

The Hongkong and Shanghai Banking Corporation Limited

New Zealand Branch

Key Information Summary

31 December 2010

Introductory Information

The purpose of this **Key Information Summary** is to provide customers and potential customers with information about the financial condition of their bank.

The information contained in the **Key Information Summary** is explained in the Reserve Bank publication **Your Bank's Disclosure Statement - What's In It For You**. That publication can be obtained from the Reserve Bank and from any branch of The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch.

Corporate Information

Overseas Bank:

The Hongkong and Shanghai Banking Corporation Limited (HBAP) is incorporated in the Hong Kong Special Administrative Region of the People's Republic of China. Figures given for HBAP below are for the consolidated HBAP Group including HBAP and its subsidiary and associated companies.

Ultimate Holding Company:

The ultimate holding company of the Overseas Bank is HSBC Holdings plc, which is incorporated in England.

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 credit rating (if changed in the previous two years)
Moody's Investor Service Inc.	Aa1	n/a
Standard & Poor's Corporation	AA	n/a
Fitch IBCA Inc	AA	n/a

On 20 August 2010, Standard & Poor's Corporation revised the rating from negative to stable outlook. On 18 December 2009, Fitch IBCA Inc and Moody's Investor Service Inc announced that the rating had been given a stable outlook.

	New Zealand		HBAP	
	Year ended 31.12.10	Year ended 31.12.09	Year ended 31.12.10	Year ended 31.12.09
	NZ\$m	NZ\$m	HK\$m	HK\$m
	Audited	Audited	Audited	Audited (restated)

Profitability

Net profit after tax	56.2	50.7	63,277	50,210
Net profit after tax over the previous 12 month period, as a percentage of average total assets	1.1%	0.9%	1.3%	1.2%

Size

Total assets	5,021	4,770	5,039,918	4,360,748
Percentage (decrease)/ increase in total assets from the previous year	5.3%	(22.9%)	15.6%	2.4%

Asset Quality

Individually impaired assets	71.8	43.9	*16,281	14,552
Individual impairment provision against advances to customers	18.4	11.2	8,259	8,088
Collective impairment provision against advances to customers	1.8	3.0	4,735	6,192
Individually impaired assets / total assets	1.4%	0.9%	0.3%	0.3%
Individual impairment provision / impaired assets	25.6%	25.5%	50.7%	55.6%

*Represents the total gross impaired assets which include both individually assessed advances and those which are collectively assessed on portfolio basis. The amount of individually impaired assets of HBAP is not publicly available as at 28 March 2011.

Government Guarantees

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ("the Registered Bank") does not have a guarantee under the New Zealand retail deposit guarantee scheme as at 28 March 2011.



Capital Adequacy

HBAP is subject to the capital requirements as specified by the Hong Kong Monetary Authority (HKMA). From 1 January 2009, the group migrated to the advanced internal ratings-based approach (IRBA) to calculate its credit risk for the majority of its non-securitisation exposures. The group continued to use the internal ratings-based (securitisation) approach to determine credit risk for its securitisation exposures. For market risk, the Group used an internal models approach to calculate its general market risk and market risk relating to equity options. From 30 March 2009, the Group adopted an internal models approach to calculate its market risk in respect of specific risk for the interest rate risk category. The Group continued to use the standardised (market risk) approach for calculating other market risk positions 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 and are not publicly available. HBAP meets, and exceeds, the minimum capital ratio requirements as specified by the HKMA as at 31 December 2010 and 31 December 2009.

The capital ratios on a consolidated basis calculated in accordance with the HKMA Banking (Capital) Rules are as follows:

	Year ended 31.12.10 Unaudited	Year ended 31.12.09 Unaudited
Basel II IRBA Approach		
Core capital ratio	11.7%	12.2%
Capital adequacy ratio	14.7%	16.1%

The ratios given for HBAP are for the consolidated HBAP Group, including HBAP and its subsidiary and associated companies. The capital ratios for unconsolidated HBAP are not publicly available.

Peak Credit Exposure Concentrations

The Registered Bank in New Zealand has no credit exposures including exposures to any OECD Government, equal to or in excess of 10% of the Overseas Bank's equity, during the current reporting period and the previous corresponding period. The exposure calculations exclude exposures to the central government of any country with a long-term credit rating of A- or A3 or above, or its equivalent.

Ranking of Local Creditors in a Liquidation

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 HKD100,000, 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 Branch'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.

Insurance and non-financial activities

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

Financial Statements of HBAP

Copies of the most recently publicly available financial statements which are included in the Financial Review, Directors' Report and Accounts of the HBAP Group will be provided immediately at no charge if requested at 1 Queen Street, Auckland and within five working days from our New Zealand branch network. No financial information, other than that included in the Financial Review, Directors' Report and Accounts of the HBAP Group, is publicly available for HBAP.

Availability of Disclosure Statements

Copies of the Registered Bank's General Disclosure Statement, including Branch financial statements, will be provided immediately at no charge if requested at 1 Queen Street, Auckland and within five working days from our New Zealand branch network. A copy of the Registered Bank's most recent general disclosure statement is available on the Registered Bank's website, www.hsbc.co.nz.



Auditor's Report*Independent Examination Report**To the Directors of The Hongkong and Shanghai Banking Corporation Limited New Zealand Branch*

We have examined the Key Information Summary. The information in the Key Information Summary has been extracted from the General Disclosure Statement of The Hongkong Shanghai Banking Corporation Limited New Zealand Branch (the "Registered Bank and Banking Group") for the year ended 31 December 2010. We have audited the financial statements and supplementary information contained within the General Disclosure Statement for the year ended 31 December 2010, on which we issued an unqualified audit opinion dated 28 March 2011.

Directors' responsibilities

The Directors are responsible for the preparation of and presentation of the Key Information Summary in accordance with Clauses 5(1) and 20 of the Registered Bank Disclosure Statement (Full and Half-Year – Overseas Incorporated Registered Banks) Order 2008, as amended (the "Order").

Auditor's responsibilities

In accordance with Clause 19(1) and Schedule 1, Clause 1 of the Order, we are responsible for examining the Key Information Summary presented by the Directors for compliance with the Order, and reporting our findings to you.

Basis of report

We have examined the information contained in the Key Information Summary and compared it to the corresponding information contained in the General Disclosure Statement for the year ended 31 December 2010.

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

Statement of findings

Based on our examination of the Key Information Summary, we report that:

- the Key Information Summary has been completed in accordance with the Order; and
- the information contained in the Key Information Summary has been properly taken, where applicable, from the information contained in the General Disclosure Statement for the year ended 31 December 2010.

For a better appreciation of the scope of our audit of the Registered Bank and Banking Group's General Disclosure Statement, and of the Registered Bank and Banking Group's financial position and the results of their operations for the year ended 31 December 2010, this report should be read in conjunction with the Registered Bank and Banking Group's General Disclosure Statement for the year ended 31 December 2010.

Our work was completed on 28 March 2011 and our findings are stated as at that date.



Auckland

For and on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited (as listed on pages 3 to 4 of the Registered Bank's General Disclosure Statement) by their attorney, David Griffiths, and also in his capacity as Chief Executive Officer New Zealand:



David James Howard Griffiths
Chief Executive Officer
Auckland
28 March 2011

It is confirmed that the said powers of attorney appointing David J H Griffiths as agent are still in force and have not been revoked.