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HSBC EUROPE B.V.

Registered No FC023640

Financial Statements for the year ended 31 December 2014

Annual Report

for the year 2014

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COMPANIES HOUSE,

HSBC EUROPE B.V.

Registered No FC023640

Financial Statements for the year ended 31 December 2014

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The Board of Directors of **HSBC Europe B V** , hereinafter called "the Company", hereby presents its Management Report for the year ended **31 December 2014**

Principal Activities

The principal activities of the Company during the year continued to be the holding of investments in and the financing of its subsidiaries and affiliated companies within the HSBC Group There are no changes to the principal activities of the Company anticipated in the near future

Review of the Company's business

During the year the Company received total dividend income of £127,703k (2013 £52,064k) from subsidiary undertakings, comprising

Dividend income of £10,965k was received from its subsidiary HSBC Bank Malta plc

Dividend income of £29,500k was received from its subsidiary HSBC International Holdings (Jersey) Ltd

Dividend income of £82,184k was received from its subsidiary HSBC Securities Services Holdings (Ireland) Limited

Dividend income of £5,054k was received from its subsidiary HSBC Bank Moscow (RR) Russia

On 17 January 2014 the Company made a capital injection of £25,400k into its subsidiary HSBC Securities Services Holdings (Ireland) Limited

During the year, the Company received £77,454k total return of capital from its subsidiary HSBC Securities Services Holdings (Ireland) Limited, £20,569k was received on 31 July 2014 as a reduction in the cost of investment and £139,069k was received on 9 December 2014, as a £56,885k reduction in the cost of investment and £82,184k dividend income

During the year, total net impairment provisions of £90,745k (2013 £158,839k) were charged, comprising

£93,847k against the Company's investment in HSBC Bank (RR) (Limited Liability Company)

£4,455k against the Company's investment in HSBC Securities Services (Guernsey) Limited

£7,557k of impairment provisions were released by the Company in HSBC Securities Services Holdings (Ireland) Limited

Results

The net asset value of the Company as at 31 December 2014 amounts to £673,641k (2013 £637,524k) The result for the year 2014 amounts to a profit before tax of £36,628k (2013 loss before tax £106,803k)

Business outlook

The UK Government announced that the main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and will be further reduced to 20% on 1 April 2015 The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013

With the exception of dividends received, impairment of investments and loss on acquisition, it is not anticipated that the financial income and expenses of the Company will change significantly during 2015

Risk Management

The Companies risk management is detailed in note 8

Going concern basis

As set out in Note 1, the financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future In making this assessment, the Directors have considered a wide range of information relating to present and future conditions

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC group to provide necessary capital resources which are therefore managed on a group basis

The Company defines capital as total shareholders' equity It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times There were no changes to the Company's approach to capital management during the year

Directors

The Directors who served during the year were as follows

Name	Appointed	Resigned
J H McKenzie	28 June 2004	19 March 2014
J J Calladine	20 September 2012	2 September 2014
P J Reid	1 April 2010	
C P Davies	14 February 2014	
C M Brett	5 September 2014	

Significant events since the end of the financial year

Since the year end movements in the Rouble to Sterling exchange rate have substantially increased the value of Russian investments There were no other subsequent events requiring disclosure in the financial statements

Auditor

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, it was recommended that PricewaterhouseCoopers LLP be appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015

As a result KPMG Accountants N V will not be seeking re-appointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead

This report and the financial statements were approved by the Board of Directors on 29 June 2015

London, 29 June 2015

Signed on behalf of the Board of Directors

C M Brett

Director

Registered Office
8 Canada Square
London
E14 5HQ

Statement of financial position as at 31 December 2014

	Notes	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**440,996**	583,795
Current assets			
Cash and cash equivalents held at parent undertakings		**226,334**	50,500
Receivables Amounts due from parent undertakings	6	**6,589**	3,302
Current tax assets		**-**	5
		232,923	53,807
Total assets		**673,919**	637,602
EQUITY AND LIABILITIES			
Equity			
Issued up share capital	7	**344,551**	368,321
Share premium account	7	**370,517**	370,517
Capital exchange reserve	7	**(74,833)**	(98,603)
Retained earnings		**33,406**	(2,711)
Total shareholders' equity		**673,641**	637,524
Current liabilities			
Amounts due to parent undertakings		**271**	78
Current tax liabilities		**7**	-
Total liabilities		**278**	78
Total equity and liabilities		**673,919**	637,602

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 29 June 2015

London, 29 June 2015

Board of Directors

P J Reid C M Brett C P Davies

Income statement for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Finance income			
Dividend income from subsidiary undertakings		**127,703**	52,064
Interest income from parent undertakings		**41**	2
		127,744	52,066
Finance costs			
Interest expense to other group undertakings		**-**	-
Administrative expenses	3	**(371)**	(30)
Impairment of investments		**(90,745)**	(158 839)
Profit/(loss) before tax		**36,628**	(106,803)
Tax (expense)/credit	4	**(511)**	6
Profit/(loss) for the year		**36,117**	(106,797)

There were no acquisitions, discontinued or discontinuing operations during the year

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements

This report and the financial statements were approved by the Board of Directors on 29 June 2015

London, 29 June 2015

Board of Directors

P J Reid C M Brett C P Davies

Statement of comprehensive income for the year ended 31 December 2014

There has been no comprehensive income or expense other than the profit for the year as shown above (2013 Nil)

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements

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

	Issued share capital		Capital exchange reserve	Share premium account	Retained earnings	Total
	Ordinary	Preference				
	£'000	£'000	£'000	£'000	£'000	£'000
Year Ended 31 December 2014						
At 1 January 2014	284,673	83,648	(98,603)	370,517	(2,711)	637,524
Profit for the year	-	-	-	-	36,117	36,117
Exchange differences	(18,372)	(5,398)	23,770	-	-	-
At 31 December 2014	266,301	78,250	(74,833)	370,517	33,406	673,641

	Issued share capital		Capital exchange reserve	Share premium account	Retained earnings	Total
	Ordinary	Preference				
	£'000	£'000	£'000	£'000	£'000	£'000
Year Ended 31 December 2013						
At 1 January 2013	260,497	76,544	(67,323)	175,791	104,086	549,595
Loss for the year	-	-	-	-	(106,797)	(106,797)
Exchange differences	24,176	7,104	(31,280)	-	-	-
Share capital issued	-	-	-	194,726	-	194 726
At 31 December 2013	284,673	83,648	(98,603)	370,517	(2 711)	637 524

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements

Shareholders' equity is wholly attributable to equity shareholders

Statement of cash flows for the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Profit/(loss) before tax	36,628	(106,803)
Adjustments for		
– Interest income	(41)	(2)
– Investment income	(127,703)	(52,064)
– Impairment movement	90,745	158,839
– Tax settlement	(499)	214
Net cash (used)/generated from operating activities	(870)	184
Cash flows from investing activities		
Purchase of financial investments	-	(194,726)
Cash and cash equivalents acquired	-	1 416
Return of capital from subsidiary	77,454	-
Dividends received	127,703	52,064
Capital contribution to subsidiary	(25,400)	-
Net cash generated/(used) from investing activities	179,757	(141,246)
Cash flows from financing activities		
Paid to other group undertakings in respect of other financing activities	(3,052)	(3,240)
Issued share capital	-	194,726
Net cash (used)/generated from financing activities	(3,052)	191,486
Net increase in cash and cash equivalents	175,835	50,424
Cash and cash equivalents brought forward	50,500	76
Cash and cash equivalents carried forward	226,335	50 500

The accounting policies and notes on pages 9 to 19 form an integral part of these financial statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements are presented in sterling and have been prepared on the historical cost basis

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

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

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU

At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company Accordingly, the Company's financial statements for the year ended 31 December 2014 are prepared in accordance with IFRSs as issued by the IASB

There were no new standards adopted during the year ended 31 December 2014

(b) Future accounting developments

At 31 December 2014, a number of standards and amendments to standards had been issued by the IASB which are not effective for the Company's financial statements as at 31 December 2014 None of these is expected to have a significant effect on the results or net assets of the Company when adopted

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

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied The standard should be applied retrospectively, with certain practical expedients available The company is not impacted by this standard

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

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through other comprehensive income The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39 The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income ('OCI')

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for

expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12 month ECL') In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL')

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

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between it and risk management strategy and permitting the former to be applied to a greater variety of hedging instruments and risks The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the 1 January 2018 with no requirement to restate comparative periods Hedge accounting is generally applied prospectively from that date The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date It is not expected that IFRS 9 will have a significant impact on the Company

No other standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the Company when adopted

(c) Investments

The Company is exempt from the requirement to prepare group 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

(d) General information

The Company, incorporated on 9 September 1999 in the Netherlands with limited liability, is a subsidiary of Griffin International Limited (74 79%) In turn Midcorp Limited, the parent of Griffin International Limited (100%) holds a further 25 21% of the Company directly The ultimate parent company is HSBC Holdings plc, incorporated in England On 6 November 2001, the Company split under article 4 334f sub 2d of Book 7 of the Netherlands Civil Code and hived off certain assets to HSBC Europe (Netherlands) B V which became a direct subsidiary upon its incorporation On 16 November 2001, the Company migrated to the United Kingdom and was registered in England as an overseas company with its statutory seat in Amsterdam On 1 October 2013 the Company merged with HSBC Europe (Netherlands) B V , its 100% owned subsidiary

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

2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise

(a) Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts

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

(b) Income Tax

Income tax comprises current and deferred tax and is recognised in the income statement

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years 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 Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists

(c) Foreign currencies

(i) Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction

(ii) Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period Any resulting exchange differences are included in the income statement

(iii) In accordance with Book 2, Title 9 of the Dutch Civil Code, the EURO share capital of the Company has been restated into British Pound Sterling using the relating EURO/GBP year-end closing rate The movements in exchange of the share capital remain within equity and are captured in 'Capital Exchange Reserve', which is a legal reserve and not distributable

(d) Functional currency

Following the criteria set out in IAS 21, the functional currency of the Company has been determined to be British Pound Sterling This is in line with the Company's choice to use British Pound Sterling as functional currency for fiscal and group reporting purposes

(e) Subsidiaries and investments

The Company classifies investments in entities which it controls as subsidiaries The Company's investments in subsidiaries are stated at cost less any impairment

Any impairment loss recognised in prior periods shall be reversed through the income statement if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised

Dividend income from investments is recognised when the right to receive payment is established

(f) Acquisition of business under common control

For acquisitions by a company of a business under common control, the initial carrying value of assets and liabilities acquired are equal to the corresponding carry values in the acquiree immediately before the acquisition took place

(g) Financial assets and liabilities

(i) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value Loans and receivables are recognised when cash is advanced to borrowers They are derecognised when either borrowers 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

(ii) Financial liabilities

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 provisions 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

(iii) Cash and cash equivalents

For the purpose of the statement of cash flows, 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, and include cash

(h) Impairment of loans and receivables

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred Impairment losses are calculated on individual loans and on groups of loans assessed collectively Impairment losses are recorded as charges to the income statement The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts Losses expected from future events are not recognised

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified

Financial assets are written off to the extent that there is no realistic prospect of recovery

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount

(i) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax

The preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable but only at the company's option

Dividends on preference share capital classified as equity are recognised as distributions within equity

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared

(j) Statement of cash flows

The statement of cash flows has been prepared using the 'indirect method, and on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities' Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows

(k) Use of assumptions and estimates

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent

The accounting policy which is deemed to be critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation is provision against subsidiaries and investments, following the criteria set out in IAS 36

Impairments provisions are determined based on future cash flow projections, which are inherently uncertain

(l) Determination of fair value

All financial instruments are recognised initially at fair value In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received)

Subsequently, fair values are calculated by discounting future cash flows on financial instruments, using effective current interest rates

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

3 Administrative expense

Administrative expenses in the year of £371k, include £362k of costs relating to HSBC Europe (Netherlands) B V 's sale of HSBC Insurance (Ireland) Limited in July 2012

The Company has no employees and hence no staff costs (2013 £Nil)

Directors' remuneration

The Company has had 5 Directors in the year, none of whom received remuneration in that capacity during the year (2013 Nil)

Auditors' remuneration

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation The auditor's remuneration borne on behalf of the Company, by HSBC Bank Plc, amounted to £14,787 (2013 £10,377) There were no non-audit fees during the year (2013 Nil)

4 Tax expense

	2014 £'000	2013 £'000
Current taxation		
UK corporation tax charge/(credit) - on current year profit	7	6
UK corporation tax charge - adjustment in respect of prior year	(1)	-
Overseas tax		
– for this year	505	-
Total tax charged/(credited) to the income statement	511	6

The UK corporation tax rate applying to the Company was 21 5 per cent (2013 23 25 per cent)

The following table reconciles the tax expense/(credit) which would apply if all profits had been taxed at the UK corporation tax rate

	2014 £'000	Percentage of overall profit before tax %	2013 £'000	Percentage of overall profit before tax %
Profit/(loss) before tax	36,628		(106 803)	
Taxation at UK corporation tax rate of 21 5% (2013 23 25%)	7,872	21 5	(24 831)	23 25
Adjustment in respect of prior period liabilities	(1)	(0 0)	-	-
Non taxable income and gains subject to tax at a lower rate	(27,447)	(107 1)	(12,105)	11 3
Permanent disallowables	19,582	85 6	36,930	(34 6)
Local taxes and overseas withholding taxes	505	2 0	-	-
Total tax charged/(credited) to the income statement	511	2 0	(6)	0 0

The main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and will be further reduced to 20% on 1 April 2015 The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013

5 Investments

	2014 £'000	2013 £'000
Investments in subsidiaries	440,996	583,795
At 31 December	440,996	583,795

Investment in subsidiaries details are given below

Movement in cost		
At 1 January	595,032	549,323
Additions	-	194,726
Capital contribution to subsidiary	25,400	-
Return of capital from subsidiary	(77,454)	-
Acquisition of investments held by HSBC Europe (Netherlands) B V	-	246,228
Disposal of investment in HSBC Europe (Netherlands) B V	-	(395,245)
At 31 December	542,978	595,032
Movement in impairment provision		
At 1 January	(11,237)	-
Increase in impairment loss	(90,745)	(158,839)
Disposal of investment in HSBC Europe (Netherlands) B V	-	147,602
At 31 December	(101,982)	(11,237)
Net Book value		
At 31 December	440,996	583 795

On 17 January 2014 the Company made a capital injection of £25,400k into its subsidiary HSBC Securities Services Holdings (Ireland) Limited

During the year, the Company received £77,454k total return of capital from its subsidiary HSBC Securities Services Holdings (Ireland) Limited, £20,569k was received on 31 July 2014 as a reduction in the cost of investment and £139,069k was received on 9 December 2014, as a £56,885k reduction in the cost of investment and £82,184k dividend income

During the year, total net impairment provisions of £90,745k (2013 £158,839k) were charged, comprising

£93,847k against the Company's investments in HSBC Bank (RR) (Limited Liability Company) The impairment arose due to the subsidiary incurring operating losses and due to the movement in foreign exchange rates, resulting in a reduction in the recoverable amount of the investment

£4,455k against the Company's investments in HSBC Securities Services (Guernsey) Limited The impairment arose due to the subsidiary incurring actuarial losses, resulting in a reduction in the recoverable amount of the investment

£7,557k of impairment provisions were released by the Company in HSBC Securities Services Holdings (Ireland) Limited, as a result of a capital restructure of the subsidiary

The fair values of the investments are not considered to be less than the amount at which they are stated in the statement of financial position

The principal subsidiary undertakings and investments in which the Company holds a direct shareholding at 31 December 2014 were

	Country of Incorporation	Direct interest in ordinary share capital	Voting rights
HSBC Bank (RR) (Limited Liability Company)	Russia	100%	100%
HSBC Bank Armenia cjsc	Armenia	70%	70%
HSBC Bank Malta plc	Malta	70%	70%
HSBC International Holdings (Jersey) Limited	Jersey	100%	100%
HSBC Securities Services Holdings (Ireland) Limited	Ireland	100%	100%
HSBC Securities Services (Guernsey) Limited	Guernsey	100%	100%
HSBC Custody Services (Guernsey) Limited	Guernsey	100%	100%
HSBC Life (Europe) Limited	Ireland	100%	100%
HSBC Republic Bank Cyprus Limited	Cyprus	100%	100%
HSBC Bank International Limited	Jersey	100%	100%

6 Receivables

	2014 £'000	2013 £'000
Amounts due from parent undertakings	6,589	3,302

Amounts owed by other group undertakings have no fixed date for repayment and are therefore technically repayable on demand They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value

7 Share capital

	Nominal value per share (EUR)	Number of issued and fully paid shares	Issued share capital (EUR'000)	Issued share capital (GBP'000)
Ordinary shares	50 00	6,834,044	341,702	266,301
Preference A	50 00	689 861	34,493	26,882
Preference C	50 00	1,318,251	65 913	51,368
			442,108	344,551

Preference shares classes A and C carry the following rights

- On 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 class A and C 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 preferential shares as at end of the year is GBP 62 million (2013 GBP 62 million)
- When 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

Due to the determination of the British pound sterling as the functional currency, the issued share capital has been restated at the current exchange rate of EUR 1 28 (2013 EUR 1 20) The cumulative translation differences are shown as a separate component of equity

Details of the Share Premium and Capital exchange reserve are below

	Share Premium 2014 £'000	Capital exchange Reserve 2014 £'000	Share Premium 2013 £'000	Capital exchange Reserve 2013 £'000
Ordinary shares	194,726	(58,751)	194,726	(77,123)
Preference A	124,009	(5,525)	124,009	(7,380)
Preference C	51,782	(10 557)	51,782	(14 100)
	370,517	(74,833)	370,517	(98,603)

8 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments credit risk, liquidity risk, and market risk Market risk includes interest rate risk and foreign exchange risk

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Company's business The Company's risk management policies are consistent with the HSBC Group's risk management policies

The Company participates in transactions to which other HSBC group companies are also party The HSBC business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company

There were no changes in the Company's approach to risk management during the year

Credit risk management

The maximum exposure to credit risk

	2014 £'000	2013 £'000
Amounts due from parent undertakings	6,588	3,302

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

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due The Company has no significant exposure to liquidity risk due to the nature of its business, which is predominately investing in or financing of group companies These transactions are generally being funded by way of equity investment also obtained from the parent or other group company The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities (excluding interest) at the end of the reporting period

As at 31 December 2014	On Demand £'000
Amounts due to other group undertakings	271
As at 31 December 2013	
Amounts due to other group undertakings	78

Foreign currency risk management

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than the British Pound Sterling The currencies giving rise to this risk are primarily Sterling and Euro

In respect of other monetary assets and liabilities held in currencies other than the British Pound Sterling, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot, or forward rates where necessary to address short-term imbalances

The Company has certain investments in subsidiaries, which are denominated in foreign currencies and therefore where those investments are impaired, the impairment charged will be impacted by foreign currency movements

Interest rate risk

The Company's cash balances held at the parent undertaking accrue interest at a commercial rate thus the only interest rate risk is loss of interest income

9 Fair values

There are no material difference between the carrying value and the fair value of financial assets and liabilities as at 31 December 2014 and 31 December 2013

10 Related party transactions

The Company has a related party relationship with its parent, with other group undertakings and with its Directors

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc, and the parent undertaking of the smallest such group is HSBC Bank plc The immediate holding Company is Griffin International Limited The result of the Company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc

Copies of the group financial statements may be obtained from the following addresses

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

11 Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC group to provide necessary capital resources which are therefore managed on a group basis

The Company defines capital as total shareholders equity It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times There were no changes to the Company's approach to capital management during the year

12 Contingent liabilites

There were no contingent liabilites at 31 December 2014 (2013 Nil)

London, 29 June 2015

Board of Directors

P J Reid C M Brett C P Davies

Subsequent events

Since the year end movements in the Rouble to Sterling exchange rate have substantially increased the value of Russian investments There were no other subsequent events requiring disclosure in the financial statements

Statutory rules as to appropriation of profits

According to Article 11 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders If the General Meeting of Shareholders decides to declare a dividend, the holders of preference shares shall first be paid the preferential dividend

Article 16 also provides that the preferential dividend will be calculated by translating the euro value of the preference shares at the defined historic exchange rate to British Pound Sterling, with the annual rate of dividend being equal to the six-month London Interbank Offered Rate as at 11 00 a m on the first business day of the year In the case of a liquidation of the company or a repurchase of its own shares, the maximum amount receivable by the preference shareholders will not exceed the pounds sterling equivalent value as stated above According to Article 12 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders

Proposed appropriation of result

Management proposes to carry forward within retained profits the result for the year ended 31 December 2014

Report of the Auditor

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

KPMG

Independent auditor's report

To the Board of Directors of HSBC Europe B V

Report on the financial statements

We have audited the accompanying financial statements 2014 of HSBC Europe B V , Amsterdam, which comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Netherlands Civil Code Furthermore, the Board of Directors is responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements

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

KPMG Accountants N V registered with the trade register in the Netherlands under number 33263683 is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International) a Swiss entity

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of HSBC Europe B V as at 31 December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2 393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2 392 sub 1 at b - h has been annexed Further, we report that the management report, to the extent we can assess, is consistent with the financial statements as required by Section 2 391 sub 4 of the Netherlands Civil Code

Amstelveen, 30 June 2015

KPMG Accountants N V

C C J Segers RA

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

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

Companies House

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

✗ **What this form is NOT for**
You cannot use this form to an alteration of manner of c with accounting requirement

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A13 23/07/2015 #169
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	HSBC EUROPE B V
UK establishment number	B R 0 0 6 3 7 7

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

All fields are mandatory unless specified or indicated by *

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

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷: The Netherlands Civil Code

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No** Go to **Section A3**

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸: INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

OS AA01

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

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	DUTCH LAW, INCLUDING DUTCH STANDARDS ON AUDITING	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

	I am signing this form on behalf of the overseas company
Signature	Signature X X
	This form may be signed by Director, ~~Secretary, Permanent representative~~

OS AA01

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

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name DENETTE BOTCHWAY

Company name HSBC BANK PLC

Address 8 CANADA SQUARE

Post town LONDON

County/Region UNITED KINGDOM

Postcode E 1 4 5 H Q

Country

DX

Telephone 0207 99 12364

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