V 00724310
V 00724410

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

TC 31611

Companies House

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COMPANIES HOUSE

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MONDAY

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

✗ **What this form is N**
You cannot use this f
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with accounting requi

Part 1 Corporate company name

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

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶: HSBC ASIA HOLDINGS B.V

UK establishment number: B R 0 1 6 6 8 0

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'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	DUTCH LAW, INCLUDING DUTCH STANDARDS ON AUDITING.	

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 CLOÉ NANDLAL

Company name HSBC BANK PLC

Address 8 CANADA SQUARE

Post town LONDON

County/Region

Postcode E14 5HQ

Country UK

DX

Telephone

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

HSBC Asia Holdings B.V.
Registered No 33296181

Financial statements for the year ended 31 December 2013

HSBC

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2013

Contents

Management report	2
Income statement	5
Statement of comprehensive income	6
Balance sheet	7
Statement of cash flows	8
Statement of changes in equity	9
Notes on the Financial Statements	11
Independent Auditor's Report to the Member of HSBC Asia Holdings B V	35

KPMG Audit
Document to which our report dated

23 JUL 2014

also refers.
Initials for identification purposes
KPMG Accountants N V.

HSBC Asia Holdings B.V.

Management report for the year ended 31 December 2013

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 Its ultimate parent company is HSBC Holdings plc, also incorporated in England

Principal Activities

The principal activities of the Company are the holding of investments in, and the financing of, subsidiaries and affiliated companies Consequently, nearly all transactions and balance sheet positions are with fellow group members

It is not anticipated that the activities of the Company will change significantly during 2014

Review of the Company's business

The business is funded principally by its parent, HSBC Asia Holdings (UK) Limited

During the year, the Company closed the Dutch office and the Company is now registered and domiciled in the United Kingdom

The income statement and balance sheet provide the key performance indicators

The reserves available for distribution at 31 December 2013 were US$14,670 million (2012 US$18,601m)

Overview of activities

The performance and position of the Company for the year ended 31 December 2013 and the state of the Company's financial affairs at that date are set out on pages 5 to 33

During 2013, the Company received dividends on ordinary shares of US$6,060 million (2012 US$ 4,190 million) from The Hongkong and Shanghai Banking Corporation, US$594 million (2012 $121 million) were received from HSBC Bank Bermuda Limited , US$29 million (2012 US$37 million) from HSBC Software Development (Malaysia) Sdn Bhd Limited

During 2013, the company also received dividends on preference shares of US$205 million (2012 US$308 million) from The Hongkong and Shanghai Banking Corporation Limited Dividends of US$26 million (2012 US$64 million) were received from its associate HSBC Saudi Arabia Limited

During 2013, the Company's principal subsidiary, The Hongkong and Shanghai Banking Corporation Limited, redeemed seven issues of preference shares at a total nominal value of US$4,645 million

The Company originally purchased two of these at a fair value US$39 million below the nominal value Consequently, the Company realised a profit of US$39 million on the redemption at par

Results

The net asset value of the Company as at 31 December 2013 amounts to US$59,394 million (2012 US$59,538 million)

The results of the Company show a profit before tax US$6,951 million (2012 US$4,667 million)

Dividends

During 2013, the Company paid dividends to HSBC Asia Holdings (UK) Limited of US$581 million on the preference shares and US$10,049 million on the ordinary shares

Business outlook

No change in the Company's activities is expected in 2014

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 17 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

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23 JUL 2014
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Initials for identification purposes
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Management report for the year ended 31 December 2013

Risk management (continued)

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 17 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	Resigned
R J Hennity	1 October 2013	
I J Mackay	1 October 2013	
Mr I F MacKinnon	1 October 2011	
B J S Mathews	1 October 2013	
Mr A C G Stangroome	24 September 2010	
Ms V W de Alwis	1 May 2005	30 September 2013
Mr W J de Graaf	12 July 2007	30 September 2013
Ms S C Legg	1 March 2013	30 September 2013
Mr R A van der Meer	21 November 2011	30 September 2013
Mr H A Remmers	1 March 2013	30 September 2013
N C E Cnockaert	1 September 2008	22 January 2013

Significant events since the end of the financial year

In February 2014 and May 2014, the Company received US$7 5 million and US$20 5 million dividends respectively from HSBC Bank Bermuda Limited

In March 2014 and May 2014, the Company received dividends of US$1,933 million and US$1,193 million respectively from The Hongkong and Shanghai Banking Corporation Limited

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

Future developments

No change in the Company's activities is expected in 2014

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

This report and the financial statements were approved by the Board of Directors on 18 July 2014

Signed on behalf of the Board of Directors
London, 22 July 2014

Director
B J S Mathews

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HSBC Asia Holdings B.V.

Financial statements for the the year ended 31 December 2013

Income statement for the year ended 31 December 2013

	Notes	2013	2012
		US$000	US$000
Interest income		2,496	2,567
Realised gain on redemption of preference shares		38,618	-
Dividend income from group companies		6,683,081	4,348,154
Dividend income from associated companies		25,605	63,756
Dividend income on preference shares		205,224	307,641
Foreign exchange gain/ (loss)		(3,866)	8,800
Other operating income		21	-
Total operating income		6,951,179	4,730,918
Impairment of investment in subsidiaries		-	(52,495)
General & administrative expenses	3	4,284	(4,349)
Fixed assets written off		(12)	-
Expenses relating to investments		(4,088)	(6,856)
Total operating expenses		184	(63,700)
Operating profit		6,951,363	4,667,218
Profit before tax		6,951,363	4,667,218
Tax expense	5	(83,878)	(15,512)
Profit for the year attributable to shareholder		6,867,485	4,651,706

The accompanying notes on pages 11 to 33 form an integral part of these financial statements

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23 JUL 2014
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Initials for identification purposes
KPMG Accountants N V.

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2013

Statement of comprehensive income for the year ended 31 December 2013

	Notes	2013	2012
		US$000	US$000
Profit for the year attributable to the shareholder		**6,867,485**	4,651,706
Other comprehensive income			
Available-for-sale investments			
– Fair value gains transferred to profit for the year on disposal		**(38,618)**	-
– Change in fair value		**1,296,757**	3,535,333
Defined benefit plan actuarial losses		**(139,345)**	(64,738)
Other comprehensive income for the period, net of income tax		**1,118,794**	3,470,595
Total comprehensive income for the period		**7,986,279**	8,122,301

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23 JUL 2014

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Initials for identification purposes
KPMG Accountants N V.

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2013

Balance sheet as at 31 December 2013

	Notes	2013	2012
		US$000	US$000
ASSETS			
Cash and cash equivalents	*7*	**82,393**	49,499
Amounts due from HSBC undertakings	*8*	**84,976**	175,553
Loans and advances to HSBC undertakings	*9*	**10,000**	10,000
Financial investments	*10*	**5,250,120**	8,598,363
Other receivables		**1**	234
Current tax assets	*5*	**68**	-
Investments in subsidiaries	*11*	**54,021,312**	50,624,107
Investments in associates	*12*	**65,185**	65,185
Retirement benefits	*13*	**78,064**	214,698
Prepayments and accrued income		**-**	15
Furniture & equipment		**-**	18
Total assets		**59,592,119**	59,737,672
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to HSBC undertakings	*15*	**197,411**	195,631
Other liabilities		**148**	3,829
Accruals		**180**	110
Total liabilities		**197,739**	199,570
Equity	*14*		
Issued capital		**31,043,550**	29,726,025
Capital exchange reserve		**(8,360,750)**	(7,043,225)
Share premium		**22,772,679**	20,272,679
Available for sale reserve		**(760,640)**	(2,018,778)
Retained earnings		**14,699,541**	18,601,401
Total equity		**59,394,380**	59,538,102
Total equity and liabilities		**59,592,119**	59,737,672

The accompanying notes on pages 11 to 33 form an integral part of these financial statements

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Document to which our report dated

2 3 JUL 2014

also refers.
Initials for identification purposes
KPMG Accountants N V

HSBC Asia Holdings B.V.

Financial statements for the year ended 31 December 2013

[redacted]

Statement of cash flows for the year ended 31 December 2013

	Notes	2013	2012
		US$000	US$000
Cash flows from operating activities			
Profit before tax		6,951,363	4,667,218
Adjustment for			
- Non –cash items Included in profit before tax	*16*	(41,312)	9,036
- Change in operating assets	*16*	90,825	(11,524)
- Change in operating liabilities	*16*	(1,831)	3,763
- Tax (paid)/received		(83,946)	-
Net cash generated from operating activities		6,915,099	4,668,493
Cash flows from Investing activities			
Net cash outflow from additional investment in subsidiaries		(3,400,000)	(3,705,000)
Proceeds from redemption of preference shares		4,645,000	1,750,000
Return of capital from subsidiary		2,795	-
Net cash generated from investing activities		1,247,795	(1,955,000)
Cash flows from financing activities			
Issue of ordinary share capital		2,500,000	1,955,000
Dividends paid		(10,630,000)	(6,140,000)
Net cash generated from financing activities		(8,130,000)	(4,185,000)
Net increase in cash and cash equivalents		32,894	(1,471,507)
Cash and cash equivalents at 1 January		49,499	1,521,006
Cash and cash equivalents at 31 December		82,393	49,499

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Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V

HSBC Asia Holdings B V

Financial statements for the year ended 31 December 2013

[redacted]

Statement of changes in equity for the year ended 31 December 2013

	Ordinary Share Capital US$000	Preference share capital US$000	Capital exchange reserve US$000	Share Premium US$000	Available- for-sale fair value reserve US$000	Retained earnings US$000	Total equity US$000
At 1 January 2013	27	29,725,998	(7,043,225)	20 272,679	(2,018,778)	18 601 401	59 538 102
Profit for the year attributable to the shareholder	-	-	-	-		6 867,485	6,867,485
Change in fair value of available for sale preference shares	-	-	-	-	1,296,757	-	1 296 757
Fair value gains transferred to profit for the year on derecognition	-	-	-	-	(38 618)	-	(38,618)
Defined benefit plan actuarial gains/(losses)	-	-	-	-		(139,345)	(139,345)
Total comprehensive income for the year attributable to the shareholder	-	-	-	-	1,258,139	6,728,140	7,986,279
Exchange movements	1	1,317 524	(1,317,525)	-		-	-
Ordinary shares issued	-	-		2,500,000		-	2 500 000
Dividends to shareholders	-	-		-		(10 630 000)	(10 630 000)
At 31 December 2013	28	31 043,522	(8 360 750)	22 772,679	(760 640)	14 699,541	59,394,380

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23 JUL 2014

also refers.
Initials for identification purposes
KPMG Accountants N V

Statement of changes in equity for the year ended 31 December 2012

	Ordinary Share Capital US$000	Preference share capital US$000	Capital exchange reserve US$000	Share Premium US$000	Available- for-sale fair value reserve US$000	Retained earnings US$000	Total equity US$000
At 1 January 2012	26	29 155 710	(6 472,936)	18 263 978	(5 554 111)	20 154 432	55 567 099
Profit for the year attributable to the shareholder	-	-	-	-	-	4 651 706	4 651 706
Change in fair value of available for sale preference shares	-	-	-	-	3 535,333	-	3 535,333
Defined benefit plan actuarial gains/(losses)	-	-	-	-	-	(64 738)	(64 738)
Total comprehensive income for the year attributable to the shareholder					3 535 333	4 586 968	8 122 301
Exchange movements	1	570 288	(570 289)	-	-	-	-
Ordinary shares issued	-	-	-	1 955 000	-	-	1 955 000
Reimbursement by shareholder of special contribution into ISRBS	-	-		33 702	-	-	33 702
Dividends to shareholders	-	-	-	-	-	(6,140 000)	(6 140 000)
At 31 December 2012	27	29 725 998	(7 043 225)	20 272 679	(2 018 778)	18 601 401	59 538 102

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KPMG Audit
Document to which our report dated

23 JUL 2014

also refers.
Initials for identification purposes
KPMG Accountants N V.

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

HSBC Asia Holding B V (the 'Company') 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

IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body

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

During 2013, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company

(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) and 2(j)

(c) 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

(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))

(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

At 31 December 2013, a number of standards and amendments to standards had been issued by the IASB which are not effective for the Company's financial statements as at 31 December 2013

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is continuing to work on projects, including revenue accounting which could represent significant changes to accounting requirements in the future

Amendments applicable in 2014 but not endorsed by the EU

During 2012 and 2013, the IASB issued various amendments to IFRSs that are effective from 1 January 2014 and which are expected to have an insignificant effect on the financial statements of the Company

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KPMG Audit
Document to which our report dated
23 JUL 2014
also refers.
Initials for identification purposes
KPMG Accountants N V

1 Basis of preparation (continued)

(f) Future accounting developments (continued)

In November 2012, the IASB issued proposed amendments to IFRS9 in respect of classification and measurement Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of IFRS 9 as at the date of the publication of these financial statements

The second phase in the IASB's project to replace IAS 39 will address the impairment of financial assets It is proposed to replace the 'incurred loss' approach to the impairment of financial assets carried at amortised cost in IAS 39 with an expected credit loss approach, and require that the expected credit loss approach be applied to other categories of financial instrument, including loan commitment and financial guarantees The final requirements for impairment of financial assets are expected to be published in 2014

The third phase of the project addresses general hedge accounting Macro hedging is not included in the IFRS 9 project and will be considered separately In November 2013, the IASB issued amendments to IFRS 9 in respect of the general hedge accounting requirements, transition and effective date As a result of these amendments, it is confirmed that all phases of IFRS 9 (except for changes to the presentation of gains and losses for certain liabilities measured at fair value) must be applied from the same effective date This effective date has not yet been set by the IASB but is not expected to be earlier than 1 January 2018 The revised hedge accounting requirements are applied prospectively and the Company is not impacted by the requirement

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

(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

[redacted]

2 Summary of significant accounting policies (continued)

(c) Income Tax (continued)

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

In accordance with Book 2, Title 9 of the Dutch Civil Code, the NLG 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 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, control is considered to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

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

(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

2 Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs They are subsequently re-measured at fair value and changes therein are recognised in other comprehensive income in 'Available-for-sale investments – fair value gains' until the investments are either sold or become impaired When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in other comprehensive income are recognised in the income statement

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

(g) 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

(h) Furniture and equipment

Owned assets

Furniture and fixtures and computer equipment are stated at historical cost less accumulated depreciation (see below) and impairment losses

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the related assets The estimated useful lives are as follows

Furniture & equipment	10 years
Computer equipment	5 years

The residual value, if not insignificant, is reassessed annually

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23 JUL 2014
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Initials for identification purposes
KPMG Accountants N V.

2 Summary of significant accounting policies (continued)

(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

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 the Statement of 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

(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

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Initials for identification purposes
KPMG Accountants N V

3 General and administrative expenses

A breakdown of the general and administrative expenses is as follows

	Note	2013	2012
		US$000's	US$000
Salaries and allowances		684	362
Compulsory social security contributions		34	36
Company staff – pension expense		1,053	143
International Staff (ISRBS) – pension expense	12	3,823	16,705
ISRBS reimbursements from group and associated companies	12	(10,383)	(13,367)
Total staff related expenses		(4,789)	3,879
Management fee recharges		-	(28)
Other administrative and office expenses		505	498
Total other administrative expenses		505	470
Total general & administrative expenses		(4,284)	4,349

The Company is the official employer and sponsor of the ISRBS, 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 These intra-year variations are not unusual and caused by timing differences Ultimately, there will have been no effective cost to the company on account of the International Staff Retirement Benefits Scheme

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

4 Operating leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows

	2013	2012
Less than one year	-	69
Between one and five years	-	217
	-	286

During 2013, the Dutch office was closed Prior to the closure, the Company leased its office premises, motorcars and office equipment under operating leases

5 Tax expense

	2013 US$000	2012 US$000
Current tax		
UK Corporation tax		
- for this year	(68)	-
-adjustments in respect of prior years	-	-
Overseas tax		
- for this year	83,946	15,512
-adjustments in respect of prior years	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Total tax charged to the income statement	83,878	15,512

The company migrated its tax residence from Netherlands to the UK on 1 October 2013

The UK corporation tax rate applying to the Company was 23 25 per cent (2012 25 per cent)

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

	2013 US$000	Percentage of overall profit before tax %	2012 US$000	Percentage of overall profit before tax %
Profit before tax	6,951,363		4,667,218	
Taxation at UK corporation tax rate of 23 25% (2012 24 5%)	1,616,192	23 3%	1,166,804	25 0%
Non-taxable income and gains	(1,616,627)	(23 3%)	(1,185,431)	(25 4%)
Permanent disallowables	3,108	0 0%	14,848	0 3%
Local taxes and overseas withholding tax	4,353	0 1%	15,512	0 3%
Effects of differences in tax rates	-	0%	(10)	(0 0%)
Other items	76,852	1 1%	4,167	0 1%
Utilisation of prior year losses	-	-	(378)	(0 0%)
Total tax charged to the income statement	83,878	1 2%	15,512	0 3%

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2013 will reduce from 24% to 23% to be followed by a further 2% reduction to 21% for the year beginning 1 April 2014 and a further 1% reduction to 20% for the year beginning 1 April 2015 The reduction in the corporate tax rate to 23% was enacted through the 2012 Finance Act and this results in a weighted average of 23 25% for 2013 (2012 24 5%) The reduction to 21% and 20% that were announced in the 2012 Autumn Statement and 2013 Budget respectively became enacted through the 2013 Finance Act on 17 July 2013

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Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V

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 2013	Available-for-sale securities US$000	Loans and receivables US$000	Financial assets and liabilities at amortised cost US$000	Total US$000
Assets				
Cash at bank and in hand	-	-	82,393	82,393
Amounts due from HSBC undertakings	-	-	84,976	84,976
Loans and advances to HSBC undertakings	-	10,000	-	10,000
Financial investments	5,250,120	-	-	5,250,120
Total financial assets	5,250,120	10,000	167,369	5,427,489
Total non-financial assets				54,164,630
Total assets				59,592,119
Liabilities				
Amounts due to HSBC undertakings	-	-	197,411	197,411
Accruals	-	-	180	180
Total financial liabilities	-	-	197,591	197,591
Total non-financial liabilities				148
Total liabilities				197,739

As at 31 December 2012	Available-for-sale securities US$000	Loans and receivables US$000	Financial assets and liabilities at amortised cost US$000	Total US$000
Assets				
Cash at bank and in hand	-	-	49,499	49,499
Amounts due from HSBC undertakings	-	-	175,553	175,553
Loans and advances to HSBC undertakings		10,000	-	10,000
Financial investments	8,598,363	-	-	8,598,363
Total financial assets	8,598,363	10,000	225,052	8,833,415
Total non-financial assets				50,904,257
Total assets				59,737,672
Liabilities				
Amounts due to HSBC undertakings	-	-	195,631	195,631
Accruals	-	-	110	110
Total financial liabilities	-		195,741	195,741
Total non-financial liabilities				3,829
Total liabilities				199,570

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23 JUL 2014
also refers.
Initials for identification purposes
KPMG Accountants N V.

7 Cash and cash equivalents

	2013	2012
	US$000	US$000
Short term deposits	82,100	49,205
Bank balances	293	294
Cash and cash equivalents	82,393	49,499

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

The short term deposits are due within three months and carries interest at 0 06%

8 Amounts due from group companies

	2013	2012
	US$000	US$000
Dividend receivable on preference shares	84,960	175,488
Amounts due from group companies	16	65
Amounts due from group companies	84,976	175,553

At 31 December 2013, US$85 million (2012 US$176 million) was outstanding to HSBC undertakings These are non-interest bearing amounts

The fair value of the amounts owed to HSBC undertakings is not significantly different to the carrying value on the balance sheet

9 Loans to group companies

	Maturity date	2013	2012
		US$000	US$000
HSBC Finance Corporation, USA	22/12/2014	5,000	5,000
HSBC Finance Corporation, USA	28/09/2015	5,000	5,000
Balance as at 31 December		10,000	10,000

The loans carry interest at a percentage based on three-months' LIBOR and a margin varying between LIBOR plus 175 basis points and LIBOR plus 200 basis points Interest is paid quarterly in arrears

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KPMG Audit
Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V.

10 Fınancial ınvestments

Fınancıal ınvestments are desıgnated as avaılable-for-sale and are measured at faır value wıth movements ın faır value recognısed through other comprehensıve ıncome ın the avaılable-for-sale reserve

The Company holds the followıng preference shares of The Hongkong and Shanghaı Bankıng Corporatıon Lımıted, Hong Kong ("HBAP"), as follows

	Nominal Value	Dividend basis	Mandatory redemption date	Redemption date (at issuers option)	2013	2012
					US$000	US$000
Non-cumulatıve shares	-	LIBOR + 1 85%	irredeemable	28/03/2013	-	776,929
Non-cumulatıve shares	-	LIBOR + 1 85%	irredeemable	26/04/2013	-	776,929
Non-cumulatıve shares	-	LIBOR + 1 85%	Irredeemable	21/06/2013	-	776,929
Non-cumulatıve shares	978,000	LIBOR + 1 85%	Irredeemable	Irredeemable	866,492	844,263
Non-cumulatıve shares	375,000	LIBOR + 1 35%	Irredeemable	Irredeemable	303,739	289,534
Non-cumulatıve shares	500,000	LIBOR + 1 25%	Irredeemable	Irredeemable	397,385	376,929
Non-cumulatıve shares	1,000,000	LIBOR + 1 25%	Irredeemable	Irredeemable	794,770	753,858
Non-cumulatıve shares	700,000	LIBOR + 1 30%	Irredeemable	Irredeemable	561,660	534,082
Non-cumulatıve shares	250,000	LIBOR + 1 15%	Irredeemable	Irredeemable	194,892	183,906
Non-cumulatıve shares	150,000	LIBOR + 1 15%	Irredeemable	Irredeemable	116,935	110,344
Cumulatıve shares	200,000	LIBOR + 1 00%	Irredeemable	Irredeemable	159,957	142,995
Cumulative shares	250,000	LIBOR + 1 15%	Irredeemable	Irredeemable	205,952	185,640
Cumulatıve shares	378,500	LIBOR + 1 25%	Irredeemable	Irredeemable	317,874	288,019
Cumulatıve shares	-	LIBOR + 1 25%	Irredeemable	20/03/2013	-	91,314
Cumulatıve shares	56,500	LIBOR + 1 25%	Irredeemable	Irredeemable	47,450	42,994
Cumulatıve shares	-	LIBOR + 1 15%	Irredeemable	20/03/2013	-	686,868
Cumulatıve shares	200,000	LIBOR + 1 20%	Irredeemable	Irredeemable	166,364	150,351
Cumulatıve shares	-	LIBOR + 1 00%	02/01/2019	19/12/2013	-	290,800
Cumulatıve shares	-	LIBOR +2 08%	29/03/2023	19/12/2013	-	333,655
Cumulatıve shares	1,050,000	LIBOR +3 23%	02/01/2024	02/01/2019	1,116,649	962,021
Total	6,088,000				5,250,119	8,598,363

Mandatory redemptıon ıs subject to the approval of the ordınary shareholders of HBME The earlıest date for redemptıon wıll be the referenced date and, ıf not approved by the shareholders, wıll next fall for revıew at 10 yearly ıntervals thereafter The ordınary shareholders of HBME wıll convey ın wrıtıng to HBME whether redemptıon of the preference shares has been approved no less than 30 days prıor to the date upon whıch redemptıon may occur

Redemptıon at the ıssuer's optıon, on or after the referenced date, ıs subject to 30 days' notıce ın wrıtıng to shareholders and to the consent of the Jersey Fınancıal Servıces Commıssıon

The preference share dıvıdend ıs paıd annually as long as the retaıned profits of the ıssuer allows payment As thıs has been the case ın the past and ıs antıcıpated ın the future, the preference dıvıdend ıs beıng accrued

Amounts due from group companıes' (Note 8) ıncludes accrued preference share dıvıdends receivable on financıal ınvestments of US$85 mıllıon (2012 US$176 mıllıon)

10 Financial investments (continued)

The movements in financial investments during the year were as follows

	2013 US$000	2012 US$000
Balance as at 1 January	8,598,363	6,813,030
Additions	-	-
Disposals	(4,645,000)	(1,750,000)
Change in fair value	1,296,757	3,535,333
Balance as at 31 December	5,250,120	8,598,363

Fair value is determined according to the following hierarchy

Level 1 financial instruments with quoted prices for identical instruments in active markets

Level 2 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 financial instruments valued using valuation techniques where one or more significant inputs are unobservable

At 31 December 2013, all financial investments was valued using *Level 2* valuation techniques

11 Investments in subsidiaries

The Company carries its investments in subsidiaries and affiliated companies at historical cost less provision for any impairment Dividends are taken into the results of the Company as and when declared

This caption comprises investments in subsidiaries and affiliated companies, the movements of which can be analysed as follows

	2013 US$000	2012 US$000
Cost		
At 1 January	50,676,642	46,971,642
Additions	3,400,000	3,705,000
Reduction in investments	(2,795)	-
At 31 December	54,073,847	50,676,642
Impairment		
At 1 January	(52,535)	-
Charge	-	(52,535)
At 31 December	(52,535)	(52,535)
Net carrying amount 31 December	54,021,312	50,624,107

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KPMG Audit
Document to which our report dated
23 JUL 2014
also refers
Initials for identification purposes
KPMG Accountants N V.

11 Investments in subsidiaries (continued)

Explanations of additions and reduction in investments

During 2013, the Company invested a further US$3,400 million in The Hongkong Shanghai Banking Corporation

In December 2013, the Company received $2 8 million from Credival Latinsul SA as a return of capital of from the subsidiary

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 asset value and, where there was an indicator of impairment, by comparing carrying value to recoverable amount

No impairment charge was recognised during the year (2012 UD$52 5 million)

The principal subsidiary undertakings of the Company at 31 December 2013 were

			Ownership (% of equity)	
	Nature of business	**Country**	**2013**	**2012**
The Bank of Bermuda Ltd	Banking	Bermuda	100%	100%
Credival Latinsul SA	Dormant	Uruguay	100%	100%
Dar Es Salaam Investment Bank	Investment Banking	Iraq	70 1%	70 1%
HSBC IM Pension Trust Ltd	Trust company	United Kingdom	100%	100%
HSBC LatAm Holdings (Netherlands) BV	Dormant	The Netherlands	100%	100%
HSBC Property (UK) Ltd	Property Holding	United Kingdom	100%	100%
HSBC Software Development (India) Private Ltd	Software & support	India	100%	100%
HSBC Software Development (Malaysia) Sdn Bhd	Software & support	Malaysia	100%	100%
The Hongkong and Shanghai Banking Corporation Ltd	Banking	Hong Kong SAR	100%	100%

12 Investments in associates

The Company carries its investments in associates at historical cost less provision for any impairment Dividends are taken into the results of the Company when declared

The Company has the following investments in associates

			Ownership (% of equity)	
	Nature of business	**Country**	2013	2012
HSBC Saudi Arabia Ltd	Investment Banking	Saudi Arabia	49 0%	49 0%
SABB Takaful Company [1]	Insurance	Saudi Arabia	31 0%	31 0%
Taiwanpay Corporation	-	Taiwan		

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

12 Investments in associates (continued)

The movements in the investments in associates can be analysed as follows

	2013	2012
	US$000	US$000
Balance as at 1 January	65,185	42,667
Additions	-	22,518
Disposals	-	-
Balance as at 31 December	65,185	65,185

The additions during 2012 represent the distribution of the 2010 and 2012 profits of HSBC Saudi Arabia Ltd and partial conversion into share capital New shares were issued to the Company in accordance with its pro-rata shareholding, which therefore remained 49%

13 Employee benefits

Liability for defined benefit obligations

The Company makes contributions to two defined benefit plans that provide pension benefits for employees upon retirement The largest is the International Staff Retirement Benefits Scheme ("ISRBS"), a closed plan resident in Jersey The second plan is a small local plan open to Dutch resident employees only and deemed immaterial for disclosure purposes

During the year 2009, the Company became the official sponsor of the International Retirement Benefits Plan ("IRBP"), a defined contribution plan As the obligations for contributions are recognised by the ultimate employing entity of the individuals concerned, the contributions to this plan are not recognised in the accounts of the Company

Movements in retirement benefits

	2013	2012	2011	2010	2009
	US$000	US$000	US$000	US$000	US$000
Present value of defined benefits obligations	1,367,424	1,229,854	1,063,544	1,144,363	1,124,856
Present value of plan assets	1,445,489	1,444,552	1,303,812	1,065,630	980,994
Present value of net obligations	(78,065)	(214,698)	(240,268)	78,733	143,862
Total retirement benefits	(78,065)	(214,698)	(240,268)	78,733	143,862

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

	2013	2012	2011	2010	2009
	US$000	US$000	US$000	US$000	US$000
Liability for defined benefit obligations at 1 January	1,229,854	1,063,544	1,144,363	1,124,856	763,285
Movements in exchange	37,502	43,393	(6,261)	(48,020)	86,129
Employee contributions	1,129	1,247	1,593	1,711	1,997
Actual benefits payments made	(58,854)	(55,864)	(47,810)	(44,605)	(48,423)
Expense recognised in the income statement (*see below*)	64,658	69,239	85,201	81,394	69,728
Other comprehensive income	93,135	(103,295)	(113,542)	29,027	252,140
Liability for defined benefit obligations at 31 December	1,367,424	1,229,854	1,063,544	1,144,363	1,124,856

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KPMG Audit
Document to which our report dated
23 JUL 2014
also refers
Initials for identification purposes
KPMG Accountants N V.

13 Employee benefits (continued)

Movements in the plan assets

	2013	2012	2011	2010	2009
	US$000	US$000	US$000	US$000	US$000
Fair value of plan assets at 1 January	**1,444,552**	1,303,812	1,065,630	980,994	795,360
Movements in exchange	**33,732**	57,197	(5,646)	(41,864)	91,002
Employee contributions	**1,129**	1,247	1,593	1,711	1,997
ISRBS employer contributions	**10,383**	47,069	16,197	16,737	178,856
Actual benefits payments made	**(58,854)**	(55,864)	(47,810)	(44,605)	(48,423)
Expected return on plan assets (*see below*)	**60,757**	52,534	59,919	50,626	37,936
Other comprehensive income	**(46,210)**	38,557	213,929	102,031	(75,734)
Fair value of plan assets at 31 December	**1,445,489**	1,444,552	1,303,812	1,065,630	980,994

Expense recognised in the income statement

	2013	2012	2011	2010	2009
	US$000	US$000	US$000	US$000	US$000
Current service costs	**10,975**	14,496	21,922	21,110	17,266
Interest on obligation	**51,379**	54,743	63,279	60,284	52,462
Administration costs and taxes	**2,304**	-	-	-	-
	64,658	69,239	85,201	81,394	69,728
Expected return on plan assets	**(60,757)**	(52,534)	(59,919)	(50,626)	(37,936)
	3,901	16,705	25,282	30,768	31,792

Categories of plan assets

	2013	2012	2011	2010	2009
	US$000	US$000	US$000	US$000	US$000
Equities	**84,913**	91,871	-	-	-
Bonds	**754,367**	717,734	650,172	807,667	695,133
Property	**58,621**	54,679	52,563	51,788	29,109
Other	**547,588**	580,268	601,077	206,175	256,752
Total plan assets	**1,445,489**	1,444,552	1,303,812	1,065,630	980,994

KPMG Audit
Document to which our report dated

23 JUL 2014

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Initials for identification purposes
KPMG Accountants N V

HSBC Asia Holdings B.V.

Notes to the Financial Statements (continued)

13 Employee benefits (contmued)

Pension assumptions

Assumptions as at 31 December	**2013**	2012	2011	2010	2009
Inflation	**3 60%**	3 2%	3 4%	3 7%	3 7%
Salary increases	**1 75%**	1 75%	1 75%	5 45%	5 45%
Pension increases	**3 60%**	3 2%	3 4%	3 7%	3 7%
Discount rate	**4 30%**	4 4%	5 1%	5 4%	5 7%
Expected return on assets	**4 30%**	4 40%	3 93%	5 51%	5 51%
Medical trend rate	**n/a**	n/a	n/a	n/a	n/a
Mortality table – males	**65%S1PMA_L**	65% S1PMA_L*	PNMA00 YOB	PNMA00 YOB	PNMA00 YOB
Mortality table – females	**75%S1PMA_L**	75% S1PMA_L*	PNFA00 YOB	PNFA00 YOB	PNFA00 YOB

* with core CMI 2011 improvements and a 1 25% long term rate

Estimated contributions in next financial year

	2014	2013	2012
	US$000	US$000	US$000
Estimated company contributions during the following year	**10,305**	11,785	14,646
Estimated employee contributions during the following year	**1,056**	1,199	1,475
Estimated total contributions during the following year	**11,361**	12,984	16,121

Estimated benefit payments in next financial year

	2014	2013	2012
	US$000	US$000	US$000
Estimated benefits payments during the next financial year	**58,440**	61,802	57,310

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

	2013
	US$000
Change in defined benefit obligation at year-end from a 25bps increase in discount rate	**61,991**
Increase in defined benefit opblifation from each additional year of legevity assumed	**34,715**

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Document to which our report dated

23 JUL 2014

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Initials for identification purposes
KPMG Accountants N V.

14 Share capital

Share capital and share premium

As at 31 December 2013, 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 authorised Shares	Number of issued shares	Issued share capital (EUR'000)	Issued share capital (USD'000)
Ordinary shares	50	500	405	20	22
Preference A	1 000	27 000 000	17 180 000	17 180 000	15 681 046
Preference B	1 000	1 000 000	886 041	886 041	793 715
Preference C	1 000	1 000 000	175 000	175,000	199,972
Preference D	1 000	1 000 000	1 000 000	1 000 000	1,280,800
Preference E	1 000	2 000 000	1 000 000	1 000 000	1,284,100
Preference F	1 000	2,000,000	250 000	250 000	327 375
Preference G	1 000	2 000 000	1 400 000	1 400 000	2,199 400
Preference H	1 000	1 000,000	650 000	650 000	916,370
Balance as at 31 December			22,541,446	22,541 061	22,682,800

The movements during the year have been as follows

Description	Ordinary shares US$000	Class A Preference Shares US$000	Class B Preference Shares US$000	Class C Preference Shares US$000	Class D Preference Shares US$000	Class E Preference Shares US$000	Class F Preference Shares US$000	Class G Preference Shares US$000	Class H Preference Shares US$000	Total US$000
Balance as at 1 January	22	15 681 046	793 715	199 972	1 280 800	1,284 100	327 375	2 199 400	916 370	22,682,800
Movements during the year	-	-	-	-	-	-	-			
Balance as at 31 December	22	15,681 046	793 715	199 972	1,280,800	1,284,100	327,375	2,199,400	916,370	22,682,800

During the year, the Company issued 1 (2012 2) ordinary shares of EUR 50 to its sole shareholder, for a cash consideration of USD 2,500 million (2012 USD 1,955 million)

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Document to which our report dated
23 JUL 2014
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Initials for identification purposes
KPMG Accountants N V

14 Share capital (continued)

Preference shares classes A through G 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 (2012 GBP 14,575 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

Capital exchange reserve
The Capital Exchange Reserve is a legal reserve and therefore not distributable

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

15 Amounts owed to HSBC undertakings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings

	Due	Interest	2013	2012
			US$000	US$000
Current liabilities				
Loan from Credival Latinsul SA	undated	none	**195,631**	195,631
Amounts due to group companies	undated	none	**1,780**	-
Balance as at 31 December			**197,411**	195,631

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

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KPMG Audit
Document to which our report dated
23 JUL 2014
also refers
Initials for identification purposes
KPMG Accountants N V

16 Notes on the statement of cash flows

	2013 US$000	2012 US$000
Non-cash items included in profit before tax		
Capitalised dividends	-	(38,030)
Fixed assets written off	12	-
Depreciation of fixed assets	5	8
Pension costs	(2,711)	(3,380)
Impairment in subsidiaries	-	52,495
Net gain on investments in Equity Instruments	(38,618)	-
	(41,312)	9,036
Change in operating assets		
Change in amounts due from HSBC undertakings	90,577	(11,335)
Change in prepayments and accrued income	15	8
Change in other receivables	233	(197)
	90,825	(11,524)
Change in operating liabilities		
Change in amounts owed to HSBC undertakings	1,780	-
Change in accruals	70	(16)
Change in other liabilities	(3,681)	3,779
	(1,831)	3,763
Cash and cash equivalents comprise		
Cash at bank with HSBC undertakings	82,393	49,499
Interest and dividends		
Interest received	2,496	2,638
Dividends received	6,708,686	4,411,910

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

	Due within one year	Due after more than one year	Total
As at 31 December 2013	**US$000**	**US$000**	**US$000**
Assets			
Cash at bank and in hand	82,393	-	82,393
Amounts due from HSBC undertakings	84,976	-	84,976
Loans and advances to HSBC undertakings	5,000	5,000	10,000
Financial investments	-	5,250,120	5,250,120
	172,369	5,255,120	5,427,489
Liabilities			
Amounts owed to HSBC undertakings	1,780	195,631	197,411
Accruals	180	-	180
	1,960	195,631	197,591
As at 31 December 2012			
Assets			
Cash at bank and in hand	49,499	-	49,499
Amounts due from HSBC undertakings	175,553	-	175,553
Loans and advances to HSBC undertakings	-	10,000	10,000
Financial investments	-	8,598,363	8,598,363
Employee benefits	-	214,698	214,698
	225,052	8,823,061	9,048,113
Liabilities			
Amounts owed to HSBC undertakings	-	195,631	195,631
Accruals	110	-	110
	110	195,631	195,741

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

HSBC Asia Holdings B.V.

Notes to the Financial Statements (continued)

[redacted]

18 Risk Management (continued)

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

	2013 US$000	2012 US$000
Cash at bank and in hand	**82,393**	49,499
Amounts due from HSBC undertakings	**84,976**	175,553
Loans and advances to HSBC undertakings	**10,000**	10,000
Financial investments	**5,250,120**	8,598,363
Employee benefits	**78,064**	214,698
	5,505,553	9,048,113

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 2013

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	1,780	-	-	-	195,631
Accruals	95	85	-	-	-
Total	1,875	85	-	-	195,631

At 31 December 2012

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	-	-	-	-	195,631
Accruals	110	-	-	-	-
Total	110	-	-	-	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

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

18 Risk Management (continued)

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 and Euro which amounted to a US$78 million asset (2012 US$215 million asset)

The Company's profit before tax would decrease by US$4 million, profit after tax by US$3 1 million (2012 US$11 3 million decrease, profit after tax US$8 5 million decrease) if the Sterling and Euro 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 of US$6,180 million (2012 US$10,897 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$61 8 million (2012 US$109 million) and after tax of US$47 4 million (2012 US$83 6 million)

19 Related party transactions

Balances with related parties

	Notes	**2013 US$000**	2012 US$000
Assets			
Cash at bank and in hand[1]		**82,393**	49,499
Amounts due from HSBC undertakings[2]		**84,976**	175,553
Loans and advances to HSBC undertakings[1]		**10,000**	10,000
Financial investments	*9*	**5,250,120**	8,598,363
Investments in subsidiaries[2]	*8*	**54,021,312**	50,624,107
Employee benefits[3]	*12*	**78,064**	214,698
Total related party assets		**59,526,865**	59,672,220
Liabilities			
Amounts owed to HSBC undertakings[2]		**197,411**	195,631
Total related party liabilities		**197,411**	195,631

[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 2013, the gross notional value of the swaps was US$1 8 billion (2012 US$1 8 billion) and the swaps had a net positive fair value of US$353 million to the scheme (2012 US$328 million)

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

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KPMG Audit
Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V.

HSBC Asia Holdings B.V

Notes to the Financial Statements (continued)

19 Related party transactions (continued)

Further explanations of material related party transactions are below

Investments in subsidiaries - Details of changes in investments in subsidiaries are set out in Note 11

Other related party transactions

Dividends received

During 2013, the Company received dividends on ordinary shares of US$6,060 million (2012 US$ 4,190 million) from The Hongkong and Shanghai Banking Corporation, US$594 million (2012 $121 million) were received from HSBC Bank Bermuda Limited , US$29 million (2012 US$37 million) from HSBC Software Development (Malaysia) Sdn Bhd Limited

During 2013, the company also received dividends on preference shares of US$205 million (2012 US$308 million) from The Hongkong and Shanghai Banking Corporation Limited Dividends of US$26 million (2012 US$64 million) were received from its associate HSBC Saudi Arabia Limited

Dividends paid

Dividends of US$10,630 million were paid during the year to its parent company HSBC Asia Holdings (UK) Limited (2012 US$ 6,140 million)

20 Contingent liabilities and guarantees

There were no contingent liabilities at 31 December 2013 (2012 US$nil)

21 Events after the balance sheet date

In February 2014 and May 2014, the Company received US$7 5 million and US$20 5 million dividends respectively from HSBC Bank Bermuda Limited

In March 2014 and May 2014, the Company received dividends of US$1,933m and US$1,193m respectively from The Hongkong and Shanghai Banking Corporation Limited

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

22 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

23 Parent undertaking

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

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

The accounts 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 July 2014

Board of Directors

Mr R J Hennity | Mr I J Mackay | Mr I F MacKinnon

Mr B J S Mathews | Mr A C G Stangroome

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KPMG Audit
Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V

HSBC Asia Holdings B.V.

Supplementary data

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 2013

Report of the Auditors

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

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KPMG Audit
Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V.

Independent auditor's report
To the Board of Directors of HSBC Asia Holdings B V

Report on the financial statements
We have audited the accompanying financial statements 2013 of HSBC Asia Holdings B V , Amsterdam, which comprise the balance sheet as at 31 December 2013,the income statement, 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 these 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 report in accordance with Part 9 of Book 2 of the Netherlands Civil Code Furthermore, management is responsible for such internal control as they determine 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 Company'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 Company'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 financial position of HSBC Asia Holdings B V as at 31 December 2013 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

KPMG Audit
Document to which our report dated

23 JUL 2014

also refers
Initials for identification purposes
KPMG Accountants N V

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 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 under Section 2 392 sub 1 at b - h has been annexed Further, we report that the management 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, 23 July 2014

KPMG Accountants N V

C C J Segers RA

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23 JUL 2014

also refers.
Initials for identification purposes
KPMG Accountants N V.