

INFORMATIVE LEAFLET ON THE CODE OF CONDUCT UNDER LAW 4224/2013 (DECISION 195/1/29.07.2016 BoG) FOR BORROWERS FACING FINANCIAL DIFFICULTIES

In order to better comprehend the Code of Conduct it is necessary to understand the terms and the consequences:

(A). Cooperating Borrower/Guarantor (i) – Reasonable living expenses (ii) General description/update of the financial and legal consequences of non-cooperation (iii).

i. Cooperating borrower:

(a) provides his/her lenders or their duly authorised agents with full and up-to-date contact data (e.g. numbers of fixed and/or mobile phone, fax, email address, home and business address) and designates a person (family or friend) as his/her communications agent in case that the borrower is not available;

(b) is willing to make contact with the lender, or the lender's duly authorised agent, and responds sincerely and clearly to calls or letters from the lender or any person or entity legally acting on the lender's behalf, in person or through his/her communications agent, in any appropriate manner, within 15 working days;

(c) makes, in person or through his/her communications agent, a full and honest disclosure of information to the lender or the lender's duly authorised agent, regarding his/her current financial condition, within 15 working days of the date of any change in such condition or of the date when such information is requested by the lender or the lender's duly authorised agent;

(d) makes, in person or through his/her communications agent, a full and honest disclosure of information to the lender or the lender's duly authorised agent, which is likely to have a significant impact on his/her future financial condition, within 15 working days of the date when such information comes to his/her knowledge (e.g. eligibility for a benefit, prospective ownership of new assets [inheritance, etc.], loss of ownership of assets, notice of layoff, termination of a rental contract, redemption of insurance policies, profits of any type, etc.); and

(e) agrees to cooperate with the lender or the lender's duly authorised agent in finding an alternative workout arrangement for his/her debt in accordance with the Code of Conduct referred to in Law 4224/2014

ii. Reasonable living expenses

The Methodology for determining "reasonable living expenses", as decided at the Government Council for Private Debt Management referred to in Law 4224/2013, according to which the monthly sum of these expenses will be the reference point, so that the ability of each borrower to meet his/her loan obligations can be evaluated, based on his/her income and after his living needs have been covered. Thus, the determination of the reasonable living expenses, will be done on a case by case basis, with the use of specific weighting factors depending on the composition of the household.

The calculation of the reasonable living expenses will be conducted by experts working for the ministry of Development and will be based on the data provided by the Household Budget Survey (HBS), which is conducted annually by the Hellenic Statistical Authority. The respective survey is gathering analytical information from a corresponding sample of the Greek households irrespective of whether they have a loan or not, relative to their living expenses. The goods and services consumed by the households are grouped based on their necessity for living.

The way it works: This information will be utilized in conjunction with other data so that an evaluation can be made on: the financial situation of the borrower, the total amount and nature of the borrower's debts, the current repayment ability of the borrower, the history of the financial behavior of the borrower and the foreseeable and anticipated repayment ability of the borrower taking into consideration the level of the reasonable living expenses.

iii. Consequences

In case there is no agreement on the forbearance solution based on the processes and provisions of the Code of Conduct for Banks, be reminded that the Bank may commence legal/court proceedings for the in and/or out-of-court collection for the amounts due by the borrower and/or guarantor, as well as in the case of partial settlement of the debt, the borrower and/or the guarantor will remain liable for any remaining amount of debt, on which interest will continue to accrue (and will be provided with information on how interest will be applied), regardless of the realization of any collateral or the pledging of other assets of the borrower and/or lender. The declassification of a borrower from cooperative may result to his/her exclusion from specific beneficial provisions of the law (L. 3869/2010 and L. 4354/2015).

(B) GENERAL

Since January 1st 2015, HSBC Continental Europe, Greece, has been operating according to the Code of Conduct under Law 4224.2013, as revised by the Decision 195/1/29.07.2016 (Bank of Greece) and ensures the application of the following steps when dealing with loans in arrears or pre-arrears (indications of potential payment delays):

Step 1: Communication with the borrower

Step 2: Collection of all financial and other information

Step 3: Assessment of the financial data

Step 4: Proposal of appropriate solutions to the borrower

Step 5: Appeals review process

Please note that for the purpose of the Code, each provision of the law applied on a borrower whose loan is in arrears by more than 60 days will be applied on the guarantor(s) (individuals or legal entities) under the pre-conditions of the Code.

Analytically:

Step 1 – Arrears Resolution Communication



According to the Code of Conduct under Law 4224/2013, the Bank is obliged to ensure the timely communication with the borrowers in the case that their loan is in arrears.

The communication process aiming to resolve arrears as described in the Code of Conduct includes the following:

1. Communication with the borrower during the first days of payment delay, with a purpose to investigate the causes leading to arrears and the prompt examination of his/her eligibility for the ARP in order to consider potential alternative solutions.

2. If the loan is in arrears by more than 60 calendar days, the Bank shall send notification in writing to the borrower within the next thirty (30) calendar days which will include as a minimum:

- The amount overdue (includes number and total amount of overdue installments, overdue interest, total amount of outstanding debt, as well as the interest rate charged to the non-performing part of the debt)
- The date when the borrower went in arrears
- Notification to the borrower of his/her placing under the ARP and his obligation to fill in the SSFI
- The form “Standardised Statement of Financial Information” (which will either be sent to the Borrower or he/she will be informed where he/she can get the respective material)
- This “Informative Leaflet for borrowers facing financial difficulties” and the Bank’s “Dedicated Contact Point” for getting in contact with the borrower (or guarantor) and the providing clarification to him/her

3. In case the borrower does not respond to the bank’s written notification mentioned above within 15 working days, or in case he/she will not respond to a proposal for forbearance or resolution and closure solution, within 15 working days without providing:

- His/her written Declaration of consent or
- His/her Declaration of non-consent or
- His/her Counter-proposal in writing

the Bank will send written notification informing the borrower on both the prospect and consequences of his/her classification as non-cooperative, the specific actions that the borrower could take in order to avoid being declassified from cooperative, the actions that the Bank may take as a result of this declassification, his/her ability to receive counselling from governmental bodies or third parties of his/her choice, as well as if following the liquidation, the remaining loan balance continues to be an interest bearing claim of the Bank.

4. Following the declassification from “Cooperative Borrower”, the Bank has the obligation to inform the borrower in writing within fifteen (15) calendar days of this fact as well as of the following:

- the time-plan based on which the Bank is willing to commence the liquidation process,
- the risk that the Bank will liquidate his/her assets as well as the guarantors (individuals or legal entities),
- if the borrower and the guarantors (if any) will continue to be liable for any outstanding debt balance following the assets’ liquidation as well as the interest rate applied on the outstanding amount.
- the declassification of a borrower from cooperative may result to his/her exclusion from specific beneficial provisions of the law (L. 3869/2010 and L. 4354/2015).

Step 2 – Process of Collection of Financial Data

The Bank is obliged to receive the “Standardised Statement of Financial Information” from the customer, providing proof of receipt.

The Bank may ask for any supporting data/documents necessary for the validity check of the information submitted. In this case, the supporting data should be submitted by the borrower within fifteen (15) working days from the day that they were requested by the Bank, unless another deadline has been agreed in writing. Indicatively, minimum supporting data that will be requested from the borrower/guarantor is the solemn declaration of L. 1599/1986 on the validity and accuracy of the submitted for evaluation, financial and other data of the borrower or guarantor, lawfully signed.

Moreover, the Bank shall procure for the collection of adequate, complete and accurate information of the borrower’s financial data, in addition to the aforementioned Statement, so as to assess the appropriateness of alternative forbearance or settlement and closure solutions. Once all required information is gathered, the Bank shall proceed to the assessment of the financial information, as described below.

Step 3 - Assessing Financial Information

Following collection of all required data, the Bank proceeds to the stage of the Assessing of Financial Information, as described in the Code of Conduct, valuating the financial information submitted by the borrower and any other information available from other lawful sources. To this end, the Bank may require additional information from other sources, except from the borrower, complying with the provisions of the relevant legislation and with the prior consent of the borrower regarding the process and exchange of personal data, indicatively the data related to the White List of Teiresias, subject to complying with the provisions of the current legislation, in order to assess, as a minimum, the following:

- (a) the borrower’s financial condition
- (b) the borrower’s current ability to pay, taking into consideration at all times the total amount and the nature of the borrower’s debts including debts owed to third parties or tax authorities or other state entities or insurance organizations
- (c) the historical background of the borrower’s financial behavior
- (d) the borrower’s future repayment capacity up to the end of the forbearance solution, taking also into consideration the level of “reasonable living expenses” and the parameters described in Chapter A.2 of ΠΕΕ/ΤΕΕ 54/2015 (age, profession family status, health etc.)
- (e) the age limit of the parties involved

- (f) the valuation of the commercial and objective value of the securing property (in cases of loans secured with pre-notation of mortgage over property) and the valuation of the investment products (in cases of loans secured with deposits/investments collateral)
- (g) solemn declaration of L. 1599/1986 on the veracity and accuracy of the financial and other information submitted by the borrower or guarantor, duly signed by them

Step 4 - Proposal of an appropriate forbearance or resolution and closure solution

Following the above assessment of the financial information and any other information related to the borrower (and/or guarantor) who is deemed to be Cooperative, in the event where the Bank decides that it can proceed with a forbearance or resolution and closure solution, the Bank will present to the borrower such proposal through the “ Standardised Document for Proposing Forbearance or Resolution and Closure Solutions”, within four months following receipt of the Standardised Financial List and the assessment of the financial and other information of the client. The forbearance or resolution and closure solution proposal should include the provisions of para. A.4 (ε) (αα) to (θθ) of the second chapter of the Code.

Step 5. Appeals Review process

HSBC has appointed an Appeals Committee, in accordance with the Code of Conduct of Law 4223/2013, which comprises of five members.

In the event where the borrower wishes to submit an objection, he could do so by addressing it in writing to the Appeals Committee for the following reasons: a) in case of his disagreement with his declassification as Cooperative and b) in case he believes that the Bank has not complied with any policies and methods applied by the Bank within the context of the Code of Conduct, which have been notified by the Bank to the client. According to the process:

- borrowers may find the standardized Appeal Documents in HSBC branches located in Greece and also in HSBC's official website www.hsbc.gr
- borrowers may submit their completed Appeal Documents in any HSBC branch located in Greece, within fifteen (15) business days from the date of the respective letter, with confirmation of receipt
- the Bank may notify the borrower, verbally or in writing, for any documents required in order to assess the appeal submitted. The borrower should ensure that such documents are received by the Bank within fifteen (15) business days following the aforementioned borrower's notification by the Bank.

The decision of the Appeals Committee regarding the appeal may not exceed three (3) months, is provided in writing and is duly reasoned.

The borrower may submit an appeal before the Appeals Committee only once for each Code of Conduct application.

If the appeal is granted, the Bank shall notify the borrower of the corrective actions it plans to take or of any revised solution.

(C) TREATMENT OF BORROWERS OF SOCIALLY VULNERABLE GROUPS

The Bank has already adopted a policy for the treatment of borrowers in socially vulnerable groups, due to particularly low income or/and health problems, justifying alternative means of communication and/or specially designed solutions, and has included the relevant criteria in its policy.

Within this context, the Bank, since it has received the respective information and justification by the borrower during Stage 1 or 2 of the Code of Conduct procedure, will adjust the means of communication with this borrower accordingly.

(D) PROPOSALS OF APPROPRIATE FORBEARANCE OR RESOLUTION AND CLOSURE SOLUTIONS

Indicative Types of Solutions

To facilitate the borrowers with inability to repay, the Bank may consider the following solutions, taking also into consideration the particular conditions applying for each borrower.

Indicative Short Term Solutions:

1. Interest Only: the borrower will pay only interest within a pre-agreed time period.
2. Reduced Payment: reduction of the payable amount of the loan instalments (principal and interest) (the new loan instalment amount will be larger than the amount of the loan instalment corresponding to an arrangement of interest only) for a pre-agreed period of up to 36 months
3. Arrears Settlement: settlement of the outstanding balance due, usually through an arrangement of liquidation of assets while the Bank's claim for the outstanding balance continue to exist
4. Arrears Capitalization: capitalization of due debts and re-adjustment of the repayment schedule of the outstanding balance
5. Grace period: Suspension of payments for a time period from 6 to 12 months, subject to overdue interest is fully repaid.

Indicative Long Term Solutions:

1. Interest Rate Reduction: Permanent reduction of the interest rate or the spread rate
2. Interest Rate Type Change: change of the interest rate, from floating to fixed and vice versa. In case of change from fixed to floating interest rate, the breakage costs is either paid by the client or by the Bank.
3. Loan Term Extension: extension of the loan maturity (namely of the date of the last contractually agreed loan instalment).
4. Partial Debt Forgiveness/Write Down: this solution provides for the permanent write off of part of the total claim of the financial institution, so as to adjust it to a debt amount estimated that the borrower can promptly serve
5. Additional Collateralization: additional security is obtained within the context of a broader, favorable solution for the borrower

6. Balloon Payment: the amount of the loan instalments (principal and interest) is reduced and a considerable amount of the loan is repaid later on or upon the loan's maturity date

Indicative Resolution and Closure Solutions

1. Liquidation of Securities: following call of the loan agreement, the Bank initiates procedure of liquidation of securities to satisfy its claims from the loan
2. Legal Actions: the resolution and closure actions consisting of law enforcement actions in case of lack of or insufficiency of securities and involve the initiation of legal actions and measures against the property and assets of the borrower by the Bank to satisfy its claims from the loan
3. Voluntary Sale of the Mortgaged Property: the borrower voluntarily proceeds to the sale of the mortgaged asset to a third party, provided that the Bank consents to such sale. In the event where the purchase price achieved is less than the total amount of the loan debt, the Bank may at its discretion decide partial or total write off of the remaining loan exposure.
4. Claim Settlement: An extrajudicial agreement whereby the Bank receives payment of an agreed amount either in a one off payment in cash or in pre-agreed partial instalments. Within the context of the settlement the Bank may proceed to partial or total write off of the remaining loan exposure.
5. The Bank acquires ownership through auction: the Bank may acquire ownership of the mortgaged property or other secured asset through auction, within the context of a respective agreement with the borrower for the final settlement and closure of his loan repayment obligations.

(E) RESPONSIBLE BODIES, to whom information related to defaulted borrowers are communicated: the Bank may collect and transmit according to the Law the required information-data of the borrower and/or guarantor for the purposes of the Code of Conduct, in the interbank archive regarding the financial behavior of the borrowers (default financial obligations system) of TEIRESIAS S.A. and in the interbank credit consolidation archive (credit consolidation system) of TEIRESIAS S.A. or to Bodies with similar activities where data of defaulted/current or overdue loans and/or credits are registered, with the consent of the parties where such is required.

(F) Notification of the authorized by law state bodies or other legal entities (including their postal and email addresses), for consultation and advisory services, indicatively:

- the Hellenic Consumer's Ombudsman, 144 L. Alexandras Avenue, P.C. 11471, Athens, tel. 210 6460862, www.synigoroskatanaloti.gr,
- Consumers General Secretariat, Kaniggos Square, P.C. 10181, tel. 1520, www.efpolis.gr
- Consumers Protection Centre, 32 Vas. Hrakleiou Street, Thessaloniki, P.C. 54624, tel. 2310 233333, 2310 269449, www.kepka.org
- Consumers and Borrowers Unions, Consumers Institute

(G) The Bank's Collection Department is responsible for communication with borrowers, the "loans" of whom (as defined in the Code of Conduct) has rendered in a state of default.

In the event where the due payment date has elapsed, resulting in rendering the loan in default, the Bank communicates with the borrowers with the purpose to inform them and aiming at rendering the loan current again, according to the procedures provided by Law 3758/2009.

Such communication by the Bank is effected by the following means of communication.

- A. Telephone communication
- B. Communication with a brief SMS message
- C. Information letters

The Bank's Collection Department operates from Monday to Thursday 09:30 p.m. – 17:00 a.m. and Friday 09:30 p.m. -16:30 a.m., clients may contact the Collections Department in 210 6962700.

For and on behalf HSBC Continental Europe, Greece.