The Hongkong and Shanghai Banking Corporation Limited

New Zealand Banking Group

Disclosure Statement

30 June 2013

Disclosure Statement
For the Six Months Ended 30 June 2013

Contents **Page**

General Disclosures

Registered Bank

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

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

New Zealand Branch

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

New Zealand Head Office:
1 Queen Street
Auckland
New Zealand

New Zealand Banking Group

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

Overseas Banking Group

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

Ultimate Holding Company

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

Access to parental disclosures

The most recent publicly available financial statements of HBAP Group and HSBC Holdings plc can be found at HSBC Holdings plc’s website, www.hsbc.com under Investor Relations, Financial Results.

Ranking of Local Creditors in a Winding-up

Under Section 265(1) (db) of the Companies Ordinance of the Hong Kong SAR which HBAP is subject to, in the event of a winding up of HBAP, there shall be paid in priority to all other unsecured debts the aggregate amount held on deposit, up to a maximum of HKD 500,000, to each depositor and that this Section has no geographic limitation. Save as aforesaid, the Directors believe that no other material legislative or regulatory restrictions exist which subordinate the claims of any class of the Banking Group’s unsecured creditors on the global assets of HBAP to those of any other class of unsecured creditors of HBAP, in a winding up of HBAP.

Guarantee Arrangements

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

Government Guarantee

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

General Disclosures *(continued)*

Other Material Matters

There are no material matters that, if disclosed, would adversely effect 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
KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland
New Zealand

Overseas Banking Group
KPMG
8th Floor
Prince's Building
10 Chater Road
Hong Kong SAR

New Zealand Chief Executive Officer/Responsible Person

The New Zealand Chief Executive Officer, Noel Gerard McNamara, has been authorised in writing by each Director named below, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, to sign this Disclosure Statement on the Directors' behalf. Accordingly, Noel Gerard McNamara is a Responsible Person under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013.

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

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

Dealings with Responsible Person

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

Board of Directors of HBAP

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

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

Laura Cha May Lung, GBS (Non-Executive Deputy Chairman)
B.A., University of Wisconsin-Madison, 1972; Juris Doctor, University of Santa Clara Law School, 1982; and admitted to practice in the State of California and in Federal Courts, 1983
Company Director

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

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

Peter Wong Tung Shun (Deputy Chairman and Chief Executive)
Bachelor of Arts, Indiana University, 1974; Master of Business Administration, Indiana University, 1976
Master of Science, Indiana University, 1978
Executive Director, Hong Kong and Mainland China, The Hongkong and Shanghai Banking Corporation Limited

Graham John Bradley
BA, LLB (Hons I) from Sydney University, 1971
LLM, Harvard University, 1973

Dr Christopher Cheng Wai Chee
Bachelor of Business Administration, University of Notre Dame, 1969; Master of Business Administration, Columbia University, 1979; Doctorate in Social Sciences honoris causa, The University of Hong Kong, 2011
Company Director

Dr Raymond Ch'ien Kuo Fung, GBS, CBE
B.A., Rockford College, 1973; Master of Arts and Doctor of Philosophy (Economics), University of Pennsylvania, 1976 and 1978
Non-Executive Chairman of MTR Corporation Limited

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

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

Victor Li Tzar Kuoi
B.Sc, and M.Sc., Stanford University, 1986
Managing Director and Deputy Chairman, Cheung Kong (Holdings) Limited

Christopher Dale Pratt
M A Modern History, Oxford University, 1978
Chairman, John Swire & Sons (H.K.) Limited

Peter James Holland Riley
BA Hons in Geography from University College, Durham University; ACA (Qualified 1985), FCPA
Group Finance Director of Jardine Matheson Holdings Ltd.

***Andreas Sohmen-Pao**
First Class Honors Degree in Oriental Studies, Oxford University, 1994; Master in Business Administration with distinction, Harvard University Graduate School of Business, 1997; Master of Arts, Oxford University, 2000
Chief Executive Officer, BW Maritime Pte Ltd

Kevin Anthony Westley
Bachelor of Arts, University of London, 1970; Chartered Accountant, Institute of Chartered Accountants in England and Wales
Company Director

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

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

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

*** Tan Sri Dr Francis Yeoh Sock Ping**, CBE
Honorary Doctorate of Engineering from University of Kingston, 2004
Fellow of the Institute of Civil Engineers in London, 2008
Managing Director of YTL Corporation Berhad

Country of Residence
With the exception of those denoted with an *, all directors reside in Hong Kong. Zia Mody and Naina Lal Kidwai reside in India, Andreas Sohmen-Pao resides in Singapore and Tan Sri Dr Francis Yeoh Sock Ping resides in Malaysia.

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

Change in Board of Directors for HBAP

The composition of the Board of Directors has changed since 31 December 2012.

Paul Anthony Thurston and Dr Patrick Wang Shui Chung resigned as non-executive directors of HBAP with effect from 1 January 2013. Dr William Fung Kwok Lun and Thomas Brian Stevenson resigned as non-executive directors of HBAP with effect from 20 May 2013.

Dr Christopher Cheng Wai Chee and Kevin Anthony Westley were appointed as non-executive directors of HBAP with effect from 1 May 2013 and 9 May 2013 respectively.

Credit Rating

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

	Current Rating	Previous Rating (if changed in the previous two years)	Date of Change
Moody's Investor Service Inc.	Aa2 (stable outlook)	Aa1 (stable outlook)	25 June 2012
Standard & Poor's Corporation	AA- (stable outlook)	AA (stable outlook)	29 November 2011
Fitch IBCA Inc.	AA- (stable outlook)	AA (negative outlook)	7 December 2012

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 January 2013.

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 practices; 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.

Conditions of Registration *(continued)*

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

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

    (ii) 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 requirements.

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

For the purpose 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.

In these conditions of registration, –

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

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

"generally accepted accounting practice" has the same meaning as in section 2 of the Financial Reporting Act 1993:

"liabilities of the registered bank in New Zealand" means the liabilities of the registered bank as required to be reported in the financial statements under section 8(2) of the Financial Reporting Act 1993.

Contents

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 June 2013

		Banking Group	
		Unaudited 6 months ended	
Dollars in Thousands	Note	**30.06.13**	30.06.12
Interest income		**96,941**	104,272
Interest expense		**(57,228)**	(59,288)
Net interest income		**39,713**	44,984
Net trading income		**7,394**	5,695
Other net operating income	2	**19,207**	16,466
Operating income		**66,314**	67,145
Operating expenses		**(27,741)**	(28,542)
Operating profit before provisions and tax		**38,573**	38,603
Provisions for loan impairment	6	**1,427**	(875)
Operating profit before tax		**40,000**	37,728
Income tax expense		**(11,242)**	(10,632)
Profit after tax		**28,758**	27,096
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cashflow hedges		**1,005**	902
Income tax expense on cashflow hedge		**(317)**	(261)
Available-for-sale financial assets		**392**	(225)
Income tax expense on available-for-sale financial assets		**(110)**	70
Other comprehensive income for the period		**970**	486
Total comprehensive income for the period		**29,728**	27,582

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

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 June 2013

	Banking Group	
	Unaudited	
	6 months ended	
Dollars in Thousands	**30.06.13**	30.06.12
Head Office Account *		
At beginning of period	**13,503**	15,392
Repatriation to Head Office	**(13,503)**	(28,424)
Profit after tax	**28,758**	27,096
At end of period	**28,758**	14,064
Cashflow Hedging Reserve		
At beginning of period	**374**	(247)
Movement in the fair value of derivatives	**1,005**	1,004
Amortisation of previously terminated swaps to profit or loss	**-**	(102)
Tax on movements and transfers	**(317)**	(261)
At end of period	**1,062**	394
Available for Sale Reserve		
At beginning of period	**(187)**	33
Movement in the fair value of debt and equity securities	**392**	(246)
Tax on movements and transfers	**(110)**	70
Transfer to profit or loss on disposal of equity securities	**-**	21
At end of period	**95**	(122)
Other Reserve		
At beginning of period	**1,658**	1,967
Amortisation of share options granted	**144**	343
Movement in respect of share-based payment arrangements	**(211)**	(641)
At end of period	**1,591**	1,669
Equity at end of period	**31,506**	16,005
Represented by:		
Profit after tax	**28,758**	27,096
Other comprehensive income	**970**	486
Total comprehensive income for the period	**29,728**	27,582
Repatriation to Head Office	**(13,503)**	(28,424)
Movement in other reserve	**(67)**	(298)
Equity at beginning of period	**15,348**	17,145
	31,506	16,005

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2013

		Banking Group		
Dollars in Thousands	Note	**Unaudited 30.06.13**	Unaudited 30.06.12	Audited 31.12.12
ASSETS				
Cash and demand balances with central banks		**439,500**	665,415	299,307
Advances to banks	4	**14,016**	42,691	17,999
Debt and equity securities		**558,891**	523,922	797,722
Derivative financial instruments	3	**187,797**	235,280	252,137
Advances to customers		**3,377,422**	3,420,255	3,313,883
Amounts due from related parties	3	**313,776**	177,476	305,102
Other assets		**18,874**	18,073	20,501
Deferred taxation		**-**	13,558	16,272
Current taxation		**7,302**	-	-
Intangible assets		**20,559**	22,274	21,417
Fixed assets		**1,321**	2,069	1,635
Total Assets		**4,939,458**	5,121,013	5,045,975
LIABILITIES				
Deposits by banks		**147,276**	203,779	157,008
Derivative financial instruments	3	**168,425**	234,519	242,902
Customer deposits		**3,192,595**	3,167,495	3,357,125
Debt securities		**497,215**	558,152	389,441
Amounts due to related parties	3	**871,945**	910,076	840,798
Other liabilities		**30,047**	28,520	39,852
Deferred taxation		**449**	-	-
Current taxation		**-**	2,467	3,501
Total Liabilities		**4,907,952**	5,105,008	5,030,627
Net Assets		**31,506**	16,005	15,348
EQUITY				
Head Office Account		**28,758**	14,064	13,503
Cashflow Hedging Reserve		**1,062**	394	374
Available for Sale Reserve		**95**	(122)	(187)
Other Reserve		**1,591**	1,669	1,658
Total Equity		**31,506**	16,005	15,348

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

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 June 2013

	Banking Group	
	Unaudited 6 months ended	
Dollars in Thousands	**30.06.13**	30.06.12
Cash flows from / (to) operating activities		
Interest received	**99,030**	98,257
Fees and commissions	**19,056**	16,126
Realised trading gain / (loss)	**19,068**	(9,046)
Interest paid	**(55,166)**	(57,786)
Operating expenses	**(34,213)**	(36,824)
Taxation paid	**(5,751)**	(16,500)
Net cash flows from / (to) operating activities before changes in operating assets and liabilities	**42,024**	(5,773)
Changes in operating assets and liabilities arising from cash flow movements		
Cash was provided net from / applied net (to):		
Debt and equity securities matured	**235,884**	30,104
Advances to customers	**(19,143)**	24,357
Amounts due from related parties	**(40,498)**	14,141
Other assets	**977**	1,130
Other liabilities	**(4,956)**	(2,353)
Debt securities issued (Certificates of deposit)	**104,539**	(81,932)
Deposits by banks	**(983)**	(23,158)
Customer deposits	**(119,627)**	8,901
Amounts due to related parties	**34,378**	17,889
Net change in operating assets and liabilities	**190,571**	(10,921)
Net cash flows from / (to) operating activities	**232,595**	(16,694)
Cash flows from / (to) investing activities		
Proceeds of fixed assets	**8**	-
Acquisition of fixed assets	**(81)**	(269)
Acquisition of intangible assets	**-**	(549)
Net cash flows from / (to) investing activities	**(73)**	(818)
Cash flows from / (to) financing activities		
Repatriation to head office	**(13,503)**	(28,424)
Net cash flows from / (to) financing activities	**(13,503)**	(28,424)
Net increase / (decrease) in cash and cash equivalents	**219,019**	(45,936)
Effect of exchange rate fluctuations on cash held	**(18,341)**	17,810
Cash and cash equivalents at beginning of period	**(1,348,708)**	(969,380)
Cash and cash equivalents at end of period	**(1,148,030)**	(997,506)

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

STATEMENT OF CASH FLOWS *(continued)*
FOR THE SIX MONTHS ENDED 30 June 2013

	Banking Group	
	Unaudited **6 months ended**	
Dollars in Thousands	**30.06.13**	30.06.12
Analysis of cash and cash equivalents		
Cash and demand balances with central banks	**439,500**	665,415
Advances to banks – demand	**14,016**	42,691
Advances to customers – demand	**187,757**	169,535
Balance due from related parties – demand	**9,042**	54,755
Balance due to related parties – demand	**(72,540)**	(158,987)
Deposits by banks – demand	**(142,815)**	(193,080)
Deposits by customers - demand	**(1,582,990)**	(1,577,835)
	(1,148,030)	(997,506)

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

Notes to and forming part of the Interim Financial Statements

1. Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

Reporting Entity

These interim financial statements are for the New Zealand Banking Group ("Banking Group").

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

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

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

HSBC Investments New Zealand Limited
This New Zealand incorporated entity provides fund management services to customers and commenced trading operations in June 2008. HSBC Investments New Zealand Limited is wholly owned by HSBC Asia Pacific Holdings (UK) Limited which is wholly owned by HBAP.

HSBC Cash Fund
The HSBC Cash Fund is a unit trust set up in June 2008 following the introduction by the New Zealand Inland Revenue of the Portfolio Investment Entity ("PIE") regime. The HSBC Cash Fund is managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Cash Fund is administered in accordance with the trust deed. All funds received into the HSBC Cash Fund are placed with the Branch and are included in the Banking Group's financial results as Customer Deposits.

HSBC Term Fund
The HSBC Term Fund is a unit trust, first set up in April 2009, following the introduction by the New Zealand Inland Revenue of the Portfolio Investment Entity ("PIE") regime. The HSBC Term Fund is managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Term Fund is administered in accordance with the trust deed. All funds received into the HSBC Term Fund are placed with the Branch and are included in the Banking Group's financial results as Customer Deposits.

Non-Banking Group Entities

The following New Zealand incorporated entities do not form part of the Banking Group as defined in the Conditions of Registration. They are ultimately wholly owned by HSBC Holdings plc and HBAP is not their parent entity.

HSBC International Trustee (New Zealand) Limited and ***HSBC International Trustee Limited, New Zealand Branch*** provide trustee services to an international client base. HSBC International Trustee (New Zealand) Limited is a wholly owned subsidiary of Bermuda Asia Pacific Holdings Limited, incorporated in the Cook Islands. HSBC International Trustee Limited is a body corporate incorporated in British Virgin Islands.

Non-controlled Special Purpose Entities

The following New Zealand incorporated entities do not form part of the Banking Group as defined in the Conditions of Registration. The Banking Group does not control the Special Purpose Entities.

HSBC Global Unit Trusts
The HSBC Global Unit Trusts were set up in August 2009 to support the local launch of HSBC Group Investment Funds under the Portfolio Investment Entity ("PIE") structure and branded locally as HSBC Investments New Zealand Limited Global Unit Trusts.

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

1. Statement of Accounting Policies *(continued)*

Non-controlled Special Purpose Entities *(continued)*

HSBC Global Unit Trusts *(continued)*
The HSBC Global Unit Trusts are managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC Global Unit Trusts are administered in accordance with the trust deed. Funds received into the HSBC Global Unit Trusts are primarily invested in shares of a sub-fund of HSBC Global Investment Funds, an investment company incorporated in the Grand Duchy of Luxembourg. HSBC Investment Funds (Luxembourg) S.A., the manager of the Sub-funds is part of HSBC Global Asset Management. There are currently four funds offered; HSBC China Fund, HSBC BRIC Fund, HSBC India Fund and HSBC Asia ex Japan Fund.

HSBC World Selection Funds
The HSBC World Selection Funds were established on 18 January 2010 to support the local launch of HSBC Portfolios under the Portfolio Investment Entity ("PIE") structure.

The HSBC World Selection Funds are managed by HSBC Investments New Zealand Limited with an independent trustee (New Zealand Guardian Trust) responsible for ensuring that the HSBC World Selection Funds are administered in accordance with the trust deed. Funds received into the HSBC World Selection Funds are invested primarily in shares of a sub-fund of HSBC Portfolios, an investment company incorporated in the Grand Duchy of Luxembourg. HSBC Investment Funds (Luxembourg) S.A. is the manager of the HSBC Portfolios and HSBC Global Asset Management (UK) Limited is the investment adviser. Both the manager and investment adviser are part of HSBC Global Asset Management. There are currently three funds offered; HSBC World Selection – Foundation Fund, HSBC World Selection – Frontier Fund, and HSBC World Selection – Horizon Fund.

Basis of consolidation

Special purpose entities

The Banking Group has established the following special purpose entities ('SPEs'): the HSBC Cash Fund, the HSBC Term Fund, the HSBC Global Unit Trusts and the HSBC World Selection Funds.

The Banking Group does not have any direct or indirect unit holding in these entities. An SPE is consolidated when the Banking Group is exposed, or has rights, to variable returns from its involvement with the SPE and has the power to affect those returns. The SPEs controlled by the Banking Group are established under terms that impose strict limitations on the decision making powers of the SPEs' management and operates in a predetermined way such that virtually all rights, obligations and aspects of their activities are controlled through these terms.

Transactions eliminated on consolidation

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

Basis of Reporting

These interim financial statements are prepared and presented in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 ("the Order"), the Reserve Bank of New Zealand Act 1989, and NZ IAS 34 Interim Financial Reporting ("NZ IAS 34") and do not include all the disclosures required for full annual financial statements. These interim financial statements are condensed financial statements in accordance with NZ IAS 34.

Measurement Base

These interim financial statements are based on the general principles of historical cost accounting, as modified by the revaluation of certain assets and liabilities. They are prepared on a going concern basis. All amounts are expressed in New Zealand currency, the presentation currency and functional currency, and all references to "$" is to New Zealand dollars unless otherwise stated.

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

1. Statement of Accounting Policies *(continued)*

Particular Accounting Policies

These interim financial statements have been prepared in accordance with NZ IAS 34 and should be read in conjunction with the Disclosure Statement for the year ended 31 December 2012.

Except as described below, the same accounting policies have been followed in these interim financial statements as were applied in the presentation of the Disclosure Statement for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Banking Group's financial statements for the year ended 31 December 2013.

Changes in Accounting Policies

The Banking Group adopted the following standards and amendments which became effective on 1 January 2013. The application of these standards and amendments does not have a material impact to the financial results of the Banking Group. There has been no change to the SPEs consolidated with the adoption of NZ IFRS 10.

- NZ IFRS 13 Fair Value Measurement
- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 12 Disclosure of Interests in Other Entities
- NZ IAS 27 Separate Financial Statements
- Amendments to NZ IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to NZ IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

All other accounting policies have not changed and are the same as those applied by the Banking Group in the Disclosure Statement for the year ended 31 December 2012.

Comparative Figures

These interim financial statements include comparative information as required by NZ IAS 34 and the Order. There have been no material changes to the comparative figures.

Risk Management

On 1 May 2013, the Branch increased the committed loan facility from HBAP to USD 0.825 billion (December 2012: USD 0.7 billion). Up to USD 0.15 billion is on call, up to USD 0.35 billion may be drawn with 7 days notice, with a further USD 0.325 billion drawn with 30 days notice. The committed loan facility amount may change from time to time depending on the local balance sheet structure.

There has been no other material change during the six months ended 30 June 2013 to the Banking Group's policies for managing risks in relation to credit, currency, interest rates, equity, liquidity or any material business risk to which the Banking Group is exposed.

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

	Banking Group	
Dollars in Thousands	**Unaudited 30.06.13**	Unaudited 30.06.12
2. Other net operating income		
Fee and commission income	**21,485**	20,776
Fee and commission expense	**(2,286)**	(4,288)
Gain/ (loss) on disposal of equipment, fixtures and fittings	**8**	(1)
Loss on disposal of available-for-sale equity securities	**-**	(21)
	19,207	16,466

		Banking Group	
Dollars in Thousands	**Unaudited 30.06.13**	Unaudited 30.06.12	Audited 31.12.12

3. Related party balances

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

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

	Unaudited 30.06.13	Unaudited 30.06.12	Audited 31.12.12
Assets			
Amounts due from related parties	**313,776**	177,476	305,102
Derivative financial instruments – assets	**27,246**	89,332	119,970
Total related party assets	**341,022**	266,808	425,072
Liabilities			
Amounts due to related parties	**871,945**	910,076	840,798
Derivative financial instruments – liabilities	**46,672**	13,684	2,038
Total related party liabilities	**918,617**	923,760	842,836

4. Additional financial disclosures on the statement of financial position

	Unaudited 30.06.13	Unaudited 30.06.12	Audited 31.12.12
Total interest earning and discount bearing assets	**4,699,650**	4,788,625	4,714,980
Total interest and discount bearing liabilities	**4,486,403**	4,619,109	4,515,248
Total liabilities net of amounts due to related parties (Banking Group and Branch)	**3,989,335**	4,181,248	4,187,791
Advances to banks pledged as collateral for liabilities in respect of credit support annex obligation to derivative counterparties	**-**	8,100	-

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

5. Segment reporting

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

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

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

Business Segments

The Banking Group comprises the following main business segments:

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

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

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

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

	Banking Group					
	Unaudited six months ended 30.06.13					
Dollars in Thousands	**RBWM**	**CMB**	**GBM**	**Total Reportable Segments**	**Reconciling items**	**Consolidated**
Operating income	**13,761**	**38,016**	**11,588**	**63,365**	**2,949**	**66,314**
Operating profit / (loss) before tax	**3,181**	**27,469**	**5,579**	**36,229**	**3,771**	**40,000**

	Banking Group					
	Unaudited six months ended 30.06.12					
Dollars in Thousands	RBWM	CMB	GBM	Total Reportable Segments	Reconciling items	Consolidated
Operating income	14,735	38,148	10,411	63,294	3,851	67,145
Operating profit / (loss) before tax	3,526	24,695	4,230	32,451	5,277	37,728

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

Dollars in Thousands	***Banking Group*** **Unaudited 30.06.13**

6. Asset quality

In the current period, there is only one class of impaired financial assets, being advances to customers.

Past due but not impaired	
Less than 30 days	**67,976**
At least 30 days but less than 60 days	**1,248**
At least 60 days but less than 90 days	**511**
At least 90 days or more	**-**
Carrying amount	**69,735**
Gross individually impaired assets	
Balance at the beginning of the period	**65,217**
Transfers from performing	**1,422**
Transfers to performing	**(495)**
Write-offs	**(2,552)**
Repayment	**(5,187)**
Sale of portfolio of impaired loans	**(49,865)**
Balance at the end of the period	**8,540**
Specific provision for loan impairment	
Balance at the beginning of the period	**49,533**
New and additional provisions charged to profit or loss	**22**
Provisions released during the period to profit or loss	**(913)**
Write-offs	**(2,552)**
Discount unwind [1]	**(10)**
Discount unwind [1] – sale of portfolio of impaired loans	**(61)**
Provisions released – sales of portfolio of impaired loans	**(40,823)**
Balance at the end of the period	**5,196**
Collective provision for loan impairment	
Balance at the beginning of the period	**3,817**
Additional provision charged to profit or loss	**981**
Provisions released during the period to profit or loss	**(423)**
Balance at the end of the period	**4,375**
Total provisions for loan impairment	**9,571**
Profit or loss charge / (credit)	
Specific provisions for impairment against advances	**22**
Collective provisions for impairment against advances	**981**
Total provisions for impairment against advances	**1,003**
Specific provisions released	**(913)**
Collective provisions released	**(423)**
Total provisions released no longer required	**(1,336)**
Net increase in provisions for impairment against advances	**(333)**
Recoveries of amounts written off in previous period	**(1,094)**
	(1,427)

[1] The impairment loss on an impaired asset is calculated as the difference between the asset's carrying amount and the estimated future cash flows discounted to its present value using the original effective interest rate for the asset. This discount unwinds as interest income over the period the asset is held.

There are no real estate assets, other assets acquired through the enforcement of security or assets under administration. The aggregate amount as at 30 June 2013 of any undrawn balances on lending commitments to counterparties for whom drawn balances fall within the above mentioned class of assets, before deducting allowances for credit impairment loss where applicable, is nil.

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

7. Additional mortgage information

Residential mortgages by loan-to-valuation ratio

	Banking Group			
	Principal Amount			
	Does not exceed 80% $m	**Exceeds 80% and not 90% $m**	**Exceeds 90% $m**	**Total $m**
30 June 2013 (Unaudited)				
Value of exposures on balance sheet	**950.3**	**35.5**	**13.4**	**999.2**
Value of exposures off balance sheet	**27.8**	**0.0**	**0.0**	**27.8**
Total value of exposures	**978.1**	**35.5**	**13.4**	**1,027.0**

8. Fair value of financial instruments

Determination of fair value of financial instruments carried at fair value

Fair values are determined according to the following hierarchy:

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

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

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

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

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

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.

	Banking Group Unaudited			
Dollars in Thousands	**30.06.13 Level 1**	**30.06.13 Level 2**	**30.06.13 Level 3**	**30.06.13 TOTAL**
ASSETS				
Debt and equity securities	**262,694**	**296,175**	**22**	**558,891**
Derivatives financial instruments	**-**	**187,797**	**-**	**187,797**
LIABILITIES				
Derivatives financial instruments	**-**	**168,425**	**-**	**168,425**

There have been no transfers between levels 1 and 2 in the period to 30 June 2013. Any transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

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

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

Reconciliation of fair value measurements in level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balance of level 3 financial instruments, measured at fair value using a valuation technique with significant unobservable inputs.

	Banking Group **Unaudited 30.06.13**		
Dollars in Thousands	**Assets Available-For-sale**	**Assets Derivatives**	**Liabilities Derivatives**
Balance at the beginning of the period	**22**	**-**	**-**
Transfers out of level 3	**-**	**-**	**-**
Disposal	**-**	**-**	**-**
Total gains or losses recognised in profit or loss	**-**	**-**	**-**
Balance at the end of the period	**22**	**-**	**-**

Sources of uncertainty for fair value measurement in level 3

For the available-for-sale equity securities, the unobservability of valuation of certain equity shares resulted in these assets being determined as level 3. There is no quoted market price in an active market.

Effects of changes in significant non-observable assumptions to reasonably possible alternatives

For the available-for-sale equity securities, given that their total carrying amount at June 2013 is $22 thousand, the effect in equity arising from changes in significant non-observable assumptions is insignificant.

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

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

Methodologies

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

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

Debt securities issued
Fair value for certificates of deposit and medium term notes issued with maturities less than six months is approximated to be the carrying value. For certificates of deposit and medium term notes issued with a maturity greater than six months, fair value is determined by using discounted cash flow methods using the interest rates applicable to financial instruments of similar maturity.

Debt securities
For available-for-sale securities that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price.

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

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

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

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

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

The following table summarises the carrying values and fair values of financial assets and liabilities in the Banking Group.

	Banking Group	
Dollars in Thousands	**Unaudited 30.06.13 Carrying Value**	**Unaudited 30.06.13 Fair Value**
ASSETS		
Advances to customers	**3,377,422**	**3,381,740**
Total financial assets not carried at fair value	**3,377,422**	**3,381,740**
Total financial assets whose carrying value approximates fair value	**1,532,646**	**1,532,646**
Total financial assets	**4,910,068**	**4,914,386**
Total non-financial assets	**29,390**	
Total assets	**4,939,458**	
LIABILITIES		
Customer deposits	**3,192,595**	**3,195,325**
Debt securities	**497,215**	**499,573**
Amounts due to related parties	**871,945**	**871,876**
Total financial liabilities not carried at fair value	**4,561,755**	**4,566,774**
Total financial liabilities whose carrying value approximates fair value	**343,277**	**343,277**
Total financial liabilities	**4,905,032**	**4,910,051**
Total non-financial liabilities	**2,920**	
Total liabilities	**4,907,952**	

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

9. Concentrations of credit and funding risk

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

	Banking Group
Dollars in Thousands	**Unaudited 30.06.13**
On-balance sheet credit exposures	
Cash and demand balances with central banks	**439,500**
Advances to banks	**14,016**
Debt and equity securities	**558,891**
Advances to customers	**3,377,422**
Amounts due from related parties	**313,776**
Other assets	**18,667**
	4,722,272
Off-balance sheet credit exposures and derivatives	**2,224,557**
Total credit exposures	**6,946,829**

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

	Banking Group
Dollars in Thousands	**Unaudited 30.06.13**
Concentrations of credit risk by industry	
Individual	**1,192,283**
Commercial and industrial	**2,547,005**
Commercial real estate and construction	**559,419**
Banks and financial institutions	**1,800,050**
Agriculture, forestry and mining	**231,665**
Other	**616,407**
	6,946,829
Concentrations of credit risk by geographical area	
New Zealand	**5,897,853**
Hong Kong	**324,977**
Other Overseas	**723,999**
	6,946,829

Concentration of Credit Exposures to Individual counterparties

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

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

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

	Banking Group
Dollars in Thousands	**Unaudited 30.06.13**
Concentrations of funding	
Concentrations of funding by product	
Deposits by banks	**147,276**
Customer deposits	**3,192,595**
Debt securities	**497,215**
Amounts due to related parties	**871,945**
	4,709,031
Concentrations of funding by industry	
Agriculture, forestry, fishing and mining	**91,452**
Manufacturing	**170,127**
Electricity, gas and water	**391**
Wholesale and retail trade	**130,601**
Accommodation and restaurants	**27,091**
Banking and finance	**1,865,307**
Property and business services	**320,018**
Local authorities	**21,470**
Individual	**1,980,363**
Other	**102,211**
	4,709,031
Concentrations of funding by geographical area	
New Zealand	**2,339,146**
Australia	**67,331**
China	**376,381**
Great Britain	**157,884**
Hong Kong	**971,625**
Malaysia	**44,463**
Singapore	**55,296**
Taiwan	**60,341**
Other Overseas	**636,564**
	4,709,031

10. Interest rate risk – repricing schedule

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

	Banking Group							
Dollars in Millions	*Up to 3 months*	*Over 3 months and up to 6 months*	*Over 6 months and up to 1 year*	*Over 1 year and up to 2 years*	*Over 2 years*	*Total interest bearing*	*Non interest bearing*	*Total*
30 June 2013 (Unaudited)								
Assets								
Cash and demand balances with central banks	**439**	**-**	**-**	**-**	**-**	**439**	**1**	**440**
Advances to banks	**14**	**-**	**-**	**-**	**-**	**14**	**-**	**14**
Debt and equity securities	**247**	**50**	**-**	**190**	**72**	**559**	**-**	**559**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**188**	**188**
Advances to customers	**2,323**	**587**	**152**	**113**	**202**	**3,377**	**-**	**3,377**
Amounts due from related parties	**311**	**-**	**-**	**-**	**-**	**311**	**3**	**314**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**19**
Current taxation	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**21**	**21**
Fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Total assets	**3,334**	**637**	**152**	**303**	**274**	**4,700**	**240**	**4,940**
Liabilities								
Deposits by banks	**146**	**1**	**-**	**-**	**-**	**147**	**-**	**147**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**168**	**168**
Customer deposits	**2,510**	**361**	**223**	**41**	**38**	**3,173**	**20**	**3,193**
Debt securities	**418**	**79**	**-**	**-**	**-**	**497**	**-**	**497**
Amounts due to related parties	**585**	**-**	**84**	**-**	**-**	**669**	**203**	**872**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**31**	**31**
Deferred taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**3,659**	**441**	**307**	**41**	**38**	**4,486**	**422**	**4,908**
Off-balance sheet financial instruments								
Net notional interest rate contracts	**283**	**(15)**	**100**	**(155)**	**(213)**	**-**	**-**	**-**

11. Liquidity risk management

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

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

	Banking Group
Dollars in Thousands	**Unaudited 30.06.13**
Demand balances with the central bank	**438,249**
Available-for-sale debt securities and treasury bills	**558,869**
	997,118

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

11. Liquidity risk management *(continued)*

Maturity Analysis

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

	Banking Group							
Dollars in Millions	*On Demand*	*0-1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*No specific maturity*	*Total*
30 June 2013 (Unaudited)								
Assets								
Cash and demand balances with central banks	**440**	**-**	**-**	**-**	**-**	**-**	**-**	**440**
Advances to banks	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**14**
Debt and equity securities	**-**	**211**	**20**	**58**	**270**	**-**	**-**	**559**
Advances to customers	**188**	**128**	**341**	**523**	**1,249**	**948**	**-**	**3,377**
Amounts due from related parties	**9**	**296**	**9**	**-**	**-**	**-**	**-**	**314**
Other assets	**1**	**18**	**-**	**-**	**-**	**-**	**-**	**19**
Current taxation	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Intangible assets	**-**	**-**	**-**	**1**	**6**	**-**	**14**	**21**
Fixed assets	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Total	**652**	**653**	**370**	**582**	**1,525**	**948**	**22**	**4,752**
Derivative financial instruments – inflow	**-**	**388**	**453**	**48**	**1,392**	**582**	**-**	**2,863**
Derivative financial instruments – (outflow)	**-**	**(345)**	**(422)**	**-**	**(1,342)**	**(566)**	**-**	**(2,675)**
Derivative financial instruments - assets	**-**	**43**	**31**	**48**	**50**	**16**	**-**	**188**
Liabilities								
Deposits by banks	**143**	**1**	**2**	**1**	**-**	**-**	**-**	**147**
Customer deposits	**1,583**	**520**	**425**	**568**	**79**	**18**	**-**	**3,193**
Debt securities	**-**	**134**	**84**	**79**	**200**	**-**	**-**	**497**
Amounts due to related parties	**267**	**64**	**136**	**205**	**200**	**-**	**-**	**872**
Other liabilities	**1**	**24**	**6**	**-**	**-**	**-**	**-**	**31**
Deferred taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,994**	**743**	**653**	**853**	**479**	**18**	**-**	**4,740**
Derivative financial instruments – (inflow)	**-**	**(345)**	**(422)**	**-**	**(1,342)**	**(566)**	**-**	**(2,675)**
Derivative financial instruments – outflow	**-**	**385**	**452**	**43**	**1,382**	**581**	**-**	**2,843**
Derivative financial instruments – liabilities	**-**	**40**	**30**	**43**	**40**	**15**	**-**	**168**
Net assets	**(1,342)**	**(87)**	**(282)**	**(266)**	**1,056**	**931**	**22**	**32**

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

11. Liquidity risk management *(continued)*

Maturity Analysis – undiscounted cashflows basis

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

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

	Banking Group							
Dollars in Millions	*On Demand*	*0-1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*No specific maturity*	*Total*
30 June 2013 (Unaudited)								
Financial Assets								
Cash and demand balances with central banks	**440**	**-**	**-**	**-**	**-**	**-**	**-**	**440**
Advances to banks	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**14**
Debt and equity securities	**-**	**211**	**21**	**66**	**296**	**-**	**-**	**594**
Advances to customers	**188**	**140**	**363**	**612**	**1,531**	**1,683**	**-**	**4,517**
Amounts due from related parties	**9**	**296**	**9**	**-**	**-**	**-**	**-**	**314**
Other assets	**1**	**18**	**-**	**-**	**-**	**-**	**-**	**19**
Total non-derivative financial assets	**652**	**665**	**393**	**678**	**1,827**	**1,683**	**-**	**5,898**
Derivative financial instruments – held for hedging purposes (net settled)								
Inflow / (outflow)	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**(2)**
Total undiscounted financial assets	**652**	**665**	**393**	**677**	**1,826**	**1,683**	**-**	**5,896**
Financial Liabilities								
Deposits by banks	**143**	**1**	**2**	**1**	**-**	**-**	**-**	**147**
Customer deposits	**1,583**	**523**	**431**	**586**	**93**	**19**	**-**	**3,235**
Debt securities	**-**	**136**	**85**	**85**	**216**	**-**	**-**	**522**
Amounts due to related parties	**267**	**65**	**139**	**210**	**202**	**-**	**-**	**883**
Other liabilities	**1**	**24**	**6**	**-**	**-**	**-**	**-**	**31**
Total non-derivative financial liabilities	**1,994**	**749**	**663**	**882**	**511**	**19**	**-**	**4,818**
Derivative financial instruments – held for hedging purposes (net settled)								
(Inflow) / outflow	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Total undiscounted financial liabilities	**1,994**	**749**	**663**	**882**	**510**	**19**	**-**	**4,817**
Undrawn loan commitments	**583**	**-**	**999**	**-**	**-**	**-**	**-**	**1,582**

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

12. Market risk exposures

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

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

	Banking Group	
Dollars in Millions	*Implied risk weighted Exposure*	*Notional capital charge*
Exposure at 30 June 2013 (Unaudited)		
Interest rate risk	**15.75**	**1.26**
Foreign currency risk	**0.38**	**0.03**
Equity risk	**-**	**-**
Peak exposure period 1 January 2013 to 30 June 2013 (Unaudited)		
Interest rate risk	**92.13**	**7.37**
Foreign currency risk	**2.25**	**0.18**
Equity risk	**-**	**-**

13. Contingent liabilities and other commitments

Contingent liabilities

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

		Banking Group	
Dollars in Thousands	**Unaudited 30.06.13**	Unaudited 30.06.12	Audited 31.12.12
Direct credit substitutes	**64,906**	25,862	48,929
Transaction related contingent items	**275,382**	172,770	253,502
Trade related contingent items	**114,708**	157,109	131,957
Commitments, maturity one year or more	**978,520**	755,121	833,677
Commitments, maturity up to one year	**603,244**	664,033	674,327
	2,036,760	1,774,895	1,942,392
Capital commitments			
Contracted expenditure	**290**	-	9

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

14. Insurance and non-financial activities

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

15. Subsequent event

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

16. Profitability, size and asset quality of HBAP Group

Dollars in HK$ millions	**Unaudited Six months ended 30.06.13**	**Audited 12 months ended 31.12.12**
Profitability		
Net profit after tax	**87,503**	90,719
Net profit after tax over the previous 12 month period, as a percentage of average total assets	**2.2%**	1.6%
Size		
Total assets	**5,981,060**	6,065,327
Percentage increase in total assets over the previous 12 months period	**(1.4%)**	8.2%
Asset quality		
Individually impaired assets	**Not available ***	11,394
Individual impairment provision against advances to customers	**(4,785)**	(5,245)
Collective impairment provision against advances to customers	**(4,238)**	(4,526)
Individually impaired assets / total assets	**Not available ***	0.2%
Individual impairment provision / individually impaired assets	**Not available ***	46.0%

***** At the date of signing this disclosure statement, the amount for individually impaired assets of HBAP Group as at 30 June 2013 was not publicly available.

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

17. Capital adequacy ratios

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

HBAP Group uses the advanced internal ratings-based approach to calculate its credit risk for the majority of its non-securitisation exposures and the internal ratings-based (securitisation) approach to determine credit risk for its banking book securitisation exposures. For market risk, HBAP Group uses an internal models approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures. As opposed to the standardised (market risk) approach that was used at 31 December 2011, HBAP Group has adopted an internal models approach to calculate the general market risk and specific risk for the risk category of equity exposures. HBAP Group also uses an internal models approach to calculate its market risk in respect of specific risk for interest rate exposures. HBAP Group uses the standardised (market risk) approach for calculating other market risk positions as well as trading book securitisation exposures, and the standardised (operational risk) approach to calculate its operational risk.

The capital requirements of HKMA are at least equal to those specified under the Basel framework (commonly known as “Basel II”). HBAP Group exceeds the minimum capital ratio requirements as specified by the HKMA as at 31 December 2012.

The capital adequacy disclosure made by the HBAP Group can be found in the Annual Report and Accounts at this website, http://www.hsbc.com.hk/1/2/about/financial-information/financial-reports.

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

	Unaudited 31.12.12	Unaudited 31.12.11
Basel II Capital Ratios		
Core capital ratio	**13.7%**	12.4%
Capital adequacy ratio	**14.3%**	14.6%

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

Effective from 1 January 2013, HBAP Group is subject to the first phase of the Basel III capital standards in Hong Kong. HBAP Group has estimated the pro-forma impact of the Basel III rules on the HBAP Group’s capital position at 31 December 2012. The capital requirements that came into effect on 1 January 2013 are estimated to result in capital ratios that are above the minimum requirements in Hong Kong.

At the date of signing this disclosure statement, the capital ratios under Basel III for the six months ended 30 June 2013 were not publicly available.

Directors' and New Zealand Chief Executive Officer's Statements

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

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013;
- The Disclosure Statement is not false or misleading;

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

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

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

over the six months ended 30 June 2013.

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

Noel Gerard McNamara
Chief Executive Officer
New Zealand Branch

28 August 2013

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

Independent auditor's review report

To the Shareholder of The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

We have reviewed pages 9 to 31 of the condensed interim financial statements of The Hongkong and Shanghai Banking Corporation Limited, New Zealand Banking Group (the 'Banking Group') prepared and disclosed in accordance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2013 (the 'Order') and the supplementary information prescribed in Schedules 5, 7, 9, 10, 12 and 14 of the Order. The condensed interim financial statements, and supplementary information, provide information about the past financial performance and cash flows of the Banking Group and its financial position as at 30 June 2013.

Directors' responsibilities

The directors of The Hongkong and Shanghai Banking Corporation Limited are responsible for the preparation and presentation of the Disclosure Statement, which includes condensed interim financial statements prepared in accordance with Clause 26 of the Order and NZ IAS 34 *Interim Financial Reporting* ("NZ IAS 34"). The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of the Disclosure Statement that is free from material misstatement, whether due to fraud or error.

They are also responsible for the preparation of supplementary information in the Disclosure Statement which fairly states the matters to which it relates in accordance with Schedules 3, 5, 7, 9, 10, 12 and 14 of the Order.

Reviewer's responsibilities

We are responsible for reviewing the condensed interim financial statements and the supplementary information, disclosed in accordance with Clause 26 and Schedules 5, 7, 9, 10, 12 and 14 of the Order and presented to us by the directors.

We are responsible for reviewing the condensed interim financial statements (excluding the supplementary information) in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34.

We are responsible for reviewing the supplementary information disclosed under Schedules 5, 7, 10, 12 and 14 of the Order, in order to report to you whether, in our opinion on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the supplementary information does not fairly state the matters to which it relates, in all material respects, in accordance with Schedules 5, 7, 10, 12 and 14 of the Order.

We are responsible for reviewing the supplementary information relating to credit and market risk exposures and capital adequacy in order to state whether, on the basis of the procedures described below, anything has come to our attention that would cause us to believe that the information disclosed under Schedule 9 is not, in all material respects, prepared in accordance with the Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

Basis of opinion

We have performed our review in accordance with the review engagement standard RS-1 Statement of Review Engagement Standards issued by the External Reporting Board. A review is limited primarily to enquiries of Banking Group personnel and analytical review procedures applied to the financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Banking Group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the Banking Group on normal terms within the ordinary course of trading activities of the business of the Banking Group. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the Banking Group. These matters have not impaired our independence as auditor of the Banking Group. The firm has no other relationships with, or interest in, the Banking Group.

Review opinion

We have examined the condensed interim financial statements including the supplementary information and based on our review nothing has come to our attention that causes us to believe that:

- the condensed interim financial statements on pages 9 to 31 (excluding the supplementary information) have not been prepared, in all material respects, in accordance with NZ IAS 34;

- the supplementary information that is required to be disclosed under Schedules 5, 7, 10, 12 and 14 of the Order does not fairly state, in all material respects, the matters to which it relates in accordance with those schedules; and

- the supplementary information relating to credit and market risk exposures and capital adequacy that is required to be disclosed under Schedule 9 of the Order is not, in all material respects, prepared in accordance with Capital Adequacy Framework (Basel I Approach) (BS2) and Capital Adequacy Framework (Standardised Approach) (BS2A) and disclosed in accordance with Schedule 9 of the Order.

Our review was completed on 28 August 2013 and our opinion is expressed as at that date.

KPMG

Auckland

HSBC