the Audit Committee and/or the Board.

CBE's approval is to be obtained with regard to the appointment of the Compliance Officer in accordance with the relevant regulatory instructions. Moreover, the Board shall approve the decision of resignation or removal of the Regulatory Compliance and Corporate Governance

Group Head for any reason whatsoever, provided that removal reasons are disclosed and discussed with CBE.

6.7.1 MAIN FUNCTIONS OF COMPLIANCE GROUP

- I. Review the activities related to maintaining a database of laws and regulations issued by CBE in addition to communicating the relevant information promptly to the parties concerned through the following:
 - I.1 maintaining a database of laws and regulations related to the banking business to be able to review NBE's policies and work procedures.
 - I.2 supervising the revision of the Bank's documents and forms in use and ensuring their compliance with the applicable laws and regulations in addition to making the necessary recommendations.
 - I.3 coordinating with all divisions to ensure the adequacy of the applicable controls in the performance of their transactions and tasks pursuant to the relevant laws and regulations and measuring the effectiveness of such control in light of the application of a risk-based approach.
2. Proactively identify, evaluate and document the non-compliance risks associated with the Bank's activities and business.
3. Identify and prioritize the geographic regions and products which may be subject to non-compliance risks that may jeopardize the Bank's reputation or expose the Bank to legal or regulatory sanctions or to financial loss.
4. Appropriately and timely incorporate the applicable laws and regulations and amendments thereto into the Bank's policies and procedures.
5. Review all instructions and correspondence sent from CBE and other regulatory authorities addressed to the Compliance Group by the Chairman.
6. Examine new products to ensure their compliance with the relevant regulatory requirements and controls. Compliance Group directs competent divisions to obtain the required approvals from CBE prior to introducing new products or services.
7. Examine and check circulars before issuance and all previously received documents related to existing/ new banking products and services (including advertisements, promotion, text messages, etc.).
8. Review the contracts to be signed with customers with respect to the services provided by our Bank, from compliance perspective.
9. Evaluate the impact of changing regulatory requirements and controls on the existing products and the relevant work procedures, in coordination with competent divisions.
10. Evaluate new projects and verify their compliance with the relevant laws and regulations.
11. Ensure the disclosure of the terms and conditions of retail banking products including interest

rates and banking service tariffs.

12. Ensure that the required approvals are obtained from CBE prior to introducing new products or services.
13. Assess the appropriateness of the Bank's applied compliance procedures and instructions, promptly follow up any regulatory requirements to be applied and, where necessary, provide proposals for amending the policies and procedures of the relevant divisions. In addition, the Compliance Group shall work on preparing a plan to assess and audit the work of compliance, covering all aspects of the Bank's activities. This process is considered one of the audit tools and techniques applied by the Compliance Group to help in planning, identifying priorities, determining breaches, gaps and accomplishments/ recommendations and reaching an agreement on the appropriate corrective measures with the relevant divisions.
14. Periodically and regularly assess the regulatory compliance, anti-money laundering (AML) and/or counter finance of terrorism (CFT) procedures to examine the effectiveness of such procedures and verify the application of the appropriate techniques to face the risks;
15. Evaluate several areas including managing conflict of interest and deliberate breaches, violating instructions and laws, treating customers fairly and ensuring the suitability of customer advice and disclosure.
16. Act as a focal point with the regulatory authorities in obtaining any amendments to the controls, approvals and exceptions and provide such regulatory authorities with the compliance-related data, information and periodical reports.
17. Revise all compliance-related remarks in the reports of regulatory authorities and forward such remarks to the competent divisions to take the necessary corrective measures and reply to the remarks.

6.7.2 COMPLIANCE GROUP'S ROLE AS REGARDS FOREIGN BRANCHES AND SUBSIDIARIES:

1. Ensure maintaining effective communication with NBE's foreign branches and subsidiaries to confirm their compliance with the local and international policies and procedures. The Group shall receive periodical compliance assessment report from foreign branches, to follow up the performance of evaluation and give instructions concerning the corrective measures to be taken, if necessary. Moreover, Compliance Group shall consider any conflict between local laws and instructions and those applicable at the host country and report the same to the CBE's Control and Supervision Sector to prepare a memorandum of understanding ("MoU") in this regard with the host authorities, if necessary.
2. Continuously monitor the compliance of NBE's foreign branches and subsidiaries with the local and international policies, procedures, controls and laws.
3. Evaluate and monitor the compliance of foreign branches and subsidiaries to ensure that compliance programs are strictly applied.

4. Coordinate with foreign branches for ongoing control to spot breaches/ deficiencies with regard to compliance with regulatory controls and propose corrective measures.
5. Identify the deficiencies in the application of compliance program at NBE's branches and units and take the necessary corrective measures.
6. Review the compliance periodic reports received from foreign branches and subsidiaries.
7. Review internal and external audit reports on compliance and monitor the corrective measures to be taken.

6.8 RISK MANAGEMENT FUNCTION (RISK GROUP)

NBE has a clear organizational structure that includes an independent function which is responsible for risk management and clearly identifies the persons to be accountable for risk management along with their duties and responsibilities, particularly the authorities and duties of Risk Group Head. It is essential to apply the segregation of duties principle to avoid any conflict of interests, while maintaining direct contact between Risk Management Group and the Risk Committee and the Board. It also emphasizes that the Head of Risk Group shall not undertake any financial or management responsibilities that might conflict with his/her position as Risk Group Head. Additionally, the non-executive directors should be keen on meeting with the Risk Group Head on a regular basis in the absence of executive directors.

The appointment of the Risk Group Head shall be subject to the CBE's approval. Moreover, the Board shall approve the respective decision of resignation or removal of the Risk Group Head for any reason, provided that removal reasons are disclosed and discussed with CBE in accordance with the relevant regulatory instructions.

6.8.1 MAIN FUNCTIONS OF RISK MANAGEMENT

1. Analyze potential risks, mainly credit, market and operational risks, while ensuring that the said analysis is accurately and timely performed.
2. Identify a specific work flow for risk measurement, monitoring, and control, ensuring that approved contingency plans are put in place (business continuity plan (BCP), liquidity plan, etc.).
3. Continuously gauge the adequacy and effectiveness of the work flow for risk measurement, monitoring, and control; and make any relevant amendments, if necessary, according to the developments in the market and the changes in NBE's work environment.
4. The policies approved by the Board should contain acceptable risk exposures which will be reviewed and evaluated periodically by the Risk Committee and the Board. Such exposures should be consistent with NBE's risk appetite and capital amount, taking into account risk measurement and management in the Bank in general. Appropriate actions shall be taken in case of any deviations from the relevant policies. Additionally, there should be separate departments/divisions for each type of major risks (e.g. credit risk including retail

banking, market, operational risks, etc.) reporting to Risk Group, with defined authorities, responsibilities and duties. The segregation of duties between regulatory and executive functions is essential to avoid conflict of interests.

5. NBE should have a proper and effective information flow and communication system that better serves risk monitoring and control. NBE's Board and senior management, as well as Risk Committee, should be timely provided with proper information and periodic reports, at least on a quarterly basis, that reflect NBE's compliance with acceptable risk exposures, as well as the reports that indicate non-compliance with such acceptable risk exposures, detailing the reasons and the corrective measures.
6. NBE should have in place an effective risk control and analysis system, taking into account the nature of its business activity and the volume of its transactions, in order to assess different types of risk. Such system should include:
 - 6.1 identifying all types of risks whether quantitatively measurable or unmeasurable, and defining internal and external risk elements.
 - 6.2 having in place a risk management framework which comprises evaluation forms, approved risk limits and the bases for monitoring risk. Such forms should be regularly reviewed and developed.
 - 6.3 regularly reviewing NBE's total risk matrix, particularly credit (corporate and retail) risk, market risk and operational risk.
 - 6.4 regularly following-up and evaluating the system to ensure that NBE's internal risk management procedures are in line with market conditions and to develop the appropriate banking prudential standards.
7. Risk management policies should include a specific stress testing mechanism as one of the tools used by the Bank's risk management. This mechanism should be developed specifically and clearly, particularly with respect to the frequency and conditions under which testing is carried out, the utilized methods, the appropriate risk assumptions and factors, time periods, different scenarios for all types of risk including worst case scenarios, and the scope of testing. Documenting procedures should be determined and quarterly reports presented to the senior management, Risk Committee and the Board which should, in turn, evaluate the delivered findings and take the necessary prudential procedures or decisions in this regard.
8. The Group should provide early warning indicators to help identify and manage factors related to major risks.
9. Management reports are to be presented in a clear and understandable manner which enables NBE's directors to evaluate the reported risks and take the appropriate decisions in this regard, particularly in relation to the results of stress tests.

7. EXTERNAL AUDITOR

The external auditor function is important as it provides confirmation and assurances to the Board that the financial statements are prepared in accordance with the applicable laws and regulations and the Egyptian and international reporting standards and accurately represent the Bank's financial position and performance with regard to all financial aspects.

The external auditor must comply with the highest professional standards. The approval of the Audit Committee should be obtained prior to contracting an external auditor to provide consultancy or services other than auditing the Bank's financial statements. The external auditor should be completely independent of the Bank's functions and directors to avoid any conflict of interests.

The appointment and/ or removal of the external auditor shall be subject to the recommendation of the Audit Committee. Such recommendation shall be submitted to the general assembly to take its decision with respect to approving the appointment and/ or removal of the external auditor.

7.1 BOARD'S RELATIONSHIP WITH EXTERNAL AUDITOR

NBE's Board ensures that there is direct contact between the external auditors and the Audit Committee to which they will directly report.

The Audit Committee plays an effective and important role with respect to the relationship with external auditors by supervising their work and directly contacting them. The Audit Committee assumes direct responsibility for the following:

1. Nominate and/ or remove, and determine the fees and remuneration of, external auditors.
2. Approve the scope of the audit to be performed with external auditors.
3. Receive audit reports and ensure that NBE's management takes the necessary corrective measures in time in relation to the problems identified by external auditors, other internal control deficiencies and weaknesses and non-compliance with the approved policies and applicable laws.

Both NBE's Board and senior management contribute to enhancing external auditors' role and ensuring that the financial statements reflect NBE's sound performance in all important aspects and show NBE's real financial position. NBE's Board and senior management can support external auditors' role through ensuring that:

1. External auditors comply with the currently applicable professional practices and standards.
2. Audit verifies NBE's internal controls in relation to disclosure of the financial statements.

3. External auditors understand and are fully aware of their liabilities towards the Bank, especially practicing due diligence to complete the audit process.
4. Non-executive directors hold meetings with the external auditors (excluding senior management) in the presence of the heads of the Internal Audit and Inspection Group and Regulatory Compliance and Corporate Governance Group, at least once a year.

8. DISCLOSURE AND TRANSPARENCY

Having in place a mechanism for disclosure and transparency strengthens the efficiency and viability of NBE's business. Keen on the application of professional transparency and disclosure standards, NBE ensures accurate, full and timely disclosure of all important financial and non-financial information of the Bank, taking into account the volume and complexity of its operations, ownership structure and risk appetite. All NBE's stakeholders have to be aware of the Bank's strategies and have access to adequate information in order to evaluate its performance.

NBE provides many communication channels to exchange information such as: annual report, reports to regulatory authorities and NBE's website.

8.1 MAIN RULES OF TRANSPARENCY ADOPTED BY NBE INCLUDE, BUT ARE NOT LIMITED TO, DISCLOSURE OF THE FOLLOWING INFORMATION

1. Structure and composition of NBE's Board.
2. Responsibilities, experience and qualifications of NBE's Board.
3. NBE's ownership structure.
4. NBE's organizational structure; for example, overall organizational structure, business functions, affiliated and associated companies and the Board's committees and their responsibilities.
5. Code of Ethics for NBE's Staff and Senior Management.
6. NBE's policies in relation to conflict of interests, insider transactions and dealings with affiliated and associated parties.
7. NBE's policy on governance practices.
8. NBE's policies regarding employees' compensation and benefits, including directors' and senior executives' remuneration, disclosing the total amount paid to the top twenty collectively (including salaries, allowances, fringe benefits and any other cash benefits).
9. Policy on NBE's corporate social responsibility and related actions.
10. Disclosure of financial statements approved by the independent external auditor, and the notes to the accounts which show NBE's financial performance and position according to the CBE's Rules of Preparation and Presentation of Financial Statements and the relevant governing

laws and legislation; and

11. Disclosure of the effective interest rates and banking tariffs in accordance with Article No. 88 of the Law of Central Bank and Banking Sector promulgated under Law No. 194 of 2020 and the relevant instructions issued by regulatory authorities.
12. Disclosure by directors about their representation/membership in BoDs of affiliated companies/entities.

9. TIGHTENING CONTROL OVER THE COMPLEX STRUCTURES/TRANSACTIONS IN LINE WITH GOVERNANCE PRACTICES

NBE is keen to avoid the unjustifiable legally-complex transactions that may jeopardize the principle of transparency. The Bank also avoids involvement in vaguely structured transactions that curb the Board's ability to effectively supervise such type of NBE's business.

The Bank's Board is also keen on ensuring the full awareness and understanding of NBE's structure, affiliated entities and related risks. NBE's Board thoroughly perceives any prospective complex transactions or products and ensued risks. Moreover, NBE realizes the necessity of adopting clear policies and procedures to overcome such risks along with taking appropriate measures to mitigate their consequences. This includes understanding the connection between these entities and the Bank, as well as the legal and operational risks related to this structure, related-party transactions and the effect of these factors on NBE's financing approach, capital, and risk level in both favorable or unfavorable circumstances and on the reputation of NBE's Group as a whole. Risks that may arise out of these complex structures/ transactions are controlled through:

1. Having in place a clear and documented centralized mechanism for approving and monitoring structures and when forming new affiliated legal entities.
2. Periodically monitoring the appropriate application of the adopted policies, procedures and limits.
3. Ensuring the consistency and adherence of such structures/ transactions to the laws and regulatory controls to be followed by the Bank.
4. Providing accurate information regarding the structure of the Bank as a whole in terms of type, characteristics, ownership structure and nature of activities, for each affiliated legal entity separately.
5. Obtaining adequate information concerning such structures/ transactions and the associated risks and recognizing the risks that can be imposed by the complexity and overlapping structure of the Bank or the Group, including lack of transparency and operational risks resulting from the complicated organizational structure particularly in legal terms, provided that they are reported to the Bank's Board and disclosed to CBE. The disclosed information should include the purpose, amounts, strategies, risks of such transactions and the relevant

control mechanisms, ensuring that information regarding these transactions are properly disclosed.

6. Internal audit officers of each affiliated entity shall regularly present a report to the Bank's Audit Committee evaluating the group structure-related risks, so that such complex structures/ transactions can be monitored and controlled. It is also necessary that periodic reports containing the most significant feedback and deviations from the adopted policies and procedures shall be submitted to the Bank's Board, Risk Committee and senior management.

10. CODE OF ETHICS FOR NBE'S STAFF AND SENIOR MANAGEMENT

The Code of Ethics for NBE's Staff and Senior Management serves as a general statement clarifying the professional and ethical standards applicable in the Bank. All employees shall comply with all the contents of the Code of Ethics. The employee is fully responsible for its contents, as he/she signs an acknowledgment of compliance with the Code of Ethics for NBE's Staff and Senior Management before starting work. The Code of Ethics shall be regularly reviewed. Any amendments to this Code will be communicated to all employees who shall be given the appropriate training in this regard.

Any failure to abide by the instructions mentioned in the Code of Ethics is considered a serious violation and may expose the employee to disciplinary actions which may include the termination of his/her employment. All employees should, therefore, comply with the contents of the Code. Regardless of their locations and ranks, all NBE's employees must immediately report to the Ethics Officer any violations resulting from behaviours or practices that are thought to be incorrect, inappropriate or unethical according to the Whistleblowing and Whistle-blower Protection Policy. It should be known that any reports on actual or potential violations in the Bank will not be ignored. If the employee involved in these violations reported them, it would be taken into consideration during the investigations. The Regulatory Compliance and Corporate Governance Group shall coordinate with the Internal Audit and Inspection, Legal Affairs and HR Groups to take the necessary corrective measures according to the consequences of such violation.

The Compliance Officer is ultimately responsible for ensuring compliance with all the local and international regulatory instructions, as well as NBE's internal policies and procedures.

The Regulatory Compliance and Corporate Governance Group is responsible for regularly reviewing and updating the Code of Ethics as well as ensuring its consistency with the Bank's new policies and procedures and the relevant regulatory and legal changes.

11. WHISTLEBLOWING AND WHISTLE-BLOWER PROTECTION POLICY

NBE is keen to provide a sound and constructive working environment based on ethical values that enhances integrity, accountability and transparency.

NBE's Whistleblowing Policy aims at providing a safe channel for the employees so as to eliminate their fears and to assure them that they will be protected against any retaliation or harm as a result of reporting any violations. The policy provides protection to whistle-blowers who report any violations that do not comply with the Code of Ethics for NBE's Staff and Senior Management.

This policy accordingly assists senior management to unveil any corrupt or illegal behaviour, so that the necessary procedures can be taken. This will curb such violations and contribute to creating a sound work environment that promotes employees' ethical values.

12. CONFLICT OF INTEREST POLICY:

Conflict of interest is a situation in which an employee or one of his/her family members has a material or moral interest which conflicts with the employee's position or job requirements such as integrity, independence and protection of public money, or realizes illicit gain for the employee or any third party. Any employee should disclose any such conflict to the Regulatory Compliance and Corporate Governance Group to take the necessary actions to prevent the occurrence of any damage to the Bank.

Conflict of interest occurs when employee's own interest overlaps somehow with the Bank's interest. Such conflict clearly emerges when the employee uses practices that serve the best interest of himself/herself, or one of his/her family members. This also happens when the employee gives his/her acquaintances or relatives a privileged treatment over other customers by abusing his/her position in the Bank, including, for instance, extending loans or reducing due commissions and interests in contradiction with the relevant instructions and controls.

Conflicts of interest include, but are not limited to, the following; any other case of conflict of interest which is not included below shall be reported to the Regulatory Compliance and Corporate Governance Group Head:

Deals and transactions with external parties

Employees or their relatives up to the second degree may not, directly or indirectly, purchase, sell, lease out any property in favour of the Bank, or offer any outsourcing or supply services for the Bank's requirements, unless there is no conflict of interest that may achieve direct benefit to the employee. Such transaction shall benefit the Bank and be arranged on a fair basis.

No employee may, personally or by proxy, apply to the Bank's tenders or bids. The Bank shall not purchase any items from, nor assign any business to, any employee. No employee may, personally or by intermediary, enter any kind of auction unless the sold items will be purchased by employees for their own usage and they are offered for sale by entities other than the Bank, which are not subject to the Bank's supervision. Notwithstanding the above, the Bank may approve otherwise.

Any transaction between the Bank and any employee in which there is a personal gain to the employee or any business relationship whatsoever, other than banking services, between the Bank and any relative of an NBE employee up to the second degree shall be reported to the relevant Group Head and the Compliance Officer at the Head Office.

Borrowings and advances

No amounts of money (i.e. personal advances) may be lent or borrowed by any NBE employee from other employees, third parties (such as existing customers or suppliers) or any other NBE-related third parties.

Borrowing shall be made from financial institutions.

Transactions of benefit to any NBE employee or any of his/her relatives or friends

NBE's employees shall not be involved in any collateral, evaluation or approval processes in respect of any loans or similar transactions between NBE and their relatives, in-laws or friends.

Banking transactions

Employees are prohibited from processing orders/transactions on their personal accounts or the accounts of their relatives up to the third degree (i.e. processing the application/transaction, not presenting the application. For example, a teller withdraws money from his/her account through the teller's till or a transfer officer processes a personal transfer using his/her PIN code).

Staff accounts

NBE staff accounts are to be used to credit monthly salaries and process normal personal transactions of employees only. All types of personal accounts shall not be utilized as an intermediary account for the transactions of any other party. Such account may not be utilized for collecting amounts of money. No NBE staff account shall be utilized by a third party for banking transactions (receiving deposits or transfers) in favour of other persons.

Legal powers of attorney

NBE's employees may not issue/accept any legal or personal powers of attorney (PoA) to process banking transactions. The approval of Regulatory Compliance and Corporate Governance Group

Head must be obtained prior to issuing PoAs (by or for) NBE's employees.

Employees' investments (stock markets/securities)

Employees are allowed to trade securities in public subscriptions and carry out buy and sell transactions pursuant to the following controls:

Prohibited use of insider information:

1. Employees may not, by virtue of their positions or the nature of their duties, use insider information for their own benefit or for the benefit of others, or disclose such information to a third party, directly or indirectly.
2. No employee may trade a security if s/he (trader) has a direct or indirect access to relevant material information and knows that such information exists but not announced. Employees may not disclose such information to any other party unless it has an established legal capacity that authorizes such access.
3. It is prohibited to disclose material insider information⁵ to any person (Tipping Off), including family members who may in turn buy or sell securities, or transfer such information to another person who may buy or sell securities.
4. Employees may trade on the stock exchange, subject to notifying the Regulatory Compliance and Corporate Governance Group and undertaking to present the relevant statements of account from Misr for Clearing, Settlement and Depository (MCSD) with respect to such trades upon the Bank's request.
5. Employees shall comply with the relevant laws and regulatory controls.

Engagement in outside employment

Employees are prohibited from working for other entities, acting as directors in any companies/ associations or partners in any business, engaging in consultancy business or self-employment including part-time job (whether paid or not), unless a prior written consent is obtained from the relevant Region/Group Head and the Regulatory Compliance and Corporate Governance Group as well as the consent of the Chairman or his substitute.

Moreover, it is prohibited to engage in fraudulent marketing activities (i.e. a fraudulent investment scheme to persuade some individuals to contribute a certain sum of money to raise funds, promising them to receive a commission/return if they can persuade others to participate, which

5- Insider information: any material information that is not announced to public traders and related to the business of a company whose securities are traded, or any of its related parties or entities.

Material information: information that has a tangible impact on the price of the offered or tradable security, the investment decisions of traders, or trading trends in the market.

ends in failure when new people stop to join).

Using or exploiting the Bank's name or logo in personal matters

It is prohibited to print any papers, documents or publicity material (e.g. agendas, calendars, pens, flash memories, etc.) or purchase notebooks or prints bearing the Bank's logo from any third party, which shall be carried out only through the relevant division at the Bank.

It is also prohibited to use the Bank's logo for any reason outside the scope of business without referring to the relevant divisions.

Dealing on arm's length basis with all parties

All NBE's employees shall observe the principles of fairness and objectivity in dealing with all internal parties (colleagues, superiors and subordinates) and external parties (customers, suppliers and competitors).

Accordingly, NBE's employees should not unfairly receive any personal gain or privileges from such parties through manipulation, concealment, deceit or improper use of information and data to which they have access due to the nature of their work at NBE.

Conflict of Interest Policy and Directors

Directors shall take due diligence to serve the best interest of the Bank, taking into account two key factors: first, observing the Bank's interests with honesty and good faith for the utmost benefit of the Bank while exercising due diligence and care; second, remaining loyal to the interests of beneficiaries and depositors by dealing with them on arm's length basis, monitoring the transactions of affiliated or related parties, being keen on avoiding any conflict of interests, and refraining from taking or participating in any decision in case a potential conflict of interest exists with the director's duties or responsibilities.

The Board approves the policies on managing conflict of interest and oversees their application to the Board, executive management, staff and any other party directly/indirectly related to NBE. These policies include, but are not limited to:

- Directors/senior executives should disclose to the Board any direct/indirect financial interest for their benefit/on behalf of third parties in relation to any transactions/matters having direct impact on the Bank.
- A director, in his/her personal capacity or as a representative of third parties, may neither act as a director nor engage in management or consultancy roles in another bank or credit firm.
- The Bank may not offer finance, advances, credit facilities or guarantees of any kind to its chairman, directors, auditors, or their spouses or second-degree relatives; or to an entity in which those persons or second-degree relatives are partners or shareholders, over which

they have actual control or in which they occupy the position of directors in their personal capacity. Excluded from this are the borrowings secured by cash and cash equivalent and loans extended to Executive Directors within the benefits scheduled for NBE staff and on the same terms and conditions stipulated for them, which shall be disclosed according to NBE's applicable rules, as specified in the rules and procedures defined by the CBE's Board.

- The Board may appoint the representatives of state-owned banks in banks/companies where an equity participation is held for a single term (renewable once only). The Board may change its representatives before the end of Board term, without prejudice to Article (120) of Law No. 194 of 2020 promulgating the Law of the CBE and Banking Sector reading: "Without prejudice to the authority of the general assembly of the bank, senior executives shall be appointed only after obtaining the approval of the CBE Governor, indicating that they meet competency and qualification criteria as stated in clause (O) of Article (84) of this Law, in accordance with the procedures determined by the Board. If such approval is withheld, such decision shall be substantiated with justification."
- The Board shall approve policies ensuring equal treatment, as per the applicable regulations, of customers without preferential treatment of any party directly/indirectly related to the Bank.
- Officers in charge of preparing reports on potential conflict of interest shall be protected.
- Directors may not have direct or indirect interests with respect to the Bank's deals, projects and contracts.
- Directors shall not use any information disclosed to them during term of office as board members of the Bank to gain a personal interest for themselves or for any of their family members or relatives after the end of their membership in the Board.
- Directors and their family members shall not accept any gifts from other individuals or institutions that might be presented with the objective of influencing the Board's decisions with respect to the Bank's business.
- When discussing any matter that involves a conflict of interest or any commercial transaction between the Bank and any of its directors or any other party related to the said director, the director shall disclose such matter in the Board's meeting, which shall be discussed in the absence of the relevant director who shall abstain from voting in any form on such matter.

13. NBE'S SOCIAL RESPONSIBILITY ROLE

- NBE supports Egypt's future vision which is in agreement with the global sustainable development goals (SDGs) under which man attains development with an eye to achieving economic and social development and welfare of Egyptians in all aspects of their daily life. To this end, the Bank has developed a growing interest to participate in meeting the healthcare, educational and economic needs of Egyptians as well as achieving slums development. NBE plays this vital role in order to produce a positive impact on the Egyptian society. The Bank exerts incessant efforts to directly reach out to targeted beneficiaries to make a remarkable difference in the life of Egyptians. This is demonstrated by the large number of social

responsibility projects undertaken by NBE. Being the oldest Egyptian bank with the greatest contributions to the national economy, NBE in fact deserves to be "The People's Bank". NBE took the lead as one of the first banking and economic institutions to realize the significance of its role in serving the community.

- Over the previous years, NBE's contributions were mainly directed to healthcare, education, and combating poverty. In addition, NBE made significant contributions to support disabled people and to promote culture, protect our heritage and support breadwinning women.

14. GOVERNANCE REPORTS

GOVERNANCE ANNUAL REPORT

The Regulatory Compliance and Corporate Governance Group prepares an annual governance report outlining the Bank's governance practices. Such report shall be discussed and approved by the "Corporate Governance and Nomination Committee", to be endorsed by the Board and made available on NBE's website.

The report mainly evaluates efficiency of the Bank's governance function, spots hurdles and problems so that they can be removed and solved in the future, and boosts efficiency of governance function in the Bank.

SEMI-ANNUAL REPORT TO THE CBE

The Regulatory Compliance and Corporate Governance Group prepares a semi-annual report on the Bank's governance including the directors' information, number of Board meetings during the relevant period in addition to the number of the meetings of Board committees.

OTHER REPORTS

The Regulatory Compliance and Corporate Governance Group also prepares periodic reports on the committees' meetings to be submitted to the Corporate Governance and Nomination Committee.