

OS AA01

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



Companies House



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19/10/2020

#133

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 register
an alteration of manner of company
with accounting requirements.

MONDAY

Part 1 Corporate company name

Corporate name of
overseas company ①

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 *

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.

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

Name of organisation
or body ③

Financial
INTERNATIONAL ACCOUNTING STANDARDS

A3 Accounts

Accounts

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

☐ No. Go to Section A5.

☒ Yes. Go to Section A4.

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A4**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to Part 3 'Signature' . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature' .	1 Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body 1	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. <input type="checkbox"/> No. <input type="checkbox"/> Yes.
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Part 3**Signature**

I am signing this form on behalf of the overseas company.	
Signature	<div style="display: flex; justify-content: space-between;"><div>X</div><div>X</div></div> <div style="text-align: center; margin-top: 10px;">(Signature)</div>
This form may be signed by: Director, Secretary, Permanent representative.	

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



Presenter information

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

Contact name	Nicky Hopkins
Company name	HSBC Bank plc
Address	8 Canada Square
Post town	London
County/Region	
Postcode	E 1 4 5 H Q
Country	UNITED KINGDOM
DX	
Telephone	020 7991 8560



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

You may return this form to any Companies House address:

England and Wales:

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

Scotland:

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

Northern Ireland:

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



Further information

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

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

HSBC Europe B.V.

Registration No: 34120777

**Annual Report and Financial Statements for the year
ended 31 December 2019**



HSBC Europe B.V.

Annual Report and Financial Statements for the year ended 31 December 2019

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HSBC Europe B.V.

Management Report for the year ended 31 December 2019

Principal activities

HSBC Europe B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number 34120777, is registered and domiciled in the United Kingdom. Its ultimate parent company is HSBC Holdings plc, incorporated in England and Wales.

During the year the principal activity of the Company 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 anticipated to the principal activities of the Company.

Review of the Company's business

During the year the Company received total dividend income of £71,359k (2018: £43,709k) from other group undertakings.

In July 2019, a distribution of £1,518k (2018: £22,000k and £11,495k in June and December 2018 respectively) was received from the Company's wholly owned subsidiary, HSBC International Holdings (Jersey) Limited. This distribution has been treated as a repayment of capital. The subsidiary went into liquidation in December 2018 and an impairment provision of £2,176k was raised in the prior year to bring the carrying value of the cost of investment in line with the net asset value. An amount of £147k of this provision was released during 2019.

During the year, a further provision for £6,051k (2018: nil) was raised against HSBC Bank (RR) (Limited Liability Company). Further details in respect of impairment provisioning is included in Note 10.

Performance

The performance and position of the Company for the year ended 31 December 2019 and the state of the Company's financial affairs at that date are set out on pages 4 to 15.

The net asset value of the Company as at 31 December 2019 amounts to £339,326k (2018: 407,325k).

The results of the Company show a profit before tax of £65,459k (2018: £41,560k).

The Company received the following dividends from other group undertakings:

	2019	2018
	£'000	£'000
Dividends from ordinary shares		
HSBC Bank Malta plc	5,088	23,686
HSBC Bank (RR) (Limited Liability Company)	34,604	20,023
HSBC Securities Services Holdings (Ireland) DAC	31,667	-
Year ended 31 December	71,359	43,709

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 Bank 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 1.2 on the financial statements.

The Company's exposure to credit, liquidity and market risks (including foreign currency and interest rate risks) are limited due to the nature of its business which is the holding of investments in subsidiary undertakings. These transactions are generally funded by way of capital or debt obtained from the parent or other group companies.

The COVID-19 event has been covered separately below under 'Significant events since the end of the financial year' in the Management Report.

Corporate social responsibility

The Corporate social responsibility Activities are described in detail in the HSBC Holdings plc's Annual Report and Account 2019, which is available on www.hsbc.com.

Specific codes of conduct

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

HSBC Europe B.V.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Name	Appointed
C P Davies	14 February 2014
P J Reid	1 April 2010
J Fleurant	26 July 2019

Appointments to the Board are made on merit and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors. The Board of Directors keep the skills and technical expertise required on the Board under continuous review, taking account of key and emerging risks issues affecting the business. The Board of Directors will keep the Board composition requirement proposed by 'Wet Bestuur en Toezicht' under review assessing future Board appointments.

Dividends

Dividends of £125,802k and £4,199k were paid during the year to Griffin International Limited and Midcorp Limited respectively. No dividends were paid during the prior year.

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The impact on key economic indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to assess recoverable amounts from subsidiaries in 2020.

An analysis of the potential financial impact of COVID-19 has been carried out and it was concluded that the Company has sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. With respect to the Company's subsidiaries, at 31 December 2019, there has been a reduction in forecasted future cash flows from the investment held by the Company in HSBC (RR) (Limited Liability Company). The reduction in forecasted cash flows, together with changes to growth and discount rates has resulted in a lower Value in use for the investment compared to carrying value. Consequently, an impairment of £6,051k was raised in the year which is included within the total impairment charge shown in the income statement.

Uncertainty in respect of future cash flows is expected to continue as a result of the COVID-19 event. Sensitivity analysis in respect of changes in the key factors for determining the valuation at 31 December 2019 are detailed in Note 10 on the financial statements. However, it is considered that there has been no significant impact noted up to the date of signing the financial statements. The Company's other investments remain well capitalised and there is sufficient headroom to withstand any further extreme downside economic scenario.

Whilst uncertain, management of the Company do not consider that the impact of the COVID-19 pandemic will have a material adverse effect on the Company's financial condition or liquidity. Accordingly, the Directors consider it appropriate that the Company adopts the going concern basis of accounting in the preparation of the financial statements.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies.

Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, an assessment of the potential financial impact of COVID-19 on the Company has been carried out and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. The main risk to the Company continues to be the uncertainty in the valuation of the investment in HSBC (RR) (Limited Liability Company) from forecasted cash flows. Uncertainty in future trading levels and volatility in exchange rates is expected to continue, particularly as a result of the COVID-19 event. This may result in an ongoing increased risk of further impairments being required. Sensitivity analysis in respect of changes in the key factors for determining the valuation at 31 December 2019 are detailed in Note 10 on the financial statements. However, it is considered that there is no material adverse effect on the Company's financial condition of liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the ongoing potential impact on the Company's financial performance.

HSBC Europe B.V.

Capital management

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

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.

Independent auditors

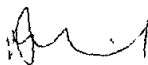
Pursuant to Part 9 of Book 2 of the Dutch Civil Code, the independent auditors will be deemed to be reappointed and PricewaterhouseCoopers Accountants N.V. will therefore continue in office.

This report and the financial statements were approved by the Board of Directors on 26 June 2020.

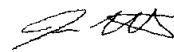
London,

Board of Directors

C P Davies



P J Reid



J Fleurant

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Europe B.V.

Financial statements

Income statement for the year ended 31 December 2019

		2019	2018
	Notes	£'000	£'000
Dividend income		71,359	43,709
Net operating income before loan impairment charges and other credit risk provision		71,359	43,709
Net operating income		71,359	43,709
General and administrative income	2	4	27
Impairment charge on investments in subsidiaries	19	(5,904)	(2,176)
Total operating income expenses		(5,900)	(2,149)
Operating profit		65,459	41,560
Profit before tax		65,459	41,560
Tax expense	6	(3,457)	(2,007)
Profit for the year		62,002	39,553

Statement of comprehensive income for the year ended 31 December 2019

There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

HSBC Europe B.V.

Balance sheet at 31 December 2019

Registration No: 34120777

	Notes	2019 €'000	2018 €'000
Assets			
Cash and cash equivalents	7	21,716	82,296
Investments in subsidiaries	10	317,612	325,034
Total assets		339,328	407,330
Liabilities and equity			
Liabilities			
Trade and other payables		1	—
Current tax liabilities		1	5
Total liabilities		2	5
Equity			
Called up share capital	11	59	62
Share premium account		138,119	138,119
Other reserves		(17)	(20)
Retained earnings		201,165	269,164
Total equity		339,326	407,325
Total liabilities and equity		339,328	407,330

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2020.

HSBC Europe B.V.

Statement of cash flows for the year ended 31 December 2019

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Profit before tax	65,459	41,560
Adjustments for:		
Non-cash items included in profit before tax	5,904	2,176
Tax paid	(3,461)	(2,069)
Net cash generated from operating activities	67,902	41,677
Cash flows from investing activities		
Net cash inflow from disposal of subsidiaries	1,518	33,495
Net cash generated from investing activities	1,518	33,495
Cash flows from financing activities		
Repayment of borrowings	1	(109)
Dividends paid	(130,001)	-
Net cash used in financing activities	(130,000)	(109)
Net (decrease)/increase in cash and cash equivalents	(60,580)	75,063
Cash and cash equivalents brought forward	82,296	7,233
Cash and cash equivalents carried forward	21,716	82,296

Notes

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HSBC Europe B.V.

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Share premium	Retained earnings	Other reserves	Total equity
				Capital exchange reserve	
	£'000	£'000	£'000	£'000	£'000
At 1 Jan 2019	62	138,119	269,164	(20)	407,325
Profit for the year	—	—	62,002	—	62,002
- exchange differences and other	(3)	—	—	3	—
Total comprehensive income/(expense) for the year	(3)	—	62,002	3	62,002
Dividends to shareholders	—	—	(130,001)	—	(130,001)
At 31 Dec 2019	59	138,119	201,165	(17)	339,326

	Called up share capital	Share premium	Retained earnings	Other reserves	Total equity
				Capital exchange reserve	
	£'000	£'000	£'000	£'000	£'000
At 1 Jan 2018	44	138,119	229,611	(2)	367,772
Profit for the year	—	—	39,553	—	39,553
- exchange differences and other	18	—	—	(18)	—
Total comprehensive income/(expense) for the year	18	—	39,553	(18)	39,553
At 31 Dec 2018	62	138,119	269,164	(20)	407,325

Capital exchange reserve

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

Dividend per share

Dividend per ordinary share for the year was £19 (2018: nil).

Equity is wholly attributable to ordinary shareholders of HSBC Europe B.V.

Notes on the financial statements

1 Basis of preparation and significant accounting policies

HSBC Europe B.V. (the 'Company') incorporated in the Netherlands as a limited liability company, with the Dutch Chamber of Commerce, registration number 34120777 is registered and domiciled in United Kingdom. Its ultimate parent company is HSBC Holdings plc, incorporated in England and Wales.

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 2019, there were no unendorsed standards effective for the year ended 31 December 2019 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 2019

IFRS 16 'Leases'

The IASB has published IFRS 16 'Leases'. IFRS 16 have been endorsed for use in the EU. Adoption has had no impact on the results or net assets of the Company.

Interest Rate Benchmark Reform: Amendments to IFRS 9 and IAS 39 'Financial Instruments'

Amendments to IFRS 9 and IAS 39 issued in September 2019 modify specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform.

These amendments apply from 1 January 2020 with early adoption permitted.

The Company does not carry out hedge accounting and therefore expects no impact on the financial statements from this standard.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2020 that are expected to have a significant impact on the financial statements of the Company.

(c) Foreign currencies

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company.

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

The share capital of the Company has been restated into sterling using the relevant EURO/GBP 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.

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

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

The financial statements present information about the Company as an individual undertaking.

HSBC Europe B.V.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, highlighted as the 'critical accounting estimates and judgements' in section 1.2 to follow, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

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

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies.

Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, an assessment of the potential financial impact of COVID-19 on the Company has been carried out and it was concluded that the Company had sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. The main risk to the Company continues to be the uncertainty in the valuation of the investment in HSBC (RR) (Limited Liability Company) from forecasted cash flows. Sensitivity analysis in respect of changes in the key factors for determining the valuation at 31 December 2019 are detailed in Note 10 on the financial statements. However, it is considered that there is no material adverse effect on the Company's financial condition of liquidity, presently, or within future projections based on currently available information. Management will continue to monitor the situation closely, including the ongoing potential impact on the Company's financial performance.

(g) General information

The Company was incorporated on 9 September 1999 in the Netherlands with limited liability. It is a subsidiary of Griffin International Limited (96.77%). In turn Midcorp Limited, the parent of Griffin International Limited (100%) holds a further 3.23% of the Company directly.

On 6 November 2001, the Company split under article 4:334f sub 2d of Book 7 of the Dutch 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.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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

Non-interest income and expense

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

On receipt of a dividend, the Directors consider whether it represents a return on capital or a return on investment, or both. The proportion of a dividend that represents a return on capital is offset against the carrying value of the investment. The proportion that represents a return on investment is taken to the income statement.

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

The Company's investments in subsidiaries are stated at cost less impairment losses and any return of capital.

HSBC Europe B.V.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired, which involves estimations of value in use reflecting management's best estimate of the future cash flows of the investment and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

Judgements	Estimates
<ul style="list-style-type: none">• The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions. Where such circumstances are determined to exist, management re-tests for impairment more frequently than once a year when indicators of impairment exist. This ensures that the assumptions on which the cash flow forecasts are based continue to reflect current market conditions and management's best estimate of future business prospects	<ul style="list-style-type: none">• The future cash flows of each investment 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, but they reflect management's view of future business prospects at the time of the assessment• The rates used to discount future expected cash flows can have a significant effect on their valuation, and are based on the costs of capital assigned to the investment. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium for the risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions beyond management's control• Key assumptions used in estimating impairment in subsidiaries are described in Note 10

(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) Tax

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

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

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

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

(e) Called up share capital

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

The preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or when it is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(f) Cash and cash equivalents

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

2 General and administrative income

The income of £4k (2018: £27k income) within General and administrative income includes £5k gain (2018: £2k) from foreign exchange retranslation during the current year.

3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).

4 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: 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.

HSBC Europe B.V.

5 Auditors' remuneration

Certain expenses including independent auditors' remuneration have been borne by HSBC Bank 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 £23,100 (2018: £22,000).

There were no fees in respect of other audit procedures, tax or non-audit services incurred during the year (2018: nil).

6 Tax

Tax expense

	2019	2018
	£'000	£'000
Current tax		
UK Corporation tax		
- For this year	1	5
- Adjustments in respect of prior years	(4)	-
Overseas tax		
- For this year	3,460	2,002
Total current tax	3,457	2,007
Year ended 31 Dec	3,457	2,007

The UK corporation tax rate applying to the Company was 19% (2018: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 should continue to be measured at 17%, albeit there are no such balances in this company.

Tax reconciliation

	2019		2018	
	£'000	(%)	£'000	(%)
Profit before tax	65,459		41,560	
Tax at 19.00% (2018: 19.00%)	12,437	19.0	7,896	19.0
Adjustments in respect of prior years	(4)	-	-	-
Effects of overseas tax rates	3,460	5.3	2,003	4.8
Non-taxable income and gains	(13,558)	(20.7)	(8,305)	(20.0)
Impairment in investments	1,122	1.7	413	1.0
Year ended 31 Dec	3,457	5.3	2,007	4.8

7 Cash and cash equivalents

	2019	2018
	£'000	£'000
Bank balances	21,716	82,296
At 31 Dec	21,716	82,296

The cash and cash equivalents have no fixed date for repayment and are therefore technically repayable on demand. These amounts are non-interest bearing and the fair value is not considered to be significantly different from the carrying value due to their short term nature.

8 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis at amortised cost.

9 Fair values of financial instruments

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2019 and 31 December 2018.

10 Investments in subsidiaries

Movements on investments

	2019 £'000	2018 £'000
Cost		
At 1 Jan	362,460	395,955
Disposals	(1,518)	(33,495)
At 31 Dec	360,942	362,460
Provision for impairment		
At 1 Jan	(37,426)	(35,250)
Charge	(6,051)	(2,176)
Release	147	—
At 31 Dec	(43,330)	(37,426)
Net book/carrying value at 31 Dec	317,612	325,034

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. In the prior year, these growth rates reflected both GDP and inflation for the countries within which the subsidiary operates or derives revenue. At 31 December 2019, the extent to which growth rates based on nominal GDP remained appropriate was considered, given the uncertainty in the macroeconomic environment around the world. It is anticipated that when global growth does stabilise, it will be at a slightly lower level than previous years. As a result, it is considered appropriate to base the long term growth assumptions on inflation data, moving away from a higher nominal GDP basis.

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

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 income statement for the year. The accuracy of forecast cash flows is subject to a high degree of uncertainty in volatile market conditions.

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

HSBC Bank (RR) (Limited Liability Company) ('HBRR')

As at 31 December 2019, the net assets of this investment were lower than the carrying value, giving rise to an indicator for impairment. A further assessment of Value in use ('VIU') was performed using forecasts of future cash flows, a discount rate of 15.35% (2018: 15.85%) and a growth rate of 4.00% (2018: 5.70%) in accordance with the details of factors set out above. This showed that the VIU of £176m (2018: £228m) was lower than the carrying value of £182m (2018: £182m) and hence it is considered that a further impairment provision is required of £6m (2018: nil).

The VIU is sensitive to assumptions in respect of future cash flow forecasts. Sensitivity can arise as a result of changes in trading levels or exchange rates. A 10% increase in future cash flows would result in a VIU of £192m whereas a decrease of 10% would result in a VIU of £158m. If a 10% decrease in future cash flows were combined with a 100bps increase in discount rate or a 100bps decrease in growth rate, this would result in VIUs of £146m and £150m respectively.

For the investment in HBRR, uncertainty in future trading levels and volatility in exchange rates is expected to continue, particularly as a result of the COVID-19 event. This may result in an ongoing risk of further impairments being required as shown by the impact on VIU from sensitivity analysis performed above. However, it is considered that the factors used to determine the VIU of the investment in HBRR are reasonable and reflect the conditions existing as at the balance sheet date.

As at 31 December 2019, the recoverable amount of all other investments held by the Company are not considered to be significantly different from amounts at which they are stated in the balance sheet. Therefore no further impairments are considered to be required.

HSBC Europe B.V.

The principal subsidiary undertakings of the Company as at 31 December 2019 and 31 December 2018 were:

	Country of incorporation	Interest in equity capital (%)	Share class
HSBC Securities Services (Guernsey) Limited	Guernsey	99.99	Ordinary
HSBC Bank (RR) (Limited Liability Company)	Russia	100.00	Limited liability
HSBC Bank Armenia ojsc	Armenia	70.00	Ordinary
HSBC Bank Malta plc	Malta	70.03	Ordinary
HSBC International Holdings (Jersey) Limited (in liquidation)	Jersey	100.00	Ordinary
HSBC Securities Services Holdings (Ireland) DAC	Ireland	100.00	Ordinary
HSBC Custody Services (Guernsey) Limited	Guernsey	100.00	Ordinary

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

11 Called up share capital

			2019	2018
	Number of issued and fully paid shares	Issued share capital (£'000)	Issued share capital £'000	Issued share capital £'000
Class of shares				
Ordinary shares of €0.01	6,834,044	68.34	59	62
Balance as at 31 Dec	6,834,044	68.34	59	62

12 Contingent liabilities

There were no contingent liabilities or financial guarantee contracts as at 31 December 2019 (2018: nil).

13 Management of financial risk

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, foreign exchange risk and equity 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's risk management policies.

The Company participates in transactions in 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

Maximum exposure to credit risk

	2019	
	Maximum exposure £'000	Exposure to credit risk (net) £'000
Cash and cash equivalents	21,716	21,716
At 31 Dec	21,716	21,716

	2018	
	Maximum exposure £'000	Exposure to credit risk (net) £'000
Cash and cash equivalents	82,296	82,296
At 31 Dec	82,296	82,296

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.

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.

HSBC Europe B.V.

Foreign exchange risk

The Company is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than sterling.

The currency giving rise to this risk is primarily the Russian Rouble. Sensitivity from movements in exchange rates that could impact future cash flows is detailed in Note 10.

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 affected by foreign currency movements.

Interest rate risk

The Company is not exposed to interest rate risk on its financial assets or liabilities.

14 Related party transactions

Transactions detailed below include amounts due to/from other group undertakings:

	2019		2018	
	Highest balance during the year £'000	Balance at 31 December £'000	Highest balance during the year £'000	Balance at 31 December £'000
Assets				
Cash and cash equivalents ¹	134,825	21,716	82,296	82,296
			2019 £'000	2018 £'000
Income statement				
Dividend income ²			71,359	43,709

¹ These balances are held with HSBC Bank plc.

² These amounts are received from subsidiaries 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 Parent undertakings

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

The immediate parent undertaking is Griffin International Limited. All companies are registered in England and Wales.

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

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

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

16 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The impact on key economic indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to assess recoverable amounts from subsidiaries in 2020.

An analysis of the potential financial impact of COVID-19 has been carried out and it was concluded that the Company has sufficient cash resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. With respect to the Company's subsidiaries, at 31 December 2019, there has been a reduction in forecasted future cash flows from the investment held by the Company in HSBC (RR) (Limited Liability Company). The reduction in forecasted cash flows, together with changes to growth and discount rates has resulted in a lower Value in use for the investment compared to carrying value. Consequently, an impairment of £6,051k was raised in the year which is included within the total impairment charge shown in the income statement.

Uncertainty in respect of future cash flows is expected to continue as a result of the COVID-19 event. Sensitivity analysis in respect of changes in the key factors for determining the valuation at 31 December 2019 are detailed in Note 10 on the financial statements. However, it is considered that there has been no significant impact noted up to the date of signing the financial statements. The Company's other investments remain well capitalised and there is sufficient headroom to withstand any further extreme downside economic scenario.

Whilst uncertain, management of the Company do not consider that the impact of the COVID-19 pandemic will have a material adverse effect on the Company's financial condition or liquidity. Accordingly, the Directors consider it appropriate that the Company adopts the going concern basis of accounting in the preparation of the financial statements.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

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

17 Proposed appropriation of result

Management proposes to carry forward within retained earnings the result for the year 2019.

London,

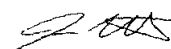
Board of Directors



C P Davies



P J Reid



J Fleurant

HSBC Europe B.V.

Other information

Statutory rules as to appropriate profits

According to Article 22 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders.

Report of the independent auditors

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



Independent auditor's report

To: the general meeting of HSBC Europe B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of HSBC Europe B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, 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 2019 of HSBC Europe B.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the following statements for 2019: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

We are independent of HSBC Europe B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

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

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



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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.

Eindhoven, 26 June 2020
PricewaterhouseCoopers Accountants N.V.

Yvette van Boekel

Y.H.C. van Boekel RA



Appendix to our auditor's report on the financial statements 2019 of HSBC Europe 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 audit consisted, among other things of the following:

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

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