The Hongkong and Shanghai Banking Corporation Limited

New Zealand Branch

Disclosure Statement

31 March 2011

HSBC

The world's local bank

Disclosure Statement
For the Three Months Ended 31 March 2011

Index	**Page**

General Disclosures

Registered Bank

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch
1 Queen Street
Auckland
New Zealand

Registered Bank's Banking Group

The Registered Bank's Banking Group ("Banking Group") is the New Zealand operations of The Hongkong and Shanghai Banking Corporation Limited ("HBAP") and all New Zealand incorporated subsidiaries of HBAP and controlled special purpose entities. The entities that have been considered for aggregation to form the Banking Group are detailed in the Statement of Accounting Policies.

For the purposes of this Disclosure Statement the term "Branch" and "Banking Group" are synonymous.

Overseas Banking Group

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

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

The Overseas Banking Group includes all entities consolidated for the purposes of public reporting of Group financial statements in Hong Kong.

Ultimate Holding Company

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

Access to parental disclosures

The most recent publicly available financial statements of HBAP and HSBC Holdings plc can be found at HBAP's website, www.hsbc.com.hk under About HSBC, Financial Information, Financial Reports.

Ranking of Local Creditors in a Winding-up

Under Section 265(1) (db) of the Companies Ordinance of the Hong Kong SAR which HBAP is subject to, in the event of a winding up of HBAP, there shall be paid in priority to all other unsecured debts the aggregate amount held on deposit, up to a maximum of HKD100,000, to each depositor and that this Section has no geographic limitation. Save as aforesaid, the Directors believe that no other material legislative or regulatory restrictions exist which subordinate the claims of any class of the Registered Bank's unsecured creditors on the global assets of HBAP to those of any other class of unsecured creditors of HBAP, in a winding up of HBAP.

Guarantee Arrangements for Overseas Banking Group

No material obligations of the Overseas Banking Group are guaranteed.

Government Guarantee

The Registered Bank does not have a guarantee under the New Zealand retail deposit guarantee scheme as at the date of signing this Disclosure Statement.

General Disclosures *(continued)*

Other Material Matters

There are no material matters that, if disclosed, would adversely effect the decision of a person to subscribe for Debt Securities of which the Registered Bank is the issuer.

Pending Proceedings and Arbitration

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

Audit

This Disclosure Statement has not been subject to audit or review by an external auditor.

Insurance and non-financial activities

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

New Zealand Chief Executive Officer/Responsible Person

The New Zealand Chief Executive Officer, David James Howard Griffiths, has been authorised in writing by each Director named below, in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, to sign this General Disclosure Statement on the Directors' behalf. Accordingly, David James Howard Griffiths is a Responsible Person under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2011.

David James Howard Griffiths
Chief Executive Officer New Zealand Branch. Joined the HSBC Group in 1976 and resides in New Zealand.

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

Dealings with Responsible Person

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

Board of Directors of HBAP

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

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

Dr William Fung Kwok Lun, SBS, OBE (Non-Executive Deputy Chairman)
BSE, Princeton University, 1970 and MBA, Harvard Graduate School of Business, 1972
Honorary Doctorate of Business Administration, Hong Kong University of Science & Technology, 1999
Group Managing Director, Li & Fung Limited

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

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

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

Dr Raymond Ch'ien Kuo Fung, GBS, CBE
B.A., Rockford College, 1973; Master of Arts and Doctor of Philosophy (Economics), University of Pennsylvania, 1976 and 1978
Chairman, CDC Corporation and Chairman, China.com Inc.

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

Margaret Leung Ko May Yee
Bachelor of Social Sciences, University of Hong Kong, 1975
Vice-Chairman and Chief Executive, Hang Seng Bank Limited

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

Dr Lo Ka Shui, GBS
B.Sc. (Hons) Biophysics, McGill University, 1970; M.D. Cornell University, 1974; Residency, American Board of Internal Medicine, University of Michigan, 1976; and Fellowship, American Board of Cardiology,
University of Michigan, 1979
Chairman and Managing Director, Great Eagle Holdings Limited

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

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

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

Thomas Brian Stevenson, SBS
Bachelor of Laws, Glasgow University, Scotland, 1965; Master of Laws, University of Hong Kong, 2001; Member, Institute of Chartered Accountants of Scotland, 1968; Fellow, Hong Kong Institute of Certified Public Accountants; and Member, Certified Public Accountants of Singapore.
Chartered Accountant

Dr Patrick Wang Shui Chung
B.Sc. and M.Sc., in Electrical Engineering, Purdue University, Indiana USA, 1972.
Honorary Doctorate of Engineering, Purdue University in Indiana, USA, 2004.
Chairman and Chief Executive Officer, Johnson Electric Holdings Ltd

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

General Disclosures *(continued)*

Board of Directors of HBAP (*continued*)

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

Paul Anthony Thurston
Bachelor of Arts, Economics and Business Studies, University of Sheffield, 1975; Associate Member, Chartered Institute of Bankers, 1979; and Fellow, Ifs School of Finance, 2009
Group Managing Director and Chief Executive, Retail Banking and Wealth Management, HSBC Holdings plc

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

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

Change in Board of Directors for HBAP

The composition of the Board of Directors has changed since 31 December 2010.

Mr David Wei Zhe resigned as a non-executive director of HBAP with effect from 22 February 2011. Mr Paul Anthony Thurston was appointed as a director of HBAP with effect from 27 April 2011.

Concentration of Credit Exposures to Individual counterparties

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

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
Moody's Investor Service Inc.	Aa1 (stable outlook)
Standard & Poor's Corporation	AA (stable outlook)
Fitch IBCA Inc.	AA (stable outlook)

Conditions of Registration

The Hongkong and Shanghai Banking Corporation Limited
New Zealand Branch
Conditions of Registration as from 26 November 2007

The registration of the New Zealand Branch of The Hongkong and Shanghai Banking Corporation Limited ('the Registered Bank') 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, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

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

   (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

   (ii) In measuring the size of the banking group's insurance business:

      (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

         - the total consolidated assets of the group headed by that entity;
         - or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;

      (b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

      (c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;

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

3. That the business of the Registered Bank does not constitute a predominant proportion of the business of The Hongkong and Shanghai Banking Corporation Limited.

Conditions of Registration *(continued)*

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

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

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

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

6. That The Hongkong and Shanghai Banking Corporation Limited complies with the following minimum capital adequacy requirements, as required by the Banking Ordinance of Hong Kong:

    - Tier one capital of The Hongkong and Shanghai Banking Corporation Limited is not less than 4 percent of risk weighted exposures; and

    - Capital of The Hongkong and Shanghai Banking Corporation Limited is not less than 8 percent of risk weighted exposures.

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.

For the purposes of these conditions of registration, the term “Banking Group” means the New Zealand operations of The Hongkong and Shanghai Banking Corporation Limited and all New Zealand incorporated subsidiaries of The Hongkong and Shanghai Banking Corporation Limited.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2011

Dollars in Thousands	Note	**Unaudited 3 months 31.03.11**	Unaudited 3 months 31.03.10
Interest income		**51,805**	52,326
Interest expense		**(30,758)**	(31,373)
Net interest income		**21,047**	20,953
Net trading income		**3,287**	3,388
Other net operating income		**8,757**	8,774
Operating income		**33,091**	33,115
Operating expenses		**(15,588)**	(12,910)
Operating profit before provisions and tax		**17,503**	20,205
Provisions for loan impairment	5	**(623)**	(722)
Operating profit before tax		**16,880**	19,483
Income tax expense		**(4,766)**	(6,122)
Profit after tax		**12,114**	13,361
Other comprehensive income			
Cashflow hedges		**604**	(1,280)
Income tax expense on cashflow hedge		**(514)**	460
Available-for-sale financial assets		**334**	228
Income tax expense on available-for-sale financial assets		**(82)**	(75)
Other comprehensive income for the period		**342**	(667)
Total comprehensive income for the period		**12,456**	12,694

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

STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2011

Dollars in Thousands	**Unaudited 3 months 31.03.11**	Unaudited 3 months 31.03.10
Head Office Account *		
At beginning of period	**28,184**	24,607
Repatriation to Head Office	**(28,184)**	(24,607)
Profit after tax	**12,114**	13,361
At end of period	**12,114**	13,361
Cashflow Hedging Reserve		
At beginning of period	**(1,909)**	1,076
Movement in the fair value of derivatives	**645**	912
Amortisation of previously terminated swaps to profit or loss	**(41)**	(2,192)
Tax on movements and transfers	**(514)**	460
At end of period	**(1,819)**	256
Available for Sale Reserve		
At beginning of period	**36**	(263)
Movement in the fair value of debt and equity securities	**294**	228
Tax on movements and transfers	**(82)**	(75)
Transfers to profit or loss on vesting of equity shares	**40**	-
At end of period	**288**	(110)
Other Reserve		
At beginning of period	**1,598**	1,261
Amortisation of share options granted	**87**	77
Movement in respect of share-based payment arrangements	**(30)**	(8)
At end of period	**1,655**	1,330
Equity at end of period	**12,238**	14,837
Represented by:		
Profit after tax	**12,114**	13,361
Other comprehensive income	**342**	(667)
Total comprehensive income for the period	**12,456**	12,694
Repatriation to Head Office	**(28,184)**	(24,607)
Movement in other reserve	**57**	69
Equity at beginning of period	**27,909**	26,681
	12,238	14,837

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

Dollars in Thousands	**Unaudited 31.03.11**	Audited 31.12.10
ASSETS		
Cash and demand balances with central banks	**542,919**	783,962
Advances to banks	**12,325**	1,235
Debt and equity securities	**570,230**	665,404
Derivative financial instruments	**161,663**	182,921
Advances to customers	**3,151,691**	3,126,984
Amounts due from related parties	**212,621**	212,951
Other assets	**16,171**	17,208
Current taxation	**-**	1,380
Deferred taxation	**6,599**	6,425
Intangible assets	**20,746**	20,173
Fixed assets	**2,089**	2,256
Total Assets	**4,697,054**	5,020,899
LIABILITIES		
Deposits by banks	**102,381**	164,321
Derivative financial instruments	**176,381**	215,519
Customer deposits	**2,499,173**	2,427,178
Debt securities	**473,554**	719,269
Amounts due to related parties	**1,397,611**	1,431,776
Other liabilities	**31,560**	34,927
Current taxation	**4,156**	-
Total Liabilities	**4,684,816**	4,992,990
Net Assets	**12,238**	27,909
EQUITY		
Head Office Account	**12,114**	28,184
Cashflow Hedging Reserve	**(1,819)**	(1,909)
Available for Sale Reserve	**288**	36
Other Reserve	**1,655**	1,598
Total Equity	**12,238**	27,909

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

STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2011

Dollars in Thousands	**Unaudited 3 months 31.03.11**	Unaudited 3 months 31.03.10
Cash flows from / (to) operating activities		
Interest received	**50,098**	52,344
Fees and commissions	**8,680**	8,714
Realised trading gain / (loss)	**(23,723)**	4,118
Interest paid	**(31,933)**	(35,714)
Operating expenses	**(10,947)**	(9,610)
Taxation paid	**-**	(10,965)
Net cash flows from / (to) operating activities before changes in operating assets and liabilities	**(7,825)**	8,887
Changes in operating assets and liabilities arising from cash flow movements		
Cash was provided net from/applied net (to):		
Debt securities purchased	**95,468**	260
Advances to customers	**(7,499)**	(50,182)
Amounts due from related parties	**98,169**	(315,896)
Other assets	**2,100**	(1,457)
Other liabilities	**(2,344)**	1,638
Debt securities issued	**(245,715)**	(22,952)
Deposits by banks	**629**	(1,181)
Customer deposits	**(46,845)**	(97,021)
Net change in operating assets and liabilities	**(106,037)**	(486,791)
Net cash flows from operating activities	**(113,862)**	(477,904)
Cash flows from / (to) investing activities		
Acquisition of fixed assets	**(47)**	(96)
Acquisition of intangible assets	**(756)**	-
Net cash flows from / (to) investing activities	**(803)**	(96)
Cash flows from / (to) financing activities		
Amounts due to related parties	**176,381**	196,141
Repatriation to head office	**(28,184)**	(24,607)
Net cash flows from / (to) financing activities	**148,197**	171,534
Net increase / (decrease) in cash and cash equivalents	**33,532**	(306,466)
Effect of exchange rate fluctuations on cash held	**9,851**	(5,463)
Cash and cash equivalents at beginning of period	**(669,389)**	(620,619)
Cash and cash equivalents at end of period	**(626,006)**	(932,548)

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

STATEMENT OF CASH FLOWS *(continued)*
FOR THE THREE MONTHS ENDED 31 MARCH 2011

Dollars in Thousands	**Unaudited 3 months 31.03.11**	Unaudited 3 months 31.03.10
Analysis of cash and cash equivalents		
Cash and demand balances with central banks	**542,919**	303,010
Advances to banks – demand	**12,325**	2,198
Advances to customers – demand	**112,696**	120,354
Balance due from related parties – demand	**110,351**	14,982
Balance due to related parties – demand	**(77,595)**	(34,299)
Deposits by banks – demand	**(85,767)**	(51,234)
Deposits by customers - demand	**(1,240,935)**	(1,287,559)
	(626,006)	(932,548)
Reconciliation of operating profit to net cash flows from operating activities		
Profit after tax	**12,114**	13,361
Adjustments to reconcile profit after tax to net cash flow from operating activities:		
Change in interest accruals and deferred income	**(2,882)**	(4,323)
Change in mark to market accruals	**(27,127)**	670
Depreciation	**214**	219
Amortisation of intangible asset	**184**	212
Change in deferred income and accrued expense	**4,156**	2,800
Amortisation of share options granted	**87**	69
Impairment charge / (release) on loans and advances	**623**	722
(Gain) / loss on vesting of Achievement Shares	**40**	-
Current / deferred taxation	**4,766**	(4,843)
Adjust operating cash flows not included in profit after tax:		
Net change in operating assets and liabilities	**(106,037)**	(486,791)
Net cash flows from operating activities	**(113,862)**	(477,904)

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

Notes to and forming part of the Interim Financial Statements

1. Statement of Accounting Policies

GENERAL ACCOUNTING POLICIES

Reporting Entity

These interim financial statements are for the New Zealand operations of The Hongkong and Shanghai Banking Corporation Limited ("HBAP") and all New Zealand incorporated subsidiaries of HBAP and controlled special purpose entities, which together represent the Registered Bank's Banking Group ("Banking Group").

The following entities have been considered for aggregation to form the Banking Group:

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

HSBC Nominees (New Zealand) Limited
This entity is the Registered Bank'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 Registered Bank's financial statements.

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

Due to the immaterial nature of the investments and results of both HSBC Nominees (New Zealand) Limited and HSBC Investments New Zealand Limited for the three months ended 31 March 2011, management has decided to exclude both subsidiaries from the financial statements of the Banking Group. The companies are both incorporated in New Zealand.

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

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

Non-Banking Group Entities

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

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

Non-controlled Special Purpose Entities

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

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

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

1. Statement of Accounting Policies *(continued)*

Non-controlled Special Purpose Entities (continued)

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

HSBC World Selection Funds

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

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

Basis of consolidation

As the Registered Bank and Banking Group's financial performance and position are the same in all material respects, a single set of Banking Group numbers is presented.

Special purpose entities

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

The Banking Group does not have any direct or indirect unit holding in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Banking Group and the SPE's risks and rewards, the Banking Group concludes that it controls the SPE. The SPEs controlled by the Banking Group are established under terms that impose strict limitations on the decision making powers of the SPEs' management and operates in a predetermined way such that virtually all rights, obligations and aspects of their activities are controlled through these terms.

Transactions eliminated on consolidation

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

Basis of Reporting

These interim financial statements are prepared and presented in accordance with the Financial Reporting Act 1993, the Registered Bank Disclosure Statements (Overseas Incorporated Banks) Order 2011, the Reserve Bank of New Zealand Act 1989, NZ IAS 34 Interim Financial Reporting and other generally accepted accounting practices in New Zealand.

Measurement Base

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

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

1. Statement of Accounting Policies *(continued)*

Particular Accounting Policies

These interim financial statements have been prepared in accordance with NZ IAS 34 and should be read in conjunction with the General Disclosure Statement for the year ended 31 December 2010. The same accounting policies have been followed in these interim financial statements as were applied in the presentation of the General Disclosure Statement for the year ended 31 December 2010 except for the impact of the adoption of the standards and amendments described below.

- NZ IFRS 7 Amendment to Financial instruments: Disclosures (approved July 2010)

  This amendment was effective for annual accounting periods beginning on or after 1 January 2011. The amendment adds an explicit statement that qualitative disclosures should be made in the context of quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. The application of the revised standard has not had an impact on the Banking Group's interim financial statements as the revision was only concerned with the presentation.

- NZ IAS 1 Amendment to Presentation of Financial Statements (approved July 2010)

  This amendment was effective for annual accounting periods beginning on or after 1 January 2011. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income are also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The application of the revised standard has not had an impact on the Banking Group's interim financial statements as the revision was only concerned with the presentation of the primary statements and notes.

The New Zealand Institute of Chartered Accountants has released the following standards and amendments which are not yet effective but will be relevant to the Banking Group. These standards and amendments have not been adopted early and are excluded from application to these financial statements.

- NZ IFRS 9 (2009) Financial instruments (approved November 2009) and NZ IFRS 9 (2010) Financial instruments (approved November 2010)

  In November 2009 NZ IFRS 9 'Financial Instruments' was issued. This standard introduces new requirements for the classification and measurement of financial assets. In November 2010 new requirements for the classification and measurement of financial liabilities were added. The standard is effective for annual accounting periods beginning on or after 1 January 2013 with early adoption permitted. NZ IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate prior period comparative information. The Banking Group will adopt the standard in line with HBAP's adoption of IFRS 9. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, management are unable to provide a date by which it plans to apply NZ IFRS 9.

  The main changes to the requirements of NZ IAS 39 are summarised below.

  - All financial assets that are currently in the scope of NZ IAS 39 will be classified as either amortised cost or fair value. The available-for-sale and held-to-maturity categories will no longer exist.

  - Classification is based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Reclassifications between the two categories are prohibited unless there is a change in the entity's business model.

  - A financial asset is measured at amortised cost if two criteria are met: i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and ii) the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Movements in the fair value of financial assets classified at fair value are recognised in profit or loss, except for equity investments where an entity takes the option to designate an equity instrument that is not held for trading at fair value through other comprehensive income. If this option is taken, all subsequent changes in fair value are recognised in other comprehensive income with no recycling of gains or losses to the profit or loss statement. Dividend income would continue to be recognised in the profit or loss statement.

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

1. Statement of Accounting Policies *(continued)*

Particular Accounting Policies *(continued)*

- NZ IFRS 9 Financial instruments: Recognition (approved November 2010) *(continued)*

  - An entity is only permitted to designate a financial asset otherwise meeting the amortised cost criteria at fair value through the profit and loss if doing so significantly reduces or eliminates an accounting mismatch. This designation is made on initial recognition and is irrevocable.

  - Financial instruments which contain embedded derivatives are to be classified in their entirety either at fair value or amortised cost depending on whether the contracts as a whole meet the relevant criteria under NZ IFRS 9.

  - Most of NZ IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities. However, fair value changes attributable to changes in own credit risk for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts are to be presented in the statement of other comprehensive income unless the treatment would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to the profit or loss statement but may be transferred within equity.

  IFRS 9 (2009) is the first phase and IFRS 9 (2010) is the second phase of the IASB's planned phased replacement of IAS 39 with a less complex and improved standard for financial instruments. The next steps in the IASB's project will address the impairment of financial assets measured at amortised cost and hedge accounting. The IASB has indicated that it aims to finalise the replacement of IAS 39 by June 2011. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments. The impact of IFRS 9, and consequently NZ IFRS 9, may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of NZ IFRS 9 as at the date of publication of these financial statements.

Comparative Figures

These interim financial statements include comparative information as required by NZ IAS 34 and the Registered Bank Disclosure Statements (Overseas Incorporated Banks) Order 2011. There have been no changes to comparative figures.

Changes in Accounting Policies

The accounting policies have not changed and are the same as those applied by the Banking Group in the General Disclosure Statement for the year ended 31 December 2010.

Risk Management

There has been no material change during the three months ended 31 March 2011 to the Banking Group's policies for managing risks in relation to credit, currency, interest rates, equity, liquidity or any material business risk to which the Banking Group is exposed.

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

Dollars in Thousands	**Unaudited 31.03.11**
2. Total Liabilities Net of Amounts Due to Related Parties	**3,216,762**
3. Interest Earning Assets and Interest Bearing Liabilities	
Total interest earning and discount bearing assets	**4,482,255**
Total interest and discount bearing liabilities	**4,235,742**

4. Segment Reporting

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

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

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

Business Segments

The Banking Group comprises the following main business segments:

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

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

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

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

	Unaudited 3 months ended 31.03.11					
Dollars in Thousands	**RBWM**	**CMB**	**GBM**	**Total Reportable Segments**	**Reconciling items**	**Consolidated**
Operating income	**7,710**	**18,150**	**5,226**	**31,086**	**2,005**	**33,091**
Operating profit / (loss) before tax	**1,655**	**11,493**	**2,057**	**15,205**	**1,675**	**16,880**

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

Dollars in Thousands	**Unaudited 31.03.11**
5. Asset quality	
In the current period there is only one class of impaired financial assets, being loans and advances to customers.	
Gross individually impaired assets	**66,620**
Gross advances past due 90 days or more but not impaired	**-**
Specific provision for loan impairment	
Balance at the beginning of the period	**18,412**
New and additional provisions charged to profit or loss	**1,392**
Provisions released during the period to profit or loss	**(720)**
Write-offs	**(243)**
Discount unwind [1]	**(781)**
Exchange adjustment	**49**
Balance at the end of the period	**18,109**
Collective provision for loan impairment	
Balance at the beginning of the period	**1,775**
Additional provision charged to profit or loss	**220**
Provisions released during the period to profit or loss	**(31)**
Balance at the end of the period	**1,964**
Total provisions for loan impairment	**20,073**
Profit or loss charge / (credit)	
Provisions for impairment against advances	**1,612**
Provisions release no longer required	**(751)**
	861
Recoveries of amounts written off in previous period	**(238)**
	623

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

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

6. Risk weighted exposures

Risk weighted exposures are derived in accordance with the Reserve Bank of New Zealand's Capital Adequacy Framework as required by the Registered Bank Disclosure Statements (Overseas Incorporated Banks) Order 2011.

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The contract amount represents the amount at risk should the contract be fully drawn upon and the client default. The credit equivalent amounts are determined in accordance with the original exposure method under the Reserve Bank of New Zealand's risk weighted capital adequacy guidelines.

Off - balance sheet financial instruments arise from futures, forward, swap and option transactions undertaken by the Banking Group in the foreign exchange and interest rate markets. Contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Total risk weighted exposure – 31 March 2011 (Unaudited)
On-balance sheet

	Principal Amount	*Risk Weight*	*Risk Weighted Exposure*
	$m	**%**	**$m**
Cash and short-term claims on government	**630.6**	**0.0**	**-**
Claims on banks	**987.0**	**20.0**	**197.4**
Residential mortgages	**983.6**	**50.0**	**491.8**
Other assets	**1,934.2**	**100.0**	**1,934.2**
Non-risk weighted assets	**161.7**	**-**	**-**
	4,697.1		**2,623.4**

Off-balance sheet	*Contract amount*	*Credit equivalent amount*	*Average Counterparty Risk weight*	*Risk Weighted Exposure*
	$m	**$m**	**%**	**$m**
Direct credit substitutes	**54.3**	**54.3**	**40.7**	**22.1**
Transaction related contingent items	**93.8**	**46.9**	**93.4**	**43.8**
Trade related contingent items	**127.2**	**25.4**	**30.7**	**7.8**
Commitments, maturity one year or more	**790.1**	**395.0**	**93.9**	**371.0**
Commitments, maturity up to one year	**741.0**	**-**	**-**	**-**
Market related contracts				
Exchange rate contracts:				
Forwards				
- *Trading*	**5,017.1**	**149.6**	**32.7**	**48.9**
Currency Options				
- *Trading*	**2,129.9**	**93.7**	**34.6**	**32.4**
Cross Currency Swaps				
- *Trading*	**1,218.0**	**125.3**	**34.2**	**42.9**
Interest rate contracts:				
Swaps				
- *Trading*	**2,334.7**	**92.4**	**29.8**	**27.5**
- *Other than trading*	**487.0**	**8.4**	**20.2**	**1.7**
Interest rate options				
- *Trading*	**193.0**	**6.1**	**23.0**	**1.4**
Total off-balance sheet exposures	**13,186.1**	**997.1**		**599.5**
Total risk weighted exposures				**3,222.9**

Residential mortgages by loan-to-valuation ratio as at 31 March 2011

				Principal Amount
	Does not exceed 80%	**Exceeds 80% and not 90%**	**Exceeds 90%**	**Total**
	$m	**$m**	**$m**	**$m**
Value of exposures	**959.5**	**20.3**	**3.8**	**983.6**

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

7. Liquidity risk management

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

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

Dollars in Thousands	**Unaudited 31.03.11**
Demand balances with the central bank	**541,224**
Available-for-sale debt securities and treasury bills	**570,171**
Amount due from related parties	**-**
	1,111,395

8. Market Risk Exposures

Aggregate market risk exposures are derived in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A) as stated in clauses 4 to 6 of the Ninth Schedule to the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2011.

Dollars in Millions	*Implied risk weighted*	*Notional capital charge*
Exposure at 31 March 2011		
Interest rate risk	**44.3**	**3.5**
Foreign currency risk	**1.5**	**0.1**
Equity risk	**-**	**-**
Peak exposure period 1 January 2011 to 31 March 2011		
Interest rate risk	**67.6**	**5.4**
Foreign currency risk	**3.0**	**0.2**
Equity risk	**-**	**-**

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

9. Profitability, size and asset quality of HBAP

Dollars in HK$ millions	**Audited Year ended 31.12.10**
Profitability	
Net profit after tax	**63,227**
Net profit after tax over the previous 12 month period, as a percentage of average total assets	**1.3%**
Size	
Total assets	**5,039,918**
Percentage increase in total assets over the 12 months ending on 31 December 2010	**15.6%**
Asset Quality	
Individually impaired assets	**15,014**
Individual impairment provision against advances to customers	**8,259**
Collective impairment provision against advances to customers	**4,735**
Individually Impaired assets / total assets	**0.3%**
Individual impairment provision / impaired assets	**50.7%**

10. Capital Adequacy Ratios

HBAP is subject to the capital requirements as specified by the Hong Kong Monetary Authority (HKMA). From 1 January 2009, HBAP migrated to the advanced internal ratings-based approach (IRBA) to calculate its credit risk for the majority of its non-securitisation exposures. HBAP continued to use the internal ratings-based (securitisation) approach to determine credit risk for its securitisation exposures. For market risk, HBAP used an internal models approach to calculate its general market risk and market risk relating to equity options. From 30 March 2009, HBAP adopted an internal models approach to calculate its market risk in respect of specific risk for the interest rate risk category. HBAP continued to use the standardised (market risk) approach for calculating other market risk positions and the standardised (operational risk) approach to calculate its operational risk.

The capital requirements of HKMA are at least equal to those specified under the Basel framework and are not publicly available. HBAP meets, and exceeds, the minimum capital ratio requirements as specified by the HKMA as at 31 December 2010.

HBAP reported the following capital adequacy ratios:

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

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

Directors' Statement

Each Director believes, after due enquiry by them, that:

- The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2011;
- The Disclosure Statement is not false or misleading;

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

each Director believes, after due enquiry by them, that:

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

over the three months ended 31 March 2011.

For and on behalf of the Directors of The Hongkong and Shanghai Banking Corporation Limited (as listed on pages 3 to 5) by their attorney, David Griffiths, and also in his capacity as Chief Executive Officer:

David James Howard Griffiths
Chief Executive Officer
New Zealand Branch

31 May 2011

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

HSBC

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