HSBC Bank Australia Limited

Principles on Remuneration and Incentives

HSBC Australia Limited's ("HBAU" or "the Bank") principles and philosophy on remuneration are aligned to the HSBC Holdings plc's ("the Group") Remuneration practices and governance which is subject to the Remuneration Rules of the Group's lead regulator, the UK Prudential Regulation Authority ("PRA").

The remuneration practice and governance framework complies with the twelve principles as set out by the PRA:

1. Remuneration policy promotes sound and effective risk management.
2. Remuneration policy supports business strategy, objectives, values and long-term interest of the firm.
3. Remuneration policy includes measures to avoid conflicts of interest.
4. Governance of remuneration policy.
5. Employees in control functions are independent, have appropriate authority and are remunerated adequately and based on functional objectives.
6. Total variable remuneration does not limit the firm's ability strengthen its capital base.
7. Limitation and restructuring of variable remuneration and ban on variable remuneration for firms benefiting from exceptional government intervention.
8. Variable pay components are determined based on the profits and adjustment for all types of current and future risks.
9. Pension policy is in line with business strategy, objectives, values and long-term interest and discretionary pension benefits are in the form of shares or other instruments.
10. Employees undertake not to use personal investment strategies to undermine the risk of alignment effects of remuneration arrangements.
11. Variable pay is not paid though vehicles that facilitate non-compliance with the Remuneration Principles.
12. Remuneration structure is consistent with and promote effective risk management.

The Bank (where applicable) is also compliant with the recommendations made by Mr. Stephen Sedgwick AO in his independent review of retail banking products sales commissions and product-based payments.