

“HSBC Bank Armenia” CJSC

Regulatory Compliance Department

CODE OF CONDUCT

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CONTENT

Introduction..... 4
Chapter 1. HSBC Values and Customer Fair Outcomes..... 4
Chapter 2. Requirements on Marketing and Advertising Activity..... 4
Chapter 3. Information Disclosure Rules 5
Chapter 4. Principles of Communication with Customers..... 5
Chapter 5. Code of conduct and communication principles with guarantors..... 6
Chapter 6. Customer Complaints 7

Introduction

Code of Conduct (Hereinafter- Code) is the fundamental guiding principle for HSBC Bank Armenia CJSC (Hereinafter- Bank) business conduct and set out the principles around customer rights protection, identification of customer needs, transparency of advertising and delivery of bank's products and services.

Being a member of HSBC Group, the Bank is guided by the relevant code of conduct principles adopted by the Group in dealing with its customers, employees and other stakeholders. Conduct at HSBC means we take responsibility recognising the real impact we have for our customers, and the financial markets in which we operate. The purpose of HSBC is opening up a world of opportunities for customers, investors, ourselves and the planet.

Chapter 1. HSBC Values and Customer Fair Outcomes

The business conduct of each Group member bank should be based on the following values:

- ✓ We value difference by
 - Seeking out different perspectives
 - Listening
 - Being empathetic
 - Championing inclusivity
- ✓ We succeed together by
 - Connecting
 - Collaborating
 - Supporting each other
 - Acting with shared purpose
- ✓ We take responsibility by
 - Holding ourselves accountable
 - Setting ourselves high standards
 - Using good judgement
 - Speaking-up and acting
 - Taking long view
- ✓ We get it done by
 - Being decisive
 - Taking smart risks
 - Learning and improving
 - Keeping our promises.

Our Conduct Approach is aligned to taking responsibility. Individually this means **each of us is accountable for our actions.**

Throughout the journey of the business conduct the Bank is entitled to serve to customer interest per set 5 principles of the Group. In particular:

1. We understand our customers' needs.
2. We provide products and services that offer fair value.
3. We service customers' ongoing needs, and will put it right if we make a mistake.
4. We act with integrity in the financial markets we operate in.
5. We operate with resilience and security to avoid harm to customers and markets.

The Bank's internal employee conduct rules are contained in **Employee Handbook** of the Bank, whereas the conflict of interest and information control principles in the **Compliance Manual** of the Bank.

Chapter 2. Requirements on Marketing and Advertising Activity

Marketing and advertising activities are based on the below principles:

- Marketing and advertising communication with customers should be performed in line with the local legislative requirements, as well as Bank's internal and Group regulatory requirements.
- The communication should be clear, transparent and stemming from the principles of customer right protection.
- Advertising should not influence the attitude of consumer towards the service or the Bank. The communication should exclude inaccuracy, ambiguity, exaggeration or understatement.
- Names, texts, links, predictions, characterization or praise, special information and notifications of the service should be stated clear, understandable; should not be disguised in the plot, design or by presentation of the latter.

The requirements on marketing and advertising, as well as the approval and sign off process of marketing and advertising materials is governed by HBAM Marketing Procedure.

Chapter 3. Information Disclosure Rules

The information published by the Bank on the external website, press, booklets and fliers should be in compliance with requirements of Regulation 8/03 on “Information publication by financial organizations and financial groups” approved by CBA board resolution 166-N dated 02/06/2009 RA Law on “Consumer credit”, RA Law on “Attraction of bank deposits” and RA Law on “Mortgage credit”.

When disclosing the information, the company is adhering to the below listed general principles.

- Disclosed information is accurate clear and credible. Whether disclosed on the website, via press, booklets, Financial Support system (www.abcfinance.am) or else, the information cannot differ from the real (actual) information on the Bank and the services provided.
- Information is disclosed on a timely and adequate (complete) basis.
- Information is presented in a clear and understandable wording for an average (representative) consumer, without misleading, complicated or confusing words and expressions, excluding strict professional and technical terminology.
- Information is disclosed at least in Armenian (except for newsletter and special editions in foreign languages). Moreover, the information in foreign language should correspond to the Armenian version and a note should be enclosed that the Armenian version prevails in case of any inconsistencies between the versions and also a note that in cases where the foreign language disclosure information is incomplete, full/complete information can be found in the Armenian version.
- Information is presented in an easy readable font and visible for an average consumer.
- Information should be disclosed in a manner allowing an average consumer to easily access the content that he/she is interested in. For example, the text includes headings, separate explanatory notes, table of contents; the most important parts of the text are highlighted or presented in larger font size to attract the attention of the consumers.
- Information about the service should be presented in a manner which is adequate and meaningful for the average consumer to understand the service and assess whether it is fit for his/her requirements.
- If the information contains comparisons with the services provided by other organizations,
 - ✓ the comparison should be presented in an unbiased and balanced way, in particular it is prohibited to apply unfair competition methods, i.e., emphasizing any weaknesses of the other organizations whether being true or not.
 - ✓ The comparison should contain the source of underlying data (for example, specific researches, information disclosed in actual publications/releases, etc.).
 - ✓ The comparison should contain those facts and assumptions which have served as a basis for the comparison (e.g. when comparing a car loan provided by two organizations those assumptions may include the term, amount of the facilities (for example, comparison should be between loans with 2-year tenor, 3mln amount and fixed nominal interest rate)).
- If the disclosed information regarding a service has emphasized the benefits expected from the service, tresses attention to the expected benefits of the service, the relevant disclosure should also contain an unbiased and clearly visible information regarding respective risks involved, where appropriate.

Chapter 4. Principles of Communication with Customers

In the Bank, the communication with retail customers, as well as the disclosure of information to them before signing a contract, at the time of signing the contract, as well as throughout the duration of the contract, is governed by the requirements of Regulation 8/05 on “Code of conduct of financial organization” approved by CBA board resolution 229-N dated 28/07/2009 as well as RA Law on “Consumer credit”, RA Law on “Attraction of bank deposits” and RA Law on “Mortgage credit”.

The corporate client communication procedure is presented in the Wholesale Banking Department's Procedure on “Corporate customer on-boarding and review procedure”.

In communication between the Bank and customer the following rules are adhered to:

- The information disclosed by the Bank should be in Armenian unless there is an agreement between customer and the Bank for the communication in other languages.
- The information disclosed by the Bank should contain terminology and expressions, which are as simple as possible, and are not allowed to be misleading and confusing.
- To the extent possible, the Bank ensures that the information is understandable for the customer.
- Bank ensures that the disclosed information enables the customer to understand the nature and associated risk of the service offered.
- The information disclosed by the bank cannot be presented in a way, which is masking the essential terms, or creating an impression that those terms are not essential.

- The Bank is not allowed to overstate the importance of provided service by providing false, non-credible or incomplete information.
- The Bank ensures that disclosed information is accurate, credible and timely.
- The Bank ensures that consumer information or documents provided are not made available to the third parties, except for the cases stipulated by RA legislation and in case of customer consent.
- The bank does not damage the reputation of other financial institutions, does not form negative attitude among the consumers towards the financial system and its regulatory requirements.

Chapter 5. Code of conduct and communication principles with guarantors

In the Bank the business conduct and communication with individual guarantors for the guarantees and liabilities secured with guarantees is governed by the requirements of the Regulation 8/06 'Code of conduct with guarantors' approved by CBA board resolution 176-N dated 04/08/2017.

During the communication between the Bank and individual guarantors the following conduct rules are adhered to:

- The below mentioned conduct rules are provided to the Guarantor by the Bank with the guarantee agreement and afterwards upon request. The information and the documents stipulated in the Regulation 8/06 are provided to the Guarantor free of charge.
- Before signing any guarantee and liability agreement secured by the guarantee (credit or other product agreement), the Bank discloses to the Guarantor the main terms of the guarantee and liability agreement secured by the guarantee, informs about the credit history deterioration, information provision on the liability, its amount and about the Guarantor to Credit Registry and Credit Bureau in case the liabilities are not met by the borrower or co-borrower and discloses the dispute resolution mechanisms.
- The Bank provides to the Guarantor the copy of the guarantee agreement, as well as the original or copy of liability agreement secured by the guarantee (including the loan repayment schedule) marked with "True copy of original" mark.
- At the request of the Guarantor the Bank provides the information on the outstanding balance of the credit (liability) during the whole course of the relationship.
- The Bank ensures that in the separate document the Guarantor makes the following note in handwriting (in case of signing the guarantee agreement electronically - by typing): "I, _____ (name, surname) guarantee the obligation of _____ (name, surname) in the amount of _____, arising from the _____ agreement signed between HSBC Bank Armenia CJSC (hereinafter the Bank) and _____ (name, surname/ legal name) (hereinafter the Borrower). I acknowledge that in case of Borrower's failure to meet his/her aforementioned obligations towards the Bank, I will personally perform the obligations. I also acknowledge that such failure by the Borrower will have negative impact on my credit history and I may be deprived of my own property." At the same time, the guarantor should make the above-mentioned note only in the same language as the guarantee agreement is provided to the Guarantor. The original of the document remains with the Bank and the copy is being provided to the Guarantor.
- In case the Guarantor is unable to meet the requirement for handwritten marking, the Bank ensures that the requirement is fulfilled in other ways (such as by video recording), and should maintain the evidence at least five years after the contract expiration date.

The communication with the guarantors is in line with the regulatory requirements and is conducted in the below presented manner:

- Communication between the Bank and the guarantor is undertaken in a written form;
- The Bank provides at least three communication channels to the customer to choose from and explains the nature of each the channel of information provision at Bank premises may not be the only option);
- At least 1 day prior to loan repayment date set in the loan repayment schedule, the Bank notifies the Guarantor on the payment amount due by any of the following channels chosen by the Guarantor - short message (SMS) and / or email,
- The Bank sends an offer or notifies the Guarantor about the material changes of guarantee and liability agreement terms (interest rate, commission, penalties, loan term, loan amount, etc.) and discloses the information on significant changes and effective dates. Where the need to obtain the Guarantor's consent for change is defined by legislation the ways of consent provision, as well as the consequences of not providing consent is also disclosed.
- If due to the technical limitations (such as symbol limitation for SMS) it is impossible to provide the representative examples as stipulated in the point 12, sub-point 4 of Regulation 8/06, the Bank notifies the Guarantor about the changes and future actions by providing contact details using which more information on details and future actions can be received.
- The Bank notifies the guarantor about the termination of the underlying credit agreement within 7 working days after termination.
- The Bank notifies the guarantor about the overdue liability of the borrower not later than the next day of default, specifying the total amount of outstanding liability including the principal amount of the liability,

interest, penalties (if any) by one of the following channels chosen by the guarantor - short message (SMS) and / or email.

- If the claim is submitted to the guarantor for meeting the liabilities, it should specify the deadline for the guarantor to pay the guaranteed amount which may not be less than 7 working days.

Chapter 6. Customer Complaints

All the complaints raised by the customers should be handled in a polite and courteous manner.

While handling the complaints the bank is governed by the Regulation 8/04 "Minimum requirements and principles for the internal legal acts regulating customer complaint handling process" approved by CBA board resolution 225-N dated 28/07/2009, as well as by internal procedures according to which the Bank should:

- Reveal the root cause of complaint,
- Inform the customer that the complaint has been accepted and the review is underway,
- Undertake all possible and necessary steps to ensure a correct and fair outcome and to prevent the future occurrence of similar complaints,
- Advise the customer about the resolution of the complaint with a reasonable timeframe.

The below links represent the processes and procedures covering complaints of the Bank:

1. [HSBC Bank Armenia CJSC Customer Complaint handling procedure](#)

[1.1. "What to do, if you have a complaint" form](#)

[1.2. Complaint Presentation Form \(Appendix 2\)](#)

2. [HSBC Bank Armenia CJSC Corporate Client Complaint Handling Procedure](#)

Individuals, legal entities and individual entrepreneurs, including those who have provided secured liabilities to the bank, may apply to the Financial system mediator by submitting a claim related to the services provided by or collateral provided to the Bank in accordance with the RA Law on "Financial system mediator". Moreover, individual entrepreneurs or legal entities are persons considered as micro-enterprises at the time of applying to the Financial System Mediator, according to the Tax Code of the Republic of Armenia, except for the organizations defined by the above-mentioned law.

In the process of registering, maintaining and reporting the complaints the bank is governed by the requirements of the Regulation 8/07 "Minimum requirements and principles for internal procedures for recording, maintenance and reporting of the complaints to the financial system participants" approved by CBA board resolution 200-N dated 23/11/2017.