The Hongkong and Shanghai Banking Corporation Limited

New Zealand Banking Group

Disclosure Statement

30 June 2023

HSBC

Contents

General disclosures

Registered Bank

The Hong Kong 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: Statement of significant 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.

Ranking of Local Creditors in a Winding-up

Under Section 265(1) (db) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of the Hong Kong SAR, as amended in 2010, 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 this Section has no geographic limitation. No other material legislative or regulatory restrictions in Hong Kong SAR exist which would subordinate the claims of any class of New Zealand branch unsecured creditors on the assets of HBAP to those of any other class of unsecured creditors of HBAP in a winding up of HBAP.

Guarantee Arrangements

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

Other Material Matters

On 13 June 2023, the Branch announced that it will be exiting its Wealth and Personal Banking business in New Zealand via a wind-down, which will happen over a number of years in a phased manner (the "Retail Wind-Down"). The Branch remains committed to the New Zealand market and will continue to operate and grow its Wholesale Banking business, which includes Commercial Banking and Financial Institutions & Government, along with its Markets & Securities Services business.

The Reserve Bank of New Zealand ("RBNZ") is reviewing their policy in respect of branches of overseas registered banks. The RBNZ has issued two sets of draft consultations which are available on the RBNZ website. The schedule of the Retail Wind-Down will be reviewed once the RBNZ has issued a final decision on this policy.

There are no other 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.

Auditor

New Zealand Banking Group

PricewaterhouseCoopers
PricewaterhouseCoopers 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, Burcu Senel, 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, Burcu Senel is a Responsible Person under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order"). She joined the HSBC Group in 2005 and resides in New Zealand. She has a Master of Business Administration from Virginia Polytechnic Institute and State University.

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.

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, and Chairman and a non-executive Director of HSBC Bank (China) Company Limited. He holds a Bachelor of Arts, a Master of Business Administration, a Master of Science from Indiana University and an Honorary Doctor of Laws from The Hang Seng University of Hong Kong.

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

David Gordon Eldon, GBS, CBE, JP
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 the Bank. 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 until the end of 2022.

David Yi Chien Liao
Co-Chief Executive Officer

He is also a member of the Group Executive Committee of HSBC Holdings plc 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 also a member of the Group Executive Committee of HSBC Holdings plc and an executive Director of HSBC Bank Malaysia Berhad. 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, Toshiba Corporation, and Vitasoy International Holdings Limited. He holds a Bachelor of Arts (Hons) in Business Studies from Nottingham Trent University, and is an associate member 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, and worked at KPMG Hong Kong for around 30 years and left the firm in 2012 as Senior Regional Partner.

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 Council Chairman of The Hong Kong Academy for Performing Arts. 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 University of Oxford. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

He was previously non-executive director of the Securities and Futures Commission of Hong Kong, and independent non-executive director of Standard Chartered Bank (Hong Kong) Limited, Television Broadcasts Limited and Orient Overseas (International) Limited.

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. She holds a Bachelor of Arts with a field of concentration in Applied Mathematics from Harvard University.

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. 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 is also the Asia Pacific President of Microsoft Operations Pte Ltd. She holds a Bachelor of Engineering and an Honorary Doctor of Engineering from James Cook University of North Queensland, Australia.

She has previously 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.

* Rajnish Kumar
Independent non-executive Director

He is also non-executive Chairman of Resilient Innovations Pvt. Ltd., an independent Director of Larsen & Toubro Limited, an independent non-executive Director of Hero MotoCorp Limited and Ambuja Cements Limited, a Director of Lighthouse Communities Foundation, and a member of the Board of Governors of the Management Development Institute in India. He is also a senior advisor to BPEA EQT PTE. LTD in Singapore. 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.

Irene Yun-lien Lee
Independent non-executive Director

She is also executive Chairman of Hysan Development Company Limited. She is also independent non-executive Chairman of Hang Seng Bank Limited and an independent non-executive Director of Alibaba Group Holding Limited. She holds a Bachelor of Arts (Distinction) in History of Art from Smith College, Northampton, Massachusetts, USA. She is also a member of the Honourable Society of Gray's Inn, UK and a Barrister-at-Law in England and Wales. She was an independent non-executive Director of HSBC Holdings plc from 2015 to 2022.

* Annabelle Yu Long
Independent non-executive Director

She is also the Founding and Managing Partner of BAI Capital Fund I, L.P. and a Group Management Committee Member of Bertelsmann SE & Co. KGaA. She is an independent Director of Tapestry Inc., LexinFintecg Holdings Ltd., Nio Inc. and Linmon Media Limited. 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.

Kevin Anthony Westley, BBS
Independent non-executive Director

He is also an independent non-executive Director of Fu Tak Iam Foundation Limited and a member of the investment committee of the West Kowloon Cultural District Authority. He holds a Bachelor of Arts (Hons) from the University of London (LSE) and is a Fellow of the Institute of Chartered Accountants in England and Wales.

He was Chairman (from 1996) and Chief Executive (from 1992) of HSBC Investment Bank Asia Limited (formerly named Wardley Limited) until his retirement in 2000 and subsequently acted as an advisor to the Bank and the Group in Hong Kong. He was an independent non-executive Director of the Bank from 2013 to 2015 and rejoined the Board in September 2016.

Country of Residence

With the exception of those denoted with an *, all directors reside in Hong Kong. Rajnish Kumar resides in India, Andrea Lisa Della Mattea resides in Singapore and Annabelle Yu Long resides in China.

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

Change in Board of Directors for HBAP

During the year, Edward Wai Sun Cheng and Paul Jeremy Brough were appointed as independent non-executive Directors with effect from 19 May 2023 and 20 June 2023 respectively. Victor Tzar Kuoi Li retired as a non-executive Director of HBAP with effect from 9 May 2023, being the date of passing the written resolutions of the HBAP's shareholder in lieu of holding the 2023 Annual General Meeting. Other than described 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."

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[1]	Date of Change
Moody's Investor Service Inc.	Aa3 (stable outlook)	Not changed	-
Standard & Poor's Corporation	AA- (stable outlook)	Not changed	-
Fitch IBCA Inc	AA- (stable outlook)	AA- (negative outlook)	23 Sep 2022

1 *Included if there has been a change in the previous two years.*

Rating scales are:

Credit Ratings	Moody's[1]	S&P[2]	Fitch[2]
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

1 *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.*
2 *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 June 2023.

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; and

   "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 30 November 2023, 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 65%, must not exceed 5% of the total.
9. That, for a loan-to-valuation measurement period ending on or after 30 November 2023, 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 15% 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 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 to 10,-

"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", "qualifying new mortgage lending amount in respect of non-property-investment residential mortgage loans", and "residential mortgage loan" have the same meaning as in the Reserve Bank of New Zealand document entitled "Framework for Restrictions on High-LVR Residential Mortgage Lending" (BS19) dated October 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 October 2021
BRP001: Glossary	1 July 2021

"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 2022 Disclosure Statement

The conditions of registration were amended effective 1 June 2023 to reflect the changes made to Loan-to-Value thresholds (conditions 8 and 9) and the "measurement period" of those conditions.

Interim financial statements (unaudited)

Statement of comprehensive income

For the six months ended 30 June 2023

	Notes*	Half-year to 30 Jun 2023 $000	30 Jun 2022 $000
Interest income		**194,288**	71,227
Interest expense		**(127,415)**	(32,012)
Net interest income		**66,873**	39,215
Net trading income	3	**5,508**	5,642
Other net operating income	4	**21,684**	17,951
Net operating income before credit impairment charges		**94,065**	62,808
Change in expected credit losses and other credit impairment charges	7	**834**	(3,498)
Net operating income		**94,899**	59,310
Operating expenses excluding goodwill impairment		**(41,506)**	(37,312)
Goodwill impairment	15	**(12,841)**	—
Operating profit before tax		**40,552**	21,998
Income tax expense		**(11,363)**	(6,167)
Profit after tax attributable to the owners of the Banking Group		**29,189**	15,831
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income:			
Fair value gains / (losses) other comprehensive income		**3,399**	(8,923)
Income taxes		**(949)**	2,496
Other comprehensive income / (expense) for the period		**2,450**	(6,427)
Total comprehensive income for the period attributable to the owners of the Banking Group		**31,639**	9,404

* *For Notes on the financial statements, see page 10.*

Statement of changes in equity

For the six months ended 30 June 2023

	Half-year to 30 Jun 2023 $000	30 Jun 2022 $000
Head Office Account[1]		
At 1 Jan	**30,783**	16,902
Profit after tax	**29,189**	15,831
At 30 Jun	**59,972**	32,733
Financial assets at Fair Value through Other Comprehensive Income Reserve		
At 1 Jan	**(13,391)**	(5,572)
Fair value changes taken to equity	**3,399**	(8,923)
Tax on movements and transfers	**(949)**	2,496
At 30 Jun	**(10,941)**	(11,999)
Share-based Payment Reserve		
At 1 Jan	**2,021**	2,027
Transferred to the profit or loss	**(12)**	(8)
At 30 Jun	**2,009**	2,019
Total equity at 30 Jun	**51,040**	22,753

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

Balance sheet

As at 30 June 2023

		At		
	Notes*	**30 Jun 2023 $000**	30 Jun 2022 $000	31 Dec 2022 $000
Assets				
Cash and demand balances with central banks		**1,318,325**	2,002,272	1,701,305
Advances to banks		**2,532**	7,360	160,051
Financial investments	*11*	**443,287**	287,400	282,556
Derivative financial instruments		**1,692**	16,567	2,005
Advances to customers	*5*	**4,290,471**	4,271,346	4,720,830
Amounts due from related parties	*16*	**1,066,752**	983,096	835,393
Other assets		**30,471**	46,051	24,629
Property, plant and equipment		**24,754**	27,544	26,628
Current tax asset		**—**	4,778	—
Deferred tax asset		**5,571**	861	2,789
Goodwill and intangible assets	*15*	**2,088**	16,897	16,282
Total assets		**7,185,943**	7,664,172	7,772,468
Liabilities				
Deposits by banks		**245,007**	382,648	425,848
Derivative financial instruments		**865**	16,776	2,012
Customer deposits	*12*	**4,472,706**	4,419,428	4,826,958
Debt securities		**400,000**	600,000	400,000
Amounts due to related parties	*16*	**1,936,876**	2,142,621	2,024,320
Other liabilities		**70,988**	79,946	70,248
Current tax liability		**8,461**	—	3,669
Total liabilities		**7,134,903**	7,641,419	7,753,055
Net assets		**51,040**	22,753	19,413
Equity				
Head Office account		**59,972**	32,733	30,783
Financial assets at fair value through other comprehensive income reserve		**(10,941)**	(11,999)	(13,391)
Share-based payment reserve		**2,009**	2,019	2,021
Total equity		**51,040**	22,753	19,413

* *For Notes on the financial statements, see page 10.*

Burcu Senel

21 August 2023

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

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

Statement of cash flows

For the six months ended 30 June 2023

	Half-year to	
	30 Jun 2023 $000	30 Jun 2022 $000
Cash flows from/(to) operating activities		
Interest received	**189,041**	73,636
Fees and commissions	**21,057**	18,078
Trading income	**4,999**	6,165
Interest paid	**(113,110)**	(26,893)
Operating expenses	**(42,827)**	(36,738)
Income tax paid	**(10,302)**	(5,083)
Net cash flows from operating activities before changes in operating assets and liabilities	**48,858**	29,165
Changes in operating assets and liabilities arising from cash flow movements		
Cash was provided net from/applied net (to):		
Advances to customers	**428,037**	119,186
Amounts due from related parties	**(230,371)**	(313,914)
Other assets	**(1,041)**	(24,713)
Other liabilities	**(2,101)**	18,766
Deposits by banks	**(180,839)**	17,455
Customer deposits	**(354,252)**	(558,831)
Amounts due to related parties	**(89,873)**	570,611
Net change in operating assets and liabilities	**(430,440)**	(171,440)
Net cash flows from/(to) operating activities	**(381,582)**	(142,275)
Cash flows from/(to) investing activities		
Financial investments purchased	**(278,261)**	(29,928)
Financial investments matured	**120,601**	170,500
Proceeds from sale of fixed assets	**9**	—
Acquisition of property, plant and equipment	**(95)**	(8)
Net cash flows to investing activities	**(157,746)**	140,564
Cash flows to financing activities		
Principal payments on lease liabilities	**(1,007)**	(970)
Net cash flows to financing activities	**(1,007)**	(970)
Net (decrease)/increase in cash and cash equivalents	**(540,335)**	(2,681)
Effect of exchange rate fluctuations on cash held	**(162)**	(135)
Cash and cash equivalents at the beginning of the period	**1,861,354**	1,949,686
Cash and cash equivalents at the end of the period	**1,320,857**	1,946,870

Analysis of cash and cash equivalents

	Half-year to	
	30 Jun 2023 $000	30 Jun 2022 $000
Cash and demand balances with central banks	**1,318,325**	2,002,272
Items in the course of collection from other banks[1]	**3**	3,325
Gross advances to banks - demand	**2,529**	4,035
Less: items in the course of transmission to other banks[1]	**—**	(62,762)
Cash and cash equivalents at the end of the period	**1,320,857**	1,946,870

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.*

Notes on the financial statements (unaudited)

1 Statement of significant 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 Branch'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 interim financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, as appropriate for for-profit entities, and are presented in accordance with New Zealand equivalent to International Accounting Standard 34 Interim Financial Reporting ("NZ IAS 34"). These interim financial statements are condensed financial statements in accordance with NZ IAS 34 and do not include all the disclosures required for full annual financial statements. These financial statements comply with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

(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 and 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 NZ IAS 34 and the Order.

(e) Regulatory changes

The Reserve Bank of New Zealand ("RBNZ") is reviewing their policy in respect of branches of overseas registered banks. The objective of the review is to create a simple, coherent and transparent policy framework for branches that fosters a sound and efficient financial system. A consultation paper was issued on 20 October 2021 with submissions provided on 2 March 2022. RBNZ released a second and final consultation on 24 August 2022, which included the preferred option that branches in New Zealand would be restricted to engaging only in wholesale business. RBNZ proposes that branches will be allowed three years from the publication of the final policy settings in the second half of 2023 to be fully compliant. The outcome of this consultation could have an impact on the schedule of the exit of the Wealth and Personal Banking business in New Zealand via a wind-down (the "Retail Wind-Down") that was announced by the Branch on the 13 June 2023.

(f) Changes in accounting policies

The accounting policies applied by the Banking Group for these interim financial statements are consistent with those described in Note 1 of the 31 December 2022 Disclosure Statement.

(g) Authorisation of financial statements

These financial statements were authorised for issue on 21 August 2023 by Burcu Senel on behalf of the directors of The Hongkong and Shanghai Banking Corporation Limited.

(h) Future accounting developments

The Banking Group has considered all standards issued but not yet effective and determined that they will have no material impact on the financial statements except the following items:

Climate-Related Disclosures (effective 1 January 2023)

In December 2022, the External Reporting Board published New Zealand Climate Standards 1, 2, & 3. The Banking Group will be required to prepare climate-related disclosures from the year ending 31 December 2023. The Banking Group is currently working towards the required disclosures.

1.2 Critical accounting estimates and judgements

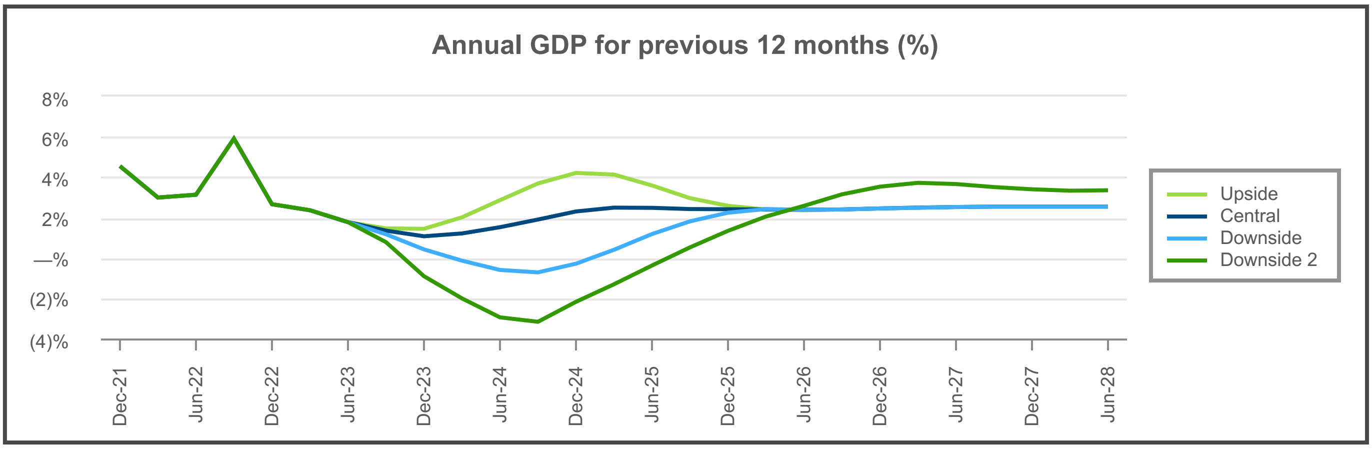
(a) Impairment of amortised cost and FVOCI financial assets

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, apply these assumptions to credit risk models to estimate future credit losses and probability-weight the results to determine an unbiased ECL estimate. Management judgemental adjustments are used to address late-breaking events, data and model limitations, and expert credit judgements. There have been no significant changes to management's processes or methodology during the first half of 2023.

The following tables describe key macroeconomic variables used in the various scenarios.

Central Scenario	GDP growth % (annual)	House price growth % (annual)	Unemployment %
June 2024	1.5	0.3	4.4
3Q24 - 2Q28: average	2.3	4.3	4.4



Outer Scenarios	Best period		Worst period	
	Annual change %	Year ended	Annual change %	Year ended
GDP growth %	4.2	Dec 24	(3.2)	Sep 24
House price growth %	6.3	Sep 25	(11.4)	Sep 23
		As at		As at
Unemployment rate%	3.5	Mar 24	8.6	Jun 25

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 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 ECL.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. The impact of defaults that might occur in future under different economic scenarios is captured by recalculating ECL for loans in stages 1 and 2 at the balance sheet date. The population of stage 3 loans (in default) at the balance sheet date is unchanged in these sensitivity calculations. Stage 3 ECL would only be sensitive to changes in forecasts of future economic conditions if the LGD of a particular portfolio was sensitive to these changes. 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
30 June 2023	**5,799**	**4,980**	**7,214**	**14,766**	**6,307**
31 December 2022	5,084	2,093	10,038	29,332	7,138

Since 1 January 2023, the sensitivity values increased for the central and upside scenarios but decreased for the downside scenario.

Sensitivity weightings	Central %	Upside %	Downside %	Downside 2 %
30 June 2023	**75**	**10**	**10**	**5**
31 December 2022	70	5	20	5

The weightings in the table above have been recalibrated in line with the rest of the HSBC Group. This included the Central scenario weighting reverting to the standard weight of 75% as a result of an increase in the level of certainty, noting that the dispersion in external economic forecasts have narrowed, there has been stabilisation of a number of key risk drivers, and the current central scenario forecasts are sufficiently reflective of weak GDP growth prospects.

Post-model adjustments

In the context of NZ IFRS 9, post-model adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge. The Banking Group has internal governance in place to regularly monitor post-model adjustments and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

No overlays or underlays have been applied to the wholesale or retail portfolios for 30 June 2023 (31 December 2022: wholesale ECL adjusted down by $9.9m).

(b) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost.

The Banking Group accounts for regular way amortised cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

(c) Goodwill impairment – Value in use ("VIU")

On 13 June 2023, the Branch announced that it will be exiting its WPB business in New Zealand via a wind-down. As a result, a goodwill impairment review was performed. Refer to note 15 for further detail.

The review of goodwill for impairment reflects management's best estimate of the future cash flows of the cash generating unit ("CGU") and the rates used to discount these cash flows, both of which are subject to uncertain factors. The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions.

Goodwill has been assessed using a VIU assessment for the Wealth and Personal Banking CGU ("WPB CGU"). At 31 December 2022, goodwill impairment was assessed using the fair value less costs of disposal assessment for WPB CGU.

The table below outlines management judgement used in the VIU impairment test:

Key Assumption	**30 June 2023 basis (WPB CGU only)**
Forecast period	Three year operating plan approved by New Zealand senior management
Terminal growth rate	—%
Discount rate	17.0% pre tax
Result	Impairment recorded as carrying value exceeds recoverable value

2 Risk management

There were no material changes to the Banking Group's policies for managing risks in relation to credit, currency, interest rates, equity, liquidity, operational or any other material business risks to which the Banking Group is exposed during the six months ended 30 June 2023.

3 Net trading income

	Half-year to	
	30 Jun 2023 $000	30 Jun 2022 $000
Foreign exchange gains / (losses)	**5,565**	5,185
Gains / (losses) on revaluation of derivatives	**(56)**	461
Credit valuation adjustments on derivatives	**—**	1
Debit valuation adjustments on derivatives	**(1)**	(5)
Total	**5,508**	5,642

4 Other net operating income

	Half-year to	
	30 Jun 2023 $000	30 Jun 2022 $000
Fee and commission income	**23,912**	19,645
Fee and commission expense	**(2,389)**	(1,760)
Other income	**161**	66
Total	**21,684**	17,951

5 Advances to customers

	At		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Overdrafts	**44,531**	57,119	48,412
Residential mortgages	**1,504,183**	1,787,750	1,616,257
Term lending	**2,612,031**	2,193,774	2,565,706
Corporate credit card advances	**2,465**	1,254	2,059
Trade finance receivables	**132,201**	236,042	493,721
Total gross advances to customers	**4,295,411**	4,275,939	4,726,155
Expected credit loss allowance	**(4,940)**	(4,593)	(5,325)
Total net advances to customers	**4,290,471**	4,271,346	4,720,830

6 Additional mortgage information

Residential mortgages by loan-to-value ratio (LVR)

	Principal Amount			
	LVR Range			
	Does not exceed 80% $000	**Exceeds 80% and not 90% $000**	**Exceeds 90% $000**	**Total $000**
Value of exposures on balance sheet	**1,488,775**	**14,695**	**713**	**1,504,183**
Value of exposures off balance sheet	**173,858**	**22**	**—**	**173,880**
Total value of exposures at 30 Jun 2023	**1,662,633**	**14,717**	**713**	**1,678,063**

If the LVR of a residential mortgage is unknown, the residential mortgage is classified as "exceeds 90%".

7 Asset quality – gross exposure and expected credit loss

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

	At
	30 Jun 2023 $000
Less than 30 days	**32,703**
At least 30 days but less than 60 days	**—**
At least 60 days but less than 90 days	**—**
At least 90 days	**—**
Total past due but not individually impaired	**32,703**

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.

Where possible any overlay and underlay adjustments to the stage allocation of gross exposures, where necessary to reflect the judgements described in Note 1, will be reflected in the below movement tables through increases or decreases in 'transfers from Stage 1 to 2'. The amount of 'Net further lending / repayment' in each stage will also be adjusted to reflect the exposure changes.

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.

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

	Half-year to 30 Jun 2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL
	$000	$000	$000	$000	$000	$000	$000	$000
At 1 Jan 2023	4,664,074	(3,578)	831,350	(2,789)	—	—	5,495,424	(6,367)
Transfer of financial instruments:								
– transfers from Stage 1 to 2	(16,270)	27	16,270	(27)	—	—	—	—
– transfers from Stage 2 to 1	762,324	(1,852)	(762,324)	1,852	—	—	—	—
– transfers to Stage 3	—	—	—	—	—	—	—	—
– transfers from Stage 3	—	—	—	—	—	—	—	—
Net further lending / repayment	(1,437,119)	—	267,344	—	—	—	(1,169,775)	—
Net re-measurement of ECL arising from transfer of stage	—	1,436	—	(98)	—	—	—	1,338
Net new lending and changes to risk parameters (model inputs)	—	559	—	(454)	—	—	—	105
Asset derecognised (including final repayments)	(599,931)	29	(122,649)	85	—	—	(722,580)	114
New financial assets originated or purchased	1,237,060	(904)	1	—	—	—	1,237,061	(904)
At 30 Jun 2023	4,610,138	(4,283)	229,992	(1,431)	—	—	4,840,130	(5,714)
ECL on loans and advances to banks and customers including loan commitments and financial guarantees - profit or loss charge/(release) for the period		705		(1,358)		—		(653)
Total ECL profit or loss charge / (release) for the period		705		(1,358)		—		(653)

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

	Half-year to 30 Jun 2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL	Gross Exposure	Allowance for ECL
	$000	$000	$000	$000	$000	$000	$000	$000
At 1 Jan 2023	1,786,459	(195)	12,051	(90)	10,596	(466)	1,809,106	(751)
Transfer of financial instruments:								—
– transfers from Stage 1 to 2	(24,144)	3	24,144	(3)	—	—	—	—
– transfers from Stage 2 to 1	15,943	(25)	(15,943)	25	—	—	—	—
– transfers to Stage 3	(2,751)	—	—	—	2,751	—	—	—
– transfers from Stage 3	1,942	(71)	—	—	(1,942)	71	—	—
Net further lending / repayment	51,492	—	(4,904)	—	18,329	—	64,917	—
Net re-measurement of ECL arising from transfer of stage	—	117	—	(14)	—	—	—	103
Net new lending and changes to risk parameters (model inputs)	—	46	—	35	—	204	—	285
Asset derecognised (including final repayments)	(306,872)	16	(1,433)	7	(22,502)	43	(330,807)	66
New financial assets originated or purchased	139,425	(6)	—	—	—	—	139,425	(6)
At 30 Jun 2023	1,661,494	(115)	13,915	(40)	7,232	(148)	1,682,641	(303)
ECL on loans and advances to banks and customers including loan commitments and financial guarantees - profit or loss charge/(release) for the period		(80)		(50)		(318)		(448)
Total ECL profit or loss charge / (release) for the period		(80)		(50)		(318)		(448)

Movement in gross exposures

Total gross exposures decreased by $782m in the first half of 2023 which comprised of a $655m decrease in the wholesale portfolio and a $127m decrease in the retail portfolio. The decrease within the wholesale portfolio was driven by $1,892m of net repayments and derecognition, partially offset by $1,237m of new lending.

There are no assets under administration as at 30 June 2023 (31 December 2022: nil). The aggregate amount as at 30 June 2023 of any undrawn balances on lending commitments to counterparties for whom drawn balances are classified as individually impaired, before deducting allowances for credit impairment loss where applicable, is nil (31 December 2022: nil).

Movement in expected credit loss ('ECL')

Total ECL decreased by $1.1m in the first half of 2023 which comprised of a $0.6m decrease in the wholesale portfolio and a $0.5m decrease in the retail portfolio. The ECL decrease within the wholesale portfolio was driven by a $1.3m decrease arising on exposures moving from Stage 2 to Stage 1, partially offset by a $0.9m increase as a result of changes in the portfolio. The ECL decrease within the retail portfolio was mainly driven by changes to model risk parameters and a change in the composition of exposures within Stage 3.

Change in expected credit loss

	At	
	30 Jun 2023 $000	30 Jun 2022 $000
Advances to customers		
– new allowances net of allowance releases	**(389)**	2,521
– recoveries of amounts previously written off	**—**	—
– amounts written off	**—**	—
Loan commitments and guarantees	**(718)**	971
Other financial assets	**273**	6
Total change in expected credit loss	**(834)**	3,498

8 Asset quality – financial instruments by stage allocation

	Gross $000	**Allowance for ECL $000**	**Net $000**
Advances to customers at amortised cost	**4,295,411**	**(4,940)**	**4,290,471**
– stage 1	**4,079,923**	**(3,367)**	**4,076,556**
– stage 2	**208,309**	**(1,425)**	**206,884**
– stage 3	**7,179**	**(148)**	**7,031**
Advances to banks at amortised cost[1]	**2,529**	**—**	**2,529**
– stage 1	**2,529**	**—**	**2,529**
– stage 2	**—**	**—**	**—**
– stage 3	**—**	**—**	**—**
Loan and other credit-related commitments	**2,200,235**	**(899)**	**2,199,336**
– stage 1	**2,178,343**	**(879)**	**2,177,464**
– stage 2	**21,838**	**(20)**	**21,818**
– stage 3	**54**	**—**	**54**
Financial guarantees and similar contracts	**24,594**	**(435)**	**24,159**
– stage 1	**10,834**	**(409)**	**10,425**
– stage 2	**13,760**	**(26)**	**13,734**
– stage 3	**—**	**—**	**—**
Total at 30 Jun 2023	**6,522,769**	**(6,274)**	**6,516,495**

1 *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 and other assets do not have 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.

	At 30 Jun 2023 $000
On-balance sheet credit exposures	
Cash and demand balances with central banks	**1,318,325**
Advances to banks	**2,532**
Financial investments	**443,287**
Derivative financial instruments	**1,692**
Advances to customers	**4,290,471**
Amounts due from related parties	**1,066,752**
Other assets	**30,058**
Total on-balance sheet credit exposures	**7,153,117**
Total off-balance sheet credit exposures	**3,318,449**
Total credit exposures	**10,471,566**

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 30 Jun 2023 $000
Concentrations of credit risk by industry	
Individual	**1,731,815**
Banks and financial institutions	**3,271,294**
Commercial and industrial	**1,917,954**
Commercial real estate and construction	**1,035,200**
Electricity, telecommunication and other utilities	**884,307**
Wholesale and retail trade	**643,595**
Agriculture, forestry and mining	**209,623**
Transport	**214,714**
Government	**275,734**
Other	**287,330**
Total	**10,471,566**
Concentrations of credit risk by geographical area	
New Zealand	**8,673,572**
Hong Kong	**881,926**
China	**181,726**
Australia	**241,416**
United States	**196,992**
United Kingdom	**39,073**
Other Overseas	**256,861**
Total	**10,471,566**

10 Concentrations of funding risk

Concentrations of funding risk by product, industry and geographical area

	At 30 Jun 2023 $000
Concentrations of funding by product	
Deposits by banks	**245,007**
Customer deposits	**4,472,706**
Debt securities	**400,000**
Amounts due to related parties	**1,936,876**
Total	**7,054,589**
Concentrations of funding by industry	
Individual	**1,825,004**
Banks and financial institutions	**3,279,588**
Commercial and industrial	**673,637**
Commercial real estate and construction	**193,038**
Wholesale and retail trade	**310,455**
Agriculture, forestry and mining	**68,327**
Transport	**365,425**
Electricity, telecommunication and other utilities	**40,197**
Government	**31,945**
Other	**266,973**
Total	**7,054,589**
Concentrations of funding by geographical area	
New Zealand	**3,562,975**
Hong Kong	**2,137,860**
China	**189,863**
United Kingdom	**161,067**
United States	**201,029**
Australia	**192,321**
Other Overseas	**609,474**
Total	**7,054,589**

11 Financial investments

	At		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Financial investments measured at fair value through other comprehensive income	**344,563**	287,400	282,556
– debt securities	**344,541**	287,378	282,534
– equity securities	**22**	22	22
Debt instruments measured at amortised cost[1]	**98,724**	—	—
– treasury and other eligible bills	**58,958**	—	—
– debt securities	**39,766**	—	—
Total	**443,287**	287,400	282,556

1 *During 2023, the Banking Group commenced investing in debt instruments measured at amortised cost, i.e. Hold to Collect, as part of treasury risk management.*

12 Customer deposits

	At		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Current accounts	**2,389,684**	2,704,442	2,510,844
Savings and deposit accounts	**2,083,022**	1,714,986	2,316,114
Total customer deposits at amortised cost	**4,472,706**	4,419,428	4,826,958

13 Additional financial disclosures on the balance sheet

	At		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Total interest earning and discount bearing assets	**7,121,367**	7,551,474	7,700,136
Total interest and discount bearing liabilities	**6,836,025**	7,340,885	7,464,508
Total liabilities net of amounts due to related parties	**5,197,644**	5,489,994	5,728,103

14 Segment reporting

The Banking Group's operating segments are organised into three business segments representing the products and services offered to customers and a Corporate Centre. The 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's operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expenses. Allocations include the cost of certain support services and functions to the extent they can be meaningfully attributed. Costs which cannot be allocated to business segments are included in Corporate Centre.

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.

Business Segments

The Banking Group comprises the following main business segments:

Wealth and Personal Banking
Includes loans, deposits and other transactions with retail customers. On 13 June 2023, the Branch announced that it will be exiting its WPB business in New Zealand via a wind-down. Refer to note 15 for further detail.

Commercial Banking
Manages the relationships with corporate customers providing loans, deposits and other transactions including trade finance and payment solutions.

Global Banking and Markets
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.

	Half-year to 30 Jun 2023				
	Wealth and Personal Banking $000	**Commercial Banking $000**	**Global Banking and Markets $000**	**Corporate Centre $000**	**Aggregated $000**
Net interest income / (loss)	**20,478**	**35,832**	**8,817**	**1,746**	**66,873**
Net trading income / (loss)	**905**	**2,733**	**3,597**	**(1,727)**	**5,508**
Net fee and commission income / (loss)	**(20)**	**17,395**	**3,311**	**837**	**21,523**
Other income	**(2)**	**64**	**—**	**99**	**161**
Net operating income / (loss) before loan impairment charges	**21,361**	**56,024**	**15,725**	**955**	**94,065**
Change in expected credit loss	**281**	**833**	**(280)**	**—**	**834**
Net operating income	**21,642**	**56,857**	**15,445**	**955**	**94,899**
Operating (expense) / recovery	**(16,946)**	**(19,716)**	**(4,930)**	**86**	**(41,506)**
Goodwill impairment	**(12,841)**	**—**	**—**	**—**	**(12,841)**
Operating profit before tax	**(8,145)**	**37,141**	**10,515**	**1,041**	**40,552**
Balance sheet data					
Advances to customers	**1,507,440**	**2,782,605**	**426**	**—**	**4,290,471**
Customer deposits	**1,862,657**	**1,966,789**	**643,260**	**—**	**4,472,706**

	Half-year to 30 Jun 2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Aggregated
	$000	$000	$000	$000	$000
Net interest income / (loss)	16,944	19,414	4,291	(1,434)	39,215
Net trading income / (loss)	742	2,513	3,128	(741)	5,642
Net fee and commission income / (loss)	(33)	13,427	3,030	1,461	17,885
Other income	—	65	—	1	66
Net operating income / (loss) before loan impairment charges	17,653	35,419	10,449	(713)	62,808
Change in expected credit loss	(362)	(3,136)	—	—	(3,498)
Net operating income	17,291	32,283	10,449	(713)	59,310
Operating (expense) / recovery	(14,661)	(17,459)	(4,815)	(377)	(37,312)
Operating profit before tax	2,630	14,824	5,634	(1,090)	21,998
Balance sheet data					
Advances to customers	1,798,693	2,472,653	—	—	4,271,346
Customer deposits	1,914,573	2,172,328	332,527	—	4,419,428

	Year ended 31 Dec 2022				
	Wealth and Personal Banking	Commercial Banking	Global Banking and Markets	Corporate Centre	Aggregated
	$000	$000	$000	$000	$000
Net interest income / (loss)	37,457	47,990	10,727	1,122	97,296
Net trading income / (loss)	1,498	5,726	6,981	(2,618)	11,587
Net fee and commission income / (loss)	(48)	28,756	5,958	3,316	37,982
Other income	—	129	—	2	131
Net operating income / (loss) before loan impairment charges	38,907	82,601	23,666	1,822	146,996
Change in expected credit loss	16	(4,617)	44	—	(4,557)
Net operating income	38,923	77,984	23,710	1,822	142,439
Operating (expense) / recovery	(30,268)	(37,574)	(9,626)	231	(77,237)
Operating profit before tax	8,655	40,410	14,084	2,053	65,202
Balance sheet data					
Advances to customers	1,621,399	3,099,431	—	—	4,720,830
Customer deposits	1,992,236	2,292,430	542,292	—	4,826,958

15 Goodwill and intangible assets

Movement analysis of goodwill and intangible assets

	Goodwill	Customer relationships purchased	Software	Total
	$000	$000	$000	$000
Cost				
At 1 Jan 2023	**15,744**	**8,798**	**11,218**	**35,760**
At 30 Jun 2023	**15,744**	**8,798**	**11,218**	**35,760**
Accumulated impairment losses				
At 1 Jan 2023	**(2,043)**	**(8,798)**	**(8,637)**	**(19,478)**
Amortisation charge for the period	**—**	**—**	**(556)**	**(556)**
Impairment losses	**(12,841)**	**—**	**(797)**	**(13,638)**
At 30 Jun 2023	**(14,884)**	**(8,798)**	**(9,990)**	**(33,672)**
Total net carrying value at 30 Jun 2023	**860**	**—**	**1,228**	**2,088**
Cost				
At 1 Jan 2022	15,744	8,798	11,218	35,760
At 31 Dec 2022	15,744	8,798	11,218	35,760
Accumulated impairment losses				
At 1 Jan 2022	(2,043)	(8,798)	(7,407)	(18,248)
Amortisation charge for the year	—	—	(1,230)	(1,230)
At 31 Dec 2022	(2,043)	(8,798)	(8,637)	(19,478)
Total net carrying value at 31 Dec 2022	13,701	—	2,581	16,282

Goodwill

The Banking Group's goodwill arises from the acquisition of a portfolio of loans and deposits within our Wealth and Personal Banking ("WPB") business and from the acquisition of custody and clearing business within our Global Banking and Markets ("GBM") business.

Goodwill is assessed at each reporting date for indicators of impairment as it is not amortised. Impairment is assessed on the basis of the cash-generating unit as defined in NZ IAS 36. The recoverable amount of the CGU is determined based upon the higher of the value in use ("VIU") calculation, or the fair value less costs of disposal.

On 13 June 2023, the Branch announced that it will be exiting its WPB business in New Zealand via a wind-down. As a result of this indication of asset impairment, an estimate of the recoverable amount was performed and an impairment of $12.8m has been recognised which has reduced the value of goodwill related to WPB to nil. For further detail on the key assumptions used in the VIU calculation, refer to the goodwill impairment in note 1.2 Critical accounting estimates and judgements on page 12.

Key assumptions underlying the VIU calculation include management's assessment of the impact of the announcement of the wind-down of the NZ WPB business. This includes the impact on net interest margins and fee generation based on expected customer behaviour as a result of the wind-down. Bad debts and operating expenses are scaled based on a phased and organic wind-down of the balance sheet. Management utilises local market data as well as Group expertise and experience to validate key assumptions.

The VIU assessment is not sensitive to the estimates made in these key assumptions as the CGU continues to show a deficit in the recoverable amount over the carrying amount even where other reasonably possible alternative estimates were used.

There were no indicators of impairment in relation to the goodwill arising from the acquisition of custody and clearing business within GBM.

Other Intangible Assets

Other intangible assets primarily represent purchased software, internally generated computer software and customer relationships arising from the Banking Group's acquisition of the custody and clearing business. Software is amortised on a straight line basis over 5 years, within operating expenses. These intangible assets are assessed at each reporting date for indications of impairment.

Following the decision in June 2023 to wind-down the WPB business in New Zealand, software worth $0.8m was impaired. No other impairments, other than goodwill as outlined above, were identified as a result of the wind-down.

16 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.

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

	At		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Assets			
Amounts due from related parties	**1,066,752**	983,096	835,393
Derivative financial instruments - assets	**1,294**	8,020	1,462
Total related party assets	**1,068,046**	991,116	836,855
Liabilities			
Amounts due to related parties	**1,936,876**	2,142,621	2,024,320
Derivative financial instruments - liabilities	**383**	8,804	632
Total related party liabilities	**1,937,259**	2,151,425	2,024,952

17 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**
At 30 Jun 2023				
Assets				
Financial investments	**344,541**	**—**	**22**	**344,563**
Derivative financial instruments	**—**	**1,692**	**—**	**1,692**
Liabilities				
Derivative financial instruments	**—**	**865**	**—**	**865**
At 30 Jun 2022				
Assets				
Financial investments	287,378	—	22	287,400
Derivative financial instruments	—	16,567	—	16,567
Liabilities				
Derivative financial instruments	—	16,776	—	16,776
At 31 Dec 2022				
Assets				
Financial investments	282,534	—	22	282,556
Derivative financial instruments	—	2,005	—	2,005
Liabilities				
Derivative financial instruments	—	2,012	—	2,012

There have been no transfers between levels 1 and 2 for the six months ended 30 June 2023 (31 December 2022: Nil). Any transfers between levels of the fair value hierarchy are 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 6 and 12 months are observable market-corroborated inputs which include interest rates and forward curves observable at commonly reported intervals, and credit spreads. Debt securities greater than 12 months are fair valued using market-corroborated swap rates.

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.

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

Derivative financial instruments
The fair values of exchange rate and interest rate contracts were obtained from quoted market prices or discounted cash flow models. Inputs applied in getting the fair value of derivative financial instruments are 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 summarises the carrying values and fair values of financial assets and financial liabilities not measured at fair value in the Banking Group at the end of the current and comparative periods.

	At					
	30 Jun 2023		30 Jun 2022		31 Dec 2022	
	Carrying value	**Fair Value**	Carrying value	Fair Value	Carrying value	Fair Value
	$000	**$000**	$000	$000	$000	$000
Assets						
Advances to customers	**4,290,471**	**4,276,785**	4,271,346	4,232,712	4,726,155	4,702,805
Financial investments – at amortised cost	**98,724**	**98,634**	—	—	—	—
Liabilities						
Customer deposits	**4,472,706**	**4,469,888**	4,419,428	4,417,954	4,826,958	4,824,692
Debt securities issued	**400,000**	**393,936**	600,000	592,600	400,000	394,292
Amounts due to related parties	**1,936,876**	**1,932,008**	2,142,621	2,139,226	2,024,320	2,020,723

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.

18 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. There have been no changes made to this presentation basis as a result of the Retail Wind-Down.

	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
	$m	$m	$m	$m	$m	$m	$m	$m
At 30 Jun 2023								
Financial assets								
Cash and demand balances with central	1,318	—	—	—	—	1,318	—	1,318
Advances to banks	3	—	—	—	—	3	—	3
Financial investments	34	25	152	148	84	443	—	443
Derivative financial instruments	—	—	—	—	—	—	2	2
Advances to customers	2,877	387	364	474	188	4,290	—	4,290
Amounts due from related parties	1,067	—	—	—	—	1,067	—	1,067
Other assets	—	—	—	—	—	—	30	30
Total financial assets	5,299	412	516	622	272	7,121	32	7,153
Financial liabilities								
Deposits by banks	245	—	—	—	—	245	—	245
Derivative financial instruments	—	—	—	—	—	—	1	1
Customer deposits	3,789	327	235	71	25	4,447	26	4,473
Debt securities	300	—	—	100	—	400	—	400
Amounts due to related parties	1,704	25	—	—	—	1,729	208	1,937
Other liabilities	1	1	1	2	11	16	55	71
Total financial liabilities	6,039	353	236	173	36	6,837	290	7,127

19 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, 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 30 Jun 2023
	$000
Cash and demand balances with central banks	1,318,325
Financial Investments	443,287
Total	1,761,612

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. There have been no changes made to this presentation basis as a result of the Retail Wind-Down.

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

	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
At 30 Jun 2023								
Financial liabilities								
Deposits by banks	245	—	—	—	—	—	—	245
Customer deposits	2,395	734	685	562	96	3	—	4,475
Debt securities	—	—	5	15	407	—	—	427
Amounts due to related parties	426	7	317	612	666	—	—	2,028
Other liabilities	7	15	12	17	15	5	—	71
Total non-derivative financial liabilities	3,073	756	1,019	1,206	1,184	8	—	7,246
Derivative financial instruments – held for trading purposes	—	—	1	—	—	—	—	1
Total undiscounted derivatives	—	—	1	—	—	—	—	1
Undrawn loan commitments	672	—	1,458	—	—	—	—	2,130

20 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.

	Implied risk weighted exposure $m	Notional capital charge $m
Exposure period at 30 Jun 2023 (unaudited)		
Interest rate risk	**56.25**	**4.50**
Foreign currency risk	**0.38**	**0.03**
Equity risk	**—**	**—**
Peak exposure period 1 Jan 2023 to 30 Jun 2023 (unaudited)		
Interest rate risk	**91.82**	**7.35**
Foreign currency risk	**0.50**	**0.04**
Equity risk	**—**	**—**

21 Contingent liabilities and other commitments

Contingent liabilities and 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		
	30 Jun 2023 $000	30 Jun 2022 $000	31 Dec 2022 $000
Direct credit substitutes	**50,783**	71,159	46,899
Transaction related contingent items	**834,492**	798,300	773,677
Trade related contingent items	**302,606**	456,130	376,452
Commitments, maturity one year or more	**1,458,136**	1,264,593	1,285,160
Commitments, maturity up to one year	**672,432**	714,678	992,145
Total	**3,318,449**	3,304,860	3,474,333
Capital commitments			
Contracted expenditure	**—**	—	—

22 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.

23 Auditor's remuneration

Fees paid/payable to the auditor of the Banking Group in relation to the review of the financial statements and for the limited assurance engagement on compliance with the information required on credit and market risk exposures and capital adequacy related to the 30 June 2023 financial statements amounted to $150 thousand (30 June 2022: $145 thousand).

There were no other services provided by the auditor, including any network firms, for the Banking Group in the 2023 financial year (2022 financial year: nil). The amounts above exclude goods and services tax.

24 Events subsequent to the reporting date

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

25 Capital adequacy ratios of HBAP Group

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

The HBAP Group uses the advanced internal ratings-based 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 and mandate-based approach to calculate the risk-weighted amount. For securitisation exposures, the HBAP Group uses the securitisation internal ratings-based approach, securitisation external ratings-based approach, securitisation standardised approach or securitisation fall-back 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 market risk, the HBAP Group uses an internal models method approach ('IMM') to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures, and equity exposures. The HBAP Group also uses an IMM approach to calculate its market risk in respect of specific risk for interest rate exposures and equity exposures. The 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 adequacy disclosure made by the HBAP Group can be found in the Annual Report and Accounts at http://www.hsbc.com.

HBAP Group exceeded the minimum capital adequacy requirements as specified by the HKMA as at 30 June 2023.

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

HBAP Group Basel III Capital Ratios

	At		
	30 Jun 2023	30 Jun 2022	31 Dec 2022
	%	%	%
Common Equity Tier 1 (CET1) capital	**15.8**	14.4	15.3
Tier 1 capital	**17.5**	16.0	16.9
Total capital	**19.6**	17.9	18.8

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

26 Profitability, size and asset quality of HBAP Group

HBAP Group selected financial information

	Half-year to		Year ended
	30 Jun 2023	30 Jun 2022	31 Dec 2022
Profitability			
Net profit after tax (HKD$m)	**69,755**	36,881	82,104
Net profit after tax over the previous 12 month period as a percentage of average total assets (%)[1]	**1.1**	0.7	0.8
Size			
Total assets (HKD$m)	**10,412,875**	10,356,032	10,324,152
Percentage increase/(decrease) in total assets over the previous 12 months period (%)	**0.5**	6.1	4.2
Asset quality			
HKFRS 9 Stage 3 and POCI gross carrying value (HKD$m)[2]	**73,535**	59,292	69,676
HKFRS 9 Stage 3 and POCI ECL (HKD$m)[3, 4]	**(29,003)**	(23,788)	(26,136)
HKFRS 9 Stage 1 and 2 ECL (HKD$m)[3]	**(11,872)**	(11,427)	(15,480)
HKFRS 9 Stage 3 gross carrying value / Total assets (%)[2]	**0.7**	0.6	0.7
HKFRS 9 Stage 3 and POCI ECL / Stage 3 and POCI gross carrying value (%)[2, 3, 4]	**39.4**	40.1	37.5

1 *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.*
2 *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'.*
3 *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'.*
4 *The Banking Group considers this balance to be the best representation of 'total individual credit impairment allowance'.*

From 1 January 2023, HBAP Group adopted HKFRS 17 'Insurance Contracts', which replaced HKFRS 4 'Insurance Contracts'. Comparative data has not been restated.

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 conditions of registration that applied;

over the six months ended 30 June 2023.

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 2 and 4) by their attorney, Burcu Senel, and in her capacity as Chief Executive Officer:

Burcu Senel
Chief Executive Officer
New Zealand Branch

21 August 2023

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

Independent auditor's review report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited

Report on the interim Financial Statements and the Supplementary Information (excluding credit and market risk exposures and capital adequacy information disclosed in accordance with Schedule 9

Our conclusion

We have reviewed the interim financial statements (the "Financial Statements") for the six month period ended 30 June 2023 of the The Hongkong and Shanghai Banking Corporation Limited (the "Overseas Bank") in respect of the New Zealand Branch (the "Banking Group"), as required by clause 26 of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended) (the "Order") and the supplementary information disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order (the "Supplementary Information"), excluding information relating to credit and market risk exposures and capital adequacy required to be disclosed in accordance with Schedule 9 of the Order contained in the half year disclosure statement (the "Disclosure Statement").

The Financial Statements comprise the balance sheet as at 30 June 2023, the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and notes, comprising significant accounting policies and other explanatory notes.

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

- Financial Statements of the Banking Group, have not been prepared, in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34); and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules.

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Financial Statements and Supplementary Information* section of our report.

We are independent of the Banking Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of other audit related services, which includes a limited assurance engagement over its compliance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 within the disclosure statements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and relationships have not impaired our independence.

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 26 of the Order, NZ IAS 34 and IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the Financial Statements and the Supplementary Information that are 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 3 of the Order; and
- the information prescribed in Schedules 5, 7, 9, 12 and 14 of the Order.

Auditor's responsibilities for the review of the Financial Statements and Supplementary Information
Our responsibility is to express a conclusion on the Financial Statements and Supplementary Information based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the:

- Financial Statements, taken as a whole, have not been prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34; and
- Supplementary Information that is required to be disclosed in accordance with Schedules 5, 7, 12 and 14 of the Order:
  - does not present fairly, in all material respects, the matters to which it relates; or
  - is not disclosed, in all material respects, in accordance with those schedules; or
  - if applicable, has not been prepared, in all material respects, in accordance with any conditions of registration relating to disclosure requirements imposed under section 74(4)(c) of the Banking (Prudential Supervision) Act 1989.

A review in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the Financial Statements and Supplementary Information.

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

The engagement partner on the review resulting in this independent auditor's review report is Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
21 August 2023

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 Branch of The Hongkong and Shanghai Banking Corporation Limited's (the "Banking Group") compliance, in all material respects, with clause 23 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 half year Disclosure Statement for the six month period ended 30 June 2023 (the "Disclosure Statement").

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 23 of the Order and disclosed in notes 6, 20 and 24, 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 23 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. In addition to our role as auditor, our firm carries out other services for the Banking Group in the areas of other audit related services, which comprises the review of its half year disclosure statement and a limited assurance engagement over its compliance with the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 within the disclosure statements. In addition, certain partners and employees of our firm may deal with the Banking Group on normal terms within the ordinary course of trading activities of the Banking Group. The provision of these other services and these relationships have not impaired our independence.

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 23 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 23 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 23 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 disclosed in accordance with Schedule 9 of the Order, and considered its consistency with the interim 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 23 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 Hongkong and Shanghai Banking Corporation Limited's 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 Christopher Ussher.

PricewaterhouseCoopers

Chartered Accountants
21 August 2023

Auckland, New Zealand

HSBC