The Hongkong and Shanghai Banking Corporation Limited

New Zealand Banking Group

Disclosure Statement

30 June 2015

HSBC

Disclosure Statement
For the Six Months Ended 30 June 2015

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General Disclosures

Registered Bank

The Hongkong and Shanghai Banking Corporation Limited ("HBAP")
1 Queen's Road Central
Hong Kong SAR

HBAP was incorporated in Hong Kong in 1866 under the Laws of Hong Kong.

New Zealand Branch

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ("Branch") is defined as the New Zealand business of HBAP (overseas incorporated bank).

New Zealand Head Office:
1 Queen Street
Auckland
New Zealand

New Zealand Banking Group

The New Zealand Banking Group ("Banking Group") is the New Zealand operations of HBAP and all New Zealand incorporated subsidiaries of HBAP and controlled structured entities (if any). The entities that have been considered for aggregation to form the Banking Group are detailed in the Statement of Accounting Policies.

Overseas Banking Group

The Overseas Banking Group ("HBAP Group") includes all entities consolidated for the purposes of public reporting of Group financial statements in Hong Kong including HBAP and its subsidiary and associated companies.

Ultimate Holding Company

The ultimate holding company of HBAP is:
HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom

Access to Parental Disclosures

The most recent publicly available financial statements of HBAP Group and HSBC Holdings plc can be found at HSBC Holdings plc's website, www.hsbc.com/investor-relations/financial-and-regulatory-reports.

Ranking of Local Creditors in a Winding-up

Under Section 265(1) (db) of the Companies Ordinance of the Hong Kong SAR which HBAP is subject to, in the event of a winding up of HBAP, there shall be paid in priority to all other unsecured debts the aggregate amount held on deposit, up to a maximum of HKD 500,000, to each depositor on deposits placed in Hong Kong, regardless of the geographic location of the depositors. No other material legislative or regulatory restrictions in Hong Kong SAR exist which would subordinate the claims of any class of New Zealand branch unsecured creditors on the assets of HBAP to those of any other class of unsecured creditors of HBAP in a winding up of HBAP.

Guarantee Arrangements

No material obligations of HBAP that relate to the Branch are guaranteed as at the date of signing this Disclosure Statement.

Government Guarantee

No obligations of HBAP that relate to the Branch are guaranteed under a government guarantee as at the date of signing this Disclosure Statement.

General Disclosures *(continued)*

Other Material Matters

There are no material matters that, if disclosed, would adversely affect the decision of a person to subscribe for Debt Securities of which HBAP and the Banking Group is the issuer.

Pending Proceedings and Arbitration

HBAP is named in and is defending legal actions in various jurisdictions arising from its normal business.

Auditor

New Zealand Banking Group
PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Auckland
New Zealand

Overseas Banking Group
PricewaterhouseCoopers
22nd floor
Prince's Building
10 Chater Road
Hong Kong SAR

New Zealand Chief Executive Officer/Responsible Person

The New Zealand Chief Executive Officer, Noel Gerard McNamara, has been authorised in writing by each Director named below, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, to sign this Disclosure Statement on the Directors' behalf. Accordingly, Noel Gerard McNamara is a Responsible Person under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

Noel Gerard McNamara
Chief Executive Officer New Zealand Branch, joined the HSBC Group in 1995 and resides in New Zealand.
He has a Post Graduate Diploma in International Management from the Institute of Management Adelaide South Australia.

Communications addressed to the responsible person may be sent to:
c/o The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch
PO Box 5947
Wellesley Street
Auckland 1141
New Zealand

Dealings with Responsible Person

No dealings with any responsible person or director, the immediate relative or professional associate of a responsible person or director, have been entered into by HBAP and the Banking Group other than those given in the ordinary course of business.

Board of Directors of HBAP

The Directors of HBAP at the time this Disclosure Statement was signed are:

Stuart Thomson Gulliver (Chairman)
Masters Degree in Jurisprudence, Worcester College, Oxford University, 1980
Executive Director and Group Chief Executive, HSBC Holdings plc

Peter Wong Tung Shun (Deputy Chairman and Chief Executive)
Bachelor of Arts, Indiana University, 1974; Master of Business Administration, Indiana University, 1976
Master of Science, Indiana University, 1978

\# **Laura Cha May Lung**, GBS (Deputy Chairman)
Bachelor of Arts, University of Wisconsin-Madison, 1972; Juris Doctor, University of Santa Clara Law School, 1982; and admitted to practice in the State of California and in Federal Courts, 1983
Company Director

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

 # * Zia Mody (Deputy Chairman)
Master of Laws, Harvard University, 1979; Bachelor of Arts (Law), Cambridge University, 1978
Partner, AZB & Partners

 # * Graham John Bradley
Bachelor of Arts, LLB (Hons I) from Sydney University, 1971
LLM, Harvard University, 1973
Company Director

 # Dr Christopher Cheng Wai Chee, GBS, OBE
Bachelor of Business Administration, University of Notre Dame, 1969; Master of Business Administration, Columbia University, 1979; Doctorate in Social Sciences honoris causa, The University of Hong Kong, 2011
Chairman, Wing Tai Properties Limited

 # Dr Raymond Ch'ien Kuo Fung, GBS, CBE
Bachelor of Arts, Rockford College, 1973; Master of Arts and Doctor of Philosophy (Economics), University of Pennsylvania, 1976 and 1978
Non-Executive Chairman, MTR Corporation Limited and Independent Non-executive Chairman, Hang Seng Bank Limited

*** Naina Lal Kidwai**
Bachelor of Arts degree (Honours Course) in Economics, Delhi University, examined in 1977, certificate awarded 4 March 1978; Masters in Business Administration, Harvard University, 1982
Group General Manager, Chairman India and Director HSBC Asia Pacific

 # Irene Lee Yun-lien
Bachelor of Arts (Distinction) in History of Art from Smith College, Northampton, Massachusetts, USA, 1974
Member of Honourable Society of Gray's Inn, UK, 1977
Barrister-at-Law in England and Wales, 1977
Chairman, Hysan Development Company Limited

Rose Lee Wai Mun
Bachelor of Business Administration, University of Hawaii, 1977
Vice-Chairman and Chief Executive, Hang Seng Bank Limited

^ Victor Li Tzar Kuoi
B.Sc, and M.Sc., Stanford University, 1986
Managing Director and Deputy Chairman of Cheung Kong Property Holdings Limited, and
Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited

 # Peter James Holland Riley
Bachelor of Arts Hons in Geography from University College, Durham University, 1982; ACA, The Institute of Chartered Accountants in England and Wales (Qualified 1985); and
FCPA, The Hong Kong Society of Accountants, 2003
Group Finance Director, Jardine Matheson Holdings Limited

 # John Robert Slosar
Bachelor degree in Economics from Columbia University, 1978
Bachelor degree in Economics, subsequently M.A. from University of Cambridge, 1980
Chairman, John Swire & Sons (H.K.) Limited

 # Dr Rosanna Wong Yick-Ming, DBE
B.Soc.Sc, University of Hong Kong 1975; MSW, University of Toronto 1979; M.Sc. in Social Policy and Planning, London School of Economics and Political Science, University of London 1983; Diploma in Executive Management, Chinese University of Hong Kong 1985; M.A. and Doctor Degree in Sociology, University of California, Davis 1993 and 1997 Executive Director, The Hong Kong Federation of Youth Groups

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

Marjorie Yang Mun Tak, GBS
B.Sc. in Mathematics, Massachusetts Institute of Technology, 1974; and Master of Business Administration, Harvard Business School, 1976
Chairman, Esquel Holdings Inc.

* **Tan Sri Dr Francis Yeoh Sock Ping**, CBE
Bachelor of Science (Hons.) in Civil Engineering, University of Kingston, UK, 1978; Honorary Doctorate of Engineering from University of Kingston, 2004
Managing Director, YTL Corporation Berhad

* **Xinzhe Li Jennifer**
Master of Business Administration, The University of British Columbia, Vancouver, Canada, 1994
Bachelor of Arts, Tsinghua University, Beijing, China, 1990
Chief Financial Officer, Baidu, Inc.

independent non-executive Director
^ non-executive Director

Country of Residence
With the exception of those denoted with an *, all directors reside in Hong Kong. Zia Mody and Naina Lal Kidwai reside in India, Graham John Bradley resides in Australia, Tan Sri Dr Francis Yeoh Sock Ping resides in Malaysia and Xinzhe Li Jennifer resides in China.

Communications addressed to the Directors may be sent to:
c/o The Hongkong and Shanghai Banking Corporation Limited
GPO Box 64
Hong Kong

Change in Board of Directors for HBAP

Kevin Anthony Westley retired as an independent non-executive Director of HBAP on 12 May 2015.

The composition of the Board of Directors has seen no other change since 31 December 2014.

Credit Rating

HBAP has the following long term debt ratings for non-HK$ long-term senior unsecured obligations which are payable in New Zealand in New Zealand dollars:

	Current Rating	Previous Rating (if changed in the previous two years)	Date of Change
Moody’s Investor Service Inc.	Aa2 (stable outlook)	Not changed	-
Standard & Poor’s Corporation	AA- (stable outlook)	Not changed	-
Fitch IBCA Inc.	AA- (stable outlook)	Not changed	-

Conditions of Registration

Conditions of registration for The Hongkong and Shanghai Banking Corporation Limited in New Zealand

These conditions of registration apply on and after 1 November 2014.

The registration of The Hongkong and Shanghai Banking Corporation Limited ("the registered bank") in New Zealand is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

   In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

2. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

   For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

   (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and

   (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

   In determining the total amount of the banking group's insurance business –

   (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and

   (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

   For the purposes of this condition of registration, –

   "insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance:

   "insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.

4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:

   (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and

   (b) the Reserve Bank has advised that it has no objection to that appointment.

Conditions of Registration *(continued)*

5. That The Hongkong and Shanghai Banking Corporation Limited complies with the requirements imposed on it by the Hong Kong Monetary Authority.

6. That, with reference to the following table, each capital adequacy ratio of The Hongkong and Shanghai Banking Corporation Limited must be equal to or greater than the applicable minimum requirement.

Capital adequacy ratio	Minimum requirement		
	1 January 2013 to 31 December 2013	1 January 2014 to 31 December 2014	On and after 1 January 2015
Common Equity Tier 1 capital	3.5 %	4 %	4.5 %
Tier 1 capital	4.5 %	5.5 %	6 %
Total capital	8 %	8 %	8 %

For the purposes of this condition of registration, the capital adequacy ratios –

(a) must be calculated as a percentage of the registered bank's risk weighted assets; and
(b) are otherwise as administered by the Hong Kong Monetary Authority.

7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ$15 billion.

8. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amounts must not for residential properties with a loan-to-valuation ratio of more than 80%, exceed 10% of the total of the qualifying new mortgage lending amounts arising in the loan-to-valuation measurement period.

9. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

10. That the business of the registered bank in New Zealand must not permit a borrower to grant a charge in favour of another person over a residential property used as security for a residential mortgage loan unless the sum of the lending secured by the charge and the loan value for the residential mortgage loan would not exceed 80% of the property value of the residential property when the lending secured by the charge is drawn down.

11. That the business of the registered bank in New Zealand must not provide a residential mortgage loan if the residential property to be mortgaged to the registered bank as security for the residential mortgage loan is subject to a charge in favour of another person unless the total amount of credit secured by the residential property would not exceed 80% of the property value when the residential mortgage loan is drawn down.

12. That the business of the registered bank in New Zealand must not—

    (a) act as broker or arrange a residential mortgage loan for the business of the registered bank outside New Zealand or for an associated person of the registered bank outside New Zealand; or

    (b) facilitate the drawdown of a residential mortgage loan the registered bank originated as part of its business outside New Zealand or by an associated person of the registered bank outside New Zealand without notifying the Reserve Bank of this activity in the manner and form specified by the Reserve Bank.

Conditions of Registration *(continued)*

In these conditions of registration, –

"banking group" —

(a) means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013 (unless paragraph (b) applies); or

(b) if the Financial Reporting Act 1993 applies to the registered bank, means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 9(2) of the Financial Reporting Act 1993:

"business of the registered bank in New Zealand" —

(a) means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013 (unless paragraph (b) applies); or

(b) if the Financial Reporting Act 1993 applies to the registered bank, means the New Zealand business of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993:

"generally accepted accounting practice" —

(a) has the same meaning as in section 8 of the Financial Reporting Act 2013 (unless paragraph (b) applies); or

(b) means generally accepted accounting practice within the meaning of section 3 of the Financial Reporting Act 1993 if the registered bank is required to prepare financial statements in accordance with that practice:

"liabilities of the registered bank in New Zealand" —

(a) means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied (unless paragraph (b) applies); or

(b) if the Financial Reporting Act 1993 applies to the registered bank, means the liabilities of the registered bank as required to be reported in financial statements under section 8(2) of the Financial Reporting Act 1993.

In conditions of registration 8 to 12,—

"loan-to-valuation ratio", "loan value", "property value", "qualifying new mortgage lending amount" and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 2014.

"loan-to-valuation measurement period" means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2014.

Changes to Conditions of Registration since the 31 December 2014 Disclosure Statement

There has been no change to the Conditions of Registration.

Contents

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Banking Group	
		Unaudited 6 months ended	
Dollars in Thousands	Note	**30.06.15**	30.06.14
Interest income		**116,623**	97,138
Interest expense		**(70,541)**	(53,404)
Net interest income		**46,082**	43,734
Net trading income	2	**8,301**	2,801
Other net operating income	3	**15,783**	17,162
Operating income		**70,166**	63,697
Operating expenses		**(33,085)**	(29,052)
Operating profit before provisions and tax		**37,081**	34,645
Release / (provisions) for loan impairment	4	**5,810**	(245)
Operating profit before tax		**42,891**	34,400
Income tax expense		**(12,045)**	(9,683)
Profit after tax		**30,846**	24,717
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss:			
Gains / (losses) on cashflow hedges		**(3,022)**	(384)
Income taxes on cashflow hedges		**846**	107
Gains / (losses) on available-for-sale financial assets		**434**	95
Income taxes on available-for-sale financial assets		**(121)**	(22)
Other comprehensive income / (expense) for the period		**(1,863)**	(204)
Total comprehensive income for the period		**28,983**	24,513

The accompanying notes form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Banking Group	
	Unaudited	
	6 months ended	
Dollars in Thousands	**30.06.15**	30.06.14
Head Office Account *		
At beginning of period	**41,739**	(3,691)
Repatriation to Head Office	**(41,739)**	-
Profit after tax	**30,846**	24,717
At end of period	**30,846**	21,026
Cashflow Hedging Reserve		
At beginning of period	**103**	2,327
Movement in the fair value of derivatives	**(3,022)**	(384)
Tax on movements and transfers	**846**	107
At end of period	**(2,073)**	2,050
Available for Sale Reserve		
At beginning of period	**485**	42
Movement in the fair value of debt and equity securities	**434**	95
Tax on movements and transfers	**(121)**	(22)
At end of period	**798**	115
Share-based Payment Reserve		
At beginning of period	**1,622**	1,623
Amortisation of share options granted in share-based payment reserve	**-**	21
At end of period	**1,622**	1,644
Equity at end of period	**31,193**	24,835
Represented by:		
Profit after tax	**30,846**	24,717
Other comprehensive income / (expense)	**(1,863)**	(204)
Total comprehensive income for the period	**28,983**	24,513
Repatriation to Head Office	**(41,739)**	-
Movement in share-based payment reserve	**-**	21
Equity at beginning of period	**43,949**	301
	31,193	24,835

* The Head Office account is interest free, repayable at the discretion of the Branch and subordinated to all other debts.

The accompanying notes form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

		Banking Group		
Dollars in Thousands	Note	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
ASSETS				
Cash and demand balances with central banks		**749,704**	750,346	411,548
Advances to banks		**74,918**	15,387	14,871
Debt and equity securities		**440,686**	503,008	494,580
Derivative financial instruments		**359,594**	256,109	196,182
Advances to customers	6	**3,684,946**	3,319,763	3,774,940
Amounts due from related parties	5	**703,715**	300,736	367,519
Other assets		**23,559**	17,221	22,921
Fixed assets		**960**	1,142	972
Deferred tax asset		**7,356**	10,932	7,086
Intangible assets		**17,229**	18,974	18,101
Total Assets		**6,062,667**	5,193,618	5,308,720
LIABILITIES				
Deposits by banks		**216,922**	271,057	182,194
Derivative financial instruments		**356,519**	238,854	186,914
Customer deposits	8	**3,336,852**	2,993,387	3,180,934
Debt securities		**759,351**	769,868	739,746
Amounts due to related parties	5	**1,312,778**	857,874	925,126
Other liabilities		**46,314**	34,437	42,710
Current tax liabilities		**2,738**	3,307	7,147
Total Liabilities		**6,031,474**	5,168,783	5,264,771
Net Assets		**31,193**	24,835	43,949
EQUITY				
Head Office Account		**30,846**	21,026	41,739
Cashflow Hedging Reserve		**(2,073)**	2,050	103
Available for Sale Reserve		**798**	115	485
Share-based Payment Reserve		**1,622**	1,644	1,622
Total Equity		**31,193**	24,835	43,949

The accompanying notes form part of and should be read in conjunction with these interim financial statements.

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Banking Group	
	Unaudited 6 months ended	
Dollars in Thousands	**30.06.15**	30.06.14
Cash flows from / (to) operating activities		
Interest received	**117,040**	91,822
Fees and commissions	**15,816**	16,935
Realised trading gain	**4,593**	11,120
Interest paid	**(62,638)**	(58,597)
Operating expenses	**(23,457)**	(25,190)
Taxation paid	**(16,000)**	(7,500)
Net cash flows from / (to) operating activities before changes in operating assets and liabilities	**35,354**	28,590
Changes in operating assets and liabilities arising from cash flow movements		
Cash was provided net from / applied net (to):		
Advances to customers	**98,598**	57,187
Amounts due from related parties	**(336,185)**	8,139
Other assets	**(2,953)**	1,734
Other liabilities	**4,118**	(594)
Debt securities issued	**12,980**	(16,991)
Deposits by banks	**32,032**	113,444
Customer deposits	**155,918**	(142,563)
Amounts due to related parties	**377,348**	43,705
Net change in operating assets and liabilities	**341,856**	64,061
Net cash flows from / (to) operating activities	**377,210**	92,651
Cash flows from / (to) investing activities		
Debt securities purchased	**(309,105)**	(304,234)
Debt securities matured	**366,196**	200,000
Acquisition of fixed assets	**(439)**	(118)
Net cash flows from / (to) investing activities	**56,652**	(104,352)
Cash flows from / (to) financing activities		
Repatriation to head office	**(41,739)**	-
Net cash flows from / (to) financing activities	**(41,739)**	-
Net increase / (decrease) in cash and cash equivalents	**392,123**	(11,701)
Effect of exchange rate fluctuations on cash held	**3,384**	(966)
Cash and cash equivalents at beginning of period	**425,367**	778,122
Cash and cash equivalents at end of period	**820,874**	765,455

STATEMENT OF CASH FLOWS *(continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Banking Group	
	Unaudited 6 months ended	
Dollars in Thousands	**30.06.15**	30.06.14
Analysis of cash and cash equivalents		
Cash and demand balances with central banks	**749,704**	750,346
Items in the course of collection from other banks	**2**	29
Advances to banks – demand	**74,916**	15,358
Less: items in the course of transmission to other banks	**(3,748)**	(278)
	820,874	765,455

The accompanying notes form part of and should be read in conjunction with these interim financial statements.

The Banking Group's cash and cash equivalents are defined as follows:

Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the Banking Group, which are unconditionally convertible into cash within no more than two working days. For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Banking Group's application of this accounting policy has amended the definition of items included as cash and cash equivalents for disclosure purposes in the current period. This has provided an improved alignment with the accounting policy and balances held to meet short-term cash commitments. Comparative data has been restated on the same basis. As a result the cash and cash equivalents total balance as at 31 December 2013 has been restated to $778,122,000 from ($980,300,000), 30 June 2014 has been restated to $765,455,000 from ($961,358,000), and 31 December 2014 has been restated to $425,367,000 from ($1,453,665,000).

The following cash flows have been adjusted as a result of the restatement of cash and cash equivalents: Changes in operating assets and liabilities arising from cash flow movements, effect of exchange rate fluctuations on cash held, and realised trading gain / (loss).

There has been no change to the statement of comprehensive income or the statement of financial position.

Notes to and forming part of the Interim Financial Statements

1. Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

Reporting Entity

These interim financial statements are for the New Zealand Banking Group ("Banking Group").
Intra-group balances are eliminated in preparing the Banking Group's interim financial statements (if any).

The following entities have been aggregated to form the Banking Group:

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

HSBC Nominees (New Zealand) Limited
This New Zealand incorporated entity is the Branch's nominee company which provides custodian services. HSBC Nominees (New Zealand) Limited is wholly owned by HBAP. Income and expenses of the custodian services business are included in the Branch's financial statements.

HSBC Investments New Zealand Limited
This New Zealand incorporated entity provided fund management services to customers and commenced trading operations in June 2008. HSBC Investments New Zealand Limited (HINZ) is wholly owned by HSBC Asia Pacific Holdings (UK) Limited which is wholly owned by HBAP. The unit trusts for which the Company has acted as Manager were closed on 31 October 2014. As a result, the Company ceased trading and no longer continues as a going concern. The individual accounts of HINZ have not been prepared on a going concern basis to reflect the discontinuation of operations. This has had no impact on the Banking Group financial statements.

Basis of Reporting

These interim financial statements are prepared and presented in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) ("the Order") and the Reserve Bank of New Zealand Act 1989. These interim financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for profit-oriented entities, and are presented in accordance with NZ IAS 34 Interim Financial Reporting ("NZ IAS 34"). These interim financial statements are condensed financial statements in accordance with NZ IAS 34 and do not include all the disclosures required for full annual financial statements. These financial statements comply with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

Measurement Base

These interim financial statements are based on the general principles of historical cost accounting, as modified by applying fair value accounting to available for sale financial assets, financial assets and financial liabilities at fair value through profit or loss and all financial derivative contracts. They are prepared on a going concern basis and the accrual basis of accounting has been adopted. All amounts are expressed in New Zealand currency. The presentation currency and functional currency, and all references to "$" is to New Zealand dollars unless otherwise stated.

Particular Accounting Policies

The same accounting policies and methods of computation have been followed in these interim financial statements as were applied in the presentation of the Disclosure Statement for the year ended 31 December 2014 with the exception of cash and cash equivalents detailed below under comparative figures.

Comparative Figures

These interim financial statements include comparative information as required by NZ IAS 34 and the Order. The application of the Banking Group's cash and cash equivalents policy was reviewed during the period and cash and equivalents were restated to better align with the accounting policy. The details are disclosed in the Statement of Cash Flows. There have been no other material changes to the comparative figures.

Risk Management

There has been no material change during the six months ended 30 June 2015 to the Banking Group's policies for managing risks in relation to credit, currency, interest rates, equity, liquidity or any material business risk to which the Banking Group is exposed.

Notes to and forming part of the Interim Financial Statements *(continued)*

	Banking Group Unaudited 6 months ended	
Dollars in Thousands	**30.06.15**	30.06.14
2. Net trading income		
Foreign exchange gains	**5,982**	5,334
Revaluation of derivatives	**55**	54
Credit valuation adjustments on derivatives	**1,046**	(758)
Debit valuation adjustments on derivatives	**1,098**	(1,818)
Gain/(loss) on hedging instrument in fair value hedge	**(3,547)**	(238)
Gain/(loss) on hedged item on fair value hedge	**3,667**	227
	8,301	2,801
3. Other net operating income		
Fee and commission income		
Lending and credit facility fee receivable	**9,077**	8,623
Custody and clearing fees receivable	**2,356**	1,916
Other fees and commissions receivable	**8,012**	8,664
	19,445	19,203
Fee and commission expense		
Brokerage expense	**(890)**	(800)
Other fees and commissions payable	**(2,565)**	(1,241)
	(3,455)	(2,041)
Other income		
Loss on disposal of equipment, fixtures and fittings	**(207)**	-
	(207)	-
	15,783	17,162

4. Release / (provisions) for loan impairment

	Banking Group Unaudited 6 months ended		Audited Year ended
Dollars in Thousands	**30.06.15**	30.06.14	31.12.14
Profit or loss credit / (charge)			
Individual provisions for impairment against advances	**(1)**	(2)	(506)
Collective provisions for impairment against advances	**(4,312)**	(3,045)	(3,325)
Total provisions for impairment against advances	**(4,313)**	(3,047)	(3,831)
Individual provisions released	**9,578**	-	14,471
Collective provisions released	**453**	2,713	6,482
Total provisions released no longer required	**10,031**	2,713	20,953
Net decrease / (increase) in provisions for impairment against advances	**5,718**	(334)	17,122
Recoveries of amounts written off in previous period	**92**	89	924
	5,810	(245)	18,046

Notes to and forming part of the Interim Financial Statements *(continued)*

	Banking Group		
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14

5. Related party balances

Related party transactions are unsecured and entered into in the normal course of business. During the period there have been dealings between the Branch, HBAP and its subsidiaries and associated companies and other members of the ultimate holding company. Dealings include activities such as funding, accepting deposits, derivative transactions together with management and technical fees.

There has been no significant change in the nature or volume of related party transactions during the period.

Assets			
Amounts due from related parties	**703,715**	300,736	367,519
Derivative financial instruments – assets	**66,519**	146,877	80,457
Total related party assets	**770,234**	447,613	447,976
Liabilities			
Amounts due to related parties	**1,312,778**	857,874	925,126
Derivative financial instruments – liabilities	**288,837**	106,907	114,424
Total related party liabilities	**1,601,615**	964,781	1,039,550

6. Advances to customers

Overdrafts	**120,707**	86,158	109,789
Mortgages	**1,094,053**	1,088,827	1,040,636
Term lending	**2,335,816**	1,910,130	2,457,797
Non-eligible bills	**146,588**	227,626	162,072
Money market loans	**5,900**	52,600	30,600
Total gross advances to customers	**3,703,064**	3,365,341	3,800,894
Provisions for loan impairment	**(18,118)**	(45,578)	(25,954)
Total net advances to customers	**3,684,946**	3,319,763	3,774,940

7. Additional mortgage information

Residential mortgages by loan-to-valuation ratio

LVR Range	*Banking Group*			
	Principal Amount			
Dollars in millions	**Does not exceed 80% $m**	**Exceeds 80% and not 90% $m**	**Exceeds 90% $m**	**Total $m**
30 June 2015 (Unaudited)				
Value of exposures on balance sheet	**1,081.3**	**10.4**	**2.4**	**1,094.1**
Value of exposures off balance sheet	**23.5**	**-**	**-**	**23.5**
Total value of exposures	**1,104.8**	**10.4**	**2.4**	**1,117.6**

Notes to and forming part of the Interim Financial Statements *(continued)*

	Banking Group		
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
8. Customer deposits			
Current accounts	**2,031,968**	1,569,738	1,855,438
Savings and deposit accounts	**1,219,012**	1,315,763	1,265,336
Other deposit accounts	**85,872**	107,886	60,160
Total customer deposits at amortised cost	**3,336,852**	2,993,387	3,180,934

	Banking Group		
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
9. Additional financial disclosures on the statement of financial position			
Total interest earning and discount bearing assets	**5,651,389**	4,885,173	5,059,148
Total interest and discount bearing liabilities	**5,386,395**	4,657,274	4,798,172
Total liabilities net of amounts due to related parties	**4,429,859**	4,204,002	4,225,221
Advances to banks pledged as collateral for liabilities in respect of credit support annex obligation to derivative counterparties	**-**	-	-

Notes to and forming part of the Interim Financial Statements *(continued)*

10. Segment reporting

Segment information is presented in respect of the Banking Group's business segments based on the Banking Group's management and internal reporting structure.

Business segments pay and receive interest to and from Global Banking and Markets on an arm's length basis to reflect the allocation of funding costs.

The Banking Group operates primarily in New Zealand. Geographical information on revenues from external customers is not available and the cost to develop it would be excessive.

Business Segments

The Banking Group comprises the following main business segments:

- *Retail Banking and Wealth Management (RBWM)*
  Includes loans, deposits and other transactions with retail customers.

- *Commercial Banking (CMB)*
  Manages the relationships with corporate customers providing loans, deposits and other transactions including trade finance and payment cash management.

- *Global Banking and Markets (GBM)*
  Manages the relationships with institutional customers and undertakes the Banking Group's treasury and investment banking operations.

Reconciling items include income from the investment of interest free funding from HBAP provided to support thin capitalisation ratios and income from the investment of retained profits.

	Banking Group **Unaudited 6 months ended 30.06.15**					
Dollars in Thousands	**RBWM**	**CMB**	**GBM**	**Total Reportable Segments**	**Reconciling items**	**Consolidated**
Operating income	**15,849**	**36,322**	**14,128**	**66,299**	**3,867**	**70,166**
Release / (provisions) for loan impairment	**42**	**5,768**	**-**	**5,810**	**-**	**5,810**
Operating profit before tax	**4,879**	**26,973**	**7,406**	**39,258**	**3,633**	**42,891**
Advances to customers	**1,135,735**	**2,549,211**	**-**	**3,684,946**	**-**	**3,684,946**
Customer deposits	**2,186,792**	**857,446**	**292,614**	**3,336,852**	**-**	**3,336,852**

	Banking Group Unaudited 6 months ended 30.06.14					
Dollars in Thousands	RBWM	CMB	GBM	Total Reportable Segments	Reconciling items	Consolidated
Operating income	16,139	36,725	7,979	60,843	2,854	63,697
Release / (provisions) for loan impairment	87	(332)	-	(245)	-	(245)
Operating profit before tax	5,824	22,923	2,815	31,562	2,838	34,400
Advances to customers	1,133,842	2,185,921	-	3,319,763	-	3,319,763
Customer deposits	1,964,439	916,633	112,315	2,993,387	-	2,993,387

Notes to and forming part of the Interim Financial Statements *(continued)*

11. Asset quality

	Banking Group		
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
In the current and prior periods, there is only one class of impaired financial assets, being advances to customers.			
Past due but not impaired			
Less than 30 days	**39,907**	69,962	90,758
At least 30 days but less than 60 days	**489**	26,590	2,166
At least 60 days but less than 90 days	**112**	268	113
At least 90 days or more	**-**	-	-
Carrying amount	**40,508**	96,820	93,037
Gross individually impaired assets [1]			
Balance at the beginning of the period	**121,913**	141,964	141,964
Transfers from performing	**1,650**	300	2,497
Transfers to performing	**-**	-	(117)
Write-offs	**(1)**	(2)	(6)
Repayment	**(47,798)**	(17,373)	(22,425)
Balance at the end of the period	**75,764**	124,889	121,913
Individual provision for loan impairment			
Balance at the beginning of the period	**20,720**	40,317	40,317
New and additional provisions charged to profit or loss	**1**	2	506
Provisions released during the period to profit or loss	**(9,578)**	-	(14,471)
Write-offs	**(1)**	(2)	(6)
Discount unwind [2]	**(2,117)**	(3,462)	(5,626)
Balance at the end of the period	**9,025**	36,855	20,720
Collective provision for loan impairment			
Balance at the beginning of the period	**5,234**	8,391	8,391
Additional provision charged to profit or loss	**4,312**	3,045	3,325
Provisions released during the period to profit or loss	**(453)**	(2,713)	(6,482)
Balance at the end of the period	**9,093**	8,723	5,234
Total provisions for loan impairment	**18,118**	45,578	25,954

[1] Gross individually impaired assets is the pre-allowance balance of individually impaired assets. The actual impairment is reflected within the individual provision for loan impairment as doubtful debts of the gross individually impaired assets.
[2] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds as interest income over the period the asset is held.

There are no assets under administration. The aggregate amount as at 30 June 2015 of any undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired, before deducting allowances for credit impairment loss where applicable, is $17,601,000.

Notes to and forming part of the Interim Financial Statements *(continued)*

12. Fair value of financial instruments

Determination of fair value of financial instruments carried at fair value

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price
Financial instruments with quoted prices for identical instruments in active markets.

Level 2 –valuation technique using observable inputs
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3- valuation technique with significant unobservable inputs
Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid / offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the instrument requires additional work during the valuation process.

Notes to and forming part of the Interim Financial Statements *(continued)*

12. Fair value of financial instruments *(continued)*

The tables below provide an analysis of the various bases described above which have been deployed for valuing financial assets and financial liabilities measured at fair value.

	Banking Group			
Dollars in Thousands	**Unaudited 30.06.15**	**Unaudited 30.06.15**	**Unaudited 30.06.15**	**Unaudited 30.06.15**
	Level 1	**Level 2**	**Level 3**	**TOTAL**
ASSETS				
Debt and equity securities	**280,815**	**159,849**	**22**	**440,686**
Derivatives financial instruments	**-**	**359,594**	**-**	**359,594**
LIABILITIES				
Derivatives financial instruments	**-**	**356,519**	**-**	**356,519**

	Banking Group			
Dollars in Thousands	Unaudited 30.06.14	Unaudited 30.06.14	Unaudited 30.06.14	Unaudited 30.06.14
	Level 1	Level 2	Level 3	TOTAL
ASSETS				
Debt and equity securities	289,714	213,272	22	503,008
Derivatives financial instruments	-	256,109	-	256,109
LIABILITIES				
Derivatives financial instruments	-	238,854	-	238,854

	Banking Group			
Dollars in Thousands	Audited 31.12.14	Audited 31.12.14	Audited 31.12.14	Audited 31.12.14
	Level 1	Level 2	Level 3	TOTAL
ASSETS				
Debt and equity securities	356,621	137,937	22	494,580
Derivatives financial instruments	-	196,182	-	196,182
LIABILITIES				
Derivatives financial instruments	-	186,914	-	186,914

There have been no transfers between levels 1 and 2 in the period to 30 June 2015 (June 2014: none; December 2014: none). Any transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

12. Fair value of financial instruments *(continued)*

Methodologies

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and demand balances with central banks
For cash and short - term funds the carrying amount is equivalent to the fair value.

Debt securities issued
Fair value for certificates of deposit and medium term notes issued with maturities less than six months is approximated to be the carrying value. For certificates of deposit and medium term notes issued with a maturity greater than six months but less than a year, fair value is determined by using discounted cash flow methods using the interest rates applicable to financial instruments of similar maturity. Inputs applied in getting the fair value of debt securities between 6 and 12 months are observable market-corroborated inputs which include interest rates and forward curves observable at commonly reported intervals, and credit spreads. Debt securities greater than 12 months are fair valued using market-corroborated swap rates.

Debt securities
For available-for-sale securities that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price. Where quoted market prices are not available, fair value is determined with reference to quoted prices for similar instruments in active markets, or through the use of a valuation model where inputs are observable.

Advances to customers, advances to banks, and amounts due from related parties
Fair values of advances to customers, advances to banks, and amounts due from related parties with maturities of six months or longer have been estimated by discounting cashflows up to the next repricing date with reference to current rates at which similar loans and advances would be made to other borrowers with a similar credit rating and the same maturities. The fair values of advances to customers, advances to banks, and amounts due from related parties with maturities less than six months are approximated to be the carrying value.

Deposits, other accounts and amounts due to related parties
The fair values of deposits and other liabilities with maturities of less than six months are approximated to be the carrying amount. For liabilities with maturities of six months or longer, fair values have been based on quoted market prices, where such prices exist. Otherwise, fair values have been estimated by reference to rates currently offered by the Banking Group for similar liabilities of similar maturities.

Derivative financial instruments
The fair values of exchange rate and interest rate contracts were obtained from quoted market prices or discounted cash flow models. Inputs applied in getting the fair value of derivative financial instruments are observable market-corroborated inputs which include interest rates and forward curves observable at commonly reported intervals where required.

Other assets and other liabilities
For other assets and other liabilities the carrying amount is considered to be the fair value.

Notes to and forming part of the Interim Financial Statements *(continued)*

12. Fair value of financial instruments *(continued)*

The following tables summarise the carrying values and fair values of financial assets and financial liabilities not measured at fair value in the Banking Group at the end of the current and comparative periods.

	Banking Group		*Banking Group*	
Dollars in Thousands	**Unaudited 30.06.15 Carrying Value**	**Unaudited 30.06.15 Fair Value**	Unaudited 30.06.14 Carrying Value	Unaudited 30.06.14 Fair Value
ASSETS				
Advances to customers	**3,684,946**	**3,700,249**	3,319,763	3,326,676
Total financial assets not carried at fair value	**3,684,946**	**3,700,249**	3,319,763	3,326,676
Total financial assets not measured at fair value whose carrying value approximates fair value	**1,551,613**	**1,551,613**	1,083,456	1,083,456
Total financial assets measured at fair value	**800,280**	**800,280**	759,117	759,117
Total financial assets	**6,036,839**	**6,052,142**	5,162,336	5,169,249
Total non-financial assets	**25,828**		31,282	
Total assets	**6,062,667**		5,193,618	
LIABILITIES				
Customer deposits	**3,336,852**	**3,339,067**	2,993,387	2,995,468
Debt securities	**759,351**	**759,458**	769,868	769,770
Amounts due to related parties	**1,312,778**	**1,313,558**	857,874	858,063
Total financial liabilities not carried at fair value	**5,408,981**	**5,412,083**	4,621,129	4,623,301
Total financial liabilities not measured at fair value whose carrying value approximates fair value	**254,706**	**254,706**	302,271	302,271
Total financial liabilities measured at fair value	**356,519**	**356,519**	238,854	238,854
Total financial liabilities	**6,020,206**	**6,023,308**	5,162,254	5,164,426
Total non-financial liabilities	**11,268**		6,529	
Total liabilities	**6,031,474**		5,168,783	

Notes to and forming part of the Interim Financial Statements *(continued)*

12. Fair value of financial instruments *(continued)*

	Banking Group	
Dollars in Thousands	Audited 31.12.14 Carrying Value	Audited 31.12.14 Fair Value
ASSETS		
Advances to customers	3,774,940	3,782,726
Total financial assets not carried at fair value	3,774,940	3,782,726
Total financial assets not measured at fair value whose carrying value approximates fair value	816,612	816,612
Total financial assets measured at fair value	690,762	690,762
Total financial assets	5,282,314	5,290,100
Total non-financial assets	26,406	
Total assets	5,308,720	
LIABILITIES		
Customer deposits	3,180,934	3,182,901
Debt securities	739,746	739,735
Amounts due to related parties	925,126	925,438
Total financial liabilities not carried at fair value	4,845,806	4,848,074
Total financial liabilities not measured at fair value whose carrying value approximates fair value	219,445	219,445
Total financial liabilities measured at fair value	186,914	186,914
Total financial liabilities	5,252,165	5,254,433
Total non-financial liabilities	12,606	
Total liabilities	5,264,771	

Notes to and forming part of the Interim Financial Statements *(continued)*

13. Concentrations of credit and funding risk

The maximum credit risk of on-balance sheet financial assets is best represented by the carrying amount of the assets, net of any provision for credit impairment. The credit risk exposure does not take into account the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments.

	Banking Group
Dollars in Thousands	**Unaudited 30.06.15**
On-balance sheet credit exposures	
Cash and demand balances with central banks	749,704
Advances to banks	74,918
Debt and equity securities	440,686
Derivative financial instruments	359,594
Advances to customers	3,684,946
Amounts due from related parties	703,715
Other assets	23,276
	6,036,839
Off-balance sheet credit exposures	2,295,412
Total credit exposures	8,332,251

Concentrations of credit risk exist if a number of counterparties are engaged in similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The following analysis of financial assets by industry sector is based on categories and definitions used by the Hong Kong Monetary Authority:

Concentrations of credit risk by industry	
Individual	1,340,657
Commercial and industrial	2,473,024
Commercial real estate and construction	784,212
Banks and financial institutions	2,654,390
Agriculture, forestry and mining	272,556
Transport	139,003
Energy	90,341
Government	78,322
Other	499,746
	8,332,251

Concentrations of credit risk by geographical area	
New Zealand	6,914,814
Hong Kong	727,626
Australia	218,869
China	93,513
Great Britain	85,661
United States	80,732
Other Overseas	211,036
	8,332,251

Notes to and forming part of the Interim Financial Statements *(continued)*

13. Concentrations of credit and funding risk *(continued)*

Concentration of Credit Exposures to Individual counterparties

The Banking Group has no credit exposures equal to or in excess of 10% of HBAP Group's equity, during the current reporting period and the previous corresponding periods. These exposures are based on actual credit exposures and do not include exposures to counterparties if they are booked outside of New Zealand.

	Banking Group
Dollars in Thousands	**Unaudited 30.06.15**
Concentrations of funding	
Concentrations of funding by product	
Deposits by banks	216,922
Customer deposits	3,336,852
Debt securities	759,351
Amounts due to related parties	1,312,778
	5,625,903
Concentrations of funding by industry	
Agriculture, forestry, fishing and mining	53,477
Manufacturing	303,583
Electricity, gas and water	215
Wholesale and retail trade	119,676
Accommodation and restaurants	41,844
Banking and finance	2,639,118
Property and business services	203,069
Local authorities	4,677
Individual	2,087,001
Other	173,243
	5,625,903
Concentrations of funding by geographical area	
New Zealand	2,720,968
Australia	52,105
China	389,802
Great Britain	191,415
Hong Kong	1,552,308
Malaysia	36,224
Singapore	91,882
Taiwan	61,537
United States	168,881
Japan	136,010
Bermuda	60,902
Other Overseas	163,869
	5,625,903

Notes to and forming part of the Interim Financial Statements *(continued)*

14. Interest rate risk – repricing schedule

The table below analyses the Banking Group's financial assets and financial liabilities into relevant maturity groupings based on the earlier of residual contractual maturity or next interest repricing date.

	Banking Group							
Dollars in Millions	*Up to 3 months*	*Over 3 months and up to 6 months*	*Over 6 months and up to 1 year*	*Over 1 year and up to 2 years*	*Over 2 years*	*Total interest bearing*	*Non interest bearing*	*Total*
30 June 2015 (Unaudited)								
Assets								
Cash and demand balances with central banks	**750**	**-**	**-**	**-**	**-**	**750**	**-**	**750**
Advances to banks	**75**	**-**	**-**	**-**	**-**	**75**	**-**	**75**
Debt and equity securities	**138**	**-**	**10**	**61**	**231**	**440**	**-**	**440**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**360**	**360**
Advances to customers	**2,706**	**130**	**325**	**224**	**300**	**3,685**	**-**	**3,685**
Amounts due from related parties	**701**	**-**	**-**	**-**	**-**	**701**	**3**	**704**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**23**	**23**
Total financial assets	**4,370**	**130**	**335**	**285**	**531**	**5,651**	**386**	**6,037**
Liabilities								
Deposits by banks	**213**	**-**	**-**	**-**	**-**	**213**	**4**	**217**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**357**	**357**
Customer deposits	**2,754**	**312**	**183**	**46**	**25**	**3,320**	**17**	**3,337**
Debt securities	**730**	**29**	**-**	**-**	**-**	**759**	**-**	**759**
Amounts due to related parties	**1,082**	**-**	**-**	**-**	**12**	**1,094**	**219**	**1,313**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**37**	**37**
Total financial liabilities	**4,779**	**341**	**183**	**46**	**37**	**5,386**	**634**	**6,020**
Off-balance sheet financial instruments								
Net notional interest rate contracts	**526**	**-**	**(197)**	**(70)**	**(259)**	**-**	**-**	**-**

15. Liquidity risk management

Liquidity risk is the risk that the Banking Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

Liquid assets are assets which are readily convertible to cash to meet the Banking Group's liquidity requirement. Liquid assets consist of demand balances with the central bank, treasury bills, government and local government bonds and registered certificates of deposits issued by other banks. The Banking Group holds the following liquid assets in order to manage its liquidity risk:

	Banking Group		
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
Demand balances with the central bank	**749,525**	749,984	411,148
Available-for-sale debt securities and treasury bills	**440,664**	502,986	494,558
	1,190,189	1,252,970	905,706

Notes to and forming part of the Interim Financial Statements *(continued)*

15. Liquidity risk management *(continued)*

Maturity Analysis

The table below analyses the Banking Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Banking Group							
Dollars in Millions	*On Demand*	*0-1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*No specific maturity*	*Total*
30 June 2015 (Unaudited)								
Assets								
Cash and demand balances with central banks	**750**	-	-	-	-	-	-	**750**
Advances to banks	**75**	-	-	-	-	-	-	**75**
Debt and equity securities	**-**	**100**	**40**	**10**	**290**	**-**	**-**	**440**
Advances to customers	**233**	**129**	**195**	**462**	**1,654**	**1,012**	**-**	**3,685**
Amounts due from related parties	**27**	**676**	**1**	-	-	-	-	**704**
Other assets	**-**	**22**	**1**	**1**	-	-	**-**	**24**
Deferred taxation	-	-	-	-	-	-	**7**	**7**
Intangible assets	**-**	**-**	**-**	**1**	**2**	**-**	**14**	**17**
Fixed assets	**-**	**-**	**-**	-	-	**-**	**1**	**1**
Total	**1,085**	**927**	**237**	**474**	**1,946**	**1,012**	**22**	**5,703**
Derivative financial instruments – inflow	**-**	**32**	**496**	**332**	**1,218**	**1,833**	**-**	**3,911**
Derivative financial instruments – (outflow)	**-**	**-**	**(435)**	**(227)**	**(1,128)**	**(1,761)**	**-**	**(3,551)**
Derivative financial instruments - assets	**-**	**32**	**61**	**105**	**90**	**72**	**-**	**360**
Liabilities								
Deposits by banks	**217**	**-**	**-**	**-**	**-**	**-**	**-**	**217**
Customer deposits	**2,113**	**340**	**316**	**483**	**83**	**2**	**-**	**3,337**
Debt securities	**-**	**183**	**147**	**229**	**200**	**-**	**-**	**759**
Amounts due to related parties	**265**	**309**	**519**	**-**	**220**	**-**	**-**	**1,313**
Other liabilities	**-**	**32**	**8**	**5**	**1**	**-**	**-**	**46**
Current taxation	-	-	**3**	-	-	-	**-**	**3**
Total	**2,595**	**864**	**993**	**717**	**504**	**2**	**-**	**5,675**
Derivative financial instruments – (inflow)	**-**	**-**	**(435)**	**(227)**	**(1,128)**	**(1,759)**	**-**	**(3,549)**
Derivative financial instruments – outflow	**-**	**29**	**495**	**330**	**1,222**	**1,830**	**-**	**3,906**
Derivative financial instruments – liabilities	**-**	**29**	**60**	**103**	**94**	**71**	**-**	**357**
Net assets	**(1,510)**	**66**	**(755)**	**(241)**	**1,438**	**1,011**	**22**	**31**

Notes to and forming part of the Interim Financial Statements *(continued)*

15. Liquidity risk management *(continued)*

Maturity Analysis – undiscounted cashflows basis

The table below analyses the Banking Group's financial assets and liabilities into relevant maturity groupings based on their remaining contractual maturities. The amounts in the table below represent all cash flows relating to principal and future interest payments on an undiscounted basis. Therefore they may differ to the carrying amounts on the Statement of Financial Position.

The Banking Group does not manage its liquidity risk on the basis of information below.

	Banking Group							
Dollars in Millions	*On Demand*	*0-1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*No specific maturity*	*Total*
30 June 2015 (Unaudited)								
Financial Assets								
Cash and demand balances with central banks	**750**	**-**	**-**	**-**	**-**	**-**	**-**	**750**
Advances to banks	**75**	**-**	**-**	**-**	**-**	**-**	**-**	**75**
Debt and equity securities	**-**	**100**	**45**	**21**	**316**	**-**	**-**	**482**
Advances to customers	**233**	**143**	**221**	**569**	**1,975**	**1,850**	**-**	**4,991**
Amounts due from related parties	**27**	**676**	**1**	**-**	**-**	**-**	**-**	**704**
Other assets	**-**	**21**	**1**	**1**	**-**	**-**	**-**	**23**
Total non-derivative financial assets	**1,085**	**940**	**268**	**591**	**2,291**	**1,850**	**-**	**7,025**
Derivative financial instruments – held for hedging purposes (net settled) Inflow / (outflow)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total undiscounted financial assets	**1,085**	**940**	**268**	**591**	**2,291**	**1,850**	**-**	**7,025**
Financial Liabilities								
Deposits by banks	**217**	**-**	**-**	**-**	**-**	**-**	**-**	**217**
Customer deposits	**2,113**	**344**	**322**	**500**	**94**	**2**	**-**	**3,375**
Debt securities	**-**	**185**	**151**	**244**	**222**	**-**	**-**	**802**
Amounts due to related parties	**265**	**311**	**522**	**5**	**223**	**-**	**-**	**1,326**
Other liabilities	**-**	**23**	**8**	**5**	**1**	**-**	**-**	**37**
Total non-derivative financial liabilities	**2,595**	**863**	**1,003**	**754**	**540**	**2**	**-**	**5,757**
Derivative financial instruments – held for hedging purposes (net settled) (Inflow) / outflow	**-**	**-**	**-**	**1**	**2**	**-**	**-**	**3**
Total undiscounted financial liabilities	**2,595**	**863**	**1,003**	**755**	**542**	**2**	**-**	**5,760**
Undrawn loan commitments	**583**	**49**	**1,180**	**-**	**-**	**-**	**-**	**1,812**

Notes to and forming part of the Interim Financial Statements *(continued)*

16. Market risk exposures

Aggregate market risk exposures are derived in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) as stated in clauses 2 to 4 of Schedule 9 to the Order.

The period end exposure is the exposure as at the end of the period reported. The peak exposure is the peak end-of-day market risk exposure over the half year accounting period at the close of each business day. The peak is calculated separately for each category of exposure and may not have occurred at the same time.

	Banking Group	
Dollars in Millions	*Implied risk weighted exposure*	*Notional capital charge*
End-of-period exposure at 30 June 2015 (Unaudited)		
Interest rate risk	**83.63**	**6.69**
Foreign currency risk	**0.50**	**0.04**
Equity risk	**-**	**-**
Peak end-of-day exposure period 1 January 2015 to 30 June 2015 (Unaudited)		
Interest rate risk	**83.63**	**6.69**
Foreign currency risk	**2.38**	**0.19**
Equity risk	**-**	**-**

Notes to and forming part of the Interim Financial Statements *(continued)*

17. Contingent liabilities and other commitments

Contingent liabilities

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The amounts below represent the amount at risk should contracts be fully drawn upon and clients default.

		Banking Group	
Dollars in Thousands	**Unaudited 30.06.15**	Unaudited 30.06.14	Audited 31.12.14
Direct credit substitutes	**63,496**	48,467	55,509
Transaction related contingent items	**266,730**	238,548	191,202
Trade related contingent items	**153,569**	136,830	145,726
Commitments, maturity one year or more	**1,196,729**	1,119,555	1,039,495
Commitments, maturity up to one year	**614,888**	549,394	702,536
	2,295,412	2,092,794	2,134,468
Capital commitments			
Contracted expenditure	**47**	-	-

Capital commitments relate to the purchase of equipment.

18. Insurance and non-financial activities

The Banking Group does not conduct any insurance business or non-financial activities in New Zealand.

19. Subsequent events

There were no events subsequent to the balance sheet date which would materially affect the interim financial statements.

Notes to and forming part of the Interim Financial Statements *(continued)*

20. Profitability, size and asset quality of HBAP Group

Dollars in HK$ millions	**Unaudited 6 months ended 30.06.15**	Unaudited 6 months ended 30.06.14	Audited 12 months ended 31.12.14
Profitability			
Net profit after tax	**59,902**	49,904	92,177
Net profit after tax over the previous 12 month period as a percentage of average total assets	**1.5%**	1.4%	1.4%
Size			
Total assets	**7,167,665**	6,765,663	6,876,746
Percentage increase in total assets over the previous 12 month period	**5.9%**	13.1%	6.8%
Asset quality			
Individually impaired assets	**Not available ***	12,991	14,515
Individual impairment provision against advances to customers	**(6,590)**	(5,051)	(6,299)
Collective impairment provision against advances to customers	**(4,247)**	(4,542)	(4,221)
Individually impaired assets / total assets	**Not available ***	0.2%	0.2%
Individual impairment provision / individually impaired assets	**Not available ***	38.9%	43.4%

***** At the date of signing this disclosure statement, the amount for individually impaired assets of HBAP Group as at 30 June 2015 was not publicly available.

Notes to and forming part of the Interim Financial Statements *(continued)*

21. Capital adequacy ratios of HBAP Group

HBAP Group is subject to the capital requirements as specified by the Hong Kong Monetary Authority (HKMA).

HBAP Group uses the advanced internal ratings-based approach to calculate its credit risk for the majority of its non-securitisation exposures and the internal ratings-based (securitisation) approach to determine credit risk for its banking book securitisation exposures. For market risk, HBAP Group uses an internal models approach to calculate its general market risk for the risk categories of interest rate exposures, foreign exchange (including gold) exposures and equity exposures. HBAP Group also uses an internal models approach to calculate its market risk in respect of specific risk for interest rate exposures and equity exposures. HBAP Group uses the standardised (market risk) approach for calculating other market risk positions as well as trading book securitisation exposures, and the standardised (operational risk) approach to calculate its operational risk.

The capital requirements of HKMA are at least equal to those specified under the Basel framework ("Basel III"). HBAP Group exceeds the minimum capital ratio requirements as specified by the HKMA as at 30 June 2015.

The capital adequacy disclosure made by the HBAP Group can be found in the Annual Report and Accounts at this website, http://www.hsbc.com/investor-relations/financial-and-regulatory-reports.

HBAP Group reported the following capital adequacy ratios under Basel III, which were the most recent publicly available information:

	Unaudited 30.06.15	Unaudited 30.06.14	Unaudited 31.12.14
Basel III Capital Ratios			
Common Equity Tier 1 (CET1) capital	**14.3%**	13.5%	14.4%
Tier 1 capital	**15.3%**	13.5%	14.4%
Total capital	**17.4%**	15.2%	15.7%

The capital ratios for HBAP, as a stand-alone entity, are not publicly available.

Directors' and New Zealand Chief Executive Officer's Statements

Each Director and the New Zealand Chief Executive Officer believes, after due enquiry by them, that:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended);
- The Disclosure Statement is not false or misleading;

as at the date on which the Disclosure Statement is signed; and

each Director and the New Zealand Chief Executive Officer believes, after due enquiry by them, that:

- the Branch had systems in place to monitor and control adequately the material risks of the Banking Group including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk and other business risks, and that those systems were being properly applied; and
- the Registered Bank has complied with all Conditions of Registration that applied;

over the six months ended 30 June 2015.

This Disclosure Statement has been signed for and on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited (as listed on pages 3 to 5) by their attorney, Noel Gerard McNamara, and also in his capacity as Chief Executive Officer:

Noel Gerard McNamara
Chief Executive Officer
New Zealand Branch

26 August 2015

It is confirmed that the said powers of attorney appointing Noel Gerard McNamara are still in force and have not been revoked.

Independent Auditors' Review Report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited

Report on the Financial Statements

We have reviewed pages 10 to 34 of the half year Disclosure Statement of The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group (the "Banking Group"), which consists of the financial statements required by Clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information required by Schedules 5, 7, 9, 10, 12 and 14 of the Order. The financial statements comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the six months then ended, and the notes to the financial statements that include a statement of accounting policies and other explanatory information for the Banking Group.

Directors' Responsibility for the Financial Statements

The Directors of The Hongkong and Shanghai Banking Corporation Limited (the "Directors") are responsible for the preparation and fair presentation of the half year Disclosure Statement, which includes financial statements prepared in accordance with Clause 26 of the Order and that present fairly the financial position of the Banking Group as at 30 June 2015, and its financial performance and cash flows for the period ended on that date. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible for the preparation and fair presentation of supplementary information in the half year Disclosure Statement which complies with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements and the supplementary information, disclosed in accordance with Clause 26 and Schedules 5, 7, 9, 10, 12 and 14 of the Order, presented by the Directors, based on our review.

Our responsibility is to express a conclusion on the financial statements (excluding the supplementary information) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the financial statements have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting.*

Our responsibility is to express a conclusion on the supplementary information (excluding the supplementary information relating to credit and market risk exposures and capital adequacy) whether, in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

Our responsibility is to express a conclusion on the supplementary information relating to credit and market risk exposures and capital adequacy whether in our opinion on the basis of the procedures performed by us, anything has come to our attention that would cause us to believe that the supplementary information is not in all material respects:

(a) prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and
(b) disclosed in accordance with Schedule 9 of the Order.

Independent Auditors' Review Report

The Hongkong and Shanghai Banking Corporation Limited

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410"). As the auditors of the Banking Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on this half year Disclosure Statement.

We are independent of the Banking Group. We carry out other assignments on behalf of the Banking Group in the area of taxation services. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. These matters have not impaired our independence as auditors of the Banking Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

(a) the financial statements on pages 10 to 34 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*;

(b) the supplementary information prescribed by Schedules 5, 7, 10, 12 and 14 of the Order, does not fairly state the matters to which it relates in accordance with those Schedules; and

(c) the supplementary information relating to credit and market risk exposures and capital adequacy prescribed by Schedule 9 of the Order, is not, in all material respects:
  (i) prepared in accordance with Capital Adequacy Framework (Standardised Approach) (BS2A); and
  (ii) disclosed in accordance with Schedule 9 of the Order.

Restriction on Use of Our Report

This report is made solely to the Directors, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Banking Group and the Directors, as a body, for our review procedures, for this report or for the conclusions we have formed.

PricewaterhouseCoopers

Chartered Accountants
26 August 2015

Auckland

HSBC