

HSBC Finance (Netherlands)

Registered No: 2815114

Financial Statements for the year ended 31 December 2015

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HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015

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HSBC Finance (Netherlands) Strategic Report for the year ended 31 December 2015

Principal activities

HSBC Finance (Netherlands) (the "Company" or the "Entity") principal activity is to be an investment holding company. No change in the Company's principal activities is anticipated.

Review of the Company's business

The business is funded principally by its parent, HSBC Holdings plc.

The reserves available for distribution at 31 December 2015 were US\$7,028 million (2014: US\$7,341 million).

Financial Performance

The performance and position of the Company for the year ended 31 December 2015 and the state of the Company's financial affairs at that date are set out on pages 8 to 39 of these financial statements.

The results of the Company show a profit before tax for the year of US\$5,857 million (2014: US\$5,669 million).

Dividend income of US\$5,760 million was received from HSBC Holdings B.V. (2014: US\$6,550 million) and US\$226 million from HSBC Private Banking Holdings (Suisse) S.A. (2014: US\$1,100 million). Further details of these investments are set out in Note 10.

Following an annual valuation of the Company's investment in subsidiaries, the Company recognised the recovery of impairment losses in respect of one of the Company's investments in subsidiaries that had been written down in previous years (2014: an impairment charge against one investment in subsidiary), as detailed below:

Subsidiary	2015	2014
	Recovery	(Impairment)
HSBC Private Banking Holdings (Suisse) S.A	-	(US\$1,798 million)
HSBC Insurance (Bermuda) Limited	US\$68.6 million	-

Key Performance Indicators

As the Entity is managed as part of a global bank, there are no key performance indicators that are specific to the Entity. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of performance of the Entity is carried out by comparing actual performance against annually set budgets.

Risk management

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 16 of the financial statements.

The Company's exposures to credit, liquidity and market risks are limited due to the nature of its business, which is predominantly investing in or financing of group companies. These transactions are generally funded by way of equity from the parent company.

Signed on behalf of the Board



.....
R J Hennity
Director

Date: 28 September 2016

Registered Office
8 Canada Square
London
E14 5 HQ

HSBC Finance (Netherlands) Directors' Report for the year ended 31 December 2015

Directors

The Directors who served during the year were as follows:

Director	Appointed	Resigned
G A Francis		
R J Hennity		
I J Mackay		
I MacKinnon		
B J S Mathews		
B Pascoe	17 July 2015	
T Roland		17 April 2015
A C G Stangroome (Alternate Director to T Roland)		17 April 2015

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

Dividends of US\$6,155 million were declared and paid during the year (2014: US\$9,705 million).

Significant events since the end of the financial year

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('Brexit') at a date in the future to be agreed. The ultimate economic impact of Brexit is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in note 14, foreign exchange and interest rate risks are managed by the Entity in the ordinary course of business and so any increased volatility as a result of Brexit is not expected to have a material effect on the results and net assets of the Entity. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of Brexit is not expected to translate into a material increase in credit risk for the Entity given the nature of the Entity's transactions, its counterparties, and available security.

No other important events affecting the Entity have occurred since the end of the financial year.

Future developments

No change in the Entity's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

HSBC Finance (Netherlands)
Directors' Report for the year ended 31 December 2015 (continued)

Disclosure of information to the Auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditors

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries in 2013, PricewaterhouseCoopers LLP was appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

HSBC Finance (Netherlands)
Directors' Report for the year ended 31 December 2015 (continued)

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditor's Statement of their responsibilities set out in their report on the page 7, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Company's financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

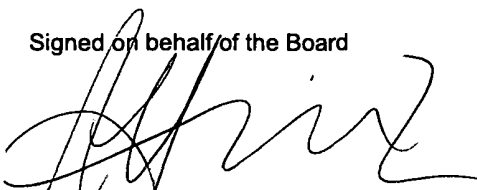
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board



R. J. Hennity
Director

Date: 28 September 2016

Registered Office
8 Canada Square
London
E14 5HQ
Registered number: 2815114

HSBC Finance (Netherlands)

Independent Auditors' Report to the Members of HSBC Finance (Netherlands)

Our opinion

In our opinion, HSBC Finance (Netherlands)'s financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

HSBC Finance (Netherlands)
Independent Auditors' Report to the Members of HSBC Finance (Netherlands)
(continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

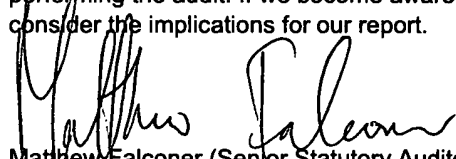
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Matthew Falconer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 29/9/16

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015

Income statement for the year ended 31 December 2015

		31 December 2015	31 December 2014
	<i>Note</i>	US\$000	US\$000
Interest income		104,477	130,251
Interest expense		(306,431)	(313,006)
Net interest expense		(201,954)	(182,755)
Fee income		91	499
Dividend income		5,985,761	7,650,000
Foreign exchange gain/(loss)		4,673	(420)
Loss on disposal of financial investments		(263)	(897)
General and administrative expenses		(44)	(1)
Reversal of impairment/ (impairment charge) in subsidiary	10	68,600	(1,797,527)
Net operating income		6,058,818	5,851,654
Operating profit		5,856,864	5,668,899
Profit before tax		5,856,864	5,668,899
Tax expense	5	(15,136)	(29,816)
Profit for the year attributable to the shareholder		5,841,728	5,639,083

The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015 (continued)

Statement of comprehensive income for the year ended 31 December 2015

	31 December 2015 US\$000	31 December 2014 US\$000
Profit for the year attributable to the shareholder.....	5,841,728	5,639,083
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments		
– fair value gain.....	59,845	12,869
– income taxes..... 5	(10,515)	(2,574)
Other comprehensive income for the year, net of tax	49,330	10,295
Total comprehensive income for the year attributable to the shareholder	5,891,058	5,649,378


The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015 (continued)

Statement of financial position as at 31 December 2015

		31 December 2015	31 December 2014
	Note	US\$000	US\$000
ASSETS			
Cash and cash equivalents		76,107	381,118
Loans and advances to HSBC undertakings	8	180,563	2,510,592
Financial investments	9	460,375	122,962
Current tax assets		108,390	-
Investments in subsidiaries	10	25,667,055	25,598,455
Deferred tax assets	5	-	117,278
Total assets		26,492,490	28,730,405
LIABILITIES AND EQUITY			
<i>Liabilities</i>			
Amounts owed to HSBC undertakings	11	757,970	663,026
Derivative liabilities	7	153	-
Loans from HSBC undertakings	12	13,641,982	15,695,456
Current tax liabilities		-	28,685
Deferred tax liabilities	5	13,089	-
Total liabilities		14,413,194	16,387,167
<i>Equity</i>			
Called up share capital	13	4,300,447	4,300,447
Share premium account		200,000	200,000
Available-for-sale fair value reserve		59,625	10,295
Other reserves		491,000	491,000
Retained earnings		7,028,224	7,341,496
Total equity		12,079,296	12,343,238
Total equity and liabilities		26,492,490	28,730,405

These financial statements were approved by the Board of Directors on 28 September 2016 and were signed on its behalf by:


R J Hennity
Director
Company Registration No: 2815114

The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015 (continued)

Statement of cash flows for the year ended 31 December 2015

		2015	2014
	Notes	US\$000	US\$000
Cash flows from operating activities			
Profit before tax		5,856,864	5,668,899
Adjustments for:			
– Non-cash items included in profit before tax	14	(68,600)	1,798,424
– Change in operating liabilities	14	(1,958,377)	(399,898)
– Change in operating assets	14	2,330,029	330,830
– Tax (paid)/ received	14	(32,360)	61,575
Net cash generated from operating activities		6,127,556	7,459,830
Cash flows from investing activities			
Net cash outflow from acquisition of or additional investment in subsidiaries		-	(200,000)
Net cash outflow from acquisition of financial investments		(277,567)	-
Net cash inflow from disposal of financial investments		-	4,818
Net cash inflow from return of capital from subsidiary		-	2,500,000
Net cash (used in)/ from investing activities		(277,567)	2,304,818
Cash flows from financing activities			
Issue of ordinary share capital		-	200,000
Dividends paid		(6,155,000)	(9,705,400)
Net cash used in financing activities		(6,155,000)	(9,505,400)
Net (decrease)/ increase in cash and cash equivalents		(305,011)	259,248
Cash and cash equivalents at 1 January		381,118	121,870
Cash and cash equivalents at 31 December	15	76,107	381,118

The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015 (continued)

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Share premium account	Available- for-sale fair value reserve	Other reserves	Retained earnings	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 January 2015	4,300,447	200,000	10,295	491,000	7,341,496	12,343,238
Profit for the year attributable to the shareholder	-	-	-	-	5,841,728	5,841,728
Other comprehensive income (net of tax)	-	-	49,330	-	-	49,330
Available-for-sale investments	-	-	49,330	-	-	49,330
Total comprehensive income for the year attributable to the shareholder.....	-	-	49,330	-	5,841,728	5,891,058
Ordinary dividends to shareholder	-	-	-	-	(6,155,000)	(6,155,000)
At 31 December 2015.....	4,300,447	200,000	59,625	491,000	7,028,224	12,079,296

The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

HSBC Finance (Netherlands)
Financial Statements for the year ended 31 December 2015 (continued)

Statement of changes in equity for the year ended 31 December 2015 (continued)

	Called up Share capital	Share premium account	Available- for-sale fair value reserve	Other reserves	(Accumulated losses)/ Retained earnings	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 January 2014	Restated 7,455,848	9,776,448	-	491,000	(1,524,035)	Restated 16,199,261
Profit for the year attributable to the shareholder	-	-	-	-	5,639,083	5,639,083
Other comprehensive income (net of tax)	-	-	10,295	-	-	10,295
Available-for-sale investments	-	-	10,295	-	-	10,295
Total comprehensive income for the year attributable to the shareholder.....	-	-	10,295	-	5,639,083	5,649,378
Ordinary shares issued.....	-	200,000	-	-	-	200,000
Conversion of ordinary shares to retained earnings	(3,155,400)	-	-	-	3,155,400	-
Ordinary dividends to shareholder	-	-	-	-	(9,705,400)	(9,705,400)
Other	(1)	(9,776,448)	-	-	9,776,448	(1)
At 31 December 2014.....	4,300,447	200,000	10,295	491,000	7,341,496	12,343,238

Other reserves are not distributable and arose from historical group transactions.

During 2014, the Company's share capital was reduced by cancelling and extinguishing 1,866,727,180 of the Ordinary Redeemable shares and crediting this amount to retained earnings (US\$3,155 million).

The Company also converted share premium of US\$9,776 million to retained earnings.

The accompanying notes on pages 14 to 39 form an integral part of these financial statements.

1 Basis of preparation

(i) Compliance with International Financial Reporting Standards

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the year ended 31 December 2015

There were no new standards adopted during the year ended 31 December 2015.

During 2015, HSBC adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(ii) Future accounting developments

Standards and amendments issued by the IASB and endorsed by the EU but effective after 31 December 2015

At 31 December 2015, a number of standards and amendments to standards had been issued by the IASB which are not effective for the Entity's financial statements as at 31 December 2015. None of these are expected to have a significant effect on the results of net assets of the Entity when adopted.

(iii) General Information

HSBC Finance (Netherlands) is a company domiciled and incorporated in England and Wales.

The financial statements have been presented in US Dollars, which is the Company's functional currency.

The financial statements present information about the Entity as an individual undertaking and not about its group. The Entity is not required to prepare consolidated financial statements by virtue of the exemption conferred by Section 400 of the Companies Act 2006

The financial statements are prepared on the historical cost basis except for financial assets and financial liabilities which are measured in accordance with notes 2(g) and 2(j).

2 Summary of significant accounting policies

(a) Interest income and expense

Interest income and expense for financial instruments is recognised in 'Interest income' and 'Interest expense' in the Income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2 Summary of significant accounting policies (continued)

(b) Dividend income

Dividend income is recognised in the Income statement when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

(c) Fee income

Fee income is earned relating to a loan for which the company is guarantor. The company charges a guarantee fee as percentage of the loan balance and is accrued on a daily basis.

(d) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the Income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

(e) Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period. Any resulting exchange differences are included in the Income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any exchange component of a gain or loss on a non-monetary item is recognised in other comprehensive income if the gain or loss on the non-monetary item is recognised in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised in the Income statement if the gain or loss on the non-monetary item is recognised in the Income statement.

(f) Subsidiaries

The Company classifies investments in entities in which it controls as subsidiaries.

The Company's investments in subsidiaries are stated at cost less any impairment losses. Any impairment loss recognised in prior periods shall be reversed through the Income statement if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

2 Summary of significant accounting policies (continued)

(g) Financial assets and liabilities

(i) Loans and advances to HSBC undertakings

Loans and advances to HSBC undertakings are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value and changes therein are recognised in other comprehensive income in 'Available-for-sale fair value reserve' until the investments are either sold or become impaired. When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in other comprehensive income are transferred to the Income statement. In addition the carrying value of available-for-sale financial assets (which is net of impairment) is derecognised.

(iii) Amounts owed to and loans from HSBC undertakings

Amounts owed to HSBC undertakings are recognised when cash is advanced or contractual arrangements are entered into. These liabilities are initially measured at fair value less directly attributable transaction costs. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(iv) Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

(h) Impairment of assets (other than financial assets)

The carrying amounts of the Company's investments in subsidiaries are reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as the higher of the asset's fair value less costs to sell and its value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income statement.

If the amount of the impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The impairment reversal is recognised in the Income statement for the year.

If an available-for-sale asset is impaired, the difference between the financial asset's acquisition cost and its current fair value, less any previous impairment loss recognised in the Income statement, is removed from other comprehensive income and recognised in the Income statement. Once an impairment loss has been recognised on an equity available-for-sale financial asset the subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through the Income statement. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the Income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security.

2 Summary of significant accounting policies (continued)

(i) Derivatives

Derivatives are recognised initially, and are subsequently re-measured, at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

As the Company's derivatives are used to manage foreign currency risk exposure all gains and losses from changes in the fair value are recognised in the Income statement in 'Foreign exchange losses'.

(j) Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques ordinarily used by market participants. Fair values of financial instruments may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

The fair value of financial instruments is generally measured by the individual financial instrument. However, in cases where the Company manages a group of financial assets and financial liabilities according to its net exposure to either market risks or credit risk, the Company measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(k) Financial guarantees

Financial guarantee contracts are initially recorded at fair value and subsequently at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

(l) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to ordinary shares are recognised as a liability in the period in which they are declared.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

2 Summary of significant accounting policies (continued)

(m) Cash and cash equivalent

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

(n) Use of estimates and assumptions

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

The accounting policies that are deemed critical to the Company's results and financial position, in terms of the materiality of the items to which the policies are applied, which involves a high degree of judgement and estimation, are provisions against financial investments and determination of fair values. The procedures supporting the application of the fair value policy set out in note 2(j).

3 Employee compensation and benefits

None of the Directors received any remuneration for their services to the Company during the year (2014: US\$ Nil), as their services are deemed to be provided as part of their services to HSBC Bank Plc

The Company has no employees and hence no staff costs (2014: US\$ Nil).

4 General and administrative expenses

Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. Audit fees are disclosed in the financial statements of HSBC Holdings plc. The amount incurred in respect of the audit of these financial statements was US\$9,263 (2014: US\$9,742). There were no non-audit fees.

5 Tax Expense

	2015 US\$000	2014 US\$000
Current tax		
UK Corporation tax		
– for this year	(108,391)	28,686
– adjustments in respect of prior periods	3,376	(157)
Overseas tax		
– for this year	299	1,287
Deferred tax		
– Origination and reversal of temporary differences	119,852	-
Total tax charged to the Income statement	15,136	29,816

The UK corporation tax rate applying to the Company was 20.25 % (2014: 21.50 %).

HSBC Finance (Netherlands)

Notes on the Financial Statements (continued)

The tax credited to the Income statement differs to the tax charge that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2015	Percentage of profit before tax	2014	Percentage of profit before tax
	US\$000	%	US\$000	%
Profit before tax	5,856,864		5,668,899	
Taxation at UK corporation tax rate of 20.25 % (2014: 21.50%)	1,186,015	20.25	1,218,814	21.50
Adjustments in respect of prior periods	3,376	0.06	(157)	(0.00)
Deferred tax temporary differences not recognised/(previously not recognised)	-	-	-	-
Non taxable income and gains	(1,226,008)	(20.93)	(1,644,557)	(29.01)
Permanent disallowables	48,070	0.82	452,829	7.99
Local taxes and overseas withholding taxes	299	0.01	1,287	0.02
Other items	4,882	0.08	1,600	0.03
Rate change on DT foreign exchange loss	(1,498)	(0.03)	-	-
Total tax charged to the Income statement	15,135	0.26	29,816	0.53

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2017 will reduce from 20% to 19% to be followed by a further 1% reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

The UK Government then announced in the 2016 Budget that the main rate of corporation tax will reduce to 17% for the year beginning 1 April 2020. As this change has not been substantively enacted at the reporting date its effect has not been included in these financial statements. It is not expected that the proposed future rate reduction will have a significant effect on the net UK deferred tax liability at 31 December 2015 of \$13m.

Deferred taxation

The following table shows the gross deferred tax assets and liabilities recognised in the statement of financial position and the related amounts recognised in the income statement, other comprehensive income and directly in equity.

	Available for sale assets US\$000	Held over foreign exchange loss US\$000	Total US\$000
At 1 January 2015	(2,574)	119,852	117,278
Income statement	-	(119,852)	(119,852)
Other comprehensive income:			
Available-for-sale investment	(10,515)	-	(10,515)
At 31 December 2015	(13,089)	-	(13,089)
	Available for sale assets US\$000	Held over foreign exchange loss US\$000	Total US\$000
At 1 January 2014	-	119,852	119,852
Other comprehensive income:			
Available-for-sale investment	(2,574)	-	(2,574)
At 31 December 2014	(2,574)	119,852	117,278

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

6 Analysis of financial assets and liabilities by measurement basis

The following tables analyses the carrying amount of financial assets and liabilities by category as defined in IAS 39 and by statement of financial position heading.

As at 31 December 2015	Financial assets and liabilities at fair value	Loans and receivables	Available-for- sale securities	Other financial assets and liabilities at amortised cost	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
Assets					
Cash and cash equivalents	-	-	-	76,107	76,107
Loans and advances to HSBC undertakings	-	180,563	-	-	180,563
Financial investments	-	-	460,375	-	460,375
Total financial assets	-	180,563	460,375	76,107	717,045
Total non-financial assets					25,775,445
Total assets					26,492,490
Liabilities					
Amounts owed to HSBC undertakings	-	-	-	757,970	757,970
Derivative liabilities	153	-	-	-	153
Loans from HSBC undertakings	-	-	-	13,641,982	13,641,982
Total financial liabilities	153	-	-	14,399,952	14,400,105
Total non-financial liabilities					13,089
Total liabilities					14,413,194

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

6 Analysis of financial assets and liabilities by measurement basis (continued)

As at 31 December 2014	Financial assets and liabilities at fair value	Loans and receivables	Available-for-sale securities	Other financial assets and liabilities at amortised cost	Total
	US\$000	US\$000	US\$000	US\$000	US\$000
Assets					
Cash and cash equivalents	-	-	-	381,118	381,118
Loans and advances to HSBC undertakings.....	-	2,510,592	-	-	2,510,592
Assets held for sale	-	-	122,962	-	122,962
Total financial assets	-	2,510,592	122,962	381,118	3,014,672
Total non-financial assets					25,715,733
Total assets					28,730,405
Liabilities					
Amounts owed to HSBC undertakings	-	-	-	663,026	663,026
Loans from HSBC undertakings	-	-	-	15,695,456	15,695,456
Total financial liabilities	-	-	-	16,358,482	16,358,482
Total non-financial liabilities					28,685
Total liabilities					16,387,167

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

7 Derivative Liabilities

Fair values of derivatives

	2015	2014
	US\$000	US\$000
Liabilities		
Foreign exchange.....	153	-

The foreign exchange contracts are measured at fair value using Level 2 valuation techniques which use observable inputs. The fair value is equal to the difference between the US dollar equivalent of the notional contract amount at statement of financial position date and the fixed US dollar amount receivable or payable stipulated in the foreign exchange contract.

8 Loans and advances to HSBC undertakings

			At 31 December 2015		At 31 December 2014	
	Nominal interest rate	Maturity date	Carrying amount	Fair value	Carrying amount	Fair value
			US\$000	US\$000	US\$000	US\$000
HSBC Capital Funding 1 (UK) Limited Partnership.....	EURIBOR+1.2425%	31/10/2017	-	-	1,214,750	1,226,650
HSBC Capital Funding 1 (UK) Limited Partnership.....	7.75%	31/10/2040	-	-	1,093,275	1,211,527
HSBC Bank A.S.	LIBOR+3.87%	28/12/2022	-	-	145,770	169,864
HSBC Bank A.S.	LIBOR+4.15%	28/12/2022	-	-	39,000	44,757
HSBC Holdings B.V.	LIBOR+2.65%	25/11/2025	180,000	180,000	-	-
Accrued interest receivable.....			563	563	17,797	17,797
			180,563	180,563	2,510,592	2,670,595

The loans are denominated in Euros and USD and the effective interest based on EURIBOR and LIBOR rates are accrued. The nominal interest rate is equal to the effective rate of interest as there have been no fees charged on these loans. The loans are carried at amortised cost.

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of loans and advances to HSBC undertakings are estimated using a modelled security as a proxy for the loan as well as various pricing inputs. Pricing inputs include nominal yield curve, credit spread, and coupon information.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

9 Financial investments

			At 31 December 2015	At 31 December 2014
	Nominal interest rate	Maturity date	Carrying amount	Carrying amount
			US\$000	US\$000
HSBC Mexico S.A.	LIBOR+3.65%	31/01/2023	120,545	122,962
HSBC Bank A.S.	LIBOR+2.65%	25/11/2025	130,543	-
HSBC Bank A.S.	EURIBOR+4.48%	28/01/2025	155,322	-
HSBC Bank A.S.	LIBOR +4.48%	28/01/2025	45,901	-
Accrued interest receivable			8,064	-
			460,375	122,962

The loans are denominated in Euros and USD and the effective interest based on EURIBOR and LIBOR rates are accrued. The nominal interest rate is equal to the effective rate of interest as there have been no fees charged on these loans. The loans are carried at fair value, with any changes from remeasurement to fair value recognised in other comprehensive income through the 'Available-for-sale reserve'.

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of these financial investments are estimated using a modelled security as a proxy for the loan as well as various pricing inputs. Pricing inputs include nominal yield curve, credit spread, and coupon information.

10 Investments in subsidiaries

	2015	2014
	US\$000	US\$000
Cost		
At 1 January	30,597,582	32,897,582
Additions	-	200,000
Repayment of capital	-	(2,500,000)
At 31 December	30,597,582	30,597,582
Impairment		
At 1 January	4,999,127	3,201,600
(Reversal)/Charge	(68,600)	1,797,527
At 31 December	4,930,527	4,999,127
Net carrying amount at 31 December	25,667,055	25,598,455

During 2015, the Company recognised the recovery of impairment losses for one of its investment in subsidiaries. The reversal which was triggered by an increase in the current and future expected profitability is in respect of its investment of HSBC Insurance (Bermuda) Limited for the amount of US\$68.6 million.

During the prior year an impairment charge of US\$1,798 million had been recognised against the Company's investment in HSBC Private Banking Holdings (Suisse) S.A.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

10 Investments in subsidiaries (continued)

The Company's accounting policy for impairment of assets (other than financial assets) is described in Note 2(h). The following table sets out the investments in subsidiaries for which detailed impairment tests were undertaken and assumptions used.

Subsidiary	2015			2014		
	Carrying value	Discount rate	Nominal	Carrying value	Discount rate	Nominal
	at		growth rate	at		growth rate
	31 December 2015		beyond initial cash flow projections	31 December 2014		rate beyond initial cash flow projections
	US\$m	%	%	US\$m	%	%
HSBC HOLDINGS BV	22,145	-	-	22,145	-	-
HSBC Insurance (Bermuda) Limited	400	9.80	3.60	331	9.00	3.60
HSBC Private Banking Holdings (Suisse) SA	3,122	8.60	2.30	3,122	7.25	2.62
Total	25,667			25,598		

The process of identifying and evaluating impairment is inherently uncertain because it requires significant management judgement in making a series of estimations, the results of which are highly sensitive to the assumptions used. The impairment review represents management's best estimate of the factors below:

Nominal long-term growth rate: This growth rate reflects GDP and inflation for the countries within which the subsidiaries operate. The rates are based on IMF forecast growth rates as these rates are regarded as the most relevant estimate of likely future trends. The rates used for 2014 and 2015 do not exceed the long-term growth rate for the countries within which the subsidiaries operate; and

Discount rate: The discount rates used to discount the cash flows are based on the cost of capital assigned to each subsidiary, which is derived using a Capital Asset Pricing Model ('CAPM'). The CAPM depends on inputs reflecting a number of financial and economic variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. In addition, for the purposes of testing subsidiaries for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM with cost of capital rates produced by external sources. Externally-sourced cost of capital rates are used where, in management's judgement, those rates reflect more accurately the current market and economic conditions. For 2014 and 2015, internal costs of capital rates were consistent with externally-sourced rates; and

Management's judgement in estimating the cash flows: The future cash flows of each subsidiary are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data in future years; however, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects at the time of the assessment.

When this exercise demonstrates that the expected cash flows of a subsidiary have declined and/or that its cost of capital has increased, the effect is to reduce the subsidiary's estimated recoverable amount. If this is lower than the carrying value of the subsidiary, a charge for impairment will be recognised in the Company's income statement for the year. The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. In the event of a significant deterioration in economic and credit conditions compared with those reflected by management in the cash flow forecasts for the

HSBC Finance (Netherlands)

Notes on the Financial Statements (continued)

10 Investments in subsidiaries (continued)

subsidiaries, a material adjustment to a subsidiary's recoverable amount may occur which may result in the recognition of an impairment charge in the income statement.

HSBC Insurance (Bermuda) Limited

HSBC Insurance (Bermuda) Limited holds insurance risk for the HSBC Group and, as such, is subject to the potential risk of future large claims. A comparison of carrying amount to value in use, calculated using a discount rate of 9.80% (2014: 9.00%) and a growth rate of 3.60% (2014: 3.60%) and expected increased future cash flows resulted in a reversal of impairment losses for the amount of US\$68.6 million (2014: US\$ Nil). Due to inherent uncertainty in the nature of the business of HSBC Insurance (Bermuda) Limited, it is possible that the cost of settling insurance claims in the future could be different to that currently expected, which could result in material impairments to the investment in future periods.

There is unpaid share premium of US\$216 million which can be called upon at the discretion of a subsidiary, HSBC Insurance (Bermuda) Limited, (2014: unpaid share premium of US\$216 million)

Sensitivity to key assumptions for investment in HSBC Insurance (Bermuda) Limited

Based on management's value in use calculation for its investment in HSBC Insurance (Bermuda) Limited, the Company has recognised the reversal of impairment losses for the amount of US\$68.6 million (2014: US\$ Nil). Changes to the key assumptions used in the value in use calculation would have the following impact on the impairment recognised:

Key assumptions	Change in assumption	Impact on impairment - (loss)/gain
Discount rate	+/- 10 basis points	(US\$8m) / US\$8m
Nominal growth rate	+/- 10 basis points	US\$7m /(US\$7m)

HSBC Private Banking Holdings (Suisse) SA

HSBC Private Banking Holdings (Suisse) SA provides global private banking services in Europe. A comparison of carrying amount to value in use, calculated using a discount rate of 8.60% (2014: 7.25%) and a growth rate of 2.30% (2014: 2.62%), resulted in neither impairment charge nor reversal (2014: impairment charge of US\$1,798 million).

Sensitivity to key assumptions for investment in HSBC Private Banking Holdings (Suisse) S.A.

Based on management's value in use calculation for its investment in HSBC Private Banking Holdings (Suisse) S.A., the Company has recognised neither impairment charge nor reversal (2014: impairment charge of US\$1,798 million). Changes to the key assumptions used in the value in use calculation would have the following impact on the impairment:

Key assumptions	Change in assumption	Impact on impairment – (loss)/gain
Discount rate	+/- 10 basis points	(US\$23m) / US\$24m
Nominal growth rate	+/- 10 basis points	US\$19m /(US\$22m)

A full list of the Company's investment in subsidiaries and significant holdings is provided in Note 24.

11 Amounts owed to HSBC undertakings

At 31 December 2015, US\$758 million (2014: US\$663 million) was outstanding to HSBC undertakings. These are non-interest bearing amounts and are repayable on demand.

The fair value of the amounts owed to HSBC undertakings is not significantly different to the carrying value in the statement of financial position due to their short term nature.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

12 Loans from HSBC undertakings

	Nominal Interest rate	Maturity date	At 31 December 2015		At 31 December 2014	
			Carrying amount	Fair value	Carrying amount	Fair value
			US\$000	US\$000	US\$000	US\$000
HSBC Holdings plc.....	EURIBOR+2.36%	28/12/2022	130,596	155,322	1,360,520	1,435,810
HSBC Holdings plc.....	4.11%	28/12/2022	-	-	1,093,275	1,250,100
HSBC Holdings plc.....	LIBOR+1.31%	16/11/2022	10,551,400	10,927,434	10,551,400	10,928,962
HSBC Holdings plc.....	LIBOR+2.00%	28/12/2022	39,000	45,901	39,000	39,131
HSBC Holdings plc.....	LIBOR+1.94%	17/01/2023	110,000	120,545	110,000	109,925
HSBC Holdings plc.....	LIBOR+1.88%	31/10/2023	2,500,000	2,465,071	2,500,000	2,487,110
HSBC Holdings plc.....	LIBOR+2.65%	25/11/2025	180,000	188,086	-	-
HSBC Holdings plc.....	LIBOR+2.50%	22/12/2025	100,000	130,543	-	-
Accrued interest payable			30,986	30,986	41,261	41,261
			13,641,982	14,063,888	15,695,456	16,292,299

The loans are denominated in US Dollars and Euros and the effective interest based on LIBOR or EURIBOR rates is accrued. The loans are carried at amortised cost. The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans.

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of loans and advances to from HSBC undertakings are estimated using a modelled security as a proxy for the loan as well as various pricing inputs. Pricing inputs include nominal yield curve, credit spread, and coupon information.

13 Called up share capital

	2015		2014	
	£/ Number of shares	US\$	£/ Number of shares	US\$
Allotted, called up and fully paid				
Ordinary shares of £1 each	19	34	19	32
Redeemable ordinary shares of £1 each	2,544,134,147	4,300,446,775	2,544,134,147	4,300,446,775

All shares rank equally with one vote attached to each fully paid share.

The rights of the redeemable ordinary shares are briefly summarised as follows:

- (a) the holders are entitled (unless the Company in general meeting shall otherwise resolve) to any dividend or other distribution on the same terms and pari passu with the holders of any ordinary shares;
- (b) the Company is entitled to redeem the shares at any time before 31 December 2020 at par;
- (c) the holders rank pari passu with holders of ordinary shares on a return of assets in a liquidation or otherwise for repayment of paid up capital together with an amount equal to any premium; and
- (d) the holders are entitled to one vote per £1 nominal value as the holders of ordinary shares.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

14 Notes on the Statement of cash flows

	2015	2014
	US\$000	US\$000
Non-cash items included in profit before tax:		
Impairment of investments.....	(68,600)	1,797,527
Loss on disposal of financial investments	-	897
	(68,600)	1,798,424
Change in operating assets:		
Change in loans and advances to HSBC undertakings	2,330,029	330,814
Change in prepayments and accrued income	-	16
	2,330,029	330,830
Change in operating liabilities:		
Amounts owed to HSBC undertakings.....	94,944	(65,371)
Change in derivative liabilities.....	153	(431)
Change in loans from HSBC undertakings.....	(2,053,474)	(334,096)
	(1,958,377)	(399,898)
Cash and cash equivalents comprise:		
Cash at bank with HSBC undertakings	76,107	381,118
Interest and dividends:		
Interest paid	(228,237)	(224,537)
Interest received.....	124,149	132,503
Dividends received	5,985,761	7,650,000

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

15 Maturity analysis of assets and liabilities

The following is an analysis, by remaining contractual maturities at the statement of financial position date, of asset and liability line items that represent amounts expected to be recovered or settled within one year, and after more than one year.

	Due within one year US\$000	Due after more than one year US\$000	Total US\$000
As at 31 December 2015			
Assets			
Cash and cash equivalents.....	76,107	-	76,107
Loans and advances to HSBC undertakings.....	563	180,000	180,563
Financial investments	8,064	452,311	460,375
Total financial assets	84,734	632,311	717,045
Total non-financial assets	108,390	25,667,055	25,775,445
Total assets	193,124	26,299,366	26,492,490
Liabilities			
Amounts owed to HSBC undertakings.....	757,970	-	757,970
Derivative liabilities	153	-	153
Loans from HSBC undertakings	30,986	13,610,996	13,641,982
Total financial liabilities	789,109	13,610,996	14,400,105
Total non-financial liabilities	-	13,089	13,089
Total liabilities.....	789,109	13,624,085	14,413,194
As at 31 December 2014			
Assets			
Cash and cash equivalents.....	381,118	-	381,118
Loans and advances to HSBC undertakings.....	17,797	2,492,795	2,510,592
Financial investments	-	122,962	122,962
Total financial assets	398,915	2,615,757	3,014,672
Total non-financial assets	-	25,715,733	25,715,733
Total assets	398,915	28,331,490	28,730,405
Liabilities			
Amounts owed to HSBC undertakings.....	663,026	-	663,026
Loans from HSBC undertakings	41,261	15,654,195	15,695,456
Total financial liabilities	704,287	15,654,195	16,358,482
Total non-financial liabilities	-	28,685	28,685
Total liabilities.....	704,287	15,682,880	16,387,167

16 Risk Management

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk, market risk and equity risk. Market risk includes interest rate risk and foreign exchange risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract.

Within the overall framework of the HSBC Company policy, the Company has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The directors of the Company are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The Company's credit risk rating system and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

The Company's exposure to credit risk in relation to cash held with other group entities relates to group undertakings that are wholly owned subsidiaries of HSBC Holdings plc, and are part of the business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

The Company also lends to other parties and other customers (with which the Company has available - for - sale investments). The maximum exposure to credit risk for these investments is equal to carrying value.

Maximum exposure to credit risk

	2015	2014
	US\$000	US\$000
Cash and cash equivalents	76,107	381,118
Loans and advances to HSBC undertakings.....	180,563	2,510,592
Financial investments	460,375	122,962
	717,045	3,014,672

Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources but at an excessive cost.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings. The Company also has a line of credit with HSBC Bank plc which can be used for liquidity purposes.

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

16 Risk Management (continued)

Liquidity Risk (continued)

Cash flows payable by the Company under financial liabilities inclusive of interest by remaining contractual maturities

At 31 December 2015

US\$000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Amounts owed to HSBC undertakings	757,970	-	-	-	-
Loans from HSBC undertakings	-	93,050	186,193	993,028	14,520,737
Total	757,970	93,050	186,193	993,028	14,520,737

At 31 December 2014

US\$000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years
Amounts owed to HSBC undertakings	663,026	-	-	-	-
Loans from HSBC undertakings	-	116,947	227,059	908,238	16,887,119
Total	663,026	116,947	227,059	908,238	16,887,119

Market risk

Market risk is the risk that movements in market risk factors, including interest rates, foreign exchange rates and equity and commodity prices will impact the Company's income or the value of its portfolios of financial investments, amounts owed to group undertakings or cash and cash equivalents.

The objective of the Company's risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

Foreign currency risk

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than the US Dollar. The currencies giving rise to this risk are primarily Euro and Sterling.

Foreign currency rate sensitivity analysis has been performed on the net asset / liability foreign exchange risk exposure as at the reporting date. An upward/downward movement in the USD: GBP and Euro rate of 5 per cent has been assumed. If all other variables are held constant, the information above presents the likely impact on the Company's profit.

From the sensitivity analysis that has been performed, if the Euro or Sterling foreign exchange rates weakened by 5 per cent relative to the US dollar, the impact on the Company's profits would be negligible.

Interest rate sensitivity analysis

The Company held net liabilities of US\$13,480million (2014: US\$14,217 million) that are sensitive to interest rate movements. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in LIBOR on these net liabilities would be a (decrease)/increase of profit before tax of US\$134.8 million (2014: US\$142.2 million) and after tax of US\$107.5 million (2014: US\$111.6 million).

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

17 Related party transactions

Balances with related parties

	<i>Note</i>	2015	2014
		US\$000	US\$000
Assets			
Cash and cash equivalents ¹		76,107	381,118
Loans and advances to HSBC undertakings ¹	8	180,563	2,510,592
Financial investments ¹	9	460,375	122,962
Investments in subsidiaries ²	10	25,667,055	25,598,455
Total related party assets		26,384,100	28,613,127
Liabilities			
Amounts owed to HSBC undertakings ³	12	757,970	663,026
Derivative liabilities ¹	7	153	-
Loans from HSBC undertakings ³	13	13,641,982	15,695,456
Total related party liabilities		14,400,105	16,358,482

¹ These balances are with other related parties comprising of other HSBC Group Companies which are neither a parent nor subsidiary of the Company.

² These balances are with subsidiaries of the Company.

³ These balances are with the parent of the Company, HSBC Holdings plc.

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. Further explanations of material related party balances are included elsewhere in the Notes as referred to in the table.

Transactions with related parties

Dividends received - The Company received dividends of US\$5,760 million from HSBC Holdings B.V. (2014: US\$6,550 million) and US\$226 million from HSBC Private Banking Holdings (Suisse) S.A. (2014: \$1,100 million).

Dividends paid - Dividends of US\$6,155 million were paid to the parent Company during the year (2014: US\$9,705 million).

	US\$000	US\$000
Interest income	104,477	130,251
Interest expense	(306,431)	(313,006)
Net interest expense	(201,954)	(182,755)

HSBC Finance (Netherlands) Notes on the Financial Statements (continued)

18 Contingent liabilities

Unpaid share premium of US\$216 million can be called upon at the discretion of the Company's subsidiary HSBC Insurance (Bermuda) Limited (2014: Unpaid share premium of US\$216 million)..

19 Significant events since the end of the financial year

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union at a date in the future to be agreed. As a result, general market conditions are expected to slow in the short to medium term. However it is too early to reliably quantify any future impact on the Company at this point in time. This is not expected to have any effect on the Company's ability to trade as a going concern.

There are no other important events affecting the Company that have occurred since the end of the financial year.

20 Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders' equity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

21 Parent undertaking

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc.

HSBC Holdings plc is also its immediate parent company. Copies of the group financial statements of HSBC Holdings plc may be obtained from the following address:

HSBC Holdings plc
8 Canada Square
London
E14 5HQ
www.hsbc.com

22 HSBC Finance (Netherlands)'s subsidiaries

In accordance with Section 409 of the Companies Act 2006 a list of the Company's subsidiaries and significant investments owned at 31 December 2015 is disclosed below.

Subsidiary	Country	Security	Direct (%)	Total (%)
ACN 087 652 113 Pty Limited	Australia	1 Ordinary shares		96.2963%
Banco Nominees Limited	Bermuda	1,000 Ordinary shares		96.2963%
Bank of Bermuda (Cayman) Limited	Cayman Islands	7,000,000 Ordinary shares		96.2963%
Bank of Bermuda (Insurance Brokers) Limited	Bermuda	12,000 Ordinary shares		96.2963%
Beijing Miyun HSBC Rural Bank Company Limited	China	50,000,000 Registered Capital shares		96.2963%
BerCay Holdings Limited	Cayman Islands	50,000 Ordinary shares		96.2963%
Bermuda Asia Pacific Holdings Limited	Cook Islands	322,000 Ordinary shares		100.0000%
Bermuda International Securities Limited	Bermuda	1,000,000 Ordinary shares		96.2963%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
Bermuda Trust Company Limited	Bermuda	5,000,000 Ordinary shares		96.2963%
Cayman International Finance Limited	Cayman Islands	9,999,995 Ordinary		96.2963%
Cayman Nominees Limited	Cayman Islands	3 Ordinary shares		96.2963%
Chongqing Dazu HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
Chongqing Fengdu HSBC Rural Bank Company Limited	China	30,000,000 Registered Capital shares		96.2963%
Chongqing Rongchang HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
Compass Nominees Limited	Bermuda	12,000 Ordinary shares		96.2963%
Compass Services Limited	Bermuda	50,000 Ordinary shares		96.2963%
Cordico Management AG	Switzerland	100 Ordinary shares		100.0000%
Corhold Limited	Virgin Islands, British	1,000 Bearer shares		100.0000%
Dalian Pulandian HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
Emerging Growth Real Estate II GP Limited	Guernsey	1 Ordinary shares		99.9987%
Far East Leasing SA	Panama	100 Ordinary shares		96.2963%
FEPC Leasing Limited.	Cayman Islands	26,000,000 Preference shares, 10,000,000 Ordinary shares		96.2963%
First Corporate Director Inc.	Virgin Islands, British	1 Ordinary shares		100.0000%
Fujian Yongnan HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
Gesico International SA	Panama	1,000 Ordinary shares		100.0000%
Guangdong Enping HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
GZ Trust Corporation	Virgin Islands, British	250,000 Ordinary shares		100.0000%
HDSAP GP Limited	Guernsey	1 Ordinary shares		99.9987%
Honey Green Enterprises Limited.	Virgin Islands, British	173,220,001 Ordinary shares		96.2963%
HRMG Nominees Limited	Guernsey	9,999 Ordinary shares		99.9887%
HSBC (Kuala Lumpur) Nominees Sdn Bhd	Malaysia	98 Ordinary shares		94.3704%
HSBC (Malaysia) Trustee Berhad	Malaysia	20,000 Ordinary shares		99.2593%
HSBC (Malaysia) Trustee Berhad	Malaysia	20,000 Ordinary shares		99.2593%
HSBC (Malaysia) Trustee Berhad	Malaysia	20,000 Ordinary shares		99.2593%
HSBC (Malaysia) Trustee Berhad	Malaysia	20,000 Ordinary shares		99.2593%
HSBC (Malaysia) Trustee Berhad	Malaysia	20,000 Ordinary shares		99.2593%
HSBC (Singapore) Nominees Pte Limited	Singapore	100 Ordinary shares		96.2963%
HSBC Agency (India) Private Limited	India	99,997 Ordinary shares		96.2934%
HSBC Agency (India) Private Limited	India	3 Ordinary shares		96.2934%
HSBC Alternative Investments Limited	United Kingdom	602,000 Ordinary shares		99.9987%
HSBC Amanah Malaysia Berhad	Malaysia	100,000,000 Ordinary shares		96.2963%
HSBC Asia Holdings (UK) Limited	United Kingdom	26 Ordinary shares		96.2963%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
HSBC Asia Holdings B.V.	Netherlands	405 Ordinary shares, 17,180,000 A Preference shares, 886,041 B Preference shares, 175,000 C Preference shares, 1,000,000 D Preference shares, 1,000,000 E Preference shares, 250,000 F Preference shares, 1,400,000 G Preference shares, 650,000 H Preference shares		96.2963%
HSBC Asia Pacific Holdings (UK) Limited	United Kingdom	5 Ordinary shares		96.2963%
HSBC Asset Management (India) Private Limited	India	61,590,906 Ordinary shares		100.0000%
HSBC Australia Holdings Pty Limited	Australia	578,571,739 Ordinary shares		96.2963%
HSBC Bank (China) Company Limited	China	15,400,000,000 Registered Capital shares		96.2963%
HSBC Bank (Mauritius) Limited	Mauritius	72,956,783 Ordinary shares		70.2547%
HSBC Bank (Singapore) Limited	Singapore	100 Ordinary shares		96.2963%
HSBC Bank (Taiwan) Limited	Taiwan	3,480,000,000 Ordinary shares		96.2963%
HSBC Bank (Vietnam) Limited.	Vietnam	7,528,000,000,000 Ordinary shares		96.2963%
HSBC Bank Australia Limited	Australia	685,250,305 Ordinary shares		96.2963%
HSBC Bank Bermuda Limited	Bermuda	30,026,671 Ordinary shares		96.2963%
HSBC Bank Egypt S.A.E	Egypt	31,464,891 Ordinary shares		94.5443%
HSBC Bank Malaysia Berhad	Malaysia	229,000,000 Ordinary shares		96.2963%
HSBC Bank Middle East (Nominees) WLL	Bahrain	200 Ordinary shares		96.2963%
HSBC Bank Middle East Limited	Jersey	931,055,000 Ordinary shares, 950,000 Cumulative Redeemable Preference shares		96.2963%
HSBC Broking (China) Limited 滙豐金融(中國)有限公司	Hong Kong	650,000 Ordinary shares		96.2963%
HSBC Broking Forex (Asia) Limited 滙豐金融外匯(亞洲)有限公司	Hong Kong	5,000,000 Ordinary shares		96.2963%
HSBC Broking Futures (Asia) Limited 滙豐金融期貨(亞洲)有限公司	Hong Kong	6,000,000 Ordinary shares		96.2963%
HSBC Broking Futures (Hong Kong) Limited 滙豐金融期貨(香港)有限公司	Hong Kong	49,000,000 Ordinary shares		96.2963%
HSBC Broking Nominees (Asia) Limited 滙豐金融證券代理人(亞洲)有限公司	Hong Kong	2 Ordinary shares		82.9428%
HSBC Broking Securities (Asia) Limited 滙豐金融證券(亞洲)有限公司	Hong Kong	30,000,000 Ordinary shares		96.2963%
HSBC Broking Securities (Hong Kong) Limited 滙豐金融證券(香港)有限公司	Hong Kong	5,500,000 Ordinary shares		96.2963%
HSBC Broking Services (Asia) Limited 滙豐金融服務(亞洲)有限公司	Hong Kong	20,000,000 Ordinary shares		96.2963%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
HSBC Capital Limited 滙豐融資有限公司	Hong Kong	600,000 Ordinary shares		96.2961%
HSBC Cayman Services Limited	Cayman Islands	10,000,000 Ordinary shares		96.2963%
HSBC Corporate Advisory (Malaysia) Sdn Bhd	Malaysia	500,000 Ordinary shares		96.2963%
HSBC Corporate Finance (Hong Kong) Limited	Hong Kong	1,000,000 Ordinary shares		69.5894%
HSBC Custody Nominees (Australia) Limited	Australia	5 Ordinary shares		96.2963%
HSBC Daisy Investments (Mauritius) Limited	Mauritius	500 Ordinary shares		96.2963%
HSBC Electronic Data Processing India Private Limited	India	34,579,634 Ordinary shares		99.9999%
HSBC Electronic Data Processing India Private Limited	India	967,139 Ordinary shares	2.7207%	99.9999%
HSBC Finance (Brunei) Berhad	Brunei Darussalam	24,984 Ordinary shares		96.2347%
HSBC Financial Services (Lebanon) s.a.l.	Lebanon	1,993 Ordinary-B shares		99.6500%
HSBC Financial Services (Middle East) Limited	United Arab Emirates	51,000 Ordinary shares		96.2963%
HSBC Fund Services (Korea) Limited	Korea, Republic of	621,872 Ordinary shares		89.5149%
HSBC Global Asset Management (Bermuda) Limited	Bermuda	200,000 Ordinary shares		96.2963%
HSBC Global Asset Management (Hong Kong) Limited	Hong Kong	2,400,000 Ordinary shares		96.2963%
HSBC Global Asset Management (Japan) K. K.	Japan	2,100 Ordinary shares		96.2963%
HSBC Global Asset Management (Singapore) Limited	Singapore	4,500,000 Ordinary shares		96.2963%
HSBC Global Asset Management Holdings (Bahamas) Limited	Bahamas	1,603,998 Ordinary shares		96.2961%
HSBC Guyerzeller Trust Company	Cayman Islands	50,000 Ordinary shares		100.0000%
HSBC Holdings B.V.	Netherlands	500,019 Ordinary shares, 9,227,616 Preference shares		100.0000%
HSBC IM Pension Trust Limited	United Kingdom	1 Ordinary shares		96.2963%
HSBC Institutional Trust Services (Asia) Limited 滙豐機構信託服務(亞洲)有限公司	Hong Kong	500,000 Ordinary shares		96.2963%
HSBC Institutional Trust Services (Bermuda) Limited	Bermuda	5,000,000 Ordinary shares		96.2963%
HSBC Institutional Trust Services (Mauritius) Limited	Mauritius	400,000 Ordinary shares		96.2963%
HSBC Institutional Trust Services (Singapore) Limited	Singapore	1,030,000 Ordinary shares		96.2963%
HSBC Insurance (Asia) Limited 滙豐保險(亞洲)有限公司	Hong Kong	2,797,821 Ordinary shares		96.2962%
HSBC Insurance (Asia-Pacific) Holdings Limited	Hong Kong	133,074,580 Ordinary shares		96.2963%
HSBC Insurance (Bermuda) Limited	Bermuda	5,831,501 Ordinary shares	100.0000%	100.0000%
HSBC Insurance (Singapore) Pte. Limited	Singapore	50,625,000 Ordinary NPV shares		96.2963%
HSBC Insurance Brokers (Philippines) Inc.	Philippines	14,999,994 Ordinary shares		96.2963%
HSBC Insurance Brokers (Taiwan) Limited	Taiwan	1,360,000 Ordinary shares		96.2963%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
HSBC Insurance Services (Lebanon) S.A.L.	Lebanon	149,994 Ordinary shares		96.2924%
HSBC International Nominees Limited	Virgin Islands, British	1 Ordinary shares		96.2963%
HSBC International Trustee (BVI) Limited	Virgin Islands, British	100 Non-Participating Voting shares		100.0000%
HSBC International Trustee (Holdings) Pte. Limited	Singapore	2 Ordinary shares		96.2963%
HSBC International Trustee Limited	Virgin Islands, British	1,300,000 Ordinary shares	100.0000%	100.0000%
HSBC InvestDirect (India) Limited	India	70,946,359 Ordinary shares		97.8753%
HSBC InvestDirect Financial Services (India) Limited	India	146,284,650 Ordinary shares		97.8753%
HSBC InvestDirect Sales & Marketing (India) Limited	India	989,994 Ordinary shares		96.8954%
HSBC InvestDirect Securities (India) Private Limited	India	87,511,243 Ordinary shares, 8,700,000 Preference shares		98.1973%
HSBC Investment Asia Holdings Limited (with Chinese Name) 滙豐投資亞洲控股有限公司	Hong Kong	328,116,387 Ordinary shares		69.5894%
HSBC Investment Bank Holdings B.V.	Netherlands	4,866 Ordinary shares		100.0000%
HSBC Investment Company (Egypt) S.A.E	Egypt	200,000 Ordinary shares		97.8177%
HSBC Investment Funds (Hong Kong) Limited	Hong Kong	2,100,000 Ordinary shares		96.2963%
HSBC Investment Holdings (Guernsey) Limited	Guernsey	200,000 Ordinary shares		99.9987%
HSBC Iris Investments (Mauritius) Limited	Mauritius	500 Ordinary 1 shares, 1 Ordinary 2 (Issued at premium of US\$112,158,016) shares, 99,499 Ordinary shares		96.2963%
HSBC Leasing (Asia) Limited	Hong Kong	10 Ordinary shares		69.5894%
HSBC Life (International) Limited	Bermuda	4,178,479,999 Ordinary shares		96.2962%
HSBC Management (Guernsey) Limited	Guernsey	100,000 Ordinary shares		99.9987%
HSBC Middle East Finance Company Limited	United Arab Emirates	28,000 Ordinary shares		77.0370%
HSBC Middle East Holdings B.V.	Netherlands	1,000,000 Preference - Class A shares, 42 Ordinary shares		96.2963%
HSBC Nominees (Asing) Sdn Bhd	Malaysia	9,999 Ordinary shares		96.2867%
HSBC Nominees (New Zealand) Limited	New Zealand	1,742,587 Ordinary shares		96.2963%
HSBC Nominees (Tempatan) Sdn Bhd	Malaysia	9,999 Ordinary shares		96.2867%
HSBC PB Services (Suisse) SA	Switzerland	41,000 Ordinary shares		100.0000%
HSBC Pensions (Jersey) Limited	Jersey	1,853,412 Ordinary shares		100.0000%
HSBC Private Bank (Luxembourg) S.A.	Luxembourg	53,000 Ordinary shares		100.0000%
HSBC Private Bank (Monaco) SA	Monaco	974,190 Actions shares		99.9991%
HSBC Private Bank (Suisse) SA	Switzerland	708,480 Ordinary shares		100.0000%
HSBC Private Banking Holdings (Suisse) SA	Switzerland	1,363,330 Ordinary shares	100.0000%	100.0000%
HSBC Private Trustee (Hong Kong) Limited	Hong Kong	1,000,000 Ordinary shares		100.0000%
HSBC Professional Services (India) Private Limited	India	483,800 Ordinary shares		99.9234%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
HSBC Property (UK) Limited	United Kingdom	2 Ordinary shares		96.2963%
HSBC Provident Fund Trustee (Hong Kong) Limited	Hong Kong	5,900,000 Ordinary shares		96.2963%
HSBC Republic Management Services (Guernsey) Limited	Guernsey	299,996 Ordinary shares		99.9987%
HSBC Saudi Arabia Limited	Saudi Arabia	10,000 Ordinary shares		67.5852%
HSBC Savings Bank (Philippines) Inc.	Philippines	149,199,992 Ordinary shares		96.2963%
HSBC Securities (Asia) Limited	Hong Kong	89,050,000 Ordinary shares		69.5894%
HSBC Securities (Egypt) S.A.E.	Egypt	245,000 Ordinary shares		92.6534%
HSBC Securities (Japan) Limited	United Kingdom	102,346,697 Ordinary shares		96.2963%
HSBC Securities (Philippines) Inc.	Philippines	18,099,997 Nominal shares		100.0000%
HSBC Securities (Singapore) Pte Limited	Singapore	39,000,000 Ordinary shares		69.5894%
HSBC Securities (Taiwan) Corporation Limited	Taiwan	100,000,000 Ordinary shares		96.2963%
HSBC Securities and Capital Markets (India) Private Limited	India	47,011,391 Ordinary shares		100.0000%
HSBC Securities Asia International Nominees Limited	Virgin Islands, British	1 Ordinary shares		69.5894%
HSBC Securities Asia Nominees Limited	Hong Kong	2 Ordinary shares		76.2661%
HSBC Securities Brokers (Asia) Limited	Hong Kong	333,500,000 Ordinary shares		69.5894%
滙豐證券經紀(亞洲)有限公司				
HSBC Securities Investments (Asia) Limited	Hong Kong	100,000 Ordinary shares		96.2953%
HSBC Securities Services (Bermuda) Limited	Bermuda	12,000 Ordinary shares		96.2963%
HSBC Securities Services Holding Limited	Virgin Islands, British	1,000,000 Ordinary shares		96.2963%
HSBC Services Japan Limited	Bahamas	500 Ordinary shares		96.2963%
HSBC Software Development (Canada) Inc.	Canada	540,000 Ordinary shares		96.2963%
HSBC Software Development (India) Private Limited	India	32,726,399 Ordinary shares		96.2963%
HSBC Software Development (Malaysia) Sdn Bhd	Malaysia	12,253,120 Ordinary shares		96.2963%
HSBC Structured Funds (Asia) Limited	Hong Kong	3,000,000 Ordinary shares		69.5894%
HSBC Technology & Services (China) Limited	China	27,000,000 Registered Capital shares		96.2963%
HSBC Trust Company (BVI) Limited	Virgin Islands, British	250,000 Ordinary-A shares		100.0000%
HSBC Trust Company AG	Switzerland	1,600 Ordinary shares		100.0000%
HSBC Trustee (Cayman) Limited	Cayman Islands	1,300 Ordinary shares		96.2963%
HSBC Trustee (Cook Islands) Limited	Cook Islands	250,000 Ordinary shares		100.0000%
HSBC Trustee (Hong Kong) Limited	Hong Kong	2,400,005 Ordinary (HKD5.00 Partly paid each share) shares		100.0000%
HSBC Trustee (Mauritius) Limited	Mauritius	20,000 Ordinary shares		100.0000%
HSBC Trustee (Singapore) Limited	Singapore	200,000 Ordinary shares		100.0000%
HSBC Violet Investments (Mauritius) Limited	Mauritius	20,000 Ordinary shares		96.2963%
HSBC Wealth Advisory Israel Limited	Israel	2,000 Ordinary shares		100.0000%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
Hubei Macheng HSBC Rural Bank Company Limited	China	20,000,000 Registered Capital shares		96.2963%
Hubei Suizhou Cengdu HSBC Rural Bank Company Limited	China	62,000,000 Registered Capital shares		96.2963%
Hubei Tianmen HSBC Rural Bank Company Limited	China	40,000,000 Registered Capital shares		96.2963%
Hunan Pingjiang HSBC Rural Bank Company Limited	China	30,000,000 Registered Capital shares		96.2963%
Lion Corporate Services Limited	Hong Kong	3 Ordinary shares		100.0000%
Lion International Corporate Services Limited	Virgin Islands, British	100 Ordinary shares		100.0000%
Lion International Management Limited	Virgin Islands, British	500 Ordinary shares		100.0000%
Lion Management (Hong Kong) Limited	Hong Kong	3 Ordinary shares		100.0000%
Mercantile Company Limited	United Kingdom	1 Ordinary shares		96.2962%
Mercantile Company Limited	United Kingdom	1,009,484 Ordinary shares		96.2962%
Midland Australia Pty Limited	Australia	1 Ordinary shares		96.2963%
MIL (Cayman) Limited	Cayman Islands	2 Ordinary shares		96.2963%
MIL Properties (Cook Islands) Limited	Cook Islands	100 Ordinary shares		100.0000%
PT Bank Ekonomi Raharja	Indonesia	1,569,510,288 Ordinary shares		95.2714%
PT HSBC Securities Indonesia	Indonesia	84,099 Ordinary shares		81.8519%
Second Corporate Director Inc.	Virgin Islands, British	1 Ordinary shares		100.0000%
Secondary Club Deal I GP Limited	Guernsey	1 Ordinary shares		99.9987%
Shandong Rongcheng HSBC Rural Bank Company Limited	China	100,000,000 Registered Capital shares		96.2963%
Shenfield Nominees Limited	United Kingdom	70 Ordinary shares		96.2963%
Sico Limited	Virgin Islands, British	10,000 Ordinary shares		100.0000%
Societe Immobiliere Atlas S.A.	Switzerland	100 Ordinary shares		100.0000%
Somers Nominees (Far East) Limited	Bermuda	12,000 Ordinary shares		96.2963%
Sun Hung Kai Development (Lujiazui III) Limited	China	173,205,000 Registered Capital shares		96.2963%
Tayside Holdings Limited	Bahamas	5 Ordinary shares		96.2963%
Tempus Management AG	Switzerland	1,000 Ordinary shares		100.0000%
The Hong Kong and Shanghai Banking Corporation Limited	Hong Kong	38,420,982,901 Ordinary shares, 400,000,000 Cumulative Irredeemable Preference shares, 1,050,000,000 Cumulative Redeemable Preference shares, 3,253,000,000 Non-cumulative Irredeemable Preference shares		96.2963%
Third Corporate Director Inc.	Virgin Islands, British	1 Ordinary shares		100.0000%
Tropical Nominees Limited	Cayman Islands	3 Ordinary shares		96.2963%
Vadep Holding AG	Switzerland	100 Ordinary shares		100.0000%
Vintage I Secondary GP Limited	Guernsey	1 Ordinary shares		99.9987%
Vintage III Special Situations GP Limited	Guernsey	1 Ordinary shares		99.9987%
Wardley Limited 獲多利有限公司	Hong Kong	5,000 Ordinary shares		69.5894%
Wayfoong Credit Limited	Hong Kong	1 Ordinary shares		96.2963%
Wayfoong Finance Limited 滙豐財務有限公司	Hong Kong	1 Ordinary shares		96.2963%

HSBC Finance (Netherlands)
Notes on the Financial Statements (continued)

22 HSBC Finance (Netherlands)'s subsidiaries (continued)

Subsidiary	Country	Security	Direct (%)	Total (%)
Wayhong (Bahamas) Limited	Bahamas	15,200,000 Ordinary shares		96.2963%
Woodex Limited	Bermuda	12,000 Ordinary shares		96.2963%
XDP, Inc.	United States	400 Ordinary shares		96.2963%
HSBC Bank Oman S.A.O.G.	Oman	1,020,159,523 Ordinary shares		49.1111%
Way Chong Finance Limited 滙昌財務有限公司	Hong Kong	50,000 Ordinary-A shares		48.1578%
HSBC Markets (Asia) Limited (In Liquidation)	Hong Kong	2 Ordinary shares		48.1482%
Lyndholme Limited	Hong Kong	2 Ordinary shares		48.1482%
ProServe Bermuda Limited	Bermuda	6,002 Ordinary shares		48.1482%
HSBC Life Insurance Company Limited	China	512,500,000 Ordinary shares		48.1481%
HSBC Amanah Takaful (Malaysia) Berhad	Malaysia	980,000 Ordinary shares		47.1852%
HSBC Middle East Securities L.L.C	United Arab Emirates	26,950 Ordinary shares		47.1852%
SABB Takaful	Saudi Arabia	6,350,000 Ordinary shares		42.8519%
AREIT Management Limited	Cayman Islands	5,464 Ordinary-A shares		40.3499%
The Saudi British Bank	Saudi Arabia	600,000,000 Ordinary shares		40.0000%
EPS Company (Hong Kong) Limited 易辦事(香港)有限公司	Hong Kong	29 Ordinary shares		33.7553%
MENA Infrastructure Fund (GP) Limited	United Arab Emirates	630 Ordinary shares		32.0956%
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	India	247,000,000 Ordinary shares		25.0370%
Ashwood Energy Limited	Virgin Islands, British	12,500,000 Ordinary shares		24.0741%
House Network Sdn Bhd	Malaysia	1 Ordinary shares		24.0741%
NAS Holding Limited	Virgin Islands, British	221 Ordinary shares		21.3056%