

HSBC HOLDINGS PLC
Form 6-K
February 25, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of February 2016

Commission File Number: 001-14930

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-).

The Registrant hereby incorporates by reference into its Registration Statement on Form F-3ASR (File No. 333-202420) (i) the consolidated financial statements of HSBC Holdings plc and its subsidiaries as at 31 December 2014 and 2015 and for each of the years in the three-year period ended 31 December 2015 and notes thereon on attached pages 336 to 469, (ii) the disclosures marked audited within the Report of the Directors: Risk section on attached pages 120 to 225 and the Report of the Directors: Capital section on attached pages 233 to 244, (iii) management's report on the effectiveness of internal control over financial reporting on attached page 98a, (iv) the auditors' reports thereon and (v) the Exhibits attached hereto.

This document includes Audited consolidated financial statements of HSBC, related disclosures and auditors reports thereon

Cautionary statement regarding forward-looking statements

This *Form 6-K* contains certain forward-looking statements with respect to HSBC's financial condition, results of operations, capital position and business.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as *expects*, *anticipates*, *intends*, *plans*, *believes*, *seeks*, *estimates*, and *reasonably possible*, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve;

changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions

...serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and

...factors specific to HSBC, including discretionary RWA growth and our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; and our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the DPA.

Certain defined terms

Unless the context requires otherwise, HSBC Holdings means HSBC Holdings plc and HSBC, the Group, we, us or our refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as Hong Kong. When used in the terms shareholders equity and total shareholders equity, shareholders means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations \$m and \$bn represent millions and billions (thousands of millions) of US dollars, respectively.

Report of the Independent Registered Public Accounting

Firm to the Board of Directors and Shareholders of

HSBC Holdings plc

In our opinion, the accompanying consolidated balance sheet as of 31 December 2015 and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended present fairly, in all material respects, the financial position of HSBC Holdings plc and its subsidiaries as of 31 December 2015 and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited the adjustments to the 2014 and 2013 financial statements to retrospectively apply the changes in disclosure as described in Note 1A. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 or 2013 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 or 2013 financial statements taken as a whole.

Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's assessment of internal controls over financial reporting appearing on page 98a. Our responsibility is to express an opinion on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

London, United Kingdom

22 February 2016

HSBC HOLDINGS PLC

Report of the Independent Registered Public Accounting

Firm to the Board of Directors and Shareholders of

HSBC Holdings plc

We have audited the accompanying consolidated financial statements of HSBC Holdings plc and its subsidiaries (together "HSBC") on pages 337 to 469, before the effects of certain adjustments as described in Note 1A, which comprise the consolidated balance sheet as of 31 December 2014, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the years in the two-year period ended 31 December 2014, including the disclosures marked "audited" within the Report of the Directors: Risk section on pages 101 to 226 and the Report of the Directors: Capital section on pages 227 to 248. HSBC's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, before the effects of certain adjustments as described in Note 1A, present fairly, in all material respects, the financial position of HSBC as of 31 December 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended 31 December 2014, in conformity with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and IFRSs as issued by the International Accounting Standards Board ("IASB").

We were not engaged to audit, review, or apply any procedures to the adjustments of certain information as described in Note 1A, and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by a successor auditor.

KPMG Audit Plc

London, England

23 February 2015

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Report of the Directors: Other Information (page 98a)

HSBC HOLDINGS PLC

Report of the Directors: Financial Review (continued)

Disclosure controls

The Group Chief Executive and Group Finance Director, with the assistance of other members of management, carried out an evaluation of the effectiveness of the design and operation of HSBC Holdings' disclosure controls and procedures as at 31 December 2015. Based upon that evaluation, the Group Chief Executive and Group Finance Director concluded that our disclosure controls and procedures as at 31 December 2015 were effective to provide reasonable assurance that information required to be disclosed in the reports which the company files and submits under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarised and reported as and when required. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

During the year it was determined that the control environment associated with IT privileged access required significant improvement. Deficiencies were noted in the design and operation of controls for the granting, release and monitoring of privileged access in a number of systems. For the identified deficiencies, management responded by implementing a programme to determine the scale and nature of the deficiencies, remediate identified control deficiencies and determine if privileged access had been misused during 2015. Management also identified and assessed the effectiveness of relevant IT, business, monitoring and period-end mitigating controls. Please see *Effectiveness of Internal Controls* on page 277.

There have been no changes in HSBC Holdings' internal control over financial reporting during the year ended 31 December 2015, that have materially affected, or are reasonably likely to materially affect, HSBC Holdings' internal control over financial reporting.

Management's assessment of internal controls over financial reporting

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and has completed an assessment of the effectiveness of the Group's internal controls over financial reporting for the year ended 31 December 2015. In making the assessment, management used the framework for internal control evaluation contained in the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* (September 2014), as well as the criteria established by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013) .

Based on the assessment performed, management concluded that for the year ended 31 December 2015, the Group's internal controls over financial reporting were effective.

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PricewaterhouseCoopers LLP, which has audited the consolidated financial statements of the Group for the year ended 31 December 2015, has also audited the effectiveness of the Group's internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States) as stated in their report on pages 323 and 335.

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Financial statements and notes on the financial statements (pages 336 - 469)

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Financial Statements

Financial Statement/Notes on the Financial Statements

Financial Statements

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Consolidated income statement**for the year ended 31 December 2015**

	<i>Notes</i>	2015 \$m	2014 \$m	2013 \$m
Interest income		47,189	50,955	51,192
Interest expense		(14,658)	(16,250)	(15,653)
Net interest income		32,531	34,705	35,539
Fee income		18,016	19,545	19,973
Fee expense		(3,311)	(3,588)	(3,539)
Net fee income		14,705	15,957	16,434
Trading income excluding net interest income		6,948	4,853	6,643
Net interest income on trading activities		1,775	1,907	2,047
Net trading income		8,723	6,760	8,690
Changes in fair value of long-term debt issued and related derivatives		863	508	(1,228)
Net income from other financial instruments designated at fair value		669	1,965	1,996
Net income from financial instruments designated at fair value	2	1,532	2,473	768
Gains less losses from financial investments		2,068	1,335	2,012
Dividend income		123	311	322
Net insurance premium income	3	10,355	11,921	11,940
Other operating income		1,055	1,131	2,632
Total operating income		71,092	74,593	78,337
Net insurance claims and benefits paid and movement in liabilities to policyholders	4	(11,292)	(13,345)	(13,692)
Net operating income before loan impairment charges and other credit risk provisions		59,800	61,248	64,645
Loan impairment charges and other credit risk provisions	5	(3,721)	(3,851)	(5,849)
Net operating income		56,079	57,397	58,796
Employee compensation and benefits	6	(19,900)	(20,366)	(19,196)

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General and administrative expenses		(17,662)	(18,565)	(17,065)
Depreciation and impairment of property, plant and equipment		(1,269)	(1,382)	(1,364)
Amortisation and impairment of intangible assets	20	(937)	(936)	(931)
Total operating expenses		(39,768)	(41,249)	(38,556)
Operating profit	5	16,311	16,148	20,240
Share of profit in associates and joint ventures	19	2,556	2,532	2,325
Profit before tax		18,867	18,680	22,565
Tax expense	8	(3,771)	(3,975)	(4,765)
Profit for the year		15,096	14,705	17,800
Profit attributable to shareholders of the parent company		13,522	13,688	16,204
Profit attributable to non-controlling interests		1,574	1,017	1,596
		\$	\$	\$
Basic earnings per ordinary share	10	0.65	0.69	0.84
Diluted earnings per ordinary share	10	0.64	0.69	0.84

The accompanying notes on pages 347 to 469 form an integral part of these financial statements¹.

For footnote, see page 346.

HSBC HOLDINGS PLC

Financial Statement (continued)**Consolidated statement of comprehensive income / Consolidated balance sheet****Consolidated statement of comprehensive income****for the year ended 31 December 2015**

	2015	2014	2013
	\$m	\$m	\$m
Profit for the year	15,096	14,705	17,800
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Available-for-sale investments	(3,072)	2,972	(1,718)
fair value gains/(losses)	(1,231)	4,794	(1,787)
fair value gains reclassified to the income statement	(2,437)	(1,672)	(1,277)
amounts reclassified to the income statement in respect of impairment losses	127	374	286
income taxes	469	(524)	1,060
Cash flow hedges	(24)	188	(128)
fair value gains	704	1,512	776
fair value gains reclassified to the income statement	(705)	(1,244)	(894)
income taxes	(23)	(80)	(10)
Share of other comprehensive income/(expense) of associates and joint ventures	(9)	80	(71)
share for the year	(9)	78	(35)
reclassified to income statement on disposal		2	(36)
Exchange differences	(10,945)	(8,903)	(1,372)
foreign exchange gains reclassified to income statement on disposal of a foreign operation		(21)	(290)
other exchange differences	(11,112)	(8,917)	(1,154)
Income tax attributable to exchange differences	167	35	72
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit asset/liability	101	1,985	(458)
before income taxes	130	2,419	(601)
income taxes	(29)	(434)	143

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Other comprehensive income for the year, net of tax	(13,949)	(3,678)	(3,747)
Total comprehensive income for the year	1,147	11,027	14,053
Attributable to:			
shareholders of the parent company	460	9,245	12,644
non-controlling interests	687	1,782	1,409
Total comprehensive income for the year	1,147	11,027	14,053

The accompanying notes on pages 347 to 469 form an integral part of these financial statements¹.

For footnote, see page 346.

HSBC HOLDINGS PLC

Consolidated balance sheet**at 31 December 2015**

	<i>Notes</i>	2015 \$m	2014 \$m
Assets			
Cash and balances at central banks		98,934	129,957
Items in the course of collection from other banks		5,768	4,927
Hong Kong Government certificates of indebtedness		28,410	27,674
Trading assets	<i>12</i>	224,837	304,193
Financial assets designated at fair value	<i>15</i>	23,852	29,037
Derivatives	<i>16</i>	288,476	345,008
Loans and advances to banks		90,401	112,149
Loans and advances to customers		924,454	974,660
Reverse repurchase agreements non-trading		146,255	161,713
Financial investments	<i>17</i>	428,955	415,467
Assets held for sale	<i>23</i>	43,900	7,647
Prepayments, accrued income and other assets	<i>22</i>	54,398	67,529
Current tax assets		1,221	1,309
Interests in associates and joint ventures	<i>19</i>	19,139	18,181
Goodwill and intangible assets	<i>20</i>	24,605	27,577
Deferred tax assets	<i>8</i>	6,051	7,111
Total assets at 31 December		2,409,656	2,634,139
Liabilities and equity			
Liabilities			
Hong Kong currency notes in circulation		28,410	27,674
Deposits by banks		54,371	77,426
Customer accounts		1,289,586	1,350,642
Repurchase agreements non-trading		80,400	107,432
Items in the course of transmission to other banks		5,638	5,990
Trading liabilities	<i>24</i>	141,614	190,572
Financial liabilities designated at fair value	<i>25</i>	66,408	76,153
Derivatives	<i>16</i>	281,071	340,669
Debt securities in issue	<i>26</i>	88,949	95,947
Liabilities of disposal groups held for sale	<i>23</i>	36,840	6,934

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Accruals, deferred income and other liabilities	27	38,116	46,462
Current tax liabilities		783	1,213
Liabilities under insurance contracts	28	69,938	73,861
Provisions	29	5,552	4,998
Deferred tax liabilities	8	1,760	1,524
Subordinated liabilities	30	22,702	26,664
Total liabilities at 31 December		2,212,138	2,434,161
Equity			
Called up share capital	35	9,842	9,609