



**EUROBANK ERGASIAS S.A.**

**CORPORATE GOVERNANCE CODE  
AND PRACTICES**

10 March 2015

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## **SECTION A: Introduction**

The Corporate Governance Code and Practices (the Code) describes the main corporate governance principles and practices adopted by Eurobank Ergasias SA (the Bank) and its subsidiaries (collectively Eurobank or the Group). The Code is in compliance with the Greek legislation and is based on the international best practices on corporate governance as well as the Bank's contractual obligations with the Hellenic Financial Stability Fund (HFSF), focusing on the sustainable success of Eurobank over the longer term.

The Code is approved by the Board of Directors. The responsibility for ensuring the Code is up-to-date rests with the Group Corporate Governance. The Board, following clearance by the Audit Committee, reviews and approves the contents of the Code once a year.

## **SECTION B: Board of Directors**

### **B.1 The Role of the Board of Directors**

#### **Main Principle**

The Bank is headed by a Board which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with the Greek legislation, international best practices and the Bank's contractual obligations with HFSF.

The Board of Directors' (Board) role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. All Directors must act in what they consider to be the best interests of the Group, consistent with their statutory duties.

#### **Practice**

B.1.1 According to the Bank's Articles of Association, the Board may consist of three (3) to twenty (20) members, while, under the Relationship Framework Agreement (RFA) between the Bank and the HFSF, this range has been specifically set to be between seven (7) and fifteen (15) members (including the representatives of the Greek State and the HFSF) and the number of the Board members must be odd. In addition, the majority of its members should be Non-Executives with at least half of them to be independent. The Board should include at least two (2) Executive members. Executive Directors have responsibility for the day-to-day management and control of Eurobank. Non-Executive Directors are responsible for the overall promotion and safeguarding of Eurobank's interests.

The principal duties and responsibilities of the Board are to:

- review, guide, and approve the strategy of Eurobank, major plans of action, risk policy, annual budgets, business and restructuring plans, set performance objectives, monitor performance, oversee and approve major capital expenditures, acquisitions, divestitures and formation of new entities including creation of special purpose vehicles
- review and approve at least annually Eurobank's risk strategy and risk appetite
- receive and discuss at least on a quarterly basis comprehensive risk reports covering all the main risks and providing an overview of the key changes in the Bank's risk profile versus risk targets and risk appetite
- develop and deliver the objectives in the agreed restructuring plan under recapitalization Law 3864/2010 and for taking any action necessary to that effect
- provide oversight to senior management
- approve Eurobank's corporate governance practices and corporate values and monitor their effectiveness making changes as needed
- oversee the appropriateness and the implementation of the Bank's policies and procedures regarding the lending decisions and the pricing of loans or other commercial policies within the normal course of business or operations
- select, compensate, monitor and, when necessary, replace key executives and oversee succession planning
- align key executive and board remuneration with the longer term interests of Eurobank and its shareholders
- ensure a formal and transparent board nomination and election process
- monitor, manage and approve where required potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- ensure that a clearly defined policy governing relations with connected borrowers exists and oversee its implementation

- ensure the integrity of Eurobank's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards
- oversee the process of disclosure and communications.

The Board, according to its Articles of Association, may assign the exercise of the whole or part of its powers to one or more persons, members of the Board or not, employees of the Bank or third parties, by determining the extent of the assigned powers. Assignment of its powers for decisions regarding IAS 24 "related party transactions" is not permitted under local legislation.

The Board meets regularly every quarter and on an ad hoc basis given at least three (3) working days' notice. Submissions to the Board are circulated together with the agenda. Board Meetings minutes are kept by the Secretary of the Board, are approved at subsequent Board Meetings and signed by all Directors present.

B.1.2 The Board delegates some of its responsibilities to the Risk, Audit, Remuneration, Nomination and Strategic Planning Committees, assesses their performance, and approves their mandate and composition. The structure of the Board and Board Committees' membership as well as the members who are appointed as the risk and financial/audit experts are fully described in Eurobank's Annual Directors' Report which also sets out the number of meetings, of the Board and its Committees and overall attendance by Directors. The Board Committees' main Terms of Reference and their composition are available on the Bank's website.

B.1.3 Eurobank has arranged appropriate insurance cover in respect of legal action against its Directors.

## **B.2 Division of Responsibilities**

### **Main Principle**

There is a clear division of responsibilities at the head of Eurobank between the proper operation of the Board and the day-to-day management and control of Eurobank business. No one individual has unfettered powers of decision.

### **Practice**

B.2.1 The roles of Chairman and Chief Executive Officer (CEO) are not exercised by the same person. The division of responsibilities between the Chairman and CEO are clearly established and set out in Eurobank's Internal Control Manual which is approved by the Audit Committee.

## **B.3 The Chairman**

### **Main Principle**

The Chairman is responsible for leadership of the Board ensuring its effectiveness on all aspects of its role, overseeing its proper operation.

The Chairman should always be a Non-Executive Director and should not serve as Chairman of either the Risk or Audit Committees.

Following decision by the relevant corporate bodies, the Chairman is appointed in the Board Committees. Additionally, the Chairman attends, as required, Management Committees as established by the CEO.

The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. In addition, he ensures that the Directors receive accurate, timely and clear information. The Chairman is also responsible for continuous and clear communication with the representatives of the Ministry of Finance and the HFSF. Finally, the Chairman is available should private shareholders raise any issues.

## **B.4 Non-Executive Directors**

### **Main Principle**

Non-Executive Directors are responsible for the overall promotion and safeguarding of Eurobank's interests. The main duties of the Non-Executive Directors performed either within the Board or through Board committees, are to:

- constructively challenge and contribute to the development of strategy
- monitor the reporting of performance
- scrutinise the performance of management in meeting agreed goals and objectives
- ensure that financial information is accurate and that financial controls and systems of risk management are robust and defensible
- determine the appropriate level of remuneration of Executive Directors
- have a prime role in appointing and, where necessary, removing Executive Directors and in succession planning
- support executives in their leadership of the business while monitoring their conduct
- approve, maintain and oversee the implementation of the remuneration policy both at Bank and Group level (see also par. E.2.1).

### **Practice**

B.4.1 Where they considered it necessary, the Independent Non-Executive Directors should submit, to the ordinary or extraordinary Shareholders' General Meetings of Eurobank, their own reports on a specific subject, either individually or together.

## **B.5 Non-Executive Director representing the Greek State**

### **Main Principle**

Eurobank participates in the Greek State program to support liquidity in the Greek economy under Law 3723/2008. Following the Bank's accession to the provisions of Law 3723/2008 for the participation of the Bank to the Greek State Bank Support Program, a share capital increase with the issuance of 345,500,000 non-voting preference shares took place. The entire share capital increase was covered by the Greek State through the contribution of equal value government bonds.

#### Rights under L. 3723/2008

The preference shares confer upon the Greek State the following privileges:

1. the right to collect a fixed return as specified in par. 3. article 1, Law 3723/2008, as in force and in article 5 of the Bank's Articles of Association
2. the right to vote in the Special Meeting of preferred shareholders in the circumstances provided by Law 2190/1920
3. the right to appoint to the Board of Directors its representative
4. The right to preferential reimbursement, in priority to all other shareholders and *pari passu* with the HFSF, from the proceeds of the Bank's liquidation, in the event the Bank is liquidated.

The Greek State representative has the right to:

1. veto (i) resolutions of strategic character; (ii) resolutions which materially alter the legal or financial situation of the Bank and require approval by the General Meeting of the ordinary shareholders; or (iii) resolutions related to the distribution of dividends and the remuneration policy concerning the Board members and the Bank's general managers and their deputies, pursuant to a relevant decision of the Minister of Finance or in the event such representative considers that the resolution may jeopardise the interests of the Bank's depositors or materially affect the solvency and the orderly operation of the Bank
2. attend the General Meeting of the ordinary shareholders and veto the discussion and resolutions of the abovementioned issues
3. have free access to the Bank's books and records for the purposes of Law 3723/2008.

## **B.6 Non-Executive Director representing the HFSF**

### **Main Principle**

In the context of the recapitalization of the Bank under Law 3864/2010, the HFSF has appointed one (1) representative to the Board (Representative) as a Non-Executive member whose rights derive from Law 3864/2010 and the RFA signed between the Bank and HFSF according to the provisions of the aforementioned Law.

The RFA regulates, among others, (i) the Bank's corporate governance, (ii) the development and approval of the Bank's restructuring plan, (iii) the material obligations deriving from the restructuring plan and the switch of voting rights, (iv) the monitoring of the implementation of the restructuring plan and the Bank's ensuing risk profile and (v) the significant matters requiring the HFSF's consent.

The RFA and applicable Law 3864/2010 do not preclude, reduce or impair the Bank's management to continue to determine independently, among others, the Bank's commercial strategy and policy in compliance with the restructuring plan and the decisions on the day-to-day operations.

Rights under L. 3864/2010

HFSF has:

- restricted voting rights in the Bank's General Meetings; under this framework, the HFSF casts its votes in the General Meetings only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the Board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in the company Law 2190/1920
- the right to participate in the Board of Directors, through up to two (2) representatives designated as additional Board members
- the right to preferential satisfaction from the proceeds of liquidation over all other shareholders (in case the Bank enters into liquidation) together with the Greek State as of preference shareholder under Law 3723/2008.

HFSF's representative has the right to:

- request the convocation of the Shareholders' General Meeting within shortened deadlines
- request the convocation of the Board of Directors
- veto any resolution of the Board (i) related to dividend distributions, remuneration policy of Board members, general and deputy general managers (ii) which may jeopardise depositors' interests or materially affect liquidity, solvency or, in general, the prudent and orderly operation of the Bank (such as business strategy and asset/liability management etc.) or (iii) concerning corporate actions resulting in the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the Board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in the company Law 2190/1920 which may materially impact HFSF's participation in the Bank's share capital
- request the postponement of a Board meeting for up to three (3) business days so as to receive HFSF Executive Board's instructions, following consultation with the Bank of Greece
- have free access to the Bank's books and records for the purposes of law 3864/2010, with advisers of his choice
- approve the Chief Financial Officer (CFO) of the Bank.

In exercising these rights, the HFSF representative should take into account the business autonomy of the Bank.

Rights under RFA (additional to the rights provided for in L. 3864/2010)

HFSF has the right to:

- perform an annual overall evaluation of the Board and of the Audit, Risk, Remuneration, and Nomination Board Committees and to submit its recommendations to the Board and the respective Board Committees for the purpose of identifying weaknesses and improving working methods and work effectiveness.

HFSF's representative has the right to:

- participate in the Audit, Risk, Remuneration and Nomination Committees
- request the convocation of the aforementioned Board Committees to which he participates
- include items on the agendas of the General Meetings, the Board and the aforementioned Board Committees meetings.

Finally, the Bank is obliged to receive HFSF's prior written consent for all material matters defined in the RFA, which, amongst others, are the Bank's restructuring plan provided for in Law 3864/2010 and the material corporate actions (i.e. share capital increases, mergers etc.), to the extent these are not included in the approved restructuring plan of the Bank.

## **SECTION C: Effectiveness**

### **C.1 The Composition of the Board**

#### **Main Principle**

The Eurobank Board and its Committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively.

The Board has a sufficient size ensuring that the requirements of the business can be met; changes to the Board's composition and its Committees can be managed without undue disruption. Decisions are taken following discussions which exhaust the issues to the satisfaction of all Directors present.

The Board in deciding chairmanship and membership of its Committees ensures membership's refreshment and that no undue reliance is placed on particular individuals.

No one other than the Committee Chairman and members is entitled to be present at a meeting of the Risk, Nomination, Audit, or Remuneration Committee, but others may attend at the invitation of the Committee.

As of 22 February 2013, the Monitoring Trustee appointed by the European Commission (DG Competition) may attend any meeting.

#### **Practice**

C.1.1 The General Meeting appoints the Board members, and determines their term of office.

C.1.2 Eurobank presents in the annual financial report the Board membership, identifying each Independent Non-Executive Director. The Nomination Committee and/or the full Board considers which members qualify as Independent Non-Executive Directors and in this consideration apply independence criteria, focusing on substance rather than form. The independence criteria considered are those under local regulations (L.3016/2002) and European Commission's recommendation 2005/162/EC. Subsequently, the Nomination Committee recommends to the Board the Independent Non-Executive Directors' appointment.

The Nomination Committee is also responsible to review semi-annually the independence of Non-Executive Directors and make recommendations to the Board with regard to any changes. The review of the independence of the Non-Executive Board members should be documented as appropriate.

### **C.2 Appointments to the Board**

#### **Main Principle**

Eurobank has a formal, rigorous and transparent procedure for the appointment of new Directors to the Board that is carried out by the Nomination Committee. The Nomination Committee identifies and recommends, for the approval of the Board, or the General Meeting, where required, candidates as members of the Board (including existing Board members at the conclusion of their specified term of office) and properly considers issues related to succession planning and in particular satisfies itself that plans are in place related to the succession planning of key management personnel.

#### **Practice**

C.2.1 The Nomination Committee's members should not exceed 40% (rounded to the nearest integer) of total Board members with a minimum of three (3) members. The Nomination Committee's members are appointed biennially by the Board taking into consideration the legal and regulatory framework. All members of the Nomination Committee should be Non-Executive, while the Chairman should be Independent Non-Executive. One (1) of the members should be the HFSF representative.

C.2.2 The Committee is in quorum and meets validly when half of its members plus one (1) are present or represented (fractions, if any, are not counted), provided that no less than three (3) members are present. The Committee's resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote.

C.2.3 The Nomination Committee, at least annually, has the responsibility to assess the structure, size and composition of the Board and make recommendations to the Board with regard to any changes. No individual is present when his/her

own succession is being considered. At least once every two (2) years the Committee reviews its own performance and terms of reference. Any changes in the terms of reference are submitted to the Board for approval.

C.2.4 The Nomination Committee evaluates the knowledge, skills and experience and assesses the time commitment expected and in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The Nomination Committee reviews regularly and approves the Board Nominees' selection criteria policy and it also identifies and recommends, for the approval of the Board or the General Meeting the members of the Audit Committee and the Risk Committee.

Moreover, the Nomination Committee ratifies the appointment of key management personnel, excluding the Heads of Group Internal Audit and Compliance & Regulatory Requests who are appointed by the Audit Committee and the Chief Risk Officer who is appointed by the Risk Committee, following in both cases consultation with the Nomination Committee. Specifically, the appointment of the Chief Financial Officer is subject to HFSF's representative(s) approval.

Additionally, the Nomination Committee decides on a target for the representation of the underrepresented gender in the Board and prepares a policy on how to meet this target.

The Nomination Committee, also, ratifies the composition and members of the Committees established by the CEO.

Furthermore, the Nomination Committee is informed on the selection of candidates as members of the Board of Directors of Group's significant subsidiaries, prior to their election.

C.2.5 The Nomination Committee recommends to the Board, to propose to the General Meeting for approval, the members to be designated as independent Non-Executive Directors.

C.2.6 Eurobank's Directors Report, in its Corporate Governance Statement, describes Nomination Committee's work during the previous year.

### **C.3 Commitment**

#### **Main Principle**

All Eurobank Directors allocate sufficient time to undertake the role to which they have been appointed.

#### **Practice**

C.3.1 The Chairman dedicates appropriate time to fulfil his duties to the Board.

C.3.2 When the Nomination Committee recommends candidates to fill Board vacancies it ensures that they have sufficient time to meet what is expected of them.

Annually, the Nomination Committee, reports to the Board of Directors' other significant commitments and directorships outside the Bank's Group.

C.3.3 Non-Executive Directors are committed to devoting significant time to the Board.

The Nomination Committee monitors semi-annually the attendance of the Directors to the Board and its Committees and assesses the need for escalation to the Board.

C.3.4 Directors are entitled to manage their own affairs in privacy. However, their work must be carried out in an environment which is free from any suggestion of improper influence. Those providing information must be confident that it will be properly handled and conflicts of interest must be identified immediately and be properly managed. In general, the application /examination of the conflict of interest principle must be based on substance rather than form. Directors must take steps to ensure that any conflict of interest which they may be subject to does not affect a decision taken by the Bank.

Directors, beyond their legal obligations, are therefore expected to inform the Chairperson of the Nomination Committee for any personal or business interests which might influence their judgment or which could be perceived to do so.

C.3.5 The Directors shall not hold more than one (1) of the following combinations of directorships at the same time:

- a) one (1) executive directorship with two (2) non-executive directorships;
- b) four (4) non-executive directorships.

Bank of Greece as the competent authority may authorize Board members to hold one additional non-executive directorship.

## **C.4 Development**

### **Main Principle**

All Eurobank Directors receive a formal induction on joining the Board and regularly update and refresh their skills and knowledge.

### **Practice**

C.4.1 All Directors on appointment receive a full and formal update on Eurobank business and strategy along with information about their obligations under the local regulations and the Board's procedures. The Chairman attends Management Committees as required and ensures that Directors receive necessary updates on the Bank's activities on an on-going basis.

## **C.5 Information and Support**

### **Main Principle**

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Under the direction of the Chairman, the Board's Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.

### **Practice**

C.5.1 The Chairman, through the Secretary to the Board or the Office of the (CEO), ensures that the Directors receive accurate, timely and clear information. Management has an obligation to provide such information and Directors seek clarifications or amplification where necessary.

C.5.2 The Secretary of the Board and Group Corporate Governance advise the Board on all governance matters.

C.5.3 The Board ensures that Directors, especially Non-Executive, have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as Directors. Committees are provided with sufficient resources to undertake their duties and are empowered to seek independent, professional advice whenever required.

C.5.4 All Eurobank Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Board Secretary are matters for the Board as a whole.

## **C.6 Evaluation**

### **Main Principle**

The Nomination Committee undertakes annually a formal evaluation of the Board's performance.

### **Practice**

C.6.1 The Nomination Committee undertakes, annually a performance evaluation of the Board, assessing the, knowledge, skills and experience of individual Directors and of the Board collectively and reports to the Board accordingly. The Board acts on the results of the evaluation by recognising the strengths and addressing the weaknesses. Additionally, the Board takes note of the self-evaluation reports of the Board Committees.

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## **C.7 Re-election**

### **Main Principle**

The Eurobank Annual General Meeting (AGM) appoints the whole Board at the same AGM and its term expires on the date of the AGM three (3) years later.

### **Practice**

C.7.1 The Nomination Committee recommends to the Board the reappointment of Directors at the conclusion of term of office and the appointment of any Board vacancies and the Board puts to the General Meeting for election for a specified term. Biographical details and any other relevant information are provided on the Bank's website to enable shareholders to take an informed decision on their election.

## **SECTION D: Accountability**

### **D.1 Financial and Business Reporting**

#### **Main Principle**

The Directors present a fair, balanced, detailed and understandable assessment of Eurobank's position and prospects.

The Board's responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

The Board establishes arrangements that enable it to ensure that the information presented is fair, balanced and understandable.

#### **Practice**

D.1.1 The Directors provide a statement regarding the compliance of annual and semi-annual financial statements with applicable accounting standards and the fair presentation of financial position and results of Eurobank. In addition, the annual report of the Directors includes a fair review of the development, the performance and the position of the Bank and the Group, together with a description of the principal risks and uncertainties they face.

Furthermore, the auditors provide a statement regarding their reporting responsibilities on the financial statements.

D.1.2 The Executive Directors of the Group provide all stakeholders on a quarterly basis a presentation of financial results and an analysis of performance highlights. The Board provides, through its annual and semi-annual reports, financial results review, business outlook and risks, going concern considerations, as well as any other relevant information to stakeholders required by applicable laws and corporate governance standards.

### **D.2 Risk Management and Internal Control**

#### **Main Principle**

The Board approves strategic risk management decisions (e.g. risk appetite, balance sheet profile and risk management structure) and monitors the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

The Board determines annually the nature and extent of the significant risks it considers appropriate for the Bank to take in achieving its strategic objectives and determines the capital required to support the risk profile of its balance sheet and its business operations going forward. It has also established a system of internal controls that is based on international best practice and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations
- reliability and completeness of financial and management information
- compliance with applicable laws and regulations.

#### **Practice**

D.2.1 The Eurobank Board has delegated its Risk Management and Internal Control responsibilities to the Risk and Audit Committees who report to the Board on a regular basis.

D.2.2 The Risk and Audit Committees following preparation/approval and submission to the Board, submit to the Bank of Greece the following documents:

- Internal Audit's annual assessment of the systems of internal control
  - Audit Committee's annual report on the evaluation of Internal Audit's assessment of the systems of internal controls and
  - Risk Committee's Risk Management Annual Report
- and is informed on Compliance's annual assessment of regulatory compliance policies.

## D.3 Audit Committee and Auditors

### Main Principle

The primary function of the Audit Committee is to assist the Board of Directors in discharging its oversight responsibilities primarily relating to:

- the review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process
- the review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements.
- the External Auditors' selection, performance and independence
- the effectiveness and performance of the Internal Audit function and of the Compliance function.

### Practice

D.3.1 The General Meeting upon proposal by the Board appoints the Audit Committee members, for a term of three (3) years with the option to renew their appointment for five (5) more terms. The Audit Committee members should not exceed 40% (rounded in the nearest integer) of the total BoD members with a minimum of three (3) members. All its members should be Non-Executive, 75% of whom should be Independent. One (1) of the members should be the HFSF Representative. The Chairman of the Audit Committee, an Independent Non-Executive Director, has extensive knowledge and experience in accounting and auditing issues and should not serve as a Chairman to the Board's Risk Committee.

D.3.2 The Audit Committee's meeting is effective when at least two (2) members participate. The Chairman or the Vice Chairman must be one (1) of the participating members. The Audit Committee resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. The Board is informed whenever a decision of the Audit Committee is not reached unanimously.

D.3.3 The main role and responsibilities of the Audit Committee as set out in its written terms of reference which provide details on the purpose, organisation, authority, duties and responsibilities and relationship with external auditors, are to:

- review the financial statements to be published, including significant financial reporting judgements contained in them
- review the internal control and risk management systems and the compliance with rules and regulations process
- monitor and review the effectiveness of the internal audit and compliance functions
- make recommendations to the Board, for it to put to the shareholders for their approval in General Meeting, in relation to the appointment, remuneration and terms of engagement of the external auditor
- review and monitor the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements
- ensure periodic tendering of the Bank's external auditor
- develop and implement policy on the engagement of the external auditor to supply non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm
- consider any issues pertaining to the external auditors' independence and objectivity (including the provision of non-audit services), to communicate the result to the Board and to recommend, appropriate action. In doing so, the Committee receives annual confirmation from the external auditors regarding their independence.

Eurobank's Directors Report in its Corporate Governance Statement describes the main terms of reference of the Audit Committee and how it has discharged its responsibilities.

D.3.4 The Audit Committee recommends to the Board the approval of the Financial Statements and Annual report, following review, analysis and discussion with Management and with external auditors.

D.3.5 The Audit Committee assesses the confidential procedures established by Management for employees to submit complaints and comments regarding compliance with the applicable-legislation, internal regulations and proper practices (whistle blowing). Care is taken to ensure the protection of the whistle-blower.

D.3.6 The Audit Committee:

- ensures that the Internal Audit and Compliance functions are independent, adequately organized, have unrestricted access to any pertinent information and operate efficiently and effectively
- proposes to the Board the appointment, replacement or dismissal of the Internal Audit Director and Head of Compliance & Regulatory Requests Division and periodically assesses their performance and remuneration together with the Remuneration Committee
- approves the Terms of Reference and Annual Plans of the Internal Audit and Compliance functions

- has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor. For this purpose the Audit Committee puts in periodic tender the Group's auditors, at least once every four (4) years, and the tendering process takes place two (2) calendar years (cooling off period) prior to their appointment by the General Meeting in order to provide the auditing firms with sufficient time to safeguard their independence.

D.3.7 Eurobank's Directors Report, in its Corporate Governance Statement, provides an overview of the Audit Committee's work in discharging its responsibilities during the previous year, including the Committee's work in relation to the financial statements, the effectiveness of the external audit process and the objectivity and independence of Eurobank's external auditors.

## D.4 Board Risk Committee

### Main Principle

The Board Risk Committee (BRC) approves strategic risk management decisions (e.g. risk appetite, balance sheet profile and risk management structure) and is in charge of monitoring the quantitative and qualitative aspects of all market, credit, liquidity and operational risks.

### Practice

D.4.1 The Board Risk Committee members are appointed by the Board for a term of three (3) years with an option to renew their appointment for three (3) more times. The BRC members should not exceed 40% (rounded to the nearest integer) of the total BoD members with a minimum of three (3) members. All BRC members should be Non-Executive while at least one third (1/3) of the members (rounded to the nearest integer) should be Independent Non-Executive. One (1) member should be the HFSF representative. The Chairman of the BRC should not also serve as the Chairman of the Board's Audit Committee and should be Non-Executive with a solid experience in commercial banking and preferably risk and capital management, as well as, be familiar with local and international regulatory framework.

D.4.2 Quorum requires the majority of BRC members to be in attendance. The Chairman must be one of the participating members. The BRC resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. The Board is informed whenever a decision of the BRC is not reached unanimously.

D.4.3 The main role and responsibilities of the Board Risk Committee as set out in its written terms of reference which provide details on the purpose, organization, authority, duties and responsibility, are to:

- ensure that Bank has a well-defined Group risk strategy and risk appetite. The risk appetite should be articulated via a set of quantitative and qualitative statements for specific risk categories, including specific tolerance levels (by portfolio, sector, geography, credit rating etc.)
- review and recommend to the Board the Bank's risk strategy and risk appetite, including an assessment of the appropriateness of the Bank's business/restructuring plan in the context of risk appetite, on an annual basis or more frequently, as required
- review, at least, on a monthly basis the Bank's risk profile vs. the Bank's risk appetite criteria, based on reports prepared by Risk Management Division
- review any overrides to the policy governing relations with Connected Borrowers, as monitored and reported by the Risk Management Division
- ensure that there are appropriate oversight mechanisms and controls for the monitoring and effective management of "troubled assets" defined so as to include:
  - Non-performing loans (NPLs)
  - Loans under restructuring or rescheduling schemes
  - Exposures which have been written off for accounting purposes but for which the Bank still pursues partial or full recovery.
- review, approve and submit to the Board of Directors the annual Internal Capital Adequacy Assessment Process (ICAAP) report prepared by the Risk Management Division in co-operation with the Strategy Division and submitted to the Executive Board, the Board of Directors and Bank of Greece
- ensure that the Risk Governance principles as set out in the RFA are complied with
- Following consultation with the Nomination Committee, to propose to the Board of Directors the appointment of the Chief Risk Officer and his dismissal. The HFSF Representative in the Board has the right to approve the CRO and his dismissal
- review and approve the Chief Risk Officer's annual report (prepared in accordance with relevant requirements of Bank of Greece Governor's Act 2577/9.3.2006) submitted to Executive Board, the Board of Directors and Bank of Greece

- keep Board and Audit Committee updated on important relevant risk matters and, to propose to the Board corrective actions in case the Committee identifies that the risk strategy is not implemented, partly or in full.

D.4.4 Eurobank's Directors Report, in its Corporate Governance Statement, describes Board Risk Committee's work during the previous year.

## **D.5 Strategic Planning Committee**

### **Main Principle**

The Board at its meeting held on 16 February 2015 decided the establishment of the Strategic Planning Committee (SPC). The SPC's role is to assist the Executive members of the Board in planning and developing the Group's Strategy.

### **Practice**

D.5.1 The SPC members are appointed by the Board, on the recommendation of its Chairman, following the proposal by the Nomination Committee. The Committee's members are appointed for a term of three (3) years that can be renewed up to three (3) times. The Committee consists by at least five (5) members who may be, besides the Chairman and the CEO, either Board's Executive members or Senior Executive Officers.

D.5.2 The Committee has a quorum and duly convenes if half of its members plus one (including the Chairman or the CEO) are present. Decisions shall be validly taken by simple majority vote of members present. In case of a tie of votes the Chairman (or in his absence the CEO) has the casting vote. The Board shall be informed whenever a decision of the Committee is not reached unanimously. The opinion of the minority should be recorded in the meeting's minutes.

D.5.3 The main role and responsibilities of the Strategic Planning Committee as set out in its written terms of reference which provide details on the purpose, authority, duties and responsibilities, are to:

- ensure that the Group develops a well-defined planned medium term strategy in line with the Board's guidance and its approved business and restructuring plan
- set the key objectives and goals of the business plan and the annual budget, to review major business initiatives within the framework of which the Executive Board draws up the annual budget and the medium term business plan to be reviewed and approved by the SPC, before its submission for approval to the Board
- review and propose to the Board strategic partnerships, rights issues, issuing convertibles and/or launching debt issuance programs, acquisitions or disposals, the formation of joint ventures and all other major investments or disinvestments by the Group; and where deemed necessary, make proposals, to the Board on all of the above issues
- maintain and take all necessary actions on regulatory and internal capital required to cover all types of risks (incl. strategic and reputational risks, as well as other non-quantifiable risks) and to ensure that capital requirements are met at all times
- review and evaluate all major Group's initiatives aiming at transforming the business and operating model
- monitor on a regular basis the strategic and the key performance indicators of the Group, including the segmental view
- review and, as needed, make proposals to the Board on all other issues of strategic importance to the Group.

The Committee reports to the Board on a quarterly basis.

## **SECTION E: Remuneration**

### **E.1 The Level and Components of Remuneration**

#### **Main Principle**

The Eurobank remuneration policy forms an integral part of the Bank's corporate governance practice and is developed in accordance to its operational model, business strategy, objectives, long-term interests of the Bank as well as the long-term value creation for shareholders and incorporates measures to avoid conflict of interest.

Also, the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage excessive risk-taking on behalf of the Bank.

The Bank has established a competitive compensation framework, in order to attract, engage and retain its Directors and employees. Its basic principles are to:

- safeguard that the compensation is sufficient to retain and attract executives with appropriate skills and experience
- monitor that internal equity between business units is applied
- avoid excessive risk behaviour
- link compensation with long-term performance.

The continuous monitoring of market trends and best practices creates a competitive remuneration policy that is transparent and promotes internal equity.

#### **Practice**

E.1.1 Following a proposal from the Remuneration Committee, the remuneration of all Directors is determined by the Non-Executive Directors, subject to the approval of the General Meeting of Shareholders.

According to Eurobank's remuneration policy, at least 40% of the variable remuneration awarded is deferred over a period which is not less than three (3) to five (5) years, vests no faster than on a pro-rata basis and is correctly aligned with the nature of the business, its risks and the activities of the employee in question.

At least 50% of the variable remuneration awarded consists of shares or equivalent ownership interests and where possible, other instruments within the meaning of Article 52 or 63 of Regulation (EU) No 575/2013. The instruments referred to above, shall be subject to an appropriate retention policy designed to align incentives with the longer-term interests of the Bank. Any equity remuneration related scheme is approved by the General Meeting. Variable remuneration (deferred and non-deferred) is paid or vests only if it is sustainable according to the financial situation of the Bank as a whole, and justified on the basis of the performance of the Bank, the business unit and the individual concerned.

Without prejudice to the general principles of national contract and labour law, the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the Bank occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

Moreover the provisions of the Law 4261/2014 are also applied.

For as long as the Bank participates in the government program for enhancing liquidity and receives capital support from the Hellenic Financial Stability Fund, it shall also comply to the restrictions regarding remuneration as per the respective laws 3723/2008 and 3864/2010.

E.1.2 The remuneration of the Non-Executive Directors is fixed in order to avoid potential conflict of interest.

E.1.3 Under Greek Company Law, the appointment of a Director may be revoked at any time without notice by the General Meeting.

### **E.2 Procedure**

#### **Main Principle**

The remuneration policy and its revisions are approved by the Non-Executive Directors following the recommendations from the Remuneration Committee.

The implementation of the remuneration policy is subject to annual internal audit review from the Internal Audit Unit.

## **Practice**

E.2.1 The Non-Executive Directors have the responsibility to approve and periodically review Bank's remuneration policy and oversee its implementation at Group level.

In particular the Non-Executive Directors have the following responsibilities regarding remuneration:

- to approve the remuneration policy and its revisions
- to determine the remuneration of Board members (Executive and Non-Executive), subject to approval from the General Meeting
- to approve the total performance – related remuneration pool of the Group and its allocation among Business Units / subsidiaries
- to approve the Bank's total remuneration framework taking into consideration the market trends as well as the current laws and regulations
- to approve any exceptions to the approved total remuneration framework regarding employees whose activities have a material impact on the Bank's risk profile
- to approve any exceptions to the approved total remuneration framework for the Heads of Group Internal Audit, Compliance & Regulatory Requests and Group Risk Management
- to approve any payment or compensation commitment to be made to an executive member of the Board on termination of his/her office, subject to approval from the General Meeting
- to approve all exposures of Remuneration Committee members and ensure that the exposures granted and their terms are compliant with current laws and regulations. No member is present when his exposure is being considered
- to ensure compliance of the remuneration policy and its application with current laws and regulations
- to provide, when appropriate, adequate information to the General Meeting regarding their activities, with the assistance of the Remuneration Committee.

E.2.2 The Board has delegated to the Remuneration Committee the responsibility to provide specialized and independent advice for matters relating to remuneration policy, and its implementation at Bank and Group level. The Remuneration Committee members should not exceed 40% (rounded to the nearest integer) of total BoD members with a minimum of three (3) members. All of its members should be Non-Executive, while the majority of the members including the Chairman should be Independent Non-Executive. One (1) member should be the HFSF representative.

E.2.3 The Committee is in quorum and meets validly when half of its members plus one are present or represented, provided that no less than three (3) Committee members are present. Decisions of the Committee shall be validly taken by an absolute majority of the members who are present and represented. In case of a tie, the Chairperson of the Committee has a casting vote. No individual is present when his/her own remuneration is being considered. In carrying out its duties, the Committee is accountable to the Board.

E.2.4 The main role and responsibilities of the Remuneration Committee as set out in its written terms of reference which provide details on the purpose, authority, duties and responsibilities, are to:

- inform, advise and support the Non-Executive Directors regarding the design, revision and the implementation of the remuneration policy both at Bank and Group level
- ensure compliance of the remuneration policy and its application with current laws and regulations
- propose to the Non-Executive Directors, the total performance – related remuneration pool of the Group and its allocation among Business Units / companies
- propose to the Non-Executive Directors, the remuneration of the members of the Board
- propose to the Non-Executive Directors the Bank's total remuneration framework taking into consideration the market trends as well as the current laws and regulations
- propose to the Non-Executive Directors of the Board for their approval any exceptions from the approved total remuneration framework regarding employees whose activities have a material impact on the Bank's risk profile
- approve any remuneration adjustments within the approved total remuneration framework for the Heads of Group Internal Audit, Compliance & Regulatory Requests and Group Risk Management
- propose to the Non-Executive Directors any exceptions from the approved total remuneration framework for the Heads of Group Internal Audit, Compliance & Regulatory Requests and Group Risk Management
- approve the remuneration of the Board members and the CEOs of all subsidiaries
- consider and recommend to the Non-Executive Directors of the Board any payment or compensation commitment to be made to an executive member of the Board on termination of his/her office
- approve all exposures of Board members, Executive Board Members, Management Committee members, Legal Counsel, Heads of Internal Audit, Compliance & Risk Management (excluding Remuneration Committee members whose exposures are approved by the Non-Executive Directors of the Board) and ensure that the exposures granted and their terms are compliant with current laws and regulations

- provide, when appropriate, adequate information regarding its activities to the General Meeting.

While executing its duties, the Remuneration Committee shall, to the extent possible, and on an ongoing basis, take into account the long-term interests of shareholders, investors and other stakeholders in the Bank as well as the public interest, promote sound and prudent management and prevent or minimize any conflicts of interest that might arise.

E.2.5. Eurobank's Directors Report, in its Corporate Governance Statement, describes Remuneration Committee's work during the previous year.

## SECTION F: Relations with Shareholders

### F.1 Dialogue with Shareholders

#### Main Principle

Eurobank is actively facilitating communication between Management and the shareholders. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

Whilst recognising that most shareholders' contact is with the CEO and CFO, the Chairman ensures that all Directors are made aware of their major shareholders' issues and concerns. The Board is kept in touch with shareholders' opinion in whatever ways are most practical and efficient.

#### Practice

F.1.1 Eurobank is actively facilitating interactive communication between the Management and the shareholders, through the following mechanisms:

- The Board's proposals to the General Meeting are accompanied by detailed explanations available on the website to enable an informed and constructive discussion of the issues at the General Meeting
- Through the Shareholder's Registry Sub-Division, all shareholders are able to address issues to Management either physically or by e-mail or by telephone and submit their proposals
- Roadshows: Roadshows and meetings enable institutional investors to maintain contact with Management, through the Group's Investor Relations Department
- Publications: Twice a year, the Shareholder's Registry Department and the Investor Relations Department issue a bulletin available in printed form and on the Group's website, which contains information about key issues concerning Eurobank and its shareholders. The bulletin makes extensive reference to the means available to shareholders for sending their comments and recommendations to the appropriate Departments of the Group
- Provide its shareholders with the following capabilities through its website:
  - Shareholders' frequently asked questions: the Shareholder's Registry Sub-Division gives uniform answers to frequently asked questions by the shareholders on the same subject
  - Electronic updates and alerts: interested parties who complete the "Electronic Updates Form" can receive timely alerts about the information they are interested in, specifying the exact web page where this information will be posted.

### F.2 Constructive use of the General Meeting

#### Main Principle

The Board uses the General Meeting to communicate with shareholders and to encourage their participation.

#### Practice

F.2.1 The shareholders are called to express their opinions on the issues under review, during an open discussion. Any shareholder may request the Board of Directors to provide the General Meeting with specific information regarding Eurobank business, to the extent that this is useful for the actual assessment of the items on the agenda. Shareholders representing 5% of the paid-up share capital may require the Board of Directors to include additional items on the General Meeting's agenda or publish alternative draft resolutions for items already included in the agenda. Shareholders representing 20% of the paid-up share capital may require the Board of Directors to provide the General Meeting with information about the course of the Eurobank affairs and financial situation.

F.2.2 At any General Meeting, Eurobank proposes a separate resolution on each substantially separate issue, and especially, proposes a resolution at the Annual General Meeting relating to the annual financial statements. For each resolution, proxy forms provide shareholders with the option to direct their proxy to vote either for, against or to abstain.

F.2.3 Eurobank ensures that all valid proxy appointments received for General Meetings are properly recorded and counted. Voting is always by ballot. For each resolution Eurobank ensures that the following information is made available, within five (5) days after the General Meeting, on its website:

- the number of shares casting valid votes
- the percentage of share capital represented by these votes
- the total number of valid votes
- the number of votes for or against each resolution
- the number of shares in respect of which the vote was abstained.

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F.2.4 Board and Board Committees' members are available to answer questions at the Annual General Meeting.

F.2.5 The Board arranges for the Notice of the General Meeting and related papers to be available to shareholders at least 20 calendar days before the meeting.