

# Commercial Banking Code of Conduct

## Bank relations with borrowing commercial clients

### Our commitment to you

At HSBC Bank Canada, we value the relationships we have with our commercial banking clients, and strive to deliver the best service in the industry.

In meeting your commercial banking needs, be assured we are committed to the highest standards of ethical conduct and compliance with applicable regulations, while offering you a package of banking services tailored to those needs.

To find out more about HSBC in Canada, or to learn how we can help you meet your business goals, please contact your local branch, call us at 1-866-808-HSBC (4722), or visit our website at [www.hsbc.ca/business](http://www.hsbc.ca/business).



Sandra Stuart  
President and Chief Executive Officer  
HSBC Bank Canada

### Openness

We will provide our clients with documents, including contracts, that are written in clear and understandable language.

We recognize the need for open communication with our clients. We outline below items which are critical in ensuring that your business gets the most out of its relationship with the Bank.

### Communication

The client/banker relationship is built on mutual trust that revolves around communication and honesty.

We encourage our clients to share both good news and bad news with us and to provide us with meaningful information.

In return, you should expect your Relationship Manager or Branch Manager to be honest and open in their dealings with you.

A business plan is a key communication tool. Talk to your Relationship Manager if you require assistance in developing a business plan.

### Credit process

#### Presenting your loan request

Your loan request is really your financing proposal. It should be completed through your Relationship Manager or Branch Manager and indicate the amount of money you wish to borrow and the details of your loan payment plan. The specific loan request should be accompanied by a business plan and pertinent financial data.

#### Financial data

If you are applying for a loan for your business, we will require certain financial data relating to your business and if a guarantee is required, we will also require the financial information and credit history of your guarantor. If the business is a new business, we may require information on the employment history and income of the owner(s)/ principal(s).

The more we know about your financial situation, the better equipped we are to recommend banking services that will help you achieve your financial goals. Without sufficient knowledge of your finances, the Bank would not be in a position to authorize loans, grant overdrafts or lines of credit.

The most common items requested are:

- Accountant prepared or audited financial statements for the most recent fiscal year-end and at least two years previous. If the business results are subject to major fluctuations relative to business cycles, we may ask for a financial summary of the last five years.

- In-house interim income statements and balance sheets to the most recent month end.
- Detailed cash flow forecast and projections for the upcoming year.
- An aged list of accounts receivable and accounts payable at the last year end and the most recent month end.
- A personal or business financial statement of a proposed guarantor.
- An asset valuation of any fixed assets owned by the business or any specific asset that the Bank is to take to support a guarantee, e.g. residential appraisal.

There may be other items requested that are of a non financial nature, e.g. company brochures, marketing plans, summary of management etc, which form part of the overall business plan and these need to accompany the financial data.

## Requirements needed to obtain credit

### Collateral security

It should be noted that collateral is by no means the primary factor in a loan decision. Bankers must be assured first and foremost, that the business is well run, has good prospects, and generates sufficient cash flow to service its debts. However, the security provides a vital back-up to the loan request, and the provision of collateral clearly enhances access to credit for new businesses.

Collateral can be provided directly by the business, e.g. equipment, land, buildings, inventories and accounts receivable. If the business has limited assets, the Bank may accept personal assets, e.g. personal residence, stocks, bonds and insurance policies with guarantees to secure a business loan.

Further, third party guarantees from the business owner, spouse or a third party are often acceptable forms of collateral. These guarantees provide the Bank with additional assurance that the loan will be repaid and, when granted by the business owner, demonstrate his or her commitment to the enterprise.

Preferred forms of collateral vary considerably from Province to Province and we therefore suggest that you talk to your HSBC Relationship Manager to determine what type of collateral will be most helpful to your credit application.

### Identification information

If you are applying for credit, the Bank will require certain identification and business information from you. Credit bureau checks and other background and compliance-related checks are generally required for both the borrower and any guarantors during the credit process and also periodically for the duration of the loan.

### Terms and conditions

All credit facilities will be subject to certain terms and conditions. The granting of the loan is the start of the relationship. There is a review and monitoring program from the granting to the repayment of the loan.

The terms and conditions will be explained to the client at the outset. For larger facilities, these will be detailed in the letter issued by the Bank to confirm the credit facility granted. For smaller facilities, terms and conditions can be summarized on a term sheet or advised verbally. Facilities confirmation letters are available to smaller facilities upon client request.

### Covenants

The terms and conditions for a loan may include covenants, which are conditions, restrictions or other obligations that the client must comply with for the Bank to provide the loan. For example, the Bank may impose financial covenants requiring certain ratios be met (i.e., debt to tangible net worth not to exceed a certain ratio). The loan covenants required will depend on the details of the transaction.

### Response time

The size and complexity of the financing proposal dictates the length of time it takes to obtain a loan authorization. A small uncomplicated request may take only one day for approval, whereas more complex loans requesting large dollar amounts can take longer. No applications can be processed until all of the requested information has been provided to the branch. Each loan request has different parameters dictating the time it takes to process. The lending officer will give an estimate as to how long the process will take once all requested information is provided.

Once the approval is obtained, it may take several days to complete the paperwork before funds can be advanced. The security package is often prepared by a lawyer on

behalf of the Bank and should be reviewed by your own lawyer before execution and registration as applicable. The legal fees incurred in preparing the documentation are paid by the borrower, and an estimate of these costs will be provided by your Relationship Manager.

### Credit approval

HSBC Bank Canada is a responsible lender so each credit application will be judged on its own merits. Our Credit Department officers are given lending guidelines on a quarterly basis to serve as a reference guide.

When a credit request is approved, the Bank will inform you about the terms and conditions of the financing including the information and documentation needed by the Bank both before and after the loan is granted. This information will be provided in writing upon your request.

### Credit declines

If a loan application is declined for credit-related reasons, the Bank will inform you about:

- the main reason(s) for the decline.
- the requirements necessary for the Bank to reconsider the application.
- available information on alternative sources of financing which could include Federal and Provincial government programs, venture capital, or Business Development Bank of Canada (BDC) programs.

### Changing circumstances in the credit relationship

Sometimes clients experience a significant change in their business, which could include financial difficulty. Should you encounter any such difficulties you should contact your Relationship or Branch Manager at the earliest opportunity. In these circumstances, the Bank will carefully review and discuss with you the existing arrangements before agreeing with you the most appropriate way forward.

If there are changes in the credit relationship which necessitate the provision of additional information, the lending officer will inform the client as soon as possible. The Bank will give such clients a reasonable opportunity to provide this information.

Under normal circumstances, the Bank will notify a client of any actions to be taken by the Bank because of a deterioration in the business or a change in the credit relationship.

We will inform our clients in writing when changes are made to terms, conditions, fees, collateral requirements or lending margins that are specific to that client's credit relationship with the Bank.

### Complaint handling

At HSBC Bank Canada, we aim to provide the highest standards of service and care to our customers. Our staff are trained to do this, and are committed to providing you with the best possible service at all times. Even the best organizations sometimes make mistakes and if we do, or we fail to meet your expectations in some other way, we want the opportunity to put things right as quickly as we can. We operate a simple complaints procedure, which aims to resolve any problem quickly and effectively.

HSBC has a brochure entitled "*Resolving your complaints*". We encourage you to obtain a copy from any one of our branches, and follow the procedures outlined to resolve your issues. The *Resolving your complaints* brochure is also available online at [HSBC.ca](http://HSBC.ca).