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

Companies House

✓ **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 requirem

WEDNESDAY

L5ZBX1R4
LD3 01/02/2017 #45
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	HSBC Asia Holdings B V
UK establishment number	B R 0 0 1 6 6 8 0

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

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

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 ❷	The Netherlands Civil Code

❷ 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**

Name of organisation or body ❸	International Financial Reporting Standards

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

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

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ **No** Go to **Part 3 'Signature'**

☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**

Name of organisation or body ❶

Dutch Law including Dutch Standards on Auditing

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

A5 Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ **No**

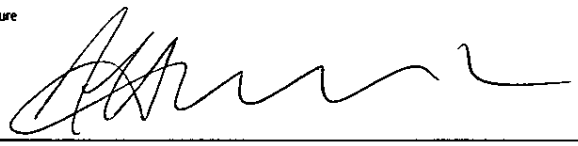
☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature

Signature

X  X

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: Kerry Higgins

Company name: HSBC Bank Plc

Address: 8 Canada Square

Post town: London

County/Region:

Postcode: E14 5HQ

Country:

DX:

Telephone: 0203 359 1748

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,
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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

V-009813-10
V-009814-16

HSBC Asia Holdings B.V.
Registered No 33296181

Financial statements for the year ended 31 December 2015

COMPANIES HOUSE

HSBC

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2015

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HSBC Asia Holdings B.V.

Management report for the the year ended 31 December 2015

HSBC Asia 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 Asia Holdings (UK) Limited, incorporated in England and Wales. Its ultimate parent company is HSBC Holdings plc, also incorporated in England and Wales

Principal Activities
During the year ended 31 December 2015 the Company continued to be an investment holding company

Review of the Company's business
The business is funded principally by its parent, HSBC Asia Holdings (UK) Limited

The reserves available for distribution at 31 December 2015 were US$14,846 million (2014 US$14,867 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 4 to 33

The net asset value of the Company as at 31 December 2015 amounts to US$59,501 million (2014 US$59,506 million)

The results of the Company show a profit before tax US$5,032 million (2014· US$5,779 million) The company received the following dividends from HSBC undertakings

Ordinary shares	2015 US$000	2014 US$000
The Hongkong and Shanghai Banking Corporation Limited	4,739,553	5,513,022
HSBC Bank Bermuda Limited	152,801	56,000
HSBC Software Development (India) Private Limited	17,067	21,334
	4,909,421	5,590,356
Preference shares		
The Hongkong and Shanghai Banking Corporation Limited	114,795	125,617
Associate		
HSBC Saudi Arabia Limited	17,160	22,081

In 2014 the Company's principal subsidiary, The Hongkong and Shanghai Banking Corporation Limited, redeemed four issues of preference shares at a total nominal value of US$1,385 million at par.

In 2014 the Company invested US$1,385 million in The Hongkong and Shanghai Banking Corporation Limited.

Dividends
The Company paid dividends to HSBC Asia Holdings (UK) Limited of US$5,080 million (2014 $5,790 million)

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

HSBC Asia Holdings B.V.

Management report for the year ended 31 December 2015

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 18 of the financial statements

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 18 on the financial statements

The Company's exposures to credit, liquidity, market and foreign currency risks are limited due to the nature of its business, which is predominantly investing in or financing of subsidiaries These transactions are generally funded by way of capital or debt obtained from the parent or other group companies

Directors

The Directors who served during the year were as follows:

Name	Appointed
R J Hennity	1 October 2013
I J Mackay	1 October 2013
I F MacKinnon	1 October 2011
B J S Mathews	1 October 2013
A C G Stangroome	24 September 2010
G A Francis	1 September 2014

Significant events since the end of the financial year

The Company received dividends amounting to US$2,196 million from The Hong Kong Shanghai Banking Corporation Limited in February 2016

In April 2016, the Company issued 1 ordinary share for consideration of $1,112.1 million

During 2016, the Company increased its investment in The Hong Kong Shanghai Banking Corporation Limited by $1,250 million

Future developments

No change in the Company's activities is expected in 2016

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

Independent auditor

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries in 2013, PricewaterhouseCoopers Accountants N.V. was appointed as independent auditor of the company effective for periods ended on or after 1 January 2015

This report and the financial statements were approved by the Board of Directors on 3 November 2016

Signed on behalf of the Board of Directors
London, 22 November 2016

Director
Iain Mackinnon

HSBC Asia Holding B.V.

Financial statements for the year ended 31 December 2015

Income statement for the year ended 31 December 2015

	Notes	2015	2014
		US$000	US$000
Interest income		1,653	1,457
Interest expense		(563)	-
Net interest income		1,090	1,457
Realised gain on redemption of preference shares		-	55,872
Dividend income from group companies		4,909,421	5,590,356
Dividend income from associated companies		17,160	22,081
Dividend income on preference shares		114,795	125,617
Foreign exchange loss		(12,903)	(14,047)
Total operating income		5,029,563	5,781,336
General & administrative income/(expenses)	4	2,443	(1,873)
Expenses relating to investments		(13)	(269)
Total operating income / (expenses)		2,430	(2,142)
Operating profit		5,031,993	5,779,194
Profit before tax		5,031,993	5,779,194
Tax expense	5	(225)	(397)
Profit for the year attributable to shareholder		5,031,768	5,778,797

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2015

	2015	2014
	US$000	US$000
Profit for the year	5,031,768	5,778,797
Other comprehensive (expense)/ income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Available-for-sale investments		
– Fair value losses transferred to profit for the year on disposal	-	(55,872)
– Change in fair value	15,315	24
– deferred taxes	(1,170)	-
Defined benefit plan actuarial gains	26,705	178,926
Other comprehensive (expenses) / income for the year, net of income tax	40,850	123,078
Total comprehensive income for the year attributable to the shareholder	5,072,618	5,901,875

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2015

Statement of Financial Position as at 31 December 2015

	Notes	2015	2014
		US$000	US$000
ASSETS			
Cash and cash equivalents	7	15,492	56,908
Amounts due from HSBC undertakings	8	71,553	67,680
Financial investments in HSBC undertakings	9	4,060,459	3,865,144
Current tax assets		969	-
Investments in subsidiaries	10	55,406,312	55,406,312
Investments in associates	11	65,185	65,185
Retirement benefits	12	258,466	241,565
Total assets		59,878,436	59,702,794
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to HSBC undertakings	14	195,833	195,884
Loans from HSBC undertakings	15	180,563	-
Current tax liabilities		-	304
Deferred tax liabilities	5	1,170	-
Accruals		-	351
Total liabilities		377,566	196,539
Equity			
Called up share capital	13	24,531,437	27,381,743
Capital exchange reserve		(1,848,637)	(4,698,943)
Share premium		22,772,679	22,772,679
Available for sale reserve		(802,342)	(816,488)
Capital contribution reserve		1,996	-
Retained earnings		14,845,737	14,867 264
Total equity		59,500,870	59,506,255
Total equity and liabilities		59,878,436	59,702,794

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

Statement of cash flows for the year ended 31 December 2015

	Notes	2015	2014
		US$000	US$000
Cash flows from operating activities			
Profit before tax		5,031,993	5,779,194
Adjustment for			
- Interest expense		563	-
- Non-cash items included in profit before tax	16	11,800	(40,446)
- Change in operating assets	16	(3,873)	27,297
- Change in operating liabilities	16	(402)	(1,504)
- Tax paid		(1,497)	(26)
Net cash generated from operating activities		5,038,584	5,764,515
Cash flows from investing activities			
Net cash outflow from additional investment in subsidiaries		-	(1,385,000)
Proceeds from redemption of preference shares		-	1,385,000
Paid to HSBC understakings		(180,000)	-
Net cash change from investing activities		(180,000)	-
Cash flows from financing activities			
Received from HSBC undertakings		180,000	-
Dividends paid		(5,080,000)	(5,790,000)
Net cash used in financing activities		(4,900,000)	(5,790,000)
Net decrease in cash and cash equivalents		(41,416)	(25,485)
Cash and cash equivalents at 1 January		56,908	82,393
Cash and cash equivalents at 31 December		15,492	56,908

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

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

	Ordinary Share Capital	Preference share capital	Capital exchange reserve	Share Premium	Available-for-sale fair value reserve	Other reserves – Capital contribution reserve	Retained earnings	Total equity
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
At 1 January 2015	25	27,381,718	(4,698,943)	22,772,67	(816,488)	-	14,867,264	59,506,255
Profit for the year attributable to the shareholder	-	-	-	-	-	-	5,031,768	5,031,768
Other comprehensive (loss) / income (net of tax)	-	-	-	-	14,145	1,996	26,705	42,846
Change in fair value of available for sale financial assets	-	-	-	-	14,145	-	-	14,145
Net impact of equity-settled Share-based payments	-	-	-	-	-	1,996	-	1,996
Defined benefit plan actuarial gains	-	-	-	-	-	-	26,705	26,705
Total comprehensive income for the year attributable to the shareholder	-	-	-	-	14,145	1,996	5,058,473	5,074,614
Exchange movements	3	(2,850,309)	2,850,306	-	-	-	-	-
Ordinary shares issued	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	(5,080,000)	(5,080,000)
At 31 December 2015	28	24,531,409	(1,848,637)	22,772,67	(802,343)	1,996	14,845,737	59,500,869

Dividends paid per share $12,543 thousand

Capital exchange reserve

The capital exchange reserve represents other reserve which is distributable and relates to movements on translation of share capital

Available for sale fair value reserve

Based on legal requirements, the AFS reserve is not distributable until realised

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

Capital contribution reserve

The capital contribution reserve represents the net of contribution by HSBC Holding PLC to the company in respect of share options

Statement of changes in equity for the year ended 31 December 2014

	Ordinary Share Capital	Preference share capital	Capital exchange reserve	Share Premium	Available- for-sale reserve	Retained earnings	Total equity
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
At 1 January 2014.	28	31,043,522	(8,360,750)	22,772,679	(760,640)	14,699,541	59,394,380
Profit for the year attributable to the shareholder	-	-	-	-	-	5,778,797	5,778,797
Other comprehensive (loss) / income (net of tax)	-	-	-	-	(55,848)	178 926	123,078
Change in fair value of available for sale financial assets . .	-	-	-	-	24	-	24
Fair value gains transferred to profit for the year on derecognition .	-	-	-	-	(55,872)	-	(55,872)
Defined benefit plan actuarial gains . .	-	-	-	-	-	178,926	178,926
Total comprehensive (expense) / income for the year attributable to the shareholder	-	-	-	-	(55,848)	5,957,723	5,901,875
Exchange movements	(3)	(3,661,804)	3,661,807	-	-	-	-
Ordinary shares issued	-	-	-	-	-	-	-
Dividends to shareholders .	-	-	-	-	-	(5,790,000)	(5,790,000)
At 31 December 2014. . . .	25	27,381,718	(4,698,943)	22,772,679	(816,488)	14,867,264	59,506,255

Dividends paid per share $14,296 thousand

The accompanying notes on pages 10 to 33 form an integral part of these financial statements

1 Basis of preparation

(a) Statement of Compliance

HSBC Asia Holding B V has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union ('EU') and in accordance with Book 2, Title 9 of the Dutch Civil Code

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

The Company is exempt from the requirement to prepare group consolidated financial statements All subsidiaries held by the Company are taken up within the consolidated financial statements of the ultimate parent company Under the exemption provided by paragraph 4(a) of IFRS 10, the Company does not prepare 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 HSBC Holdings plc

The financial statements present information about the Company as an individual undertaking

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

The Company is exempt from the requirements to prepare consolidated financial statements by virtue of IFRS 10 paragraph 4 The financial statements present information about the Company as an individual undertaking

(b) Basis of measurement

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(f),2(h) and 2(i)

(c) Functional and presentation currency

The financial statements have been presented in US Dollars, which is the Company's functional currency as this is the currency of the primary economic environment in which the Company operates All amounts have been rounded to the nearest thousand unless otherwise stated

(d) 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), the determination of fair value [(Note 2(f) and the determination of defined employee benefits (Note2(h)]

(e) Balance sheet presentation

The balance sheet has been prepared in order of liquidity to better reflect the nature of the Company as an investment holding company

(f) Future accounting developments

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

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied The standard should be applied retrospectively, with certain practical expedients available The company is not impacted by this standard

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments. Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting

1 Basis of preparation (continued)

(f) Future accounting developments (continued)

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through other comprehensive income

The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income ('OCI').

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12 month ECL') In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL')

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date In addition, the estimation of ECL should take into account the time value of money As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

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 income statement 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 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

2 Summary of significant accounting policies (continued)

(b) Dividend income

Dividend income is recognised in the income statement 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 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 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 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.

Deferred tax relating to fair value re-measurements of available-for-sale investments, which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

(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 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.

The 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 distributable reserve

(e) Subsidiaries and associates

The Company classifies investments in entities in which it controls as subsidiaries. The Company classifies investments in entities over which it has significant influence, and that are not subsidiaries, as associates.

For the purpose of determining this classification, the company is considered to have control of an entity when it is exposed, or has rights, to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity

The Company's investments in subsidiaries and associates are stated at cost less any impairment losses

2 Summary of significant accounting policies (continued)

(f) General Information

The company is incorporated in the Netherlands and is registered in England as an overseas company

(g) Financial assets and liabilities

Loans and advances to HSBC undertakings

Loans and advances to HSBC undertakings are those that have not been classified either as held-for-trading or designated at fair value These loans 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.

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs They are subsequently re-measured at fair value and changes therein are recognised in other comprehensive income

The Company classifies debt and equity securities intended to be held on a continuing basis as available for sale. They are recognised on trade date when the Company enters into contractual arrangements to purchase those instruments, and normally derecognised, cumulative gains or losses in other comprehensive income are recognised in the income statement

Fair values are determined using valuation techniques with observable inputs (level 2) The fair values are estimated using a modelled security as a proxy for the various pricing inputs Pricing inputs include nominal value yield curve, credit spread and coupon information

Amounts owed to HSBC undertakings

Amounts owed to HSBC undertakings are recognised when cash is advanced or contractual arrangements are entered into, which is generally on trade date 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.

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

The carrying amounts of the Company's investments in subsidiaries 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 income statement.

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 investment's recoverable amount since the last impairment loss was recognised An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised

(i) Employee benefits

Defined benefit plans

The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted The calculations are performed by a qualified actuary

2 Summary of significant accounting policies (continued)

(i) Employee benefits (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses, in calculating the Company's obligation in respect of the plan, are recognised immediately in equity via other comprehensive income

Defined contribution plans

Whilst the Company is the official sponsor of certain defined contribution plans, the obligations for contributions to defined contribution plans are not recognised as an expense in the income statement as these are recognised in the income statement of the ultimate employing entity of the individuals concerned

(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 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

Derivatives are recognised at fair value when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when sold

(k) Share capital

Ordinary 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.
Preference share capital
The preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or when it is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity

(l) Share base payments

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted, and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to the 'Capital contribution reserve' for share option awards and a credit to the intercompany account with HSBC Holdings plc for share

2 Summary of significant accounting policies (continued)

(l) Share base payments (continued)

awards The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately

Fair value is determined by using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted Vesting conditions include service conditions and performance conditions, any other features of a share-based payment arrangement are non-vesting conditions

Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition is satisfied, provided all other conditions are satisfied

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions

(m) 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 the acquisition

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 (income)/expenses

	Note	2015	2014
		US$000	US$000
International Staff (ISRBS) – pension expense	12	4,573	10,742
ISRBS reimbursements from group and associated companies	12	(7,688)	(9,384)
Total staff related (income)/expenses		(3,115)	1,358
Other administrative and office expenses		672	515
Total other administrative expenses		672	515
Total general & administrative (income)/expenses		(2,443)	1,873

The Company is the official employer and sponsor of the ("ISRBS") International Staff Retirement Benefits Scheme, and it is Group policy that all payments made to the ISRBS and any other charges incurred by the Company in respect of the members will be reimbursed to the Company by the Group and associated entities where the members of the ISRBS have been seconded to

The pension expense is different from the recharges received from group and associated companies and these intra-year variations are not unusual and are caused by timing differences. Ultimately, there

4 General and administrative (income)/expenses (continued)

will have been no effective cost to the company in respect of the International Staff Retirement Benefits Scheme

Whilst the Company is the official sponsor of certain defined contribution plans, the obligations for contributions to these defined contribution plans are not recognised as an expense in the income statement and are recognised in the income statement of the employing entity of the individuals concerned

None of the Directors received any remuneration for their services to the Company during the year and their services were deemed to be provided to the company as part of their service to HSBC Bank Plc (2014: US$nil)

Independent Auditor's remuneration

Certain expenses including independent 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$45,825 (2014. US$45,825). There were no non-audit fees incurred during the year (2014 US$ nil)

5 Tax expense

	2015 US$000	2014 US$000
Current tax		
UK Corporation tax		
- for this year	225	304
-adjustments in respect of prior years	-	93
Total tax charged to the income statement	225	397

The UK corporation tax rate applying to the Company was 20.25 per cent (2014 21 5 per cent)

The company migrated its tax residence from Netherland to the United Kingdom on 1 October 2013

The tax charged 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 US$000	Percentage of overall profit before tax %	2014 US$000	Percentage of overall profit before tax %
Profit before tax	5,031,993		5,779,194	
Taxation at UK corporation tax rate of 20.25% (2014 21 5%)	1,018,978	20.2	1,242,527	21 5
Non-taxable income and gains	(1,022,435)	(20.3)	(1,245,694)	(21 6)
Permanent disallowables	3,682	0 1	3,471	0 1
Adjustments in respect of prior period liabilities	-	-	93	0 0
Total tax charged to the income statement	225	0.1	397	0 0

5 Tax expense (continued)

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

Deferred tax liabilities

	2015 US$000	2014 US$000
At 1 January	-	-
Other comprehensive income		
- Available-for-sale investments	(1,170)	-
At 31 December	(1,170)	-

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 2015	Available-for-sale securities	Loans and receivables	Financial assets and liabilities at amortised cost	Total
	US$000	US$000	US$000	US$000
Assets				
Cash and cash equivalents	-	-	15,492	15,492
Amounts due from HSBC undertakings	-	-	71,553	71,553
Financial investments in HSBC undertakings	4,060,459	-	-	4,060,459
Total financial assets	4,060,459	-	87,045	4,147,504
Total non-financial assets				55,730,932
Total assets				59,878,436
Liabilities				
Amounts due to HSBC undertakings	-	-	195,833	195,833
Loans from HSBC undertakings	-	-	180,563	180,563
Total financial liabilities	-	-	376,396	376,396
Total non-financial liabilities				1,170
Total liabilities				377,566

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

As at 31 December 2014	Available-for-sale securities	Loans and receivables	Financial assets and liabilities at amortised cost	Total
	US$000	US$000	US$000	US$000
Assets				
Cash and cash equivalents	-	-	56,908	56,908
Amounts due from HSBC undertakings	-	-	67,680	67,680
Financial investments in HSBC undertakings	3,865,144	-	-	3,865,144
Total financial assets	3,865,144	-	124,588	3,989,732
Total non-financial assets				55,713,062
Total assets				59,702,794
Liabilities				
Amounts due to HSBC undertakings	-	-	195,884	195,884
Accruals	-	-	351	351
Total financial liabilities	-	-	196,235	196,235
Total non-financial liabilities				304
Total liabilities				196,539

7 Cash and cash equivalents

	2015	2014
	US$000	US$000
Short term deposits	13,867	55,767
Bank balances	1,625	1,141
Cash and cash equivalents	15,492	56,908

Cash and cash equivalents comprise cash and short time deposits which are immediately available at no additional break costs should the need arse

The short term deposits are due within three months from the date of acquisition and carry interest at 0.06%.

8 Amounts due from HSBC Undertakings

	2015	2014
	US$000	US$000
Interest receivable on preference shares	71,540	67,667
Amounts due from group companies	13	13
Amounts due from HSBC Undertakings	71,553	67,680

Amounts due from HSBC undertakings are non-interest bearing and the fair value is not significantly different to the carrying value on the balance sheet due to their short term nature

9 Financial investments in HSBC undertakings

Financial investments are designated as available-for-sale and are measured at fair value with movements in fair value recognised through other comprehensive income in the available-for-sale reserve

The Company holds the following preference shares of The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), as follows

Preferance shares:

	Nominal Value	Dividend basis	2015	2014
			US$000	US$000
Non-cumulative shares[1]	978,000	LIBOR + 1.65%	813,861	805,415
Non-cumulative shares[1]	375,000	LIBOR + 1.35%	278,687	275,737
Non-cumulative shares[1]	500,000	LIBOR + 1.25%	362,682	358,826
Non-cumulative shares[1]	1,000,000	LIBOR + 1.25%	725,363	717,652
Non-cumulative shares[1]	250,000	LIBOR + 1 15%	176,891	175,001
Non-cumulative shares[1]	150,000	LIBOR + 1 15%	106,134	105,001
Cumulative shares[1]	200,000	LIBOR + 1 00%	136,172	150,186
Cumulative shares[1]	200,000	LIBOR + 1 20%	143,293	157,969
Cumulative shares[2]	1,050,000	LIBOR +3.23%	1,130,879	1,119,357
Total	4,703,000		3,873,962	3,865,144

Available for sale loans:

Sub-loan[3]	180,000	LIBOR + 2 54%	186,497	-
Total	4,883,000		4,060,459	3,865,144

[1]Irredeemable preference shares Redemption is at the issuer's option, subject to 30 days' notice in writing to shareholders and with prior consent of the Hong Kong Monetary Authority

[2]Redeemable preference shares Redemption on or after 2 January 2019 is at the issuer's option, subject to 30 days' notice in writing to shareholders and with prior consent of the Hong Kong Monetary Authority The maturity date of the redeemable preference shares is 2 January 2024.

[3]Subodinated loan During the year HSBC Asia Holdings B V. provided a Tier2 Subordinated loan to HBAP The instrument is classified as available-for-sale by the holder

The preference share dividend is paid annually as long as the retained profits of the issuer allows payment As this has been the case in the past and anticipated in the future, the preference dividend is being accrued

Amounts due from HSBC undertakings (Note 8) includes accrued preference share interest receivable on financial investments of US$72 million (2014: US$68 million)

9 Financial investments in HSBC undertakings (continued)

The movements in financial investments during the year were as follows

	2015	2014
	US$000	US$000
Balance as at 1 January	3,865,144	5,250,120
Additions	180,000	-
Disposals	-	(1,385,000)
Change in fair value	15,315	24
Balance as at 31 December	4,060,459	3,865,144

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

10 Investments in subsidiaries

The Company carries its investments in subsidiaries and affiliated companies at historical cost less provision for any impairment

	2015	2014
	US$000	US$000
Cost		
At 1 January	55,458,847	54,073,847
Additions	-	1,385,000
At 31 December	55,458,847	55,458,847
Impairment		
At 1 January	(52,535)	(52,535)
At 31 December	(52,535)	(52,535)
Net carrying amount 31 December	55,406,312	55,406,312

10 Investments in subsidiaries (continued)

Impairment Testing

The Company's accounting policy for impairment of assets (other than financial assets) is described in Note 2(g)

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

Evaluation of indicators of impairment was carried out by comparing carrying value to net assets value and, where there was an indicator of impairment, by comparing carrying value to recoverable amount

No impairment charge was recognised during the year (2014: US$ nil).

The principal subsidiary undertakings of the Company at 31 December 2015 were

			Ownership (% of equity)	
	Nature of business	Country	2015	2014
HSBC Bank Bermuda Limited	Banking	Bermuda	100%	100%
Credival Latinsul SA	Dormant	Uruguay	100%	100%
HSBC IM Pension Trust Limited	Trust company	United Kingdom	100%	100%
HSBC Property (UK) Limited	Property Holding	United Kingdom	100%	100%
HSBC Software Development (India) Private Limited	Software & support	India	100%	100%
HSBC Software Development (Malaysia) Sdn Bhd	Software & support	Malaysia	100%	100%
The Hongkong and Shanghai Banking Corporation Limited	Banking	Hong Kong SAR	100%	100%

The principal countries of operation are the same as the countries of incorporation

11 Investments in associates

The Company carries its investments in associates at historical cost less provision for any impairment

The Company has the following investments in associates

			Ownership (% of equity)	
	Nature of business	Country	2015	2014
HSBC Saudi Arabia Limited	Investment Banking	Saudi Arabia	49%	49%
SABB Takaful Company [1]	Insurance	Saudi Arabia	31%	31%

[1] (a further 1 5% is owned indirectly)

12 Retirement benefits

(Asset)/liability relating to defined benefit obligations

The Company makes contributions to one closed defined benefit plan, resident in Jersey, that provides pension benefits for employees upon retirement - the International Staff Retirement Benefits Scheme ("ISRBS")

In 2009, the Company became the official sponsor of the International Retirement Benefits Plan ("IRBP"), a defined contribution plan. The obligations for contributions are recognised by the employing entity of the individuals concerned

Movements in retirement benefits

	2015	2014	2013	2012	2011
	US$000	US$000	US$000	US$000	US$000
Present value of defined benefits obligations	1,264,546	1,399,741	1,367,424	1,229,854	1,063,544
Present value of plan assets	1,523,012	1,641,307	1,445,489	1,444,552	1,303,812
Net retirement benefits asset	(258,466)	(241,566)	(78,065)	(214 698)	(240,268)

Movements in the liability for defined benefit obligations recognised in the balance sheet

	2015	2014	2013	2012	2011
	US$000	US$000	US$000	US$000	US$000
Liability for defined benefit obligations at 1 January	1,399,741	1,367,424	1,229,854	1,063,544	1,144,363
Movements in exchange	(66,641)	(84,565)	37,502	48,393	(6,261)
Employee contributions	821	988	1,129	1,247	1,593
Actual benefits payments made	(58,104)	(72,840)	(58,854)	(55,864)	(47,810)
Expense recognised in the income statement (*see below*)	59,950	71,682	64,658	69,239	85,201
Other comprehensive income	(71,221)	117,052	93,135	103,295	(113,542)
Liability for defined benefit obligations at 31 December	1,264,546	1,399,741	1,367,424	1,229,854	1,063,544

Movements in the plan assets

	2015	2014	2013	2012	2011
	US$000	US$000	US$000	US$000	US$000
Fair value of plan assets at 1 January	1,641,307	1,445,489	1,444,552	1,303,812	1,085,630
Movements in exchange	(79,561)	(98,632)	33,732	57,197	(5,646)
Employee contributions	821	988	1,129	1,247	1,593
ISRBS employer contributions	7,688	9,384	10,383	47,069	16,197
Actual benefits payments made	(58,104)	(72,840)	(58,854)	(55,864)	(47,810)
Return on plan assets (*see below*)	55,377	60,940	60,757	52,534	59,919
Other comprehensive income	(44,516)	295,978	(46,210)	38,557	213,929
Fair value of plan assets at 31 December	1,523,012	1,641,307	1,445,489	1,444,552	1,303,812

12 Retirement benefits (continued)

Remeasurement effects recognised in other comprehensive income

	2015	2014
	US$000	US$000
Actuarial (gain)/ loss due to experience on DBO	(36,023)	3,312
Actuarial loss/(gain) due to demographic assumption changes in DBO	30,356	(15,677)
Actuarial (gain)/ loss due to financial assumption changes in DBO	(65,554)	129,417
Actuarial (gain)/ loss on DBO arising during period	(71,221)	117,052
Return on plan assets less/(greater) than discount rate	44,516	(295,978)
Remeasurement effects recognised in OCI	(26,705)	(178,926)

Cost recognized in comprehensive income

	2015	2014
	US$000	US$000
Cost recognised in income statement	4,573	10,742
Remeasurement effects recognised in OCI	(26,705)	(178,926)
Total cost recognised in comprehensive income	(22,132)	(168,184)

Expense recognised in the income statement

	2015	2014
	US$000	US$000
Current service costs	9,807	11,427
Interest on obligation	46,998	57,439
Administration costs and taxes	3,145	2,816
	59,950	71,682
Return on plan assets	(55,377)	(60,940)
	4,573	10,742

Categories of plan assets

	2015	2014
	US$000	US$000
Equities	72,938	85,431
Bonds	1,485,850	1,560,902
Property	37,934	48,941
Other	(73,710)	(53,967)
Total plan assets	1,523,013	1,641,307

12 Retirement benefits (continued)

Pension assumptions

Assumptions as at 31 December	2015	2014
Inflation	3.30%	3 30%
Salary increases	1.75%	1 75%
Pension increases	3 30%	3 30%
Discount rate	3.80%	3 50%
*Mortality table – males	70%S1PMA_L	65%S1PMA_L
*Mortality table – females	80%S1PFA_L	75%S1PFA_L

* with core CMI 2015 improvements and a 1 25% long term rate

Estimated contributions and benefit payments in next financial year

In 2016, the estimated company contributions are US$7,206 thousand and the estimated employee contributions are US$374 thousand The estimated benefits payments are expected to be US$58,797 thousand

The effect of changes in key assumptions on the ISRBS pension scheme

	2015	2014
	US$000	US$000
Change in defined benefit obligation at year-end from a 25bps increase in discount rate	48,858	61,004
Increase in defined benefit obligation from each additional year of longevity assumed	21,497	39,753

13 Called up share capital

Share capital and share premium

As at 31 December 2015 and 2014, the share capital of the Company is made up as follows (the issued share capital has been stated net of capital exchange reserve)

Class of shares	Nominal value per share (EUR)	Number of issued shares	Issued share capital (EUR'000)	Issued share capital (USD'000)
Ordinary shares	50	405	20	22
Preference A	1,000	17,180,000	17,180,000	15,681,046
Preference B	1,000	886,041	886 041	793,715
Preference C	1,000	175,000	175,000	189,972
Preference D	1,000	1,000,000	1,000,000	1,280,800
Preference E	1,000	1,000,000	1,000 000	1,284,100
Preference F	1,000	250,000	250,000	327,375
Preference G	1,000	1,400,000	1,400,000	2,199,400
Preference H	1,000	650,000	650,000	916,370
Balance as at 31 December		**22,541,446**	**22,541,061**	**22,682,800**

No ordinary shares or preference shares were issued during the year (2014 Nill)

Preference shares classes A through H carry the following rights:

- At liquidation or redemption, the shareholders are entitled to receive a preferential distribution equal to the GBP equivalent of the nominal value converted into GBP at the exchange rate prevailing on the date of issue of the relevant shares ("liquidation value")
- Preference shares carry a share premium. At liquidation or redemption the shareholders of these preference shares are entitled to receive the balance of the share premium reserve attached to such preference shares converted into GBP at the exchange rate prevailing on the date of issue of the relevant shares
- The liquidation value of these preference shares as at year-end is GBP 14,575 million (2014 GBP 14,575 million), with a USD equivalent of US$21,602 million (2014 US$22,718 million)
- In case dividends are declared on the ordinary shares, the preference shares carry a preferential non-cumulative dividend based on the liquidation value at a rate of LIBOR + 2%, where LIBOR is the rate quoted for a 6-month GBP deposit on the first business day of the year.

The holders of preference shares are entitled to a dividend on the preference shares with the maximum dividend calculated above The holders of ordinary shares are entitled to receive dividends only when the preference dividend has been paid in full All ordinary and preference shares rank equally with regard to voting rights.

Repurchase of Preference Shares
No preference share repurchases have been conducted during the year

14 Amounts owed to HSBC undertakings

	Due	Interest	2015	2014
			US$000	US$000
Current liabilities				
Loan from Credival Latinsul SA	On-demand	none	195,631	195,631
Amounts due to group companies	On-demand	none	202	253
Balance as at 31 December			195,833	195,884

The interest-free loan with Credival Latinsul SA is on demand and has been provided in anticipation and advance of the liquidation of this subsidiary. The carrying value of the subsidiary in the books of the Company is not materially different to the amount of the loan Once the liquidation process has been completed the loan will be repaid and the capital returned to the Company

15 Loans from HSBC undertakings

	Nominal interest rate	Maturity date	2015	2014
			US$000	US$000
HSBC Asia Holdings (UK) Limited	LIBOR+2.65%	25/11/2025	180,000	-
Accrued interest payable			563	-
			180,563	-

During the year the company received a loan from HSBC Asia Holdings (UK) Limited

The loan is denominated in US Dollars and the effective interest based on LIBOR rates is accrued The nominal rate is equal to the effective rate of interest as there have been no fees charged on these loans

16 Notes on the statement of cash flows

	2015 US$000	2014 US$000
Non-cash items included in profit before tax:		
Share based compensation	1,996	-
Pension costs	9,804	15,426
Net loss on investments in equity instruments	-	(55,872)
	11,800	(40,446)
Change in operating assets:		
Change in amounts due from HSBC undertakings	(3,873)	17,296
Change in loans and advances to HSBC undertakings	-	10,000
Change in other receivables	-	1
	(3,873)	27,297
Change in operating liabilities:		
Change in amounts owed to HSBC undertakings	(51)	(1,527)
Change in accruals	(351)	171
Change in other liabilities	-	(148)
	(402)	(1,504)
Cash and cash equivalents comprise:		
Cash at bank with HSBC undertakings	15,492	56,908
Interest and dividends:		
Interest received	1,653	1,457
Dividends received	4,926,581	5,612,437

17 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

As at 31 December 2015	Due within one year US$000	Due after more than one year US$000	Total US$000
Assets			
Cash and cash equivalents	15,492	-	15,492
Amounts due from HSBC undertakings	71,553	-	71,553
Financial investments in HSBC undertakings	195,315	3,865,144	4,060,459
Total financial assets	282,360	3,865,144	4,147,504
Total non-financial assets	-	55,730,930	55,730,930
Total assets	282,360	59,596,074	59,878,434
Liabilities			
Amounts owed to HSBC undertakings	195,833	-	195,833
Loans from HSBC undertakings	563	180,000	180,563
Total financial liabilities	196,396	180,000	376,396
Total non-financial liabilities	-	1,170	1,170
Total liabilities	196,396	181,170	377,566
As at 31 December 2014			
Assets			
Cash and cash equivalents	56,908	-	56,908
Amounts due from HSBC undertakings	67,680	-	67,680
Financial investments in HSBC undertakings	-	3,865,144	3,865,144
Total financial assets	124,588	3,865,144	3,989,732
Total non-financial assets	-	55,713,062	55,713,062
Total assets	124,588	59,578,206	59,702,794
Liabilities			
Amounts owed to HSBC undertakings	-	195,884	195,884
Accruals	351	-	351
Total financial liabilities	351	195,884	196,235
Total non-financial liabilities	-	304	304
Total liabilities	351	196,188	196,539

18 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 Asia Holdings B.V. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee

Credit Risk

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

Maximum exposure to credit risk

	2015 US$000	2014 US$000
Cash and cash equivalents	15,492	56,908
Amounts due from HSBC undertakings	71,553	67,680
Financial investments in HSBC undertakings	4,060,459	3,865,144
Employee benefits	258,466	241,565
	4,405,970	4,231,297

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 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 due to HSBC undertakings	202	-	-	-	195,631
Loans from HSBC undertakings	-	-	563	-	-
Total	202	-	563	-	195,631

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 due to HSBC undertakings	253	-	-	-	195,631
Accruals	264	87	-	-	-
Total	517	87	-	-	195,631

The balances in the table above may not agree directly with those in the Company's balance sheet as the table incorporates, on an undiscounted basis, all cash flows relating to principal and all future coupon payments.

18 Risk Management (continued)

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 sensitivity analysis

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than the US Dollar The currency giving rise to this risk is Sterling which amounted to a US$258 million asset (2014 US$242 million asset)

The Company's profit before tax would decrease by US$13 6 million, profit after tax by US$11 million (2014 US$12.7 million decrease, profit after tax US$10 million decrease) if the Sterling foreign exchange rate weakened by 5 per cent relative to the US dollar.

Foreign currency rate sensitivity analysis has been performed on the net assets foreign exchange risk exposure as at the reporting date An upward/downward movement in the USD GBP 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

Interest rate sensitivity analysis

The Company held net assets with a nominal value of US$4,718 million (2014 US$4,759 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 assets would be an increase/(decrease) of profit before tax of US$47.2 million (2014 US$47 6 million) and after tax of US$37 6 million (2014 US$37 4 million)

19 Related party balances and transactions

Balances with related parties

	Notes	2015 US$000	2014 US$000
Assets			
Cash and cash equivalents[1]		15,492	56,908
Amounts due from HSBC undertakings[2]		71,553	67,680
Loans and advances to HSBC undertakings[1]		-	-
Financial investments[2]	9	4,060,459	3,865,144
Investments in subsidiaries[2]	10	55,406,312	55,406,312
Investments in associates	11	65,185	65,185
Employee benefits[3]	13	258,466	241,565
Total related party assets		59,877,467	59,702,794
Liabilities			
Amounts owed to HSBC undertakings[2]		195,833	195,884
Loans from HSBC undertakings[4]		180,563	-
Total related party liabilities		376,396	195,884

[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]The International Staff Retirement Benefit Scheme entered into swap transactions with HSBC to manage the inflation and interest rate sensitivity of the liabilities and selected assets. At 31 December 2015, the gross notional value of the swaps was US$1 7 billion (2014 US$1.9 billion) and the swaps had a net negative fair value of US$96 million to the scheme (2014 negative US$106 million)

[4] These balances are with HSBC Holdings plc, the ultimate parent 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

Further explanations of material related party transactions are below

Investments in subsidiaries - Details of changes in investments in subsidiaries are set out in Note 10

Transactions with related parties

Dividends received

The company received the following dividends from HSBC undertakings

Ordinary shares	2015 US$000	2014 US$000
The Hongkong and Shanghai Banking Corporation	4,739,553	5,513,022
HSBC Bank Bermuda Limited	152,801	56,000
HSBC Software Development (India) Private Limited	17,067	21,334
	4,909,421	5,590,356
Preference shares		
The Hongkong and Shanghai Banking Corporation	114,795	125,617
Associate		
HSBC Saudi Arabia Limited	17,160	22,081

19 Related party balances and transactions (continued)

	US$000	US$000
	2015	2014
Interest income	1,653	1,457
Interest expense	(563)	-
Net interest income	1,090	1,457

Dividends paid

Dividends of US$5,080 million were paid during the year to its parent company HSBC Asia Holdings (UK) Limited (2014. US$ 5,790 million)

20 Contingent liabilities and guarantees

There were no contingent liabilities at 31 December 2015 (2014 US$nil)

21 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

22 Parent undertaking

The Company's immediate and ultimate holding companies are HSBC Asia Holdings (UK) Limited and HSBC Holdings plc respectively

HSBC Holdings plc is incorporated in England with limited liability under the UK Companies Act.

The financial statements of the Company are consolidated within the HSBC Holdings plc financial statements, which are prepared in accordance with International Financial Reporting Standards 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, 22 November 2016

Board of Directors.

R J Hennity

I J Mackay

I F MacKinnon

B J S Mathews

A C G Stangroome

G A Francis

HSBC Asia Holdings B.V.

Other information

Events after the balance sheet date

The Company received dividends amounting to US$2,196 million from The Hong Kong Shanghai Banking Corporation Limited in February 2016

In April 2016, the Company issued 1 ordinary share for consideration of $1,112 1 million

During 2016, the Company increased its investment in The Hong Kong Shanghai Banking Corporation Limited by $1,250 million.

Proposed appropriation of result

Management proposes to carry forward within retained earnings the result for the year 2015

Statutory rules as to appropriate of profits

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

Report of the independent auditor

The report of the independent auditor is set forth on the following page

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Independent auditor's report

To the general meeting of HSBC Asia Holdings B V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of HSBC Asia Holdings B V. as at 31 December 2015, 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 (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of HSBC Asia Holdings B V , Amsterdam ('the company')

The financial statements comprise

- the balance sheet as at 31 December 2015,
- the following statements for 2015 the income statement, the statements of comprehensive income, changes in equity and cash flows, and
- the notes, comprising a summary of the significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report

We are independent of HSBC Asia Holdings B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref e0390076

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Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements Misstatements may arise due to fraud or error They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information)

- we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the directors' report, to the extent we can assess, is consistent with the financial statements

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Our appointment

We were appointed as auditors of HSBC Asia Holdings B.V. following the passing of a resolution by the shareholders at the annual meeting held on 1 July 2015 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of one year.

Amsterdam, 22 November 2016
PricewaterhouseCoopers Accountants N.V.

L H J Oosterloo RA

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Appendix to our auditor's report on the financial statements 2015 of HSBC Asia Holdings B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following.

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Considering our ultimate responsibility for the opinion on the company's financial statements we are responsible for the direction, supervision and performance of the audit of the financial statements In this context, we have determined the nature and extent of the audit procedures for subsidiaries to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit