

HSBC Investment Bank Holdings B.V.

Financial Statements

for the year ended 31 December 2010



HSBC Investment Bank Holdings B.V.

Incorporated in the Netherlands as a closed company
with limited liability and domiciled in Eng
Registered Office 8 Canada Square, London E14 5GL

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A25	20/09/2011	275
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A36	23/08/2011	138
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Financial Statements

31 December 2010



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Management report for the year ended 31 December 2010

Principal activities

During the year ended 31 December 2010 HSBC Investment Bank Holdings B V (the 'Company') continued to be an investment holding company

It is not anticipated that the activities of the Company will change significantly during 2011

Business outlook

At the present time, it is not anticipated that the financial income and expenses of the Company will change significantly during 2011

Risk management

Being an investment holding company, the Company is subject to the risks of the performance of its subsidiaries which could result in impairment of these investments

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 13 on the financial statements

The Company's exposure 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 being funded by way of equity from the parent company

Directors

The Directors who served during the year were as follows

D J Flint (resigned on 8 December 2010)

J H McKenzie

M M Moses

P J Reid

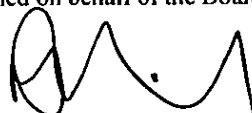
M M Moses resigned on 25 January 2011. D H Burnett and G Mattia were appointed on 26 January 2011

The Company has no Supervisory Board of Directors

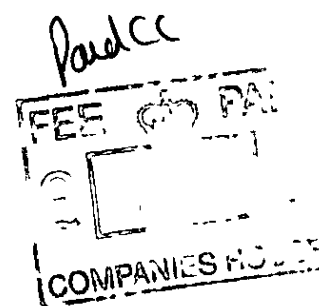
This report and the financial statements were approved by the Board of Directors on 7 July 2011

London, 7 July 2011

Signed on behalf of the Board of Directors



P J Reid
Director



Financial Statements

Statement of comprehensive income for the year ended 31 December 2010

	<i>Notes</i>	2010 US\$000	2009 US\$000
Interest income		3,692	8,563
Dividend income		-	476
Fair value (loss) / gain on derivatives		(30)	15
Foreign exchange gain		31	254
Total operating income		3,693	9,308
General and administrative expenses		(17)	(18)
Total operating expenses		(17)	(18)
Operating profit		3,676	9,290
Profit before tax		3,676	9,290
Tax expense	5	(896)	(2,333)
Profit for the year attributable to shareholder		2,780	6,957
Total comprehensive income attributable to shareholder		2,780	6,957

The accounting policies and notes on pages 7 to 21 form an integral part of these financial statements

Financial Statements (continued)**Balance sheet as at 31 December 2010**

		2010	2009
	Notes	US\$000	US\$000
ASSETS			
Cash and cash equivalents		17,919	15,972
Loans and advances to HSBC undertakings	7	880,019	880,017
Deferred tax assets		5	6
Investments in subsidiaries	8	271,012	271,012
Total assets		<u>1,168,955</u>	<u>1,167,007</u>
LIABILITIES AND EQUITY			
Liabilities			
Accruals		9	8
Derivatives	9	51	22
Current tax liabilities		380	1,242
Total liabilities		<u>440</u>	<u>1,272</u>
Equity			
Called up share capital	10	325	351
Capital exchange reserve		(65)	(91)
Share premium account		1,101,095	1,101,095
Retained earnings		67,160	64,380
Total equity		<u>1,168,515</u>	<u>1,165,735</u>
Total equity and liabilities		<u>1,168,955</u>	<u>1,167,007</u>

The accounting policies and notes on pages 7 to 21 form an integral part of these financial statements

Financial Statements (continued)**Statement of cash flows for the year ended 31 December 2010**

		2010	2009
	Notes	US\$000	US\$000
Cash flows from operating activities			
Profit before tax		3,676	9,290
Adjustments for			
– Change in operating assets	11	(2)	806
– Change in operating liabilities	11	30	(3,119)
– Tax paid		(1,757)	(4,390)
Net cash generated from operating activities		1,947	2,587
Net increase in cash and cash equivalents		1,947	2,587
Cash and cash equivalents at 1 January		15,972	13,385
Cash and cash equivalents at 31 December	11	17,919	15,972

The accounting policies and notes on pages 7 to 21 form an integral part of these financial statements

Financial Statements (continued)**Statement of changes in equity for the year ended 31 December 2010**

	Called up share capital	Capital exchange reserve	Share premium	Retained earnings	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 January 2010	351	(91)	1,101,095	64,380	1,165,735
Profit for the year	-	-	-	2,780	2,780
Total comprehensive income for the year	351	(91)	1,101,095	67,160	1,168,515
Exchange movements	(26)	26	-	-	-
At 31 December 2010	325	(65)	1,101,095	67,160	1,168,515
At 1 January 2009	340	(80)	1,101,095	57,423	1,158,778
Profit for the year	-	-	-	6,957	6,957
Total comprehensive income for the year	340	(80)	1,101,095	64,380	1,165,735
Exchange movements	11	(11)	-	-	-
At 31 December 2009	351	(91)	1,101,095	64,380	1,165,735

The capital exchange reserve is a legal reserve and therefore not distributable

No dividends were paid in 2010 (2009 Nil)

The accounting policies and notes on pages 7 to 21 form an integral part of these financial statements

Notes on the Financial Statements

HSBC Investment Bank Holdings B V (the 'Company'), incorporated in the Netherlands with limited liability, is registered and domiciled in England as an overseas company (with a statutory seat in Amsterdam) and wholly owned by HSBC Holdings B V, also incorporated in the Netherlands. Its ultimate parent company is HSBC Holdings plc, incorporated in England.

Unless the context requires otherwise, the 'Group' and 'HSBC undertakings' means HSBC Holdings plc together with its subsidiaries.

1 Basis of preparation

(a) Statement of compliance

HSBC Investment Bank Holdings B V has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU') and in accordance with Book 2, Title 9 of the Dutch Civil Code.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

During 2010, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements.

The Company is not required to prepare consolidated financial statements in accordance with the provisions under IAS 27 'Consolidated and Separate Financial Statements'. HSBC Holdings plc, the ultimate controlling party of the Company, produces consolidated financial statements in accordance with IFRSs which are available for public use. HSBC Holdings plc is incorporated in the United Kingdom and its consolidated financial statements are available upon request from its registered office at 8 Canada Square, London, E14 5HQ. They are also available on the Group's website www.hsbc.com. Consequently, these financial statements do not give all the information about the economic activities of the Group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements and, in lieu thereof, files with the Trade Register of the Chamber of Commerce in Amsterdam the audited annual group financial statements of its ultimate parent company, HSBC Holdings plc.

(b) Functional and presentation currency

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

All amounts have been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and assumptions

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates, actual results in the future may differ from estimates upon which financial information is prepared. Management believes that the Company's critical accounting policy where judgement is necessarily applied is the impairment of investments in subsidiaries (Note 2(g)).

(d) Balance sheet presentation

The balance sheet has been prepared in order of liquidity to better reflect the finance nature of the Company.

Notes on the Financial Statements (continued)

(e) Future accounting developments

At 31 December 2010 a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2010. Those which are expected to have an effect on the Company's financial statements are discussed below.

Standards and Interpretations issued by the IASB but not endorsed by the EU

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9'). This introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 dealing with financial liabilities. These represent the first instalments in the IASB's planned phased replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. 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. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, HSBC is unable to provide a date by which it plans to apply IFRS 9.

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

- All financial assets that are currently in the scope of IAS 39 will be classified as either amortised cost or fair value. The available-for-sale, held-to-maturity and loans and receivables 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.
- An entity is only permitted to designate a financial asset otherwise meeting the amortised cost criteria at fair value through profit or loss if doing so significantly reduces or eliminates an accounting mismatch. This designation is made on initial recognition and is irrevocable.
- Financial assets 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 IFRS 9.
- Most of IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities with bifurcation of embedded derivatives.
- The next steps in the IASB's project will address the impairment of financial assets measured at amortised cost and hedge accounting. 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 may change as a consequence of further developments resulting from the IASB's financial instruments project. The application of IFRS 9 is unlikely to have a significant impact on the Company's Financial Statements.

2 Summary of significant accounting policies

(a) Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the statement of comprehensive income using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

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

Notes on the Financial Statements

the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

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.

(b) Dividend income

Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments 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) Income Tax

Income tax comprises current and deferred tax and is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

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 balance sheet date, and any adjustments 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 balance sheet 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 balance sheet date. 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.

(d) 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 balance sheet date. Any resulting exchange differences are included in the statement of comprehensive income.

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.

In accordance with Book 2, Title 9 of the Dutch Civil Code, the EURO share capital of the Company has been restated into US Dollars using the relating EUR/USD year-end closing rate. The movements in exchange of the share capital remain within equity and are captured in the capital exchange reserve, which is a legal reserve and not distributable.

(e) 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.

Notes on the Financial Statements

(f) Financial assets and liabilities

Loans and advances to and amounts due from HSBC undertakings

Loans and advances to and amounts due from HSBC undertakings are not intended to be sold in the short term and have not been classified either as held-for-trading or designated at fair value. These assets are recognised when cash is advanced and are derecognised when the undertakings repay their obligations, or the assets 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.

Amounts owed to 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 any transaction costs that are directly attributable. 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.

Cash and cash equivalents

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. These include current and call accounts with related parties.

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

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 statement of comprehensive income.

Any impairment loss recognised in prior periods shall be reversed through the statement of comprehensive income if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

(h) Derivatives

Derivatives are recognised initially, and are subsequently remeasured, 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 cashflow 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.

Movements in fair value are recognised in the statement of comprehensive income in 'Foreign exchange gain'.

Notes on the Financial Statements

(i) 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 commonly 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.

Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities, and prepayment and default rates. Additional factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Where a financial instrument has a quoted price in an active market and is part of a portfolio, the fair value of the portfolio is calculated as the product of the number of units and quoted price and no block discounts are made.

(i) 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

3 Employee compensation and benefits

Based on the exemption provided in Article 383, Section 1 of Part 9, Book 2 of the Netherlands Civil Code, no directors' remuneration has been disclosed

The Company has no employees and hence no staff costs (2009 US\$Nil)

4 General and administrative expenses

Auditor's remuneration

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code certain expenses including auditor's remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. The amount incurred in respect of the audit of these financial statements was US\$11,341 (2009: US\$11,455).

Notes on the Financial Statements

5 Tax expense

	2010 US\$000	2009 US\$000
Current tax		
UK Corporation tax		
– on current year profit	1,030	2,467
– adjustments in respect of prior years	(135)	(135)
	895	2,332
Deferred tax		
Original and reversal of temporary differences	1	1
Tax expense	896	2,333

The UK corporation tax rate to the Company was 28 per cent (2009 28 per cent)

The following table reconciles the tax expense

	2010 US\$000	Percentage of overall profit before tax %	2009 US\$000	Percentage of overall profit before tax %
Taxation at UK corporation tax rate of 28% (2009 28%)	1,030	28	2,601	28
Adjustments in respect of prior period liabilities ¹	(135)	(4)	(135)	(2)
Income not taxable for tax purposes	-	-	(133)	(2)
Expenses not deductible for tax purposes	1	-	-	-
Overall tax expense	896	24	2,333	24

¹ Adjustments in respect of prior period liabilities consists entirely of foreign exchange on prior year tax balances (2009 US\$86 thousand)

Notes on the Financial Statements

6 Analysis of financial assets and liabilities by measurement basis

The following tables analyse the carrying amount of financial assets and liabilities by category as defined in IAS 39 and by balance sheet heading

As at 31 December 2010	Financial assets and liabilities held at fair value US\$000	Loans and receivables US\$000	Financial assets and liabilities at amortised cost US\$000	Total US\$000
Assets				
Cash and cash equivalents	-	-	17,919	17,919
Loans and advances to HSBC undertakings	-	880,019	-	880,019
Total financial assets	-	880,019	17,919	897,938
Total non-financial assets				271,017
Total assets				1,168,955
Liabilities				
Accruals	-	-	9	9
Derivatives	51	-	-	51
Total financial liabilities	51	-	9	60
Total non-financial liabilities				380
Total liabilities				440

As at 31 December 2009	Financial assets and liabilities held at fair value US\$000	Loans and receivables US\$000	Financial assets and liabilities at amortised cost US\$000	Total US\$000
Assets				
Cash and cash equivalents	-	-	15,972	15,972
Loans and advances to HSBC undertakings	-	880,017	-	880,017
Total financial assets	-	880,017	15,972	895,989
Total non-financial assets				271,018
Total assets				1,167,007
Liabilities				
Accruals	-	-	8	8
Derivatives	22	-	-	22
Total financial liabilities	22	-	8	30
Total non-financial liabilities				1,242
Total liabilities				1,272

Notes on the Financial Statements

7 Loans and advances to HSBC undertakings

	Nominal interest rate	Maturity date	2010 US\$000	2009 US\$000
HSBC Holdings plc	LIBOR + 0.1%	30/06/2011	880,000	880,000
Accrued interest receivable			19	17
			<u>880,019</u>	<u>880,017</u>

LIBOR is measured using 3 month US Dollar LIBOR

The loans are denominated in US Dollars and the effective interest based on US Dollar LIBOR 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.

The fair value of loans and advances to HSBC undertakings is not significantly different to the carrying value in the balance sheet.

Notes on the Financial Statements

8 Investments in subsidiaries

	2010	2009
	US\$000	US\$000
Cost		
At 1 January	277,242	277,242
Additions	-	-
Disposals	-	-
At 31 December	277,242	277,242
Impairment		
At 1 January	(6,230)	(6,230)
Charge	-	-
At 31 December	(6,230)	(6,230)
Net carrying amount 31 December	271,012	271,012

In June 2010, HSBC Financial Holdings (India) Private Limited and HSBC Consumer Services (India) Private Limited merged into HSBC Securities and Capital Markets (India) Pte Limited

The principal subsidiary undertakings of the Company at 31 December 2010 were

Name of Undertaking	Class of Capital	Country of Incorporation	Ownership Percentage 2010	Ownership Percentage 2009
HSBC Investment Services (Poland) Sp z o o	Ordinary shares	Poland	100%	100%
HSBC Securities and Capital Markets (India) Pte Limited	Ordinary shares	India	100%	100%
HSBC Investment Company (Egypt) S A E	Ordinary shares	Egypt	59%	59%

Notes on the Financial Statements

9 Derivatives

Fair values of derivatives

	2010 US\$000	2009 US\$000
Liabilities		
Total return swap	51	22

Notional contract amounts of derivatives

	2010 US\$000	2009 US\$000
Total return swap	1,700	1,700

Fair values are determined according to the following hierarchy

Level 1 – Quoted market price financial instruments with quoted prices for identical instruments in active markets

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

Level 3 – Valuation technique using significant unobservable instruments financial instruments valued using valuation techniques where one or more significant inputs are unobservable

The total return swap is measured at fair value using Level 2 valuation techniques, which use observable inputs

The total return swap is linked to the value of shares in Sidham Finance and Investments (Private) Limited. The principle observable inputs were the net asset value from the published accounts of Sidham Finance and Investment (Private) Limited and the 12 month US Dollar LIBOR rate

10 Share capital

As at 31 December 2010, the share capital of the Company is made up as follows

Class of shares	Nominal value per share (EUR)	Number of authorised shares	Number of issued and fully paid shares	Issued share capital (EUR 000)	Issued share capital (US\$000)
Ordinary shares	50	20,000	4,866	243	325
				<u>243</u>	<u>325</u>

During 2010 no new ordinary shares were issued (2009 Nil shares) were issued

Notes on the Financial Statements

11 Notes on the statement of cash flows

	2010	2009
	US\$000	US\$000
Change in operating assets		
Change in amounts due from HSBC undertakings	-	747
Change in loans and advances to HSBC undertakings	(2)	59
	<u>(2)</u>	<u>806</u>
Change in operating liabilities		
Change in amounts owed to HSBC undertakings	-	(2,699)
Change in accruals	1	8
Change in derivatives	29	(428)
	<u>30</u>	<u>(3,119)</u>
Cash and cash equivalents comprise		
Bank balances with HSBC undertakings	17,919	15,972

Interest received during the year was US\$3,690 thousand (2009 US\$8,622 thousand) No interest was paid during the year (2009 US\$Nil)

No dividends were received during the year (2009 US\$476 thousand)

No dividends were paid during the year (2009 US\$nil)

Notes on the Financial Statements

12 Maturity analysis of assets and liabilities

The following is an analysis, by remaining contractual maturities at the balance sheet 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	Due after more than one year	Total
As at 31 December 2010	US\$000	US\$000	US\$000
Assets			
Loans and advances to HSBC undertakings	<u>880,019</u>	<u>-</u>	<u>880,019</u>
	<u>880,019</u>	<u>-</u>	<u>880,019</u>
Liabilities			
Accruals	9	-	9
Derivatives	<u>51</u>	<u>-</u>	<u>51</u>
	<u>60</u>	<u>-</u>	<u>60</u>
As at 31 December 2009			
Assets			
Loans and advances to HSBC undertakings	<u>17</u>	<u>880,000</u>	<u>880,017</u>
	<u>17</u>	<u>880,000</u>	<u>880,017</u>
Liabilities			
Accruals	8	-	8
Derivatives	<u>22</u>	<u>-</u>	<u>22</u>
	<u>30</u>	<u>-</u>	<u>30</u>

Notes on the Financial Statements

13 Risk Management

Risk management

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month (except August) to address asset, liability and risk management issues for the HSBC Group. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries, including HSBC Investment Bank Holdings B V. Exposure to these risks is monitored by the Company's Asset and Liability Committee.

Credit Risk

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

Maximum exposure to credit risk

	2010 US\$000	2009 US\$000
Cash and cash equivalents	17,919	15,972
Loans and advances to HSBC undertakings	880,019	880,017
	<u>897,938</u>	<u>895,989</u>

Liquidity Risk

Liquidity risk is the risk that the Company 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.

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

At 31 December 2010

US\$000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years
Accruals	-	9	-	-
Derivatives	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>51</u>	<u>9</u>	<u>-</u>	<u>-</u>

At 31 December 2009

US\$000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years
Accruals	-	8	-	-
Derivatives	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>22</u>	<u>8</u>	<u>-</u>	<u>-</u>

Derivatives have been included in the 'on demand' time bucket, and not by contractual maturity, because these financial instruments are typically held for short periods of time.

Notes on the Financial Statements

Market Risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce income values. Exposure to these risks arises from short-term cash balances and funding positions with HSBC undertakings. 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 has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than the US Dollar.

Interest rate sensitivity analysis

The Company held US\$897 million (2009 US\$896 million) in variable rate net assets. If all other variables are held constant the effect of a 100 basis points increase/(decrease) in LIBOR on these net assets would be an increase/(decrease) of profit before tax of US\$9.0 million (2009 US\$9.0 million) and after tax of US\$6.5 million (2009 US\$6.5 million).

14 Related parties

Balances with related parties

	Notes	2010 US\$000	2009 US\$000
Assets			
Cash and cash equivalents ³		17,919	15,972
Loans and advances to HSBC undertakings ¹	7	880,019	880,017
Investments in subsidiaries ²	8	271,012	271,012
Total related party assets		1,168,950	1,167,001

¹ These balances are with HSBC Holdings plc, the ultimate parent of the Company.

² These balances are with subsidiaries of the Company.

³ These balances are with other related parties comprising of other HSBC Group Companies which are neither a parent nor subsidiary of the Company.

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.

Other related party transactions

Dividends received – No dividends were received during the year (2009 US\$0.5 million from HSBC Consumer Services (India) Private Limited).

Dividends paid – No dividends were paid during the year (2009 US\$Nil).

Notes on the Financial Statements

15 Events after the balance sheet date

None

16 Capital management

In line with HSBC Group policy, the Company maintains a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The Company recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity. The Company is not subject to externally imposed capital requirements.

An annual Group capital plan is prepared and approved by the Board of HSBC Holdings plc. The Company manages its own capital within the context of the plan, which determines an appropriate amount and mix of capital required to support planned business growth. As part of HSBC's capital management policy, capital generated in excess of planned requirements is returned to shareholders, normally by way of dividends.

The Company defines capital as total equity, the components of which are set out in the balance sheet.

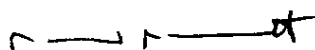
17 Parent undertaking

The Company's immediate parent company is HSBC Holdings B V, which is incorporated in the Netherlands as a close company with limited liability and domiciled in England. The Company's ultimate parent company is HSBC Holdings plc, which is incorporated in England with limited liability under the UK Companies Act.

The accounts of the Company are consolidated within the International Financial Reporting Statements of HSBC Holdings plc. Copies of the financial statements of HSBC Holdings plc may be obtained from its registered office as stated below, or from the Group's web site, www.hsbc.com.

HSBC Holdings plc
8 Canada Square
London, E14 5HQ

London, 7 July 2011
Board of Directors



D H Burnett



J H McKenzie



G Mattia



P J Reid

Supplementary data

Events after the balance sheet date

None

Statutory rules as to appropriation of profits

According to Article 12 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders

Proposed appropriation of result

Management proposes to carry forward within retained profits the result for the year ended 31 December 2010

Report of the Auditors

The Report of the Auditors is set forth on the following page

Auditor's report

Independent auditor's report

To the Board of Directors of HSBC Investment Bank Holdings B V

Report on the financial statements

We have audited the accompanying financial statements 2010 of HSBC Investment Bank Holdings B V , Amsterdam, which comprise the balance sheet as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the balance sheet of HSBC Investment Bank Holdings B V as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

AMSTELVEEN

KPMG ACCOUNTANTS N V

F M van den Wildenberg RA



Independent auditor's report

To the Board of Directors of HSBC Investment Bank Holdings B V

Report on the financial statements

We have audited the accompanying financial statements 2010 of HSBC Investment Bank Holdings B V , Amsterdam, which comprise the balance sheet as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements give a true and fair view of the balance sheet of HSBC Investment Bank Holdings B V as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2 393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2 392 sub 1 at b - h has been annexed Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2 391 sub 4 of the Netherlands Civil Code

Amstelveen, 27 July 2011

KPMG ACCOUNTANTS N V

F M van den Widenberg RA



819554/20

In accordance with
Regulation 32 of the
Overseas Companies
Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company



☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law

☒ **What this form is NOT**
You cannot use this form
an alteration of manner
with accounting requirement

COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

HSBC Investment Bank Holdings B V

If the company has already been registered in the UK, please enter the
establishment number below

UK establishment
number ②

B R 0 0 6 5 6 3

→ Filling in this form

Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

② This should only be completed if
the company has already been
registered in the UK

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ③

③ This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

④ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ④

IFRS

A3 Accounts

Accounts

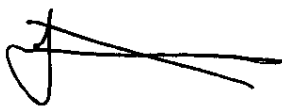
Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts	
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No Go to Part 3 'Signature'</p> <p><input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'</p>
Name of organisation or body ①	DUTCH ACCOUNTING STANDARDS BOARD
A5 Unaudited accounts	
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes</p>
Part 3 Signature	
I am signing this form on behalf of the overseas company	
Signature	<p>Signature</p> <p>X  X</p>
This form may be signed by Director, Secretary, Permanent representative	

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Elaine Stokes

Company name HSBC Bank plc

Address 8 Canada Square

Post town London

County/Region

Postcode E 1 4 5 H Q

Country

DX

Telephone 02079921510



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☒ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☒ You have completed all sections of the form, if appropriate
- ☒ You have signed the form



Important information

Please note that all this information will appear on the public record



Where to send

You may return this form to any Companies House address

England and Wales

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk