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CORPORATE GOVERNANCE IN BANKS: A LITERATURE REVIEW

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Purpose: Corporate governance has been attracting growing attention of researchers during last years. As a consequence, empirical analyses of corporate governance mechanisms are run on both, non-financial and financial companies. Increasingly, the special interest is being paid to banks. A stable functioning of banks plays a crucial role for the soundness of financial system and safety of whole economy. In consequence, it is of high importance to determine possible associations between corporate governance and bank activities. The aim of this article is to study the literature on corporate governance in banks. In particular, the purpose is to organise and summarise studies examining the role of corporate governance mechanisms and their impact on bank profitability, efficiency and risk-taking. This approach reveals the research problem which is to show the scope of empirically examined relationships between corporate governance and main areas of bank functioning.
Design/methodology/approach: To reach the goal of this paper, the analysis of the relevant literature and the methods of verbal description have been applied. The literature taken into account focuses mostly on empirical studies, but it has been preceded by an overview of a theoretical background with special attention paid to the regulatory context.
Findings: The literature review shows that corporate governance of banks is highly specific. At the same time, it is being demonstrated that different elements of corporate governance have been studied in banks. The empirical research conducted on banks include such areas of corporate governance as shareholder structure, earnings management, and board functioning. Ultimately, there are relationships between corporate governance mechanisms in banks and profitability, efficiency as well as risk-taking.
Originality/value: The paper provides a complex overview of corporate governance in banks, including the regulatory background and specificity of financial institutions in that field. As it summarises empirical studies devoted to this topic, main findings on relationships between corporate governance practices and certain areas of bank activity are organised. Therefore, it may be of a valuable reference for the bank management, policymakers or regulators in terms of decision-making process.

Keywords: Bank profitability; bank risk; corporate governance.

Category of the paper: Literature review.

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1. Introduction

Corporate governance has been increasingly placed in the area of public interest since the global financial crisis. The collapse of financial markets shed light on the necessity to re-examine corporate governance practices adopted by banks. It highlighted the ineffectiveness of the internal and external control systems, severely damaging public confidence not only in corporations, but also in their statutory bodies, auditing, consulting or rating firms (Jeżak, 2010). The need to regulate existing corporate governance mechanisms emerged (Salim et al., 2016). In particular, ensuring stable corporate governance has started to constitute an aim for shareholders, regulators and the banks themselves. Shareholders view the remuneration of statutory bodies' members as one of the corporate governance mechanisms. Regulators consider well-functioning corporate governance as a remedy for banks' insolvency and their lack of stability. Banks apply corporate governance mechanisms to strengthen oversight of board actions (Salim et al., 2016).

2. Corporate governance: international and domestic regulations

Corporate governance issues have been presented in the OECD Principles of Corporate Governance (Organisation for Economic Co-operation and Development, 2004). In this document, the authors use the concept of corporate governance and define it as the network of relationships between management and supervisory bodies, owners, and other stakeholders. Furthermore, according to the approach presented in this document, corporate governance creates a structure through which the objectives of the corporation, the means of achieving them and the tools to monitor can be established (Organisation for Economic Co-operation and Development, 2004).

The topic of corporate governance in banks has been raised in Corporate governance principles for banks (Basel Committee on Banking Supervision, 2014). The authors underline an important role of effective corporate governance for the proper functioning of the banking sector. At the same time, in this document is presented a view of the transmission of possible banks' governance weaknesses across the financial system and influencing the health of economy as a whole. The primary objective of corporate governance in banks is defined as "safeguarding stakeholders' interest in conformity with public interest on a sustainable basis" (p. 3). In addition, it is mentioned that shareholders' interest would be secondary to depositors' interest.

Last but not least, internal governance practices in financial institutions have received increased attention from European Banking Authority. The main aim of the Guidelines on internal governance under Directive 2013/36/EU (European Banking Authority, 2017) is to reinforce poor internal governance mechanisms in banks which have been uncovered in the aftermath of the financial crisis. In line with this document, internal governance includes all standards and principles regarding objectives, strategies and risk management framework, business organisation, the definition and allocation of responsibilities, setting up the reporting lines as well as accounting procedures and remuneration policies. Internal governance also involves areas on sound information technology systems, outsourcing arrangements, and business continuity management.

In the Polish environment, of particular note are Good Practices of Companies Listed on the WSE (Warsaw Stock Exchange, 2021), which contains a set of corporate governance principles applicable to issuers of shares listed on the WSE Main Market. This document reflects the current state of the law and the latest trends in the area of corporate governance. More specifically, it responds to issues raised by stock market participants on the topic of corporate governance.

Ultimately, in Polish banking sector of a crucial role in shaping corporate governance practices is assigned to the Principles of Corporate Governance for Supervised Institutions (The Polish Financial Supervision Authority, 2014). This document consists of a set of rules that determine the internal and external relations of supervised institutions with shareholders and clients, relate to their organisation and the functioning of the internal supervision, systems as well as functions. Statutory bodies and principles of their cooperation are also taken into account.

Corporate governance is visible not only in the regulations and rules imposed on market's participants, including banks, but also creates a topic for scientific research..

3. Concept of corporate governance

The concept of corporate governance is an extremely broad aspect. Its issues have been raised by authors for many years, both internationally (Daily et al., 2003; Jensen, Meckling, 1976; Shleifer, Vishny, 1997) and domestically (Jerzemowska, 2002; Jeżak, 2010).

In line with an agency theory (Jensen and Meckling, 1976), corporate governance is oriented towards the study of the relationships that exist between the shareholders and the agents they hire. These agents manage and control the company on behalf of the owners, while at the same time are expected to maximise shareholder value. On the one hand, the owners delegate some of their powers to the agents so that they can fulfil their responsibilities. On the other hand, the owners await the decisions made by the agents to remain in line with their interests. Referring to the agency theory, Shleifer and Vishny (1997) indicate that corporate governance is designed to ensure that owners receive a return on their capital. The authors emphasise that the main task of corporate governance is to deal with the separation of ownership and control. Moreover, managers' reputation and expectations of investors, regarding a return on investment, is being highlighted (Shleifer, Vishny, 1997). The attention is also devoted to the role of legal investor protection and shareholder concentration for the effectiveness of corporate governance mechanisms. These elements are considered to play an important role in obtaining returns on the investments made. In contrast, Daily et al. (2003) advocate a different concept of corporate governance than those provided by Jensen and Meckling (1976) and Shleifer and Vishny (1997). According to the authors, the control of top management interests and the protection of shareholders are taken into account when the separation of ownership and control occurs. Additionally, the concept of corporate governance is related to the extensive use of organisational resources being used to resolve problems arising between members of any organisation (Daily et al., 2003).

Corporate governance issues have been analysed on a country level in Poland. The main studies devoted to corporate governance in a Polish literature are those by Jerzemowska (2002) and Jeżak (2010). As Jerzemowska (2002) points out two primary approaches to corporate governance, which depends on its objectives. Namely, the shareholder model and the stakeholder group model. In the shareholder model, defined as a narrow view of corporate governance, the interests of owners are of the highest importance. According to this approach, top management act on behalf of shareholders and is expected to maximise shareholder value. This view is consistent with agency theory. Conversely, the stakeholder group model represents a broad approach to corporate governance. In this model, claims in the company can be asserted by both shareholders and stakeholders. In fact, corporate governance encompasses the network of formal and informal relationships within a company and their consequences for society as a whole.

In this vein, Jeżak (2010) underlines overly narrow meaning of corporate governance concept, which refers mostly to the enforcement of ownership rights, even though it extends the right of control to stakeholders other than shareholders and management. According to Jeżak (2010), the concept of corporate governance 'implies a broader, social and systemic context for companies to operate and the need to take into account the conditions and expectations stemming from the macroeconomic environment' (Jeżak, 2010, p. 121).

There are some studies relating to corporate governance in Polish banking sector (Kochaniak, 2011; Marcinkowska, 2012; Stępień, 2015). Kochaniak (2011) analyses the compliance between the interests imposed by different stakeholders and the interests of banks. In particular, it has been stressed that each group of stakeholders, such as depositors, employees, management and supervisory boards, shareholders, even the government, are willing to pursue their own needs. This behaviour relates to different risk appetite and leads to conflicts, at the same time diminishing the effectiveness of bank activity. It has been broadly observed during the last financial crisis, and as a consequence, constituted the reason to implement new corporate governance rules, especially in terms of internal, organizational structures (Kochaniak, 2011).

Similarly, Marcinkowska (2012) devotes her research to key problems concerning corporate governance in banks and the related regulatory framework. In that vein, the special attention is paid to the codes of good practice, both the general principles of corporate governance and those addressed to banking sector. Marcinkowska (2012) investigates the compliance expressed by Polish commercial banks and chosen cooperative banks with Good Practices of Companies Listed on the Warsaw Stock Exchange. The analysis for the public banks is based on their corporate governance statements, and for other banks the findings are derived from a survey. Moreover, the compliance with BCBS corporate governance principles using survey data is examined by the author. The analysis provides conclusions on the areas of corporate governance needing enhancement, such as executives remuneration, credit risk management or internal control.

A possibility to balance of the interests of all bank stakeholders by effective corporate governance mechanisms has been underlined by Stępień (2015). This author links bank corporate governance and banking supervision as banking supervision is seen as a way to ensure the compliance of bank activities with applicable law and the principles of good banking practices. The special attention is paid to the problem of information asymmetry in banks and its possible solutions. The article also discusses the importance and role of the banking sector as a whole.

4. Corporate governance and the special nature of banks

The nature of banks as public trust institutions makes corporate governance highly specific and creates significant challenges in implementing its mechanism. Weaknesses in banks' corporate governance may have an adverse impact on economies. This is because of the important role banks play in mobilising and allocating capital what helps to lower the cost of capital and thereby stimulates economic growth (Levine, 2004). It has been argued that the traditional corporate governance approach, which focuses on the protection of shareholders' interests, is not sufficiently broad for banks. This is caused by features making banks different from non-financial companies (De Haan and Vlahu, 2016).

Firstly, banks being financial intermediaries are characterised by a high level of financial leverage as lending activities are financed with client deposits (De Anders, Vallelado, 2008).

Secondly, a special role is attributed to the high regulatory regime and strengthened supervision of the banking sector compared to other sectors (Levine, 2004). These numerous requirements stem from the great importance of banks for the stability of the payment system, the reduction of systemic risk and protection of depositors (De Anders, Vallelado, 2008).

Thirdly, as banks rely on public trusts, an important role is played by ethics in performing their activities (Hopt, 2020).

Fourthly, the complexity and limited transparency of banks' operations also attracts the attention of researchers (Brogi, Lagasio, 2018). The complexity of bank operations limits the ability of stakeholders to monitor management's decisions (De Anders, Vallelado, 2008). In turn, the limited transparency is often attributed to the great level of information asymmetry experienced by banks (Levine, 2004). For example, the quality of bank lending activity is not directly observable, and banks may make some discretionary decisions in order to distort the risk level they are taking.

Fifthly, banks can change the risk structure of their assets more quickly than non-financial firms (Levine, 2004).

There exist studies identifying differences in corporate governance mechanisms between non-financial and financial companies (Adams, Mehran, 2003; De Haan, Vlahu, 2016). A comparative analysis of bank holding companies and manufacturing companies on corporate governance was conducted by Adams and Mehran (2003), while relationships between selected elements of corporate governance and the performance of banks and non-financial firms were presented by De Haan and Vlahu (2016).

It has been found that banks are characterised by a larger average size of statutory bodies and they establish more committees within their structures than non-financial companies (Adams, Mehran, 2003). Additionally, there is a lower ratio of income earned by bank CEOs from options to total remuneration and bonuses. Moreover, CEOs hold less equity in banks than CEOs in non-financial firms. De Haan and Vlahu (2016) highlight that here is no link between the independence of statutory bodies and banks' profitability, in contrast to this positive relationship visible in non-financial firms. The higher level of performance in banks with larger boards also remains in contrast to the opposite relationship between these variables in non-financial companies. De Haan and Vlahu (2016) also draw attention to the inconclusive findings for CEO remuneration and holding of shareholdings and the level of risk taken by bank, justifying it by in the different motives of CEOs to achieve higher profits. Another area of corporate governance analyses constitutes associations of shareholder structure and profitably. De Haan and Vlahu (2016) emphasise ambiguous results between the degree of shareholder concentration and profitability. According to authors, the reason for this lies in the regulatory background. As it has been noticed by Arnaboldi (2019), there exists the fragmentation of the regulations and corporate governance codes that are imposed on banks in European Union countries. In addition, Arnaboldi (2019) underlines the growing importance of the board of directors for key strategic decisions in banks and the beneficial role of high diversified statutory bodies. It has been shown that the benefits from the unique skills and experience of individual members outweigh the costs of large bank boards functioning.

There are many empirical studies focused on corporate governance in non-financial companies (Dalton, Dalton, 2011; Gelter, Puaschunder, 2021; Gupta et al, 2013). However, corporate governance is also being increasingly explored in banks (Adams, Mehran, 2003; Arnaboldi, 2019; Brogi, Lagasio, 2018; De Anders, Vallelado, 2008; De Haan, Vlahu, 2016; Hopt, 2020; Levine, 2004).

Authors focus on selected elements of corporate governance that may matter for different areas of banks' activities. Of considerable interest is the relationship between banks' corporate governance and their profitability (Aebi et al., 2012; Erkens et al., 2012), efficiency (Andrieș et al., 2018; Salim et al., 2016) or risk-taking (Anginer et al., 2018; Berger et al., 2016; Dell'Ariccia, Marquez, 2010; Faleye, Krishnan, 2017; Gaganis et al., 2020; Laeven, Levine, 2009). However, there is a view in the literature that the corporate governance mechanisms in banks should be analysed together. Separating them may result in different conclusions over the effectiveness of the corporate governance practices adopted by banks (De Haan, Vlahu, 2016).

5. Profitability and efficiency and corporate governance in banks

In terms of profitability, it has been shown on a sample of 372 banks at the end of 2006 that reporting directly by the Chief Risk Officer (CRO) to the board of directors is associated with higher bank profitability during the global financial crisis than when the CRO reports to the Chief Executive Officer (CEO) (Aebi et al., 2012). In particular, banks with reporting to the board of directors are characterised by higher stock returns and higher return on equity (ROE) in a crisis than banks with reporting to the CEO. The explanation for this relationship is found in the conflict of interest between the CRO and the CEO, and the insufficient attention paid to risk management by the chairman of the board. Aebi et al. (2012) also find either not statistically significant or a statistically significant but negative relationship between corporate governance indicators such as the presence of the CEO in the ownership structure, the independence of statutory bodies or shareholder rights and bank profitability.

The links between profitability or efficiency and corporate governance in banks are often analysed accounting for the global financial crisis. Erkens et al. (2012), analysing 296 banks from 30 countries between 2007 and 2008, show that during the crisis, banks with a higher independence of boards and a greater share of institutional investors in the shareholder structure have worse rates of return. According to the authors, this may be due to an increase in equity during the crisis in banks with more independent structures, which favours the transfer of wealth from shareholders to creditors. The source of this association may also be the greater risk-taking of institutional investors in the pre-crisis period, which becomes apparent during the crisis. On the other hand, in the post-crisis period, banks applying corporate governance focused on protecting shareholders' interests perform worse than banks whose statutory bodies are less exposed to owners' influence (Hopt, 2020).

Another area of analysis addresses bank efficiency and corporate governance. On a sample of 139 commercial banks from 17 Central and Eastern European countries in the period 2005-2012 it has been proven that strict corporate governance practices promote higher bank costs and lower efficiency (Andrieș et al., 2018). These relationships are weaker in times of crisis and for better capitalised banks. Moreover, in line with study of Salim et al. (2016) on a sample of 11 Australian banks between 1999 and 2013, larger boards and higher frequency of committee meetings increases bank efficiency.

As mentioned above, the relationships between profitability or efficiency and bank corporate governance are being addressed by many authors (Aebi et al., 2012; Erkens et al., 2012; Hopt, 2020; Salim et al., 2016). Another area of bank activity affected by corporate governance is risk-taking.

6. Risk and corporate governance in banks

Several authors have analysed the impact of corporate governance on bank risk-taking (Anginer et al., 2018; Dell'Ariccia; Marquez, 2010; Faleye, Krishnan, 2017), including bankruptcy risk (Berger et al., 2016; Gaganis et al., 2020; Laeven, Levine, 2009) and credit risk (Fiador and Sarpong-Kumankoma, 2021; Grove et al., 2011; Tahir et al., 2020; Tarchouna et al., 2017; Zagorchev, Gao, 2015). The period of the financial crisis is important in research on bank corporate governance and the level of risk-taking (De Haan, Vlahu, 2016). An important study summarising the research up to date in corporate governance and bank risk is that of Srivastav and Hagendorff (2016), which synthesises the existing literature. The authors pay significant attention to specific areas of corporate governance that may shape risk-taking by banks. These areas include the effectiveness of boards, CEO remuneration policies and risk management practices. Srivastav and Hagendorff (2016) attribute a special role to internal corporate governance mechanisms essential not only for shareholders, but also for creditors and taxpayers. Overprotecting the interests of owners may result in higher risk taken by bank and, as a result, expectations of other stakeholders not being fulfilled.

There is a broad area in the banking literature devoted to systemic risk and corporate governance. Dell'Ariccia and Marquez (2010) show the impact of corporate governance on bank risk, but also the reverse relationship, thus identifying sources of risk derived from corporate governance during expansion of banks into new markets. The authors take into account the legal structure of bank’s activity and find that banks operating in the form of subsidiaries are less exposed to risk than those of branches. In addition, Anginer et al. (2018), using a sample of US banks and non-financial firms for the period 1999-2014, provide evidence that shareholder-friendly corporate governance practices are associated with both greater bank risk and greater systemic risk in the banking sector. A positive relationship between shareholder-friendly corporate governance practices and the level of risk-taking is found in larger banks and in banks from countries with developed and strong financial safety nets.

A specific group of studies includes analyses on corporate governance and bank failure risk (Berger et al., 2016; Gaganis et al., 2020; Laeven, Levine, 2009). The dependent variables used in this type of research are either binary variables for bank failure during the global financial crisis (Berger et al., 2016) or indicators of bank failure risk, such as Z-score (Laeven, Levine, 2009), distance to default or probability of failure (Gaganis et al., 2020). The geographical coverage of banks in the work of Berger et al. (2016) are two distinct subsamples: 85 US banks that experienced failure and 256 from US banks that continued to operate from Q1 2007 to Q3 2010. Gaganis et al. (2020) use 356 banks from 50 countries over the period 2002-2017, and Laeven and Levine (2009) study 207 banks from 48 countries, including the 10 largest listed banks from each country based on total assets at the end of 2001.

The relationship between macro-prudential policy and corporate governance appears to be important for the probability of bank failure (Gaganis et al., 2020). The authors define corporate governance as an index consisting of 30 indicators which characterise the functioning and the structure of boards and remuneration policies. Researchers argue that corporate governance exhibits statistically insignificant or a negative relationship with bank stability only when macro-prudential policy tools are not implemented in the country or their presence is limited. An inverse relationship exists when the number of used macro-prudential policy instruments increases, what results in a link of corporate governance and a lower probability of bank failure.

Shareholder structure plays a key role for bank failure (Berger et al., 2016). The high ownership of non-executive directors significantly increases the risk of failure, whereas the presence of the CEO in a bank's ownership structure shows no statistically significant relationship with the probability of bank failure. The authors observe an explanation for this relationship in moral hazard, to which non-executive directors are more susceptible. Shareholder structure becomes important in identifying the level of risk-taking, once national banking regulation is taken into account (Laeven, Levine, 2009). The increasing propensity for riskiness occurs when shareholder power strengthens. The relationship between a risk-taking and capital regulation, deposit guarantee policies or restrictions on bank activities is different for dispersed shareholders and different for concentrated shareholders.

Corporate governance affects risk on lending activities (Faleye, Krishnan, 2017). Using a sample of 80 banks and 6099 borrowers over the period 1994-2008, the authors show that banks with more effectively functioning boards are less likely to lend to risky customers. However, these conclusions are subject to certain limitations. Firstly, they are narrowed down to crisis periods in the banking sector. Secondly, the strength of this relationship is greater in banks with credit committees. The analyses on corporate governance and credit risk are continued in the studies relating to the share of non-performing loans.

Many authors address the relationship between corporate governance and loan quality (Fiador, Sarpong-Kumankoma, 2021; Grove et al., 2011; Tahir et al., 2020; Tarchouna et al., 2017; Zagorchev, Gao, 2015). These studies are carried out on diversified samples. Fiador and Sarpong-Kumankoma (2021) analyse 26 banks from Ghana between 2006 and 2016, while Tahir et al. (2020) use data on 21 listed Pakistani banks between 2005 and 2015. The work of Grove et al. (2011), Tarchouna et al. (2017) and Zagorchev and Gao (2015) includes US entities, both banks and other financial institutions. Grove et al. (2011) study 236 commercial, listed banks from 2005 to 2008, Tarchouna et al. (2017) analyse 184 banks over the period 2000-2013, while Zagorchev and Gao (2015) conclude from a research sample of 820 financial institutions over the period 2002-2009. Research on the level of non-performing loans examines the frequency of statutory bodies meetings (Tahir et al., 2020), the size of statutory bodies (Fiador, Sarpong-Kumankoma, 2021), the level of executive remuneration (Grove et al., 2011), good corporate governance practices (Zagorchev, Gao, 2015) and condensed corporate governance indicators (Tarchouna et al., 2017). There is a bunch of studies confirming links between certain corporate governance elements and loan quality.

Fiador and Sarpong-Kumankoma (2021) show that an increase in board size is associated with poorer loan quality as measured by the ratio of bad loan write-offs to total gross loans. The researchers also confirm a higher increase in the share of non-performing loans and an increase in the ratio of bad loan write-offs to total gross loans with a higher proportion of women in the boardroom. However, statutory bodies with a predominant share of non-executive members and the CEO's duality improve loan quality, as reflected in lower levels of non-performing loans. Tahir et al. (2020) demonstrate that a lower proportion of significant block-holders, a lower level of debt and a lower frequency of board meetings is associated to better loan quality (Tahir et al., 2020). On the other hand, a lower level of debt in the capital structure is found in banks with better quality loan portfolios (Grove et al., 2011; Tahir et al., 2020). The negative relationship between the number of affiliated audit committee or remuneration committee members and the share of non-performing loans in assets is shown by Grove et al. (2011). Grove et al. (2011) demonstrate a negative relationship of the share of non-performing loans in assets with the size of boards and executive remuneration.

More efficient corporate governance is reflected in lower risk-taking also by Zagorchev and Gao (2015). The authors show that good corporate governance practices are linked to better quality of both total loans and mortgages. These banks are characterised by a higher ratio of loan loss allowances and provisions. The results become stable after excluding the financial crisis period from the analyses.

The study of Tarchouna et al. (2017) differs from the others in the area of corporate governance and loan quality. Namely, these authors construct an indicator of corporate governance, consisting of the size and degree of independence of the boards, the CEO’s duality, majority shareholders and ownership by executive directors. A lower share of non-performing loans is found in smaller banks, which is attributed to strong corporate governance mechanisms seen in avoiding to engage in risky activities (Tarchouna et al., 2017). According to the authors, corporate governance mechanisms do not work efficiently in medium and large banks, which are characterised by poor loan quality and significant losses borne mostly during the global financial crisis. The researchers provide an explanation for this relationship in the high liquidity of banks, which encourages them to take more new investments generating potential risk and accompanying losses. Moreover, in medium and large banks, corporate governance mechanisms are weaker due to the high complexity of these institutions and the transfer of risk between international branches or subsidiaries and the parent bank (Tarchouna et al., 2017).

To sum up, corporate governance is an important factor affecting risk taken by banks. It is reflected in many studies related to bankruptcy risk (Berger et al., 2016; Gaganis et al., 2020; Laeven, Levine, 2009), lending to risky customers (Faleye, Krishnan, 2017) and loan quality (Fiador, Sarpong-Kumankoma, 2021; Grove et al., 2011; Tahir et al., 2020; Tarchouna et al., 2017; Zagorchev, Gao, 2015).

7. Conclusions

Analyses devoted to corporate governance have been undertaken for many years. A special category of empirical analyses is directed towards corporate governance structures in banks. They point to specific features of banks that differentiate them from non-financial companies. Particularly noteworthy are such characteristics of the banking system as high financial leverage, an intensified regulatory regime, an operating ethic linked to the banks' function as public trust institutions, or the higher average size of statutory bodies or appointed committees than that of non-financial enterprises. The complexity of bank corporate governance has resulted in numerous studies being carried out in this area.

Research on selected areas of corporate governance constitutes a rich body of literature in the banking field. Many studies investigate the relationship between elements of corporate governance and particular areas of bank activities. Authors examine the relationships between corporate governance elements and a bank's profitability (Aebi et al., 2012; Erkens et al., 2012), its efficiency (Andrieș et al., 2018; Salim et al., 2016), the level of risk taken (Anginer et al., 2018; Dell'Ariccia, Marquez, 2010) or the probability of bank’s failure (Berger et al., 2016; Gaganis et al., 2020; Laeven, Levine, 2009). Of particular interest are empirical analyses on the relationship between corporate governance practices and the quality of banks' loan portfolios (Fiador, Sarpong-Kumankoma, 2021; Grove et al., 2011; Tahir et al., 2020; Tarchouna et al., 2017; Zagorchev, Gao, 2015).

As corporate governance influences main bank activities, the growing attention should have been paid to its effectiveness and compliance with law. A very important area constitutes recommendations and rules which play a crucial role in shaping bank's behaviour and adjusting specific corporate governance approach applied by banks.

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