

HSBC International Financial Services (UK) Limited

Financial Statements
31 December 2011

Registered No 980554

PARTNERSHIP WITH: LP7183 HSBC CAPITAL FUNDING 1(UK) LIMITED
PARTNERSHIP

FRIDAY



A1CKY9E0

A40

06/07/2012

#146

COMPANIES HOUSE

Financial Statements

31 December 2011

Contents

Directors' report	2
Independent auditor's report to the members of HSBC International Financial Services (UK) Limited	4
Income statement	5
Statement of comprehensive income	5
Statement of financial position	6
Statement of cash flows	7
Statement of changes in equity	8
Notes on the financial statements	9

Directors' report for the year ended 31 December 2011

Principal activities

The Company continued in the roles of General Partner and Director of the HSBC Capital Funding 1 (UK) Limited Partnership. This Partnership was established to hold 7.75% Subordinated Notes due 2040 and Floating Rate Subordinated Loan due 2017 issued by HSBC Bank Plc's Paris Branch.

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 6 of the financial statements.

Performance

The Company did not trade during the year under review and made neither a profit nor a loss during the year under review.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: Nil). Dividend payments will be reflected in the financial statements in the period in which they are declared.

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.

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
D J Clements		28 Nov 2011
A J Huke		28 Nov 2011
P J Reid	03 Feb 2011	
P A Alvey	28 Nov 2011	
R K Gopaul	28 Nov 2011	
B A Fletcher	03 Feb 2011	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

During the year, the Company only received goods and services from group undertakings. Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

Capital management

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

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

**Directors' report for the year ended
31 December 2011 (continued)**

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Statement of Directors' responsibilities in respect of the Directors' report and financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs adopted by the EU.

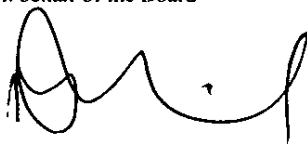
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board



P J Reid
Director

22 June 2012

Registered Office
8 Canada Square
London
E14 5HQ

Independent Auditor's Report to the Members of HSBC International Financial Services (UK) Limited

We have audited the financial statements of HSBC International Financial Services (UK) Limited for the year ended 31 December 2011 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

One Snowhill,
Snow Hill Queensway
Birmingham, B4 6GJ

Date 22 June 2012

Financial Statements

Income statement for the year ended 31 December 2011

During the financial year and the preceding financial year, the Company did not trade, has received no income and incurred no expense, and consequently has made neither a profit nor a loss

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

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2011

There has been no comprehensive income or expense for the year ended 31 December 2011 or the preceding financial year

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

Financial Statements (continued)**Statement of financial position as at 31 December 2011**

	<i>Notes</i>	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Investments	7	1	1
Current assets			
Receivables	4	277,320	277,320
Total assets		<u>277,321</u>	<u>277,321</u>
LIABILITIES AND EQUITY			
Equity			
Called up share capital	5	164,127	164,127
Share premium account		113,076	113,076
Retained earnings		118	118
Total equity and liabilities		<u>277,321</u>	<u>277,321</u>

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 22 June 2012 and were signed on its behalf by



R k Gopaul
Director

Company Registered Number 980554

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2011

The Company is not required to prepare a statement of cash flows for the current or previous year as there were no movements in cash balances during these periods

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2011

	Called up share capital	Share premium	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000
Year Ended 31 December 2011				
At 1 January 2011 and 31 December 2011	164,127	113,076	118	277,321

	Called up share capital	Share premium	Retained earnings	Total shareholders equity
	£'000	£'000	£'000	£'000
Year Ended 31 December 2010				
At 1 January 2010 and 31 December 2010	164,127	113,076	118	277,321

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements
Shareholders' equity is wholly attributable to equity shareholders

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2011, there were no unendorsed standards effective for the year ended 31 December 2011 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2011 are prepared in accordance with IFRSs as issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

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

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

(b) Future accounting developments

At 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not effective for the Company's financial statements as at 31 December 2011. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

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

2 Summary of significant accounting policies

(a) General Information

HSBC International Financial Services (UK) Limited is a company domiciled and incorporated in England and Wales.

(b) Share capital

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

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

(c) Use of assumptions and estimates

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

There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

(d) Investments

Non-current assets are stated at cost less permanent diminution in value.

Notes on the Financial Statements (continued)**(e) Loans and receivables**

Loans and receivables include loans and receivables originated by the Company which are not classified either as trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impaired losses.

(f) Determination of fair value

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

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

3 Administrative income/(expenses)

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditor's remuneration borne on behalf of the Company amounted to £1,932 (2010: £1,932). The Company has no employees and hence no staff costs (2010: Nil). The Directors made no charge for their services (2010: Nil).

4 Receivables

	2011 £'000	2010 £'000
Amounts due from group undertakings	277,320	277,320

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

Notes on the Financial Statements (continued)**5 Share capital**

	A' Ordinary shares	B' Ordinary shares	C' Ordinary shares	Non-voting redeemable Preference shares	Total
	£'000	£'000	£'000	£'000	£'000
Authorised shares of £1 each					
At 31 December 2011 and 2010	8	2	49 990	200,000	250,000
	£'000	£'000	£'000	£'000	£'000
Issued, allotted and fully paid shares of £1 each					
At 31 December 2011 and 2010	8	2	46 117	118,000	164,127
	£'000	£'000	£'000	£'000	£'000
Number of issued, allotted and fully paid shares of £1 each	8	2	46,117	118,000	164,127

Dividends may be declared on 'A' and 'B' ordinary shares and on preference shares. No dividend may be paid on the 'C' ordinary shares.

On a winding up of the Company, the preference shareholders will be entitled to receive the assets available for distribution among the members in priority to any other class of shares, to repay both the capital paid on such shares and any dividends declared payable but remaining unpaid. Any remaining assets would be paid to the holders of 'A' and 'B' ordinary shares to repay up to the amount paid up on such shares, with any balance payable to the holders of 'C' ordinary shares.

There is no fixed date for redemption of the preference shares.

Only holders of 'A' and 'B' ordinary shares shall be entitled to vote at any general meeting of the Company.

6 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments: credit 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 arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

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

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

Notes on the Financial Statements (continued)**Credit risk management**

Maximum exposure to credit risk

	2011	2010
	£'000	£'000
Amounts due from parent undertakings	277,320	277,320

These balances are neither past due nor impaired

Liquidity risk management

Company has no exposure to liquidity risk, as there are no current or long term liabilities outstanding

7 Investment

£'000

At 1 January and 31 December 2011

1

The investment represents the interest in the HSBC Capital Funding 1 (UK) Limited Partnership. In the opinion of the Directors, the fair value of the investment is not less than the amount at which it is stated in the statement of financial position.

8 Related party transactions

The Company has a related party relationship with its parent, with other group undertakings and with its Directors. Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements.

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

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

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

9 Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010: Nil)

10 Subsequent events

There are no subsequent events requiring disclosure in the financial statements

HSBC Capital Funding 1 (UK) Limited Partnership

Financial Statements
31 December 2011

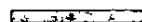
Registered No LP7183

11-2011-01

PARTNERSHIP WITH: 00980554 HSBC INTERNATIONAL FINANCIAL
SERVICES(UK) LIMITED

Financial Statements

31 December 2011



Contents

General Partner's report	2
Independent auditor's report to the members of HSBC Capital Funding 1 (UK) Limited Partnership	4
Income statement	5
Statement of comprehensive income	5
Statement of financial position	6
Statement of cash flows	7
Statement of changes in partners' funds	8
Notes on the financial statements	9

General Partner's report for the year ended 31 December 2011

The General Partner submits its report and the audited financial statements of HSBC Capital Funding I (UK) Limited Partnership ('the Limited Partnership') for the year ended 31 December 2011

Principal activities

The Limited Partnership continued in its business of holding subordinated debt with HSBC International Financial Services (UK) Limited, a subsidiary of HSBC Bank plc, as General Partner, and HSBC Finance (Netherlands), another subsidiary undertaking of HSBC Holdings plc, as Limited Partner

Risk management

The financial risk management objectives and policies of the Limited Partnership, together with an analysis of the exposure to such risks are set out in note 6 of the financial statements

Results and distributions

The results of the Limited Partnership for the year under review are as detailed in the income statement shown in these accounts. A distribution has been accrued of € 92,912,766 in respect of the year ended 31 December 2011 (2010: €89,813,356)

General Partner

HSBC International Financial Services (UK) Limited is the General Partner of the Limited Partnership, appointed 24 October 2000

Going concern basis

The financial statements are prepared on a going concern basis, as the Partners are satisfied that the Limited Partnership has the resources to continue in business for the foreseeable future. In making this assessment, the Partners have considered a wide range of information relating to present and future conditions

Supplier payment policy

The Limited Partnership does not currently subscribe to any code or standard on payment practice. It is the Limited Partnership's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment

During the year, the Limited Partnership only received goods and services from group undertakings. Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable

Capital management

The Limited Partnership 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 Limited Partnership defines capital as total partners' funds. 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 Limited Partnership's approach to capital management during the year

Disclosure of information to auditor

Each person who is a Director of the General Partner at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Limited Partnership's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Limited Partnership's auditor is aware of that information. This confirmation is given pursuant to section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

**General Partner's report for the year ended
31 December 2011 (continued)**

15-1-11-11-11

Statement of General Partner's responsibilities in relation to financial statements

The General Partner is responsible for preparing the General Partner's Report and the partnership financial statements in accordance with applicable law and regulations

The Partnerships (Accounts) Regulations 2008 require the members to prepare partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the members have elected to prepare the partnership financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period.

In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Limited Partnership and enable them to ensure the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Limited Partnership and to prevent and detect fraud and other irregularities.

Signed on behalf of



HSBC International Financial Services (UK) Limited
General Partner

Registered Office
8 Canada Square
London
E14 5HQ

Date 22 June 2012

Independent Auditor's report to the members of HSBC Capital Funding 1 (UK) Limited Partnership

We have audited the financial statements of HSBC Capital Funding 1 (UK) Limited Partnership for the year ended 31 December 2011 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditor

As explained more fully in the General Partner's Responsibilities Statement, set out on page 3, the partners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements


In our opinion the financial statements

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2011 and of its result for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

One Snowhill,
Snow Hill Queensway
Birmingham,
B4 6GH

Date *22 June 2012*

Financial Statements

Income statement for the year ended 31 December 2011

	<i>Notes</i>	2011 € '000	2010 € '000
Interest receivable		92,913	89,813
Distribution to Limited Partners		(92,913)	(89,813)
Result before tax	3	-	-
Tax expense		-	-
Result for the year		-	-

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

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2011

There has been no comprehensive income or expense other than the profit for the year as shown above (2010 Nil)

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Financial Statements (continued)**Statement of financial position as at 31 December 2011**

	<i>Notes</i>	2011 € '000	2010 € '000
ASSETS			
Non-current assets			
Investments	4	1,900,000	1 900,000
Current assets			
Cash and cash equivalents held at parent undertakings		2	2
Interest receivable		16,644	15,727
Total assets		<u>1,916,646</u>	<u>1,915,729</u>
LIABILITIES AND EQUITY			
Current liabilities			
Other financial liabilities-distribution payable		16,644	15,727
Non-current liabilities			
Limited Partner capital accounts	5	<u>1,900,001</u>	<u>1,900,001</u>
Total liabilities		<u>1,916,645</u>	<u>1,915 728</u>
Equity			
General Partner capital accounts		<u>1</u>	<u>1</u>
Total equity and liabilities		<u>1,916,646</u>	<u>1,915 729</u>

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

These financial statements were approved by the Board of the General Partner on 22 June 2012 and were signed on its behalf by



R K Gopaul
HSBC International Financial Services (UK) Limited
General Partner

Company Registered Number LP7183

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2011

	2011 € '000	2010 € '000
Cash flows from operating activities		
Profit before tax	-	-
Adjustments for		
– Interest income	92,913	89 813
– Accrued distributions	(92,913)	(89 813)
Net cash generated from operating activities	-	-
Cash flows from financing activities		
Distribution paid to partners	(91,996)	(89 321)
Cash received from other group undertaking	91,996	89,321
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	2	2
Cash and cash equivalents carried forward	2	2

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Financial Statements (continued)

Statement of changes in Partners' Funds for the year ended 31 December 2011

	Partnership capital € '000	Total Partners' equity € '000
Year Ended 31 December 2011		
At 1 January 2011 and 31 December 2011	1,900,002	1,900,002

	Partnership capital € '000	Total Partners' equity € '000
Year Ended 31 December 2010		
At 1 January 2010 and 31 December 2010	1,900,002	1,900,002

The accounting policies and notes on pages 9 to 13 form an integral part of these financial statements

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements are presented in euros, being the functional currency of the Limited Partnership, and have been prepared on the historical cost basis

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2011, there were no unendorsed standards effective for the year ended 31 December 2011 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Limited Partnership's financial statements for the year ended 31 December 2011 are prepared in accordance with IFRSs as issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

During the year the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the results of the net assets of the Limited Partnership when adopted.

(b) Future accounting developments

At 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Limited Partnership's financial statements as at 31 December 2011. None of these are expected to have a significant effect on the results or net assets of the Limited Partnership's when adopted.

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

The Limited Partnership's financial statements for the year ended 31 December 2011 are prepared in accordance with UKSI 2008 number 569, the partnership's (Accounts) Regulations 2008.

2 Summary of significant accounting policies

(a) General information

HSBC Capital Funding 1 (UK) Limited Partnership is a partnership domiciled in England and Wales.

(b) Interest income and expense

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

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

(c) Functional currency

The functional currency of the Limited Partnership's operations is the Euro and the financial statements are presented in Euros. Assets or liabilities denominated in other currencies are translated at the year-end rate.

Notes on the Financial Statements (continued)

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

(d) Financial assets and liabilities

(i) Financial liabilities

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Limited Partnership becomes party to the contractual provisions of the instrument. The Limited Partnership derecognises the financial liability when the Limited Partnership'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.

(ii) Cash and cash equivalents

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

(e) Use of assumptions and estimates

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

There are no accounting policies that are deemed critical to the partnership's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

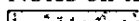
(f) Debt securities

Debt securities intended to be held on a continuing basis are classified as investments. Investments are classified as loans and receivables and are held at amortised cost using the effective interest method less any permanent diminution in value if appropriate.

(g) Taxation

All taxation relating to the Limited Partnership is disclosed in the accounts of the Partners.

Notes on the Financial Statements (continued)



3 Result for the year

Auditor's remuneration for audit of these financial statements was £3 563 (2010 £3,563) and was borne by a parent undertaking on behalf of the Limited Partnership. The General Partner made no charge for its services (2010 Nil).

4 Investments

	2011 € '000	2010 € '000
Debt securities		
At 1 January 2011 and 31 December 2011	<u>1,900,000</u>	<u>1 900 000</u>

This amount represents investments of

i) €900 million in 7.75% Subordinated Notes due 2040, issued by HSBC Bank plc's Paris branch. The Subordinated Notes may be redeemed at the option of HSBC Bank plc's Paris branch on the interest payment date in October 2012, or any interest payment date thereafter, subject to the prior consent of the Financial Services Authority. The fair value amounts to €1,844,949,634 (2010 €1,568,543,914).

ii) €1,000 million in a Floating Rate Subordinated Loan due 2017, assigned to the Limited Partnership by the Limited Partner and issued by HSBC Bank plc's Paris branch. The Subordinated Loan may be redeemed at the option of HSBC Bank plc's Paris branch on the interest payment date in October 2012, or any interest payment date thereafter, subject to the prior consent of the Financial Services Authority. The fair value is equal to the book value of the loan. On 16 October 2007, the terms of this loan were amended to change the option date and the maturity date to October 2012 and October 2017 respectively, with the floating rate of interest charged at a current market rate.

The fair value of amounts owed by other group undertakings is €2,844,949,634 (2010 €2,568,543,914).

The fair value is calculated by discounting future cash flows using equivalent current interest rates.

5 Partnership Interests

The following information provides a summary of the main rights of the General Partner and the Limited Partner. It does not attempt to provide details of all circumstances, terms and conditions and reference should also be made to the detailed provisions contained within the Deed of Limited Partnership and the Limited Liability Partnerships Act 2000 and Regulations 2001.

a) Income distributions

The Limited Partner is entitled to receive income distributions on the distribution dates commencing 31 October 2001 which are calculated as

i) the lower of

a) the amount of interest received by the Limited Partnership in respect of the Floating Rate Subordinated Loan due 2017, and

b) the profit of the Limited Partnership available for that distribution period,

and

ii) the lower of

a) €69,750,000, and,

b) the profit of the Limited Partnership available for the distribution period less amounts paid under i).

There are limitations on the payment of the Limited Partner's profit share if HSBC Bank plc, an intermediate parent company of the Limited Partnership, is prohibited under United Kingdom banking regulations or other requirements from paying distributions on its Parity Obligations, or if HSBC Bank plc has insufficient distributable reserves.

Notes on the Financial Statements (continued)**b) Capital entitlement**

The Limited Partner is entitled to receive a capital payment on liquidation of the Limited Partnership. This payment will be made in cash out of the assets of the Limited Partnership following claims of all other creditors of the Limited Partnership, but before any distribution of assets is made to the General Partner.

c) Voting rights

The General Partner alone shall have the right to manage and control the business and affairs of the Limited Partnership. The Limited Partner shall not participate in or have any control over the Limited Partnership business or vote on matters relating to the Limited Partnership except in very limited circumstances.

6 Risk Management

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

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

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

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

As part of that process, the Business' management will review the monthly management accounts of the Business.

There were no changes in the Limited Partnership's approach to risk management during the year.

Credit risk management

Maximum exposure to credit risk

	2011 € '000	2010 € '000
Debt securities	1,900,000	1,900,000

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

Liquidity risk management

The Limited Partnership's assets are funded by capital investments from other group undertakings. The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the balance sheet date.

	Due after 5 years € '000	Total € '000
2011		
Limited Partner capital accounts	1,900,000	1,900,000
2010		
Limited Partner capital accounts	1,900,000	1,900,000

Notes on the Financial Statements (continued)

Foreign currency risk

The Limited Partnership is exposed to foreign currency risk on assets and liabilities that are denominated in a currency other than Euro. In respect of monetary assets and liabilities held in currencies other than British Pound Sterling, the Limited Partnership ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

7 Related party transactions

The Limited Partnership has a related party relationship with the Limited Partner, with other group undertakings and with the General Partner.

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements. The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Limited Partnership is a member is HSBC Holdings Plc, and the parent undertaking of the smallest such group is HSBC Bank Plc. The result of the Limited Partnership is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

HSBC International Financial Services (UK) Limited is the Limited Partnership's direct controlling party and HSBC Holdings plc is the Limited Partnership's ultimate controlling party.

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

HSBC Bank plc
8 Canada Square
London
E14 5HQ

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

8 Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010: Nil).

9 Subsequent events

There are no subsequent events requiring disclosure in the financial statements.