

✓ 012402-10

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



A11 \*A79YAS3L\* 11/07/2018 #281  
COMPANIES HOUSE  
A19 \*A78LMIE3\* 21/06/2018 #276  
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 for  
an alteration of manner of  
with accounting requirements.

### Part 1 Corporate company name

Corporate name of overseas company ① HSBC INVESTMENT BANK HOLDINGS B.V.

UK establishment number B R 0 0 0 6 5 6 3

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

All fields are mandatory unless  
specified or indicated by \*

① This is the name of the company in  
its home state.

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

#### A1 Legislation

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

Legislation ② The Netherlands Civil Code

② This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts.

#### A2 Accounting principles

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

Please tick the appropriate box.

☐ No. Go to **Section A3**.

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

Name of organisation or body ③ International Financial Reporting Standards

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

#### A3 Accounts

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

☐ No. Go to **Section A5**.

☒ Yes. Go to **Section A4**.

**OS AA01**

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

<b>A4 Audited accounts</b>		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to <b>Part 3 'Signature'</b> . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b> .	● Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ●	Dutch Law including Dutch Standards on Auditing	
<b>A5 Unaudited accounts</b>		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> No. <input type="checkbox"/> Yes.	
<b>Part 3 Signature</b>		
	I am signing this form on behalf of the overseas company.	
Signature	Signature <b>X</b> <i>Felipe Villanuso</i> <b>X</b> 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 Felipe Lago

Company name HSBC Holdings Plc

Address 8 Canada Square

Post town E14 5HQ

County/Region

Postcode

Country

DX

Telephone 020 326 83028



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



## Important information

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



## Where to send

You may return this form to any Companies House address:

### England and Wales:

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

### Scotland:

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

### Northern Ireland:

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



## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

V012401/10

**HSBC Investment Bank Holdings B.V.**  
Registered No: BR006563

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

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**HSBC Investment Bank Holdings B.V.**  
Registered No: BR006563

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

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**Principal activities**

HSBC Investment Bank Holdings B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number BV32037 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 Holdings B.V., incorporated in Netherlands. Its ultimate parent company is HSBC Holdings plc, incorporated in England and Wales.

During the year ended 31 December 2017, the Company continued to be an investment holding company.

**Review of the Company's business**

The business is funded principally by its parent, HSBC Holdings B.V.

The statement of comprehensive income and balance sheet provide the key performance indicators.

**Performance**

The performance and position of the Company for the year ended 31 December 2017 and the state of the Company's financial affairs at that date are set out on pages 4 to 24.

The net asset value of the Company as at 31 December 2017 amounts to \$124,741k (2016: \$124,832k).

The results of the Company show a loss before tax of \$(16)k (2016: profit before tax of \$32,247k).

**Key performance indicators**

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Holdings plc. Ongoing review of the performance of the Company is carried out by monitoring the subsidiary performance, including cash flows from and to each subsidiary.

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 13 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 1.1 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.

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

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**Directors**

The Directors who served during the year and up to the date of approval of the financial statements were as follows:

**Name**

G Mattia

P J Reid

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.

Indemnity provisions of this nature have been in place during the financial year and at the date of approval of Report of the Directors but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

**Dividends**

No dividends were paid during the year to its parent company HSBC Holdings B.V. (2016: nil).

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

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

**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.

**Financial risk management**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 21 of the Notes to the Financial Statements.

**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.

**Future developments**

No change in the Company's activities is expected.

**HSBC Investment Bank Holdings B.V.**

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

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**Independent Auditor**

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

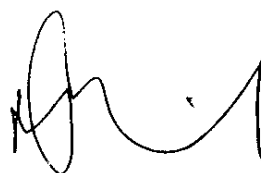
This report and the financial statements were approved by the Board of Directors on 21 May 2018.

London, 21 May 2018

Board of Directors



G Mattia



P J Reid

Registered Office  
8 Canada Square  
London E14 5HQ  
United Kingdom



**HSBC Investment Bank Holdings B.V.**

**Financial Statements**

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

	<i>Notes</i>	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Interest income	14	349	113
Other operating income/(expense)	2	35	(64)
<b>Net operating income</b>		<b>384</b>	<b>49</b>
General and administrative income/(expenses)		8	(2)
Impairment on investments in subsidiaries		(408)	32,200
<b>Total operating (expenses) / income</b>		<b>(400)</b>	<b>32,198</b>
<b>Operating (loss)/profit</b>		<b>(16)</b>	<b>32,247</b>
<b>(Loss)/profit before tax</b>		<b>(16)</b>	<b>32,247</b>
Tax expense	6	(75)	(18)
<b>(Loss)/profit for the year</b>		<b>(91)</b>	<b>32,229</b>

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

There has been no comprehensive income or expense other than (loss)/profit for the year as shown on above (2016: nil).

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

# HSBC Investment Bank Holdings B.V.

## Financial Statements

### Balance sheet as at 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	39,153	38,786
Derivatives	9	40	40
Prepayments and accrued income		37	38
Investments in subsidiaries	7	85,593	86,001
Total assets		<u>124,823</u>	<u>124,865</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables		7	7
Accruals, deferred income and other liabilities		-	7
Current tax liabilities		75	19
Total liabilities		<u>82</u>	<u>33</u>
<b>Equity</b>			
Called up share capital	8	292	256
Share premium account		221,095	221,095
Other reserves		(32)	4
Accumulated losses		(96,614)	(96,523)
Total equity		<u>124,741</u>	<u>124,832</u>
Total liabilities and equity		<u>124,823</u>	<u>124,865</u>

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

## HSBC Investment Bank Holdings B.V.

### Financial Statements

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

	<i>Notes</i>	<b>2017</b> \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		<b>(16)</b>	32,247
Adjustments for:			
Non-cash items included in loss before tax	<i>11</i>	<b>408</b>	(32,200)
Change in operating assets	<i>11</i>	<b>1</b>	-
Change in operating liabilities	<i>11</i>	<b>(7)</b>	2
Tax paid		<b>(19)</b>	-
Net cash generated from operating activities		<b>367</b>	49
<b>Net increase in cash and cash equivalents</b>		<b>367</b>	49
Cash and cash equivalents brought forward		<b>38,786</b>	38,737
<b>Cash and cash equivalents carried forward</b>	<i>11</i>	<b>39,153</b>	38,786

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

Financial Statements

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

	Called up share capital \$'000	Share premium \$'000	Accumulated losses \$'000	Other reserves Capital exchange reserve \$'000	Total equity \$'000
<b>2017</b>					
At 1 January 2017	256	221,095	(96,523)	4	124,832
Loss for the year	-	-	(91)	-	(91)
Total comprehensive income for the year	-	-	(91)	-	(91)
Exchange movement	36	-	-	(36)	-
At 31 December 2017	292	221,095	(96,614)	(32)	124,741

	Called up share capital \$'000	Share premium \$'000	Accumulated losses \$'000	Other reserves Capital exchange reserve \$'000	Total equity \$'000
<b>2016</b>					
At 1 January 2016	265	221,095	(128,752)	(5)	92,603
Profit for the year	-	-	32,229	-	32,229
Total comprehensive income for the year	-	-	32,229	-	32,229
Exchange movement	(9)	-	-	9	-
At 31 December 2016	256	221,095	(96,523)	4	124,832

The accompanying notes on pages 8 to 24 form an integral part of these financial statements.

**Capital exchange reserve**

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

**Notes on the Financial Statements**

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

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HSBC Investment Bank Holdings B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number BV32037 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 IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU') and in accordance with Book 2, Title 9 of the Dutch Civil Code.

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

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

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

**(b) Future accounting developments**

**Minor amendments to IFRSs**

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

**Major new IFRSs**

The IASB has published IFRS 9 'Financial Instruments' which has been endorsed for use in the EU. Adoption will not have a significant effect on the results or net assets of the Company.

**(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 that 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 dollars using the relating EURO/USD year-end closing rate. The movements in exchange of the share capital remain within equity and are captured in the capital exchange reserve, which is a distributable reserve.

**(d) Presentation of information**

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

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

The Company is exempt from the requirement to prepare group consolidated financial statements. All subsidiaries held by the Company are taken up within the consolidated financial statements of the ultimate parent company. Under the exemption provided by paragraph 4(a) of IFRS 10, the Company does not prepare consolidated financial statements and, in lieu thereof, files with the Trade Register of the Chamber of Commerce in Amsterdam the audited annual group financial statements of HSBC Holdings plc.

The Company is exempt from the requirements to prepare consolidated financial statements by virtue of IFRS 10 paragraph 4. The financial statements present information about the Company as an individual undertaking.

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

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

**(f) Going concern**

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

## 1.2 Summary of significant accounting policies

### (a) Income and expense

Operating income

#### *Interest income and expense*

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

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

### (b) Valuation of financial instruments

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

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

#### *Critical accounting estimates and judgements*

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

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

**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.

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

**Derivatives**

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value, with changes in fair value generally recorded in the income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative; this includes embedded derivatives which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis and are required by IFRSs to be accounted for separately from the host contract.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are reported in 'Net trading income'. Gains and losses on derivatives managed in conjunction with financial instruments designated at fair value are reported in 'Net income from financial instruments designated at fair value' together with the gains and losses on the economically hedged items. Where the derivatives are managed with debt securities issued by the group that are designated at fair value, the contractual interest is shown in 'Interest expense' together with the interest payable on the issued debt.

**(e) Investments in subsidiaries**

The Company's investments in subsidiaries are stated at cost less impairment losses.

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 classifies investments in entities in which it controls as subsidiaries.

***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 & fair value less cost of disposal, 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.



**Notes on the Financial Statements**

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**(f) Tax**

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

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

**(g) 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.

**(h) 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.

Notes on the Financial Statements

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

	2017 \$'000	2016 \$'000
Foreign exchange gain/(loss)	35	(64)

**3 Directors' emoluments**

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

**4 Employee compensation and benefits**

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

**5 Independent Auditor's remuneration**

Certain expenses including independent auditor's remuneration have been borne by HSBC Holdings plc and are therefore not charged in arriving at profit before tax. The amount incurred in respect of the audit of these financial statements was \$16k (2016: \$9k).

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

**6 Tax**

**Tax expense**

	2017 \$'000	2016 \$'000
Current tax		
- for this year	75	9
- adjustments in respect of prior years	-	8
Total current tax	75	17
Deferred tax		
- origination and reversal of temporary differences	-	1
Total tax expense for the year ended 31 December	75	18

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

The Company migrated its tax residence from the Netherlands to the United Kingdom before 1 January 2011.

## HSBC Investment Bank Holdings B.V.

### Notes on the Financial Statements

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

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

#### Tax reconciliation

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

	2017 \$'000	%	2016 \$'000	%
(Loss)/profit before tax	(16)		32,247	
Tax at 19.25% (2016: 20.00%)	(3)	19.2	6,449	20.00
Adjustments in respect of prior period liabilities	-	-	9	0.03
Non-taxable income and gains	-	-	(6,440)	(19.97)
Amounts not deductible for tax purposes	78	(490.9)		
Total tax charged to the income statement	75	(471.7)	18	0.06

#### Deferred tax assets

The following tables show the deferred tax assets recognised in the balance sheet and the related amounts recognised in the income statement.

	2017 \$'000	2016 \$'000
At 1 January	-	1
Adjustment in respect of prior years	-	(1)
	-	-

## Notes on the Financial Statements

## 7 Investments in subsidiaries

	2017 \$'000	2016 \$'000
<b>Cost</b>		
At 1 January	281,471	281,471
At 31 December	281,471	281,471
<b>Provision for impairment</b>		
At 1 January	(195,470)	(227,670)
Charge <sup>1</sup>	(408)	
Release	-	32,200
At 31 December	(195,878)	(195,470)
<b>Net carrying amount at 31 December</b>	<b>85,593</b>	<b>86,001</b>

<sup>1</sup> Impairment charge in respect to investment in HSBC Investment Company(Egypt) S.A.E, which is in the process of being liquidated.

**Impairment of investments**

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

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

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

## HSBC Investment Bank Holdings B.V.

### Notes on the Financial Statements

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

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

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

#### HSBC Securities and Capital Markets (India) Pte Limited

HSBC Securities and Capital Markets (India) Pte Limited ("HSCI") provides banking services in India. A comparison of the carrying amount to value in use, calculated using a discount rate of 15.95% (2016: 14.85%) and a growth rate of 2.33% (2016: 4.29%), indicated a recoverable amount for HSCI below the carrying value.

The calculation for the fair value less cost of disposal is based on the individual assets and liabilities adjusted to fair value where appropriate. To determine the fair value of the business as a whole the value-in-use of HSCI's individual investment in subsidiaries was calculated, using a discount rate of 15.95% and growth rates of 1.43%-6.09%, and price/book ratio determined on the remaining assets and liabilities. A blended price/book ratio was determined that resulted in the fair value less cost of disposal of \$85m being not significantly different from the carrying value of \$85m.

Based on this valuation, the impairment provision of US\$189.1m against the investment in HSCI remains unchanged (2016: \$32.2m release of impairment provision).

#### Sensitivity to key assumptions for investment in HSBC Securities and Capital Markets (India) Pte Limited

Based on management's assessment of the recoverable amount of its investment in HSCI, the Company has kept the carrying amount unchanged. Changes to the key assumptions used in the fair value less cost of disposal calculation of \$85m would have the following impact on the value in use:

Key assumptions	Change in assumption	Impact on fair value less cost of disposal - (loss)/gain
Discount rate	+/-100 basis points	\$(4)m/\$5m
Nominal growth rate	+/-100 basis points	\$4m/\$(3)m

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

	Country of incorporation	Interest in equity capital %	Share class
HSBC Securities and Capital Markets (India) Pte Limited	India	100.00	Ordinary/Preference shares
HSBC Investment Company (Egypt) S.A.E.	Egypt	59.00	Ordinary shares
HSBC Securities (Philippines) Inc.	Philippines	100.00	Ordinary shares

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

Notes on the Financial Statements

**8 Called up share capital**

Class of shares	Nominal value per share (€)	Number of issued and fully paid shares	Issued share capital (€'000)	2017 Issued share capital (\$'000)	2016 Issued share capital (\$'000)
Ordinary shares	50	4,866	243	292	256
<b>Balance as at 31 December</b>		<b>4,866</b>	<b>243</b>	<b>292</b>	<b>256</b>

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

During 2017 no new ordinary shares were issued (2016: no shares were issued).

**9 Derivatives**

Fair values of derivative open positions by type of product contract:

	2017 \$'000	2016 \$'000
Total return swap	40	40

Notional contract amounts of derivatives held-for-trading purposes by product type:

	2017 \$'000	2016 \$'000
Total return swap	1,700	1,700

The total return swap is measured at fair value using level 2 valuation techniques which use observable inputs.

The total return swap is linked to the value of the return from the shares in Sidham Finance and Investments (Private) Limited. The principle observable inputs were the net asset value/investment return from Sidham Finance and Investment (Private) Limited and the 12 month US dollar LIBOR rate.

## HSBC Investment Bank Holdings B.V.

### Notes on the Financial Statements

#### 10 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The following table analyses the carrying amount of financial assets and liabilities by category and by balance sheet heading:

	Financial assets and liabilities at fair value \$'000	Financial assets and liabilities at amortised cost \$'000	Total \$'000
<b>At 31 December 2017</b>			
<b>Assets</b>			
Cash and cash equivalents	-	39,153	39,153
Derivatives	40	-	40
Total financial assets	40	39,153	39,193
Total non-financial assets			85,630
<b>Total assets</b>			<b>124,823</b>
<b>Liabilities</b>			
Trade and other payables	-	7	7
Total financial liabilities	-	7	7
Total non-financial liabilities			75
<b>Total liabilities</b>			<b>82</b>
<b>At 31 December 2016</b>			
<b>Assets</b>			
Cash and cash equivalents	-	38,786	38,786
Derivatives	40	-	40
Total financial assets	40	38,786	38,826
Total non-financial assets			86,039
<b>Total assets</b>			<b>124,865</b>
<b>Liabilities</b>			
Trade and other payables	-	7	7
Accruals, deferred income and other liabilities	-	7	7
Total financial liabilities	-	14	14
Total non-financial liabilities			19
<b>Total liabilities</b>			<b>33</b>

Notes on the Financial Statements

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

	2017 \$'000	2016 \$'000
a) Non-cash items included in profit before tax		
Impairment charge/(reversal) on investments in subsidiaries	<u>408</u>	<u>(32,200)</u>
b) Change in operating assets		
Change in prepayments and accrued income	<u>1</u>	<u>-</u>
c) Change in operating liabilities		
Change in accruals and deferred income	(7)	-
Change in trade and other payables	<u>-</u>	<u>2</u>
	<u>(7)</u>	<u>2</u>
d) Cash and cash equivalents comprise		
Cash at bank with other group undertakings	<u>39,153</u>	<u>38,786</u>
e) Interest and dividends		
Interest received	<u>349</u>	<u>113</u>



Notes on the Financial Statements

12 Maturity analysis of assets and liabilities

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

31 December 2017	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Cash and cash equivalents	39,153	-	-	-	39,153
Derivatives	-	-	40	-	40
Non-financial assets	-	37	-	85,593	85,630
<b>Total as at December 2017</b>	<b>39,153</b>	<b>37</b>	<b>40</b>	<b>85,593</b>	<b>124,823</b>

31 December 2017	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Undated \$'000	Total \$'000
<b>Liabilities and Equity</b>					
Trade and other payables	7	-	-	-	7
Non-financial liabilities	-	-	75	-	75
<b>Total as at December 2017</b>	<b>7</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>82</b>

31 December 2016	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Cash and cash equivalents	38,786	-	-	-	38,786
Derivatives	-	-	40	-	40
Non-financial assets	-	38 <sup>1</sup>	-	86,001 <sup>1</sup>	86,039 <sup>1</sup>
<b>Total as at December 2016</b>	<b>38,786</b>	<b>38<sup>1</sup></b>	<b>40</b>	<b>86,001<sup>1</sup></b>	<b>124,865<sup>1</sup></b>

31 December 2016	On demand \$'000	Due within 3 months \$'000	Due between 3-12 months \$'000	Undated \$'000	Total \$'000
<b>Liabilities and Equity</b>					
Trade and other payables	7	-	-	-	7
Accruals, deferred income and other liabilities	-	7	-	-	7
Non-financial liabilities	-	-	-	19	19
<b>Total as at December 2016</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>19</b>	<b>33</b>

<sup>1</sup> Amounts have been restated.

### 13 Management of financial risk

Systems and procedures are in place in the HSBC Group to identify, control and report on the major risks associated with financial instruments which include credit, liquidity and market risk. A Risk Management Meeting of the Group Management Board, chaired by the Group Chief Risk Officer, is held each month (except August) to address asset, liability and risk management issues for the HSBC Group. The Risk Management Meeting sets processes and limits to be applied by HSBC subsidiaries, including HSBC Investment Bank Holdings B.V. Exposure to these risks is monitored by HSBC Holdings plc's Asset and Liability Committee.

#### (a) Credit risk management

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

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

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

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

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 15.

The maximum exposure to credit risk:

	2017 \$'000	2016 \$'000
Cash and cash equivalents	39,153	38,786
Derivatives	40	40
	<b>39,193</b>	<b>38,826</b>

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

There is no significant concentration of risk in the Company.

## HSBC Investment Bank Holdings B.V.

### Notes on the Financial Statements

#### (b) Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

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

	On demand \$'000	Due within 3 months \$'000
<b>At 31 December 2017</b>		
Trade and other payables	7	-
<b>Total as at 31 December 2017</b>	<b>7</b>	<b>-</b>

	On demand \$'000	Due within 3 months \$'000
<b>At 31 December 2016</b>		
Trade and other payables	7	-
Accruals, deferred income and other liabilities	-	7
<b>Total as at 31 December 2016</b>	<b>7</b>	<b>7</b>

#### (c) Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce income values. Exposure to these risks arises from short-term cash balances and funding positions with other group undertakings. The objective of the Company's risk management strategy is to reduce exposure to these risks and minimise volatility in economic income, cash flows and distributable reserves. The principal tool for managing this is sensitivity analysis of changes in profit before tax to future changes in the exchange rates or interest rate.

##### Foreign exchange risk

The Company has no significant exposure to foreign currency risk on assets and liabilities that are denominated in a currency other than the US dollar.

##### Interest rate risk

The Company held net assets of \$39m (2016: \$39m) 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 \$0.39m (2016: \$0.39m) and after tax of \$0.31m (2016: \$0.31m).

## HSBC Investment Bank Holdings B.V.

### Notes on the Financial Statements

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#### 14 Related party transactions

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Balances with other related parties

	2017		2016	
	Highest balance during the year \$'000	Balance at 31 December \$'000	Highest balance during the year \$'000	Balance at 31 December \$'000
<b>Assets</b>				
Cash and cash equivalents <sup>1</sup>	39,153	39,153	38,786	38,786
Derivatives <sup>1</sup>	40	40	40	40
<b>Liabilities</b>				
Trade and other payables <sup>1</sup>	7	7	6	7
Accruals, deferred income and other liabilities <sup>1</sup>	10	-	9	7
		Notes	2017 \$'000	2016 \$'000
<b>Income statement</b>				
Interest income <sup>1</sup>		11	349	113

<sup>1</sup> These balances are with other group companies which are neither a parent nor subsidiary of the Company.

The above outstanding balances arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

#### 15 Contingent liabilities

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

#### 16 Parent undertakings

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

HSBC Holdings plc is incorporated in England and Wales.

The immediate parent undertaking is HSBC Holdings B.V. which is incorporated in the Netherlands as a close Company with limited liability and domiciled in England and Wales.

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

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

HSBC Investment Bank Holdings B.V.

## **Independent Auditor's Report**

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To: the general meeting of HSBC Investment Bank Holdings B.V.

### **Report on the financial statements 2017**

#### *Our opinion*

In our opinion HSBC Investment Bank Holdings B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2017 of HSBC Investment Bank Holdings B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the following statements for 2017: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

#### **The basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

#### *Independence*

We are independent of HSBC Investment Bank Holdings B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (VtO – 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).

**Other information**

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**Statutory rules as to appropriate profits**

According to Article 12 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders.

**Report of the independent auditor**

The report of the independent auditor is set forth on the following page.

**Independent Auditor's Report**

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To: the general meeting of HSBC Investment Bank Holdings B.V.

**Report on the financial statements 2017**

*Our opinion*

In our opinion HSBC Investment Bank Holdings B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

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- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

**The basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

*Independence*

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## **Independent Auditor's report**

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

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

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

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

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

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

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

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

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

#### **Responsibilities of the board of Directors**

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.



**Independent Auditor's Report**

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**Our responsibilities for the audit of the financial statements**

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Amsterdam, 21 May 2018  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M de Bruin RA

**Independent Auditor's Report**

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**Appendix to our Independent auditor's report on the financial statements 2017 of HSBC Investment Bank Holdings B.V.**

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

*The auditor's responsibilities for the audit of the financial statements*

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's financial statements we are responsible for the direction, supervision and performance of the audit of the financial statements. In this context, we have determined the nature and extent of the audit procedures for subsidiaries to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## *Independent auditor's report*

To: the general meeting of HSBC Investment Bank Holdings B.V.

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### *Report on the financial statements 2017*

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#### *Our opinion*

In our opinion HSBC Investment Bank Holdings B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2017 of HSBC Investment Bank Holdings B.V., Amsterdam ('the Company').

The financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the following statements for 2017: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

#### *Independence*

We are independent of HSBC Investment Bank 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.

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



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).

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

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

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

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

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

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

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

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

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

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### ***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.



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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Amsterdam, 21 May 2018  
PricewaterhouseCoopers Accountants N.V.

A handwritten signature in black ink, consisting of stylized letters, enclosed within a large, hand-drawn oval. Below the signature, the text 'M.S. de Bruijn RA' is printed.

M.S. de Bruijn RA



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## ***Appendix to our auditor's report on the financial statements 2017 of HSBC Investment Bank Holdings B.V.***

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In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going-concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's financial statements, we are responsible for the direction, supervision and performance of the audit of the financial statements. In this context, we have determined the nature and extent of the audit procedures for subsidiaries to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.