

**Detailed  
Information Brochure to Borrowers  
Code of Conduct under Law 4224/2013**

## Detailed Information Brochure to Borrowers with Financial Difficulties

Dear debtor,

Pursuant to Act 42/30-5-2014 of the Executive Committee of the Bank of Greece, in implementation of the Code of Conduct under Law 4224/2013, the **Cooperative Bank of EPIRUS** provides to its borrowers and their guarantors the option of a solution among the most flexible types of solutions in international practice for debtors who are in a difficult financial situation and are unable to meet the existing credit terms.

**Your solution to the loan....**

**EPIRUS Bank**, understanding the difficulties of the partners to meet their debt repayment obligations, continues to support you and remains **your Bank!**

**Because, during the crisis, the Cooperative Bank of Epirus continues to support you.**

### COOPERATING BORROWER

**Cooperating borrower** means a debtor who does not refuse communication with the bank, who is as consistent as possible, who notifies the Bank within reasonable time of any changes in their financial and property standing, and who responds to queries made by the bank.

The debtors (primary debtor or guarantor) are cooperating with the lender, when:

1. they can be reached by the lender, provide the lender with full and up-to-date contact information (landline and mobile phone numbers, e-mail address, facsimile number, home and work address), and designates a relative or a friend as a contact person for cases of emergency;
2. they respond to the lender's announcements and letters by any appropriate means, within fifteen (15) working days;
3. they fully and honestly disclose information to the lender regarding their current financial standing, within fifteen (15) working days from the day of any change;
4. they voluntarily disclose to the lender full and accurate information which could have a significant impact on their future financial standing, within fifteen (15) working days of becoming aware thereof (e.g. eligibility for allowances, transfer of ownership of new assets, [inheritance, etc.], dismissal notices, lease terminations, etc);
5. they promptly notify the lender of any exceptional circumstances of an urgent nature (e.g. demonstrable serious illness or natural disaster), which demonstrably cause significant changes to their financial standing. In such case, a grace period shall be granted, subject to a relevant decision of the bank.

“*Cooperative* borrowers” who contact the credit institution and cooperate to find a solution, can easily, quickly and economically achieve an out-of-court settlement of their debts, retain their creditworthiness and maintain a decent standard of living. In this way, they can avoid becoming involved in long and ineffective court debt settlement proceedings which often prevent them from resuming their economic activity.

## NON-COOPERATING BORROWER

A borrower shall be classified as **non-cooperating**:

(a) Where any of the conditions (i) to (iii) apply, namely:

- i. the debtor fails to fully and honestly disclose to the Bank relevant and important information that would have a significant impact on the assessment of the debtor’s repayment capacity; or
- ii. the debtor fails to provide the relevant information and/or documents requested by the Bank to assess their financial situation, within a certain period of time;
- iii. at least 120 days have passed during which the debtor:
  - failed to fully fulfill their contractual repayments and to proceed to any forbearance solution; or
  - failed to meet the new contractual repayment schedule, as provided for in the agreed restructuring solution; and
  - has not contacted or failed to respond to the Bank's communications and notices, or the debtor is not cooperating with the Bank to draft a restructuring schedule; and

(b) When a warning letter has been sent to the debtor, and the debtor has not taken the actions specified in that letter.

In case of ***non-cooperating borrowers***, whose loan agreements are in arrears or overruns for more than 120 days, the Bank, prior to instituting legal proceedings, shall notify in writing all debtors, providing them with information, without limitation, on the following:

- i. that the debtor has been classified as non-cooperating;
- ii. that the bank may immediately terminate their loan agreement;
- iii. that the bank may take legal action, which could lead to the seizure and liquidation of the collateral granted to the Bank by the debtor and/or their guarantors against the amounts in arrears;
- iv. the expected impact on the debtor’s credit rating;
- v. the risk of seizure and liquidation of collateral granted to the Bank by the debtor and/or their guarantors against the amounts in arrears;
- vi. that the debtor and their guarantors remain liable for any outstanding balance under such loans following the seizure and liquidation of collateral, including any interest, charges and relevant costs of sale; and
- vii. any other information relevant to each specific case.

**It is noted that your classification as “non-cooperating borrower” also entails the risk that your only residence will be auctioned off!**

The Bank provides the borrower with a last chance to be reclassified as a ***cooperating*** borrower within a certain reasonable period of time.

Any objection to the classification procedure of the debtor as a non-cooperating one must be submitted in writing to any Bank branch, **within a fifteen (15) working days deadline** from the date of receipt of Letter C, whereby they were classified as a non-cooperating borrower.

## LIVING EXPENSES

Living expenses are classified in 4 main groups depending on how necessary they are for a household. Specifically, these groups are:

- > **Group 1:** refers to the most basic living expenses of a household. The first group includes expenses for food, clothing and footwear, household operating costs, transport, repair and maintenance of furniture and household equipment, household and personal care items, information and education, telephony and postal services, healthcare goods and services, education, welfare and financial services.
- > **Group 2:** includes additional catering costs
- > **Group 3:** includes additional durables and appliances

>**Group 4:** includes additional expenses for alcohol and tobacco consumption, air transport, tourist services and recreation, culture and sports services. The four groups represent four consumption patterns as obtained from the official reports of the Household Budget Survey (HBS). It is evident that the higher a group ranks, the lower the importance of expenses which can either be reduced or deferred.

## **REASONABLE LIVING EXPENSES**

*Reasonable living expenses* include expenditure for goods and services consumed by households.

The amount of *reasonable living expenses* is calculated on the basis of the construction of a “basket” of all four expenses groups, following a detailed scientific study prepared annually by the Hellenic Statistical Authority, based on information declared by Greek households concerning their expenses (the relevant methodology and the information note are available at the sites <http://www.hba.gr> and <http://www.efpolis.gr/el/>)

The calculation of the reasonable living expenses takes also into account expenses related to social services provided by the state (namely the national health system, public schools, etc.) but exempts: a) expenses for the purchase of luxury items, as well as gambling, b) expenses for private schools, c) expenses for private health care, d) expenses for private insurance, e) loan installments for borrowers and, respectively, rent for tenants and imputed rent for owners.

The reasonable living expenses are significantly increased depending on the household composition, e.g. families with children or dependents. In the case of households facing special circumstances, living expenses are increased and adapted to the needs of the household. These include, without limitation, people with chronic diseases, physical or mental disabilities, health problems requiring special medication or surgery, alimony payers, and in general fixed annual costs that, objectively, cannot be reduced.

Cooperating debtors who wish to find, together with the Bank, a solution for their debt, may calculate their expenses on the basis of the “reasonable living expenses”, prioritize them according to the needs of their own household, and possibly deduct expenses not relevant to them, in order to be able to perform their loan obligations.

The Bank takes into account the reasonable living expenses in order to identify and assess the repayment capacity of each cooperating debtor seeking a solution.

In any event, each household is treated as a separate case with different needs. This is why the reasonable expenses will be identified on an individualized basis.

Reasonable living expenses were calculated in order to contribute to the building of a spirit of mutual trust and transparency between banks and borrowers, since they can be used as a mutually accepted point of reference for the assessment of the debtor’s capacity to perform their loan obligations.

It must be noted that the financial standing is assessed in the context of the Arrears Resolution Procedure (ARP) taking into account the 1<sup>st</sup> group of expenses that are considered the most basic for a household’s living.

### **ARREARS RESOLUTION PROCEDURE (ARP)**

The ARP is implemented in five (5) stages:

1. Communication between borrower and Bank
2. Submission of the borrower’s financial information
3. Assessment of the borrower’s financial information and overall financial circumstances
4. Submission of an appropriate proposal for forbearance measures or a closure solution
5. Submission of borrower’s counter-proposal.

The Bank, initially, provides each debtor with the *Standardized Statement of Financial Information (SSFI)*, in order to fill it in with the minimum required information concerning their personal living expenses, in order to correlate them with the “reasonable living expenses” and, at the same time, evaluate their financial information. Specifically, cooperating borrowers must declare in this statement their personal details, their income and information on the living expenses of their household.

Subsequently, the Bank, in implementation of Article 1(2) of Law 4224/2013, will evaluate the living expenses, compared to their income, which are correlated to the

“reasonable living expenses” in order to identify and assess the loan repayment capacity of each cooperating debtor seeking a solution\*.

The monthly total of these expenses will serve as a point of reference so as to assess the capacity of each debtor to perform their loan obligations, on the basis of their income, after all living needs have been met.

The lower the debtor’s income, compared to the minimum amount of “reasonable living expenses”, the less their capacity to pay their loan installments, resulting in the need to find a mutually acceptable viable solution of greater significance or a resolution and closure solution.

The information assessed by the bank, during the procedure for the identification of a mutually acceptable forbearance solution for the debt of a cooperating debtor, is:

- The total amount of their income;
- the total amount and nature of the their debts;
- the current (short-term) debtor’s repayment capacity;
- their historical economic behavior;
- the foreseen and anticipated debt repayment capacity, on the basis of their income amounts, in combination with the “reasonable living expenses”.

\* In exceptional circumstances, where the debtor objects to the correctness of the assessment of their financial data in respect of any solution decision, a written counter-proposal may be submitted to the branch that maintains the account. The branch will forward the debtor’s counter-proposal to the competent Committee, which shall finally decide on the adjustment.

The Credit Institution takes care of debtors belonging to vulnerable social groups and, depending on the problem, uses alternative means for informing them. It particularly takes into account the weaknesses arising out of the debtor’s classification in one of the aforementioned vulnerable social groups.

The “*Standardized Statement of Financial Information (SSFI)*” for natural persons and the “Standardized Information Submission Form (SISF)” for businesses are available in all EPIRUS bank Branches and on the Bank’s website [www.epirusbank.com](http://www.epirusbank.com)

#### TYPES OF FORBEARANCE MEASURES AND CLOSURE SOLUTIONS

Each *cooperating* debtor, depending on their financial capacity on the basis of the *reasonable living expenses*, can address their customer Advisor at the branch that serves them, in order to indicate the most advantageous and practical solution for them, in accordance with their financial and property data.

The type of the forbearance measures and closure solution is decided by the Bank, upon assessment of the request, on the basis of financial and behavior data, and is classified in one of the following types, depending on the weight/significance and the proposed forbearance measures and closure solutions (short-term, long-term, resolution)

Indicative Types of Forbearance Measures and Closure Solutions		
Short-term forbearance measures	Long-term forbearance measures	Resolution and Closure Solutions
Capitalization of arrears	Interest rate reduction	Other out-of-court settlements
Arrears repayment plan	Loan term extension	Voluntary surrender of mortgaged property
Reduced installment, exceeding the amount of interest	Split balance	Conversion to rent / leasing

Payment of interest only	Partial debt forgiveness	Voluntary sale of mortgaged property
Reduced installment, below the amount of interest	Operational restructuring of enterprise	Settlement of claims
	Debt/equity swap	Highest bidder in auction
Grace period		Full debt forgiveness

... The EPIRUS Bank continues to create preferential services for its partners ensuring *safety* and *security*. It is always close to its partners, facilitating them and proving that it is a strong financial institution that strengthens the local economy and entrepreneurship.

- *Visit us NOW in order to find the ideal SOLUTION the best fits you!!!*
- *Contact your customer Advisor at your Branch!!!*

More information is available at the Bank's website: [www.epirusbank.com](http://www.epirusbank.com)

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