

# The Hongkong and Shanghai Banking Corporation Limited

New Zealand Banking Group

Disclosure Statement

31 December 2025



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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:  
188 Quay 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. The entities that have been considered for aggregation to form the Banking Group are detailed in the Notes to and forming part of the Financial Statements, Note 1: Basis of preparation and material 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 subsidiaries.

### Ultimate Non-Bank Holding Company

The ultimate non-bank 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 ("Group" or "HSBC Group") can be found at HSBC Holdings plc's website, [www.hsbc.com](http://www.hsbc.com).

### Ranking of Local Creditors in a Winding-up

Under Section 265 of the Companies (Winding Up and Miscellaneous Provisions) 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 preferential payments, namely and firstly certain employee wages and compensation related payments, then statutory debts to the Hong Kong SAR Government, and afterwards the aggregate amount held on deposit (up to the statutory limit prescribed in the Hong Kong Deposit Protection Scheme Ordinance regardless of the number or amount of deposits) for certain deposits in Hong Kong. There are no other material legislative or regulatory restrictions in Hong Kong SAR which would materially 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.

### 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 New Zealand

PwC Tower  
15 Customs Street West  
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, Steve Hughes, has been authorised in writing by each Director named below, in accordance with section 82 of the Banking (Prudential Supervision) Act 1989 (formerly the Reserve Bank of New Zealand Act 1989), to sign this Disclosure Statement on the Directors' behalf. Accordingly, Steve Hughes is a Responsible Person under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

He joined the HSBC Group in 2015 and resides in Australia. He is Chief Executive Officer and Executive Director of HSBC Bank Australia Limited and is a graduate of the Australian Institute of Company Directors.

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  
Victoria Street West  
Auckland 1142  
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.

## General disclosures

### Board of Directors of HBAP

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

#### **Dr Peter Tung Shun WONG, GBS, JP** **Non-executive Chairman**

He is also an advisor to the Group Chairman and the Group Chief Executive of HSBC Holdings plc. He holds a Bachelor of Arts, a Master of Business Administration and a Master of Science from Indiana University, a Doctor of Laws, honoris causa, from the Hang Seng University of Hong Kong and a Doctor of Business Administration, honoris causa, from Lingnan University.

Before his retirement as an HSBC employee in June 2021, he was an executive Director, Chief Executive and Deputy Chairman of HBAP. He was also a non-executive Director of Hang Seng Bank Limited.

#### **David Gordon ELDON, GBS, CBE, JP**

##### **Independent non-executive Deputy Chairman**

He holds an Honorary Doctor of Business Administration from City University of Hong Kong and is a Fellow of the UK Chartered Institute of Bankers and the Hong Kong Institute of Bankers.

Before his retirement as an HSBC employee in 2005, he was an executive Director, Chief Executive Officer and Chairman of HBAP. He was also non-executive Chairman of Hang Seng Bank Limited and a Director of HSBC Holdings plc. He was non-executive Chairman of HSBC Bank Middle East Limited from 2011 to 2021. He was non-executive Chairman and a Director of Octopus Holdings Limited, Octopus Cards Limited and Octopus Cards Client Funds Limited from 2016 to 2022.

#### **David Yi Chien LIAO, JP**

##### **Co-Chief Executive Officer**

He is the Co-Chief Executive, Asia and Middle East, a member of the Group Operating Committee of HSBC Holdings plc, Chairman and a non-executive Director of HSBC Bank (China) Company Limited, and a non-executive Director of Hang Seng Bank Limited and Bank of Communications Co., Ltd. He holds a Bachelor of Arts (major in Japanese and Economics) from the University of London.

He has previously held a number of senior positions within the Group, including the Head of Global Banking Coverage for Asia-Pacific and a Director and Chief Executive Officer of HSBC Bank (China) Company Limited.

#### **Surendranath Ravi ROSHA**

##### **Co-Chief Executive Officer**

He is the Co-Chief Executive, Asia and Middle East, a member of the Group Operating Committee of HSBC Holdings plc and a non-executive Director of Saudi Awwal Bank. He holds a Bachelor of Commerce from Sydenham College of Commerce & Economics, Bombay University and a Master of Business Administration from the Indian Institute of Management, Ahmedabad.

He has previously held a number of senior positions within the Group, including the Chief Executive Officer of HSBC India and Regional Head of Financial Institutions Group, Asia-Pacific.

#### **Paul Jeremy BROUGH**

##### **Independent non-executive Director**

He is also an independent non-executive Director of Guoco Group Limited and Vitasoy International Holdings Limited. He holds a Bachelor of Arts (Hons) in Business Studies from Nottingham Trent University, and is an Associate of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

He was previously an independent non-executive Director of Habib Bank Zurich (Hong Kong) Limited from October 2013 to February 2023. He worked at KPMG Hong Kong for around 30 years and left the firm in 2012 as Senior Regional Partner.

#### **Judy Lai Kun CHAU**

##### **Independent non-executive Director**

She is also a Board member of Christian Action in Hong Kong. She holds a Diploma in Public Administration, a Master of Business

Administration from The Hong Kong Polytechnic University, and a Bachelor of Laws from University of Wolverhampton.

She was Managing Director of the Group Compliance Regulatory and Governance Department, Asia Pacific for UBS AG Hong Kong before her retirement in September 2023. She previously held various regional senior positions in Ernst & Young and Goldman Sachs. She also served on various committees of the Securities and Futures Commission of Hong Kong during 2006 to 2023, including the Academic and Accreditation Advisory Committee, Takeovers and Mergers Panel and Takeover Appeal Committee.

#### **Edward Wai Sun CHENG, GBS, JP**

##### **Independent non-executive Director**

He is also Deputy Chairman and Chief Executive of Wing Tai Properties Limited, Chairman of Lanson Place Hospitality Management Limited and independent non-executive Chairman of Hang Seng Bank Limited. He holds a Bachelor of Arts (Economics and Politics) from Cornell University, Ithaca, New York, and a Bachelor of Arts in Jurisprudence and a Master of Arts from the University of Oxford. He is qualified as a solicitor in England and Wales as well as in Hong Kong.

He was previously a non-executive Director of the Securities and Futures Commission of Hong Kong, and an independent non-executive Director of Standard Chartered Bank (Hong Kong) Limited. He was also the former Chairman of the Urban Renewal Authority and the University Grants Committee of Hong Kong.

#### **Sonia Chi Man CHENG**

##### **Independent non-executive Director**

She is also the Chief Executive Officer of Rosewood Hotel Group. She is the Vice-chairman and executive Director of Chow Tai Fook Jewellery Group Limited, an executive Director of New World Development Company Limited and a Director of New World China Land Limited, a non-executive Director of Giordano International Limited and UMP Healthcare Holdings Limited. She holds a Bachelor of Arts with a field of concentration in Applied Mathematics from Harvard University.

She was previously an independent director of Primavera Capital Acquisition Corporation, a company listed on the New York Stock Exchange, until her resignation in December 2022.

#### **Yiu Kwan CHOI**

##### **Independent non-executive Director**

He holds a higher certificate in Accountancy from The Hong Kong Polytechnic University and is a Fellow member of The Hong Kong Institute of Bankers.

He was an independent non-executive Director of HSBC Bank (China) Company Limited from December 2016 to December 2022 and Industrial and Commercial Bank of China (Asia) Limited from January 2013 to September 2017. He was Deputy Chief Executive of the Hong Kong Monetary Authority ('HKMA') in charge of Banking Supervision when he retired in January 2010. Before this, he was Deputy Chief Executive of the HKMA in charge of Monetary Policy and Reserves Management from June 2005 to August 2007 and held various senior positions in the HKMA including Executive Director (Banking Supervision), Head of Administration, and Head of Banking Policy from 1993 to 2005.

#### **Andrea Lisa DELLA MATTEA**

##### **Independent non-executive Director**

She holds a Bachelor of Engineering and an Honorary Doctor of Engineering from James Cook University of North Queensland, Australia.

She was previously the Asia-Pacific President of Microsoft Operations Pte Ltd. from 2017 to 2025. She held senior leadership roles at Insight Enterprises, Inc from 2007 to 2017, including Asia-Pacific Managing Director, and at Software Spectrum Inc from 1996 to 2006.

#### **Manveen KAUR (known as Pam KAUR)**

##### **Non-executive Director**

She is also the Group Chief Financial Officer, a member of the Group Operating Committee and an executive Director of HSBC Holdings

## General disclosures

plc. She holds an MBA in Finance, and a BCom (Hons) from Panjab University in India, and is a Fellow member of The Institute of Chartered Accountants in England and Wales.

She has previously held a number of senior positions with HSBC, including Group Chief Risk and Compliance Officer, Head of Wholesale Market and Credit Risk, and Group Head of Internal Audit.

She was previously an independent non-executive Director of Centrica plc. a held senior leadership roles at Deutsche Bank, Royal Bank of Scotland Group plc, Lloyds TSB and Citigroup.

### **Rajnish KUMAR**

#### **Independent non-executive Director**

He is also non-executive Chairman of Resilient Innovations Pvt. Ltd., non-executive Director and Chairman of Mastercard India Services Private Limited, an independent Director of Larsen and Toubro Limited and Brookprop Management Services Private Limited, an independent non-executive Director of Hero MotoCorp Limited and Ambuja Cements Limited and a Director of Lighthouse Communities Foundation. He is also a senior adviser to EQT AB. He holds a Master of Science in Physics from Meerut University and a Post Graduate Certificate in Business Management from XLRI Jamshedpur in India. He is an Associate of the Indian Institute of Bankers.

He was previously Chairman of the State Bank of India until he retired in October 2020.

### **Beau Khoon Chen KUOK**

#### **Independent non-executive Director**

He is also Chairman and Managing Director of Kerry Group Limited. He holds a Bachelor of Economics from Monash University.

He was previously Chairman and Chief Executive Officer of Shangri-La Asia Limited, Chairman of Kerry Properties Limited, and a non-executive Director of Wilmar International Limited.

### **Fred Tin Fuk LAM, GBS JP**

#### **Independent non-executive Director**

He is also Chairman of Airport Authority Hong Kong ('AAHK'), member of the HKSAR Government's Lantau Development Advisory Committee, The University of Hong Kong Council, and the Hong Kong - United States Business Council and an independent non-executive Director of Wing Tai Properties Limited. He holds a Bachelor of Science (Engineering) in Computer Science from Imperial College of Science and Technology, University of London.

He was previously Chief Executive officer of AAHK and an executive director of the Hong Kong Trade Development Council.

### **Annabelle Yu LONG**

#### **Independent non-executive Director**

She is also the Founding and Managing Partner of BAI Capital Fund I, L.P. and BAI Capital Fund II, L.P.. She is an independent Director of Tapestry Inc., LexinFintech Holdings Ltd., Nio Inc. and The Estee Lauder Companies Inc.. She holds a Master in Business Administration from Stanford Graduate School of Business, United States and a Bachelor of Science in Electrical Engineering from University of Electronic Science and Technology, China.

#### **Change in Board of Directors for HBAP**

During the year, Fred Tin Fuk Lam was appointed an independent non-executive Director with effect from 18 July 2025. Irene Yun-lien Lee retired as a Director with effect from 8 May 2025, being the date of passing the written resolutions of HBAP's shareholder in lieu of holding the 2025 Annual General Meeting ('AGM'). Save for the above, all the Directors served throughout the year.

#### **Directors' Policy on Conflicts of Interests**

The Board has a conflicts of interest policy. It sets out HBAP's policy on the notification, review or approval process of Directors' conflicts or potential conflicts of interest and the Board's approach to dealing with any non-compliance with the policy. Directors are required to notify all directorships and appointments, and any other conflict or potential conflicts of interest. The notified matter will be referred to the Board for its noting or consideration in accordance with the conflicts of interest policy. In addition, under Division 5 of Part 11 of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong,

Directors who are interested either directly or indirectly in a transaction, arrangement or contract, or a proposed transaction, arrangement or contract that is significant to HBAP's business shall, if such Director's interest is material, declare the nature and extent of their interest as soon as reasonably practicable.

Article 100(h) of HBAP's Articles of Association states:

"The office of a Director shall automatically be vacated if the Director acts in contravention of the Company's conflicts of interest policy adopted by the Board from time to time and the Board has resolved that his or her office be vacated."

#### **Audit Committee**

The Banking Group does not have an Audit Committee. The HBAP Audit Committee has non-executive responsibility for oversight of and advice to the Board on matters relating to financial reporting and internal controls. The current members of the Committee, all being independent non executive directors, are Paul Brough (Chairman of the Committee), Judy Chau, Yiu Kwan Choi, David Eldon and Rajnish Kumar. The Committee met five times in 2025.

The Audit Committee monitors the integrity of the consolidated financial statements, banking disclosure statements, and disclosures relating to financial performance, the effectiveness of the internal audit function and the external audit process, and the effectiveness of internal control systems. The Committee reviews the effectiveness of internal control systems, subject to input from the Risk Committee. The Committee reviews the adequacy of resources and expertise as well as succession planning for the finance function. It reviews, and considers changes to, HBAP's accounting policies. The Committee advises the Board on the appointment, re-appointment, or removal of the external auditor and reviews and monitors the external auditor's independence and objectivity. The Committee reviews matters escalated for its attention by subsidiaries' audit committees.

#### **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 <sup>1</sup>	Date of Change
Moody's Investor Service Inc.	Aa3 (stable outlook)	Aa3 (negative outlook)	29 May 2025
Standard & Poor's Corporation	AA- (stable outlook)	Not changed	-
Fitch IBCA Inc	AA- (stable outlook)	Not change	-

<sup>1</sup> Included if there has been a change in the previous two years.

## General disclosures

Rating scales are:

Credit Ratings	Moody's <sup>1</sup>	S&P <sup>2</sup>	Fitch <sup>2</sup>
Highest quality/Extremely strong capacity to pay interest and principal	Aaa	AAA	AAA
High quality/Very strong	Aa	AA	AA
Upper medium grade/Strong	A	A	A
Medium grade (lowest investment grade)/Adequate	Baa	BBB	BBB
Predominantly speculative/Less near term vulnerability to default	Ba	BB	BB
Speculative, low grade/Great vulnerability	B	B	B
Poor to default/Identifiable vulnerability	Caa	CCC	CCC
Highest speculations	Ca	CC	CC
Lowest quality, no interest	C	C	C
Defaulted on obligations	-	D	D

- <sup>1</sup> *Moody's - A numeric modifier is applied to each generic rating category from Aa to B, indicating that the counterparty is (1) in the higher end of its letter-rating category, (2) in mid-range, (3) in lower end.*
- <sup>2</sup> *Standard & Poor's and Fitch - Ratings are modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.*

## 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 December 2025.

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.

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 (on and after 1 January 2015) (%)
Common Equity Tier 1 capital	4.5
Tier 1 capital	6.0
Total capital	8.0

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 ending on or after 31 May 2026, the total of the business of the registered bank in New Zealand’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 70%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

9. That, for a loan-to-valuation measurement period ending on or after 31 May 2026, the total of the business of the registered bank in New Zealand’s qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 25% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.

10. That, for a debt-to-income measurement period, the total of the business of the registered bank in New Zealand’s qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a debt-to-income ratio of more than 7, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the debt-to-income measurement period.

11. That, for a debt-to-income measurement period, the total of the business of the registered bank in New Zealand’s qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a debt-to-income ratio of more than 6, must not exceed 20% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the debt-to-income measurement period.

12. 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.

In these conditions of registration,—

“banking group” 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.

“business of the registered bank in New Zealand” 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.

“generally accepted accounting practice” has the same meaning as in section 8 of the Financial Reporting Act 2013.

“liabilities of the registered bank in New Zealand” 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.

In conditions of registration 8 and 9,—

“loan-to-valuation ratio”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, and “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for

## Conditions of registration

Restrictions on High-LVR Residential Mortgage Lending” (BS19) dated October 2021, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS19 for the purpose of defining these terms are—

BPR document	Version date
BPR131: Standardised credit risk RWAs	1 July 2024
BRP001: Glossary	1 October 2023

“loan-to-valuation measurement period” means a rolling period of six calendar months ending on the last day of the sixth calendar month.

In conditions of registration 10 and 11, —

“debt-to-income ratio”, “debt-to-income measurement period”, “non property-investment residential mortgage loan”, “property-investment residential mortgage loan”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, and “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS20 for the purpose of defining these terms are—

BPR document	Version date
BPR131: Standardised credit risk RWAs	1 July 2024
BRP001: Glossary	1 October 2023

“debt-to-income measurement period” means—

(a) the initial period of six calendar months from 1 July 2024 ending on 31 December 2024; and

(b) thereafter, a rolling period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on 31 January 2025 and covers the months of August, September, October, November and December 2024 and January 2025.

In condition of registration 12, —

“residential mortgage loan” has the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High Debt-To-Income Residential Mortgage lending” (BS20) dated 3 April 2023, and where the version dates of the Reserve Bank of New Zealand Banking Prudential Requirement (BPR) documents referred to in BS20 for the purpose of defining these terms are—

BPR document	Version date
BPR131: Standardised credit risk RWAs	1 July 2024
BRP001: Glossary	1 October 2023

“loan-to-valuation measurement period” means a period of six calendar months ending on the last day of the sixth calendar month.

### Changes to Conditions of Registration since the 31 December 2024 Disclosure Statement

Since the last annual Disclosure Statement dated 31 December 2024, there have been changes to the Branch’s conditions of registration with respect to the loan-to-valuation thresholds for residential mortgage lending (conditions 8 and 9), although this does not impact the Banking Group as it does not conduct any residential mortgage lending business. These changes came into effect in the conditions of registration from 1 December 2025, with implementation of the LVR changes becoming effective from 31 May 2026.

## Financial statements

### Historical summary of financial statements

#### Five year comparison

The five year comparatives include discontinued operations. For details on discontinued operations, refer Note 16 Segment Reporting.

#### Summary of Financial Results

	2025	2024	2023	2022	2021
	\$000	\$000	\$000	\$000	\$000
Interest income	259,866	352,773	408,253	213,208	102,458
Interest expense	(161,904)	(242,527)	(274,304)	(115,912)	(33,730)
<b>Net interest income</b>	<b>97,962</b>	<b>110,246</b>	<b>133,949</b>	<b>97,296</b>	<b>68,728</b>
Net trading income	13,690	11,451	11,819	11,587	9,306
Loss on sale of the retail mortgage portfolio	—	—	(74,303)	—	—
Other net operating income	46,415	40,960	41,826	38,113	41,762
<b>Net operating income before credit impairment charges</b>	<b>158,067</b>	<b>162,657</b>	<b>113,291</b>	<b>146,996</b>	<b>119,796</b>
Change in expected credit losses and other credit impairment charges	3,485	(6,038)	306	(4,557)	3,074
<b>Net operating income</b>	<b>161,552</b>	<b>156,619</b>	<b>113,597</b>	<b>142,439</b>	<b>122,870</b>
Operating expenses excluding goodwill impairment	(57,932)	(70,443)	(85,790)	(77,237)	(71,990)
Goodwill impairment	—	—	(12,841)	—	—
<b>Operating profit before tax</b>	<b>103,620</b>	<b>86,176</b>	<b>14,966</b>	<b>65,202</b>	<b>50,880</b>
Income tax expense	(29,027)	(24,151)	(4,239)	(18,282)	(14,446)
<b>Profit after tax attributable to the owners of the Banking Group</b>	<b>74,593</b>	<b>62,025</b>	<b>10,727</b>	<b>46,920</b>	<b>36,434</b>
<b>Retained profit repatriated</b>	<b>(61,106)</b>	<b>(76,544)</b>	<b>—</b>	<b>(33,039)</b>	<b>(41,867)</b>

#### Balance Sheet

	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2025	2024	2023	2022	2021
	\$000	\$000	\$000	\$000	\$000
<b>Total assets</b>	<b>6,361,138</b>	<b>6,508,021</b>	<b>7,223,268</b>	<b>7,772,468</b>	<b>7,540,127</b>
of which: Individually impaired assets	6,362	55,241	—	—	—
<b>Total Liabilities</b>	<b>6,312,857</b>	<b>6,473,353</b>	<b>7,184,606</b>	<b>7,753,055</b>	<b>7,526,770</b>
Head Office Account	40,478	26,991	41,510	30,783	16,902
<b>Total Equity</b>	<b>48,281</b>	<b>34,668</b>	<b>38,662</b>	<b>19,413</b>	<b>13,357</b>

The amounts included in this historical summary have been taken from the audited financial statements of the Banking Group.

## Statement of comprehensive income

For the year ended 31 December 2025

	Notes*	2025 \$000	2024 \$000
<b>Continuing operations</b>			
Interest income	3	259,866	348,451
Interest expense	3	(161,904)	(238,848)
<b>Net interest income</b>		<b>97,962</b>	109,603
Net trading income	3	13,690	11,225
Other net operating income	3	46,415	41,544
<b>Net operating income before credit impairment charges</b>		<b>158,067</b>	162,372
Change in expected credit losses and other credit impairment charges	7	3,485	(6,038)
<b>Net operating income</b>		<b>161,552</b>	156,334
Operating expenses	4	(57,932)	(55,695)
<b>Operating profit before tax</b>		<b>103,620</b>	100,639
Income tax expense	17	(29,027)	(28,179)
<b>Profit after tax from continuing operations</b>		<b>74,593</b>	72,460
<b>Profit/(loss) after income tax from discontinued operations</b>	16	—	(10,435)
<b>Profit after tax attributable to the owners of the Banking Group</b>		<b>74,593</b>	62,025
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Financial assets at fair value through other comprehensive income:			
Net change in the fair value through other comprehensive income reserve before tax		404	14,498
Income taxes		(110)	(4,063)
<b>Other comprehensive income for the year</b>		<b>294</b>	10,435
<b>Total comprehensive income for the year attributable to the owners of the Banking Group<sup>1</sup></b>		<b>74,887</b>	72,460

<sup>1</sup> Total comprehensive income for the year attributable to the owners of the Banking Group for year 2025 from continuing operations was \$75m (2024: \$83m) and total comprehensive loss from discontinued operations for year 2025 was nil (2024: \$10m).

\* For Notes on the financial statements, see page 12.

## Statement of changes in equity

For the year ended 31 December 2025

	2025 \$000	2024 \$000
<b>Head Office Account<sup>1</sup></b>		
At 1 Jan	26,991	41,510
Repatriation to Head Office	(61,106)	(76,544)
Profit after tax	74,593	62,025
At 31 Dec	40,478	26,991
<b>Financial assets at Fair Value through Other Comprehensive Income Reserve</b>		
At 1 Jan	5,612	(4,823)
Fair value changes taken to equity	4,944	14,498
Transferred to the profit or loss	(4,540)	—
Tax on movements and transfers	(110)	(4,063)
At 31 Dec	5,906	5,612
<b>Share-based Payment Reserve</b>		
At 1 Jan	2,065	1,975
Transferred to the profit or loss	(168)	90
At 31 Dec	1,897	2,065
<b>Total equity at 31 Dec</b>	<b>48,281</b>	34,668

<sup>1</sup> The Head Office account is interest free, repayable at the discretion of the Branch and subordinated to all other debts.

## Balance sheet

As at 31 December 2025

	Notes*	At	
		31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Assets</b>			
Cash and demand balances with central banks		1,939,908	1,592,928
Advances to banks		1,218	1,071
Financial investments	11	764,333	1,245,836
Derivative financial instruments	19	88	191
Advances to customers	6	3,008,109	2,951,785
Amounts due from related parties	18	605,835	659,282
Other assets	14	20,266	26,496
Property, plant and equipment		14,761	20,726
Deferred tax asset	17	5,760	8,436
Goodwill and intangible assets		860	1,270
<b>Total assets</b>		<b>6,361,138</b>	<b>6,508,021</b>
<b>Liabilities</b>			
Deposits by banks		203,670	326,775
Derivative financial instruments	19	29	173
Customer deposits	12	3,983,102	3,400,361
Amounts due to related parties	18	2,087,659	2,672,920
Current tax liability		3,941	14,770
Other liabilities	15	34,456	58,354
<b>Total liabilities</b>		<b>6,312,857</b>	<b>6,473,353</b>
<b>Net assets</b>		<b>48,281</b>	<b>34,668</b>
<b>Equity</b>			
Head Office account		40,478	26,991
Financial assets at fair value through other comprehensive income reserve		5,906	5,612
Share-based payment reserve	25	1,897	2,065
<b>Total equity</b>		<b>48,281</b>	<b>34,668</b>

\* For Notes on the financial statements, see page 12.



Steve Hughes  
25 March 2026

For and on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited by their attorney.

Letters from each of the Directors appointing the Chief Executive Officer as their agent to sign this Disclosure Statement are still in force and have not been revoked.

## Statement of cash flows

For the year ended 31 December 2025

The tables below include discontinued operations. For details on discontinued operations, refer Note 16 Segment Reporting.

	2025 \$000	2024 <sup>3</sup> \$000
<b>Cash flows (to) operating activities</b>		
Interest received	253,251	335,751
Interest paid	(171,916)	(260,374)
Other income received	54,699	52,058
Other expenses paid	(55,130)	(69,252)
Income tax paid	(37,291)	(5,000)
<b>Changes in operating assets and liabilities</b>		
Change in loans and bills advanced	(52,544)	(13,059)
Change in deposits and other borrowings	(115,098)	(318,386)
Change in trading assets	(41)	(17)
Change in other assets/liabilities <sup>2</sup>	(17,633)	(144)
<b>Net cash flows (to) operating activities</b>	<b>(141,703)</b>	<b>(278,423)</b>
<b>Cash flows from/(to) investing activities</b>		
Purchases of investment securities <sup>2</sup>	(486,373)	(509,768)
Purchases of property, plant and equipment	(2,339)	(1,548)
Proceeds from sale of fixed assets	4,161	—
Payments for intangible assets	—	(1)
Proceeds from sale and maturity of investments	1,012,245	315,277
<b>Net cash flows from/(to) investing activities</b>	<b>527,694</b>	<b>(196,040)</b>
<b>Cash flows (to) financing activities</b>		
Repatriation to head office	(61,106)	(76,544)
Principal payments on lease liabilities	(6,693)	(1,919)
Redemption of debt securities	—	(400,000)
<b>Net cash flows (to) financing activities</b>	<b>(67,799)</b>	<b>(478,463)</b>
Net increase/(decrease) in cash and cash equivalents	318,192	(952,926)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,253,146</b>	<b>3,206,072</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,571,338</b>	<b>2,253,146</b>

### Analysis of cash and cash equivalents

	31 Dec 2025 \$000	31 Dec 2024 \$000
Cash and demand balances with central banks	1,939,908	1,592,928
Items in the course of collection from other banks <sup>1</sup>	6	7
Gross advances to banks - demand <sup>2</sup>	606,492	660,211
Treasury Bills with initial maturity less than 3 mth	24,974	—
Less: items in the course of transmission to other banks <sup>1</sup>	(42)	—
<b>Cash and cash equivalents at the end of the year</b>	<b>2,571,338</b>	<b>2,253,146</b>

- 1 Items in the course of collection from / transmission to other banks are presented on the Balance sheet within Advances to banks and Deposits by banks respectively.
- 2 Following a review of the presentation of the statement of cash flows against Group's policy, the Banking Group has now included previously omitted intercompany advances to banks of \$659.1m with an original maturity of one month or less in cash and cash equivalents under "Gross advances to banks - demand" and restated "Change in other assets/liabilities" and "Purchases of investment securities" to remove \$15.5m debt security purchase from the prior year cash flows as the transaction remained unsettled at 31 December 2024. The Banking Group also restated "Purchases of investment securities" to exclude \$7.0m of investment securities with an original maturity less than three months.
- 3 Certain categories of cash flows have been reclassified to align with the Group's presentation. There were no changes between operating, investing and financing categories. Comparatives have been amended to conform with the current year presentation.

### Reconciliation of profit after tax to net cash flows from operating activities

	31 Dec 2025 \$000	31 Dec 2024 \$000
Profit after tax	74,593	62,025
Adjustments for non-cash items		
Depreciation, amortisation and related impairment	4,530	4,836
Other non-cash items included in profit before tax	(22,527)	(5,728)
Decrease in interest receivable	7,841	6,583
(Decrease) in interest payable	(10,012)	(17,848)
Loan impairment charges	(3,485)	6,038
(Profit) on the sale of investments	(4,540)	—
(Profit) on sale of property, plant and equipment	(105)	(7)
(Increase) in accruals and prepayments	(2,682)	(2,716)
Net change in operating assets and liabilities	(185,316)	(331,606)
Net cash flows (to) operating activities	(141,703)	(278,423)

# Notes on the financial statements

## 1 Basis of preparation and material accounting policies

### 1.1 General accounting policies

#### (a) Reporting entity

These financial statements are for The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group ("Banking Group").

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

Intra-group balances are eliminated in preparing the Banking Group's 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 Banking Group's financial statements.

#### (b) Basis of reporting

These financial statements are general purpose financial statements prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, the Banking (Prudential Supervision) Act 1989, and the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order").

These financial statements comply with Generally Accepted Accounting Practice in New Zealand, applicable New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other authoritative pronouncements of the External Reporting Board ("XRB"), as appropriate for for-profit entities.

These financial statements also comply with International Financial Reporting Standards Accounting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board.

#### (c) Measurement base

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

#### (d) Comparative figures

These financial statements include comparative information as required by New Zealand equivalent to International Accounting Standard ("NZ IAS") 1 and the Order.

#### (e) Regulatory changes

There have been no regulatory changes impacting these financial statements.

#### (f) Changes in accounting policies

There were no new standards, amendments to standards or interpretations that had an effect on these financial statements.

#### (g) Authorisation of financial statements

These financial statements were authorised for issue on 25 March 2026 by Steve Hughes on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited.

#### (h) Future accounting developments

##### **Amendments to NZ IFRS 9 'Financial Instruments' and NZ IFRS 7 'Financial Instruments: Disclosures'**

In June 2024, the XRB issued amendments to NZ IFRS 9 'Financial Instruments' and NZ IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The Banking Group is undertaking an assessment of the potential impact.

##### **NZ IFRS 18 'Presentation and Disclosure in Financial Statements'**

In May 2024, the XRB issued NZ IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace NZ IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. The Banking Group is currently assessing impacts and data readiness before developing a more detailed implementation plan.

## (i) Climate-Related Disclosure

The Banking Group is relying on Financial Markets Conduct (Climate-related Disclosures – The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2024. The effect of relying on this exemption is that the Banking Group is exempted from Part 7A of the Financial Markets Conduct Act 2013 and will not be required to publish climate statements in compliance with Aotearoa New Zealand Climate Standards for the 2025 financial year. The climate statements for HSBC Group are contained in the HSBC Holdings Annual Report and Accounts and can be accessed via the website [www.hsbc.com](http://www.hsbc.com) following the Investors link.

## 1.2 Summary of material accounting policies

The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgement involved, including the use of assumptions and estimation, are discussed below.

The results of the Banking Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the aggregated financial statements.

### (a) Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the Statement of comprehensive income using the effective interest method. Interest income on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### (b) Non-interest income and expense

The Banking Group generates fee income from services provided at a fixed price over time, such as account services, or when delivering a specific transaction at a point in time such as broking services and import/export services. Fees are generated at a fixed price. Fee income is generally earned from short term contracts with payment terms that do not include a significant financing component.

The Banking Group acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades the Banking Group acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The Banking Group recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement. Where the Banking Group offers a package of services that contain multiple non-distinct performance obligations, such as those in account service packages, the promised services are treated as a single performance obligation.

### (c) Employee benefits

#### Short-term benefits

Short-term benefits for services received from employees are recognised as an expense during the accounting period in which the employee service is rendered. Any difference between the expense recognised and cash payments made is recognised as a liability or prepayment as appropriate. The expense recognised should be undiscounted.

#### Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense as the employees render service.

### (d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances, are initially measured at fair value and subsequently measured at amortised cost less allowances for credit losses. Most financial liabilities are initially measured at fair value and subsequently measured at amortised cost. The carrying value of these financial instruments at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan becomes impaired.

### (e) Financial assets measured at fair value through other comprehensive income ("FVOCI")

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling financial assets and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise the Banking Group's debt securities held for liquidity management purposes. They are recognised on the trade date when the Banking Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the profit or loss as 'Other net operating income'. Financial assets measured at FVOCI are included in the impairment calculations and impairment is recognised in the profit or loss.

### (f) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives are recognised initially, and are subsequently remeasured, at fair value, with changes in fair value recorded in the Statement of comprehensive income. Fair values of derivatives are obtained either from quoted market prices or by using valuation techniques. Gains and losses from changes in the fair value of derivatives, including the contractual interest are reported in 'Net trading income'.

Derivatives are classified as assets when their fair value is positive, or as liabilities when their fair value is negative.

Derivative assets and liabilities arising from different transactions are only offset for accounting purposes if the offsetting criteria presented in the Offsetting policy ('Financial Instruments – right to offset') are met.

## (g) Financial instruments – Right to offset

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivative agreements included in the amounts subject to enforceable netting arrangements but not offset in the balance sheet relate to transactions where:

- The counterparty has an offsetting exposure with the Banking Group and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- Cash and non-cash collateral received/pledged in respect of the transactions described above.

## (h) Impairment of amortised cost and FVOCI financial assets

Expected credit losses (“ECL”) are recognised for advances to banks and customers, other financial assets held at amortised cost, debt instruments measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (“12-month ECL”). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (“lifetime ECL”). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in ‘stage 3’. Purchased or originated credit-impaired financial assets (“POCI”) are treated differently as set out below.

### Credit-impaired (stage 3)

The Banking Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower’s financial condition; or
- the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired. Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

### Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

### Forbearance

Loans are identified as forbore and classified as either performing or non-performing when the group modifies the contractual terms due to financial difficulty of the borrower. Non-performing forbore loans are stage 3 and classified as non-performing until they meet the cure criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

Performing forbore loans are initially stage 2 and remain classified as forbore until they meet applicable cure criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forbore loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forbore loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forbore.

### Loan modifications other than forbore loans

Loan modifications that are not identified as forbore are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that the Banking Group’s rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Mandatory and general offer loan modifications that are not borrower specific, for example market-wide customer relief programmes, generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy.

### Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant, and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is

# Notes on the financial statements

not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ("PD") which encompasses a wide range of information including the obligor's customer risk rating ("CRR"), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date.

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of NZ IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle ("TTC") PDs and TTC migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination.

## Unimpaired and without significant increase in credit risk - (stage 1)

ECL resulting from default events that are possible within the next 12 months ("12-month ECL") are recognised for financial instruments that remain in stage 1.

## Purchased or originated credit-impaired ("POCI")

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forborne loans. The amount of change-in-lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition. The Banking Group does not have any POCI financial assets.

## Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

## Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money and may consider other factors such as climate-related risks.

In general, the Banking Group calculates ECL using three main components, a PD, a loss given default ("LGD") and the exposure at default ("EAD").

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, considering the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Banking Group makes use of the regulatory internal ratings-based ("IRB") framework where possible, with recalibration to meet the differing NZ IFRS 9 requirements as follows:

Model	Regulatory capital	NZ IFRS 9
PD	<ul style="list-style-type: none"> <li>– Represents long-run average PD throughout a full economic cycle</li> <li>– Default backstop of 90+ days past due for all portfolios (includes unlikelihood to pay (UTP) criteria in line with internal policy)</li> <li>– May be subject to a sovereign cap</li> </ul>	<ul style="list-style-type: none"> <li>– Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD)</li> <li>– Default backstop of 90+ days past due for all portfolios</li> </ul>
EAD	<ul style="list-style-type: none"> <li>– Cannot be lower than current balance</li> </ul>	<ul style="list-style-type: none"> <li>– Amortisation captured for term products</li> </ul>
LGD	<ul style="list-style-type: none"> <li>– Downturn LGD (consistent losses expected to be suffered during a severe but plausible economic downturn)</li> <li>– Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data</li> <li>– Discounted using appropriate index (minimum 9%)</li> <li>– All collection costs included</li> </ul>	<ul style="list-style-type: none"> <li>– Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral)</li> <li>– No floors</li> <li>– Discounted using the original effective interest rate of the loan</li> <li>– Only costs associated with obtaining/selling collateral included</li> </ul>
Other		<ul style="list-style-type: none"> <li>– Discounted back from point of default to balance sheet date</li> </ul>

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined on an individual basis using a discounted cash flow methodology. The expected future cash flows are based on estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

# Notes on the financial statements

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the Banking Group and judgement in relation to the likelihood of the work-out strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the Banking Group may use an LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

## Period over which ECL is measured

ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Banking Group is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the group's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the group remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

## Forward-looking economic inputs

The Banking Group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates'

## Critical accounting judgements

### *Impairment of amortised cost and FVOCI financial assets*

The application of NZ IFRS 9 creates critical accounting estimates and judgements related to impairment of financial assets. In determining ECL management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions.

Judgement has been applied in:

- Defining what is considered to be a significant increase in credit risk;
- Determining the lifetime and point of initial recognition of revolving facilities;
- Selecting and calibrating the PD, LGD and EAD models which support these calculations including making reasonable and supportable judgements about how models react to current and future economic conditions;
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss;
- Making management adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.

### *Model redevelopment*

The HBAP Model Risk Management team, in conjunction with local management, continues to review NZ IFRS 9 model performance at a country level on an annual basis to assess whether the models in place can deliver reliable outputs. Where model redevelopment is required to improve the reliability to outputs, the models are independently validated by the HBAP Independent Model Review team and the impact on ECL is described in Note 7: Asset quality – gross exposure and expected credit loss. The Large Corporate and Mid Market Wholesale ECL models were redeveloped during the reporting period.

## Measurement uncertainty and sensitivity of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts and distributional estimates and apply these to credit risk models to estimate future credit losses. The results are then probability-weighted to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting economic scenarios and their weightings. Management judgemental adjustments are used where modelled allowance for ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late breaking events.

### *Methodology*

At 31 December 2025, four economic scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Scenarios are created using the latest economic forecasts and distributional estimates, each quarter.

Three scenarios, the Upside, Central and Downside are drawn from external consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus and market estimates are then used as conditioning assumptions in a modelled expansion of other variables. The fourth scenario, Downside 2, represents management's view of severe downside risks.

The consensus Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations. They are calibrated to a 10% probability.

# Notes on the financial statements

The Central Scenario assumes that the effects of announced climate measures, carbon pricing and green levies are incorporated into economic forecasts where their short-term effects are known from enacted legislation, or may be reasonably projected from current trends and statutory targets.

Variable paths and projections aligned with long-term climate outcomes, but which are dependent on additional policy adjustments carry greater uncertainty. These are examined through specific climate scenarios. For further details see 'Climate-related risk' section of 'Note 2 Risk management' on page 24.

The Downside 2 explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends. It is calibrated to a 5% probability.

In most circumstances, the alignment of weightings with the calibrated probability of scenarios is deemed appropriate for the unbiased estimation of ECL. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

## *Description of economic scenarios*

The economic assumptions presented in this section have been formed with reference to external forecasts and estimates for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture potential crystallisation of key economic and financial risks and alternative paths for economic variables. The scenarios used to calculate ECL are described below.

### *The consensus Central scenario*

The Central scenario incorporates higher growth forecasts for 2026 relative to the fourth quarter of 2024, in most of our key markets. The change in forecasts for 2027 is more mixed, reflecting differing regional dynamics. The scenario is modelled consistent with a US tariff rate, measured as an effective trade-weighted average, of 15% at the start of 2026. That rate has fallen in recent months to reflect the lowering of US tariff rates on imports from mainland China and targeted tariff exemptions on key products.

GDP is expected to grow by 2.7% in 2025 in the Central scenario, and the average rate of GDP growth is forecast to be 2.4% over the five-year forecast period.

### *The consensus Upside scenario*

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario. Inflation accelerates modestly, driven by increased investment and higher consumption spending.

The scenario is consistent with a number of key upside risk themes. These include a partial rollback of tariff measures, deregulation, an improvement in the US-China relationship, and a de-escalation in geopolitical tensions.

### *The consensus Downside scenario*

In the consensus Downside scenario, the effects of tariffs on the global economy are worse than expected, leading to weaker economic activity compared with the Central scenario. The scenario is consistent with the tariff rate, measured as an effective trade-weighted average, rising to 19% in 2026, and remaining at that level in 2027. The key driver of that increase is the application of sector-specific tariff rates.

In this scenario, GDP declines and unemployment rates rise, while asset prices and commodity prices fall. The scenario features an escalation in geopolitical tensions and an increase in tariffs over and above those assumed in the Central scenario. Existing and recently approved trade agreements are assumed to hold. In most markets, inflation declines relative to the Central scenario, as tariffs are assumed to drive a drop in export demand from the US. Oil prices trough at \$40 per barrel.

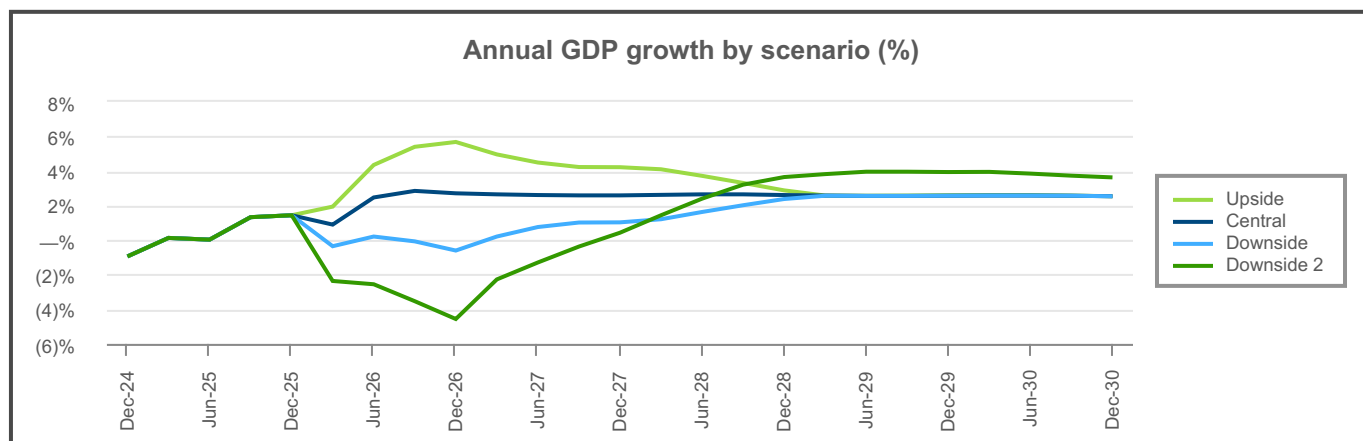
### *The Downside 2 scenario*

The Downside 2 scenario reflects management's view of the tail of the economic distribution. It incorporates the simultaneous crystallisation of a number of risks that lead to a deep global recession. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

The narrative features an escalation in tariff actions, resulting in a global trade war, and further intensification of geopolitical crises. Asset prices fall steeply, with technology related stocks expected to experience the most significant price adjustments. The scenario is consistent with the US tariff rate, measured as an effective trade-weighted average, rising to 25% in 2026, and remaining at that level in 2027. In the scenario, oil prices trough at \$30 per barrel.

The following tables describe key macroeconomic variables used in the various scenarios as at 4Q25.

Central Scenario	NZ GDP growth % (annual)	Unemployment %
<b>As at 4Q25</b>		
<b>December 2026</b>	<b>2.7</b>	<b>4.9</b>
<b>1Q27 - 4Q30: average</b>	<b>2.4</b>	<b>4.3</b>
As at 4Q24		
December 2025	2.1	4.5
1Q26 - 4Q29: average	2.2	4.4



Outer Scenarios	Best period		Worst period	
	Annual change %	Year ending	Annual change %	Year ending
<b>As at 4Q25</b>				
<b>NZ GDP growth %</b>	<b>5.7</b>	<b>Dec-26</b>	<b>(4.6)</b>	<b>Dec-26</b>
As at 4Q24				
GDP growth %	4.2	Jun-26	(3.3)	Mar-26

Outer Scenarios	Best period		Worst period	
	Annual change %	As at	Annual change %	As at
<b>As at 4Q25</b>				
<b>Unemployment rate%</b>	<b>3.9</b>	<b>Jun-27</b>	<b>6.0</b>	<b>Sep-26</b>
As at 4Q24				
Unemployment rate%	3.5	Sep-26	8.8	Dec-26

The calculation of ECL under NZ IFRS 9 involves significant judgements, assumptions and estimates at 31 December 2025. These included selecting and configuring economic scenarios amid changing economic conditions and risks and estimating their effects on ECL, especially when historical conditions are not fully captured by credit risk models.

*How economic scenarios are reflected in ECL calculations*

Models are used to reflect economic scenarios on ECL estimates. The Group has developed globally consistent methodologies for the application of forward economic guidance into the calculation of ECL.

Global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). PDs use the correlation of forward economic guidance with default rates for a particular industry within a country, and LGDs use the correlation of forward economic guidance with collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

*Management judgemental adjustments*

In the context of NZ IFRS 9, management judgemental adjustments are typically short-term increases or decreases to the modelled allowance for ECL at a customer, segment or portfolio level where management believes allowances do not sufficiently reflect the ECL at the reporting date. These relates to risks or uncertainties that are not reflected in the models or to any late-breaking events with significant uncertainty, subject to management review and challenge. The Banking Group internal governance process regularly reviews management judgemental adjustments and, where possible, mitigates these through a model recalibration and redevelopment.

At 31 December 2025, the expected credit loss on corporate exposures in our wholesale portfolio was not impacted by model adjustments (31 December 2024: the expected credit loss on corporate exposures in our wholesale portfolio was not impacted by model adjustments).

*Economic scenarios sensitivity analysis of ECL estimates*

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the allowance for ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting allowances.

The allowance for ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating allowance for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting.

The sensitivity analysis below includes ECL on all assets exposed to credit risk and incorporates model adjustments as appropriate.

Sensitivity: Total ECL	Central \$000	Upside \$000	Downside \$000	Downside 2 \$000	Reported \$000
<b>31 December 2025</b>	<b>8,892</b>	<b>8,094</b>	<b>10,346</b>	<b>12,745</b>	<b>9,150</b>
31 December 2024	12,477	12,082	13,340	18,611	12,831

# Notes on the financial statements

The sensitivity weightings for are reported in the table below:

Sensitivity weightings	Central %	Upside %	Downside %	Downside 2 %
<b>31 December 2025</b>	<b>75</b>	<b>10</b>	<b>10</b>	<b>5</b>
31 December 2024	75	10	10	5

## *Sensitivity to Significant Increase in Credit Risk Assessment ('SICR'):*

If an additional 1% of Stage 1 financial assets were assessed as having a SICR at 31 December 2025, with the scenario weightings applied at 31 December 2025 held constant, the Bank's allowance for ECL would increase by \$0.1 million (31 December 2024 \$0.7 million) as a result of recognising a loss allowance equal to Stage 2 lifetime ECL (rather than at an amount equal to one year of ECL). Conversely, if 1% of Stage 2 financial assets were assessed as no longer having a SICR, the Bank's allowance for ECL would decrease by \$0.1 million (31 December 2024 \$0.7 million).

## **(i) Property, plant and equipment**

Leasehold improvements are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the assets over the unexpired term of the lease.

Equipment, fixtures and fittings are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line basis to write off the assets over their estimated useful lives, which are generally between 3 and 5 years. Where material parts of an asset have different useful lives, they are accounted for as separate assets.

## **(j) Foreign currencies**

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any foreign exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the profit or loss depending on where the gain or loss on the underlying non-monetary item is recognised.

## **(k) Intangible assets**

### **Goodwill**

Goodwill represents the difference between the cost of an acquisition and the fair value of the net identifiable assets acquired. Acquisition expenses such as professional fees and legal fees directly attributable to an acquisition are expensed. If the amount of the identifiable assets and liabilities acquired is greater than the cost, the difference is recognised immediately in the profit or loss.

Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units ("CGU") for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, or whenever there is an indication of impairment, by comparing the carrying amount of the CGU with its recoverable amount, which is the higher of the fair value less costs of disposal ("FVLCD") or the value in use ("VIU"). The carrying amount of a CGU is based on its assets and liabilities, including attributable goodwill.

When the recoverable amount of a CGU is less than its carrying value, an impairment loss is recognised in the profit or loss. Goodwill is carried on the balance sheet at cost less accumulated impairment losses.

### **Other intangible assets**

Intangible assets include internally generated computer software and customer relationships purchased. Intangible assets that have an indefinite useful life or are not yet ready for use are tested at least annually for impairment or at each reporting date where there is an indicator of impairment.

Intangible assets that have a finite useful life are stated at cost less amortisation and accumulated impairment losses and are amortised on a straight line basis over their useful lives as follows:

- Software – 5 years.

Intangible assets are subject to impairment review at each reporting date to determine if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

## **(l) Provisions, contingent liabilities and guarantees**

Provisions for liabilities and charges are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation which has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security and contingent liabilities related to legal proceedings or regulatory matters are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or the present value of the fee receivable.

## **(m) Statement of cash flows**

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of certain items as appropriate to provide more meaningful disclosure in compliance with the standards.

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 statement of cash flows, cash and cash

## Notes on the financial statements

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.

### **(n) Taxation**

Income tax on the profit or loss for the period comprises current tax and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Banking group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

### **(o) Discontinued operation**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of comprehensive income.

## 2 Risk management

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### Our approach to risk

#### Our risk appetite

The Banking Group recognise the importance of a strong culture, which refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board.

The Banking Group seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. The Banking Group's strategic priorities are underpinned by our endeavour to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. The Banking Group are committed to managing and mitigating climate-related risks, both physical and transition risk, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

The following principles guide the Group's overarching appetite for risk and determine how our businesses and risks are managed.

#### Financial position

- We aim to maintain a strong capital base, to invest in accordance with our strategy and to meet regulatory capital requirements at all times.
- We carry out liquidity and funding management at an operating entity level to make sure that obligations can be met in the jurisdictions where they fall due.

#### Operating model

- We seek to generate returns in line with our risk appetite and strong risk management capability.
- We aim to deliver sustainable and diversified earnings and consistent returns for shareholders.

#### Business practice

- We have no appetite for deliberately or knowingly causing detriment to consumers, or incurring a breach of the letter or spirit of regulatory requirements.
- We have no appetite for inappropriate market conduct by any member of staff or by any group business.
- We are committed to managing the climate risks that have an impact on our financial position, and delivering on our net zero ambition.
- We consider and, where appropriate, mitigate reputational risk that may arise from our business activities and decisions.
- We monitor non-financial risk exposure against risk appetite, including inadequate or failed internal processes, people and systems, or events that impact our customers or can lead to sub-optimal returns to shareholders, censure, or reputational damage.

#### Enterprise-wide application

The Banking Group's risk appetite encapsulates the consideration of financial and non-financial risks. The Banking Group define financial risk as the risk of a financial loss as a result of business activities. The Banking Group actively take these types of risks to maximise 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.

The Banking Group's risk appetite is expressed in both quantitative and qualitative terms and applied at the global business level and to material operating entities. It continues to evolve and expand its scope as part of our regular review process.

Management reviews and approves the Banking Group's risk appetite annually to make sure it remains fit for purpose. The Banking Group's risk appetite is considered, developed and enhanced through:

- an alignment with our strategy, purpose, values and customer needs;
- trends highlighted in other group risk reports;
- communication with risk stewards on the developing risk landscape;
- strength of our liquidity and balance sheet;
- compliance with applicable laws and regulations;
- effectiveness of the applicable control environment to mitigate risk, informed by risk ratings from risk control assessments;
- functionality, capacity and resilience of available systems to manage risk; and
- the level of available staff with the required competencies to manage risks.

The Banking Group formally articulate our risk appetite through our risk appetite statement ('RAS'), which is approved at the New Zealand Risk Management Meeting ('RMM'). Setting out the Banking Group's risk appetite ensures that the Banking Group agree a suitable level of risk for our strategy. In this way, risk appetite informs our financial planning process and helps senior management to allocate capital to business activities, services and products.

The RAS consists of qualitative statements and quantitative metrics, covering financial and non-financial risks. It is applied to the development of business line strategies, strategic and business planning, and remuneration. Performance against the RAS is reported to the New Zealand RMM alongside key risk indicators to support targeted insight and discussion on breaches of risk appetite and associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

#### Risk management policies

The Banking Group recognise that the primary role of risk management is to protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring the Banking Group is able to support our strategy and provide sustainable growth. This is supported through The Banking Group's three lines of defence model described below.

# Notes on the financial statements

The implementation of our business strategy remains a key focus. As the Banking Group implement change initiatives, the Banking Group actively manage the execution risks. The Banking Group also perform periodic risk assessments, including against strategies to help ensure retention of key personnel for our continued safe operation.

The Banking Group aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by the HSBC Group's culture and values. This outlines key principles, policies and practices that the Banking Group employ in managing material risks, both financial and non-financial.

The framework 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 the Banking Group accept and incur in our activities, with clear accountabilities. The Banking Group actively review and enhance our risk management framework and 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 culture

The Banking Group's executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Banking Group. The fostering of a strong risk culture is a key responsibility of our senior executives.

The Banking Group use clear and consistent employee communications on risk to convey strategic messages and set the tone from senior management and the Board. The Banking Group also deploy mandatory training on risk and compliance topics to embed skills and understanding in order to strengthen our risk culture and reinforce the attitude to risk in the behaviour expected of employees, as described in our risk policies.

## Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model.

To create a robust control environment to manage risks, the Banking Group use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment. The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice and guidance in relation to the risk.
- The third line of defence is our Global Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively.

## Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing business, but also from other products, such as guarantees and derivatives.

### Credit risk management

Credit risk is:

- measured as the amount that could be lost if a customer or counterparty fails to make repayments;
- monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and
- managed through a robust risk control framework, which outlines clear and consistent policies, principles and guidance for risk managers, and by setting limits and appetite across geographical markets, portfolios or sectors.

### Governance & Structure

The Banking Group has established Group-wide credit risk management and related IFRS 9 processes. The Banking Group continue to assess the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, the Banking Group take mitigating actions, including the revision of risk appetites or limits and tenors, as appropriate. In addition, the Banking Group continue to evaluate the terms under which the Banking Group provide credit facilities within the context of individual customer requirements, the quality of the relationship, local regulatory requirements, market practices and our local market position.

### Credit risk sub-function

Credit Risk sub-function in Global Risk and Compliance is responsible for the key policies and processes for managing credit risk, which include formulating group credit policies and risk rating frameworks, guiding the group's appetite for credit risk exposures, undertaking independent reviews and objective assessment of credit risk, and monitoring performance and management of portfolios while fostering a culture of responsible lending.

## Key risk management processes

### *Expected credit loss provisioning process*

The expected credit loss ("ECL") provisioning process comprises three main areas: modelling, data and forward economic guidance; implementation; and governance.

### *Modelling, data and forward economic guidance*

The Group has established modelling and data processes which are subject to internal model risk governance including independent reviews. A centralised process generates unbiased global economic scenarios, which are reviewed quarterly for consistency with current economic conditions and risks. These scenarios are subject to final review by Group senior management in a forward economic guidance impairment committee.

# Notes on the financial statements

## Implementation

The Group's centralised impairment engine performs the expected credit loss calculation using data, which is subject to a number of validation checks and enhancements, from a variety of client, finance and risk systems. Where possible, these checks and processes are performed in a globally consistent and centralised manner.

## Governance

The Banking Group has established a forum with representatives from the businesses, Credit Risk, and Finance in order to review and approve the impairment results. Required committee members include the relevant Chief Risk & Compliance Officer, Chief Financial Officer and Financial Controller.

## Concentration of exposure

Concentration of credit risk occurs when multiple counterparties share similar economic traits or operate in the same sectors or geographies, making them collectively vulnerable to changes in economic or political conditions. The Banking Group has business segments with a broad range of products. To mitigate this risk, the Banking Group uses various controls such as portfolio and counterparty limits, approval and review processes, and stress testing across industries, countries and business segments.

## Credit quality of financial instruments

Our risk rating system facilitates the internal ratings-based approach under the Basel framework adopted by the group to support the calculation of our minimum credit regulatory capital requirement. The five credit quality classifications encompass a range of granular internal credit rating grades assigned to wholesale customers, and the external ratings attributed by external agencies to debt securities.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related customer risk rating ('CRR') to external credit rating.

## Wholesale Lending

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor probability of default ('PD'). All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure.

Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

## Right to offset

The Banking Group does have legal right of off-set in some instances under certain conditions. All balances have been disclosed gross with the conditions giving rise to the legal right of off-set not being present.

## Climate-related risk

### Overview

The Group's climate risk approach identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as cyclones and floods, or chronic gradual shifts in weather patterns or rises in sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, actions or inaction.

The Group continues to identify a thematic issue related to climate risk that could manifest as reputational, regulatory compliance, or litigation risks:

- the risk of greenwashing. This risk arises from knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to our stakeholders.
- Net zero alignment risk had previously been identified as a thematic issue and is now replaced and managed within the new risk type - sustainability execution risk.

### Approach

The Banking Group's climate risk approach aims to effectively manage the material risks that could impact its operations, financial performance and stability and reputation.

The approach is informed by the evolving expectations of regulators and is aligned to the Group-wide risk management framework, which sets out how the Banking Group seeks to identify, assess and manage risks across its three lines of defence.

The Banking Group continues to work to enhance its climate risk capabilities across its business by prioritising sectors, portfolios and counterparties with the highest impacts.

The tables below provide an overview of the risk drivers and thematic issue considered within HSBC's climate risk approach.

Climate risk - primary risk drivers		Details	Potential Impacts	Time horizons
Physical	Acute	Increased frequency and severity of weather events causing disruption to business operations	<ul style="list-style-type: none"> <li>• Decreased real estate values or stranded assets</li> <li>• Decreased household income and wealth</li> <li>• Increased costs of legal and compliance</li> <li>• Increased public scrutiny</li> <li>• Decreased profitability</li> <li>• Lower asset performance</li> </ul>	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves)		
Transition	Policy and legal	Mandates on, and regulation of products and services and/or policy support for low carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts		
	Technology	Replacement of existing products with lower emission and/or lower options		
	End-demand (market)	Changing consumer demand from individuals and corporates		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction and diverging national and political agendas.		

# Notes on the financial statements

The Group's annual climate risk materiality assessment helps it to understand how climate risk may impact across HSBC's risk taxonomy. It assesses the type of impact, likelihood and severity over a 12-month period, and also considers forward-looking risk impacts over the short (up to 2 years), medium (3-5 years) and long term (6-15 years). It is used to support the Group's policy, control enhancements, and scenario analysis

The table below provides a summary of how climate risk may impact a subset of HSBC's principal risks.

Climate risk drivers	Credit risk	Traded risk	Reputational risk <sup>1</sup>	Regulatory compliance risk <sup>1</sup>	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

<sup>1</sup> The Group's climate risk approach identifies thematic issues such as HSBC net zero alignment risk and the risk of greenwashing, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks.

## Policies, Processes and Controls

The Group continues to update and integrate climate risk into policies, processes and controls across many areas of its organisation.

### Wholesale Credit Risk

The Group has identified six key sectors where globally our wholesale credit customers have the highest climate risk based on their carbon emissions. These are automotive, chemicals, construction and building materials, metals and mining, oil and gas, and power and utilities.

The Banking Group continue to engage with our largest customers in these high-risk sectors. Customer questionnaires are designed to help us assess and improve our understanding of the impact of climate change on our customers' business models and any related transition strategies. They also help us to identify potential business opportunities to support the transition.

Climate risk factors are considered in credit applications for new money requests and annual credit reviews. Credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months, if not already captured under the original credit risk rating.

## Market risk

Market risk is the risk of adverse financial impact from movements in market parameters such as foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices. Market risk may arise from instruments which are measured at fair value and those which are measured at amortised cost. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

The Banking Group monitors market risk separately for trading portfolios and non-trading portfolios and use similar management policies and measurement techniques. Our objective is to manage and control market risk exposures while maintaining a market profile consistent with our risk appetite. The Banking Group does not have significant market risk exposure in the trading portfolios.

Market risk is managed and controlled through limits approved by the Banking Group's RMM. These limits are allocated across business lines. The Banking Group risk limits are set using a combination of risk measurement techniques, including position limits, sensitivity limits, as well as value at risk limits with some of the limits set at a portfolio level.

The Banking Group market risk mainly arises from the non-trading portfolios where fluctuations in market interest rates or changes in expected repricing of client products may generate negative impact on banking book interest earnings or capital. The interest rate risk arises from our non-traded assets and liabilities that are not held for trading intent. Analysis of this risk is complicated by having to make assumptions on optionality in certain product areas, for example, behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

### Value at Risk ("VaR")

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 risk positions regardless of how we capitalise them. Where the Banking Group does not calculate VaR explicitly, alternative tools are used as summarised in the 'Stress testing' section below.

Our 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 utilised for VaR, which are calculated with reference to data from the past two years; and
- VaR measures, which are calculated to a 99% confidence level and use a one-day holding period for trading portfolios, 10-day holding period for non-trading portfolios.

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 should always be viewed in the context of its limitations. For example:

- use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those that are extreme in nature.
- the use of a 99% confidence level does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

## Stress testing

Stress testing is an important procedure that is integrated into our 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 abnormal scenarios, losses can be much greater than those predicted by VaR modelling.

The Group carries out stress testing at a regional level in HBAP and at a global level in Group using data from internal systems, with relevant results provided to the management of the Banking Group. A standard set of scenarios is utilised consistently across all sites within the Group.

The Banking Group does not hold any significant open trading positions. Under current scenarios the potential adverse profit impact from market risk is immaterial. This is consistent with the comparable period.

## Currency risk

The Banking Group's foreign currency exposures comprise those which arise from foreign exchange dealing within Markets and Securities Services and currency exposures originated by other banking business. The latter are transferred to Markets and Securities Services where the exposures are collectively managed within internally approved limits. These exposures are managed on a daily basis.

Foreign currency risk exposure is considered immaterial. A sensitivity analysis is not presented as the sensitivity range is immaterial due to the Banking Group FX exposure being materially hedged.

## Interest rate risk

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 our 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 must be transferred to the Treasury unit.

The Treasury unit manages the banking book positions transferred to it within market risk limits approved by RMM. Traded and Treasury Risk Management ("TTRM") acts as a second line of defence risk steward. Any interest rate risk that the Treasury unit cannot hedge is not transferred and will remain within the global business where the risks originate.

Interest rate risk transferred to the Treasury unit is reviewed and monitored independently, including reviews and challenges to the businesses for interest rate impact assessment prior to new products approval and behavioural assumptions used for interest rate risk buy in.

Within the Group a number of measures are used to monitor and control interest rate risk in the banking book, including banking book VaR, Net Interest Income ("NII") sensitivity and Economic Value of Equity ("EVE") sensitivity. NII sensitivity analysis is not presented as the sensitivity range is immaterial to the Banking Group.

## Liquidity and funding risk

Liquidity risk is the risk that the Banking Group does not have sufficient resources to meet its financial obligations as they fall due, or can only secure them at excessive cost. This may cause potential breaches in regulatory or internal metrics such as the Liquidity Coverage Ratio ('LCR') or the Internal Liquidity Metrics ('ILM'). Funding risk is the risk the Banking Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient. This may cause potential breaches in regulatory or internal metrics such as the Net Stable Funding Ratio ('NSFR').

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments can be met when due, and that access to the wholesale markets is co-ordinated and cost-effective. To this end, the Banking Group maintains a diversified funding base comprising core corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Banking Group to respond quickly and smoothly to unforeseen liquidity requirements.

The Group requires its operating entities to maintain a strong liquidity base to support the risks inherent in our business, meeting regulatory requirements at all times.

## Policies and procedures

Management of liquidity and funding is primarily undertaken locally in HBAP's operating entities in compliance with the Group's risk management framework. Limits and metrics are managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the Group's policies and procedures. These limits vary according to the depth and liquidity of the market in which the entities operate. It is the Group's policy that liquidity and funding risk is managed at an operating entity level to make sure that obligations can be met in the jurisdictions where they fall due, generally without reliance on other parts of the Group unless part of a defined liquidity group. Operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times. The primary responsibility for managing liquidity and funding within the Group's framework and risk appetite resides with the Banking Group ALCO.

The Banking Group's principal liquidity and funding risk management procedures and policies, which follow policies established by the Group, include the following:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring balance sheet liquidity and funding ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of term funding;
- maintaining debt financing plans;
- monitoring of depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises, while minimising adverse long-term implications for the business.

## Liquidity and funding risk management framework

The Banking Group uses the LCR and NSFR regulatory framework as a foundation, but adds extra metrics, limits and overlays to address the risks that we consider are not adequately reflected by the regulatory framework. An ILM supplements the LCR and NSFR metrics.

An appropriate funding and liquidity profile is managed through a wide set of measures:

- a minimum LCR requirement;

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- a minimum NSFR requirement;
- an ILM requirement;
- a legal entity depositor concentration limit;
- cumulative term funding maturity concentration limit;
- annual internal liquidity adequacy assessment process (“ILAAP”) by principal operating entity;
- minimum LCR requirement by material currency;
- intra-day liquidity;
- the application of liquidity funds transfer pricing; and
- forward-looking funding assessments.

## **Liquidity coverage ratio** (Unaudited)

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets (“HQLA”) to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. HQLA consist of cash or assets that can be converted into cash at little or no loss of value in markets.

As at 31 December 2025, the Banking Group was above minimum internal risk limits with regards to the LCR.

## **Net stable funding ratio** (Unaudited)

The Banking Group is required to maintain sufficient stable funding. The Net Stable Funding Ratio (‘NSFR’) measures stable funding relative to required stable funding, and reflects a bank’s long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR.

As at 31 December 2025, the Banking Group was above minimum internal risk limits with regards to the NSFR.

## **Internal Liquidity Metric** (Unaudited)

The ILM provides an internal view of daily liquidity risk considering site-specific idiosyncrasies and the ability to recover through the crisis continuum based on site-specific management actions. Key features of this metric includes a 90-day stress period, HSBC specific behavioural assumptions, localised liquid asset monetisation assumptions and management actions.

As at 31 December 2025, the Banking Group was above minimum internal risk limits with regards to the ILM.

## **Depositor concentration and term funding maturity concentration** (Unaudited)

The LCR and NSFR metrics assume a stressed outflow based on a portfolio of depositors within each deposit segment.

The validity of these assumptions is challenged if the underlying depositors do not represent a large enough portfolio so that a depositor concentration exists. Deposit concentration is measured and monitored at a legal entity basis. Operating entities are also exposed to term-financing concentration risk if the current maturity profile results in future maturities being overly concentrated in any defined period.

As at 31 December 2025, the Banking Group was above minimum internal risk limits with regards to this metric.

## **Resilience risk**

Resilience Risk is the risk that we are unable to provide critical services to our customers, affiliates and counterparties, during sustained and significant operational disruption. Sustained and significant operational disruptions are events that affect:

- the stability of the wider financial system;
- the viability of the Banking Group and our industry peers;
- the ability of our customers to access critical HSBC services;
- the underlying trust of our customers, shareholders and regulators as a result of a poorly managed operational event.

The Enterprise Risk Management target operating model provides a globally consistent view across resilience risks, strengthening our risk management oversight while operating effectively as part of a simplified non-financial risk structure. We view resilience risk across six sub-risk types related to: third party risk; technology and cyber security risk; transaction processing risk; business interruption and incident risk; data risk; and facilities availability, safety, and security risk.

### **Key risk management processes**

Operational resilience is our ability to anticipate, prevent, adapt, respond to, recover and learn from operational disruption while minimising customer, firm and market impact. Resilience is determined by assessing whether we can continue to provide our most important services, within an agreed impact tolerance. The Banking Group accept that we will not be able to prevent all disruption but we must prioritise investment to continually improve the response and recovery strategies for our most important business services to meet regulatory expectations.

## **Regulatory compliance risk**

Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards. Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.

### **Regulatory compliance risk management**

#### *Governance and structure*

Regulatory Compliance and Financial Crime teams work together and with relevant stakeholders to achieve good conduct outcomes, and provide enterprise-wide support on the compliance risk agenda in close collaboration with colleagues from the Risk and Compliance function.

#### *Key risk management processes*

The Global Regulatory Compliance capability is responsible for setting global policies, standards and risk appetite to guide the management of regulatory compliance risk. It also devises the required frameworks, support processes and tooling to protect against regulatory compliance risks. The capability provides oversight, review and challenge of the business to help them identify, assess and mitigate regulatory compliance

# Notes on the financial statements

risks, where required. The Banking Group's regulatory compliance risk policies are regularly reviewed. Global policies and procedures require the prompt identification and escalation of any actual or potential regulatory breach. Relevant reportable events are escalated to risk management committees as appropriate.

## Financial crime risk

Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

### Financial crime risk management

#### *Governance and structure*

The structure of the Financial Crime sub-function remained substantively unchanged in 2025. The Group Head of Financial Crime and Group Money Laundering Reporting Officer continues to report to the Group Chief Risk and Compliance Officer, while the Group Risk Committee retains oversight of matters relating to financial crime

#### *Key risk management processes*

Financial crime risk is:

- Measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement and assessment of the financial crime risk teams.
- Monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence function.
- Managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken when required.

The Banking Group is committed to working in partnership with the wider industry and the public sector in managing financial crime risk. In 2025, our focus remained on measures to improve the overall effectiveness of the global financial crime framework and promote the risk based approach.

## Internal audit

Internal audit is an integral part of the control environment of the Group. It provides management and, through the Audit Committee, the Board with an independent and objective review of the business activities and support functions of the Group. The Banking Group does not have a separate Audit Committee or internal audit function. The Group's internal audit department has authority of access to all operations, records, property and staff at each location. All employees are required to co-operate fully with and provide full and complete information to the Group's internal auditors in the performance of their assigned duties. Though some audit cycles are predetermined by regulatory or similar stipulations, in general, audits throughout the Group are carried out on a frequency determined primarily by the risk grading allocated to the business unit, with units considered to represent greater risks being audited at more frequent intervals.

### **Access to parental disclosures on risk management processes and capital adequacy requirements**

The most recent publicly available disclosures on risk management processes and capital adequacy requirements of HBAP Group and HSBC Holdings plc ("Group") can be found at HSBC Holdings plc's website, [www.hsbc.com](http://www.hsbc.com).

### 3 Operating income

The comparative number in the table below includes discontinued operations. For details on discontinued operations, refer Note 16 Segment Reporting.

	For the year ended	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Net interest income</b>		
<b>Interest income</b>	<b>259,866</b>	352,773
Advances to banks	52,478	98,148
Financial instruments <sup>1</sup>	41,681	53,057
Advances to customers	128,476	174,800
Related parties – HBAP	35,070	25,601
Related parties – other	1,846	1,166
Other	315	1
<b>Interest expense</b>	<b>(161,904)</b>	(242,527)
Deposits by banks	(5,379)	(10,498)
Customer deposits	(87,672)	(109,784)
Debt securities	–	(16,763)
Related parties – HBAP	(68,115)	(104,295)
Related parties – other	(573)	(932)
Lease liability	(157)	(254)
Other	(8)	(1)
<b>Year ended 31 Dec</b>	<b>97,962</b>	110,246
<b>Net trading income<sup>2</sup></b>		
Foreign exchange gains / (losses)	16,585	11,293
Gains / (losses) on revaluation of derivatives	(2,895)	158
<b>Year ended 31 Dec</b>	<b>13,690</b>	11,451
<b>Other net operating income</b>		
<b>Fee and commission income</b>	<b>47,752</b>	45,376
Lending and credit facility fees	19,332	19,731
Custody and clearing fees	5,917	5,599
Other fees and commissions from:		
– Third parties	16,677	12,288
– Related parties - HBAP <sup>3</sup>	2,479	4,798
– Related parties - other	3,347	2,960
<b>Fee and commission expense</b>	<b>(8,173)</b>	(4,775)
Brokerage expense	(3,542)	(2,951)
Other fees and commissions to:		
– Third parties	(1,066)	(865)
– Related parties - HBAP	(2,827)	(601)
– Related parties - other	(738)	(358)
<b>Other income</b>	<b>6,836</b>	359
Third parties	93	129
Related parties - other	2,098	424
(Loss) / gain on disposal plant property and equipment	105	7
(Loss) / gain arising from derecognition of financial instruments	4,540	(201)
<b>Year ended 31 Dec</b>	<b>46,415</b>	40,960

1 Interest income from Financial Instruments consists solely of financial assets measured at fair value through other comprehensive income.

2 Trading income consists solely of income and expenses derived from assets and liabilities held at fair value through profit or loss.

3 For the current year the presentation of other fees and commission from related parties has been amended to align with the group policy. The comparative number has not been amended due to materiality.

All other items of income and expense are derived solely from financial assets and liabilities measured at amortised cost.

## 4 Operating expenses

The comparative number in the table below includes discontinued operations. For details on discontinued operations, refer Note 16 Segment Reporting.

	For the year ended	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Rental expense</b>	<b>426</b>	248
Premises	426	248
<b>Depreciation and amortisation</b>	<b>4,529</b>	4,835
Lease right of use assets	1,993	2,228
Leasehold improvements	1,634	1,937
Equipment, fixtures and fittings	493	125
Intangibles	409	545
<b>Staff costs</b>	<b>24,616</b>	28,653
Salaries & other staff expenses	21,165	24,629
Defined contribution pension costs	1,570	1,874
Share based payments	148	390
Other	1,733	1,760
<b>Other</b>	<b>28,361</b>	36,707
Related party management and technical fees – HBAP	13,875	20,512
Related party management and technical fees – other	8,093	8,495
Donations	–	48
Other operating expenses	6,393	7,652
<b>Year ended 31 Dec</b>	<b>57,932</b>	70,443

## 5 Auditor's remuneration

Fees paid/payable to the auditor of the Banking Group in relation to the audit and review of the financial statements amount to \$770 thousand for the year ended 31 December 2025 (31 December 2024: \$763 thousand). This fee includes the limited assurance engagements on compliance with the information required on credit and market risk exposures and capital adequacy included in the Disclosure Statements for the periods ended 30 June 2025 and 31 December 2025.

There were no other services provided by the auditor, including any network firms, for the Banking Group in the 2025 financial year (2024 financial year: nil). The amounts above exclude goods and services tax.

## 6 Advances to customers

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Overdrafts	15,691	43,533
Term lending	2,806,157	2,771,108
Corporate credit card advances	11,631	4,148
Trade finance receivables	181,913	144,267
<b>Total gross advances to customers</b>	<b>3,015,392</b>	2,963,056
Expected credit loss allowance	(7,283)	(11,271)
<b>Total net advances to customers</b>	<b>3,008,109</b>	2,951,785

## 7 Asset quality – gross exposure and expected credit loss

### Gross exposure of past due but not individually impaired advances to customers

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Less than 30 days	11,987	97,513
At least 30 days but less than 60 days	—	9,219
At least 60 days but less than 90 days	—	4,018
At least 90 days	—	—
<b>Total past due but not individually impaired</b>	<b>11,987</b>	<b>110,750</b>

### Percentage of total gross advances to customers

	At			
	31 Dec 2025		31 Dec 2024	
	Stage 1 & 2 %	Stage 3 %	Stage 1 & 2 %	Stage 3 %
Fully collateralised	15	—	21	39
Partially collateralised	—	—	1	—
Not collateralised	85	100	78	61

### Total gross advances to customers by level of collateral

	At			
	31 Dec 2025		31 Dec 2024	
	Stage 1 & 2 \$000s	Stage 3 \$000s	Stage 1 & 2 \$000s	Stage 3 \$000s
Fully collateralised	454,550	—	573,511	17,729
Partially collateralised	10,209	—	25,594	—
Not collateralised	2,545,273	5,360	2,319,022	27,200

The collateral measured in the above tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery. Marketable securities are measured at their fair value.

Other types of collateral such as unsupported guarantees and floating charges over the assets of a customer's business are not measured in the above tables. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes.

Collateral is generally not held over advances to banks, or over amounts due from related parties.

### Reconciliation of changes in gross exposure/nominal amount and allowances for loans and advances to banks and customers

The disclosures below provide a reconciliation by stage of the Banking Group's gross exposure/nominal amount, allowances, and expected credit loss for loans and advances to banks and customers, including loan commitments and financial guarantees. Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represent the impact of stage transfers upon the gross exposure / nominal amount and associated allowance for ECL.

Changes in 'New financial assets originated or purchased', 'assets derecognised (including final repayments)' and 'net further lending / repayment' represent the impact from volume movements within the Banking Group's lending portfolio.

The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating / probability of default movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'net new lending and changes to risk parameters (model inputs)' line item.

The movement in expected credit losses for other financial assets are excluded from the tables below as they are not material.

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## Reconciliation of changes in gross exposure/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees for wholesale clients

	For the year ended 31 Dec 2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Exposure \$000	Allowance for ECL \$000	Gross Exposure \$000	Allowance for ECL \$000	Gross Exposure \$000	Allowance for ECL \$000	Gross Exposure \$000	Allowance for ECL \$000
<b>At 1 Jan 2025</b>	<b>4,594,922</b>	<b>(2,206)</b>	<b>241,397</b>	<b>(2,590)</b>	<b>55,241</b>	<b>(8,002)</b>	<b>4,891,560</b>	<b>(12,798)</b>
Transfer of financial instruments:								
– transfers from Stage 1 to 2	(157,508)	208	157,508	(208)	–	–	–	–
– transfers from Stage 2 to 1	170,510	(36)	(170,510)	36	–	–	–	–
– transfers to Stage 3	–	–	–	–	–	–	–	–
– transfers from Stage 3	–	–	85,302	–	(85,302)	–	–	–
Net further lending / repayment	(1,257,930)	–	(210,094)	–	48,728	–	(1,419,296)	–
Net re-measurement of ECL arising from transfer of stage	–	12	–	(224)	–	–	–	(212)
Net new lending and changes to risk parameters (model inputs)	–	2,348	–	3,750	–	(2,024)	–	4,074
Asset derecognised (including final repayments)	(719,984)	29	(18,589)	47	(12,305)	3,696	(750,878)	3,772
Model update	–	(1,945)	–	(1,112)	–	–	–	(3,057)
New financial assets originated or purchased	2,221,019	(880)	–	–	–	–	2,221,019	(880)
<b>At 31 Dec 2025</b>	<b>4,851,029</b>	<b>(2,470)</b>	<b>85,014</b>	<b>(301)</b>	<b>6,362</b>	<b>(6,330)</b>	<b>4,942,405</b>	<b>(9,101)</b>
ECL on loans and advances to banks and customers including loan commitments and financial guarantees - profit or loss charge/(release) for the period	–	264	–	(2,289)	–	(1,672)	–	(3,697)
<b>Total ECL profit or loss charge / (release) for the period</b>	<b>–</b>	<b>264</b>	<b>–</b>	<b>(2,289)</b>	<b>–</b>	<b>(1,672)</b>	<b>–</b>	<b>(3,697)</b>

At 1 Jan 2024	4,314,658	(3,643)	503,842	(2,962)	–	–	4,818,500	(6,605)
Transfer of financial instruments:								
– transfers from Stage 1 to 2	(158,268)	164	158,268	(164)	–	–	–	–
– transfers from Stage 2 to 1	152,429	(920)	(152,429)	920	–	–	–	–
– transfers to Stage 3	–	–	(68,731)	214	68,731	(214)	–	–
– transfers from Stage 3	–	–	–	–	–	–	–	–
Net further lending / repayment	(977,378)	–	(141,053)	–	(13,490)	–	(1,131,921)	–
Net re-measurement of ECL arising from transfer of stage	–	584	–	(93)	–	(6,581)	–	(6,090)
Net new lending and changes to risk parameters (model inputs)	–	2,515	–	(511)	–	(1,207)	–	797
Asset derecognised (including final repayments)	(559,090)	10	(58,500)	6	–	–	(617,590)	16
Model update	–	–	–	–	–	–	–	–
New financial assets originated or purchased	1,822,571	(916)	–	–	–	–	1,822,571	(916)
At 31 Dec 2024	4,594,922	(2,206)	241,397	(2,590)	55,241	(8,002)	4,891,560	(12,798)
ECL on loans and advances to banks and customers including loan commitments and financial guarantees - profit or loss charge/(release) for the period	–	(1,437)	–	(372)	–	8,002	–	6,193
<b>Total ECL profit or loss charge / (release) for the period</b>	<b>–</b>	<b>(1,437)</b>	<b>–</b>	<b>(372)</b>	<b>–</b>	<b>8,002</b>	<b>–</b>	<b>6,193</b>

At 31 December 2025, there were no assets under administration (31 December 2024: nil). The aggregate amount as at 31 December 2025 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, was \$1.0m (31 December 2024: \$10.3m).

### Change in expected credit loss

	For the year ended	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Advances to customers		
– new allowances net of allowance releases	(3,779)	6,183
– recoveries of amounts previously written off	–	–
– amounts written off	–	–
Loan commitments and guarantees	288	36
Other financial assets <sup>1</sup>	6	(181)
<b>Total change in expected credit loss</b>	<b>(3,485)</b>	<b>6,038</b>

<sup>1</sup> Other financial assets include cash with central bank, amount due from related parties, financial investment and other assets.

## 8 Asset quality – financial instruments by stage allocation

### Credit quality classification

Quality classification	Financial Investments	Wholesale Lending	
	External credit rating	Internal credit rating	12 month probability of default %
Strong	A- and above	CRR1 to CRR2	0 - 0.169
Good	BBB+ to BBB-	CRR3	0.170 - 0.740
Satisfactory	BB+ to B and unrated	CRR4 to CRR5	0.741 - 4.914
Sub-standard	B- to C	CRR6 to CRR8	4.915 – 99.999
Impaired	Default	CRR9 to CRR10	100.00

### Distribution of financial instruments to which the impairment requirements in NZ IFRS 9 are applied, by credit quality and stage allocation

	Strong \$000	Good \$000	Satisfactory \$000	Sub- standard \$000	Credit impaired \$000	Gross \$000	Allowance for ECL \$000	Net \$000
<b>Advances to customers at amortised cost</b>	<b>1,536,280</b>	<b>946,862</b>	<b>526,508</b>	<b>382</b>	<b>5,360</b>	<b>3,015,392</b>	<b>(7,283)</b>	<b>3,008,109</b>
– stage 1	1,536,280	946,862	473,762	–	–	2,956,904	(1,758)	2,955,146
– stage 2	–	–	52,746	382	–	53,128	(197)	52,931
– stage 3	–	–	–	–	5,360	5,360	(5,328)	32
<b>Advances to banks at amortised cost<sup>1</sup></b>	<b>1,211</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,211</b>	<b>–</b>	<b>1,211</b>
– stage 1	1,211	–	–	–	–	1,211	–	1,211
– stage 2	–	–	–	–	–	–	–	–
– stage 3	–	–	–	–	–	–	–	–
<b>Loan and other credit-related commitments</b>	<b>1,092,786</b>	<b>600,441</b>	<b>156,484</b>	<b>359</b>	<b>1,002</b>	<b>1,851,072</b>	<b>(1,609)</b>	<b>1,849,463</b>
– stage 1	1,091,786	600,241	126,349	–	–	1,818,376	(568)	1,817,808
– stage 2	1,000	200	30,135	359	–	31,694	(39)	31,655
– stage 3	–	–	–	–	1,002	1,002	(1,002)	–
<b>Financial guarantees and similar contracts</b>	<b>8,502</b>	<b>63,307</b>	<b>2,921</b>	<b>–</b>	<b>–</b>	<b>74,730</b>	<b>(209)</b>	<b>74,521</b>
– stage 1	8,502	63,307	2,729	–	–	74,538	(144)	74,394
– stage 2	–	–	192	–	–	192	(65)	127
– stage 3	–	–	–	–	–	–	–	–
<b>Total at 31 Dec 2025</b>	<b>2,638,779</b>	<b>1,610,610</b>	<b>685,913</b>	<b>741</b>	<b>6,362</b>	<b>4,942,405</b>	<b>(9,101)</b>	<b>4,933,304</b>

	Strong \$000	Good \$000	Satisfactory \$000	Sub-standard \$000	Credit impaired \$000	Gross \$000	Allowance for ECL \$000	Net \$000
Advances to customers at amortised cost	1,568,841	783,702	480,002	85,583	44,928	2,963,056	(11,271)	2,951,785
– stage 1	1,560,299	700,466	454,933	–	–	2,715,698	(1,565)	2,714,133
– stage 2	8,542	83,236	25,069	85,583	–	202,430	(2,197)	200,233
– stage 3	–	–	–	–	44,928	44,928	(7,509)	37,419
Advances to banks at amortised cost <sup>1</sup>	1,064	–	–	–	–	1,064	–	1,064
– stage 1	1,064	–	–	–	–	1,064	–	1,064
– stage 2	–	–	–	–	–	–	–	–
– stage 3	–	–	–	–	–	–	–	–
Loan and other credit-related commitments	944,676	630,022	268,124	22,323	10,313	1,875,458	(1,389)	1,874,069
– stage 1	934,865	624,174	262,543	4,797	–	1,826,379	(564)	1,825,815
– stage 2	9,811	5,848	5,581	17,526	–	38,766	(332)	38,434
– stage 3	–	–	–	–	10,313	10,313	(493)	9,820
Financial guarantees and similar contracts	36,985	12,504	2,342	151	–	51,982	(138)	51,844
– stage 1	36,985	12,504	2,292	–	–	51,781	(77)	51,704
– stage 2	–	–	50	151	–	201	(61)	140
– stage 3	–	–	–	–	–	–	–	–
<b>Total at 31 Dec 2024</b>	<b>2,551,566</b>	<b>1,426,228</b>	<b>750,468</b>	<b>108,057</b>	<b>55,241</b>	<b>4,891,560</b>	<b>(12,798)</b>	<b>4,878,762</b>

<sup>1</sup> Advances to banks at Amortised Cost excludes 'Items in the course of collection from other banks'.

Balances related to cash with central banks, amounts due from related parties, financial investments and other assets are not included in the table above due to not having a material ECL balance.

## 9 Concentrations of credit risk

### Maximum exposure to credit 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 expected credit loss. 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.

#### Credit exposures

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>On-balance sheet credit exposures</b>		
Cash and demand balances with central banks	1,939,908	1,592,928
Advances to banks	1,218	1,071
Financial investments	764,333	1,245,836
Derivative financial instruments	88	191
Advances to customers	3,008,109	2,951,785
Amounts due from related parties	605,835	659,282
Other assets	19,777	26,071
<b>Total on-balance sheet credit exposures</b>	<b>6,339,268</b>	<b>6,477,164</b>
<b>Total off-balance sheet credit exposures</b>	<b>3,585,688</b>	<b>3,207,709</b>
<b>Total credit exposures</b>	<b>9,924,956</b>	<b>9,684,873</b>

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.

#### Concentrations of credit risk by industry and geographical area

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Concentrations of credit risk by industry</b>		
Banks and financial institutions	4,080,363	4,110,108
Commercial and industrial	1,817,609	2,424,165
Commercial real estate and construction	805,850	553,007
Electricity, telecommunication and other utilities	1,509,034	908,957
Wholesale and retail trade	483,298	496,752
Agriculture, forestry and mining	198,234	185,478
Transport	276,953	293,380
Government	248,394	246,506
Other	505,221	466,520
<b>Total</b>	<b>9,924,956</b>	<b>9,684,873</b>
<b>Concentrations of credit risk by geographical area</b>		
New Zealand	8,228,148	7,997,384
Hong Kong	600,149	360,532
China	227,239	238,785
Australia	270,630	441,169
United States	120,463	347,112
United Kingdom	35,369	39,424
Singapore	59,896	7,694
Other Overseas	383,062	252,773
<b>Total</b>	<b>9,924,956</b>	<b>9,684,873</b>

## 10 Concentrations of funding risk

### Concentrations of funding risk by product, industry and geographical area

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Concentrations of funding by product</b>		
Deposits by banks	203,670	326,775
Customer deposits	3,983,102	3,400,361
Amounts due to related parties	2,087,659	2,672,920
<b>Total</b>	<b>6,274,431</b>	<b>6,400,056</b>
<b>Concentrations of funding by industry</b>		
Banks and financial institutions	3,974,279	4,448,675
Commercial and industrial	669,541	692,297
Commercial real estate and construction	128,974	125,480
Wholesale trade	539,064	503,554
Agriculture, forestry and mining	420,266	95,128
Transport	62,342	174,401
Electricity, telecommunication and other utilities	42,981	41,572
Government	15,877	39,707
Other	421,107	279,242
<b>Total</b>	<b>6,274,431</b>	<b>6,400,056</b>
<b>Concentrations of funding by geographical area</b>		
New Zealand	3,817,880	3,247,519
Hong Kong	1,946,640	2,483,212
China	9,336	2,685
United Kingdom	82,724	102,799
United States	105,968	62,585
Australia	113,882	132,106
Singapore	58,282	63,641
Other Overseas	139,719	305,509
<b>Total</b>	<b>6,274,431</b>	<b>6,400,056</b>

## 11 Financial investments

### Carrying amounts of financial investments

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Financial investments measured at fair value through other comprehensive income	724,779	985,165
– treasury and other eligible bills	65,297	—
– debt securities	659,460	985,143
– equity securities	22	22
Debt instruments measured at amortised cost	39,554	260,671
– debt securities	39,554	260,671
<b>Total</b>	<b>764,333</b>	<b>1,245,836</b>

## 12 Customer deposits

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Current accounts	3,522,234	3,001,962
Savings and deposit accounts	460,868	398,399
<b>Total customer deposits at amortised cost</b>	<b>3,983,102</b>	<b>3,400,361</b>

## 13 Additional financial disclosures on the balance sheet

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Total interest earning and discount bearing assets	6,319,403	6,450,902
Total interest and discount bearing liabilities	6,062,073	6,183,106
Total liabilities net of amounts due to related parties	4,225,191	3,800,285

## 14 Other assets

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Accrued interest receivable – third party	11,580	19,395
Acceptances and endorsements	5,805	4,866
Other	2,881	2,235
<b>Total</b>	<b>20,266</b>	<b>26,496</b>

## 15 Other liabilities

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Accrued interest payable	2,231	2,385
Accruals and deferred income <sup>1</sup>	7,317	8,419
Acceptances and endorsements	5,808	4,868
Lease liabilities	6,142	13,032
Other	12,958	29,650
<b>Total</b>	<b>34,456</b>	<b>58,354</b>

<sup>1</sup> At 31 December 2025, accruals include \$5.2m for employee entitlements (31 December 2024: \$5.6m).

## 16 Segment reporting

Following the HSBC Group organisational announcement in October 2024, effective from 1 January 2025, the NZ Banking Group's reporting segments comprise of one business segment - Corporate and Institutional Banking (CIB), along with Corporate Centre. This business segment has been formed from the integration of our Commercial Banking business and our Global Banking and Markets.

The NZ Executive Committee, which includes senior management of each business unit, acts as the Banking Group's chief operating decision-maker and assesses the Banking Group's performance on this basis.

The Banking Group operates primarily in New Zealand and predominately all revenues from and assets held with external customers are generated or held in New Zealand. The Banking Group does not rely on any single major customer for its revenue base.

For the year ended 31 December 2025, the Banking Group's reportable segments under NZ IFRS 8 'Operating Segments' comprise one business, along with Corporate Centre.

### Corporate and Institutional Banking (CIB)

Manages the relationships with corporate customers providing loans, deposits and other transactions including trade finance and payment solutions and manages the relationships with institutional customers and undertakes the Banking Group's investment banking operations.

The profit or loss, assets and liabilities of this operating segment is represented by the Statement of comprehensive income and Balance sheet which forms part of the financial statements.

For the year ended 31 December 2024, the Banking Group comprises the following main business segments:

### International Wealth and Premier Banking (IWPB)

Includes loans, deposits and other transactions with retail customers. On 13 June 2023, the Branch announced that it will be exiting its IWPB business in New Zealand via a wind-down. Discontinuation of IWPB business was completed effective 27 June 2024.

### Corporate and Institutional Banking (CIB)

Manages the relationships with corporate customers providing loans, deposits and other transactions including trade finance and payment solutions and manages the relationships with institutional customers and undertakes the Banking Group's investment banking operations.

### Corporate Centre

Includes central and Group support costs with associated recoveries that cannot be meaningfully attributed.

# Notes on the financial statements

	Year ended 31 Dec 2024			
	International Wealth and Premier Banking (Discontinued Operation)	Corporate and Institutional Banking	Corporate Centre	Aggregated
	\$000	\$000	\$000	\$000
Net interest income / (loss)	643	110,369	(766)	110,246
Net trading income / (loss)	226	11,105	120	11,451
Net fee and commission income / (loss)	(84)	41,926	(1,241)	40,601
Other income	(500)	429	430	359
Net operating income / (loss) before loan impairment charges	285	163,829	(1,457)	162,657
Change in expected credit loss	—	(6,038)	—	(6,038)
Net operating income	285	157,791	(1,457)	156,619
Operating (expense) / recovery	(14,748)	(55,917)	222	(70,443)
Operating profit before tax <sup>1</sup>	(14,463)	101,874	(1,235)	86,176
Balance sheet data				
Advances to customers	—	2,951,785	—	2,951,785
Customer deposits	—	3,400,361	—	3,400,361

Comparatives have been re-presented to confirm to the current year's organisation design.

<sup>1</sup> Tax credit from discontinued operations for 2024 was \$4.1m. The loss after tax for the discontinued operations for 2024 was \$10.4m.

## Cash flow from discontinued operation

	31 Dec 2025 \$000	31 Dec 2024 \$000
Net cash flows to operating activities	—	(399,149)
Net cash flows from investing activities	—	—
Net cash flows from/(to) financing activities	—	—
Net decrease in cash and cash equivalents	—	(399,149)

## 17 Taxation

The comparative number in the table below includes discontinued operations. For details on discontinued operations, refer Note 16 Segment Reporting.

### Tax expense and tax reconciliation

	2025	2024
	\$000	\$000
<b>Current tax expense</b>		
– On current year profit	26,351	24,793
<b>Deferred tax expense</b>		
– Origination and reversal of temporary differences	2,676	(642)
<b>Year ended 31 Dec</b>	<b>29,027</b>	<b>24,151</b>
<b>Reconciliation of effective tax rate</b>		
Operating profit before tax	103,620	86,176
Income tax using the domestic corporation tax rate (28%)	29,013	24,129
Non-deductible expenses	13	22
Under/(Over) provision from prior years	1	—
<b>Year ended 31 Dec</b>	<b>29,027</b>	<b>24,151</b>

### Recognised deferred tax assets and liabilities

	Balance at 1 Jan	Credit/ (charge) to profit or loss	Balance at 31 Dec
	\$000	\$000	\$000
<b>2025</b>			
Accelerated capital allowances	4,028	(988)	3,040
Provision for loan impairment	3,595	(810)	2,785
Other provisions	308	457	765
Right of use assets	(3,144)	594	(2,550)
Lease liabilities	3,649	(1,929)	1,720
<b>Net deferred tax asset / (liability)</b>	<b>8,436</b>	<b>(2,676)</b>	<b>5,760</b>
<b>2024</b>			
Accelerated capital allowances	3,707	321	4,028
Provision for loan impairment	1,913	1,682	3,595
Other provisions	1,350	(1,042)	308
Right of use assets	(3,084)	(60)	(3,144)
Lease liabilities	3,908	(259)	3,649
<b>Net deferred tax asset / (liability)</b>	<b>7,794</b>	<b>642</b>	<b>8,436</b>

The Banking Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to NZ IAS 12 issued in May 2023.

Based on the Banking Group's forecast related to the Pillar Two legislation enacted by New Zealand government on 28 March 2024, no material top-up tax liability is expected to arise in New Zealand. Nonetheless, future impact is dependent upon the ongoing evolution of rules and guidance in the UK and New Zealand.

## 18 Related party transactions

Related party transactions are unsecured and entered into in the normal course of business. During the year there have been dealings between the Banking Group, 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.

The balances for derivative financial instruments with related parties have been disclosed in Note 19. Transactions with related parties during the year have been disclosed in Notes 3 and 4.

Key management personnel are those who, directly or indirectly, have the authority for planning, directing or controlling the activities of the Banking Group. Until 31 May 2024, key management personnel for the Banking Group represent the members of the New Zealand Executive Committee who are employees of the Banking Group.

On 17 May 2024, a new CEO was appointed of the New Zealand Branch who resides in Australia. As a result, the key management personnel have been re-assessed and the compensation reported for 2024 consists of 5 months (1 January to 31 May) of the previous NZ Executive Committee up to the time of the change. From 1 June 2024, the key management personnel are resident outside of New Zealand and their remunerations are not paid by the New Zealand Branch. Thus, there are no amounts reported as at 31 December 2025.

## Notes on the financial statements

	2025 \$000	2024 \$000
<b>Key management compensation</b>		
Salaries and other short-term benefits	—	1,110
Post employment benefits <sup>1</sup>	—	691
Share-based payments expenses recognised	—	57
<b>Year ended 31 Dec</b>	<b>—</b>	<b>1,858</b>

1 Includes termination benefits.

	31 Dec 2025 Number of awards awarded	31 Dec 2024 Number of awards awarded
<b>Shares, options and other incentive plans</b>		
HSBC Restricted Share Award Scheme	—	5,571

The total fair value of the shares awarded under the restricted share award scheme as at 31 December 2024 was \$60 thousand. The fair value of a share granted under the HSBC Restricted Share Award Scheme as at 31 December 2024 was £5.26.

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
<b>Amounts due from related parties</b>		
On demand	16,058	39,827
Other short term	589,777	619,455
<b>Total</b>	<b>605,835</b>	<b>659,282</b>

The Hongkong and Shanghai Banking Corporation Limited (HBAP):

HBAP Hong Kong	590,036	441,856
HBAP Japan	116	678
HBAP Australia	7,508	183,298
HBAP Other	658	338
Other:		
HUSI North America	575	32,110
HSBC Bank plc UK Ops	6,114	405
Other	828	597
<b>Total</b>	<b>605,835</b>	<b>659,282</b>

**Amounts due to related parties**

On demand	370,602	485,467
Other short term	111,701	248,289
Long term	1,605,356	1,939,164
<b>Total</b>	<b>2,087,659</b>	<b>2,672,920</b>

The Hongkong and Shanghai Banking Corporation Limited (HBAP):

HBAP Hong Kong	1,913,015	2,432,774
HBAP Singapore	45,633	46,394
HBAP Australia	17,269	3,008
HBAP India	921	2,100
HBAP Japan	98	2
HBAP Other	1,305	1,235
Other:		
HSBC Bank Plc UK Ops	36,291	61,767
HSBC Germany	12,623	11,445
HUSI North America	13	1,723
HSBC Bank (China) Company Limited	9,336	2,685
HSBC Bank (Taiwan) Limited	950	904
HSBC Bank Plc	2,059	5,329
HSBC France	12,021	67,507
Other	36,125	36,047
<b>Total</b>	<b>2,087,659</b>	<b>2,672,920</b>

### Interest Free Funding

As at 31 December 2025, the Banking Group held an interest free loan from HBAP of \$194 million to support the thin capitalisation ratio imposed under New Zealand tax law (31 December 2024: \$194 million). This loan has no repayment terms and is recorded within amounts due to related parties.

### Repatriation of capital to HBAP

The Banking Group repatriated profits of \$61.1 million (2024: \$76.5 million) to HBAP during the year.

## 19 Derivative financial instruments

	At					
	31 Dec 2025			31 Dec 2024		
	Contract amount \$000	Assets \$000	Liabilities \$000	Contract amount \$000	Assets \$000	Liabilities \$000
<b>Related Party</b>						
Exchange rate contracts <sup>1</sup>	71,917	86	7	561,005	146	148
<i>Of which:</i>						
HBAP Group		86	7		130	109
Others		—	—		16	39
<b>Other</b>						
Exchange rate contracts <sup>1</sup>	2,812	2	22	8,926	45	25
<b>Total</b>		<b>88</b>	<b>29</b>		<b>191</b>	<b>173</b>

<sup>1</sup> Cross-currency interest rate swaps are included as exchange rate contracts

## 20 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 table below provides an analysis of the various bases described above which have been deployed for valuing financial assets and financial liabilities measured at fair value.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>At 31 Dec 2025</b>				
<b>Assets</b>				
Financial investments	724,757	—	22	724,779
Derivative financial instruments	—	88	—	88
<b>Liabilities</b>				
Derivative financial instruments	—	29	—	29
<b>At 31 Dec 2024</b>				
<b>Assets</b>				
Financial investments	985,143	—	22	985,165
Derivative financial instruments	—	191	—	191
<b>Liabilities</b>				
Derivative financial instruments	—	173	—	173

There have been no transfers between levels 1, 2 or 3 for the year ended 31 December 2025 (31 December 2024: Nil). Any transfers between levels of the fair value hierarchy would be deemed to occur at the end of the reporting period.

### 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 six 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.

#### Financial investments

For hold to collect and sell securities that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price. Where quoted 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.

## Notes on the financial statements

### *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 cash flows 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 by banks, customer deposits, and other 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 market observable 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.

## Fair Value of financial instruments not carried at fair value

The table below provides an analysis of the various bases described in the 'Methodologies' section above, which have been deployed for summarising financial assets and financial liabilities fair value which are not carried at fair value where the fair value is different to its carrying value.

	Fair value				Carrying value \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	
<b>At 31 Dec 2025</b>					
<b>Assets</b>					
Advances to customers	—	—	3,015,392	3,015,392	3,015,392
Financial investments – debt securities at amortised cost	40,139	—	—	40,139	39,554
<b>Liabilities</b>					
Customer deposits	—	3,983,079	—	3,983,079	3,983,102
Amounts due to related parties	—	2,088,272	—	2,088,272	2,087,659
<b>At 31 Dec 2024</b>					
<b>Assets</b>					
Advances to customers	—	—	2,951,785	2,951,785	2,963,056
Financial investments – debt securities at amortised cost	262,180	—	—	262,180	260,671
<b>Liabilities</b>					
Customer deposits	—	3,400,354	—	3,400,354	3,400,361
Amounts due to related parties	—	2,671,743	—	2,671,743	2,672,920

Other financial instruments not carried at fair value are typically short-term in nature and reprice to the current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and demand balances with central banks, advances to banks and deposits by banks, other assets and other liabilities, and amounts due from related parties.

## 21 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.

	Up to 3 months \$m	Over 3 months and up to 6 months \$m	Over 6 months and up to 1 year \$m	Over 1 year and up to 2 years \$m	Over 2 years \$m	Total interest bearing \$m	Non interest bearing \$m	Total \$m
<b>At 31 Dec 2025</b>								
<b>Financial assets</b>								
Cash and demand balances with central banks	1,940	—	—	—	—	1,940	—	1,940
Advances to banks	1	—	—	—	—	1	—	1
Financial investments	65	25	—	99	575	764	—	764
Advances to customers	2,831	118	43	16	—	3,008	—	3,008
Amounts due from related parties	606	—	—	—	—	606	—	606
Other assets	—	—	—	—	—	—	20	20
<b>Total financial assets</b>	<b>5,443</b>	<b>143</b>	<b>43</b>	<b>115</b>	<b>575</b>	<b>6,319</b>	<b>20</b>	<b>6,339</b>
<b>Financial liabilities</b>								
Deposits by banks	203	—	—	—	—	203	1	204
Customer deposits	3,964	2	1	—	—	3,967	16	3,983
Amounts due to related parties	1,886	—	—	—	—	1,886	202	2,088
Other liabilities	—	—	1	1	4	6	28	34
<b>Total financial liabilities</b>	<b>6,053</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>6,062</b>	<b>247</b>	<b>6,309</b>
<b>Off-balance sheet financial instruments</b>								
Net notional interest rate contracts	—	—	—	—	—	—	—	—
<b>At 31 Dec 2024</b>								
<b>Financial assets</b>								
Cash and demand balances with central banks	1,593	—	—	—	—	1,593	—	1,593
Advances to banks	1	—	—	—	—	1	—	1
Financial investments	71	514	31	233	397	1,246	—	1,246
Advances to customers	2,845	86	1	18	2	2,952	—	2,952
Amounts due from related parties	659	—	—	—	—	659	—	659
Other assets	—	—	—	—	—	—	26	26
<b>Total financial assets</b>	<b>5,169</b>	<b>600</b>	<b>32</b>	<b>251</b>	<b>399</b>	<b>6,451</b>	<b>26</b>	<b>6,477</b>
<b>Financial liabilities</b>								
Deposits by banks	327	—	—	—	—	327	—	327
Customer deposits	3,380	1	2	—	—	3,383	17	3,400
Amounts due to related parties	2,457	—	—	—	—	2,457	217	2,674
Other liabilities	1	1	1	2	9	14	44	58
<b>Total financial liabilities</b>	<b>6,165</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>9</b>	<b>6,181</b>	<b>278</b>	<b>6,459</b>
<b>Off-balance sheet financial instruments</b>								
Net notional interest rate contracts	—	—	—	—	—	—	—	—

## 22 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 requirements. Liquid assets consist of demand balances with the central bank, 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:

	At	
	31 Dec 2025 \$m	31 Dec 2024 \$m
Cash and demand balances with central banks	1,940	1,593
Financial Investments	764	1,246
<b>Total</b>	<b>2,704</b>	<b>2,839</b>

### Maturity Analysis – Balance sheet expected settlement

The table below analyses the Banking Group's assets and liabilities by the amount expected to be recovered or settled before, and after twelve months from the reporting period. Customer deposits are presented on a contractual basis, however as part of our normal banking operations, the Banking Group expects a large proportion of these balances to be retained.

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

	2025			2024		
	Under 12 months \$m	Over 12 months \$m	Total \$m	Under 12 months \$m	Over 12 months \$m	Total \$m
<b>Assets</b>						
Cash and demand balances with central banks	1,940	—	1,940	1,593	—	1,593
Advances to banks	1	—	1	1	—	1
Financial investments	90	674	764	616	630	1,246
Derivative financial instruments	—	—	—	—	—	—
Advances to customers	2,992	16	3,008	1,334	1,618	2,952
Amounts due from related parties	606	—	606	659	—	659
Other assets	17	3	20	17	10	27
Current tax asset	—	—	—	—	—	—
Deferred tax asset	—	6	6	—	8	8
<b>Total assets at 31 Dec</b>	<b>5,646</b>	<b>699</b>	<b>6,345</b>	<b>4,220</b>	<b>2,266</b>	<b>6,486</b>
<b>Liabilities</b>						
Deposits by banks	204	—	204	327	—	327
Derivative financial instruments	—	—	—	—	—	—
Customer deposits	3,983	—	3,983	3,400	—	3,400
Debt securities	—	—	—	—	—	—
Amounts due to related parties	482	1,606	2,088	734	1,939	2,673
Current tax liability	4	—	4	15	—	15
Other liabilities	34	—	34	57	1	58
<b>Total liabilities at 31 Dec</b>	<b>4,707</b>	<b>1,606</b>	<b>6,313</b>	<b>4,533</b>	<b>1,940</b>	<b>6,473</b>
<b>Net assets at 31 Dec</b>	<b>939</b>	<b>(907)</b>	<b>32</b>	<b>(313)</b>	<b>326</b>	<b>13</b>

### Maturity Analysis – undiscounted cash flows basis

The table below analyses the Banking Group's financial 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 Balance Sheet.

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

## Notes on the financial statements

	On Demand	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>At 31 Dec 2025</b>								
<b>Financial liabilities</b>								
Deposits by banks	204	—	—	—	—	—	—	204
Customer deposits	3,523	159	300	3	—	—	—	3,985
Debt securities	—	—	—	—	—	—	—	—
Amounts due to related parties	371	115	7	30	1,622	—	—	2,145
Other liabilities	27	—	1	1	5	—	—	34
<b>Total non-derivative financial liabilities</b>	<b>4,125</b>	<b>274</b>	<b>308</b>	<b>34</b>	<b>1,627</b>	<b>—</b>	<b>—</b>	<b>6,368</b>
Derivative financial instruments – held for trading purposes	—	—	—	—	—	—	—	—
<b>Total undiscounted derivatives</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Undrawn loan commitments</b>	<b>559</b>	<b>—</b>	<b>1,520</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,079</b>
<b>At 31 Dec 2024</b>								
<b>Financial liabilities</b>								
Deposits by banks	327	—	—	—	—	—	—	327
Customer deposits	3,029	342	28	3	—	—	—	3,402
Debt securities	—	—	—	—	—	—	—	—
Amounts due to related parties	492	25	245	78	1,958	—	—	2,798
Other liabilities	22	15	1	9	9	2	—	58
<b>Total non-derivative financial liabilities</b>	<b>3,870</b>	<b>382</b>	<b>274</b>	<b>90</b>	<b>1,967</b>	<b>2</b>	<b>—</b>	<b>6,585</b>
Derivative financial instruments – held for trading purposes	—	—	—	—	—	—	—	—
Derivative financial instruments – held for hedging purposes (net settled) (Inflow) / outflow	—	—	—	—	—	—	—	—
<b>Total undiscounted derivatives</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Undrawn loan commitments</b>	<b>407</b>	<b>—</b>	<b>1,419</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,826</b>

## 23 Offsetting financial assets and financial liabilities

The Banking Group had no financial instruments that meet the offsetting criteria at 31 December 2025 (31 December 2024: nil).

## 24 Market risk exposures

Aggregate market risk exposures are derived in accordance with the Reserve Bank of New Zealand document, BPR140: Market Risk and is calculated on a six monthly basis.

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. For the six months ending 31 December 2025, the peak exposure was 15 October 2025.

	Implied risk weighted exposure \$m	Notional capital charge \$m
<b>Exposure period at 31 Dec 2025 (unaudited)</b>		
Interest rate risk	180.50	14.44
Foreign currency risk	0.50	0.04
Equity risk	—	—
<b>Peak exposure period 1 Jul 2025 to 31 Dec 2025 (unaudited)</b>		
Interest rate risk	207.88	16.63
Foreign currency risk	0.75	0.06
Equity risk	—	—

## 25 Share awards

The Branch participated in the following share compensation plans operated by the Group for the acquisition of HSBC Holdings plc shares. The awards were granted at nil consideration. No awards have been granted to substantial shareholders, suppliers of goods and services, or in excess of the individual limit of each share plan.

### a) HSBC Holdings Group International Employee Share Purchase Plan

The HSBC Holdings Group International Employee Share Purchase Plan ('Share Match') invites eligible employees to enter into savings contracts with funds used to acquire shares. The Scheme commenced on 1 September 2015. Eligible employees use saved funds to acquire shares each quarter. Employees are awarded matching shares proportional to their purchased shares. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum of two years and nine months.

#### Movement of HSBC Holdings Group International Employee Share Purchase Plan Shares

	2025 Number of shares	2024 Number of shares
Shares at beginning of the year	5,905	8,693
New shares granted during the year	2,154	3,502
Shares released during the year	(2,895)	(5,228)
Shares forfeited during the year	(69)	(607)
Shares cancelled during the year	(198)	(5)
Shares transferred in during the year	—	81
Shares transferred out during the year	(83)	(531)
<b>Shares outstanding at the end of the year</b>	<b>4,814</b>	<b>5,905</b>

### b) HSBC Restricted Share Award Scheme

Awards of Restricted Shares may be made to other senior executives. These awards are typically made to certain employees as part of the Group's bonus deferral policy. Awards of Restricted Shares define the number of shares to which the employee will become entitled, generally between one and three years from the date of the award, and normally subject to the individual remaining in employment.

#### Movement of Restricted Shares

	2025 Number of shares	2024 Number of shares
Shares at beginning of the year	23,799	6,337
New shares granted during the year	5,408	5,571
Additional shares arising from scrip dividends	—	—
Shares released during the year	(11,303)	(2,498)
Shares forfeited during the year	—	—
Shares transferred in during the year	—	14,389
Shares transferred out during the year	(12,872)	—
<b>Shares outstanding at the end of the year</b>	<b>5,032</b>	<b>23,799</b>

#### Calculation of fair values

The fair value of services received in return for share awards granted are measured by referring to the fair value of share awards granted. Fair values of share awards, measured at the date of grant of the award, is calculated using a Black-Scholes model. The fair value of share award is based on the share price at the date of the grant. The fair value of share award is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The fair value of the shares awarded under the HSBC Restricted Share Award Scheme is the market value of the shares at the date of award.

## 26 Lease liabilities

	At	
	31 Dec 2025 \$000	31 Dec 2024 <sup>1</sup> \$000
Within one year	1,282	7,177
Between one year and two years	1,257	1,478
Between two years and five years	3,777	4,180
Over five years	—	1,345
<b>Total</b>	<b>6,316</b>	<b>14,180</b>

The leases comprise premises where the Banking Group is a lessee. The total cash outflow in respect of leases was \$6.9m for the year ended 31 December 2025 (31 December 2024: \$2.2m).

In October 2024, the Banking Group executed a modification to the lease for its New Zealand Head Office to surrender one floor. The lease liability has been remeasured to reflect the lease modification.

<sup>1</sup> Comparative has been restated to move the surrender fee paid from "Between one year and two years" to "Within one year".

## 27 Contingent liabilities and other commitments

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 client's default.

	At	
	31 Dec 2025 \$000	31 Dec 2024 \$000
Direct credit substitutes	89,188	82,274
Transaction related contingent items	980,130	940,994
Trade related contingent items	437,892	359,166
Commitments, maturity one year or more	1,028,597	1,212,737
Commitments, maturity up to one year	1,049,881	612,538
<b>Total</b>	<b>3,585,688</b>	<b>3,207,709</b>
<b>Capital commitments</b>		
Contracted expenditure	—	230

## 28 Custodial services

The financial statements of the Banking Group include income in respect of custodial services provided to customers. It is HBAP who contracts with the customers. In some cases, customers would contract with another HSBC entity as their global custodian and the HSBC entity would in turn appoint HBAP as its sub-custodian to provide custodial services for the customers in New Zealand. The securities are held in the name of the HBAP's nominee company, HSBC Nominees (New Zealand) Limited. As at 31 December 2025, securities held by the nominee company on behalf of the customers are not recognised on from the nominee company and the Banking Group's Balance Sheet. The value of securities held by the nominee company at 31 December 2025 was \$116,963m (31 December 2024: \$114,530m).

HSBC Nominees (New Zealand) Limited is subject to the standard risks incurred by custodial operations. HSBC Holdings plc holds Banker's Blanket Bond insurance that provides cover for it, and its subsidiary companies in respect of loss of cash and other assets (incurred accidentally or by reason of fraud). Such Banker's Blanket Bond insurance is maintained with limits of cover which vary from time to time but which are considered prudent and in accordance with international levels and insurance market capacity. In addition, securities custody operations are specifically covered by a wrap-around Papers of Value Cover.

The Banking Group has established governance and legal structures to ensure that difficulties arising from custodial activities would not impact adversely on the Banking Group. The legal structures are detailed within the Summary of material accounting policies and as noted above.

## 29 Insurance, securitisation, funds management and other fiduciary activities

The Banking Group:

- does not conduct any insurance business or non-financial activities in New Zealand. HBAP does not carry on any insurance business or non-financial activities in New Zealand that is outside its Banking Group;
- does not market or distribute insurance products;
- is not involved in the origination, marketing or servicing of securitisation schemes; and
- is not involved in the establishment, marketing, or sponsorship of trust, funds management, or other fiduciary activities.

## 30 Events subsequent to the reporting date

There were no other material events after balance date that require disclosure in the financial statements.

## 31 Capital adequacy ratios of HBAP Group

The approaches used in calculating the HBAP Group's regulatory capital and risk weighted assets ("RWA") are in accordance with the Hong Kong Monetary Authority ("HKMA") Banking (Capital) Rules.

The HBAP Group uses the advanced internal ratings-based ('IRB') approach and the foundation IRB approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme exposures, the HBAP Group uses the look-through approach to calculate the RWAs. For securitization exposures, the HBAP Group uses the securitisation IRB approach, securitisation external ratings-based approach or securitisation standardised approach to determine credit risk for its banking book securitisation exposures. For counterparty credit risk, the HBAP Group uses both the standardised (counterparty credit risk) approach and the internal models (counterparty credit risk) approach to calculate its default risk exposures for derivatives, and the comprehensive approach for securities financing transactions. For credit valuation adjustment ('CVA'), the group uses the standardised CVA approach and the full basic CVA approach to calculate CVA risk capital charge.

The HBAP Group uses the standardised (market risk) approach to calculate its market risk capital charge and the standardised operational risk approach to calculate its operational risk capital charge.

The capital adequacy disclosure made by the HBAP Group can be found in the HBAP Group Banking Disclosure Statement available at [www.hsbc.com.hk/legal/regulatory-disclosures/](http://www.hsbc.com.hk/legal/regulatory-disclosures/).

HBAP Group exceeded the minimum capital adequacy requirements as specified by the HKMA as at 31 December 2025, and reported the following capital adequacy ratios under the Basel III final reform package, which were the most recent publicly available information:

### HBAP Group Basel III Capital Ratios (Unaudited)

	At	
	31 Dec 2025	31 Dec 2024
	%	%
Common Equity Tier 1 (CET1) capital	19.1	16.3
Tier 1 capital	21.8	18.4
Total capital	23.6	20.3

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

## 32 Profitability, size and asset quality of HBAP Group

### HBAP Group selected financial information

	Half-year to	Year ended
	31 Dec 2025	31 Dec 2024
<b>Profitability</b>		
Net profit after tax (HKD\$m)	124,117	129,251
Net profit after tax over the previous 12 month period as a percentage of average total assets (%) <sup>1</sup>	1.1	1.2
<b>Size</b>		
Total assets (HKD\$m)	11,683,231	10,948,940
Percentage increase/(decrease) in total assets over the previous 12 months period (%)	6.7	4.3
<b>Asset quality</b>		
HKFRS 9 Stage 3 and POCI gross carrying value (HKD\$m) <sup>2</sup>	110,244	99,995
HKFRS 9 Stage 3 and POCI ECL (HKD\$m) <sup>3, 4</sup>	(30,634)	(24,976)
HKFRS 9 Stage 1 and 2 ECL (HKD\$m) <sup>3</sup>	(10,865)	(11,877)
HKFRS 9 Stage 3 gross carrying value / Total assets (%) <sup>2</sup>	0.9	0.9
HKFRS 9 Stage 3 and POCI ECL / Stage 3 and POCI gross carrying value (%) <sup>2, 3, 4</sup>	27.8	25.0

<sup>1</sup> Average total assets for HBAP Group is not publicly available. This calculation uses a two-point average of total assets as at the end of the reported period and the comparative period ended 12 months earlier.

<sup>2</sup> Gross carrying value of advances to banks and customers, including nominal value of loan commitments and financial guarantees and other financial assets. The Banking Group considers this balance to be the best representation of 'total individually impaired assets'.

<sup>3</sup> ECL on advances to banks and customers including loan commitments and financial guarantees, and other financial assets. The Banking Group considers this balance to be the best representation of 'total collective credit impairment allowance'.

<sup>4</sup> The Banking Group considers this balance to be the best representation of 'total individual credit impairment allowance'.

## Directors' and New Zealand Chief Executive Officer's Statements

Each Director and the New Zealand Chief Executive Officer believe, 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 believe, 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 in all material respects with each condition of registration that applied;

over the year ended 31 December 2025.

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 and 4) by their attorney, Steve Hughes, and in his capacity as Chief Executive Officer:



**Steve Hughes**  
**Chief Executive Officer**  
**New Zealand Branch**

25 March 2026

Letters from each of the Directors appointing the Chief Executive Officer as their agent to sign this Disclosure Statement are still in force and have not been revoked.



# Independent auditor's report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited

## Our opinion

In our opinion, the accompanying:

- financial statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order), of The Hongkong and Shanghai Banking Corporation Limited (the Overseas Bank) in respect of the New Zealand operations (the Banking Group) present fairly, in all material respects, the financial position of the Banking Group as at 31 December 2025, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards); and
- information disclosed in accordance with Schedules 4, 7, 11 and 13 of the Order (the Supplementary Information), in all material respects:
  - presents fairly the matters to which it relates; and
  - is disclosed in accordance with those schedules.

## What we have audited

- The Banking Group's financial statements (the Financial Statements) required by clause 25 of the Order, comprising:
  - the balance sheet as at 31 December 2025;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the Financial Statements, excluding the information disclosed in accordance with Schedules 4, 7, 9, 11 and 13 of the Order within notes 2, 7, 9, 13, 21, 22, 24, 28, 29, 31 and 32, which includes material accounting policy information and other explanatory information.
- The Supplementary Information within notes 2, 7, 9, 13, 21, 22, 28, 29 and 32 of the Financial Statements for the year ended 31 December 2025 of the Banking Group.

We have not audited the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order within notes 24 and 31 of the Financial Statements and our opinion does not extend to this information.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independence**

We are independent of the Banking Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board (PES 1) and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with PES 1 and the IESBA Code.

In our capacity as auditor and assurance practitioner, our firm also provides review and other assurance 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 business. The firm has no other relationship with, or interests in, the Banking Group.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements and the Supplementary Information of the current year. These matters were addressed in the context of our audit of the Financial Statements and the Supplementary Information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Description of the key audit matter

### **Expected credit losses (ECL) on loans and advances to customers, including loan commitments and financial guarantees**

As disclosed in notes 1, 7 and 8 of the Financial Statements, the Banking Group's ECL on loans and advances to customers, including loan commitments and financial guarantees, is \$9.1 million as at 31 December 2025 (\$12.8 million as at 31 December 2024).

The determination of the ECL allowances requires the use of complex credit risk methodologies that are applied in models using the Banking Group's historic experience of the correlations between defaults and losses, borrower creditworthiness, segmentation of customers or portfolios and economic conditions.

It also requires the determination of assumptions which involve estimation uncertainty. The assumptions used for ECL that we focused on for loans and advances to customers included those with greater levels of management judgement and for which variations have the most significant impact on ECL levels. Specifically, these included forward-looking economic scenarios, customer risk-ratings and any management judgemental adjustments to modelled outcomes.

The level of estimation uncertainty in determining ECL allowances has remained high during 2025 as a result of the continued uncertainty in the macroeconomic and geopolitical environment and the potentially significant impact this can have on the Banking Group's lending portfolio.

The Banking Group concluded that no management judgemental adjustments are required for 31 December 2025 (31 December 2024: no management judgemental adjustments).

An individually assessed ECL is also recognised by the Banking Group for a loan and advance to a customer that is known to be credit-impaired at 31 December 2025.

We have determined the ECL on loans and advances to customers, including loan commitments and financial guarantees, to be a key audit matter due to the significant auditor judgement, effort and expertise involved in assessing the Banking Group's models, data and systems used, assumptions applied and associated governance.

## How our audit addressed the key audit matter

We performed a walkthrough to obtain an understanding of the end-to-end process and controls in relation to the determination of ECL. We tested controls in place relating to the methodologies, their application, significant assumptions and data used to determine the ECL on loans and advances to customers. These included controls over:

- Model validation and monitoring;
- Approval of economic scenarios;
- Approval of the probability weightings assigned to economic scenarios;
- Assigning customer risk-ratings; and
- Approval of any changes to management judgemental adjustments.

We performed substantive audit procedures over the compliance of the ECL methodologies with the requirements of NZ IFRS 9. We engaged professionals with experience in ECL modelling to assess the appropriateness of methodologies and related models.

We further performed the following to assess the significant assumptions and data:

- We challenged the appropriateness of the significant assumptions and obtained corroborating evidence;
- We involved our economic experts in assessing the reasonableness of certain economic scenarios;
- We tested a sample of customer risk-ratings assigned to wholesale exposures; and
- We tested a sample of inputs of critical data into source systems and the flow and transformation of critical data from source systems to impairment models.

As there are no management judgemental adjustments at 31 December 2025, we assessed the appropriateness of this, taking into account data quality, and assessed any specific industry/sector risks and any other factors that may not be factored into the modelled ECL results.

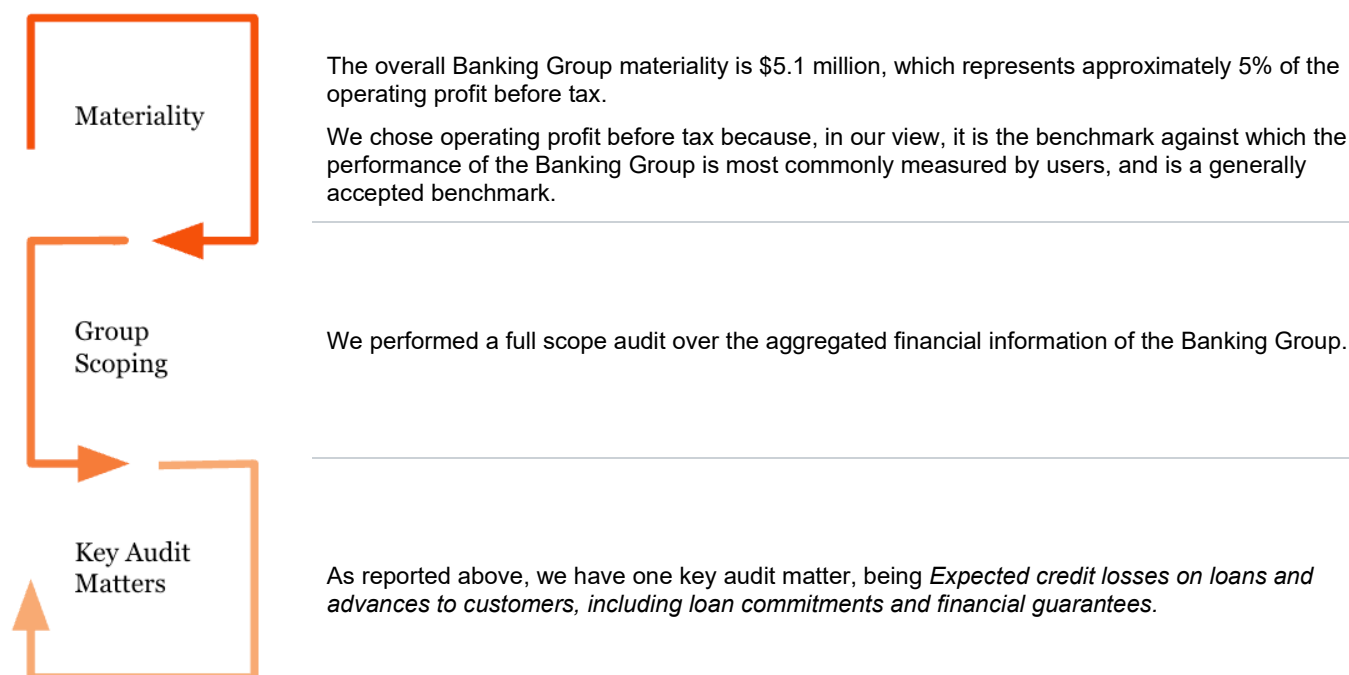
For credit-impaired exposures, we challenged the appropriateness of these and assessed the ECL determined.

We considered the impacts of events occurring subsequent to balance date on the ECL allowance.

We also assessed the adequacy of the disclosures in relation to ECL allowances made in the Financial Statements in the context of the applicable financial reporting framework.

# Our audit approach

## Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements and the Supplementary Information. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Banking Group materiality for the Financial Statements and the Supplementary Information, as a whole, as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Statements and the Supplementary Information, as a whole.

## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Statements and the Supplementary Information, as a whole, taking into account the structure of the Banking Group, the financial reporting processes and controls, and the industry in which the Banking Group operates.

Certain operational processes which are critical to financial reporting for the Banking Group are undertaken outside of New Zealand. We worked with PwC network firms engaged in the HSBC Holdings plc group audit to understand and examine certain processes, test controls and perform other substantive audit procedures that supported material balances, classes of transactions and disclosures within the Banking Group's Financial Statements. We evaluated the results of this work to determine whether there were any implications for the remainder of our audit work.

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).

## **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Disclosure Statement presented in accordance with Schedule 2 of the Order on pages 2 to 8 and 47, and the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order within notes 24 and 31, but does not include the Financial Statements, the Supplementary Information and our auditor's report thereon.

Our opinion on the Financial Statements and the Supplementary Information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We issue a separate limited assurance report on the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order.

In connection with our audit of the Financial Statements and the Supplementary Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the Supplementary Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Disclosure Statement**

The Directors of the Overseas Bank (the Directors) are responsible, on behalf of the Overseas Bank, for the preparation and fair presentation of the Financial Statements in accordance with clause 25 of the Order, NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Statements and the Supplementary Information that is free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible, on behalf of the Overseas Bank, for the preparation and fair presentation of the Disclosure Statement which includes:

- all of the information prescribed in Schedule 2 of the Order; and
- the information prescribed in Schedules 4, 7, 9, 11, and 13 of the Order.

In preparing the Financial Statements, the Directors are responsible for assessing the Banking Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Banking Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements and the Supplementary Information

Our objectives are to obtain reasonable assurance about whether the Financial Statements and the Supplementary Information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements and the Supplementary Information.

A further description of our responsibilities for the audit of the Financial Statements and the Supplementary Information is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/>

This description forms part of our auditor's report.

### Who we report to

This report is made solely to the Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Directors, as a body, for our work, for this report, or for the opinions we have formed.

The engagement partner on the engagement resulting in this independent auditor's report is Philip Taylor.

For and on behalf of



PricewaterhouseCoopers  
25 March 2026

Auckland, New Zealand



# Independent assurance report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited

## Limited assurance report on compliance with the information required on credit and market risk exposures and capital adequacy

### Our conclusion

We have undertaken a limited assurance engagement on the New Zealand banking operations of The Hongkong and Shanghai Banking Corporation Limited's (the Banking Group) compliance, in all material respects, with clause 22 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the Order) which requires information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy to be disclosed in its full year Disclosure Statement for the year ended 31 December 2025 (the Disclosure Statement). The Disclosure Statement containing the information prescribed in Schedule 9 of the Order relating to credit and market risk exposures and capital adequacy will accompany our report, for the purpose of reporting to the Directors.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 22 of the Order and disclosed in notes 24 and 31, is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

### Basis for conclusion

We have conducted our engagement in accordance with Standard on Assurance Engagements 3100 (Revised) *Compliance Engagements* (SAE 3100 (Revised)) issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Directors' responsibilities

The Directors are responsible, on behalf of The Hongkong and Shanghai Banking Corporation Limited, for compliance with the Order, including clause 22 of the Order which requires information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Banking Group's Disclosure Statement, for the identification of risks that may threaten compliance with that clause, controls that would mitigate those risks and monitoring ongoing compliance.

## Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Banking Group. Other than in our capacity as auditors and providers of other related assurance services, we have no relationship with, or interests in, the Banking Group.

## Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on whether the Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 22 of the Order is not, in all material respects, disclosed in accordance with Schedule 9 of the Order. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Banking Group's information relating to credit and market risk exposures and capital adequacy, included in the Disclosure Statement in compliance with clause 22 is not, in all material respects, disclosed in accordance with Schedule 9 of the Order.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with clause 22 of the Order in respect of the information relating to credit and market risk exposures and capital adequacy is likely to arise.

Given the circumstances of the engagement we:

- obtained an understanding of the process, models, data and internal controls implemented over the preparation of the information relating to credit and market risk exposures and capital adequacy;
- obtained an understanding of the Banking Group's compliance framework and internal control environment to ensure the information relating to credit and market risk exposures and capital adequacy is in compliance with the Reserve Bank of New Zealand's (the RBNZ) prudential requirements for banks;
- obtained an understanding and assessed the impact of any matters of non-compliance with the RBNZ's prudential requirements for banks that relate to credit and market risk exposures and capital adequacy and inspected relevant correspondence with the RBNZ;
- performed analytical and other procedures on the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the annual financial statements; and
- agreed the information relating to credit and market risk exposures and capital adequacy disclosed in accordance with Schedule 9 of the Order to information extracted from the Banking Group's models, accounting records or other supporting documentation, which included publicly available information as prescribed by clauses 5 and 6 of Schedule 9 of the Order.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

## **Inherent limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with the compliance requirements may occur and not be detected.

A limited assurance engagement on the Banking Group's information relating to credit and market risk exposures and capital adequacy prescribed in Schedule 9 of the Order to be included in the Disclosure Statement in compliance with clause 22 of the Order does not provide assurance on whether compliance will continue in the future.

## **Use of report**

This report has been prepared for use by the Directors, as a body, for the purpose of establishing that these compliance requirements have been met.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors, as a body, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance report is Philip Taylor.



PricewaterhouseCoopers  
25 March 2026

Auckland, New Zealand

