



Board Risk Committee

**of
Eurobank S.A.
TERMS OF REFERENCE
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1. INTRODUCTION

The Board Risk Committee (“Committee” or “BRC”) of Eurobank S.A. (“Eurobank” or “Bank”) is a Board Committee established by the Board of Directors (“Board” or “BoD”) of Eurobank.

Terms of Reference (“ToR”) are in accordance with international best practices and comply with the applicable regulatory framework, such as the Bank of Greece’s Governor’s Act 2577/9.3.2006, the law 3864/2010 as amended and currently in force, the law 4261/2014, as well as, the Relationship Framework Agreement (RFA) signed between the Hellenic Financial Stability Fund (HFSF) and Eurobank on December the 4th, 2015.

The ToR are approved by the Board and are reviewed at least once every two (2) years and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision.

2. PURPOSE

The purpose of the BRC is to assist the BoD in the following risk related issues regarding the Bank and the Group (“Bank and its subsidiaries”):

- To ensure that the Group has a well-defined risk strategy and risk appetite in line with its business plan and that the risk appetite is articulated in a set of qualitative and quantitative statements and risk tolerance levels for all relevant risks.
- To ensure that the Group has developed an appropriate risk management framework which is embedded in the decision making process (e.g. new products and services introduction, risk adjusted pricing, internal risk models, risk adjusted performance measures and capital allocation) throughout the Bank and its subsidiaries.
- To define the Group risk management principles and ensure that the Bank has the appropriate methodologies, modeling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks.
- To review and assess, at least on a monthly basis, the Bank’s and Group’s risk profile and effectiveness of its risk management policies and advise the BoD accordingly (this review is supported by the Management Risk Committee (“MRC”) regular reporting, including aspects of operational risk i.e. conduct and cyber risks and reputational risk).
- To ensure that appropriate stress tests are performed, at least on an annual basis, in relation to all major Group risks.
- To review and approve the Bank’s internal risk models development (framework, policies, etc.) as well as regularly monitor internal risk models results (incl. validation and back testing).
- To review and approve the Bank’s IRB rating systems and estimation processes including IRB roll-out plan status and progress report, as well as monitor and report differences between the realized and expected default rates.
- To maintain a sound and effective overall architecture for the implementation of the Internal Capital Adequacy Assessment Process (“ICAAP”) and the Internal Liquidity Adequacy Assessment Process (“ILAAP”), ensuring that the ICAAP and the ILAAP are integral parts of the Bank’s overall management framework.

- To provide its assessment of the capital adequacy and liquidity adequacy of the Group.
- To assess, in compliance with the approved risk appetite and risk tolerance levels, the appropriateness of risk limits, the adequacy of provisions and, in general, the capital adequacy in relation to the risks undertaken by the Group, through, amongst others, the annual report prepared by the Group Risk Management General Division and relevant extract of the report prepared by the Internal Audit Division.
- To keep the BoD and Audit Committee updated on relevant risk matters and recommend to the BoD on an annual basis the future risk strategy and risk appetite.
- To provide oversight of, review and approve the Bank's IRRBB framework, strategy, policies and processes.

3. AUTHORITY

The BRC is authorized:

- To have unrestricted access to information and cooperation with members of the Management and employees, who support the Committee in its role.
- To obtain external professional advice, as it deems necessary, provided that no conflict of interest arises. To that effect the Committee shall receive appropriate funding.
- To work and liaise as necessary with all other Board Committees.
- To be assisted in the performance of its duties and responsibilities by Management Committees, including the Management Risk Committee ("MRC"), which is a top management (executive) level committee established by the CEO and chaired by the Group CRO, which provides oversight of the Group's risk management framework, including implementation of risk policies, informs, the BRC of the Group's risk profile and reports to the BRC the stress testing results.

4. MEMBERSHIPS

- The BRC members are appointed by the BoD, following the recommendation of the Nomination Committee, in accordance with legal and regulatory framework where applicable.
- The BoD may propose the change of the composition of the BRC at any time it deems necessary.
- The BRC members should not exceed 40% (rounded to the nearest integer) of the total BoD members (excluding the HFSF Representative) with a minimum of 3 members. All BRC members should be non-executive.
- At least one third of the members (excluding the HFSF Representative and rounded to the nearest integer) should be independent non-executive. The independent members of the Committee fulfill the requirements of local legislation (Greek Law 3016/2002) and the European Commission recommendation 2005/162/EC.
- The HFSF Representative to the Bank's BoD, under L. 3864/2010, should be also a member of the BRC.
- The Chairperson who qualifies as independent member and the Vice-Chairperson of the Committee are appointed by the BoD in accordance with legal and regulatory requirements where applicable. The

appointment of the Chairperson and the Vice-Chairperson shall go through the Nomination Committee's proposal process.

- The Chairperson of the BRC should not also serve as the Chairperson of the Board's Audit Committee and should be independent non-executive with a solid experience in commercial banking and preferably risk and/or Non-Performing Exposures management, as well as, be familiar with Greek and international regulatory framework.
- All BRC members should have prior experience in the financial services or commercial banking industry, with at least one member (expert) having solid risk and capital management experience as well as familiarity with local and international regulatory framework.
- The tenure of the BRC members coincides with the tenure of the BoD, with the option to renew their appointment, but in any case the service in the BRC should not be more that twelve (12) years in total.
- The BRC members are not allowed to hold positions and conduct transactions through which a conflict regarding the BRC's mission might arise. In this regard, the Committee members should be demonstrably independent of Management.
- The BRC members may participate in other Committees of the Bank's BoD and/or in the BoDs and Board Risk Committees of subsidiary entities.

5. MEETINGS

- The BRC shall meet at least on a monthly basis. The Chairperson shall update the BoD members on the material matters covered by the Committee during the previous period (if any) at the quarterly meetings of the BoD.
- The meeting agenda will be prepared by the Chairperson of the BRC and distributed to the BRC members. The agenda together with the relevant material shall be sent to the BRC members and the HFSF Observer, by written notice at least five (5) calendar days prior to the meeting.
- Quorum requires the majority of members (half plus one) to be present or represented¹, provided that no less than three (3) Committee members are present. The Chairperson or the Vice Chairperson must be one of the participating members. In determining the number of members for the quorum, fractions, if any, will not be counted.
- Members may attend the meetings by video or audio conference while mandatory minimum attendance should be achieved as described in the Board and Board Committees' Attendance Policy. In particular, each Board member is expected to achieve mandatory minimum attendance to the Board and Board Committees where he or she participates of not less than 85% every calendar year, while individual meetings up to 15% can be missed only if a valid excuse is provided.
- Only BRC members have the right to attend the BRC's meetings. However, the AC members may also attend BRC sessions when common issues are discussed. In addition, the Chairperson of the BRC may invite to the

¹ Each member of the Committee may validly represent only one of the other Committee members. Representation in the Committee may not be entrusted to persons other than the members thereof.

meetings members of Management, Directors of Group Risk Management General Division, the Chairperson of the subsidiaries' Risk Committee or outside advisors or experts, as deemed appropriate. The number of additional invitees should be restricted, so as not to impact the effectiveness and efficiency of the meeting.

- The Group CRO has a key reporting role to the BRC and is a permanent attendee in the BRC meetings. The Group CRO's Performance assessment is conducted annually by the BRC members.
- The HFSF Observer in the BRC shall act as an Observer and will have no voting rights.
- The BRC resolutions require a majority vote of the members who are present or represented. In case of a tie, the Chairperson and in case of his/her absence the Vice Chairperson of the Committee has the casting vote. Decisions may be taken through the drawing up and signing of minutes by circulation, by all BRC members or their representatives, which is equal to a decision of the Committee, even if no meeting has preceded.
- The BRC appoints its Secretary, who reports to the Group Company Secretariat and cooperates with the Chairperson of the Committee and the GCRO. The Secretary is responsible to minute the proceedings and resolutions of all BRC meetings, including the names of those present and in attendance and the action plans and follow ups for assignments, as well as for issuance of extracts. In case of non-unanimous decisions, the views of the minority should be also minuted.
- The minutes and the decisions shall be submitted to the HFSF Representative as soon as they are finalized but no later than ten (10) calendar days after the meeting. Additionally, after their finalization, the minutes shall be signed by all Committee members.
- Once approved, minutes shall be available to all BoD members through the software application of the BRC's meetings support (Diligent Boards).

6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the BRC are described below:

1. To ensure that the Bank has a well-defined group risk and capital strategy and risk appetite. The Bank's risk appetite should be articulated via a set of quantitative and qualitative statements for specific risk categories.
2. To ensure that the Bank's risk appetite is clearly communicated throughout the Bank and forms the basis on which risk policies and risk limits are established at Group, business and regional level.
3. To review and recommend to the BoD the Bank's risk strategy and risk appetite, including an assessment of the appropriateness of the Bank's business, capital and liquidity plans in the context of risk appetite, on an annual basis or more frequently, as required.
4. To review at least on a monthly basis, the Bank's risk profile vs the Bank's risk appetite, based on reports prepared by Group Risk Management General Division (in cooperation with the SSM Office).
5. To ensure that the Bank has the appropriate methodologies, modeling tools, data sources, IT systems and competent staff to assess (a) the impact on asset quality under different macroeconomic and market

assumptions and (b) the risks that such changes may pose to the financial stability of the Bank's Group.

6. To ensure that the Bank implements, at least on an annual basis, the ICAAP and the ILAAP, in compliance with the regulatory requirements and guidelines.
7. To oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks, in order to assess their adequacy against the approved risk appetite and strategy.
8. To review and approve the key elements of the Bank's ICAAP and ILAAP including the governance framework the methodologies employed, the high-level assumptions and parameters, as well as the outcomes of the Bank's ICAAP and ILAAP.
9. To ensure that the Bank updates, at least on an annual basis, the Group Recovery Plan in compliance with the regulatory requirements and guidelines.
10. To ensure that there are appropriate oversight mechanisms and controls for the monitoring and effective management of "troubled assets" so as to include:
 - Non-performing Exposures (NPEs) and Non-Performing Loans (NPLs).
 - Exposures which have been written-off for accounting purposes but for which the Bank still pursues partial or full recovery through legal action.
11. To emphasize the development of appropriate early warning systems so as to identify borrowers reaching their limits of their ability to perform on their obligations.
12. To ensure that the Bank develops, maintains and constantly updates an appropriate range of solutions for the mitigation of delinquencies and preservation of the value of its loan assets.
13. To ensure that the Bank maintains risk-adjusted performance and pricing measurement tools and methodologies which are approved by Group Risk Management General Division and are integrated in the business decision making process (e.g. decisions for new products, risk-adjusted pricing, internal risk models, performance measurement and capital allocation). In addition, the BRC through Group Risk Management General Division, should oversee their implementation.
14. To be informed by the GCRO and review any deviation from the credit policy or potential conflict with the approved risk strategy and risk appetite.
15. To ensure that the Risk Governance principles, as set out in Section 7 below, are complied with.
16. To review any overrides to the policy governing relations with Connected Borrowers, as monitored and reported by the Group Risk Management General Division.
17. To ensure that stress tests are performed at least on an annual basis with respect to credit, market and liquidity risks and that relevant techniques are applied for operational risk.
18. To ensure that there is adequate focus on operational risk and that there are appropriate oversight mechanisms and controls for the monitoring of effective management of operational risk. In this context, BRC assisted by Management as required, holds separate sessions on operational risk matters and also on IT Security & Cyber risk on a quarterly basis and ad hoc as needed.

19. To ensure adherence to Bank's policies for the management of operational risk (i.e. legal and compliance risk, conduct risk, cyber risk, internal and external fraud etc.).
20. To receive and review reports, as and when appropriate, from Internal Audit regarding the results of audits in risk management related areas.
21. To review the extract of the report relating to Risk Management that Internal Audit submits annually to the Audit Committee, ExBo, the BoD and Bank of Greece, regarding the adequacy of the Bank's Internal Control System.
22. To review and approve the GCRO's annual report (prepared in accordance with relevant requirements of BoG Governor's Act 2577/9.3.2006) submitted to the MRC, BoD, SSM and Bank of Greece.
23. Internal Model approval, results monitoring and reporting:
 - i. To review and approve new Group internal risk models development and material changes to existing models.
 - ii. To approve, monitor and report to the BoD internal risk models results (i.e. models results validation and back testing).
 - iii. To approve Group internal models framework including assumptions, possible limitations and instructions for model users and Group internal models register.
24. IRB rating systems approval and results monitoring and reporting:
 - i. To review and approve the IRB rating systems and estimation processes including IRB roll-out plan status and progress report.
 - ii. To regularly monitor IRB ratings systems results and analysis of differences between the realized and expected default rates.
25. Interest rate risk in the banking book (IRRBB):
 - i. To provide oversight of the IRRBB management framework, the institution's risk appetite framework and the amounts, types and distribution of internal capital to adequately cover the risks.
 - ii. To approve the corresponding policies and processes and determine the institution's overall IRRBB strategy.
 - iii. To delegate the monitoring and management of IRRBB to the asset and liability management committee (G-ALCO)
26. To approve write offs (on a pool basis) higher than €100m for corporate loans and higher than €70m for retail loan portfolios.
27. To obtain at least annually activity reports by the subsidiaries' Board Risk Committees covering all major issues in each area of oversight of these Committees and to establish communication channels and enhance cooperation with the Chairpersons of the subsidiaries' Board Risk Committees.
28. To provide oversight of Eurobank Group's subsidiary banks' adherence to the Group Risk Framework and to encourage the sharing of information and best practice between the Group's Risk Committees'.
29. To keep the BoD and the Audit Committee updated on important relevant risk matters and, to propose to

the BoD corrective actions in case the BRC identifies that the risk strategy is not implemented, partly or in full.

30. Following consultation with the Nomination Committee, to propose to the BoD the appointment of the Group Chief Risk Officer (“GCRO”) and if necessary his dismissal.

31. To review and approve the following documents after being reviewed by the MRC:

- a. Group Risk Strategy and Risk Appetite Statements (RAS)
- b. Risk Appetite Framework,
- c. Stress Testing Policies and Procedures,
- d. Stress Testing programme and results,
- e. Capital Adequacy Statement and Liquidity Adequacy Statement
- f. Group Recovery Plan,
- g. Contingency Funding Plan,
- h. Risk principles, risk policies and procedures, risk methodologies (e.g. rating models development & documentation policy, risk parameters estimation/calibration and risk assignment/classing policy, rating models validation policy, IRB roll-out plan & Permanent Partial Use (PPU) policy, models risk
- i. Specific Risk Management Frameworks (e.g. Credit, Market, Liquidity, Operational, Reputational, Models, Data Governance)

32. To review the Committee’s annual plan, referring to the annual schedule of the Committee’s meetings and the allocation of the main agenda items to each meeting.

7. RISK GOVERNANCE

- The Group Chief Risk Officer (“GCRO”) is a member of the Executive Board (hereinafter the “ExBo”) and has a dual reporting line to the BRC and the CEO, with direct access to the Chairperson of the BRC, whenever the GCRO considers necessary.
- The GCRO’s compensation is approved by the Remuneration Committee after consultation with the BRC.
- The GCRO should have sufficient authority, access to the BoD, independence from the business units and should not be in charge of any revenue generating activity (including Arrears and NPE/NPL management).
- The GCRO is a member in all major Executive Committees (e.g. G-ALCO, Strategic Planning Committee, Credit Committee, Special Handling Committee for problematic borrowers etc.). In case of disagreement the GCRO has the right to escalate the issue to the more senior body for approval.
- The GCRO should oversee the implementation of the risk policies. To this end, the Group Risk Management Division should establish an adequate control mechanism through analytical (statistical) and on-site (field) reviews. In addition, Group Risk Management Division, through its Credit Control/Review function, should be responsible for the ex-post credit review (e.g. policy & process adherence, risk assessment).
- The GCRO should approve the credit policy before its submission to the MRC and the BRC for approval and should oversee its implementation.
- The GCRO promptly reports any deviation from the credit policy or potential conflict with the approved risk strategy and risk appetite to the BRC.

- With respect to financial assets & liabilities valuation (incl. for the drafting of financial statements), the Group Risk Management General Division is the primary source of such valuations and should be responsible for:
 - Validating the policies, processes and methodologies (e.g. mark-to-market, mark-to-model etc.) employed for their valuation,
 - Controlling the appropriateness of the prices used in the valuation process.
- The MRC, chaired by the GCRO should oversee compliance with approved risk appetite limits and any deviations from the risk appetite should be communicated in a timely manner to the BRC.
- The MRC, chaired by the GCRO is responsible to provide to the BRC, on a monthly basis, adequate reporting in order to enable the Committee to properly oversee and advise the BoD on the Bank's risk exposures/profile and future risk strategy. The time lag in the reporting of the Bank's risk profile should be as short as feasible but in any case should not surpass 30 calendar days.
- The Group Risk Management General Division has an active and essential engagement in the strategic planning and budgeting processes participating in all relevant committees, assessing the compliance with risk appetite, capital adequacy levels and the potential of downside risks. The GCRO reports issues of non-compliance to the BRC promptly.
- The Group Risk Management General Division is also responsible for the determination of loan impairment models, including at least the validation of individual impairment assessments (if performed by other units) as well as the validation of portfolio segmentation decisions and all parameters used for collective assessment. Responsibility shall be also undertaken regarding all risk projects related to NPEs/NPLs management (e.g. models, systems, methodologies).
- The Group Risk Management General Division should establish and closely monitor the implementation of limits and adherence to policy governing relations with Connected Borrowers so as to ensure that such transactions are performed on commercial/arm's length basis. Any overrides to this policy should be reported to the BRC.
- The Group Risk Management General Division should also be responsible for the approval, incorporation and monitoring of the implementation of risk-adjusted performance and pricing measurement tools as well as of metrics relevant in the decision making process.

8. REPORTING RESPONSIBILITIES

- Internally to the BoD.
- Externally to the General Assembly.

9. PERFORMANCE EVALUATION

The BRC's performance is evaluated annually according to the provisions of the BoD and the Board Committees Evaluation Policy of the Bank. In order to perform their role effectively, the BRC members need to maintain and develop their skills and knowledge.

10. FRAMEWORK OF CO-OPERATION WITH HFSF

Specific requirements in relation to the cooperation of the BRC with the HFSF have been added throughout the Terms of Reference as appropriate. In addition, the following specific rules apply:

- The HFSF Representative has the right to include items in the agenda of the BRC meeting scheduled. For this purpose, the HFSF Representative will submit in writing to the Chairperson of the BRC the proposed additional items of the agenda at least one (1) day prior to the date of the BRC meeting.
- The HFSF Representative has the right to request that the BRC is convened within the next seven (7) calendar days from the HFSF Representatives' written request to the Chairperson of the BRC. The relevant request shall be addressed to the Chairperson of the BRC in writing and include the proposed items on the agenda. If the Chairperson of the BRC does not proceed to the convocation of the BRC within the above deadline or does not include all the proposed items in the invitation, then the HFSF Representative shall be entitled to convoke the BRC within five (5) days as of the expiry of the above seven (7) days period. Such invitation shall be notified to all the BRC members and to the HFSF Observer.
- The BRC will co-operate with the HFSF in order to allow the latter to carry out an overall evaluation of the BRC's performance, if required.