

OS AA01

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



Companies House

Card E80

✓ **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 regi
an alteration of manner of comp
with accounting requirements.

THURSDAY



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#160

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

Dutch Company Law and Dutch Auditing Standards

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.**

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

Name of organisation
or body ③

The Dutch Accounting Standards Board



A3 Accounts

Accounts

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

☐ **No.** Go to **Section A5.**

☒ **Yes.** Go to **Section A4.**

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A4

Audited accounts

Audited accounts

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

Please tick the appropriate box.

☐

No. Go to **Part 3 'Signature'**.

☒

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

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

Name of organisation or body ❶

Royal Nederlandse Beroepsorganisatie van Accountants

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.

☐

No.

☐

Yes.

Part 3

Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:

Director, ~~Secretary, Permanent representative.~~

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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 **Jonathan Beater**

Company name **HSBC Bank plc**

Address **8 Canada Square**

Post town

County/Region

Postcode

E 1 4 5 H Q

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

You may return this form to any Companies House address:

England and Wales:

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

Scotland:

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

Northern Ireland:

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



Further information

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

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

HSBC Asia Holdings B.V.

Registered No: 33296181

**Annual Report and Financial Statements for the year
ended 31 December 2018**



Annual Report and Financial Statements for the year ended 31 December 2018

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Management Report

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 33296181 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 Finance (Netherlands), incorporated in England and Wales. Its ultimate parent company is HSBC Holdings plc, incorporated in England and Wales.

In November 2018, the Company changed sole ownership from HSBC Asia Holdings (UK) Limited to HSBC Finance (Netherlands).

Review of the Company's business

During the year ended 31 December 2018, the Company continued to be an investment holding company.

The business is funded principally by its immediate parent, HSBC Finance (Netherlands).

Performance

The performance and position of the Company for the year ended 31 December 2018 and the state of the Company's financial affairs at that date are set out on pages 4 to 29.

The net asset value of the Company as at 31 December 2018 reduced to \$601m (2017: \$60,764m) as a result of restructuring the Group's Asia operation to meet resolution and recovery requirements. In November 2018, the Company disposed of its investment at cost in The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Bermuda Limited whereby ownership was transferred from the Company to HSBC Asia Holdings Limited and HSBC Overseas Holdings (UK) Limited, respectively. In addition, The Hongkong and Shanghai Banking Corporation Limited redeemed irredeemable preference shares at a total nominal value of \$2,678m at par. Following, which the Company made a distributions in-specie to the equity shareholder HSBC Finance (Netherlands) for the same amount.

The results of the Company show a profit before tax of \$5,486m (2017: profit before tax of \$7,586m).

The Company received the following dividends from other group undertakings:

	2018 \$'000	2017 \$'000
Dividends from ordinary shares		
The Hongkong and Shanghai Banking Corporation Limited	4,664,678	7,123,218
HSBC Bank Bermuda Limited	104,000	202,750
HSBC Software Development (India) Private Limited	176,527	98,639
	4,945,205	7,424,607
Dividends from associate		
HSBC Saudi Arabia Limited	14,611	16,430
Dividends from preference shares		
The Hongkong and Shanghai Banking Corporation Limited ¹	86,700	88,353

¹ In 2018, disclosed within Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss.

Key performance indicators

As the Company is managed as part of the 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 financial 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 25 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 of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Name	Resigned
G A Francis	
R J Hennity	
I F MacKinnon	
I J Mackay	31 December 2018
B J S Mathews	17 December 2018

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. The Board of Directors keep the skills and technical expertise required on the Board under continuous review, taking account of key and emerging risks issues affecting the business. The Board of Directors will keep the Board composition requirement proposed by 'Wet Bestuur en Toezicht' under review assessing future Board appointments.

Corporate Responsibility

The Corporate Social Responsibility Activities are described in detail in the HSBC Holdings plc's Annual Report and Account 2018, which is available on www.hsbc.com.

Specific codes of conduct

HSBC's statement on Conduct is available on www.hsbc.com.

Dividends

The Company paid dividends to HSBC Asia Holdings (UK) Limited of \$4,980m (2017: \$7,975m) and HSBC Finance (Netherlands) of \$57,934m (2017: N/A).

Significant events since the end of the financial year

There are no significant events after the balance sheet date.

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, including future projections of profitability, cash flows and capital resources.

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 the Company's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

Independent auditors

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

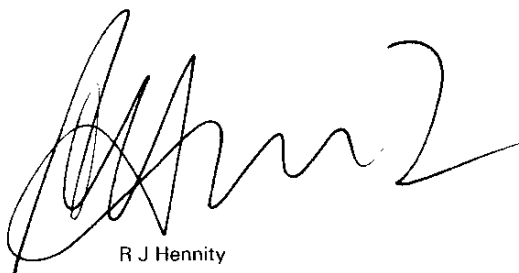
This report and the financial statements were approved by the Board of Directors on 22 May 2019.

London, 22 May 2019

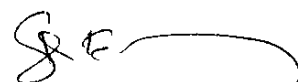
Board of Directors



G A Francis



R J Hennity



I F MacKinnon

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Financial statements

Income statement for the year ended 31 December 2018

		2018	2017
	Notes	\$'000	\$'000
Interest income	26	125,023	274,348
Interest expense	26	(123,949)	(264,963)
Net interest income		1,074	9,385
Loss on disposal of associate		—	(3,304)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	2	545,923	N/A
Dividend income	11	4,959,816	7,529,390
Other operating (expense)/income	3	(26,024)	44,218
Net operating income		5,480,789	7,579,689
General and administrative income	4	5,456	6,354
Total operating expenses		5,456	6,354
Profit before tax		5,486,245	7,586,043
Tax expense	9	(1,855)	(6,302)
Profit for the year		5,484,390	7,579,741

Statement of comprehensive income for the year ended 31 December 2018

		2018	2017
	Notes	\$'000	\$'000
Profit for the year		5,484,390	7,579,741
Other comprehensive (expense)/income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met:			
Available-for-sale investments			
- fair value gains		N/A	350,481
- deferred tax	10	N/A	(930)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit plans	6	(8,838)	48,062
Current tax	9	2,400	2,176
Other comprehensive (expense)/income for the year, net of tax		(6,438)	399,789
Total comprehensive income for the year		5,477,952	7,979,530

Balance sheet at 31 December 2018

Registered No: 33296181

	Notes	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents	26	41,128	118,151
Loans and advances to other group undertakings	15	2,504,046	6,287,911
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	16	186,819	N/A
Financial investments	16	—	2,413,251
Trade and other receivables	17	31,500	66,702
Other assets	6	484,101	511,156
Current tax assets		617	357
Investments in subsidiaries	18	10,800	57,799,879
Interests in associates	19	30,518	30,518
Total assets		3,289,529	67,227,925
Liabilities and equity			
Liabilities			
Trade and other payables	20	2,133	391
Loans from other group undertakings	21	2,684,999	6,461,632
Deferred tax liabilities	10	1,000	1,869
Total liabilities		2,688,132	6,463,892
Equity			
Called up share capital	23	23	24
Preference share capital	23	25,815,127	27,021,073
Share premium account		—	23,884,779
Other reserves		(25,703,378)	(4,765,153)
Retained earnings		489,625	14,623,310
Total equity		601,397	60,764,033
Total liabilities and equity		3,289,529	67,227,925

The accompanying notes on pages 10 to 29 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit before tax		5,486,245	7,586,043
Adjustments for:			
Non-cash items included in profit before tax	12	(433,325)	(45,988)
Change in operating assets	12	35,202	(29,281)
Change in operating liabilities	12	1,742	(11,563)
Tax paid		(584)	(2,681)
Net cash generated from operating activities		5,089,280	7,496,530
Cash flows from investing activities			
Net loans and advances from other group undertakings	15	33,865	1,987,543
Net cash outflow from investments in subsidiaries	18	—	(225,000)
Proceeds from sale of associate	19	—	31,363
Proceeds from the redemption of financial investments	16	2,678,000	775,000
Net cash generated from investing activities		2,711,865	2,568,906
Cash flows from financing activities			
Loans repayments to other group undertakings	21	(26,632)	(1,994,155)
Dividends paid		(7,851,536)	(7,975,000)
Net cash used in financing activities		(7,878,168)	(9,969,155)
Net (decrease)/increase in cash and cash equivalents		(77,023)	96,281
Cash and cash equivalents brought forward		118,151	21,870
Cash and cash equivalents carried forward	12	41,128	118,151

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital \$'000	Preference share capital \$'000	Share Premium \$'000	Retained earnings \$'000	Financial assets at FVOCI reserve \$'000	Other reserves			Total equity \$'000
						Capital contribution reserve \$'000	Capital exchange reserve \$'000	Capital redemption reserve \$'000	
As at 31 Dec 2017	24	27,021,073	23,884,779	14,623,310	(431,202)	4,346	(4,338,297)	—	60,764,033
Impact on transition to IFRS 9	—	—	—	(431,202)	431,202	—	—	—	—
At 01 Jan 2018	24	27,021,073	23,884,779	14,192,108	—	4,346	(4,338,297)	—	60,764,033
Profit for the year	—	—	—	5,484,390	—	—	—	—	5,484,390
Other comprehensive expense (net of tax)	—	—	—	—	—	—	—	—	—
- Other comprehensive expense (net of tax)	—	—	—	(6,438)	—	—	—	—	(6,438)
Total comprehensive income for the year	—	—	—	5,477,952	—	—	—	—	5,477,952
Dividends to shareholders	—	—	(23,884,779)	(19,180,435)	—	—	—	(22,575,374)	(65,640,588)
Exchange movement	(1)	(1,205,946)	—	—	—	—	1,205,947	—	—
At 31 Dec 2018	23	25,815,127	—	489,625	—	4,346	(3,132,350)	(22,575,374)	601,397

Share Premium & Capital redemption reserve

Following a restructure of the Group's Asia operation to meet resolution and recovery requirements, ownership in The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Bermuda Limited, was transferred from the Company to HSBC Asia Holdings Limited and HSBC Overseas Holdings (UK) Limited, respectively, the Company made a distributions in-specie to the equity shareholder HSBC Finance (Netherlands), which was net cash settled (Note 18).

Capital exchange reserve

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

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 \$154.9m (2017: \$19.6m).

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

**Statement of changes in equity for the year ended 31 December 2018
(continued)**

	Other reserves								
	Called up share capital	Preference share capital	Share Premium	Retained earnings	Available for sale fair value reserve	Capital contribution reserve	Capital exchange reserve	Capital redemption reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 01 Jan 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
Other comprehensive income (net of tax)									
- available-for-sale Investments	—	—	—	—	350,481	—	—	—	350,481
- Other comprehensive income (net of tax)	—	—	—	50,238	(930)	—	—	—	49,308
Total comprehensive income for the year	—	—	—	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)
At 31 Dec 2017	24	27,021,073	23,884,779	14,623,310	(431,202)	4,346	(4,338,297)	—	60,764,033

Notes on the financial statements

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 33296181 and is registered and domiciled in England 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 International Financial Reporting Standards ('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 2018, there were no unendorsed standards effective for the year ended 31 December 2018 affecting these financial statements, and the Company 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 2018

The Company has adopted the requirements of IFRS 9 'Financial Instruments' from 1 January 2018. The effect of its adoption is not considered to be significant. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the Company has exercised. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by IFRS 9, the Company has not restated comparatives. Adoption at 1 January 2018 had nil impact to net assets.

In addition, the Company has adopted the requirements of IFRS 15 'Revenue from contracts with customers' and a number of interpretations and amendments to standards which have had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 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 of the Company.

Major new IFRSs

The IASB has published IFRS 16 'Leases' and IFRS 17 'Insurance contracts'. IFRS 16 has been endorsed for use in the EU and IFRS 17 has not yet been endorsed. In addition, an amendment to IAS 12 'Income Taxes' has not yet been endorsed.

These are not expected to have any significant effect on the results or net assets of the Company when adopted.

(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.

The share capital of the Company has been restated into US Dollar using the relevant 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 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 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result 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

Interest income and expense

Interest income and expense for all financial instruments, excluding 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.

Non-interest income and expense

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

(b) Investments in subsidiaries

The Company classifies investments in entities 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.

(c) 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 an associate 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 provisions for any impairment.

(d) 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 and 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).

(e) Financial instruments measured at amortised cost

Loans and advances to other group undertakings

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 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 the trade date. These liabilities are initially measured at fair value less directly attributable transaction costs. The Company derecognises the financial liability when the Company 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.

(f) Impairment of amortised cost assets

Expected credit losses are recognised for loans and advances to other group undertakings and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which 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'.

All of the Company's exposures are with other HSBC group undertakings. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the group company's customer risk rating ('CRR'). The CRR of group companies have been virtually the same over the past few years, therefore the exposures are in stage 1. No ECL is recognised as no loss was incurred for HSBC group undertakings.

Further details can be found in HSBC Holdings plc Annual Report and Accounts 2018 Note 1.2 (i).

(g) Loans and advances designated and otherwise mandatorily measured at fair value

Loans and advances are classified in this category if they meet one or more of the criteria set out below, and are so designated irrevocably at inception:

- where the contractual cash flows of the asset fail Solely Payments of Principal and Interest;
- the use of the designation removes or significantly reduces an accounting mismatch;

Designated loans and advances assets are recognised when the Company enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Subsequent changes in fair values are recognised in the income statement in 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss'.

(h) Employee compensation and benefits

Share-based payments

The Company enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

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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.

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.

Remeasurement 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 Company's income statement as these are recognised in the income statement of the ultimate employing company of the individuals concerned.

(i) 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 on 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.* Payments associated with any incremental base erosion and anti-abuse tax are reflected in tax expense in the period incurred.

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

Critical accounting estimates and judgements

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

(j) 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.

(k) 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.

(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.

2 Net income from financial instruments measured at fair value through profit or loss

	2018 \$'000	2017 \$'000
Net income arising on:		
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	545,923	N/A
Year ended 31 Dec	545,923	N/A

3 Other operating (expense)/income

	2018 \$'000	2017 \$'000
Foreign exchange (loss)/gain	(26,024)	44,047
Other operating income	—	171
Total other operating (expense)/income	(26,024)	44,218

4 General and administrative expenses

	2018 \$'000	2017 \$'000
International staff - pension income	12,474	11,797
Company staff - pension expense	(4,646)	(4,660)
Total defined benefit pension plan income	7,828	7,137
Other administrative expenses	(2,372)	(783)
Year ended 31 Dec	5,456	6,354

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 Company's income statement and are recognised in the income statement of the employing company of the individuals concerned.

5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2017: nil).

6 Retirement benefits

Post-employment benefit plans

HSBC operates pension plans throughout the world for its employees. Further details on the policies and practices associated with these pension plans can be found in the HSBC Holdings plc's Annual Report & Accounts 2018 on page 87 'Pension risk management'.

Defined benefit plan

The Company operates a closed defined benefit plan that provides pension benefits for employees upon retirement called the International Staff Retirement Benefits Scheme ('ISRBS').

The defined benefit plan was closed to future benefit accrual in 2016. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of HSBC group.

The investment strategy of the plan is to hold the majority of assets in bonds.

The latest funding valuation of the plan at 31 December 2017 was carried out by Hymans Robertson LLP. At that date, the market value of the plan's combined assets was £1,198m (\$1,618m), and this exceeded the value placed on its liabilities on an ongoing basis by £179m (\$242m), giving a funding level of 117.6%. The main differences between the assumptions used for assessing the defined benefit liabilities for this funding valuation and those used for IAS 19 are more prudent assumptions for discount rate, inflation rate and life expectancy.

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There are no plan for the Company to make further contributions as the defined benefit plan is in surplus.

The actuary also assessed the value of the liabilities if the plan were to be stopped and an insurance company asked to secure all future pension payments. This is generally larger than the amount needed on the ongoing basis described above because an insurance company would use more prudent assumptions and include an explicit allowance for the future administrative expenses of the plan. Under this approach, the amount of assets needed was estimated to be £1,156m (\$1,561m) at 31 December 2017.

Defined contribution plans

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

Defined benefit pension plan

Net assets recognised on the balance sheet in respect of defined benefit plan

	2018	2017
	\$'000	\$'000
Present value of defined benefits obligations	972,193	1,109,896
Fair value of plan assets	1,456,294	1,621,053
Net retirement benefits asset	484,101	511,157

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

	2018	2017
	\$'000	\$'000
Liability for defined benefit obligations at 1 Jan	1,109,896	1,098,435
Movements in exchange	(62,263)	101,693
Actual benefits payments made	(69,000)	(118,600)
Expense recognised in the income statement (see below)	31,032	34,561
Other comprehensive income	(37,472)	(6,193)
Liability for defined benefit obligations at 31 Dec	972,193	1,109,896
Present value of defined benefit obligation relating to:		
- vested termines	265,310	312,041
- retirees	706,883	797,855

Movements in the fair value of plan assets recognised in the balance sheet

	2018	2017
	\$'000	\$'000
Fair value of plan assets at 1 Jan	1,621,053	1,512,236
Movements in exchange	(88,309)	143,850
Actual benefits payments made	(69,000)	(118,600)
Return on plan assets (see next page)	38,860	41,698
Other comprehensive income	(46,310)	41,869
Fair value of plan assets at 31 Dec	1,456,294	1,621,053

Remeasurement effects recognised in other comprehensive income

	2018	2017
	\$'000	\$'000
Actuarial loss/(gain) due to experience on DBO	32,121	(36,101)
Actuarial gain due to demographic assumption changes in DBO	(3,926)	(2,357)
Actuarial (gain)/loss due to financial assumption changes in DBO	(65,667)	32,265
Actuarial gain on DBO arising during the period	(37,472)	(6,193)
Return on plan assets less/(greater) than discount rate	46,310	(41,869)
Remeasurement effects recognised in OCI	8,838	(48,062)

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Cost recognised in comprehensive income

	2018	2017
	\$'000	\$'000
Cost recognised in income statement	(7,828)	(7,137)
Remeasurement effects recognised in OCI	8,838	(48,062)
Total cost recognised in comprehensive income	1,010	(55,199)

Expenses recognised in income statement

	2018	2017
	\$'000	\$'000
Interest on obligation	26,386	29,901
Administration costs and taxes	4,646	4,660
	31,032	34,561
Return on plan assets	(38,860)	(41,698)
Year ended 31 Dec	(7,828)	(7,137)

Fair value of plan assets by asset classes

	2018			2017		
	Value	Quoted market price in active market	No quoted market price in active market	Value	Quoted market price in active market	No quoted market price in active market
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bonds	1,449,363	1,327,163	122,200	1,425,534	1,289,645	135,889
Property	—	—	—	36,277	—	36,277
Cash and cash equivalents	41,320	41,320	—	187,399	187,399	—
Other ¹	(34,389)	—	(34,389)	(28,157)	—	(28,157)
Fair value of plan assets	1,456,294	1,368,483	87,811	1,621,053	1,477,044	144,009

¹ Income tax due on investments owed by the scheme

Post-employment defined benefit plan actuarial financial assumptions

HSBC determines the discount rates to be applied to its obligations in consultation with the defined benefit plans' actuaries, on the basis of current average yields of high-quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the defined benefit obligations.

Key actuarial assumptions for the principal plan

	2018	2017
Assumptions as at 31 December		
Inflation	3.40%	3.40%
Pension increases	2.40%	2.50%
Discount rate	2.80%	2.50%

Mortality tables and average life expectancy at age 65 for the principal plan

	Male mortality table	Life expectancy at age 65 for a male member currently:		Female mortality table	Life expectancy at age 65 for a female member currently:	
		Aged 65	Aged 45		Aged 65	Aged 45
At 31 Dec 2018	80% 52NMA	24.8	26.1	80% S2PFA_L	25.8	27.3
At 31 Dec 2017	80% 52NMA	24.9	26.2	80% S2PFA_L	25.9	27.4

* with core CMI 2017 improvements and a 1.25% long-term rate

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

	2018	2017
	\$'000	\$'000
Change in defined benefit obligation at year-end from a 25bps increase in discount rate	35,347	41,686
Increase in defined benefit obligation from each additional year of longevity assumed	28,946	35,733

Estimated contributions and benefit payments in next financial year

In 2019, the estimated Company contribution is nil. The estimated benefits payments are expected to be \$43.6m.

7 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2017: 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.

8 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. The amount incurred in respect of the audit of these financial statements was \$42k (2017: \$45k).

There were no non-audit fees incurred during the year (2017: nil).

9 Tax

Tax expense

	2018	2017
	\$'000	\$'000
Current tax		
- For this year	1,810	1,819
- Adjustments in respect of prior years	183	294
- withholding tax suffered	731	4,189
Total current tax	2,724	6,302
Deferred tax		
- For this year	(972)	—
- Effects of changes in tax rates	103	—
Total deferred tax	(869)	—
Year ended 31 Dec	1,855	6,302

The UK corporation tax rate applying to the Company was 19.00% (2017: 19.25%).

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. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 and this was enacted in the Finance (No2) Act 2016 on 6 September 2016. This 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.

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to items that are credited directly to equity is \$2.4m (2017: \$1.2m).

Tax reconciliation

	2018		2017	
	\$'000	(%)	\$'000	(%)
Profit before tax	5,486,245		7,586,043	
Tax at 19.00% (2017: 19.25%)	1,042,386	19.00	1,460,053	19.25
Adjustments in respect of prior period liabilities	183	—	294	—
Permanent disallowables	4,945	0.09	(7,842)	(0.10)
Effects of changes in tax rates	103	—	—	—
Non-taxable income and gains	(1,046,492)	(19.08)	(1,450,392)	(19.12)
Withholding tax suffered	730	0.01	4,189	0.06
Year ended 31 Dec	1,855	0.03	6,302	0.09

10 Deferred tax

	2018	2017
	\$'000	\$'000
At 1 Jan 2018	(1,869)	(939)
Income statement credit	869	—
Other comprehensive income:		
- Available-for-sale investments	N/A	(930)
At 31 Dec 2018	(1,000)	(1,869)

11 Dividend income

	2018	2017
	\$'000	\$'000
Dividend income from associates	14,611	16,430
Dividend income from other group undertakings	4,945,205	7,424,607
Dividend income from preference shares ¹	—	88,353
Year ended 31 Dec	4,959,816	7,529,390

¹ In 2018, disclosed within Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss (Note 2)

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

	2018	2017
	\$'000	\$'000
Non-cash item included in profit and loss		
Amount written off of investment in subsidiaries	26	—
Charge/(credit) for defined benefit plans	18,217	(49,292)
Loss on disposal of associate	—	3,304
Fair value movements in financial assets designated at fair value	(451,568)	—
	(433,325)	(45,988)
Change in operating assets		
Change in trade and other receivables	35,202	(29,281)
Change in operating liabilities		
Change in trade and other payables	1,742	(11,563)
Cash and cash equivalents comprise		
Cash at bank with other group undertakings ¹	41,128	118,151
Interest and dividends		
Interest paid	(150,582)	(259,118)
Interest received	158,888	261,891
Dividends received	4,959,816	7,441,037

¹ 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

13 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.

	FVPL	Amortised cost	Total
At 31 Dec 2018	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	—	41,128	41,128
Loans and advances to other group undertakings	—	2,504,046	2,504,046
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	186,819	—	186,819
Financial investments	—	—	—
Trade and other receivables	—	31,500	31,500
Total financial assets	186,819	2,576,674	2,763,493
Total non-financial assets			526,036
Total assets			3,289,529
Liabilities			
Trade and other payables	—	2,133	2,133
Loans from other group undertakings	—	2,684,999	2,684,999
Total financial liabilities	—	2,687,132	2,687,132
Total non-financial liabilities			1,000
Total liabilities			2,688,132

Categories of financial instruments are disclosed under IFRS 9 at 31 December 2018. These are not directly comparable with 31 December 2017, where the instruments were categorised in accordance with IAS 39.

	Loans and receivables	Available-for-sale securities	Financial assets and liabilities at amortised cost	Total
At 31 Dec 2017	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	—	—	118,151	118,151
Loans and advances to other group undertakings	6,287,911	—	—	6,287,911
Financial investments	—	2,413,251	—	2,413,251
Trade and other receivables	—	—	66,702	66,702
Total financial assets	6,287,911	2,413,251	184,853	8,886,015
Total non-financial assets				58,341,910
Total assets				67,227,925
Liabilities				
Trade and other payables	—	—	391	391
Loans from other group undertakings	—	—	6,461,632	6,461,632
Total financial liabilities	—	—	6,462,023	6,462,023
Total non-financial liabilities				1,869
Total liabilities				6,463,892

14 Fair value of financial instruments not carried at fair value

Fair value hierarchy

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

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (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 valuation techniques where one or more significant inputs are unobservable.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

	Fair values				
	Valuation techniques				Total \$'000
	Carrying amount \$'000	Quoted price Level 1 \$'000	Observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
At 31 Dec 2018					
Assets					
Loans and advances to other group undertakings	2,504,046	—	2,659,890	—	2,659,890
Liabilities					
Loans from other group undertakings	2,684,999	—	2,846,151	—	2,846,151

	Fair values				
	Valuation techniques				Total \$'000
	Carrying amount \$'000	Quoted price Level 1 \$'000	Observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
At 31 Dec 2017					
Assets					
Loans and advances to other group undertakings	6,287,911	—	6,449,913	—	6,449,913
Liabilities					
Loans from other group undertakings	6,461,632	—	6,644,335	—	6,644,335

15 Loans and advances to other group undertakings

	Nominal interest rate (%)	Maturity date	2018 \$'000	2017 \$'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 ¹	LIBOR +1.73	05/01/2022	—	3,750,000
Accrued interest receivable			4,046	37,911
At 31 Dec			2,504,046	6,287,911

¹ Loans and advance to Hongkong and Shanghai Banking Corporation Limited were net cash settled with loans and advance from HSBC Asia Holdings (UK) Limited (Note 21)

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.

16 Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value & Financial investments

	Nominal value	Dividend basis	2018	2017
		%	\$'000	\$'000
Non-cumulative shares ¹	1,000,000	LIBOR +1.25	—	789,675
Non-cumulative shares ¹	978,000	LIBOR +1.85	—	889,819
Non-cumulative shares ¹	500,000	LIBOR +1.25	—	394,838
Cumulative shares ¹	200,000	LIBOR +1.00	—	147,922
Sub-loan ²	180,000	LIBOR +2.54	186,819	190,997
At 31 Dec	2,858,000		186,819	2,413,251

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

2 Sub-ordinated loan: HSBC Asia Holdings B.V. has provided a Tier2 sub-ordinated loan to The Hongkong Shanghai Banking Corporation Limited.

The irredeemable preference shares and subordinated loans, previously classified as available-for-sale under IAS 39, did not meet the Solely Payments of Principal and Interest requirement for FVOCI classification. As a result, these assets were classified as FVPL upon adoption of IFRS 9 (Note 13).

In November 2018, The Hongkong Shanghai Banking Corporation Limited redeemed irredeemable preference shares at a total nominal value of \$2,678m at par.

Trade and other receivables (Note 17) includes accrued preference share interest receivable on financial investments of nil (2017: \$35m).

	2018	2017
	\$'000	\$'000
At 1 Jan	2,413,251	2,837,770
Disposals	(2,678,000)	(775,000)
Revaluation	451,568	350,481
At 31 Dec	186,819	2,413,251

Fair values were determined using valuation techniques with observable inputs (Level 2). The fair values 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.

17 Trade and other receivables

	2018	2017
	\$'000	\$'000
Dividend receivable on intra-group preference shares	—	35,339
Amounts due from other group undertakings	31,500	31,363
At 31 Dec	31,500	66,702

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.

18 Investments in subsidiaries

Movements on investments

	2018 \$'000	2017 \$'000
Cost		
At 1 Jan	57,799,879	57,626,234
Additions	—	225,000
Disposals	(57,789,079)	(51,355)
At 31 Dec	10,800	57,799,879
Provision of impairment		
At 1 Jan	—	(51,355)
Disposals	—	51,355
At 31 Dec	—	—
Net book/carrying value at 31st Dec	10,800	57,799,879

Explanation of additions

In 2017, the Company invested \$225m in The Hongkong Shanghai Banking Corporation Limited.

Explanation of disposals

As a result of restructuring the Group's Asia operation to meet resolution and recovery requirements, in November 2018, the Company disposed of its investment in The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Bermuda Limited, whereby ownership was transferred from the Company to HSBC Asia Holdings Limited and HSBC Overseas Holdings (UK) Limited, respectively. This was net cash settled with distributions in-specie made to the Company's immediate parent HSBC Finance (Netherlands).

In 2017, the previously fully impaired investment in Dar Es Salaam Investment Bank was disposed.

Impairment testing of investment in subsidiaries

No investments in subsidiaries were impaired in 2018.

At each reporting period end, the Company reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount of that investment.

The recoverable amount is the higher of the investment's fair value less costs of disposal and its value in use. The value in use is calculated by discounting management's cash flow projections for the investment.

- The cash flow projections for each investment are based on the latest approved plans and a long-term growth rate is used to extrapolate the cash flows in perpetuity.
- The growth rate reflects GDP and inflation for the country within which the investment operates and is based on 20-year forecast growth rates.
- The rate used to discount cash flows is based on the cost of capital assigned to each investment, which is derived using a capital asset pricing model ('CAPM'). 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 judgement. In addition, for the purposes of testing investments 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.

The principal subsidiary undertakings of the Company at 31 December 2018 were:

	Country of incorporation	Interest in equity capital (%)	share class
HSBC Software Development (India) Private Limited	India	100%	Ordinary shares
HSBC Software Development (Malaysia) Sdn Bhd	Malaysia	100%	Ordinary shares
HSBC IM Pension Trust Limited	United Kingdom	100%	Ordinary shares
HSBC Property (UK) Limited	United Kingdom	100%	Ordinary shares

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

19 Interests in associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries (Note 18) nor joint ventures, as associates.

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

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

	2018	2017
	\$'000	\$'000
Cost		
At 1 Jan	30,518	65,185
Disposals	—	(34,667)
At 31 Dec	30,518	30,518

In 2017, 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%	Ordinary shares

20 Trade and other payables

	2018	2017
	\$'000	\$'000
Amounts due to other group undertakings	2,133	391
At 31 Dec	2,133	391

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.

21 Loans from other group undertakings

	Nominal interest rate (%)	Maturity date	2018	2017
			\$'000	\$'000
HSBC Asia Holdings (UK) Limited	LIBOR +2.65	25/11/2025	180,000	180,000
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 ¹	LIBOR +1.73	05/01/2022	—	3,750,000
Accrued interest payable			4,999	31,632
At 31 Dec			2,684,999	6,461,632

¹ Loans and advance from HSBC Asia Holdings (UK) Limited were net cash settled with loans and advance to Hongkong and Shanghai Banking Corporation Limited (Note 15).

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.

22 Maturity analysis of assets and liabilities

The following is an analysis of assets and liabilities by residual 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	Undated \$'000	Total \$'000
Assets							
Cash and cash equivalents	41,128	—	—	—	—	—	41,128
Loans and advances to other group undertakings	—	4,046	—	1,145,000	1,355,000	—	2,504,046
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	—	939	—	—	185,880	—	186,819
Financial investments	—	—	—	—	—	—	—
Trade and other receivables	—	148	31,352	—	—	—	31,500
Non-financial assets	—	—	617	—	—	525,419	526,036
At 31 Dec 2018	41,128	5,133	31,969	1,145,000	1,540,880	525,419	3,289,529
Liabilities and Equity							
Trade and other payables	—	2,133	—	—	—	—	2,133
Loans from other group undertakings	—	4,999	—	1,145,000	1,535,000	—	2,684,999
Non-financial liabilities	—	—	—	—	1,000	—	1,000
Equity	—	—	—	—	—	601,397	601,397
At 31 Dec 2018	—	7,132	—	1,145,000	1,536,000	601,397	3,289,529

	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
Assets							
Cash and cash equivalents	118,151	—	—	—	—	—	118,151
Loans and advances to other group undertakings	—	37,911	—	4,320,000	1,930,000	—	6,287,911
Financial investments	—	—	—	—	2,413,251	—	2,413,251
Trade and other receivables	—	66,702	—	—	—	—	66,702
Non-financial assets	—	—	357	—	—	58,341,553	58,341,910
At 31 Dec 2017	118,151	104,613	357	4,320,000	4,343,251	58,341,553	67,227,925
Liabilities and Equity							
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
At 31 Dec 2017	391	31,632	—	4,320,000	2,111,869	60,764,033	67,227,925

23 Called up share capital & Preference share capital

As at 31 December 2018, the share capital of the Company is made up as follows:

			2018	2017
	Nominal value per share (€)	Number of Issued and fully paid shares	Issued share capital \$'000	Issued share capital \$'000
Class of shares				
Ordinary shares	50	406	23	24
Preference A	1,000	17,180,000	19,675,394	20,594,524
Preference B	1,000	886,041	1,014,738	1,062,142
Preference C	1,000	175,000	200,419	209,781
Preference D	1,000	1,000,000	1,145,250	1,198,750
Preference E	1,000	1,000,000	1,145,250	1,198,750
Preference F	1,000	250,000	286,313	299,688
Preference G	1,000	1,400,000	1,603,350	1,678,250
Preference H	1,000	650,000	744,413	779,188
Balance as at 31 Dec		22,541,447	25,815,150	27,021,097

The Euro share capital of the Company has been restated into US dollars using the relating EUR/USD year-end closing rate of 1.14525 (2017: 1.19875). 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 2018 no new ordinary shares were issued (2017: nil).

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 (2017: £14,575m), with a USD equivalent of \$18,609m (2017: \$19,691m).
- 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.

24 Contingent liabilities

A contingent liability estimated at up to £35m (\$45m) exists in relation to the UK tax treatment of certain income within the defined benefit pension plan ('ISRBS') and the number of periods which may be considered open to assessment. The timing of resolution of this matter is uncertain. If additional tax became payable by the ISRBS it would reduce the net retirement benefits asset (Note 6) recorded on the company's balance sheet.

There were no other contingent liabilities as at 31 December 2018 (2017: nil).

25 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 to address asset, liability and risk management issues for the HSBC Group. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries, including HSBC Asia Holdings B.V.. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

Credit risk 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 exposure to credit risk in relation to cash and cash equivalents and loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value 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.

The Company also lends to associates. 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 24.

Maximum exposure to credit risk

	2018		
	Maximum exposure \$'000	Offset \$'000	Net \$'000
Cash and cash equivalents	41,128	—	41,128
Loans and advances to other group undertakings	2,504,046	—	2,504,046
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value	186,819	—	186,819
Financial investments	—	—	—
Trade and other receivables	31,500	—	31,500
Other assets	484,101	—	484,101
At 31 Dec	3,247,594	—	3,247,594

2017 Credit risk disclosures

The below disclosures were included in the *Annual Report and Accounts 2017* and do not reflect the adoption of IFRS 9. As these tables are not directly comparable to the current 2018 credit risk tables which are disclosed on the IFRS 9 basis, the 2017 disclosures have been shown below and not adjacent to the 2018 tables.

Maximum exposure to credit risk

	2017		
	Maximum exposure \$'000	Offset \$'000	Exposure to credit risk (net) \$'000
Cash and cash equivalents	118,151	—	118,151
Loans and advances to other group undertakings	6,287,911	—	6,287,911
Financial investments	2,413,251	—	2,413,251
Trade and other receivables	66,702	—	66,702
Other assets	511,156	—	511,156
At 31 Dec	9,397,171	—	9,397,171

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 subsidiaries, HSBC Asia Holdings (UK) limited through Loans and advances (Note 15).

Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The 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	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	—	2,133	—	—	—	2,133
Loans from other group undertakings	—	34,343	103,030	1,625,302	1,764,233	3,526,908
At 31 Dec 2018	—	36,476	103,030	1,625,302	1,764,233	3,529,041

	On Demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	391	—	—	—	—	391
Loans from other group undertakings	—	55,393	166,180	5,065,819	2,366,253	7,653,645
At 31 Dec 2017	391	55,393	166,180	5,065,819	2,366,253	7,654,036

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 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 \$513m asset (2017: \$542m asset).

The Company's profit before tax would decrease by \$24.6m, profit after tax by \$19.9m (2017: \$27.1m decrease, profit after tax \$21.9m 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.

Interest rate risk

The Company held net assets with a nominal value of \$41m (2017: \$2,796m) 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 \$0.4m (2017: \$27.9m) and after tax of \$0.3m (2017: \$22.6m).

26 Related party transactions

Transactions with other related parties

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

	2018		2017	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents ¹	1,396,115	41,128	4,127,720	118,151
Loans and advances to other group undertakings ^{1,2}	6,287,911	2,504,046	8,330,069	6,287,911
Loans and advances to HSBC undertakings designated and otherwise mandatorily measured at fair value ³	2,944,881	186,819	N/A	N/A
Financial investments ²	—	—	2,837,770	2,413,251
Trade and other receivables ^{1,2}	2,147,715	31,500	3,338,724	66,702
Other assets ³	536,355	484,101	511,156	511,156
Liabilities				
Trade and other payables ¹	2,193	2,133	12,210	391
Loans from other group undertakings ⁴	6,461,632	2,684,999	8,482,618	6,461,632

The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year

	2018	2017
	\$'000	\$'000
Interest income ^{1,2}	125,023	274,348
Interest expense ⁴	123,949	264,963
Dividend income ²	4,959,816	7,529,390
Dividend expense ⁴	65,640,588	7,975,000

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

² These balances are with subsidiaries of the Company

³ The Company is the official employer and sponsor of the International Staff Retirement Benefits Scheme

⁴ These balances are with the parent of the Company

27 Parent undertakings

The immediate parent undertaking is HSBC Finance (Netherlands).

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.

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

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

28 Events after the balance sheet date


There are no significant events after the balance sheet date.

29 Proposed appropriation of result

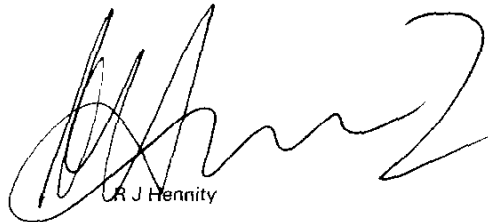
Management proposes to carry forward within retained earnings the result for the year 2018.

London, 22 May 2019

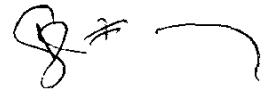
Board of Directors:



G A Francis



R J Hennity



I F MacKinnon

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

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 auditors

The report of the independent auditors 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 2018

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 2018 and of its result and 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 2018 of of HSBC Asia Holdings B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the following statements for 2018 : the income statement, the statement of comprehensive income, changes in equity and cash flows; and
- the notes, comprising 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. We have further described our responsibilities under those standards 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.

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).

Reporting on other information included in the annual report

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

- the management 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 management 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, 22 May 2019

PricewaterhouseCoopers Accountants N.V.

Original has been signed M.S. de Bruin RA

Appendix to our auditor's report on the financial statements 2018 of HSBC Asia Holdings B.V.

In addition to what is included in our auditors' 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.*

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.