

HSBC Savings Bank (Philippines), Inc. 2022 Annual Report



HSBC
Savings Bank

HSBC Savings Bank at a glance

HSBC Savings Bank (Philippines) Inc. and HSBC Holdings plc

HSBC Savings Bank (Philippines), Inc. (“HBPH” or “the Bank”) is a locally incorporated thrift bank in the Philippines, and a wholly owned subsidiary of the Philippine Branch of The Hongkong and Shanghai Banking Corporation Limited (“HBAP”).

HSBC Holdings plc (the “Group” or “HSBC”) is the ultimate parent of HBPH. HSBC is one of the world’s largest banking and financial services organizations. HSBC serves more than 40 million customers through three Global Businesses: Wealth & Personal Banking, Commercial Banking and Global Banking and Markets through a network that covers 64 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America.

Who We Are

In January 2001, the Philippine Branch of HBAP purchased PCI Savings Bank, Inc. and renamed it HSBC Savings Bank (Philippines), Inc. In line with its focus of serving the mass affluent market, HBPH has branches located in Ayala Alabang in Muntinlupa City, Greenhills Shopping Center in San Juan City and Rockwell Power Plant Mall in Makati City.

Despite its three-branch network, HBPH improved its ranking from 12th to 11th among forty-three thrift banks in the country in terms of Total Assets based on BSP’s Banking Statistics report on Thrift Banks in the Philippines for the year ended December 31, 2022.

[Source: <https://www.bsp.gov.ph/Statistics/Financial Statements/Thrift/assets.aspx>]

Our Vision

To be the country’s savings bank of choice among mass-affluent Filipinos who seek wealth management solutions that would enable them to realize their family’s dreams and aspirations.

Our Purpose: Opening up a world of opportunity

Our purpose – ***Opening up a world of opportunity*** – explains why we exist. We’re here to use our unique expertise, capabilities, breadth and perspectives to open up new kinds of opportunities for our customers. We are bringing together the people, ideas and capital that nurture progress and growth, helping to create a better world – for our customers, our people, our investors, our communities and the planet we all share.

Our Business Model

As a thrift bank, our principal activities focus on building sensible and sustainable relationships with our HSBC Premier and HSBC Personal Banking customers. We do this by providing them a range of personal banking products and services including Philippine Peso, U.S. Dollar, and multi-currency savings, checking and term deposit accounts. We also offer consumer loans such as mortgage, personal and security-backed loans while maintaining the highest standards of managing financial crime risk.

To support our purpose, we empower our people through streamlining initiatives and developing their future skills while relying on HSBC’s investments in technology that places our customers at the center of everything we do.

Supplementing our three-branch network structure, we support clients through a variety of self-service channels including 13 Automated Teller and EasyPay Machines, online and mobile banking and our 24/7 Customer Contact Centre.

On December 6, 2022, HBAP announced that it had secured regulatory approval of its plan to purchase the assets and assume the liabilities relating to the Bank’s customer base. The plan was approved by the Board of Directors of the Bank during the meeting held on May 23, 2022.

As a result, the Bank is set to cease its operations on May 31, 2023.

Our Financial Highlights

	For the year ended December 31	
Profitability (in PHP 000)	2022	2021
Total Net Interest Income	373,976	260,186
Total Non-Interest Income	52,986	63,978
Total Non-interest Expenses	340,932	286,365
Pre-provision profit	86,030	37,799
Provision for (Reversal of) Credit Losses	6,111	(9,390)
Net Income Before Income Tax	79,919	47,189

Balance Sheet (in PHP 000)	2022	2021
Liquid Assets	14,981,764	14,717,287
Gross Loans	1,136,034	1,281,875
Total Assets	15,091,473	14,845,714

Other Information (in PHP 000)	2022	2021
Deposits	13,319,319	12,972,882
Total Equity	1,548,521	1,588,837

Selected Ratios	2022	2021
Return on average equity	2.18%	0.88%
Return on average assets	0.23%	0.10%
Capital Adequacy Ratio	66.87%	60.74%

Others (in PHP 000)	2022	2021
Cash dividends declared	52,400	70,500

Full Time Employees (FTE)	2022	2021
Officers	31	40
Rank & File	0	0
Total	31	40

Can we do
greater things

The

by thinking
smaller?

President and CEO's Message to Stakeholders

Revenue
PHP427.0m
32% increase YOY

Profit before tax
PHP79.9m
69% increase YOY

Expenses
PHP340.9m
19% higher than 2021

Loan Impairment
Charges
PHP6.1m
165% worse YOY

2022 Dividends Paid
PHP52.4m
26% of 2021 dividend

CAR
66.9%
vs. 10% requirement

CET 1 ratio
66.2%
vs. 2021's 60.1%

CER
79.9%
vs. 2021's 88.2%

Branches
3

ATMs and
Easy Pay Machines
13

Crossing the threshold to a new opportunity

The cover to this year's Annual Report shows a lone truck crossing the span of a bridge leading towards its planned destination. This, in my view, is an apt representation of what transpired over the past two years and how we as a country and people continue to move forward.

For HSBC Savings Bank ("HBPH"), 2022 was a year full of promise and opportunity. And grab it, we did! HBPH ended 2022 with PHP427.0 million in revenue, a 32% increase vs. 2021. Net Profit Before Tax (PBT) grew to PHP79.9 million, 69% higher than previous year's PBT of PHP47.1 million. This was achieved because of the continuing high interest rate environment in the country due to the Bangko Sentral ng Pilipinas ("BSP")'s initiatives to manage inflation and our growing deposit balance, which were partially offset by a 165% and 19% increase in Expected Credit Loss provisions and expenses, respectively.

Total Loans and Receivables shrank by 12% year on year to PHP1.1 billion, as the bank decided to align its efforts with our target market's sentiments of the country's economy. Our customers again placed their trust in the bank as a safe haven for their wealth with deposit balances up by 3% year on year at PHP13.3 billion.

All liquidity and capital ratios remained above prescribed limits with Total Capital Adequacy Ratio (CAR) at 66.9%, over 6 percentage points higher than previous year and significantly above regulatory minimum of 10%. Similarly, Common Equity Tier 1 (CET 1) Ratio ended at 66.2% vs. 2021's 60.1%. 2022 dividends paid totaled PHP52.4 million, 26% lower than the Bank's 2021 dividend.

This 2023, we again cross the threshold of change and move towards HSBC's future.

To my HSBC Savings Bank family, I wish to thank you for your resilience, dedication and joined up attitude in serving our customers towards their goal of growing their wealth and preparing for a brighter future. Adopting to our new ways of working and the changes in our customers' behavior has allowed us to not only continue to service our customers but also position us better for the future!

One HSBC.

As announced last December 2022, we have executed our strategic plan to simplify the way we service HSBC's Philippine customers under one banking entity – The Hongkong and Shanghai Banking Corporation Limited (or "HSBC Philippines"). By having all HSBC Savings Bank customers under HSBC Philippines, we provide our customers a whole new world of opportunity for them to enjoy the full range of products we have to offer as well as simplify how we provide solutions to our customers' financial needs and aspirations.

A big "Thank You" to everyone.

After more than 20 years of dedicated service to our customers, the Savings Bank closes its doors this coming May. On behalf of the entire bank, thank you to all our customers and stakeholders for allowing us to be of service. We wish you all the best and look forward to serving you under HSBC Philippines soon.

Our Principles as a Bank

For over 20 years, the bank has maintained an evolving conservative approach to managing risk that is fundamental to delivering our strategic priorities. This helps HBPH protect its customers, lend responsibly and support the sustainable growth of the market we serve.

HBPH uses an enterprise-wide risk management framework at all levels of the organization and across all risk types and is underpinned by our risk culture. The framework fosters continuous monitoring, promotes risk awareness and encourages sound operational and strategic decision making. It also ensures a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities. The following sections summarize key aspects of the framework, including governance and structure, our risk management tools and our risk culture, which together help align employee behavior with our risk appetite.

Our Corporate Culture

HBPH has long recognized that its culture must be one founded on integrity and the highest professional standards. It has clear, defined and enduring responsibilities to safeguard the interests of its depositors, customers, staff, shareholders and the wider communities in which it does business.

Our corporate culture is one that actively supports the purpose and strategy of the organization and reflects our values.

We seek to fulfil these responsibilities by demanding adherence to the highest professional and ethical standards. In consequence, fair treatment of customers and staff; full compliance with legal and regulatory obligations; adherence to best market practices and conduct; and recognition of our social and environmental responsibilities are embedded as core principles of our culture.

Our Values

Our values guide us in all our actions – from strategic decisions to day-to-day interactions with customers and each other.

We value difference <i>We actively take a broader perspective, and so are alert to more opportunities for our customers</i>	We succeed together <i>We make the connections that allow us to realize the full potential of those opportunities</i>	We take responsibility <i>We hold ourselves accountable and ensure we leverage opportunities with integrity</i>	We get it done <i>We commit to tenaciously follow through the actions that make those opportunities a reality</i>
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At HSBC, we believe that how we do business is as important as what we do. We want to achieve good results in a way that treats our customers fairly and helps to strengthen communities and ensure a properly functioning financial system. Our values are central to achieving these aims and define who we are as an organization and what makes us distinctive.

All employees are expected to act with courageous integrity. This means speaking up, escalating concerns, and doing right by our customers, communities and each other.

These values reflect the best aspects of our heritage, and remain key to our long-term success.

Our Behavioral Standards

Our behavioral standards supporting effective financial crime risk management and good conduct:

- **Good judgment** – Strong principles-based judgment and of decision making, which considers the broader picture in fighting financial crime and in maintaining good conduct is of utmost importance for the Bank. We ask the right questions when things do not add up.
- **Accountability** – We all understand the role we play in fighting financial crime and in maintaining good conduct. We make good decisions, stand behind them and acknowledge and learn from our mistakes. Accountability does not mean making decisions in isolation but proactively connecting with others to achieve the right outcome.

- **Speaking up** – We are comfortable in speaking up about concerns, even if they relate to our own mistakes, or highlighting things we feel are wrong. Views are sought and respected and when people do speak up appropriate action is taken.

These standards are also important in promoting prudent risk-taking and fair treatment of customers, which underpin our culture.

Treating Customers Fairly (TCF)

As a bank, we recognize that our success lies in putting the customer at the center of everything we do. By doing so, we ensure that we reinforce the importance of building and maintaining client relationships and the need to comply with financial consumer protection standards and practices across HBPH. In the end, HBPH's responsibility starts and ends with treating customers fairly.

HBPH's Board and Senior Management has oversight responsibilities in the development and effective implementation of HBPH's consumer protection program. The program aims to:

- demonstrate openness and accessibility in accepting customer feedback and complaints;
- have robust procedures to ensure the proper handling and, where appropriate, prompt rectification of customer complaints;
- demonstrate HSBC's commitment to service excellence, truth and fair dealing with its customers;
- ensure that customer complaints are dealt with effectively and within committed timelines; and
- comply with the letter and spirit of regulatory requirements and voluntary codes of conduct, where applicable.

Notwithstanding the outsourcing of complaint resolution to the Global Servicing Center ("GSC"), the Head of Customer Relations and Experience ("CRX") is responsible for the implementation of the complaints strategy and policy of HBPH including processes administered by vendors who act on behalf of the Bank.

Complaints and feedback from customers (and the public at large) are captured in HBPH's Complaints Management System or "CMS" to ensure that each is logged and monitored for action and resolution in a timely manner.

Complaint handling turnaround time is based on whether the complaint is determined to be simple or complex; however, the process followed by the Customer Relations Team ("CRT") in handling both complaint types remains the same: (1) Identification and Recording; (2) Investigation; (3) Communication; (4) Resolution/Decision; and (5) Remedial Action.

Management information generated from CMS is utilized to determine the root cause of the major complaint areas of HBPH with the aim of revising policies and procedures to improve the customer journey as well as lead to impactful optimization initiatives.

Connecting customers & communities to opportunities

As a Group, HSBC aims to be where the growth is, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfill their hopes and realize their ambitions.



Supporting sustainable growth

As a major international business, HSBC has an impact on people all over the world including customers, employees, suppliers, investors, and the wider communities it serves.

As an organization, we understand the importance of our relationships with all these different groups while considering their needs and aspirations. We also recognize our duty to manage the impact of our business on our environment. Without doing this, we cannot thrive over the long term.

We are part of the HSBC Group journey to incorporate environmental, social and governance (ESG) principles throughout the organization, and are taking steps to embed sustainability into our purpose and corporate strategy.

Our approach to ESG is shaped by our purpose and values, and a desire to create sustainable long-term value for our stakeholders. As a subsidiary of a foreign international bank with significant breadth and scale, we understand

that our climate, economies, societies, supply chains, and people's lives are interconnected. We recognize we can play an important role in tackling ESG challenges. We focus our efforts on three areas:

- **Transition to net zero (E)** – we are focused on helping to deliver a net zero global economy by transforming ourselves and working with our customers to make their own transition. While we do not offer sustainable finance to corporations, it is our aim to increase sustainable finance and ESG awareness across our customers and employees through regular webinars. We also offer referral services to customers to allow them to avail of ESG-related funds when requested.
- **Building inclusion and resilience (S)** – by removing barriers and being a fair and equitable bank, we can attract the best talent, serve a wider customer base and support our communities; we focus on employee sentiment, and support our colleagues' resilience through well-being and learning resources; we help our customers to build financial resilience by providing resources that help them manage their finances, and services that help them protect what they value; we give back to our communities through philanthropic giving, disaster relief and volunteering
- **Acting responsibly (G)** – we are focused on running a strong and sustainable business that puts the customer first, values good governance, and gives our stakeholders confidence in how we do what we do; our Conduct Approach guides us to do the right thing and to focus on the impact we have for our customers and the financial market in which we operate.

HBPH also works with Charity Rewards partners like ChildHope Asia Philippines, Inc. and WWF to address these issues through the support of our customers who use the rewards points they earn to donate.

The MNL E&S Governance Body

The Board of Directors has oversight responsibility in ensuring that sustainability is embedded into the bank's strategy and operations. Working with HBAP, the MNL E&S Governance Body was established to provide oversight and strategic guidance on Sustainable Finance Development and Environmental and Social (E&S) Risk Management of HSBC in the Philippines.

The Governance Body aims to

1. Drive site strategy for sustainable financing and investment growth opportunities, and enhance frontline capabilities in line with Group Strategy. This includes implementation of HSBC's Climate Strategy in the Philippines, including net zero targets.
2. Oversee E&S Management practices in HBAP in line with HSBC Group and Regional frameworks and the Bangko Sentral ng Pilipinas (BSP)'s requirements in Circular 1085 and subsequent guidelines.

Membership and Roles & Responsibilities.

MNL E&S Governance Body consists of a Steering Committee (SteerCo) and a Working Group (WG).

SteerCo

The SteerCo serves as the governance body, reporting to MNL Exco for the E&S related matters in the country. HBPH's President & CEO, as a member of the SteerCo, will be responsible in reporting to the Board the same. Any Line of Business/Function level E&S forums, working groups, committees, etc., will roll up to this SteerCo to ensure full visibility and coordination at country level and obtain support, guidance and expertise as necessary.

Aside from the HBPH President & CEO, the SteerCo includes senior representatives from key Businesses and Functions of HSBC in the Philippines:

- | | |
|--|--|
| • President & CEO, Philippines (Chair) | • Head of Markets & Securities Services, Philippines |
| • Chief Risk Officer, Philippines | • Head of Wealth and Personal Banking, Philippines |
| • Chief Compliance Officer, Philippines | • Head of Communications, Philippines |
| • Chief Financial Officer, Philippines | • Head of Legal |
| • Chief Operating Officer, Philippines | • Desk Head of Private Banking, Philippines |
| • Head of Human Resources, Philippines | • Head of Enterprise Risk, Philippines |
| • Head of Wholesale Banking, Philippines | • Head of Wholesale Credit Risk, Philippines |

The SteerCo will:

1. **Strategy and oversight.** Provide strategic direction and oversight for implementation of E&S programs in the country, and engage with relevant stakeholders including regional forums such as HBAP Climate Risk Oversight Forum, ASP Climate Risk SteerCo, etc.;
2. **Resourcing.** Ensure availability of necessary support on resource, expertise, technology, and process to facilitate implementation of E&S programs. Escalate any challenges / asks to Exco and/or appropriate regional forums as necessary;

3. **Metrics.** Steward Businesses in the development of sustainable finance KPI, KRIs and Risk Appetite, and monitor progress against them;
4. **Monitoring.** Track progress on implementation of E&S policies, compliance against KPIs/ KRIs/ RAS, and requisite country action coming from group/region/local regulator/MNL E&S working group;
5. **Regulatory engagements.** Monitor local regulatory directions and trigger events to adapt and shift course to respond to such changes; and
6. **Communication.** Facilitate capacity building across Businesses and Functions and coordinate all internal & external communication regarding E&S related matters.

Working Group

The WG, comprising of members from Businesses & Functions, will focus on aspects including, but not limited to, driving MNL's sustainable finance strategy, embedding E&S Risk Management framework, stress testing, and disclosure requirements.

The WG will:

1. Work under the guidance, direction, and oversight of the SteerCo;
2. Collaborate across Businesses and Functions to formulate recommendations and implement them to help achieve MNL E&S Governance Body objectives and outcomes;
3. Present findings, issues, and recommendations to the SteerCo on a quarterly basis and implement endorsed recommendations;
4. Ensure recommendations are aligned with and do not contravene relevant Group Policies and Strategy as well as requisite regulations;
5. Act as Champions of E&S aspects in the members' respective Businesses / Functions; and
6. Report breaches / near breaches to appropriate forum i.e., MNL RMM / Business-level forums, with recommended remediation plans in consultation with the SteerCo.

Corporate Sustainability

The bank's Corporate Sustainability function (CS) will function as secretariat for the MNL E&S SteerCo and MNL E&S Working Group, and will be responsible for arranging SteerCo and WG meetings and circulation of meeting agenda, recording and distribution of meeting minutes. As part of the oversight function, the secretariat shall monitor site progress against key performance indicators "KPI" established locally and bank-wide review of localized sustainability guidelines.

Meeting Frequency, Attendance, Quorum of Meetings

The SteerCo will meet every other month or as per the Chair's discretion. If a SteerCo member is unable to attend a meeting, he/she may appoint an empowered delegate to represent at the meeting on their behalf. A quorum of members is at least 80%, including the Chair or his delegate.

The WG will meet once a month or more frequently, as required.

Agenda, Meeting Materials, Minutes

Members of the MNL E&S Governance Body may propose agenda items for consideration to the Chair, no less than seven working days in advance of the relevant meeting. CS will be provided meeting materials, including ad hoc reports, special papers, or matters of significance raised in the reports, a minimum of five working days in advance of the scheduled meeting.

CS is responsible for coordinating agenda items, meeting materials and minutes related to their respective focus areas, namely sustainable finance, and climate strategy and Environmental and Social Risks, respectively, and consolidate them for MNL E&S Governance SteerCo meetings.

Decision Making

Decision making authority in HBPH in relation to all matters considered at the MNL E&S Governance Body remains with the Board, which shares the same Chair as the MNL E&S Governance Body's SteerCo, except where decision making authority is within the scope of another SteerCo Member in accordance with the Risk Management Framework or other relevant governance policies and processes. SteerCo Members will discuss and debate the matters to be considered at each meeting and, where appropriate, suggest amendments and alternative options to proposals presented, prior to recommending a decision to be taken by the Chairs or the relevant accountable executive. Any SteerCo Member who dissents from the accountable executive's decision reached on any matter at the MNL E&S Governance SteerCo may request that his/her views are included in the minutes of the meeting.

Escalation

Escalation of matters considered by the MNL E&S Governance SteerCo can be to the MNL EXCO (for E&S strategy related matters) or the MNL RMM (for E&S Risk related matters) as appropriate. Any matter considered at the MNL E&S Governance SteerCo which are not resolved by the Chair within the limits of his/her authorities will be escalated to the Regional Climate SteerCo for review and consideration.

Committee Effectiveness

The MNL E&S Governance Forum will reviewed annually its effectiveness, and recommendations will be made for any necessary changes and suggested enhancements. The Chair will also review the effectiveness of the MNL E&S Governance Body on an ongoing basis and make recommendations for change.

Our Risk Management Structure

We seek to maintain a conservative and consistent approach to risk, helping to ensure we protect customers' funds, lend responsibly, and support economies. By carefully aligning our risk appetite to our strategy, we aim to deliver sustainable long-term shareholder returns.

Active risk management helps us to achieve our strategy, serve our customers and communities, and grow our business safely. We identify risks to our business and assess their materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts, as well as market conduct and competition outcomes. We manage these risks through a combination of limits and controls to ensure risks are within our appetite. We then aggregate and report risk data to highlight material risks and support good decision making. Where necessary, these risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge, and remediation.

All employees are responsible for the management of risk, with the ultimate accountability residing with the Board. We recognize the importance of a strong culture, which refers to our shared attitudes, values and standards that shape behaviors related to risk awareness, risk taking, and risk management. This is embedded through clear and consistent communication and appropriate training for all employees.

We also continue to focus on improving the quality and timeliness of the data used to inform management decisions, through measures such as early warning indicators, prudent active management of our risk appetite, and ensuring regular communication with our Board and key stakeholders.

A comprehensive risk management framework is applied throughout HBPH, with governance and corresponding risk management tools. This framework is underpinned by our risk culture and reinforced by our values and required conduct outcomes. It fosters continual monitoring, promotes risk awareness, and encourages a sound operational and strategic decision-making and escalation process. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We continue to actively review and develop our risk management framework and enhance our approach to managing risk, through our activities with regard to people and capabilities; governance; reporting and management information; credit risk management models; and data.

Our risk function oversees the framework and is independent from the line of businesses, including our sales and trading functions, to provide challenge, appropriate oversight, and balance in risk/reward decisions. Our risk appetite, expressed in both qualitative and quantitative terms, encapsulates the consideration of financial and non-financial risks. We define financial risk as the risk of a financial loss as a result of business activities. We actively take these types of risks to maximize shareholder value and profits. Non-financial risk is the risk to achieving our strategy or objectives as the result of failed internal processes, people and systems, or from external events.

This is articulated in our Board-approved risk appetite statement including:

- risks that we accept as part of doing business, such as credit risk and market risk;
- risks that we incur as part of doing business, such as operational risk, which are actively managed to remain below an acceptable tolerance; and
- risks for which we have zero tolerance, such as knowingly engaging in activities where foreseeable reputational risk and misconduct has not been considered

Internal stress tests are important elements in our risk management and capital management frameworks. They include potential adverse macroeconomic, geopolitical and operational risk events, and other potential events that are specific to HBPH. Stress testing analysis helps management understand the nature and extent of vulnerabilities

to which HBPH is exposed. We also perform regulatory stress testing to help ensure the strength and resilience of HBPH.

Our reports on risks, including emerging risks, identifies forward-looking risks so that they can be considered in determining whether any incremental action is needed to either prevent them from materializing or to limit their effect. Top risk drivers are those that have the potential to have a material adverse impact on the financial results, reputation or business model of the entity, and we actively manage and take actions to mitigate these. Emerging risks are those that, while they could have a material impact on our risk profile were they to occur, are not considered immediate and are not under active management. Our suite of thematic issues, top risk drivers, and emerging risks is subject to regular review in senior governance forums. We continue to monitor closely the identified risks and ensure management actions are in place, as required.

Our Risk Appetite

Our risk appetite defines our desired forward-looking risk profile, and informs the strategic and financial planning process. It provides an objective baseline to guide strategic decision making, helping to ensure that planned business activities provide an appropriate balance of return for the risk assumed, while remaining within acceptable risk levels. Risk appetite supports senior management in allocating capital, funding and liquidity optimally to finance growth, while monitoring exposure to non-financial risks.

Our risk appetite contributes significantly to a strong and integrated risk management framework and risk culture, helping direct and support sustainable growth against the backdrop of a heightened risk environment.

Further, we utilize the Risk Appetite Statement (“RAS”), which consists of a qualitative statement and quantitative metrics covering financial and non-financial risks with defined Risk Appetite and Tolerance thresholds. It provides a baseline for business decisions based on balancing risk and return, and making the best use of our capital.

Risk appetite metrics are reviewed semi-annually and are fundamental to the development of business line strategies, strategic and business planning and senior management balanced scorecards.

Our Areas of Risk

Financial Risks

Credit Risk

Credit risk arises primarily from direct lending, trade finance and from certain other products such as guarantees and derivatives. Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. To manage credit risk, we ensure it is:

- **measured** as the amount which could be lost if a customer or counterparty fails to make repayments. In the case of financial investments (i.e., derivatives), the measurement of exposure takes into account the current mark-to-market value to HBPH of the contract and the expected potential change in that value over time caused by movements in market rates;
- **monitored** within limits approved by individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which HBPH could be subjected should the customer or counterparty fail to perform its contractual obligations; and
- **managed** through a robust risk control framework which outlines clear and consistent policies, principles and guidance for risk managers.

There were no material changes in the policies and practices for the management of credit risk in 2022.

Market Risk

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations, and credit spreads. The Standardized Approach is used in the Bank’s market risk-weighted assets. Exposure to market risk is separated into two portfolios: trading portfolios and non-trading portfolios.

The former comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions; the latter comprise positions that primarily arise from the interest rate management of retail and commercial banking assets and liabilities, financial investments measured

at fair value through other comprehensive income, and debt instruments measured at amortized cost." The former comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions; the latter comprise positions that primarily arise from the interest rate management of retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, and debt instruments measured at amortized cost

Where appropriate, the Bank applies similar risk management policies and measurement techniques to both trading and non-trading portfolios. The Bank's objective is to manage and control market risk exposures to optimize return on risk while maintaining a market profile consistent with the Bank's established risk appetite. Each major operating entity has an independent market risk management and control sub-function, which is responsible for measuring, monitoring, and reporting market risk exposures against limits on a daily basis. Each operating entity is required to assess the market risks arising in its business and to transfer them either to its local Markets and Securities Services or Markets Treasury unit for management, or to separate books managed under the supervision of the local Asset and Liability Management Committee ("ALCO"). The Traded Risk function enforces the controls around trading in permissible instruments approved for each site as well as changes that follow completion of the new product approval process. Traded Risk also restricts trading in the more complex derivative products to offices with appropriate levels of product expertise and robust control systems.

Key risk management process

Monitoring and limiting market risk exposures

The Bank's objective is to manage and control market risk exposures while maintaining a market profile consistent with the Bank's risk appetite. The Bank uses a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR, and stress testing.

Sensitivity Analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, and equity prices where applicable. The Bank uses sensitivity measures to monitor the market risk positions within each risk type. Granular sensitivity limits are set for trading desks with consideration of market liquidity, customer demand, and capital constraints, among other factors.

Value at Risk

Value-at-Risk (VaR) is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and calculated for all trading positions regardless of how the Group and Parent Company capitalizes them. In addition, the Group and Parent Company calculate VaR for non-trading portfolios (e.g., the portfolio of high-quality liquid assets held under a hold-to-collect-and-sell business model) to have a complete picture of risk, complementing risk sensitivity analysis. Where the Group and Parent Company do not calculate VaR explicitly, the Group and Parent Company use alternative tools as summarized in the 'Stress testing' section below.

The Bank's models are predominantly based on historical simulation that incorporates the following features:

- historical market rates and prices, which are calculated with reference to foreign exchange rates, commodity prices, interest rates, equity prices and the associated volatilities;
- potential market movements that are calculated with reference to data from the past two years; and
- calculations to a 99% confidence level and using a one-day holding period.

The models also incorporate the effect of option features on the underlying exposures. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

VaR model limitations

Although a valuable guide to risk, VaR is used with awareness of its limitations. For example:

- The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature;
- The use of a one-day holding period for risk management purposes of trading and non-trading books assumes that this short period is sufficient to hedge or liquidate all positions, based on how the model is calibrated (i.e., the last 500 business days), it does not adjust instantaneously to a change in the market regime

- The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

The Bank recognizes these limitations by augmenting its VaR limits with other position and sensitivity limit structures.

Stress testing

Stress testing is an important procedure that is integrated into the Bank's market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling.

Stress testing is implemented at legal entity, regional and overall Group levels. A set of scenarios is used consistently across all regions within the Group. The risk appetite around potential stress losses for the Group is set and monitored against a referral limit.

Market risk reverse stress tests are designed to identify vulnerabilities in the Bank's portfolios by looking for scenarios that lead to loss levels considered severe for the relevant portfolio. These scenarios may be quite local or idiosyncratic in nature, and complement the systematic top-down stress testing.

Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR, for which the Bank's appetite is limited.

Market risk – Trading

Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

Back-testing

The Bank routinely validates the accuracy of the Bank's VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss. Hypothetical profit and loss exclude non-modelled items such as fees, commissions and revenue of intra-day transactions. The hypothetical profit and loss reflect the profit and loss that would be realized if positions were held constant from the end of one trading day to the end of the next. This measure of profit and loss does not align with how risk is dynamically hedged, and is not therefore necessarily indicative of the actual performance of the business.

The number of hypothetical loss back-testing exceptions, together with a number of other indicators, is used to assess model performance and to consider whether enhanced internal monitoring of a VaR model is required.

The VaR for HBPH are as follows:

In PHP '000	Total	Trading	Foreign Exchange	Interest Rate
31-Dec-22	1,673	112	112	1,617
Average daily	1,673	279	279	1,617
Highest	2,230	725	725	2,174
Lowest	1,227	56	56	1,282

In PHP '000	Total	Trading	Foreign Exchange	Interest Rate
31-Dec-21	2,040	204	204	1,938
Average daily	4,182	255	255	4,131
Highest	7,497	1,224	1,224	6,885
Lowest	2,040	51	51	1,938

* FX rate: 2022 – PHP55.755, 2021 – PHP50.999

Stress Value at Risk

Stressed VaR is a 99th percentile 10-day VaR calibrated to a one-year period of stress observed in history. Stressed VaR is calculated from a 250-day stressed market conditions which would amount to a worse-case scenario. Stressed VaR must be calculated at least weekly. The stressed VaR measure must be based on inputs calibrated

to historical data from a continuous twelve-month period of significant financial stress relevant to the portfolio. SVaR is reported at 1 day holding period.

The SvaR for HBPH are as follows:

In PHP '000	2022	2021
At year end	167	102
Average	390	306
Highest	1004	816
Lowest	112	51

* FX rate: 2022 – PHP55.755, 2021 – PHP50.999

Market Risk – Non-Trading

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or in order to hedge positions held with trading intent. Interest rate risk that can be economically hedged may be transferred to the Global Treasury sub-function (under the Group and Parent Company). Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Global Treasury sub-function (under the Group and Parent Company) cannot economically hedge is not transferred and will remain within the global business (under the Group and Parent Company) where the risks originate.

The Group and Parent Company use a number of measures to monitor and control interest rate risk in the banking book, including:

- net interest income sensitivity; and
- economic value of equity sensitivity; and
- hold-to-collect-and-sell Value at Risk

Net interest income sensitivity

A principal part of the Group's and the Parent Company's management of market risk in non-trading portfolios is to monitor the sensitivity of expected net interest income under varying interest rate scenarios (i.e., simulation modelling), where all other economic variables are held constant. This monitoring is undertaken at an entity level, where entities calculate both one-year and five-year NII sensitivities across a range of interest rate scenarios.

NII sensitivity figures represent the effect of pro forma movements in projected yield curves based on a static balance sheet size and structure. The exception to this is where the size of the balances or repricing is deemed interest rate sensitive, for example, early prepayment of mortgages. These sensitivity calculations do not incorporate actions that would be taken by Markets Treasury or in the business that originates the risk to mitigate the effect of interest rate movements.

The NII sensitivity calculations assume that interest rates of all maturities move by the same amount in the 'up-shock' scenario. The sensitivity calculations in the 'down-shock' scenarios reflect no floors to the shocked market rates. However, customer product-specific interest rate floors are recognized where applicable.

For simulation modelling, businesses use a combination of scenarios relevant to local businesses and local markets and standard scenarios which are required throughout the HSBC Group.

The standard scenarios are consolidated to illustrate the combined pro-forma effect on the HSBC Group's consolidated portfolio valuations and net interest income.

The table below sets out the effect on future net interest income of: (a) a parallel movement of plus or minus 100 basis points in all yield curves, and (b) a parallel movement of plus or minus 200 basis points (bps) in all yield curves. Assuming no management actions, a series of such rises and declines would increase (decrease) planned net interest income of the Bank as follows:

Change in projected net interest income arising from a shift in the yield curves of:	2022			2021		
	Total	PHP	USD and others	Total	PHP	USD and others
Parallel movements in yield curve						
+ 100 bps	100,453	30,449	70,004	108,462	37,518	70,944
- 100 bps	(27,051)	(30,681)	3,630	(53,015)	(34,703)	(18,312)
Parallel movements in yield curve						
+ 200 bps	164,464	63,107	101,357	205,264	76,146	129,118
- 200 bps	(80,783)	(56,569)	(24,214)	(115,805)	(67,254)	(48,551)

The interest rate sensitivities set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in net interest income based on the projected yield curve scenarios and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by Markets Treasury (MKTY) or in the business units to mitigate the impact of this interest rate risk. In reality, MKTY proactively seeks to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections take account of the anticipated net interest income impact of rate change differences between interbank interest rates and interest rates linked to other bases (such as BSP rates or product rates over which the entity has discretion in terms of the timing and extent of rate changes). The projections make other simplifying assumptions too, including that all positions run to maturity. The impact to net income and equity is equivalent to the impact to net interest income.

Non-Financial Risks

In order to manage non-financial (operational) risks, the Group's **Risk Management Framework ("RMF")**, includes the adoption of the Three Lines of Defense model, which sets out roles and responsibilities for managing operational risks on a daily basis.

Audit and Risk Committee meetings for HBPH are in place to review existing operational risk profiles and make decisions on recommendations to ensure an effective non-financial risk program that meets regulatory requirements and Group standards is in place.

HBPH performs Risk and Control Assessments (RCA) to identify their key non-financial risks. This process also provides a platform for establishing a forward-looking risk awareness and highlights key risks and related controls for oversight and continuous monitoring. The Bank's risk taxonomy and control library is a set of standardized risk types, controls, and definitions. It provides the common language across the Bank and promotes consistency in how the Bank identifies, assesses, monitors, and reports risk across the businesses and functions.

Operational risk loss data is recorded and reported to senior management, where details of these events above a materiality threshold are reported in the Group Operational Risk Management System, in addition to RCA. Escalation thresholds are also in place to require escalation to Group.

Financial Crime Risk

The risk of knowingly or unknowingly helping parties to commit or to further illegal activity through HBPH, including money laundering, fraud, bribery and corruption, tax evasion, sanctions breaches, and terrorist and proliferation financing.

Financial Reporting and Tax Risk

The risk of reporting financial information incorrectly or untimely, or failure in managing tax exposures.

Resilience Risk

The inability of HSBC to provide critical services to our customers, affiliates, and counterparties, as a result of sustained and significant operational disruption. Our resilience strategy includes the establishment of robust business recovery plans including detailed response methods, alternative delivery channels and recovery options.

People Risk

The risk of adverse impact due to not having a diverse and inclusive workforce, with enough people with the right skills, to allow us to serve our customers and lead high-performance businesses where people thrive, including risks associated with employment practices and poor employee behavior.

Regulatory Compliance Risk

The risks associated with breaching our duty to clients and other counterparties, inappropriate market conduct, and breaching related financial services regulatory standards.

Legal Risk

The risk of financial loss, legal or regulatory action or reputational damage resulting from Contractual risk, Dispute Mismanagement risk, Breach of Competition Law risk, and Intellectual Property risk.

Model Risk

The risk of inappropriate or incorrect business decisions arising from models that have been inadequately designed, implemented or used; or that models do not perform in line with expectations and predictions.

The scope and nature of risk reporting and/or measurement systems

Risk reporting is based on the following key principles:

- Data is recorded timely and accurately in the appropriate system of record
- Data is aggregated into meaningful risk information and consistently reported through governance committees
- Risk information is used by the business to make better decisions

Risk reporting procedures include the identification of relevant data quality issues, limitations and issues identified through appropriate validation checks and resolved.

HBPH meets local regulatory risk reporting requirements and makes sufficient public disclosures of how it manages risk. All risk reporting disclosed to supervisory and regulatory authorities are subject to quality assurance.

There are numerous internal risk reports prepared for specific risk types, such as credit risk, market risk and non-financial risk first line reports. Credit and market risk reporting involve exposure, loss and limit utilization reporting while non-financial risk reporting involve risk and control assessments. For non-financial risks, the system of record is HSBC Helios, where Risk and Control Assessments (including identification of issues and actions) are documented.

Policies for mitigating risk, and processes for monitoring the continuing effectiveness of mitigants

HBPH is guided by policies set at the HSBC Global level, which establishes the requirements to ensure the effective and consistent management of a particular risk. Each risk type within the Bank's risk taxonomy must have a policy, and for each risk type it explains:

- The extent and kind of risk we are willing to take when carrying out our business and pursuing our objectives
- The minimum control requirements for activities that expose HBPH to that type of risk

Particularly for non-financial risks, the Risk Prioritization Matrix is a tool that enable risks to be assessed using a standardized methodology, through a combination of likelihood of a risk occurring in the next twelve months, with the impact of the risk were it to occur (financial, customer detriment, regulatory censure and reputational impacts). A risk's control environment is also assessed in terms of the overall control effectiveness and whether it delivers the intended risk mitigation.

Control monitoring plans are in place to evaluate control effectiveness, and these include a variety of first line activities such as:

- design and operating quality checks
- authorizations and approvals
- governance and escalations
- management information and analytics

- supervision and management

Control monitoring can act as an early warning sign and highlight potential weaknesses in our control environment. Continuous monitoring is the primary way in which control owners evaluate the ongoing effectiveness of controls. Control assurance is a point in time exercise to confirm control effectiveness ratings and ensure continuous control monitoring is effective. Control Assurance functions in particular have been designated to specific populations of controls recorded in Helios in order to plan, coordinate and execute reviews such that all material controls are covered by one Assurance function agreed by the business. A variety of testing techniques are used to enable the Assurance function to form an independent opinion on the effectiveness of the controls and monitoring plans.

Lastly, aside from performing independent audits itself, the Internal Audit Internal Function coordinates reviews with the Assurance functions as necessary.

Our Anti-Money Laundering Governance & Culture

HBPH follows HSBC's established Global Anti-Money Laundering ("AML") Policy and supporting Program in order to meet applicable requirements; and to mitigate potential compliance; regulatory, and reputational risks associated with violations of Anti-Money Laundering, Counter Terrorist Financing ("CTF"), and Proliferation Financing regulations.

Our AML Policies are monitored and updated on an ongoing basis (annually at the minimum), to ensure that it incorporates the best practices identified through industry and regulatory guidance. While Group Financial Crime (FC) is responsible for updating Global policies, the updates are cascaded down to business lines and country teams including HBPH for implementation into the local policies and Line of Business procedures. Local regulatory changes are captured at a regional and country level, and require approval, from Regional and Global functions via the Country FC Policy Process. HBPH has mandated regular AML, Sanctions and Anti-Bribery & Corruption trainings of its employees. At a minimum, an annual training (classroom training and/or e-learning) is provided to all relevant employees.

HBPH undertakes Enterprise-Wide Risk Assessment (EWRA) across all business lines to identify and assess the Bank's exposure to AML, Sanctions and Anti-Bribery & Corruption ("AB&C") risks. Executed on an annual basis, covering the full calendar year prior to the year in which it is performed, the EWRA demonstrates a point-in-time view of financial crime risk exposure. This is achieved by the production of inherent risk ratings, derived using a covered methodology. This methodology is used to help Assessment Units (AUs), typically Lines of Business within each country, identify key risk drivers.

HBPH also follows HSBC's Financial Crime Risk and Control Taxonomy, which is a structured classification and definition of financial crime risk events and the controls required to mitigate these risks.

Risk events and associated control requirements are assessed by the Bank against the relevant policies, guidance, and procedures with the respective financial crime stewardship areas providing oversight and guidance (for example, Anti-Money Laundering, Sanctions, Anti-Bribery and Corruption, Internal Fraud, External Fraud, and Tax Transparency).

The Financial Crime Risk and Control Taxonomy has been embedded into HSBC Helios, as part of a global Control Library, to enable consistency in risk and control assessments (RCAs), event management and issues, and actions management.

To support mitigation of AML and CTF Risks, the Bank uses an enterprise risk management framework which is underpinned by its risk culture and reinforced by its core values and the Global Standards program components of which include:

- (1) An activity-based three lines of defense model – This delineates management accountabilities and responsibilities for risk management and the control environment.

The First Line of Defense owns the risks and is responsible for identifying, recording, reporting and managing them and ensuring that the right controls and assessments are in place to mitigate them.

The Second Line of Defense sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defense on effective risk management.

The Third Line of Defense is the internal audit function, which provides independent and objective assurance of the adequacy of the design and operational effectiveness of HSBC's risk management framework and control governance process.

Additionally, within the first line is the Business Financial Crime Risk (BFCR) who is responsible for testing the AML/CTF controls undertaken by the business. The second line of defense would be the Compliance Advisory function responsible for assisting business in carrying out the first line responsibilities and to act as the governance function. The third line of defense is the internal audit, primarily responsible in testing whether the first and second line are performing in accordance with the requirements to mitigate the risks.

- (2) Customer due diligence (CDD) and Know Your Customer (KYC) policies and procedures are in place and the required secondary checking being performed.
- (3) Screening of Transactions and Customers – This includes screening during staff recruitment, client onboarding and reverse client screening; and screening of transactions and payments against HBPH's Global mandatory sanctions screening and internal lists.
- (4) Transaction Monitoring Systems – HBPH utilizes automated transaction monitoring systems to identify potential account activity. Likewise, a manual process is also in place for HBPH's employees to report unusual activities or events observed in the course of their daily work via Unusual Activity Reports (UARs).
- (5) Reporting of Covered and Suspicious Transaction Reports – HBPH has a facility in place enabling it to submit covered and suspicious transactions.
- (6) Customer Selection and Exit Management (CSEM) Policy and Procedures are in place to ensure that all customer relationships and transactions meet HBPH's risk appetite. Where warranted, CSEM process would be triggered in cases where the business or FC would recommend exiting a relationship due to financial crime risk or risk mitigation.
- (7) Cooperation with authorities – HBPH's policy and management supports cooperation with authorities to the extent permitted by the applicable laws.
- (8) Records Maintenance – HBPH has a retention program / policy to adhere to local, Hong Kong Monetary Authority (HKMA) and HSBC's standards of retention of relevant documents.
- (9) Training – All newly-hired staff are required to take the prescribed AML and sanctions training program within a prescribed deadline and annually as part of the refresher course.
- (10) Consequence Management – A process is in place for investigating personal conduct breaches or negligently breaching bank's policies, procedures, standards or values. A Disciplinary and Performance and Reward Sanctions matrix is utilized for each level of misconduct.
- (11) Reporting and Escalation – A procedure on key risk identification and escalation is in place to report to FC any AML/CTF issues. Material items are reported to the RMM. Additionally, management information reports are submitted to the said Committee.

Our Corporate Governance

We at HSBC Savings Bank are committed to high standards of corporate governance. We have a comprehensive range of policies and systems in place to ensure that HBPH is well-managed, with effective oversight and control.

As a member of HSBC, HBPH is required to operate at the highest possible standard, regardless of whether this standard is applied as a globally consistent approach adopted by HSBC or as a result of local regulatory expectations. Acknowledging that the Global Company Secretary Function maintains a fully developed Functional Instruction Manual, which sets out a globally consistent approach to the application of corporate governance policy, process, procedure and practice, this applies only insofar if there is no conflict with any local legislative or regulatory requirements.

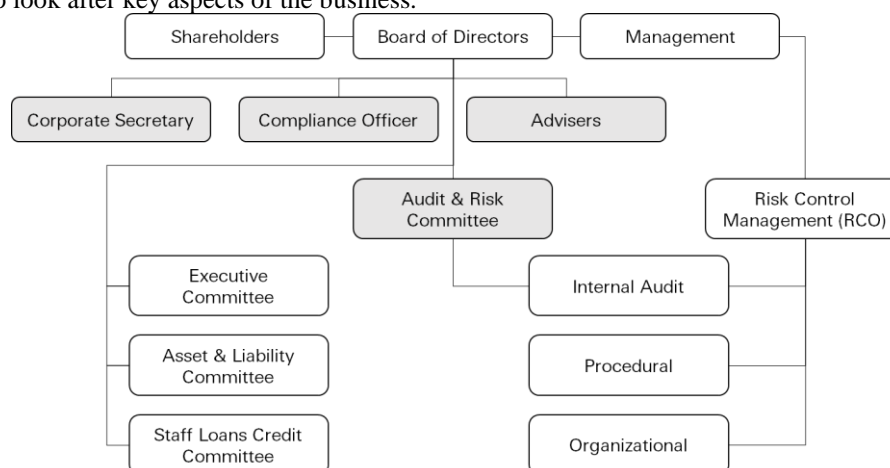
The Board of Directors

The Board is responsible to promote HBPH's long-term success, deliver sustainable value to shareholders and other stakeholders in a manner consistent with its corporate objectives and promote a culture of openness and debate.

Led by the non-executive Chairman, the HBPH Board sets HBPH's strategy and risk appetite. It also approves capital and operating plans for achieving strategic objectives recommended by management. The Board delegates specified non-executive matters to its committees. Additionally, an Executive Committee is authorized to act on behalf of the Board to facilitate ad hoc and other matters that need Board approval.

Our Governance Structure

Senior Management is responsible for the day-to-day operations of HBPH in compliance with Board-approved policies and procedures and all applicable regulations. To ensure efficiency, we have created management committees to look after key aspects of the business.



The Bank's Board-Level Committees

To aid the Board in its various tasks to ensure efficiency and provide greater oversight, the following Board-level committees were created.

The Audit & Risk Committee (ARC)

In 2019, the Risk Management Committee and Audit Committee were consolidated into what we now refer to as the Audit & Risk Committee (ARC). This transformation was a result of the Bank's governance streamlining initiatives to align its structure with the requirements for the Bank (as classified by the BSP as a simple bank) and the relative size and scale of its retail banking business.

The ARC consolidates oversight on all risk and audit matters of running the Bank. The committee established to provide recommendations and advice to the Chairman on the following:

Enterprise-wide management of all risks

This includes key policies and frameworks for the management of risk, within HBPH as set out in HSBC's Enterprise Risk Management ("ERM") Framework including the Bank's risk culture, risk appetite, risk profile, stress testing and integration of risk management into HBPH's strategic objectives. The Committee is also charged with the following responsibilities: (1) to review HBPH enterprise risk reports (including risk map and top and emerging risk reports); (2) processes for managing Regulatory Compliance Risk arising from the activity of HBPH; (3) to review sub-committee reports and matters for escalation; and (4) to promote and cascade a supportive culture in relation to risk management and controls and to ensure our risk management practices support our conduct outcomes.

Financial reporting and internal financial controls

This includes reviewing: (a) the integrity of the financial statements, Pillar 3 disclosures (where relevant), formal announcements and disclosures relating to financial performance; (b) the effectiveness of Internal Audit and the external audit process; and (c) the effectiveness of internal financial control systems.

The Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The Chairman of the ARC shall be appointed by the Board and shall not be the chairperson of the Board of Directors, or any other board-level committee. It shall have also access to independent experts to assist it in discharging its responsibilities.

Given HBPH's size and scale of operations, all other functions such as IT Oversight, Nominations and Corporate Governance have been incorporated into the responsibilities of the Board. HBPH has also created non-Board Level internal committees to oversee its day-to-day operations.

The Bank's Other Committees

Executive Committee (EXCO)

The EXCO's aim is to assist the Board in fulfilling the day-to-day operation of the business by acting upon such matters as the Board may entrust to it for action including the authority to create such committees or delegate any power that it has or might have as may be deemed necessary for the best interest of HBPH, subject to the limitations as provided under internal and regulatory governance requirements.

Asset & Liability Committee (ALCO)

ALCO's purpose is to ensure that Asset, Liability and Capital Management (ALCM) issues are acknowledged, monitored and controlled by management. It looks after capital and liquidity adequacy, transfer pricing policies, interest rate risk and dividend payouts among others. ALCO focuses on both backward and forward-looking view of the business including capital plans.

Staff Loans Credit Committee

The committee serves as the main venue for approvals of staff loan applications under the Financial Assistance Program of HBPH, as approved by the BSP. The Committee also serves as a venue for its members to raise concerns and make recommendations as to the efficiency of the staff loan approval process, or the effectiveness of the existing policies.

Other Risk Stewards

Internal Audit & Compliance

HBPH's internal audit function is handled by HSBC's Regional Internal Audit. Its role is to help the Board and Senior Management protect the assets, reputation and sustainability of HBPH by providing independent and objective assurance as to whether the design and operational effectiveness of HSBC's framework of risk management, control and governance processes, as designed and represented by management, is adequate.

The Internal Audit is part of HBPH's Third Line of Defense and sits as a regular attendee in the quarterly Audit & Risk Committee meeting where they share their audit plan and most recent audit findings.

Compliance

Compliance Advisory (known as the Compliance Function), on the other hand, is part of HBPH's Second Line of Defense is a key partner of management in managing risk and oversight. The team directly reports to HBPH's Compliance Officer and is a regular guest of Board meetings as well as the Audit & Risk Committee meetings.

Our Governance Structure and Processes

Under the leadership of the Board Chairman, the Directors are responsible for the orderly succession of its own constituent members. In this regard, the Board shall:

- i. consider the size and composition of the Board and recommend any necessary changes;
- ii. recommend individuals for nomination as potential new non-executive directors; and
- iii. recommend candidates to board committees.

Appointment of Directors

The Board's collective membership should comprise of persons with an appropriate mix of skills, experience, and personal attributes that allow them both individually and collectively to:

- i. discharge their responsibilities and duties under the law effectively and efficiently;
- ii. understand the business of HBPH and the environment in which it operates so as to allow them to set management objectives, goals, and strategic direction; and

iii. assess the performance of management in meeting those objectives and goals.

Not every non-executive director will necessarily fulfil all criteria, but the following core attributes are important to consider during the selection process. Directors should:

- have relevant and extensive business experience
- fit culturally with the existing Board and be empathic to HBPH's culture
- maintain a high level of personal integrity
- have the ability to work in a collegial manner
- bring an independent state of mind to Board decisions
- be free of material conflicts
- be available to meet the time commitment required

In addition, the desirability of having diversity of skills and experience is also considered. That said, the Board believes first and foremost that appointments should be made based on merit and that candidates should be considered against objective criteria.

Recommendations for new board appointments will be raised to the full Board for consideration and approval. All Board appointments are subject to the endorsement by the Regional CEO, The Hongkong and Shanghai Banking Corporation Limited (HBPH's regional holding company) and local regulatory approval.

The Board's Overall Responsibilities

The Board aims to promote HBPH's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate. Led by the non-executive Chairman, it sets HBPH's strategy and risk appetite, which is consistent with HSBC standards. It also approves capital and operating plans for achieving strategic objectives on the recommendation of management.

The role of our independent non-executive directors is to challenge and scrutinize the performance of management including executive directors and to help develop proposals on strategy. They also review the performance of management in meeting agreed goals and objectives and monitor HSBC's risk profile.

Overall, the Board's responsibilities include:

1. the review and approval of HBPH's business strategies and significant policies, and oversee their implementation, having regard to any of HSBC's strategies that may be in place from time to time.
2. oversight of the risk management framework (including a view of the risk culture) that is consistent with HBPH's strategic objectives and business plan while ensuring an effective system of risk management and internal control is established and maintained.
3. ensuring that there is an effective process in place to ensure that senior management of HBPH collectively have the full range of skills needed for the effective and prudent operation of HBPH, and for assessing their performance.
4. ensuring that procedures are in place for assessing the performance of the collective Board and individual directors.
5. ratifying the appointment or re-appointment of HBPH's President and Chief Executive Officer, or the equivalent position.
6. oversight of subsidiary entities and other entities of HSBC for which HBPH has management responsibility, as well as any material dealings with HSBC entities.
7. ensuring that the external auditor is independent, and has no conflicts of interest.

Managing Related Party Transactions

The Board is responsible for reviewing HBPH's transactions with its related parties to ensure these have been conducted in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. To this end, the Board has set out procedures for the effective oversight of related party transactions.

It is the policy of HBPH that all Lines of Business and Functions have in place procedures and controls such that they take all appropriate steps to identify, and prevent or manage Conflicts of Interest (defined as a situation or arrangement where HBPH and/or any of its workers is subject to multiple influences, the competition of which might adversely affect decision-making or outcomes in the course of conducting business). In support of this Policy and to comply with local regulatory requirements on related party transactions, HBPH issued its Guidelines on Related Party Transactions. All employees are expected to assist in the identification of related party transactions, and in the prevention or management thereof, and to act with integrity and exercise good judgment with the requisite degree of independence and objectivity. They should raise any related party transactions or conflicts of interest in a prompt and appropriate manner, using available escalation channels. Loans entered into

with a director, stockholder, officer, related interests or related parties, as well as exceptional transactions (other than loans) as defined in the guidelines, need to be reviewed and approved by the Board of Directors to ensure that these transactions are conducted on an arms' length basis and that the terms and conditions thereof remain fair and equitable to HBPH.

HBPH had no related party transactions in 2022, which exceeded the Bank's set materiality threshold.

The Chairman, on the other hand, shall be responsible for ensuring that the Board is effective in its oversight of setting HBPH's direction and strategy and for its implementation by management.

Our Approach to the Board's Onboarding & Ongoing Education

All members of the Board of Directors are furnished a copy of their duties and responsibilities and provided with a comprehensive training program including a Corporate Governance Orientation for all new members of the Board. HSBC also provides in-house training (similar to the training provided to all bank employees) to the Board covering topics on Anti-Money Laundering, Sanctions, Data Privacy and Cyber Security, Embedding Good Conduct, and Bribery and Corruption.

Our Board of Directors for 2022

Shareholder	Directorship Type	Age	Nationality	Tenure as Director ³	Shares Held	Voting %	Effective Date
Patrick Henry A Carlos	Executive	51	Filipino	6.3 years	1		27-May-22
Horace Kwan Hor Chau ¹	Non-Executive	61	Australian	8 years	1		27-May-22
Sandeep Uppal ²	Non- Executive	56	British	7 months	1		27-May-22
Peter G Faulhaber	Non-Executive	41	American	3.6 years	1		27-May-22
Rolando C Santos	Independent	58	Filipino	3.6 years	1		27-May-22
Ma. Anna Annette A Estacion	Independent	51	Filipino	3.3 years	1		27-May-22
The Hongkong and Shanghai Banking Corporation Limited					149,199,994	99.99	05-Apr-01

¹ Vice Chairman of the Board

² Chairman of the Board. Also, the Nominee of The Hongkong and Shanghai Banking Corporation Limited to the Board

³ As at December 31, 2022 (from date first appointed to the Board)

Board and Committee Membership & Meeting Attendance

Name of Director	Board of Directors		Audit & Risk Committee	
	Attended	%	Attended	%
Sandeep Uppal <i>Chairman, Non-Executive Director</i>	13 of 13	100%		
Horace Kwan Hor Chau <i>Vice Chair, Non-Executive Director</i>	18 of 18	100%		
Patrick Henry A. Carlos <i>Executive Director</i>	18 of 18	100%		
Peter G. Faulhaber <i>Non-Executive Director</i>	18 of 18	100%	3 of 3	100%
Rolando C. Santos <i>Independent Director</i>	18 of 18	100%	7 of 7	100%
Ma Anna Annette A. Estacion <i>Independent Director</i>	18 of 18	100%	7 of 7	100%
Graham David FitzGerald <i>Chairman, Non-Executive Director</i>	1 of 1	100%		
Colin Drummond <i>Non-Executive Director</i>	7 of 7	100%	5 of 5	100%
Total Meetings Held in 2022	18		7	

Our Dividend Policy

In general, the Bank aims to pay out as dividends at least 60% to 70% of its prior year's net income, subject to local regulatory requirements. In 2022, a total of PHP52,400,000 in dividends was paid out.

Our Inclusive Hiring Principles

At HSBC, diversity & inclusion is an important pillar of our People Strategy at all levels of the organization including the recruitment of staff, officers and senior management.

In an effort to ensure that we attract and retain high-performing diverse talent, the Bank has adopted the Group's Inclusive Hiring Principles. These principles are used in combination with recruitment best practices to cover the end-to-end activity involved in securing the right talent for the Bank's needs.

Diversity and Inclusion (D&I) plays a key part in every step of the recruitment and onboarding process. This begins from the point a need is identified, right through the recruitment process (internal and external), to a colleague starting and becoming productive in their new role in the Bank.

Our hiring principles cover:

- **Required Training** – Hiring managers must complete e-learning courses on HSBC University prior to commencing recruitment
- **All roles should be advertised**, as a general rule. Permitted exceptions will be roles where formal succession plans are in place or highly sensitive new roles. Recruitment adverts are thoroughly reviewed to ensure the **use of neutral and inclusive language** and reflect **our openness around flexible working**
- **Interview panels** should be **balanced and diverse**
- **Be accountable for driving the correct values** throughout the hiring process. Our values influence our behaviors. Our conduct serves as a commitment to teammates and new or potential hires about the behaviors we expect at HSBC
- **Finally, challenge** where you do not see the principles being adhered to

Our Performance & Assessment Approach

At HBPH, we believe that good performance conversations, are about quality one-to-one conversations and a lot of specific feedback on skills and strengths, not just outputs and challenges.

As a bank, we have adopted **Everyday Performance and Development** to assess and provide feedback to our personnel. Our Everyday Performance and Development approach is about having frequent and meaningful conversations throughout the year to enhance performance and support development. Frequent conversations allow employees to get 'just in time' feedback to address any performance and development concerns, reinforce strengths and confirm what needs to be achieved. Where appropriate, these conversations are recorded in HBPH's My Performance system including the use of a Development Plan template to evidence achievements or areas for improvement or development throughout the year.

Our Remuneration Policy

Employee reward is designed to support rather than be the overriding focus of employment at HSBC.

At HSBC, our reward strategy helps to attract, retain and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience within the Group. This strategy recognizes people who are committed to the sustainable long-term performance of HSBC in the interests of our shareholders and other stakeholders.

HSBC's Reward's strategy includes:

- A competitive total reward package that includes a mix of fixed pay, variable pay and employee benefits
- An appropriate balance between fixed pay, variable pay and employee benefits
- Fixed pay and variable pay will vary according to an employee's seniority, role, individual performance and the market
- Fixed pay levels that are market competitive and allow our employees to meet their basic day-to-day living expenses
- Variable pay that is awarded on a discretionary basis and dependent upon Group, business and individual performance
- Employee benefits that are valued by a diverse workforce, appropriate at the local market level and which support HSBC's commitment to employee well-being.
- Promoting employee share ownership through mandatory variable pay deferral or voluntary enrolment in an all-employee share plan

- Reward packages linked to performance and behavior with no bias towards an individual's ethnicity, gender, age, or any other characteristic

The strategy is based on the following principles:

- An alignment to performance at all levels (individual, business and Group) taking into account both 'what' has been achieved and 'how' it has been achieved. The 'how' helps ensure that performance is sustainable in the longer term against HSBC's values and risk / compliance standards
- Being informed, but not driven by, market position and practice. Market benchmarks, are sourced through independent specialists and provide an indication of the range of pay levels and employee benefits provided by our competitors
- Targeting pay for employees across the full market range depending upon their individual performance and that of the Group. An individual's position in this market range will also vary depending upon their performance in any given year
- Compliance with relevant regulation and ensuring this applies at a high standard across all of our countries and territories

In-line with this framework, the Bank's independent directors are remunerated on an annualized basis (rather than the local industry practice of paying on a per diem/per meeting basis) for the dispensation of their duties and responsibilities including their attendance to Board and Committee meetings. Further, HBPH periodically reviews the remuneration of the independent directors, and if appropriate, proposes changes for endorsement by the Group's Corporate Governance and Secretariat.

Our Retirement Policy

HBPH is covered by a funded defined (non-contributory) benefit plan and a defined contribution plan:

- **HSBC Multi-Employer Defined Benefit Retirement Plan ("DB Plan")** – For employees who were hired prior to July 1, 2007, and have not voluntarily enrolled into the HSBC Multi-Employer Defined Contribution Retirement Plan
- **HSBC Multi-Employer Defined Contribution Retirement Plan ("DC Plan")** – For employees who were hired from July 1, 2007, and employees who were hired prior to July 1, 2007, and have voluntarily enrolled into the DC Plan

The applicable Retirement Plan determines what benefits the employee and/or beneficiaries may receive, if any, in the following situations:

- Normal Retirement, upon reaching age sixty (60) or upon completion of thirty-five (35) years of continuous service, whichever happens first
- Early Retirement, which is by application and subject to approval of HBPH after reaching age fifty (50) and rendering at least ten (10) years of continuous service
- Late Retirement which is the defined end of the period where an employee remains in active service after his normal retirement date only by mutual agreement with HBPH specified in writing
- Voluntary Separation, which is when an employee voluntarily resigns from HBPH after at least 5 years of continuous service
- Involuntary Separation, which is when an employee, prior to eligibility from retirement, is separated from service from HBPH not due to his own fault, misconduct, material neglect
- Death of the employee, where the benefits will be given to his designated beneficiaries
- Total and Permanent Disability, where an employee is separated from service due to Total and Permanent Disability, as certified by a licensed physician appointed by the Board of Trustees of the Retirement Plan
- Separation for Cause, pursuant to the applicable provisions of the Philippine Labor Code

Our Policy on Succession Planning

We use "Everyday Succession Management (ESM)". This is the practice of identifying critical positions within the bank, identifying the capabilities and experience required to be successful in those positions and then identifying and developing potential successors.

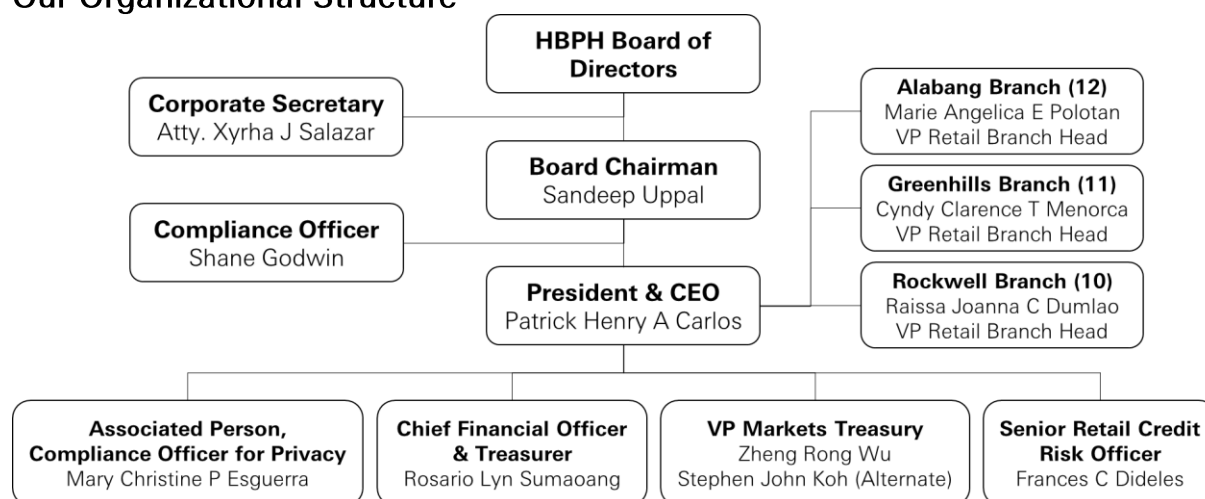
Critical positions are those that:

- Compared to other positions at the same level, are strategically important and/or high risk. This could include positions which are expected to grow in scope and importance in the future; or
- Are required by the regulator; or
- Require a critical capability or skill for which there is a limited market supply internally or externally.

To ensure the robustness and validity of succession plans, leaders are asked to apply the following principles in the creation of succession plans:

- Potential successors are identified and categorized based on their readiness in assuming the target role:
 - a. Emergency Cover – temporarily hold the role while the process to identify and appoint a more permanent role holder is ongoing
 - b. Ready Now – may take on the role once it becomes vacant
 - c. Develop in Role – a few key development areas need to be addressed while in their current role
- 1 to 2 Roles Away – would benefit from broader or deeper experience gained through taking on other roles in preparation for the target role
- Diversity – Potential successors should be drawn from the widest pool of talents in order to meet HSBC's diversity and inclusion aspirations
- Transparency – Open conversations with all successors and their line managers should be held throughout the process
- Future-focused – The way in which the role is likely to change in the future should be taken into account in identifying relevant successors
- Enterprise view – Plan owners should engage in cross-business/function/region dialogue to ensure they nominate successors with an enterprise view in mind. They should also agree on any amendments made to previously agreed plans
- Development plans – identified successors should be supported to create robust individual development plans.

Our Organizational Structure



Note: Six Relationship Managers from the branches were seconded to HSBC Investments and Insurance Brokerage, Philippines Inc. (HIIB) in the fourth quarter of 2022.

Our Board of Directors

SANDEEP UPPAL

Chairman, Non-Executive Director since 2022

British, 56 years old

- President & CEO, HSBC Philippines since April 2022
- Llobal Co-Head, International Subsidiary Banking, HSBC Hong Kong until March 2022
- Regional Head , International Subsidiary Banking, HSBC Hong Kong until Feb 2018
- Head of CMB, HSBC India until May 2017
- Chief Executive Officer, HSBC Mauritius until Jan 2011
- Regional Commercial Manager, Business Banking, Midlands, HSBC UK until Oct 2006
- Head of Intra Group Sales, Global Private Banking, HSBC UK until Oct 2005
- Senior Commercial Banking Manager, London, HSBC UK until Aug 2004
- Retail Branch Manager, Southall, London, HSBC UK until Feb 2003
- Deputy Manager, General Manager, Greater China's Office, HSBC Hong Kong until Jan 2011
- Vice President Retail Branches, Manila, HSBC Philippines until Oct 1999
- HBI Manager (STA), HSBC Hong Kong until Jul 1998
- Head of Trade Services, Mumbai, HSBC India until Mar 1998
- RM Corporate Banking, Mumbai, HSBC India until Aug 1996
- Manager, Retail Banking, Mumbai, HSBC India until Nov 1994
- Manager Standard Chartered Bank, India until Feb 1993
- Education: BS Economics, Delhi University
MBA in Marketing and Finance, Xavier Labour Research Institute, India

HORACE KWAM HOR CHAU

Vice Chairman and Non-Executive Director since 2014

Australian, 61 years old

Director, HSBC Provident Fund Trustee (Hong Kong) Limited

Honorary Treasurer, Hong Kong Red Cross

Senior Executive International Asia Pacific, HSBC Hong Kong

Honorary Treasurer, HSBC Wayfoong Sports Club

Director, HSBC Bank (Taiwan) Limited

Honorary Treasurer, Outward Bound Hong Kong until September 2014

- Senior Executive, CEO Office, HSBC Hong Kong until October 2011
- Head of Asset & Liability Management, Finance, HSBC Hong Kong until January 2010
- Senior Manager Corporate Strategy, HSBC Hong Kong until November 2007
- Senior Manager Asset & Liability Management, HSBC Hong Kong until September 2006
- Senior Asset & Liability Manager, HSBC Hong Kong until March 2005
- Manager Finance Planning, HSBC Hong Kong until November 2011
- Manager Management & Cost Accounting, HSBC Hong Kong until October 2000
- Finance Manager Area Office China, HSBC Hong Kong until March 1997
- Manager Management Information Services, Dah Sing Bank until April 1996
- Licensed Certified Public Accountant, CPA Australia and Hong Kong Institute CPAs
- Education: Bachelor of Commerce, University of Queensland;
Master of Commerce, University of New South Wales

PATRICK HENRY A. CARLOS

Executive Director since 2016

Filipino, 51 years old

- President & CEO, HSBC Savings Bank since September 2016
- SVP, Head of Customer Experience, HSBC Philippines until September 2016
- SVP, Head of RBWM Marketing, HSBC Philippines until February 2015
- SVP, Retail & Commercial Bank Marketing, HSBC Philippines until July 2012
- SVP, Bank & Assets Marketing, HSBC Philippines until August 2011
- VP Cards Marketing, HSBC Philippines until September 2009
- AVP Cards Marketing, HSBC Philippines until March 2006
- AVP Diners Club Brand Manager & Business Team Head, Diners Club International until April 2002
- AVP, Portfolio Management, AIG Card Center until September 2000
- Co-branded Card Portfolio Manager, Standard Chartered Bank until February 1999
- Manager Non-Sales Channels, Standard Chartered Bank until May 1998
- AM Telemarketing Channel, Citibank until April 1998
- Education: BA Management Economics, Ateneo De Manila University

PETER GEORGE FAULHABER

Non-Executive Director since 2019

American, 41 years old

- Head, Wealth & Personal Banking, Philippines since February 2019
- Head – Retail Distribution Branch Network, Jersey Channel Islands until December 2018
- Regional Head – Retail Banking & Wealth Management Internal Audit, Asia Pacific, Hong Kong until August 2015
- Regional Head – Business Risk & Control Management, RBWM, Dubai, UAE until August 2013
- Premier Centre Manager, Premier Direct, RBWM Middle East, Dubai, UAE until November 2011
- Premier Team Leader, RBWM Middle East, Dubai, UAE until May 2010
- Associate, MarketBridge, Washington D.C., USA until June 2008
- Education: BA Middle East History, Georgetown University
MBA – International Business, INSEAD

ROLANDO C. SANTOS

Independent Director since 2019

Filipino, 58 years old

- SVP Asset Liability and Capital Management, HSBC until April 2016
- SVP, Deputy Financial Controller, HSBC until December 2008
- VP Finance, Treasury Administration, HSBC until February 2003
- VP Tax, HSBC until June 2000
- AVP Tax, HSBC until October 1999
- AVP Securities Customer Services, HSBC until May 1998
- AVP Securities Settlements, HSBC until September 1997
- Manager Treasury Controls, HSBC until May 1997
- Manager Tax, HSBC until January 1997
- Manager Financial Control, HSBC until April 1996
- AM GIMIS (Group Integrated Management Information System), HSBC until April 1994
- GIMIS Clerk, HSBC until November 1992
- Reconciliation Clerk, HSBC until September 1991
- Central Bank Reports Clerk, HSBC until November 1990
- Financial Analyst, San Miguel Corporation until September 1988
- Staff Auditor, Sycip, Gorres, Velayo and Co until February 1988
- Education: Bachelor of Science in Commerce Major in Accountancy, De LaSalle University
Certified Public Accountant since May 1985

MA. ANNA ANNETTE A. ESTACION

Independent Director since 2019

Filipino, 51 years old

- VP & Head of Investor Relations, Customers Value Management and Business Development, Rosehills Memorial and Management Philippines, Inc. since January 2021
- VP Alternative Sales Strategic Alliances, PhilPlans until June 2020
- VP Retail Branch Head BGC, HSBC and Sales Coach of the Premier Central Team until June 2013
- VP Retail Branch Head, HSBC until March 2013
- VP Retail Branch Head, HSBC Savings Bank until September 2010
- VP Premier Business, HSBC until March 2010
- VP Directed Trust (Invested Sales), HSBC until April 2008
- AVP Premier, HSBC until July 2007
- Premier Manager, HSBC until March 2006
- Personal Banker, HSBC until January 2003
- Customer Service Representative, HSBC until February 2000
- Outward Remittances and Reconciliation Clerk, HSBC until June 1997
- Customer Service Assistant, HSBC until September 1996
- Account Officer – Banquet Sales, Holiday Inn-Manila Pavilion until September 1995
- Education: Bachelor of Science in Hotel & Restaurant Administration, University of the Philippines
Bachelor of Science in Business Administration Major in Accounting, Maryknoll College

Our Senior Management

PATRICK HENRY A. CARLOS

President & Chief Executive Officer

Filipino, 51 years old

- Executive Director and President & CEO, HSBC Savings Bank since September 2016
- SVP, Head of Customer Experience, HSBC Philippines until September 2016
- SVP, Head of RBWM Marketing, HSBC Philippines until February 2015
- SVP, Retail & Commercial Bank Marketing, HSBC Philippines until July 2012
- SVP, Bank & Assets Marketing, HSBC Philippines until August 2011
- VP, Cards Marketing, HSBC Philippines until September 2009
- AVP, Cards Marketing, HSBC Philippines until March 2006
- AVP, Diners Club Brand Manager & Business Team Head, Diners Club International until April 2002
- AVP, Portfolio Management, AIG Card Center until September 2000
- Co-branded Card Portfolio Manager, Standard Chartered Bank until February 1999
- Manager Non-Sales Channels, Standard Chartered Bank until May 1998
- AM Telemarketing Channel, Citibank until April 1998
- Education: BA Management Economics, Ateneo De Manila University

ROSARIO LYN S. SUMAOANG

Chief Financial Officer & Treasurer

Filipino, 39 years old

- Chief Financial Officer & Treasurer, HSBC Savings Bank since August 2022
- VP Financial and Planning Analysis, HSBC Philippines until July 2022
- AVP CMB / GB Financial MI Relationship, HSBC Philippines until June 2016
- AVP Bank Expense Analyst and Support Group MI Relationship, HSBC Philippines until July 2010
- AM Management Information Officer, HSBC Philippines until December 2009
- AM Bank Reconciliation, HSBC Philippines until May 2008
- Payment Staff, HSBC Philippines until June 2005
- Education: BS in Accountancy, Polytechnic University of the Philippines
Licensed Certified Public Accountant

SHANE NIRASH GODWIN

Compliance Officer

Sri Lankan 37 years old

- Chief Compliance Officer, HSBC Philippines since Jan 2022
- Chief Compliance Officer, HSBC Sri Lanka and Maldives until December 2021
- Head of Financial Crime Compliance, HSBC Sri Lanka and Maldives until August 2020
- Remediation Consultant, HSBC Sri Lanka and Maldives until December 2019
- Head of Financial Crime Risk Assurance, HSBC Sri Lanka and Maldives until June 2017
- Head of Global Standards Commercial Banking, HSBC Sri Lanka and Maldives until July 2016
- Global Standards Subject Matter Expert, HSBC Sri Lanka and Maldives until June 2014
- Relationship Manager Commercial Banking, HSBC Sri Lanka and Maldives until March 2014
- Corporate Banking Officer, HSBC Sri Lanka and Maldives until October 2009
- Customer Service, HSBC Sri Lanka and Maldives until February 2008
- Certified Anti-Money Laundering Specialist (CAMS)
- Certified Fraud Examiner (CFE)
- ICA Certificate in AML & Sanctions Compliance (Distinction)
- Associate Member, Chartered Institute of Management Accountants – UK
- Chartered Global Management Accountant (CGMA)
- Education: Bachelor of International Business & Management, Northwood University (Cum Laude)
MBA, Postgraduate Institute of Management, University of Sri Jayewardenepura

FRANCES CARANDANG DIDELES

Senior Retail Credit Risk Officer

Filipino, 47 years old

- Senior Retail Credit Risk Officer, HSBC Savings Bank since January 2021
- VP, WPB Risk Quality Assurance, HSBC Philippines from February 2014 up to present
- AVP, WPB Risk Quality Assurance, HSBC Philippines from July 2010 until January 2014
- Assistant Manager, Cards Risk Management, HSBC Philippines from September 2006 until June 2010
- Credit Policy Analyst I-IV, HSBC Philippines from April 2001 until August 2006
- Investment Assistant, State Investment Incorporated from November 2000 until March 2001
- Marketing Assistant, Auto Loans, BPI Family Bank from May 1995 to June 2000
- Education: BS Commerce, Major in Economics, University of Santo Tomas

ZHENG RONG S. WU

VP, Markets Treasury

Filipino, 29 years old

- VP, Markets Treasury, HSBC Savings Bank since June 2022 Awarded “Best Local Currency Bond Individual in Trading (Philippines)” for 2020 and 2021 by The Asset
- Peso Government Bond Trader, Metrobank until December 2020
- Global FX Spot & Options Trader, Metrobank until June 2018
- FX Swaps and IRS Trader, Metrobank until June 2017
- LEAP Management Trainee, Metrobank until October 2016
- Lecturer, Mathematics Trainers’ Guild
- Team Leader, Philippine Team to the Junior Balkan Mathematical Olympiad (JBMO) in 2016 and 2021
- Education: BS&M in Applied Mathematics, Ateneo De Manila University (Magna Cum Laude)
Major in Mathematical Finance, Ateneo De Manila University
Minor in Economics and Financial Management, Ateneo De Manila University

Our Products & Services

Deposit Accounts

HBPH services its mass affluent target segments under two global propositions. Through our global network, HSBC Premier addresses the banking needs of our top tier customers here and abroad, through one's own dedicated Relationship Manager who will assist them in making informed choices that reflect their individual needs, circumstances and life goals. HSBC Personal Banking, on the other hand, is an all-in-one integrated account that offers exclusive product privileges and preferential pricing. As HSBC Savings Bank clients, they both have access to Peso and Foreign Currency Savings, Checking and Time Deposit Accounts. Clients also have access to HBPH's convenient banking services including ATMs, EasyPay Machines, Online Banking, Mobile Banking and 24/7 Customer Contact Center.

Loans and Other Banking Services

HSBC Savings Bank provides a number of lending facilities to its customers including personal loans, mortgage and security backed loans. Clients also have access to HBPH's convenient banking services including Automated Teller Machines / Multi-Function Machines, EasyPay Machines, Online Banking, Mobile Banking and 24/7 Customer Contact Center.

Our Website

www.hsbc.com.ph

HSBC Savings Bank Branch Directory

HSBC SAVINGS BANK, ALABANG BRANCH (Head Office)

Unit 1, The Commercial Complex
Madrigal Avenue, Ayala Alabang
Muntinlupa City
+63 (2) 8581-7667

HSBC SAVINGS BANK, GREENHILLS BRANCH

G/F Greenhills Shopping Center
Ortigas Avenue, San Juan City
+63 (2) 8581-7404

HSBC SAVINGS BANK, ROCKWELL BRANCH

R1 Level, Space 142
Lopez Drive, Power Plant Mall
Rockwell Center, Makati City
+63 (2) 8581-8456

HSBC SAVINGS BANK (Branch Lite)

5/F HSBC Centre
3058 Fifth Avenue West
Bonifacio Global City, Taguig City
+63 (2) 8581-8401

2022 Audited Financial Statement Disclosure Notes

Capital Structure and Capital Adequacy

Risk-based capital components, including deductions for Year End 2022 and 2021 are shown below:

	2022	2021
Common Equity Tier (CET) 1 Capital:		
Paid-up common stock	1,492,000,000	1,492,000,000
Additional paid-in capital	-	-
Retained earnings	32,917,142	57,513,289
Undivided profits	41,174,157	27,948,934
Other comprehensive income	(81,162,313)	(62,089,642)
Unsecured DOSRI	(4,521,332)	(4,963,692)
Unsecured loans, other credit accommodations and guarantees granted to subsidiaries	-	-
Deferred tax assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other equity investment	-	-
Other capital adjustments	-	-
Defined benefit pension fund liabilities	(11,977,000)	-
Total CET 1 Capital	1,468,430,654	1,510,408,889
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	1,468,430,654	1,510,408,889
Tier 2 Capital:		
Appraisal increment reserve	-	-
General loan Loss provision	14,719,721	16,050,491
Total Tier 2 Capital	14,719,721	16,050,491
Total Qualifying Capital	1,483,150,376	1,526,459,380

Risk-based capital ratios:	2022	2021
CET 1 Capital	1,484,928,987	1,515,372,581
Less regulatory adjustments	(16,498,332)	(4,963,692)
Total CET 1 Capital	1,468,430,654	1,510,408,889
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	1,468,430,654	1,510,408,889
Tier 2 Capital	14,719,721	16,050,491
Total Qualifying Capital	1,483,150,376	1,526,459,380
Risk Weighted Assets	-	-
CET 1 Capital Ratio	66.20%	60.10%
Capital Conservation Buffer	60.20%	54.10%
Tier 1 Capital Ratio	66.20%	60.10%
Total Capital Adequacy Ratio	66.87%	60.74%

The capital requirements for Credit, Market and Operational Risk are listed below:	2022	2021
Credit Risk	1,414,851,529	1,556,687,780
Market Risk	38,101,689	36,909,822
Operational Risk	765,154,947	919,404,714
Total Capital Requirements	2,218,108,165	2,513,002,316

HSBC Savings Bank (Philippines), Inc.
December 2022 AFS vs FRP Reconciliation (Balance Sheet)

FRP			AFS		FRP vs AFS	RECONCILING ITEMS	BALANCE	UNACCOUNTED
	Description	Code	Balance	Code	Description	Balance		
(1)	Cash on Hand	105050000000000000	178,563,817.56		Cash and Other Cash Items	178,419,258.67	144,558.89	
(3)	Due from Bangko Sentral ng Pilipinas	105150000000000000 105150500000000000 105150700000000000 105150900000000000	5,200,425,482.70		Due from Bangko Sentral ng Pilipinas	5,200,425,845.57	(362.87)	
(4)	Due from Other Banks	105200000000000000	1,464,168,467.04		Due from other banks	1,438,598,458.61	25,570,008.43	
(5)	Financial Assets Held for Trading (HFT)	110000000000000000	-		Financial assets at Fair Value through Profit or Loss (FVTPL)	57,019.61	(57,019.61)	
(7)	Available-for-Sale (AFS) Financial Assets, net	195200000000000000	6,238,666,039.04		Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	6,238,666,039.05	(0.01)	
(11)	Loans and Receivables portfolio, net (excluding RRP)	195400000000000000 140100000000000000 140150000000000000 170350000000000000 165150000000000000 175150000000000000	1,643,726,477.91		Loans and Receivables - net	1,125,294,350.91	518,432,127.00	
(12)	Loans and Receivables Arising from RA/CA/PR/SLB - Net of Specific	195402000000000000 140100000000000000	235,187,399.00		Interbank loans receivable and Securities Purchased under Resale Agreements	800,303,550.71	(565,116,151.71)	
(16)	Accrued Interest Income from Financial Assets - Net	195452000000000000	16,742,925.73				16,742,925.73	
(18)	Bank Premises, Furniture, Fixture and Equipment - Net	195500500000000000	25,597,216.91		Property and Equipment - net Right-Of-Use Assets	19,390,953.21 4,802,189.99 14,588,763.22	6,206,263.70	
(19)	Real and Other Properties Acquired - Net	195501000000000000	2,950,430.23				2,950,430.23	
(24)	Other Assets - Net	195551000000000000 155100000000000000 180300000000000000	314,957,254.82		Other Assets - net	90,318,062.92	224,639,191.90	
TOTAL ASSETS			15,320,985,510.94	TOTAL ASSETS		15,091,473,539.26		

HSBC Savings Bank (Philippines), Inc.
December 2022 AFS vs FRP Reconciliation (Balance Sheet) – continuation

FRP			AFS			FRP vs AFS	RECONCILING ITEMS	BALANCE	UNACCOUNTED
	Description	Code	Balance	Code	Description	Balance			
(3)	Deposit Liabilities	215000000000000000	13,330,800,992.00		Deposits	13,319,319,299.40	11,481,692.60	11,481,692.60	(0.00)
								Exchange Rate Difference (BSP Rate vs Internal Rate)	11,525,190.50
								Other Liabilities in FRP	(43,497.90)
(5)	Bills Payable	220100000000000000	16,589,724.97		Bills Payable	-	16,589,724.97	16,589,724.97	-
								Due from other banks in AFS	16,586,787.80
								Exchange Rate Difference (BSP Rate vs Internal Rate)	2,937.17
(12)	Accrued Interest Expense on Financial Liabilities	225200000000000000	30,453.29				30,453.29	30,453.29	-
								Accrued expenses & other liabilities in AFS (accrued)	30,437.29
								Exchange Rate Difference (BSP Rate vs Internal Rate)	16.00
(13)	Finance Lease Payment Payable	225250000000000000	16,670,178.64		Lease Liabilities	11,913,509.74	4,756,668.90	4,756,668.90	-
(15)	Due to Treasurer of the Philippines	230050000000000000	23,911,757.52				23,911,757.52	23,911,757.52	-
(16)	Treasurer/Cashier/Manager's Checks	230100000000000000	22,767,661.29		Cashier's Orders	24,215,962.90	(1,448,301.61)	(1,448,301.61)	(0.00)
(22)	Due to Philippine Deposit Insurance Corporation	230400000000000000	13,668,000.00				13,668,000.00	13,668,000.00	-
(24)	Income Tax Payable	230500000000000000	48,315.12		Income Tax Payable	-	(233,397.30)	48,315.12	-
								AFS tax adjustment	(233,397.30)
								Accrued expenses & other liabilities in AFS (ITP)	281,712.42
					Financial Liabilities at Fair Value through Profit or Loss	18.96	(18.96)	(18.96)	-
			390,819,441.44		Accrued Expenses and Other Liabilities	187,343,554.98	203,316,472.01	203,316,472.01	(0.00)
(25)	Other Taxes and Licenses Payable	230550000000000000	9,114,006.33					Cashier's Orders in AFS	1,448,301.61
(26)	Accrued Expenses	230600000000000000	28,486,029.97					Exchange Rate Difference (BSP Rate vs Internal Rate)	314,881.46
(27)	Unearned Income	230650000000000000	14,391,486.45					Deposits in AFS	43,497.90
(28)	Deferred Tax Liabilities	230700000000000000	-		Deferred Tax Assets - net	159,414.45		Pensions and Other Post Retirement Benefit Obligation	(11,921,237.25)
(29)	Provisions	230750000000000000	44,445,903.12					Financial Liabilities at FVTPL in AFS	18.96
		230751000000000000						Accrued Interest Income from Financial Assets in FRP	(2,637,594.18)
		230759000000000000						Reclassified to Other Assets (Net Retirement Benefit Surplus)	(11,977,000.02)
(30)	Broker Customer Accounts for Settlement of Customer Trades	230780000000000000	-					Accrued Interest Expense on Financial Liabilities in FRP	(30,437.29)
(31)	Other Liabilities	230800000000000000	294,382,015.57					FRP Adjustments	3,171,778.71
								CAJE	(3,205,992.61)
								Other Assets In FRP	216,575.09
								Deferred Tax adjustment in AFS	(159,414.45)
								Income Tax payable in AFS	(281,712.42)
								Due from/to RBU/FCDU	228,334,806.50
TOTAL LIABILITIES			13,815,306,524.27	TOTAL LIABILITIES					

HSBC Savings Bank (Philippines), Inc.
December 2022 AFS vs FRP Reconciliation (Balance Sheet) – continuation

(1) Paid in Capital Stock	305000000000000000	1,492,000,000.00	Capital Stock	1,492,000,000.00	-	
(5) Retained Earnings	315000000000000000	94,841,299.45 53,667,142.30	Retained Earnings - unappropriated	137,712,965.22 106,047,772.74	(42,871,665.77)	AFS Adjustment related to tax and provisions 4,338,597.13
(7) Undivided Profits	315150000000000000 315059000000000000 315100000000000000 315150000000000000	41,174,157.15	Other Reserves Retained Earnings - appropriated	10,915,192.48 20,750,000.00		Contingent in AFS (Off-BS item) FRP Adjustment - includes ROPA accumulated depreciation, FX rate differences (45,000,000.00) (2,210,262.90)
(8) Other Comprehensive Income	320000000000000000	(81,162,312.78)	Net actuarial gain (loss) on retirement assets and liabilities Net unrealized gain (loss) on financial assets at FVOCI	(81,261,658.01) (75,273,033.74) (5,988,624.27)	99,345.23	FRP adjustment for CTA Rounding off difference 99,345.23 0.01
			Cumulative Translation Adjustment	70,471.61	(70,471.61)	Other Comprehensive Income in FRP (FRP Adjustment) AFS Adjustment (difference between FRP CTA calculation) 99,345.22 (169,816.83)
TOTAL EQUITY		1,505,678,986.67	TOTAL EQUITY	1,548,521,778.82		

HSBC Savings Bank (Philippines), Inc. Income and Expense Accounts (FRP vs AFS Reconciliation 2022)

FRP			AFS		FRP vs AFS	RECONCILING ITEMS	BALANCE	UNACCOUNTED
Interest Income	5050500000000000000	378,685,893.20	Interest Income	379,932,616.25	1,246,723.05	Other Income in FRP; Interest Income in AFS CAJE taken up in AFS	1,246,723.05 962,139.08 284,583.97	-
Interest Expense	6051000000000000000	(6,156,837.46)	Interest Expense	(5,956,335.55)	200,501.91	CAJE taken up in AFS	200,501.91 200,501.91	-
Dividend Income	5100500000000000000	-	Dividend Income	-	-		-	-
Fees and Commissions Income	5101000000000000000	19,167,472.79	Fees and Commission Income	19,167,472.79	-		-	-
Gains/(Losses) on Financial Assets and Liabilities Held for Trading	5101500000000000000	44,108,542.79	Net Income/(Loss) Financial Instrument Held for Trading	12,457,153.27	1,029,740.62	FRP Adjustment CAJE-CTA	1,029,740.62 15,632.48 1,014,108.14	-
Foreign Exchange Profit/(Loss)	5102500000000000000	55,091.49	G/(L) from FA @ FVOCI	-				
G/(L) on FV Adj in Hedge Accounting	5103500000000000000	-	Foreign exchange profit	32,736,221.63				
G/(L) from Sale/Derecognition of Non-Trading FI	5103000000000000000	-						
Other Income	5104500000000000000	1,033,687.69	Other Operating Income	2,768,340.88	(6,845,122.45)	Other Income in FRP; Credit and Impairment Losses in AFS Other Income in FRP; Interest Income in AFS	(6,845,122.45) (5,882,983.35) (962,139.08)	-
G/(L) from Sale/Derecognition of Non-FA	5104000000000000000	(176,603.54)						
Compensation/Fringe Benefits	6100500000000000000	(106,114,363.30)	Compensation costs	(110,605,546.72)	(4,491,183.42)	Compensation Expense in FRP; Taxes and Licenses in AFS Other Admin Exp in FRP; Compensation Expense in AFS CAJE taken up in AFS	(4,491,183.42) (4,746,078.72) 1,271,574.00 (1,016,678.70)	-
Taxes and Licenses	6101000000000000000	(25,031,054.12)	Taxes and licenses	(29,586,656.17)	(4,555,602.05)	Other Admin Exp in FRP; Taxes and Licenses in AFS Compensation Expense in FRP; Taxes and Licenses in AFS CAJE Taken up in AFS	(4,555,602.05) (2,619,927.18) (683,226.89) (1,252,447.98)	-
Fees and Commissions Expenses	6101300000000000000	(14,416,026.42)	Fees and Commission Exp	(14,143,065.59)	272,960.83	Fees and Commission Exp in FRP; Taxes and Licenses in AFS	272,960.83 272,960.83	-
Other Administrative Expenses	6101500000000000000	(175,525,830.35)	Other operating expenses	(131,202,822.58)	1,914,090.43	Other Admin Exp in FRP; Compensation Expense in AFS Other Admin Exp in FRP; Taxes and Licenses in AFS Other admin Exp in FRP; Fees and Commission Exp in AFS CAJE Taken up in AFS	1,914,090.43 4,157,731.61 2,346,922.68 43.67 (4,590,607.53)	-
Provisions	6103000000000000000	-	Occupancy and equip costs	(42,408,917.34)				
Depreciation/Amortization	6102000000000000000	(25,737,888.90)	Depreciation and amortization	(27,127,929.39)	(1,390,040.48)	FRP Adjustment CAJE Taken up in AFS	(1,390,040.48) 299,200.07 (1,689,240.56)	-
Impairment Losses	6102500000000000000	-	Credit and Impairment Losses	(6,111,213.74)	5,882,983.35	Other Income in FRP; Credit and Impairment Losses in AFS	5,882,983.35 5,882,983.35	-
Provision for Credit Losses on Loans and Receivables and Other Financial Assets	7000500000000000000	(9,989,590.16)						
Bad Debts Written Off	7001000000000000000	(2,004,606.93)						
Share in the Profit/(Loss) of Unconsolidated Subsidiaries	8050500000000000000	-			-			
Income Tax Expense	6150000000000000000	(45,480,108.81)	Income Tax Expense	(45,669,402.78)	(189,293.97)	CAJE Taken up in AFS	(189,293.97) (189,293.97)	-
NET INCOME		41,174,157.15	NET INCOME	34,249,914.97	(6,924,242.18)			

Regulatory Adjustments to CET1 Capital

	2022	2021
Unsecured DOSRI	4,521,332	4,963,692
Unsecured loans, other credit accommodations and guarantees granted to subsidiaries	-	-
Deferred tax assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other equity investment	-	-
Other capital adjustments	-	-
Defined benefit pension fund liabilities	11,977,000	-
TOTAL	16,498,332	4,963,692

Total credit exposure after risk mitigation broken down by type of exposures & by risk bucket

As of December 31, 2022			
	On Balance Sheet	Off-Balance Sheet	Total
Below 100%	14,558,144,277		14,558,144,277
100% and above	509,151,431	4,998	509,156,429
TOTAL	15,067,295,708	4,998	15,067,300,705

As of December 31, 2021			
	On Balance Sheet	Off-Balance Sheet	Total
Below 100%	14,286,597,045		14,286,597,045
100% and above	519,845,161	11,989	519,857,150
TOTAL	14,806,442,206	11,989	14,806,454,195

Total credit risk-weighted assets broken down by type of exposures

As of December 31, 2022	On Balance Sheet	Off-Balance Sheet	Total
Below 100%	935,381,094		935,381,094
100% and above	531,667,121	4,998	531,672,119
Covered by CRM	4,918,929		4,918,929
Excess GLLP	(57,120,612)		(57,120,612)
TOTAL	1,414,846,531	4,998	1,414,851,529

As of December 31, 2021	On Balance Sheet	Off-Balance Sheet	Total
Below 100%	1,051,634,626		1,051,634,626
100% and above	548,378,857	11,989	548,390,846
Covered by CRM	5,023,589		5,023,589
Excess GLLP	(48,361,282)		(48,361,282)
TOTAL	1,556,675,791	11,989	1,556,687,780

Total market risk-weighted assets broken down by type of exposures

Nature of Item	2022	2021
Using Standardized Approach		
Interest Rate Exposures	-	-
Equity Exposures	-	-
Foreign Exchange Exposures	38,101,689	36,909,822
Options	-	-
Sub-total (Sum of A.1 to A.4)	38,101,689	36,909,822
Using Internal Models Approach	-	-
TOTAL MARKET RISK-WEIGHTED ASSETS ^{1/} (Sum of A.5 and B)	38,101,689	36,909,822

Operational Risk-Weighted Assets

	2022	2021
Operational Risk	765,154,947	919,404,714