

# OS AA01

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



Companies House

012331-10 ✓  
012332-10 ✓

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

✗ **What this form is NOT for**  
You cannot use this form to register  
an alteration of manner of company  
with accounting requirements.

WEDNESDAY



A18 \*A7AG648A\* #174  
18/07/2018  
COMPANIES HOUSE

### Part 1 Corporate company name

Corporate name of  
overseas company ①

HSBC Asia Holdings B.V.

UK establishment  
number

B R ☒ 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 \*

① 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 ②

The Netherlands Civil Code

② 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 ③

International Financial Reporting Standards

③ Please insert the name of the  
appropriate accounting organisation  
or body.

#### A3 Accounts

Accounts

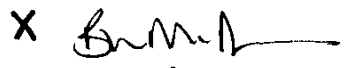
Have the accounts been audited? Please tick the appropriate box.

☐ **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

<b>A4 Audited accounts</b>		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> <b>No.</b> Go to <b>Part 3 'Signature'</b> . <input checked="" type="checkbox"/> <b>Yes.</b> Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b> .	● Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ●	Dutch Law including Dutch Standards on Auditing	
<b>A5 Unaudited accounts</b>		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> <b>No.</b> <input type="checkbox"/> <b>Yes.</b>	
<b>Part 3 Signature</b>		
Signature	I am signing this form on behalf of the overseas company.	
	Signature  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	Sophie Line
Company name	HSBC Holdings plc
Address	8 Canada Square
Post town	London
County/Region	
Postcode	E 1 4 5 H Q
Country	
DX	
Telephone	020 799 24145



## 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](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.companieshouse.gov.uk)

HSBC Asia Holdings B.V.  
Registered No: 33296181

**Annual Report and Financial Statements for the year ended 31 December 2017**

---

**Certified a true copy**

  
.....



**HSBC Asia Holdings B.V.**  
Registered No: 33296181

**Annual Report and Financial Statements for the year ended 31 December 2017**

---

**Contents**

Management Report for the year ended 31 December 2017	1
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
Other information	41
Independent Auditor's Report	42

**Management Report for the year ended 31 December 2017**

---

**Principal activities**

HSBC Asia Holdings B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number 607170, and is registered and domiciled in the United Kingdom as an overseas company (with a statutory seat in Amsterdam). The Company is wholly owned by HSBC Asia Holdings (UK) Limited, incorporated in England and Wales. Its ultimate parent company is HSBC Holdings plc, incorporated in England and Wales.

During the year ended 31 December 2017, 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.

Retained earnings available for distribution at 31 December 2017 were \$14,623m (2016: \$14,968m).

**Performance**

The performance and position of the Company for the year ended 31 December 2017 and the state of the Company's financial affairs at that date are set out on pages 5 to 40.

The net asset value of the Company as at 31 December 2017 amounts to \$60,764m (2016: \$60,760m).

The results of the Company show a profit before tax of \$7,586m (2016: profit before tax of \$5,831m).

The Company received the following dividends from other group undertakings:

	2017 \$'000	2016 \$'000
<b>Ordinary shares</b>		
The Hongkong and Shanghai Banking Corporation Limited	7,123,218	5,484,342
HSBC Bank Bermuda Limited	202,750	280,165
HSBC Software Development (India) Private Limited	98,639	16,954
	<u>7,424,607</u>	<u>5,781,461</u>
<b>Preference shares</b>		
The Hongkong and Shanghai Banking Corporation Limited	88,353	96,265
<b>Associate</b>		
HSBC Saudi Arabia Limited	16,430	32,803

During 2017, the Company's principal subsidiary, The Hongkong and Shanghai Banking Corporation Limited cancelled irredeemable preference shares at a total nominal value of \$775m at par.

During 2017, the Company invested \$225m in The Hongkong and Shanghai Banking Corporation Limited's ordinary shares for cash consideration. The ownership proportion remained unchanged as a result of this.

During 2017, the Company disposed of its associate investment in SABB Takaful Company for consideration of \$31.4m, resulting in a loss of \$3.3m.

### 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 the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows from and to each subsidiary.

### Principal risks and uncertainties

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 23 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 Company's accounting policy for impairment of investments in subsidiaries is set out in Note 1.2 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	Resigned
R J Hennity	
I J Mackay	
I F MacKinnon	
B J S Mathews	
G A Francis	
A C G Stangroome	19 May 2017

*Appointments to the Board are made on merit and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors.*

### Dividends

The Company paid dividends to HSBC Asia Holdings (UK) Limited of \$7,975m (2016: \$5,940m).

**Significant events since the end of the financial year**

The Company received dividends from The Hongkong and Shanghai Banking Corporation Limited amounting to \$2,116m and \$1,274m in March 2018 and May 2018, respectively. The Company also paid dividends amounting to \$2,200m (no tax consequence applicable to parent) to HSBC Asia Holdings (UK) Limited in March 2018.

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

**Future developments**

No change in the Company's activities is expected.

**Going concern basis**

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

**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.



HSBC Asia Holdings B.V.

**Management Report for the year ended 31 December 2017**

---

**Independent Auditor**

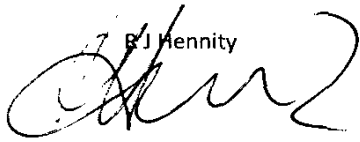
Pursuant to Part 9 of Book 2 of the Dutch Civil Code, the independent auditor will be deemed to be reappointed and PricewaterhouseCoopers Accountants N.V. will therefore continue in office.

*This report and the financial statements were approved by the Board of Directors on 21 May 2018.*

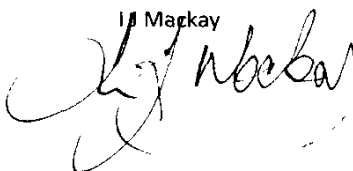
London, 21 May 2018

Board of Directors

B J Hennity



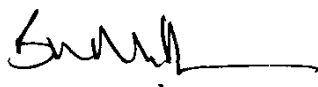
I J Mackay



I F MacKinnon



B J S Mathews



G A Francis



Registered Office  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Financial Statements**

**Income statement for the year ended 31 December 2017**

	<i>Notes</i>	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Interest income	24	<b>274,348</b>	70,745
Interest expense	24	<b>(264,963)</b>	(61,475)
<b>Net interest income</b>		<b>9,385</b>	9,270
Loss on disposal of associate		<b>(3,304)</b>	-
Gains less losses from financial investments		-	1,180
Dividend income	2	<b>7,529,390</b>	5,910,529
Other operating income/(expense)	3	<b>44,218</b>	(67,864)
<b>Net operating income before loan impairment charges and other credit risk provision</b>		<b>7,579,689</b>	5,853,115
<b>Net operating income</b>		<b>7,579,689</b>	5,853,115
General and administrative income/(expenses)	4	<b>6,354</b>	(22,292)
<b>Total operating income/(expenses)</b>		<b>6,354</b>	(22,292)
<b>Operating profit</b>		<b>7,586,043</b>	5,830,823
<b>Profit before tax</b>		<b>7,586,043</b>	5,830,823
Tax expense	8	<b>(6,302)</b>	(10,009)
<b>Profit for the year</b>		<b>7,579,741</b>	5,820,814

The accompanying notes on pages 11 to 40 form an integral part of these financial statements.

**HSBC Asia Holdings B.V.**

**Financial Statements**

**Statement of comprehensive income for the year ended 31 December 2017**

	Notes	2017 \$'000	2016 \$'000
<b>Profit for the year</b>		<b>7,579,741</b>	<b>5,820,814</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met</i>			
Available-for-sale investments			
- fair value gains		<b>350,481</b>	27,311
- fair value (gains) transferred to the income statement		-	(5,952)
- deferred tax	8	<b>(930)</b>	231
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Actuarial gains on defined benefit plans	20	<b>48,062</b>	241,780
Current tax	8	<b>2,176</b>	-
Other comprehensive income for the year, net of tax		<b>399,789</b>	<b>263,370</b>
<b>Total comprehensive income for the year</b>		<b>7,979,530</b>	<b>6,084,184</b>

The accompanying notes on pages 11 to 40 form an integral part of these financial statements.

Financial Statements

Balance sheet as at 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	118,151	21,870
Loans and advances	10	6,287,911	8,275,454
Trade and other receivables	11	66,702	37,421
Financial investments	12	2,413,251	2,837,770
Current tax assets		357	1,823
Investments in subsidiaries	13	57,799,879	57,574,879
Interests in associates	14	30,518	65,185
Other assets	20	511,156	413,803
Total assets		<u>67,227,925</u>	<u>69,228,205</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	15	391	11,955
Loans from other group undertakings	16	6,461,632	8,455,787
Deferred tax liabilities		1,869	939
Total liabilities		<u>6,463,892</u>	<u>8,468,681</u>
<b>Equity</b>			
Called up share capital	17	24	21
Preference share capital	17	27,021,073	23,754,876
Share premium account		23,884,779	23,884,779
Other reserves		(4,765,153)	(1,848,483)
Retained earnings		14,623,310	14,968,331
Total equity		<u>60,764,033</u>	<u>60,759,524</u>
Total liabilities and equity		<u>67,227,925</u>	<u>69,228,205</u>

The accompanying notes on pages 11 to 40 form an integral part of these financial statements.

**HSBC Asia Holdings B.V.**

**Financial Statements**

**Statement of cash flows for the year ended 31 December 2017**

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		7,586,043	5,830,823
Adjustments for:			
Non-cash items included in profit before tax	21	(45,988)	86,444
Change in operating assets	21	(29,281)	34,132
Change in operating liabilities	21	(11,563)	(183,878)
Tax paid		(2,681)	(8,493)
Net cash generated from operating activities		7,496,530	5,759,028
<b>Cash flows from investing activities</b>			
Proceeds from sale of associate	14	31,363	-
Net cash outflow to investment in subsidiaries	13	(225,000)	(2,168,567)
Net loans and advances to other group undertakings	10	1,987,543	(8,275,454)
Proceeds from redemption of financial investments	12	775,000	1,244,047
Net cash generated from/(used in) investing activities		2,568,906	(9,199,974)
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	17	-	1,112,100
Loans from other group undertakings	16	(1,994,155)	8,275,224
Dividends paid		(7,975,000)	(5,940,000)
Net cash (used in)/generated from financing activities		(9,969,155)	3,447,324
Net increase in cash and cash equivalents		96,281	6,378
Cash and cash equivalents brought forward		21,870	15,492
Cash and cash equivalents carried forward	21	118,151	21,870

The accompanying notes on pages 11 to 40 form an integral part of these financial statements.

## HSBC Asia Holdings B.V.

### Financial Statements

#### Statement of changes in equity for the year ended 31 December 2017

	Called up share capital \$'000	Preference share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserves			Total equity \$'000
					Available- for-sale fair value reserve \$'000	Capital contribution reserve \$'000	Capital exchange reserve \$'000	
<b>2017</b>								
At 1 January 2017	21	23,754,876	23,884,779	14,968,331	(780,753)	4,367	(1,072,097)	60,759,524
Profit for the year	-	-	-	7,579,741	-	-	-	7,579,741
Available-for-sale investments	-	-	-	-	350,481	-	-	350,481
Other comprehensive income (net of tax)	-	-	-	50,238	(930)	-	-	49,308
<b>Total comprehensive income for the year</b>	-	-	-	7,629,979	349,551	-	-	7,979,530
Dividends to shareholders	-	-	-	(7,975,000)	-	-	-	(7,975,000)
Exchange movement	3	3,266,197	-	-	-	(21)	(3,266,200)	(21)
<b>At 31 December 2017</b>	<b>24</b>	<b>27,021,073</b>	<b>23,884,779</b>	<b>14,623,310</b>	<b>(431,202)</b>	<b>4,346</b>	<b>(4,338,297)</b>	<b>60,764,033</b>

#### 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 available-for-sale reserve is not distributable until realised.

#### Capital contribution reserve

The capital contribution reserve represents the net of contribution by HSBC Holdings plc to the Company in respect of share options.

#### Dividend per share

Dividend per share for the year was \$19.6m (2016: \$14.6m).

Equity is wholly attributable to equity shareholders of HSBC Asia Holdings B.V.

The accompanying notes on pages 11 to 40 form an integral part of these financial statements.

**HSBC Asia Holdings B.V.**

**Financial Statements**

**Statement of changes in equity for the year ended 31 December 2016**

	Called up share capital \$'000	Preference share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserves			Total equity \$'000
					Available- for-sale fair value reserve \$'000	Capital contribution reserve \$'000	Capital exchange reserve \$'000	
<b>2016</b>								
At 1 January 2016	28	24,531,409	22,772,679	14,845,737	(802,343)	1,996	(1,848,637)	59,500,869
Profit for the year	-	-	-	5,820,814	-	-	-	5,820,814
Available-for-sale investments	-	-	-	-	21,359	-	-	21,359
Other comprehensive income (net of tax)	-	-	-	241,780	231	-	-	242,011
<b>Total comprehensive income for the year</b>	-	-	-	6,062,594	21,590	-	-	6,084,184
Proceeds from shares issued	-	-	1,112,100	-	-	-	-	1,112,100
Dividends to shareholders	-	-	-	(5,940,000)	-	-	-	(5,940,000)
Exchange movement	(7)	(776,533)	-	-	-	-	776,540	-
Net impact of equity-settled share-based payments	-	-	-	-	-	2,371	-	2,371
<b>At 31 December 2016</b>	<b>21</b>	<b>23,754,876</b>	<b>23,884,779</b>	<b>14,968,331</b>	<b>(780,753)</b>	<b>4,367</b>	<b>(1,072,097)</b>	<b>60,759,524</b>

## **1 Basis of preparation and significant accounting policies**

---

HSBC Asia Holdings B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number 607170, and is registered and domiciled in the United Kingdom as an overseas company (with a statutory seat in Amsterdam).

The financial statements of the Company have been prepared in accordance with the Dutch Civil Code as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

### **1.1 Basis of preparation**

#### **(a) Compliance with International Financial Reporting Standards**

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU') and in accordance with Book 2, Title 9 of the Dutch Civil Code.

At 31 December 2017, there were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs, as issued by the IASB and IFRSs as endorsed by the EU.

#### **Standards adopted during the year ended 31 December 2017**

There were no new standards applied in 2017. However, during 2017, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

#### **(b) Future accounting developments**

##### **Minor amendments to IFRSs**

The IASB has published a number of minor amendments which are effective from 1 January 2018 and 2019, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted on the financial statements. The Company has not early adopted any of the amendments effective after 31 December 2017.

##### **Major new IFRSs**

The IASB has published IFRS 9 'Financial Instruments' which has been endorsed for use in the EU.

##### *IFRS 9 'Financial Instruments'*

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.



## Notes on the Financial Statements

---

### *Classification and measurement*

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. In addition, on transition to IFRS 9 entities are required to revoke previous designations of financial assets and financial liabilities measured at fair value through profit or loss where the accounting mismatch no longer exists and are permitted to revoke such designations where accounting mismatches continue to exist.

### *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, an impairment 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, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of 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. IFRS 9 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.

### *Transitional impact*

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives. Adoption will have no material impact to net assets and impairment.

### **(c) Foreign currencies**

The functional currency of the Company is US dollars, which is also the presentational currency of the financial statements of the Company. Unless otherwise specified, all \$ symbols represent US dollars.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

## Notes on the Financial Statements

---

The share capital of the Company has been restated into US dollars using the relating EURO/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.

### **(d) Presentation of information**

The financial statements have been prepared on the historical cost basis, modified by revaluation of financial assets designated at fair value and available-for-sale financial assets.

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

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 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.

### **(e) Critical accounting estimates and judgements**

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical accounting estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these Financial Statements. Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

### **(f) Going concern**

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

## **1.2 Summary of significant accounting policies**

### **(a) Income and expense**

Operating income

#### *Interest income and expense*

Interest income and expense for all financial instruments except for those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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

**Notes on the Financial Statements**

---

*Non-Interest income and expense*

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities and usually the date when shareholders approve the dividend for unlisted equity securities.

**(b) Valuation of financial instruments**

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the Company recognises the difference as a trading gain or loss at inception ( a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction either until the transaction matures or is closed out, the valuation inputs become observable, or the Company enters into an offsetting transaction.

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

*Critical accounting estimates and judgements*

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the measurement of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit or greater than 5% of the instrument's valuation is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

**(c) Financial instruments measured at amortised cost**

**Loans and advances**

Loans and advances to other group 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.

**Trade and other receivables**

Trade and other receivables are recognised on the trade date when entering into contractual arrangement and initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectable, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

**Loans from other group undertakings**

Loans from other group 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.

**Financial liabilities**

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provision of the instrument. 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.

**Notes on the Financial Statements**

---

**(d) Financial instruments measured at fair value**

*Available-for-sale financial assets*

Available-for-sale financial assets are recognised on the trade date when the group enters into contractual arrangements to purchase them, and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until the assets are either sold or become impaired. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'.

*Impairment of available-for-sale financial assets*

Available-for-sale financial assets are assessed at each balance sheet date for objective evidence of impairment. Impairment losses are recognised in the income statement within 'Loan impairment charges and other credit risk provisions' for debt instruments and within 'Gains less losses from financial investments' for equities.

**(e) Investments in subsidiaries**

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

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 are stated at cost less impairment losses.

*Critical accounting estimates and judgements*

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

**(f) Interests in associates**

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates.

Investments in associates are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. Goodwill on acquisition of interests in associates is not tested separately for impairment but is assessed as part of the carrying amount of the investment.

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

**(g) Employee compensation and benefits**

**Share-based payments**

The Company recognises both equity-settled and cash-settled share-based payment arrangements for HSBC Holdings plc employees who are members of the International Manager program.

The vesting period for these schemes may commence before the grant date if the employees have started to render services in respect of the award before the grant date. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

**Post-employment benefit plans**

The Company operates a number of pension schemes, including defined benefit and defined contribution.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets, after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

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 Company of the individuals concerned.

**(h) 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 the tax 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 and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

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 is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

**Notes on the Financial Statements**

---

**(i) Cash and cash equivalents**

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

**(j) Called up share capital**

Financial instruments issued are generally 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 the proceeds, net of tax.

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.

**(k) Provisions and contingent liabilities**

**Provisions**

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

*Critical accounting estimates and judgements*

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken on the assessment of litigation, property (including onerous contracts) and similar obligations. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous judgements and estimates as appropriate. At more advanced stages, it is typically easier to make judgements and estimates around a better defined set of possible outcomes. However, the amount provisioned can remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved. Provisions for customer remediation also require significant levels of estimation and judgement. The amounts of provisions recognised depend on a number of different assumptions, such as, the volume of inbound complaints, the projected period of inbound complaint volumes, the decay rate of complaint volumes, the population identified as systemically mis-sold and the number of policies per customer complaint.

**Contingent liabilities**

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Notes on the Financial Statements

**2 Dividend income**

	2017 \$'000	2016 \$'000
Dividend income from associates	16,430	32,803
Dividend income from other group undertakings	7,424,607	5,781,461
Dividend income on preference shares	88,353	96,265
	<b>7,529,390</b>	<b>5,910,529</b>

**3 Other operating income/(expense)**

	2017 \$'000	2016 \$'000
Foreign exchange income/(loss)	44,047	(65,913)
Profit on disposal of investments in subsidiaries <sup>1</sup>	-	2,097
Expenses relating to investment in subsidiaries <sup>2</sup>	-	(10,000)
Realised gain on redemption of preference shares	-	5,952
Other operating income	171	-
	<b>44,218</b>	<b>(67,864)</b>

<sup>1</sup> Profit on disposal on the liquidation of Credival Latinsul S.A.

<sup>2</sup> Advisory and brokerage expenses on the partial disposal of shares in Dar Es Salaam Investment Bank.

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

	2017 \$'000	2016 \$'000
International Staff – pension income/(expense)	11,797	(24,509)
Reimbursements from other group and associated companies	-	4,120
Company staff - pension expense	(4,660)	-
Total staff related income/(expense)	<b>7,137</b>	<b>(20,389)</b>
Other administrative expenses	(783)	(1,903)
Total other administrative expenses	<b>(783)</b>	<b>(1,903)</b>
<b>General and administrative income/(expenses)</b>	<b>6,354</b>	<b>(22,292)</b>

The Company is the official employer and sponsor of the International Staff Retirement Benefits Scheme ('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 other group and associated companies and these intra-year variations are not unusual and are caused by timing differences. Ultimately, there will have been no effective cost to the Company in respect of the ISRBS.

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 Company of the individuals concerned.



## HSBC Asia Holdings B.V.

### Notes on the Financial Statements

#### 5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2016: nil).

#### 6 Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

#### 7 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 \$45k (2016: \$40k).

There were no non-audit fees incurred during the year (2016: nil).

#### 8 Tax

##### Tax expense

	2017 \$'000	2016 \$'000
Current tax		
- for this year	1,819	1,534
- adjustments in respect of prior years	294	(18)
- withholding tax suffered	4,189	8,493
Total current tax	6,302	10,009
Total tax expense for the year ended 31 December	6,302	10,009

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

The Company migrated its tax residence from the Netherlands to the United Kingdom on 1 October 2013.

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016, a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned.

The rate reduction to 17% was enacted during the previous period and has therefore been taken into account in the calculation of the UK related deferred tax balances (as these balances will materially reverse after 1 April 2020). These reductions in the corporation tax rate were enacted in the Finance (No2) Act 2016.

In addition to the above, amount charged to the income statement, the aggregated amount of current tax and deferred tax related to items that are credited directly to equity is \$1,246k (2016: \$231k)

**Notes on the Financial Statements**

**Tax reconciliation**

The tax charged to the income statement differs to the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2017 \$'000	%	2016 \$'000	%
Profit before tax	7,586,043		5,830,823	
Tax at 19.25% (2016: 20.00%)	1,460,053	19.25	1,166,165	20.00
Adjustments in respect of prior period liabilities	294	-	(18)	-
Permanent disallowables	(7,842)	(0.10)	18,130	0.3
Non-taxable income and gains	(1,450,392)	(19.12)	(1,182,761)	(20.3)
Withholding tax suffered	4,189	0.06	8,493	0.15
Total tax charged to the income statement	<u>6,302</u>	<u>0.08</u>	<u>10,009</u>	<u>0.17</u>

**Deferred tax liabilities**

	2017 \$'000	2016 \$'000
At 1 January	(939)	(1,170)
Other comprehensive Income :		
- Available-for-sale investments	(930)	231
At 31 December	<u>(1,869)</u>	<u>(939)</u>

**9 Cash and cash equivalents**

	2017 \$'000	2016 \$'000
Short term deposits	-	19,942
Bank balances	118,151	1,928
	<u>118,151</u>	<u>21,870</u>

Cash and cash equivalents comprise cash and short time deposits which are immediately available at no additional break costs should the need arise. The fair value is not significantly different to the carrying value in the balance sheet as they are short term in nature.

**HSBC Asia Holdings B.V.**

**Notes on the Financial Statements**

**10 Loans and advances**

	Nominal interest rate %	Maturity date	2017 \$'000	2016 \$'000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +2.18	08/09/2036	-	2,000,000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +2.48	02/03/2027	725,000	725,000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +2.46	25/09/2026	630,000	630,000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +2.31	26/09/2023	575,000	575,000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +1.97	24/09/2021	570,000	570,000
Hongkong and Shanghai Banking Corporation Limited	LIBOR +1.73	05/01/2022	3,750,000	3,750,000
Accrued interest receivable			37,911	25,454
<b>At 31 December</b>			<b>6,287,911</b>	<b>8,275,454</b>

The loans are denominated in US dollars and the effective interest based in 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.

**11 Trade and other receivables**

	2017 \$'000	2016 \$'000
Dividend receivable on intra-group preference shares	35,339	37,408
Amounts due from other group undertakings	31,363	13
	<b>66,702</b>	<b>37,421</b>

Amounts due from other group undertakings are non-interest bearing and the fair value is not significantly different to the carrying value in the balance sheet as they are short term in nature.

## Notes on the Financial Statements

## 12 Financial investments

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

	Nominal value	Dividend basis %	2017 \$'000	2016 \$'000
Non-cumulative shares <sup>1</sup>	1,000,000	LIBOR +1.25	789,675	739,660
Non-cumulative shares <sup>1</sup>	978,000	LIBOR +1.85	889,819	831,238
Non-cumulative shares <sup>1</sup>	500,000	LIBOR +1.25	394,838	369,830
Non-cumulative shares <sup>1</sup>	375,000	LIBOR +1.35	-	284,265
Non-cumulative shares <sup>1</sup>	250,000	LIBOR +1.15	-	180,320
Non-cumulative shares <sup>1</sup>	150,000	LIBOR +1.15	-	108,192
Cumulative shares <sup>1</sup>	200,000	LIBOR +1.00	147,922	138,743
At 31 December	<b>3,453,000</b>		<b>2,222,254</b>	<b>2,652,248</b>
<b>Available-for-sale loans:</b>				
Sub-loan <sup>2</sup>	180,000	LIBOR +2.54	190,997	185,522
Total	<b>3,633,000</b>		<b>2,413,251</b>	<b>2,837,770</b>

<sup>1</sup> 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.

<sup>2</sup> Sub-ordinated loan: HSBC Asia Holdings B.V. has provided a Tier2 Subordinated loan to HBAP. The instrument is classified as available-for-sale by the holder.

During the year, the Company's principal subsidiary, HBAP cancelled irredeemable preference shares at a total nominal value of \$775m at par.

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.

Trade and other receivables (Note 11) includes accrued preference share interest receivable on financial investments of \$35m (2016: \$37m).

The movement in financial investments during the year were as follows:

	2017 \$'000	2016 \$'000
At 1 January	2,837,770	4,060,459
Disposals	(775,000)	(1,250,000)
Revaluation	350,481	27,311
At 31 December	<b>2,413,251</b>	<b>2,837,770</b>

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair value of financial investments in other group 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.

## Notes on the Financial Statements

**13 Investments in subsidiaries**

	2017 \$'000	2016 \$'000
<b>Cost</b>		
At 1 January	57,626,234	55,458,847
Additions	225,000	2,362,100
Disposals	(51,355)	(194,713)
At 31 December	57,799,879	57,626,234
	2017 \$'000	2016 \$'000
<b>Provision for impairment</b>		
At 1 January	(51,355)	(52,535)
Disposals	51,355	1,180
At 31 December	-	(51,355)
<b>Net carrying amount at 31 December</b>	<b>57,799,879</b>	<b>57,574,879</b>

**Explanation of additions**

During the year, the Company invested \$225m in The Hongkong Shanghai Banking Corporation Limited (2016: \$2.4bn).

**Explanation of disposals**

The previously fully impaired investment in Dar Es Salaam Investment Bank was disposed.

**Impairment of investments**

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

**Nominal long-term growth rate:** The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the Group of business units making up the subsidiaries. These growth rates reflect GDP and inflation for the countries within which the subsidiary operates or derives revenue from; and

**Discount rate:** The rate used to discount the cash flows is based on the cost of capital assigned to each subsidiary, which is derived using a Capital Asset Pricing Model ('CAPM'). The CAPM depends on a number of inputs reflecting financial and economic variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each subsidiary are refined to reflect the rates of inflation for the countries within which the subsidiaries operate. In addition, for the purposes of testing subsidiaries for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM with cost of capital rates produced by external sources for businesses operating in similar markets; and

## Notes on the Financial Statements

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

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

In the event of a significant deterioration in economic and credit conditions compared with those reflected by management in the cash flow forecasts for the subsidiaries, a material adjustment to a subsidiary's recoverable amount may occur which may result in the recognition of an impairment charge in the income statement.

### HSBC Bank Bermuda Limited

HSBC Bank Bermuda Limited provides banking services in Bermuda. A comparison of carrying amount of \$1,202m (2016: \$1,202m) to value in use of \$1,839m (2016: \$1,480m), calculated using a discount rate of 10.5% (2016: 10%) and a growth rate of 4.42% (2016: 3.99%), did not result in an impairment charge.

### Sensitivity to key assumptions for investment in HSBC Bank Bermuda Limited

Based on management's value in use calculation of \$1,839m for its investment in HSBC Bank Bermuda Limited the Company has not recognised an impairment charge. Changes to the key assumptions used in the value in use calculation would have the following impact on the value in use:

Key assumptions	Change in assumption	Impact on value in use - (loss)/gain
Discount rate	+/-100 basis points	\$(247)m/\$342m
Nominal growth rate	+/-100 basis points	\$286m/\$205m

The principal subsidiary undertakings of the Company at 31 December 2017 were:

	Country of incorporation	Interest in equity capital %	Share class
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong SAR	100.00	Ordinary shares
HSBC Bank Bermuda Limited	Bermuda	100.00	Ordinary shares
HSBC Software Development (India) Private Limited	India	100.00	Ordinary shares
HSBC Software Development (Malaysia) Sdn Bhd	Malaysia	100.00	Ordinary shares
HSBC IM Pension Trust Limited	United Kingdom	100.00	Ordinary shares
HSBC Property (UK) Limited	United Kingdom	100.00	Ordinary shares

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

**Notes on the Financial Statements**

**14 Interests in associates**

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries (Note 13) nor joint ventures, as associates.

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

	2017 \$'000	2016 \$'000
<b>Cost</b>		
At 1 January	65,185	65,185
Disposals	(34,667)	-
<b>At 31 December</b>	<b>30,518</b>	<b>65,185</b>

During the year the Company disposed its 31% direct and 1.5% owned indirect holding in SABB Takaful Company for consideration of \$31.4m, resulting in a loss of \$3.3m.

The Company has the following investments in associates:

	Country of incorporation	Interest in equity capital %	Share class
HSBC Saudi Arabia Ltd	Saudi Arabia	49.00	Ordinary shares

**15 Trade and other payables**

	2017 \$'000	2016 \$'000
Amounts due to other group undertakings	391	11,955

Amounts due to other group undertakings are non-interest bearing amounts and repayable on demand.

The fair value of the amounts due to other group undertakings is not significantly different to the carrying value in the balance sheet as they are short term in nature.

Notes on the Financial Statements

**16 Loans from other group undertakings**

	Nominal interest rate %	Maturity date	2017 \$'000	2016 \$'000
HSBC Asia Holdings (UK) Limited	LIBOR +2.65	25/11/2025	180,000	180,000
HSBC Asia Holdings (UK) Limited	LIBOR +2.18	08/09/2036	-	2,000,000
HSBC Asia Holdings (UK) Limited	LIBOR +2.48	02/03/2027	725,000	725,000
HSBC Asia Holdings (UK) Limited	LIBOR +2.46	25/09/2026	630,000	630,000
HSBC Asia Holdings (UK) Limited	LIBOR +2.31	26/09/2023	575,000	575,000
HSBC Asia Holdings (UK) Limited	LIBOR +1.97	24/09/2021	570,000	570,000
HSBC Asia Holdings (UK) Limited	LIBOR +1.73	05/01/2022	3,750,000	3,750,000
Accrued interest payable			31,632	25,787
<b>At 31 December</b>			<b>6,461,632</b>	<b>8,455,787</b>

The loans are 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.

**17 Called up share capital**

As at 31 December 2017, the share capital of the Company is made up as follows:

Class of shares	Nominal value per share (€)	Number of issued and fully paid shares	2017 Issued share capital (\$'000)	2016 Issued share capital (\$'000)
Ordinary shares	50	406	24	21
Preference A	1,000	17,180,000	20,594,524	18,105,142
Preference B	1,000	886,041	1,062,142	933,754
Preference C	1,000	175,000	209,781	184,424
Preference D	1,000	1,000,000	1,198,750	1,053,850
Preference E	1,000	1,000,000	1,198,750	1,053,850
Preference F	1,000	250,000	299,688	263,463
Preference G	1,000	1,400,000	1,678,250	1,475,390
Preference H	1,000	650,000	779,188	685,003
<b>Balance as at 31 December</b>		<b>22,541,447</b>	<b>27,021,097</b>	<b>23,754,897</b>

The EURO share capital of the Company has been restated into US dollars using the relating EUR/USD year-end closing rate of 1.19875 (2016: 1.05385). The movements in exchange of the share capital remain within equity and are captured in the capital exchange reserve, which is a distributable reserve.

During 2017, no new Ordinary share were issued (2016: 1 Ordinary share was issued for a share premium of \$1,112m).

During 2017, no new Preference share were issued (2016: nil)



**Notes on the Financial Statements**

---

Preference share classes A through to 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 £14,575m (2016: £14,575m), with a USD equivalent of \$19,691m (2016: \$17,963m).
- 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.

Notes on the Financial Statements

**18 Analysis of financial assets and liabilities by measurement basis**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

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

	Loans and receivables \$'000	Available- for-sale securities \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000
<b>At 31 December 2017</b>				
<b>Assets</b>				
Cash and cash equivalents	-	-	118,151	118,151
Loans and advances	6,287,911	-	-	6,287,911
Trade and other receivables	-	-	66,702	66,702
Financial investments	-	2,413,251	-	2,413,251
<b>Total financial assets</b>	<b>6,287,911</b>	<b>2,413,251</b>	<b>184,853</b>	<b>8,886,015</b>
<b>Total non-financial assets</b>				<b>58,341,910</b>
<b>Total assets</b>				<b>67,227,925</b>
<b>Liabilities</b>				
Trade and other payables	-	-	391	391
Loans from other group undertakings	-	-	6,461,632	6,461,632
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>6,462,023</b>	<b>6,462,023</b>
<b>Total non-financial liabilities</b>				<b>1,869</b>
<b>Total liabilities</b>				<b>6,463,892</b>
<b>At 31 December 2016</b>				
<b>Assets</b>				
Cash and cash equivalents	-	-	21,870	21,870
Loans and advances	8,275,454	-	-	8,275,454
Trade and other receivables	-	-	37,421	37,421
Financial investments	-	2,837,770	-	2,837,770
<b>Total financial assets</b>	<b>8,275,454</b>	<b>2,837,770</b>	<b>59,291</b>	<b>11,172,515</b>
<b>Total non-financial assets</b>				<b>58,055,690</b>
<b>Total assets</b>				<b>69,228,205</b>
<b>Liabilities</b>				
Trade and other payables	-	-	11,955	11,955
Loans from other group undertakings	-	-	8,455,787	8,455,787
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>8,467,742</b>	<b>8,467,742</b>
<b>Total non-financial liabilities</b>				<b>939</b>
<b>Total liabilities</b>				<b>8,468,681</b>

Notes on the Financial Statements

19 Fair value of financial instruments not carried at fair value

Determination of fair value

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- (b) Level 2 – valuation technique using observable inputs: 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.
- (c) Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

	Fair values Valuation techniques		
	Carrying amount	Using observable inputs Level 2	Total
	\$'000	\$'000	\$'000
<b>At 31 December 2017</b>			
<b>Assets</b>			
Loans and advances to other group undertakings	6,287,911	6,449,913	6,449,913
<b>Liabilities</b>			
Loans from other group undertakings	6,461,632	6,644,335	6,644,335

	Fair Values Valuation techniques		
	Carrying amount	Using observable inputs Level 2	Total
	\$'000	\$'000	\$'000
<b>At 31 December 2016</b>			
<b>Assets</b>			
Loans and advances to other group undertakings	8,275,454	8,208,561	8,208,561
<b>Liabilities</b>			
Loans from other group undertakings	8,455,787	8,396,031	8,396,031

Notes on the Financial Statements

20 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 Company of the individuals concerned.

Movements in retirement benefits

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Present value of defined benefits obligations	1,109,896	1,098,434	1,264,546	1,399,741	1,367,424
Present value of plan assets	1,621,053	1,512,237	1,523,012	1,641,307	1,445,489
<b>Net retirement benefits asset</b>	<b>511,157</b>	<b>413,803</b>	<b>258,466</b>	<b>241,566</b>	<b>78,065</b>

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

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
<b>Liability for defined benefit obligations at 1 January</b>	<b>1,098,435</b>	<b>1,264,546</b>	<b>1,399,741</b>	<b>1,367,424</b>	<b>1,229,854</b>
Movements in exchange	101,693	(214,146)	(66,641)	(84,565)	37,502
Employee contributions	-	398	821	988	1,129
Actual benefits payments made	(118,600)	(71,985)	(58,104)	(72,840)	(58,854)
Expense recognised in the income statement (see below)	34,561	75,568	59,950	71,682	64,658
Other comprehensive income	(6,193)	44,054	(71,221)	117,052	93,135
<b>Liability for defined benefit obligations at 31 December</b>	<b>1,109,896</b>	<b>1,098,435</b>	<b>1,264,546</b>	<b>1,399,741</b>	<b>1,367,424</b>

Movements in the plan assets

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
<b>Fair value of plan assets at 1 January</b>	<b>1,512,236</b>	<b>1,523,012</b>	<b>1,641,307</b>	<b>1,445,489</b>	<b>1,444,552</b>
Movements in exchange	143,850	(280,203)	(79,562)	(98,632)	33,732
Employee contributions	-	398	821	988	1,129
ISRBS employer contributions	-	4,120	7,688	9,384	10,383
Actual benefits payments made	(118,600)	(71,985)	(58,104)	(72,840)	(58,854)
Return on plan assets (see below)	41,698	51,059	55,377	60,940	60,757
Other comprehensive income	41,869	285,835	(44,516)	295,978	(46,210)
<b>Fair value of plan assets at 31 December</b>	<b>1,621,053</b>	<b>1,512,236</b>	<b>1,523,011</b>	<b>1,641,307</b>	<b>1,445,489</b>

## HSBC Asia Holdings B.V.

### Notes on the Financial Statements

#### Remeasurement effects recognised in other comprehensive income

	2017 \$'000	2016 \$'000
Actuarial gain due to experience on DBO	(36,101)	(29,683)
Actuarial gain due to demographic assumption changes in DBO	(2,357)	(73,579)
Actuarial loss due to financial assumption changes in DBO	32,265	147,316
Actuarial (gain)/loss on DBO arising during period	(6,193)	44,054
Return on plan assets greater than discount rate	(41,869)	(285,835)
Remeasurement effects recognised in OCI	(48,062)	(241,781)

#### Cost recognised in comprehensive income

	2017 \$'000	2016 \$'000
Cost recognised in income statement	(7,137)	24,509
Remeasurement effects recognised in OCI	(48,062)	(241,781)
Total cost recognised in comprehensive income	(55,199)	(217,272)

#### Expense recognised in the income statement

	2017 \$'000	2016 \$'000
Past service cost	-	26,123
Current service costs	-	4,039
Interest on obligation	29,901	41,838
Administration costs and taxes	4,660	3,568
Return on plan assets	(41,698)	(51,059)
	(7,137)	24,509

#### Categories of plan assets

	2017 \$'000	2016 \$'000
Equities	-	84,665
Bonds	1,425,534	1,485,348
Property	36,277	40,151
Other	159,242	(97,928)
Total plan assets	1,621,053	1,512,236

#### Pension assumptions

Assumptions as at 31 December	2017	2016
Inflation	3.40%	3.50%
Pension increases	2.50%	2.50%
Discount rate	2.50%	2.70%
*Mortality table – males	80% S2NMA	91.5% S2NMA
*Mortality table – females	80% S2PFA_L	93.6% S2PFA_L

\* with core CMI 2016 improvements and a 1.25% long term rate

**Notes on the Financial Statements**

**Estimated contributions and benefit payments in next financial year**

In 2018, the estimated company contributions is nil. The estimated benefits payments are expected to be \$49,063k.

The effect of changes in key assumptions on the ISRBS pension scheme is detailed below:

	2017 \$'000	2016 \$'000
Change in defined benefit obligation at year-end from a 25bps increase in discount rate	41,686	43,071
Increase in defined benefit obligation from each additional year of longevity assumed	35,733	38,871

**21 Reconciliation of profit before tax to net cash flow from operating activities**

	2017 \$'000	2016 \$'000
a) Non-cash items included in profit before tax		
Loss on disposal of associate	3,304	-
(Credit)/charge for defined benefits plans	(49,292)	86,444
	<u>(45,988)</u>	<u>86,444</u>
b) Change in operating assets		
Change in trade and other receivables	<u>(29,281)</u>	<u>34,132</u>
c) Change in operating liabilities		
Change in trade and other payables	<u>(11,563)</u>	<u>(183,878)</u>
d) Cash and cash equivalents comprise		
Cash at bank with other group undertakings	<u>118,151</u>	<u>21,870</u>
e) Interest and dividends		
Interest received	261,891	45,291 <sup>1</sup>
Interest paid	(259,118)	(35,125)
Dividends received	<u>7,441,037</u>	<u>5,814,264</u>

1 Amount has been restated

Notes on the Financial Statements

**22 Maturity analysis of assets and liabilities**

The following is an analysis of assets and liabilities by remaining contractual maturities at the balance sheet date:

31 December 2017	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	118,151	-	-	-	-	-	118,151
Loans and advances	-	37,911	-	4,320,000	1,930,000	-	6,287,911
Trade and other receivables	-	66,702	-	-	-	-	66,702
Financial investments	-	-	-	-	2,413,251	-	2,413,251
Non-financial assets	-	-	357	-	-	58,341,553	58,341,910
<b>Total as at December 2017</b>	<b>118,151</b>	<b>104,613</b>	<b>357</b>	<b>4,320,000</b>	<b>4,343,251</b>	<b>58,341,553</b>	<b>67,227,925</b>

31 December 2017	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Liabilities and Equity</b>							
Trade and other payables	391	-	-	-	-	-	391
Loans from other group undertakings	-	31,632	-	4,320,000	2,110,000	-	6,461,632
Non-financial liabilities	-	-	-	-	1,869	-	1,869
Equity	-	-	-	-	-	60,764,033	60,764,033
<b>Total as at December 2017</b>	<b>391</b>	<b>31,632</b>	<b>-</b>	<b>4,320,000</b>	<b>2,111,869</b>	<b>60,764,033</b>	<b>67,227,925</b>

## Notes on the Financial Statements

31 December 2016	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	21,870	-	-	-	-	-	21,870
Loans and advances	-	25,454	-	570,000	7,680,000	-	8,275,454
Trade and other receivables	-	37,421	-	-	-	-	37,421
Financial investments	27,311	-	-	-	2,810,459	-	2,837,770
Non-financial assets	-	-	-	-	-	58,055,690	58,055,690
<b>Total as at December 2016</b>	<b>49,181</b>	<b>62,875</b>	<b>-</b>	<b>570,000</b>	<b>10,490,459</b>	<b>58,055,690</b>	<b>69,228,205</b>

31 December 2016	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Undated \$'000	Total \$'000
<b>Liabilities and Equity</b>							
Trade and other payables	11,955	-	-	-	-	-	11,955
Loans from other group undertakings	-	-	25,787	570,000	7,860,000	-	8,455,787
Non-financial liabilities	-	-	-	-	-	939	939
Equity	-	-	-	-	-	60,759,524	60,759,524
<b>Total as at December 2016</b>	<b>11,955</b>	<b>-</b>	<b>25,787</b>	<b>570,000</b>	<b>7,860,000</b>	<b>60,760,463</b>	<b>69,228,205</b>

**23 Management of financial risk**

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 which is monitored by HSBC Holdings plc's Asset and Liability Committee.

**(a) Credit risk management**

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

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and portfolio basis. The Directors are responsible for the quality of credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality.

Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings and it is therefore not considered appropriate to disclose quantitative data about exposure to that risk.

The Company's exposure to credit risk in relation to cash held with other group entities relates to group undertakings that are wholly owned subsidiaries of HSBC Holdings plc, and are part of the Business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable. Credit risk arising from default on other loans is not expected to have a material impact on the Company's net assets.



## Notes on the Financial Statements

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet plus contractual commitments disclosed in Note 25.

**The maximum exposure to credit risk:**

	2017 \$'000	2016 \$'000
Cash and cash equivalents	118,151	21,870
Trade and other receivables	66,702	37,421
Loans and advances	6,287,911	8,275,454
Financial investments	2,413,251	2,837,770
Other assets	511,156	413,803
	<b>9,397,171</b>	<b>11,586,318</b>

These balances are neither past due, nor impaired, and are considered to have a satisfactory credit grading.

The Company has significant concentration of risk with its wholly owned subsidiary, The Hongkong and Shanghai Banking Corporation Limited, through Loans and advances (Note 10) and Financial investments (Note 12).

**(b) Liquidity risk management**

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.

The following is an analysis of undiscounted cash flows payable under various financial liabilities by remaining contractual maturities at the balance sheet date:

	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Total \$'000
<b>At 31 December 2017</b>						
Trade and other payables	391	-	-	-	-	391
Loans from other group undertakings	-	55,393	166,180	5,065,819	2,366,253	7,653,645
<b>Total as at 31 December 2017</b>	<b>391</b>	<b>55,393</b>	<b>166,180</b>	<b>5,065,819</b>	<b>2,366,253</b>	<b>7,654,036</b>
	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Due between 1-5 years \$'000	Due after 5 years \$'000	Total \$'000
<b>At 31 December 2016</b>						
Trade and other payables	11,955	-	-	-	-	11,955
Loans from other group undertakings	-	88,128	161,237	1,562,874	9,067,866	10,880,105
<b>Total as at 31 December 2016</b>	<b>11,955</b>	<b>88,128</b>	<b>161,237</b>	<b>1,562,874</b>	<b>9,067,866</b>	<b>10,892,060</b>

**(c) Market risk management**

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 other group 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 exchange risk**

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than the US dollar. The currency giving rise to this risk is Sterling and Saudi Arabian Riyal which amounted to a \$542m asset (2016: \$414m<sup>1</sup> asset).

The Company's profit before tax would decrease by \$27.1m, profit after tax by \$21.9m (2016: \$20.6m decrease, profit after tax \$16.4m decrease) if the Sterling or Saudi Arabian Riyal 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 and SAR 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.

<sup>1</sup> Amount has been restated

**Interest rate risk**

The Company held net assets with a nominal value of \$2,796m (2016: \$3,469m) 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 \$27.9m (2016: \$34.7m) and after tax of \$22.6m (2016: \$27.7m).

## Notes on the Financial Statements

## 24 Related party transactions

Balances and transactions with other related parties can be summarised as follows:

	2017		2016	
	Highest balance during the year \$'000	Balance at 31 December \$'000	Highest balance during the year \$'000	Balance at 31 December \$'000
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	4,127,720	118,151	3,488,086	21,870
Trade and other receivables <sup>1,2</sup>	3,338,724	66,702	37,421	37,421
Loans and advances <sup>2</sup>	8,330,069	6,287,911	8,275,454	8,275,454
Financial investments <sup>2</sup>	2,837,770	2,413,251	3,912,744	2,837,770
Other assets <sup>3</sup>	511,156	511,156	413,803	413,803
<b>Liabilities</b>				
Trade and other payables <sup>2</sup>	12,210	391	196,134	11,955
Loans from other group undertakings <sup>4</sup>	8,482,618	6,461,632	8,472,095	8,455,787
		<i>Notes</i>	<b>2017</b> \$'000	2016 \$'000
<b>Income statement</b>				
Interest income <sup>2</sup>		10	274,348	70,745
Interest expense <sup>4</sup>		16	264,963	61,475
Dividend income <sup>2</sup>			7,529,390	5,910,529
Dividend expense <sup>4</sup>			7,975,000	5,940,000
Gains less losses from financial investments <sup>2</sup>			-	1,180

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.

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

<sup>2</sup> These balances are with subsidiaries of the Company.

<sup>3</sup> 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 2017, the gross notional value of the swaps was \$1.7bn (2016: \$1.7bn) and the swaps had a net negative fair value of \$96m to the scheme (2016: negative \$96m).

<sup>4</sup> These balances are with the parent of the Company.

## 25 Contingent liabilities

There were no contingent liabilities at 31 December 2017 (2016: nil).

HSBC Asia Holdings B.V.

## Notes on the Financial Statements

---

### 26 Parent undertakings

---

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements.

HSBC Holdings plc is incorporated in England and Wales.

The immediate parent undertaking is HSBC Asia Holdings (UK) Limited.

Copies of HSBC Holdings plc consolidated financial statements can be obtained from:

HSBC Holdings plc  
8 Canada Square  
London E14 5HQ  
United Kingdom  
[www.hsbc.com](http://www.hsbc.com)

### 27 Events after the balance sheet date

---

The Company received dividends from The Hongkong and Shanghai Banking Corporation Limited amounting to \$2,116m and \$1,274m in March 2018 and May 2018, respectively. The Company also paid dividends amounting to \$2,200m (no tax consequence applicable to parent) to HSBC Asia Holdings (UK) Limited in March 2018.

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

HSBC Asia Holdings B.V.

**Notes on the Financial Statements**

---

**28 Proposed appropriation of result**

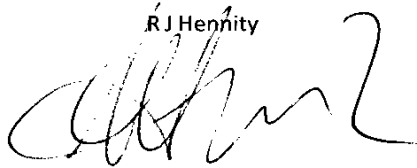
---

Management proposes to carry forward within retained earnings the result for the year 2017.

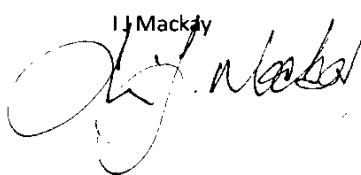
London, 21 May 2018

Board of Directors:

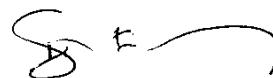
R J Hennity



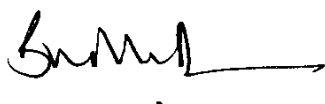
I J Mackay



I F MacKinnon



B J S Mathews



G A Francis



HSBC Asia Holdings B.V.

**Other information**

---

**Statutory rules as to appropriate 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.



## *Independent auditor's report*

To: the general meeting of HSBC Asia Holdings B.V.

---

### *Report on the financial statements 2017*

---

#### *Our opinion*

In our opinion HSBC Asia Holdings B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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 2017 of HSBC Asia Holdings B.V., Amsterdam ('the Company').

The financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the following statements for 2017: 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

Z6STXYJHXS7-1265600857-60

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands

T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, [www.pwc.nl](http://www.pwc.nl)

PwC is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions (algemene voorwaarden) which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase (algemene inkoopvoorwaarden). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



### *Independence*

We are independent of HSBC Asia Holdings B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands.

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

---

### *Report on the other information included in the annual report*

---

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

---

### *Responsibilities for the financial statements and the audit*

---

#### *Responsibilities of the board of directors*

The board of directors 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
- such internal control as the board of directors 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, the board of directors is responsible for assessing the company's ability to continue as a going concern.





Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors 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 in a manner that allows us 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Amsterdam, 21 May 2018  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.S. de Bruin RA



---

## *Appendix to our auditor's report on the financial statements 2017 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 the board of directors.
- Concluding on the appropriateness of the board of directors' 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 the board of directors 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.